Chapter 2: Developing Marketing Strategies and Plans

GENERAL CONCEPT QUESTIONS

Multiple Choice

1. A key ingredient of the marketing management process is insightful, ________ marketing strategies and plans that can guide marketing activities.
   a. creative
   b. measurable
   c. macro
   d. micro
   e. niche
Answer: a  Page: 35  Level of difficulty: Medium

2. According to a chapter story about H&M clothing stores, H&M is able to put products out quickly and inexpensively by all of the following EXCEPT ________.
   a. having few middlemen and owning no factories
   b. buying large volumes
   c. having extensive experience in the clothing industry
   d. having a great knowledge of which goods should be bought from which markets
   e. having total control of its distribution channel from the time the goods are produced until the time they are sold
Answer: e  Page: 36  Level of difficulty: Hard

3. 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: 36  Level of difficulty: Medium

4. 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: 36  Level of difficulty: Medium
5. 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: 36  Level of difficulty: Easy

6. 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: 37  Level of difficulty: Medium

7. The first phase of the value creation and delivery sequence is ________ that represents the “homework” marketing must do before any product exists.
   a. choosing the value
   b. market research
   c. target marketing
   d. service consideration
   e. projective thinking
   Answer: a  Page: 37  Level of difficulty: Medium

8. The last step in the value creation and delivery sequence is ________ the value where the sales force, sales promotion, advertising, and other communication tools announce and promote the product.
   a. developing
   b. distributing
   c. communicating
   d. reversing
   e. researching
   Answer: c  Page: 37  Level of difficulty: Medium

9. The Japanese have refined the value delivery process to include a component that emphasizes ________.
   a. zero servicing
   b. zero customer feedback time
   c. zero promotion
   d. zero dependency on intermediaries
   e. zero marketing costs
   Answer: b  Page: 38  Level of difficulty: Medium
10. The _______ is a tool for identifying ways to create more customer value.
   a. value chain
   b. customer survey
   c. brand loyalty index
   d. promotion channel
   e. supplier database
Answer: a

11. The _______ identifies nine strategically relevant activities that create value and
cost in a specific business.
   a. value proposition
   b. value chain
   c. mission statement
   d. annual report
   e. manager’s log
Answer: b

12. The _______ in the value chain cover the sequence of bringing materials into the
business (inbound logistics), converting them into final products (operations),
shipping out final products (outbound logistics), marketing them (marketing and
sales), and servicing them (service).
   a. operations process
   b. manufacturing process
   c. primary activities
   d. secondary activities
   e. tertiary activities
Answer: c

13. 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

14. 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
Part 1: Understanding Marketing Management

15. 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 __________.
   a. core strategies
   b. satellite businesses
   c. core values
   d. core business processes
   e. core technologies
Answer: d       Page: 38       Level of difficulty: Medium

16. With respect to core business processes, all the activities involved in gathering market intelligence, disseminating it within the organization, and acting on the information is referred to as the ________. 
   a. market sensing process
   b. market research process
   c. target marketing process
   d. market pulse process
   e. deployment process
Answer: a       Page: 38       Level of difficulty: Medium

17. With respect to the core business processes, all the activities involved in researching, developing, and launching new high-quality offerings quickly and within budget are referred to as the ________.
   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: 38       Level of difficulty: Hard

18. 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.
   a. customer acquisition process
   b. customer relationship management process
   c. fulfillment management process
   d. customer prospecting process
   e. customer equity process
Answer: a       Page: 38       Level of difficulty: Medium
19. A good way to describe the ________ would be to discuss all the activities involved in building deeper understanding, relationships, and offerings to individual customers.
   a. customer acquisition process
   b. customer relationship management process
   c. customer prospecting process
   d. customer fulfillment management process
   e. customer equity process
   Answer: b

20. Another way to describe a value delivery network (partnering with specific suppliers and distributors) is to call it a ________.
   a. teamwork group
   b. cabal
   c. domestic power center
   d. link to relationships
   e. supply chain
   Answer: e

