Test Bank

**Strategic Market Management 11th Edition**

**David A. Aaker and Christine Moorman**

This test bank incudes both short essay and objective questions designed for each chapter in the book. These objective questions cover the material from the book. In general, a false answer is markedly at odds with material in the book. However, it may not be at odds with other written material. Therefore, it is important to position these questions as a test of a student’s competence with the book material.

# Chapter 1 – Strategic Market Management: An Overview

**Essay Question:**

1.1

Describe and give examples of a well-developed business strategy including the four characteristics.

**Objective Questions**:

1.1

Five management tasks used to develop strategic competencies do not include the following:

a. Strategic analysis

b. Manage multiple business units

c. Identify competitors

d. Develop a sustainable advantage

e. Develop a growth platform

Answer: C. Identifying competitors is valuable but not one of the 5 management tasks.

1.2

The book suggests that many markets are dynamic and require new strategic models.

Answer: False—the book asserts that all markets are dynamic.

1.3

To develop a sustainable competitive advantage (SCA) in dynamic markets, a company must create multiple business units.

Answer: False. There are two routes to creating SCA’s, developing assets and competencies and creating and leveraging organizational synergies between multiple business units.

1.4

A business is generally an organizational unit that has a distinct business strategy and a manager with sales and profit responsibility.

## Answer: True.

1.5

Synergy occurs when two businesses can reduce costs by sharing some asset such as a sales force or logistics system.

Answer: True.

1.6

A strategy should only involve one value proposition – otherwise chaos will occur.

Answer: False. Most successful strategies involve more than one – for example, a customer value proposition that involves innovation and customer intimacy such as Virgin Atlantic Airways.

1.7

A strategic market management system will have more value for an organization that is not engaged in complex markets with multiple channels and regional variation in channels and products.

Answer: False. A strategic market management system is designed to help a company (complex or not) to deal with the rapid changes that can occur in a firm’s external environment.

1.8

The elements of strategy can be capsulated into four core elements--the product-market investment decision, functional area strategies, the customer value proposition, and the sustainable competitive advantage.

Answer: False. The four elements are: 1) the product-market investment strategy 2) the customer value proposition, 3) assets and competencies and synergies, and 4) functional area strategies. So while a sustainable competitive advantage is the goal of a business strategy it is not one of the elements that make up a good business strategy.

1.9

A strategic competency is what a business unit does exceptionally well, such a manufacturing, promotion, distribution, etc. which has strategic importance to the business.

Answer: True. This is the definition of a strategic competency.

1.10

According to the book, strategic marketing management has six objectives which include all except one of the following:

(a) Precipitate the consideration of strategic choices.

(b) Contribute to the bottom line success of the firm.

(c) Force a long-range view.

(d) Make the resource allocation decision visible.

(e) Provide methods to aid in strategic analysis and decision-making.

Answer: B. There is nothing that will guarantee the success of a business. In fact, it is interesting to discuss that a strategy is evaluated after implementation; that is when it is known whether a strategy is successful or not. .

1.11

The four elements of a business strategy for a firm are the product-market investment decision, the functional strategies and program, the customer value proposition, and the \_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_.

Answer: Assets and competencies.

1.12

The scope of a business is defined by the products it offers and chooses not to offer, by the markets it does and does not seek to serve, by the competitors it chooses to compete with or to avoid, and by its level of vertical integration.

Answer: True. This is the definition of a business scope.

1.13

Strategic marketing is involved in making decisions, some of which include investment decisions. Of the following which is not an investment decision:

(a) Invest for growth

(b) Milk

(c) Maintain

(d) Liquidate

(e) Innovation

Answer: E.

1.14

An external analysis includes the analysis of the customers, the competitors, the markets/submarkets and the environment.

Answer: True.

1.15

According to the book, customer analysis involves identifying the organization’s customer segments and each segment’s motivations and priority needs.

Answer: False.

1.16

Strategic market management is a system designed to help management both precipitate and make strategic decisions, as well as create strategic visions.

Answer: True. This is the definition of strategic market management.

1.17

Marketing’s role in strategy includes being the primary driver of strategic analysis.

Answer: True.

1.18

The strategic plan should be developed annually.

Answer: False. It should be continuously refined.

**Chapter 2 – External and Customer Analysis**

**Essay Questions:**

2.1

What is the objective of external analysis? How would you distinguish between an effective and an ineffective external analysis? What would you say would be the most useful way to conduct an external analysis? Why?

2.2

Define and illustrate the term “strategic uncertainties.”

**Objective Questions**:

2.1

A strategic uncertainty identifies the most important strategic options.

Answer: False. Strategic uncertainties focus on specific unknown elements that will affect the outcome of strategic decisions.

2.2

An external analysis process should be able to affect strategy and to generate or evaluate strategic decisions.

Answer: True. The external analysis process should not be an end in itself. It should be motivated throughout by a desire to affect strategy, to generate or evaluate strategic decisions.

2.3

The benefits sought from a product is a very useful segmentation variable, because the selection of benefits can determine a total business strategy.

Answer: True.

2.4

A scenario is an alternative view of the future environment that is usually prompted by an alternative possible answer to a strategic uncertainty or by a prospective future event or trend.

Answer: True. This is the definition of a scenario.

2.5

In a strategic context, segmentation means the identification of customer groups that respond differently from other groups to competitive offerings.

Answer: True. This is the definition of segmentation.

2.6

One of the tasks in customer motivation analysis is to determine the relative importance of the motivations.

Answer: True. The importance of the motivation will help determine the strategic role that motivation will play in the business strategy.

2.7

A customer analysis consists of three components; segmentation, customer motivation, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Answer: Unmet needs. This is the definition of customer analysis. Customer analysis can be usefully partitioned into an understanding of how the market segments, an analysis of customer motivations, and an exploration of unmet needs.

2.8

Uncertainty can be handled by precipitating a strategic decision, by obtaining information to reduce the uncertainty, and by \_\_\_\_\_\_\_\_\_\_\_.

Answer: Scenario analysis. The three ways of handling uncertainty are: 1) a strategic decision can be precipitated because the logic for a decision is compelling and/or because a delay would be costly or risky. Second, it may be worthwhile to attempt to reduce the uncertainty by information acquisition and analysis of an information-need area. Third, the uncertainty could be modeled by a scenario analysis.

