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Correct answers located at the end of the chapter.

1) Managers in all types of businesses must develop a clear answer for which of the following questions?
   A) Where are we now?
   B) Where do we want to go from here?
   C) What is the set of actions that we need to take to outperform the company's competitors and achieve superior profitability?
   D) When will we know we are there?
   E) What moves and approaches do we need to gain advantage in the marketplace?

2) A company's strategy consists of
   A) actions to develop a more appealing business model than rivals.
   B) plans involving alignment of organizational activities and strategic objectives.
   C) offensive and defensive moves to generate revenues and increase profit margins.
   D) competitive moves and approaches that managers have developed to grow the business, attract and please customers, conduct operations, and achieve targeted objectives.
   E) its strategic vision, its strategic objectives, and its strategic intent.

3) The competitive moves and business approaches a company's management is using to grow the business, compete successfully, attract and please customers, conduct operations, respond to changing economic and market conditions, and achieve organizational objectives is referred to as its
   A) strategy.
   B) moves to imitate key rivals.
   C) strategic mission.
   D) business model.
   E) strategic vision.

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4) The essence of strategy is
   A) developing lasting success that can support growth and secure the company's future over the long term.
   B) re-creating a business model with regularity.
   C) matching rival businesses' products and quality dimensions in the marketplace.
   D) building profits for short-term success.
   E) realigning the market to provoke change in rival companies.

5) A company's strategy has a chance of succeeding only when it is predicated on
   A) building revenues, controlling costs, and generating an attractive profit.
   B) actions, business approaches, and competitive moves aimed at appealing to buyers and setting the company apart from rivals.
   C) management's concepts of "where we have been," "where we are headed," and "where we need to go."
   D) the approval of a business model by a company's board of directors that spells out how to outcompete with rivals and make the company profitable.
   E) educated choices that management has made regarding which financial and operating plans to pursue.

6) Under Armour, a multinational sports apparel company, plans entry into a new geographical location, Vietnam, considered an emerging market, with its established and best-selling product line: women's running shorts. How should Under Armour *not* craft a strategy to enhance future profits in Vietnam?
   A) Create a sales plan that aims to enhance initial sales and market penetration with low prices based on high operational costs.
   B) Devise a marketing plan that aims at mass customer segments with attractive advertisements and offers on products.
   C) Implement a diversification plan that aims at adding health and fitness centers to its existing line of products.
   D) Chart an acquisition plan that aims at acquiring local smaller-scale sports apparel manufacturers that seek funding and offer a complementary product lineup.
   E) Establish a distribution plan to set up more supply outlets than any other rivals in the location.

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7) Which of the following is *not* an element of a company's business strategy?
   A) actions to respond to changing market conditions or other external factors
   B) actions to strengthen competitiveness via strategic alliances and collaborative partnerships
   C) actions to strengthen internal capabilities and competitively valuable resources
   D) actions to manage the functional areas of the business
   E) actions to revise the company's financial and strategic performance targets

8) Pizza Port, a craft brewing and pizza chain in southern California, manufactures thin-crust pizzas and offers one free pint of beer with the purchase of four large pizzas. Which of the following actions would you be most unlikely to advise Pizza Port's owners in formulating a strategy in order to enhance its future profits?
   A) Create a sales plan that aims to enhance initial sales and market penetration with low prices based on high operational costs.
   B) Devise a social media marketing plan that aims at mass customer segments, providing them with updates on new releases of beer, attractive advertisements, and offers on products.
   C) Implement a diversification plan that aims at eventually adding regions outside of southern California to its existing line of products.
   D) Chart an acquisition plan that aims at rebranding and creating franchises with local smaller-scale pizza restaurants and craft beer taprooms that seek funding and offer attractive locations.
   E) Establish a distribution plan to set up more rapid pizza and beer delivery than any other rivals in the region.

9) The most important aspect(s) of a company's business strategy
   A) are the actions and moves in the marketplace that managers take to gain a sustainable competitive advantage.
   B) is figuring out how to maximize profits and shareholder value.
   C) concerns how to improve the efficiency of its business model.
   D) deals with how management plans to maximize profits while, at the same time, operating in a socially responsible manner.
   E) is figuring out how to become the industry's low-cost provider.

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10) A creative, distinctive strategy that delivers a sustainable, competitive advantage is important because
   A) without a proven strategy, a company is likely to fall into bankruptcy.
   B) without a competitive advantage, a company cannot have a profitable business model.
   C) a strategy that yields a competitive advantage over rivals is a company's most reliable means of achieving above-average profitability and financial performance.
   D) a competitive advantage is what enables a company to achieve its strategic objectives.
   E) how a company goes about trying to please customers and outcompete rivals is what enables senior managers to choose an appropriate strategic vision for the company.

