

Chapter 02 The Marketing Implications of Corporate and Business Strategies

True or False Questions

[QUESTION]

1. The primary strategic responsibility of any manager is to look outward continuously to keep the firm or business in step with changes in the environment.

Answer: True

Level of Difficulty: Medium

Page: 33

Take-Away: 1

[QUESTION]

2. Market-oriented firms are characterized by a consistent focus only at the managerial level on customers' needs and competitive circumstances.

Answer: False

Level of Difficulty: Medium

Page: 35

Take-Away: 1

[QUESTION]

3. Regardless of a company's location, marketing managers play an equally extensive strategic role in every firm.

Answer: False

Level of Difficulty: Medium

Page: 35

Take-Away: 1

[QUESTION]

4. Early entrants into newly emerging industries are typically very market-oriented.

Answer: False

Level of Difficulty: Easy

Page: 36

Take-Away: 2

[QUESTION]

5. Industries tend to become less competitive as they continue to grow.

Answer: False

Level of Difficulty: Medium

Page: 37

Take-Away: 1

[QUESTION]

6. As industries mature, sales volume levels off and technological differences among brands tend to shrink.

Answer: True

Level of Difficulty: Easy

Page: 37

Take-Away: 2

[QUESTION]

7. The degree of adoption of a market orientation varies across firms but not across entire industries.

Answer: False

Level of Difficulty: Medium

Page: 38

Take-Away: 2

[QUESTION]

8. A strategy is a fundamental pattern of present and planned objectives, resource deployments, and interactions of an organization with markets, competitors, and other environmental factors.

Answer: True

Level of Difficulty: Medium

Page: 39

Take-Away: 1

[QUESTION]

9. Strategic inertia refers to the automatic continuation of strategies successful in the past, even though current market conditions are changing.

Answer: True

Level of Difficulty: Medium

Page: 39

Take-Away: 1

[QUESTION]

10. Synergy exists when the firm's businesses, product-markets, resource deployments, and competencies complement and reinforce one another.

Answer: True

Level of Difficulty: Medium

Page: 40

Take-Away: 1

[QUESTION]

11. In large-scale companies, corporate and business-level strategic issues mirror each other.

Answer: False

Level of Difficulty: Medium

Page: 40

Take-Away: 1

[QUESTION]

12. An organization's scope and synergy are the primary focus of a corporate strategy.

Answer: False

Level of Difficulty: Medium

Page: 40

Take-Away: 4

[QUESTION]

13. How a business unit competes within its industry is the critical focus of business-level strategy.

Answer: True

Level of Difficulty: Medium

Page: 42

Take-Away: 6

[QUESTION]

14. The critical issue concerning the scope of a marketing strategy is identifying distinctive competencies that can give the business unit a competitive advantage.

Answer: False

Level of Difficulty: Medium

Page: 42

Take-Away: 6

[QUESTION]

15. To provide a useful sense of direction, a corporate mission statement should clearly define the organization's strategic scope.

Answer: True

Level of Difficulty: Medium

Page: 43

Take-Away: 4

[QUESTION]

16. Ethics focuses on those actions that may result in actual or potential harm of some kind to an individual, group, or organization.

Answer: True

Level of Difficulty: Medium

Page: 45

Take-Away: 3

[QUESTION]

17. Ethical standards emerge only after the negative consequences of an action become apparent.

Answer: False

Level of Difficulty: Medium

Page: 45

Take-Away: 3

[QUESTION]

18. When specifying short-term business-level and marketing goals, important dimensions include their relevance to higher-level strategies and goals and their attainability.

Answer: True

Level of Difficulty: Medium

Page: 47

Take-Away: 4

[QUESTION]

19. Customer satisfaction and loyalty are also determined by factors other than the product itself or the activities of the marketing department.

Answer: True

Level of Difficulty: Easy

Page: 48

Take-Away: 3

[QUESTION]

20. A company's possession of resources that its competitors do not have makes it sufficient for the company to have superior performance.

Answer: False

Level of Difficulty: Easy

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Take-Away: 4

[QUESTION]

21. Zodiac Inc. acquired one of its major suppliers in order to diversify its operations. This implies that it was engaging in forward vertical integration.

Answer: False

Level of Difficulty: Medium

Page: 51

Take-Away: 4

[QUESTION]

22. Value-based models enable managers to classify and review their current and prospective businesses by viewing them as portfolios of investment opportunities.

