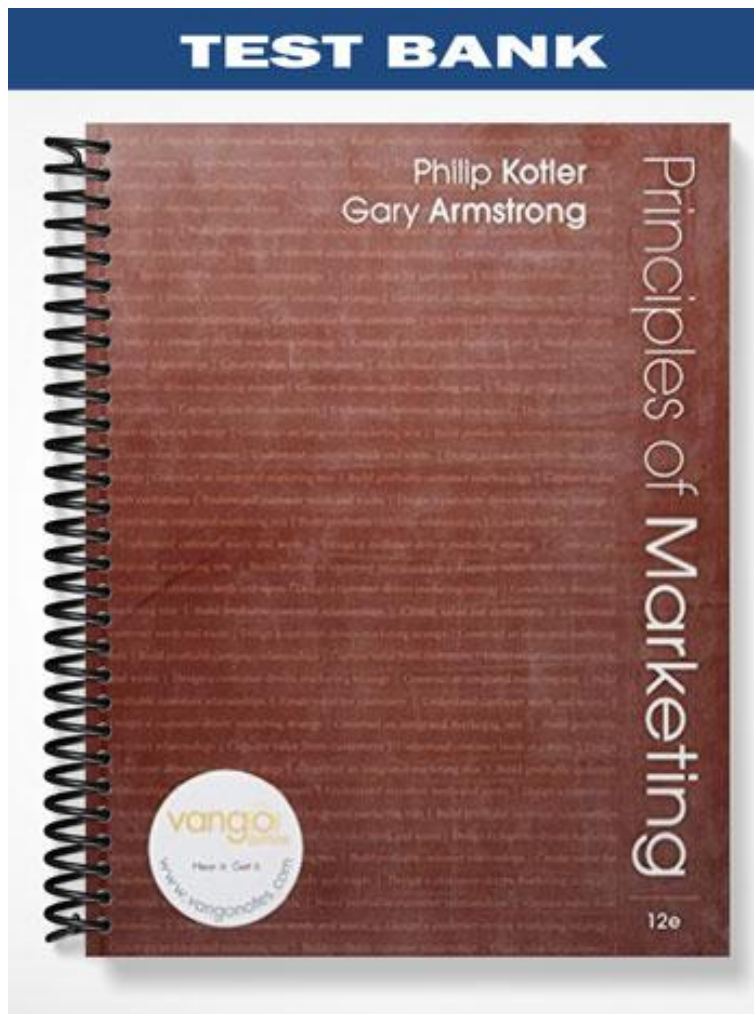


TEST BANK



Phillip Kotler
Gary Armstrong

Principles of Marketing

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Chapter 2

Company and Marketing Strategy: Partnering to Build Customer Relationships

GENERAL CONTENT: Multiple-Choice Questions

1. Nike has been successful in selecting an overall company strategy for long-run survival and growth called _____.
- a. tactical planning
 - b. strategic planning
 - c. futuristic planning
 - d. marketing planning
 - e. relationship marketing

(Answer: b; p. 36; Easy; LO1)

2. When your firm practices developing and maintaining a strategic fit between your organization's goals and capabilities, it is performing _____.
- a. tactical planning
 - b. values planning
 - c. strategic planning
 - d. short-term planning
 - e. operations planning

(Answer: c; p. 36; Moderate; LO1)

3. At the corporate level, a company starts the strategic planning process by defining its overall purpose and _____.
- a. mission
 - b. values
 - c. vision
 - d. opinions
 - e. strengths

(Answer: a; p. 36; Easy; LO1)

4. Marketing planning at your firm occurs at what levels?
- a. Business-unit, market
 - b. Business-unit, product
 - c. product, market
 - d. business-unit, product, market
 - e. business-unit, financial unit, market

(Answer: d; p. 37; Easy; LO1)

5. Studies have shown that a well-crafted mission statement aids a firm's performance as the mission statement serves as a statement of _____.
- a. fact
 - b. values
 - c. purpose
 - d. financial goals
 - e. employee commitment

(Answer: c; p. 37; Moderate; LO1)

6. The principle objective of a market-oriented mission statement is to _____.
- a. satisfy basic customer needs
 - b. satisfy basic supplier needs
 - c. satisfy basic stockholder needs
 - d. satisfy basic owner needs
 - e. satisfy basic partnership needs

(Answer: a; p. 37; Easy; LO1)

7. Your text pointed out that mission statements should be both realistic and _____.
- a. long term
 - b. specific
 - c. short term
 - d. value laden
 - e. unachievable

(Answer: b; p. 38; Moderate; LO1)

8. Many mission statements are written more for public relations purposes. In your text, these types of statements are referred to as _____ mission statements.

- a. trite
- b. copycat
- c. generic
- d. structured
- e. none of the above

(Answer: c; p. 38; Easy; LO1)

9. Successful organizations base their missions on their _____.

- a. distinctive competencies
- b. strategic plans
- c. long-term goals
- d. value statements
- e. value propositions

(Answer: a; p. 38; Moderate; LO1)

10. The company's mission needs to be turned into detailed supporting objectives for _____.

- a. success
- b. each level of management
- c. corporate needs
- d. stockholder wealth
- e. customer growth

(Answer: b; p. 38; Easy; LO1)

11. A mission statement often is followed next by _____.

- a. budgetary requirements
- b. target market selection
- c. research plans
- d. a hierarchy of objectives
- e. a marketing mix

(Answer: d; p. 38; Moderate; LO1)

Part 1: Defining Marketing and the Marketing Process

12. What do we call the collection of businesses and products that make up the company?
- a. investment diversity
 - b. needs inventory
 - c. business portfolio
 - d. departments
 - e. none of the above

(Answer: c; p. 39; Easy; LO2)

13. Which of the following is NOT part of business portfolio analysis?
- a. analyzing the current portfolio
 - b. deciding which units should receive more or less investment
 - c. deciding which units should receive no further investment
 - d. deciding which units may require additional attention
 - e. determining appropriate target markets

(Answer: e; p. 39; Challenging; LO2)

14. The best business portfolio is one that best fits the company's strengths and weaknesses to _____.

- a. the established market
- b. the potential target markets
- c. the company's values statement
- d. opportunities in the environment
- e. all of the above

(Answer: d; p. 39; Moderate; LO2)

15. The firm you work for has decided to use the Boston Consulting Group's (BCG's) approach to classify its business units. Upon what is the approach based?

