

Chapter 02

Strategic Planning for a Successful Future

Multiple Choice Questions

1. The process of thoughtfully defining a firm's objectives and developing a method for achieving those objectives is called
 - A. business planning.
 - B. marketing development.
 - C. functional planning.
 - D. strategic planning.
 - E. business development.

2. How often should firms undertake the task of strategic planning?
 - A. on a continual basis as conditions change
 - B. only once, when determining the firm's objectives
 - C. only once, when developing the marketing plan
 - D. two or three times, to make sure all items are covered
 - E. it is not a necessity to develop a strategic plan

3. Read the following statements regarding strategic planning to determine which is NOT accurate.
- A. Strategic planning is a one-time process completed when a firm outlines its objectives.
 - B. Strategic planning helps ensure marketers will select the right marketing mix strategies.
 - C. The primary tool of strategic planning is the marketing plan.
 - D. Strategic planning can greatly increase the likelihood of success.
 - E. Strategic planning can be used on a personal level to help accomplish goals.
4. What is the *primary* strategic planning tool for directing and coordinating the marketing effort?
- A. the executive summary
 - B. the mission statement
 - C. the marketing plan
 - D. the business plan
 - E. the situation analysis
5. What is the *overall* purpose of a marketing plan?
- A. to define the target market and promotion strategies to be used on that market
 - B. to determine whether or not a firm has enough capital to pursue its objectives
 - C. to identify both existing and potential competitors of the firm
 - D. to define the company's strengths and weaknesses
 - E. to guide the analysis, implementation, and control of the firm's marketing strategy

6. The five key components of the marketing plan are:
- A. mission statement, situation analysis, promotion strategy, financials, and controls
 - B. executive summary, situation analysis, marketing strategy, financials, and controls
 - C. executive summary, market positioning, marketing strategy, financials, and implementation
 - D. mission statement, situation analysis, marketing strategy, financials, and controls
 - E. executive summary, situation analysis, positioning, financials, and implementation
7. An action-oriented document or playbook that guides the analysis, implementation, and control of the firm's marketing strategy is known as the
- A. strategic plan.
 - B. business plan.
 - C. organizational plan.
 - D. marketing plan.
 - E. promotional plan.
8. A concise affirmation of a firm's long-term purpose is known as its
- A. executive summary.
 - B. mission statement.
 - C. organizational directive.
 - D. long-range plan.
 - E. marketing plan.

9. A good mission statement should be oriented around the
- A. company.
 - B. financial plan.
 - C. customer.
 - D. product.
 - E. marketing plan.
10. A good mission statement should
- A. contain as many goals as possible.
 - B. provide motivation for the employees of the firm.
 - C. be company oriented.
 - D. ask the question *What is our product?*
 - E. focus on when to market the product.
11. What element will ensure a business never strays too far from its core goals and values, especially if the marketing plan needs to be modified to fit the changing times?
- A. a sound mission statement
 - B. a concise executive summary
 - C. a complete SWOT analysis
 - D. a developed organizational plan
 - E. a solid strategic plan

12. What document provides a one- to two-page summary of the marketing plan's main points?
- A. the mission statement
 - B. the executive summary
 - C. the SWOT analysis
 - D. the organizational summary
 - E. the strategic plan
13. Because it helps firms understand where they are currently and how best to move forward, what element is often considered the foundation of a marketing plan?
- A. the executive summary
 - B. the situation analysis
 - C. the marketing strategy
 - D. the financials
 - E. the controls
14. The situation analysis comprises three subsections:
- A. market summary, financials, and controls.
 - B. SWOT analysis, competition, and financials.
 - C. SWOT analysis, target market, and controls.
 - D. market summary, SWOT analysis, and competition.
 - E. market summary, competition, and financials.

15. Gavin wants to perform a situation analysis of his business to help him make strategic decisions for the future. The situation analysis will tell Gavin all of the following EXCEPT:
- A. financial projections.
 - B. marketplace trends.
 - C. the firm's strengths and weaknesses.
 - D. current competitive forces.
 - E. market conditions.
16. As it pertains to a situation analysis, the term *market* refers to
- A. the environment in which a particular product will be sold.
 - B. the competitive forces that impact how a product will be sold.
 - C. the group of consumers that is interested in and able to buy a particular product.
 - D. the collective form of promotions for any given product.
 - E. the entire product offering of a firm that must be promoted.
17. What two elements are combined on the BCG matrix to produce its four unique product categories?
- A. supply and demand
 - B. market size and product demand
 - C. relative market share and number of competitors
 - D. market growth and relative market share
 - E. market growth and number of competitors

18. Products that are typically new to the market and require significant marketing investment in promotion, product management, and distribution are classified as

- A. dogs.
- B. question marks.
- C. cash cows.
- D. stars.
- E. skunks.

19. Which of the following products would *most likely* be considered a *dog*?

- A. iPod
- B. e-reader
- C. microwave oven
- D. compact disc
- E. laptop

20. According to the BCG Matrix, what defines a *cash cow*?

- A. products that have a large market share in an industry with low growth rates
- B. products that have a large market share in an industry with high growth rates
- C. products that have a small market share in an industry with low growth rates
- D. products that have a small market share in an industry with high growth rates
- E. products that have a small market share in an industry with steady growth rates

21. The internal considerations in a SWOT analysis are
- A. a firm's market share and growth potential.
 - B. the firm's current and future competition.
 - C. a firm's opportunities and threats.
 - D. a firm's revenue and market share.
 - E. a firm's strengths and weaknesses.
22. According to your text, perhaps the most common mistake a firm makes when conducting a SWOT analysis is
- A. not looking at the firm's financial statements.
 - B. failing to separate internal issues from external issues.
 - C. underestimating the competitive environment.
 - D. failing to involve all departments in the analysis.
 - E. looking at only the firm's strengths.
23. Joe's Pizza Parlor is a late-night pizza and sandwich shop located on a college campus. Joe recently conducted a SWOT analysis. Compare each of the following to determine which one is a *weakness* for Joe's Pizza Parlor.
- A. A new pizza shop has opened up down the street.
 - B. A graduate of the college, Joe is well-liked in the community.
 - C. Joe finds it hard to staff the late night shifts which are his busiest times.
 - D. Joe is worried about the push for healthier eating.
 - E. Joe is concerned that the weak economy will lead to fewer students dining out.

24. Consider the following findings from a recent SWOT analysis performed by Sasha's flower shop.

Which of the following represents a *threat*?

- A. Sasha has a good business relationship with local catering companies.
- B. Sasha has a hard time finding good employees after the summer staff goes back to school.
- C. Sasha has to spend a lot of time training her employees on how to care for the flowers and plants.
- D. A new funeral home just opened up in town.
- E. The summer drought has produced fewer flowers.

25. In a SWOT analysis, current and potential external factors that may challenge the firm's short- and long-term performance are referred to as

- A. threats.
- B. weaknesses.
- C. obstacles.
- D. opportunities.
- E. hazards.

26. Travis has an athletic shoe store and is currently preparing a market summary. To be most effective, the competition section of his market summary should

- A. only list direct competitors.
- B. only focus on competitors that sell the same product as him.
- C. list both direct and indirect competitors.
- D. list possible tactics to obtain a larger market share.
- E. only list indirect competitors.

27. Once the situation analysis is complete, marketers focus on defining their

- A. competition.
- B. marketing strategy.
- C. mission statement.
- D. strategic plan.
- E. SWOT analysis.

28. The three basic characteristics of a quality marketing objective is that it be

- A. broad, detailed, and measurable.
- B. vague, simplistic, and easy-to-understand.
- C. specific, measurable, and realistic.
- D. far-reaching, thorough, and measurable.
- E. specific, tailored, and recognizable.

29. The actions a firm must take to accomplish the marketing objectives established in its mission statement and strategic planning process are outlined in the

- A. marketing strategy.
- B. situation analysis.
- C. market summary.
- D. executive summary.
- E. organizational plan.

30. The activities a firm undertakes to create a certain perception of its product in the eyes of the target market is referred to as

- A. labeling.
- B. positioning.
- C. zoning.
- D. leveraging.
- E. targeting.

31. Which of the following is NOT one of the four basic categories of marketing growth strategies?

- A. product development.
- B. market development.
- C. market penetration.
- D. diversification.
- E. positioning.

32. The marketing strategy that emphasizes selling more of existing goods and services to existing customers is called

- A. product development.
- B. market development.
- C. market penetration.
- D. diversification.
- E. positioning.

33. Think about the various marketing strategies as you read the following choices to determine which one describes a market penetration strategy.

- A. selling new products to existing markets
- B. selling new products to new markets
- C. selling existing products to new markets
- D. selling more of current products to existing markets
- E. selling more of current products to new markets

34. When the makers of *V8* vegetable juice noticed that sales of its original product were stabilizing, they decided to offer a new product, one that offered a full serving of vegetables and a full serving of fruit. They called the product *V8 V-Fusion* and they marketed it to their original *V8* customers in hopes of increasing sales. This is an example of what kind of marketing strategy?

- A. product development
- B. market development
- C. market penetration
- D. diversification
- E. positioning

35. Which of the following best describes a market development strategy?

- A. selling new products to existing markets
- B. selling new products to new markets
- C. selling existing products to new markets
- D. selling more of current products to existing markets
- E. selling unrelated products to existing markets

36. Which marketing strategy is being employed by a firm that is seeking to expand in foreign markets?

- A. market penetration
- B. market development
- C. product development
- D. diversification
- E. positioning

37. Which marketing strategy would Krispy Kreme doughnuts be using if it decided to begin selling its doughnuts in Mexico for the first time?

