Chapter 02

Elements of Marketing Strategy, Planning, and Competition

**True / False Questions**

1. **Value is defined by the customer.**
   - True  False

2. **A benefit is some type of utility that a company and its products provide for customers.**
   - True  False

3. **Starbucks is known to have shops located across the street from each other. It appears that the coffee shop chain is offering place utility.**
   - True  False

4. **Samsung’s first value proposition when the brand was launched in the United States was price and functionality.**
   - True  False

5. **The value proposition relates to the price of a product.**
   - True  False
6. Firms should not be concerned that satisfied customers will switch to another brand.

   True    False

7. The two parts of the value equation are benefits and cost.

   True    False

8. Outbound logistics refer to the distribution of products.

   True    False

9. As long as all activities in the value chain are working well, managers do not need to be concerned with aligning the activities.

   True    False

10. The last step in the value chain is margin.

    True    False

11. Marketing (little m) serves as the driver of business strategy.

    True    False

12. According to the BCG matrix, a business that is classified as a star has high growth and low market share.

    True    False

13. Linda imports fine art paintings and photographs that she sells to hotels. When the dollar is weak against foreign currencies, she struggles to cover her costs. Business has increased 400% in the last five years. With additional resources, she believes she can expand into the profitable hospital and senior assisted living housing markets. According to the BGC matrix, Linda's business is a dog.

    True    False
14. The GE Business Screen portfolio model evaluates businesses on the dimensions of market attractiveness and market share.

True   False

15. The GE Business Screen model assesses the firm's ability to compete. Business position looks at factors like government regulations, sensitivity to economic trends, and size of the market.

True   False

16. A mission statement does not include a discussion of the firm's strategic vision.

True   False

17. Objectives are measurable; goals are broad statements of generally desired accomplishments in support of the firm's mission statement.

True   False

18. The Sarbanes-Oxley Act of 2002 established specific procedures to ensure ethical conduct at the highest levels of the company, including the board of directors.

True   False

19. Strategy has two key phases: formulation and execution.

True   False

20. Companies in some business cultures based outside the United States seem to have less pressure to achieve high levels of growth.

True   False
21. A firm's competitive strategy leads it to decide if it can grow and if not, how to survive through stability or retrenchment.

   True   False

22. Market penetration strategies allow the firm to introduce existing products to new customers, often including international markets.

   True   False

23. Market development strategies allow the firm to invest additional resources to have existing customers consume new products.

   True   False

**Multiple Choice Questions**

24. Value may be defined as the ratio of bundled benefits received to the cost incurred by the customer to receive those benefits. _______ is not thought of as one of the costs.

   A. Monetary cost
   B. Time to shop
   C. Convenience
   D. Poor service quality
   E. The hassle factor
25. Form utility is _______.

A. Marketing's task in creating an offering that has value
B. Production's task in creating an offering that has value
C. The firm's task in deciding where to distribute the product
D. Both marketing's task in creating an offering that has value and production's task in creating an offering that has value
E. Both marketing's task in creating an offering that has value and the firm's task in deciding where to distribute the product

26. Gabrielle and Juan have a vacation home 90 miles from their primary residence. They could haul bags of groceries and an ice chest of refrigerated foods with them when they leave home. However, they like to grocery shop at a market located near the vacation spot. It offers them ________ utility.

A. Time
B. Form
C. Ownership and form
D. Form and time
E. Place

27. Ryan pays a market rate to take his young children to daycare that is run by his employer. It is open until 7:00 p.m., a time by which everyone leaves. This service offered by his company offers ________ utility.

A. Time
B. Form
C. Place
D. Form and ownership
E. Time and place
28. Shabreka likes to shop in a designer boutique located in a city 30 miles from her home. This store offers ________ utility.

A. Time and place
B. Form and time
C. Ownership
D. Form
E. Place

29. José’s and Maria’s son Jorge is a talented swimmer. The pool where he takes swimming lessons is 45 miles from their home in suburban Atlanta. ________ utility is not part of the roundtrip they make six days a week.

A. Form
B. Time and place
C. Ownership
D. Form and ownership
E. Place
30. The concept of the value chain was created by ______.

A. Fred Wiserma
B. Michael Porter
C. Jim Collins
D. Peter Drucker
E. The Boston Consulting Group

31. ______ is not one of the five primary activities in the value chain.

A. Inbound logistics
B. Operations
C. Technology procurement
D. Outbound logistics
E. Marketing and sales
32. A window manufacturer has trouble getting raw materials for production. The problem occurs in the __________ activity of the value chain.

A. Inbound logistics  
B. Operations  
C. Outbound logistics  
D. Marketing and sales  
E. Service

33. Sean attributes the success of his video game arcade to advertising on the most popular website for gamers. Recently, the website raised ad prices so Sean has cut his advertising in half. He believed that positive word of mouth will be enough now that his game parlor is well established. However, sales are slipping. The problem occurs in the ______ activity of the value chain.

A. Inbound logistics  
B. Operations  
C. Outbound logistics  
D. Marketing and sales  
E. Service
34. Dave is a close-up magician who is famous for his card tricks. He creates and sells DVDs of his magic tricks. Lately he has been having trouble getting the DVDs produced in a timely manner. The problem occurs in the____activity of the value chain.

A. Inbound logistics
B. Operations
C. Outbound logistics
D. Marketing and sales
E. Service

35. Mark and Gregory are partners in a manufacturing firm that employs over 1,500 people. Recently, employees have been complaining that they were not told of changes in health insurance coverage and premiums. They attribute this to a problem with the____part of the value chain.

A. Firm infrastructure
B. Human resource management
C. Technology development
D. Inbound logistics
E. Procurement
36. Mammoth Foods, a major agricultural corporation, recently purchased MJS Organic Foods Co. MJS was established six years ago and has become a major supplier to restaurants in the northeastern United States. The organic herbs, vegetables, and fruit market is expected to have a double-digit growth rate over the next decade. Most likely, MJS would be classified as a _______ under the Boston Consulting Group model.

A. Star
B. Cash Cow
C. Dog
D. Problem Child
E. Top Gun

37. Apple introduced the iTunes store in 2003. On February 6, 2013, Apple announced that the twenty-five billionth song had been downloaded. Most likely Apple’s iTunes would be classified as a _______.

A. Star
B. Cash Cow
C. Dog
D. Problem Child
E. Top Gun
38. Manufacturers of writable CDs are concerned that demand may drop as people turn to the Cloud for data storage. CDs may be classified as a ________.

   A. Star
   B. Cash Cow
   C. Dog
   D. Problem Child
   E. Top Gun

39. Lately the demand for building materials has dropped due to the slowdown in new housing construction. Wood-O Corp., is thinking of closing its fine wood division that produces mahogany and cherry lumber for building cabinets and other applications. Most likely the fine wood division would be classified as a __________.

   A. Star
   B. Cash Cow
   C. Dog
   D. Problem Child
   E. Top Gun
40. Hot and Cold Corp., makes disposable coffee and soft drink cups for use in fast-food restaurants, hospitals, convenience stores, and the like. The company is working on a sturdy new product that will biodegrade within five years of being put in a landfill. This promising new product line would most likely be classified as a __________.

A. Star  
B. Cash Cow  
C. Dog  
D. Problem Child  
E. Top Gun

41. The Green Scene Co., a struggling start-up firm that needs a huge cash injection, has an environmentally friendly pesticide that is approved for use by commercial organic farmers. The pesticide is made from all natural ingredients and has great potential. A small investment firm has injected cash in Green Scene. Mostly likely the investment firm views Green Scene as a ______.

A. Star  
B. Cash Cow  
C. Dog  
D. Problem Child  
E. Top Gun
42. Mega-Big Corp., has a small strategic business unit (SBU) that produces a component vital to the manufacture of automobiles and has been extremely profitable for 18 years. Most likely, the SBU is classified as a ________.

A. Star  
B. Cash Cow  
C. Dog  
D. Problem Child  
E. Top Gun

43. Mega-Big Corp., is interested in buying MD Softworks, a medical software firm. Softworks is highly regarded by medical practices for ease of use. Two software engineers started the company, but they have made risky financial and poor management decisions. Mega Corp., believes that with proper management the software firm will become an industry leader. Mostly likely the software firm would be classified as a ________.

