

CHAPTER 2: MASTER TEST BANK**DEVELOPING SUCCESSFUL MARKETING AND ORGANIZATIONAL STRATEGIES****Test Item Table by Major Section of the Chapter and Bloom's Level of Learning**

Major Section of the Chapter	Bloom's Level of Learning (LL)		
	Level 1 Knowledge (Knows Basic Terms & Facts)	Level 2 Comprehension (Understands Concepts & Principles)	Level 3 Application (Applies Principles)
Chapter Opener: Ben & Jerry's (pp. 24-25)		1, 2, 3, 4, 5, 6, 7, 8	
Today's Organizations (pp. 26-28)	9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 23, 24, 25, 26, 27, 29, 30, 38, 39, 46, 47, 48, 49, 51, 52, 56, 59, 60	21, 28, 31, 32, <u>33</u> , <u>34</u> , <u>35</u> , <u>36</u> , <u>37</u> , 40, 41, 42, 44, 45, 50, 53, 54, 57, 58, 61 301, <u>302</u>, 304	22, 43, 55, 62 303
Strategy in Visionary Organizations (pp. 28-34)	75, 76, 77, 81, 82, 84, 85, 86, 93, 94, 98, 99, 100, 103, 104, 110, 111, 112, 119, 120, 121, 135, 136, 137, 139, 140, 142, 150 316	63, 64, 65, 66, 67, <u>68</u> , <u>69</u> , <u>70</u> , 71, 72, 73, 74, 78, 79, 83, 87, 88, 89, 90, 92, 95, 97, 101, 102, 105, 106, 107, 108, 109, 113, 114, 115, 116, 117, 122, 125, 128, 131, 133, 134, 138, 141, <u>143</u> , <u>144</u> , <u>145</u> , <u>146</u> , <u>147</u> , 151 305, <u>306</u>, 308, 309, 310, <u>312</u>, <u>313</u>, 314	80, 91, 96, 118, 123, 124, 126, 127, 129, 130, 132, <u>148</u> , <u>149</u> 307, 311, 315
Setting Strategic Directions (pp. 34-38)	152, 153, 157, 158, 163, 164, 165, 166, 168, 169, 170, 171, 173, 174, 175, 178, 179, 182, 183, 185, 186, 202, 203, 205, 206, 210, 211, 214, 215, 217, 218	162, 167, 172, 176, 180, 184, 187, 188, <u>190</u> , <u>191</u> , <u>192</u> , <u>193</u> , 199, 200, 204, 207, 208, 212, <u>221</u> , <u>222</u> , <u>224</u> , <u>226</u> , <u>228</u> , <u>230</u> 317, 318, 319, <u>320</u>	154, 155, 156, 159, 160, 161, 177, 181, 189, 194, 195, 196, 197, 198, 201, 209, 213, 216, 219, 220, <u>223</u> , <u>225</u> , <u>227</u> , <u>229</u>
The Strategic Marketing Process (pp. 38-44)	231, 232, 233, 241, 242, 244, 245, 260, 261, 262, 264, 265, 266, 267, 268, 269, 270, 271, 272, 276, 277, 279, 280, 284, 285, 288, 290, 291	234, 235, 236, 237, 238, 239, 240, 246, 247, 248, <u>256</u> , <u>257</u> , <u>258</u> , <u>259</u> , 273, 274, 275, 278, 281, 282, 286, 289, 292, <u>293</u> , <u>294</u> 321, <u>322</u>, 323, 325, 327, 328, <u>329</u>, 330	243, 249, 250, 251, <u>252</u> , <u>253</u> , <u>254</u> , <u>255</u> , 263, 283, 287, <u>295</u> , 296 324, 326
Video Case 2: IBM (pp. 46-47)	297	298, 299, 300	

NOTE: **Bold** numbers indicate short essay questions. Underlined numbers indicate visually enhanced questions.

CHAPTER 2: MASTER TEST BANK

DEVELOPING SUCCESSFUL MARKETING AND ORGANIZATIONAL STRATEGIES

Test Item Table by Learning Objective and Bloom's Level of Learning

Learning Objective (LO)	Bloom's Level of Learning (LL)		
	Level 1 Knowledge (Knows Basic Terms & Facts)	Level 2 Comprehension (Understands Concepts & Principles)	Level 3 Application (Applies Principles)
LO1 Describe two kinds of organizations and the three levels of strategy in them. (pp. 26-28)	9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 23, 24, 25, 26, 27, 29, 30, 38, 39, 46, 47, 48, 49, 51, 52, 56, 59, 60, 297	21, 28, 31, 32, <u>33</u> , <u>34</u> , <u>35</u> , <u>36</u> , <u>37</u> , 40, 41, 42, 44, 45, 50, 53, 54, 57, 58, 61 301, <u>302</u>, 304, 305	22, 43, 55, 62 303
LO2 Describe how core values, mission, organizational culture, business, and goals are important to organizations. (pp. 28-31)	75, 76, 77, 81, 82, 84, 85, 86, 93, 94, 98, 99, 100, 103, 104, 110, 111, 112, 119, 120, 121	1, 2, 3, 4, 5, 6, 7, 8, 63, 64, 65, 66, 67, <u>68</u> , <u>69</u> , <u>70</u> , 71, 72, 73, 74, 78, 79, 83, 87, 88, 89, 90, 92, 95, 97, 101, 102, 105, 106, 107, 108, 109, 113, 114, 115, 116, 117, 122, 125, 128, 131, 133, 134 <u>306</u>, 308, 309, 310, <u>312</u>, <u>313</u>, 314	80, 91, 96, 118, 123, 124, 126, 127, 129, 130, 132 307, 311, 315
LO3 Explain why managers use marketing dashboards and metrics. (pp. 32-34)	135, 136, 137, 139, 140, 142, 150 316	138, 141, <u>143</u> , <u>144</u> , <u>145</u> , <u>146</u> , <u>147</u> , 151	<u>148</u> , <u>149</u>
LO4 Discuss how an organization assesses where it is now and seeks to be. (pp. 34-38)	152, 153, 157, 158, 163, 164, 165, 166, 168, 169, 170, 171, 173, 174, 175, 178, 179, 182, 183, 185, 186, 202, 203, 205, 206, 210, 211, 214, 215, 217, 218	162, 167, 172, 176, 180, 184, 187, 188, <u>190</u> , <u>191</u> , <u>192</u> , <u>193</u> , 196, 199, 200, 204, 207, 208, 212, <u>221</u> , <u>222</u> , <u>224</u> , <u>226</u> , <u>228</u> , <u>230</u> , 298 317, 318, 319, <u>320</u>	154, 155, 156, 159, 160, 161, 177, 181, 189, 194, 195, 197, 198, 201, 209, 213, 216, 219, 220, <u>223</u> , <u>225</u> , <u>227</u> , <u>229</u>
LO5 Explain the three steps of the planning phase of the strategic marketing process. (pp. 38-41)	231, 232, 233, 241, 242, 244, 245, 260, 261, 262, 264, 265, 266, 267, 268, 269, 270, 271, 272	234, 235, 236, 237, 238, 239, 240, 246, 247, 248, <u>256</u> , <u>257</u> , <u>258</u> , <u>259</u> , 273, 274, 275, 299 321, <u>322</u>, 323, 325	243, 249, 250, 251, <u>252</u> , <u>253</u> , <u>254</u> , <u>255</u> , 263 324, 326
LO6 Describe the elements of the implementation and evaluation phases of the strategic marketing process. (pp. 41-44)	276, 277, 279, 280, 284, 285, 288, 290, 291	278, 281, 282, 286, 289, 292, <u>293</u> , <u>294</u> , 300 327, 328, 329, 330	283, 287, <u>295</u> , 296

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CHAPTER 2: MASTER TEST BANK

DEVELOPING SUCCESSFUL MARKETING AND ORGANIZATIONAL STRATEGIES

MULTIPLE CHOICE QUESTIONS

2-1 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

Ben & Jerry's is founded on and dedicated to a sustainable corporate concept of linked prosperity. Its mission consists of three interrelated parts: Ben & Jerry's product mission is to make, distribute, and sell the finest quality all natural ice cream and euphoric concoctions with

- a. milk obtained exclusively from large nationally certified bovine growth hormone dairies.
- b. the intent of making modest profits without sacrificing high product quality standards.
- c. ingredients that are all completely organic and are available only in Vermont to ensure freshness.
- d. a commitment to incorporating wholesome, natural ingredients and promoting business practices that respect the earth and the environment.
- e. ingredients that come exclusively from developed countries promoting Fair Trade practices.

Answer: d **Page(s):** 24-25 **LO: 2** **AACSB: Analytic** **QD: Medium**

Rationale: Ben & Jerry's product mission is to make, distribute, and sell the finest quality all natural ice cream and euphoric concoctions with a continued commitment to incorporating wholesome, natural ingredients and promoting business practices that respect the Earth and the Environment.

2-2 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

Ben & Jerry's is founded on and dedicated to a sustainable corporate concept of linked prosperity. Its mission consists of three interrelated parts: Ben & Jerry's social mission is to operate the Company in a way that actively recognizes the central role that business plays in society by

- a. promoting the quality concept through its commitment to making the finest ice cream.
- b. giving its stakeholders the greatest possible input into company marketing decisions.
- c. generating enough revenue to be a completely nonprofit organization.
- d. donating 10% of its net profits to local charitable causes and an additional 5% to support producers that practice sustainable farming.
- e. initiating innovative ways to improve the quality of life locally, nationally and internationally.

Answer: e **Page(s):** 24-25 **LO: 2** **AACSB: Analytic** **QD: Medium**

Rationale: Ben & Jerry's social mission is to operate the Company in a way that actively recognizes the central role that business plays in society by initiating innovative ways to improve the quality of life locally, nationally and internationally.

2-3 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

Ben & Jerry's is founded on and dedicated to a sustainable corporate concept of linked prosperity. Its mission consists of three interrelated parts: Ben & Jerry's economic mission is to operate the Company

- a. with the goal of generating enough revenue to be a completely nonprofit organization.

- b. on a sustainable financial basis of profitable growth, increasing value for our stakeholders and expanding opportunities for development and career growth for our employees.
- c. with the goal of making profits for selected charitable organizations such as Fair Trade.
- d. with the goal of increasing market share not only in ice cream sales but also in its retail clothing and accessories merchandise lines.
- e. with the goal of expanding into international markets by developing sustainable dairies for developing nations.

Answer: b **Page(s):** 24-25 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Ben & Jerry's economic mission is to operate the Company on a sustainable financial basis of profitable growth, increasing value for our stakeholders and expanding opportunities for development and career growth for our employees.

2-4 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

In keeping with its business mission, Ben & Jerry's

- a. created a children's TV program with cat and mouse cartoon characters "Ben" and "Jerry" to teach about the importance of good nutrition and Fair Trade sustainable business practices.
- b. offered to buy out any failing family-owned ice cream parlor and turn it into a ScoopShop franchise.
- c. invested in research to create genetically engineered cows that will produce more hypoallergenic milk.
- d. committed to buying its milk and cream from one dairy cooperative whose members guarantee the supplies are bovine growth hormone free.
- e. donated free ice cream coupons to all children who get good grades in school.

Answer: d **Page(s):** 24-25 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Ben & Jerry's buys its milk and cream from one dairy cooperative whose members guarantee the supplies are bovine growth hormone free.

2-5 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

In keeping with its business mission, Ben & Jerry's

- a. opened new franchises exclusively in pre-built structures in order to save natural resources.
- b. invested in research to create genetically engineered cows that will produce more hypoallergenic milk.
- c. believed that "people should get their fair share of the pie" and as a result practices Fair Trade-certified sourcing.
- d. limited its advertising to online media to save the rainforests from deforestation.
- e. packaged its next line of bulk ice cream in glass containers that not only keep the ice cream colder but are recyclable as well.

Answer: c **Page(s):** 24-25 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Ben & Jerry's believed that "people should get their fair share of the pie" and as a result practice Fair Trade-certified sourcing.

2-6 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

In keeping with its business mission, Ben & Jerry's has

- a. created a children's TV program with cat and mouse cartoon characters "Ben" and "Jerry" to teach them about the importance of good nutrition and Fair Trade sustainable business practices.
- b. offered to buy out any failing family-owned ice cream parlor and turn it into a ScoopShop franchise.
- c. invested in research to create genetically engineered cows that will produce more hypoallergenic milk.
- d. donated free ice cream coupons to all children who get good grades in school.
- e. created "Goodbye Yellow Brick Road" ice cream in partnership with Sir Elton John to help his worldwide AIDS Foundation.

Answer: e **Page(s):** 24-25 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: The limited edition "Goodbye Yellow Brick Road" ice cream is a partnership with Sir Elton John to help his worldwide AIDS Foundation. The name is a play on one of his most popular song titles. The flavor is "an outrageous symphony of decadent chocolate ice cream, peanut butter cookie dough, butter brickle, and white chocolate chunks."

2-7 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

In keeping with its business mission, Ben & Jerry's has

- a. opened new ScoopShop franchises in preexisting, eco-friendly structures in order to save natural resources.
- b. created social entrepreneurship programs to help nonprofit organizations give jobs to at-risk youth.
- c. invested in research to create genetically engineered cows that will produce more hypoallergenic milk.
- d. limited its advertising to nonprint media.
- e. packaged its next line of bulk ice cream in glass containers that not only keep the ice cream colder, but are recyclable as well.

Answer: b **Page(s):** 24-25 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Ben & Jerry's created PartnerShops, a social entrepreneurship program to enable community-based nonprofit organizations to own and operate ScoopShops that help employ at-risk youth and young adults to better their lives.

2-8 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

Which of the following statements regarding Ben & Jerry's is most accurate?

- a. Ben & Jerry's is owned by Unilever, the market leader in the global ice cream industry.
- b. Ben & Jerry's is a privately owned ice cream producer.
- c. Ben & Jerry's prides itself on offering more ice cream flavors than its competitors.
- d. Ben and Jerry are not real people; the names were a clever reference to Tom and Jerry cartoon characters in order to capitalize on childhood nostalgia.
- e. Ben & Jerry's has only been in business for twenty years and is already the industry leader in premium ice cream.

Answer: a **Page(s):** 24-25 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Today, Ben & Jerry's is owned by Unilever, which is the market leader in the global ice cream industry—one that is expected to reach \$68 billion by 2015.

2-9 ORGANIZATIONS

KNOWLEDGE

A(n) _____ is a legal entity of people who share a common mission.

- a. department
- b. organization
- c. SBU
- d. industry
- e. market segment

Answer: b **Page(s):** 26

LO: 1

AACSB: Analytic

QD: Easy

Rationale: Text term definition—organization.

2-10 ORGANIZATIONS

KNOWLEDGE

In marketing, an organization refers to

- a. a legal entity of people who share a common mission.
- b. a group of people united through contractual or corporate ownership.
- c. a legal entity engaged in business activities solely with the intent of making a profit.
- d. a legal entity engaged in business activities solely with the intent of serving its employees without the intent of making a profit.
- e. a privately owned entity that serves its customers to earn a profit so that it can survive.

Answer: a **Page(s):** 26

LO: 1

AACSB: Analytic

QD: Easy

Rationale: Text term definition—organization.

2-11 ORGANIZATIONS

KNOWLEDGE

Today's organizations can be divided into two groups, which are

- a. companies and cooperatives.
- b. business firms and offerings.
- c. business firms and nonprofit organizations.
- d. employees and customers.
- e. public and private.

Answer: c **Page(s):** 26

LO: 1

AACSB: Analytic

QD: Easy

Rationale: Today's organizations can be divided into two groups, which are business firms and nonprofit organizations.

2-12 OFFERINGS

KNOWLEDGE

A(n) _____ is a product, service, or idea that creates value for both the organization and its customers by satisfying their needs and wants.

- a. organization
- b. business firm
- c. firm
- d. offering
- e. industry

Answer: d **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—offerings.

2-13 OFFERINGS

KNOWLEDGE

In marketing, an offering refers to

- a. the formal designation of a publicly-traded stock for a specific product, service or idea.
- b. a thing of value between buyer and seller so that each is better off after an exchange between them.
- c. a product, service, or idea that creates value for both the organization and its customers by satisfying customer needs and wants.
- d. the manufacturer's suggested retail price of a product or service to the general public or the wholesale price to distributors and retailers.
- e. the service suppliers and distributors provide to help manufacturers bring a product to market.

Answer: c **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—offerings.

2-14 BUSINESS FIRMS

KNOWLEDGE

A(n) _____ is a privately owned organization that serves its customers to earn a profit so that it can survive.

- a. agency
- b. business firm
- c. institution
- d. nonprofit organization
- e. entity

Answer: b **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—business firm.

2-15 BUSINESS FIRMS

KNOWLEDGE

A business firm refers to

- a. a subsidiary, division, or unit of an organization that markets a set of related offerings to a clearly defined group of customers.
- b. a legal entity engaged in business activities solely with the intent of serving its employees without the intent of making a profit.
- c. a privately owned organization that serves its customers to earn a profit so that it can survive.
- d. a group of people united through contractual or corporate ownership.
- e. a publicly owned organization that serves the general population.

Answer: c **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—business firm.

2-16 PROFIT

KNOWLEDGE

The reward to a business firm for the risk it undertakes in marketing its offerings is referred to as

- a. shareholders' equity.
- b. profit.
- c. assets.
- d. contribution margin.
- e. goodwill.

Answer: b **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—profit.

2-17 PROFIT

KNOWLEDGE

Profit refers to

- a. the point at which a company's assets equal its liabilities plus shareholder equity.
- b. the difference between the list and final price of a product or service.
- c. the money earned when the economic order quantity is minimized.
- d. the money left over after a business firm's total expenses are subtracted from its total revenues.
- e. the total amount of revenue accrued through product sales or service distribution.

Answer: d **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—profit.

2-18 NONPROFIT ORGANIZATIONS

KNOWLEDGE

A nonprofit organization is

- a. a nongovernmental organization that serves its customers but does not have profit as an organizational goal.
- b. a legal entity engaged in business activities solely with the intent of serving its employees without the intent of making a profit.
- c. a publicly owned organization that serves the general population.
- d. a group of people united through contractual or corporate ownership.
- e. a privately owned organization that serves its customers to earn a profit so that it can survive.

Answer: a **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—nonprofit organization.

2-19 NONPROFIT ORGANIZATIONS

KNOWLEDGE

A _____ is a nongovernmental organization that serves its customers but does not have profit as an organizational goal.

- a. business firm
- b. subchapter S corporation
- c. nonprofit agency
- d. nonprofit organization
- e. cooperative

Answer: d **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—nonprofit organization.

2-20 NONPROFIT ORGANIZATIONS**KNOWLEDGE**

A nongovernmental organization that serves its customers but does not have profit as an organizational goal is referred to as a

- a. business firm.
- b. nonprofit organization.
- c. subchapter S corporation.
- d. cooperative.
- e. social service agency.

Answer: b

Page(s): 26

LO: 1

AACSB: Analytic

QD: Easy

Rationale: Text term definition—nonprofit organization.

2-21 NONPROFIT ORGANIZATIONS**COMPREHENSION**

Which statement best describes the most significant difference between a business firm and a nonprofit organization?

- a. Business firms operate with larger budgets than nonprofits.
- b. Nonprofit organizations do not carry on economic activities while business firms do.
- c. Nonprofit organizations are concerned with social issues and business firms are not.
- d. Both serve customers, but business firms seek a profit while nonprofit organizations do not.
- e. Nonprofit organizations are publicly owned and business firms are privately owned.

Answer: d

Page(s): 26

LO: 1

AACSB: Analytic

QD: Medium

Rationale: A business firm is a privately owned organization that serves its customers in order to earn a profit so that it can survive. A nonprofit organization is a nongovernmental organization that serves its customers but does not have profit as an organizational goal.

2-22 NONPROFIT ORGANIZATIONS**APPLICATION**

An example of a nonprofit organization is

- a. the Food and Drug Administration.
- b. CVS Pharmacies.
- c. the University of Kentucky School of Medicine.
- d. the manufacturer of Bayer Aspirin.
- e. the American Red Cross.

Answer: e

Page(s): 26

LO: 1

AACSB: Analytic

QD: Hard

Rationale: Only the American Red Cross is a nongovernmental organization that serves its customers but does not have profit as an organizational goal.

2-23 MAKING RESPONSIBLE DECISIONS**KNOWLEDGE**

_____ applies innovative approaches to organize, create, and manage a venture to solve the practical needs of society.

- a. Corporate welfare
- b. Social entrepreneurship
- c. Sustainable development

- d. Cause marketing
- e. Societal capitalism

Answer: b **Page(s):** 27 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—social entrepreneurship.

2-24 MAKING RESPONSIBLE DECISIONS **KNOWLEDGE**

Social entrepreneurs are usually structured as _____.

- a. business firms
- b. subchapter S corporations
- c. nonprofit organizations
- d. governmental agencies
- e. 501 (c) 3 for profit organizations

Answer: c **Page(s):** 27 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Social entrepreneurs are usually structured as nonprofit organizations.

2-25 ORGANIZATIONAL TERMS **KNOWLEDGE**

According to the textbook, all of the following terms can be used interchangeably to refer to entities that engage in business and nonprofit operations **EXCEPT**:

- a. an organization.
- b. a company.
- c. a firm.
- d. a corporation.
- e. an enterprise.

Answer: e **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—industry.

2-26 INDUSTRY **KNOWLEDGE**

Organizations that develop similar offerings, when grouped together, create a(n)

- a. conglomerate.
- b. merger.
- c. industry.
- d. sector.
- e. monopoly.

Answer: c **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—industry.

2-27 INDUSTRY **KNOWLEDGE**

An industry refers to

- a. organizations that develop similar offerings.
- b. organizations who manufacture identical products to meet ISO 9000 specifications.

- c. companies that are active in the production of materials that are used in finished products.
- d. a group of people or firms united through strategic alliances.
- e. the economic activity concerned with the selling of finished products to wholesalers and retailers.

Answer: a **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—industry.

2-28 INDUSTRY

COMPREHENSION

Which of the following is **NOT** an example of an industry?

- a. the computer industry
- b. the automobile industry
- c. the railroad industry
- d. the government industry
- e. the publishing industry

Answer: d **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Medium
Rationale: The government is not an industry.

2-29 STRATEGY

KNOWLEDGE

The term used to identify an organization's long-term course of action designed to deliver a unique customer experience while achieving its goals is referred to as a _____.

- a. marketing strategy
- b. policy
- c. strategy
- d. plan
- e. tactic

Answer: c **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—strategy. Alternative “a” is incorrect because marketing strategy is the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it. Strategy applies to long-term organization goals and actions.

2-30 STRATEGY

KNOWLEDGE

Strategy refers to

- a. an organization's long-term course of action designed to deliver a unique customer experience while achieving its goals.
- b. an organization's corporate tactical or action plan.
- c. statements of an accomplishment of a task to be achieved by a certain time.
- d. a statement of the organization's function in society, often identifying its customers, markets, product, and technologies.
- e. a road map for the entire organization for a specified future period of time, such as one or five years.

Answer: a **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—strategy.

2-31 STRATEGY

COMPREHENSION

Which of the following statements about strategy is most accurate?

- a. An organization can be all things to all people because it has access to all the resources it needs to discover and satisfy the needs and wants of its target markets.
- b. The marketing department helps to both set an organization's direction and move it there.
- c. The American Marketing Association (AMA) recently has established the definition of strategy.
- d. Strategy is an organization's short-term course of action designed to deliver a broad customer experience while achieving its goals.
- e. Only start-up organizations must develop strategies to help them (1) raise capital and (2) focus and direct their efforts to accomplish their goals.

Answer: b **Page(s):** 26 **LO:** 1 **AACSB:** Analytic **QD:** Medium

Rationale: An organization's marketing department helps to set its strategic direction and also move it there.

2-32 STRUCTURE OF TODAY'S ORGANIZATIONS

COMPREHENSION

Large organizations are extremely complex. They usually consist of _____ organizational levels whose strategies are linked to marketing.

- a. three
- b. five
- c. ten
- d. fifteen
- e. twenty to thirty

Answer: a **Page(s):** 26-28 **LO:** 1 **AACSB:** Analytic **QD:** Medium

Rationale: Large organizations are extremely complex. They usually consist of three organizational levels whose strategies are linked to marketing. These levels are the corporate-level strategy, business unit-level strategy, and functional-level strategy. See Figure 2-1 in the textbook.

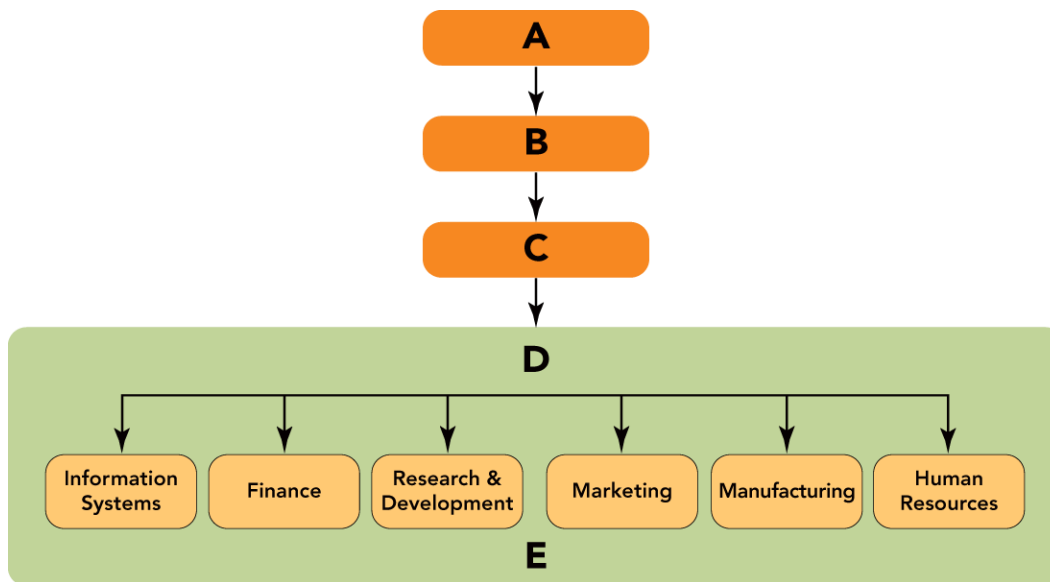


Figure 2-1

2-33 STRUCTURE OF TODAY'S ORGANIZATIONS

COMPREHENSION

In Figure 2-1 above, "A" represents the

- functional level.
- board of directors.
- corporate level.
- CEO.
- strategic business unit level.

Answer: b **Page(s):** 26-28 **LO:** 1 **AACSB:** Analytic **QD:** Medium

Rationale: Large organizations usually consist of three organizational levels whose strategies are linked to marketing. The board of directors ("A") oversees the three levels of strategy: corporate ("B"), business unit ("C"), and functional ("D") that comprises the individual departments (marketing, finance, etc. or "E") in organizations. See Figure 2-1 in the textbook.