21. The key to utilizing organizational core competencies is to ________ that make up the essence of the business.
   a. make the competencies pay for themselves
   b. own all intermediaries who come in contact with your goods and services
   c. own and nurture the resources and competencies
   d. emphasize global promotions
   e. segment workforces
   Answer: c

22. 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.
   a. core competency
   b. business strategy
   c. core technology
   d. strategic business unit
   e. winning strategy
   Answer: a

23. Core competencies tend to refer to areas of special technical and production expertise, where ________ 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
24. George Day sees market-driven organizations as excelling 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: 40 Level of difficulty: Medium

25. 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: 40 Level of difficulty: Hard

26. 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 co-prosperity among key stakeholders.”
   a. value creation
   b. value proposition
   c. value management
   d. value research
   e. value chain
   Answer: a Page: 40 Level of difficulty: Hard

27. 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: 40 Level of difficulty: Medium

28. 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: 41 Level of difficulty: Hard
29. 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: 41  Level of difficulty: Medium

30. 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: 41  Level of difficulty: Medium

31. 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: 41  Level of difficulty: Medium

32. 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: 41  Level of difficulty: Medium
33. ________ 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

34. To respond effectively and provide value delivery, the company requires ________ to integrate major business processes (e.g., order processing, general ledger, payroll, and production) 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

35. 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

36. Successful marketing requires having capabilities such as understanding ________, creating customer value, delivering customer value, capturing customer value, and sustaining customer value.
   a. customer loyalty
   b. customer perks
   c. customer retention
   d. customer value
   e. customer benefits
Answer: d
37. According to a McKinsey research study, which of the following is one of the main challenges that marketing must face in the twenty-first century?
   a. The threat of ethics-based lawsuits.
   b. Doing more with less.
   c. Hostile takeover attempts.
   d. Increasing control by big government.
   e. Being independent of the distribution process.
   Answer: b  Page: 42  Level of difficulty: Medium

38. Strategic planning in the twenty-first century calls for action in three key areas. Which of these key areas 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: 42  Level of difficulty: Medium

39. 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: 43  Level of difficulty: Easy

40. 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: 43  Level of difficulty: Medium

41. The ________ lays out the target markets and the value proposition that will be offered, based on an analysis of the best market opportunities.
   a. organizational plan
   b. strategic marketing plan
   c. corporate tactical plan
   d. corporate mission
   e. customer value statement
   Answer: b  Page: 43  Level of difficulty: Medium
42. 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

43. 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

44. The _______ process consists of corporate, division, business, and product planning.
   a. implementing
   b. controlling
   c. innovation
   d. planning
   e. competitive
Answer: d

45. All corporate headquarters undertake four planning activities, the first of which is ________.
   a. defining the corporate mission
   b. establishing strategic business units and assigning resources (SBUs)
   c. assigning resources to each SBU
   d. assessing growth opportunities
   e. understanding target markets
Answer: a

46. 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
47. Mission statements are at their best when they reflect a _______.
   a. market
   b. strength
   c. competency
   d. vision
   e. value
Answer: d  Page: 44  Level of difficulty: Medium

48. 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: 47  Level of difficulty: Easy

49. 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: 48  Level of difficulty: Hard

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: 49  Level of 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: 50  Level of difficulty: Medium
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

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

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

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

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
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: 60  Level of difficulty: Easy

58. Which of the following permits senior management to grasp the marketing 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: 60  Level of difficulty: Medium

59. Most marketing plans cover ________.
   a. one year
   b. two years
   c. three years
   d. four years
   e. five years
Answer: a  Page: 60  Level of 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: 60  Level of difficulty: Easy

**True/False**

61. The traditional view of marketing is that the firm makes something and then sells it.
Answer: True  Page: 36  Level of difficulty: Easy

62. The traditional view of marketing begins with a first step called strategic marketing.
Answer: False  Page: 36  Level of difficulty: Hard
63. The formula, segmentation, targeting, and positioning (STP) is the essence of strategic marketing.

