

Chapter 2—Strategic Planning in Contemporary Marketing

TRUE/FALSE

1. The planning process identifies objectives and determines which actions are needed to attain those objectives.

ANS: T PTS: 1 DIF: 1 REF: 37

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

2. The planning process creates a blueprint that everyone in the organization must follow in order to achieve the organizational objectives.

ANS: T PTS: 1 DIF: 1 REF: 37

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

3. The planning process defines checkpoints at which the organization can compare actual performance with expectations to indicate whether current activities are close to achieving organizational objectives.

ANS: T PTS: 1 DIF: 2 REF: 37

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

4. Marketing planning establishes the basis for a firm's overall strategy.

ANS: F PTS: 1 DIF: 2 REF: 38

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

5. Relationship-building goals and strategies are seldom included in the plans of business firms.

ANS: F PTS: 1 DIF: 1 REF: 39

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

6. Good relationships with customers can equip a firm with vital strategic weapons.

ANS: T PTS: 1 DIF: 1 REF: 39

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

Strategic Planning in Contemporary Marketing

7. Strategic planning has a critical impact on a firm's destiny because it provides short-term direction for decision makers.

ANS: F PTS: 1 DIF: 1 REF: 39

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

8. The strategic planning process involves allocation of necessary resources.

ANS: T PTS: 1 DIF: 1 REF: 39

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

9. Tactical planning involves actions that focus on current and near-future activities that must be completed in order to implement larger strategies.

ANS: T PTS: 1 DIF: 2 REF: 39

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

10. Tactical planning usually involves the production of quarterly and semi-annual plans, along with divisional budgets, policies, and procedures.

ANS: T PTS: 1 DIF: 2 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

11. Middle and supervisory-level managers spend less time as compared to CEOs on planning activities.

ANS: T PTS: 1 DIF: 1 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

12. The chief executive officer (CEO) and vice president of marketing spend a greater proportion of their time on operational planning than do managers at other organizational levels.

ANS: F PTS: 1 DIF: 2 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing administration & control

MSC: KN

Strategic Planning in Contemporary Marketing

13. Operational planning that involves the creation and implementation of tactical plans for the departments within an organization is primarily the responsibility of top-level management.

ANS: F PTS: 1 DIF: 2 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing administration & control

MSC: KN

14. The advertising director, marketing research manager, and other middle-level managers should be involved in planning fundamental organization-wide strategies and the corporate budget.

ANS: F PTS: 1 DIF: 2 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing administration & control

MSC: KN

15. Organization-wide objectives, fundamental strategies, long-term plans, and total budget formulation are examples of strategic planning activities handled by top management.

ANS: T PTS: 1 DIF: 2 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing administration & control

MSC: KN

16. To be most effective, the planning process should include input from a wide range of sources both internal and external to the organization.

ANS: T PTS: 1 DIF: 1 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

17. As the senior vice-president of marketing, Naomi will be closely involved in her firm's strategic planning.

ANS: T PTS: 1 DIF: 2 REF: 40

OBJ: 2-2

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing administration & control

MSC: AP

18. Middle-level managers tend to focus on strategic planning, which includes creating and implementing tactical plans for their own units.

ANS: F PTS: 1 DIF: 2 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

Strategic Planning in Contemporary Marketing

19. The planning process begins at the corporate level with the development of objectives.

ANS: F PTS: 1 DIF: 1 REF: 41

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

20. A firm's mission statement specifies its overall goals and operational scope and provides general guidelines for future management actions.

ANS: T PTS: 1 DIF: 1 REF: 41

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

21. Organizations within the same industry usually have the same mission.

ANS: F PTS: 1 DIF: 2 REF: 41

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

22. Adjustments to a firm's mission statement typically occur during stable business environments and unchanging management philosophies.

ANS: F PTS: 1 DIF: 1 REF: 41

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

23. A firm describes its overall goals and operational scope in its organization chart.

ANS: F PTS: 1 DIF: 1 REF: 41

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

24. In general, a mission statement can be described as a qualitative statement, whereas an objective is often a quantitative statement.

ANS: T PTS: 1 DIF: 2 REF: 41

OBJ: 2-3

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

Strategic Planning in Contemporary Marketing

25. Statements such as “increase market share by 25 percent by 2009” or “open 50 to 75 new stores for each of the next five years” are typically part of mission statements.

ANS: F PTS: 1 DIF: 2 REF: 41

OBJ: 2-3

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing decision-making processes MSC: AP

26. The second step in the planning process is corporate development of the organization's objectives.

ANS: T PTS: 1 DIF: 1 REF: 41

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes MSC: KN

27. Detailed organizational objectives should state specific intentions, such as "Snapple Corporation seeks to increase its share of the non-carbonated soft drink market to 25 percent within the next two years."

ANS: T PTS: 1 DIF: 2 REF: 41

OBJ: 2-3

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing decision-making processes MSC: AP

28. Well-phrased business objectives should specify time horizons for specific achievements, such as "It is anticipated we will achieve our \$77 million sales objective by March 31, 2009."

ANS: T PTS: 1 DIF: 2 REF: 41

OBJ: 2-3

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing decision-making processes MSC: AP

29. The third step of the planning process is to assess an organization's strengths, weaknesses, and available opportunities.

ANS: T PTS: 1 DIF: 2 REF: 42

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes MSC: KN

30. Marketing strategy is an overall company-wide program for selecting a particular target market and satisfying consumers through a careful blend of the elements of the marketing mix.

ANS: T PTS: 1 DIF: 1 REF: 42

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation MSC: KN

Strategic Planning in Contemporary Marketing

31. Each element of the marketing mix - product, price, distribution, and promotion - is a subset of the overall marketing strategy.

ANS: T PTS: 1 DIF: 2 REF: 42

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

32. Strategies are static and, once implemented, should not be changed if the actual performance does not meet the desired results.

ANS: F PTS: 1 DIF: 1 REF: 42

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

33. In the two final steps of the planning process, marketers put the marketing strategy into action; then they monitor performance to ensure that objectives are being achieved.

ANS: T PTS: 1 DIF: 1 REF: 42

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

34. Planning strategies are influenced by the elements of Porter's Five Forces model.

ANS: T PTS: 1 DIF: 1 REF: 43

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

35. Porter's Five Forces are potential new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products, and rivalry among competitors.

ANS: T PTS: 1 DIF: 2 REF: 43

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

36. The Internet has impacted business for new firms by increasing the barriers to market entry.

ANS: F PTS: 1 DIF: 1 REF: 44

OBJ: 2-4

NAT: AACSB Technology | CB&E Model Marketing Plan | R&D Knowledge of technology, design, & production MSC: KN

Strategic Planning in Contemporary Marketing

37. The number of suppliers available to a manufacturer or retailer affects the bargaining power of buyers.

ANS: F PTS: 1 DIF: 1 REF: 44
OBJ: 2-4
NAT: AACSB Analytic | CB&E Model Strategy | R&D Managing strategy & innovation
MSC: KN

38. Consumers can now obtain detailed pricing information on the Internet, which has increased their bargaining power with car dealers.

