

Chapter 2 Strategic Planning

Section 1—The Value Proposition

TRUE/FALSE QUESTIONS

1. Conditions external to the firm include looking at a firm's resources, capabilities, and technology.

Correct answer: False

Level: Moderate

2. A value proposition is formed after the firm develops a strategic plan.

Correct answer: False

Level: Moderate

3. A value proposition is an extensive, in-depth explanation of a firm's benefits.

Correct answer: False

Level: Easy

4. A value proposition states the specific benefits a product or service offering provides to a buyer.

Correct answer: True

Level: Easy

5. A value proposition is utilized not only by firms, but also by individuals.

Correct answer: True

Level: Moderate

MULTIPLE-CHOICE QUESTIONS

6. A _____ states the specific benefits that a product or service offering provides to a buyer.

- a. marketing campaign
- b. diversification strategy
- c. target market analysis
- d. marketing plan
- e. value proposition

Correct answer: E

Level: Easy

7. A value proposition states the:

- a. firm's strategy for entering new markets with new product or service offerings.
- b. firm's marketing objectives.
- c. firm's pricing strategy.

- d. buyer's purchase incentives.
- e. specific benefits a product or service offering provides to a buyer.

Correct answer: E

Level: Moderate

8. The purpose of a value proposition is to provide the:
- a. firm with a reason why buyers prefer their product or service offering.
 - b. buyer with a reason why the product or service is superior to competing offers.
 - c. buyer with a price point for purchase.
 - d. firm with a moral code of ethics.
 - e. seller with a price point for purchase.

Correct answer: B

Level: Moderate

9. A well-developed value proposition:
- a. focuses on the external market, or what customers want.
 - b. conveys the firm's profits.
 - c. focuses on the supply chain's benefits.
 - d. increases product development.
 - e. differentiates from buyers in the market.

Correct answer: A

Level: Hard

10. Sally's cookie company sells products both online and at retail locations. She has developed multiple value propositions because:
- a. cookies necessitate more explanation than other products due to the variety of flavors.
 - b. Sally is an overachiever and likes to do more work than necessary.
 - c. Sally's firm is serving more than one target market.
 - d. cookies are part of a saturated market.
 - e. cookies are in the mature stage of the product life cycle.

Correct answer: C

Level: Hard

11. Hispanic consumers are the target market for many products because this is a:
- a. growing group of consumers with about a million dollars in buying power.
 - b. group of consumers requiring new value propositions.
 - c. group of consumers who are interested in products in the growth stage of the product life cycle.
 - d. growing group of consumers with over a trillion dollars in buying power.
 - e. group of consumers interested in the firm's marketing strategies.

Correct answer: D

Level: Moderate

12. The group of customers toward which an organization directs its marketing efforts is known as the _____.
a. constituency
b. target market
c. direct market
d. value group
e. key market

Correct answer: B

Level: Easy

FILL-IN-THE-BLANK QUESTIONS

13. A(n) _____ is a statement that summarizes the key benefits or value for target customers.

Correct answer: value proposition

Level: Moderate

14. A(n) _____ explains why customers should buy a product, why stakeholders should donate, or why prospective employees may want to work for an organization.

Correct answer: value proposition

Level: Easy

15. The group of customers toward which an organization directs its marketing efforts is known as the _____.
a. constituency
b. target market
c. direct market
d. value group
e. key market

Correct answer: target market

Level: Easy

16. A company's resources, capabilities, and technology are examples of _____.
a. internal conditions
b. external environment
c. target market
d. value group
e. key market

Correct answer: internal conditions

Level: Moderate

17. The economy, competitors, and government regulations that could affect what the firm wants to do are part of the _____.
a. internal conditions
b. external environment
c. target market
d. value group
e. key market

Correct answer: external environment

Level: Moderate

ESSAY QUESTIONS

18. What is involved in creating a successful value proposition?

Correct answer: A company must identify how it benefits its customers. The firm then must translate this into a short statement that answers why customers should buy a product, why stakeholders should donate, or why prospective employees may want to work for an organization. Ultimately, the firm must relate how it provides value.

