

## Chapter 2: Developing Marketing Strategies and Plans

### GENERAL CONCEPT QUESTIONS

#### Multiple Choice

1. The task of any business is to deliver \_\_\_\_\_ at a profit.
- a. customer needs
  - b. products
  - c. customer value
  - d. products and services
  - e. improved quality

Answer: c      Page: 34      Difficulty: Medium

2. In a hypercompetitive economy such as ours, a company can win only by fine-tuning the value delivery process and choosing, providing, and \_\_\_\_\_ superior value.
- a. communicating
  - b. selecting target markets with
  - c. composing
  - d. developing
  - e. researching

Answer: a      Page: 34      Difficulty: Medium      AACSB: Reflective Thinking

3. The traditional view of marketing is that the firm makes something and then \_\_\_\_\_ it.
- a. markets
  - b. sells
  - c. distributes
  - d. prices
  - e. services

Answer: b      Page: 34      Difficulty: Easy

4. Today, the “mass market” is actually splintering into numerous \_\_\_\_\_, each with its own wants, perceptions, preferences, and buying criteria.
- a. micromarkets
  - b. market targets
  - c. macromarkets
  - d. customer cliques
  - e. demographic units

Answer: a      Page: 34      Difficulty: Medium      AACSB: Analytic Skills

5. The first phase of the value creation and delivery sequence is \_\_\_\_\_ that represents the “homework” marketing must do before any product exists.
- choosing the value
  - market research
  - target marketing
  - service consideration
  - projective thinking

Answer: a      Page: 34      Difficulty: Medium

6. The last step in the value creation and delivery sequence is \_\_\_\_\_ the value where the sales force, sales promotion, advertising, and other communication tools announce and promote the product.
- developing
  - distributing
  - communicating
  - reversing
  - researching

Answer: c      Page: 34      Difficulty: Medium      AACSB: Communication

7. The \_\_\_\_\_ is a tool for identifying ways to create more customer value.
- value chain
  - customer survey
  - brand loyalty index
  - promotion channel
  - supplier database

Answer: a      Page: 35      Difficulty: Easy      AACSB: Analytic Skills

8. The \_\_\_\_\_ identifies nine strategically relevant activities that create value and cost in a specific business.
- value proposition
  - value chain
  - mission statement
  - annual report
  - manager’s log

Answer: b      Page: 35      Difficulty: Medium      AACSB: Analytic Skills

9. The \_\_\_\_\_ in the value chain cover the sequence of bringing materials into the business (inbound logistics), converting them into final products (operations), shipping out final products (outbound logistics), marketing them (marketing and sales), and servicing them (service).
- operations processes
  - manufacturing processes
  - primary activities
  - secondary activities
  - tertiary activities

Answer: c      Page: 35      Difficulty: Medium

10. Procurement, technology development, human resource management, and firm infrastructure are handled in certain specialized departments and are called \_\_\_\_\_.
- a. materials handling
  - b. support activities
  - c. inventory activities
  - d. primary activities
  - e. benchmark activities

Answer: b      Page: 35      Difficulty: Hard      AACSB: Analytic Skills

11. The firm should estimate its competitors' costs and performances as \_\_\_\_\_ against which to compare its own costs and performance.
- a. competition
  - b. standards
  - c. challenges
  - d. benchmarks
  - e. moveable standards

Answer: d      Page: 35      Difficulty: Easy      AACSB: Reflective Thinking

12. The firm's success depends both on how well each department performs its work, and on how well the various departmental activities are coordinated to conduct \_\_\_\_\_.
- a. core strategies
  - b. satellite businesses
  - c. core values
  - d. core business processes
  - e. core technologies

Answer: d      Page: 35      Difficulty: Medium      AACSB: Reflective Thinking

13. With respect to core business processes, the \_\_\_\_\_ includes all the activities involved in gathering market intelligence, disseminating it within the organization, and acting on the information.
- a. market-sensing process
  - b. market research process
  - c. target marketing process
  - d. market pulse process
  - e. deployment process

Answer: a      Page: 35      Difficulty: Medium      AACSB: Analytic Skills

14. With respect to the core business processes, the \_\_\_\_\_ includes all the activities involved in researching, developing, and launching new high-quality offerings quickly and within budget.
- a. new-product process
  - b. new-offering realization process
  - c. product-development process
  - d. product-launch process
  - e. return on investment process

Answer: b      Page: 35      Difficulty: Hard      AACSB: Analytic Skills

15. With respect to the core business processes, the \_\_\_\_\_ is considered to be all the activities involved in defining target markets and prospecting for new customers.
- customer acquisition process
  - customer relationship management process
  - fulfillment management process
  - customer prospecting process
  - customer equity process

Answer: a      Page: 35      Difficulty: Medium      AACSB: Analytic Skills

16. A good way to describe the \_\_\_\_\_ would be to discuss all the activities involved in building deeper understanding, relationships, and offerings to individual customers.
- customer acquisition process
  - customer relationship management process
  - customer prospecting process
  - customer fulfillment management process
  - customer equity process

Answer: b      Page: 35      Difficulty: Medium      AACSB: Reflective Thinking

17. Another way to describe a value delivery network (partnering with specific suppliers and distributors) is to call it a \_\_\_\_\_.
- teamwork group
  - cabal
  - domestic power center
  - link to relationships
  - supply chain

Answer: e      Page: 36      Difficulty: Easy

18. The key to utilizing organizational core competencies is to \_\_\_\_\_ that make up the essence of the business.
- force organizational departments to justify the budgetary components
  - own all intermediaries who come in contact with the goods and services
  - own and nurture the resources and competencies
  - emphasize global promotions
  - segment the workforces