11) You are a strategic consultant to Danielle and Casey, partners in a local upscale coffee roasting and retail business. In counselling the partners about how to achieve a sustainable competitive advantage, you most likely would advise them to
   A) allow worthy rivals to match or surpass any elements of your current competitive advantage.
   B) have some distinctive strategic element that draws in customers and produces a competitive edge.
   C) utilize copycat product offerings or pursue similar approaches as rivals in order to stake out the same market position.
   D) engage in stealth practices to beat competitors at their own game.
   E) maintain their business model even at the expense of long-term profits.

12) A company's business model
   A) specifies the goals of above-average profitability and outstanding financial performance.
   B) is unrelated to its customer value proposition and profit formula.
   C) has nothing to do with whether it can execute its customer value proposition profitably.
   D) is management's blueprint for delivering a valuable product or service to customers in a manner that will yield an attractive profit.
   E) specifies exactly how it intends to outcompete rivals to achieve its strategic vision.

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13) A company's business model consists of its
A) mission statement and its SWOT analysis.
B) customer value proposition and its vision statement.
C) operating and financial plans.
D) profit formula and strategic vision.
E) profit formula and customer value proposition.

14) In their respective business models, car owners are allowed to rent their personal vehicles or vehicles acquired specifically for Turo rentals as a host. The Zipcar mobile app allows members to find the closest car, reserve, unlock and lock it, and report its condition. By contrast, Enterprise Rent-A-Car provides car and truck rentals to travelers, auto repair customers, and customers needing local transportation through a network of over 8,500 airport and neighborhood locations worldwide in more than 90 countries. These aspects of a business model are known as a
A) competitive strategy.
B) profit formula.
C) market entry wedge.
D) customer value proposition.
E) copycat competitive approach.

15) A company achieves sustainable competitive advantage when
A) it has a profitable business model.
B) a sufficiently large number of buyers have a lasting preference for its products or services as compared to the offerings of competitors.
C) it is able to maximize shareholder wealth.
D) it is consistently able to achieve both its strategic and financial objectives.
E) its strategy and its business model are well matched and in sync.

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16) A creative, distinctive strategy that sets a company apart from rivals and that gives it a sustainable competitive advantage
   A) is a reliable indicator that the company has a profitable business model.
   B) is a company's most reliable ticket to above-average profitability.
   C) signals that the company has a bold, ambitious strategic intent that places the achievement of strategic objectives ahead of the achievement of financial objectives.
   D) is the best indicator that the company's strategy and business model are well matched and properly synchronized.
   E) allows a company's managers to ignore competitors' responses to any moves that the company might make.

17) FaberRoad, a respected courier brand, is fast losing its market share to competitors who do overnight deliveries of packages or offer lower prices. The company's research department has found that many customers care more about knowing exactly when a package will arrive than getting it the next day. Which strategy would best address the current state of FaberRoad and help it regain its market?
   A) employing night delivery drivers at a high cost and maintenance charges
   B) developing radio tags that could be attached to packages to allow for real-time tracking by customers' PCs and mobile phones
   C) diversifying the different types of packages that can be transported and enabling booking through calls
   D) acquiring small transportation companies with cheaper trucks and tempos, rebranding, and using them for deliveries
   E) engaging in expensive advertising with new tag lines and famous celebrities to enhance its brand image in the market

18) A salsa manufacturing company that enjoys the *least* bargaining power with its suppliers would most likely be
   A) involved in mass production of its products to cater to an expanding customer base.
   B) actively catering to a broad, price-sensitive customer base.
   C) manufacturing high-quality salsa and related products from readily available raw materials for a broad customer base.
   D) selling salsa and related products deemed to be highly popular and easily available across most supermarkets.
   E) offering high-cost specialized salsas that could be consumed only by customers with specific food allergies.

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19) Based upon its advertising slogan, the pizza restaurant that likely offers the best value proposition to its customers is
   A) Johnny's Pie Shop: "The Tastiest Pizza You've Ever Had."
   B) Fast 'n Fresh Pizza: "Get fresh, hot pizza, delivered under 20 minutes—or it's free."
   C) Sustainable Slices: "Organic and sustainably sourced ingredients that are good for you and the planet."
   D) Loyalty Pizza: "One pizza, 5 points: to be redeemed with a pan pizza upon reaching 50 points."
   E) Crackerjack Pizza: "Open your pizza box and find a free gift. Hurry! Free gifts for 100 lucky customers."

20) Which of the following is *not* a frequently used strategic approach to setting a company apart from rivals and achieving a sustainable competitive advantage?
   A) aiming for a cost-based competitive advantage
   B) outcompeting rivals on the basis of such differentiating features as higher quality, wider product selection, added performance, better service, or more attractive styling
   C) simply trying to mimic the successful strategies of rivals
   D) focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of satisfying the needs and tastes of buyers comprising the niche
   E) developing expertise and resources that give the company competitive capabilities that rivals can't easily imitate or trump with capabilities of their own

21) BloomsJay Resorts Inc. has multiple tropical resorts in various locations. In a crowded market that caters to all kinds of consumers, this resort caters mainly to LGBTQ clients with a guaranteed hassle-free holiday experience at a premium price. What strategy is BloomsJay using to gain competitive advantage?
   A) a low-cost provider strategy
   B) a broad differentiation strategy
   C) a focused low-cost strategy
   D) a focused differentiation strategy
   E) a best-cost provider strategy

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22) Arnie's Noshes, a fast-food facility near a college campus, offers healthy, sustainably grown vegetarian and vegan fast food at higher prices than its competitors in the market and has a drive-through and indoor-seated, casual-dining operation. What strategy is Arnie's Noshes using to gain competitive advantage?

