

Hazel F. Ezell

Study Guide  
to accompany

# Marketing



Principles and Strategy

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## Principles and Strategy

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The University of Alabama

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## A NOTE TO THE STUDENT

This study guide has been designed to be used with Marketing: Principles and Strategies by J. Barry Mason and Hazel F. Ezell. The study guide contains for each chapter in Marketing: Principles and Strategies the following:

1. Chapter Objectives
2. Chapter Summary
3. Important Terms Matching Exercise
4. Multiple Choice Questions
5. True-False Questions
6. Completion Exercise
7. Problems (where applicable)

Answers for each chapter's matching exercise, multiple choice questions, true-false questions, completion exercise, and problems are provided at the end of the study guide.

This study guide has been developed to assist you in understanding the concepts presented in the textbook Marketing: Principles and Strategies and to enable you to evaluate your understanding of the materials presented. The following suggestions are offered to help you obtain full benefit from this study guide.

Before reading each chapter in the textbook, refer to the chapter objectives and summary in the study guide. The objectives serve as goals for you to achieve when studying a chapter. The summary provides a preview of the chapter and presents the major topics and relationships to be discussed in the text. Reading this summary prior to reading the text chapter should make your reading and understanding easier.

Complete the matching exercise which focuses on the important terms in a chapter. Check your answers. If you have not matched correctly some of the terms with their definitions, refer to your text for additional study of the terms missed. Please do not refer to the answer section until you have completed the entire matching exercise. Completing the exercise in this manner should enable you to learn more quickly important terms presented in a chapter.

Answer the multiple choice and true-false questions. After answering all of these questions, check your answers. For questions missed, refer to the appropriate text material to see if you can determine why you missed the question and the reason for the correct answer. Completing these sections of the study guide should aid you in evaluating how well you understand the chapter concepts and their relationships.

Work through the completion exercise. After completing the exercise, check the answers to see whether you have responded correctly. For incorrect responses, refer to the appropriate text material to see if you can determine why your response is incorrect and the reason for the correct answer. The completion exercise is designed to help you learn chapter concepts and to test how well you have mastered these concepts.

Where applicable, work the problems which appear in the study guide. After working the problems, check your answers. For those problems missed, refer to the appropriate text material to determine how to work the problem and to understand the reason for the correct answer.

Following the suggestions outlined above will enable you to obtain maximum benefit from this study guide. Using the study guide correctly and regularly should help you in mastering more quickly and effectively ideas and concepts presented in the text and in evaluating your understanding of the material discussed.

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## **CHAPTER 1**

### **UNDERSTANDING MARKETING**

#### **CHAPTER OBJECTIVES**

- To explain marketing's role in profit and not-for-profit organizations
- To list the forms of utility created by marketing in facilitating the exchange process
- To describe the marketing functions that help create utility in the exchange process
- To show the differences between product, sales, and marketing approaches to creating consumer satisfaction
- To compare different approaches to the study of marketing

#### **CHAPTER SUMMARY**

Marketing is defined as the performance of all activities necessary for the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives. For an exchange to occur, one party must give up something of value in order to receive something of value which another party is offering. Profit-making firms as well as not-for-profit organizations such as hospitals, museums, and charities apply marketing concepts and principles. These concepts and principles can be applied to the marketing of products, services, ideas, or people.

Many separations exist between producers and consumers. The role of marketing is to help overcome these separations. Marketing overcomes barriers to exchange by solving problems (1) of distance between producers and consumers, (2) of differences between the time goods are produced and when they will be consumed, (3) of having goods available in a form desired by consumers, (4) of handling the efficient transfer of title from producer to consumer, (5) of differences in value perceptions between producers and consumers, and (6) of the lack of information on the part of consumers and producers.

In overcoming the barriers to exchange, marketers create utilities for the parties involved in the exchange. The marketing methods used to create utilities in the exchange process include such functions as buying, selling, storage, transporting, sorting, financing, information development, and risk taking. These marketing functions are those activities necessary to bridge the separations between producers and consumers in the exchange process.

The organizations that carry out many of the necessary functions which are part of the exchange process are called intermediaries. They can either be primary or facilitating participants. Primary participants buy and sell goods and services, assume or arrange for the transfer of title, and accept the risks as a result of their decisions. Examples include wholesalers, retailers, agents, brokers, and industrial distributors. Facilitating intermediaries assume less risk because they are not involved in ownership or title transfer. Examples include research firms, transportation companies, advertising agencies, financial institutions, insurance agencies, and storage firms.

Organizations can approach the exchange function from a variety of perspectives. Some firms follow a product concept which is the belief that an organization should produce and offer a product or service most compatible with the skills of the firm. Other firms follow the sales concept which guides management to sell what is available by the use of advertising and sales skills. More enlightened firms have adopted the marketing concept whereby the organization finds out what consumers' needs and wants are and then attempts to satisfy that demand. The marketing concept includes (1) a primary focus on consumer needs, (2) long-run profit through consumer satisfaction, and (3) integration of all functions in the organization in such a way as to meet consumer needs.