Answer: c      Page: 36      Difficulty: Hard      AACSB: Reflective Thinking

19. We can say that a \_\_\_\_\_ has three characteristics: (1) It is a source of competitive advantage in that it makes a significant contribution to perceived customer benefits; (2) it has applications in a wide variety of markets; and (3) it is difficult for competitors to imitate.
- core competency
  - business strategy
  - core technology
  - strategic business unit
  - winning strategy

Answer: a      Page: 36      Difficulty: Medium      AACSB: Analytic Skills

20. Core competencies tend to refer to areas of special technical and production expertise, whereas \_\_\_\_\_ tend to describe excellence in broader business processes.
- a. process benchmarks
  - b. distinctive capabilities
  - c. core business values
  - d. value statements
  - e. mission statements

Answer: b      Page: 36      Difficulty: Medium

21. Market-driven organizations tend to excel in three distinctive capabilities: \_\_\_\_\_, customer linking, and channel bonding.
- a. target marketing
  - b. market research
  - c. fulfilling customer needs
  - d. market sensing
  - e. customer-service relationships

Answer: d      Page: 37      Difficulty: Medium      AACSB: Reflective Thinking

22. Competitors find it hard to imitate companies such as Southwest Airlines, Dell, or IKEA because they are unable to copy their \_\_\_\_\_.
- a. product innovations
  - b. distribution strategy
  - c. pricing policies
  - d. activity systems
  - e. logistics system

Answer: d      Page: 37      Difficulty: Hard      AACSB: Reflective Thinking

23. One conception of holistic marketing views it as “integrating the value exploration, \_\_\_\_\_, and value delivery activities with the purpose of building long-term, mutually satisfying relationships and coprosperity among key stakeholders.”
- a. value creation
  - b. value proposition
  - c. value management
  - d. value research
  - e. value chain

Answer: a      Page: 38      Difficulty: Hard

24. Holistic marketers achieve profitable growth by expanding customer share, \_\_\_\_\_, and capturing customer lifetime value.
- a. undermining competitive competencies
  - b. building customer loyalty
  - c. milking the market for product desires
  - d. renewing a customer base
  - e. inspecting all market share data

Answer: b      Page: 38      Difficulty: Medium      AACSB: Analytic Skills

25. The holistic marketing framework is designed to address three key management questions. Which of the following is one of those questions?
- a. Value claims—how does the company deal with value erosion?
  - b. Value proposition—how can value propositions be made profitable?
  - c. Value chain—are there weak links in the company’s value chain?
  - d. Value network—how can a company effectively network?
  - e. Value exploration—how can a company identify new value opportunities?

Answer: e      Page: 38      Difficulty: Hard      AACSB: Analytic Skills

26. Business realignment may be necessary to maximize core competencies. Which of the following would be one of the steps in this realignment process?
- a. reviewing all macro relationships
  - b. reviewing global outreach projections
  - c. redefining the business concept (the “big idea”)
  - d. reviewing successes from e-commerce (if any)
  - e. revamping the ethics statement

Answer: c      Page: 38      Difficulty: Medium      AACSB: Analytic Skills

27. The customer’s \_\_\_\_\_ reflects existing and latent needs and includes dimensions such as the need for participation, stability, freedom, and change.
- a. competence space
  - b. resource space
  - c. emotional space
  - d. relationship space
  - e. cognitive space

Answer: e      Page: 39      Difficulty: Medium

28. The company’s \_\_\_\_\_ can be described in terms of breadth—broad versus focused scope of business; and depth—physical versus knowledge-based capabilities.
- a. business mission
  - b. core strategy
  - c. cognitive space
  - d. competency space
  - e. resource space

Answer: d      Page: 39      Difficulty: Medium      AACSB: Analytic Skills

29. The collaborator’s \_\_\_\_\_ involves horizontal partnerships, where companies choose partners based on their ability to exploit related market opportunities, and vertical partnerships, where companies choose partners based on their ability to serve their value creation.
- a. resource space
  - b. competency space
  - c. cognitive space
  - d. rational space
  - e. service space

Answer: a      Page: 39      Difficulty: Medium

30. \_\_\_\_\_ allows the company to discover who its customers are, how they behave, and what they need or want. It also enables the company to respond appropriately, coherently, and quickly to different customer opportunities.
- a. Network management
  - b. Strategic management
  - c. Marketing management
  - d. Customer relationship management
  - e. Total quality management

Answer: d      Page: 39      Difficulty: Medium

31. To respond effectively and provide value delivery, the company requires \_\_\_\_\_ to integrate major business processes within a single family of software modules.
- a. human resource management
  - b. internal auditing management
  - c. internal resource management
  - d. strategic management
  - e. marketing management

Answer: c      Page: 39      Difficulty: Hard      AACSB: Analytic Skills

32. With respect to value delivery, \_\_\_\_\_ allows the company to handle complex relationships with its trading partners to source, process, and deliver products.
- a. a value matrix
  - b. a global distribution policy
  - c. a business development strategy
  - d. business partnership management
  - e. total quality management

Answer: d      Page: 39      Difficulty: Medium      AACSB: Analytic Skills

33. Successful marketing requires having capabilities such as understanding, creating, delivering, capturing, and sustaining \_\_\_\_\_.
- a. customer loyalty
  - b. customer perks
  - c. customer retention
  - d. customer value
  - e. customer benefits

Answer: d      Page: 39      Difficulty: Easy      AACSB: Reflective Thinking

34. Which of the three key areas of strategic planning deals specifically with devising a long-term game plan for achieving long-run objectives?
- a. creating a viable business opportunity
  - b. producing a strategic fit
  - c. developing an investment portfolio
  - d. expanding core competencies
  - e. establishing a strategy

Answer: e      Page: 39      Difficulty: Medium      AACSB: Analytic Skills

35. Most large companies consist of four organizational levels: the \_\_\_\_\_, the division level, the business unit level, and the product level.
- a. board of director level
  - b. major stakeholder level
  - c. management team level
  - d. corporate level
  - e. strategic level