Answer: True  Page: 37  Level of difficulty: Medium

64. The Japanese have extended the value delivery process by adding the concept of *zero promotions after five years*.

Answer: False  Page: 38  Level of difficulty: Medium

65. 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: 38  Level of difficulty: Hard

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: 38  Level of difficulty: Easy

67. Another name for a company’s value delivery network is “the intermediary team.”

Answer: False  Page: 39  Level of difficulty: Medium

68. A core competency is usually common among competitors in a given industry.

Answer: False  Page: 39  Level of difficulty: Medium

69. 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: 40  Level of difficulty: Medium

70. 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: 41  Level of difficulty: Hard

71. According to McKinsey research, a recommendation to managers and CEOs who are concerned about marketing performance was that marketers must test and develop programs more quickly as they enhance planning processes and research approaches.

Answer: True  Page: 42  Level of difficulty: Medium

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

Answer: True  Page: 43  Level of difficulty: Easy

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

Answer: False  Page: 44  Level of 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: 44  Level of difficulty: Medium
75. A good illustration of a market definition of the business a company is in would be “We sell gasoline.”
Answer: False Page: 46 Level of difficulty: Medium

76. 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: 48 Level of difficulty: Hard

77. 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: 49 Level of difficulty: Medium

78. 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: 51 Level of difficulty: Medium

79. Once an organization has established a business mission in its business unit strategic-planning process, it may proceed to the second step of the planning process called goal formulation.
Answer: False Page: 51 Level of difficulty: Medium

80. Good illustrations of microenvironment actors in the strategic planning process would be demographics, technology, and the social-cultural arena.
Answer: False Page: 52 Level of difficulty: Hard

81. To evaluate opportunities, companies can use Market Opportunity Analysis (MOA) to determine the attractiveness and probability of success.
Answer: True Page: 53 Level of 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: 53 Level of 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: 54 Level of difficulty: Medium

84. In applying MBO (management by objectives) all objectives are treated as being equally important—objective discrimination is not allowed.
Answer: False Page: 54 Level of 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: 55 Level of difficulty: Medium

86. A strategy is a game plan for achieving what the business unit wants to achieve.
Answer: True Page: 56 Level of difficulty: Easy

87. Firms choosing a generic strategy centering on focus must be good at engineering, purchasing, manufacturing, and physical distribution.
Answer: False Page: 56 Level of difficulty: Hard

88. 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 Page: 57 Level of difficulty: Medium

89. Partner Relationship Management (PRM) can be thought of as a corporation’s development of structures that support strategic alliances and treats the formation and management of partnerships as a core skill.
Answer: True Page: 57 Level of difficulty: Medium

90. Companies normally measure their profit performance using ROI; however, this approach suffers because profits are arbitrarily measured and subject to manipulation.
Answer: True Page: 58 Level of difficulty: Medium

91. 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: 60 Level of difficulty: Hard

92. Marketing plans are becoming more production-oriented because of the high costs of doing business in today’s economy.
Answer: False Page: 60 Level of difficulty: Medium

93. The marketing plan should open with a situation analysis.
Answer: False Page: 60 Level of difficulty: Easy

94. When a manager reaches the marketing strategy section of a marketing plan, he or she will define the mission and marketing and financial objectives.
Answer: True Page: 60 Level of difficulty: Medium

95. One of the key questions to ask in evaluating a marketing plan is whether the plan is simple or not.
Answer: True Page: 61 Level of difficulty: Medium
96. Such areas as sales forecasts, expense forecasts, and breakeven analysis are usually found in the financial projections section of the marketing plan.

Answer: True      Page: 61      Level of difficulty: Easy

97. 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: 61      Level of difficulty: Medium

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

Answer: True     Page: 61      Level of difficulty: Easy

99. During 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: 61      Level of difficulty: Medium

100. A good illustration of a marketing objective would to “decrease customer acquisition costs by 1.5 percent per quarter.”

Answer: True     Page: 64      Level of difficulty: Easy

Essay

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

**Suggested Answer:** The traditional view of marketing is that the firm makes something and then sells it. In this view, marketing takes place in the second half of this process (see Figure 2.1 for additional details). 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.