A. Star  
B. Cash Cow  
C. Dog  
D. Problem Child  
E. Top Gun

44. The business position dimension of the GE Business Screen includes all but ________.

A. Organization  
B. Growth  
C. Patents  
D. Governmental regulations  
E. Marketing
45. The firm's ______ articulates an organization's purpose, or reason for existence. It should define the unique purpose that sets it apart from competitors and identifies the scope of the company's operations, products, and markets.

A. Mission statement
B. Goals
C. Objectives
D. Vision
E. Value proposition

46. Which of the following is not considered a goal?

A. To deliver the best customer service
B. To practice responsible financial management
C. To increase revenue by 15 to 20% in each of the next five years
D. To hire the best people
E. To minimize waste
47. Which of the following is not considered an objective?

A. To improve customer satisfaction ratings to 95%
B. To increase ROI by 20%
C. To be the leader in our field
D. To reduce the cost of scrap material to less than 1% of total manufacturing cost
E. To get five new distributors

48. Growth, stability, and retrenchment refer to a firm’s position relating to its ______.
49. Hernandez Brothers manufactures trailers that are used by lawn service companies. The company was started in Texas by their father with 1 production site and 4 sales and service locations. Since the sons took over, they have expanded in the last 12 years to include 26 sales and service centers throughout the southeast. Mostly likely, the company is using a generic strategy based on ________.

A. Retrenchment
B. Stability
C. Market development
D. Growth/concentration via vertical integration
E. Growth/concentration based on horizontal integration

50. Go Fish Sushi restaurants are primarily located in malls. The restaurants had rapid growth in their first seven years. Now the owner has decided that adding more restaurants would make it impossible to monitor operations. Most likely the owner is pursuing a generic strategy of ________.

A. Retrenchment
B. Stability
C. Diversification via concentric means
D. Growth/concentration via vertical integration
E. Growth/concentration based on horizontal integration
51. Really Big Homebuilders used to purchase many building lots and erect spec homes (i.e., it gambled that the demand for new houses would be so high that they would sell easily). Since the real estate slowdown, it builds homes only when owners are under contract. Most likely the company is pursuing a generic business strategy of ______.

A. Retrenchment  
B. Stability  
C. Diversification via concentric means  
D. Growth/concentration via vertical integration  
E. Growth/concentration based on horizontal integration

52. Automobile manufacturers must comply with regulations set by the National Transportation and Safety Board. A discussion of this would be included in the ______ part of a marketing plan.

A. Sociocultural/demographic  
B. Firm structure and systems  
C. Political, legal, and ethical  
D. Firm resources  
E. Threat of new entrants

53. The Busted Puppy, a microbrewery, is creating a marketing plan. Managers are concerned with current distribution. An examination of this issue would be in the ______ section of the marketing plan.

A. Firm structure and systems  
B. Technological  
C. Firm resources  
D. Segmentation strategies  
E. Supply chain strategies
54. Today many retailers create apps that customers can download to their smartphones or tablets to keep up-to-date on the company's offerings. Most likely a description of this would be in the ________ part of a marketing plan.

A. Economic situation
B. Natural factors
C. Technological factors
D. Bargaining power of suppliers
E. Marketing capabilities

55. According to the 2010 U.S. Census, Asian Americans are the highest-income, fastest-growing racial group in America. Most likely an examination of this issue would be in the ________ section of the marketing plan.

A. Natural factors
B. Legal issues
C. Economic trends
D. Sociocultural/demographic
E. Threat of new entrants
56. The price of a barrel of oil has varied dramatically in the last few years. When the price of oil is high, automobile drivers look to find ways to drive less. An examination of this issue would be in the ________ section of the marketing plan.

A. Bargaining power of buyers
B. Bargaining power of suppliers
C. Threat of new entrants
D. Threat of substitute products
E. Rivalry among existing firms

57. One competitive force not addressed directly by Michael Porter is ________.

A. Power of competitive forces
B. Power of substitute forces
C. Power of other stakeholders
D. Power of suppliers
E. Power of potential entrants
58. In the section of a marketing plan devoted to firm resources, one expects to find an examination of a firm's functional/operational level of resources and capabilities and how they impact the firm's ability to develop and execute market-driven strategies. These capabilities would include all but ________.

A. Information systems  
B. Marketing  
C. Financial  
D. Transportation systems across the country  
E. Human capabilities

59. A SWOT analysis should not ________.

A. Analyze the competition  
B. Look at internal strengths  
C. Include factors from the situation analysis  
D. Identify natural factors  
E. Suggest solutions to problems
60. The best place in a SWOT analysis to list the competitive trends is _______.

A. External opportunities
B. External threats
C. Internal opportunities
D. Internal strengths
E. Internal weaknesses

61. The best place in a SWOT analysis to identify problems with hurricanes, earthquakes, major snowfalls, and other natural phenomena is _______.

A. External opportunities
B. External threats
C. Internal opportunities
D. Internal strengths
E. Internal weaknesses
62. The best place in a SWOT analysis to identify rising interest rates and availability of credit for a firm seeking to expand through new construction of real estate is ______.

A. External opportunities  
B. External threats  
C. Internal opportunities  
D. Internal strengths  
E. Internal weaknesses

63. The best place in a SWOT analysis to identify an increased marketing budget is in ______.

A. External opportunities  
B. External threats  
C. Internal opportunities  
D. Internal strengths  
E. Internal weaknesses
64. The best place in a SWOT analysis for an airline to identify the possibility of acquiring a competitor is in _______.

A. External opportunities
B. External threats
C. Internal opportunities
D. Internal strengths
E. Internal weaknesses

65. The best place in a SWOT analysis for a wristwatch manufacturer to identify the threat of substitute products like cell phones is in _______.

A. External opportunities
B. External threats
C. Internal opportunities
D. Internal strengths
E. Internal weaknesses
66. Swag Suitz, a manufacturer of male clothing, finds that the informal atmosphere that was created by the three founders is no longer manageable now that the firm has more than 300 employees. Managers have determined a need for a human resources department. An examination of this issue would be found in the ______ part of the situation analysis.

A. Firm structure  
B. Firm culture  
C. Firm leadership  
D. Firm resources  
E. Firm history

67. Goals and objectives should be set ______.

A. At the beginning of marketing planning  
B. At the end of the situation analysis  
C. After marketing strategies are fixed  
D. After completion of all market research, situation analysis, and competitor analysis  
E. None of these
68. Listen HEAR!, a producer of headphones used with cell phones and MP3 players, uses contract manufacturing overseas. The firm is concerned that tariffs may be increased. An examination of this issue would take place in the _______ part of the situation analysis.

A. Economic factors  
B. Natural factors  
C. Competitive factors  
D. Political, legal, and ethical factors  
E. Logistical factors

69. Malala, the marketing manager of an automobile dealership, is crafting a SWOT analysis. She should include the downturn in the U.S. economy and tightening of the credit markets in the _______ section.

A. Strengths  
B. Threats  
C. Opportunities  
D. Strategies  
E. Weaknesses
70. Malala has many items to include in the SWOT analysis for an automobile dealership. An examination of competitors that have gone bankrupt would be included in the ______ section.

A. Strengths  
B. Threats  
C. Opportunities  
D. Strategies  
E. Weaknesses

71. Roberta's company, New Home Builders Corp., specializes in designing one-story homes that have wide hallways and walk-in showers that could accommodate the need to use a wheelchair or walker, and other amenities that allow couples to remain in their homes as they age. The company's strong value proposition has allowed it to maintain steady market share in a weak housing market. A discussion of this relative advantage would be included in the ______ section of the SWOT.

A. Strengths  
B. Threats  
C. Opportunities  
D. Strategies  
E. Weaknesses
72. Open Sesame is a chain of Thai restaurants located in the western United States. The marketing manager has discovered that there is a growing demand for Spanish food and that Latino Americans spend more money on food away from home than other ethnic groups. This information would be included in the ______ part of the SWOT analysis.