2-34 STRUCTURE OF TODAY'S ORGANIZATIONS

COMPREHENSION

In Figure 2-1 above, "B" represents the

- functional level.
- board of directors.
- corporate level.
- department level.
- strategic business unit level.

Answer: c **Page(s):** 26-28 **LO:** 1 **AACSB:** Analytic **QD:** Medium

Rationale: Large organizations usually consist of three organizational levels whose strategies are linked to marketing. The board of directors ("A") oversees the three levels of strategy: corporate ("B"), business unit ("C"), and functional ("D") that comprises the individual departments (marketing, finance, etc. or "E") in organizations. See Figure 2-1 in the textbook.

2-35 STRUCTURE OF TODAY'S ORGANIZATIONS**COMPREHENSION**

In Figure 2-1 above, "C" represents the

- a. strategic business unit level.
- b. board of directors.
- c. corporate level.
- d. functional level.
- e. CMO.

Answer: a **Page(s):** 26-28 **LO: 1** **AACSB: Analytic** **QD: Medium**

Rationale: Large organizations usually consist of three organizational levels whose strategies are linked to marketing. The board of directors ("A") oversees the three levels of strategy: corporate ("B"), business unit ("C"), and functional ("D") that comprises the individual departments (marketing, finance, etc. or "E") in organizations. See Figure 2-1 in the textbook.

2-36 STRUCTURE OF TODAY'S ORGANIZATIONS**COMPREHENSION**

In Figure 2-1 above, "D" represents the

- a. strategic business unit level.
- b. functional level.
- c. corporate level.
- d. board of directors.
- e. CMO.

Answer: b **Page(s):** 26-28 **LO: 1** **AACSB: Analytic** **QD: Medium**

Rationale: Large organizations usually consist of three organizational levels whose strategies are linked to marketing. The board of directors ("A") oversees the three levels of strategy: corporate ("B"), business unit ("C"), and functional ("D") that comprises the individual departments (marketing, finance, etc. or "E") in organizations. See Figure 2-1 in the textbook.

2-37 STRUCTURE OF TODAY'S ORGANIZATIONS**COMPREHENSION**

In Figure 2-1 above, "E" represents

- a. board of directors.
- b. corporate level.
- c. departments.
- d. functional level.
- e. strategic business unit level.

Answer: c **Page(s):** 26-28 **LO: 1** **AACSB: Analytic** **QD: Medium**

Rationale: Large organizations usually consist of three organizational levels whose strategies are linked to marketing. The board of directors ("A") oversees the three levels of strategy: corporate ("B"), business unit ("C"), and functional ("D") that comprises the individual departments (marketing, finance, etc. or "E") in organizations. See Figure 2-1 in the textbook.

2-38 CORPORATE LEVEL**KNOWLEDGE**

The level in an organization where top management directs overall strategy for the entire organization is referred to as the

- a. corporate level.
- b. functional level.
- c. CMO level.
- d. strategic level.
- e. tactical level.

Answer: a **Page(s):** 26-28 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—corporate level.

2-39 CORPORATE LEVEL

KNOWLEDGE

The corporate level refers to the level in an organization where top management

- a. develops marketing strategies and tactics for the marketing department to implement.
- b. directs overall strategy for the entire organization.
- c. executes all marketing program actions to ensure consistency of performance.
- d. develops overall sales projections not only for the short term but also for a period of at least two to five years.
- e. supervises the hiring, firing, and training of all marketing department personnel.

Answer: b **Page(s):** 26-28 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—corporate level.

2-40 CORPORATE LEVEL

COMPREHENSION

The corporate level in an organization is where

- a. the department heads direct overall strategy for the entire organization.
- b. groups of specialists actually create value for the organization.
- c. a small number of people from different departments are mutually accountable to accomplish a task or a common set of performance goals.
- d. a subsidiary, division, or unit of an organization markets a set of related offerings to a clearly defined group of customers.
- e. top management directs overall strategy for the entire organization.

Answer: e **Page(s):** 26-28 **LO:** 1 **AACSB:** Analytic **QD:** Medium
Rationale: The corporate level in an organization is where top management directs overall strategy for the entire organization.

2-41 CORPORATE LEVEL

COMPREHENSION

The highest-ranking person in an organization who oversees the organization's daily operations and spearheads its strategy planning efforts is often referred to as

- a. the corporate executive overseer.
- b. the chief executive officer.
- c. the corporate executive official.
- d. the chief marketing officer.
- e. the coordinating executive officer.

Answer: b **Page(s):** 26-28 **LO:** 1 **AACSB:** Analytic **QD:** Medium

Rationale: The chief executive officer (CEO) is the highest-ranking officer in the organization and is usually a member of its board of directors.

2-42 CORPORATE LEVEL

COMPREHENSION

These senior managers have an increasingly important role in top management because of their ability to think strategically. Most of them bring multi-industry backgrounds, cross-functional management expertise, analytical skills, and intuitive marketing insights to their job. These individuals are referred to as

- a. chief marketing officers (CMOs).
- b. chief financial officers (CFOs).
- c. chief executive officers (CEOs).
- d. chief human resource officers (CHROs).
- e. chief operating officers (COOs).

Answer: a **Page(s):** 26-28 **LO:** 1 **AACSB:** Analytic **QD:** Medium

Rationale: Chief marketing officers (CMO) play an important role in top management and are characterized as possessing these skills.

2-43 CORPORATE LEVEL

APPLICATION

Bill McDermott is President and CEO of SAP Americas and Asia Pacific Japan. SAP is a company that sells extremely expensive enterprise resource planning software to large and mid-sized companies. McDermott operates at the _____ level of his organization.

- a. business unit
- b. functional
- c. corporate
- d. strategic
- e. tactical

Answer: c **Page(s):** 26-28 **LO:** 1 **AACSB:** Analytic **QD:** Hard

Rationale: The corporate level is where top management directs overall strategy for the entire organization.

2-44 CHIEF MARKETING OFFICER (CMO)

COMPREHENSION

The person most likely to oversee product planning and positioning, as well as coordinate public relations initiatives, would most likely be the responsibilities of the _____.

- a. CEO
- b. CMO
- c. CPM
- d. CPO
- e. COO

Answer: b **Page(s):** 27-28 **LO:** 1 **AACSB:** Analytic **QD:** Medium

Rationale: CMOs create and deliver value to the organization and its customers, including overseeing product planning and positioning, and coordinating public relations initiatives.

2-45 CHIEF MARKETING OFFICER (CMO)**COMPREHENSION**

In recent years, many large firms have changed the title of the head of marketing from vice president of marketing to

- a. chief executive officer.
- b. corporate marketing official.
- c. coordinating marketing officer.
- d. chief marketing officer.
- e. corporate marketing executive.

Answer: d **Page(s):** 27-28 **LO: 1** **AACSB: Analytic** **QD: Medium**

Rationale: In recent years, many large firms have changed the title of the head of marketing from vice president of marketing to chief marketing officer (CMO). These CMOs have an increasingly important role in top management because of their ability to think strategically.

2-46 STRATEGIC BUSINESS UNIT**KNOWLEDGE**

A strategic business unit (SBU) refers to

- a. a single product or service identification code used to identify items for strategic marketing planning purposes.
- b. a small number of people from different departments in an organization who are mutually accountable to accomplish a task or common set of performance goals.
- c. a strategic product that has a unique brand, size, or price.
- d. a privately owned franchise under the auspices of a larger group or organization bearing the same name.
- e. a subsidiary, division, or unit of an organization that markets a set of related offerings to a clearly defined group of customers.

Answer: e **Page(s):** 28 **LO: 1** **AACSB: Analytic** **QD: Easy**

Rationale: Key term definition—strategic business unit.

2-47 STRATEGIC BUSINESS UNIT**KNOWLEDGE**

A subsidiary, division, or unit of an organization that markets a set of related offerings to a clearly defined group of customers is referred to as a

- a. strategic business unit.
- b. strategic industry level.
- c. private corporation.
- d. product grouping.
- e. marketing department.

Answer: a **Page(s):** 28 **LO: 1** **AACSB: Analytic** **QD: Easy**

Rationale: Key term definition—strategic business unit.

2-48 STRATEGIC BUSINESS UNIT LEVEL**KNOWLEDGE**

The strategic business unit level

- a. works most directly with the organization's target customers.
- b. directs the overall strategy for the organization.

- c. is most likely to change substantially over time.
- d. provides more end-user analysis in order to design more customer-directed products.
- e. is the level at which managers set a more specific strategic direction for their businesses to exploit value-creating opportunities.

Answer: e **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—strategic business unit level.

2-49 STRATEGIC BUSINESS UNIT LEVEL

KNOWLEDGE

The level at which managers set a more specific strategic direction for their businesses to exploit value-creating opportunities is referred to as the

- a. marketing department level.
- b. strategic business unit level.
- c. corporate level.
- d. functional level.
- e. board of directors level.

Answer: b **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—strategic business unit level.

2-50 STRATEGIC BUSINESS UNIT LEVEL

COMPREHENSION

Which of the following statements regarding an organization's strategic business unit level is most accurate?

- a. The strategic business unit level is the level that works most directly with an organization's targeted customers.
- b. The overall strategy for the organization is directed at the strategic business unit level.
- c. In more complex organizations, the corporate level and the strategic business unit level may merge.
- d. More end-user analysis is provided at the strategic business unit level than at the functional level.
- e. The strategic direction is more specific at the strategic business unit level than at the corporate level.

Answer: e **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Medium
Rationale: At the strategic business unit level, managers set a more specific strategic direction for their businesses to exploit value-creating opportunities than at the corporate level.

2-51 FUNCTIONAL LEVEL

KNOWLEDGE

Each strategic business unit has marketing and other specialized activities (e.g., finance, manufacturing, or research and development) at the _____ level, where groups of specialists actually create value for the organization.

- a. strategic
- b. corporate
- c. functional
- d. business unit
- e. compartmental

Answer: c **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—functional level.

2-52 FUNCTIONAL LEVEL

KNOWLEDGE

The functional level in an organization is where

- a. groups of specialists actually create value for the organization.
- b. employees perform assigned tasks without actually having input into the decision making process.
- c. all financial outlays are made.
- d. all company hiring and firing occurs.
- e. the marketing department makes all decisions regarding which product benefits will be promoted during a promotional campaign.

Answer: a **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—functional level.

2-53 FUNCTIONAL LEVEL

COMPREHENSION

People in the finance and the human resources departments traditionally operate at what organizational level?

- a. functional level
- b. corporate level
- c. top management level
- d. strategic business unit level
- e. stakeholder level

Answer: a **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Medium
Rationale: Specialized activities such as human resources, finance, research and development, operate at the functional level of the overall organization.

2-54 FUNCTIONAL LEVEL

COMPREHENSION

At the functional level, the organization's strategic direction becomes

- a. much more manageable since its offerings have been finalized.
- b. the most specific and most focused in terms of implementing the company's goals.
- c. broader since for less complex firms, the corporate and functional levels may merge.
- d. more general to avoid the "not invented here syndrome" that could result in missed opportunities.
- e. the sole responsibility of the CEO.

Answer: b **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Medium
Rationale: At the functional level, the organization's strategic direction becomes its most specific and focused.

2-55 FUNCTIONAL LEVEL

APPLICATION

Which of the following statements would most likely be heard at the functional level of an organization?

- a. “We need to understand what our business model is.”
- b. “How much money can we allot to the marketing department?”
- c. “Make sure we buy a 30-second TV spot for the upcoming Super Bowl.”
- d. “We should hire the most culturally diverse cross-functional team possible in order to generate the best new-product ideas.”
- e. “What are the projected sales figures for the next five years?”

Answer: c **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Hard

Rationale: At the functional level, the organization’s strategic direction becomes its most specific and focused. Alternative “c” is a marketing tactic that describes a specific, focused marketing action.

2-56 DEPARTMENT

KNOWLEDGE

Specialized functions such as marketing and finance are generally referred to as _____.

- a. teams
- b. groups
- c. divisions
- d. departments
- e. business units

Answer: d **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—department.

2-57 ROLE OF THE MARKETING DEPARTMENT

COMPREHENSION

At the functional level, the marketing department

- a. solicits talent from all levels of the organization for strategic corporate planning sessions.
- b. promotes its goals to the organization’s stakeholders.
- c. looks outward, keeping the organization focused on creating value both for it and its customers.
- d. develops the corporate culture.
- e. defines the overall strategic direction of the organization.

Answer: c **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Medium

Rationale: A key role of the marketing department is to look outward, keeping the organization focused on creating value for both it and its customers. This is accomplished by listening to customers, developing and producing offerings, and implementing marketing program activities.

2-58 ROLE OF THE MARKETING DEPARTMENT

COMPREHENSION

A key role of the marketing department is to “look outward.” This is accomplished by

- a. allocating financial resources across strategic business units.
- b. communicating the vision of the marketing department forcefully enough to be incorporated into the overall mission of the company.
- c. forming cross-functional teams to help solve the organization’s marketing problems.
- d. implement new accounting methods passed by Congress.

- e. listening to customers, developing and producing offerings, and implementing marketing program activities.

Answer: e **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Medium

Rationale: A key role of the marketing department is to look outward, keeping the organization focused on creating value for both it and its customers. This is accomplished by listening to customers, developing and producing offerings, and implementing marketing program activities.

2-59 CROSS-FUNCTIONAL TEAMS

KNOWLEDGE

Groups of a small number of people from different departments in an organization who are mutually accountable to accomplish a task or a common set of performance goals are referred to as

- a. designated teams.
- b. strategic business units.
- c. cross-functional teams.
- d. business consortiums.
- e. venture squads.

Answer: c **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—cross-functional teams.

2-60 CROSS-FUNCTIONAL TEAMS

KNOWLEDGE

Cross-functional teams refer to

- a. members of an organization who have been trained in multiple disciplines so they can easily move from one job to another as needed.
- b. situations where two departments within the same company have opposing views about how a product should be developed and managed.
- c. departments within an organization that carry out multiple functions due to financial constraints within the company.
- d. a small number of people from different departments in an organization who are mutually accountable to accomplish a task or a common set of performance goals.
- e. departments within an organization who manage the same product with distinctly different marketing programs to reach different target markets.

Answer: d **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—cross-functional teams.

2-61 CROSS-FUNCTIONAL TEAMS

COMPREHENSION

When developing marketing programs for new offerings, marketing may provide staff to serve as part of a(n) _____, which consists of a small number of people from different departments who are mutually accountable to accomplish a task or a common set of performance goals.

- a. cross-functional team
- b. department
- c. strategic business unit
- d. organization
- e. business consortium

Answer: a **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Medium

Rationale: When developing marketing programs for new offerings or for improving existing ones, an organization's senior management may form cross-functional teams. These consist of a small number of people from different departments who are mutually accountable to accomplish a task or a common set of performance goals.

2-62 CROSS-FUNCTIONAL TEAMS

APPLICATION

On the northern tip of Goose Island in the Chicago River sits the William Wrigley Jr. Company's Global Innovation Center. Here, Wrigley creates new products using a joint effort by some 250 full-time food scientists, researchers, and marketers. The people who work in this center are most likely members of

- a. innovation squads.
- b. a business consortium.
- c. multiple strategic directional teams.
- d. strategic evaluation teams.
- e. cross-functional teams.

Answer: e **Page(s):** 28 **LO:** 1 **AACSB:** Analytic **QD:** Hard

Rationale: Cross-functional teams are composed of a small number of people from different departments in an organization who are mutually accountable to accomplish a task or a common set of performance goals.

2-63 VISIONARY ORGANIZATIONS

COMPREHENSION

Today's organizations must be visionary—that is, they must

- a. develop strategies based on those that were successful in the past.
- b. be backward-looking, examining the past carefully to learn from mistakes.
- c. anticipate future events and respond quickly and effectively.
- d. hire the most culturally diverse team possible in order to generate the best new ideas.
- e. involve all stakeholders of the organization when defining its business mission.

Answer: c **Page(s):** 28 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Management experts stress that to be successful, today's organizations must be visionary—they must both anticipate future events and respond quickly and effectively.

2-64 VISIONARY ORGANIZATIONS

COMPREHENSION

In general, a visionary organization asks what three types of questions to specify its foundation, set a direction, and formulate strategies?

- a. why, when, where
- b. what, by whom, how
- c. why, what, how
- d. how, when, where
- e. who, why, when

Answer: c **Page(s):** 28 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Today's visionary organization uses three key elements: (1) specify its foundation (why does it exist?—core values, mission/value, and organizational culture); (2) set a direction (what will it do?—business definition, long- and short-term goals/objectives); and (3) formulate strategies (how will it do it?—by level, by offering). See Figure 2-2 in the textbook.

2-65 VISIONARY ORGANIZATIONS

COMPREHENSION

Today's visionary organization uses three key elements: (1) _____; (2) set a direction; and (3) formulate strategies.

- a. set financial goals
- b. specify its foundation
- c. establish detailed marketing tactics
- d. assign job responsibilities
- e. establish an organizational chart

Answer: b **Page(s):** 28 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Today's visionary organization uses three key elements: (1) specify its foundation; (2) set a direction; and (3) formulate strategies. See Figure 2-2 in the textbook.

2-66 VISIONARY ORGANIZATIONS

COMPREHENSION

Today's visionary organization uses three key elements: (1) specify its foundation; (2) _____; and (3) formulate strategies.

- a. set a direction
- b. establish detailed marketing tactics
- c. assign job responsibilities
- d. set financial goals
- e. establish an organizational chart

Answer: a **Page(s):** 28 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Today's visionary organization uses three key elements: (1) specify its foundation; (2) set a direction; and (3) formulate its strategies. See Figure 2-2 in the textbook.

2-67 VISIONARY ORGANIZATIONS

COMPREHENSION

Today's visionary organization uses three key elements: (1) specify its foundation; (2) set a direction; and (3) _____.

- a. set financial goals
- b. assign job responsibilities
- c. formulate its strategies
- d. establish production parameters
- e. establish detailed marketing tactics

Answer: c **Page(s):** 28 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Today's visionary organization uses three key elements: (1) specify its foundation; (2) set a direction; and (3) formulate its strategies. See Figure 2-2 in the textbook.

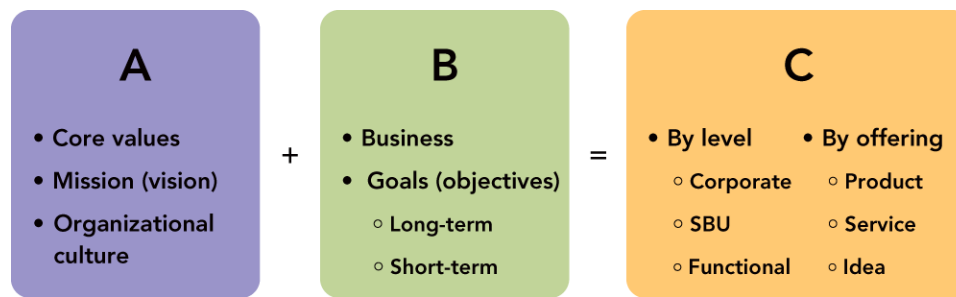


Figure 2-2

2-68 VISIONARY ORGANIZATIONS

COMPREHENSION

In Figure 2-2 above, “A” represents the “why” element of visionary organization. This is referred to as _____.

- a. organizational foundation
- b. organizational tactics
- c. organizational mission
- d. organizational direction
- e. organizational strategies

Answer: a **Page(s):** 28 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Today’s visionary organization uses three key elements: (1) specify its foundation (why does it exist?); (2) set a direction (what will it do?); and (3) formulate strategies (how will it do it?). See Figure 2-2 in the textbook.

2-69 VISIONARY ORGANIZATIONS

COMPREHENSION

In Figure 2-2 above, “B” represents the “what” element of visionary organization. This is referred to as _____.

- a. organizational tactics
- b. organizational mission
- c. organizational foundation
- d. organizational direction
- e. organizational strategies

Answer: d **Page(s):** 28 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Today’s visionary organization uses three key elements: (1) specify its foundation (why does it exist?); (2) set a direction (what will it do?); and (3) formulate strategies (how will it do it?). See Figure 2-2 in the textbook.

2-70 VISIONARY ORGANIZATIONS

COMPREHENSION

In Figure 2-2 above, “C” represents the “how” element of visionary organization. This is referred to as _____.

- a. organizational tactics
- b. organizational mission
- c. organizational foundation
- d. organizational direction

e. organizational strategies

Answer: e **Page(s):** 28 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Today's visionary organization uses three key elements: (1) specify its foundation (why does it exist?); (2) set a direction (what will it do?); and (3) formulate strategies (how will it do it?). See Figure 2-2 in the textbook.

2-71 ORGANIZATIONAL FOUNDATION

COMPREHENSION

In marketing, the philosophical reason for a firm's existence is referred to as its organizational _____.

- a. strategy
- b. direction
- c. foundation
- d. goal
- e. business

Answer: c **Page(s):** 28 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: An organization's foundation is its philosophical reason for being—why it exists.

2-72 ORGANIZATIONAL FOUNDATION

COMPREHENSION

An organization's foundation can be broken into three key elements. They are

- a. products, services, and ideas.
- b. business definition, long-term goals, and short-term objectives.
- c. board of directors, top management, and stakeholders.
- d. corporate-level strategies, SBU-level strategies, and functional-level strategies.
- e. core values, mission/vision, and organizational culture.

Answer: e **Page(s):** 28 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: An organizational foundation includes core values, mission/vision, and organizational culture. See Figure 2-2 in the textbook.

2-73 ORGANIZATIONAL FOUNDATION

COMPREHENSION

Which of the following statements regarding organizational foundation is most accurate?

- a. An organizational foundation specifies its goals.
- b. An organizational foundation defines the business that it is in.
- c. An organization's foundation empowers stakeholders to have a voice in the strategic marketing process.
- d. An organization's foundation is its philosophical reason for being—why it exists.
- e. An organization's foundation is the company, its product, and its customers.

Answer: d **Page(s):** 28 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: An organization's foundation or ideology says, "This is what we are; this is why we exist." Successful visionary organizations use this foundation to provide guidance and inspiration to its employees through three elements: core values, mission (vision), and organizational culture. See Figure 2-2 in the textbook.

2-74 ORGANIZATIONAL FOUNDATION**COMPREHENSION**

An organization's foundation includes all of the following **EXCEPT**:

- a. organizational culture.
- b. business definition.
- c. vision.
- d. core values.
- e. mission.

Answer: b **Page(s):** 28 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: An organization's foundation includes core values, mission (vision), and organizational culture. See Figure 2-2 in the textbook.

2-75 CORE VALUES**KNOWLEDGE**

An organization's _____ are the fundamental, passionate, and enduring principles that guide its conduct over time.

- a. goals
- b. culture
- c. strategies
- d. core values
- e. mission statements

Answer: d **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—core values.

2-76 CORE VALUES**KNOWLEDGE**

The fundamental, passionate, and enduring principles of an organization that guide its conduct over time are referred to as its _____.

- a. core values
- b. strategic goals
- c. vision
- d. corporate culture
- e. corporate ethos

Answer: a **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—core values.

2-77 CORE VALUES**KNOWLEDGE**

Core values refer to

- a. the cultural ethos of an organization.
- b. proprietary values of a firm.
- c. written mission statements that express an organization's goals and objectives.
- d. the personal moral and ethical codes of a firm's stakeholders.
- e. the fundamental, passionate, and enduring principles that guide an organization's conduct over time.

Answer: e **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—core values.

2-78 CORE VALUES

COMPREHENSION

An organization's core values are the fundamental, passionate, and enduring principles that guide its conduct over time. To be effective, they must be supported by

- a. competitors.
- b. senior management.
- c. suppliers.
- d. resellers.
- e. government regulators.

Answer: b **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Medium
Rationale: Key term definition—core values.

2-79 CORE VALUES

COMPREHENSION

Which of the following statements regarding an organization's core values is most accurate?

- a. Core values are developed by cross-functional teams for all levels of an organization.
- b. Core values rarely motivate a firm's stakeholders.
- c. Core values change as an organization's offerings change.
- d. Core values establish the norms of the organization's culture.
- e. Core values cannot be separated from the financial realities of an organization.

Answer: d **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Core values are developed by an organization's founders or senior management and are consistent with their essential beliefs and character. Core values capture the collective heart and soul of the organization. They should inspire and motivate stakeholders. Core values are timeliness; they should not change due to short-term financial, operational, or marketing concerns. They guide the organization's conduct and influence its strategy.

2-80 CORE VALUES

APPLICATION

The Ben & Jerry's website states "Central to the mission of Ben & Jerry's is the belief that all three parts [product mission, economic mission, social mission] must thrive equally in a manner that commands deep respect for individuals in and outside the company and supports the communities of which they are a part." This statement reflects Ben & Jerry's

- a. sustainability doctrine.
- b. goals and objectives.
- c. core values.
- d. moral distinctives.
- e. functional strategy.

Answer: c **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Hard

Rationale: An organization's core values are the fundamental, passionate, and enduring principles that guide its conduct over time. This statement is most likely a statement of Ben & Jerry's core values.

2-81 STAKEHOLDERS**KNOWLEDGE**

The term that links the employees, shareholders, board of directors, suppliers, distributors, creditors, unions, government, local communities, and customers is

- a. stakeholders.
- b. stockholders.
- c. competitors.
- d. target audience.
- e. organizational society.

Answer: a **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—stakeholders.

2-82 STAKEHOLDERS**KNOWLEDGE**

All of the following are examples of stakeholders **EXCEPT**:

- a. government
- b. competitors
- c. shareholders
- d. suppliers
- e. customer

Answer: b **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—stakeholders.

2-83 STAKEHOLDERS**COMPREHENSION**

Which of the following statements regarding stakeholders is most accurate?

- a. Employees are typically not classified as a stakeholder group.
- b. There are only three types of external stakeholders—customers, suppliers, and distributors.
- c. All stakeholders are internal to the organization.
- d. Stakeholders are in some way affected by how well a company performs.
- e. Stakeholders are impacted by, but have no real impact on, how well a company performs.

Answer: d **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Medium
Rationale: Organizations must connect not only with their customers but also with all their stakeholders, who are the people who are affected by what the company does and how well it performs. This group includes employees, owners, and board members, as well as suppliers, distributors, unions, local communities, and, of course, customers.

2-84 MISSION**KNOWLEDGE**

By understanding its business, an organization can take steps to define its _____, a statement of the organization's functions in society that identifies its customers, markets, products, and technologies.

- a. core benefit proposition
- b. doctrine

- c. philosophy
- d. mission
- e. code of ethics

Answer: d **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—mission.

2-85 MISSION

KNOWLEDGE

An organization's mission refers to

- a. the target goal it sets for current profits.
- b. the target objective it projects for future market share.
- c. the fundamental, passionate, and enduring principles that guide its conduct over time.
- d. specific strategies and tactics that will be used to counteract any advantages of competitors.
- e. a statement of the organization's functions in society that identifies its customers, markets, products, and technologies.

Answer: e **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—mission.

2-86 VISION

KNOWLEDGE

The terms _____ and a mission statement are often used interchangeably.

- a. idea
- b. objective
- c. vision
- d. goal
- e. protocol

Answer: c **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—vision.