Pages: 36–37      Level of difficulty: Medium

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: 38 Level of difficulty: Hard

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 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.

Pages: 39 Level of difficulty: Medium

104. A holistic marketing orientation can provide insight into the process of capturing customer value. In this vain, the holistic marketing framework 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 value opportunities? (2) value creation—how can a company efficiently create more promising new value offerings? and (3) value delivery—how can a company use its capabilities and infrastructure to deliver the new value offerings more efficiently?

Page: 41 Level of difficulty: Hard

105. Marketing faces a number of challenges in the twenty-first century. Based on an extensive 2002 research study, McKinsey (a noted consulting firm) identified three main challenges as reflected by differences in opinion between chief executive officers (CEOs) and their most senior marketing executives or chief marketing officers (CMOs). What were those challenges and which of the challenges do you think is most important? Why?

**Suggested Answer:** The three challenges are: (1) doing more with less, (2) driving new business development, and (3) becoming a full business partner. Answers will vary in what students perceive to be the most important challenge.
However, be sure that any answer chosen is supported by materials found in this section of the chapter.

106. 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.

107. 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; and (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).

108. Assessing growth opportunities involves planning new businesses, downsizing, or terminating older businesses. The company’s plans for existing businesses allow it to project total sales and profits. If there is a gap between future desired sales and projected sales, corporate management will have 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 that are unrelated 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).
109. Assume that you are directed to prepare 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 2.7 in the chapter for assistance. Students should be able to describe (in order) the business mission, SWOT analysis, goal formulation, strategy formulation, program formulation, 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.

Page: 51  
Level of difficulty: Hard

110. As a marketing manager for a large steel company you have been assigned the task of educating a group of new managers on how to prepare a marketing plan. Though few of these managers will actually ever have to prepare such a plan because of their functional roles in the organization, it is still very useful that each new manager know how to construct a marketing plan. Prepare a brief summary of the contents of the marketing plan for the new managers. You may keep your discussion general or make it specific to the steel industry.

**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.

Pages: 60–61  
Level of difficulty: Hard

**APPLICATION QUESTIONS**

**Multiple Choice**

111. If a manager were following the traditional view of marketing wherein the firm makes something and then sells it, all of the following would part of the “sell the product” process sequence EXCEPT _______.

a. price  
b. advertise/promote  
c. design product  
d. distribute  
e. service

Answer: c  
Page: 36  
Level of difficulty: Medium
112. As indicated in the text, critics of Nike and its shoe products often complain that ________.
   a. Nike has too many professional athletes endorsing their products
   b. Nike has an unfair advantage in product design
   c. Nike has unfair leverage with distributors
   d. Nike shoes cost almost nothing to make yet cost the consumer so much
   e. Nike does not support ecological causes
   Answer: d
   Page: 37
   Level of difficulty: Hard

113. According to the Japanese view of the value delivery process, the company should receive the required parts and supplies continuously through just-in-time arrangements with suppliers. This concept would be most appropriately called ________.
   a. zero customer feedback time
   b. zero product improvement time
   c. zero purchasing time
   d. zero setup time
   e. zero defect
   Answer: c
   Page: 38
   Level of difficulty: Medium

114. Apex Corporation is known in its industry being “best of class” in terms of costs and performance. Many companies will probably use Apex Corporation as a ________.
   a. target
   b. benchmark
   c. competitor to beat
   d. future supplier
   e. sounding board for ideas
   Answer: b
   Page: 38
   Level of difficulty: Easy

115. James Franks has been put in charge of gathering marketing intelligence, disseminating it within his organization, and eventually directing action on the information. Which of the following core business processes most closely matches with the task that Mr. Franks has been given?
   a. The market sensing process.
   b. The new offering realization process.
   c. The customer acquisition process.
   d. The customer relationship management process.
   e. The fulfillment management process.
   Answer: a
   Page: 38
   Level of difficulty: Hard
116. Netflix, the pioneer online DVD rental service, has what is called _______ because they are excellent in broad business processes.
   a. core competency
   b. distinctive capabilities
   c. market savvy
   d. business touch
   e. intuitive synergy
   Answer: b Page: 40 Level of difficulty: Medium