A) a best-cost provider strategy
B) a low-cost provider strategy
C) a focused low-cost provider strategy
D) a broad differentiation strategy
E) a focused differentiation strategy

23) An evolving strategy for a rideshare business like Uber or Lyft is *not* likely to be triggered by

A) their need to keep strategy in step with changing circumstances, market conditions, and changing customer needs and expectations.
B) the proactive efforts of their managers to fine-tune and improve one or more pieces of the strategy.
C) their need to abandon some strategy features that have been faltering or are no longer working well.
D) their need to respond to the newly initiated actions and competitive moves of manufacturers of autonomous vehicles.
E) their need to respond to short-term swings in the stock market that impact timing of an initial public offering (IPO).

24) Different companies across different industries adopt any one of the five generic strategies to gain competitive advantage. Which of the following businesses is *most* likely to use a low-cost provider strategy?

A) A fashion clothing line uses sought-after designers and natural fabrics.
B) A mortgage company specializes in lending money for second homes.
C) An online retailer delivers organic groceries overnight.
D) A baby products retailer sells unassembled baby furniture produced in China.
E) A dairy products manufacturer uses exotic substitutes to produce lactose-free dairy products.

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25) A company achieves sustainable competitive advantage when
A) its distinctive product offering is trumped by rivals' products.
B) it pursues a best-cost provider strategy.
C) competitors erode or imitate its efforts to attain a competitive advantage.
D) an attractively large number of buyers develop a durable preference for rivals' offerings of products or services.
E) it develops capabilities proven difficult for competitors to imitate or best.

26) Teladoc Health, a U.S. company, provides virtual health services to businesses via seamlessly connected general medical, mental health, and complex care portals to deliver convenience, outcomes, and significant efficiencies to both parties. Its primary offerings include telehealth, medical opinions, AI and analytics, and licensable platform services. Which of the following value propositions is *unlikely* to be part of Teladoc Health's business model?
A) We provide free referrals to medical specialists.
B) We offer a comparison feature tab that allows business customers to compare offerings from other online health services providers.
C) We are updating the site with better high-resolution video.
D) We are rolling out a mobile app version of the site to our subscribers.
E) We allow our customers to pay through gift coupons.

27) Square attained a solid foothold in small retail and service businesses in the United States, such as hair salons, massage therapists, and food trucks. Currently, Square gets a large percentage of its revenue (greater than 20 percent) from the restaurant business. "Square for restaurants" allows restaurant owners to manage their entire Point of Sale (POS) system, including credit card and mobile wallet payments, menu updates, floor layouts, employee scheduling, tip splitting, payroll processing and employee performance tracking using a single platform, as well as tools such as customer relationship management, inventory management, and employee management. Square's blueprint for how and why the company's business approaches will generate revenues sufficient to cover costs and produce attractive profits and returns on investment
A) is what is meant by the term strategic intent.
B) portrays the essence of a company's business purpose or mission.
C) accounts for why a company's financial objectives are at the stated level.
D) best describes what is meant by a company's strategy.
E) best describes what is meant by a company's business model.

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28) Changing circumstances and ongoing managerial efforts to improve the strategy

A) account for why a company's strategy evolves over time.
B) explain why a company's strategic vision undergoes almost constant change.
C) make it very difficult for a company to have concrete strategic objectives.
D) make it very hard to know what a company's strategy really is.
E) are only necessary when rivals are gaining market share.

29) It is normal for a company's strategy to end up being

A) left unchanged from management's original planned set of actions and business approaches since making on-the-spot changes is too risky.
B) a combination of defensive moves to protect the company's market share and offensive initiatives to set the company's product offering apart from rivals.
C) like the strategies of other industry members since all companies are confronting much the same market conditions and competitive pressures.
D) a blend of deliberate planned actions to improve the company's competitiveness and financial performance and as-needed unplanned reactions to unanticipated developments and fresh market conditions.
E) a mirror image of its business model, so as to avoid impairing company profitability.

30) Crafting a strategy involves

A) blending deliberate, planned initiatives with emergent, unplanned reactive responses to changing circumstances, while abandoning planned strategy elements that have failed in the marketplace.
B) developing a five-year strategic plan and then fine-tuning it during the remainder of the plan period.
C) trying to imitate as much of the market leader's strategy as possible so as not to end up at a competitive disadvantage.
D) doing everything possible (in the way of price, quality, service, warranties, advertising, and so on) to make sure the company's product and/or service is very clearly differentiated from the product and or service offerings of rivals.
E) All of these choices accurately characterize the managerial process of crafting a company's strategy.