ANS: T PTS: 1 DIF: 2 REF: 44
OBJ: 2-4
NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of technology, design, & production
MSC: AP

39. Apple iTunes is an example of a successful first mover.

ANS: T PTS: 1 DIF: 1 REF: 45
OBJ: 2-4
NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: AP

40. Data suggests that business owners who adopt the first mover strategy will always be long-term market winners.

ANS: F PTS: 1 DIF: 2 REF: 45
OBJ: 2-4
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

41. The idea of first movers being completely replaced by second movers and the resulting disappearance of first movers from the marketplace is a myth.

ANS: F PTS: 1 DIF: 2 REF: 45
OBJ: 2-4
NAT: AACSB Analytic | CB&E Model Strategy | R&D Managing strategy & innovation
MSC: KN

42. SWOT analysis refers to examination of a firm's stability, work ethic, organizational structure, and technological expertise.

ANS: F PTS: 1 DIF: 1 REF: 45
OBJ: 2-4
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

Strategic Planning in Contemporary Marketing

43. A SWOT analysis helps planners compare internal organizational strengths and weaknesses with external opportunities and threats.

ANS: T PTS: 1 DIF: 1 REF: 45

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

44. Core competencies are actions done well by a firm that its customers value and competitors find difficult to duplicate.

ANS: T PTS: 1 DIF: 1 REF: 45

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

45. Matching an external opportunity with an internal weakness produces a situation known as leverage.

ANS: F PTS: 1 DIF: 2 REF: 45

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

46. In a SWOT analysis, marketers face a problem when environmental threats attack their organization's weaknesses.

ANS: T PTS: 1 DIF: 2 REF: 45

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

47. SWOT analysis provides an uncritical view of an organization's internal and external environments to managers and helps them evaluate the firm's fulfillment of its basic objectives.

ANS: F PTS: 1 DIF: 2 REF: 45

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

48. A strategic window represents an extended period of time during which the key requirements of a market and the particular competencies of a firm best fit together.

ANS: F PTS: 1 DIF: 2 REF: 46

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

Strategic Planning in Contemporary Marketing

49. A customer-driven organization begins its marketing strategy with a detailed description of its target market.

ANS: T PTS: 1 DIF: 1 REF: 47

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

50. A target market is a group of customers toward whom a firm directs its marketing efforts.

ANS: T PTS: 1 DIF: 1 REF: 47

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

51. Diversity in the U.S. population plays an increasing role in targeting markets.

ANS: T PTS: 1 DIF: 1 REF: 48

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

52. Technology is changing the distribution methods of traditional print media. If corporations change their strategic plans to account for distribution variables in the marketing mix, there will be changes to the remaining three variables in the marketing mix, as well.

ANS: T PTS: 1 DIF: 3 REF: 48

OBJ: 2-5

NAT: AACSB Technology | CB&E Model Distribution | R&D Managing logistics & technology

MSC: AP

53. The Barnes & Noble Web site, which sells books, CDs, and DVDs is an example of a traditional retailer responding to distribution opportunities afforded by new technologies.

ANS: T PTS: 1 DIF: 2 REF: 49

OBJ: 2-5

NAT: AACSB Reflective Thinking | CB&E Model Distribution | R&D Managing logistics & technology
MSC: AP

54. The ability to download Microsoft and IBM software products directly from the Internet is part of each firms' pricing strategy.

ANS: F PTS: 1 DIF: 2 REF: 49

OBJ: 2-5

NAT: AACSB Reflective Thinking | CB&E Model Distribution | R&D Managing logistics & technology
MSC: AP

Strategic Planning in Contemporary Marketing

55. As part of the communication link between buyers and sellers, organizations may communicate promotional messages directly through salespeople or indirectly using advertisements and promotions.

ANS: T PTS: 1 DIF: 2 REF: 49

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Promotion | R&D Knowledge of media communications & delivery
MSC: KN

56. Pricing strategy is an area of marketing that is *not* closely regulated or subject to public scrutiny.

ANS: F PTS: 1 DIF: 2 REF: 50

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Pricing | R&D Managing strategy & innovation
MSC: KN

57. Fred's Wholesale Club sends emails and catalogs to all members. Additionally, in-store pamphlets promote the benefits of certain products. All of these materials are part of the integrated marketing communications intended to send a consistent and unified promotional message.

ANS: T PTS: 1 DIF: 2 REF: 50

OBJ: 2-5

NAT: AACSB Reflective Thinking | CB&E Model Promotion | R&D Knowledge of media communications & delivery
MSC: AP

58. The five dimensions of the marketing environment are competitive, political-legal, economic, technological, and social-cultural.

ANS: T PTS: 1 DIF: 1 REF: 50

OBJ: 2-6

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing the task environment
MSC: KN

59. Marketers make decisions about target markets and marketing mix variables in a vacuum, without taking into account the dynamic nature of the five dimensions of the marketing environment.

ANS: F PTS: 1 DIF: 2 REF: 50

OBJ: 2-6

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing the task environment
MSC: KN

60. Toyota's introduction of the hybrid-powered Prius is an example of how it has turned public concerns and legal issues about the natural environment into an opportunity.

ANS: T PTS: 1 DIF: 1 REF: 51

OBJ: 2-6

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing the task environment
MSC: AP

Strategic Planning in Contemporary Marketing

61. The rule of three states that the third company in an industry has little chance of survival.

ANS: F PTS: 1 DIF: 1 REF: 51
OBJ: 2-6
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Knowledge of general business functions
MSC: KN

62. One reason for organizing into strategic business units (SBUs) is to help a company make decisions about which product lines warrant commitment of additional resources and which should be removed from the firm's portfolio.

ANS: T PTS: 1 DIF: 2 REF: 53
OBJ: 2-7
NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: AP

63. Strategic business units (SBUs) of a diversified firm have common managers, resources, objectives, and competitors.

ANS: F PTS: 1 DIF: 1 REF: 53
OBJ: 2-7
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

64. Each (strategic business unit) SBU in a firm prepares its plans in collaboration with other units in the organization.

ANS: F PTS: 1 DIF: 1 REF: 53
OBJ: 2-7
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

65. Each strategic business unit (SBU) of a diversified company pursues the company mission; it has no specific mission of its own.

ANS: F PTS: 1 DIF: 1 REF: 53
OBJ: 2-7
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

66. Strategic business units (SBUs) focus the attention of company managers so they can respond effectively to changing consumer demand within limited markets.

ANS: T PTS: 1 DIF: 2 REF: 53
OBJ: 2-7
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

Strategic Planning in Contemporary Marketing

67. According to the BCG matrix, stars represent units with high market shares in high-growth markets.

ANS: T PTS: 1 DIF: 1 REF: 54

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

68. According to the BCG matrix, marketers seek to rid themselves of their cash cows because those products hold low market shares in low-growth markets.

ANS: F PTS: 1 DIF: 1 REF: 54

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

69. According to the BCG matrix, question marks achieve high market shares in high-growth markets.

ANS: F PTS: 1 DIF: 1 REF: 54

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

70. Using the market share/market growth approach to portfolio performance analysis, dogs are SBUs that promise poor future prospects and provide excellent candidates for abandonment at the earliest feasible moment.

ANS: T PTS: 1 DIF: 1 REF: 54

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

MULTIPLE CHOICE

1. The process of anticipating future events and conditions and determining the best way to achieve organizational objectives is known as:

- a. researching.
- b. planning.
- c. controlling.
- d. managing.