Answer: d      Page: 39      Difficulty: Easy      AACSB: Analytic Skills

36. The \_\_\_\_\_ is the central instrument for directing and coordinating the marketing effort.
- a. strategic plan
  - b. marketing plan
  - c. tactical plan
  - d. customer-value statement
  - e. corporate mission

Answer: b      Page: 39      Difficulty: Medium      AACSB: Analytic Skills

37. The \_\_\_\_\_ lays out the target markets and the value proposition that will be offered, based on an analysis of the best market opportunities.
- a. organizational plan
  - b. strategic marketing plan
  - c. corporate tactical plan
  - d. corporate mission
  - e. customer-value statement

Answer: b      Pages: 39–40      Difficulty: Medium

38. If you wanted to find out more about target markets and the organization's value proposition, which of the following types of plans would most likely contain information that might be useful to you in your quest?
- a. the marketing plan
  - b. the organizational plan
  - c. the strategic marketing plan
  - d. the tactical marketing plan
  - e. the marketing-mix plan

Answer: c      Pages: 39      Difficulty: Medium      AACSB: Reflective Thinking

39. In which of the following plans would we most likely find directions for implementing and addressing daily challenges and opportunities in product features, promotion, merchandising, pricing, sales channels, and service areas?
- a. the tactical marketing plan
  - b. the target marketing plan
  - c. the deployment plan
  - d. the product-launch plan
  - e. the product-development plan

Answer: a      Page: 40      Difficulty: Easy      AACSB: Analytic Skills

40. Which of the following is one of the four planning activities undertaken by all corporate headquarters?
- a. defining the corporate mission
  - b. establishing strategic business units
  - c. assigning resources to each SBU
  - d. assessing growth opportunities
  - e. all of the above

Answer: e      Page: 41      Difficulty: Medium

41. A clear, thoughtful mission statement provides employees with a shared sense of purpose, direction, and \_\_\_\_\_.
- a. profitability
  - b. target market feasibility
  - c. opportunity
  - d. continuous improvement
  - e. quality products

Answer: c      Page: 42      Difficulty: Medium      AACSB: Reflective Thinking

42. Mission statements are at their best when they reflect a \_\_\_\_\_.
- a. market
  - b. strength
  - c. competency
  - d. vision
  - e. value

Answer: d      Page: 42      Difficulty: Medium      AACSB: Reflective Thinking

43. Which of the following is one of the five major characteristics of good mission statements?
- a. They focus on a large number of goals.
  - b. They expand the range of individual employee discretion.
  - c. They define the major competitive spheres within which the company will operate.
  - d. They take a short-term view.
  - e. They are long and comprehensive to ensure that all critical concepts are included.

Answer: c      Page: 42      Difficulty: Medium      AACSB: Reflective Thinking

44. The \_\_\_\_\_ is the number of channel levels, from raw materials to final product and distribution, in which a company will participate.
- a. industry sphere
  - b. vertical sphere
  - c. product/application sphere
  - d. competence sphere
  - e. market segment sphere

Answer: b      Page: 42      Difficulty: Medium      AACSB: Analytic Skills

45. Harvard professor Ted Levitt argues that \_\_\_\_\_ of a business are superior to \_\_\_\_\_.
- a. product definitions; service definitions
  - b. service definitions; market definitions
  - c. marketing definitions; market definitions
  - d. market definitions; product definitions
  - e. none of the above

Answer: d      Page: 43      Difficulty: Medium

46. A \_\_\_\_\_ of a business focuses on selling a product or service to an existing market.
- a. target market definition
  - b. strategic market definition
  - c. mass-market definition
  - d. differentiated market definition
  - e. integrated market definition

Answer: a      Page: 44      Difficulty: Medium      AACSB: Analytic Skills

47. Which of the following terms matches to the phrase “it is a single business or collection of related businesses that can be planned separately from the rest of the company”?
- a. strategic business unit
  - b. diverse business unit
  - c. growth business unit
  - d. niche market unit
  - e. specialized business unit

Answer: a      Page: 44      Difficulty: Easy

48. Market-penetration, product-development, and market-development strategies would all be examples of \_\_\_\_\_ strategies.
- a. concentric
  - b. conglomerate
  - c. horizontal
  - d. intensive growth
  - e. integrative growth

Answer: d      Page: 45      Difficulty: Hard      AACSB: Analytic Skills

49. A company that seeks to increase its sales and profits through backward, forward, or horizontal integration within the industry is said to be employing a(n) \_\_\_\_\_ strategy.
- a. diversification growth
  - b. intensive growth
  - c. target growth
  - d. integrative growth
  - e. conglomerate growth

Answer: d      Page: 46      Difficulty: Medium      AACSB: Analytic Skills

50. A(n) \_\_\_\_\_ is when a company might seek new businesses that have no relationship to its current technology, products, or markets.
- a. concentric strategy
  - b. conglomerate strategy
  - c. horizontal strategy
  - d. intensive growth strategy
  - e. integrative strategy

Answer: b      Page: 47      Difficulty: Medium

51. Which of the following terms most closely matches to “the shared experiences, stories, beliefs, and norms that characterize an organization”?
- a. organizational dynamics
  - b. a business mission
  - c. an ethical/value statement
  - d. customer relationships
  - e. corporate culture

Answer: e      Page: 47      Difficulty: Medium      AACSB: Analytic Skills

52. The first step in the business unit strategic-planning process deals with which of the following?
- a. goal formulation
  - b. business mission
  - c. strategy formulation
  - d. program formulation
  - e. SWOT analysis

Answer: b      Page: 48      Difficulty: Medium

53. When a business gets to know market segments intimately and pursues either cost leadership or differentiation within the target segment, it is employing a \_\_\_\_\_.
- a. defined strategy
  - b. focused strategy
  - c. value-added strategy
  - d. competitive advantage strategy
  - e. customer-focused strategy