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31) A company is unlikely to develop an emergent strategy due to
A) strategic moves by rival firms.
B) unexpected shifts in customer preferences.
C) fast-changing technological developments.
D) new market opportunities.
E) rivals' value chain deficiencies.

32) Which of the following statements about a company's realized strategy is true?
A) A company's realized strategy is mostly hidden to outside view and is deliberately kept under wraps by top-level managers.
B) A company's realized strategy is typically planned well in advance and usually deviates little from the planned set of actions.
C) A company's realized strategy generally changes very little over time unless a newly appointed CEO decides to take the company in a new direction with a new strategy.
D) A company's realized strategy is typically a blend of deliberate and/or planned initiatives and emergent and/or unplanned reactive strategy elements.
E) A company's realized strategy is developed mostly on the fly because of the constant efforts of managers to keep rival companies at a disadvantage.

33) A company's realized business strategy is made up of
A) deliberate and/or planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance.
B) emergent and/or reactive adjustments to unanticipated strategic moves by rivals, unexpected changes in customer preferences, and new market opportunities.
C) tactical plans to imitate the key elements of the strategies employed by rivals.
D) both deliberate and/or planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance and emergent and/or reactive adjustments to unanticipated strategic moves by rivals, unexpected changes in customer preferences, and new market opportunities.
E) choices among low-cost provider and differentiation strategies.

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34) Consider the following three companies and their strategies.

- Company A is an established database management company that acquires a well-reputed but small publishing house to enter the booming publishing industry.
- Company B, a sports management house, declared bankruptcy during a recent recession but now has created a television network that airs regional sports events.
- Company C, a package delivery business, is a startup based on delivery efficiency models created by a few students, and delivers almost all kinds of packages.The use of strategies by these three companies can be accurately analyzed by saying that

A) Company B employs an emergent strategy, whereas Companies A and C employ deliberate strategies.
B) All three companies employ deliberate strategies.
C) All three companies employ emergent strategies.
D) Company C employs a deliberate strategy; Companies A and B employ emergent strategy.
E) Companies A and C employ emergent strategies; Company B employs a deliberate strategy.

35) To which of the following firms is the term "repeatedly evolving strategy" *most* applicable?

A) A government agency makes plans for a set period of time and implements them phase by phase through the tenure.
B) A mobile company, established in a saturated market, aims at a quarterly release of new products.
C) A new cosmetics manufacturer in a market replicates the products of a competitor at a moderate quality and lower price.
D) A nationalized bank lends at a lower interest rate but with a zero processing fee in a market crowded with privatized banks running at high cost.
E) A firearms regulatory agency, set up by the government, publishes industry standards for safety, reliability, and quality of arms and ammunition.

36) Managers of every company should be willing and ready to modify the strategy because

A) market conditions and circumstances are changing over time or the current strategy is clearly failing.
B) the task of crafting strategy is a one-time event.
C) the strategic vision necessitates periodic updating.
D) frequent changes in strategy make it very more difficult for rivals to imitate.
E) All strategies are reactive.

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37) Which of the following firms uses an emergent strategy?
A) A local hardware store offers a ten-percent discount for seniors on the first Wednesday of every month.
B) An online book reseller diversifies into custom book publishing.
C) An oil-change franchisor continues geographical expansion despite a recession.
D) A health food manufacturer integrates forward into drive-through health food restaurants.
E) A microbrewer invests in building community water wells during a drought.

38) A luxury hot-tub manufacturer offered monogrammed bathrobes as a gimmick when their hot tubs did not sell. Their monogrammed bathrobes became famous among some women and led to a line of exclusive bath products for women. The bathtub manufacturer established shops in various regional locations and hired celebrities to market their products to enhance sales. Today, its products are sold through retail outlets and online sites throughout the world. Which of the following is accurate?
A) Offering scented bubble-bath foams and massage coupons was an emergent strategy.
B) Creating a sub-brand that offered exclusive bath products for women was an emergent strategy.
C) Establishing shops in regional locations was an emergent strategy.
D) Roping in celebrities to market their products was an emergent strategy.
E) Creating a worldwide presence through retail outlets and online sites was an emergent strategy.

39) An industrial air-conditioner manufacturing giant decides to outsource its operations to a new geographical location with cheaper labor amidst ongoing labor strikes in a few of its existing locations (due to proposed job cuts and relocation of the plant offshore). This draws criticism in its home market and affects its current market position and productivity. Which of the following would be an appropriate reactive (emergent) strategy while moving forward?
A) hiring and training new talent to begin operations in the emerging market
B) acquiring a local computer chip marketing and distribution specialist firm in the new location
C) canceling the idea of outsourcing and retaining the existing workforce to run operations
D) shifting the existing workforce to the new geographical location and paying them according to new standards
E) canceling the job cuts till the market situation and entry operations stabilize

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40) A winning strategy is one that
A) builds strategic fit, is socially responsible, and maximizes shareholder wealth.
B) is highly profitable and boosts the company's market share.
C) results in a company becoming the dominant industry leader.
D) fits the company's internal and external situation, builds sustainable competitive advantage, and improves company performance.
E) can pass the ethical standards test, the strategic intent test, and the profitability test.