Level: Easy

19. Explain why companies have different value propositions for each target market.

Correct answer: Firms with multiple target markets understand that the value of their products or services may vary based on the customer. Thus, a firm often needs to develop different value propositions for these target markets to ensure that each group of customers understand the benefits provided by the company's products.

Level: Moderate

20. Explain how individuals can utilize value propositions.

Correct answer: Understanding the value one can bring to a situation is imperative when interviewing for school, a job, or acceptance into any number of organizations. Individuals can utilize value propositions to differentiate themselves from others. A value proposition is an especially useful tool when an individual has only a small amount of time to make an impact, such as a job fair. As companies utilize different value propositions for different target markets, individuals should utilize different value propositions based on the desired goal.

Level: Hard

Section 2—Components of the Strategic Planning Process

TRUE/FALSE QUESTIONS

21. A complete situation analysis involves assessing a company's internal environment.

Correct answer: False

Level: Moderate

22. Opportunities and threats are internal to the organization and are largely uncontrollable.

Correct answer: False

Level: Moderate

23. A situation analysis looks at a company's strengths, weaknesses, opportunities, and threats.

Correct answer: False

Level: Easy

24. People who act like customers and visit competitors to learn about their customer service and their products are known as mystery shoppers.

Correct answer: True

Level: Easy

25. Marketing environmentally safe products and services in a way that is good for the environment is called responsible marketing.

Correct answer: False

Level: Easy

MULTIPLE-CHOICE QUESTIONS

26. _____ is a long-term process that helps an organization allocate its resources to capitalize on opportunities in the marketplace.

- a. Marketing
- b. Contingent planning
- c. Strategic planning
- d. Diversification
- e. Decentralization

Correct answer: C

Level: Easy

27. Michael Porter's five forces model includes all of the following EXCEPT:

- a. rivalries of existing companies.
- b. threat of substitute products.
- c. bargaining power of buyers.
- d. threat of supplier penetration development.
- e. threat of new entrants.

Correct answer: D

Level: Moderate

28. People who act like customers are known as _____.

- a. mystery shoppers
- b. savvy consumers
- c. decoy shoppers
- d. shoplifters
- e. the target market

Correct answer: A

Level: Easy

29. In Michael Porter's five forces model, the threat of supplier bargaining power refers to:

- a. a buyer being large enough, to affect a selling company's performance.
- b. the likelihood a supplier will enter into a customer's market.

- c. visiting competitors to learn about their customer service and their products.
- d. vying for the supplier's dollar.
- e. the threat of substitute products.

Correct answer: B

Level: Hard

30. Which of the following is a function of the Food and Drug administration?

- a. It prohibits U.S. firms from restraining trade.
- b. It regulates deceptive advertising.
- c. It regulates the labeling of consumable products.
- d. It creates monopolies and cartels.
- e. It prohibits monopolies and cartels.

Correct answer: C

Level: Moderate

31. Sarah owns a store in a town where the population has changed from low-income singles to high-income families. Based on which of the following types of environmental changes does Sarah need to make changes?

- a. Economic
- b. Technology
- c. Social and cultural
- d. Natural resources
- e. Legal and political

Correct answer: C

Level: Moderate

32. A firm's _____ states the purpose of the organization and why it exists.

- a. value proposition
- b. business plan
- c. marketing plan
- d. mission statement
- e. financial report

Correct answer: D

Level: Easy

33. Which of the following does green marketing typically involve?

- a. Marketing environmentally safe products and services in a way that is good for the company.
- b. Using online ads and mobile marketing and not newspapers and magazine for advertising.
- c. Marketing green spaces, such as parks.
- d. Utilizing the Environmental Protection Agency in marketing efforts.

- e. Marketing environmentally safe products and services in a way that is good for the environment.

Correct answer: E

Level: Moderate

34. With reference to the external environment, the _____ includes competition, suppliers, marketing intermediaries (retailers, wholesalers), the public, the company, and customers.
- a. micro environment
 - b. target market
 - c. macro environment
 - d. trade commission
 - e. decoy market

Correct answer: A

Level: Easy

FILL-IN-THE-BLANK QUESTIONS

35. The companies that provide ingredients as well as packaging to other firms are known as _____.

Correct answer: suppliers

Level: Easy

36. The Federal Trade Commission and the Food and Drug Administration require that all organizations comply and understand the _____ in which they do business.