A. Strengths  
B. Threats  
C. Opportunities  
D. Strategies  
E. Weaknesses

73. The U.S. dollar has strengthened against the euro and the yen. A discussion of this would be included in the ______ section of the SWOT.

A. Strengths  
B. Threats  
C. Opportunities  
D. Strategies  
E. Weaknesses
74. The marketing manager at Little Red Schoolhouse Architects, a firm that specializes in the design of school buildings, discovered a glitch in the software that the firm uses and that some of its most recent projects will come in overbudget. A discussion of this would be included in the _______ section of the SWOT.

A. Strengths
B. Threats
C. Opportunities
D. Strategies
E. Weaknesses

75. Pegasus Express, a well-established North American delivery service, wants to expand service into Central and South America. This is classified as ________ in Ansoff’s Product-Market Matrix.

A. Market diversification
B. Marketing strategy development
C. Market penetration
D. Product development
E. Market development
76. Call Company has 12 call centers worldwide handling customer service issues for a variety of companies. The firm is considering the purchase of a software firm that serves the oil and gas industry. Most likely, this would be classified as ______ in Ansoff’s Product-Market Matrix.

A. Market diversification
B. Marketing strategy development
C. Market penetration
D. Product development
E. Market development

77. A former professional football player invested in a seafood restaurant chain when he played ball. Now that he is retired from the NFL and has time to devote to his business interests, he and his partners want to start a chain of organic fast-casual restaurants in their region of 6 million households. Most likely, this would be classified as ______ in Ansoff's Product-Market Matrix.

A. Market diversification
B. Marketing strategy development
C. Market penetration
D. Product development
E. Market development
78. Bliss Massage Therapy Center maintains a database of over 700 clients and sends each one a special discount offer in the month of his or her birthday. Managers hope that as existing customers use the discount, they will see an overall growth in sales. Most likely, this would be classified as ______ in Ansoff’s Product-Market Matrix.

A. Market diversification  
B. Marketing strategy development  
C. Market penetration  
D. Product development  
E. Market development

79. Gabriel, VP of marketing for Really Big Screen Televisions, wants the company to offer a DVD player, a product the company doesn’t have now. He thinks that the firm has many brand-loyal customers who would buy it. Most likely, this would be classified as ______ in Ansoff’s Product-Market Matrix.

A. Market diversification  
B. Marketing strategy development  
C. Market penetration  
D. Product development  
E. Market development
80. Body Builders Gym's marketing team wants to stay open until 3:00 a.m. The gym currently closes at midnight. Most likely, this would be classified as ______ in Ansoff's Product-Market Matrix.

A. Market diversification
B. Marketing strategy development
C. Market penetration
D. Product development
E. Market development

81. Inga, marketing manager at Oh, Baby!, a professional preschool center, thinks the firm should start an after-school program to retain its current clients. This makes sense as she wants to extend the trusting relationship already established with parents and children. Most likely, this would be classified as ______ in Ansoff's Product-Market Matrix.

A. Market diversification
B. Marketing strategy development
C. Market penetration
D. Product development
E. Market development
82. Jamal’s boss wants him to travel to Canada to investigate opening retail stores in Montreal and Ottawa. The firm operates 278 stores in the United States. Most likely, the extension into a new geographic region would be classified as ______ in Ansoff’s Product-Market Matrix.

A. Market diversification
B. Marketing strategy development
C. Market penetration
D. Product development
E. Market development

83. The process of measuring marketing results and adjusting the marketing plan as needed is called ______.

A. Marketing control
B. Marketing metrics
C. Marketing management
D. Marketing strategy
E. Marketing planning
84. One reason for developing ______ is that the firm must be nimble in responding to bad publicity resulting from product tampering or failure, ethical or legal misconduct of an officer, or some other aspect of operation that garners bad press.

A. Mission statements
B. Forecasting
C. Press releases
D. Contingency plans
E. Alternative company names

85. Every marketing plan includes an implementation element. These are sometimes called ______.

A. Strategic plans
B. Marketing programs
C. Value propositions
D. Action plans
E. Marketing channels
86. Implementation elements, or action plans, should include ______.

A. Timing
B. A way to measure results
C. The identity of the responsible person
D. The identification of resources needed
E. All of these

87. One part of a marketing plan should identify what to do if things go wrong. This section is called ______.

A. Contingency planning
B. Strategic planning
C. Marketing metrics
D. Action plans
E. Marketing programs

88. Contingency plans should include ______.

A. Best-case scenarios
B. Worst-case scenarios
C. Expected-case scenarios
D. Best-case scenarios and Worst-case scenarios only
E. Best-case scenarios, Worst-case scenarios, and Expected-case scenarios
89. Marketing plans are _______.

A. A means of gathering input from stakeholders throughout the firm
B. Essential for the firm’s success
C. A rallying point for creativity
D. Well articulated
E. All of these

90. Scott is a plumbing fixture manufacturer’s salesperson. He sells to wholesalers, homebuilders, and retailers. His marketing plan calls for going to four trade shows a year. He recently found out that there would be a new Home Show aimed at consumers in his territory and he wants to attend. His boss says “Go for it!” The boss is reflecting which of the following concepts in successful marketing planning?

A. Stay flexible.
B. Utilize input, but don’t become paralyzed by information and analysis.
C. Don’t underestimate the implementation part of the plan.
D. Stay strategic, but also stay on top of the tactical.
E. Give yourself and your people room to fail and try again.
91. Mary’s firm has delayed making a decision on acquiring a new product line. Her staff has analyzed and tweaked numbers for three months. Most likely, the staff needs to be reminded of which concept?

A. Stay flexible.
B. Utilize input, but don’t become paralyzed by information and analysis.
C. Don’t underestimate the implementation part of the plan.
D. Stay strategic, but also stay on top of the tactical.
E. Give yourself and your people room to fail and try again.

92. Tyler’s event planning company hired a new marketing assistant. He says he is a “big-picture person,” not a detail-oriented person. Most likely, Tyler is about to find out that the new assistant needs to be coached in which concept?

A. Stay flexible.
B. Utilize input, but don’t become paralyzed by information and analysis.
C. Don’t underestimate the implementation part of the plan.
D. Stay strategic, but also stay on top of the tactical.
E. Give yourself and your people room to fail and try again.
93. Samantha has worked for MJS Marketing for five years and expected a promotion next month. However, the new product launch that she organized did not go as smoothly as expected. This was the first time the company had hired an outside firm for promotions and Sam is worried that will reflect poorly on her. Sam’s terrific boss will most likely remind her of which concept?

A. Stay flexible.
B. Utilize input, but don’t become paralyzed by information and analysis.
C. Don’t underestimate the implementation part of the plan.
D. Stay strategic, but also stay on top of the tactical.
E. Give yourself and your people room to fail and try again.

94. Tips for producing a successful marketing plan include which concept(s)?

A. Stay flexible.
B. Utilize input, but don’t become paralyzed by information and analysis.
C. Don’t underestimate the implementation part of the plan.
D. Stay strategic, but also stay on top of the tactical.
E. All of these.
Chapter 02 Elements of Marketing Strategy, Planning, and Competition

Answer Key

True / False Questions

1. Value is defined by the customer.

**TRUE**

Value was defined from a customer’s perspective as a ratio of the bundle of benefits a customer receives from an offering compared to the costs incurred by the customer in acquiring that bundle of benefits.

**AACSB: Analytic**
**Accessibility: Keyboard Navigation**
**Blooms: Remember**
**Difficulty: 1 Easy**

_Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain._

_Topic: Value Is at the Core of Marketing_

2. A benefit is some type of utility that a company and its products provide for customers.

**TRUE**

A benefit is some type of utility that a company and its products (and services) provide its customers.

**AACSB: Reflective Thinking**
**Accessibility: Keyboard Navigation**
**Blooms: Remember**
**Difficulty: 2 Medium**

_Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain._

_Topic: Value Is at the Core of Marketing_
3. Starbucks is known to have shops located across the street from each other. It appears that the coffee shop chain is offering place utility.

**TRUE**

The three utilities—time, place, and ownership—are created by marketing. They are created when products are available to customers at a convenient location when they want to purchase them, and facilities of exchange are available that allow for transfer of the product ownership from seller to buyer.