- A. market penetration
- B. product development
- C. market development
- D. diversification
- E. positioning

38. As a marketing strategy, what is diversification?

- A. selling existing goods and services to new customers
- B. creating new goods and services for existing markets
- C. selling more of existing goods and services to existing customers
- D. selling new goods and services to new customers
- E. offering new products that are unrelated to the existing products produced by a company

39. If Geico Insurance began selling t-shirts featuring its infamous gecko to try to capitalize on its brand name, this would be an example of
- A. positioning.
 - B. diversification.
 - C. product development.
 - D. market development.
 - E. market penetration.
40. The superior position a product enjoys over competing products if consumers believe it has more value than other products in its category is referred to as a
- A. marketing advantage.
 - B. value proposition.
 - C. competitive advantage.
 - D. product edge.
 - E. product plus.
41. A recent survey conducted by *U.S. News and World Report* on the best overall hybrid car, ranked the Ford Fusion Hybrid as the best hybrid car for the money. For Ford, this represents
- A. a core benefit.
 - B. a value edge.
 - C. marketing tactics.
 - D. product control.
 - E. a competitive advantage.

42. Which element of the marketing mix relates to services like warranties and guarantees that accompany a good or service?

- A. price
- B. product
- C. place
- D. promotion
- E. position

43. Which element of the marketing mix details how the organization will communicate the value of its product?

- A. price
- B. product
- C. place
- D. promotion
- E. position

44. The activities that an organization uses to reach its target market such as advertising, personal selling, and public relations are all part of the marketing mix element known as

- A. promotion.
- B. product.
- C. place.
- D. price.
- E. position.

45. Which element of the marketing mix includes the distribution activities necessary to get the product in the hands of the customer?
- A. promotion
 - B. product
 - C. place
 - D. price
 - E. position
46. What part of the financial section of a marketing plan provides readers of the plan a bottom-line estimate of the organization's profitability?
- A. the profit estimates
 - B. the financial projections
 - C. the cost detail
 - D. the accounting detail
 - E. the accounting projections
47. According to your text, what three elements should be contained within a company's financial projections?
- A. sales forecast, profit and loss statement, and balance sheet
 - B. expense forecast, sales forecast, and net worth
 - C. balance sheet, profit and loss statement, and net worth
 - D. short term debt, long term debt and sales forecast
 - E. sales forecast, expense forecast, and break-even analysis

48. Which forecast projects how many units of a product the company expects to sell during a specific time period?

- A. sales forecast
- B. expense forecast
- C. distribution forecast
- D. production forecast
- E. break-even analysis

49. Read the following to determine which one accurately depicts what is contained in an expense forecast.

- A. an estimate of how many units of product the company expects to sell during a specific time period
- B. an estimate of the costs the company will incur to create, communicate, and deliver the product
- C. the total amount of debt owed by the company, both short-term and long-term
- D. the amount of money the company must pay suppliers to warehouse and ship the product to stores
- E. an estimate of the market share for any given product and the cost incurred to reach that market

50. What information does a break-even analysis provide for a firm?

- A. what market share the company needs to attain to surpass its competitors
- B. how much profit a firm needs to make before diversification can take place
- C. a bottom-line estimate of the firm's profitability
- D. how much the company needs to sell to cover its expenses
- E. the length of time that it will take for a company to pay off all its debts

51. What two forecasts are used in a break-even analysis?

- A. production and sales
- B. sales and expense
- C. profit and loss
- D. market share and sales
- E. revenue and production

52. The final section in most marketing plans is the

- A. financial section.
- B. situation analysis.
- C. controls section.
- D. marketing strategy.
- E. executive summary.

53. The controls section of the marketing plan should contain which of the following?

- A. implementation, feedback, and review
- B. organizational structure, administrative oversight, and evaluation
- C. implementation, evaluation, and contingency planning
- D. marketing strategy, organizational structure, and feedback
- E. implementation, organizational structure, and contingency planning

54. Why is it necessary to have an outline of the organizational structure in the controls section of the marketing plan?

- A. because it specifies how the marketing plan affects each and every department in the organization
- B. because it helps to identify what the weak links are in the organization
- C. because it helps hold specific departments and individuals responsible for the parts of the plan that fall under their control
- D. because it provides a detailed account of how the specific actions of the plan will be carried out and who will be responsible for carrying them out
- E. because it shows how the company will be affected if the marketing plan does not achieve results

55. What element of the control section of the marketing plan defines the actions the company will take if the initial marketing strategy does not achieve results?

- A. the implementation plan
- B. the organizational structure
- C. the strategic plan
- D. the contingency plan
- E. the situation analysis

56. Which of the following is NOT one of the five major strategic options for entering the international marketplace?

- A. exporting
- B. capital investment
- C. licensing
- D. direct ownership/investment
- E. franchising

57. Typically the least risky option for entering international markets is

- A. exporting.
- B. joint venture.
- C. licensing.
- D. direct ownership.
- E. franchising.

58. Selling domestically produced products to foreign markets is called

- A. franchising.
- B. countertrade.
- C. licensing.
- D. international marketing.
- E. exporting.

59. Which of the following makes up the vast majority of U.S. exporters?

- A. the top three largest U.S. firms
- B. Fortune 500 companies
- C. small companies
- D. Walmart
- E. multinational corporations

60. A legal process in which one firm pays to use or distribute another firm's resources, including products, trademarks, patents, intellectual property, or other proprietary knowledge is called

- A. franchising.
- B. contract manufacturing.
- C. branding.
- D. licensing.
- E. joint venture.

61. According to your text, which of the following is a reason why the use of licensing to enter international markets has increased significantly in recent years?

- A. increased viewership of sporting events
- B. rising research and development costs
- C. less regulation
- D. longer product life cycles
- E. greater profit margins

62. Which of the following is a risk of licensing in an international market?
- A. the licensor may create its own competition
 - B. the licensor may misuse trademarks
 - C. locally owned licensees don't know much about the local customers
 - D. licensor doesn't know enough about the brand
 - E. licensor has to pay the licensee money to enter the arrangement
63. For a fee, Hadad can open a *Subway* shop in his hometown of Beirut. The parent company has agreed to let Hadad use its company name and will give him marketing and operational support. What type of arrangement is this?
- A. licensing
 - B. joint venture
 - C. contract manufacturing
 - D. franchising
 - E. direct ownership
64. Why is franchising an attractive method of entering a foreign market?
- A. because the franchisor has no liability if the business fails
 - B. because the franchisee assumes the majority of the capital costs and human resource issues
 - C. because there are very little risks involved in franchising
 - D. because the franchisor does not have to put up any capital to get the business off the ground
 - E. because the franchisee has no liability if the business fails

65. An arrangement in which a domestic firm partners with a foreign company to create a new entity, thus allowing the domestic firm to enter the foreign company's market, is known as

- A. exporting.
- B. contract manufacturing.
- C. a joint venture.
- D. licensing.
- E. direct ownership.

66. Compare each of the following to determine which one accurately describes a joint venture.

- A. a legal process in which one firm pays to use or distribute another firm's resources, including products, trademarks, patents, intellectual property, or other proprietary knowledge
- B. a contractual arrangement in which a fee is paid to have the right to open a business using the parent company's business name and to receive marketing and operational support
- C. an arrangement where a domestic firm partners with a foreign company to create a new entity, thus allowing the domestic firm to enter the foreign company's market
- D. an arrangement in which a domestic firm actively manages a foreign company or overseas facilities
- E. a contractual arrangement where a foreign firm agrees to manufacture products for a domestic firm.

67. According to your text, which of the following is NOT a risk of entering into a joint venture?

- A. culture clashes between the companies
- B. mistrust over proprietary knowledge
- C. conflict over new investments
- D. disagreements about how to share revenue and profits
- E. disagreements about how to staff the business

68. Which method of entering a foreign market has a domestic firm actively managing a foreign company or overseas facility?

- A. joint venture
- B. direct ownership
- C. exporting
- D. licensing
- E. contract manufacturing

69. Which method of entering a foreign market carries with it the *most* risk?

- A. joint venture
- B. direct ownership
- C. exporting
- D. licensing
- E. contract manufacturing

70. When a big name retailer decides to open a manufacturing plant overseas, this is an example of

- A. a joint venture.
- B. exporting.
- C. contract manufacturing.
- D. licensing.
- E. direct ownership.

71. Which form of entering a foreign market requires the greatest commitment?

- A. joint venture
- B. exporting
- C. contract manufacturing
- D. direct ownership
- E. licensing

72. Review the following statements to determine which one is NOT accurate regarding the direct ownership method of entering a foreign market.

- A. Direct ownership is the riskiest method of entering a foreign market.
- B. Direct ownership is a good option when there are similarities between the foreign and domestic cultures.
- C. Direct ownership does not allow the firm much control over its intellectual property.
- D. Direct ownership requires more commitment than any other method of entering a foreign market.
- E. Direct ownership is a good option when there is very little political risk.

73. Just as it is for firms seeking to make a profit, an essential part of effective marketing at nonprofit organizations is the

- A. executive summary.
- B. allocation of human resources.
- C. organizational chart.
- D. strategic plan.
- E. accounting methods used for reporting financials.

74. According to your text, why is establishing specific, measurable, and realistic objectives especially valuable for nonprofits?