2.9

To gain customers as active partners, managers should do all of the following except:

a. Co-create personalized experiences

b. Encourage active dialogue

c. Ignore the complainers

d. Mobilize customer communities

e. Manage customer diversity

Answer: C. Customers are increasing becoming active partners in the buying process, rather than being seen as passive targets of product development and advertising.

2.10

Toyota Scion is aimed at generation Y, the echo boomers.

Answer: True

2.11

The retro-sexual is an affluent urban sophisticate aged 20 to 40.

Answer: False. See **The Male Shopper** page 26.

2.12

In obtaining a list of motivations, a set of 10 individual interviews will generate 90%-95% of the list.

Answer: False. See page 29.

2.13

Ethnographic research is used in B-to-B companies like Intel.

Answer: True

2.14

Dell’s Ideastorm is an external program designed to get input from customers.

Answer: True

**Chapter 3 – Competitor Analysis**

**Essay Question:**

3.1

Discuss the objectives and key elements of competitor analysis.

**Objective Questions**:

3.1

One way to identify competitors is to group competitors according to the degree they compete for a buyer’s choice.

Answer: True. There are two ways to group competitors; one based on the customer’s perspective and the other is based on competitors’ strategies.

3.2

A strategic group is a customer segment that is strategically important to the business.

Answer: False. A strategic group is a group of firms that over time pursue similar competitive strategies, have similar characteristics, and have similar assets and competencies.

3.3

One of the benefits of competitor analysis is that an understanding of the current strategy and the strengths and weaknesses of a competitor can suggest opportunities and threats that will merit a response.

Answer: True.

3.4

According to the book, mobility barriers are barriers inhibiting the movement of a person from one social class to another.

Answer: False. Each strategic group has mobility barriers that inhibit or prevent businesses from moving from one strategic group to another.

3.5

The competitive strength grid lists the product-markets served by each competitor and identifies for each product market the strengths of each competitor.

Answer: False. The competitive strength grid is a scale of the major competitors based on assets and competencies. It serves to summarize the position of the competition with respect to assets and competencies.

3.6

The value chain analysis is based upon the cost-benefit of the product as perceived by the customer.

Answer: False. The value chain is a tool to identify the value-add components of competitor. A business’s value chain consists of two types of value-creating activities that should be considered in assessing a competitor – support activities and primary activities.

3.7

The eight dimensions of competitor analysis include: current and past strategies; cost structure; exit barriers; objectives and commitment; size, growth and profitability; \_\_\_\_\_\_ and \_\_\_\_\_\_, \_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_; and \_\_\_\_\_ and \_\_\_\_\_\_\_\_\_.

Answer: Image and positioning, organization and culture, strengths and weaknesses.

3.8

In conducting a competitor analysis, which of the following is not relevant:

a. Accounting methodologies

b. Market share

c. Image

d. Positioning strategy

e. Objectives and commitments

Answer: Accounting methodologies. Competitor analysis consists of an analysis of a competitor’s: image and positioning; objectives and commitment; current and past strategies; organization and culture; exit barriers; strengths and weaknesses; size, growth and profitability,

3.9

Exit barriers are crucial to a firm’s ability to exercise an exit alternative. Which of the following is not an exit barrier?

a. Managerial pride

b. Government or social barriers

c. Specialized assets

d. High market growth rate

e. Fixed costs

Answer: D. High growth markets in most cases would not be an exit barrier. Exit barriers include: specialized assets, fixed costs, relationships with other business units, government or social barriers, and managerial pride.

3.10

In completing a checklist on competitor assets and competencies, some of the areas to be considered include all but one of the following:

a. Company culture

b. Innovation

c. Manufacturing

d. Management

e. Strategic programming

Answer: E. Analysis of a competitor’s strengths and weaknesses include: innovation, manufacturing, finance-access to capital, management, marketing, and customer base.

3.11

In addition to current competitors, it is important to consider potential market entrants such as firms that might engage in all but one of the following:

a. Retaliatory or defensive strategies

b. Market expansion

c. Forward integration

d. Low-cost strategies

e. Backward integration

Answer: D. Potential market entrants might engage in the following: market expansion, product expansion, backward integration, forward integration, the export of assets, and competencies or retaliatory or defensive strategies.

3.12

The competitor analysis in almost all cases will benefit from considering both direct and indirect competitors.

Answer: True. By explicitly considering indirect competitors, the strategic horizon is expanded, and the analysis more realistically mirrors what the customer sees.

3.13

Potential market entrants might use all but one of the following to enter a market:

a. Market expansion

b. Market penetration

c. Product expansion

d. Backward/forward integration

e. Export assets or competencies

Answer: B. A company practicing market penetration is already in the market (market penetration involves increasing customer usage in an existing market).

3.14

Nintendo did not try to compete with SONY in terms of high tech digital graphics.

Answer: True

3.15

Some of the benefits of strategic groups include all but one of the following:

a. Makes the process of competitor analysis more manageable.

b. Refines the strategic investment decision.

c. Includes a set of mobility barriers.

d. They will be affected by and react to industry developments in similar ways.

e. They produce strategic options.

Answer: E. Strategic groups do not themselves produce strategic options because strategic groups are tools used by the strategist to group similar competitors for analysis purposes.

**Chapter 4 – Market/Submarket Analysis**

**Essay Questions:**

4.1

Choose a market or submarket on which to focus, and discuss the expected profitability for participants in that market using Porter’s five forces model. Which of the five forces make this a good market to participate in? Which forces make it a bad one? Are there any important aspects of the market that you don’t think the five forces model captures?

4.2

Choose a market or submarket on which to focus, and identify a current trend in that market. Why do you think it is a real trend and not a fad? What are the drivers of the trend’s future growth? What uncertainties might affect your forecast? Can you identify another current trend in the same market that you think is actually a fad?

**Objective Questions**:

4.1

A user gap is caused when one segment uses more of a product than another segment.

Answer: False. A new use, new user group, or more frequent usage could dramatically change the size and prospects for the market. It is not an evaluation of one segment versus another.

4.2

One goal of market and submarket analysis is to understand the dynamics of the market.

Answer: True.

4.3

Porter’s five factor model provides insight into the present and future profitability of an industry.

Answer: True.