Correct answer: political and legal regulations

Level: Moderate

37. _____ changes the way people communicate and the way firms do business.

Correct answer: Technology

Level: Moderate

38. A firm's _____ states the purpose of the organization and why it exists.

Correct answer: mission statement

Level: Easy

39. Analyzing the _____ environment involves tracking conditions in the marketplace that are largely uncontrollable.

Correct answer: external

Level: Moderate

40. _____ are internal factors that are somewhat controllable and can be utilized by the company to create a competitive advantage.

Correct answer: Strengths

Level: Moderate

ESSAY QUESTIONS

41. Describe the components of a situation analysis.

Correct answer: When engaging in strategic planning, a company must first conduct a situation analysis, which assesses a firm's external and internal environments. External factors include the economy, social trends, culture, politics and regulations, and technological advances. Internal factors include capabilities, tangible and intangible resources, and technological capabilities. A firm can conduct a SWOT analysis, which analyzes the strengths, weaknesses, opportunities, and threats that the company faces. Strengths and weaknesses are internal to the company while opportunities and threats represent factors that are external to the company. Strengths can then be utilized when certain opportunities arise to create a competitive advantage for the firm. In addition, firms engage in an analysis of the competitive environment. Direct competitors as well as indirect competitors are considered in this analysis. To better understand an industry, Michael Porter's five forces model can be implemented. A competitive analysis involves researching any information pertaining to competitors that is available to a firm. Some firms implement mystery shoppers, research annual reports and financial statements, document media stories, etc.

Level: Moderate

42. List and describe the parts of Porter's five forces model and explain how it is utilized by companies.

Correct answer: The five forces include:

- 1) Bargaining Power of Suppliers—This entails how much control suppliers have in terms of providing the necessary goods/services for another firm in addition to the threat of them moving forward in the supply chain.*
- 2) Bargaining Power of Customers—Pertains to how much power a single buyer or a group of buyers has in product demand. In addition, this step looks at the likelihood of the buyer moving backward in the supply chain.*
- 3) Threat of New Entrants—This involves the likelihood that new competitors will emerge in an industry.*
- 4) Threat of Substitute Products—Analysis here provides insight into how the demand for an industry's goods or service can be met elsewhere.*
- 5) Rivalries of Existing Companies—This portion of the model analyzes how companies in an industry currently compete.*

The model is utilized to analyze an industry, which is a group of competitors offering similar products and services. This aids a company in assessing both the current competitors and the potential future competitors of an industry.

Level: Hard

Section 3—Developing Organizational Objectives and Formulating Strategies

TRUE/FALSE QUESTIONS

43. Most for-profit organizations publish their objectives.

Correct answer: False

Level: Moderate

44. Objectives are actions taken to accomplish strategies.

Correct answer: False

Level: Easy

45. A market-penetration strategy involves selling more of existing products and services to existing customers.

Correct answer: True

Level: Moderate

46. Exporting and direct investment are examples of international market-penetration strategies.

Correct answer: False

Level: Moderate

47. A business plan is a strategic plan at the functional level that provides a firm's marketing group with direction.

Correct answer: False

Level: Easy

48. Maggie has implemented a market-development strategy by selling her jewelry not only in Nashville, but also in Chicago.

Correct answer: True

Level: Hard

49. A direct investment strategy involves the most risk and investment but offers the most control.

Correct answer: True

Level: Moderate

MULTIPLE-CHOICE QUESTIONS

50. A firm's objectives should be:

- a. goals to shoot for but expect to fall short on.
- b. realistic and measurable.
- c. reliable and dependable.
- d. focused on revenue.
- e. practical and successful.