- a. most profitable units
- b. growth-share matrix
- c. customer retention
- d. cost benefits
- e. customer satisfaction

(Answer: b; p. 39; Easy; LO2)

16. The BCG market growth rate provides a measure of _____.

- a. company strength in the market
- b. decline of competitors
- c. market attractiveness
- d. industry attractiveness
- e. the unit stock value

(Answer: c; p. 39; Easy; LO2)

17. It is acceptable to have products in which of the following BCG categories?

- a. stars
- b. cash cows
- c. question marks
- d. all of the above
- e. none of the above

(Answer: d; p. 40; Moderate; LO2)

18. Now that your employer has classified his SBUs, the next step to take in using the BCG approach is to determine _____.
- what role each will play in the future
 - the tactical plan
 - the three-year budget
 - the profit center
 - none of the above

(Answer: a; p. 40; Challenging; LO2)

19. Which of these is NOT one of the common strategies of the BCG approach?
- build
 - hold
 - harvest
 - diversity
 - none of the above

(Answer: d; p. 40; Moderate; LO2)

20. While a valuable planning tool, a problem with using the BCG matrix centers is that it focuses on _____
- the future instead of now
 - now instead of the future
 - financial issues instead of the customer
 - the customer instead of suppliers
 - now instead of the market

(Answer: b; p. 40; Challenging; LO2)

21. In the BCG analysis, the matrix includes several circles. The circles represent _____.
- the location of the company's SBUs on the matrix
 - the dollar sales of the company's SBUs
 - the location of the company's SBUs and their dollar sales
 - cross-functional teams of managers
 - none of the above

(Answer: c; p. 40; Moderate; LO2)

22. A common practice among marketers is to increase sales to current customers without changing their products. What is this practice called?
- market skimming
 - market penetration
 - market development
 - product extension
 - production extension

(Answer: b; p. 43; Easy; LO2)

23. A common practice among marketers is to identify and develop new markets for their existing products. This practice is called _____.
- market development
 - product development
 - market penetration
 - market skimming
 - dual adaptation

(Answer: a; p. 43; Easy; LO2)

Part 1: Defining Marketing and the Marketing Process

24. Michael's Motors has decided to pursue a market development strategy whereby it will offer _____ products to _____ markets.

- a. new or modified; new
- b. current; new
- c. new or modified; current
- d. current; current
- e. consumer; business

(Answer: b; p. 43; Moderate; LO2)

25. Clarabell's Clown Supplies has decided to pursue a diversification strategy whereby it will offer _____ products to _____ markets.

- a. new or modified; new
- b. current; new
- c. new or modified; current
- d. current; current
- e. consumer; business

(Answer: a; p. 44; Moderate; LO2) {AACSB: Diversity}

26. Starbucks Coffee has recently begun selling and playing compilation CDs and is supporting its own XM satellite radio station. This represents which strategy for growth?

- a. product development
- b. market development
- c. market penetration
- d. diversification
- e. all of the above

(Answer: d; p. 44; Moderate; LO2) {AACSB: Diversity}

27. Which of the following does NOT explain why a firm might want to abandon products?

- a. The market environment might have changed.
- b. The products may have become less profitable.
- c. The firm may have grown too fast.
- d. The firm may wish to diversify.
- e. all of the above

(Answer: d; p. 44; Moderate; LO2)

28. Marketing plays a key role in a company's strategic planning. Which of the following does marketing provide?

- a. guiding philosophy
- b. inputs
- c. strategies
- d. objectives
- e. all of the above

(Answer: e; p. 44-45; Moderate; LO3)

29. In a company where each department carries out value-creating activities to design, produce, market, deliver, and support the firm's products, each department is thought of as a link in the company's _____.
- a. value chain
 - b. value-delivery network
 - c. channel of distribution
 - d. supply chain
 - e. promotion

(Answer: a; p. 45; Challenging; LO3)

30. Pioneer Dried Foods works hard to link each of its company departments to accomplish its goals in what is called a company _____.
- a. value chain
 - b. value-delivery network
 - c. channel of distribution
 - d. networking
 - e. profile

(Answer: a; p. 45; Easy; LO3)

31. A company's value chain is successful when each department adds _____ for customers and _____ other departments.
- a. satisfaction; coordinates with
 - b. value; shares budgets with
 - c. value; coordinates with
 - d. value; strengthens
 - e. efficiency; differentiates among

(Answer: c; p. 45; Moderate; LO3)

32. Wal-Mart is a good example of partnering with others in _____.
- a. the supply chain
 - b. co-op buying
 - c. the channel of distribution
 - d. the company
 - e. the community

(Answer: d; p. 45; Easy; LO3)

33. For there to be an effective value chain, a company's marketing department should take the view of which of the following?
- a. other departments
 - b. owners
 - c. customers
 - d. stockholders
 - e. suppliers

(Answer: c; p. 45; Moderate; LO3)

Part 1: Defining Marketing and the Marketing Process

34. Marketers must find ways to get all departments to think in terms of _____.
- a. sales
 - b. customers
 - c. new markets
 - d. profits
 - e. all of the above

(Answer: b; p. 45; Easy; LO4)

35. Jack Welch, CEO at General Electric, expresses the message that “Companies can’t give job security, only _____ can.”
- a. success
 - b. growth
 - c. good strategy
 - d. customers
 - e. efficiency

(Answer: d; p. 45; Challenging; LO4)

36. McDonald’s partners well with others in its marketing system. What does the “C” stand for in its QSCV standard?
- a. caring
 - b. customer
 - c. cleanliness
 - d. career
 - e. catering

(Answer: c; p. 46; Easy; LO4)

37. A major reason that more companies are partnering with other members of the _____ is to improve the performance of the customer value delivery network.
- a. supply chain
 - b. network
 - c. purchasing model
 - d. profile analysis
 - e. feedback

(Answer: a; p. 46; Moderate; LO3)

38. McDonald’s has about 50 million customers a day, and their competition has now shifted away from individual competition between companies to competition among the entire _____.
- a. value-delivery network
 - b. industry
 - c. market
 - d. global market
 - e. all of the above

(Answer: a; p. 46; Challenging; LO4)

39. Marketing strategy identifies the _____ and divides it into smaller _____.
- a. industry; markets
 - b. market; segments
 - c. competition; competitors
 - d. market; market shares
 - e. customer; preferences

(Answer: b; p. 47; Challenging; LO1)

40. The makers of Silk Soymilk are successful at satisfying its customers because they first sought to understand _____.
- a. the market
 - b. competition
 - c. customers in their niche
 - d. the marketing concept
 - e. low prices

(Answer: c; p. 48; Challenging)

41. Your firm is attempting to divide up the total market to determine the best segments it can serve. Which is the correct order of doing so?
- a. market segmentation, target marketing, market positioning
 - b. target marketing, market positioning, market segmentation
 - c. market positioning, market segmentation, target marketing
 - d. market segmentation, market positioning, target marketing
 - e. mass marketing, demographic segmentation, psychographic segmentation

(Answer: a; p. 48; Challenging; LO2)

42. According to your textbook, most companies today cannot profitably serve _____.
- a. all consumers in a given market
 - b. all consumers in a given market segment
 - c. all foreign markets
 - d. both A and C
 - e. none of the above

(Answer: d; p. 48; Challenging)

43. The ideal target market for a firm is the one in which it can profitably generate the greatest customer _____ and _____ it over time.
- a. sales; sustain
 - b. satisfaction; spread
 - c. value; sustain and grow
 - d. sales; keep
 - e. loyalty; grow

(Answer: c; p. 48; Challenging; LO3)

44. A company with limited resources might enter a new market by serving _____ segment(s).
- a. the largest
 - b. the most profitable
 - c. dual
 - d. one or a few
 - e. three or more

(Answer: d; p. 48; Easy)

Part 1: Defining Marketing and the Marketing Process

45. When we practice _____, we arrange for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

- a. positioning
- b. market positioning
- c. target segmenting
- d. repositioning
- e. product distribution

(Answer: a; p. 50; Moderate; LO4)

46. In positioning its product, a company usually follows several steps. The first identifies possible _____.

- a. customer benefits
- b. customer satisfaction indexes
- c. competitive advantages
- d. competitors' positions
- e. target markets

(Answer: c; p. 50; Challenging; LO4)

47. Once your company has decided on its overall competitive marketing strategy, it is ready to begin planning the details of its _____.