4.4

Key success factors are assets and/or competencies that provide the basis for any competitor to be successful in an industry.

Answer: True.

4.5

One of the most serious risks of high growth markets is the fact that the number of competitors attracted is likely to be high.

Answer: True.

4.6

Avoiding the small market can mean that a firm must later overcome the first-mover advantage of others.

Answer: True.

4.7

Porter’s five factor model involves--the intensity of competition, competition among existing firms, \_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_.

Answer: Threat of substitute products, bargaining power of suppliers and bargaining power of customers.

4.8

Ghost potential occurs when competitors get scared from competitive intensity and abandon a market.

False. Ghost potential occurs when a market seems so topical that the need is so apparent that growth seems assured but in fact the potential has ghost-like qualities caused by factors inhibiting or preventing its realization.

4.9

Which of the following is not an indicator of market maturity or decline?

a. Customer disinterest

b. Price Pressure

c. Saturation

d. Predictions for high growth

e. Buyer sophistication and knowledge

Answer: D. The fact that the market is in the maturity stage would suggest that growth trends have diminished.

4.10

Which of the following is not a risk of a high growth market?

a. Overcrowding

b. Superior competitive entry

c. Projected high growth

d. Changing KSFs

e. Resource constraints

Answer: C. High growth isn’t a risk; it is a positive force that should drive the market.

4.11

Niche businesses can be economically unviable when choices are too abundant making marketing costs crippling.

Answer: True.

4.12

The Long Tail refers to the long sales flow obtained from a loyal customer.

Answer: False

4.13

Walmart has a high level of customer power.

Answer: True

4.14

In forecasting market growth, the potential of technologies tend to be undervalued.

Answer: False

**Chapter 5 – Environmental and Strategic Analyses**

**Essay Questions:**

5.1

Discuss environmental analysis. In your discussion include the following: the objectives of environmental analysis; the dimensions of environmental analysis; and how to deal with strategic uncertainty. Use information from the course including articles, cases, and textbook material to support your answer.

5.2

Describe scenario analysis using one of the cases discussed in the course as a vehicle to illustrate. What implementation problems would you expect if scenario analysis were to be adopted at Apple Computer?

**Objective Questions**:

5.1

One of the three components of environmental analysis is internal analysis.

Answer: False. The components of environmental analysis are: technological, government/ economic, and consumer trends.

5.2

The goals of environmental analysis are to identify fads, trends and events that will only affect strategy in a direct way.

Answer: False. The goals are to identify and evaluate only trends and events that will affect strategy directly and indirectly.

5.3

The three forms of innovation are \_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_.

Answer: Three forms of innovations are incremental, substantial and transformational innovation.

5.4

Innovations that are transformational or substantial tend to be employed by new participants in an industry rather than established players.

Answer: True.

5.5

A company who wants to gain credit for “green” programs can effectively ensure the ability to do so with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Answer: Branding.

5.6

A reason to incorporate green programs into strategy or business models is cost savings.

Answer: True.

5.7

Demographic trends can be a strong indicator of the growth of a market and it can be predictable.

Answer: True.

5.8

It has been shown that, on average, increasing marketing budgets in recessions pays off during the recession and after as well.

Answer: True

5.9

The key to understanding trends is to interact with people of all types.

Answer: True

5.10

The ideal number of scenarios to work with is three to five.

Answer: False. Experience has shown that two or three scenarios are the ideal number to work with. Any more and the process becomes unwieldy and any value is largely lost.

5.11

A strategic uncertainty should be evaluated with respect to its impact and relevance to future strategy.

Answer: False. The extent to which a strategic uncertainty should be monitored and analyzed depends on its impact and immediacy.

5.12

Scenario analysis provides an alternative to investing in information to reduce uncertainty that is often an expensive and futile process.

Answer: True.

5.13

There are two types of scenario analyses: strategy-developing scenarios and decision-driven scenarios.

Answer: True.

5.14

In California, one-half of the state’s voters in a 2005 poll supported an aggressive attack on global warming.

Answer: False. The answer is two-thirds, not one-half.

5.15

A new generation of products such as the Boeing 747 would be considered a transformation innovation.

Answer: False. The Boeing 747 would be considered a substantial innovation.

**Chapter 6 – Creating Advantage: Customer Value Leadership**

**Essay Questions:**

6.1

Discuss the three types of customer value and give examples of each.

6.2

Define and illustrate the term “parity performance.”

6.3

What is the value proposition of Toms Shoes? What are its points of parity with the market? Points of difference? How is the value proposition reflected in Toms’ business model?

**Objective Questions**:

6.1

In most markets, companies broadly group into those that compete on \_\_\_\_\_\_\_\_\_\_\_\_, those that compete on \_\_\_\_\_\_\_\_\_\_\_, and those that compete on \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Answer: Performance value, price value, relational value.

6.2

To have a good value proposition a company should maximize all three types of customer value equally.

Answer: False. The best strategy is generally to excel on one type while maintaining parity on the others.

6.3

The exceptional service available on Singapore Airlines is an example of relational value.

Answer: False. Service quality is a type of performance value.

6.4

Firms that focus on relational value as a value proposition just need to provide good functional benefits of their product or service.

Answer: False. Firms that create intimacy deliver an experience that goes beyond functional benefits.

6.5

The five key types of performance include: functional quality, \_\_\_\_\_\_\_\_\_\_\_\_\_, design and fashion quality, service quality, and social responsibility quality.

Answer: Innovation quality.

6.6

A successful price value proposition is usually multifaceted and supported by a cost-oriented culture.

Answer: True.

6.7

A price value proposition generally consists of all of the approaches below except:

a. Scale economies

b. No-frills product/service

c. Delivery of superior customer service

d. Production/operations

e. Experience curve

Answer: C. Delivery of superior customer service. Customer service costs money.

6.8

Acquiring another company in order to create more value for customers is an example of a “make” strategy.

Answer: False. This is a “buy” strategy.

6.9

Monetizing is a component of a company’s value-creating system.

Answer: False. It is part of the value-capturing system.

6.10

When deciding who will perform value-creating activities, a company’s three basic choices are \_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_, or \_\_\_\_\_\_\_\_\_\_.

Answer: Make, buy, or ally.