117. George Day sees _______ organizations as excelling in three distinctive capabilities: market sensing, customer linking, and channel bonding.
   a. production-driven
   b. globally-driven
   c. human resource-driven
   d. engineering-driven
   e. market-driven
   Answer: e Page: 40 Level of difficulty: Medium

118. Holistic marketers achieve profitable growth by expanding _______, building customer loyalty, and capturing customer lifetime value.
   a. design skills
   b. customer share
   c. promotion venues
   d. database resources
   e. competitive space share
   Answer: b Page: 40 Level of difficulty: Hard

119. In the past Kodak was not necessarily known for embracing technology that did not come from Kodak engineers and designers. However, 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: 41 Level of difficulty: Hard
120. According to a McKinsey report, CEOs need and expect all areas of their organizations to be more efficient. Which of the following statements would be the best illustration of this need and expectation?
   a. Doing more with more.
   b. Doing less with less.
   c. Doing less with more.
   d. Doing more with less.
   e. Doing about the same with more.
Answer: d  Page: 42  Level of difficulty: Easy

121. According to a recent McKinsey report regarding characteristics that help to position marketers as business development leaders, _______ illustrates one of those characteristics.
   a. “never bite off more than you can chew”
   b. “if it ain’t broke, don’t fix it”
   c. “always pursue Internet opportunities”
   d. “strike while the iron is hot”
   e. “identify profitable unmet needs before brainstorming creative solutions”
Answer: e  Page: 42  Level of difficulty: Medium

122. According to Collins and Porras’ *Built to Last*, _______ is characterized as a visionary company—acknowledged as the industry leader and widely admired because they set ambitious goals, communicated them to their employees, and embraced a high purpose beyond making money.
   a. General Electric
   b. Delta Airlines
   c. Farmer’s Insurance
   d. Wells Fargo
   e. McDonald’s
Answer: a  Page: 43  Level of difficulty: Hard

123. 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: 43  Level of difficulty: Medium
124. 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. Which of the following planning aids most likely assisted Mr. Morita with his vision?
   a. The mission statement.
   b. A SWOT analysis.
   c. Knowledge of customers.
   d. A database.
   e. An executive summary to a formal marketing plan.
Answer: a  Page: 44  Level of difficulty: Easy

125. Which of the following most closely matches a correct market-oriented definition of a business?
   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: 46  Level of difficulty: Medium

126. 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 would be easier to improve an existing business rather than building a new one.
   a. intensive
   b. integrative
   c. diversification
   d. conglomerate
   e. concentric
Answer: a  Page: 47  Level of difficulty: Medium

127. If you were the marketing manager of an organization that had chosen growth via current products sold to new markets, your organization would have chosen a _______ strategy.
   a. market-penetration
   b. market-development
   c. product-development
   d. diversification
   e. concentric
Answer: b  Page: 48  Level of difficulty: Medium
128. ________ describes the way people in an organization are dressed, how they talk to one another, and the way they greet their customers.
   a. Strategic orientation
   b. Competitive positioning
   c. Distinctive advantage
   d. HR training strategy
   e. Corporate culture
   Answer: e

129. Once an organization establishes its business mission, conducts a SWOT analysis, and goes through a goal formulation process, it is ready to go through a step called ________ to continue with a strategic-planning process.
   a. program formulation
   b. strategy formulation
   c. implementation
   d. functional analysis
   e. feedback and control
   Answer: b

130. 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 ________. alliance.
   a. product alliance
   b. logistics alliance
   c. pricing collaboration
   d. service
   e. promotional
   Answer: e

Short Answer

131. If you were the marketing manager for small regional toy manufacturer who embraced strategic marketing application to your value creation and delivery sequence process, you would use three processes or acts to choose the value of your offer. Name those three processes.