- a. tactical plan
- b. marketing mix
- c. promotion campaign
- d. sales forecast
- e. strategic plan

(Answer: b; p. 50; Challenging; LO5)

48. Which of the following is NOT one of the standard four Ps?

- a. product
- b. packaging
- c. positioning
- d. price
- e. B and C

(Answer: e; p. 50; Easy; LO5)

49. You are excited about studying marketing. You tell your younger brother that product, price, place, and promotion make up the _____.

- a. marketing package
- b. marketing strategy
- c. marketing combination
- d. marketing mix
- e. marketing value

(Answer: d; p. 50; Moderate; LO5)

50. Which of the four Ps describes the goods-and-services combination the company offers to the target market?
- a. price
 - b. promotion
 - c. product
 - d. place
 - e. package

(Answer: c; p. 50; Easy; LO5)

51. Banking, airline, and retailing services are properly termed _____.

- a. service products
- b. products
- c. adjunct products
- d. accessories
- e. service encounters

(Answer: a; p. 51; Easy; LO5)

52. One criticism often offered of the four Ps is that the concept takes the view of the _____ and not the _____.

- a. buyer; seller
- b. broad thinker; narrower view
- c. seller; buyer
- d. traditionalist; modern thinker
- e. domestic marketer; global marketer

(Answer: c; p. 51; Challenging; LO5)

53. Today the four Ps are compared to the four Cs. Product and place are called _____ and _____, respectively.

- a. convenience; customer solution
- b. customer cost; convenience
- c. communication; customer solution
- d. customer solution; convenience
- e. communication; convenience

(Answer: d; p. 51; Moderate; LO5)

54. Marketers see themselves as selling products, while customers see themselves as buying _____.

- a. value
- b. solutions
- c. bargains
- d. value or solutions to their problems
- e. satisfaction

(Answer: d; p. 51; Easy)

55. In a basic SWOT analysis the “T” stands for _____.

- a. timing
- b. trust
- c. threats
- d. tomorrow
- e. tangible

(Answer: c; p. 52; Moderate; LO5)

Part 1: Defining Marketing and the Marketing Process

56. In a basic SWOT analysis the “S” stands for _____.
- a. situation
 - b. solutions
 - c. satisfactions
 - d. strengths
 - e. A and C

(Answer: d; p. 52; Moderate; LO5)

57. Identify the marketing logic whereby the company hopes to achieve its marketing objectives.
- a. marketing plan
 - b. marketing goals
 - c. marketing strategy
 - d. marketing promotion plan
 - e. marketing research analysis

(Answer: c; p. 47; Moderate; LO5)

58. A marketing plan begins with an executive summary, which quickly overviews major assessments, goals, and _____.

- a. budgets
- b. markets
- c. promotions
- d. recommendations
- e. obstacles

(Answer: d; p. 52; Easy; LO5)

59. The main section of the marketing plan presents a detailed _____ analysis of the current marketing situation.

- a. who, when, where
- b. when, where, how
- c. SWOT
- d. competitor
- e. economic

(Answer: c; p. 52; Moderate; LO5)

60. According to the textbook, your boss refers to _____ when she mentions “doing things right.”

- a. strategy
- b. planning
- c. objectives
- d. implementation
- e. efficiency

(Answer: d; p. 53; Challenging; LO1)

61. A brilliant marketing strategy counts for little if the company fails to _____ it properly.

- a. strategically plan
- b. budget
- c. implement
- d. construct
- e. adopt

(Answer: c; p. 53; Easy; LO5)

62. IBM has its sales and marketing people assigned to markets in specific countries, regions, and districts. We refer to this organization as _____.
- a. geographic
 - b. product
 - c. functional
 - d. divisional
 - e. psychographic

(Answer: a; p. 55; Easy; LO5) {AACSB: Global}

63. The most common approach to marketing organization is _____.
- a. geographic
 - b. product management
 - c. functional
 - d. divisional
 - e. product use

(Answer: c; p. 55; Easy; LO5)

64. Some major firms are moving away from managing only product profitability and moving toward return on marketing investment. The key here is _____.
- a. managing customer expectations
 - b. managing customer satisfaction
 - c. managing customer profitability
 - d. managing customer needs
 - e. matching products with customer expectations

(Answer: c; p. 56; Challenging; LO5)

65. Companies with many different products or brands often create a _____.
- a. product management organization
 - b. services management organization
 - c. not-for-profit management organization
 - d. none of the above
 - e. all of the above

(Answer: a; p. 55; Moderate; LO5)

66. Which of the following types of management organization might be best for companies that sell one product line to many different types of markets and customers that have different needs and preferences?
- a. market
 - b. customer
 - c. product
 - d. A or B
 - e. mass market

(Answer: d; p. 55; Challenging; LO5)

67. A marketing audit should be _____.
- a. systematic
 - b. independent
 - c. periodic
 - d. comprehensive
 - e. all of the above

(Answer: e; p. 55; Easy; LO5) {AACSB: Ethics}

Part 1: Defining Marketing and the Marketing Process

68. A marketing audit covers which of the following areas of a business?
- marketing department
 - sales department
 - advertising department
 - customer service
 - all of the above

(Answer: e; p. 56; Easy; LO5) {AACSB: Ethics}

69. Marketing planning occurs _____.
- at the business-unit level
 - at the product level
 - at the market level
 - in an attempt to support company strategic planning
 - all of the above

(Answer: e; p. 52; Easy; LO5)

70. Firms with well-crafted mission statements have better _____ and _____.
- profits; higher employee morale
 - market image; customer satisfaction
 - organizational performance; financial performance
 - strategic plans; market image
 - market segments; employee diversity

(Answer: c; p. 37; Moderate; LO1)

71. Mission statements should be _____.
- market oriented
 - employee oriented
 - technology oriented
 - growth oriented
 - profit oriented

(Answer: a; p. 37; Easy; LO1)

72. Which of the following is true about mission statements?
- They should be realistic.
 - They should be broad, generic statements.
 - They should fit different market environments.
 - They should be based on competitor's distinctive competencies.
 - They should be easy to change.