**Chapter 7 – Building and Managing Customer Relationships**

**Essay Questions:**

7.1

Describe a plausible decision journey for a customer buying a new laptop computer.

7.2

Explain why it is important to consider the post-purchase stage of the customer journey. Give examples to illustrate.

7.3

Explain the distinction between functional, humanic, and mechanic clues in customer experiences. Why is it important to consider all of these clues in designing a pharmacy?

**Objective Questions**:

7.1

The customer journey has evolved from an iterative, bi-directional process to a more linear one.

Answer: False. The opposite is true.

7.2

The Customer Decision Journey ends at the point of purchase.

Answer: False. Post-purchase states are very important to the journey.

7.3

The consideration set is the subset of brands the customer is open to buying.

Answer: True.

7.4

A common framework for a simplified customer journey is AIDA, which stands for \_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_.

Answer: Attention, interest, desire, and action.

7.5

Recently, models of the Customer Decision Journey have evolved to reflect greater customer control rather than company control.

Answer: True.

7.6

The traditional funnel model recognizes that communication is a two-way dialogue between companies and customers.

Answer: False. Communication is one-way in the traditional model.

7.7

All but one of the following are important post-purchase outcomes in the modified Customer Decision Journey:

1. Complaining
2. Information gathering
3. Loyalty
4. Advocacy
5. Product performance

Answer: B. Information gathering is primarily a pre-purchase process.

7.8

Customer experience can provide a sustainable competitive advantage for products that are otherwise commoditized.

Answer: True.

7.9

The brand and its partners should control all touchpoints in the Customer Decision Journey.

Answer: False. Many touchpoints are inherently controlled by customers or by outside factors (WOM, other consumers, etc.).

7.10

Three types of clues that shape customer experience are functional, \_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_\_.

Answer: Humanic and mechanic.

7.11

Mechanic clues come from the core function of a product or service.

Answer: False. This describes functional clues.

7.12

All but one of the following are mechanic clues that can be managed to improve customer experience:

1. Ambient lighting
2. Salesperson attitude
3. Music
4. Ambient scent
5. Packaging weight and texture

Answer: B. Salesperson attitude is a humanic clue.

7.13

Service blueprinting is a type of experience audit that visually shows the customer actions, employee actions, support processes, and physical evidence that play a role in a service experience.

Answer: True.

7.14

Service blueprinting addresses visible employee actions but not backstage employee actions.

Answer: False. Both are included.

7.15

All but one of the following are factors in service satisfaction measured by SERVQUAL:

1. Affordability
2. Reliability
3. Assurance
4. Tangibles
5. Empathy

Answer: A. Affordability is not a factor measured by SERVQUAL.

7.16

SERVQUAL measures service satisfaction based on comparisons to customers’ expectations for a given sector.

Answer: True.

7.17

The customer experience ecosystem, or extended delivery network, takes three basic forms: \_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_\_.

Answer: Customer-coordinated network, service-coordinator-based network, and firm-coordinated network.

7.18

A hotel concierge arranging taxis and local restaurant reservations for hotel guests is an example of a \_\_\_\_\_\_\_\_\_\_\_\_\_ network.

Answer: Firm-coordinated.

7.19

One benefit of participating in a customer-coordinated network is access to insights on the holistic customer experience.

Answer: False. Holistic insights are available when the company assumes the burden of coordinating the delivery network, not when the customer does so.

7.20

Behavioral loyalty reflects a deeper commitment to the company than attitudinal loyalty.

Answer: False. The opposite is true.

# Chapter 8 – Creating Valuable Customers

**Essay Questions:**

8.1

Illustrate each of the steps in the purchase funnel for a customer buying a mid-sized SUV.

8.2

How would you evaluate a potential investment in new customer acquisition?

**Objective Questions**:

8.1

Vulnerable customers are those that bring very little value to the company.

Answer: False. Vulnerable customers bring high value but derive little value.

8.2

Star customers are those that bring more value to the company than they derive from it.

Answer: False. Star customers both bring and derive high value.

8.3

Customers who bring little value to the company but derive high value from it are called \_\_\_\_\_\_\_\_\_\_\_\_ customers.

Answer: Free-riding.

8.4

A prospect is a member of the target market who is aware of the company’s offerings and is identified to have an immediate or future need for those offerings.

Answer: False. This describes a qualified lead.

8.5

When a member of the target market becomes aware of the company and its offerings, they become a\_\_\_\_\_\_\_\_\_\_\_, and when they have an immediate or future need for those offerings, they become a \_\_\_\_\_\_\_\_\_\_\_\_\_.

Answer: Lead, qualified lead.

8.6

All but one of the following are useful metrics for including in a dashboard for funnel management:

1. Stage-to-stage conversion rates
2. Sales cycle length
3. Gross margin
4. Customer acquisition costs
5. Channel cost-effectiveness

Answer: C. Gross margin is not directly relevant to funnel management.

8.7

Attracting poor quality leads and failing to attract enough leads are both common pitfalls in funnel management.

Answer: True.

8.8

Rather than jointly managing the funnel, many organizations have \_\_\_\_\_\_\_\_\_\_\_ control the early stages of the funnel and \_\_\_\_\_\_\_\_\_\_control the later stages.

Answer: Marketing, sales.

8.9

Customer Lifetime Value (CLV) helps companies identify how much they should spend to attract or retain a customer.

Answer: True.

8.10

All but one of the following are factors that influence Customer Lifetime Value (CLV).

1. Margin
2. Company’s discount rate
3. Acquisition costs
4. Acquisition rate
5. Retention rate

Answer: D. Acquisition rate is accounted for in PLV but not in CLV.

8.11

Prospect Lifetime Value (PLV) is generally larger than Customer Lifetime Value (CLV).

Answer: False. PLV is always smaller because it accounts for acquisition rates.

8.12

Increasing retention generally has a larger impact on CLV than increasing margin.

Answer: True.

**Chapter 9 - Building and Managing Brand Equity**

**Essay Question:**

9.1

Discuss the three dimensions of brand equity. For each one, describe how it provides value to customers and how it provides value to the firm.

**Objective Questions**:

9.1

The three types of brand assets are brand awareness, brand equity and brand loyalty.

Answer: False. The three types of brand assets are brand awareness, brand associations and brand loyalty.

9.2

Brand awareness serves to differentiate brands along a recall/familiarity dimension.