AACS: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain.
Topic: Value Is at the Core of Marketing

4. Samsung's first value proposition when the brand was launched in the United States was price and functionality.

**TRUE**

When South Korean-based Samsung first brought its brand to the United States, it communicated a message centered primarily on functionality at a moderate price—a strategy designed to provide an advantage over pricier Japanese brands. But over time, Samsung's value proposition has expanded to include innovativeness, style, and dependability—the latter of which was helped significantly by high ratings of many of the company's products by sources such as Consumer Reports.

AACS: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain.
Topic: Value Is at the Core of Marketing
5. The value proposition relates to the price of a product.

**FALSE**

When a firm communicates the value proposition of its products to customers, the value message may include the whole bundle of benefits the company promises to deliver, not just the benefits of the product itself.

**AACSB: Analytic**

**Accessibility:** Keyboard Navigation

**Blooms:** Remember

**Difficulty:** 1 Easy

**Learning Objective:** 02-01 Examine the concept of value and the elements and role of the value chain.

**Topic:** Value Is at the Core of Marketing

6. Firms should not be concerned that satisfied customers will switch to another brand.

**FALSE**

For firms interested in building long-term customer relationships, having satisfied customers is not enough to ensure the relationship is going to last.

**AACSB: Reflective Thinking**

**Accessibility:** Keyboard Navigation

**Blooms:** Understand

**Difficulty:** 1 Easy

**Learning Objective:** 02-01 Examine the concept of value and the elements and role of the value chain.

**Topic:** Value Is at the Core of Marketing

7. The two parts of the value equation are benefits and cost.

**TRUE**

One can think of value as a ratio of benefits to costs, as viewed from the eyes of the beholder (the customer).

**AACSB: Analytic**

**Accessibility:** Keyboard Navigation

**Blooms:** Remember

**Difficulty:** 1 Easy
8. Outbound logistics refer to the distribution of products.

**TRUE**

Outbound logistics—how the firm transports and distributes the final products to the marketplace.

9. As long as all activities in the value chain are working well, managers do not need to be concerned with aligning the activities.

**FALSE**

CEOs in recent years have been concentrating on aligning the various elements of the value chain, meaning that all facets of the company are working together to ensure that no snags will negatively impact the firm’s value proposition. From a customer’s perspective, when the supplier’s value chain is working well, all the customer tends to see are the results of a well-aligned value chain: quality products, good salespeople, on-time delivery, prompt service after the sale, and so on. However, it takes only one weak link in the value chain and the whole process of cultivating satisfied and loyal customers can be circumvented.
10. The last step in the value chain is margin.  
**TRUE**  
See Exhibit 2.1.

11. Marketing (little m) serves as the driver of business strategy.  
**FALSE**  
At the functional or operational level, marketing (little m) represents the specific programs and tactics aimed at customers and other stakeholder groups and includes everything from brand image, to the message salespeople and advertisements deliver, to customer service, to packaging and product features—in fact, all elements of operationalizing the marketing mix and beyond.
12. According to the BCG matrix, a business that is classified as a star has high growth and low market share.

**FALSE**

Stars (high share, high growth): important to building the future of the business and deserving any needed investment.

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13. Linda imports fine art paintings and photographs that she sells to hotels. When the dollar is weak against foreign currencies, she struggles to cover her costs. Business has increased 400% in the last five years. With additional resources, she believes she can expand into the profitable hospital and senior assisted living housing markets. According to the BCG matrix, Linda’s business is a dog.

**FALSE**

Dogs (low share, low growth): potential high cash users and prime candidates for liquidation.
14. The GE Business Screen portfolio model evaluates businesses on the dimensions of market attractiveness and market share.

**FALSE**

The GE Business Screen, shown in Exhibit 2.4, is a more realistic and complex portfolio model. It also evaluates the business on two dimensions—market attractiveness and business position, which refers to its ability to compete.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-02 Understand the conditions required for successful marketing planning, that marketing planning is focused on the value proposition, and that marketing planning is a dynamic process.
Topic: Marketing Planning Is Both Strategic and Tactical

15. The GE Business Screen model assesses the firm’s ability to compete. Business position looks at factors like government regulations, sensitivity to economic trends, and size of the market.

**FALSE**

The GE Business Screen, shown in Exhibit 2.4, is a more realistic and complex portfolio model. It also evaluates the business on two dimensions—market attractiveness and business position, which refers to its ability to compete. The investment decision is again suggested by the position on a matrix. A business that is favorable on both dimensions should usually be a candidate to grow. When both market attractiveness and business position evaluations are unfavorable, the marketing planning and strategy, while analytical in nature, often yield very funny marketing communication programs.

AACSB: Communication
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-02 Understand the conditions required for successful marketing planning, that marketing planning is focused on the value proposition, and that marketing planning is a dynamic process.
Topic: Marketing Planning Is Both Strategic and Tactical
16. A mission statement does not include a discussion of the firm's strategic vision.

**FALSE**

It identifies the scope of a company's operations, products, and markets. Most mission statements also include a discussion of what the company would like to become in the future—its strategic vision.

17. Objectives are measurable; goals are broad statements of generally desired accomplishments in support of the firm's mission statement.

**TRUE**

Goals, general statements of what the firm wishes to accomplish in support of the mission and vision, eventually become refined into specific, measurable, and (hopefully) attainable objectives for the firm.
18. The Sarbanes-Oxley Act of 2002 established specific procedures to ensure ethical conduct at the highest levels of the company, including the board of directors.

**TRUE**

The Sarbanes-Oxley Act of 2002 (commonly referred to as SOX) established specific procedures and processes to ensure ethical conduct at the highest levels of a company including the board of directors and senior management.

Learning Objective: 02-02 Understand the conditions required for successful marketing planning, that marketing planning is focused on the value proposition, and that marketing planning is a dynamic process.

Topic: Marketing Planning Is Both Strategic and Tactical

19. Strategy has two key phases: formulation and execution.

**TRUE**

Strategy has two key phases: formulation (or development) and execution.

Learning Objective: 02-03 Identify various types of organizational strategies.

Topic: Elements of Marketing Planning
20. Companies in some business cultures based outside the United States seem to have less pressure to achieve high levels of growth.

**TRUE**

The pressure to constantly achieve accelerated growth is much less intense in many business cultures outside the United States.

21. A firm's competitive strategy leads it to decide if it can grow and if not, how to survive through stability or retrenchment.

**FALSE**

Generic strategy: See Exhibit 2.5.
22. Market penetration strategies allow the firm to introduce existing products to new customers, often including international markets.

**FALSE**

See Exhibit 2.11.

23. Market development strategies allow the firm to invest additional resources to have existing customers consume new products.

**FALSE**

See Exhibit 2.11.

**Multiple Choice Questions**
24. Value may be defined as the ratio of bundled benefits received to the cost incurred by the customer to receive those benefits. ________ is not thought of as one of the costs.

A. Monetary cost
B. Time to shop
C. Convenience
D. Poor service quality
E. The hassle factor

One can think of value as a ratio of benefits to costs, as viewed from the eyes of the beholder (the customer). That is, customers incur a variety of costs in doing business with any firm, be those costs financial, time, opportunity costs, or otherwise.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain.
Topic: Value Is at the Core of Marketing
25. Form utility is _____.

A. Marketing's task in creating an offering that has value
B. Production's task in creating an offering that has value
C. The firm's task in deciding where to distribute the product
D. Both marketing's task in creating an offering that has value and production's task in creating an offering that has value
E. Both marketing's task in creating an offering that has value and the firm's task in deciding where to distribute the product

Form utility is created when the firm converts raw materials into finished products that are desired by the market.
26. Gabrielle and Juan have a vacation home 90 miles from their primary residence. They could haul bags of groceries and an ice chest of refrigerated foods with them when they leave home. However, they like to grocery shop at a market located near the vacation spot. It offers them __________ utility.