Answer: b      Page: 54      Difficulty: Hard      AACSB: Analytic Skills

54. If a firm pursues a \_\_\_\_\_ strategy, it must be good at engineering, purchasing, manufacturing, and physical distribution.
- a. differentiation
  - b. overall cost leadership
  - c. focus
  - d. domestic customer relationship
  - e. market share

Answer: b      Page: 54      Difficulty: Medium      AACSB: Reflective Thinking

55. To keep their strategic alliances thriving, corporations have begun to develop organizational structures to support them and have come to view the ability to form and manage partnerships as core skills. This is called \_\_\_\_\_.
- a. value managed partnership
  - b. synergistic partnership
  - c. centralized partnership
  - d. partner relationship management
  - e. win-win relationship management

Answer: d      Page: 55      Difficulty: Hard      AACSB: Analytic Skills

56. Traditionally, most businesses focused on stockholders. Today, the focus is on what are called \_\_\_\_\_.
- a. stakeholders
  - b. partners
  - c. regulators
  - d. consumer triads
  - e. supply chain relationships

Answer: a      Page: 55      Difficulty: Easy      AACSB: Analytic Skills

57. A \_\_\_\_\_ is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firm plans to reach its marketing objectives.
- a. strategic plan
  - b. marketing plan
  - c. sales plan
  - d. target market plan
  - e. competitive analysis plan

Answer: b      Page: 56      Difficulty: Easy      AACSB: Communication

58. Which of the following elements of a marketing plan permits senior management to grasp the plan's major thrust?
- a. the situation analysis
  - b. the marketing strategy
  - c. the executive summary and table of contents
  - d. financial projections
  - e. implementation and controls

Answer: c      Page: 57      Difficulty: Medium      AACSB: Communication

59. Most marketing plans cover \_\_\_\_\_.
- a. one year
  - b. two years
  - c. three years
  - d. four years
  - e. five years

Answer: a      Page: 57      Difficulty: Easy

60. The most frequently cited shortcomings of current marketing plans, according to marketing executives, are lack of realism, insufficient competitive analysis, and a \_\_\_\_\_ focus.
- a. long-term
  - b. profit
  - c. short-run
  - d. product
  - e. price

Answer: c      Page: 57      Difficulty: Easy

### **True/False**

61. The traditional view of marketing is that the firm makes something and then sells it.  
Answer: True      Page: 34      Difficulty: Easy      AACSB: Reflective Thinking
62. The traditional view of marketing begins with a first step called *strategic marketing*.  
Answer: False      Page: 34      Difficulty: Hard
63. Segmentation, targeting, and positioning constitute the essence of strategic marketing.  
Answer: True      Page: 34      Difficulty: Medium
64. The customer relationship management process is all the activities involved in receiving and approving orders, shipping the goods on time, and collecting payment.  
Answer: False      Page: 35      Difficulty: Hard      AACSB: Analytic Skills
65. The new-offering realization process involves all activities in defining target markets and prospecting for new customers.  
Answer: False      Page: 35      Difficulty: Hard      AACSB: Analytic Skills
66. A principle of the value chain is that every firm is a synthesis of activities performed to design, produce, market, deliver, and support its product.  
Answer: True      Page: 35      Difficulty: Easy
67. Another name for a company's value delivery network is "the intermediary team."  
Answer: False      Page: 36      Difficulty: Medium      AACSB: Analytic Skills
68. A core competency is usually common among competitors in a given industry.  
Answer: False      Page: 36      Difficulty: Medium      AACSB: Reflective Thinking
69. Competitive advantage ultimately derives from how well the company has guarded its core competencies from theft by competitors.  
Answer: False      Page: 37      Difficulty: Hard      AACSB: Reflective Thinking
70. Holistic marketing focuses on the integration of value exploration, value creation, and value delivery as a means to build long-term relationships with consumers.  
Answer: True      Page: 38      Difficulty: Medium

71. If a manager asks, “How can my company identify new value opportunities?” he or she is examining a management question identified as being value creation.

Answer: False Page: 38 Difficulty: Hard AACSB: Reflective Thinking

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

Answer: True Page: 39 Difficulty: Easy AACSB: Analytic Skills

73. A mission statement has as its primary focus the product and how to make it.

Answer: False Page: 42 Difficulty: Medium

74. One of the characteristics of a good mission statement is that it has an expansive number of goals for doing business.

Answer: False Page: 42 Difficulty: Medium AACSB: Reflective Thinking

75. A good illustration of a market definition of the business a company is in would be “We sell gasoline.”

Answer: False Page: 43 Difficulty: Medium AACSB: Reflective Thinking

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

Answer: True Page: 45 Difficulty: Medium AACSB: Analytic Skills

77. If a company sought to expand the number of existing products sold to its current markets, it would use an integrative growth strategy labeled as “market-penetration strategy.”

Answer: True Page: 45 Difficulty: Hard AACSB: Analytic Skills

78. If a company sought to grow via a strategy that required the company to seek new businesses that have no relationship to its current technology, products, or markets, the company would be using a diversification strategy called a conglomerate strategy.

Answer: True Page: 47 Difficulty: Medium AACSB: Analytic Skills

79. Scenario analysis can be used to assist companies in appraising how well their corporate culture might match (or not match) potential business partners or acquisitions.

Answer: True Page: 48 Difficulty: Medium

80. Marketing opportunities to supply something that is currently in short supply require significant marketing talent.

Answer: False Page: 49 Difficulty: Medium AACSB: Reflective Thinking

81. To evaluate opportunities, companies can use market opportunity analysis (MOA) to determine the attractiveness and probability of success.