2-87 MISSION

COMPREHENSION

Often used interchangeably with "vision" a(n) _____ frequently has an inspirational theme.

- a. point of difference
- b. mission statement
- c. business definition
- d. core value proposition
- e. marketing plan

Answer: b **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Medium
Rationale: A mission statement is often used interchangeably with vision.

2-88 MISSION

COMPREHENSION

A mission statement includes all of the following elements **EXCEPT**:

- a. short-term.

- b. inspirational.
- c. clear.
- d. meaningful.
- e. concise.

Answer: a **Page(s):** 29 **LO: 2** **AACSB: Analytic** **QD: Medium**

Rationale: A mission is a statement of the organization's functions in society, often identifying its customers, markets, products, and technologies. Recently, organizations have added a social element to their mission statements to reflect an ideal that is morally right and worthwhile.

2-89 MISSION

COMPREHENSION

"To contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life" is Medtronic's _____.

- a. core value proposition
- b. corporate culture
- c. functional goals
- d. sustainability doctrine
- e. mission statement

Answer: e **Page(s):** 29 **LO: 2** **AACSB: Analytic** **QD: Medium**

Rationale: Medtronic is the world leader in producing heart pacemakers and other medical devices. Earl Bakken, its founder, wrote this mission statement for Medtronic when it was launched a half century ago, and which today remains virtually unchanged.

2-90 MISSION

COMPREHENSION

The _____ for American Red Cross is "to provide relief to victims of disasters and help prevent, prepare for, and respond to emergencies."

- a. core benefit proposition
- b. business definition
- c. sustainability doctrine
- d. mission statement
- e. core value proposition

Answer: d **Page(s):** 29 **LO: 2** **AACSB: Analytic** **QD: Medium**

Rationale: A mission is a statement of the organization's functions in society that identifies its customers, markets, products/services, and technologies.

2-91 MISSION

APPLICATION

The _____ for Lucent Technologies is "To use our unique capabilities to ensure that our customers thrive, our business grows, and we enrich the personal communications experience for people around the world."

- a. sustainability doctrine
- b. core benefit proposition
- c. corporate philosophy
- d. mission statement

e. code of ethics

Answer: d **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Hard

Rationale: A mission is a statement of the organization's functions in society that identifies its customers, markets, products, and technologies.

2-92 MISSION

COMPREHENSION

Recently, many organizations have added _____ to their mission statements.

- a. a business definition
- b. a social element to reflect what is morally right and worthwhile
- c. an economic element to promote profit maximization
- d. an expanded definition of stakeholders to include its competitors
- e. their level of pricing and product quality.

Answer: b **Page(s):** 29 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: A mission is a statement of the organization's functions in society that identifies its customers, markets, products, and technologies. Recently, organizations have added a social element to their mission statements to reflect an ideal that is morally right and worthwhile.

2-93 ORGANIZATIONAL CULTURE

KNOWLEDGE

A set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization is referred to as its _____.

- a. mission statement
- b. core value proposition
- c. corporate philosophy
- d. core benefit proposition
- e. organizational culture

Answer: e **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—organizational culture.

2-94 ORGANIZATIONAL CULTURE

KNOWLEDGE

Organizational culture refers to

- a. the personal moral and ethical codes of ethics of its top management.
- b. a written mission statement expressing its goals and objectives.
- c. the fundamental, passionate, and enduring principles that guide its conduct over time.
- d. the ethos of an organization including the core values of its management.
- e. a set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization.

Answer: e **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—organizational culture.

2-95 ORGANIZATIONAL CULTURE

COMPREHENSION

Which of the following statements regarding organizational culture is most accurate?

- a. Organizational culture exists only at the corporate level of an organization.
- b. Organizations must connect with all of their stakeholders.
- c. Organizational culture is best used only at the functional level for the most effective results.
- d. Organizational culture cannot be learned or taught.
- e. Organizational culture is a statement of the organization's function in society.

Answer: b **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: An organizational culture is a set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization. Organizations must connect with all of their stakeholders.

2-96 ORGANIZATIONAL CULTURE

APPLICATION

George Zimmer, the CEO of Men's Wearhouse, is known to the public as the bearded company pitchman who sells suits and sport coats on TV declaring, "You'll like the way you look, I guarantee it!" He also says that to be successful, "You've got to have a company that starts with trust and fairness." He aims to keep his employees happy and loyal. Zimmer is attempting to establish a(n) _____ for Men's Wearhouse.

- a. ethos
- b. mission statement
- c. organizational culture
- d. pathos
- e. behavioral protocol

Answer: c **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Hard

Rationale: An organization's culture refers to a set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization. George Zimmer's statement about beginning with trust and fairness is part of a set of values that he instills in the organization as part of the Men's Wearhouse culture.

2-97 ORGANIZATIONAL DIRECTION

COMPREHENSION

The organizational _____ answers the question, "What will we do?"

- a. foundation
- b. direction
- c. culture
- d. strategy
- e. mission

Answer: b **Page(s):** 28, 30 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: The organization's direction includes (1) the "business it is in" and (2) its specific goals. See Figure 2-2 in the textbook.

2-98 BUSINESS

KNOWLEDGE

A business refers to

- a. the daily operational decisions that must be implemented for an organization to remain viable.

- b. exchange transactions between seller and buyer in order for the seller to make sales and earn profits.
- c. the clear, broad, underlying industry or market sector of an organization's offering.
- d. an organization that develops an offering.
- e. the objectives of a firm and the strategies and tactics that will allow it to achieve them.

Answer: c **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—business.

2-99 BUSINESS

KNOWLEDGE

The clear, broad, underlying industry or market sector of an organization's offerings is referred to as (a) _____.

- a. business
- b. commerce
- c. marketing
- d. competitive set
- e. product grouping

Answer: a **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—business.

2-100 BUSINESS

KNOWLEDGE

In the famous "Marketing Myopia" article, _____ argues that senior managers of 20th century American railroads defined their business too narrowly.

- a. Earl Bakken
- b. Benjamin Greenfield
- c. Reed Hastings
- d. Theodore Levitt
- e. Steven Jobs

Answer: d **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Easy

Rationale: In his famous "Marketing Myopia" article in the 1960s, Theodore Levitt argues that senior managers of 20th century American railroads defined their business too narrowly.

2-101 BUSINESS

COMPREHENSION

In terms of an organization's business, railroads may have lost market share in the 20th century because they

- a. had less flexible routes than trucking.
- b. defined their business too narrowly.
- c. defined their business too broadly.
- d. priced their services too high.
- e. were simply an outmoded form of transportation.

Answer: b **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: In the first half of the 20th century, the American railroads proclaimed, "We are in the railroad business!" This narrow business definition lost sight of their customers and their needs.

2-102 BUSINESS**COMPREHENSION**

In the 20th century, railroads may have let other forms of transportation take business away from them because their definition included only the railroad business, rather than a broader definition that encompassed _____.

- a. transportation
- b. transcontinental shipping
- c. passenger travel
- d. product delivery
- e. air cargo

Answer: a **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Railroad firms defined their business too narrowly. As a result, they lost sight of their customers' needs. Consequently, railroads saw only other railroad companies as competitors and failed to develop strategies to compete with airlines, barges, pipelines, and trucks—offerings that carried both goods and people. Railroads probably would have fared better over the past century by recognizing they were in “the transportation business.”

2-103 BUSINESS MODEL**KNOWLEDGE**

The strategies an organization develops to provide value to the customers it serves is called a(n)

- a. mission statement.
- b. objective goal.
- c. vision statement.
- d. business model.
- e. protocol.

Answer: d **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—business model.

2-104 BUSINESS MODEL**KNOWLEDGE**

A business model

- a. is a road map for the marketing activities of an organization for a specified future time period.
- b. consists of the strategies an organization develops to provide value to the customers it serves.
- c. is a measure of the quantitative value or trend of a marketing activity or result.
- d. consists of the detailed day-to-day operational decisions for an organization.
- e. is the means by which organizational goal are to be achieved.

Answer: b **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—business model.

2-105 BUSINESS MODEL**COMPREHENSION**

Many small bookstores, and even large ones like Borders and Bookstar, have closed. Subscribers to newspapers and magazines have cancelled their print subscriptions. This trend has caused retailer Barnes & Noble to offer the Nook, a digital e-reader for \$99 and newspaper publishers

such as the *StarTribune* to offer online content for \$1.99 per week because of the success of Apple's iPad and Amazon's Kindle, which display digital content in a very user-friendly experience. Barnes & Noble and the *StarTribune* **MOST LIKELY** had to change their _____, which was(were) triggered by the technological and social changes that occurred in their marketing environments.

- a. organizational culture
- b. marketing tactics
- c. business model
- d. strategic marketing process
- e. goals/objectives

Answer: c **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Barnes and Noble and the *StarTribune* had to change their business models because of the technological and social changes that occurred in their marketing environments.

2-106 MARKETING MATTERS

COMPREHENSION

Since its launch, Netflix has changed its "business model" in order to

- a. compete with Blockbuster retail store expansion.
- b. respond to changing consumer demand and the evolution of new technologies.
- c. expand its focus from entertainment to movie collectibles and memorabilia.
- d. avoid head-to-head with satellite television providers, which recently announced a strategic partnership with Blockbuster that offers a similar service as Netflix.
- e. begin preparations to withdraw from its traditional method of mail delivery, which takes 4-6 business days and introduce next-day delivery through FedEx.

Answer: b **Page(s):** 30-31 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: The Marketing Matters box describes how Netflix founder and chief executive Reed Hastings got the idea for his startup and how his business model is changing continuously to respond to changing customer wants and new technology.

2-107 MARKETING MATTERS

COMPREHENSION

When the company Netflix *first* began, it wasn't as successful as expected. This was because

- a. the program wasn't subscription-based.
- b. too many customers failed to return the VHS cassettes.
- c. the price of postage increased dramatically and ate into profits.
- d. too many free movies were now available through on-demand cable TV and the streaming via the Internet.
- e. the primary target market, consisting of young people aged 18 to 24 years old, was moving away from visual media and spending more time listening to music and playing video games.

Answer: a **Page(s):** 30-31 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: The first concept was rental by mail, but it wasn't subscription based so it worked more like Blockbuster. In 1999, Hastings re-launched his idea with a new business model—as the subscription service similar to what it is today.

2-108 MARKETING MATTERS

COMPREHENSION

The name Netflix was chosen specifically because

- a. it sounded new and upbeat.
- b. it ended in the letter “x,” which causes a word to have an “edge” to it.
- c. the company knew that it would eventually deliver movies over the Internet.
- d. hidden within the name is the word “next,” implying a forward looking company.
- e. it rhymed with “best-picks” and alluded to both quality and the visual aspects of its service.

Answer: c **Page(s):** 30-31 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: The company was named Netflix instead of “DVDs by Mail” because the firm knew that it eventually would deliver movies directly over the Internet.

2-109 MARKETING MATTERS

COMPREHENSION

All of the following were changes in the Netflix business model since its founding in 1997

EXCEPT:

- a. Netflix announced it would split the firm into two divisions, one that focused on delivering DVDs by mail (Quikster) and the other that streamed them over the Internet (Netflix).
- b. Netflix delivered movies by mail in VHS cassette format.
- c. Netflix eventually delivered movies over the Internet.
- d. Netflix established a partnership with DirecTV, a satellite television provider, to deliver movies over its network.
- e. Netflix cancelled its plan to separate its business into two divisions as a result of customer backlash and negative media criticism.

Answer: d **Page(s):** 30-31 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Netflix has **NOT** established a partnership with DirecTV, a satellite television provider, to deliver movies over its network. Instead, Blockbuster Video has created a partnership with the Dish Network, the other major satellite television provider, to do this.

2-110 GOALS/OBJECTIVES

KNOWLEDGE

Statements of an accomplishment of a task to be achieved, often by a specific time are referred to as _____.

- a. plans
- b. procedures
- c. strategies
- d. core values
- e. goals.

Answer: e **Page(s):** 30-31 **LO:** 2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—goals or objectives.

2-111 GOALS/OBJECTIVES

KNOWLEDGE

Statements of an accomplishment of a task to be achieved, often by a specific time are referred to as _____.

- a. plans
- b. procedures
- c. strategies

- d. goals
- e. visions

Answer: d **Page(s):** 30-31 **LO: 2** **AACSB: Analytic** **QD: Easy**
Rationale: Key term definition—goal or objective.

2-112 GOALS/OBJECTIVES

KNOWLEDGE

Objectives refer to

- a. the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it.
- b. criteria or standards used in evaluating proposed solutions to a marketing problem.
- c. statements of an accomplishment of a task to be achieved, often by a specific time.
- d. a road map for the marketing activities of an organization for a specified future time period, such as one year or five years.
- e. the detailed day-to-day operational decisions essential to the overall success of marketing strategies.

Answer: c **Page(s):** 30-31 **LO: 2** **AACSB: Analytic** **QD: Easy**
Rationale: Key term definition—goal or objective.

2-113 GOALS/OBJECTIVES

COMPREHENSION

The terms “goal” and “objective” are often used interchangeably. However, in both cases, which of the following statements would be most accurate?

- a. Goals convert an organization’s mission and business into long- and short-term performance targets.
- b. Goals and objectives are actually the detailed day-to-day activities necessary to implement a marketing program.
- c. A company’s goals and objectives are often laudable (worthy) in intent, but unrealistic in practice because they are never accomplished during the specified time period.
- d. Goal-setting only applies to business firms; nonprofit organizations typically do not set goals because they don’t earn a profit.
- e. The terms goal and objective are **NOT** used interchangeably. Goals are philosophical while objectives are performance-based.

Answer: a **Page(s):** 30-31 **LO: 2** **AACSB: Analytic** **QD: Medium**
Rationale: Goals or objectives (the terms are used interchangeably in the textbook) are statements of an accomplishment of a task to be achieved, often by a specific time. Goals and objectives convert the organization’s mission and business into performance targets to measure how well it is doing.

2-114 PROFIT GOAL

COMPREHENSION

Classic economic theory assumes a firm seeks to maximize its long-run _____, achieving as high a financial return on its investments as possible.

- a. profits
- b. quality
- c. market share

- d. employee welfare
- e. social responsibility

Answer: a **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Business firms can pursue several different types of goals including profit goals to get as high a financial return on its investments (ROI) as possible.

2-115 PROFIT GOAL

COMPREHENSION

A new company projects that its sales will exceed its expenses within the first year of operation. This is an example of which type of goal?

- a. dollar sales revenue
- b. profit
- c. market share
- d. unit sales
- e. quality

Answer: b **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Classic economic theory assumes a firm seeks to maximize long-run profits, achieving as high a financial return on investment (ROI) as possible. Profit is the money left after a business firm's total expenses are subtracted from its total revenues and is the reward for the risk it undertakes in marketing its offerings.

2-116 PROFIT GOAL

COMPREHENSION

Most firms seek to maximize _____ to obtain as high a financial return on their investments (ROI) as possible.

- a. sales
- b. quality
- c. profit
- d. market share
- e. employee welfare

Answer: c **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Business firms pursue several different types of goals such as profit, sales, market share, quality, customer satisfaction, employee welfare, and social responsibility. Most seek to maximize profit to obtain as high a financial return on their investments (ROI) as possible.

2-117 SALES REVENUE GOAL

COMPREHENSION

If profits are acceptable, a firm that has set sales as its goal may elect to _____, even though profitability may not be maximized.

- a. advertise
- b. reduce its sales force
- c. maintain or increase its sales
- d. decrease its sustainability efforts
- e. maximize customer satisfaction

Answer: c **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: If profits are acceptable, a firm may elect to maintain or increase its sales level even though profitability may not be maximized.

2-118 SALES REVENUE GOAL

APPLICATION

A small business owner was preparing her staff for the upcoming holiday season. Her women's apparel retail store had a great year—sales and profits were up 20 percent. In a meeting with her sales staff before opening the store on Black Friday, the day after Thanksgiving, she said, "We want to move as much inventory as possible. Not only can we highlight our holiday items, why don't we mark down some of our other seasonal items while people are in a shopping mood?" From this statement, she was concerned with a _____ goal.

- a. profit
- b. sales
- c. market share
- d. customer satisfaction
- e. survival

Answer: b **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Hard

Rationale: If profits are acceptable, a firm may elect to maintain or increase its sales level even though profitability may not be maximized.

2-119 MARKET SHARE GOAL

KNOWLEDGE

The ratio of sales revenue of the firm to the total sales revenue of all firms in the industry, including the firm itself, is referred to as

- a. sales proportionality.
- b. a marketing metric.
- c. industry potential.
- d. a contribution margin.
- e. market share.

Answer: e **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—market share.

2-120 MARKET SHARE GOAL

KNOWLEDGE

Market share refers to

- a. the ratio of the profit of the firm to the total profits of all firms in the industry, excluding the firm itself.
- b. the ratio of the profit of the firm to the total profits of all firms in the industry, including the firm itself.
- c. the ratio of sales revenue of the firm to the total sales revenue of all firms in the industry, excluding the firm itself.
- d. the ratio of sales revenue of the firm to the total sales revenue of all firms in the industry, including the firm itself.
- e. the ratio of the profits of all firms in an industry to the profits of the firm.

Answer: d **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—market share.

2-121 MARKET SHARE GOAL**KNOWLEDGE**

Market share is the ratio of sales revenue of the firm to the total sales revenue of all _____, including the firm itself.

- a. firms in the industry
- b. firms in the competitive set
- c. firms in the WTO.
- d. product groupings
- e. domestic firms in a country

Answer: a **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—market share.

2-122 QUALITY GOAL**COMPREHENSION**

A firm may have a goal to offer its customers the highest _____, as Medtronic does with its implantable medical devices.

- a. innovation
- b. quality
- c. service
- d. value
- e. warranty

Answer: b **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Medium
Rationale: Business firms pursue several different types of goals such as profit, sales, market share, quality, customer satisfaction, employee welfare, and social responsibility. Medtronic offers its customers the highest quality for its implantable medical devices.

2-123 QUALITY GOAL**APPLICATION**

Complaints about Microsoft's Xbox video game consoles began immediately after its introduction. These complaints ranged from missing parts to incorrect programming. Microsoft should have should adopted a(n) _____ goal.

- a. profit
- b. sales revenue
- c. customer satisfaction
- d. quality
- e. employee welfare

Answer: d **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Hard
Rationale: Microsoft needed a quality goal because it had missing parts and incorrect programming. If quality were present, there would not be complaints like these.

2-124 QUALITY GOAL**APPLICATION**

Motorola invented the Six Sigma program that sets as a goal no more than one defect in one million parts manufactured. This is an example of a(n) _____ goal.

- a. profit
- b. sales revenue
- c. quality
- d. market share
- e. employee welfare

Answer: c **Page(s):** 30 **LO:** 2 **AACSB:** Analytic **QD:** Hard

Rationale: Six Sigma is a quality program sets as a goal no more than 1 part per million defective. A firm may target the highest quality, as Motorola does with its Six Sigma program.

2-125 CUSTOMER SATISFACTION GOAL

COMPREHENSION

Customers are the reason an organizations exists. Customer _____ can be measured with surveys or by the number of customer complaints it receives.

- a. satisfaction
- b. welfare
- c. service
- d. value
- e. beliefs

Answer: a **Page(s):** 30-31 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Business firms pursue several different types of goals such as profit, sales, market share, quality, customer satisfaction, employee welfare, and social responsibility. Customer satisfaction can be measured with surveys or by the number of customer complaints it receives.

2-126 CUSTOMER SATISFACTION GOAL

APPLICATION

Suppose L.L. Bean, a catalog retailer, has set a goal to reduce merchandise returns by 20 percent for the holiday season. The firm would **MOST LIKELY** have set a(n) _____ goal.

- a. profit
- b. market share
- c. employee welfare
- d. customer satisfaction
- e. social responsibility

Answer: d **Page(s):** 30-31 **LO:** 2 **AACSB:** Analytic **QD:** Hard

Rationale: Customer satisfaction can be measured directly with surveys or tracked with performance measures (marketing metrics) such as the number of merchandise returns, which it wants to reduce by 20 percent for the holiday season. Returned merchandise is an indication of dissatisfied customers.

2-127 CUSTOMER SATISFACTION GOAL

APPLICATION

Lands' End ships each order within 48 hours and its guarantee is the best in the world, as exemplified by its tagline "Guaranteed. Period." These marketing actions by Lands' End are **MOST LIKELY** examples of _____ goals.

- a. profit
- b. market share
- c. employee welfare

- d. social responsibility
- e. customer satisfaction

Answer: e **Page(s):** 30-31 **LO:** 2 **AACSB:** Analytic **QD:** Hard

Rationale: Customer satisfaction can be measured directly with surveys or tracked with performance measures like the percent of orders shipped within 48 hours of receipt and its guarantee.

2-128 EMPLOYEE WELFARE GOAL

COMPREHENSION

Business firms pursue several different types of goals. When a firm recognizes the critical importance of its employees, this is an _____ goal.

- a. employee satisfaction
- b. employee responsibility
- c. employee compensation
- d. employee core value
- e. employee welfare

Answer: e **Page(s):** 31 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Business firms pursue several different types of goals such as profit, sales, market share, quality, customer satisfaction, employee welfare, and social responsibility. When a firm recognizes the critical importance of its employees by providing them with good employment opportunities and working conditions, this is an employee welfare goal.

2-129 EMPLOYEE WELFARE GOAL

APPLICATION

The founder of Starbucks, Howard Schultz, provides health care for all employees who work over 20 hours per week. He says “the companies that are doing the right thing by covering their employees [with health care coverage] are paying for the companies who don’t do the right thing.” This is an example of one of Starbucks’ _____ goals.

- a. profit
- b. market share
- c. employee welfare
- d. customer satisfaction
- e. sales

Answer: c **Page(s):** 31 **LO:** 2 **AACSB:** Analytic **QD:** Hard

Rationale: A firm may recognize the critical importance of its employees by having an explicit goal stating its commitment to good employment opportunities and working conditions for them.

2-130 EMPLOYEE WELFARE GOAL

APPLICATION

Many universities and other educational institutions provide retirement benefits by doubling the percentage an employee pays into the account up to a certain percentage of his or her pay. This provides a wonderful benefit to those who are full-time employees. This is an example of a(n) _____ goal.

- a. satisfaction
- b. sales revenue
- c. market share

- d. quality
- e. employee welfare

Answer: e **Page(s):** 31 **LO:** 2 **AACSB:** Analytic **QD:** Hard

Rationale: A firm may recognize the critical importance of its employees by having an explicit goal stating its commitment to good employment opportunities and working conditions for them.

2-131 SOCIAL RESPONSIBILITY GOAL

COMPREHENSION

Business firms pursue several different types of goals. A(n) _____ goal is when a firm seeks to balance the conflicting goals of stakeholders to promote their overall welfare, even at the expense of profits.

- a. customer satisfaction
- b. shareholder
- c. profit minimization
- d. social responsibility
- e. employee welfare

Answer: d **Page(s):** 31 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Business firms pursue several different types of goals such as profit, sales, market share, quality, customer satisfaction, employee welfare, and social responsibility. A social responsibility goal is when a firm seeks to balance the conflicting goals of stakeholders to promote their overall welfare, even at the expense of profits.

2-132 SOCIAL RESPONSIBILITY GOAL

APPLICATION

Hasbro is a \$4 billion toy company that prides itself on donating to organizations that help children, since they and their parents comprise the target market for its business. This is an example of a(n)

- a. unit sales goal.
- b. market share goal.
- c. sales revenue goal.
- d. customer satisfaction goal.
- e. social responsibility goal.

Answer: e **Page(s):** 31 **LO:** 2 **AACSB:** Analytic **QD:** Hard

Rationale: A firm may seek to balance conflicting goals of consumers, employees, and stockholders to promote overall welfare of all these groups, even at the expense of profits.

2-133 ORGANIZATIONAL STRATEGIES

COMPREHENSION

The organizational foundation sets the “_____” of organizations; the organization direction sets the “_____”; and organizational strategies are concerned with the “_____.”

- a. when; why; what
- b. why; what; how
- c. what; how; why
- d. what; where; how
- e. how; where; what

Answer: b **Page(s):** 28, 31 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: The organizational foundation sets the “why” of organizations; the organization direction sets the “what;” and organizational strategies are concerned with the “how.” See Figure 2-2 in the textbook.

2-134 ORGANIZATIONAL STRATEGIES

COMPREHENSION

Organizational strategies vary in two ways, depending on

- a. (1) the strategy’s level in the organization and (2) the offerings an organization provides to its customers.
- b. (1) the corporate level and (2) the SBU level in the organization.
- c. whether an offering is (1) a product) or (2) a service.
- d. whether they are (1) mission statements or (2) core values.
- e. (1) the organizational culture and (2) its core values.

Answer: a **Page(s):** 31 **LO:** 2 **AACSB:** Analytic **QD:** Medium

Rationale: Organizational strategies vary in two ways, depending on the strategy level in the organization and the offerings it provides to its customers.

2-135 MARKETING DASHBOARD

KNOWLEDGE

A(n) _____ is the visual computer display of the essential information related to achieving a marketing objective.

- a. marketing metric
- b. output report
- c. marketing dashboard
- d. information screen
- e. corporate dashboard

Answer: c **Page(s):** 32 **LO:** 3 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—marketing dashboard.

2-136 MARKETING DASHBOARD

KNOWLEDGE

A marketing dashboard refers to

- a. a “report card” prepared by the marketing department regarding its performance in terms of environmental and social responsibility.
- b. the display of information found on a car’s dashboard.
- c. an “app” that uses a car navigation device metaphor to indicate the specific direction in which a company wishes to grow based on its annual marketing plan.
- d. information about an organization’s marketing metrics graphically so marketers can quickly (1) spot deviations from plans and (2) take corrective actions.
- e. the visual computer display of the essential information related to achieving a marketing objective.

Answer: e **Page(s):** 32 **LO:** 3 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—marketing dashboard. Alternative “e” is the definition of data visualization.

2-137 MARKETING DASHBOARD**KNOWLEDGE**

With a marketing dashboard, a marketing manager can glance at all of the following **EXCEPT**:

- a. the time frame for which the data are presented.
- b. a graph.
- c. a table.
- d. a printed report.
- e. a map.

Answer: d **Page(s):** 32 **LO:** 3 **AACSB:** Analytic **QD:** Easy

Rationale: Alternative “d” is a printed document, not an image displayed on a computer screen. Moreover, marketing dashboards typically display information related to an organization’s marketing metrics (sales, website traffic, etc.) and not reports. Marketing managers need to quickly glance at data to identify deviations and then make decisions to correct them. See Figure 2-3 in the textbook.

2-138 MARKETING DASHBOARD**COMPREHENSION**

Which of the following statements regarding a marketing dashboard is most accurate?

- a. The more text (words) that is displayed, the better it is for a marketing manager to identify trends, interpret the data, and take corrective actions.
- b. A marketing dashboard very often includes 20 or more marketing metrics on the same dashboard computer screen.
- c. For accuracy, the marketing dashboard should be updated weekly.
- d. Marketing dashboards often show key measures such as HR turnover, strategy success, and societal well-being.
- e. Marketing dashboards provide graphic displays of a product category’s performance, such as sales, website traffic, etc.