Correct answer: B

Level: Moderate

51. Trent would like to increase his clothing sales by 4% over the next 24 months. Which of the following has Trent created?
- a. Market penetration strategy
 - b. Downsizing strategy
 - c. Mission statement
 - d. Objective
 - e. Marketing plan

Correct answer: D

Level: Moderate

52. _____ are actions taken by a firm to accomplish _____.
- a. Strategies; objectives
 - b. Objectives; strategies
 - c. Objectives; mission statements
 - d. Mission statements; strategies
 - e. Marketing plans; objectives

Correct answer: A

Level: Moderate

53. A _____ strategy involves selling more of existing products and services to existing customers.
- a. market-penetration
 - b. product-development
 - c. market-development
 - d. diversification
 - e. downsizing

Correct answer: A

Level: Easy

54. John is offering his customers a special promotion for t-shirts: buy one, get the second one for a discount of 50%. Which of the following strategies is John utilizing?
- a. Market-penetration
 - b. Product-development
 - c. Market-development
 - d. Diversification
 - e. Downsizing

Correct answer: A

Level: Moderate

55. A _____ strategy involves creating new products or services for existing markets.
- a. market-penetration
 - b. product-development
 - c. market-development
 - d. diversification
 - e. downsizing

Correct answer: B

Level: Easy

56. A cookie company has decided to add a brownie product line to their inventory. Which of the following strategies is being employed by this company?
- a. Market-penetration
 - b. Product-development
 - c. Market-development
 - d. Diversification
 - e. Downsizing

Correct answer: B

Level: Moderate

57. Which of the following strategies involves selling existing products or services to new customers?
- a. Market-penetration
 - b. Product-development
 - c. Market-development
 - d. Diversification
 - e. Downsizing

Correct answer: C

Level: Easy

58. A skincare company has decided to market its lotion to older women in addition to its current youth female market. This company is utilizing a _____ strategy.
- a. market-penetration
 - b. product-development
 - c. market-development
 - d. diversification
 - e. downsizing

Correct answer: C

Level: Moderate

59. Which of the following strategies involves offering products that are unrelated to other existing products produced by the organization?
- a. Market-penetration

- b. Product-development
- c. Market-development
- d. Diversification
- e. Downsizing

Correct answer: D

Level: Easy

60. A fashion house purchased a music company. This is an example of a _____ strategy.
- a. market-penetration
 - b. product-development
 - c. market-development
 - d. diversification
 - e. downsizing

Correct answer: D

Level: Moderate

61. A _____ is a road map that improves the firm's understanding of its competitive situation.
- a. marketing plan
 - b. mission statement
 - c. situation analysis
 - d. SWOT analysis
 - e. direct competitor analysis

Correct answer: A

Level: Moderate

62. The least risky and least expensive method used by companies to enter international markets is known as _____.
- a. exporting
 - b. licensing
 - c. franchising
 - d. joint ventures
 - e. direct investment

Correct answer: A

Level: Moderate

63. When entering an international market, _____ is the least risky method, while _____ is the most risky strategy.
- a. exporting; joint ventures
 - b. licensing; exporting
 - c. franchising; licensing
 - d. joint ventures; direct investment

- e. exporting; direct investment

Correct answer: E

Level: Moderate

64. _____ refers to firms selling the right to use some aspect of their production processes, trademarks, or patents to individuals or firms in foreign markets.
- a. Exporting
 - b. Licensing
 - c. Franchising
 - d. Contract manufacturing
 - e. Direct investment

Correct answer: B

Level: Easy

65. Universities who allow their logos to be placed on t-shirts and other goods by third parties are engaging in _____.
- a. exporting
 - b. licensing
 - c. franchising
 - d. contract manufacturing
 - e. direct investment

Correct answer: B

Level: Moderate

66. _____ combines the expertise and investments of two companies and helps companies enter foreign markets.
- a. Exporting
 - b. Licensing
 - c. A joint venture
 - d. Contract manufacturing
 - e. Direct investment

Correct answer: C

Level: Easy

67. Direct investment refers to:
- a. selling the right to use trademarks or patents to another firm.
 - b. allowing companies to hire manufacturers to produce their products in another country.
 - c. a form of licensing.
 - d. owning a company or facility overseas.
 - e. combining the expertise and investments of two companies.

Correct answer: D

Level: Moderate

FILL-IN-THE-BLANK QUESTIONS

68. ____ are what organizations want to accomplish in a given time frame.

Correct answer: Objectives

Level: Easy

69. ____ help guide and motivate a company's employees and give its managers reference points for evaluating the firm's marketing actions.

Correct answer: Objectives

Level: Hard

70. Successful ____ help organizations establish and maintain a competitive advantage that competitors cannot easily imitate.