ANS: B PTS: 1 DIF: 1 REF: 37

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

Strategic Planning in Contemporary Marketing

2. Product lines, pricing decisions, selection of appropriate distribution channels, and decisions relating to promotional campaigns all depend on:
- the technology available to the firm.
 - plans made in the accounting department.
 - plans formulated within the marketing organization.
 - industry-wide planning programs.

ANS: C PTS: 1 DIF: 2 REF: 38

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

3. Marketing planning establishes the:
- resource base provided by the firm's strategy.
 - economic impact of additional sales.
 - tactical plans that must be implemented by the entire organization.
 - basis for any marketing strategy.

ANS: D PTS: 1 DIF: 1 REF: 38

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

4. Relationship marketing can help a company:
- create long-term, cost-effective links with individual customers and suppliers for mutual benefit.
 - reduce its strategic planning effort since the need for such planning is greatly diminished.
 - find more effective media for use in advertising and mass marketing.
 - cut through the planning process and move into tactical plans.

ANS: A PTS: 1 DIF: 2 REF: 39

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

5. Effective relationship marketing is based in part on the use of:
- inside information about competitors.
 - databases to track customer preferences.
 - large advertising budgets.
 - information about changing economic conditions.

ANS: B PTS: 1 DIF: 1 REF: 39

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

Strategic Planning in Contemporary Marketing

6. Relationship marketing refers to a firm's effort to develop long-term, cost-effective links with individual customers and suppliers. Many companies:
- a. have been reluctant to adopt such initiatives.
 - b. use relationship marketing for the sole purpose of marketing research.
 - c. include relationship-building goals and strategies in their plans.
 - d. believe this is just a fad, and may not be sustainable in the long run.

ANS: C PTS: 1 DIF: 2 REF: 39

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

7. Within the last few years, IBM has decided to sell off its desktop PC business. This decision was the result of _____ planning.
- a. tactical
 - b. marketing
 - c. strategic
 - d. economic

ANS: C PTS: 1 DIF: 2 REF: 39

OBJ: 2-1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

8. Best Buy wanted to open a new store in Rogers, Arkansas, but instead decided to renovate a closed Kmart. This decision was the result of _____ planning.
- a. tactical
 - b. marketing
 - c. strategic
 - d. economic

ANS: A PTS: 1 DIF: 2 REF: 39

OBJ: 2-1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

9. Strategic planning has a critical impact on a firm's destiny because it provides _____ for its decision makers.
- a. customer input
 - b. individual goals
 - c. departmental goals
 - d. long-term direction

ANS: D PTS: 1 DIF: 2 REF: 39

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

Strategic Planning in Contemporary Marketing

10. Long-term plans focusing on those organizational objectives that will significantly affect a firm for five or more years are usually referred to as _____ plans.
- a. strategic
 - b. marketing
 - c. economic
 - d. tactical

ANS: A PTS: 1 DIF: 1 REF: 39

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

11. If Chevrolet was planning to introduce a sports car powered by a hydrogen-oxygen fuel cell when the price of gasoline in the United States reached \$4 per gallon, this would best be described as a(n) _____ plan.
- a. economic
 - b. technological
 - c. strategic
 - d. tactical

ANS: C PTS: 1 DIF: 2 REF: 39

OBJ: 2-1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

12. The U.S. Sports and Fitness Federation is determining where they should build their permanent training facility. They want it near a populated center but one that is rural enough to provide ample room. The federation is engaged in _____ planning.
- a. strategic
 - b. SWOT
 - c. marketing
 - d. economic

ANS: A PTS: 1 DIF: 2 REF: 39

OBJ: 2-1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

13. A company's plans that focus largely on current and near-future activities are referred to as _____ plans.
- a. strategic
 - b. marketing
 - c. economic
 - d. tactical

ANS: D PTS: 1 DIF: 1 REF: 39

OBJ: 2-1

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

Strategic Planning in Contemporary Marketing

14. Preparation of quarterly and semi-annual plans by personnel such as the general sales manager or advertising director would be classified as _____ planning.
- consumer
 - tactical
 - strategic
 - managerial

ANS: B PTS: 1 DIF: 1 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

15. In the planning hierarchy, plans dealing with organization-wide objectives, long-term plans, and the total budget would be classed as _____ plans.
- annual
 - tactical
 - operational
 - strategic

ANS: D PTS: 1 DIF: 1 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

16. Compared to other organization personnel, more time is devoted to long-range strategic planning by:
- middle management.
 - manufacturing labor.
 - top management.
 - supervisory management.

ANS: C PTS: 1 DIF: 1 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing administration & control

MSC: KN

17. SuperSavers Market, a small grocery store chain, is working on its tactical plans. The personnel most involved in this operational planning process would be:
- top management, such as the owner.
 - middle management, such as the merchandising and advertising managers.
 - store managers.
 - supervisory management, such as shift managers and night auditors.

ANS: B PTS: 1 DIF: 2 REF: 40

OBJ: 2-2

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing administration & control

MSC: AP

Strategic Planning in Contemporary Marketing

18. Operational planning:
- a. should be used to establish the fundamental strategies of the organization.
 - b. is used to determine departmental rules and procedures.
 - c. is the responsibility of the top management.
 - d. should be completed at the same time the total budget is prepared.

ANS: B PTS: 1 DIF: 1 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing administration & control

MSC: KN

19. Tactical planning should be done:
- a. by supervisory personnel.
 - b. on a weekly basis.
 - c. to set divisional budgets, policies, and procedures.
 - d. by CEOs and CFOs.

ANS: C PTS: 1 DIF: 2 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

20. Christopher, the chief marketing officer of an organization, was invited to speak at a seminar on the marketing planning process. While explaining the concept, he stated that “if the planning process includes inputs from suppliers, customers, and employees, it becomes ____.”
- a. inconsequential
 - b. more effective
 - c. complicated
 - d. unrealistic

ANS: B PTS: 1 DIF: 2 REF: 40

OBJ: 2-2

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: AP

21. When General Electric’s NBC division acquired Universal Studios, the highest executive who approved this acquisition was most likely ____, with the decision being the result of ____ planning.
- a. GE’s CEO; tactical
 - b. GE’s CEO; strategic
 - c. the head of NBC; tactical
 - d. the head of NBC; strategic

ANS: B PTS: 1 DIF: 3 REF: 40

OBJ: 2-2

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy &

innovation MSC: AP

Strategic Planning in Contemporary Marketing

22. The planning process begins with:
- writing the mission statement.
 - establishing organizational objectives.
 - formulating a marketing plan.
 - hiring a senior planner.

ANS: A PTS: 1 DIF: 1 REF: 41

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes
MSC: KN

23. Which of the following best represents a mission statement?
- U.S. Army: Be all that you can be
 - Bass Pro Shop: To be the leading merchant of outdoor recreational products, inspiring people to love, enjoy, and conserve the great outdoors
 - Kellogg's: Breakfast cereals at a price everyone can afford
 - Wal-Mart: Stores big enough to make shopping interesting for every family member

ANS: B PTS: 1 DIF: 2 REF: 41

OBJ: 2-3

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing decision-making processes
MSC: AP

24. Which of the following is the last step in the marketing planning process?
- Assessing organizational resources
 - Evaluating environmental risks and opportunities
 - Implementing the marketing strategy
 - Monitoring and adapting strategies based on feedback

ANS: D PTS: 1 DIF: 2 REF: 41

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes
MSC: KN

25. All of the following are company objectives *except*:
- increase sales by 10 percent per year
 - reduce product errors to less than 1 percent
 - to be regarded as the market leader of the worldwide hotel industry
 - to achieve a 25 percent market share in less than three years

ANS: C PTS: 1 DIF: 3 REF: 41

OBJ: 2-3

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing decision-making processes
MSC: AP

Strategic Planning in Contemporary Marketing

26. The basic objectives or goals of an organization are derived from its:
- strategic plan.
 - tactical plan.
 - corporate strategy.
 - mission statement.