(Answer: a; p. 37; Easy; LO1)

73. A company's strategic business units (SBUS) include(s) _____.
- the collection of businesses that make up the company
 - the collection of products that make up the company
 - the collection of businesses and products that make up the company
 - the company's mission
 - core competencies

(Answer: c; p. 39; Moderate; LO2)

74. Which SBU produces a lot of cash that the company may use to support other SBUs that need investment?
- a. stars
 - b. cash cows
 - c. question marks
 - d. dogs
 - e. C and D

(Answer: b; p. 40; Easy; LO2)

75. Which of the following are the axes used on the BCG matrix?
- a. market growth rate and relative market share
 - b. absolute market growth and relative market share
 - c. relative market growth and absolute market share
 - d. absolute market growth and absolute market share
 - e. none of the above

(Answer: a; p. 40; Easy; LO2)

True/False

76. The idea behind the first best-selling Nike running shoe came from a waffle iron.

(Answer: True; p. 34; Easy)

77. Nike markets an experience and lifestyle rather than just a product.

(Answer: True; p. 34; Moderate)

78. When your organization is involved in the task of selecting an overall company strategy for long-run survival and growth, it is conducting strategic planning.

(Answer: True; p. 36; Easy; LO1)

79. A company starts the strategic planning process at the customer level by defining its values statement and mission.

(Answer: False; p. 36; Easy; LO1)

80. Joan's Hair Salon has just developed a formal statement of its purpose. This firm has put together a marketing strategy.

(Answer: False; p. 36; Easy; LO1)

81. Mission statements should be realistic and general in nature.

(Answer: False; p. 37-38; Moderate; LO1)

82. Mission statements should both fit the market environment and be motivating.

(Answer: True; p. 37; Easy; LO1)

83. A firm should first develop its products and then determine a mission statement consistent with its and objectives and business portfolio.

(Answer: False; p. 37; Challenging; LO1)

84. The major activity in strategic planning is strategic business unit planning, whereby management evaluates the products and businesses making up the company.

(Answer: False; p. 39; Challenging; LO2)

Part 1: Defining Marketing and the Marketing Process

85. The purpose of strategic planning is to find ways in which your company can best use its strengths to take advantage of attractive opportunities in the environment.

(Answer: True; p. 36; Moderate; LO1)

86. One division of your company is a high-growth, low-share business. This unit is referred to as a *star*.

(Answer: False; p. 40; Easy; LO2)

87. A disadvantage of the BCG matrix approach is that it focuses on the current business and provides little for future planning.

(Answer: True; p. 40; Moderate; LO2)

88. Marketing usually has the major responsibility for achieving profitable growth for a company.

(Answer: True; p. 42; Moderate; LO2)

89. When an organization identifies and develops new markets for its current products and services, it is engaged in market development.

(Answer: True; p. 43; Easy; LO2)

90. Market development is the strategy that calls for offering modified or new products to current markets.

(Answer: False; p. 43; Easy; LO2)

91. When a firm finds products or businesses that no longer fit its overall strategy, it must carefully milk, harvest, or better develop them.

(Answer: False; p. 40; Moderate; LO2)

92. Beyond evaluating current businesses, designing the business portfolio involves finding businesses and products the company should consider in the future.

(Answer: True; p. 42; Easy; LO2)

93. No matter what the marketing department does, some products or business units just age and die.

(Answer: True; p. 44; Moderate; LO2)

94. The company's strategic plan establishes what kinds of businesses the company will operate in and its objectives for each.

(Answer: True; p. 44; Easy; LO3)

95. Jack Welch, General Electric's former CEO, taught his employees that "Companies can't give job security. Only you yourself can."

(Answer: False; p. 45; Challenging; LO3)

96. When your employer looks beyond its own value chain and into the value chain of its suppliers, distributors, and ultimately customers, it is stressing the value-delivery network.

(Answer: True; p. 46; Challenging; LO3) {AACSB: Ethics}

97. In today's marketplace, competition takes place between the entire value-delivery networks rather than between individual competitors.

(Answer: True; p. 47; Moderate; LO3)

98. We segment markets to find distinct groups of buyers with distinct needs, behaviors, or characteristics who might require separate products or marketing programs.
(Answer: True; p. 48; Easy)
99. Mandros International Foods evaluates each market segment's attractiveness and selects one or more segments to enter when considering adding new lines of imported foods. Mandros is engaged in selective marketing.
(Answer: False; p. 48; Moderate; LO4)
100. When developing an appropriate marketing position, the company first identifies possible customer value differences that provide competitive advantages upon which to build the position.
(Answer: True; p. 50; Moderate; LO4)
101. The marketing mix consists of product, price, place, positioning, and promotion.
(Answer: False; p. 50; Easy; LO5)
102. Service firms actually offer service products.
(Answer: True; p. 51; Easy; LO5)
103. A marketing analysis includes evaluating the company's situation, markets, environment, strengths and weaknesses, and current and possible marketing actions to determine which opportunities it can best pursue.
(Answer: True; p. 52; Challenging; LO5)
104. A firm that organizes by specialist departments is called a functional organization.
(Answer: True; p. 55; Easy; LO5)
105. A marketing audit is actually a thorough examination of a company's performance, problems areas, and opportunities.
(Answer: True; p. 55; Moderate; LO5)

Essay

106. What has created Nike's success as a world leader of sports apparel? Briefly mention the components of a strategic plan.

Nike has forever changed the rules of sports marketing strategy. Customers don't just wear their Nikes—they experience them. Nike leverages its brand strength, moving aggressively into new product categories, sports, and regions of the world. Nike's strategy has matured. As it toned down its antiestablishment attitude, the company now devotes more time to the basics—focusing on innovation, assessing new market opportunities, developing new product lines, and reworking its information and distribution systems.

(p. 34; Easy)

107. Briefly mention the components of a strategic plan.

A strategic plan consists of a market-oriented mission statement. This plan must also set company objectives and goals. It designates the business portfolio of businesses and products

it will pursue. Strategies for growth and downsizing must be put in place. Last but not least, a plan for partnering to build customer relationships must be added.

(p. 36; Moderate; LO1)

108. What characteristics should a market-oriented mission statement possess?

A market-oriented mission statement defines the business in terms of satisfying basic customer needs. It should avoid being too narrow or too broad. Missions should be realistic and specific. Missions should fit the market environment and should be based on the distinctive competencies of the firm. Finally, mission statements should be motivating.

(p. 37; Moderate; LO1)

109. Explain the purpose of the Boston Consulting Group's approach to business planning, and briefly describe each of the four types of SBUs.

The purpose is to provide a measure of market attractiveness and a measure of company strength in the market. The four types of SBUs are stars, cash cows, questions marks, and dogs. Stars are high-growth, high-share businesses or products; they often need heavy investment to finance their rapid growth. Cash cows are low-growth, high-share businesses or products; they need less investment and produce a lot of cash to pay bills and support other SBUs. Question marks are low-share business units in high-growth markets; they require a lot of cash to hold their share. Management must decide whether to build them into stars or phase them out. Dogs are low-growth, low-share businesses and products; they may generate enough cash to maintain themselves but do not promise to be large sources of cash.