Answer: False

Level of Difficulty: Medium

Page: 52

Take-Away: 4

[QUESTION]

23. A business's relative market share is a proxy for its competitive strength within its industry.

Answer: True

Level of Difficulty: Medium

Page: 53

Take-Away: 4

[QUESTION]

24. In the BCG growth-share matrix, a star is the market leader in a low-growth industry.

Answer: False

Level of Difficulty: Medium

Page: 53

Take-Away: 6

[QUESTION]

25. Market growth rate is an inadequate descriptor of overall industry attractiveness.

Answer: True

Level of Difficulty: Medium

Page: 54

Take-Away: 4

[QUESTION]

26. Value-based planning is can be effectively used as a substitute for strategic planning.

Answer: False

Level of Difficulty: Medium

Page: 56

Take-Away: 4

[QUESTION]

27. Corporate identity flows from the communications, impressions, and personality projected by an organization.

Answer: True

Level of Difficulty: Easy

Page: 58

Take-Away: 5

[QUESTION]

28. SBU-level managers, particularly those in marketing and sales, are exempt from the responsibility of collecting and analyzing information relevant to their SBUs.

Answer: False

Level of Difficulty: Medium

Page: 58

Take-Away: 6

[QUESTION]

29. Strategic business units have responsibility for their own profitability.

Answer: True

Level of Difficulty: Medium

Page: 59

Take-Away: 6

[QUESTION]

30. A competitive strategy should give potential customers a good reason to purchase from the SBU instead of its competitors.

Answer: True

Level of Difficulty: Medium

Page: 60

Take-Away: 7

Multiple Choice Questions

[QUESTION]

31. Hi-Purr is a pet-grooming business operating over 20 branches in and around the San Francisco area. The firm's stated mission is to become the "preferred destination for pet-owners who desire the very best for their pets." The firm routinely holds pet shows and organizes many other interactive activities centered on studying customer needs and working to realize them. On this evidence, Hi-Purr is a _____ firm.

A. market-oriented

B. monopolistic

C. profit-oriented

D. transaction-oriented

Answer: A

Level of Difficulty: Easy

Page: 32

Take-Away: 2

[QUESTION]

32. Which of the following is true of market-oriented firms?

A. Market-oriented firms have shown to be less profitable.

B. Companies always embrace a market-orientation.

C. Market-oriented firms rely heavily on inputs from their marketing and sales personnel in developing their strategies.

D. Market-oriented firms coordinate their activities around the primary goal of satisfying unmet customer needs.

Answer: D

Level of Difficulty: Medium

Page: 32

Take-Away: 2

[QUESTION]

33. The _____ concept holds that planning and coordination of the company's activities should revolve around the primary goal of satisfying customer needs in order to attain and sustain a competitive advantage and to achieve company objectives over time.

A. production-orientation

B. profit-maximization

C. the marketing concept

D. vertical integration

Answer: C

Level of Difficulty: Easy

Page: 35

Take-Away: 2

[QUESTION]

34. _____ firms focus most of their attention and resources on functions such as product and process engineering and finance in order to acquire and manage the resources necessary to keep pace with growing demand.

A. Market-oriented

B. Production-oriented

C. Customer-oriented

D. Promotion-focused

Answer: B

Level of Difficulty: Easy

Page: 37

Take-Away: 2

[QUESTION]

35. Firms use the _____ response to changes in business environment by increasing advertising budgets or offering frequent price promotions to maintain market share and hold down unit costs.

A. market-oriented

B. customer-oriented

C. sales-oriented

D. quality-oriented

Answer: C

Level of Difficulty: Easy

Page: 37

Take-Away: 2

[QUESTION]

36. What is the focus of the research function in a market-oriented organization?

- A. Applying new technologies to satisfy customer needs
- B. Cutting costs in the production process
- C. Improving the functional performance of existing products
- D. Achieving greater production efficiencies

Answer: A

Level of Difficulty: Medium

Page: 37

Take-Away: 2

[QUESTION]

37. Which of the following is a difference between product-oriented and market-oriented organizations?

- A. A product-oriented organization makes what it can sell; while a market-oriented organization sells what it can make.
- B. Product-oriented organizations offer broad product lines; while market-oriented organizations offer narrow product lines.
- C. The packaging function in a product-oriented organization focuses on providing greater convenience to the customer; while in a market-oriented organization, it focuses providing protection to the product.
- D. The primary focus of the product offering of a product-oriented organization is on functional performance and cost; while in a market-oriented organization, the focus is on customers' needs and market opportunities.