The rise of consumerism in the 1970s, however, was evidence that management too often failed to have a true customer orientation and had failed to keep up with changing social trends and consumer value changes. Thus, the marketing concept was broadened to include what is known as the social responsibility of organizations. Social responsibility is the belief that a firm has an obligation to society to preserve and protect the environment and to contribute to a better quality of life for all citizens.

Marketing management is management of the level, timing, and character of demand in facilitating the exchange process. The task of marketing management is to develop and execute plans for creating customer satisfaction by facilitating exchanges. To do this, marketers must make decisions on (1) the products or services to be offered, (2) the promotional programs to be used, (3) the prices to be charged, and (4) the distribution systems to be used to make the goods or services available to consumers when and where they want them.

Several approaches may be taken to the study of marketing. These include the commodity approach, the functional approach, the institutional approach, and the strategic management approach. The authors have chosen the strategic management approach which involves identifying threats and opportunities to the firm, deciding on the mission for the organization, and making decisions on objectives and ways to achieve them.

### IMPORTANT TERMS MATCHING EXERCISE

On the blank line next to each phrase or sentence, place the letter of the term that the phrase or sentence describes.

- |                                  |                              |
|----------------------------------|------------------------------|
| a. Utility                       | j. Facilitating Participants |
| b. Strategic Management Approach | k. Primary Participants      |
| c. Product Concept               | l. Functional Approach       |
| d. Marketing Management          | m. Institutional Approach    |
| e. Sales Concept                 | n. Social Responsibility     |
| f. Demarketing                   | o. Marketing                 |
| g. Marketing Concept             | p. Commodity Approach        |
| h. Intermediaries                | q. Marketing Functions       |
| i. Consumerism                   | r. Exchange                  |

- \_\_\_\_\_ 1. Organizations that carry out many of the necessary functions which are part of the exchange process.
- \_\_\_\_\_ 2. Activities involved in one party giving up something of value to receive something of value which another party is offering.
- \_\_\_\_\_ 3. The creation of value in the exchange process by adding form, place, time, and possession to a product or service.
- \_\_\_\_\_ 4. A study of marketing from the perspective of each of the marketing functions, how they are performed by various intermediaries, and how their efficiency can be evaluated.



- \_\_\_\_\_ 5. An organized expression of consumer dissatisfaction.
- \_\_\_\_\_ 6. The philosophy that an organization should develop and offer those products or services most compatible with the skills and capabilities of the firm.
- \_\_\_\_\_ 7. The belief that a firm has an obligation to society to preserve and protect the environment and to contribute to a better quality of life for all citizens.
- \_\_\_\_\_ 8. The performance of all activities necessary for the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.
- \_\_\_\_\_ 9. The frame of reference which guides management to sell what is available by the use of advertising and sales skills instead of being concerned with the creation of long-term consumer satisfaction.
- \_\_\_\_\_ 10. Activities necessary to bridge the gap between producers and consumers in the exchange process.
- \_\_\_\_\_ 11. The use of marketing skills in the exchange process to reduce the level of consumption.
- \_\_\_\_\_ 12. A process that involves identifying threats and opportunities facing the firm, deciding on the mission of the firm, and making decisions on objectives and ways to achieve them.
- \_\_\_\_\_ 13. The viewpoint that organizations can most easily meet their objectives by the creation of consumer satisfaction in supplying goods or services tailored to consumer needs.
- \_\_\_\_\_ 14. The study of marketing which focuses on how specific types of goods move from producers to final consumers.
- \_\_\_\_\_ 15. Management of the level, timing, and character of demand in facilitating the exchange process.
- \_\_\_\_\_ 16. Intermediaries which are not involved in ownership or title transfer and assume less risk than primary participants.
- \_\_\_\_\_ 17. The study of marketing by understanding the role of intermediaries such as wholesalers and retailers as well as other primary and facilitating organizations.
- \_\_\_\_\_ 18. Intermediaries that buy and sell goods and services, assume or arrange for the transfer of title, and accept the risks as a result of their decisions.

### MULTIPLE CHOICE QUESTIONS

- \_\_\_\_\_ 1. The concept of the marketing imagination suggests that
  - a. the marketing functions of a business organization are more important to its success than the production functions.
  - b. people do not buy things but instead buy solutions to problems.
  - c. consumers can be forced to buy things they really do not want.
  - d. promotion is really the only significant function of marketing.
  - e. marketing is applicable to the sale of tangible goods but not to the sale of services.