(p. 40; Challenging; LO2)

110. What are the principle characteristics of the following strategies for growth: market penetration, market development, product development, and diversification.

Market penetration attempts to increase your sales of your current products in your current markets. This is usually accomplished through aggressive promotion or price reductions. Market development, on the other hand, seeks to sell existing products in new markets, thus focusing more on the place where products are sold. This is often done when the existing market is either saturated or overly competitive. Marketers can also develop new or modified products for current markets by practicing product development. A final approach is to start up or buy businesses outside the firm's current products or markets. Firms may focus on one or more of these approaches at a time.

(p. 43; Challenging; LO2) {AACSB: Diversity}

111. How do marketers use partner relationship management to their advantage?

They work closely with partners in other company departments to form an effective value chain that serves the customer. They also partner effectively with other companies in the marketing system to form a competitively superior value-delivery network. Each department within a company carries out value-creating activities to design, produce, market, deliver, and support the firm's products and services. Success depends on coordination and quality. These same marketers must look into the value chains of their suppliers, distributors, and ultimately customers to coordinate an effective system.

(p. 45; Moderate; LO3)

112. Discuss the differences in approach between the traditional four Ps and the current four Cs.

Traditionally, the four Ps were created from the perspective of the marketer. They represented the controllable tools in the marketer's toolbox. Today, the four Cs, consistent with the marketing concept, are created from the consumer's viewpoint. Through this shift in emphasis, product is now viewed as the solution to a customer's problem. Price is seen as the customer's cost for this solution. Place equates to the relative convenience in obtaining this solution. Promotion is actually nothing more than communication. Customers buy value and solutions to their problems. Marketers should first think through the four Cs, and then build the four Ps on that platform.

(p. 51; Moderate; LO4)

113. Explain the concept of a "marketing dashboard."

The marketing dashboard is a meaningful set of marketing performance measures in a single display used to monitor strategic marketing performance. This enables marketers to assess and adjust, at a glance, their marketing strategies. The objective is to increase marketing return on investment.

(p. 57; Easy)

114. Explain the role of the target market as the marketer attempts to build the marketing mix.

Depending on the demographic, psychographic, and/or geographic characteristics of the target market, the marketer will develop the product, set the right price, determine the best way to promote, and select the best place to distribute the product. All four elements, the four Ps, create a "package" that is as attractive as possible to the target market. As characteristics of the target market change, the marketing mix should also be altered.

(p. 48; Moderate)

115. What is a marketing audit? On what elements does the marketing audit focus?

The marketing audit covers all marketing areas—marketing environment, marketing strategy, marketing organization, marketing systems, marketing mix, and marketing productivity and profitability. An outside party normally conducts audits. Management then decides which actions make sense and how and when to implement them.

(p. 55; Moderate; LO5)

APPLICATION CONTENT: Multiple-Choice Questions

116. You work for the Girl Scouts of America and they are on the "right track" because their mission statement fits the _____ environment.

- a. economic
- b. political-legal
- c. social-cultural
- d. market
- e. natural

(Answer: d; p. 38; Moderate; LO1) {AACSB: Diversity}

Part 1: Defining Marketing and the Marketing Process

117. Jimmy Malone is busy evaluating the products and businesses making up their company to determine the most profitable. Jimmy is engaged in _____.
- a. strategic business unit analysis
 - b. preparing a business portfolio
 - c. portfolio analysis
 - d. marketing planning
 - e. marketing auditing

(Answer: c; p. 39; Moderate; LO2)

118. Kimball Gardens is a company that operates as two distinctive businesses—one that sells lawn and garden products and one that markets booklets. Each business is a _____.
- a. separate entity
 - b. strategic business unit (SBU)
 - c. profit center
 - d. division
 - e. business portfolio

(Answer: b; p. 39; Challenging; LO2)

119. Xeries Computer Software has recently been using the product/market expansion grid. Xeries has found it to be quite useful for identifying _____.
- a. target markets
 - b. growth opportunities
 - c. key customers
 - d. new products
 - e. suppliers

(Answer: b; p. 42; Easy; LO2) {AACSB: Technology}

120. You work for Mr. Bill of Mr. Bill's Seafood. He has asked you to develop new markets for their current products. Which of the following might be most helpful?
- a. reviewing new demographic markets
 - b. reviewing new geographic markets
 - c. reviewing current sales records
 - d. A and B
 - e. reviewing current customer attitudes

(Answer: d; p. 43; Challenging)

121. Your textbook suggested that Starbucks has now adopted a _____ strategy. This strategy allows the company to start up or buy businesses outside of its current products and markets.
- a. product development
 - b. market development
 - c. market penetration
 - d. diversification
 - e. B or D

(Answer: d; p. 44; Easy; LO2)

122. Lucy Ortiz has just prepared a PowerPoint presentation of the marketing process to show at a sales meeting. If you look closely, _____ is/are in the center.
- sales goals
 - customers
 - company objectives
 - customer retention
 - A and C

(Answer: b; p. 47; Moderate)

123. TelStar Plastics is in the process of dividing a market into distinct groups of buyers with different needs, characteristics, or behavior who might require separate products or marketing programs. Which is this firm doing?
- market development
 - market diversification
 - market penetration
 - market skimming
 - market segmentation

(Answer: e; p. 48; Easy; LO2)

124. Your new employer has asked you, as a new marketing graduate, to develop a group of potential customers who might respond in a similar way to a given set of marketing efforts. You have been asked to develop a(n) _____.
- target market
 - market segment
 - market
 - gold mine
 - undefined niche

(Answer: b; p. 48; Moderate)

125. You have developed several market segments and are now evaluating each market segment's attractiveness to select one or more segments to enter. What are you doing?
- market targeting
 - marketing segmenting
 - marketing
 - market positioning
 - selecting VALS

(Answer: a; p. 48; Easy)

126. Jill Reno has researched new markets and has decided which segments to enter. Next she should decide what _____ her company should occupy in those segments.
- position
 - place
 - rank
 - rating
 - percentage of space

(Answer: a; p. 48; Easy)

Part 1: Defining Marketing and the Marketing Process

127. You have quickly discovered that as you begin to position products, you begin with _____ the company's marketing offer so that it gives consumers more value.
- a. differentiating
 - b. promoting
 - c. advertising
 - d. selling
 - e. representing

(Answer: a; p. 50; Moderate; LO2)

128. Dutch Valley Gift Baskets has found a place in the market serving segments that major competitors overlook and ignore. Dutch Valley is practicing what strategy?
- a. market follower
 - b. marketer challenger
 - c. market seeker
 - d. market nicher
 - e. none of the above

(Answer: d; p. 48; Easy; LO4)

129. Berman Electric, a chain of 18 appliance stores, has a marketing organization in which specialists head different marketing activities. What is this type of organization called?
- a. geographic
 - b. product
 - c. organic
 - d. functional
 - e. market

(Answer: d; p. 55; Moderate; LO5)