Answer: True Page: 51 Difficulty: Easy

82. An environmental threat is a challenge posed by an unfavorable trend or development that would lead, in the absence of defensive marketing action, to lower sales or profit.  
 Answer: True Page: 51 Difficulty: Medium
83. Once a SWOT analysis has been completed, the strategic planner is ready to proceed to the goal formulation stage of the strategic-planning process model.  
 Answer: True Page: 52 Difficulty: Medium AACSB: Analytic Skills
84. In applying MBO (management by objectives) all objectives are treated as being equally important—objective discrimination is not allowed.  
 Answer: False Page: 52 Difficulty: Medium
85. For an MBO (management by objectives) system to work, one of the four criteria that the unit's objectives must meet is that objectives must be stated quantitatively whenever possible.  
 Answer: True Page: 52 Difficulty: Medium AACSB: Reflective Thinking
86. A good illustration of a marketing objective would to “decrease customer acquisition costs by 1.5 percent per quarter.”  
 Answer: True Page: 52 Difficulty: Easy AACSB: Reflective Thinking
87. A strategy is a game plan for achieving what the business unit wants to achieve.  
 Answer: True Page: 53 Difficulty: Easy AACSB: Reflective Thinking
88. A firm employing a focus strategy must be good at engineering, purchasing, manufacturing, and physical distribution.  
 Answer: False Page: 54 Difficulty: Hard AACSB: Analytic Skills
89. One of the four major categories of strategic alliance involves sharing personnel (e.g., human resource alliance) to staff alliance member marketing departments.  
 Answer: False Pages: 54–55 Difficulty: Medium
90. Partner relationship management (PRM) can be thought of as a corporation's development of structures that support strategic alliances and treat the formation and management of partnerships as a core skill.  
 Answer: True Page: 55 Difficulty: Medium AACSB: Analytic Skills
91. Companies normally measure their profit performance using ROI; however, this approach suffers because profits are arbitrarily measured and subject to manipulation.  
 Answer: True Page: 56 Difficulty: Medium AACSB: Ethical Reasoning
92. A *marketing vision statement* is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firm plans to reach its marketing objectives.  
 Answer: False Page: 56 Difficulty: Hard

93. Marketing plans are becoming more production oriented because of the high costs of doing business in today's economy.

Answer: False Page: 56 Difficulty: Medium AACSB: Reflective Thinking

94. The marketing plan should open with a situation analysis.

Answer: False Page: 57 Difficulty: Easy

95. The marketing strategy section of a marketing plan includes definitions of the mission and marketing and financial objectives.

Answer: True Page: 57 Difficulty: Medium AACSB: Analytic Skills

96. One of the key questions to ask in evaluating a marketing plan is whether the plan is simple or not.

Answer: True Page: 57 Difficulty: Medium AACSB: Reflective Thinking

97. Such areas as sales forecasts, expense forecasts, and break-even analysis are usually found in the financial projections section of the marketing plan.

Answer: True Page: 57 Difficulty: Easy

98. Return on investment (ROI) shows how many units must be sold monthly to offset the monthly fixed costs and average per-unit variable costs.

Answer: False Page: 57 Difficulty: Medium AACSB: Analytic Skills

99. Most marketing plans conclude with a section that indicates how the plan will be implemented.

Answer: True Page: 57 Difficulty: Easy

100. Within the marketing strategy section of the marketing plan, goals and budgets are spelled out for each month or quarter so management can review each period's results and take corrective action as needed.

Answer: False Page: 57 Difficulty: Medium

## Essay

101. Briefly summarize the two views of the value delivery process that may be followed by organizations seeking to gain business from consumers.

**Suggested Answer:** The traditional view of marketing is that the firm makes something and then sells it. Companies that subscribe to this view have the best chance of succeeding in economies marked by goods shortages where consumers are not fussy about the quality, features, or style. If abundant choices are present, this view does not work well. Another view emphasizes the organization's role in the value delivery process. Strategic and tactical marketing are used to choose the value, provide the value, and communicate the value to consumers and channel partners. Marketing is moved to the first part of the delivery process.

Page: 34 Difficulty: Medium AACSB: Analytic Skills

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

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

Page: 35

Difficulty: Hard

AACSB: Analytic Skills

103. A successful company nurtures its resources and competencies. A core competency has three characteristics. Describe those characteristics.

**Suggested Answer:** Core competency characteristics are: (1) It is a source of competitive advantage; (2) it has applications in a wide variety of markets; and (3) it is difficult for competitors to imitate.

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Difficulty: Medium

AACSB: Analytic Skills

104. A holistic marketing orientation can provide insight into the process of capturing customer value and is designed to address three key management questions. Describe and illustrate each of these key management questions.

**Suggested Answer:** The three management questions are: (1) value exploration—how can a company identify new customer-value opportunities? (2) value creation—how can a company efficiently create more promising new customer-value offerings? and (3) value delivery—how can a company use its capabilities and infrastructure to deliver the new customer-value offerings more efficiently?

Page: 38

Difficulty: Hard

105. Indicate the differences and similarities between the following terms: *marketing plan*, *strategic marketing plan*, and *tactical marketing plan*.

**Suggested Answer:** The marketing plan is the central instrument for directing and coordinating the marketing effort. The marketing plan operates at two levels: strategic and tactical. The strategic marketing plan lays out the target markets and the value proposition that will be offered, based on an analysis of the best market opportunities. The tactical marketing plan specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service.

Pages: 39–40      Difficulty: Medium      AACSB: Analytic Skills

106. Good mission statements are essential to being a success in business. Describe the three major characteristics that good mission statements should have.

**Suggested Answer:** Major characteristics include: (1) They focus on a limited number of goals; (2) mission statements stress the company's major policies and values; (3) they define the major competitive spheres within which the company will operate (e.g., industry, products and applications, competence, market segment, vertical, and geographical); (4) mission statements should take a long-term view; and (5) they should be as short, memorable, and meaningful as possible.