A. Time  
B. Form  
C. Ownership and form  
D. Form and time  
E. Place

The three utilities—time, place, and ownership—are created by marketing. They are created when products are available to customers at a convenient location when they want to purchase them, and facilities of exchange are available that allow for transfer of the product ownership from seller to buyer.
27. Ryan pays a market rate to take his young children to daycare that is run by his employer. It is open until 7:00 p.m., a time by which everyone leaves. This service offered by his company offers ______________ utility.

A. Time  
B. Form  
C. Place  
D. Form and ownership  
E. Time and place

The three utilities—time, place, and ownership—are created by marketing. They are created when products are available to customers at a convenient location when they want to purchase them, and facilities of exchange are available that allow for transfer of the product ownership from seller to buyer.

AACSB: Analytic  
Accessibility: Keyboard Navigation  
Blooms: Apply  
Difficulty: 2 Medium  
Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain.  
Topic: Value Is at the Core of Marketing
28. Shabreka likes to shop in a designer boutique located in a city 30 miles from her home. This store offers ______ utility.

A. Time and place  
B. Form and time  
C. Ownership  
D. Form  
E. Place  

Form utility is created when the firm converts raw materials into finished products that are desired by the market.

AACSB: Analytic  
Accessibility: Keyboard Navigation  
Blooms: Apply  
Difficulty: 3 Hard  
Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain.  
Topic: Value Is at the Core of Marketing
29. José's and Maria's son Jorge is a talented swimmer. The pool where he takes swimming lessons is 45 miles from their home in suburban Atlanta. ______ utility is not part of the roundtrip they make six days a week.

A. Form

B. Time and place

C. Ownership

D. Form and ownership

E. Place

The three utilities—time, place, and ownership—are created by marketing. They are created when products are available to customers at a convenient location when they want to purchase them, and facilities of exchange are available that allow for transfer of the product ownership from seller to buyer.
30. The concept of the value chain was created by ________.

A. Fred Wiserma

B. Michael Porter

C. Jim Collins

D. Peter Drucker

E. The Boston Consulting Group

Created by Michael Porter in his classic book Competitive Advantage, the value chain serves as a means for firms to identify ways to create, communicate, and deliver more customer value within a firm. Exhibit 2.1 portrays Porter's value chain concept.
31. _______ is not one of the five primary activities in the value chain.

A. Inbound logistics
B. Operations
C. Technology procurement
D. Outbound logistics
E. Marketing and sales

See Exhibit 2.1.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain.
Topic: Value Is at the Core of Marketing
32. A window manufacturer has trouble getting raw materials for production. The problem occurs in the __________ activity of the value chain.

A. Inbound logistics
B. Operations
C. Outbound logistics
D. Marketing and sales
E. Service

Inbound logistics—how the firm goes about sourcing raw materials for production.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain.

Topic: Value Is at the Core of Marketing
33. Sean attributes the success of his video game arcade to advertising on the most popular website for gamers. Recently, the website raised ad prices so Sean has cut his advertising in half. He believed that positive word of mouth will be enough now that his game parlor is well established. However, sales are slipping. The problem occurs in the ______ activity of the value chain.

A. Inbound logistics  
B. Operations  
C. Outbound logistics  
D. Marketing and sales  
E. Service

Marketing and sales—how the firm communicates the value proposition to the marketplace.

AACSB: Analytic  
Accessibility: Keyboard Navigation  
Blooms: Understand  
Difficulty: 1 Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain.  
Topic: Value Is at the Core of Marketing
34. Dave is a close-up magician who is famous for his card tricks. He creates and sells DVDs of his magic tricks. Lately he has been having trouble getting the DVDs produced in a timely manner. The problem occurs in the ______ activity of the value chain.

A. Inbound logistics
B. Operations
C. Outbound logistics
D. Marketing and sales
E. Service

Operations—how the firm converts the raw materials into final products.
35. Mark and Gregory are partners in a manufacturing firm that employs over 1,500 people. Recently, employees have been complaining that they were not told of changes in health insurance coverage and premiums. They attribute this to a problem with the ______ part of the value chain.

A. Firm infrastructure

B. Human resource management

C. Technology development

D. Inbound logistics

E. Procurement

Human resource management—how the firm ensures it has the right people in place, trains them, and keeps them.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain.
Topic: Value Is at the Core of Marketing
36. Mammoth Foods, a major agricultural corporation, recently purchased MJS Organic Foods Co. MJS was established six years ago and has become a major supplier to restaurants in the northeastern United States. The organic herbs, vegetables, and fruit market is expected to have a double-digit growth rate over the next decade. Most likely, MJS would be classified as a _______ under the Boston Consulting Group model.

A. Star
B. Cash Cow
C. Dog
D. Problem Child
E. Top Gun

Stars (high share, high growth): important to building the future of the business and deserving any needed investment.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-02 Understand the conditions required for successful marketing planning, that marketing planning is focused on the value proposition, and that marketing planning is a dynamic process.

Topic: Marketing Planning Is Both Strategic and Tactical
37. Apple introduced the iTunes store in 2003. On February 6, 2013, Apple announced that the twenty-five billionth song had been downloaded. Most likely Apple's iTunes would be classified as a ________.

A. Star
B. Cash Cow
C. Dog
D. Problem Child
E. Top Gun

Cash Cows (high share, low growth): key sources of internal cash generation for the firm.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-02 Understand the conditions required for successful marketing planning, that marketing planning is focused on the value proposition, and that marketing planning is a dynamic process.

Topic: Marketing Planning Is Both Strategic and Tactical
38. Manufacturers of writable CDs are concerned that demand may drop as people turn to the Cloud for data storage. CDs may be classified as a _______.

A. Star
B. Cash Cow
C. Dog
D. Problem Child
E. Top Gun

Problem Children, or Question Marks (low share, high growth): high cash needs that, if properly nurtured, can convert into stars.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-02 Understand the conditions required for successful marketing planning, that marketing planning is focused on the value proposition, and that marketing planning is a dynamic process.

Topic: Marketing Planning Is Both Strategic and Tactical
39. Lately the demand for building materials has dropped due to the slowdown in new housing construction. Wood-O Corp., is thinking of closing its fine wood division that produces mahogany and cherry lumber for building cabinets and other applications. Most likely the fine wood division would be classified as a __________.

A. Star
B. Cash Cow
C. Dog
D. Problem Child
E. Top Gun

Problem Children, or Question Marks (low share, high growth): high cash needs that, if properly nurtured, can convert into stars.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-02 Understand the conditions required for successful marketing planning, that marketing planning is focused on the value proposition, and that marketing planning is a dynamic process.

Topic: Marketing Planning Is Both Strategic and Tactical
40. Hot and Cold Corp., makes disposable coffee and soft drink cups for use in fast-food restaurants, hospitals, convenience stores, and the like. The company is working on a sturdy new product that will biodegrade within five years of being put in a landfill. This promising new product line would most likely be classified as a ____________.

A. Star  
B. Cash Cow  
C. Dog  
D. Problem Child  
E. Top Gun  

Stars (high share, high growth): important to building the future of the business and deserving any needed investment.

AACSB: Analytic  
Accessibility: Keyboard Navigation  
Blooms: Apply  
Difficulty: 2 Medium  

Learning Objective: 02-02 Understand the conditions required for successful marketing planning, that marketing planning is focused on the value proposition, and that marketing planning is a dynamic process.  
Topic: Marketing Planning Is Both Strategic and Tactical
41. The Green Scene Co., a struggling start-up firm that needs a huge cash injection, has an environmentally friendly pesticide that is approved for use by commercial organic farmers. The pesticide is made from all natural ingredients and has great potential. A small investment firm has injected cash in Green Scene. Mostly likely the investment firm views Green Scene as a _______.

A. Star
B. Cash Cow
C. Dog
D. Problem Child
E. Top Gun

Problem Children, or Question Marks (low share, high growth): high cash needs that, if properly nurtured, can convert into stars.
42. Mega-Big Corp., has a small strategic business unit (SBU) that produces a component vital to the manufacture of automobiles and has been extremely profitable for 18 years. Most likely, the SBU is classified as a ________. 

A. Star  
B. Cash Cow  
C. Dog  
D. Problem Child  
E. Top Gun  

Cash Cows (high share, low growth): key sources of internal cash generation for the firm.