Answer: True.

9.3

Brand awareness does not provide competitive advantages, only key success factors.

Answer: False. Brand Awareness does provide SCA’s: signal of presence, commitment and substance, brand provides consumer with a sense of familiarity and salience that will determine consumer’s recollection at time of purchase.

9.4

Organizations can increase their likelihood of brand awareness by extending their presence outside the conventional media channels and using methods such as promotions, publicity and sampling.

Answer: True.

9.5

The Datsun name was just as strong as the Nissan name four years after the name change primarily because brand awareness is an asset that can be extremely durable and thus sustainable.

Answer: True.

9.6

Which of the following is not a competitive advantage included in brand loyalty:

a. Reducing marketing costs

b. Barrier to entry

c. Increased name recall at time of purchase

d. Satisfied customer base projects successful product

e. Provides time to respond to competitive moves

Answer: C. Increased name recall at time of purchase.

9.7

The ultimate measure of brand loyalty is that customers will recommend the brand to others.

Answer: True.

9.8

To manage customer loyalty, organizations will measure loyalty of existing customers, manage customer touch points, conduct exit interviews, maintain communication with customers, have a customer culture, measure the lifetime value of a customer, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Answer: Reward loyal customers and make customers feel a part of the organization.

9.9

Brand association is anything directly related to the consumer’s memory to a brand.

Answer: False. Brand association is anything directly and indirectly related to the consumer’s memory to a brand.

9.10

Firms dependent on brand association position based on certain attributes are vulnerable to competitor innovation and shouting matches that lead to lost credibility.

Answer: True.

9.11

Maintaining relevance is the battle to stay associated with the product category in which the customer is interested.

Answer: True.

9.12

The extremes on the relevance spectrum are \_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_. The middle of the spectrum belongs to \_\_\_\_\_\_\_\_\_\_\_\_.

Answer: Trend neglectors and trend drivers; trend followers.

9.13

The strongest brands often offer emotional benefits. They are about the “I feel” statement. Other strong brand benefit offerings are a self-expressive benefits, which are all about the “I am.”

Answer: True

9.14

Brand identity is a set of current brand associations that the firm aspires to create or maintain.

Answer: False. A brand identity is an aspirational external brand image, which may not include elements that are currently present in the image. Brand image is the current image.

9.15

The three steps of creating a brand identity are \_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_\_\_.

Answer: Identifying characteristics that brand should stand for, defining the core identity and communicating the brand internally (the core essence.)

9.16

Brand identity serves to drive and guide strategic initiatives throughout organizations, drive the communication program and support the expression of the organization’s values and culture.

Answer: True.

9.17

Proof points are programs, initiatives, and assets that are planned to provide substance to the strategic position.

Answer: False. To make this statement true we must add that proof points help communicate the strategic position.

9.18

A strategic imperative is an investment in an asset or program that is essential if the promise to the customers is to be delivered.

Answer: True.

9.19

Virgin has extended its brand into dozens of business areas including cola and jeans.

Answer: True

**Chapter 10—Toward a Strong Brand Relationship**

**Essay Questions:**

10.1

Consider the mobile phone service provider you have a relationship with. List all the touchpoints you have with this brand. Which touchpoint(s) should the brand focus on improving? What functional and non-functional benefits could the brand provide with those improvements?

10.2

Consider the brand relationship between REI and its core customers. Describe how the brand offers (or does not offer) each of the three types of non-functional benefits to these customers.

**Objective Questions**:

10.1

A brand touchpoint occurs any time a person in the marketplace interacts with the brand.

Answer: True

10.2

A sweet spot should be a part of, if not central to a customer’s self-identity and lifestyle or reflect a higher-order purpose in their lives.

Answer: True

10.3

The sweet-spot program should have an immediate impact by stimulating customer involvement and purchases, thus affecting the short-term financials.

Answer: True

10.4

\_\_\_\_\_\_\_\_\_\_\_ is a situation in which the strategic and tactical management of the brand is excessively focused on product attributes and functional benefits.

Answer: Product-attribute fixation trap

10.5

All of the following are brand ideals except:

1. Eliciting joy
2. Enabling connection
3. Inspiring exploration
4. Evoking pride
5. Improving ego
6. Impacting society

Answer: E. Improving ego is not one of the five types of brand ideals.

**Chapter 11—Energizing the Business**

**Essay Question:**

11.1

Describe three ways to energize an existing business. Illustrate your answer with an example.

**Objective Questions**:

11.1

All of the following are examples of ways to stimulate basic business except:

* 1. Expand buyer base
  2. Expand the loyal customer base
  3. Improve customer experience
  4. Eliminate inefficiencies

e. Develop home-run marketing programs

Answer: D. Eliminating inefficiencies is a method to improve organizational performance, but is not considered a way to “energize business.”

11.2

According to the book methods for increasing product usage include motivating heavy users to use more, making the use easier, providing incentives, remove or reduce reasons not to buy, provide reminder communications, reduce undesirable consequences of frequent use, and finding new uses.

Answer: True.

11.3

Differentiation is increasingly difficult to create and maintain as competitors proliferate products and quickly copy advances.

Answer: True.

11.4

A branded differentiator is an actively managed branded feature, ingredient or technology, service or program that creates a meaningful, impactful sustainable competitive advantage for a branded offering over an extended period of time.

Answer: False. It creates a meaningful, impactful point of differentiation. The brand equity around the point of differentiation creates a basis for an SCA, but is not the definition of the differentiator.

11.5

A branded energizer is defined in the book as a branded product or sponsorship that by association significantly enhances and energizes a target brand.

Answer: False. A branded energizer is a branded product, sponsorship, endorser, promotion, symbol, social program, CEO, or other entity that by association significantly enhances and energizes a target brand. The branded energizer and its association with the target brand are actively managed over an extended time period.

11.6

Branded energizers are defined to be part of the master brand offering, but do not promise any functional benefits.

Answer: False. Branded energizers are not part of the master brand offering and are connected to the master brand, but do not promise any functional benefits.

11.7

According to the book, celebrity endorsers should have five qualities—an appealing image, on-brand associations, the potential for a long-term relationship, a large following, and the absence of a negative reputation.

Answer: False. The first three are correct—the last two are potential to create programs around the endorser and being cost effective and available.