- A. because of their limited resources and their goal of providing the maximum amount of services to their constituents in need
- B. because nonprofits do not have the human resources available to larger firms to carry out their marketing plans
- C. because nonprofits often rely on volunteers to carry out its mission so the objectives need to be clear
- D. because nonprofits do not typically engage in strategic planning, they take more care in establishing their objectives
- E. because most nonprofits do not establish a mission statement

75. Because most nonprofits work on a very tight marketing budget, they should pay especially close attention to what sections of the marketing plan?

- A. situation analysis and implementation
- B. implementation and accountability
- C. executive summary and financials
- D. situation analysis and marketing strategy
- E. controls and financials

Fill in the Blank Questions

76. The process of thoughtfully defining a firm's objectives and developing a method for achieving those objectives is referred to as _____.

77. In order to ensure marketers will select and execute the right marketing mix strategies to maximize success, they should engage in the process of _____.

78. The primary strategic planning tool for directing and coordinating the marketing effort is the _____.

79. An action-oriented document or playbook that guides the analysis, implementation, and control of the firm's marketing strategy is called the _____.

80. While the specific format of the marketing plan differs from organization to organization, most plans include _____ components that communicate what the organization desires to accomplish and how it plans to achieve its goals.

81. A _____ is a concise affirmation of the firm's long-term purpose.

82. A firm in the process of developing a _____ might ask the questions *What is our business?* *Who is our customer?* and *What is our value to the customer?*

83. A sound _____ provides a basis for developing the marketing plan and, as the firm continues to modify its marketing plan to fit changing times, it provides a standard to ensure that the business never strays too far from its core goals and values.

84. A mission statement should be _____ oriented.

85. The key component of the marketing plan that synthesizes the plan's main points is called the _____.

86. The _____ section is often considered the foundation of a marketing plan because organizations must clearly understand their current situation to make strategic decisions about how to best move forward.

87. A firm looking to describe the market to which it will sell its products along with considering any relevant marketplace trends is most likely developing a _____.

88. On the BCG Matrix, _____ are products that have a large market share in an industry with low growth rates.

89. On the BCG Matrix, _____ are products that have a low market share in an industry with high growth rates.

90. Perhaps the most common mistake a firm makes when conducting a SWOT analysis is failing to separate _____ from _____.

91. Calvin is considering opening a late-night pizza parlor on the local college campus. His SWOT analysis reveals that students want more late-night options for dining. This represents a(n) _____ in the SWOT analysis.

92. In a SWOT analysis, threats are an _____ consideration.

93. The _____ component of the marketing plan lists the actions the firm must take to accomplish the marketing objectives it established in its mission statement and strategic planning process.

94. A quality marketing objective should have three basic characteristics. It should be specific, measurable and _____.

95. The group of customers toward which an organization has decided to direct its marketing efforts is known as the _____ market.

96. _____ refers to the activities a firm undertakes to create a certain perception of its product in the eyes of the target market

97. A marketing strategy that emphasizes selling more of existing goods and services to existing customers is a _____ strategy.

98. Arm & Hammer baking soda is best known for its use in baking. The company, however, would like to increase its market share to include household and personal care products. By taking the original product and creating new products, the company is using a _____ strategy to capture these new markets.

99. John's Fitness Club was originally geared toward men that primarily wanted to lift weights. John has developed an ad campaign designed to inform women of the benefits of weightlifting in hopes of increasing memberships at the club. In this example, John is using a _____ strategy.

100. _____ strategies seek to attract new customers by offering new products that are unrelated to the existing products produced by the organization.

101. The product section of the marketing plan comprises a detailed description of not only the good or service itself, but also any _____.

102. A product possesses a _____ when it enjoys a superior position over competing products because consumers believe it has more value than other products in its category.

103. Whether or not a firm will use advertising, sales promotion, personal selling or public relations is outlined in the _____ section of the marketing plan.

104. Distribution strategies fall within the _____ marketing mix element.

105. _____ combines the data provided in the sales and expense forecasts to estimate how much the company needs to sell to cover its expenses.

106. An estimate of the costs the company will incur to create, communicate, and deliver the product is outlined in the _____.

107. No matter how good the marketing plan is, it is of no value unless the company is successful at _____ the plan.

108. _____ defines the actions the company will take if the initial marketing strategy does not achieve results.

109. The five major strategic options for entering the international marketplace are _____.

110. Typically, the least risky option for entering international markets is _____.

111. _____ helps to overcome barriers such as increased regulation, rising research and development costs and shortened product lifespans, which is why the use of this market entry strategy has increased significantly in recent years.

112. If Camille decided she wanted to open a *Starbucks* store overseas, she would be using the market entry strategy known as _____.

113. The _____ market entry strategy is when a domestic firm partners with a foreign company to create a new entity, thus allowing the domestic firm to enter the foreign company's market.

114. The riskiest method of entering an international market is _____.

115. Nonprofit marketers should pay especially close attention to the implementation and _____ sections of the marketing plan, as most work on a very tight marketing budget, making every dollar spent a critical investment.

True / False Questions

116. Strategic planning is a process that is done only once, when the firm is defining its objectives and setting a course for achieving those objectives.

True False

117. The primary strategic planning tool for directing and coordinating the marketing effort is the marketing plan.

True False

118. An action-oriented document or playbook that guides the analysis, implementation, and control of the firm's marketing strategy is the business plan.

True False

119. Each component of a marketing plan should be grounded in the firm's overall mission.

True False

120. A firm's marketing plan is a concise affirmation of the firm's long-term purpose.

True False

121. The mission statement should be customer oriented and focused on satisfying basic customer needs and wants.

True False

122. If done correctly, the executive summary should be a comprehensive document outlining every aspect of the marketing plan, down to the last detail.

True False

123. The situation analysis section is often considered the foundation of a marketing plan because organizations must clearly understand their current situation to make strategic decisions about how to best move forward.

True False

124. The zone is the group of consumers or organizations that are interested in and able to buy a particular product.

True False

125. The BCG Matrix divides products into four categories: stars, question marks, cows, and skunks.

True False

126. The group of products on the BCG matrix that represents products that have a small market share in industries with low growth rates is *dogs*.

True False

127. The internal considerations of a SWOT analysis are opportunities and threats.

True False

128. The latest Surgeon General warning that a diet high in fat, calories and sodium would be considered a threat to fast food restaurants like McDonald's and Burger King.

True False

129. Positioning refers to the activities a firm undertakes to create a certain perception of its product in the eyes of the target market.

True False

130. Market penetration strategies focus on selling existing goods and services to new customers.

True False

131. A marketing strategy that involves creating new goods and services for existing markets is a product development strategy.

True False

132. The fact that Procter & Gamble has broadened its product offerings to include household cleaning products, laundry products, snack products and hair care products is an example of diversification.

True False

133. Janie thinks that Kleenex is the best brand of facial tissue on the market and refuses to buy any other brand. For Janie, Kleenex has established a competitive advantage over the competing products.

True False

134. The projection of how many units of a product the company expects to sell during a specific time period is contained in the expense forecast.

True False

135. The contingency plan provides a detailed account of how the specific actions of the marketing plan will be carried out.

True False

136. Selling domestically produced products to foreign markets is the least risky option for entering international markets.

True False

137. The use of licensing to enter international markets has increased significantly in recent years due to several factors, including more regulation and rising research and development costs.

True False

138. Franchising is an attractive method of entering foreign markets because franchisors assume the majority of the capital costs and human resource issues.

True False

139. Direct ownership is the riskiest method of entering an international market.

True False

140. Strategic planning is not necessary for nonprofit organizations because they are not operating to make a profit.

True False

Chapter 02 Strategic Planning for a Successful Future Answer Key

Multiple Choice Questions

1. The process of thoughtfully defining a firm's objectives and developing a method for achieving those objectives is called
 - A. business planning.
 - B. marketing development.
 - C. functional planning.
 - D. strategic planning.
 - E. business development.

Strategic planning is the process of thoughtfully defining a firm's objectives and developing a method for achieving those objectives.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Discuss the importance of strategic planning for marketing.

Topic: The Importance of Strategic Planning

2. How often should firms undertake the task of strategic planning?

- A. on a continual basis as conditions change
- B. only once, when determining the firm's objectives
- C. only once, when developing the marketing plan
- D. two or three times, to make sure all items are covered
- E. it is not a necessity to develop a strategic plan

Firms must continually undertake the task of strategic planning. Shifting conditions, including changing customer needs and competitive threats, ensure that what worked in the past will not always work in the future, thus requiring firms to modify their strategy.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Discuss the importance of strategic planning for marketing.

Topic: The Importance of Strategic Planning

3. Read the following statements regarding strategic planning to determine which is NOT accurate.

- A. Strategic planning is a one-time process completed when a firm outlines its objectives.
- B. Strategic planning helps ensure marketers will select the right marketing mix strategies.
- C. The primary tool of strategic planning is the marketing plan.
- D. Strategic planning can greatly increase the likelihood of success.
- E. Strategic planning can be used on a personal level to help accomplish goals.

Strategic planning is not a one-time process. Firms must continually undertake the task of strategic planning. Shifting conditions, including changing customer needs and competitive threats, ensure that what worked in the past will not always work in the future, thus requiring firms to modify their strategy.

AACSB: Reflective Thinking

Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 02-01 Discuss the importance of strategic planning for marketing.