Answer: e **Page(s):** 32 **LO:** 3 **AACSB:** Analytic **QD:** Medium

Rationale: Marketing dashboards show graphic displays of key measures of a product’s performance, such as sales and website traffic.

2-139 MARKETING METRIC**KNOWLEDGE**

A measure of the quantitative value or trend of a marketing activity or result is referred to as

- a. trend analysis.
- b. a marketing measurement.
- c. a marketing dashboard.
- d. a marketing metric.
- e. value analysis.

Answer: d **Page(s):** 32 **LO:** 3 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—marketing metric.

2-140 MARKETING METRIC**KNOWLEDGE**

A marketing metric refers to

- a. a measure of the quantitative value or trend of a marketing activity or result.
- b. a form of linear trend analysis used to project future profits based on existing marketing plans.
- c. one of a series of mathematical formulas used to calculate potential profits based upon different environmental forces.
- d. information about an organization's core values and code of ethics so marketers can quickly (1) spot deviations and (2) take corrective actions.
- e. the value of a product in terms of market share or growth rate relative to its competitors.

Answer: a **Page(s):** 32 **LO:** 3 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—marketing metric.

2-141 MARKETING METRIC

COMPREHENSION

The primary purpose of a marketing metric is to

- a. assign qualitative values to quantitative data.
- b. allow the sharing of information across product lines.
- c. measure the quantitative value of a marketing activity.
- d. forecast potential product/service opportunities over a period of five years.
- e. provide a numerically precise measurement of management judgment for an industry's growth.

Answer: c **Page(s):** 32 **LO:** 3 **AACSB:** Analytic **QD:** Medium
Rationale: A marketing metric is a measure of the quantitative value or trend of a marketing activity or result.

2-142 DATA VISUALIZATION

KNOWLEDGE

Data visualization is

- a. the visual computer display of the essential information related to achieving a marketing objective.
- b. a road map for the marketing activities of an organization for a specified future time period.
- c. the process of (1) continuously collecting information about customers' needs, (2) sharing this information across departments, and (3) using it to create marketing metrics.
- d. a measure of the quantitative value or trend of a marketing activity or result is the visual computer display of the essential information related to achieving a marketing objective.
- e. the information about an organization's marketing metrics graphically so marketers can quickly (1) spot deviations from plans and (2) take corrective actions.

Answer: e **Page(s):** 32 **LO:** 3 **AACSB:** Analytic **QD:** Easy
Rationale: Data visualization is the information about an organization's marketing metrics graphically so marketers can quickly (1) spot deviations from plans and (2) take corrective actions.

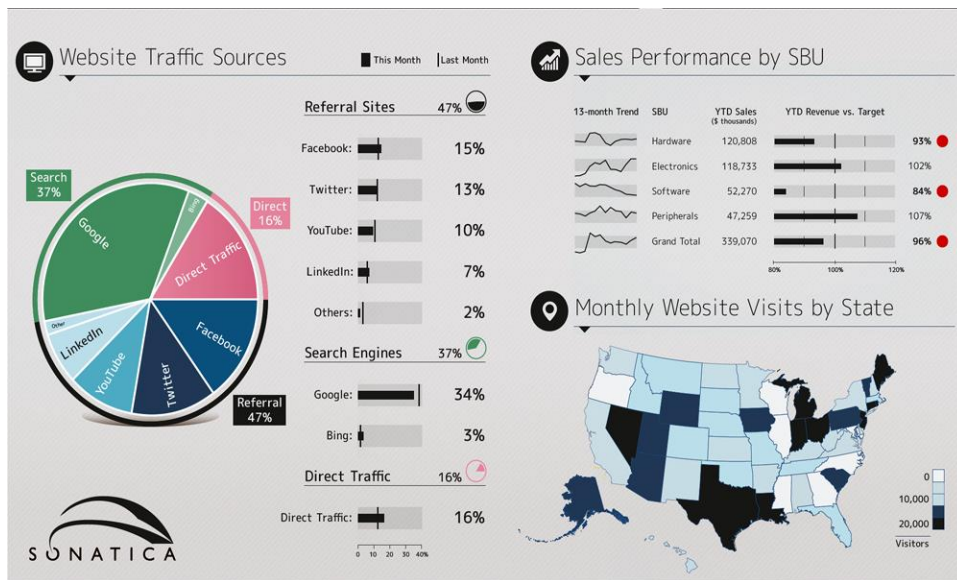


Figure 2-3

2-143 MARKETING DASHBOARD

COMPREHENSION

According to Figure 2-3 above, the image shown is an example of a(n)

- Gantt chart.
- marketing dashboard.
- Pert chart.
- marketing gauge.
- operations spreadsheet.

Answer: b **Page(s):** 32-33 **LO:** 3 **AACSB:** Analytic **QD:** Medium

Rationale: A marketing dashboard, such as the one shown in Figure 2-3, provides a graphic display of a product category's performance, such as sales, cost of sales, and gross margin.

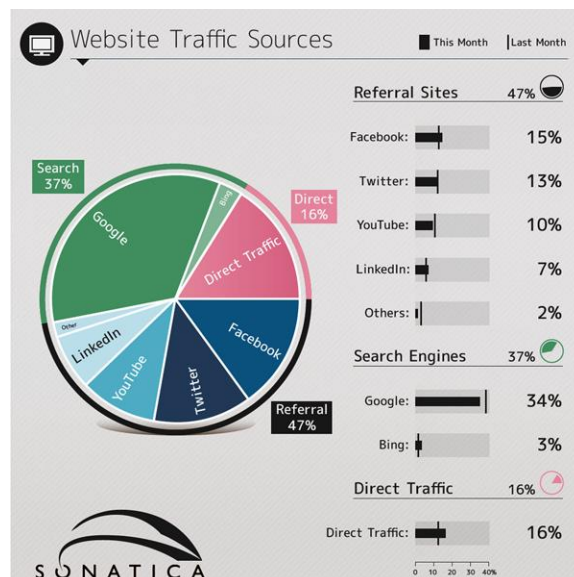


Figure 2-3a

2-144 MARKETING DASHBOARD

COMPREHENSION

According to Figure 2-3a above, which of the following is the largest “Website Traffic Source?”

- a. YouTube
- b. Direct traffic
- c. Google
- d. Facebook
- e. Twitter

Answer: c **Page(s):** 32-33 **LO:** 3 **AACSB:** Analytic **QD:** Medium

Rationale: According to Figure 2-3a, the largest “Website Traffic Source” is Google at 34%. See Figure 2-3 in the textbook.

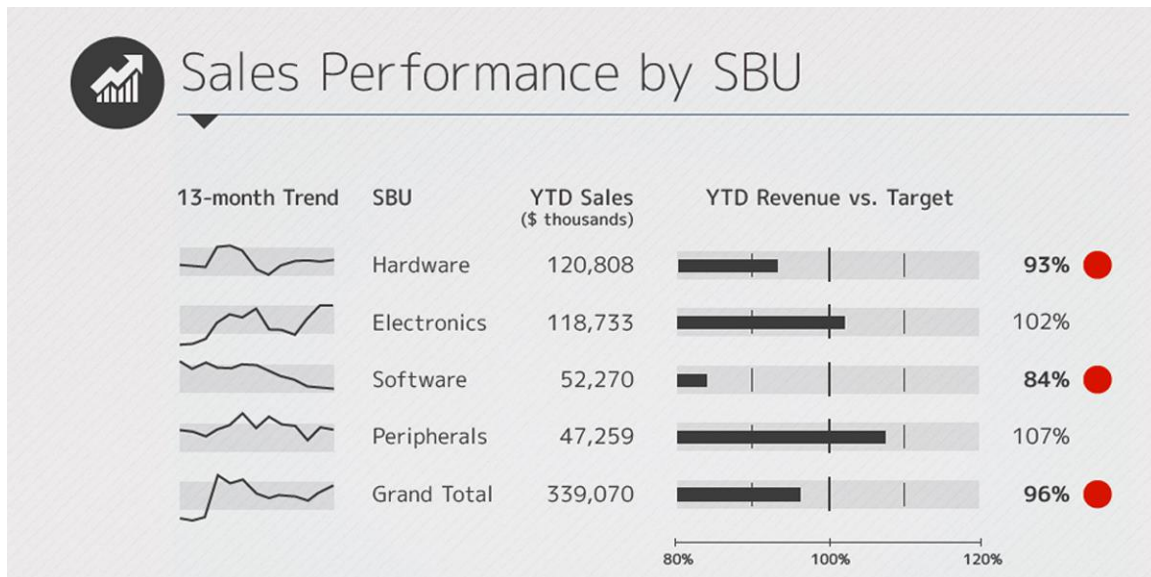


Figure 2-3b

2-145 MARKETING DASHBOARD

COMPREHENSION

According to Figure 2-3b above, which of the following SBUs has **EXCEEDED** its YTD (Year to Date) revenue target?

- a. Peripherals
- b. Hardware
- c. Circuitry
- d. Software
- e. Grand Total

Answer: a **Page(s):** 32-33 **LO:** 3 **AACSB:** Analytic **QD:** Medium

Rationale: According to Figure 2-3b, the Peripherals SBU that has exceeded its YTD revenue target by 107%. See Figure 2-3 in the textbook.

2-146 MARKETING DASHBOARD**COMPREHENSION**

According to Figure 2-3b above, which of the following SBUs has the **LOWEST** YTD revenue compared to its target?

- a. Hardware
- b. Electronics
- c. Software
- d. Peripherals
- e. Grand Total

Answer: c **Page(s):** 32-33 **LO: 3** **AACSB: Analytic** **QD: Medium**

Rationale: According to Figure 2-3b, the Software SBU has the lowest YTD revenue compared to its target at 84%. The red “warning” circles on the marketing dashboard visually identifies a negative sales problem that needs corrective action. See Figure 2-3 in the textbook.

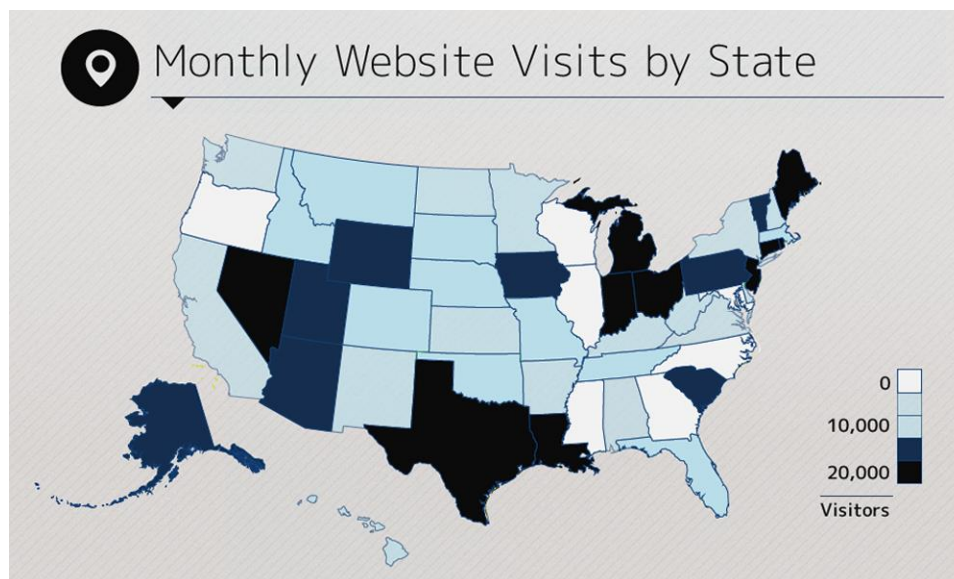


Figure 2-3c

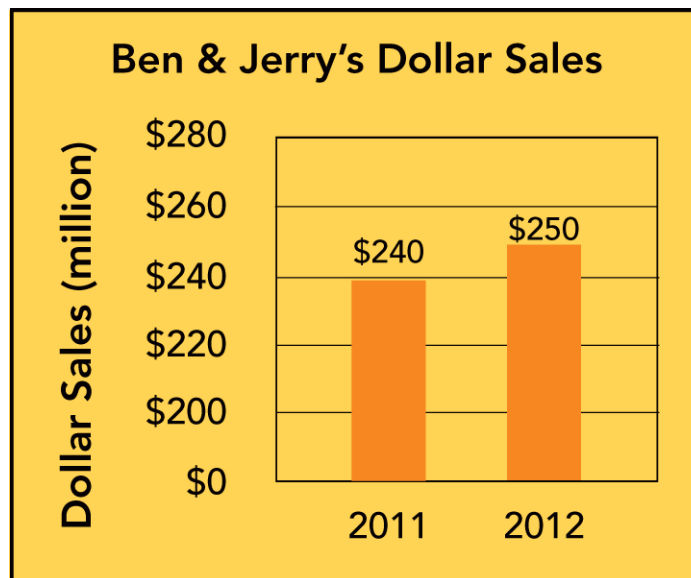
2-147 MARKETING DASHBOARD**COMPREHENSION**

According to Figure 2-3c above, which state has the highest number of monthly website visits?

- a. Illinois
- b. Texas
- c. California
- d. Florida
- e. Washington

Answer: b **Page(s):** 32-33 **LO: 3** **AACSB: Analytic** **QD: Medium**

Rationale: The U.S. map in Figure 2-3c shows that the darker the state, the greater the number of website visits for the current month. Here, Texas has the highest number of monthly website visits, with around 20,000 website visits per month. See Figure 2-3 in the textbook.



Ben & Jerry's Marketing Dashboard (Dollar Sales)

2-148 MARKETING DASHBOARD

APPLICATION

A marketing manager for Ben and Jerry's has been provided with a marketing dashboard display shown above. She notices that dollar sales for 2011 were \$240 million and in 2012 they were \$250 million. What was the formula used to calculate the dollar sales for each of these two years?

- Dollar sales (\$) = average price multiplied by quantity manufactured.
- Dollar sales (\$) = average cost of goods sold minus fixed costs.
- Dollar sales (\$) = average price minus shrinkage rate.
- Dollar sales (\$) = average price multiplied by quantity sold.
- Dollar sales (\$) = average cost of goods sold minus variable costs.

Answer: d

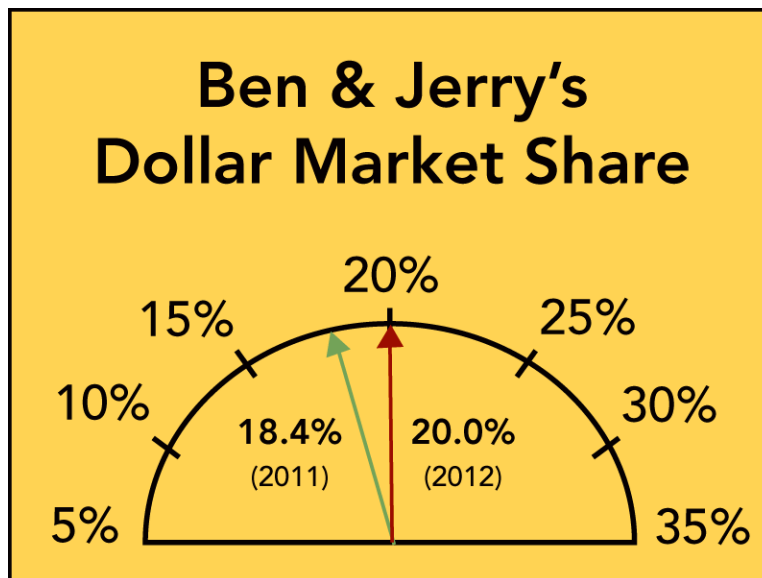
Page(s): 33

LO: 3

AACSB: Analytic

QD: Hard

Rationale: Dollar sales (\$) equals the average price of \$5.00 per unit and multiplying it by the quantity sold in each year.



Ben & Jerry's Marketing Dashboard (Dollar Market Share)

2-149 MARKETING DASHBOARD

APPLICATION

A marketing manager for Ben and Jerry's has been provided with a marketing dashboard display shown above. He notices that dollar market share for 2011 was 18.4% and for 2012 it was 20.0%. What simple formula was used to calculate the dollar market share percentages for each of these two years?

- Dollar market share (%) = Ben and Jerry's sales (\$) divided by total industry sales (\$).
- Dollar market share (%) = Total industry sales (\$) divided by Ben and Jerry's sales (\$).
- Dollar market share (%) = Total industry sales (\$) divided by Ben and Jerry's unit sales (#).
- Dollar market share (%) = Total industry sales (\$) divided by Ben and Jerry's net profit (\$).
- Dollar market share (%) = Ben and Jerry's sales (\$) divided by gross domestic product (\$).

Answer: a **Page(s):** 33 **LO:** 3 **AACSB:** Analytic **QD:** Hard
Rationale: Dollar market share (%) equals Ben & Jerry's sales (\$) divided by total industry sales (\$).

2-150 MARKETING PLAN

KNOWLEDGE

A marketing plan refers to

- the long-term decisions made to implement the marketing program and the monitoring of those decisions.
- a technique that marketing managers use to quantify performance measures and growth targets to analyze their firm's strategic business units (SBUs) as though they were a collection of separate investments.
- a road map for the marketing activities of an organization for a specified future time period, such as one year or five years.
- the detailed day-to-day operational decisions essential to the overall success of marketing strategies.
- a road map for the entire organization for a specified future period of time, such as one year or five years.

Answer: c **Page(s):** 34 **LO:** 3 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—marketing plan.

2-151 MARKETING PLAN

COMPREHENSION

A road map for the marketing activities of an organization for a specified future time period, such as one year or five years is referred to as a _____.

- a. business plan
- b. marketing objective
- c. marketing plan
- d. marketing strategy
- e. marketing program

Answer: c **Page(s):** 34 **LO:** 3 **AACSB:** Analytic **QD:** Medium
Rationale: A marketing plan is a road map for the marketing activities of an organization for a specified future time period, such as one year or five years.

2-152 COMPETENCIES

KNOWLEDGE

An organization's special capabilities, including skills, technology, and resources that distinguish it from other organizations and provide customer value is (are) referred to as

- a. a marketing edge.
- b. a sustainable advantage.
- c. core values.
- d. points of difference.
- e. competencies.

Answer: e **Page(s):** 34 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—competencies.

2-153 COMPETENCIES

KNOWLEDGE

Competencies include all of the following **EXCEPT**:

- a. profit.
- b. customer service.
- c. technologies.
- d. resources.
- e. employee skills.

Answer: c **Page(s):** 34 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: Competencies are an organization's special capabilities, including skills, technology, and resources that distinguish it from other organizations and provide customer value.

2-154 COMPETENCIES

APPLICATION

Rhone-Poulenc is an international French company that produces and markets a variety of chemicals and pharmaceuticals. Due to the resources it makes available to its scientists and

researchers, the company has a number of Nobel Prize winners working in its laboratories. This ability to employ some of the finest minds in the world is an example of a

- a. point of difference.
- b. competency.
- c. sustainable advantage.
- d. product development strategy.
- e. human resource strategy.

Answer: b **Page(s):** 34 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Competencies are an organization's special capabilities, including skills, technology, and resources that distinguish it from other organizations and provide customer value.

2-155 COMPETENCIES

APPLICATION

Designing a car is expensive and time-consuming even with the use of computers because until recently, there was no way for all the varied departments that are involved in new car development to work together. Mercedes-Benz created a unique central web-based system that cuts the design and production process by at least two years, thus providing customer value. This is an example of a(n)

- a. point of difference.
- b. innovation-oriented mission.
- c. action program.
- d. operational goal implementation.
- e. competency.

Answer: e **Page(s):** 34 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Competencies are an organization's special capabilities, including skills, technology, and resources that distinguish it from other organizations and provide customer value.

2-156 COMPETENCIES

APPLICATION

Evergreen Air Center is the world's biggest parking lot for unwanted aircraft. Airlines pay a monthly fee from \$750 to \$5,000 to mothball their unneeded airplanes at this site. Its location is on 1,600 acres of Arizona desert near Tucson. The Southwest climate of dry, warm air serves as a cheap and effective airplane preservative against rust. Evergreen's location is a(n)

- a. competency.
- b. sustainable advantage.
- c. competitive identity.
- d. core benefit proposition.
- e. innovative distinction.

Answer: a **Page(s):** 34 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Competences are an organization's special capabilities (in this case, the climate gives it the capabilities to preserve planes cheaply and efficiently) that distinguish it from other organizations and provide customer value to the airlines.

2-157 COMPETITIVE ADVANTAGE

KNOWLEDGE

A competitive advantage refers to

- a. the cluster of benefits that an organization promises customers to satisfy their needs.
- b. those characteristics of a product that make it superior to competitive substitutes.
- c. a unique strength relative to competitors that provides superior returns, often based on quality, time, cost, or innovation.
- d. actions taken by a firm with the sole intent of putting a competitor out of business.
- e. the cluster of benefits that an organization promises customers to satisfy their needs.

Answer: c **Page(s):** 34 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: Key Term definition—competitive advantage.

2-158 COMPETITIVE ADVANTAGE

KNOWLEDGE

A unique strength relative to competitors that provides superior returns, often based on quality, time, cost, or innovation, is referred to as a

- a. creative advantage.
- b. marketing edge.
- c. distinctive competency.
- d. competitive advantage.
- e. core benefit.

Answer: d **Page(s):** 34 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: Key Term definition—competitive advantage.

2-159 COMPETITIVE ADVANTAGE

APPLICATION

Netflix is a company that rents DVD movies either by mail or streams movies over the Internet. It jumped into an industry where there were many competitors from other local and national video stores. Initially, it established a loyal clientele by providing a service that was not available—reliable and fast shipment. Its delivery system created Netflix's

- a. viable mission.
- b. competitive advantage.
- c. tactical innovation.
- d. core benefit.
- e. sales orientation.

Answer: b **Page(s):** 34 **LO:** 4 **AACSB:** Analytic **QD:** Hard
Rationale: Competitive advantage is a unique strength relative to competitors, often based on quality, time, cost, or innovation. In this case, it is the fast, reliable delivery.

2-160 COMPETITIVE ADVANTAGE

APPLICATION

Men's Wearhouse (MW) caters to the man who doesn't necessarily enjoy shopping. Its stores are located in shopping centers so that customers can get in and out quickly. Additionally, the MW targets the budget-conscious consumer with suit prices ranging from \$250 to \$500. Earnings rose 23% recently, indicating that the location of its stores and the pricing strategy both are part of MW's

- a. competitive advantage.
- b. core values.
- c. core benefit proposition.

- d. marketing edge.
- e. viable mission.

Answer: a **Page(s):** 34 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Competitive advantage is a unique strength relative to competitors, often based on quality, time, cost, or innovation. In this case, its store locations and pricing strategy comprise the MW's competitive advantage.

2-161 COMPETITORS

APPLICATION

Although now a part of Sears, Lands' End was primarily known as a catalog retailer. This means that traditional department stores, mass merchandisers, specialty shops, and other catalog retailers are considered to be Lands' End's

- a. competitors.
- b. consideration set.
- c. industry.
- d. target market.
- e. stakeholders.

Answer: a **Page(s):** 34 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Lands' End, now part of Sears, competes with not only with other catalog retailers of clothing but also traditional department stores, mass merchandisers, and specialty retailers. Although only some of the clothing in these stores directly competes with Lands' End offerings, all these retailers have websites to sell their offerings over the Internet. This means there is a lot of competition.

2-162 GROWTH STRATEGIES

COMPREHENSION

Two commonly used techniques to aid managers with important decisions for setting a direction and allocating resources include _____ and _____ analysis strategies.

- a. micromarketing; macromarketing
- b. business portfolio; diversification
- c. investment; divestment
- d. dashboards; metrics
- e. subjective; objective

Answer: b **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: Knowing where the organization is at the present time enables managers to set a direction for the firm and allocate resources to move in that direction. Two techniques to aid managers with these decisions are: (1) business portfolio analysis and (2) diversification analysis.

2-163 BCG BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

The Boston Consulting Group (BCG) uses _____ to quantify performance measures and growth targets to analyze its clients' SBUs as though they were a collection of separate investments.

- a. target marketing
- b. business portfolio analysis
- c. synergy analysis

- d. market-product grids
- e. diversification analysis

Answer: b **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—business portfolio analysis.

2-164 BCG BUSINESS PORTFOLIO ANALYSIS KNOWLEDGE

The Boston Consulting Group (BCG) uses business portfolio analysis to quantify performance measures and growth targets to analyze its clients' strategic business units (SBUs)

- a. as if each were a separate investment.
- b. to establish their worth to society at large.
- c. to determine which would be suited for a SWOT analysis.
- d. to determine which units are candidates for diversification analysis.
- e. to determine which units can be divided into smaller, tactical business units (TBUs).

Answer: a **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: The Boston Consulting Group (BCG) uses business portfolio analysis to quantify performance measures and growth targets to analyze its clients' strategic business units as though they were a collection of separate investments. The purpose of the tool is to determine the appeal of each SBU or offering and then determine the amount of cash each should receive.

2-165 BUSINESS PORTFOLIO ANALYSIS KNOWLEDGE

Business portfolio analysis refers to

- a. a tool that helps a firm search for growth opportunities from among current and new markets as well as current and new products.
- b. a technique that managers use to subjectively evaluate performance measures and growth targets to analyze their firm's strategic business units (SBUs) as though they were a single expense.
- c. a technique that managers use to quantify performance measures and growth targets to analyze their firm's strategic business units (SBUs) as though they were a collection of separate investments.
- d. an analysis that uses percentage points of market share as the common basis of comparison to allocate marketing resources effectively for different product lines within the same firm.
- e. a tool that seeks opportunities by finding the optimum balance between marketing efficiencies versus R&D—manufacturing efficiencies.

Answer: c **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—business portfolio analysis.

2-166 BUSINESS PORTFOLIO ANALYSIS KNOWLEDGE

A technique that managers use to quantify performance measures and growth targets to analyze its strategic business units (SBUs) as though they were a collection of separate investments is referred to as

- a. investment (ROI) analysis.
- b. synergy analysis.
- c. marketing audit.

- d. diversification analysis.
- e. business portfolio analysis.

Answer: e **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—business portfolio analysis.

2-167 BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

The purpose of business portfolio analysis is to

- a. add or delete product line and brand extensions.
- b. search for growth opportunities from among current and new markets as well as current and new products.
- c. alter a product's characteristic, such as its quality, performance, or appearance, to increase the product's value to customers and increase sales.
- d. determine the appeal of each SBU or offering and then determine the amount of cash each should receive.
- e. seek opportunities by finding the optimum balance between marketing efficiencies versus R&D—manufacturing efficiencies.

Answer: d **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Medium
Rationale: The purpose of business portfolio analysis is to determine the appeal of each SBU or offering and then determine the amount of cash each should receive.

2-168 BCG BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

In the Boston Consulting Group (BCG) model for analysis of a firm's strategic business units, or SBUs, the vertical axis reflects _____.