Correct answer: strategies

Level: Moderate

71. A ____ is a strategic plan at the functional level that provides a firm's marketing group with direction.

Correct answer: marketing plan

Level: Easy

72. Offering consumers special promotions or low prices with the intent to encourage them to buy products is part of a ____ strategy.

Correct answer: market-penetration

Level: Hard

73. An auto company decided to downsize a current vehicle model into a smaller SUV. This is known as utilizing a ____ strategy.

Correct answer: product-development

Level: Moderate

74. Selling a product to buyers abroad is known as ____.

Correct answer: exporting

Level: Easy

75. Owning a company or facility overseas is known as ____.

Correct answer: direct investment

Level: Easy

ESSAY QUESTIONS

76. List and describe the four types of product strategies and market-entry strategies that companies pursue.

Correct answer:

- 1) *Market-penetration—Refers to selling more of existing products and services to existing companies.*
- 2) *Market-development—Refers to selling existing products or services to new customers.*
- 3) *Product-development— Refers to creating new products or services for existing markets.*
- 4) *Diversification—Refers to offering products that are unrelated to other existing products produced by the organization.*

Level: Moderate

77. List and describe the six types of market-development strategies outlined in your text.
Which is the most risky and which is the least risky?

Correct answer:

- 1) *Export—Firms who sell their products to buyers abroad. This is the least risky method and least expensive. It offers the least amount of control.*
- 2) *License—Firms who sell the right to use some aspect of their production processes, trademarks, or patents to individuals or firms in foreign markets.*
- 3) *Franchising—Franchisee pays a fee to run a business with the trademarks, production process, and/or patents of the franchisor. There are typically strict standards, but the franchisee receives the benefit of brand recognition, advertising, etc.*
- 4) *Contract Manufacturing—Firms who hire manufacturers to produce products in another country.*
- 5) *Joint Ventures—When more than one company invests in a new firm. This is typically done with one party that is currently located in the foreign market. The objective is to combine funding and expertise.*
- 6) *Direct Investment—Firms who own a company or facility overseas. This is the most risky and expensive. The advantage is that this strategy offers the firm the most control.*

Level: Hard

Section 4—Where Strategic Planning Occurs Within Firms

TRUE/FALSE QUESTIONS

78. Corporate level plans are developed for each strategic business unit.

Correct answer: False

Level: Easy

79. Strategic business unit groups are businesses or product lines within an organization that have their own competitors, customers, and profit centers.

Correct answer: True

Level: Easy

80. Corporate level plans help to achieve the overall goals of the corporation while business level plans help to achieve goals at the individual business level.

Correct answer: True

Level: Moderate

81. Business level planning at PepsiCo involves employee responsibility of different products and product categories, such as packaging and product decisions.

Correct answer: False

Level: Hard

82. The basic components of the strategic planning process are different at each of the various levels.

Correct answer: False

Level: Moderate

83. Strategies at the functional department level must be consistent with corporate level objectives, but need not be consistent with business level objectives.

Correct answer: False

Level: Moderate

MULTIPLE-CHOICE QUESTIONS

84. Which of the following refers to business level plans?

- a. Plans developed for the overall corporation in terms of financial and business success.
- b. Plans developed for accounting, marketing, and financial employee functions.
- c. Plans developed in the best interest of the strategic business units, outside of the overall corporate objective.
- d. Plans including well developed marketing plans.
- e. Plans developed for each strategic business unit and typically having their own mission statement.

Correct answer: E

Level: Moderate

85. Which of the following processes helps an organization allocate its resources under different conditions to accomplish its objectives, deliver value, and be competitive in a market-driven economy?

- a. Corporate planning
- b. Strategic planning
- c. Business planning
- d. Market forecasting
- e. Business forecasting

Correct answer: B

Level: Easy

86. Strategic planning is a process that:
- a. helps an organization allocate its resources to capitalize on opportunities in the marketplace.
 - b. has short-term goals.
 - c. creates unchangeable plans.
 - d. allows each department to create plans that benefit them the most.
 - e. helps an organization allocate macro-environmental factors that impact consumers.