AACSB: Analytic  
Accessibility: Keyboard Navigation  
Blooms: Apply  
Difficulty: 2 Medium  

Learning Objective: 02-02 Understand the conditions required for successful marketing planning, that marketing planning is focused on the value proposition, and that marketing planning is a dynamic process.  

Topic: Marketing Planning Is Both Strategic and Tactical
43. Mega-Big Corp., is interested in buying MD Softworks, a medical software firm. Softworks is highly regarded by medical practices for ease of use. Two software engineers started the company, but they have made risky financial and poor management decisions. Mega Corp., believes that with proper management the software firm will become an industry leader. Mostly likely the software firm would be classified as a ________.

A. Star  
B. Cash Cow  
C. Dog  
D. Problem Child  
E. Top Gun

Problem Children, or Question Marks (low share, high growth): high cash needs that, if properly nurtured, can convert into stars.

AACSB: Analytic  
Accessibility: Keyboard Navigation  
Blooms: Apply  
Difficulty: 2 Medium

Learning Objective: 02-02 Understand the conditions required for successful marketing planning, that marketing planning is focused on the value proposition, and that marketing planning is a dynamic process.  
Topic: Marketing Planning Is Both Strategic and Tactical  

44. The business position dimension of the GE Business Screen includes all but ________.

A. Organization  
B. Growth  
C. Patents  
D. Governmental regulations  
E. Marketing

See Exhibit 2.4.
45. The firm's ______ articulates an organization's purpose, or reason for existence. It should define the unique purpose that sets it apart from competitors and identifies the scope of the company's operations, products, and markets.

A. Mission statement

B. Goals

C. Objectives

D. Vision

E. Value proposition

A mission statement articulates an organization's purpose, or reason for existence. A well-conceived mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its type and identifies the scope of a company's operations, products, and markets.
46. Which of the following is not considered a goal?

A. To deliver the best customer service
B. To practice responsible financial management
C. To increase revenue by 15 to 20% in each of the next five years
D. To hire the best people
E. To minimize waste

Goals, general statements of what the firm wishes to accomplish in support of the mission and vision, eventually become refined into specific, measurable, and (hopefully) attainable objectives for the firm.
47. Which of the following is not considered an objective?

A. To improve customer satisfaction ratings to 95%
B. To increase ROI by 20%
C. To be the leader in our field
D. To reduce the cost of scrap material to less than 1% of total manufacturing cost
E. To get five new distributors

Objectives at the corporate and SBU level provide the benchmarks by which organizational performance is assessed.
48. Growth, stability, and retrenchment refer to a firm's position relating to its ______.

A. Specific strategy

B. Generic strategy

C. Future strategy

D. Marketing strategy

E. Corporate strategy

A firm's generic strategy is its overall directional strategy at the business level. Fundamentally, all firms must decide whether they wish to (or are able to) grow, and if not, how they can survive through stability or retrenchment.
Hernandez Brothers manufactures trailers that are used by lawn service companies. The company was started in Texas by their father with 1 production site and 4 sales and service locations. Since the sons took over, they have expanded in the last 12 years to include 26 sales and service centers throughout the southeast. Mostly likely, the company is using a generic strategy based on _____.

A. Retrenchment  
B. Stability  
C. Market development  
D. Growth/concentration via vertical integration  
E. Growth/concentration based on horizontal integration

AACSB: Analytic  
Accessibility: Keyboard Navigation  
Blooms: Apply  
Difficulty: 2 Medium  
Learning Objective: 02-03 Identify various types of organizational strategies.  
Topic: Elements of Marketing Planning
50. Go Fish Sushi restaurants are primarily located in malls. The restaurants had rapid growth in their first seven years. Now the owner has decided that adding more restaurants would make it impossible to monitor operations. Most likely the owner is pursuing a generic strategy of _______.

A. Retrenchment

B. Stability

C. Diversification via concentric means

D. Growth/concentration via vertical integration

E. Growth/concentration based on horizontal integration

See Exhibit 2.5—Stability. The strategy to continue current activities with little significant change in direction may be appropriate for a successful organization operating in a reasonably predictable environment. It can be useful in the short term but potentially dangerous in the long term, especially if the competitive landscape changes.
51. Really Big Homebuilders used to purchase many building lots and erect spec homes (i.e., it gambled that the demand for new houses would be so high that they would sell easily). Since the real estate slowdown, it builds homes only when owners are under contract. Most likely the company is pursuing a generic business strategy of ________.

A. Retrenchment
B. Stability
C. Diversification via concentric means
D. Growth/concentration via vertical integration
E. Growth/concentration based on horizontal integration

Exhibit 2.5—Retrenchment. An organization in a weak competitive position in some or all of its product lines, resulting in poor performance and pressure on management to quickly improve, may pursue retrenchment. Essentially, retrenchment involves pulling assets out of underperforming parts of the business and reinvesting in aspects of the business with greater future performance potential.
Automobile manufacturers must comply with regulations set by the National Transportation and Safety Board. A discussion of this would be included in the _______ part of a marketing plan.

A. Sociocultural/demographic  
B. Firm structure and systems  
C. Political, legal, and ethical  
D. Firm resources  
E. Threat of new entrants

The discussion would be included in the political, legal, and ethical part of a marketing plan. All firms operate within certain rules, laws, and norms of operating behavior. For example, JetBlue has myriad regulations administered by the Federal Aviation Administration, the National Transportation Safety Board, and the Transportation Security Administration. In the airline industry, the regulatory environment is a particularly strong external influence on firms’ marketing planning.
53. The Busted Puppy, a microbrewery, is creating a marketing plan. Managers are concerned with current distribution. An examination of this issue would be in the _______ section of the marketing plan.

A. Firm structure and systems  
B. Technological  
C. Firm resources  
D. Segmentation strategies  
E. Supply chain strategies

The issue would be discussed in the firm resources. Internal analysis involves taking an honest look at all aspects of a firm's functional/operational-level resources and capabilities and how they play into the ability to develop and execute market-driven strategies. Key resources for study are marketing capabilities, financial capabilities, R&D and technological capabilities, operations and production capabilities, human capabilities, and information system capabilities.

AACSB: Analytic  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 2 Medium

Learning Objective: 02-03 Identify various types of organizational strategies.  
Topic: Elements of Marketing Planning
54. Today many retailers create apps that customers can download to their smartphones or tablets to keep up-to-date on the company’s offerings. Most likely a description of this would be in the _______ part of a marketing plan.

A. Economic situation  
B. Natural factors  
C. Technological factors  
D. Bargaining power of suppliers  
E. Marketing capabilities

It would be in the technological part of a marketing plan. Constantly emerging and evolving technologies impact business in many ways. The goal is to try to understand the future impact of technological change so a firm’s products will continue to be fresh and viable. JetBlue ordered a number of new downsized “regional jets,” planes that carry about 50 passengers and allow for entry into smaller, underserved markets. The airline is banking on these attractive, comfortable new aircraft to provide a market edge over the competition.

AACSB: Analytic  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 2 Medium  
Learning Objective: 02-04 Conduct a situation analysis.  
Topic: Elements of Marketing Planning
55. According to the 2010 U.S. Census, Asian Americans are the highest-income, fastest-growing racial group in America. Most likely an examination of this issue would be in the ______ section of the marketing plan.

A. Natural factors  
B. Legal issues  
C. Economic trends  
D. Sociocultural/demographic  
E. Threat of new entrants

It would be in the sociocultural/demographic section of the marketing plan. Trends among consumers and in society as a whole impact marketing planning greatly. Many such trends are demographic in nature, including changing generational preferences and the rising buying power of minority groups domestically and consumers in developing nations in the global marketplace. JetBlue jumped on the video game trend among children and teens by providing in-seat games, much to the delight of parents who no longer have to entertain the kids for the duration of the flight.

AACSB: Analytic  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 2 Medium  
Learning Objective: 02-04 Conduct a situation analysis.  
Topic: Elements of Marketing Planning
The price of a barrel of oil has varied dramatically in the last few years. When the price of oil is high, automobile drivers look to find ways to drive less. An examination of this issue would be in the ______ section of the marketing plan.