130. Peter Cramer is involved in evaluating the results of marketing strategies and plans and taking corrective action to ensure that objectives are attained. What do we call Peter's current work?
- a. marketing control
 - b. marketing planning
 - c. strategic planning
 - d. tactical planning
 - e. auditing

(Answer: a; p. 55; Moderate; LO5)

131. Juanita Castro is looking at whether her company's strategies are well matched to its opportunities. It seems that Juanita is into _____.
- a. marketing control
 - b. operating control
 - c. strategic control
 - d. loss of control
 - e. marketing auditing

(Answer: c; p. 55; Easy; LO5)

132. The pharmaceuticals division of Omni Healthcare holds low market share in a high-growth market. In order to increase market share, managers may decide to _____.
- a. continually add new products in the market
 - b. implement a harvest strategy
 - c. use money from a cash cow to promote the pharmaceuticals division
 - d. divest the SBU
 - e. A or C

(Answer: e; p. 40; Challenging; LO2)

133. Fence Patrol has developed a new mounting system for chain link fences. Although they are a local company, they now have the ability to market their products nationwide. Fence Patrol is likely to be following a _____ strategy.
- a. market penetration
 - b. market development
 - c. diversification
 - d. A or C
 - e. product development

(Answer: c; p. 44; Challenging; LO2)

134. Wal-Mart relies on sound relationships with its low-cost suppliers in order to pass low prices on to consumers. Thus, forming a _____ is crucial to their success.
- a. value-delivery network
 - b. value chain
 - c. customer relationship management policy
 - d. market concept philosophy
 - e. diversification strategy

(Answer: a; p. 45; Challenging; LO3)

135. If managers of Burger World intended to model their marketing strategy on Jollibee's smart niching strategy, which of the following may occur?
- a. A mass marketing strategy may be used.
 - b. The unique tastes of only a small, local target market may be more important than standardized fare.
 - c. Managers may concentrate their limited resources within a small geographic region.
 - d. Managers may work to strongly differentiate the goods-and-services combination from all competitors.
 - e. all of the above except A

(Answer: e; p. 48; Challenging)

Short Answer

136. What is the major benefit of a mission statement that is market oriented instead of product or technology oriented?

Products and technologies become dated, but basic market needs may last forever. A market-oriented mission statement that defines the business in terms of customer needs has a better chance of lasting.

(p. 37; Moderate; LO1)

Part 1: Defining Marketing and the Marketing Process

137. Why should a mission statement be “motivating” instead of stated in terms of sales or profits?

Sales and profits are only a reward for undertaking a useful activity; a company’s employees need to feel that their work is significant.

(p. 38; Moderate; LO1)

138. When selecting from several different business portfolios, how do you recognize the best?

The best business portfolio is the one that best fits the company’s strengths and weaknesses to environmental opportunities.

(p. 39; Challenging; LO2)

139. Define a strategic business unit (SBU). What is contained in one?

An SBU is a key part of a business—such as a product, a product line, a department, or an entire division—where managers place major emphasis. An SBU is typically a major profit center with a separate mission.

(p. 39; Easy; LO2)

140. Into what BCG quadrant does a low-share, low-growth SBU fall?

It falls into the “dog” category.

(p. 40; Easy; LO2)

141. What type of strategy might a cash cow follow?

A cash cow will generate cash that could, in turn, be used to finance and/or promote question marks.

(p. 40; Easy; LO2)

142. According to the product/market expansion grid, what strategy would Starbucks follow when attempting to increase sales of new products to current customers?

Starbucks would follow a product development strategy in this scenario.

(p. 44; Moderate; LO2)

143. How might Starbucks implement a market development strategy?

Starbucks might attempt to identify and develop new markets for its current products.

(p. 43; Challenging; LO2)

144. According to the product/market expansion grid, what strategy would Wendy’s follow when offering a new egg sandwich during breakfast hours?

In this scenario, Wendy’s would follow a product development strategy.

(p. 44; Moderate; LO2)

145. Explain how a company begins the strategic planning process at the corporate level.

At the corporate level, the company starts the strategic planning process by defining its overall purpose and mission; the mission is then turned into detailed supporting objectives.

(p. 36; Challenging; LO3)

146. It has been suggested that businesses go through a life cycle. How might the BCG matrix show this idea?

Many SBUs start out as question marks, then move into the star category if they grow and succeed; as they age, stars eventually become cash cows, then perhaps, dogs.

(p. 40; Moderate; LO2)

147. Into what quadrant of the product/market expansion grid would a “new and improved” product fall?

The “new and improved” product would fall into the product development quadrant.

(p. 44; Moderate; LO2)

148. Although growth drives much of business, sometimes it is necessary for a company to develop strategies for downsizing its business portfolio. Give two examples.

The market environment might have changed. A company may have grown too fast or have entered areas where it lacks experience; as a result, it may be well advised to downsize.

(p. 44; Moderate; LO2)

149. How are partner relationship management and the value chain related?

Marketers must work closely with partners in other company departments to form an effective value chain that serves the customer.

(p. 45; Easy; LO4)

150. Explain how a marketer of baking soda may attempt to attract more than one market segment.

Some consumers buy baking soda as a baking ingredient and some consumers buy baking soda to use as a deodorizer, for example. The marketer will focus on both uses in the marketing mix, such as how the product is promoted.

(p. 48; Challenging; LO4)

151. Give an example of a product for which mass marketing and not segmenting the market would be more useful.

There are numerous examples of such products that can be mass marketed. One example is Tylenol, another is Aspirin, and another is salt; focusing on demographics or geographics, for example, would not be useful.

(p. 48; Moderate; LO4)

152. How might a marketer of pens alter the “product” portion of the marketing mix when targeting female college students versus male college students?

The marketer may use feminine colors and a spiral-flower stripe, for example, when marketing its pens to the females; when targeting males, more neutral colors might be used.

(p. 50; Moderate; LO5)

153. What role does the marketing mix play in target marketing?

The marketing mix is the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market.

(p. 50; Easy; LO5)

154. Why is SWOT analysis such an important part of marketing management?

This function allows the marketer to analyze environmental opportunities and threats that, in turn, allows the marketer to determine which opportunities to pursue. From this starting point, the market can continue with planning, implementation, and control.

(p. 52; Challenging; LO5)

155. Give a situation in which the suggested strategy for a dog might NOT be to divest.

Consider a new technology that is being launched into the market. If managers of the dog are merely waiting to implement that new technology or to somehow incorporate it into the dog, moving the dog into a different BCG quadrant, divesting would not be practical.

(p. 40; Moderate; LO2) {AACSB: Technology}

Scenario

Fun-Spot Fun Park began as a small amusement park in 1985. With nothing more than a merry-go-round, a slide, pony rides, and an ice cream stand, Fun-Spot grew into a popular family attraction with 20 rides, a restaurant, and an outdoor performing arts theater.

“My wife, Gail, and I didn’t know what we were getting into,” commented Ron Hart, the owner. “We just knew that weekenders coming to the lakes in our rural area represented an untapped market.”