Correct answer: A

Level: Moderate

87. A _____ plan was implemented at PepsiCo to create a new Aquafina bottle that uses less plastic and has a smaller label, which reduces waste and helps the environment.
- a. corporate level
 - b. business level
 - c. functional level
 - d. value oriented
 - e. consumer oriented

Correct answer: C

Level: Moderate

88. If a company has multiple planning levels, the plans must be:
- a. consistent and all must help achieve individual goals.
 - b. approved by all departments within an organization.
 - c. adhered to regardless of external factors.
 - d. consistent and all must help achieve the overall goals of the corporation.
 - e. the same for each strategic business unit.

Correct answer: D

Level: Moderate

89. Goodyear's strategic business units are set up to satisfy customers' needs:
- a. in different worldwide markets.
 - b. in different automotive categories.
 - c. through market penetration.
 - d. in different product categories.
 - e. through value segmentation.

Correct answer: A

Level: Hard

FILL-IN-THE-BLANK QUESTIONS

90. _____ is a process that can occur at different levels (corporate, business, and functional) in an organization

Correct answer: Strategic planning

Level: Moderate

91. A marketing plan and a financial plan are types of _____ level plans.

Correct answer: functional

Level: Moderate

92. Business or product lines within an organization that have their own competitors, customers, and profit centers are known as _____.

Correct answer: strategic business unit groups

Level: Easy

93. _____ is a process that helps an organization allocate its resources under different conditions to accomplish its objectives, deliver value, and be competitive in a market-driven economy.

Correct answer: Strategic planning

Level: Easy

94. The different departments within a company, such as accounting, finance, and marketing, are known as _____.

Correct answer: strategic business units

Level: Moderate

ESSAY QUESTIONS

95. Explain the importance of implementing consistent plans when a company has multiple planning levels.

Correct answer: All plans must help an organization achieve its corporate level objectives. Thus, business level plans should outline strategies for business units that help the organization achieve its strategic objectives. The SBUs at the business level must also be consistent with and help an organization achieve its corporate level objectives. Both business level and functional plans should help the firm increase its profits, so that the company's corporate level strategic objectives can be met.

Level: Moderate

96. Explain how PepsiCo utilizes the strategic planning process to make decisions at various levels which ultimately support PepsiCo's overall objectives.

Correct answer: PepsiCo's overall corporate level objective is to achieve business and financial success while also having a positive societal contribution. PepsiCo's three strategic business unit groups have been created to allow employees to work more cohesively on projects to support the company's objectives. Within the units, functional plans are employed pertaining to packaging, distribution, and products. Aquafina is one example where packaging decisions enable the company to use less material to help both the company's

bottom line and the environment. Thus, PepsiCo has achieved both parts of the corporate goal.

Level: Moderate

Section 5—Strategic Portfolio Planning Approaches

TRUE/FALSE QUESTIONS

97. A portfolio is a group of businesses.

Correct answer: True

Level: Easy

98. The Boston Consulting Group Matrix is a planning approach that examines a business's strengths and the attractiveness of industries.

Correct answer: False

Level: Moderate

99. A cash cow is a product with high growth and a high market share.

Correct answer: False

Level: Easy

100. A divested product is one that the firm drops or sells.

Correct answer: True

Level: Moderate

101. A business receiving a medium score with the GE approach should be divested immediately.

Correct answer: False

Level: Moderate

102. The GE approach evaluates the strengths and the attractiveness of industries as high, medium, and low.

Correct answer: True

Level: Moderate

MULTIPLE-CHOICE QUESTIONS

103. A group of business units owned by a single firm is known as a ____.

- a. SBU
- b. marketing group
- c. LEC
- d. parent company
- e. portfolio

Correct answer: E

Level: Easy

104. Which of the following does the General Electric approach examine?
- a. A business's strengths and the attractiveness of industries.
 - b. A business's strengths and the weaknesses of the external environment.
 - c. Stars, cash cows, question marks, and dogs.
 - d. Strategic business units based on their relative market shares and growth rates.
 - e. Strategic business units based on their SWOT analysis.