Topic: The Importance of Strategic Planning

4. What is the *primary* strategic planning tool for directing and coordinating the marketing effort?

- A. the executive summary
- B. the mission statement
- C. the marketing plan
- D. the business plan
- E. the situation analysis

The primary strategic planning tool for directing and coordinating the marketing effort is the marketing plan.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Discuss the importance of strategic planning for marketing.

Topic: The Importance of Strategic Planning

5. What is the *overall* purpose of a marketing plan?

- A. to define the target market and promotion strategies to be used on that market
- B. to determine whether or not a firm has enough capital to pursue its objectives
- C. to identify both existing and potential competitors of the firm
- D. to define the company's strengths and weaknesses
- E. to guide the analysis, implementation, and control of the firm's marketing strategy

The marketing plan is an action-oriented document or playbook that guides the analysis, implementation, and control of the firm's marketing strategy.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

6. The five key components of the marketing plan are:

- A. mission statement, situation analysis, promotion strategy, financials, and controls
- B.** executive summary, situation analysis, marketing strategy, financials, and controls
- C. executive summary, market positioning, marketing strategy, financials, and implementation
- D. mission statement, situation analysis, marketing strategy, financials, and controls
- E. executive summary, situation analysis, positioning, financials, and implementation

The five key components of a marketing plan communicate what the organization desires to accomplish and how it plans to achieve its goals and are: the executive summary, situation analysis, marketing strategy, financials and controls.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-02 Outline the five main components of the marketing plan.

Topic: The Marketing Plan

7. An action-oriented document or playbook that guides the analysis, implementation, and control of the firm's marketing strategy is known as the

- A. strategic plan.
- B. business plan.
- C. organizational plan.
- D.** marketing plan.
- E. promotional plan.

The marketing plan is an action-oriented document or playbook that guides the analysis, implementation, and control of the firm's marketing strategy.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-02 Outline the five main components of the marketing plan.

Topic: The Marketing Plan

8. A concise affirmation of a firm's long-term purpose is known as its

- A. executive summary.
- B.** mission statement.
- C. organizational directive.
- D. long-range plan.
- E. marketing plan.

The first step in creating a quality marketing plan is to develop an effective mission statement which is a concise affirmation of the long-term purpose of the firm.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Analyze the characteristics of an effective mission statement.

Topic: Mission Statement

9. A good mission statement should be oriented around the

- A. company.
- B. financial plan.
- C. customer.
- D. product.
- E. marketing plan.

The mission statement should be customer oriented and focused on satisfying basic customer needs and wants.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-03 Analyze the characteristics of an effective mission statement.

Topic: Mission Statement

10. A good mission statement should
- A. contain as many goals as possible.
 - B. provide motivation for the employees of the firm.**
 - C. be company oriented.
 - D. ask the question *What is our product?*
 - E. focus on when to market the product.

Mission statements should capture a shared purpose and provide motivation for the employees of the firm.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-03 Analyze the characteristics of an effective mission statement.

Topic: Mission Statement

11. What element will ensure a business never strays too far from its core goals and values, especially if the marketing plan needs to be modified to fit the changing times?
- A. a sound mission statement**
 - B. a concise executive summary
 - C. a complete SWOT analysis
 - D. a developed organizational plan
 - E. a solid strategic plan

A sound mission statement provides a basis for developing the marketing plan and, as the firm continues to modify its marketing plan to fit changing times, the mission statement provides a standard to ensure that the business never strays too far from its core goals and values.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-03 Analyze the characteristics of an effective mission statement.

Topic: Mission Statement

12. What document provides a one- to two-page summary of the marketing plan's main points?

- A. the mission statement
- B. the executive summary**
- C. the SWOT analysis
- D. the organizational summary
- E. the strategic plan

The executive summary serves as the elevator pitch for the marketing plan. It provides a one- to two-page synopsis of the marketing plan's main points. Every line of an executive summary should convey the most valuable information of the marketing plan.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Analyze the characteristics of an effective mission statement.

Topic: Executive Summary

13. Because it helps firms understand where they are currently and how best to move forward, what element is often considered the foundation of a marketing plan?

- A. the executive summary
- B.** the situation analysis
- C. the marketing strategy
- D. the financials
- E. the controls

The situation analysis section is often considered the foundation of a marketing plan because organizations must clearly understand their current situation to make strategic decisions about how to best move forward.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

14. The situation analysis comprises three subsections:

- A. market summary, financials, and controls.
- B. SWOT analysis, competition, and financials.
- C. SWOT analysis, target market, and controls.
- D. market summary, SWOT analysis, and competition.
- E. market summary, competition, and financials.

A situation analysis is the systematic collection of data to identify the trends, conditions, and competitive forces that have the potential to influence the performance of the firm and the choice of appropriate strategies. The situation analysis comprises three subsections: market summary, SWOT analysis, and competition.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

15. Gavin wants to perform a situation analysis of his business to help him make strategic decisions for the future. The situation analysis will tell Gavin all of the following EXCEPT:

- A. financial projections.
- B. marketplace trends.
- C. the firm's strengths and weaknesses.
- D. current competitive forces.
- E. market conditions.

The situation analysis is comprised of three subsections: market summary, SWOT analysis, and competition. These items will highlight market conditions and trends; competitive forces; and the firm's strengths, weaknesses, opportunities and threats. They will not, however, point out financial projections.

AACSB: Analytic

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

16. As it pertains to a situation analysis, the term *market* refers to

- A. the environment in which a particular product will be sold.
- B. the competitive forces that impact how a product will be sold.
- C. the group of consumers that is interested in and able to buy a particular product.
- D. the collective form of promotions for any given product.
- E. the entire product offering of a firm that must be promoted.

A market is the group of consumers or organizations that are interested in and able to buy a particular product.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

17. What two elements are combined on the BCG matrix to produce its four unique product categories?

- A. supply and demand
- B. market size and product demand
- C. relative market share and number of competitors
- D. market growth and relative market share
- E. market growth and number of competitors

The BCG matrix combines the two elements of market growth and relative market share to produce four unique product categories: stars, cash cows, question marks, and dogs.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

18. Products that are typically new to the market and require significant marketing investment in promotion, product management, and distribution are classified as

- A. dogs.
- B.** question marks.
- C. cash cows.
- D. stars.
- E. skunks.

Question marks have a small market share in a high-growth industry. Products in this quadrant are typically new to the market and require significant marketing investment in promotion, product management, and distribution.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

19. Which of the following products would *most likely* be considered a *dog*?

- A. iPod
- B. e-reader
- C. microwave oven
- D. compact disc
- E. laptop

Dogs are products that have small market share in industries with low growth rates. Products that fall into this category typically should be discontinued so the firm can reallocate marketing resources to products with more profit potential.

AACSB: Analytic

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

20. According to the BCG Matrix, what defines a *cash cow*?

- A. products that have a large market share in an industry with low growth rates
- B. products that have a large market share in an industry with high growth rates
- C. products that have a small market share in an industry with low growth rates
- D. products that have a small market share in an industry with high growth rates
- E. products that have a small market share in an industry with steady growth rates

Cash cows are products that have a large market share in an industry with low growth rates. An example of a cash cow product is the Apple iPod.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

21. The internal considerations in a SWOT analysis are

- A. a firm's market share and growth potential.
- B. the firm's current and future competition.
- C. a firm's opportunities and threats.
- D. a firm's revenue and market share.
- E. a firm's strengths and weaknesses.

The internal considerations of a SWOT analysis are the firm's strengths and weaknesses.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

22. According to your text, perhaps the most common mistake a firm makes when conducting a SWOT analysis is

- A. not looking at the firm's financial statements.
- B. failing to separate internal issues from external issues.**
- C. underestimating the competitive environment.
- D. failing to involve all departments in the analysis.
- E. looking at only the firm's strengths.

A SWOT analysis can be a valuable tool in the development of a marketing plan, but only if it's executed well. Perhaps the most common mistake a firm makes when conducting a SWOT analysis is failing to separate internal issues from external issues.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

23. Joe's Pizza Parlor is a late-night pizza and sandwich shop located on a college campus. Joe recently conducted a SWOT analysis. Compare each of the following to determine which one is a *weakness* for Joe's Pizza Parlor.

- A. A new pizza shop has opened up down the street.
- B. A graduate of the college, Joe is well-liked in the community.
- C. Joe finds it hard to staff the late night shifts which are his busiest times.
- D. Joe is worried about the push for healthier eating.
- E. Joe is concerned that the weak economy will lead to fewer students dining out.

Weaknesses are internal limitations that may prevent or disrupt the firm's ability to meet its stated objectives. The inability to staff the late-night shift is a weakness for Joe's Pizza Parlor.

AACSB: Reflective Thinking

Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

24. Consider the following findings from a recent SWOT analysis performed by Sasha's flower shop. Which of the following represents a *threat*?

- A. Sasha has a good business relationship with local catering companies.
- B. Sasha has a hard time finding good employees after the summer staff goes back to school.
- C. Sasha has to spend a lot of time training her employees on how to care for the flowers and plants.
- D. A new funeral home just opened up in town.
- E. The summer drought has produced fewer flowers.

Threats are current and potential external factors that may challenge the firm's short- and long-term performance. The drought is an external factor affecting Sasha's business.

AACSB: Reflective Thinking

Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

25. In a SWOT analysis, current and potential external factors that may challenge the firm's short- and long-term performance are referred to as

- A. threats.
- B. weaknesses.
- C. obstacles.
- D. opportunities.
- E. hazards.