ANS: D PTS: 1 DIF: 1 REF: 41

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes
MSC: KN

27. What is the third step in the marketing planning process?
- Obtaining necessary financing
 - Defining the organization's mission and vision
 - Assessing strengths, weaknesses, and opportunities
 - Establishing organizational objectives

ANS: C PTS: 1 DIF: 1 REF: 42

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes
MSC: KN

28. The _____ is the organizational program for selecting a target market and satisfying customers in that market through the marketing mix.
- operational plan
 - marketing strategy
 - relationship marketing approach
 - strategic plan

ANS: B PTS: 1 DIF: 2 REF: 42

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Strategy | R&D Managing strategy & innovation
MSC: KN

29. All planning strategies have the goal of creating:
- sustainable competitive advantage.
 - bargaining power.
 - a strategic window.
 - barriers to market entry.

ANS: A PTS: 1 DIF: 1 REF: 42

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

Strategic Planning in Contemporary Marketing

30. Business strategist Michael E. Porter identified five competitive forces that influence _____ in a model called Porter's Five Forces.
- a. planning strategies
 - b. market entry
 - c. consumer behavior
 - d. product life cycles

ANS: A PTS: 1 DIF: 2 REF: 43

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

31. Which of the following competitive forces does *not* belong to Porter's Five Forces model?
- a. Potential new entrants
 - b. Bargaining power of buyers
 - c. Threat of substitute products
 - d. Rivalry among strategic business units

ANS: D PTS: 1 DIF: 2 REF: 43

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

32. Promotional schemes like frequent shopper programs provide incentives to loyal buyers. Considering Porter's Five Forces model, such offers will:
- a. reduce the threat of new entrants.
 - b. decrease the rivalry among competitors.
 - c. decrease the bargaining power of the supplier.
 - d. increase the threat of substitute products.

ANS: A PTS: 1 DIF: 2 REF: 43-44

OBJ: 2-4

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

33. Business strategies are impacted by widespread use of the Internet. Which statement is *incorrect* with respect to its impact?
- a. The Internet has created new substitution threats.
 - b. The Internet has reduced barriers to entry.
 - c. The Internet has increased the bargaining power of end-users.
 - d. The Internet has sharpened differences among competitors.

ANS: D PTS: 1 DIF: 3 REF: 44

OBJ: 2-4

NAT: AACSB Technology | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

Strategic Planning in Contemporary Marketing

34. An automobile manufacturer is dependent on a single supplier for tires. Based on this information, which of the following statements is true?
- a. The barriers to market entry are low.
 - b. The buyer has greater bargaining power.
 - c. The threat of new entrants is high.
 - d. The supplier has significant bargaining power.

ANS: D PTS: 1 DIF: 2 REF: 44

OBJ: 2-4

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: AP

35. A shoe manufacturer has multiple suppliers for leather. Based on this information, which of the following statements is true?
- a. The suppliers have lesser bargaining than the buyer.
 - b. The barriers to market entry are high.
 - c. The rivalry among competitors is low.
 - d. The buyer has lesser bargaining power than the suppliers.

ANS: A PTS: 1 DIF: 2 REF: 44

OBJ: 2-4

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: AP

36. Under which of the following conditions would a company's marketers have to find a new market, change prices, or compete in other ways to maintain an advantage?
- a. When the bargaining power of suppliers is high.
 - b. When the bargaining power of buyers is low.
 - c. When the threat of substitute products is high.
 - d. When the threat of new entrants it low.

ANS: C PTS: 1 DIF: 2 REF: 44

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

37. Which of the following companies has often followed a second-mover strategy?
- a. Apple Computer
 - b. eBay
 - c. Target
 - d. Atari

ANS: C PTS: 1 DIF: 2 REF: 45

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

Strategic Planning in Contemporary Marketing

38. SWOT is an acronym for:
- strategy, working, opinion, tactical.
 - strengths, weaknesses, opportunities, threats.
 - strategy, work, openness, toughness.
 - strategy, weakness, opinions, threats.

ANS: B PTS: 1 DIF: 1 REF: 45

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

39. Core competencies are capabilities that customers value and competitors:
- can easily copy.
 - tend to overestimate.
 - find difficult to duplicate.
 - undervalue.

ANS: C PTS: 1 DIF: 1 REF: 45

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

40. In SWOT analysis, situations where organizations are unable to capitalize on opportunities because of internal limitations are referred to as:
- strategic windows.
 - threats.
 - constraints.
 - vulnerabilities.

ANS: C PTS: 1 DIF: 2 REF: 45

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

41. In SWOT analysis terms, General Motors' difficulty competing with other car makers due to its lack of responsiveness to changing consumer preferences constitutes a:
- strategic window.
 - leveraged situation.
 - productivity challenge.
 - constraint on its activity.

ANS: D PTS: 1 DIF: 2 REF: 45

OBJ: 2-4

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

Strategic Planning in Contemporary Marketing

42. Assume a firm would like to expand its product line. A complete expansion would cost \$100 million, but the firm can only raise \$75 million in financing. This is best classified as a(n):
- constraint.
 - opportunity.
 - threat.
 - vulnerability.

ANS: A PTS: 1 DIF: 2 REF: 45

OBJ: 2-4

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: AP

43. Southwest Airlines has one of the lowest levels of operating expenses in the airline industry. This is classified as a(n):
- opportunity.
 - constraint.
 - strength.
 - threat.

ANS: C PTS: 1 DIF: 2 REF: 45

OBJ: 2-4

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: AP

44. A SWOT analysis is designed to reveal, among other things, a firm's core competencies, which reflect its:
- financial resources.
 - strengths.
 - tactical planning.
 - vulnerabilities.

ANS: B PTS: 1 DIF: 1 REF: 45

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

45. Virgin Galactic, a part of Sir Richard Branson's Virgin Group, hopes to be the first company to offer commercial space travel. This is indicative of:
- organizational vulnerabilities.
 - a first mover strategy.
 - tactical planning.
 - a strategic window.

ANS: B PTS: 1 DIF: 1 REF: 45

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

Strategic Planning in Contemporary Marketing

46. Which of the following statements is indicative of a second mover strategy?
- a. Entering new markets with existing products
 - b. Making significant innovations that turn olds product into new ones
 - c. Observing closely the innovations of first movers and then improving on them
 - d. Entering existing markets with new products.

ANS: C PTS: 1 DIF: 2 REF: 45

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

47. Matching an internal strength with an external opportunity produces a situation known as:
- a. leverage.
 - b. cash cows.
 - c. vulnerability.
 - d. bargaining power.

ANS: A PTS: 1 DIF: 1 REF: 45

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

48. An example of a firm's weakness discovered by a SWOT analysis might be:
- a. changing buyer tastes in the marketplace.
 - b. the presence of modern production facilities.
 - c. inadequate financing capabilities.
 - d. a successful addition to the current product line.