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

132. In the example of Gymboree, we learn that they are 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. Hot Topic, a chain that sells rock-band inspired clothes for teens, recently launched Torrid to give plus-size
teens the same fashion options. Instead of emphasizing making and selling, this company sees itself as part of a value delivery process. The value delivery process consists of three parts. What are those parts and what is their function?

**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: 37 Level of difficulty: Medium

133. Define value chain. What does a value chain do?

**Suggested Answer:** A value chain is a tool for identifying ways to create more customer value. According to this model, every firm is a synthesis of activities performed to produce, market, deliver, and support its product.

Page: 38 Level of difficulty: Easy

134. If an organization was very strong at defining target markets and prospecting for new customers, which of the core business processes would this organization have mastered?

**Suggested Answer:** The core business process of customer acquisition.

Page: 38 Level of difficulty: Medium

135. In a holistic marketing framework with respect to customer focus, what would be components that would match to value exploration, value creation, and value delivery?

**Suggested Answer:** With respect to customer focus, the value exploration would be “cognitive space”, value creation would be “customer benefits”, and value delivery would be “customer relationship management. For additional information, refer to Figure 2.3.

Page: 40 Level of difficulty: Medium

136. What three spaces are discussed when a holistic marketing organization goes through a value exploration?

**Suggested Answer:** The spaces would be cognitive space (customer focus), competency space (core competencies), and resource space (collaborative network).

Pages: 40–41 Level of difficulty: Hard
137. 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.

Pages: 41–42 Level of difficulty: Medium

138. All corporate headquarters undertake four planning activities. What are those activities?

**Suggested Answer:** The activities are (1) defining the corporate mission, (2) establishing strategic business units, (3) assigning resources to each SBU, and (4) assessing growth opportunities.

Page: 44 Level of difficulty: Hard

139. Porsche makes only expensive cars and Gerber serves primarily the baby market. Which of the major competitive spheres within which a company will operate matches most closely to the examples above?

**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.

Page: 45 Level of difficulty: Hard

140. Ansoft’s product-market expansion grid shows three intensive growth strategies that can be used to assist a marketing manager in finding creative ways to close a perceived strategic gap. Characterize each of the cells of Ansoft’s grid.

**Suggested Answer:** The three cells are: (1) market-penetration strategy—current products sold to current markets, (2) market-development strategy—current products sold to new markets, and (3) product-development strategy—new products sold to current markets.

Page: 48 Level of difficulty: Medium

141. If a company decides to acquire one of its suppliers to gain more control or generate profit, it would have chosen which form of integrative growth strategy?

**Suggested Answer:** The company would have selected a backward integration strategy.

Page: 49 Level of difficulty: Medium
142. When Yahoo! began to flounder in the 2001, CEO Terry Semel imposed a more conservative, buttoned-down atmosphere on the freewheeling Internet startup. At the new Yahoo!, spontaneity is out and order is in. What term is most closely applied to the organizational change phenomenon described above? Be sure to explain what the term means with respect to the example provided.

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: 50 Level of difficulty: Medium

143. 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 above.

Page: 51 Level of difficulty: Medium

144. 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 SWOTs analysis format.

Page: 52 Level of difficulty: Medium

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 posses or have access to the critical capabilities and resources needed to deliver the customer benefits? (4) Can the company deliver the benefits better than any actual or potential competitors? And (5) Will the financial rate of return meet or exceed the company’s required threshold for investment?

Page: 53 Level of difficulty: Hard
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.

Pages: 54–55  
Level of difficulty: Hard

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? Quality leadership would be one example of the end result of such a strategy.

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

Page: 56  
Level of difficulty: Medium

148. 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.

Page: 57  
Level of difficulty: Medium

149. 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.

Page: 60  
Level of difficulty: Easy

150. During which stage of the marketing plan will the marketing manager establish the product line’s positioning?

**Suggested Answer:** The stage where product line positioning will be addressed is the marketing strategy stage.

Page: 60  
Level of difficulty: Medium