Page: 42–43      Difficulty: Easy      AACSB: Reflective Thinking

107. During the planning process, if there is a gap between future desired sales and projected sales, corporate management will need to develop or acquire new businesses to fill it. Identify and describe the three strategies that can be used to fill the strategic gap.

**Suggested Answer:** The first option is to identify opportunities to achieve further growth with current businesses (intensive growth opportunities). The second is to identify opportunities to build or acquire businesses that are related to current businesses (integrative growth opportunities). The third is to identify opportunities to add attractive businesses that are unrelated to current businesses (diversification growth opportunities).

Pages: 44–46      Difficulty: Hard      AACSB: Analytic Skills

108. Assume that you are directed to prepare a short brief explaining the steps of the Business Unit Strategic Planning Process. Your task is to construct such a brief by carefully outlining the steps of the aforementioned process.

**Suggested Answer:** Refer to Figure 2.5 in the chapter for assistance. Students should be able to describe (in order) the business mission, SWOT analysis, goal formulation, strategy formulation, program formulation and implementation, and feedback and control. The descriptions do not need to be long; however, they do need to be consistent with the text material. Answers will vary but consistency should be a learning goal.

Pages: 48–56    Difficulty: Hard

AACSB: Analytic Skills

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

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

Pages: 54–55    Difficulty: Hard

AACSB: Analytic Skills

110. Briefly summarize the contents of a marketing plan.

**Suggested Answer:** The contents of a marketing plan include (1) an executive summary and table of contents; (2) a situation analysis; (3) marketing strategy; (4) financial projections; and (5) implementation controls. Descriptions of the content steps may vary but should be in keeping with the general outline of this section of the chapter. See text material for further information.

Page: 57    Difficulty: Hard

## APPLICATION QUESTIONS

### Multiple Choice

111. Apex Corporation is one of the best in its industry in terms of costs and performance. Many companies will probably use Apex as a \_\_\_\_\_.
- a. target
  - b. benchmark
  - c. competitor to beat
  - d. future supplier
  - e. sounding board for ideas

Answer: b      Page: 35      Difficulty: Easy      AACSB: Reflective Thinking

112. James Franks has been put in charge of gathering marketing intelligence, disseminating it within his organization, and eventually directing action on the information. Mr. Franks' task is best described as part of the \_\_\_\_\_.
- a. market-sensing process
  - b. new-offering realization process
  - c. customer acquisition process
  - d. customer relationship management process
  - e. fulfillment management process

Answer: a      Page: 35      Difficulty: Hard      AACSB: Analytic Skills

113. When a customer places an order at BookBox.com, the company processes the customer's payment information, sends the order to the nearest warehouse, and ships the order via FedEx. This is best described as the \_\_\_\_\_.
- a. market-sensing process
  - b. customer acquisition process
  - c. customer relationship management process
  - d. fulfillment management process
  - e. new-offering realization process

Answer: d      Page: 35      Difficulty: Medium      AACSB: Analytic Skills

114. Netflix, the pioneer online DVD rental service, has several \_\_\_\_\_, including fast delivery and a deep catalogue of titles for customers to choose from.
- a. core competency
  - b. distinctive capabilities
  - c. market savvy
  - d. business touch
  - e. intuitive synergy

Answer: b      Page: 36      Difficulty: Medium      AACSB: Analytic Skills

115. As Kodak addresses the digital revolution taking over the photographic industry, it wants customers to see it as a leader in digital photography and is moving away from its connection to print-only photography. This would be an example of which of the following value creation steps?
- a. redefining the big idea
  - b. reshaping the business scope
  - c. repositioning the company's brand identity
  - d. redoing its corporate logo
  - e. researching its competitors

Answer: c      Page: 38      Difficulty: Hard      AACSB: Analytic Skills

116. During Jill's market research study, many customers indicated that traditional oven mitts made it very difficult to hold cooking utensils, pots, and baking dishes, resulting in frequent spills and burns. Jill brought her findings to the research department, and her company leveraged its engineering and design competencies to develop a new hand-held hot-pad that allows for significantly greater dexterity in handling hot cooking implements, while protecting the cook from burns. This is an example of the \_\_\_\_\_ element of the holistic marketing framework.
- a. value exploration
  - b. value creation
  - c. value delivery
  - d. value networking
  - e. value focus

Answer: b      Page: 39      Difficulty: Medium      AACSB: Reflective Thinking

117. Intel's breakthrough "Intel Inside" marketing campaign built awareness of the brand in an attempt to improve perceptions of \_\_\_\_\_ and differentiate its chips from those of other competing manufacturers. This strategy allowed Intel to charge PC manufacturers a premium for its chips.
- a. customer value
  - b. corporate planning
  - c. competitive pricing
  - d. business partner management
  - e. resource efficiency

Answer: a      Page: 40      Difficulty: Medium      AACSB: Reflective Thinking

118. Juan Garcia is seen as a \_\_\_\_\_ planner because he plans the daily promotional releases about his company's products and services.
- a. strategic
  - b. selective
  - c. tactical
  - d. niche
  - e. organizational

Answer: c      Page: 40      Difficulty: Medium      AACSB: Analytic Skills

119. Sony's former president, Akio Morita, wanted everyone to have access to "personal portable sound," so his company created the Walkman and portable CD player. This vision was reflected in the company's \_\_\_\_\_.
- a. mission statement
  - b. SWOT analysis
  - c. consumer intelligence
  - d. database
  - e. vertical

Answer: a      Page: 42      Difficulty: Easy      AACSB: Analytic Skills

120. Gerber serves primarily baby food. In choosing to focus on the baby market, Gerber is defining its competitive sphere on the basis of \_\_\_\_\_.
- a. vertical
  - b. competence
  - c. market segment
  - d. industry
  - e. geography

Answer: c      Page: 42      Difficulty: Medium      AACSB: Reflective Thinking

121. Which of the following is best described as a market-oriented business definition?
- a. Missouri-Pacific Railroad: We run a railroad.
  - b. Xerox: We make copying equipment.
  - c. Standard Oil: We sell gasoline.
  - d. Encyclopedia Britannica: We distribute information.
  - e. Columbia Pictures: We make movies.