ANS: C PTS: 1 DIF: 1 REF: 46

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

49. An example of a firm's strength discovered by a SWOT analysis might be:
- a. ownership of valuable patents.
 - b. a narrow current product line.
 - c. changing buyer tastes in the marketplace.
 - d. existing government policies adverse to the industry.

ANS: A PTS: 1 DIF: 1 REF: 46

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

Strategic Planning in Contemporary Marketing

50. An example of a threat to a firm discovered by a SWOT analysis might be:
- the presence of cost advantages due to advanced technology.
 - the chance to acquire firms with needed technology.
 - the entry of new competitors in the industry.
 - too narrow a product line for the firm.

ANS: C PTS: 1 DIF: 1 REF: 46

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

51. Those limited occasions when the key requirements of a market and the particular competencies of a firm best fit together constitute:
- marketing planning.
 - a strategic window.
 - strategic planning.
 - a first-mover advantage.

ANS: B PTS: 1 DIF: 1 REF: 46

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

52. At a time when computer users were having trouble storing, sending, and displaying photos, Apple introduced the iMac computer, which was equipped with a digital camera interface and photo-handling software. This product was a result of Apple recognizing:
- economies of scale.
 - competitive constraints.
 - a strategic window.
 - financial opportunities.

ANS: C PTS: 1 DIF: 2 REF: 46

OBJ: 2-4

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

53. Jose is part of a team that is analyzing current demographic trends. The team will make a recommendation concerning the groups of consumers toward whom the firm should direct its marketing effort. Jose's team is involved in which element of the firm's marketing strategy?
- Target market
 - Distribution
 - Product
 - Promotion

ANS: A PTS: 1 DIF: 2 REF: 47

OBJ: 2-5

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

Strategic Planning in Contemporary Marketing

54. The group of people to whom a firm directs its marketing efforts and ultimately its merchandise is known as its _____ market.
- a. host
 - b. consumer
 - c. home
 - d. target

ANS: D PTS: 1 DIF: 1 REF: 47

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

55. All of the following are marketing mix variables *except*:
- a. promotion.
 - b. product.
 - c. process.
 - d. pricing.

ANS: C PTS: 1 DIF: 1 REF: 48

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Knowledge of general business functions

MSC: KN

56. The term marketing mix describes:
- a. a composite analysis of all environmental factors inside and outside the firm.
 - b. a series of business decisions that aid in selling a product.
 - c. the relationship between a firm's marketing strengths and its business weaknesses.
 - d. a blending of the four strategic marketing elements to satisfy specific target markets.

ANS: D PTS: 1 DIF: 1 REF: 48

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Knowledge of general business functions

MSC: KN

57. In marketing, the term product:
- a. refers only to tangible items that can be seen, tasted, or touched.
 - b. is a broad concept encompassing the satisfaction of consumer needs.
 - c. is limited in meaning to goods, services, and ideas.
 - d. never refers to such things as package design, brand name, or warranty.

ANS: B PTS: 1 DIF: 1 REF: 48-49

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Product | R&D Knowledge of general business functions

MSC: KN

Strategic Planning in Contemporary Marketing

58. Jenny has been appointed marketing manager for Sparkling Cleaning Products. Her job focuses on decisions involving customer service, package design, brand names, and warranties. The element of the marketing strategy on which Jenny will work is most likely:
- product strategy.
 - resource valuation and pricing.
 - retailing and distribution strategy.
 - target market development.

ANS: A PTS: 1 DIF: 2 REF: 48-49

OBJ: 2-5

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions MSC: AP

59. In terms of the marketing mix, decisions related to new product development, product positioning, and the product lifecycle are part of the ____.
- promotion strategy
 - product strategy
 - pricing strategy
 - distribution strategy

ANS: B PTS: 1 DIF: 1 REF: 48-49

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Knowledge of general business functions MSC: KN

60. Decisions involving transportation, warehousing, inventory control, and order processing relate to ____ strategy.
- pricing
 - competitive
 - product
 - distribution

ANS: D PTS: 1 DIF: 1 REF: 49

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Distribution | R&D Knowledge of general business functions MSC: KN

61. Decisions about distribution strategy involve challenges such as:
- where to advertise.
 - how to position a product.
 - when to raise prices to cover costs.
 - which marketing channels to adopt.

ANS: D PTS: 1 DIF: 1 REF: 49

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Distribution | R&D Knowledge of general business functions MSC: KN

Strategic Planning in Contemporary Marketing

62. Maxwell has been promoted to an upper-level management position at QVC. He will be involved in matters relating to transportation media, order processing, and the development of marketing channels. Maxwell is involved in developing _____ strategies.
- product
 - distribution
 - promotional
 - marketing

ANS: B PTS: 1 DIF: 2 REF: 49

OBJ: 2-5

NAT: AACSB Reflective Thinking | CB&E Model Distribution | R&D Knowledge of general business functions MSC: AP

63. Which of the following terms best fits the activity of promotion?
- Making products available.
 - Finding a convenient location.
 - Maintaining a high level of regulation.
 - Communicating between buyers and sellers.

ANS: D PTS: 1 DIF: 1 REF: 49

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Promotion | R&D Knowledge of general business functions
MSC: KN

64. Newsletters, catalogs, and invitations to company-sponsored events are most closely associated with the marketing mix activity of:
- pricing.
 - distribution.
 - product development.
 - promotion.

ANS: D PTS: 1 DIF: 1 REF: 49-50

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Promotion | R&D Knowledge of general business functions
MSC: KN

65. Many companies use an approach called _____ to coordinate all promotional activities so that the consumer receives a unified and consistent message.
- public relations
 - direct marketing
 - integrated marketing communications
 - corporate communications

ANS: C PTS: 1 DIF: 1 REF: 50

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Promotion | R&D Knowledge of general business functions
MSC: KN

Strategic Planning in Contemporary Marketing

66. The marketing mix decisions which are closely regulated and subject to public scrutiny usually relate to _____ strategy.
- short-term
 - resource
 - distribution
 - pricing

ANS: D PTS: 1 DIF: 1 REF: 50

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Knowledge of general business functions
MSC: KN

67. All of the following are part of the marketing environment *except*:
- political-legal factors.
 - competitive factors.
 - product factors.
 - social-cultural factors.

ANS: C PTS: 1 DIF: 1 REF: 50

OBJ: 2-6

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing the task environment
MSC: KN

68. The rule of three states that the three leading firms in an industry will have _____ percent of the market.
- less than 25
 - around 50
 - between 70 and 90
 - nearly 100

ANS: C PTS: 1 DIF: 1 REF: 51

OBJ: 2-6

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Knowledge of general business functions
MSC: KN

69. A firm has decided to alter its pricing and promotional strategies in response to lower-than-forecasted job growth and declining personal incomes. The firm is responding to changes in its _____ environment.
- social-cultural
 - political-legal
 - competitive
 - economic

ANS: D PTS: 1 DIF: 2 REF: 52

OBJ: 2-6

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing the task environment
MSC: AP

Strategic Planning in Contemporary Marketing

70. Carmen is a marketer for a global consumer products company. She is working on a promotional campaign designed for a foreign market and is ensuring the promotional campaign is clearly understood by the nation's consumers and does not inadvertently offend anyone. Carmen is being influenced by the country's _____ environment.
- social-cultural
 - political-legal
 - competitive
 - economic

ANS: A

PTS: 1

DIF: 2

REF: 52

OBJ: 2-6

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing the task environment
MSC: AP

71. As chief executive of Stalwart Shipfitting Company, a diversified producer of marine supplies and equipment, John needs a method for spotting promising product lines that warrant commitment of additional resources, as well as those that should be removed from the firm's product portfolio. A good choice for this firm would be:
- computer models.
 - strategic business units.
 - a marketing audit.
 - an inventory audit.