- a. market growth rate
- b. marketing efficiencies
- c. industry attractiveness
- d. market segment size
- e. relative market share

Answer: a **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: The vertical axis is the market growth rate, which is the annual rate of growth of the SBU's industry. The horizontal axis is the relative market share, defined as the sales of the SBU divided by the sales of the largest firm in the industry. See Figure 2-4 in the textbook.

2-169 BCG BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

The Boston Consulting Group (BCG) business portfolio analysis requires an organization to locate the position for each of its strategic business units (SBUs) on a growth-share matrix. The vertical axis of this matrix indicates

- a. the annual rate of growth of the firm's largest competitor.
- b. the relative dollar (\$) market share of the largest competitor.
- c. the annual rate of growth of the SBU's industry.
- d. the relative unit (#) market share of the largest competitor.
- e. the annual rate of growth of the firm itself.

Answer: c **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—BCG market growth rate.

2-170 BCG BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

In the Boston Consulting Group (BCG) model for analysis of a firm's strategic business units, or SBUs, the horizontal axis reflects _____.

- a. market growth rate
- b. marketing efficiencies
- c. industry attractiveness
- d. market segment size
- e. relative market share

Answer: e **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Easy

Rationale: The vertical axis is the market growth rate, which is the annual rate of growth of the SBU's industry. The horizontal axis is the relative market share, defined as the sales of the SBU divided by the sales of the largest firm in the industry. See Figure 2-4 in the textbook.

2-171 BCG BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

The Boston Consulting Group (BCG) business portfolio analysis requires an organization to locate the position for each of its strategic business units (SBUs) on a growth-share matrix. The horizontal axis of this matrix indicates

- a. the annual rate of growth of the SBU's industry.
- b. the relative dollar (\$) market share of the largest competitor.
- c. the annual rate of growth of the firm's largest competitor.
- d. the relative unit (#) market share of the smallest competitor.
- e. the annual rate of growth of the firm itself.

Answer: b **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—BCG relative market share.

2-172 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

In a BCG growth-share matrix, a relative market share of 10× at the left end of the scale on its horizontal axis means that the SBU has 10 times the share of its largest competitor, whereas a relative market share of 0.1× at the right end of the scale on its horizontal axis means that

- a. the SBU has only 10 percent of the share of its smallest competitor.
- b. the SBU has 100 percent of the share of its largest competitor.
- c. the growth rate between the SBU and the next largest competitor is actually identical.
- d. the SBU has only 10 percent of the share of its largest competitor.
- e. the industry growth rate is declining.

Answer: d **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: The figure 0.1× is interpreted as 1/10 (or 10%) of the share of its largest competitor. See Figure 2-4 in the textbook.

2-173 BCG BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

All of the following are names the BCG has given to describe the four quadrants in its growth-share matrix **EXCEPT**:

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

Answer: e **Page(s):** 35 **LO: 4** **AACSB: Analytic** **QD: Easy**

Rationale: The BCG has given names to describe the four quadrants in its growth-share matrix. They are cash cows, stars, question marks, and dogs. See Figure 2-4 in the textbook.

2-174 BCG BUSINESS PORTFOLIO ANALYSIS: CASH COWS

KNOWLEDGE

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization.

“Cash cows” are SBUs that are classified as having

- a. high market growth rates and high relative market shares.
- b. low market growth rates but high relative market shares.
- c. low market growth rates and low relative market shares.
- d. high market growth rates but low relative market shares.
- e. medium market growth rates and medium relative market shares.

Answer: b **Page(s):** 35-36 **LO: 4** **AACSB: Analytic** **QD: Easy**

Rationale: “Cash cows” are SBUs that are classified as having low market growth rates but high relative market shares. See Figure 2-4 in the textbook.

2-175 BCG BUSINESS PORTFOLIO ANALYSIS: CASH COWS

KNOWLEDGE

SBUs with dominant shares of slow-growth markets that provide cash to cover the organization’s overhead and to invest in other SBUs are referred to as _____.

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

Answer: a **Page(s):** 35 **LO: 4** **AACSB: Analytic** **QD: Easy**

Rationale: Cash cows are SBUs that generate large amounts of cash, far more than they can invest profitably in themselves. They have dominant shares of slow-growth markets and provide cash to cover the organization’s overhead and to invest in other SBUs. See Figure 2-4 in the textbook.

2-176 BCG BUSINESS PORTFOLIO ANALYSIS: CASH COWS

COMPREHENSION

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization.

“Cash cows” are located in which area of the BCG growth-share matrix?

- a. upper left quadrant
- b. upper right quadrant
- c. center quadrant
- d. lower right quadrant
- e. lower left quadrant

Answer: e **Page(s):** 35-36 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: “Cash cows” are located in the lower left quadrant of the BCG growth-share matrix. See Figure 2-4 in the textbook.

2-177 BCG BUSINESS PORTFOLIO ANALYSIS: CASH COWS

APPLICATION

Several years ago, Black & Decker purchased General Electric’s small appliances product line. Black & Decker purchased the line because it needed the cash generated from a product line that had a dominant market share in the slow-growth small appliance industry. GE’s small appliances product line is most likely a _____ for Black & Decker.

- a. dog
- b. cash cow
- c. question mark
- d. star
- e. hedgehog

Answer: b **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: The General Electric small appliances product line holds a large share of a slow-growth industry, the definition of a cash cow. See Figure 2-4 in the textbook.

2-178 BCG BUSINESS PORTFOLIO ANALYSIS: STARS

KNOWLEDGE

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization. “Stars” are SBUs that are classified as having

- a. high market growth rates and high relative market shares.
- b. low market growth rates but high relative market shares.
- c. low market growth rates and low relative market shares.
- d. high market growth rates but low relative market shares.
- e. medium market growth rates and medium relative market shares.

Answer: a **Page(s):** 35-36 **LO:** 4 **AACSB:** Analytic **QD:** Easy

Rationale: “Stars” are SBUs that are classified as having high market growth rates and high relative market shares. See Figure 2-4 in the textbook.

2-179 BCG BUSINESS PORTFOLIO ANALYSIS: STARS

KNOWLEDGE

SBUs with a high share of high-growth markets that may not generate enough cash to support their own demanding needs for future growth are referred to as _____.

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

e. hedgehogs

Answer: d **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—stars. See Figure 2-4 in the textbook.

2-180 BCG BUSINESS PORTFOLIO ANALYSIS: STARS COMPREHENSION

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization. “Stars” are located in which area of the BCG growth-share matrix?

- a. upper left quadrant
- b. upper right quadrant
- c. center quadrant
- d. lower right quadrant
- e. lower left quadrant

Answer: a **Page(s):** 35-36 **LO:** 4 **AACSB:** Analytic **QD:** Medium
Rationale: “Stars” are located in the upper left quadrant of the BCG growth-share matrix. See Figure 2-4 in the textbook.

2-181 BCG BUSINESS PORTFOLIO ANALYSIS: STARS APPLICATION

Solarcom is a 30-year-old information technology company that owns several subsidiaries. One of its subsidiaries is Atlantix Global Systems, which is one of the leading wholesalers for refurbished computer equipment that has a large share of an industry that is growing worldwide. According to the BCG business portfolio analysis framework, Atlantix Global would most likely be classified as a _____.

- a. dog
- b. cash cow
- c. question mark
- d. hedgehog
- e. star

Answer: e **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Hard
Rationale: Atlantix Global Systems has a large share of a high-growth industry, the definition of a star. See Figure 2-4 in the textbook.

2-182 BCG BUSINESS PORTFOLIO ANALYSIS: QUESTION MARKS KNOWLEDGE

SBU with a low share of high-growth markets that may require large cash injections of cash just to maintain market share are referred to as _____.

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

Answer: c **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—question marks. See Figure 2-4 in the textbook.

2-183 BCG BUSINESS PORTFOLIO ANALYSIS: QUESTION MARKS**KNOWLEDGE**

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization.

“Question marks” are SBUs that are classified as having

- a. high market growth rates and high relative market shares.
- b. low market growth rates but high relative market shares.
- c. low market growth rates and low relative market shares.
- d. high market growth rates but low relative market shares.
- e. medium market growth rates and medium relative market shares.

Answer: d

Page(s): 35

LO: 4

AACSB: Analytic

QD: Easy

Rationale: “Question marks” are SBUs that are classified as having high market growth rates but low relative market shares. See Figure 2-4 in the textbook.

2-184 BCG BUSINESS PORTFOLIO ANALYSIS: QUESTION MARKS**COMPREHENSION**

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization.

“Question marks” are located in which area of the BCG growth-share matrix?

- a. upper left quadrant
- b. upper right quadrant
- c. center quadrant
- d. lower right quadrant
- e. lower left quadrant

Answer: b

Page(s): 35-36

LO: 4

AACSB: Analytic

QD: Medium

Rationale: “Question marks” are located in the upper right quadrant of the BCG growth-share matrix. See Figure 2-4 in the textbook.

2-185 BCG BUSINESS PORTFOLIO ANALYSIS: DOGS**KNOWLEDGE**

SBUs with a low share of slow-growth markets that may generate enough cash to sustain themselves but do not hold the promise of ever becoming real winners for the organization are referred to as _____.

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

Answer: a

Page(s): 35

LO: 4

AACSB: Analytic

QD: Easy

Rationale: “Dogs” are SBUs with low shares of slow-growth markets. See Figure 2-4 in the textbook.

2-186 BCG BUSINESS PORTFOLIO ANALYSIS: DOGS**KNOWLEDGE**

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization.

“Dogs” are SBUs that are classified as having

- a. high market growth rates and high relative market shares.
- b. low market growth rates but high relative market shares.
- c. low market growth rates and low relative market shares.
- d. high market growth rates but low relative market shares.
- e. medium market growth rates and medium relative market shares.

Answer: c **Page(s):** 35 **LO: 4** **AACSB: Analytic** **QD: Easy**

Rationale: “Dogs” are SBUs that are classified as having low market growth rates and low relative market shares. See Figure 2-4 in the textbook.

2-187 BCG BUSINESS PORTFOLIO ANALYSIS: DOGS

COMPREHENSION

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization.

“Dogs” are located in which area of the BCG growth-share matrix?

- a. upper left quadrant
- b. upper right quadrant
- c. center quadrant
- d. lower right quadrant
- e. lower left quadrant

Answer: d **Page(s):** 35-36 **LO: 4** **AACSB: Analytic** **QD: Medium**

Rationale: “Dogs” are located in the lower right quadrant of the BCG growth-share matrix. See Figure 2-4 in the textbook.

2-188 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

In its business portfolio analysis, an organization’s SBUs often start as “_____” and then become “_____.”

- a. dogs; question marks
- b. question marks; stars
- c. stars; question marks
- d. stars; dogs
- e. question marks; dogs

Answer: b **Page(s):** 35-36 **LO: 4** **AACSB: Analytic** **QD: Medium**

Rationale: In its business portfolio analysis, an organization’s SBUs often start as question marks and proceed counterclockwise to become stars, then cash cows, and finally dogs. See Figure 2-4 in the textbook.

2-189 BCG BUSINESS PORTFOLIO ANALYSIS

APPLICATION

Several years ago, the Honda Motor Company unveiled the hybrid version of the Honda Civic. While the hybrid vehicles are very fuel efficient, they are also very expensive to purchase.

Hybrid vehicles sales have increased over 570 percent with a compound annual growth rate of 88.6%. Sales of the Civic eventually overtook those of the Toyota Prius, making it the number

one hybrid car in the U.S. For years, Honda has experienced tremendous success with their Accords—in fact, these Honda cars are the top-selling automobiles in the U.S. Where would the Honda Civic (hybrid version) and the Honda Accord fall in the BCG business portfolio analysis matrix?

- The hybrid Civic is a star; the Accord is a cash cow.
- The hybrid Civic is a cash cow; the Accord is a star.
- Due to the overwhelming success of Honda cars, both the Accord and the hybrid Civic are cash cows.
- The hybrid Civic is a hedgehog; the Accord is a cash cow.
- The hybrid Civic is a dog; the Accord is a star.

Answer: a **Page(s):** 35-36 **LO: 4** **AACSB: Analytic** **QD: Hard**

Rationale: The BCG growth-share matrix is based upon market growth rate and market share. The hybrid car market is a high growth market. The Honda Civic hybrid has slightly over half of the market share of this market. The vehicle will require large injections of cash from other products in the Honda line to maintain or increase market share. As a result, the Honda Civic hybrid is a star. The Honda Accord auto is well established in a slower-growth market and controls a significant percentage of market share. Thus, the Accord is a cash cow for Honda and the revenues generated from these cars will be used to finance the marketing of the hybrid Civic, a star in the BCG growth-share matrix. See Figure 2-4 in the textbook.

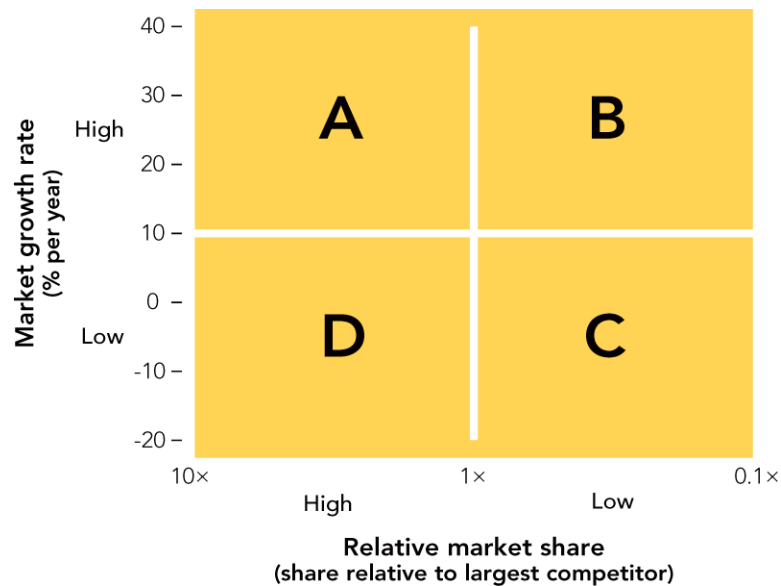


Figure 2-4

2-190 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

In Figure 2-4 shown above, SBUs found in quadrant “A” would be called _____.

- cash cows
- question marks
- dogs
- hedgehogs
- stars

Answer: e **Page(s):** 35-36 **LO: 4** **AACSB: Analytic** **QD: Medium**

Rationale: SBUs with high growth rate and high relative market share are called stars. See Figure 2-4 in the textbook.

2-191 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

In Figure 2-4 shown above, SBUs found in quadrant “B” would be called _____.

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

Answer: c **Page(s):** 35-36 **LO: 4** **AACSB: Analytic** **QD: Medium**

Rationale: SBUs with high growth rate and low relative market share are called question marks. See Figure 2-4 in the textbook.

2-192 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

In Figure 2-4 shown above, SBUs found in quadrant “C” would be called _____.

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

Answer: d **Page(s):** 35-36 **LO: 4** **AACSB: Analytic** **QD: Medium**

Rationale: SBUs with low growth rate and low relative market share are called dogs. See Figure 2-4 in the textbook.

2-193 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

In Figure 2-4 shown above, SBUs found in quadrant “D” would be called _____.

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

Answer: a **Page(s):** 35-36 **LO: 4** **AACSB: Analytic** **QD: Medium**

Rationale: SBUs with low growth rate and high relative market share are called cash cows. See Figure 2-4 in the textbook.

2-194 BCG BUSINESS PORTFOLIO ANALYSIS: KODAK

APPLICATION

In 2008, about 80 percent of U.S. consumers owned a digital camera because it is easy to use, is relatively inexpensive, and allows images to be uploaded and shared online. And Kodak’s sales of digital cameras have been good, moving from a “question mark” to a “cash cow.” But in the near future, Kodak’s digital camera sales may flatten due to high household penetration, the

economic downturn, and increased competition. As a result, its new digital camera sales may come mostly as replacement sales for existing, not new customers. Kodak expects this SBU may become(may remain) a _____ in the near future.

- a. question mark
- b. star
- c. hedgehog
- d. cash cow
- e. dog

Answer: d **Page(s):** 36-37 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: In business portfolio analysis, an organization's SBUs often start as "question marks" and proceed counterclockwise to become "stars," then "cash cows," and finally "dogs." Kodak expects this SBU to continue to be a "cash cow" but recent trends may force this SBU back to "star" since new models sales will consist of mainly replacement sales at lower prices. See Figure 2-4 in the textbook.

2-195 BCG BUSINESS PORTFOLIO ANALYSIS: KODAK

APPLICATION

In 2007, Kodak introduced a line of digital picture frames that allowed consumers to upload, store, and view digital images. In 2009, Kodak expanded its line with more than 11 items ranging in price from \$60 to \$180. By 2013, sales could approach 50 million units for market leader Kodak. According to the BCG growth-share matrix, this SBU is a _____.

- a. dog
- b. star
- c. cash cow
- d. question mark
- e. hedgehog

Answer: b **Page(s):** 36-37 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: In 2008, Kodak expanded its line with over 10 items ranging in price from \$270 to \$770. In 2009, Kodak expanded its line with more than 11 items ranging in price from \$60 to \$180. By 2013, sales could approach 50 million units for market leader Kodak. By 2013, sales could approach 50 million units, making this SBU a "star." See Figure 2-4 in the textbook.

2-196 BCG BUSINESS PORTFOLIO ANALYSIS: KODAK

APPLICATION

In 2008, Kodak's ink-jet printer could be considered a "question mark" because the market dramatically changed as consumers shifted from single-purpose to multifunction machines designed to print photos, make copies, scan images, and send faxes. Today, Kodak now offers only multifunction printers. If Kodak can double or triple unit sales soon, this SBU "question mark" could become a "_____;" if online printing and sharing steal market share, this SBU could become a "_____."

- a. cash cow; star
- b. cash cow; dog
- c. star; dog
- d. star; hedgehog
- e. in either scenario, the inkjet printer will remain a question mark

Answer: c **Page(s):** 36-37 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Today, Kodak now offers only multifunction printers. Moreover, Kodak's high-quality ink cartridges make photos at half the cost of Hewlett-Packard's (HP) printers. The result: In two short years, Kodak has sold over 1 million printers. Consumers buy an average of eight ink cartridges a year. Because HP is the entrenched 300-pound gorilla in this market, the future of this "question mark" could evolve into a "star" if Kodak is able to double or triple unit sales. Or, this SBU may turn into a "dog" because online printing and sharing have taken off and may soon reach \$1 billion. See Figure 2-4 in the textbook.

2-197 BCG BUSINESS PORTFOLIO ANALYSIS: KODAK

APPLICATION

In 2003, Kodak's traditional film sales were an \$8 billion dollar "cash cow." In 2009, the revenue generated dropped below \$500 million. By 2012, film sales will almost evaporate. Kodak's film SBU became a "dog" primarily due to

- a. an exponential increase in the price of silver, which is necessary for the production of film.
- b. the loss of patent protection.
- c. too much revenue shifted from this SBU to the more profitable ink-jet printer SBU.
- d. the use of traditional film cameras was only a fad.
- e. the advent of the popularity of digital photography.

Answer: e **Page(s):** 36-37 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: An \$8 billion cash cow in 2003, Kodak's film sales were the company's biggest single source of revenue. Now in a free fall because of digital cameras, Kodak's film sales dropped below \$500 million in 2009, making it a "dog." Experts believe Kodak's film sales will evaporate by 2012. See Figure 2-4 in the textbook.

2-198 BCG BUSINESS PORTFOLIO ANALYSIS: KODAK

APPLICATION

Kodak's digital camera sales may flatten due to high household penetration, the economic downturn, and increased competition. Kodak remains No. 3 in market share behind Canon and Sony. Today more women are buying digital cameras because they are small and light. Bottom line: Kodak expects this SBU to continue to be a "_____" with its new digital camera models generating mainly replacement sales.

- a. hedgehog
- b. star
- c. cash cow
- d. dog
- e. question mark

Answer: c **Page(s):** 36-37 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Kodak expects this SBU to continue to be a "cash cow" since the digital camera market consists of mainly replacement sales. See Figure 2-4 in the textbook.

2-199 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

One of the strengths inherent in the use of the BCG business portfolio analysis is that it

- a. is based solely on company perception rather than actual data.
- b. considers all factors that might impact an SBU's value to an organization.
- c. acts as a strong motivational tool for employees in SBUs that have been labeled "dogs" or "question marks."

- d. forces a firm to place each of its SBUs in the growth-share matrix, which in turn suggests which SBUs will be cash producers and cash users in the future.
- e. identifies specific marketing strategies and marketing tactics on how to solve SBU shortcomings.

Answer: d **Page(s):** 37 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: The primary strength of business portfolio analysis lies in forcing a firm to place each of its SBUs in the growth-share matrix, which in turn suggests which SBUs will be cash producers and cash users in the future.

2-200 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

One of the weaknesses inherent in the use of the BCG business portfolio analysis is that it

- a. causes dissension between different divisions when one is labeled a “star” and another a “dog.”
- b. reduces employee motivation to move a low valued SBU to a higher one.
- c. considers too many SBU factors beyond market growth rate and relative market share.
- d. does not require sales forecasts in order to be implemented.
- e. is often difficult to obtain the needed information to place SBUs in the matrix correctly.

Answer: e **Page(s):** 37 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: Weaknesses of BCG business portfolio analysis arise from the difficulty in (1) getting the needed information and (2) incorporating competitive data into business portfolio analysis.

2-201 BCG BUSINESS PORTFOLIO ANALYSIS

APPLICATION

Although an organization has limited influence on market growth rate, its main alternative is to try to change its relative market share. The most likely way for a company to turn a “question mark” into a “star” rather than a “dog” is to

- a. remove cash from it.
- b. reduce advertising for it.
- c. inject cash into it.
- d. reduce the feature set for it.
- e. decrease the market growth rate.

Answer: c **Page(s):** 35 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Because an organization has limited influence on market growth rate, its main alternative is to try to change its relative market share. To accomplish this, management decides what role each SBU should have in the future and either injects or removes cash from it. To become a “star,” the firm will have to inject cash into it.

2-202 DIVERSIFICATION ANALYSIS

KNOWLEDGE

A technique that helps a firm search for growth opportunities from among current and new markets as well as current and new products is referred to as _____.

- a. diversification analysis
- b. synergy analysis
- c. a market-product grid framework
- d. Porter’s generic business strategy assessment

e. market segmentation

Answer: a **Page(s):** 37-38 **LO: 4** **AACSB: Analytic** **QD: Easy**
Rationale: Key term definition—diversification analysis. See Figure 2-5 in the textbook.

2-203 DIVERSIFICATION ANALYSIS

KNOWLEDGE

Diversification analysis refers to

- a. a technique that seeks opportunities by finding the optimum balance between marketing efficiencies versus R&D—manufacturing efficiencies.
- b. a framework to relate the market segments of potential buyers to products offered or potential marketing actions by an organization.
- c. a technique that helps a firm search for growth opportunities from among current and new markets as well as current and new products.
- d. a technique used to determine the appeal of each SBU or offering and then the amount of cash, if any, each should receive.
- e. a framework that identifies four “generic” strategies to achieve a competitive advantage.

Answer: c **Page(s):** 37-38 **LO: 4** **AACSB: Analytic** **QD: Easy**
Rationale: Key term definition—diversification analysis.

2-204 DIVERSIFICATION ANALYSIS

COMPREHENSION

Which of the following statements regarding diversification analysis is most accurate?

- a. Companies should only use diversification analysis if they are well-established; new companies that use this process run the risk of trying to do too much too soon.
- b. For any product, there is both a current and a new market and for any market, there is both a current and a new product.
- c. Most companies discover that there is at least one product that is targeted to the wrong market.
- d. Diversification analysis is only effective for consumer products.
- e. Diversification analysis is used to forecast and calculate industry sales for new products.

Answer: b **Page(s):** 37-38 **LO: 4** **AACSB: Analytic** **QD: Medium**
Rationale: For any market, there is both a current product (what the firm now sells) and a new product (what the firm might sell in the future). And for any product, there is both a current market (the firm’s existing customers) and a new market (the firm’s potential customers).

2-205 MARKET PENETRATION

KNOWLEDGE

A marketing strategy to increase sales of current products in current markets is referred to as

- a. market penetration.
- b. market development.
- c. product development.
- d. diversification.
- e. marketing synergy.

Answer: a **Page(s):** 37-38 **LO: 4** **AACSB: Analytic** **QD: Easy**
Rationale: Text term definition—market penetration. See Figure 2-5 in the textbook.

2-206 MARKET PENETRATION**KNOWLEDGE**

Market penetration refers to the marketing strategy of

- a. selling current products to new markets.
- b. selling new products to new markets.
- c. selling new products to current markets.
- d. selling the same brands in both current and new markets.
- e. increasing sales of current products in current markets.

Answer: e **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—market penetration. See Figure 2-5 in the textbook.

2-207 MARKET PENETRATION**COMPREHENSION**

One way a company can benefit from implementing a market penetration strategy would be to

- a. sell more products at a lower price.
- b. sell the same amount of product at a higher price.
- c. find a new market and sell the product at a much higher price.
- d. alter the product and sell it to a new market.
- e. reduce promotion and distribution costs to improve production efficiencies.

Answer: b **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: In market penetration, there is no change in either the basic product line or the markets served. Increased sales are generated by either selling more products through better promotion or distribution, or selling the same number of products at a higher price.

2-208 MARKET PENETRATION**COMPREHENSION**

When using a _____ strategy, there is no change in either the basic product line or the markets served. Increased sales are generated by either selling more products through better promotion or distribution or selling the same number of products at a higher price.

- a. product development
- b. market development
- c. diversification
- d. market saturation
- e. market penetration

Answer: e **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: Market penetration is a marketing strategy to increase sales of current products in current markets.

2-209 MARKET PENETRATION**APPLICATION**

If Ben & Jerry's sold more of its Bonnaroo Buzz Fair Trade-sourced super premium ice cream to U.S. consumers, it would be using a _____ strategy.

- a. product development
- b. market development

- c. market penetration
- d. diversification
- e. market saturation

Answer: c **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Market penetration is a marketing strategy to increase sales of current products in current markets.

2-210 MARKET DEVELOPMENT

KNOWLEDGE

The marketing strategy to sell current products to new markets is referred to as _____.

- a. market penetration
- b. market infiltration
- c. market development
- d. product development
- e. diversification

Answer: c **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—market development. See Figure 2-5 in the textbook.

2-211 MARKET DEVELOPMENT

KNOWLEDGE

Market development refers to the marketing strategy of

- a. increasing sales of current products in current markets.
- b. selling new products to new markets.
- c. selling new products to current markets.
- d. selling the same brands in both current and new markets.
- e. selling current products to new markets.

Answer: e **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—market development. See Figure 2-5 in the textbook.

2-212 MARKET DEVELOPMENT

COMPREHENSION

If Ben & Jerry's starts selling its ice cream in China for the first time, it will be using a _____ strategy.

- a. product development
- b. market development
- c. diversification
- d. market saturation
- e. market penetration

Answer: b **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: Ben & Jerry's currently does not do business in China. Market development is a marketing strategy to sell current products to new markets. See Figure 2-5 in the textbook.