In a SWOT analysis, threats are current and potential external factors that may challenge the firm's short- and long-term performance.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

26. Travis has an athletic shoe store and is currently preparing a market summary. To be most effective, the competition section of his market summary should

- A. only list direct competitors.
- B. only focus on competitors that sell the same product as him.
- C. list both direct and indirect competitors.
- D. list possible tactics to obtain a larger market share.
- E. only list indirect competitors.

While most marketing plans examine direct competitors thoroughly, indirect competitors typically receive far less attention or are overlooked entirely. Indirect competitors can take market share away from a firm as macro trends or consumer preferences change.

AACSB: Reflective Thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

27. Once the situation analysis is complete, marketers focus on defining their

- A. competition.
- B. marketing strategy.
- C. mission statement.
- D. strategic plan.
- E. SWOT analysis.

The next step after completing a situation analysis is to focus on defining a marketing strategy.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

28. The three basic characteristics of a quality marketing objective is that it be

- A. broad, detailed, and measurable.
- B. vague, simplistic, and easy-to-understand.
- C. specific, measurable, and realistic.
- D. far-reaching, thorough, and measurable.
- E. specific, tailored, and recognizable.

Quality marketing objectives have three basic characteristics: they should be specific, measurable, and realistic.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

29. The actions a firm must take to accomplish the marketing objectives established in its mission statement and strategic planning process are outlined in the

- A. marketing strategy.
- B. situation analysis.
- C. market summary.
- D. executive summary.
- E. organizational plan.

The marketing strategy component of the marketing plan lists the actions the firm must take to accomplish the marketing objectives it established in its mission statement and strategic planning process.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

30. The activities a firm undertakes to create a certain perception of its product in the eyes of the target market is referred to as

- A. labeling.
- B. positioning.**
- C. zoning.
- D. leveraging.
- E. targeting.

Success within the target market depends, to some degree, on how the firm positions its product. Positioning refers to the activities a firm undertakes to create a certain perception of its product in the eyes of the target market.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

31. Which of the following is NOT one of the four basic categories of marketing growth strategies?

- A. product development.
- B. market development.
- C. market penetration.
- D. diversification.
- E. positioning.**

Positioning is not a marketing strategy; rather, it refers to the activities a firm undertakes to create a certain perception of its product in the eyes of the target market.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

32. The marketing strategy that emphasizes selling more of existing goods and services to existing customers is called
- A. product development.
 - B. market development.
 - C. market penetration.
 - D. diversification.
 - E. positioning.

Market penetration strategies often involve encouraging current customers to buy more each time they patronize a store or to buy from the store on a more frequent basis.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

33. Think about the various marketing strategies as you read the following choices to determine which one describes a market penetration strategy.

- A. selling new products to existing markets
- B. selling new products to new markets
- C. selling existing products to new markets
- D. selling more of current products to existing markets
- E. selling more of current products to new markets

A market penetration strategy emphasizes selling more of existing goods and services to existing customers.

AACSB: Reflective Thinking

Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

34. When the makers of *V8* vegetable juice noticed that sales of its original product were stabilizing, they decided to offer a new product, one that offered a full serving of vegetables and a full serving of fruit. They called the product *V8 V-Fusion* and they marketed it to their original *V8* customers in hopes of increasing sales. This is an example of what kind of marketing strategy?

- A. product development
- B. market development
- C. market penetration
- D. diversification
- E. positioning

Product development is a marketing strategy that involves creating new goods and services for existing markets.

AACSB: Reflective Thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

35. Which of the following best describes a market development strategy?

- A. selling new products to existing markets
- B. selling new products to new markets
- C. selling existing products to new markets
- D. selling more of current products to existing markets
- E. selling unrelated products to existing markets

A market development strategy focuses on selling existing goods and services to new customers.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

36. Which marketing strategy is being employed by a firm that is seeking to expand in foreign markets?

- A. market penetration
- B. market development
- C. product development
- D. diversification
- E. positioning

A market development strategy focuses on selling existing goods and services to new customers.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

37. Which marketing strategy would Krispy Kreme doughnuts be using if it decided to begin selling its doughnuts in Mexico for the first time?

- A. market penetration
- B. product development
- C. market development
- D. diversification
- E. positioning

A market development strategy focuses on selling existing goods and services to new customers.

AACSB: Reflective Thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

38. As a marketing strategy, what is diversification?

- A. selling existing goods and services to new customers
- B. creating new goods and services for existing markets
- C. selling more of existing goods and services to existing customers
- D. selling new goods and services to new customers
- E. offering new products that are unrelated to the existing products produced by a company

Diversification is a marketing strategy that seeks to attract new customers by offering new products that are unrelated to the existing products produced by the organization.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

39. If Geico Insurance began selling t-shirts featuring its infamous gecko to try to capitalize on its brand name, this would be an example of

- A. positioning.
- B. diversification.
- C. product development.
- D. market development.
- E. market penetration.

Diversification is a marketing strategy that seeks to attract new customers by offering new products that are unrelated to the existing products produced by the organization. Since Geico sells auto insurance, the decision to sell t-shirts would be a way for Geico to diversify.

AACSB: Analytic

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

40. The superior position a product enjoys over competing products if consumers believe it has more value than other products in its category is referred to as a

- A. marketing advantage.
- B. value proposition.
- C. competitive advantage.
- D. product edge.
- E. product plus.

A product possesses a competitive advantage when it enjoys a superior position over competing products because consumers believe it has more value than other products in its category.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

41. A recent survey conducted by *U.S. News and World Report* on the best overall hybrid car, ranked the Ford Fusion Hybrid as the best hybrid car for the money. For Ford, this represents
- A. a core benefit.
 - B. a value edge.
 - C. marketing tactics.
 - D. product control.
 - E. a competitive advantage.

A product possesses a competitive advantage when it enjoys a superior position over competing products because consumers believe it has more value than other products in its category.

AACSB: Analytic

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

42. Which element of the marketing mix relates to services like warranties and guarantees that accompany a good or service?

- A. price
- B. product**
- C. place
- D. promotion
- E. position

The product section of the marketing plan comprises a detailed description of the product being offered, not only the good or service itself, but also any related services like warranties and guarantees that accompany the good or service.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

43. Which element of the marketing mix details how the organization will communicate the value of its product?

- A. price
- B. product
- C. place
- D. promotion
- E. position

The promotion section of the marketing plan details how the organization will communicate the value of its product. This section builds on the strengths of the product section and references the specific promotional tools the organization will use to reach its target market.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

44. The activities that an organization uses to reach its target market such as advertising, personal selling, and public relations are all part of the marketing mix element known as

- A. promotion.
- B. product.
- C. place.
- D. price.
- E. position.

The promotion section of the marketing plan details how the organization will communicate the value of its product, whether it is by advertising, sales promotion, personal selling, or public relations.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

45. Which element of the marketing mix includes the distribution activities necessary to get the product in the hands of the customer?

- A. promotion
- B. product
- C. place
- D. price
- E. position

Distribution strategies fall within the place marketing mix element.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

46. What part of the financial section of a marketing plan provides readers of the plan a bottom-line estimate of the organization's profitability?
- A. the profit estimates
 - B. the financial projections**
 - C. the cost detail
 - D. the accounting detail
 - E. the accounting projections

Financial projections provide those reading the marketing plan with a bottom-line estimate of the organization's profitability.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Financials

47. According to your text, what three elements should be contained within a company's financial projections?

- A. sales forecast, profit and loss statement, and balance sheet
- B. expense forecast, sales forecast, and net worth
- C. balance sheet, profit and loss statement, and net worth
- D. short term debt, long term debt and sales forecast
- E. sales forecast, expense forecast, and break-even analysis

Financial projections can include numerous items, but all should contain a sales forecast (or fundraising projections for a nonprofit), an expense forecast, and a break-even analysis.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Financials

48. Which forecast projects how many units of a product the company expects to sell during a specific time period?

- A. sales forecast
- B. expense forecast
- C. distribution forecast
- D. production forecast
- E. break-even analysis

Many departments rely on a sales forecast, which projects how many units of a product the company expects to sell during a specific time period.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Financials

49. Read the following to determine which one accurately depicts what is contained in an expense forecast.
- A. an estimate of how many units of product the company expects to sell during a specific time period
 - B.** an estimate of the costs the company will incur to create, communicate, and deliver the product
 - C. the total amount of debt owed by the company, both short-term and long-term
 - D. the amount of money the company must pay suppliers to warehouse and ship the product to stores
 - E. an estimate of the market share for any given product and the cost incurred to reach that market

The expense forecast is an estimate of the costs the company will incur to create, communicate, and deliver the product. Without an expense forecast, marketers will have a very difficult time allocating resources and predicting when the product will become profitable.

AACSB: Analytic

Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Financials

50. What information does a break-even analysis provide for a firm?
- A. what market share the company needs to attain to surpass its competitors
 - B. how much profit a firm needs to make before diversification can take place
 - C. a bottom-line estimate of the firm's profitability
 - D. how much the company needs to sell to cover its expenses
 - E. the length of time that it will take for a company to pay off all its debts

Break-even analysis combines the data provided in the sales and expense forecasts to estimate how much the company needs to sell to cover its expenses.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Financials

51. What two forecasts are used in a break-even analysis?
- A. production and sales
 - B. sales and expense
 - C. profit and loss
 - D. market share and sales
 - E. revenue and production

Break-even analysis combines the data provided in the sales and expense forecasts to estimate how much the company needs to sell to cover its expenses.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

52. The final section in most marketing plans is the

- A. financial section.
- B. situation analysis.
- C. controls section.
- D. marketing strategy.
- E. executive summary.