Answer: D

Level of Difficulty: Medium

Page: 37

Take-Away: 2

[QUESTION]

38. The term _____ refers to a fundamental pattern of present and planned objectives, resource deployments, and interactions of an organization with markets, competitors, and other environmental factors.

- A. process
- B. mission
- C. goal
- D. strategy

Answer: D

Level of Difficulty: Easy

Page: 39

Take-Away: 6

[QUESTION]

39. The breadth of an organization's strategic domain, including the number and types of industries, product lines, and market segments it competes in or plans to enter, refers to the organization's:

- A. synergy.
- B. scope.
- C. resource deployments.
- D. sustainable competitive advantage.

Answer: B

Level of Difficulty: Easy

Page: 39

Take-Away: 4

[QUESTION]

40. The _____ of an organization refers to the desired levels of accomplishment on one or more dimensions of performance over specified time periods for the overall organization.

- A. synergy
- B. scope
- C. resource deployments
- D. goals and objectives

Answer: D

Level of Difficulty: Easy

Page: 39

Page: 40

Take-Away: 4

[QUESTION]

41. The term _____ of an organization refers to decisions made regarding how people and funds are obtained and allocated across businesses, product-markets, functional departments, and activities within each business or product-market.

- A. goals and objectives
- B. scope
- C. resource deployments
- D. synergy

Answer: C

Level of Difficulty: Easy

Page: 40

Take-Away: 6

42. _____ exists when the firm's businesses, product-markets, resource deployments, and competencies complement and reinforce one another.

- A. Scope
- B. Synergy
- C. Hierarchy
- D. Mission

Answer: B

Level of Difficulty: Easy

Page: 40

Take-Away: 6

[QUESTION]

43. Which of the following is most likely an objective of an organization's corporate strategy?

- A. Market share
- B. Customer satisfaction
- C. Cash flow
- D. Return on investment

Answer: D

Level of Difficulty: Easy

Page: 41

Take-Away: 1

[QUESTION]

44. Which of the following is a primary source of competitive advantage that is achieved through a marketing strategy?

- A. Better organizational processes relative to competitors
- B. Effective product positioning
- C. Superior corporate financial resources
- D. Business unit's competencies relative to competitors

Answer: B

Level of Difficulty: Medium

Page: 41

Take-Away: 1

[QUESTION]

45. Which of the following is most likely an objective of an organization's marketing strategy?

- A. Profitability
- B. Return on investment
- C. Customer satisfaction
- D. New market growth

Answer: C

Level of Difficulty: Easy

Page: 41

Take-Away: 1

[QUESTION]

46. Allocation of resources at the marketing strategy-level occurs:

- A. across functions shared by multiple businesses.
- B. across functional units within the business unit.
- C. among businesses in the corporate portfolio.
- D. across components of the marketing plan for a product-specific entry.

Answer: D

Level of Difficulty: Easy

Page: 41

Take-Away: 1

[QUESTION]

47. Which of the following is most likely an objective of an organization's business strategy?

- A. Contributions to other stakeholders
- B. Earnings per share
- C. Customer satisfaction
- D. New market growth

Answer: D

Level of Difficulty: Easy

Page: 41

Take-Away: 1

[QUESTION]

48. Which of the following is an approach to corporate development strategy?

- A. Vertical integration
- B. Concentric diversification
- C. Product elimination plans
- D. Line extensions

Answer: A

Level of Difficulty: Easy

Page: 41

Take-Away: 1

[QUESTION]

49. Which of the following is an approach to business development strategy?

- A. Vertical integration
- B. Concentric diversification
- C. Acquisition policies
- D. Line extensions

Answer: B

Level of Difficulty: Easy

Page: 41

Take-Away: 1

[QUESTION]

50. Which of the following is an approach to product-market development strategy?

- A. Vertical integration
- B. Concentric diversification
- C. Acquisition policies
- D. Line extensions

Answer: D

Level of Difficulty: Easy

Page: 41

Take-Away: 1

[QUESTION]

51. Which of the following is a source of synergy for an organization through corporate strategy?

- A. Shared functional competencies across product-markets within an industry
- B. Shared marketing activities across product-market entries
- C. Shared technologies across businesses within the firm
- D. Shared favorable customer image