11.8

The four ways to grow a business are to go global, to energize the business, and to \_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_.

Answer. Leverage the business and create a new business.

11.9

One of the creative thinking methods suggested in the chapter is to get a lot of options on the table.

Answer: False. Creative thinking methods are discussed on pages 200-201.

11.10

A business can be energized by getting the brand to have a retail presence.

Answer: True

11.11

A branded differentiator should add differentiation, communication benefits and \_\_\_\_\_\_\_\_\_\_\_\_\_ to the master brand.

Answer: Credibility.

11.12

A branded energizer should add energy, personality, and credibility to the master brand.

Answer: False. Credibility is not added; associations should be added.

11.13

Existing product markets are often attractive growth avenues because a firm has a base on which to build and momentum that can be exploited

Answer: True.

**Chapter 12—Leveraging the Business**

**Essay Questions:**

12.1

Consider a brand of your choosing and propose a brand extension for it. How would you answer the three key questions for evaluating a brand extension? Discuss what assets and competencies can be leveraged with this initiative and what synergies, if any, you would hope to achieve.

12.2

Discuss why Nike has had a strong record of entries into new product markets. What is the defining feature of Nike’s strategy? What assets and competencies is it able to leverage for new entries with this strategy?

**Objective Questions**:

12.1

Four questions were suggested in the book as being a good source of growth options. One was asking whether brand extensions are possible. Another was whether new distribution channels are available.

Answer: False. Which assets and competencies can be leveraged? What brand extensions are possible? Can the scope of the offering be expanded? Do viable new markets exist?

12.2

In leveraging an existing brand to move into a new market, the new brand may seek distance and autonomy from the existing brand. However with that distance, the risk of the venture increases.

Answer: True.

12.3

Three steps to determine which assets and competencies should be leveraged were suggested. The first was to inventory assets and competencies, the second was to find an area where the assets and competencies can be applied to generate advantage and the third was to analyze the potential synergy.

Answer: False. The third advantage is incorrect in the statement above. The correct answer is address implementation problems.

12.4

Brand extension evaluation asks three questions according to the book. Which of the following is not a brand extension question among the three?

a. Will the brand extension be profitable?

b. Will the extension enhance the brand name and image?

c. Does the brand fit the new context?

d. Does the brand add value to the offering in the new product class?

Answer: A.

12.5

Sub brands and endorsed brands are created when the parent company wants to prevent existing brands from damage and when an entirely new brand is not feasible based on lack of resources.

Answer: True.

12.6

Philip Morris was successful with 7-Up because of its distribution clout.

Answer: False. Morris failed with 7-Up for several reasons.

12.7

Entering into new markets or launching new products are met with the challenges of resistance to new products, lack firm’s assets and competencies in the new product’s market and organizational access to resources necessary for launches.

Answer: True.

12.8

When there is a real potential synergy, it will happen—otherwise it will simply be a hope.

Answer: False—implementation problems get in the way.

12.9

Budget Rent-A-Car experienced a surge of growth by entering the rental truck and travel arena.

Answer: False. Budget Rent-A-Car attempted a host of strategies without success to improve on their also-ran status, including efforts to enter the travel arena and the truck rental business.

12.10

According to Zook around one-third of successful sustainable growth companies had one or two repeatable formulas.

Answer: False.

12.11

According to the book, market development is based on the premise that the right people are available for implementing the leveraged business.

Answer: False. Market development is based on the premise that the business is operating successfully; there is no point in exporting failure or mediocrity.

12.12

One-stop financial services was a winning strategy in the 1980s.

Answer: False.

**Chapter 13—Creating New Business**

**Essay Questions:**

13.1

Discuss the advantages of a customizing rather than a standardizing marketing program in the context of a global strategy. When would customizing make sense?

13.2

Discuss the considerations involved in making the decision to expand or broaden the product line.

13.3

What are the payoffs to creating a new business? What are the risks?

13.4

What is the innovator’s advantage? How can a firm enhance the chances that the innovator advantage will materialize?

13.5

What role does innovation have in strategy making? Give examples of firms who have a history of doing well with innovation and discuss the impact that has had on them.

**Objective Questions**:

13.1

Blue ocean businesses and red ocean businesses both generally allow for above average earnings.

Answer: False.

13.2

Barriers to long term success in existing product-markets do not include which of the following:

a. Markets are so dynamic that this is easy to bet behind and become less relevant.

b. Overcapacity in existing markets.

c. Transparency issues.

d. Fast responses by competitors

e. Low cost benefit ratio for incumbent organizations.

Answer: E.

13.3

Innovation can create what is often termed as \_\_\_\_\_\_\_\_\_\_.

Answer: First mover advantage.

13.4

Innovator’s advantage provides the competitive advantages such as competitors’ inability to respond in a timely manner, competitors’ inability to respond at all, or that the innovator cultivates a customer loyalty with its position in the market.

Answer: True

13.5

True market pioneers often survive because they enter the market first and build position and are able to withstand technological advances.

Answer: False. True market pioneers CAN survive because they enter the market first and build position BUT frequently aren’t able to withstand technological advances.

13.6

Successful early market leaders survive the difficulties of a first mover advantage by envisioning the mass market, maintaining managerial persistence, financial commitment, \_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_.

Answer: Relentless innovation and asset leverage.

13.7

Many blue ocean businesses can take one of two approaches to lower price points: \_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_.

Answer: Low-end disruptive innovation and focus on non-consumers (new-market disruptive innovation).

13.8

Low-end disruptive innovation is where industries are altered by emerging products that feature a price that appears dramatically low. Incumbent firms often employ this strategy.

Answer: False—it is usually newcomers to the market, not incumbent firms.

13.9

Kirin was unable to compete with Asahi in part because of the authentic label.

Answer: True

13.10

Curses that plague new businesses include success and size.

Answer: True. More curses located on pages 243-244.

13.11

Drucker advises innovators to try to innovate for the future.

Answer: False. Page 238.

13.12

Transformational new business arenas can be based on offering a dramatically lower price point, analyzing alternative industries to find white space, offering a systems rather than components, building on customer insights or market trends and by collaborating with other people and firms.

Answer: True.

13.13

The highest rated brand on perceived innovativeness was iPod.

Answer: False. It was Bluetooth.