2-213 MARKET DEVELOPMENT

APPLICATION

If Ben & Jerry's sold its Bonnaroo Buzz Fair Trade-sourced super premium ice cream to Brazilian consumers, it would be using a _____ strategy.

- a. product development
- b. market penetration
- c. diversification
- d. market development
- e. market saturation

Answer: d **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Ben & Jerry's currently does not do business in Brazil. Market development is a marketing strategy to sell current products to new markets. See Figure 2-5 in the textbook.

2-214 PRODUCT DEVELOPMENT

KNOWLEDGE

The marketing strategy of selling new products to current markets is referred to as _____.

- a. product penetration
- b. product development
- c. market development
- d. diversification
- e. market penetration

Answer: b **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—product development. See Figure 2-5 in the textbook.

2-215 PRODUCT DEVELOPMENT

KNOWLEDGE

Product development refers to the marketing strategy of

- a. increasing sales of current products in current markets.
- b. selling current products to new markets.
- c. selling new products to new markets.
- d. selling new products to current markets.
- e. selling the same brands in both current and new markets.

Answer: d **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—product development. See Figure 2-5 in the textbook.

2-216 PRODUCT DEVELOPMENT

APPLICATION

If Ben & Jerry's sold a line of new "Occupy Ben & Jerry's" T-shirts targeted to college students in the U.S., it would be using a _____ strategy.

- a. product development
- b. market development
- c. market penetration
- d. diversification
- e. market saturation

Answer: a **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Ben & Jerry's currently does not sell clothing. Product development is a marketing strategy to increase sales of new products ("Occupy Ben & Jerry's" T-shirts) in current markets

(U.S. college students). NOTE: Ben & Jerry's supports the "Occupy" movement as it seeks to, in nonviolent fashion, engage in social change as part of its social mission. See <http://www.benjerrys.com/activism/occupy-movement> for more information.

2-217 DIVERSIFICATION

KNOWLEDGE

The marketing strategy of developing new products and selling them in new markets is referred to as

- a. product penetration
- b. product development
- c. market development
- d. market penetration
- e. diversification

Answer: e **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—diversification. See Figure 2-5 in the textbook.

2-218 DIVERSIFICATION

KNOWLEDGE

Diversification refers to the marketing strategy of

- a. increasing sales of current products in current markets.
- b. selling current products to new markets.
- c. selling new products to new markets.
- d. selling new products to current markets.
- e. selling the same brands in both current and new markets.

Answer: c **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—diversification. See Figure 2-5 in the textbook.

2-219 DIVERSIFICATION

APPLICATION

If Ben & Jerry's sold a line of new "Occupy Ben & Jerry's" T-shirts targeted to college students in Latvia, it would be using a _____ strategy.

- a. product development
- b. market development
- c. market penetration
- d. diversification
- e. market saturation

Answer: d **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Hard
Rationale: Ben & Jerry's currently does not sell clothing nor does it do business in Latvia. Diversification is a marketing strategy to increase sales of new products ("Occupy Ben & Jerry's" T-shirts) in new markets (Latvian college students). NOTE: Ben & Jerry's supports the "Occupy" movement as it seeks to, in nonviolent fashion, engage in social change as part of its social mission. See <http://www.benjerrys.com/activism/occupy-movement> for more information.

2-220 DIVERSIFICATION

APPLICATION

If Ben & Jerry's starts selling children's clothing in Brazil to try to capitalize on its brand name, this would be an example of _____.

- a. product development.
- b. product-market evolution.
- c. market development.
- d. market penetration.
- e. diversification.

Answer: e **Page(s):** 37-38 **LO: 4** **AACSB: Analytic** **QD: Hard**

Rationale: Ben & Jerry's is known for its ice cream, not children's clothing. Moreover, Ben & Jerry's currently does not do business in Brazil. So, by trying to sell Ben & Jerry's branded children's clothing in Brazil would be taking a new product to a new market, which is diversification. See Figure 2-5 in the textbook.

MARKETS	PRODUCTS	
	Current	New
Current	A	B
New	C	D

Figure 2-5

2-221 DIVERSIFICATION ANALYSIS

COMPREHENSION

The image depicted in Figure 2-5 above represents what strategic analysis technique?

- a. Gantt chart
- b. SWOT analysis
- c. Pert chart
- d. BCG growth-share matrix
- e. diversification analysis

Answer: e **Page(s):** 37-38 **LO: 4** **AACSB: Analytic** **QD: Medium**

Rationale: Diversification analysis is a technique a firm uses to search for growth opportunities form among current and new products and markets.

2-222 MARKET PENETRATION

COMPREHENSION

Quadrant "A" in Figure 2-5 above represents the marketing strategy of _____.

- a. market penetration
- b. product development
- c. market development
- d. product penetration
- e. diversification

Answer: a **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: Market penetration is a marketing strategy to increase sales of current products in current markets. See Figure 2-5 in the textbook.

2-223 MARKET PENETRATION

APPLICATION

Consider Figure 2-5 above. A small family owns gelato business in the town's favorite place where parents and children stop on their way home from work to relax or school to play. However, the business owner is barely making ends meet. He experiments by purchasing a case of large take-home containers so customers can not only stop on the way home from school or work but also enjoy the gelato after dinner at home. Profits begin to rise. This is an example of a _____ strategy that would be found in quadrant _____.

- a. product penetration; "A"
- b. market penetration; "A"
- c. product development; "B"
- d. market development; "B"
- e. market development; "C"

Answer: b **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Market penetration is a marketing strategy to increase sales of current products in current markets ("A"). See Figure 2-5 in the textbook.

2-224 PRODUCT DEVELOPMENT

COMPREHENSION

Quadrant "B" in Figure 2-5 above represents the marketing strategy of _____.

- a. market penetration
- b. product penetration
- c. market development
- d. product development
- e. diversification

Answer: d **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: Product development is a marketing strategy of selling new products to current markets. See Figure 2-5 in the textbook.

2-225 PRODUCT DEVELOPMENT

APPLICATION

Consider Figure 2-5 above. A small family owns gelato business in the town's favorite place where parents and children stop on their way home from work to relax or school to play. However, the business owner is barely making ends meet. The adults who stop by are always complimenting him on his unusual gelato flavor selections. He decides to experiment by packaging his special spices into small packets that can be used at home as flavorings for dinner

drinks. Profits begin to rise. This is an example of a _____ strategy that would be found in quadrant _____.

- a. market penetration; "A"
- b. product development; "B"
- c. market development; "C"
- d. diversification; "D"
- e. product-market addition; "D"

Answer: b **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Product development is a marketing strategy of selling new products to current markets ("B"). See Figure 2-5 in the textbook.

2-226 MARKET DEVELOPMENT

COMPREHENSION

Quadrant "C" in Figure 2-5 above represents the marketing strategy of _____.

- a. product development
- b. market penetration
- c. market development
- d. product penetration
- e. diversification

Answer: c **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: Market development is a marketing strategy to sell current products to new markets. See Figure 2-5 in the textbook.

2-227 MARKET DEVELOPMENT

APPLICATION

Consider Figure 2-5 above. A small family owns gelato business in the town's favorite place where parents and children stop on their way home from work to relax or school to play. However, the business owner is barely making ends meet. He experiments by purchasing a refrigerated cart and takes it to the local ball fields where he sells the gelato to the teams and their fans. Profits begin to rise. This is an example of a _____ strategy that would be found in quadrant _____.

- a. market penetration; "A"
- b. product development; "B"
- c. product penetration; "B"
- d. market development; "C"
- e. market expansion; "C"

Answer: d **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Market development is a marketing strategy to sell current products to new markets ("C"). See Figure 2-5 in the textbook.

2-228 DIVERSIFICATION

COMPREHENSION

Quadrant "D" in Figure 2-5 above represents the marketing strategy of _____.

- a. market penetration
- b. product penetration
- c. market development

- d. product development
- e. diversification

Answer: e **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: Diversification is a marketing strategy of developing new products and selling them in new markets. See Figure 2-5 in the textbook.

2-229 DIVERSIFICATION

APPLICATION

Consider Figure 2-5 above. A small family owns gelato business in the town's favorite place where parents and children stop on their way home from work to relax or school to play. However, the business owner is barely making ends meet. He is beginning to think that he will not be able to support his family if things don't improve, but he doesn't want to give up his store. Instead, he experiments by selling handmade flies on the Internet for professional sports fishermen. This is an example of a _____ strategy that would be found in quadrant _____.

- a. market penetration; "A"
- b. product development; "B"
- c. market development; "C"
- d. product-market expansion; "D"
- e. diversification; "D"

Answer: e **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Hard

Rationale: Diversification is a marketing strategy of developing new products and selling them in new markets ("E"). See Figure 2-5 in the textbook.

2-230 DIVERSIFICATION ANALYSIS

COMPREHENSION

According to Figure 2-5 above, which two marketing strategies would be used if a firm were not willing to find new markets.

- a. product development and market penetration
- b. product development and diversification
- c. market development and product development
- d. market development and market penetration
- e. market development and diversification

Answer: a **Page(s):** 37-38 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: Both product development ("B") and market penetration ("A") require a firm to expand its current markets. See Figure 2-5 in the textbook.

2-231 STRATEGIC MARKETING PROCESS

KNOWLEDGE

The strategic marketing process

- a. involves taking stock of where the firm or product has been recently, where it is now, and where it is headed in terms of the organization's marketing plans and the external forces and trends affecting it.
- b. is a technique to quantify performance measures and growth targets to analyze its clients' strategic business units (SBUs) as though they were a collection of separate investments.

- c. describes an organization's appraisal of its internal strengths and weaknesses and its external opportunities and threats.
- d. is an approach whereby an organization allocates its marketing mix resources to reach its target markets.
- e. seeks opportunities by finding the optimum balance between marketing efficiencies versus R&D—manufacturing efficiencies.

Answer: d **Page(s):** 38 **LO:** 5 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—strategic marketing process.

2-232 STRATEGIC MARKETING PROCESS KNOWLEDGE

An approach whereby an organization allocates its marketing mix resources to reach its target markets is referred to as (the)

- a. tactical marketing process.
- b. situational analysis.
- c. diversification analysis.
- d. synergy analysis.
- e. strategic marketing process.

Answer: e **Page(s):** 38 **LO:** 5 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—strategic marketing process.

2-233 STRATEGIC MARKETING PROCESS KNOWLEDGE

The key steps of planning, implementation, and evaluation are part of (the)

- a. gap analysis.
- b. strategic marketing process.
- c. situational analysis.
- d. synergy analysis.
- e. diversification analysis.

Answer: b **Page(s):** 38 **LO:** 5 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—strategic marketing process. See Figure 2-6 in the textbook.

2-234 STRATEGIC MARKETING PROCESS COMPREHENSION

An organization uses the strategic marketing process to answer all of the following questions **EXCEPT:**

- a. "How do our results compare with our plans?"
- b. "How do we allocate our resources to get where we want to go?"
- c. "Where do we want to go?"
- d. "Do deviations require new plans?"
- e. "How do we convert our plans into actions?"

Answer: c **Page(s):** 38 **LO:** 5 **AACSB:** Analytic **QD:** Medium
Rationale: An organization uses the strategic marketing process to answer questions such as: (1) "How do we allocate our resources to get where we want to go?" (2) "How do we convert our plans into actions?" (3) "How do our results compare with our plans?" and (4) "Do deviations

require new plans?” Questions such as “Where are we now?” and “Where do we want to go?” are answered during the analysis (business portfolio and diversification) that occurs prior to engaging in the strategic marketing process.

2-235 STRATEGIC MARKETING PROCESS

COMPREHENSION

Within the strategic marketing process, the _____ is the result of the planning phase that proceeds to the implementation phase where it is carried out.

- a. marketing tactics
- b. business plan
- c. product protocol
- d. marketing plan
- e. marketing strategy

Answer: d **Page(s):** 38 **LO: 5** **AACSB: Analytic** **QD: Medium**

Rationale: The marketing plan is the result of the planning phase of the strategic marketing process that proceeds to the implementation phase where it is carried out. See Figure 2-6 in the textbook.

2-236 STRATEGIC MARKETING PROCESS: PLANNING

COMPREHENSION

What are the three steps involved in the planning phase of the strategic marketing process?

- a. Step 1: situation (SWOT) analysis; Step 2: market-product focus and goal setting; and Step 3: the marketing program
- b. Step 1: planning; Step 2: implementation; and Step 3: evaluation
- c. Step 1: set market and product goals; Step 2: select target markets and find points of difference; and Step 3: position the product
- d. Step 1: identify industry trends; Step 2: analyze competitors; and Step 3: assess own organization
- e. Step 1: Why do we exist?; Step 2: What will we do?; and Step 3: How will we do it?

Answer: a **Page(s):** 38-41 **LO: 5** **AACSB: Analytic** **QD: Medium**

Rationale: The three steps involved in the planning phase of the strategic marketing process are: Step 1: situation (SWOT) analysis; Step 2: market-product focus and goal setting; and Step 3: the marketing program. See Figure 2-6 in the textbook.

2-237 STRATEGIC MARKETING PROCESS: PLANNING

COMPREHENSION

Step 1 in the planning phase of the strategic marketing process consists of

- a. business portfolio analysis.
- b. market-product focus and goal setting.
- c. the marketing program.
- d. the situation (SWOT) analysis.
- e. diversification analysis.

Answer: d **Page(s):** 38-41 **LO: 5** **AACSB: Analytic** **QD: Medium**

Rationale: The planning phase of the strategic marketing process has three steps. Step 1 is the situation (SWOT) analysis. Step 2 is market-product focus and goal setting. Step 3 is the

marketing program. The implementation and evaluation phases follow the planning phase of the strategic marketing process. See Figure 2-6 in the textbook.

2-238 STRATEGIC MARKETING PROCESS

COMPREHENSION

Step 1 in the strategic marketing process involves _____.

- a. establishing the budget
- b. developing the marketing program
- c. setting goals
- d. auditing the marketing plan
- e. conducting a situation (SWOT) analysis

Answer: e **Page(s):** 38-41 **LO: 5** **AACSB: Analytic** **QD: Medium**

Rationale: The planning phase of the strategic marketing process has three steps. Step 1 is the situation (SWOT) analysis. Step 2 is market-product focus and goal setting. Step 3 is the marketing program. The implementation and evaluation phases follow the planning phase of the strategic marketing process. See Figure 2-6 in the textbook.

2-239 STRATEGIC MARKETING PROCESS: PLANNING

COMPREHENSION

Step 2 in the planning phase of the strategic marketing process consists of

- a. the situation (SWOT) analysis.
- b. market-product focus and goal setting.
- c. the marketing program.
- d. business portfolio analysis.
- e. diversification analysis.

Answer: b **Page(s):** 38-41 **LO: 5** **AACSB: Analytic** **QD: Medium**

Rationale: The planning phase of the strategic marketing process has three steps. Step 1 is the situation (SWOT) analysis. Step 2 is market-product focus and goal setting. Step 3 is the marketing program. The implementation and evaluation phases follow the planning phase of the strategic marketing process. See Figure 2-6 in the textbook.

2-240 STRATEGIC MARKETING PROCESS: PLANNING

COMPREHENSION

Step 3 in the planning phase of the strategic marketing process consists of

- a. diversification analysis.
- b. the situation (SWOT) analysis.
- c. the marketing program.
- d. the market-product focus and goal setting.
- e. business portfolio analysis.

Answer: c **Page(s):** 38-41 **LO: 5** **AACSB: Analytic** **QD: Medium**

Rationale: The planning phase of the strategic marketing process has three steps. Step 1 is the situation (SWOT) analysis. Step 2 is market-product focus and goal setting. Step 3 is the marketing program. The implementation and evaluation phases follow the planning phase of the strategic marketing process. See Figure 2-6 in the textbook.

2-241 SITUATION ANALYSIS**KNOWLEDGE**

Taking stock of where the firm or product has been recently, where it is now, and where it is headed in terms of the organization's marketing plans and the external forces and trends affecting it, is referred to as _____.

- a. tactical planning
- b. market planning
- c. goal setting
- d. environmental scanning
- e. situation analysis

Answer: e **Page(s):** 39

LO: 5

AACSB: Analytic

QD: Easy

Rationale: Key term definition—situation analysis.

2-242 SITUATION ANALYSIS**KNOWLEDGE**

A situation analysis refers to

- a. taking stock of where the firm or product has been recently, where it is now, and where it is headed in terms of the organization's marketing plans and the external forces and trends affecting it.
- b. an appraisal of an organization's internal and external strengths and weaknesses and its internal and external opportunities and threats.
- c. the process of continually acquiring information on events occurring outside the organization to identify and interpret potential trends.
- d. a technique that managers use to quantify performance measures and growth targets to analyze its clients' strategic business units (SBUs) as though they were a collection of separate investments.
- e. the process where a firm searches for growth opportunities from among current and new markets as well as current and new products.

Answer: a **Page(s):** 39

LO: 5

AACSB: Analytic

QD: Easy

Rationale: Key term definition—situation analysis. Alternative "b" is the definition of a SWOT analysis. Alternative "c" is the definition of environmental scanning. Alternative "d" is the definition of business portfolio analysis. Alternative "e" is the definition of diversification analysis.

2-243 SITUATION ANALYSIS**APPLICATION**

A situation analysis requires a firm to consider the external forces and trends that affect it. Some of these may be favorable to the organization while others may be unfavorable. Which of the following is an example of an external force?

- a. The firm buys its own fleet of trucks, so it no longer needs to hire a trucking company for distribution.
- b. A hiring freeze is put into place. Although no one is fired, no one can be hired.
- c. A goal is set to close the gap between production costs and profits.
- d. A local government requires that all businesses within the city limits must recycle or be fined.
- e. Shareholders are rewarded with a sizeable dividend check.

Answer: d **Page(s):** 39

LO: 5

AACSB: Analytic

QD: Hard

Rationale: Alternatives “a,” “b,” “c,” and “e” are all internal factors an organization considers. Regulation from outside the organization would be an external force, part of the regulatory environmental force that is analyzed during an environmental scan (see Chapter 3).

2-244 SWOT ANALYSIS

KNOWLEDGE

The acronym “SWOT” in the term “SWOT analysis” stands for _____.

- a. strengths, weaknesses, opportunities, and tactics
- b. strengths, weaknesses, options, and tactics
- c. strengths, weaknesses, opportunities, and threats
- d. simple, workable, optimal, and timely
- e. state the problem, work out a strategy, organize your team, and take action

Answer: c **Page(s):** 39 **LO:** 5 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—SWOT analysis.

2-245 SWOT ANALYSIS

KNOWLEDGE

An effective technique a firm can use to appraise its internal strengths and weaknesses and external opportunities and threats is referred to as (a) _____.

- a. SWOT analysis
- b. strategic management planning
- c. environmental scanning
- d. market-product grid analysis
- e. marginal analysis

Answer: a **Page(s):** 39 **LO:** 5 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—SWOT analysis.

2-246 SWOT ANALYSIS

COMPREHENSION

All of the following form the foundation upon which a firm builds its marketing program during the strategic marketing process **EXCEPT**:

- a. research the organization’s present and prospective customers.
- b. determine what business the organization is in.
- c. assess the organization itself.
- d. identify trends in the organization’s industry.
- e. analyze the organization’s competitors.

Answer: b **Page(s):** 39 **LO:** 5 **AACSB:** Analytic **QD:** Medium
Rationale: Determining what business the organization is in is done prior to engaging in the strategic marketing process.

2-247 SWOT ANALYSIS

COMPREHENSION

The goal of a SWOT analysis is to

- a. identify market research questions in order to develop new products for new market segments.

- b. determine how raises, bonuses, and dividends will be paid.
- c. reorganize the firm's marketing department.
- d. identify the critical strategy-related factors that can impact the firm.
- e. fairly allocate governmental resources and financial aid across the industry.

Answer: d **Page(s):** 39 **LO:** 5 **AACSB:** Analytic **QD:** Medium

Rationale: The ultimate goal of a SWOT analysis is to identify the critical strategy-related factors that can impact the firm and then build on vital strengths, correct glaring weaknesses, exploit significant opportunities, and avoid disaster-laden threats.

2-248 SWOT ANALYSIS

COMPREHENSION

All of the following are marketing actions that can be taken as a result of a SWOT analysis **EXCEPT**:

- a. exploit an opportunity.
- b. correct a weakness.
- c. avoid a disaster-laden threat.
- d. build on a strength.
- e. secure the necessary resources (financial, human, technological) to fund new SBUs.

Answer: e **Page(s):** 39 **LO:** 5 **AACSB:** Analytic **QD:** Medium

Rationale: The ultimate goal of diversification analysis is to identify the critical strategy-related factors that impact the firm and then build on vital strengths, correct glaring weaknesses, exploit significant opportunities, and avoid disaster-laden threats. Alternative "e" is incorrect because securing resources implements the marketing strategy(ies) identified from a SWOT analysis.

2-249 SWOT ANALYSIS

APPLICATION

In the 1980s, a lapse in production quality and an increase in Japanese imports drove the Harley-Davidson motorcycle company to the brink of bankruptcy. The company's share of the U.S. super heavy-weight market segment—motorcycles with engine capacity of 850 cubic centimeters or more—collapsed from more than 40 percent in the mid 1970s to 23 percent in 1983. However, by 1989, Harley-Davidson controlled some 65 percent of this market segment. From a marketing perspective, what was the **MOST LIKELY** first step in Harley-Davidson's resurgence?

- a. developing a new mission statement
- b. repositioning their product in the minds of super heavy-weight motorcycle buyers
- c. performing a SWOT analysis to assess where the firm has been
- d. selling new models of super heavy-weight motorcycles in both the U.S. (current) and foreign (new) markets
- e. improving the quality of its product and communicating this to motorcycle buyers

Answer: c **Page(s):** 39 **LO:** 5 **AACSB:** Analytic **QD:** Hard

Rationale: Prior to making changes in either product or marketing strategy, the firm would have assess where the firm has been, where it is now, and where it is headed, which enables it to ascertain its internal strengths and weaknesses and its external threats and opportunities—a SWOT analysis.

2-250 SWOT ANALYSIS

APPLICATION

Procter & Gamble is a consumer packaged goods company where innovation is a key competitive advantage. This allowed the firm to develop new products like Crest Whitestrips that consumers crave. P&G also uses its marketing expertise to develop unique product placements on television shows that highlight its brands. A SWOT analysis for P&G would indicate that the innovation that takes place within the firm is a(n) _____.

- a. strength
- b. weakness
- c. threat
- d. opportunity
- e. problem

Answer: a **Page(s):** 39 **LO:** 5 **AACSB:** Analytic **QD:** Hard

Rationale: In a SWOT analysis, a strength is an internal factor such as innovation and marketing expertise that can be used to improve the marketing prospects of a company.

2-251 SWOT ANALYSIS

APPLICATION

A recent Congressional initiative mandated that the U.S. Department of Transportation (USDOT) establish a national traffic information collection system. The marketing manager of a company that provided traffic reports for local radio stations would most likely incorporate this knowledge into its SWOT analysis as

- a. a weakness if the company has an existing working relationship with the USDOT.
- b. an opportunity if the USDOT will give this information directly to all radio stations.
- c. a weakness if the company that provides local traffic information has no employees who are technologically capable of using the USDOT system.
- d. a threat if the USDOT is creating a network of local traffic-information providers to address the mandate.
- e. part of a marketing plan; this information would not be part of a SWOT analysis.

Answer: c **Page(s):** 39 **LO:** 5 **AACSB:** Analytic **QD:** Hard

Rationale: Potentially, this would be a great opportunity; however, if the firm does not have the technological resources to meet the demands, this would be a weakness. Of course, part of the purpose of SWOT analysis is to use the information to make better marketing decisions. If acted upon, this would be a great time for the firm to train a few employees to become technologically capable of using the USDOT system.

LOCATION OF FACTOR	TYPE OF FACTOR	
	Favorable	Unfavorable
Internal	A	B
External	C	D

Figure 2-7

2-252 SWOT ANALYSIS

APPLICATION

Consider Figure 2-7 above. A Florida-based flashlight company has been extremely successful due in part to the number of hurricanes in Florida that result in power outages. The firm is thinking of expanding its product offerings to include other emergency supplies such as generators and survival kits (consisting of food bars, a water filtration system, first aid supplies, etc.). Before going ahead with this decision, there were several factors that had to be taken into consideration: (1) The firm has a great reputation with its flashlights and does not want to ruin it. (2) Its physical plant could be refitted relatively easily to make small generators, but it would be rather costly. (3) It would have to rely on another firm to manufacture and package the survival kits. (4) Although there are nine named hurricanes scheduled for the upcoming year, no one really can predict what will happen. The company's reputation would fall in which quadrant(s) of the SWOT analysis grid?

- "A"
- "B"
- "C"
- "D"
- "A" and "D"

Answer: a **Page(s):** 39

LO: 5

AACSB: Analytic

QD: Hard

Rationale: The firm's reputation is a favorable internal factor or strength, which is quadrant "A." See Figure 2-7 in the textbook.

2-253 SWOT ANALYSIS

APPLICATION

Consider Figure 2-7 above. A Florida-based flashlight company has been extremely successful due in part to the number of hurricanes in Florida that result in power outages. The firm is thinking of expanding its product offerings to include other emergency supplies such as generators and survival kits (consisting of food bars, a water filtration system, first aid supplies, etc.). Before going ahead with this decision, there were several factors that had to be taken into consideration: (1) The firm has a great reputation with its flashlights and does not want to ruin it. (2) Its physical plant could be refitted relatively easily to make small generators, but it would be

rather costly. (3) It would have to rely on another firm to manufacture and package the survival kits. (4) Although there are nine named hurricanes scheduled for the upcoming year, no one really can predict what will happen. The company's need to refit its factory would fall in which quadrant(s) of the SWOT analysis grid?

- a. "A"
- b. "B"
- c. "C"
- d. "D"
- e. "A" and "D"

Answer: b **Page(s):** 39 **LO:** 5 **AACSB:** Analytic **QD:** Hard

Rationale: The cost of refitting a physical plant would be an unfavorable internal factor, which is quadrant "B." See Figure 2-7 in the textbook.

2-254 SWOT ANALYSIS

APPLICATION

Consider Figure 2-7 above. A Florida-based flashlight company has been extremely successful due in part to the number of hurricanes in Florida that result in power outages. The firm is thinking of expanding its product offerings to include other emergency supplies such as generators and survival kits (consisting of food bars, a water filtration system, first aid supplies, etc.). Before going ahead with this decision, there were several factors that had to be taken into consideration: (1) The firm has a great reputation with its flashlights and does not want to ruin it. (2) Its physical plant could be refitted relatively easily to make small generators, but it would be rather costly. (3) It would have to rely on another firm to manufacture and package the survival kits. (4) Although there are nine named hurricanes forecasted for the upcoming year, no one really can predict what will happen. The projected number of hurricanes would fall in which quadrant(s) of the SWOT analysis grid?