Answer: C

Level of Difficulty: Easy

Page: 41

Take-Away: 1

[QUESTION]

52. Which of the following is a source of synergy for an organization through business strategy?

- A. Shared functional competencies across product-markets within an industry
- B. Shared marketing activities across product-market entries
- C. Shared technologies across businesses within the firm
- D. Shared marketing competencies across product-market entries

Answer: A

Level of Difficulty: Easy

Page: 41

Take-Away: 1

[QUESTION]

53. Which of the following is a source of synergy for an organization through marketing strategy?

- A. Shared functional competencies across product-markets within an industry
- B. Shared marketing activities across product-market entries
- C. Shared technologies across businesses within the firm
- D. Shared favorable customer image

Answer: B

Level of Difficulty: Easy

Page: 41

Take-Away: 1

[QUESTION]

54. Which of the following is the primary focus of a corporate strategy in large organizations?

- A. Effective allocation and coordination of marketing resources and activities
- B. Competition of a business unit within its industry
- C. Decisions about the organization's scope across its divisions or businesses
- D. Specification of the target markets for a particular product or product line

Answer: C

Level of Difficulty: Medium

Page: 42

Take-Away: 1

[QUESTION]

55. _____ is concerned with the development of moral standards by which actions and situations can be judged.

- A. Religion
- B. Ethics
- C. Logic
- D. Emotion

Answer: B

Level of Difficulty: Easy

Page: 45

Take-Away: 3

[QUESTION]

56. Which of the following is a measure of the performance criteria of 'contribution to customers?'

- A. Product quality
- B. Market share
- C. Return on investment
- D. Unit sales

Answer: A

Level of Difficulty: Easy

Page: 48

Take-Away: 1

[QUESTION]

57. Which of the following indexes measures the performance criteria of 'profitability?'

- A. Customer lifetime value
- B. Return on investment
- C. Market share
- D. Fixed assets as percentage of sales

Answer: B

Level of Difficulty: Easy

Page: 48

Take-Away: 1

[QUESTION]

58. Which of the following is a component of a corporate objective?

- A. Product positioning
- B. Product-line depth
- C. Product characteristics
- D. Time frame

Answer: D

Level of Difficulty: Medium

Page: 49

Take-Away: 7

[QUESTION]

59. _____ include activities such as increasing market share and increasing product usage.

- A. Market penetration strategies
- B. Market development strategies
- C. Product development strategies
- D. Diversification strategies

Answer: A

Level of Difficulty: Easy

Page: 50

Take-Away: 4

[QUESTION]

60. _____ involve expanding markets for existing products.

- A. Market development strategies
- B. Market penetration strategies
- C. Product development strategies
- D. Diversification strategies

Answer: A

Level of Difficulty: Easy

Page: 50

Take-Away: 4

[QUESTION]

61. Hungry Hogs, a fast-food joint based in America, is opening its first overseas outlet in England. Hungry Hogs is engaging in _____.

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

Answer: D

Level of Difficulty: Medium

Page: 50

Take-Away: 4

[QUESTION]

62. _____ occurs when a manufacturer acquires a wholesale distributor or retail outlet.

- A. Horizontal integration
- B. Backward integration
- C. Forward vertical integration
- D. Unrelated diversification

Answer: C

Level of Difficulty: Medium

Page: 51

Take-Away: 4

[QUESTION]

63. Which of the following is an example of backward integration?

- A. When a company that produces lumber moves into manufacture of wood furniture
- B. When a company that produces wood furniture acquires its supplier of lumber
- C. When a firm that produces wood furniture moves into production of metal furniture products
- D. When a firm producing a high-technology computer starts to produce sophisticated software

Answer: B

Level of Difficulty: Medium

Page: 51

Take-Away: 4

[QUESTION]

64. _____ occurs when a firm moves upstream by acquiring a supplier.

- A. Unrelated diversification
- B. Forward vertical integration
- C. Backward integration
- D. Concentric diversification

Answer: C

Level of Difficulty: Medium

Page: 51

Take-Away: 4

[QUESTION]

65. A watch manufacturer acquires a tannery that would produce premium leather straps for its brand of wristwatches. The firm acquires a smaller company that specializes in waterproofing wristwatches. Which of the following strategies is the watch manufacturer adopting in this case?