Today, thousands of visitors flock to Fun-Spot—families, children of all ages, even senior citizens who enjoy strolling through the gardens and arbor.

“There’s something here for everyone,” Gail Hart said with a smile. “Dozens of companies hold annual company picnics here. We have welcomed class field trips. And we even had one wedding here at the park!”

“Here’s the funny thing,” Ron chimed in. “We really don’t know why we’ve been so successful! There is nothing else like Fun-Spot Fun Park in the area. We were just lucky.”

“I think it’s the ambience of the park,” Gail added, “that has brought so many visitors. We provide a ‘total package’ of entertainment. Plus, we try to change our rides and various attractions from time to time.”

Ron and Gail admitted that making every visitor happy is a priority. “That has always been our philosophy,” they said. “And we’ve always been able to deliver on that because we’ve never allowed ourselves to grow too big too quickly.”

156. What are the two critical factors leading to the success of Fun-Spot?

While there are several answers here, these two seem to be the most significant: Fun-Spot has placed the consumer at the center of their focus, and there is essentially little or no local competition.

(p. 37; Moderate)

157. Does Fun-Spot have a market-oriented mission statement? Explain.

While they do not appear to have a formal mission statement, the mission at Fun-Spot is defined in terms of customer needs. Providing the fastest roller coaster, the greatest variety of ice cream flavors, or the scariest spook house is not as important, for example, as providing top-notch customer attention and attractions appealing to a variety of visitors at this small, rural park.

(p. 37; Moderate; LO1)

158. At this point, how do Ron and Gail monitor Fun-Spot's business portfolio?

Ron and Gail make a continuous assessment of Fun-Spot's strengths and weaknesses, compared to the opportunities in the environment. If a competitor should appear within a relatively close distance, for example, Ron and Gail will likely have to alter the business portfolio to offset the competition.

(p. 39; Challenging; LO2)

159. Where in the BCG matrix does Fun-Spot fall? Why?

Fun-Spot Fun Park may be either a star or a cash cow. They have experienced high growth in the recent past, but there is no indication in the case whether or not this is continuing. They certainly have a high market share.

(p. 40; Moderate; LO2)

160. Can Ron and Gail implement a market penetration strategy at Fun-Spot?

Ron and Gail should maintain their current entertainment offering and continue to deliver customer attention to their existing customers. Since they are the only such facility at the lake, they might attempt to encourage current customers to spend longer vacations there.

(p. 43; Moderate; LO2)

161. In what way do Ron and Gail implement a product development strategy at Fun-Spot?

The owners at Fun-Spot strive to provide new offerings and entertainment options for their visitors.

(p. 44; Moderate; LO5)

162. What are three possible emerging conditions that may cause the Harts to develop a downsizing strategy at Fun-Spot?

Over time, less profitable operations might need to be eliminated; for example, children may love pony rides, but maintaining the animals in a zoo setting may become costly. An economic recession or a new, close-by competitor may lead to downsizing.

(p. 44; Challenging; LO2)

163. Who comprises Fun-Spot's target market?

The target market here includes anyone who desires a relaxing, fun day or evening at a small amusement park. Families with children are likely the primary target market.

(p. 48; Easy)

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164. If you had to select a primary market segment that is crucial to the success of Fun-Spot, who would it be? Why?

Answers will vary; however, on a weekly basis, Fun-Spot likely relies on families with children for a steady stream of revenues.

(p. 48; Moderate)

165. What role do service products play at Fun-Spot?

With the exception of meals and refreshments, most of what visitors receive at Fun-Spot are service products.

(p. 51; Easy)

Continuing Small Business Case #4: Millersville Federal Credit Union

The Millersville Federal Credit Union has been serving the Millersville, Pennsylvania and adjoining areas for more than 43 years. Established in 1963, they were originally chartered to serve the banking needs of Millersville University faculty, administration, and staff. Over the years they have grown and moved from just a university credit union with a few members to a community-based credit union serving more than 1,000 members, with a broad range of financial services. The credit union currently offers check cards, credit cards (VISA), personal loans, new and used car loans, home equity loans, savings accounts, checking accounts, and tax shelters. A manager and two full-time tellers currently staff the credit union. The credit union's greatest strength is personal and friendly service. The tellers basically know every customer by name. The manager believes that their greatest weaknesses are their small size and their lack of online banking services, offered by many of their competitors. They also do not aggressively advertise.

166. What might you suggest as a mission statement for the Millersville Federal Credit Union (MFCU)?

Given that the stated strength is one of personal service, it would be appropriate for personal service to be at the center of the credit union's mission statement. Since they are a "federal" credit union there are legal limitations on the geographical market they can serve and the products/services that they may and may not offer to their customers. A mission statement should be market-based rather than product/service based—not too broad, specific, and motivating. MFCU might consider something along these lines: "Our mission is to meet the financial needs of our geographically constrained market by providing any and all services that we can effectively and legally offer while continuing to maintain a close personal approach to customer service."

(p. 38; Challenging; LO1)

167. Identify the marketing mix used by the Millersville Federal Credit Union (MFCU).

The marketing mix consists of the four controllable elements: product, place, price, and promotion. With the MFCU, the products offered are financial services and close personal attention to the customers and their financial needs. The place is their office as well as various "points of sale" and "automated teller machines" that accept the credit union's check card and credit card. The price is the fee(s) charged for the various services used and the

interest charged on any loans. The promotion would consist of word of mouth, office signage and any statement stuffers, and very limited advertising.

(p. 50; Easy; LO5)

168. What elements should be considered in a SWOT analysis for the Millersville Federal Credit Union (MFCU)?

A SWOT analysis evaluates the company's overall strengths (S), weaknesses (W), opportunities (O), and threats (T). Strengths include internal capabilities, resources, and positive situational factors that may help MFCU serve its customers. The best of these for MFCU appear to be their products/services and their friendly service. Weaknesses include internal limitations and negative situational factors. MFCU has too few members, possibly restricted by the legal geographical limitations of their market and their limited past promotion efforts. Also, MFCU does not now offer the online service that competitors offer. Opportunities are favorable factors or trends in the external environment. The strong reputation for service satisfaction, if promoted, could lead to more customers. There is also the possibility of once again expanding their service area. Threats are unfavorable external factors or trends. The most significant of these are competitors, a drop in the economy, and increased regulation.

(p. 52; Moderate; LO2)

Continuing Small Business Case #5: ABC Therapeutic Massage

Tracey M. graduated from the local School of Massage in March 2003. She holds a bachelor's degree in nursing (RN), is a certified massage therapist (CMT), and is also nationally certified in therapeutic massage and bodywork (NCTMB). Shortly after graduation she began a home-based business, ABC Therapeutic Massage. While she eventually hopes to be totally home-based, she also presently does on-site chair massages at local businesses a few days a month, as well as some post-event sports massages at local races and fairs. Tracy has many local competitors who offer more services than she does, but she does keep her prices at or below the competitors' rates. She offers, on an appointment basis, a basic full-body massage, warm stone massage, Ashiatsu Oriental Bar Therapy, salt glow back exfoliation and a paraffin wax dip. Tracy is the only local massage therapist who offers Ashiatsu, a deep compression barefoot massage technique in which, through the therapist's use of overhead bars, gravitational force is combined with smooth, flowing, deep-pressure massage strokes to provide the "deepest, most luxurious massage on the planet." ABC is limited by zoning from placing a sign outside the residence. However, Tracy has made use of business cards, referrals, and some local newspaper and high school sports program ads to promote her business.