The final section in most marketing plans outlines the controls the firm will put in place to monitor and adjust the plan as the firm executes on the strategy laid out in it.

53. The controls section of the marketing plan should contain which of the following?

- A. implementation, feedback, and review
- B. organizational structure, administrative oversight, and evaluation
- C. implementation, evaluation, and contingency planning
- D. marketing strategy, organizational structure, and feedback
- E. implementation, organizational structure, and contingency planning

The controls section should include the following three items: implementation, organizational structure, and contingency planning.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Controls

54. Why is it necessary to have an outline of the organizational structure in the controls section of the marketing plan?
- A. because it specifies how the marketing plan affects each and every department in the organization
 - B. because it helps to identify what the weak links are in the organization
 - C. because it helps hold specific departments and individuals responsible for the parts of the plan that fall under their control
 - D. because it provides a detailed account of how the specific actions of the plan will be carried out and who will be responsible for carrying them out
 - E. because it shows how the company will be affected if the marketing plan does not achieve results

When elements of the marketing strategy are not implemented correctly, it's often because the plan does not clearly indicate who is responsible for carrying out each activity. By clearly outlining who is accountable for which tasks, the marketing plan can help to clarify ownership and drive positive results.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Controls

55. What element of the control section of the marketing plan defines the actions the company will take if the initial marketing strategy does not achieve results?

- A. the implementation plan
- B. the organizational structure
- C. the strategic plan
- D. the contingency plan
- E. the situation analysis

Contingency planning defines the actions the company will take if the initial marketing strategy does not achieve results.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Controls

56. Which of the following is NOT one of the five major strategic options for entering the international marketplace?

- A. exporting
- B. capital investment**
- C. licensing
- D. direct ownership/investment
- E. franchising

As part of developing a marketing plan that involves global marketing, the firm must choose from among the following five major strategic options for entering the international marketplace: exporting, licensing, franchising, joint venture, or direct investment.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

57. Typically the least risky option for entering international markets is

- A. exporting.**
- B. joint venture.
- C. licensing.
- D. direct ownership.
- E. franchising.

Exporting is selling domestically produced products to foreign markets and is typically the least risky option for entering international markets.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

58. Selling domestically produced products to foreign markets is called

- A. franchising.
- B. countertrade.
- C. licensing.
- D. international marketing.
- E. exporting.

Exporting is selling domestically produced products to foreign markets and is typically the least risky option for entering international markets.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

59. Which of the following makes up the vast majority of U.S. exporters?

- A. the top three largest U.S. firms
- B. Fortune 500 companies
- C. small companies
- D. Walmart
- E. multinational corporations

Exporting is not just popular among the companies that make up the Fortune 500. Small companies account for 96 percent of all U.S. exporters.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

60. A legal process in which one firm pays to use or distribute another firm's resources, including products, trademarks, patents, intellectual property, or other proprietary knowledge is called

- A. franchising.
- B. contract manufacturing.
- C. branding.
- D. licensing.
- E. joint venture.

Licensing is a legal process in which one firm pays to use or distribute another firm's resources, including products, trademarks, patents, intellectual property, or other proprietary knowledge.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

61. According to your text, which of the following is a reason why the use of licensing to enter international markets has increased significantly in recent years?

- A. increased viewership of sporting events
- B. rising research and development costs**
- C. less regulation
- D. longer product life cycles
- E. greater profit margins

The use of licensing to enter international markets has increased significantly in recent years due to several factors, including more regulation, rising research and development (R&D) costs, and shortened product life cycles. Licensing helps to overcome some of these barriers since the licensee is typically locally owned and brings unique insight about its local consumers.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

62. Which of the following is a risk of licensing in an international market?

- A. the licensor may create its own competition
- B. the licensor may misuse trademarks
- C. locally owned licensees don't know much about the local customers
- D. licensor doesn't know enough about the brand
- E. licensor has to pay the licensee money to enter the arrangement

Major risks include (1) that the licensor may be inadvertently creating a future competitor in the form of the licensee, (2) that the licensor shares information and the right to use its proprietary technology with the licensee, and (3) that the licensee could potentially misuse trademarks.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

63. For a fee, Hadad can open a *Subway* shop in his hometown of Beirut. The parent company has agreed to let Hadad use its company name and will give him marketing and operational support. What type of arrangement is this?

- A. licensing
- B. joint venture
- C. contract manufacturing
- D. franchising
- E. direct ownership

Franchising is a contractual arrangement in which the franchisor provides a franchisee the right to use its name and marketing and operational support in exchange for a fee and, typically, a share of the profits.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

64. Why is franchising an attractive method of entering a foreign market?

- A. because the franchisor has no liability if the business fails
- B. because the franchisee assumes the majority of the capital costs and human resource issues**
- C. because there are very little risks involved in franchising
- D. because the franchisor does not have to put up any capital to get the business off the ground
- E. because the franchisee has no liability if the business fails

Franchising is an attractive method of entering foreign markets because franchisees assume the majority of the capital costs and human resource issues. The franchisor provides knowledge and information about running the business, which increases the likelihood of success.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

65. An arrangement in which a domestic firm partners with a foreign company to create a new entity, thus allowing the domestic firm to enter the foreign company's market, is known as

- A. exporting.
- B. contract manufacturing.
- C. a joint venture.**
- D. licensing.
- E. direct ownership.

In a joint venture a domestic firm partners with a foreign company to create a new entity.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

66. Compare each of the following to determine which one accurately describes a joint venture.
- A. a legal process in which one firm pays to use or distribute another firm's resources, including products, trademarks, patents, intellectual property, or other proprietary knowledge
 - B. a contractual arrangement in which a fee is paid to have the right to open a business using the parent company's business name and to receive marketing and operational support
 - C. an arrangement where a domestic firm partners with a foreign company to create a new entity, thus allowing the domestic firm to enter the foreign company's market
 - D. an arrangement in which a domestic firm actively manages a foreign company or overseas facilities
 - E. a contractual arrangement where a foreign firm agrees to manufacture products for a domestic firm.

In a joint venture a domestic firm partners with a foreign company to create a new entity, thus allowing the domestic firm to enter the foreign company's market.

AACSB: Reflective Thinking

Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

67. According to your text, which of the following is NOT a risk of entering into a joint venture?

- A. culture clashes between the companies
- B. mistrust over proprietary knowledge
- C. conflict over new investments
- D. disagreements about how to share revenue and profits
- E. disagreements about how to staff the business

Joint ventures come with inherent risk. Domestic and international firms often operate differently, which can lead to culture clashes. Joint ventures also can result in mistrust over proprietary knowledge, conflict over new investments, and disagreements about how to share revenue and profits.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

68. Which method of entering a foreign market has a domestic firm actively managing a foreign company or overseas facility?

- A. joint venture
- B. direct ownership**
- C. exporting
- D. licensing
- E. contract manufacturing

Direct ownership requires a domestic firm to actively manage a foreign company or overseas facility.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

69. Which method of entering a foreign market carries with it the *most* risk?

- A. joint venture
- B. direct ownership**
- C. exporting
- D. licensing
- E. contract manufacturing

Having to maintain 100 percent ownership of offices, plants, and facilities in a foreign country exposes the firm to significant risks. Direct ownership requires far more resources and commitment than any of the other options, and it can be difficult to manage local resources from afar.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

70. When a big name retailer decides to open a manufacturing plant overseas, this is an example of

- A. a joint venture.
- B. exporting.
- C. contract manufacturing.
- D. licensing.
- E. direct ownership.

Direct ownership is when a domestic firm actively manages a foreign company or overseas facility - in this case, a manufacturing plant.

AACSB: Reflective Thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

71. Which form of entering a foreign market requires the greatest commitment?

- A. joint venture
- B. exporting
- C. contract manufacturing
- D. direct ownership
- E. licensing

Direct ownership requires far more resources and commitment than any of the other options, and it can be difficult to manage local resources from afar.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

72. Review the following statements to determine which one is NOT accurate regarding the direct ownership method of entering a foreign market.
- A. Direct ownership is the riskiest method of entering a foreign market.
 - B. Direct ownership is a good option when there are similarities between the foreign and domestic cultures.
 - C. Direct ownership does not allow the firm much control over its intellectual property.
 - D. Direct ownership requires more commitment than any other method of entering a foreign market.
 - E. Direct ownership is a good option when there is very little political risk.

Direct ownership provides the firm with *more* control over its intellectual property, advertising, pricing, and product distribution.

AACSB: Reflective Thinking

Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

73. Just as it is for firms seeking to make a profit, an essential part of effective marketing at nonprofit organizations is the

- A. executive summary.
- B. allocation of human resources.
- C. organizational chart.
- D. strategic plan.
- E. accounting methods used for reporting financials.

Marketing plans are an unfamiliar concept for many nonprofits. However, just like in for-profit firms, strategic planning is an essential part of effective marketing at nonprofit organizations.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-07 Discuss the importance of strategic planning for nonprofit firms.