A. Bargaining power of buyers
B. Bargaining power of suppliers
C. Threat of new entrants
D. Threat of substitute products
E. Rivalry among existing firms

It would be in the bargaining power of buyers section of the marketing plan. To what degree can customers affect prices or product offerings? So far, JetBlue has not been in much head-to-head competition with Southwest/AirTran, Spirit, Allegiant, Frontier, or other low-fare carriers in its primary markets. Should this change, passengers will have more power to demand even lower fares and/or additional services from JetBlue.
57. One competitive force not addressed directly by Michael Porter is _______.

A. Power of competitive forces
B. Power of substitute forces
C. Power of other stakeholders
D. Power of suppliers
E. Power of potential entrants

One other competitive force not directly addressed by Porter is the relative power of other stakeholders. This force is becoming more and more relevant in assessing industry competitiveness.

AACSB: Communication
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-04 Conduct a situation analysis.
Topic: Elements of Marketing Planning
58. In the section of a marketing plan devoted to firm resources, one expects to find an examination of a firm's functional/operational level of resources and capabilities and how they impact the firm's ability to develop and execute market-driven strategies. These capabilities would include all but _______.

A. Information systems
B. Marketing
C. Financial
D. Transportation systems across the country
E. Human capabilities

The firm resources section of a marketing plan should include analysis of these key resources for study: information systems capabilities, marketing capabilities, financial capabilities, and human capabilities.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
59. A SWOT analysis should not ______.

A. Analyze the competition
B. Look at internal strengths
C. Include factors from the situation analysis
D. Identify natural factors
E. Suggest solutions to problems

See Exhibit 2.10.
60. The best place in a SWOT analysis to list the competitive trends is ________.

   A. External opportunities
   B. External threats
   C. Internal opportunities
   D. Internal strengths
   E. Internal weaknesses

   See Exhibit 2.10.
61. The best place in a SWOT analysis to identify problems with hurricanes, earthquakes, major snowfalls, and other natural phenomena is _______.

A. External opportunities  
B. External threats  
C. Internal opportunities  
D. Internal strengths  
E. Internal weaknesses

See Exhibit 2.10.

AACSB: Analytic  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 3 Hard

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.  
Topic: Tips for Successful Marketing Planning
62. The best place in a SWOT analysis to identify rising interest rates and availability of credit for a firm seeking to expand through new construction of real estate is _______.

A. External opportunities

B. External threats

C. Internal opportunities

D. Internal strengths

E. Internal weaknesses

See Exhibit 2.10.
63. The best place in a SWOT analysis to identify an increased marketing budget is in ______.

A. External opportunities
B. External threats
C. Internal opportunities

D. Internal strengths

E. Internal weaknesses

See Exhibit 2.10.

AASCB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 3 Hard

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
64. The best place in a SWOT analysis for an airline to identify the possibility of acquiring a competitor is in ______.

A. External opportunities
B. External threats
C. Internal opportunities
D. Internal strengths
E. Internal weaknesses

See Exhibit 2.10.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
65. The best place in a SWOT analysis for a wristwatch manufacturer to identify the threat of substitute products like cell phones is in _______.

A. External opportunities
B. External threats
C. Internal opportunities
D. Internal strengths
E. Internal weaknesses

See Exhibit 2.10.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
66. Swag Suitz, a manufacturer of male clothing, finds that the informal atmosphere that was created by the three founders is no longer manageable now that the firm has more than 300 employees. Managers have determined a need for a human resources department. An examination of this issue would be found in the _______ part of the situation analysis.

A. Firm structure  
B. Firm culture  
C. Firm leadership  
D. Firm resources  
E. Firm history

It would be found in firm resources. Internal analysis involves taking an honest look at all aspects of a firm's functional/operational-level resources and capabilities and how they play into the ability to develop and execute market-driven strategies. Key resources for study are marketing capabilities, financial capabilities, R&D and technological capabilities, operations and production capabilities, human capabilities, and information system capabilities.

AACSB: Analytic  
Accessibility: Keyboard Navigation  
Blooms: Apply  
Difficulty: 2 Medium  
Learning Objective: 02-04 Conduct a situation analysis.  
Topic: Elements of Marketing Planning
67. Goals and objectives should be set _______.

A. At the beginning of marketing planning
B. At the end of the situation analysis
C. After marketing strategies are fixed
D. After completion of all market research, situation analysis, and competitor analysis
E. None of these

Based on what is learned from the situation analysis, competitor analysis, and market research, goals and objectives can now be developed related to what the marketing manager intends to accomplish with the marketing plan.

AACSB: Communication
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
68. Listen HEAR!, a producer of headphones used with cell phones and MP3 players, uses contract manufacturing overseas. The firm is concerned that tariffs may be increased. An examination of this issue would take place in the _______ part of the situation analysis.

A. Economic factors

B. Natural factors

C. Competitive factors

D. Political, legal, and ethical factors

E. Logistical factors

It takes place in the political, legal, and ethical part of the situation analysis. All firms operate within certain rules, laws, and norms of operating behavior. For example, JetBlue has myriad regulations administered by the Federal Aviation Administration, the National Transportation Safety Board, and the Transportation Security Administration. In the airline industry, the regulatory environment is a particularly strong external influence on firms' marketing planning.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Conduct a situation analysis.
Topic: Elements of Marketing Planning
69. Malala, the marketing manager of an automobile dealership, is crafting a SWOT analysis. She should include the downturn in the U.S. economy and tightening of the credit markets in the _______ section.

A. Strengths
B. Threats
C. Opportunities
D. Strategies
E. Weaknesses

See Exhibit 2.10.
70. Malala has many items to include in the SWOT analysis for an automobile dealership. An examination of competitors that have gone bankrupt would be included in the ________ section.

A. Strengths  
B. Threats  
C. Opportunities  
D. Strategies  
E. Weaknesses

See Exhibit 2.10.
71. Roberta's company, New Home Builders Corp., specializes in designing one-story homes that have wide hallways and walk-in showers that could accommodate the need to use a wheelchair or walker, and other amenities that allow couples to remain in their homes as they age. The company’s strong value proposition has allowed it to maintain steady market share in a weak housing market. A discussion of this relative advantage would be included in the _______ section of the SWOT.

A. Strengths
B. Threats
C. Opportunities
D. Strategies
E. Weaknesses

See Exhibit 2.10.
72. Open Sesame is a chain of Thai restaurants located in the western United States. The marketing manager has discovered that there is a growing demand for Spanish food and that Latino Americans spend more money on food away from home than other ethnic groups. This information would be included in the ______ part of the SWOT analysis.

A. Strengths

B. Threats

C. Opportunities

D. Strategies

E. Weaknesses

See Exhibit 2.10.
73. The U.S. dollar has strengthened against the euro and the yen. A discussion of this would be included in the ______ section of the SWOT.

A. Strengths
B. Threats
C. Opportunities
D. Strategies
E. Weaknesses

See Exhibit 2.10.
74. The marketing manager at Little Red Schoolhouse Architects, a firm that specializes in the design of school buildings, discovered a glitch in the software that the firm uses and that some of its most recent projects will come in overbudget. A discussion of this would be included in the _______ section of the SWOT.

A. Strengths  
B. Threats  
C. Opportunities  
D. Strategies  
E. Weaknesses  

See Exhibit 2.10.
75. Pegasus Express, a well-established North American delivery service, wants to expand service into Central and South America. This is classified as __________ in Ansoff’s Product-Market Matrix.

A. Market diversification

B. Marketing strategy development

C. Market penetration

D. Product development

E. Market development

See Exhibit 2.11.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
76. Call Company has 12 call centers worldwide handling customer service issues for a variety of companies. The firm is considering the purchase of a software firm that serves the oil and gas industry. Most likely, this would be classified as ______ in Ansoff's Product-Market Matrix.

A. Market diversification

B. Marketing strategy development

C. Market penetration

D. Product development

E. Market development

See Exhibit 2.11.