ANS: B

PTS: 1

DIF: 2

REF: 53

OBJ: 2-7

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: AP

72. The strategic business unit (SBU) concept is best identified as a:
- planning tool that separates tactical and operational issues for analysis.
 - device used primarily to separate marketing costs from production expenses.
 - marketing planning tool best suited to the needs of large, diversified organizations.
 - marketing approach appropriate for small and medium size enterprises.

ANS: C

PTS: 1

DIF: 2

REF: 53

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

73. A strategic business unit:
- adopts the mission of its parent organization.
 - works in unison with the other business units in the organization.
 - has its own managers, resources, objectives, and competitors.
 - is dependent on and supports other business units in the organization.

ANS: C

PTS: 1

DIF: 2

REF: 53

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

Strategic Planning in Contemporary Marketing

74. In a(n) _____, firms evaluate their products and divisions to determine the strongest and weakest.
- organizational appraisal
 - market analysis
 - annual review
 - portfolio analysis

ANS: D PTS: 1 DIF: 1 REF: 53

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

75. The performance framework developed by the Boston Consulting Group (BCG) plots:
- market share against market growth potential.
 - market attractiveness against business unit strength.
 - existing products and existing markets against new products and new markets.
 - sales strategy against marketing strategy.

ANS: A PTS: 1 DIF: 1 REF: 54

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

76. The quadrant of the BCG market share/market growth matrix that represents both a high market share and a high rate of market growth includes the:
- cash cows.
 - achievers.
 - stars.
 - strivers.

ANS: C PTS: 1 DIF: 1 REF: 54

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

77. Microsoft Windows generates considerable income for its parent company but is expensive to support. However, the expense is acceptable because Windows is the world's dominant operating system. Based on this information, Windows would be classed under the BCG market share/market growth matrix as a:
- star.
 - cash cow.
 - question mark.
 - dog.

ANS: A PTS: 1 DIF: 2 REF: 54

OBJ: 2-7

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: AP

Strategic Planning in Contemporary Marketing

78. According to the BCG market share/market growth matrix, the SBU that produces strong cash flows which can be used to finance the growth of other SBUs is the:
- a. dog.
 - b. question mark.
 - c. cash cow.
 - d. star.

ANS: C PTS: 1 DIF: 1 REF: 54

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

79. One of General Electric's business units produces a variety of light bulbs and generates healthy revenue. The revenues of this business unit are used to finance the growth of other business units with higher growth potentials. How would this unit be classified on the BCG market share/market growth matrix?
- a. Cash cow
 - b. Star
 - c. Question mark
 - d. Dog

ANS: A PTS: 1 DIF: 2 REF: 54

OBJ: 2-7

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: AP

80. The reason IBM management decided to sell its desktop computer business was, according to the BCG market share/market growth matrix, because the business had fallen in the _____ category.
- a. star.
 - b. question mark.
 - c. cash cow.
 - d. dog.

ANS: D PTS: 1 DIF: 2 REF: 54

OBJ: 2-7

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: AP

81. The BCG market share/market growth matrix classifies products with a low relative share of a high-growth rate market as _____.
- a. stars
 - b. question marks
 - c. cash cows
 - d. dogs

ANS: B PTS: 1 DIF: 1 REF: 54

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

Strategic Planning in Contemporary Marketing

82. According to the BCG market share/market growth matrix, the revenues earned from cash cows should be used to finance the growth of:
- question marks and dogs.
 - dogs and stars.
 - stars and question marks.
 - question marks and cash cows.

ANS: C PTS: 1 DIF: 2 REF: 54

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

83. According to the BCG market share/market growth matrix, _____ typically require more cash than they generate.
- cash cows
 - stars
 - question marks
 - achievers

ANS: C PTS: 1 DIF: 1 REF: 54

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

84. The product manager for a new mousetrap informs the board of directors at its annual meeting that the product has been classified as a 'dog' according to the BCG market share/market growth matrix. This means the product:
- requires a "go/no go" decision within the next several years.
 - has low market share of a high-growth rate market.
 - should be withdrawn from the market or sold off as quickly as possible.
 - needs heavy investment to make it a star.

ANS: C PTS: 1 DIF: 3 REF: 54

OBJ: 2-7

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

MATCHING

Match each definition to the corresponding term.

- | | |
|-------------------------|----------------------------|
| a. planning | i. marketing mix |
| b. marketing planning | j. product strategy |
| c. strategic planning | k. strategic business unit |
| d. tactical planning | l. Porter's Five Forces |
| e. mission | m. cash cows |
| f. first mover strategy | n. annual growth rate |
| g. SWOT analysis | o. question marks |
| h. strategic window | p. market share |

1. _____ is the process of anticipating future events and conditions and determining the best way to achieve organizational objectives.

Strategic Planning in Contemporary Marketing

2. The _____ process involves implementing planning activities devoted to achieving marketing objectives.
3. _____ is the process of determining an organization's primary objectives and adopting courses of action that will achieve these objectives.
4. Planning that guides the implementation of activities designed to meet primary objectives is called _____.
5. The _____ is the essential purpose that differentiates one company from another.
6. The _____ is the blending of the four strategy elements to fit the needs and preferences of a specific target market.
7. _____ identifies competitive forces that influence planning strategies.
8. The _____ argues that the first company to offer a product will be the long-term winner.
9. _____ is an important planning tool to determine an organization's strengths and weaknesses.
10. Limited periods during which the key requirements of a market and the resources and skills of an organization best fit together is called the _____.
11. _____ involves decisions concerning the goods and services to be offered by a firm.
12. NBC is a(n) _____ of General Electric.
13. _____ achieve low market shares in high-growth markets.
14. In the BCG matrix, the position of an SBU along the horizontal axis indicates its _____ relative to those of competitors in the industry.
15. _____ command high market shares in low-growth markets.
16. In the BCG matrix, the position of an SBU along the vertical axis indicates the _____.

1. ANS: A PTS: 1 DIF: 1 REF: 37
OBJ: 2-1
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes
MSC: KN
2. ANS: B PTS: 1 DIF: 1 REF: 38
OBJ: 2-1
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes
MSC: KN
3. ANS: C PTS: 1 DIF: 1 REF: 39
OBJ: 2-1
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN
4. ANS: D PTS: 1 DIF: 1 REF: 39
OBJ: 2-1
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN
5. ANS: E PTS: 1 DIF: 1 REF: 41
OBJ: 2-3
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes
MSC: KN
6. ANS: I PTS: 1 DIF: 1 REF: 42
OBJ: 2-3
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN
7. ANS: L PTS: 1 DIF: 1 REF: 43
OBJ: 2-3
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