13.13

Successful early market leaders tend to get traction in a smaller market before looking to the mass market.

Answer: False. See pages 236-237.

13.14

The book suggests that one of six ways that new business is typically formed involves new distribution channels.

Answer: False

**Chapter 14 – Global Strategies**

**Essay Questions:**

14.1

How would you evaluate France as a market for Tesla?

14.2

Consider a brand or product of your choosing that is successful in its current market but should not become a global brand in the near future. Discuss its motivations (or lack thereof) for adopting a global strategy.

**Objective Questions**:

14.1

A global strategy is a multinational strategy in which separate strategies are developed for different countries.

Answer: False. A global strategy is conceived and implemented in a worldwide setting.

14.2

Among the eight motivations for global strategies is to cross-subsidize businesses and to obtain scale economies.

Answer: True.

14.3

Accessing low-cost labor and materials is not a motivation for global strategies.

Answer: False.

14.4

Strong motivations for a standardized global brand and position are media spillover and cross-country customer travel.

Answer: True.

14.5

A strategic alliance is a collaboration leveraging the strengths of two or more organizations to achieve strategic goals.

Answer: True.

14.6

One of the benefits of a strategic alliance is that it can help a firm overcome trade barriers. Another is that it can compensate for the absence of or weakness in any of the needed key success factors for a market.

Answer: True.

14.7

The key to success of strategic alliances is to maintain strategic value for each of the participants.

Answer: True.

14.8

Walmart’s success in Germany shows the power of exporting a successful business model.

Answer: False. Walmart failed in Germany because of an unsuccessful business model.

14.9

The eight motivations for global strategies are: to cross-subsidize, to dodge trade barriers, to access low cost labor/materials, to create global associations, to obtain global innovation, \_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_.

Answer: Obtain scale economies, access strategic markets, and access national incentives.

14.10

A frequently unforeseen consequence of global expansion is that healthy markets, especially the home market, are put at risk by the diversion of resources.

Answer: True.

14.11

Four conditions under which organizations expanded globally and survived are: a repeatable formula for expansion, customer differentiation that travels, \_\_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_\_\_.

Answer: A strong core and industry economics.

14.12

An organization should enter countries in a sequential order.

Answer: False. The strategy to enter countries sequentially should be based on the strategic preferences of the organization. There are compelling factors to enter countries simultaneously as well.

14.13

Standardizing brand strategy leads to global market leadership.

Answer: False

14.14

The Ford Galaxy was a good example of the advantage of a common strategy across Europe.

Answer: False. See page 256.

**Chapter 15—Setting Priorities for Businesses and Brands**

**Essay Questions:**

15.1

You have been given the task to evaluate a market opportunity for a firm. Give specific examples of the dimensions you would use to determine the attractiveness of a given market.

15.2

What are assumptions underlying the growth-share matrix? When are these assumptions likely to hold? What is the historical contribution of the growth-share matrix?

**Objective Questions**:

15.1

Cash cows are units that should no longer absorb investments aimed at growing the business.

Answer: True.

15.2

The GE model is less complex than the BCG model.

Answer: False

15.3

An exit decision should be considered if the market demand, competitive intensity, or strategic fit is regarded unfavorably.

Answer: True. Market demand and competitive intensity are not correct. Strategic fit, market attractiveness, and business position should be considered in an exit decision if these are regarded unfavorably.

15.4

Motivations for exiting include avoidance of drain on profits by dog businesses in portfolio and purging businesses that do not fit the strategy of the firm.

Answer: True

15.5

Implementing an exit decision is often delayed by managers who attempt to turn around a struggling business.

Answer: True.

15.6

Exit strategies should be considered in all of the following situations except:

a. When the business position is weak.

b. When a firm’s reputation is at stake.

c. When demand is diminishing quickly with no impending resurgence.

d. When the strategic direction of the firm has changed.

Answer: B. Though this may be a factor, it is not a defining characteristic for employing an exit strategy.

15.7

Biases inhibiting exit decisions are \_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Answer: Reluctance to give up and confirmation bias. Reluctance to give up alludes to emotional ties that make the decision difficult, while the confirmation bias refers to the notion that people seek information that confirms their initial position.

15.8

A milk or harvest strategy aims to generate cash flow by reducing investment and operating expenses to a minimum.

Answer: True.

15.9

\_\_\_\_\_\_\_\_\_\_\_\_ would be disciplined about minimizing the expenditures toward the brand and maximizing the short-term cash flow, while \_\_\_\_\_\_\_\_\_\_\_ would sharply reduce long-term investment, but continue to support marketing and service operating areas.

Answer: A fast milking strategy; slow milking strategy

15.10

A hold strategy will be superior to a milk strategy when the market prospects and/or the business position is not as grim.

Answer: True.

15.11

A hold strategy may prevent a firm from making investments that would help retain product relevance.

Answer: True.

15.12

Strategic brand consolidation process includes five distinct steps: identifying the relevant brand set, assessing the brands, \_\_\_\_\_\_\_\_\_\_\_\_\_\_, creating a revised brand portfolio strategy and \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Answer: Prioritizing brands and designing a transition strategy.

15.13

Business portfolio analysis provides a structured way to evaluate business units on two key dimensions: the attractiveness of the market involved and the strengths of competitor’s in that market.

Answer: False. The two key dimensions are attractiveness of the market involved and the strength of the firm’s position in that market.

15.14

Some of the conditions that favor a milking strategy include a price structure that is stable at a level that is profitable for efficient firms.

Answer: True.

15.15

Confirmation bias occurs when the objective information cast doubt on the sales projections of a business.

Answer: False. See page 272.

15.16

Andy Grove made the decision to get out of memory by pretending he was a new CEO brought in from the outside.

Answer: True

15.17

Centurion organized its brands into four groupings labeled blue, green, yellow and black.

Answer: False

**Chapter 16 – Harnessing the Organization**

**Essay Questions:**

16.1

What is customer centricity and how does it manifest in companies? Take each of the five organizational elements associated with customer centricity and make a case for how they will increase company performance.

16.2

Define and illustrate the term “silo barriers.” What types of silos can interfere with customer centricity and how can they be managed?

16.3

Explain why a company might consider a sales force incentive system based on customer satisfaction rather than on sales quotas. What does this accomplish? What are the potential drawbacks?