- A. Conglomerate diversification
- B. Unrelated diversification
- C. Concentric diversification
- D. Market penetration

Answer: C

Level of Difficulty: Hard

Page: 51

Take-Away: 4

[QUESTION]

66. Which of the following is true of related diversification?

- A. The motivations for related diversification are primarily financial rather than operational.
- B. Related diversification contributes to internal synergy through the sharing of production facilities and marketing and distribution skills.
- C. Related diversification occurs when a disproportionate number of a firm's current businesses face decline because of decreasing demand.
- D. Related diversification is typically the riskiest growth strategy in terms of financial outcomes.

Answer: B

Level of Difficulty: Medium

Page: 51

Take-Away: 4

[QUESTION]

67. Which of the following growth strategies is typically the riskiest in terms of financial outcomes?

- A. Conglomerate diversification
- B. Forward vertical integration
- C. Backward integration
- D. Related diversification

Answer: A

Level of Difficulty: Medium

Page: 51

Take-Away: 4

[QUESTION]

68. Which of the following factors are plotted along the vertical axis of the BCG growth-share matrix?

- A. the industry's growth rate
- B. the business's relative market share
- C. the industry's market cap
- D. the business's absolute market share

Answer: A

Level of Difficulty: Medium

Page: 52

Take-Away: 4

[QUESTION]

69. Divestiture and harvesting are strategies that most suitable for:

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

Answer: A

Level of Difficulty: Medium

Page: 53

Take-Away: 4

[QUESTION]

70. In the BCG growth-share matrix, a business's _____ is a proxy for an SBU's competitive strength within its industry.

- A. relative market share
- B. core competency
- C. market value
- D. absolute market share

Answer: A

Level of Difficulty: Medium

Page: 53

Take-Away: 4

[QUESTION]

71. According to the BCG growth-share matrix, businesses in high-growth industries with low market shares are termed:

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

Answer: C

Level of Difficulty: Easy

Page: 54

Take-Away: 4

[QUESTION]

72. In terms of the BCG growth-share matrix, the market leader in a high-growth industry is termed a:

- A. cash cow.
- B. star.
- C. dog.
- D. question mark.

Answer: B

Level of Difficulty: Easy

Page: 54

Take-Away: 4

[QUESTION]

73. In terms of the BCG growth-share matrix, businesses with a high relative share of low-growth markets are called:

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

Answer: D

Level of Difficulty: Easy

Page: 54

Take-Away: 4

[QUESTION]

74. The amount of return a strategy or operating program generates in excess of the cost of capital is commonly referred to as its:

- A. opportunity cost.
- B. gross output.
- C. economic value added.
- D. enterprise value.

Answer: C

Level of Difficulty: Medium

Page: 55

Take-Away: 4

[QUESTION]

75. Strategic business units are:

- A. two or more independent firms that work together toward common objectives.
- B. components of a firm engaged in multiple industries or businesses.
- C. firms that are both collaborators and competitors in the same market.
- D. members of the value chain for a single product.

Answer: B

Level of Difficulty: Medium

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Take-Away: 4

Essay Questions

[QUESTION]

76. List a few reasons why firms are not always in close touch with their market environments.

Answer: Some of the reasons why firms are not always in close touch with their market environments include:

- a. Competitive conditions may enable a company to be successful in the short run without being particularly sensitive to customer desires.

- b. Different levels of economic development across industries or business philosophies.
- c. Firms can suffer from strategic inertia—the automatic continuation the past, even though current market conditions are changing.

Level of Difficulty: Medium

Page: 36

Take-Away: 1

[QUESTION]

77. What is the difference between a production-oriented and a sales-oriented firm? What tell-tale signs would you expect to find distinguishing the two types of firms?

Answer: A production- oriented firm derives its mission from the making of the product; a sales-oriented firm derives its mission from selling the product. In the former, substantial power can be found vested in production and engineering personnel; in the latter, power can be found in sales personnel.

Level of Difficulty: Medium

Page: 37

Take-Away: 7

[QUESTION]

78. Describe the five components within a well-developed strategy.

Answer: The five components within a well-developed strategy are: (1) scope (breadth of strategic domain); (2) goals and objectives (desired level of accomplishment); (3) resource deployments (how resources are to be obtained and allocated); (4) identification of sustainable competitive advantage (how the business will compete within its domain); and (5) synergy (the extent to which the firm's efforts complement and reinforce one another.)