Topic: Strategic Planning for Nonprofit Organizations

74. According to your text, why is establishing specific, measurable, and realistic objectives especially valuable for nonprofits?
- A. because of their limited resources and their goal of providing the maximum amount of services to their constituents in need
 - B. because nonprofits do not have the human resources available to larger firms to carry out their marketing plans
 - C. because nonprofits often rely on volunteers to carry out its mission so the objectives need to be clear
 - D. because nonprofits do not typically engage in strategic planning, they take more care in establishing their objectives
 - E. because most nonprofits do not establish a mission statement

Establishing specific, measurable, and realistic objectives is especially valuable for nonprofits because of their limited resources and their larger goal of providing the maximum amount of services to their constituents in need.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-07 Discuss the importance of strategic planning for nonprofit firms.

Topic: Strategic Planning for Nonprofit Organizations

75. Because most nonprofits work on a very tight marketing budget, they should pay especially close attention to what sections of the marketing plan?

- A. situation analysis and implementation
- B. implementation and accountability**
- C. executive summary and financials
- D. situation analysis and marketing strategy
- E. controls and financials

Nonprofit marketers should pay especially close attention to the implementation and accountability sections of the marketing plan, as most work on a very tight marketing budget, making every dollar spent a critical investment.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-07 Discuss the importance of strategic planning for nonprofit firms.

Topic: Strategic Planning for Nonprofit Organizations

Fill in the Blank Questions

76. The process of thoughtfully defining a firm's objectives and developing a method for achieving those objectives is referred to as _____.

strategic planning

Whether you are marketing yourself or some other product, strategic planning can greatly increase the likelihood of success.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Discuss the importance of strategic planning for marketing.

Topic: The Importance of Strategic Planning

77. In order to ensure marketers will select and execute the right marketing mix strategies to maximize success, they should engage in the process of _____.

strategic planning

Firms must continually undertake the task of strategic planning. Shifting conditions, including changing customer needs and competitive threats, ensure that what worked in the past will not always work in the future, thus requiring firms to modify their strategy.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-01 Discuss the importance of strategic planning for marketing.

Topic: The Importance of Strategic Planning

78. The primary strategic planning tool for directing and coordinating the marketing effort is the _____.

marketing plan

The marketing plan is an action-oriented document or playbook that guides the analysis, implementation, and control of the firm's marketing strategy.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-01 Discuss the importance of strategic planning for marketing.

Topic: The Importance of Strategic Planning

79. An action-oriented document or playbook that guides the analysis, implementation, and control of the firm's marketing strategy is called the _____.

marketing plan

The marketing plan is an action-oriented document or playbook that guides the analysis, implementation, and control of the firm's marketing strategy.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-02 Outline the five main components of the marketing plan.

Topic: The Marketing Plan

80. While the specific format of the marketing plan differs from organization to organization, most plans include ____ components that communicate what the organization desires to accomplish and how it plans to achieve its goals.

five

The specific format of the marketing plan differs from organization to organization, but most plans include an executive summary, situation analysis, marketing strategy, financials section, and controls section.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-02 Outline the five main components of the marketing plan.

Topic: The Marketing Plan

81. A _____ is a concise affirmation of the firm's long-term purpose.

mission statement

The first step in creating a quality marketing plan is to develop an effective mission statement which is a concise affirmation of the firm's long-term purpose.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Analyze the characteristics of an effective mission statement.

Topic: Mission Statement

82. A firm in the process of developing a _____ might ask the questions *What is our business?* *Who is our customer?* and *What is our value to the customer?*

mission statement

There are five classic questions a firm should consider when developing a mission statement: *What is our business?*, *Who is our customer?*, *What is our value to the customer?*, *What will our business be?*, and *What should our business be?*

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-03 Analyze the characteristics of an effective mission statement.

Topic: Mission Statement

83. A sound _____ provides a basis for developing the marketing plan and, as the firm continues to modify its marketing plan to fit changing times, it provides a standard to ensure that the business never strays too far from its core goals and values.

mission statement

A firm's mission statement drives many of the other decisions it makes, including how best to market its goods and services to consumers. A sound mission statement provides a basis for developing the marketing plan.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-03 Analyze the characteristics of an effective mission statement.

Topic: Mission Statement

84. A mission statement should be _____ oriented.

customer

A firm's mission statement should be customer oriented and focus on satisfying basic customer needs and wants.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Analyze the characteristics of an effective mission statement.

Topic: Mission Statement

85. The key component of the marketing plan that synthesizes the plan's main points is called the _____.

executive summary

The first component of the marketing plan is an executive summary in which the main points of the plan are summarized.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Analyze the characteristics of an effective mission statement.

Topic: Executive Summary

86. The _____ section is often considered the foundation of a marketing plan because organizations must clearly understand their current situation to make strategic decisions about how to best move forward.

situation analysis

A situation analysis is the systematic collection of data to identify the trends, conditions, and competitive forces that have the potential to influence the performance of the firm and the choice of appropriate strategies.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

87. A firm looking to describe the market to which it will sell its products along with considering any relevant marketplace trends is most likely developing a _____.

market summary

The market summary sets the stage for the situation analysis section by focusing on the market to which the firm will sell its products.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

88. On the BCG Matrix, _____ are products that have a large market share in an industry with low growth rates.

cash cows

An example of a cash cow product is the Apple iPod. The market growth rate for MP3 type players has slowed in recent years, but the iPod still retains a large share of the market.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

89. On the BCG Matrix, _____ are products that have a low market share in an industry with high growth rates.

question marks

Products considered question marks are typically new to the market and require significant marketing investment in promotion, product management, and distribution.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

90. Perhaps the most common mistake a firm makes when conducting a SWOT analysis is failing to separate _____ from _____.

internal issues; external issues

A SWOT analysis can be a valuable tool in the development of a marketing plan, but only if it's executed well. Perhaps the most common mistake a firm makes when conducting a SWOT analysis is failing to separate internal issues from external issues.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

91. Calvin is considering opening a late-night pizza parlor on the local college campus. His SWOT analysis reveals that students want more late-night options for dining. This represents a(n) _____ in the SWOT analysis.

opportunity

In a SWOT analysis, opportunities are external factors that a firm may be able to capitalize on to meet or exceed its stated objective. If students want more late-night dining options, then opening up a late-night pizza parlor may be a good opportunity for Calvin.

AACSB: Reflective Thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

92. In a SWOT analysis, threats are an _____ consideration.

external

In a SWOT analysis, opportunities and threats are external factors that the firm may be able to capitalize on to meet or exceed its stated objective.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

93. The _____ component of the marketing plan lists the actions the firm must take to accomplish the marketing objectives it established in its mission statement and strategic planning process.

marketing strategy

In a SWOT analysis, opportunities and threats are external factors that the firm may be able to capitalize on to meet or exceed its stated objective.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

94. A quality marketing objective should have three basic characteristics. It should be specific, measurable and _____.

realistic

Marketing objectives need to be realistic so that marketers do not present the firm with unattainable goals.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

95. The group of customers toward which an organization has decided to direct its marketing efforts is known as the _____ market.

target

Marketers seek to identify a target market in order to correctly position their product and direct its marketing efforts for that market.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

96. _____ refers to the activities a firm undertakes to create a certain perception of its product in the eyes of the target market

Positioning

To position its product, firms must take into consideration issues such as the competition, the needs and wants of the target market, and the element of mystique or drama that the good or service naturally has.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

97. A marketing strategy that emphasizes selling more of existing goods and services to existing customers is a _____ strategy.

market penetration

Market penetration strategies emphasize selling more of existing goods and services to existing customers. This type of growth strategy often involves encouraging current customers to buy more each time they patronize a store or to buy from the store on a more frequent basis.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

98. Arm & Hammer baking soda is best known for its use in baking. The company, however, would like to increase its market share to include household and personal care products. By taking the original product and creating new products, the company is using a _____ strategy to capture these new markets.

product development

A product development strategy involves creating new goods and services for existing markets.

AACSB: Reflective Thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

99. John's Fitness Club was originally geared toward men that primarily wanted to lift weights. John has developed an ad campaign designed to inform women of the benefits of weightlifting in hopes of increasing memberships at the club. In this example, John is using a _____ strategy.

market development

A market development strategy focuses on selling existing goods and services to new customers.

AACSB: Reflective Thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

100. _____ strategies seek to attract new customers by offering new products that are unrelated to the existing products produced by the organization.

Diversification

Diversification is a marketing strategy that seeks to attract new customers by offering new products that are unrelated to the existing products produced by the organization.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

101. The product section of the marketing plan comprises a detailed description of not only the good or service itself, but also any _____.

warranties or guarantees

By focusing on the complete product rather than solely on the good or service itself, the firm can differentiate itself from its competitors and satisfy the unmet needs and wants of potential customers.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

102. A product possesses a _____ when it enjoys a superior position over competing products because consumers believe it has more value than other products in its category.

competitive advantage

A product holds a competitive advantage over competing products if consumers believe it has more value than other products in its category.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

103. Whether or not a firm will use advertising, sales promotion, personal selling or public relations is outlined in the _____ section of the marketing plan.

promotion

The promotion section of the marketing plan details how the organization will communicate the value of its product.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

104. Distribution strategies fall within the _____ marketing mix element.

place

The distribution section of the marketing plan describes how the firm will deliver value to its customers; distribution strategies fall within the place marketing mix element.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

105. _____ combines the data provided in the sales and expense forecasts to estimate how much the company needs to sell to cover its expenses.

Break-even analysis

Break-even analysis combines the data provided in the sales and expense forecasts to estimate how much the company needs to sell to cover its expenses.

AACSB: Reflective Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Financials

106. An estimate of the costs the company will incur to create, communicate, and deliver the product is outlined in the _____.

expense forecast

Without an expense forecast, marketers will have a very difficult time allocating resources and predicting when the product will become profitable.