Strategic Planning in Contemporary Marketing

8. ANS: F PTS: 1 DIF: 1 REF: 45
 OBJ: 2-4
 NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
 MSC: KN
9. ANS: G PTS: 1 DIF: 1 REF: 45
 OBJ: 2-4
 NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes
 MSC: KN
10. ANS: H PTS: 1 DIF: 1 REF: 46
 OBJ: 2-4
 NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
 MSC: KN
11. ANS: J PTS: 1 DIF: 1 REF: 48
 OBJ: 2-5
 NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
 MSC: KN
12. ANS: K PTS: 1 DIF: 1 REF: 53
 OBJ: 2-7
 NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
 MSC: KN
13. ANS: O PTS: 1 DIF: 2 REF: 54
 OBJ: 2-7
 NAT: AACSB Analytic | CB&E Model Strategy | R&D Managing strategy & innovation
 MSC: KN
14. ANS: P PTS: 1 DIF: 2 REF: 54
 OBJ: 2-7
 NAT: AACSB Analytic | CB&E Model Strategy | R&D Managing strategy & innovation
 MSC: KN
15. ANS: M PTS: 1 DIF: 2 REF: 54
 OBJ: 2-7
 NAT: AACSB Analytic | CB&E Model Strategy | R&D Managing strategy & innovation
 MSC: KN
16. ANS: N PTS: 1 DIF: 2 REF: 54
 OBJ: 2-7
 NAT: AACSB Analytic | CB&E Model Strategy | R&D Managing strategy & innovation
 MSC: KN

ESSAY

1. Define and explain the terms planning and marketing planning.

ANS:

Planning is the process of anticipating future events and conditions and determining the best way to achieve organizational objectives. Planning is a continuous process that includes identifying objectives and then determining the actions through which a firm can attain those objectives. The planning process creates a blueprint for marketers, executives, production staff, and everyone else in the organization to follow for achieving organizational objectives. It also defines checkpoints so that people within the organization can compare actual performance with expectations to indicate whether current activities are moving the organization toward its objectives. Before marketing planning begins, an organization must define its objectives.

Marketing planning—implementing planning activities devoted to achieving marketing objectives—establishes the basis for a marketing strategy. Product lines, pricing decisions, selection of appropriate distribution channels, and decisions relating to promotional campaigns all depend on plans formulated within the marketing organization.

PTS: 1 DIF: 2 REF: 37-38 OBJ: 2-1
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes
MSC: KN

2. Describe the aspects of strategic and tactical planning.

ANS:

- a) Strategic planning is the process of determining an organization's primary objectives and adopting courses of action that will achieve these objectives.
- b) Strategic planning has a critical impact on the organization's destiny because it provides long-term direction for its decision makers.
- c) Tactical planning guides the implementation of activities specified in the strategic plan.
- d) Tactical plans are usually shorter in duration than strategic plans and focus on current and near-future activities that a firm must complete to implement the larger strategies.

PTS: 1 DIF: 2 REF: 39 OBJ: 2-1
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: KN

3. How does planning differ at various levels of organizational management?

ANS:

- a) Top managers spend greater proportions of their time engaged in strategic planning than managers at middle and supervisory levels.
- b) Middle-level managers tend to focus on operational planning, which involves creating and implementing tactical plans for their own departments.
- c) Supervisory personnel engage in developing daily and weekly programs for meeting the goals in their areas of responsibility.

PTS: 1 DIF: 2 REF: 40 OBJ: 2-2
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing administration & control
MSC: KN

Strategic Planning in Contemporary Marketing

4. In order, list the steps involved in the development of a successful marketing plan.

ANS:

1. Define the organization's mission.
2. Establish organization objectives.
3. Assess organizational resources and evaluate environmental risks and opportunities.
4. Formulate and implement a marketing strategy.
5. Monitor performance and modify strategy as needed.

PTS: 1

DIF: 2

REF: 41

OBJ: 2-3

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC: KN

5. Distinguish between an organization's mission and its objectives. Provide an example of each.

ANS:

An organization's mission is its essential purpose that differentiates it from other organizations. An example of a mission statement is: "To be regarded as the quality and market leader of the hotel industry worldwide."

Objectives are organizational goals and guide the development of supporting marketing objectives and plans. Well-conceived objectives should state relatively specific intentions. An example of an objective is: "attain a 20 percent share of the market by 2010."

PTS: 1

DIF: 2

REF: 41

OBJ: 2-3

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing decision-making processes

MSC:

AP

6. Define marketing strategy. What are its elements? When is a marketing strategy implemented? Give an example.

ANS:

The marketing strategy is an overall, company-wide program for selecting a particular target market, and then satisfying consumers in that market through a careful blending of the elements of the marketing mix—product, distribution, promotion, and price—each of which is a subset of the overall marketing strategy.

In the two final steps of the planning process, marketers put the marketing strategy into action; then they monitor performance to ensure that objectives are being achieved. Sometimes strategies need to be modified if the product's or company's actual performance is not in line with expected results. Until recently, U.S. consumers were forced to choose a cell phone service provider before selecting the phone, which came from a list of models approved by the provider. Often this restriction resulted in frustration because consumers could not always get the features they wanted and needed. But Verizon has broken rank by announcing that it will let its customers choose any cell phone, device, or software that is compatible with its network. If other providers follow Verizon's lead, consumers may soon enjoy a more open cell phone market.

PTS: 1

DIF: 2

REF: 42

OBJ: 2-3

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

Strategic Planning in Contemporary Marketing

7. List Porter's Five Forces. How does the model fit together, and how has the Internet affected this model?

ANS:

Michael E. Porter identified five competitive forces that influence planning strategies in a model called Porter's Five Forces. They are potential new entrants, the bargaining power of buyers, the bargaining power of suppliers, threat of substitute products, and rivalry among competitors. The first four forces influence the fifth force.

Potential new entrants are sometimes blocked by the cost or difficulty of entering a market. The Internet has reduced the barriers to market entry in many industries. If customers have considerable bargaining power, they can greatly influence a firm's strategy. The Internet can increase a customer's buying power by providing information that might not otherwise be easily accessible. The number of suppliers available to a manufacturer or retailer affects their bargaining power. If customers have the opportunity to replace a company's products with goods or services from a competing firm or industry, the company's marketers may have to find a new market, change prices, or compete in other ways to maintain an advantage. The four previous forces influence the rivalry among competitors. In addition, issues such as cost and differentiation or lack of differentiation of products—along with the Internet—influence the strategies that companies use to stand out from their competitors. With increased availability of information, which tends to level the playing field, rivalry heats up among competitors, who try to differentiate themselves from the crowd.

The Internet has increased the speed and availability of information that the customers, suppliers, and competitors can use to make decisions. This leads to leveling of the competitive playing field which, in turn, increases the marketing challenge to stand out from the pack of competitors.

PTS: 1 DIF: 3 REF: 43-44 OBJ: 2-4
NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: AP

8. Explain the difference between a first-mover and second-mover strategy. Give examples of companies that have followed each strategy.

ANS:

The first-mover strategy is based on the notion that the company who is first to offer a product in the marketplace will capture the greatest market share and be the long-term winner. Being the first can also refer to entering new markets with existing products or creating significant innovations that effectively turn an old product into a new one. An example of a successful first mover is eBay. The second-mover strategy, on the other hand, is based on the notion that the best way to gain advantage in the marketplace is to closely observe the innovations of first movers and then improve on them. Microsoft is famous for adopting a second-mover strategy.

PTS: 1 DIF: 2 REF: 45 OBJ: 2-4
NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation
MSC: AP

Strategic Planning in Contemporary Marketing

9. Define SWOT analysis. Why would an organization undertake a SWOT analysis of itself?

ANS:

SWOT analysis is an important strategic planning tool that assists planners in their planning task.