Answer: d      Page: 42      Difficulty: Medium      AACSB: Analytic Skills

122. If you were the CEO of a company that was looking to implement strategies to fill a perceived strategic-planning gap, you would most likely explore \_\_\_\_\_ growth first because it is easier to improve an existing business than to build a new one.
- a. intensive
  - b. integrative
  - c. diversification
  - d. conglomerate
  - e. concentric

Answer: a      Page: 44      Difficulty: Medium      AACSB: Reflective Thinking

123. Once Starbucks had established itself as a presence in thousands of cities internationally, the company sought to increase the number of purchases by existing customers with a \_\_\_\_\_ strategy that led to new in-store merchandise, including compilation CDs and high-speed wireless access.
- a. product-development
  - b. market-penetration
  - c. diversification
  - d. market-development
  - e. conglomerate

Answer: a          Page: 45          Difficulty: Hard          AACSB: Analytic Skills

124. When it was first launched, Google's paid search platform represented a new strategy for revenue generation on the Internet. This is an example of innovation along which of the following dimensions?
- a. process
  - b. supply chain
  - c. value capture
  - d. presence
  - e. brand

Answer: c          Page: 50          Difficulty: Hard          AACSB: Analytic Skills

125. Through its cutting-edge point-of-sale inventory management technology and highly efficient shipping practices, Wal-Mart is able to keep its inventory and logistics costs extremely low and to pass these cost savings on to consumers in the form of low prices. Wal-Mart's strategy is best described as \_\_\_\_\_.
- a. focus
  - b. integrative growth
  - c. differentiation
  - d. market development
  - e. overall cost leadership

Answer: e          Page: 54          Difficulty: Medium          AACSB: Analytic Skills

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

Answer: b          Page: 54          Difficulty: Hard          AACSB: Analytic Skills

127. In the online air travel industry, Travelocity is pursuing a(n) \_\_\_\_\_ strategy by offering the most comprehensive range of services to the traveler.
- a. overall cost leadership
  - b. focus
  - c. differentiation
  - d. logistics
  - e. promotional

Answer: c      Page: 54      Difficulty: Medium      AACSB: Analytic Skills

128. McDonald's has often teamed up with Disney to offer products related to current Disney films as part of its meals for children. The best description of this form of alliance would a \_\_\_\_\_.
- a. product alliance
  - b. logistics alliance
  - c. pricing collaboration
  - d. network alliance
  - e. promotional alliance

Answer: e      Page: 55      Difficulty: Medium      AACSB: Analytic Skills

129. Abbot Laboratories warehouses and delivers 3M's medical and surgical products to hospitals across the United States. The best description of this form of alliance would a \_\_\_\_\_.
- a. product alliance
  - b. logistics alliance
  - c. pricing collaboration
  - d. network alliance
  - e. promotional alliance

Answer: b      Page: 55      Difficulty: Medium      AACSB: Reflective Thinking

130. MasterCard and Visa may team up with university alumni associations to offer affinity credit cards that typically display an iconic image associated with the university on the card itself and may include an incremental donation program associated with purchases made using the card. The best description of this form of alliance would a \_\_\_\_\_.
- a. product alliance
  - b. logistics alliance
  - c. pricing collaboration
  - d. network alliance
  - e. promotional alliance

Answer: e      Page: 55      Difficulty: Medium      AACSB: Analytic Skills

## Short Answer

131. As the marketing manager for a small regional toy manufacturer, what three strategic marketing processes would you use to choose the value of your offer?

**Suggested Answer:** The three processes would be (1) customer segmentation, (2) market selection/focus, and (3) value positioning.

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132. Hot Topic, a chain that sells rock-band-inspired clothes for teens, recently launched Torrid to give plus-size teens the same fashion options. Identify the three parts of the value delivery process and their function for Hot Topic.

**Suggested Answer:** The first phase, choosing the value, represents the “homework” marketing must do before any product exists. The second phase, providing the value, is where product features, prices, and distribution are selected. The third phase, communicating the value, utilizes the sales force, sales promotion, advertising, and other communication tools to announce and promote the product.

Page: 34      Difficulty: Medium      AACSB: Reflective Thinking

133. Critics of Nike often complain that its shoes cost almost nothing to make, yet cost the consumer so much. Identify the elements of providing and communicating value that add to Nike’s cost structure and result in the high price of Nike’s shoes.

**Suggested Answer:** Although the raw materials and manufacturing costs of a sneaker are relatively cheap, marketing the product to the consumer is quite expensive. Providing value includes R&D costs and the costs associated with shipping to retail locations and the retailers’ overhead. Communicating value includes obtaining celebrity endorsement and extensive advertising. Nike must also pay for a sales force that communicates the product’s value to retailers and helps ensure that products are available in retail locations convenient to end consumers.

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134. Over the past 10 years, Cisco Systems has drastically reduced its number of suppliers and aligned itself more closely with its remaining suppliers for each of its product-based teams. How might this have helped Cisco improve its new-offering realization process?

**Suggested Answer:** By reducing the number of suppliers it uses, Cisco is able to work more closely with its few remaining suppliers, involving them in new-product development and tapping their expertise in improving time to volume, cutting costs, and improving supplier quality.

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135. In the central role of strategic planning, only a handful of companies stand out as master marketers—Procter & Gamble, Southwest Airlines, Nike, Disney, Nordstrom, Wal-Mart, and McDonald’s to name a few. From a consumer’s perspective why do you think they stand out? Explain.