**Objective Questions**:

16.1

A \_\_\_\_\_\_\_\_\_\_\_ firm is one in which the customer is at the forefront of all the firm’s decisions and actions.

Answer: Customer-centric.

16.2

Companies can often provide more value to customers when they are structured around \_\_\_\_\_\_\_\_\_\_\_\_\_ rather than functional divisions like marketing and accounting.

Answer: Customer segments.

16.3

When a firm is customer-centric, employee satisfaction is not very important.

Answer: False. Employee and customer satisfaction are highly correlated, and happy employees are essential to providing the best customer value.

16.4

Organizational culture provides the key to strategy implementation because it is such a powerful force for providing focus, motivation, and norms.

Answer: True.

16.5

Of the following, which were among the six silo problems discussed in the book:

i. Marketing resources are misallocated

ii. Marketing management competence is weakened

iii. People are not able to rotate throughout the organization

Select one of the following

a. None of the above

b. One of the above

c. Two of the above

d. Three of the above.

Answer: (C). Point iii is not among the set.

16.6

A critical silo barrier in many organizations is between marketing and sales.

Answer: True.

16.7

Instead of a short-term, “pay as you go” mindset, marketers should adopt an \_\_\_\_\_\_\_\_\_\_\_\_ mindset.

Answer: Investment.

16.8

To make progress on the silo challenge, it is necessary to centralize and standardize.

Answer: False. Firms should only standardize selectively, and silos can be overcome with communication and coordination instead of standardization.

16.9

Structuring around customer segments creates harmful silo barriers that undermine customer-centricity.

Answer: False. Structuring around customer segments rather than functional divisions enhances customer-centricity.

16.10

In a matrix organization, everyone has a dotted line reporting arrangement with the CMO.

Answer: False. A matrix organization allows a person to have two or more reporting links.

16.111

The five key organizational elements that contribute to customer-centricity include all but one of the following:

a. Competencies

b. Metrics and incentives

c. Customer loyalty

d. Culture

e. Structure

Answer: C. Customer loyalty.

16.12

An organization’s culture involves all but one of the following:

a. Symbolic actions

b. Shared values

c. Norms of behavior

d. Managerial style of the CEO

e. Symbols

Answer: D. Managerial style of the CEO.

**Chapter 17 – How Marketing Creates Value for Companies**

**Essay Questions:**

17.1

Why should marketing intangibles, such as brands and customer relationships, be treated as assets?

17.2

How do marketing assets affect the discount rate?

17.3

How do marketing assets help the firm with regard to current or prospective employees? Illustrate your answer.

17.4

How do marketing assets enable faster cash flows? Illustrate your answer.

**Objective Questions**:

17.1

Strong brands can increase revenues, but they often increase costs as well.

Answer: False. Brand assets decrease costs including customer acquisition costs, employee pay, and employee turnover costs.

17.2

Strong marketing assets are valuable on a discounted-cash-flows basis because they increase future cash flows and also decrease \_\_\_\_\_\_\_\_\_\_\_\_\_.

Answer: The discount rate.

17.3

Existing customer relationships increase the value of offerings in new product categories.

Answer: True. Customer relationships make it easier to bring customers along for new offerings in either the current category or a new category.

17.4

Marketing assets can protect the firm against competitors but not against internal mistakes.

Answer: False. Both customer relationships and strong brands can reduce the impact of internal mistakes.

17.5

Which of the following is *not* a source of increased revenue from marketing assets?

1. Greater share of wallet
2. Increased consideration
3. Lower acquisition costs
4. Price premiums
5. More licensing opportunities

17.6

Companies with weak marketing assets must pay their employees more.

Answer: True. Marketing assets can create value for employees, who in turn will accept lower pay.

17.7

Which of the following is affected by marketing assets?

1. Customer acquisition costs
2. Employee turnover
3. Vulnerability to rival entry
4. Cost of debt
5. Marketing research costs
6. All of the above

17.8

Firms gain a 5% increase in firm value with just a 1% improvement in which of the following areas?

1. Cost of capital
2. Profit margins
3. Customer retention
4. Unaided brand recall

17.9

Although marketing assets are largely absent from firm balance sheets, brand equity is often included as part of \_\_\_\_\_\_\_\_\_\_ on the balance sheet, particularly when a firm is acquired.

Answer: Goodwill.

17.10

Because they are intangible, marketing assets are a less effective barrier to entry than tangible assets.

Answer: False. Marketing assets are difficult to create and can be costly or even impossible to imitate, creating an effective “moat” against competitors.

17.11

Marketing assets are perfectly transferable through licensing or acquisition.

Answer: False. Marketing assets can be highly firm specific, and may fail to transfer due to firm idiosyncrasies.

17.12

Marketing assets reduce future marketing costs through customer endorsements and word-of-mouth.

Answer: True.

**Appendix A - Internal Analysis**

A.1

The goal of analysis is to develop strategies that either exploit a firm’s strengths or correcting / compensating for weaknesses.

Answer: True.

A.2

ROA is return on sales x asset turnover.

Answer: True. It can also be expressed by dividing profits by the assets.

A.3

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is comparing the performance of a business component such as warehouse operations with similar operations in other companies.

Answer: Benchmarking.

A.4

Performance measures reflecting long-term profitability include all but one of the following:

a. Outsourcing ability

b. Product/service quality

c. Customer satisfaction

d. New product activity

e. Relative cost

Answer: A.

A.5

One of the more important assets of many firms is the size of the customer base.

Answer: False.

A.6

All the following are guidelines for measuring customer satisfaction except \_\_\_\_\_\_\_\_\_\_.

a. Identify causes of dissatisfaction that motivate customers to change brands

b. Evaluate the lifetime value of customer to the product

c. Track measures and compare to competitors

d. Differentiate between dissatisfaction and dislike of product

Answer: D.

A.7

According to the book, strategies should be driven by three factors—organizational strengths and weaknesses, market needs, and environmental trends.

Answer: False. A successful strategy occurs when an organization’s strengths are matched against market needs and competitor weaknesses.

A.8

Shareholder value analysis holds that the flow of profits emanating from an investment should exceed the cost of capital.

Answer: True.

A.9

Competences should be evaluated based on strength and revenue potential.

Answer: False. Competences should be evaluated based on strength and impact.