- a. "A"
- b. "B"
- c. "C"
- d. "D"
- e. "C" and "D"

Answer: e **Page(s):** 39 **LO:** 5 **AACSB:** Analytic **QD:** Hard

Rationale: For the firm, the weather is beyond its control—an external factor. If the hurricanes affect the area as expected or if there are more than expected, then this would be a favorable external factor. If there are fewer hurricanes than expected, then this would be an unfavorable external factor. Therefore, either quadrants "C" (opportunity) or "D" (threat) are external factors that could impact the firm. See Figure 2-7 in the textbook.

2-255 SWOT ANALYSIS

APPLICATION

Consider Figure 2-7 above. A Florida-based flashlight company has been extremely successful due in part to the number of hurricanes in Florida that result in a loss of power. The firm is thinking of expanding its product offerings to include other emergency supplies such as generators and survival kits. Before going ahead with this decision, there were several factors that had to be taken into consideration: (1) The firm has a great reputation with its flashlights and doesn't want to ruin it. (2) Its physical plant could be refitted relatively easily to make small generators, but it would be rather costly. (3) It would have to rely on another firm to manufacture and package the survival kits. (4) Although there are nine named hurricanes scheduled for the

upcoming year, no one really can predict what will happen. The need to rely on another company to supply the survival kits would fall in which quadrant(s) of the SWOT analysis grid?

- "A"
- "B"
- "C"
- "D"
- "C" and "D"

Answer: d **Page(s):** 39 **LO:** 5 **AACSB:** Analytic **QD:** Hard

Rationale: The need to rely on another company to supply the survival kits represents an external potentially unfavorable factor. The flashlight firm would have to rely on an outside source supplier over which they would have limited control (deadlines, quality control, changes in materials costs, etc.) and there is a greater potential of competition from other sources that provide the materials in the kit. Therefore, quadrant "D" is the correct answer. See Figure 2-7 in the textbook.

LOCATION OF FACTOR	TYPE OF FACTOR	
	Favorable	Unfavorable
Internal	A	B
External	C	D

Figure 2-7

2-256 SWOT ANALYSIS

COMPREHENSION

Quadrant "A" in Figure 2-7 above represents a(n) _____ in a SWOT analysis.

- Threat
- Weakness
- Strength
- Opportunity
- Market segment

Answer: c **Page(s):** 38-39 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: A strength is an internal, favorable factor as a result of a SWOT analysis for an organization. See Figure 2-7 in the textbook.

2-257 SWOT ANALYSIS

COMPREHENSION

Quadrant “B” in Figure 2-7 above represents a(n) _____ in a SWOT analysis.

- a. Threat
- b. Weakness
- c. Strength
- d. Opportunity
- e. Market segment

Answer: b **Page(s):** 38-39 **LO: 4** **AACSB: Analytic** **QD: Medium**

Rationale: A weakness is an internal, unfavorable factor as a result of a SWOT analysis for an organization. See Figure 2-7 in the textbook.

2-258 SWOT ANALYSIS

COMPREHENSION

Quadrant “C” in Figure 2-7 above represents a(n) _____ in a SWOT analysis.

- a. Threat
- b. Weakness
- c. Strength
- d. Opportunity
- e. Market segment

Answer: d **Page(s):** 38-39 **LO: 4** **AACSB: Analytic** **QD: Medium**

Rationale: An opportunity is an external, favorable factor as a result of a SWOT analysis for an organization. See Figure 2-7 in the textbook.

2-259 SWOT ANALYSIS

COMPREHENSION

Quadrant “D” in Figure 2-7 above represents a(n) _____ in a SWOT analysis.

- a. Threat
- b. Weakness
- c. Strength
- d. Opportunity
- e. Market segment

Answer: a **Page(s):** 38-39 **LO: 4** **AACSB: Analytic** **QD: Medium**

Rationale: A threat is an external, unfavorable factor as a result of a SWOT analysis for an organization. See Figure 2-7 in the textbook.

2-260 MARKET SEGMENTATION

KNOWLEDGE

Aggregating prospective buyers into groups that (1) have common needs and (2) will respond similarly to a marketing action is referred to as _____.

- a. market aggregation
- b. market segmentation
- c. product segmentation
- d. product grouping
- e. mass marketing

Answer: b **Page(s):** 39-40 **LO: 5** **AACSB: Analytic** **QD: Easy**

Rationale: Key term definition—market segmentation. [NOTE: “Segments” was omitted from the question so to as not give away the answer.]

2-261 MARKET SEGMENTATION

KNOWLEDGE

Market segmentation refers to

- a. identifying small groups of customers with dissimilar needs.
- b. aggregating prospective buyers into groups and selecting only those whose needs cannot be met by competitors’ products.
- c. aggregating prospective buyers into groups that have common needs and will respond similarly to a marketing action.
- d. aggregating different products into more reasonable product groupings to better serve consumers’ needs.
- e. those characteristics of a product that make it superior to competitive substitutes.

Answer: c **Page(s):** 39-40 **LO:** 5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—market segmentation. [NOTE: “Segments” was omitted from the question so to as not give away the answer.]

2-262 MARKET SEGMENTATION

KNOWLEDGE

What is the marketing term for aggregating prospective buyers into groups that have common needs and will respond similarly to a marketing action?

- a. market aggregation
- b. product segmentation
- c. customer grouping
- d. market segmentation
- e. mass marketing

Answer: d **Page(s):** 39-40 **LO:** 5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—market segmentation.

2-263 MARKET SEGMENTATION

APPLICATION

To develop a successful marketing plan for a soft drink soda, the process of _____ would most likely be used to group consumers on the basis of whether they wanted sugar-free and caffeine-free soda, caffeine-free sugared soda, or regular soda with sugar and caffeine.

- a. market aggregation
- b. product segmentation
- c. customer grouping
- d. mass marketing
- e. market segmentation

Answer: e **Page(s):** 39-40 **LO:** 5 **AACSB:** Analytic **QD:** Hard

Rationale: Market segmentation is the process of aggregating prospective buyers into groups, or segments that have common needs and will respond similarly to a marketing action.

2-264 GOAL SETTING

KNOWLEDGE

In a marketing context, goal setting involves setting measurable _____ to be achieved.

- a. marketing metrics
- b. marketing objectives
- c. marketing tactics
- d. marketing plans
- e. protocols

Answer: b **Page(s):** 40 **LO:** 5 **AACSB:** Analytic **QD:** Easy

Rationale: In a marketing context, goal setting involves setting measurable marketing objectives to be achieved possibly for a specific market, a specific product or brand, or an entire marketing program.

2-265 POINTS OF DIFFERENCE

KNOWLEDGE

Those characteristics of a product that make it superior to competitive substitutes are referred to as _____.

- a. core benefit propositions
- b. marketing mix elements
- c. marketing attributes
- d. points of difference
- e. product protocols

Answer: d **Page(s):** 40 **LO:** 5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—points of difference.

2-266 POINTS OF DIFFERENCE

KNOWLEDGE

Points of difference refer to

- a. the fundamental, passionate, and enduring principles of an organization that guide its conduct over time.
- b. the cluster of benefits that an organization promises customers to satisfy their needs.
- c. a unique strength relative to competitors that provides superior returns, often based on quality, time, cost, or innovation.
- d. those characteristics of a product that make it superior to competitive substitutes.
- e. the use of percentage points of market share to allocate marketing resources effectively for different product lines within the same firm.

Answer: d **Page(s):** 40 **LO:** 5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—points of difference.

2-267 MARKETING PROGRAM

KNOWLEDGE

At which step of the planning stage of the strategic marketing process does a firm develop its marketing mix?

- a. situation analysis
- b. goal setting
- c. marketing program
- d. sales forecasting

e. market segmentation

Answer: c **Page(s):** 38, 40-41 **LO: 5** **AACSB: Analytic** **QD: Easy**

Rationale: The marketing program represents the “how” aspect or Step 3 of the strategic marketing process. At this point, an organization develops both its marketing mix and budget. See Figures 2-6 and 2-8 in the textbook.

2-268 MARKETING PROGRAM

KNOWLEDGE

The marketing program—step 3 in the strategic planning process—answers which question?

- a. who
- b. what
- c. when
- d. why
- e. how

Answer: e **Page(s):** 40 **LO: 5** **AACSB: Analytic** **QD: Easy**

Rationale: The “how” aspect—step 3 in the planning phase—involves developing the program’s marketing mix (the four Ps) and its budget.

2-269 MARKETING PROGRAM

KNOWLEDGE

The _____ element of the marketing mix includes features and packaging.

- a. product
- b. price
- c. promotion
- d. place
- e. people

Answer: a **Page(s):** 40-41 **LO: 5** **AACSB: Analytic** **QD: Easy**

Rationale: The product element of the marketing mix includes features, brand name, packaging, service, and warranty. See Figure 2-8 in the textbook.

2-270 MARKETING PROGRAM

KNOWLEDGE

The _____ element of the marketing mix includes discounts and allowances.

- a. product
- b. price
- c. promotion
- d. place
- e. people

Answer: b **Page(s):** 40-41 **LO: 5** **AACSB: Analytic** **QD: Easy**

Rationale: The price element of the marketing mix includes list price, discounts, allowances, credit terms, and payment period. See Figure 2-8 in the textbook.

2-271 MARKETING PROGRAM

KNOWLEDGE

The _____ element of the marketing mix includes personal selling and sales promotion.

- a. product
- b. price
- c. promotion
- d. place
- e. people

Answer: c **Page(s):** 40-41 **LO:** 5 **AACSB:** Analytic **QD:** Easy

Rationale: The promotion element of the marketing mix includes advertising, personal selling, public relations, sales promotion, and direct marketing. See Figure 2-8 in the textbook.

2-272 MARKETING PROGRAM

KNOWLEDGE

The _____ element of the marketing mix includes channels and coverage.

- a. product
- b. price
- c. promotion
- d. place
- e. people

Answer: d **Page(s):** 40-41 **LO:** 5 **AACSB:** Analytic **QD:** Easy

Rationale: The place (distribution) element of the marketing mix includes outlets, channels, coverage, transportation, and stock level. See Figure 2-8 in the textbook.

2-273 MARKETING PROGRAM

COMPREHENSION

Searching out, using, and training reputable medical device distributors across Asia to call on cardiologists and medical clinics is an example of Medtronic's

- a. market segmentation and targeting strategy
- b. price strategy
- c. place strategy
- d. promotion strategy
- e. product/service strategy

Answer: c **Page(s):** 40 **LO:** 5 **AACSB:** Analytic **QD:** Medium

Rationale: Medtronic's five-year marketing plan for its Champion pacemaker includes these marketing mix activities: (1) Product strategy: Offer a Champion brand heart pacemaker with features needed by Asian patients. (2) Price strategy: Manufacture the Champion to control costs so that it can be priced below \$1,000 (in U.S. dollars)—an affordable price for Asian markets. (3) Promotion strategy: Introduce the champion at medical conventions across Asia to demonstrate its many beneficial features. (4) Place (distribution) strategy: Search out, utilize, and train reputable medical device distributors across Asia to call on cardiologists and medical clinics.

2-274 MARKETING PROGRAM

COMPREHENSION

Introducing the champion at medical conventions across Asia to demonstrate its many beneficial features is an example of Medtronic's

- a. market segmentation and targeting strategy
- b. price strategy

- c. place strategy
- d. promotion strategy
- e. product/service strategy

Answer: d **Page(s):** 40 **LO:** 5 **AACSB:** Analytic **QD:** Medium

Rationale: Medtronic's five-year marketing plan for its Champion pacemaker includes these marketing mix activities: (1) Product strategy: Offer a Champion brand heart pacemaker with features needed by Asian patients. (2) Price strategy: Manufacture the Champion to control costs so that it can be priced below \$1,000 (in U.S. dollars)—an affordable price for Asian markets. (3) Promotion strategy: Introduce the champion at medical conventions across Asia to demonstrate its many beneficial features. (4) Place (distribution) strategy: Search out, utilize, and train reputable medical device distributors across Asia to call on cardiologists and medical clinics.

2-275 MARKETING PROGRAM

COMPREHENSION

Offering a Champion brand heart pacemaker with features needed by Asian patients is an example of Medtronic's

- a. market segmentation and targeting strategy
- b. price strategy
- c. place strategy
- d. promotion strategy
- e. product/service strategy

Answer: e **Page(s):** 40 **LO:** 5 **AACSB:** Analytic **QD:** Medium

Rationale: Medtronic's five-year marketing plan for its Champion pacemaker includes these marketing mix activities: (1) Product strategy: Offer a Champion brand heart pacemaker with features needed by Asian patients. (2) Price strategy: Manufacture the Champion to control costs so that it can be priced below \$1,000 (in U.S. dollars)—an affordable price for Asian markets. (3) Promotion strategy: Introduce the champion at medical conventions across Asia to demonstrate its many beneficial features. (4) Place (distribution) strategy: Search out, utilize, and train reputable medical device distributors across Asia to call on cardiologists and medical clinics.

2-276 IMPLEMENTATION PHASE

KNOWLEDGE

The second phase of the strategic marketing process is the _____.

- a. tactics phase
- b. strategic phase
- c. planning phase
- d. implementation phase
- e. evaluation phase

Answer: d **Page(s):** 41-42 **LO:** 6 **AACSB:** Analytic **QD:** Easy

Rationale: Implementation, the second phase of the strategic marketing process, involves carrying out the marketing plan that emerges from the planning phase.

2-277 IMPLEMENTATION PHASE

KNOWLEDGE

Which phase of the strategic marketing process does a firm obtain resources, design the marketing organization, develop schedules, and execute the marketing program?

- a. planning phase
- b. implementation phase
- c. evaluation phase
- d. strategic phase
- e. tactics phase

Answer: b **Page(s):** 41-42 **LO: 6** **AACSB: Analytic** **QD: Easy**

Rationale: The four components of the implementation phase include: (1) obtaining resources; (2) designing the marketing organization; (3) developing planning schedules; and (4) actually executing the marketing program designed in the planning phase.

2-278 IMPLEMENTATION PHASE

COMPREHENSION

All of the following are components of the implementation phase of the strategic marketing process **EXCEPT**:

- a. developing planning schedules.
- b. executing the marketing program.
- c. designing the marketing organization.
- d. conducting R&D.
- e. obtaining resources.

Answer: d **Page(s):** 41-42 **LO: 6** **AACSB: Analytic** **QD: Medium**

Rationale: The four components of the implementation phase include: (1) obtaining resources; (2) designing the marketing organization; (3) developing planning schedules; and (4) actually executing the marketing program designed in the planning phase.

2-279 MARKETING STRATEGY

KNOWLEDGE

A marketing _____ is defined as the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it.

- a. plan
- b. tactic
- c. strategy
- d. concept
- e. action

Answer: c **Page(s):** 42 **LO: 6** **AACSB: Analytic** **QD: Easy**

Rationale: Key term definition—marketing strategy.

2-280 MARKETING STRATEGY

KNOWLEDGE

A marketing strategy refers to

- a. the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it.
- b. the tactical decisions made to implement the marketing program.
- c. a technique to quantify performance measures and growth targets of a firm's strategic business units (SBUs).
- d. a road map for the marketing activities of an organization for a specified future time period, such as one year or five years.

e. the detailed day-to-day operational decisions.

Answer: a **Page(s):** 42 **LO:** 6 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—marketing strategy.

2-281 MARKETING STRATEGY

COMPREHENSION

The term marketing strategy is used to address both the _____ and the _____.

- a. product groupings; target market
- b. target market; marketing program
- c. subjective; objective
- d. revenues generated; market share achieved
- e. feasibility; time required to implement

Answer: b **Page(s):** 42 **LO:** 6 **AACSB:** Analytic **QD:** Medium
Rationale: A marketing strategy is the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it.

2-282 MARKETING STRATEGY

COMPREHENSION

A marketing strategy is the means by which a marketing goal is to be achieved. The two factors that usually characterize a marketing strategy are

- a. specific organizational goals and objectives.
- b. a detailed marketing plan and a marketing budget.
- c. marketing strategies and marketing tactics.
- d. a specified target market and a marketing program to reach it.
- e. marketing programs and marketing dashboards to evaluate them.

Answer: d **Page(s):** 42 **LO:** 6 **AACSB:** Analytic **QD:** Medium
Rationale: A marketing strategy is the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it. The term implies both the end sought (target market) and the means to achieve it (marketing program).

2-283 MARKETING STRATEGY

APPLICATION

Which of the following statements reflects the key elements in developing a marketing strategy for L. M. Schofield, Inc., a company that produces specialized concrete surfaces for heavily trafficked areas such as retail outlets and amusement parks?

- a. Buy ads in all the major trade journals aimed at businesses in the entertainment and/or sports industry.
- b. Communicate using direct mail about the various walking surfaces Schofield can create for contractors who are building riding and walking paths.
- c. Design a sample ad and test it using visitors at a trade show.
- d. Hire six new sales representatives for the Midwest regional office and train them on all aspects of concrete surfaces.
- e. Conduct a focus group to decide on which surface to use for a theme park in Brazil.

Answer: b **Page(s):** 42 **LO:** 6 **AACSB:** Analytic **QD:** Hard

Rationale: Alternative “b” is the only answer that both identifies a target market (contractors building riding and walking paths) and describes the marketing program to reach it (direct mail to communicate the variety of surfaces). All the other alternatives are examples of marketing tactics.

2-284 MARKETING TACTICS

KNOWLEDGE

Marketing tactics refer to the

- a. long-term decisions made to implement the marketing program and the monitoring of those decisions.
- b. detailed day-to-day operational decisions essential to the overall success of marketing strategies.
- c. steps taken to develop an effective marketing plan.
- d. development of marketing strategies to achieve the organization’s marketing objectives.
- e. refinement of the organization’s mission based on the results obtained from a marketing audit.

Answer: b **Page(s):** 42 **LO:** 6 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—marketing tactics.

2-285 MARKETING TACTICS

KNOWLEDGE

The detailed day-to-day operational decisions essential to the overall success of marketing strategies are referred to as _____.

- a. marketing plans
- b. marketing programs
- c. marketing tactics
- d. marketing strategies
- e. marketing procedures

Answer: c **Page(s):** 42 **LO:** 6 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—marketing tactics.

2-286 MARKETING TACTICS

COMPREHENSION

Compared to marketing strategies, marketing tactics generally involve actions that

- a. are detailed day-to-day operational decisions.
- b. are long-term rather than short-term.
- c. involve upper levels of management rather than front-line managers.
- d. are general rather than specific in nature.
- e. have been successfully implemented in the past.

Answer: a **Page(s):** 42 **LO:** 6 **AACSB:** Analytic **QD:** Medium

Rationale: Marketing tactics are detailed day-to-day operational decisions essential to the overall success of marketing strategies.

2-287 MARKETING TACTICS

APPLICATION

David and Cecilia Stanford, owners of Prairie Herb vinegars, decided to offer the product in 5-ounce and 13-ounce sizes. They decided to sell the vinegar only through the mail and to price the smaller bottle at \$4.45 and the largest bottle at \$13.25. These actions consist of Prairie Herb's marketing

- a. tactics.
- b. missions.
- c. visions.
- d. strategies.
- e. customer values.

Answer: a **Page(s):** 42 **LO:** 6 **AACSB:** Analytic **QD:** Hard

Rationale: Marketing tactics are detailed day-to-day operational decisions essential to the overall success of marketing strategies, and includes the setting of specific prices for items in a product line.

2-288 EVALUATION PHASE

KNOWLEDGE

The third phase of the strategic marketing process is the _____.

- a. tactics phase
- b. strategic phase
- c. planning phase
- d. implementation phase
- e. evaluation phase

Answer: e **Page(s):** 41-42 **LO:** 6 **AACSB:** Analytic **QD:** Easy

Rationale: Evaluation, the third phase of the strategic marketing process, requires the marketing manager to (1) compare the results of the marketing program with the goals in the written plans to identify deviations and (2) act on these deviations—correcting negative deviations and exploiting positive ones.

2-289 EVALUATION PHASE

COMPREHENSION

The two major aspects of the evaluation phase of the strategic marketing process are

- a. segmenting the market and selecting target markets.
- b. establishing a business mission and designing measurable goals and objectives.
- c. designing the marketing mix and setting the budget.
- d. comparing the results of the marketing program with the goals in the written plans to identify deviations and to act on them.
- e. executing the marketing plan and designing the marketing organization.

Answer: d **Page(s):** 42 **LO:** 6 **AACSB:** Analytic **QD:** Medium

Rationale: The evaluation phase of the strategic marketing process seeks to keep the marketing program moving in the direction set for it. Accomplishing this requires the marketing manager to (1) compare the results of the marketing program with the goals in the written plans to identify deviations and (2) act on these deviations—correcting negative deviations and exploiting positive ones.

2-290 PLANNING GAP

KNOWLEDGE

The difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place is referred to as the _____.

- a. planning gap
- b. contribution margin
- c. points of difference
- d. breakeven point
- e. sales response function

Answer: a **Page(s):** 43-44 **LO:** 6 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—planning gap.

2-291 PLANNING GAP

KNOWLEDGE

The planning gap refers to

- a. the difference between projected total costs and realized total revenues.
- b. the difference between projected total costs and net profits.
- c. the difference between marginal revenue and marginal cost.
- d. the percentage point difference between a firm and its next largest competitor in terms of market share.
- e. the difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place.

Answer: e **Page(s):** 43-44 **LO:** 6 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—planning gap.

2-292 PLANNING GAP

COMPREHENSION

After examining a planning gap, firms typically attempt to

- a. decide if the time horizon should be increased or decreased.
- b. perform a SWOT analysis with their major competitor as the principal focus.
- c. use statistical linear trend analysis to interpret the results.
- d. exploit a positive deviation or correct a negative deviation.
- e. adopt a market-product grid to analyze the sales results.

Answer: d **Page(s):** 43-44 **LO:** 6 **AACSB:** Analytic **QD:** Medium

Rationale: A planning gap is the difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place. The ultimate purpose of the firm's marketing program is to "fill in" this planning gap—to move its future sales revenue line from the plan to the more challenging target. When an evaluation shows that actual performance fails to meet expectations, managers need to take corrective actions, such as exploiting a positive deviation or correcting a negative deviation. See Figure 2-10 in the textbook.

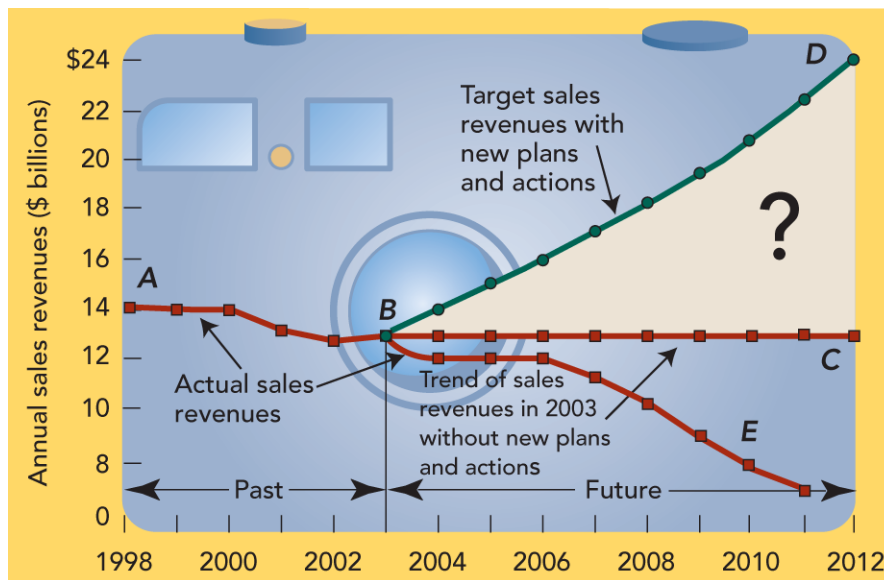


Figure 2-10

2-293 PLANNING GAP

COMPREHENSION

The question mark (?) represented by the wedge DBC in Figure 2-10 above is the _____.

- a. contribution margin
- b. marginal trend
- c. breakeven point
- d. planning gap
- e. sales differential

Answer: d **Page(s):** 43-44 **LO:** 6 **AACSB:** Analytic **QD:** Medium

Rationale: A planning gap (wedge DBC) is the difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place. See Figure 2-10 in the textbook.

2-294 PLANNING GAP

COMPREHENSION

Based on the information in Figure 2-10 above, the planning gap between 2003 and 2012, as represented by the wedge DBC, _____.

- a. is widening
- b. is narrowing
- c. is staying the same
- d. cannot be determined
- e. actually began in 1998

Answer: a **Page(s):** 43-44 **LO:** 6 **AACSB:** Analytic **QD:** Medium

Rationale: A planning gap (wedge DBC) is the difference between the projection of the path to reach a new goal (line BD) and the projection of the path of the results of a plan already in place (line BC). This difference is widening. See Figure 2-10 in the textbook.

2-295 PLANNING GAP

APPLICATION

Based on the sales revenue data shown in Figure 2-10 above, as a marketing manager for Kodak, you would **MOST LIKELY** conclude that

- a. the planning gap is narrowing.
- b. the actual sales results (line BE) are on track with the new plan (line BD).
- c. the actual sales results (lines AB and BE) are on track with the plan in place since 2003 (line BC).
- d. sales are increasing significantly since 2003 (line BD).
- e. another new plan should have been implemented in 2009 since the planning gap (wedge DBC) is widening each year thereafter.

Answer: e **Page(s):** 43-44 **LO: 6** **AACSB: Analytic** **QD: Hard**

Rationale: When evaluation shows that actual performance fails to meet expectations, managers need to take corrective actions, such as devising a new marketing plan. In Kodak's case, another new plan should have been developed in 2009 after the terrible drop-off in sales for 2008 as a result of the economic downturn and the precipitous loss of film sales. See Figure 2-10 in the textbook.

2-296 PLANNING GAP

APPLICATION

Evergreen Air Center is the world's largest parking lot for unwanted commercial aircraft. Airlines pay from \$750 to \$5,000 monthly for the storage services provided by Evergreen. Prior to September 2001, the company had 140 discarded airplanes at its Arizona facilities and was growing at a rate of about six planes monthly with about two per month sold for parts and/or scrap metal. After calamity struck the airline industry in September 2001, the airlines have retired over 1,000 planes—many of which have found their way to Evergreen. Now the actual number of planes stored at Evergreen differs significantly from the prediction based on previous behavior in effect before September 2001. This difference is referred to as the _____.

- a. contribution margin
- b. marginal trend
- c. breakeven point
- d. planning gap
- e. sales differential

Answer: d **Page(s):** 43-44 **LO: 6** **AACSB: Analytic** **QD: Hard**

Rationale: A planning gap is the difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place. See Figure 2-10 in the textbook.

2-297 VIDEO CASE 2: IBM

KNOWLEDGE

IBM's business strategy to help its clients be more efficient, productive, and responsive to the data generated from the revolution in the global marketplace concerning the instrumentation and integration of the world's processes and infrastructures is referred to as

- a. "The IBM Way."
- b. "Smarter Planet."
- c. "Reinvent Business."
- d. "The 2015 Road Map."
- e. "Big Blue."