41) A well-conceived strategy builds a company's
A) profitability and financial strength.
B) competitive strength and market standing.
C) distinctive competencies and sustainability.
D) competitive edge.
E) ethical worthiness and corporate social responsibility.

42) You have been asked to advise Waltham Furniture, a company that seeks to serve a target middle-class customer demographic obsessed with the quality and price of products. Your proposed value proposition for this company to offer to its customers would be to
A) identify the unique features of your client's furniture without comparing it with a rival's products.
B) offer copycat furniture at low cost but an average quality compared to your client's rivals.
C) offer the same quality of furniture as your client's rivals but at a high cost based on greater market share and higher brand value.
D) provide comparable quality furniture at a much lower price than your rivals but leave the final assembly of purchased furniture to customers accompanied by an easy-to-follow assembly guide.
E) market and sell only average quality furniture compared to your rivals at an imperceptible difference in price.

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43) In evaluating proposed or existing strategies, managers should
A) initiate new initiatives even though they don't seem to match the company's internal and external situation.
B) scrutinize the company's existing strategies on a regular basis to ensure they offer a good strategic fit, create a competitive advantage, and result in above-average performance.
C) evaluate the firm's business model at least every three years.
D) ensure core capabilities are incorporated for establishing a competitive advantage.
E) align existing strategies with new strategies to emphasize incremental gains.

44) Which of the following questions ought to be used to distinguish a winning strategy from a so-so or flawed strategy?
A) Does the strategy contain a sufficient number of emergent and/or reactive elements?
B) Is the company putting too little emphasis on growth and profitability and too much emphasis on behaving in an ethical and socially responsible manner?
C) Is the strategy built on a company's weakness, or does it require resources that are deficient in the company?
D) Is the strategy well matched to the company's situation, helping the company achieve a sustainable competitive advantage and resulting in better company performance?
E) Does the strategy strike a good balance between maximizing shareholder wealth and maximizing customer satisfaction?

45) A pharmaceutical giant acquires a manufacturer of rare specialty drugs to improve its falling share prices and invests all its wealth into the deal. Due to a deficit, it agrees to do a joint venture for the acquisition and involves a major automobile giant to fund the deal. After a rocky start, the companies now have a strong market position and generate good profits. Which of the following regarding the company's strategy is true?
A) It fails the performance test.
B) It fails the competitive advantage and the fit tests.
C) It is a winning strategy.
D) It fails in all three tests.
E) It fails the fit test, but passes the competitive advantage and performance tests.

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46) In evaluating proposed or existing strategies managers should
A) evaluate the firm's business model at least every three years.
B) align existing strategies with new strategies to emphasize incremental gains.
C) scrutinize the company's existing strategies on a regular basis to ensure they offer a good strategic fit, create a competitive advantage, resulting in an above-average performance.
D) plan and implement new initiatives regardless of whether or not these match the company's internal and external situation.
E) ensure core capabilities are incorporated for establishing a competitive advantage.

47) For John Sidanta, CEO and founder of Primaplast, a manufacturer of biodegradable plastic drinking straws made from recycled material, crafting and executing a strategy is a top-priority managerial task because it
A) helps Primaplast management create tight fits between a company's strategic vision and business model.
B) allows Primaplast company personnel, and especially senior executive, to know the answer to "who are we, what do we do, and where are we headed?"
C) is Primaplast management's prescription for doing business, its roadmap to competitive advantage, a game plan for pleasing customers, and its formula for improving performance, especially in light of impending community and some food service outlets' bans on conventional plastic drinking straws.
D) provides Primaplast with clear guidance as to what the company's business model and strategic intent are, and helps keep managerial decision-making from being rudderless.
E) establishes how well Primaplast executives perform these tasks and are the key determinants of executive compensation.

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48) Shopify, which was originally founded as a Canadian snowboard marketing company, has subsequently evolved into an e-commerce software solutions provider that allows merchants to quickly and easily set up and maintain an online store. Shopify helps merchants compete against Amazon. It's been expanding its business to provide tools in payments, inventory control, and shipping. In addition, the company rolled out Shopify Capital to extend loans to U.S. merchants. To test the merits of Shopify's strategy and distinguish it as a winning strategy, which major question needs to be addressed?

A) Is Shopify's strategy helping the company achieve a sustainable competitive advantage, and is it resulting in a better company performance?
B) Is Shopify putting too little emphasis on growth and profitability and too much emphasis on behaving in an ethical and socially responsible manner?
C) Is Shopify's strategy resulting in the development of additional competitive capabilities?
D) Is Shopify's strategy ethical and socially responsible, and does it put enough emphasis on good product quality and good customer service?
E) Does Shopify's strategy strike a good balance between maximizing shareholder wealth and maximizing customer satisfaction?

