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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.
   False; Moderate

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

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

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

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

Multiple Choice Questions

1. 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
   e; Easy

2. 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.
   e; Moderate

3. 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.

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e. seller with a price point for purchase.

b; Moderate

4. 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.

   a; Hard

5. 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.

   c; Hard

6. 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.

   d; Moderate

7. Once a company develops a value proposition, the value proposition would _____.
   a. remain the same for every customer
   b. be adapted to target different customers
   c. need to be changed monthly
   d. be generalized for any offering
   e. be specified for general audiences

   b; Moderate

8. As a new entrant in the job market, a person should develop their own value proposition that
   a. offers a list of changes the company should make.
   b. proposes their salary and benefits.
   c. shows how they can contribute to that company.
   d. shows how much they learned in college.
   e. proves their worth.

   c; Easy

9. Companies often update their value propositions based on product offering and market trends; Skype's new value proposition is
   a. Skype keeps the world talking for free.
   b. Skype is mobile, too.
   c. Skype connects the world.

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d. Experience SKYPE.
e. Skype is local.
a; Easy

10. 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
b; Easy

Fill in the Blanks

1. A(n) _____ is a statement that summarizes the key benefits or value for target customers.
value proposition; Moderate

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

3. The group of customers toward which an organization directs its marketing efforts is known as the _____.
target market; Easy

4. A company's resources, capabilities, and technology are examples of _____.
internal conditions; Moderate

5. The economy, competitors, and government regulations that could affect what the firm wants to do are part of the _____.
external environment; Moderate

Essay Questions

1. What is involved in creating a successful value proposition?
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.
Easy

2. Explain why companies have different value propositions for each target market.
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 understands the benefits provided by the company's products.
Moderate

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3. Explain how individuals can utilize value propositions.
   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.
   Hard

Section 2: Components of the Strategic Planning Process

True/False Questions

1. A complete situation analysis involves assessing a company's internal environment.
   False; Moderate

2. Opportunities and threats are internal to the organization and are largely uncontrollable.
   False; Moderate

3. A situation analysis looks at a company's strengths, weaknesses, opportunities, and threats.
   False; Easy

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

5. As factors in the external and internal environment change, a company must adjust its plans.
   True; Moderate

6. Marketing environmentally safe products and services in a way that is good for the environment is called responsible marketing.
   False; Easy

Multiple Choice Questions

1. _____ 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
   c; Easy

2. 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.

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d; Moderate

3. People who act like customers to collect information on competitors are known as _____.
   a. mystery shoppers
   b. savvy consumers
   c. decoy shoppers
   d. shoplifters
   e. the target market
   a; Easy

4. 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.
   b; Hard

5. 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.
   c; Moderate

6. 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
   c; Moderate

7. 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
   d; Easy

8. 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.

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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.

e; Moderate

9. In a S.W.O.T. analysis, 'O' represents
   a. opportunities that are external factors and generally uncontrollable.
   b. offers that a company gets if it is financially stable.
   c. organization goals.
   d. orders and income that are pending.

   a; Easy

10. A SWOT analysis can help an organization or a person
    a. build a portfolio of academic achievements.
    b. determine their competitive advantage.
    c. assess the demand for products and services.
    d. organize work flow.

    b; Easy

11. Demographic trends, political and legal regulations, the costs associated with natural resources – these are all considered part of the _____ environment.
    a. marginal
    b. median
    c. micro
    d. macro

    a; Easy

12. In Europe beginning in 2018, the _____ protects the personal data of individuals in the European Union.
    a. GDPR
    b. EUGD
    c. Euro-data Law
    d. GPD

    a; Easy

13. Companies have begun to change how they spend their marketing budget and are spending
    a. more with online advertising and less on social media
    b. more with online advertising and less on newspapers
    c. more on magazines and less on social media
    d. more on online advertising and less on television

    b; Moderate

14. 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

    a; Easy

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Fill in the Blanks

1. The companies that provide ingredients as well as packaging to other firms are known as _____.
   suppliers; Easy

2. The Federal Trade Commission and the Food and Drug Administration require that all organizations comply and understand the _____ in which they do business.
   political and legal regulations; Moderate

3. _____ changes the way people communicate and the way firms do business.
   Technology; Moderate

4. A firm's _____ states the purpose of the organization and why it exists.
   mission statement; Easy

5. Analyzing the _____ environment involves tracking conditions in the marketplace that are largely uncontrollable.
   external; Moderate

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

Essay Questions

1. Describe the components of a situation analysis.
   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.
   Moderate

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

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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.
Hard

Section 3: Developing Organizational Objectives and Formulating Strategies

True/False Questions

1. Most for-profit organizations publish their objectives.
   False; Moderate

2. Objectives are actions taken to accomplish strategies.
   False; Easy

3. A market-penetration strategy involves selling more of existing products and services to existing customers.
   True; Moderate

4. Exporting and direct investment are examples of international market-penetration strategies.
   False; Moderate

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

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

7. A direct investment strategy involves the most risk and investment but offers the most control.
   True; Moderate

Multiple Choice Questions

1. 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.