Level of Difficulty: Medium

Page: 39

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Take-Away: 1

[QUESTION]

79. Mention the components of an objective.

Answer: Each objective contains four components:

- a. A performance dimension or attribute sought.
- b. A measure or index for evaluating progress.
- c. A target or hurdle level to be achieved.
- d. A time frame within which the target is to be accomplished.

Level of Difficulty: Medium

Page: 47

Take-Away: 1

[QUESTION]

80. Distinguish between vertical integration, concentric diversification, and conglomerate diversification.

Answer: Vertical integration is one way for companies to diversify. Forward vertical integration occurs when a firm moves downstream in terms of the product flow, as when a manufacturer integrates by acquiring or launching a wholesale distributor or retail outlet. Backward integration occurs when a firm moves upstream by acquiring a supplier. Related (or concentric) diversification occurs when a firm internally develops or acquires another business that does not have products or customers in common with its current businesses but that might contribute to internal synergy through the sharing of production facilities, brand names, R&D know-how, or marketing and distribution skill. An unrelated (or conglomerate) diversification involves two businesses that have no commonalities in products, customers, production facilities, or functional areas of expertise. Such diversification mostly occurs when a disproportionate number of a firm's current businesses face decline because of decreasing demand, increased competition, or product obsolescence. The motivations for unrelated diversification are primarily financial rather than operational.

Level of Difficulty: Medium

Page: 51

Take-Away: 4

[QUESTION]

81. Explain the four cells in the BCG growth-share matrix that represent different types of business.

Answer: Question marks: Businesses in high-growth industries with low relative market shares are called question marks or problem children. Such businesses require large amounts of cash, not only for expansion to keep up with the rapidly growing market, but also for marketing activities (or reduced margins) to build market share and catch the industry leader.

Stars: A star is the market leader in a high-growth industry. Stars are critical to the continued success of the firm. As their industries mature, they move into the bottom-left quadrant and become cash cows. Paradoxically, while stars are critically important, they often are net users rather than suppliers of cash in the short run.

Cash cows: Businesses with a high relative share of low-growth markets are called cash cows because they are the primary generators of profits and cash in a corporation. Such businesses do not require much additional capital investment. Their markets are stable, and their share leadership position usually means they enjoy economies of scale and relatively high profit margins.

Dogs: Low-share businesses in low-growth markets are called dogs because although they may throw off some cash, they typically generate low profits or losses.

Level of Difficulty: Medium

Page: 54

Take-Away: 4

[QUESTION]

82. What are the limitations of the BCG growth-share matrix?

Answer: The limitations of the BCG growth-share matrix are: (1) the inadequacy of market growth as a descriptor of industry attractiveness; (2) the inadequacy of relative market share as a descriptor of competitive position; (3) sensitivity to variations in how growth and share are measured; and (4) lack of guidance for strategy implementation, and (5) the model's assumption that all business units are independent of one another except for the flow of cash.

Level of Difficulty: Medium

Page: 54

Take-Away: 4

[QUESTION]

83. How do knowledge and corporate brands serve as sources of synergy?

Answer: Some potential synergies at the corporate level are knowledge-based. The performance of one business can be enhanced by the transfer of competencies, knowledge, or customer-related intangibles such as brand-name recognition and reputation from other units within the firm. Corporate identity with a strong corporate brand that embodies that identity can help a firm stand out from its competitors and give it a sustainable advantage in the market. Corporate identity flows from the communications, impressions, and personality projected by an organization. It is shaped by the firm's mission and values, its functional competencies, the quality and design of its goods and services, its marketing communications, the actions of its personnel, the image generated by various corporate activities, and other factors.

Level of Difficulty: Medium

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Take-Away: 4

[QUESTION]

84. What criteria should managers use to decide how product-markets should be clustered into a business unit?

Answer: The three dimensions that define the scope and mission of the entire corporation also define individual SBUs:

- a. Technical compatibility, particularly with respect to product technologies and operational requirements, such as the use of similar production facilities and engineering skills.
- b. Similarity in the customer needs or the product benefits sought by customers in the target markets.
- c. Similarity in the personal characteristics or behavior patterns of customers in the target markets.

Level of Difficulty: Medium

Page: 59

Take-Away: 6

[QUESTION]

85. What are the three characteristics that a competitive strategy must have to be successful over the long haul?

Answer: a. It should generate customer value.

b. The superior value must be perceived by the customer.

c. The advantage should be difficult for competitors to copy.

Level of Difficulty: Easy

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Take-Away: 7