49) Ben Weprin is founder and CEO of Graduate Hotel, a growing chain of boutique hotels situated near college campuses and designed to cater to the nostalgia and local boosterism that are part of the culture of university towns. (Room keys are imprinted with the names of famous alumni, and public spaces are decorated with historical photos of campus life, vintage art, and other collegiate artifacts.) Mr. Weprin and his company are trying to create a brand that will find year-round business by catering to more than just alumni coming back for once-a-year football weekends or 10-year anniversaries of their graduating classes. What is the major question that Mr. Weprin and his team need to ask about his company's strategy?

A) What must managers do, and do well, to make a company a winner in the marketplace?
B) What can employees do, and do well, to ensure customer satisfaction?
C) What can shareholders do, and do well, to ensure a profitable company?
D) What do customers do, how to profile customers who buy a company's product, and tailor sales strategy around them?
E) What do suppliers do, and how to get supplies at the lowest cost to build a profitable business?

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50) Under what circumstances would it be unwise for the managers of Double Decker Lanes, a local bowling alley, to drastically modify their company's strategy?
A) changing market conditions
B) advancing technology
C) shifting customer needs
D) mounting evidence that the current strategy is not working well
E) desiring to mimic the strategy of Epicenter, a recent local entrant in bowling and gaming

51) Pizza Port, a craft brewing and pizza chain with establishments located solely in Southern California, has streamlined its cost structure in order to offer one free pint of its award-winning craft beers with the purchase of four large thin-crust pizzas. In the 2025 World Beer Cup competition, Pizza Port won a bronze award in the South German-Style Dunkelweizen category for its "Junk in Da Trunkel Dunkel," a 5 percent Dunkelweizen. Of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage, which one best explains Pizza Port's business model?
A) a low-cost provider strategy
B) a broad differentiation strategy
C) a best-cost provider strategy
D) a focused differentiation strategy
E) a focused low-cost provider strategy

52) Despite the vast changes in business conditions and practices over the last decade, the principles of strategic management have
A) remained largely the same.
B) made quantum leaps forward.
C) adapted to cope with vast shifts in macroeconomic and market conditions.
D) provided the impetus for companies to engage in unethical practices.
E) been completely overhauled to adapt to new industries and new business models.

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53) Major developments in business over the last decade have included
A) increasing stakeholder indifference to climate change and the social impact of business activities.
B) improved tools for stealing corporate secrets.
C) increasing use of data analytics and artificial intelligence.
D) declining use of social media, e-commerce, and digital marketing.
E) decreasing global tensions leading to increased supply chain efficiencies.

54) Amazon's recent strategy of competing differently includes
A) improving its cash flow cycle by slowing down order fulfilment and lengthening delivery times.
B) divestiture of non-core businesses such as books, consumer products, and cloud business services.
C) diversification into unrelated industries such as financial services, supermarkets, and health care.
D) acquisitions of key rivals in space exploration technology.
E) technological innovations to develop proprietary microprocessors and personal assistance devices including Alexa.

55) You are a strategic consultant to Danielle and Casey, who are partners in a local upscale coffee roasting and retail business. In counseling the partners about how to achieve a sustainable competitive advantage for their business, you most likely would advise them to
A) utilize copycat product offerings or pursue similar approaches as rivals in order to stake out the same market position.
B) maintain their current business model, even at the expense of long-term profits.
C) have some distinctive strategic element that draws in customers and produces a competitive edge.
D) allow worthy rivals to match or surpass any elements of their current competitive advantage.
E) engage in stealth practices to beat competitors at their own game.

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56) Marc Anthony Group, Inc., a well-established manufacturer and marketer of White Claw hard seltzer, offers lower-priced products to powerful supermarket buyers at widespread locations and has loyal distributors that supply mass goods to supermarket retailers. With fewer ways to achieve differentiation in the market, most new hard seltzer entrants offer similar products but lack sufficient funding to compete against this well-established rival. Which strategy could new entrants into the hard seltzer market employ?

A) a broad differentiation strategy
B) a focused cost strategy
C) a best-cost provider strategy
D) a low-cost strategy
E) a focused differentiation strategy

57) A key aspect of Turo's car rental business model is

A) providing car and truck rentals to travelers, auto repair customers, and customers needing local transportation through a network of over 8,500 airport and neighborhood locations worldwide.
B) fixed costs primarily associated with acquiring and maintaining a fleet of 1.85 million cars and trucks.
C) fixed costs primarily associated with developing software for computers, tablets, and smartphones.
D) fixed costs primarily associated with the lease expense to provide dedicated parking spaces for its rental fleet.
E) based on the business model of its parent company, the Avis Budget Group, in order to provide greater capacity utilization of Avis's fleet of rental cars.

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58) Consider the following five companies and their situations.