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d. focused on revenue.
e. practical and successful.
b; Moderate

2. 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
d; Moderate

3. _____ 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
a; Moderate

4. 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
a; Easy

5. 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
a; Moderate

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

7. 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

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

8. 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
c; Easy

9. 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
c; Moderate

10. 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
d; Easy

11. 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
d; Moderate

12. 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
a; Moderate

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13. 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
    a; Moderate

14. 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
    e; Moderate

15. _____ 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
    b; Easy

16. 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
    b; Moderate

17. _____ 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
    c; Easy

18. Which of these is NOT a part of the strategic planning process for a company?
    a. The company's mission
    b. A situational analysis
    c. The value proposition
    d. A production inventory

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b; Moderate

19. Joint ventures are beneficial when seeking to enter a foreign market because
    a. only one partner will have control over the joint venture.
    b. the risk is shared by the government.
    c. the licensee is run by the franchise.
    d. each partner has a level of control.
    d.; Moderate

20. Direct investment refers to:
    a. selling the right to use trademarks or patents to another firm.
    b. allowing companies to hire manufacturers to product 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.
    d; Moderate

Fill in the Blanks

1. ____ are what organizations want to accomplish in a given time frame.
   Objectives; Easy

2. _____ help guide and motivate a company's employees and give its managers reference points for evaluating the firm's marketing actions.
   Objectives; Hard

3. Successful _____ help organizations establish and maintain a competitive advantage that competitors cannot easily imitate.
   strategies; Moderate

4. A _____ is a strategic plan at the functional level that provides a firm's marketing group with direction.
   marketing plan; Easy

5. Offering consumers special promotions or low prices with the intent to encourage them to buy products is part of a _____strategy.
   market-penetration; Hard

6. An auto company decided to downsize a current vehicle model into a smaller SUV. This is known as utilizing a _____ strategy.
   product-development; Moderate

7. Selling a product to buyers abroad is known as _____.
   exporting; Easy

8. Owning a company or facility overseas is known as _____.
   direct investment; Easy

Essay Questions

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

2. 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?
   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.
   Hard

Section 4: Where Strategic Planning Occurs Within Firms

True/False Questions

1. Corporate level plans are developed for each strategic business unit.
   False; Easy

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

3. 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.
   True; Moderate

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

5. The basic components of the strategic planning process are different at each of the various levels.
   False; Moderate

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6. Marketing and financial plans are examples of business level planning.
False; Moderate

7. Strategies at the functional department level must be consistent with corporate level objectives, but need not be consistent with business level objectives.
False; Moderate

Multiple Choice Questions

1. 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.
   e; Moderate

2. 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
   b; Easy

3. 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.
   a; Moderate

4. 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
   c; Moderate

5. If a company has multiple planning levels, the plans must be:
   a. consistent and all must help achieve individual goals.

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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.
d; Moderate

6. In a strategic plan, marketing would fall in the _____ level.
a. corporate
b. business
c. functional
d. finance
c. Easy

7. 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.
a; Hard

Fill in the Blanks

1. _____ is a process that can occur at different levels (corporate, business, and functional) in an organization
Strategic planning; Moderate

2. A marketing plan and a financial plan are types of _____ level plans.
functional; Moderate

3. Business or product lines within an organization that have their own competitors, customers, and profit centers are known as _____.
strategic business unit groups; Easy

4. _____ 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.
Strategic planning; Easy

5. The different departments within a company, such as accounting, finance, and marketing, are known as _____.
strategic business units; Moderate

Essay Questions

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

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should help the firm increase its profits, so that the company's corporate level strategic objectives can be met.
Moderate

2. Explain how PepsiCo utilizes the strategic planning process to make decisions at various levels which ultimately support PepsiCo's overall objectives.
PepsiCo's overall corporate level objective is to achieve business and financial success while also having a positive societal contribution. PepsiCo's six 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. . PepsiCo identifies its six global divisions (business units) as (1) North America Beverages, which is responsible for products such as Pepsi soft drinks, Aquafina waters, Tropicana juices, and Gatorade products; (2) Frito Lay North Americas Food; (3) Quaker Foods North America; (4) Latin America, which includes beverage, food, and snacks; (5) Asia, Middle East, and North Africa, which includes beverage, food, and snacks; and (6) Europe, Sub-Saharan Africa, which includes beverage, food, and snacks. To support PepsiCo's overall corporate strategy, all six business units must develop strategic plans to profitably produce offerings while demonstrating that they are committed to society and the environment.
Moderate

Section 5: Strategic Portfolio Planning Approaches

True/False Questions

1. A portfolio is a group of businesses.
True; Easy

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

3. A cash cow is a product with high growth and a high market share.
False; Easy

4. A divested product is one that the firm drops or sells.
True; Moderate

5. A business receiving a medium score with the GE approach should be divested immediately.
False; Moderate

6. The GE approach evaluates the strengths and the attractiveness of industries as high, medium, and low.
True; Moderate

Multiple Choice Questions

1. A group of business units owned by a single firm is known as a _____.

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

2. 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.
   a; Moderate

3. 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
   c; Moderate

4. 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.
   b; Hard

5. 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
   a; Easy

6. 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.
   d; Moderate

7. When a manufacturer creates a product with a low share of a high-growth market, the product is known as a _____.

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a. a. star
b. cash cow
c. question mark
d. dog
e. harvest product
c; Easy

8. 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
   d; Easy

9. 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
   b; Moderate

10. 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
    a; Easy

Fill in the Blanks

1. An approach to analyzing various businesses relative to one another is known as a _____.
   portfolio-planning approach; Easy

2. The _____ is a portfolio-planning approach that examines strategic business units based on their relative market shares and growth rates.
   Boston Consulting Group matrix; Moderate

3. The _____ is a portfolio-planning approach that examines a business's strengths and the attractiveness of industries.
   General Electric approach; Moderate

4. A company with a cash cow needs to manage them so that they continue to generate revenue to _____.
   fund star products; Moderate

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5. _____ market share means the company wants to keep the product's share at the same level.
Holding; Moderate

Essay Questions

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

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

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