Answer: b **Page(s):** 46-47 **LO:** 1 **AACSB:** Analytic **QD:** Easy
Rationale: IBM's business strategy to help its clients be more efficient, productive, and responsive is known as "Smarter Planet."

2-298 VIDEO CASE 2: IBM

COMPREHENSION

All of the following were strategic opportunities identified in IBM's 2015 Road Map **EXCEPT**:

- a. the connected, "smarter planet."
- b. cloud and smarter computing.
- c. a shift from software and services to PCs and hard disk drives.
- d. business analytics and optimization.
- e. growth markets such as China, India, Brazil, and Africa.

Answer: c **Page(s):** 46-47 **LO:** 4 **AACSB:** Analytic **QD:** Medium

Rationale: IBM's 2015 Road Map describes four strategic opportunities: (1) growth markets such as China, India, Brazil, and Africa, (2) business analytics and optimization, (3) cloud and smarter computing, and (4) the connected, "smarter planet." Recently, IBM began to shift from commodity-based businesses such as PCs and hard disk drives, to "customizable" businesses such as software and services, not the other way around.

2-299 VIDEO CASE 2: IBM

COMPREHENSION

The marketing plan for IBM's "Smarter Planet" strategy included all of the following marketing tactics **EXCEPT**:

- a. handing out "Smarter Planet" t-shirts on selected college campuses through the world.
- b. television ads to describe the "Smarter Planet" strategy.
- c. a website that provided reports, video clips, and statistics.
- d. a message in an annual report from IBM's Chairman of the Board and CEO.
- e. an appearance of "Watson" on the TV game show *Jeopardy!*

Answer: a **Page(s):** 46-47 **LO:** 5 **AACSB:** Analytic **QD:** Medium

Rationale: The marketing tactics IBM used to communicate its "Smarter Planet" strategy included messaging from Palmisano, a print and television advertising campaign, an Internet presence, and public relations (having an IBM computer named "Watson" appear on *Jeopardy!*). IBM did not hand out "Smarter Planet" t-shirts on college campuses.

2-300 VIDEO CASE 2: IBM

COMPREHENSION

Implementation of IBM's "Smarter Planet" strategy has resulted in all of the following **EXCEPT**:

- a. a reduction in supply chain costs and inventory levels for retailers.
- b. a reduction in traffic delays through coordinated signals.
- c. a reduction in power usage for consumers using smart meters.
- d. a reduction in crime.
- e. a reduction in wasted coverage for advertising messages.

Answer: e **Page(s):** 46-47 **LO:** 6 **AACSB:** Analytic **QD:** Medium

Rationale: IBM's "Smarter Planet" strategy was not applied to the problem of advertising efficiency, also known as wasted coverage.

CHAPTER 2: MASTER TEST BANK

DEVELOPING SUCCESSFUL MARKETING AND ORGANIZATIONAL STRATEGIES

SHORT ESSAY QUESTIONS

2-301 LEVELS IN ORGANIZATIONS

COMPREHENSION

Describe the three levels in an organization.

Answer:

The three levels are: (1) corporate level, where the top management directs overall strategy for the entire organization; (2) strategic business unit level, where business unit managers set a more specific direction for their businesses to exploit value-creating opportunities; and (3) functional level, where groups of specialists actually create value for the organization. See Figure 2-1 in the textbook.

Page(s): 26-28

LO: 1

AACSB: Analytic

QD: Medium

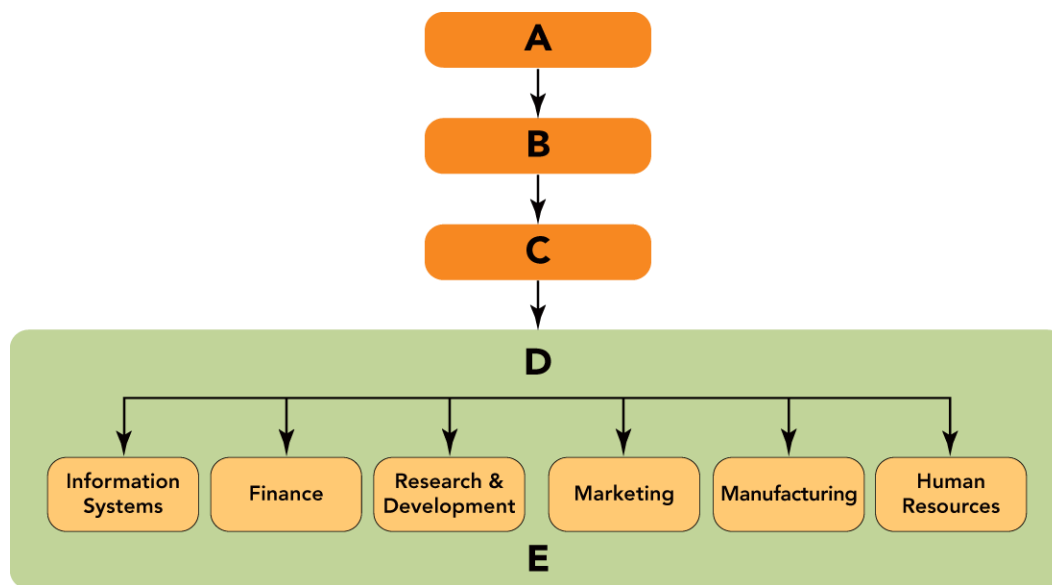


Figure 2-1

2-302 LEVELS IN ORGANIZATIONS

COMPREHENSION

Using Figure 2-1 above, identify and briefly describe the five levels in a hierarchical organizational structure, including the three that are strategic in nature.

Answer:

The five levels (three of which are strategic) of structure typically found in large organizations are: (1) “A” identifies the Board of directors, which oversees the three levels of strategy in organizations (corporate, business unit, and functional). (2) “B” identifies the corporate level, where the top management directs overall strategy for the entire organization. (3) “C” identifies the strategic business unit level, where managers set a more specific direction for their SBUs (a

subsidiary, division, or unit of an organization that markets a set of related offerings to a clearly defined group of customers) to exploit value-creating opportunities. (4) “D” identifies the functional level, where groups of specialists actually create value for the organization. (5) “E” identifies the departments, which are the specialized functions such as information systems, finance, research and development, marketing, manufacturing and human resources that implement the corporate strategies developed by the organization.

Page(s): 26-28

LO: 1

AACSB: Analytic

QD: Medium

2-303 STRATEGIC BUSINESS UNIT

APPLICATION

Apple, a multimarket, multiproduct firm, manufactures and markets iMacs, iPods, iPhones, and iPads as a portfolio of businesses. At what organizational level does Apple set the strategic direction for these businesses to create customer value?

Answer:

The iMacs, iPods, iPhones, and iPads, which in effect comprise a portfolio of businesses, operate as a strategic business unit (SBU) of Apple. At the strategic business unit level, Apple marketing managers set the strategic direction for these products to clearly defined groups of customers.

Page(s): 27-28

LO: 1

AACSB: Analytic

QD: Hard

2-304 CROSS-FUNCTIONAL TEAMS

COMPREHENSION

What is a cross-functional team and how is it used?

Answer:

When developing marketing programs for new offerings or for improving existing ones, an organization’s senior management may form cross-functional teams. These consist of a small number of people from different departments who are mutually accountable to accomplish a task or a common set of performance goals. Sometimes these teams will have representatives from outside the organization, such as suppliers or customers, to assist them.

Page(s): 28

LO: 1

AACSB: Analytic

QD: Medium

2-305 STRATEGY IN VISIONARY ORGANIZATIONS

COMPREHENSION

Explain what a visionary organization is and the two key steps that are part of how visionary organizations formulate strategies.

Answer:

Management experts stress that to be successful, today’s organizations must be visionary—anticipating future events and responding to them quickly and effectively. This requires a visionary organization to specify its foundation (why), set a direction (what), and formulate strategies (how). An organization’s foundation is its philosophical reason for being—why it exists. So, its senior managers must identify its core values and describe its mission and organizational culture—its purpose for being. Next, these managers can set the direction for the organization by defining its business and specifying its long-term and short-term goals. Finally, the firm must formulate its strategies, which vary in at least two ways, partly depending on the level in the organization and the offerings it provides customers.

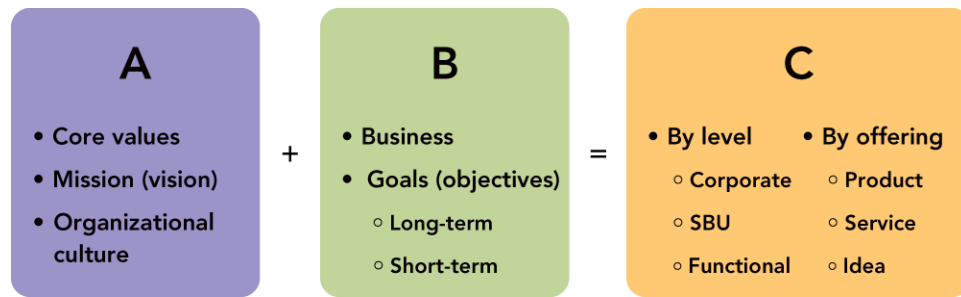


Figure 2-2

2-306 STRATEGY IN VISIONARY ORGANIZATIONS**COMPREHENSION**

According to Figure 2-2 above, what are the three elements that today's visionary organization must do to be forward looking and successful in its marketing environment?

Answer:

Management experts stress that to be successful, today's organizations must be visionary—they must anticipate future events and then respond quickly and effectively. This requires a visionary organization to: (1) specify its foundation “A” (why does it exist); (2) set a direction “B” (what will it do); and (3) formulate strategies “C” (how will it do it).

2-307 STAKEHOLDERS**APPLICATION**

List potential stakeholders for the college or university that you attend.

Answer:

Students' answers will vary, but each answer should recognize that there are both external and internal stakeholders for each organization. Their lists could include students, administrators, staff, instructors, the community in which the institution is located, boards or governments that regulate campus activities, guest speakers, fans of the sports offered, and alumni.

2-308 MISSION**COMPREHENSION**

What is a mission?

Answer:

By understanding its core values, an organization can take steps to define its mission, a statement of the organization's function in society, often identifying its customers, markets, products, and technologies. Today, a mission statement, often used interchangeably with vision, should be

clear, concise, meaningful, inspirational, and long-term. A good mission statement should be clear, challenging, and compelling picture of an envisioned future.

Page(s): 29

LO: 2

AACSB: Analytic

QD: Medium

2-309 MISSION STATEMENT

COMPREHENSION

What is an organization's mission? What are some elements of a well-written mission statement?

Answer:

By understanding its core values, an organization can take steps to define its mission, which a statement of the organization's function in society, often identifying its customers, markets, products, and technologies. Today, the term mission is often used interchangeably with vision. A mission statement should be clear, concise, meaningful, inspirational, and long-term and provide a challenging, compelling picture of an envisioned future.

Page(s): 29

LO: 2

AACSB: Analytic

QD: Medium

2-310 MISSION STATEMENT

COMPREHENSION

Medtronic is the world leader in producing heart pacemakers and other medical devices. Earl Bakken, Medtronic's founder, wrote its mission statement when he launched the firm over a half century ago. Summarize Medtronic's mission statement and comment as to why it is a good one.

Answer:

Medtronic's mission statement reads: "To contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life." A good mission statement should be clear, concise, meaningful, inspirational, and long-term. It also needs to be challenging and provide a compelling picture of an envisioned future. Medtronic's mission statement meets these requirements.

Page(s): 29

LO: 2

AACSB: Analytic

QD: Medium

2-311 MISSION STATEMENT

APPLICATION

In 25 words or less, write a mission statement for the educational institution you are currently attending.

Answer:

By understanding its core values, an organization can take steps to define its mission, a statement of the organization's function in society, often identifying its customers, markets, products, and technologies. Mission statements for a community college could vary greatly. For example, one mission could be "to create an environment where all local citizens have access to enhanced educational experiences" or "prepare students to competitively enter other institutions of higher learning upon graduation," or "provide alternative certification programs for students wishing to have post-high school education without attending a traditional four-year college."

Page(s): 29

LO: 2

AACSB: Analytic

QD: Hard



Elton John Image

2-312 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

Ben & Jerry's introduces products like its Goodbye Yellow Brick Road ice cream flavor (see the Elton John image) for a limited time each year as a response to its mission. Name and briefly describe the three interrelated parts of Ben & Jerry's mission.

Answer:

Ben & Jerry's mission consists of three interrelated parts: (1) Social mission—to operate the company in a way that actively recognizes the central role that business plays in society by initiating innovative ways to improve the quality of life locally, nationally and internationally. (2) Product mission—to make, distribute and sell the finest quality all natural ice cream and euphoric concoctions with a continued commitment to incorporating wholesome, natural ingredients and promoting business practices that respect the Earth and the Environment. (3) Economic mission—to operate the company on a sustainable financial basis of profitable growth, increasing value for our stakeholders and expanding opportunities for development and career growth for our employees.

Page(s): 24-25, 29

LO: 2

AACSB: Analytic

QD: Medium



Railroad Photo

2-313 BUSINESS

COMPREHENSION

The railroad photo above shows a train hauling cargo. What “business” did rail executives believe they were in during mid-20th century? What business is a railroad firm really in? Why?

Answer:

In his famous “Marketing Myopia” article, Theodore Levitt argues that senior managers of 20th century American railroads defined their businesses too narrowly by proclaiming, “We are in the railroad business!” This myopic focus caused these managers to lose sight of who their customers were and what they needed. Thus, railroad managers only saw other railroads as their direct competitors and failed to develop strategies to compete with airlines, barges, pipelines, and trucks—firms whose offerings carry both goods and people. As a result, many railroads were either forced to merge with other railroads (or other firms) or went bankrupt. Railroads would have fared better if they had realized they were in “the transportation business.”

Page(s): 30

LO: 2

AACSB: Analytic

QD: Medium

2-314 GOALS OR OBJECTIVES

COMPREHENSION

Name and briefly describe the seven types of organizational goals or objectives.

Answer:

The seven types of organizational goals or objectives are: (1) Profit. Economic theory assumes a firm seeks to maximize long-run profit. (2) Sales Revenue. A firm may elect to maintain or increase its sales level, even though profitability may not be maximized. (3) Market Share. A firm may choose to maintain or increase its market share—sometimes at the expense of greater profits. (4) Quality. A firm may target the highest quality. (5) Customer Satisfaction. Customers are the reason the organization exists, so their perceptions and actions are of vital importance. (6) Employee welfare. An organization may recognize the critical importance of its employees by having an explicit goal stating its commitment to good employment opportunities and working conditions for them. (7) Social responsibility. A firm may seek to balance the

conflicting goals of consumers, employees, and stockholders to promote overall welfare of all these groups, even at the expense of profits.

Page(s): 30-31

LO: 2

AACSB: Analytic

QD: Medium

2-315 MARKET SHARE

APPLICATION

The logistics industry has sales of \$800 billion per year. If a third party logistics provider had sales of \$8 billion, what would its market share be? Be sure to define market share and show your work in your answer.

Answer:

Market share is the ration of sales revenue of the firm to the total sales revenue of all firms in the industry, including the firm itself. In this case, the sales of the firm itself (\$8 billion) divided by the sales revenue of all firms in the industry (\$800 billion) means that the third party logistics provider in question has a 1% market share.

Page(s): 30, 33

LO: 2

AACSB: Analytic

QD: Hard

2-316 MARKETING DASHBOARD/MARKETING METRICS

KNOWLEDGE

Define “marketing dashboard” and “marketing metric” and explain how these terms are related.

Answer:

A marketing dashboard is the visual computer display of the essential information related to achieving a marketing objective. With a marketing dashboard, a marketing manager glances at a graph or table and makes a decision whether or not to take action or to do more analysis to understand the problem better. Each display in a dashboard is a marketing metric, which is a measure of the quantitative value or trend of a marketing activity or result.

Page(s): 32

LO: 3

AACSB: Analytic

QD: Easy

2-317 COMPETENCIES AND COMPETITIVE ADVANTAGE

COMPREHENSION

Explain the difference between “competencies” and “competitive advantage” in an organizational setting.

Answer:

An organization’s core competencies are its special capabilities, including skills, technologies, and resources that distinguish it from other organizations and that provide value to its customers. Exploiting these competencies can lead to success, particularly if other organizations cannot copy them. Competencies are a unique strength relative to competitors that provide superior returns, often based on quality, time, cost, or innovation.

Page(s): 34

LO: 4

AACSB: Analytic

QD: Medium

2-318 BCG GROWTH-SHARE MATRIX

COMPREHENSION

The Boston Consulting Group's business portfolio analysis model can be used to analyze a firm's strategic business units. What are the strengths and weakness of this model?

Answer:

The primary strength of business portfolio analysis lies in forcing a firm to place each of its SBUs in the growth-share matrix, which in turn suggests which SBUs will be cash producers and cash users in the future. Weaknesses of this analysis arise from the difficulty in (1) getting the needed information and (2) incorporating competitive information into business portfolio analysis.

Page(s): 37

LO: 4

AACSB: Analytic

QD: Medium

2-319 BCG GROWTH-SHARE MATRIX

COMPREHENSION

One of the most recognized approaches to business portfolio analysis is the Boston Consulting Group's growth-share matrix. Describe this tool and the four quadrants of the matrix.

Answer:

The BCG business portfolio analysis requires an organization to locate the position of each of its SBUs on a growth-share matrix. The vertical axis is the market growth rate, which is the annual rate of growth of the SBU's industry. The horizontal axis is the relative market share, defined as the sales of the SBU divided by the sales of the largest firm in the industry. BCG has given specific names and descriptions to the four quadrants in its growth-share matrix. They are as follows: (1) Cash Cows—(lower left quadrant) have a dominant share of a slow-growth market; they typically generate large amounts of cash to invest in other SBUs. (2) Stars—(upper left quadrant) have a high share of high-growth markets; they may not generate enough cash to support their own needs to support future growth. (3) Question Marks—(upper right quadrant) are SBUs with a low share of high-growth markets; they require large amounts of money just to maintain their market share. (4) Dogs—(lower right quadrant) have a low share of slow-growth markets; although they may generate enough cash to sustain themselves, they hold little promise of becoming winners for the firm. See Figure 2-4 in the textbook.

Page(s): 35-37

LO: 4

AACSB: Analytic

QD: Medium

MARKETS	PRODUCTS	
	Current	New
Current	A	B
New	C	D

Figure 2-5

2-320 DIVERSIFICATION ANALYSIS

COMPREHENSION

Based on Figure 2-5 above, identify and explain each of the four market-product strategies represented by each quadrant (“A,” “B,” “C,” and “D”) in the diversification analysis matrix.

Answer:

The market-product strategies include: (1) Market penetration (“A”)—is a marketing strategy to increase sales of current products in current markets, either by selling more units or increasing the price of each unit to current customers. (2) Market development (“B”)—is a marketing strategy to sell current products to new markets. (3) Product development (“C”)—is a marketing strategy of selling new products to current markets. (4) Diversification (“D”)—is a marketing strategy of developing new products and selling them in new markets. See Figure 2-5 in the textbook.

Page(s): 37-38

LO: 4

AACSB: Analytic

QD: Medium

2-321 STRATEGIC MARKETING PROCESS

COMPREHENSION

Identify and describe the three phases of the strategic marketing process.

Answer:

The three phases of the strategic marketing process are: planning, implementation, and evaluation. (1) The planning phase includes: (a) situation (SWOT) analysis to identify industry trends, analyze competitors, assess own company, and research customer; (b) market-product focus and goal setting, which involves setting market and product goals, selecting target markets, finding points of difference, and positioning the product; and (c) marketing program development, which involves developing the marketing mix and the budget by estimating revenues, expenses, and profits. (2) The implementation phase involves: (a) obtaining resources; (b) designing the marketing organization; (c) developing planning schedules; and (d) executing the marketing program. (3) The evaluation phase involves: (a) comparing the results of the marketing program plans to the results achieved to identify deviations and (b) correcting negative deviations or exploiting positive ones. See Figure 2-6 in the textbook.

Page(s): 38-44

LO: 5

AACSB: Analytic

QD: Medium

Planning phase

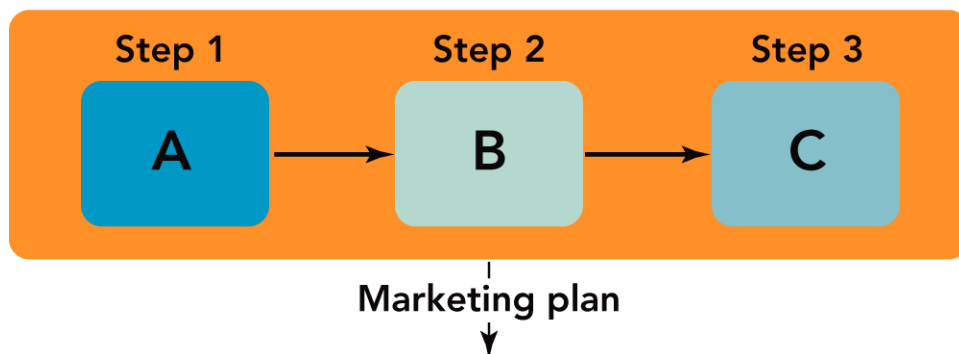


Figure 2-6

2-322 STRATEGIC MARKETING PROCESS

COMPREHENSION

Using Figure 2-6, identify and describe the three steps (“A,” “B,” and “C”) of the planning phase of the strategic marketing process.

Answer:

Cell “A”: Situation (SWOT) analysis—is an organization’s appraisal of its internal strengths and weaknesses and its external opportunities and threats. Cell “B”: Market-product focus and goal setting—determines which products will be directed toward which customers. This decision is often based on market segmentation, which involves aggregating prospective buyers into groups, or segments, that (1) have common needs and (2) will respond similarly to a marketing action. This enables an organization to identify the segments on which it will focus its efforts—its target market segments—and develop specific marketing programs to reach them. Cell “C”: Marketing program—involves developing the program’s marketing mix (the 4 Ps) and its budget.

Page(s): 38-40

LO: 5

AACSB: Analytic

QD: Medium

2-323 SWOT ANALYSIS: BEN & JERRY’S

COMPREHENSION

Identify and describe the four factors in a SWOT analysis and give examples for Ben & Jerry’s Homemade Ice Cream that help it identify the critical strategy-related factors that could impact the firm.

Answer:

A SWOT analysis is an acronym that describes an organization’s appraisal of its internal Strengths and Weaknesses and its external Opportunities and Threats. The four critical factors in a SWOT analysis and examples for Ben & Jerry’s are: (1) internal strengths, such as its (a) prestigious, well-known brand name among U.S. consumers that complements Unilever’s existing ice cream brands and (b) widely recognized social mission, values, and actions; (2) internal weaknesses, which include (a) Ben & Jerry’s social responsibility actions that could reduce focus and (b) the need for experienced managers to help growth, modest sales and profits in recent years; (3) external opportunities, such as (a) the growing demand for quality ice cream in overseas markets, (b) the increasing U.S. demand for 100-calorie products, and (c) the many U.S. firms successfully use product and brand extensions; and (4) external threats, such as (a) consumer concern with sugary and fatty desserts, (b) competition with General Mills’ and Nestlé’s brands, and (c) increasing competition in international markets. See Figure 2-7 in the textbook.

Page(s): 39

LO: 5

AACSB: Analytic

QD: Medium

2-324 MARKET SEGMENTATION

APPLICATION

A campus service organization annually raises money through the sale of T-shirts. How could it use market segmentation to increase sales of the shirts? Be sure to include a definition of market segmentation in your answer.

Answer:

Market segmentation involves aggregating prospective buyers into groups, or segments that (1)

have common needs and (2) will respond similarly to a marketing action. Students' examples will vary. The service organization may decide to sell T-shirts to two segments: current students and local residents. A separate marketing plan should be developed for each segment since they are not necessarily identical. For example, while the price and product may be the same, the place the T-shirts are sold to students would be the campus bookstore, while local residents may buy the T-shirts in a local clothing store at a strip mall. The promotion for the shirts aimed at students may be flyers posted in the dorms and ads in the college newspaper. The promotion aimed at local residents may be an ad in the local community newspaper and flyers posted in the grocery store.

Page(s): 39-40

LO: 5

AACSB: Analytic

QD: Hard

2-325 MARKETING PROGRAM

COMPREHENSION

What are the marketing mix elements that compose a cohesive marketing program?

Answer:

Figure 2-8 in the textbook illustrates the principal components of the marketing mix or the four Ps. (1) Product: features, brand name, packaging, service, warranty. (2) Price: list price, discounts, allowances, credit terms, payment period. (3) Promotion: advertising, personal selling, sales promotion, public relations, direct marketing. (4) Place: outlets, channels, coverage, transportation, and stock level.

Page(s): 40-41

LO: 5

AACSB: Analytic

QD: Medium

2-326 MARKETING PROGRAM

APPLICATION

A campus service organization annually raises money through the sale of T-shirts. What are the major components of the marketing program it should use to increase sales? Give one example of each.

Answer:

A marketing program should include product, price, promotion, and place strategies. Students' examples will vary. The product strategy would include packaging and design of the T-shirts. Promotion strategy would encompass how the group plans to communicate information about the sale to other students. Price strategy would include the list price of the T-shirts and any quantity discounts. Place strategy would include the outlets where the T-shirts will be sold.

Page(s): 40-41

LO: 5

AACSB: Analytic

QD: Hard

2-327 IMPLEMENTATION PHASE

COMPREHENSION

What are the four components of the implementation phase of the strategic marketing process?

Answer:

The four components of the implementation phase of the strategic marketing process are: (1) obtaining resources; (2) designing the marketing organization; (3) developing and planning schedules; and (4) actually executing the marketing program designed in the planning phase.

Page(s): 41-42

LO: 6

AACSB: Analytic

QD: Medium

2-328 MARKETING STRATEGIES AND TACTICS**COMPREHENSION**

What is the difference between marketing strategies and marketing tactics?

Answer:

A marketing strategy is the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it, which implies both the end sought (target market) and the means to achieve it (marketing program). Marketing tactics, on the other hand, are detailed day-to-day operational decisions essential to the overall success of marketing strategies, such as writing advertising copy or selecting the amount for temporary price reductions.

Page(s): 42**LO: 6****AACSB: Analytic****QD: Medium****2-329 EVALUATION PHASE****COMPREHENSION**

What is the purpose of the evaluation phase of the strategic marketing process? How is it accomplished?

Answer:

The evaluation phase of the strategic marketing process seeks to keep the marketing program moving in the direction set for it. Accomplishing this requires the marketing manager to compare the results of the marketing program with goals in the written plans to identify deviations and then to act on these deviations—correcting negative deviations and exploiting positive ones.

Page(s): 42-43**LO: 6****AACSB: Analytic****QD: Medium****2-330 PLANNING GAP****COMPREHENSION**

Explain what a planning gap is and what is used to close it.

Answer:

A planning gap is the difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place. The ultimate purpose of the firm's marketing program is to "fill in" this planning gap. When evaluation shows actual performance failing to meet expectations, managers need to take corrective actions, which consist of exploiting positive deviations or correcting negative ones.

Page(s): 43-44**LO: 6****AACSB: Analytic****QD: Medium**