Correct answer: A

Level: Moderate

105. A(n) _____ involves analyzing a firm's entire collection of businesses relative to one another.
- a. comprehensive analysis
 - b. situational analysis
 - c. portfolio-planning approach
 - d. investment analysis
 - e. strategic marketing plan

Correct answer: C

Level: Moderate

106. The Boston Consulting Group matrix evaluates each of its strategic business units based on how fast the unit is growing compared to the industry in which it competes and:
- a. how much revenue the unit is forecasted to gross.
 - b. how the unit's share of the market compares to the market share of its competitors.
 - c. how the unit's competitors market their products.
 - d. how much advertising will cost the unit.
 - e. how many strengths and opportunities were in the unit's SWOT analysis.

Correct answer: B

Level: Hard

107. A product with high growth and a high market share is known as a _____.
- a. star
 - b. cash cow
 - c. question mark
 - d. dog
 - e. harvest product

Correct answer: A

Level: Easy

108. Which of the following refers to a cash cow?

- a. A product with high growth and a high market share.
- b. A product with a long-term future.
- c. A product with low growth and a low market share.
- d. A product with low growth and a high market share.
- e. A product with high growth and a low market share.

Correct answer: D

Level: Moderate

109. When a manufacturer creates a product with a low share of a high-growth market, the product is known as a ____.
- a. star
 - b. cash cow
 - c. question mark
 - d. dog
 - e. harvest product

Correct answer: C

Level: Easy

110. Which of the following refers to a product with a low growth and low market share?
- a. Star
 - b. Cash cow
 - c. Question mark
 - d. Dog
 - e. Harvest product

Correct answer: D

Level: Easy

111. The success sequence involves taking money from ____ and investing it into ____ in hopes of them becoming ____.
- a. cash cows; question marks; dogs
 - b. cash cows; question marks; stars
 - c. dogs; question marks; stars
 - d. dogs; cash cows; stars
 - e. question marks; stars; cash cows

Correct answer: B

Level: Moderate

112. A firm that invests only what it has to in order to maintain the product's market share is said to be ____.
- a. holding market share
 - b. stabilizing market share
 - c. harvesting market share

- d. growing market share
- e. decreasing market share

Correct answer: A

Level: Easy

FILL-IN-THE-BLANK QUESTIONS

113. An approach to analyzing various businesses relative to one another is known as a ____.

Correct answer: portfolio-planning approach

Level: Easy

114. The ____ is a portfolio-planning approach that examines strategic business units based on their relative market shares and growth rates.

Correct answer: Boston Consulting Group matrix

Level: Moderate

115. The ____ is a portfolio-planning approach that examines a business's strengths and the attractiveness of industries.

Correct answer: General Electric approach

Level: Moderate

116. A company with a cash cow needs to manage them so that they continue to generate revenue to ____.

Correct answer: fund star products

Level: Moderate

117. ____ market share means the company wants to keep the product's share at the same level.

Correct answer: Holding

Level: Moderate

ESSAY QUESTIONS

118. Explain how strategic business units are evaluated using the Boston Consulting Group matrix.

Correct answer: Strategic business units are evaluated based on two dimensions. The first is the market growth rate of the business unit or how fast the unit is growing compared to the industry in which it competes. The second is the relative market share of the business unit or how the unit's share of the market compares to the market share of its competitors. The business units are divided into one of four groups: stars, cash cows, question marks, and dogs. Stars have high growth and high market share, so they are projected to be very profitable. Cash cows have low growth, but high market share, meaning that they most likely do not have a long future ahead of them. Question marks are products that have high growth

but a low market share. Companies must decide if it is worth investing additional money and time into these products to grow market share since the product has a potential to grow. Dogs are products with low growth and low market share. Dogs are not seen as having much potential for bringing in revenue.

The classification of products then aids firms in deciding how to allocate resources. The success sequence involves taking money from cash cows and investing into question marks in hopes of them becoming stars.

Level: Moderate

119. Explain how businesses and the attractiveness of industries are evaluated using the General Electric approach.

Correct answer: The GE approach examines a business's strengths and the attractiveness of the industry in which it competes. Companies evaluate these two factors on a scale of high, medium, or low. Investment decisions are then made based on how the ratings look together. If they result in a low score, the company should harvest, divest, or stop investing in that business. If the two result in a mid-level score, the company should be guarded and most likely hold market share. Businesses that result in a high score should be invested in to build market share.

Level: Moderate