**Suggested Answer:** Students should explain that these companies focus on the customer and are organized to respond effectively to changing customer needs. They all have well-staffed marketing departments, and all their other departments—manufacturing, finance, research and development, personnel, purchasing—also accept the concept that the customer is king.

Page: 39      Difficulty: Medium      AACSB: Reflective Thinking

136. Identify the elements of a tactical marketing plan for a new kind of cola.

**Suggested Answer:** The tactical marketing plan specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service. For a new kind of cola, the tactical marketing plan might include the packaging size and shape, the flavor, the kinds of advertising used (print, television, buzz marketing), how to price the new cola relative to other colas currently on the market, and where to sell the new cola (grocery stores, gas stations, vending machines, sandwich shops).

Page: 40      Difficulty: Medium      AACSB: Reflective Thinking

137. Porsche makes only expensive cars and Gerber serves primarily the baby market. Which of the major competitive spheres within which a company can operate matches most closely to these two companies?

**Suggested Answer:** Several competitive spheres are mentioned (e.g., industry, products and applications, competence, market segment, vertical, and geographical). The sphere most appropriate in this case is market segment.

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138. Gymboree is a 530-store chain that sells children’s clothing to upscale parents. Because there are not enough parents making more than \$65,000 year to support more stores, Gymboree has created Janie and Jack, a chain selling upscale baby gifts. Which intensive growth strategy is Gymboree employing?

**Suggested Answer:** Gymboree is pursuing a product-development strategy, targeting upscale parents of young children, many of whose peers are having children, with a new product sold through a new retail location.

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139. Goodwin's Grocery has decided to purchase a meat-processing plant to gain more control of its beef supply and improve profits. Which form of integrative growth strategy has Goodwin's employed?

**Suggested Answer:** Goodwin's has selected a backward integration strategy.  
Page: 46      Difficulty: Medium

140. From its origins as an animated film producer, Walt Disney Company has moved into licensing characters for merchandised goods and developed theme parks and vacation and resort properties. What strategy best describes Disney's growth?

**Suggested Answer:** Disney has employed a diversification growth strategy, taking advantage of opportunities outside its original animated film business, leveraging the strength of its characters in new businesses.  
Page: 46      Difficulty: Hard      AACSB: Analytic Skills

141. When Yahoo! began to flounder in the 2001, CEO Terry Semel imposed a more conservative, buttoned-down atmosphere on the freewheeling Internet start-up. At the new Yahoo!, spontaneity is out and order is in. What term is most closely applied to this organizational change phenomenon? Be sure to explain what the term means with respect to this example.

**Suggested Answer:** The correct term would be *corporate* or *organizational culture*. Corporate culture has been defined as "the shared experiences, stories, beliefs, and norms that characterize an organization."  
Page: 47      Difficulty: Hard      AACSB: Analytic Skills

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

**Suggested Answer:** Scenario analysis consists of developing plausible representations of a firm's possible future that make different assumptions about forces driving the market and include different uncertainties. Answers may vary on why to use the concept but answers should be mindful of the definition given.  
Page: 48      Difficulty: Medium      AACSB: Reflective Thinking

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

**Suggested Answer:** SWOT (strengths, weaknesses, opportunities, and threats) monitors the external and internal environment by examining key macroeconomic and microeconomic forces and actors that have an impact on the organization's business and industry. See chapter for additional details on the SWOT analysis format.  
Pages: 49–52      Difficulty: Medium

144. Good marketing is the art of finding, developing, and profiting from marketing opportunities. What are the three primary methods for uncovering possible product or service improvements.

**Suggested Answer:** Methods for uncovering possible product or service improvements include (1) the problem detection method, which asks consumers for their suggestions; (2) the ideal method, which asks consumers to imagine an ideal version of the product or service; and (3) the consumption chain method, which asks consumers to chart their steps in acquiring, using, and disposing of a product.

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Difficulty: Medium

AACSB: Analytic Skills

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

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

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Difficulty: Hard

AACSB: Analytic Skills

146. For an MBO system to work, the business unit attempting to implement the process must meet four criteria. What are those criteria?

**Suggested Answer:** The criteria are: (1) They must be arranged hierarchically, from the most to the least important; (2) objectives should be stated quantitatively whenever possible; (3) goals must be realistic; and (4) objectives must be consistent.

Page: 52–53

Difficulty: Hard

AACSB: Reflective Thinking

147. Which of Michael Porter's generic strategies would be most appropriate for an organization that concentrates on achieving superior performance in an important customer benefit area valued by a large part of the market?

**Suggested Answer:** The strategy that would be most appropriate would be that of differentiation.

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Difficulty: Medium

AACSB: Analytic Skills

148. Michael Porter draws a firm distinction between operational effectiveness and a strategy. Briefly describe this distinction and identify when a company can claim that it has a strategy.

**Suggested Answer:** Competitors can quickly copy the operationally effective company using benchmarking and other tools, thus diminishing the advantage of operational effectiveness. Porter defines strategy as “the creation of a unique and valuable position involving a different set of activities.” A company can claim that it has a strategy when it “performs different activities from rivals or performs similar activities in different ways.”

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Difficulty: Hard

AACSB: Reflective Thinking

149. When H&R Block and Hyatt Legal Services combined their efforts (two service businesses), they also joined marketing forces to create a strong alliance. Which of the alliance forms cited in the text most closely matches the H&R Block and Hyatt Legal Services alliance? Explain.

**Suggested Answer:** This alliance is called a *product* or *service alliance* where one company licenses another to produce its product, or two companies jointly market their complementary products or a new product.

Pages: 54–55

Difficulty: Medium

AACSB: Analytic Skills

150. Characterize a marketing plan.

**Suggested Answer:** A marketing plan is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firm plans to reach its marketing objectives. It contains tactical guidelines for the marketing programs and financial allocations over the planning period.

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Difficulty: Easy

AACSB: Reflective Thinking