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
A former professional football player invested in a seafood restaurant chain when he played ball. Now that he is retired from the NFL and has time to devote to his business interests, he and his partners want to start a chain of organic fast-casual restaurants in their region of 6 million households. Most likely, this would be classified as ______ in Ansoff's Product-Market Matrix.

A. Market diversification
B. Marketing strategy development
C. Market penetration
D. Product development
E. Market development

See Exhibit 2.11.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
Bliss Massage Therapy Center maintains a database of over 700 clients and sends each one a special discount offer in the month of his or her birthday. Managers hope that as existing customers use the discount, they will see an overall growth in sales. Most likely, this would be classified as ______ in Ansoff's Product-Market Matrix.

A. Market diversification
B. Marketing strategy development
C. Market penetration
D. Product development
E. Market development

See Exhibit 2.11.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
79. Gabriel, VP of marketing for Really Big Screen Televisions, wants the company to offer a DVD player, a product the company doesn’t have now. He thinks that the firm has many brand-loyal customers who would buy it. Most likely, this would be classified as ______ in Ansoff’s Product-Market Matrix.

A. Market diversification
B. Marketing strategy development
C. Market penetration
D. Product development
E. Market development

See Exhibit 2.11.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.
Topic: Tips for Successful Marketing Planning
80. Body Builders Gym's marketing team wants to stay open until 3:00 a.m. The gym currently closes at midnight. Most likely, this would be classified as _______ in Ansoff's Product-Market Matrix.

A. Market diversification

B. Marketing strategy development

C. Market penetration

D. Product development

E. Market development

See Exhibit 2.11.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
81. Inga, marketing manager at Oh, Baby!, a professional preschool center, thinks the firm should start an after-school program to retain its current clients. This makes sense as she wants to extend the trusting relationship already established with parents and children. Most likely, this would be classified as ______ in Ansoff’s Product-Market Matrix.

A. Market diversification
B. Marketing strategy development
C. Market penetration
D. Product development
E. Market development

See Exhibit 2.11.
82. Jamal's boss wants him to travel to Canada to investigate opening retail stores in Montreal and Ottawa. The firm operates 278 stores in the United States. Most likely, the extension into a new geographic region would be classified as _______ in Ansoff’s Product-Market Matrix.

A. Market diversification
B. Marketing strategy development
C. Market penetration
D. Product development
E. Market development

See Exhibit 2.11.
83. The process of measuring marketing results and adjusting the marketing plan as needed is called _______.

A. Marketing control  
B. Marketing metrics  
C. Marketing management  
D. Marketing strategy  
E. Marketing planning

Strategy development is only part of marketing planning. The other part is strategy implementation, including measuring results. The process of measuring marketing results and adjusting the marketing plan as needed is called marketing control.

AACSB: Communication  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 2 Medium

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.  
Topic: Tips for Successful Marketing Planning
84. One reason for developing _______ is that the firm must be nimble in responding to bad publicity resulting from product tampering or failure, ethical or legal misconduct of an officer, or some other aspect of operation that garners bad press.

A. Mission statements

B. Forecasting

C. Press releases

D. Contingency plans

E. Alternative company names

A final step marketing managers should take is to develop contingency plans that can be implemented should something happen that negates the viability of the marketing plan.

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
Every marketing plan includes an implementation element. These are sometimes called ______.

A. Strategic plans
B. Marketing programs
C. Value propositions
D. Action plans
E. Marketing channels

In a marketing plan, every strategy must include an implementation element. Sometimes these are called action plans or programs. Each must discuss timing, assign persons responsible for various aspects of implementation, and assign resources necessary to make the strategy happen.

AACSB: Communication
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
86. Implementation elements, or action plans, should include _______.

A. Timing
B. A way to measure results
C. The identity of the responsible person
D. The identification of resources needed
E. All of these

In a marketing plan, every strategy must include an implementation element. Sometimes these are called action plans or programs. Each must discuss timing, assign persons responsible for various aspects of implementation, and assign resources necessary to make the strategy happen.

AACSB: Communication
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
87. One part of a marketing plan should identify what to do if things go wrong. This section is called ______.

A. Contingency planning
B. Strategic planning
C. Marketing metrics
D. Action plans
E. Marketing programs

A final step marketing managers should take is to develop contingency plans that can be implemented should something happen that negates the viability of the marketing plan.
88. Contingency plans should include ________.

A. Best-case scenarios
B. Worst-case scenarios
C. Expected-case scenarios
D. Best-case scenarios and Worst-case scenarios only
E. Best-case scenarios, Worst-case scenarios, and Expected-case scenarios

Contingency plans are often described in terms of a separate plan for a worst-case, best-case, and expected-case performance against the forecast. That is, the implementation of the marketing strategies would be different depending on how performance against the forecast actually materializes.

AACSB: Communication
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
Developing a marketing plan is an essential process for firm success. In addition to its direct impact on a firm’s ability to compete, ongoing marketing planning also has a strong internal organizational benefit of providing a rallying point for developing creative ideas and for gaining input from important stakeholders throughout the various areas within an organization.
Scott is a plumbing fixture manufacturer's salesperson. He sells to wholesalers, homebuilders, and retailers. His marketing plan calls for going to four trade shows a year. He recently found out that there would be a new Home Show aimed at consumers in his territory and he wants to attend. His boss says "Go for it!" The boss is reflecting which of the following concepts in successful marketing planning?

A. Stay flexible.

B. Utilize input, but don't become paralyzed by information and analysis.

C. Don't underestimate the implementation part of the plan.

D. Stay strategic, but also stay on top of the tactical.

E. Give yourself and your people room to fail and try again.

Stay flexible. Don't forget that marketing plans are not set in stone. Markets and customers change, competitors do unexpected things, and the external environment has a nasty habit of creating unexpected surprises. Great marketing managers understand when to adjust a plan. Nimble organizations tend to be much more successful in their marketing strategies.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
91. Mary's firm has delayed making a decision on acquiring a new product line. Her staff has analyzed and tweaked numbers for three months. Most likely, the staff needs to be reminded of which concept?

A. Stay flexible.

B. Utilize input, but don't become paralyzed by information and analysis.

C. Don't underestimate the implementation part of the plan.

D. Stay strategic, but also stay on top of the tactical.

E. Give yourself and your people room to fail and try again.

Utilize input, but don't become paralyzed by information and analysis. Great marketing managers value research and analytics, but also know when to move forward with action.
92. Tyler’s event planning company hired a new marketing assistant. He says he is a “big-picture person,” not a detail-oriented person. Most likely, Tyler is about to find out that the new assistant needs to be coached in which concept?

A. Stay flexible.
B. Utilize input, but don’t become paralyzed by information and analysis.
C. Don’t underestimate the implementation part of the plan.
D. Stay strategic, but also stay on top of the tactical.
E. Give yourself and your people room to fail and try again.

Stay strategic, but also stay on top of the tactical. Remember that marketing has these two levels of interrelated issues, and both the strategic and tactical elements have to be right for the plan to be successful.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning
93. Samantha has worked for MJS Marketing for five years and expected a promotion next month. However, the new product launch that she organized did not go as smoothly as expected. This was the first time the company had hired an outside firm for promotions and Sam is worried that will reflect poorly on her. Sam’s terrific boss will most likely remind her of which concept?

A. Stay flexible.
B. Utilize input, but don’t become paralyzed by information and analysis.
C. Don’t underestimate the implementation part of the plan.
D. Stay strategic, but also stay on top of the tactical.
E. Give yourself and your people room to fail and try again.

Stay flexible. Don’t forget that marketing plans are not set in stone. Markets and customers change, competitors do unexpected things, and the external environment has a nasty habit of creating unexpected surprises. Great marketing managers understand when to adjust a plan. Nimble organizations tend to be much more successful in their marketing strategies.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning

94. Tips for producing a successful marketing plan include which concept(s)?

A. Stay flexible.
B. Utilize input, but don’t become paralyzed by information and analysis.
C. Don’t underestimate the implementation part of the plan.
D. Stay strategic, but also stay on top of the tactical.
E. All of these.

All of the tips presented are important in producing a successful marketing plan.
Learning Objective: 02-05 Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Topic: Tips for Successful Marketing Planning