169. What might you suggest as a mission statement for ABC Therapeutic Massage?

A major strength of ABC's business are Tracy's background and training. In addition, Tracy offers the lowest price alternative in the market and a unique form of massage offered by none of her competitors. It is these strengths upon which she should build her mission statement. Personal service is to be at the center of her mission statement. Tracy might consider something along the lines of, "The mission of ABC Therapeutic Massage is to offer our clients a professional therapeutic massage in the quiet and relaxing atmosphere of a private home."

(p. 38; Challenging; LO1)

170. Identify the marketing mix used by ABC Therapeutic Massage.

The marketing mix consists of the four controllable elements: product, place, price, and promotion. With ABC, the underlying products offered are a basic full-body massage, a warm stone massage, Ashiatsu Oriental Bar Therapy, salt glow back exfoliation, and a paraffin wax dip. However, these are augmented by the personal skill of the therapist, and it is, in essence, Tracy's skill that you purchase. The place is her home and at certain times specific, limited, off-site locations. The massages are offered by appointment. The price is the fee(s) charged for the various services used. ABC's promotion is limited, but presently includes business cards, word of mouth referrals, small local newspaper ads, and the purchase of program ads in the local high school sports programs.

(p. 50; Easy; LO5)

171. What should be considered in developing a SWOT analysis for ABC Therapeutic Massage?

A SWOT analysis evaluates the company's overall strengths (S), weaknesses (W), opportunities (O), and threats (T). Strengths include internal capabilities, resources, and positive situational factors that may help ABC serve its customers. The best of these for ABC appear to be Tracy's professional qualifications, her lower prices, and her unique Ashiatsu massage technique. Weaknesses include internal limitations and negative situational factors. ABC is a new business and is relatively unknown. There is only one therapist, Tracy, and this might lead to scheduling limitations. There are some existing zoning restrictions that limit signage at the residence. Opportunities are favorable factors or trends in the external environment. The fact that Tracy is not only a licensed massage therapist but also registered nurse, if promoted, could lead to more customers. Threats are unfavorable external factors or trends. The most significant of these are a large number of competitors and possible additional future regulation.

(p. 52; Moderate; LO2)

Continuing Small Business Case #6: Mr. Bill's Seafood

Mr. Bill's has been in business since the 1950s. The original location was once a gas station that was converted into a beer and crab restaurant. There were originally two owners and the business had a second location in a nearby town about 25 miles away. Tim Glatfelter. The present owner, first made the acquaintance of Mr. Bill's owner when he served as his newspaper delivery boy. Tim was offered a job as a crab handler in 1973 and continued to work for Mr. Bill's throughout his college years. Tim eventually worked his way up to becoming a part owner. In 1981 the business moved across the street to its present location. Finally, in 2002, when the remaining original owner died, Tim became the sole owner of the business. Over the years, Tim helped turn what had been a beer and crab restaurant into a fresh and frozen seafood business. While there have been several competitors nearby, Mr. Bill's is now the oldest such firm in the area. The business has developed a widespread and dependable list of sources for all kinds of seafood, and while others may find particular species in short supply, Mr. Bill's can usually locate and deliver, at a reasonable price, high-quality products when others cannot. Mr. Bill's advertises in the local newspaper and paints promotions for sale items on their street side windows. While Mr. Bill's is still quite profitable, Tim is concerned that their business, as presently operating, may have peaked, and he is now looking for new and different ways to grow.

172. What might you suggest as a mission statement for Mr. Bill's Seafood?

The major strengths of Mr. Bill's business are its long history; consistent location; comparative advantage over competitors in access to suppliers; and ability to deliver a quality product, when others cannot, at a reasonable price. It is these strengths upon which Tim, the owner, should build his mission statement. Tim might consider something along the lines of, "The mission of Mr. Bill's is to delight our customers by satisfying their need for fresh and frozen seafood of the highest available quality at an affordable price."

(p. 38; Challenging; LO1)

173. Identify the marketing mix used by Mr. Bill's Seafood.

The marketing mix consists of the four controllable elements: product, place, price, and promotion. With Mr. Bill's, the underlying product offered is a variety of fresh and frozen seafood. However, due to the perishability of the product, this is augmented by the issue of product quality. With fresh seafood, it is essential that the product be very fresh. Likewise, with frozen seafood, care is required to insure a properly frozen and stored product is delivered. The place is the location of the store and the hours of operations. The price is the amount charged for the various types of seafood offered. Mr. Bill's promotion includes word of mouth referrals, local newspaper ads, and store signage.

(p. 50; Easy; LO5)

174. What should be considered in developing a SWOT analysis for Mr. Bill's Seafood?

A SWOT analysis evaluates the company's overall strengths (S), weaknesses (W), opportunities (O), and threats (T). Strengths include internal capabilities, resources, and positive situational factors that may help Mr. Bill's serve its customers. Mr. Bill's strengths include its longevity, its consistent location, its quality products, the owner's experience, and its access to suppliers. Weaknesses include internal limitations and negative situational factors. Mr. Bill's appears to have peaked or leveled off in sales. This may indicate a characteristic of the current market being served, either geographically or on the basis of product variety being offered. Opportunities are favorable factors or trends in the external environment. Tim's extensive experience in the seafood business, coupled with other related product opportunities, offers the option of expansion. Threats are unfavorable external factors or trends. The most significant of these is the potential for new competition entering the market, and the possible shortages of seafood that might be brought about by overfishing.

(p. 52; Moderate; LO2)

175. Discuss how the product/market expansion grid might guide Tim as he faces the future with Mr. Bill's Seafood.

The product/market expansion grid examines the opportunities for growth along two dimensions: existing or new products and existing or new markets. This creates a 2x2 matrix with four cells. The first, existing products and existing markets, calls for an effort to further penetrate your current markets and sell more of your current products to your current customers. To accomplish this, Mr. Bill's Seafood would more heavily promote their store and offer sales. Since the store is currently very well known, and their prices are competitive with those of their competitors, this may not be the best option. The second cell, existing product and new markets, or market development, would suggest opening an additional outlet(s). At one time, there was a second Mr. Bill's location that is now closed, and Tim may be a bit hesitant to pursue this option. The third, new products and existing markets, or

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product development, does offer some opportunity for growth. Commercial clients could be pursued, and prepared (frozen or fresh) seafood dinners could be offered as takeout. The fourth, new products and new markets, or diversification, would appear to be the option with the greatest risk for Mr. Bill's since it does not appear to build on the past strengths of the business.

(p. 43; Challenging; LO2)