- a) SWOT stands for strengths, weaknesses, opportunities, and threats. The analysis provides managers with a critical view of an organization's internal and external environment and helps them evaluate the firm's fulfillment of its basic mission.
- b) The analysis allows planners to match the firm's internal strengths with external opportunities to secure organizational leverage in the marketplace.
- c) It further assists the firm in recognizing internal weaknesses that might prevent capitalizing on opportunities, which would constrain its activities.
- d) SWOT analysis aids in the identification of environmental threats to the firm's strengths that could lead to vulnerabilities.
- e) Finally, SWOT analysis helps spot internal weaknesses that environmental threats might attack, which would present the firm with problems.

PTS: 1

DIF: 2

REF: 45-46

OBJ: 2-4

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

10. Describe how a not-for-profit organization might utilize SWOT analysis.

ANS:

The United States Postal Service (USPS) is a good example of a not-for-profit organization that can benefit from SWOT analysis. In the past three decades, it has been trying to operate as a for-profit business in order to remain efficient and competitive. SWOT analysis was conducted to determine its weaknesses, for one thing, in the marketing mix. Distribution (partnering with FedEx and other carriers to expedite express mail), product/service (extending hours, offering supplies for sale in the lobby), pricing (the no-expiration stamp), and public relations efforts (to change the perception of the USPS in the minds of the consumer) are examples of how it is accomplishing its goals. The increase in e-commerce is eroding profits, and USPS will have to quickly adjust to market changes in the future.

PTS: 1

DIF: 3

REF: 45-46

OBJ: 2-4

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

11. What is a strategic window? Give an example of a strategic window that exists today.

ANS:

A strategic window is a limited period during which the key requirements of a market and the particular competencies of a firm best fit together.

The growth of China has increased the number of strategic windows as their demand for products increases. The auto industry, in particular, is facing a strategic window as the demand for automobiles rises in the Chinese market.

PTS: 1

DIF: 2

REF: 46

OBJ: 2-4

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

Strategic Planning in Contemporary Marketing

12. Discuss the concept of a target market. What roles do diversity and demographics play in a target market?

ANS:

The target market is the group of people toward whom a firm decides to direct its marketing efforts. Diversity plays an ever-increasing role in targeting markets. For example, according to the U.S. Census Bureau, the rapidly growing Hispanic population in the United States surpassed African Americans as the largest minority group. With this substantial growth, marketers should pay attention to these and other markets — including women, seniors, and children of baby boomers — as they develop goods and services to offer consumers.

PTS: 1

DIF: 2

REF: 47-48

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: AP

13. What is a marketing mix? In order for a product to succeed, what can be said about the variables in the marketing mix?

ANS:

The marketing mix variables - product, distribution, promotion, and price - are combined to satisfy the needs of the target market. Product is a broad concept encompassing goods, services and ideas, but also including the satisfaction of all consumer needs with respect to the relevant good, service, or idea. Distribution refers to getting products to consumers in the right quantities, at the right place, and at the right times. Promotion is the communications link between buyers and sellers. Pricing deals with the means of setting justifiable and profitable prices.

Successful products have a marketing mix where all variables are on target. Great pricing, product, and promotion mean nothing if the customer cannot find the product. Lack of promotion could leave a great product gathering dust on retail shelves.

PTS: 1

DIF: 3

REF: 48-50

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN

14. What does a distribution strategy involve? Define two marketing channels.

ANS:

Marketers develop distribution strategies to ensure that consumers find their products in the proper quantities at the right times and places. Distribution decisions involve modes of transportation, warehousing, inventory control, order processing, and selection of marketing channels. Marketing channels are intermediaries that may be involved in a product's movement from producer to final consumer. Technology continually opens new channels of distribution in many industries. The Internet has caused the biggest revolution in distribution since the mail-order catalog.

Two important types of marketing channels are wholesalers and retailers.

PTS: 1

DIF: 2

REF: 49

OBJ: 2-5

NAT: AACSB Analytic | CB&E Model Distribution | R&D Managing strategy & innovation

MSC: KN

Strategic Planning in Contemporary Marketing

15. Discuss pricing strategy in the marketing mix and its relevance in the ever-changing economy.

ANS:

Pricing strategy deals with the methods of setting profitable and justifiable prices. It is closely regulated and subject to considerable public scrutiny. One of the many factors that influence a marketer's pricing strategy is competition.

A good pricing strategy should create value for customers, building and strengthening their relationship with a firm and its products. But sometimes conditions in the external marketing environment cause difficulties in pricing strategies. Political unrest overseas, the soaring price of fuel, or a freeze that destroys crops could all affect the price of goods and services.

If the economy is booming, consumers generally have more confidence and are willing to shop more often and pay more for discretionary goods. But when the economy takes a downturn, consumers look for bargains—they want high quality at low prices. It is a challenge for marketers to strike the right balance in order to make enough profits to survive and grow.

PTS: 1 DIF: 2 REF: 50 OBJ: 2-5
NAT: AACSB Analytic | CB&E Model Strategy | R&D Managing strategy & innovation
MSC: KN

16. List the environmental characteristics that influence strategic decisions. What is the 'rule of three'? Provide an example of this phenomenon.

ANS:

Marketers do not make decisions about target markets and marketing mix variables in a vacuum. They must take into account the dynamic nature of the five dimensions of the marketing environment, i.e., competitive, political-legal, economic, technological, and social-cultural factors.

In the competitive environment, some experts have coined the phrase 'rule of three,' meaning that in any industry, the three strongest, most efficient companies dominate between 70 and 90 percent of the competitive market. For example, the pharmaceutical industry is dominated by Merck, Pfizer, and Bristol-Myers Squibb.

PTS: 1 DIF: 2 REF: 50-51 OBJ: 2-6
NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing the task environment
MSC: KN

17. Describe the strategic business unit concept.

ANS:

- a) Strategic business units (SBUs) are key business units within diversified firms. Each SBU has its own managers, resources, objectives, and competitors. A division, product line, or single product may define the boundaries of an SBU. Each SBU pursues its own distinct mission and often develops its own plans independently of other units in the organization.
- b) Strategic business units, also called categories, focus the attention of company managers so that they can respond effectively to changing consumer demand within limited markets. Companies may have to redefine their SBUs as market conditions dictate.

PTS: 1 DIF: 2 REF: 53 OBJ: 2-7
NAT: AACSB Analytic | CB&E Model Strategy | R&D Managing strategy & innovation
MSC: KN

Strategic Planning in Contemporary Marketing

18. Describe the market share/market growth matrix.

ANS:

The market share/market growth matrix places business units in a four-quadrant chart that plots market share - the percentage of the market the firm controls - against market growth potential.

Stars are units with high market shares and high growth potential. The firm should invest more funds for future growth.

Cash cows are units with high market shares but low growth potential. They generate strong cash flows that should be used to finance the growth of stars.

Question marks are units with low market shares but high growth potential. The firm needs to watch these units carefully, making prudent investment decisions. These units typically use more cash than they generate.

Dogs are units with low market shares and low growth potential. These units are least attractive and the firm should consider withdrawal.

PTS: 1

DIF: 3

REF: 54

OBJ: 2-7

NAT: AACSB Analytic | CB&E Model Marketing Plan | R&D Managing strategy & innovation

MSC: KN