- Company A is an established online fantasy sports gaming company that has been accused of game-rigging, bribes and kickbacks.
- Company B, a ride-share company, has delayed its planned initial public offering due to reports of having an inhospitable workplace characterized by sexual harassment and discrimination.
- Company C, a pharmaceutical manufacturer, charges higher prices for life-saving drugs in some countries than it charges in others.
- Company D, a manufacturer and marketer of high-end consumer electronics, has a strict code of conduct that requires its suppliers to comply with several standards regarding safe working conditions, fair treatment of workers, and environmentally safe manufacturing.
- Company E, a high-fashion athletic footwear business, is selling a deeply discounted brand that was previously discontinued due to insensitive comments by that brand's celebrity spokesperson.

Which of the these companies is distinguished by an ethical strategy as opposed to an unethical or flawed strategy?

A) Company A
B) Company B
C) Company C
D) Company D
E) Company E

59) A key aspect of Enterprise's car rental business model is

A) fixed costs primarily associated with developing driverless vehicles.
B) fixed costs primarily associated with acquiring, maintaining, and leasing parking spaces for its rental vehicle fleet.
C) fixed costs primarily associated with developing software for computers, tablets, GPS systems, and smartphones.
D) fixed costs primarily associated with personnel to staff its rental offices.
E) being a subsidiary of a parent company, the Avis Budget Group.

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60) Teladoc Health, a U.S. company, provides virtual health services to businesses via seamlessly connected general medical, mental health, and complex care portals to deliver convenience, outcomes, and significant efficiencies to both parties. Its primary offerings include telehealth, medical opinions, AI and analytics, and licensable platform services. Which of the following changing value propositions is unlikely to be part of Teladoc Health's business model?

A) adding a comparison feature tab that allows business customers to compare offerings from other online health services providers
B) providing free referrals to medical specialists
C) updating the company website with better high-resolution video
D) rolling out a mobile app version of the site to subscribers
E) revising the payment policy to allow subscribers to use gift coupons instead of cash payments

61) Briefly define each of the following terms:

a. strategy
b. business model
c. sustainable competitive advantage

62) A new entrant in a market dominated by established players introduces itself with copycat products of another competitor. Would this strategy work in the long term for the firm? Justify your answer.

63) Explain the difference between a company's business model and a company's strategy.

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64) What is the nitty-gritty issue surrounding a company's business model?

65) What is the connection between a company's strategy and its quest for sustainable competitive advantage?

66) Should a company's strategy be tightly connected to its quest for competitive advantage? Why or why not? What difference does it makes whether a company has a sustainable competitive advantage or not?

67) Marc Anthony Group, Inc., a well-established manufacturer and marketer of White Claw hard seltzer, offers lower-priced products to powerful supermarket buyers at widespread locations and has loyal distributors that supply mass goods to supermarket retailers. With fewer ways to achieve differentiation in the market, most new hard seltzer entrants offer similar products but lack sufficient funding to compete against the well-established rival. Which strategy could new entrants into the hard seltzer market employ? Explain your answer.

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68) Why are capabilities critical to a company's quest for a sustainable competitive advantage?

69) Why does a company's strategy tend to evolve over time?

70) Why is a company's realized strategy a blend of proactive and adaptive approaches?

71) In late June 2020, Lululemon, the purveyor of expensive athleisure and activewear, announced that it was betting on the future of personalized remote exercise as a way to reach customers by acquiring Mirror, a home fitness startup that sells a $1,495 wall-mounted machine for streaming workout classes. The value of that deal was an estimated $500 million. Mirror charged customers $39 a month to stream its live or on-demand classes. The purchase was said by observers to provide a good fit with Lululemon's ambitions to become an experiential brand—from clothing to workouts to memories of those sessions—and to add Mirror's revenue stream to that of Lululemon's. What type of generic strategy was Lululemon using to sustain a competitive advantage?

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72) Define and explain the importance of the two elements of a company's business model.

73) What are the three criteria that determine whether or not a company has a winning strategy?

74) What are the three questions that managers can use to distinguish a winning strategy from a so-so or flawed strategy? Briefly explain why each question is important.

75) Why are capabilities needed to build a sustainable competitive advantage so important to a winning business strategy? Cite one of the company examples in the chapter to illustrate your answer.

76) Explain why some companies get to the top of industry rankings and stay there, while others do not.

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77) Explain what affects a company's ultimate success or failure in the marketplace.

78) SandCloud, a venture-backed established company in the beachwear and toweling markets, decides to donate a part of its profits to a children's charity to improve its market image. Soon afterwards, SoundCloud launched a website that offers new clothes and beach accessories that could be donated to various children's charities by interested parties. The company gained positive publicity and its sales went up. What would you say about this strategy?

79) Keurig, a coffee machine manufacturer, sells high-quality espresso machines at a very low price but provides low-cost refills of varietal coffee pods at a relatively higher price than rivals. Explain this business model.

80) Pizza Port, a craft brewing and pizza chain in Southern California, manufactures thin-crust pizzas and offers one free pint of beer with the purchase of four large pizzas. What can you say about its Value-Price-Cost Framework?