AACSB: Reflective Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Financials

107. No matter how good the marketing plan is, it is of no value unless the company is successful at _____ the plan.

implementing

The implementation section provides a detailed account of how the specific actions of the marketing plan will be carried out and who will be responsible for carrying them out.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Controls

108. _____ defines the actions the company will take if the initial marketing strategy does not achieve results.

Contingency planning

Even the best marketing plan may not go as expected. Contingency planning defines the actions the company will take if the initial marketing strategy does not achieve results.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Controls

109. The five major strategic options for entering the international marketplace are _____.

exporting, licensing, franchising, joint venture and direct investment

As part of developing a marketing plan that involves global marketing, the firm must choose from among the following five major strategic options for entering the international marketplace: exporting, licensing, franchising, joint venture, or direct investment.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

110. Typically, the least risky option for entering international markets is _____.

exporting

Although it has a lower return on investment, exporting is the least risky strategy for entering international markets.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

111. _____ helps to overcome barriers such as increased regulation, rising research and development costs and shortened product lifespans, which is why the use of this market entry strategy has increased significantly in recent years.

Licensing

Licensing is a legal process in which one firm pays to use or distribute another firm's resources, including products, trademarks, patents, intellectual property, or other proprietary knowledge. The use of licensing has increased significantly in recent years.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

112. If Camille decided she wanted to open a *Starbucks* store overseas, she would be using the market entry strategy known as _____.

franchising

Franchising is a contractual arrangement in which the franchisor (Starbucks) provides a franchisee (Camille) the right to use its name and marketing and operational support in exchange for a fee, and, typically, a share of the profits.

AACSB: Reflective Thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

113. The _____ market entry strategy is when a domestic firm partners with a foreign company to create a new entity, thus allowing the domestic firm to enter the foreign company's market.

joint venture

Joint ventures are riskier than exporting, licensing, or franchising because a new firm is created by the domestic firm and a foreign company.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

114. The riskiest method of entering an international market is _____.

direct ownership

Direct ownership is the riskiest method of entering an international market and requires far more resources and commitment than any of the other options. In addition, it can be difficult to manage local resources from afar.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

115. Nonprofit marketers should pay especially close attention to the implementation and _____ sections of the marketing plan, as most work on a very tight marketing budget, making every dollar spent a critical investment.

accountability

Nonprofit marketers should pay especially close attention to the implementation and accountability sections of the marketing plan, as most work on a very tight marketing budget, making every dollar spent a critical investment.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-07 Discuss the importance of strategic planning for nonprofit firms.

Topic: Strategic Planning for Nonprofit Organizations

True / False Questions

116. Strategic planning is a process that is done only once, when the firm is defining its objectives and setting a course for achieving those objectives.

FALSE

Firms must continually undertake the task of strategic planning. Shifting conditions, including changing customer needs and competitive threats, ensure that what worked in the past will not always work in the future, thus requiring firms to modify their strategy.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-01 Discuss the importance of strategic planning for marketing.

Topic: The Importance of Strategic Planning

117. The primary strategic planning tool for directing and coordinating the marketing effort is the marketing plan.

TRUE

The marketing plan is an action-oriented document or playbook that guides the analysis, implementation, and control of the firm's marketing strategy.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Discuss the importance of strategic planning for marketing.

Topic: The Importance of Strategic Planning

118. An action-oriented document or playbook that guides the analysis, implementation, and control of the firm's marketing strategy is the business plan.

FALSE

The marketing plan is an action-oriented document or playbook that guides the analysis, implementation, and control of the firm's marketing strategy.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-02 Outline the five main components of the marketing plan.

Topic: The Marketing Plan

119. Each component of a marketing plan should be grounded in the firm's overall mission.

TRUE

Each component of a marketing plan should be grounded in the firm's overall mission, which is ideally defined in a clear and succinct mission statement.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-02 Outline the five main components of the marketing plan.

Topic: The Marketing Plan

120. A firm's marketing plan is a concise affirmation of the firm's long-term purpose.

FALSE

The *mission statement* is a concise affirmation of the firm's long-term purpose.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Analyze the characteristics of an effective mission statement.

Topic: Mission Statement

121. The mission statement should be customer oriented and focused on satisfying basic customer needs and wants.

TRUE

The mission statement should be customer oriented and answer the questions *Who is our customer?*, and *What is our value to the customer?*

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Analyze the characteristics of an effective mission statement.

Topic: Mission Statement

122. If done correctly, the executive summary should be a comprehensive document outlining every aspect of the marketing plan, down to the last detail.

FALSE

The executive summary serves as the elevator pitch for the marketing plan. It provides a one-to two-page synopsis of the marketing plan's main points.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Analyze the characteristics of an effective mission statement.

Topic: Executive Summary

123. The situation analysis section is often considered the foundation of a marketing plan because organizations must clearly understand their current situation to make strategic decisions about how to best move forward.

TRUE

A situation analysis is the systematic collection of data to identify the trends, conditions, and competitive forces that have the potential to influence the performance of the firm and the choice of appropriate strategies.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

124. The zone is the group of consumers or organizations that are interested in and able to buy a particular product.

FALSE

A market is the group of consumers or organizations that are interested in and able to buy a particular product.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

125. The BCG Matrix divides products into four categories: stars, question marks, cows, and skunks.

FALSE

The BCG matrix combines the two elements of market growth and relative market share to produce four unique product categories (stars, cash cows, question marks, and dogs), each of which requires a different marketing strategy.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

126. The group of products on the BCG matrix that represents products that have a small market share in industries with low growth rates is *dogs*.

TRUE

The BCG matrix combines the two elements of market growth and relative market share to produce four unique product categories (stars, cash cows, question marks, and dogs). Dogs represent products that have a small market share in industries with low growth rates.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

127. The internal considerations of a SWOT analysis are opportunities and threats.

FALSE

The internal considerations of a SWOT analysis are strengths and weaknesses.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

128. The latest Surgeon General warning that a diet high in fat, calories and sodium would be considered a threat to fast food restaurants like McDonald's and Burger King.

TRUE

Threats are current and potential external factors that may challenge a firm's short- and long-term performance. The consumer trend of eating healthier and consuming less fast food would be a threat to fast food firms.

AACSB: Reflective Thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-04 Explain the elements of a situation analysis.

Topic: Situation Analysis

129. Positioning refers to the activities a firm undertakes to create a certain perception of its product in the eyes of the target market.

TRUE

Success within the target market depends, to some degree, on how the firm positions its product and the activities a firm undertakes to create a certain perception of its product in the eyes of the target market.

AACSB: Reflective Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

130. Market penetration strategies focus on selling existing goods and services to new customers.

FALSE

Market penetration strategies emphasize selling more of existing goods and services to *existing* customers. A market development strategy focuses on selling to *new* customers.

AACSB: Reflective Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

131. A marketing strategy that involves creating new goods and services for existing markets is a product development strategy.

TRUE

Product development strategies involve creating new goods and services for existing markets.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

132. The fact that Procter & Gamble has broadened its product offerings to include household cleaning products, laundry products, snack products and hair care products is an example of diversification.

TRUE

Diversification strategies seek to attract new customers by offering new products that are unrelated to the existing products produced by the organization.

AACSB: Reflective Thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

133. Janie thinks that Kleenex is the best brand of facial tissue on the market and refuses to buy any other brand. For Janie, Kleenex has established a competitive advantage over the competing products.

TRUE

The superior position a product enjoys over competing products if consumers believe it has more value than other products in its category is referred to as a competitive advantage.

AACSB: Reflective Thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Marketing Strategy

134. The projection of how many units of a product the company expects to sell during a specific time period is contained in the expense forecast.

FALSE

The sales forecast projects how many units of a product the company expects to sell during a specific time period.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Financials

135. The contingency plan provides a detailed account of how the specific actions of the marketing plan will be carried out.

FALSE

The implementation section provides a detailed account of how the specific actions of the marketing plan will be carried out and who will be responsible for carrying them out.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Illustrate the major strategic directions a firm might take.

Topic: Financials

136. Selling domestically produced products to foreign markets is the least risky option for entering international markets.

TRUE

Typically, the least risky option for entering international markets is exporting, which is selling domestically produced products to foreign markets.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

137. The use of licensing to enter international markets has increased significantly in recent years due to several factors, including more regulation and rising research and development costs.

TRUE

The use of licensing to enter international markets has increased significantly in recent years due to several factors, including more regulation, rising research and development (R&D) costs, and shortened product life cycles.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

138. Franchising is an attractive method of entering foreign markets because franchisors assume the majority of the capital costs and human resource issues.

FALSE

In a franchise situation, it is the *franchisee* that assumes the majority of the capital costs and human resource issues.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

139. Direct ownership is the riskiest method of entering an international market.

TRUE

Because it requires a domestic firm to actively manage a foreign company or overseas facilities, direct ownership is the riskiest method of entering an international market.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Discuss the strategic decisions involved in reaching international consumers.

Topic: Marketing Strategy in a Global Context

140. Strategic planning is not necessary for nonprofit organizations because they are not operating to make a profit.

FALSE

Strategic planning is an essential part of effective marketing at nonprofit organizations. Though some aspects of a nonprofit marketing plan may differ from that of a for-profit firm, the main components and overall structure remain the same.

AACSB: Reflective Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-07 Discuss the importance of strategic planning for nonprofit firms.

Topic: Strategic Planning for Nonprofit Organizations