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81) During the onset of the COVID-19 pandemic in March 2020, the news for American meat processers was dire. By early spring 2020, the coronavirus had sickened and killed their workers, restaurants ran out of beef, and pork processors were forced to dispose of their stock due to closed processing plants. The meat industry's troubles were thought to have provided a boost for plant-based meat substitutes, which had a jump of 35 percent in sales from February through May 2020. Impossible Foods and Beyond Meat both made products that looked, cooked, and tasted similar to conventional meat. But their supplies remained steady—and even increasing throughout 2020 and 2021. Their factories were considered to be safer than traditional meat plants, with no coronavirus outbreaks among workers. While their meat substitute products traditionally cost more than conventional meat at the grocery store and restaurant, these companies were able to take advantage of the situation to present a bigger value proposition to consumers. What winning strategies could account for Impossible Foods's and Beyond Meat's becoming standout performers in the marketplace?

82) What are considered to be the two most important aspects of the strategy-making effort?

83) A new entrant in a market dominated by established players introduces itself with copycat products of another competitor. Would this strategy work in the long-term for this new entrant? Justify your answer.

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84) Describe the key elements of Amazon's strategy since 2022 that set the company apart from rivals.

85) Supposing you were hired as a consultant to Airbnb to help them enter the car rental market via acquisition. Airbnb operates an online platform for hospitality services. The company provides a mobile application (app) that enables users to list, discover, and book unique accommodations across the world. Which of the following companies would provide the best strategic fit for Airbnb? Explain your reasoning.

- Turo, which allows car owners to rent their personal vehicles (or vehicles acquired specifically for Turo rentals as a host) and whose fixed costs are primarily associated with developing software for computers, tablets, and smartphones.
- Zipcar, a round-trip car-sharing network that allows subscribers to access cars on demand by the hour or day, providing its parent company, the Avis Budget Group, with greater capacity utilization of its rental fleet, and whose fixed costs are primarily associated with the lease expense to provide dedicated parking spaces for its rental fleet.
- Enterprise Rent-A-Car, which provides car and truck rentals to travelers, auto repair customers, and customers needing local transportation through a network of over 8,500 airport and neighborhood locations worldwide, and whose fixed costs are primarily associated with acquiring and maintaining a fleet of 1.85 million cars and trucks.

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86) After 20 years, Modelo Especial, a Mexican lager, owned by Constellation Brands, finally surpassed Bud Light as the top-selling beer in America in early summer 2023. Modelo was able to capture industry leadership due to an increasing preference among American consumers for imported, more expensive beer; a decade-old antitrust deal, and effective marketing campaigns aimed at attracting young, non-Hispanic consumers to the Mexican beer. How would you characterize Modelo Especial's strategy?

87) Coming out of the COVID-19 pandemic, Cirque du Soleil was in trouble. The company had staked nearly all its revenue in live shows, with their dizzying displays of balletic grace and gravity-defying gymnastics. After filing for bankruptcy protection in 2020, Cirque decided it had to be more than just a circus. It wanted to be a brand, something that could sell perfumes, sunglasses, tote bags, and video games. Subsequently, Cirque du Soleil had its strongest financial year in 2022. Cirque du Soleil is a good example of how:

88) Waymo is a public, fully autonomous ride-hailing service. Riders can use the Waymo One app to hail one of its autonomously driven vehicles (with no human driver in the front seat!) 24 hours a day, 7 days a week. The company promotes its rides by saying, "Whether it's for a fun night out or just to get a break from driving, our riders get a clean vehicle every time and a driver with more than 20 million miles of experience on public roads." Waymo currently offers its first-time riders a 20 percent discount over rival ride-haling companies Lyft and Uber. What can you say about this new entrant's prospects for long-term success?

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Answer Key

Test name: Chapter 01

1) C
2) D
3) A
4) A
5) B
6) A
7) E
8) A
9) A
10) C
11) B
12) D
13) E
14) D
15) B
16) C
17) B
18) E
19) B
20) C
21) D
22) E
23) E
24) D
25) E
26) B
27) E
28) A
29) D
30) A
31) E
32) D
33) D
34) B
35) B
36) A
37) E

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38) B
39) E
40) D
41) E
42) D
43) B
44) D
45) C
46) C
47) C
48) A
49) A
50) E
51) C
52) A
53) C
54) E
55) C
56) E
57) C
58) D
59) B
60) A
61) Short Answer
62) Short Answer
63) Short Answer
64) Short Answer
65) Short Answer
66) Short Answer
67) Short Answer
68) Short Answer
69) Short Answer
70) Short Answer
71) Short Answer
72) Short Answer
73) Short Answer
74) Short Answer
75) Short Answer
76) Short Answer
77) Short Answer

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78) Short Answer
79) Short Answer
80) Short Answer
81) Short Answer
82) Short Answer
83) Short Answer
84) Short Answer
85) Short Answer
86) Short Answer
87) Short Answer
88) Short Answer

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