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- \_\_\_\_\_ 2. Which of the following organizations can apply marketing principles in order to facilitate exchanges?
- a. Hospitals
  - b. Furniture manufacturers
  - c. Museums
  - d. All of the above
  - e. a and b above
- \_\_\_\_\_ 3. Marketing is best defined as
- a. the performance of all activities necessary for the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.
  - b. the distribution activities involved in getting goods to the ultimate consumer.
  - c. the advertising and promotion of goods and services.
  - d. the sale of tangible goods.
  - e. demand creation.
- \_\_\_\_\_ 4. Which of the following would be included as a form or type of separation that exists between producers and consumers?
- a. Distance
  - b. Time
  - c. Awareness
  - d. All of the above
  - e. a and b above
- \_\_\_\_\_ 5. Which of the following would be included as a utility created in the exchange process?
- a. Place
  - b. Possession
  - c. Time
  - d. All of the above
  - e. a and c above
- \_\_\_\_\_ 6. Which of the following is not considered to be a marketing function?
- a. Buying
  - b. Risk taking
  - c. Selling
  - d. Transporting
  - e. Actual production of the tangible good
- \_\_\_\_\_ 7. Intermediaries can be either
- a. primary or facilitating participants.
  - b. primary or secondary participants.
  - c. facilitating or secondary participants.
  - d. primary or tertiary participants.
  - e. facilitating or tertiary participants.
- \_\_\_\_\_ 8. Which of the following intermediaries is not a primary participant?
- a. Wholesalers
  - b. Industrial distributors
  - c. Advertising agencies
  - d. Brokers
  - e. Retailers

- \_\_\_\_\_ 9. Which of the following would be included as facilitating intermediaries?
- Insurance agencies
  - Transportation companies
  - Storage firms
  - All of the above
  - b and c above
- \_\_\_\_\_ 10. The philosophy of executives at the XYZ Manufacturing Company is that the organization should produce and offer products most compatible with the skills and capabilities of the firm. The executives assume that a market exists for the company's products. Which of the following terms defines the philosophy of these executives?
- The enlightened concept
  - The product concept
  - The selling concept
  - The marketing concept
  - The engineering concept
- \_\_\_\_\_ 11. The sales concept
- is primarily concerned with long-term consumer satisfaction.
  - suggests that a firm should attempt to reduce its costs so that its products can be offered at prices lower than those of competitors.
  - is a frame of reference which guides management to sell what is available by the use of advertising and sales skills.
  - is often referred to as the enlightened concept.
  - places primary emphasis on determining consumer needs and then attempting to meet those needs.
- \_\_\_\_\_ 12. Which of the following statements by a company executive best reflects the marketing concept?
- We attempt to determine consumer needs and then try to satisfy those needs.
  - We want to produce our products at the lowest cost possible.
  - We want to develop an aggressive sales force to persuade customers to buy our products.
  - We try to develop effective advertising campaigns.
  - The goal of our company is production efficiency.
- \_\_\_\_\_ 13. The marketing concept first appeared in the marketing literature in the 1950s. The concept included
- a primary focus on consumer needs.
  - a concern for long-run profit through consumer satisfaction.
  - integration of all functions in the organization in such a way as to meet consumer needs.
  - all of the above
  - a and b above
- \_\_\_\_\_ 14. Social responsibility is a belief that a firm
- should produce what consumers want.
  - should attempt to maximize profits.
  - should try to sell its products at the lowest possible price.
  - should accept the sales concept as its philosophy of management.
  - has an obligation to society to preserve and protect the environment and to contribute to a better quality of life for all citizens.

- \_\_\_\_\_ 15. Which of the following agencies was established to regulate product safety?
- a. The Federal Product Recall Commission
  - b. The Federal Trade Commission
  - c. The Consumer Products Safety Commission
  - d. The Interstate Commerce Commission
  - e. The Safe Environment Council
- \_\_\_\_\_ 16. Marketing management tasks require decisions on
- a. products.
  - b. products, promotion, price, and distribution.
  - c. products and promotion.
  - d. products, price, and promotion.
  - e. promotion and price.
- \_\_\_\_\_ 17. Utility companies have engaged in activities to encourage consumers to reduce their level of consumption. These efforts are referred to as
- a. synchromarketing.
  - b. demarketing.
  - c. countermarketing.
  - d. stimulatory marketing.
  - e. cyclical marketing.
- \_\_\_\_\_ 18. Which of the following statements concerning approaches to the study of marketing is false?
- a. The commodity approach focuses on how specific types of goods move from producers to final consumers.
  - b. The functional approach is a study of marketing from the perspective of each of the marketing functions, how they are performed by various intermediaries, and how their efficiency can be evaluated.
  - c. The authors of this textbook believe that the institutional approach is most appropriate for the 1980s.
  - d. The institutional approach focuses primarily upon understanding the role of intermediaries.
  - e. The strategic management approach involves identifying threats and opportunities for the firm, deciding on the firm's mission, and making decisions on objectives and ways to achieve them.

### TRUE-FALSE QUESTIONS

- \_\_\_\_\_ 1. In reality, no exchange takes place when a person makes a donation to a charitable organization.
- \_\_\_\_\_ 2. Marketing can never be completely reduced to a set of formulas or equations since the creative side of marketing is largely an art.
- \_\_\_\_\_ 3. The role of marketing is to make consumers buy things they really do not want or need.
- \_\_\_\_\_ 4. Marketing, in seeking to overcome the barriers hindering exchange, creates utilities for the parties involved in the exchange.
- \_\_\_\_\_ 5. Buying and selling are the only functions of marketing.
- \_\_\_\_\_ 6. Primary participants are intermediaries which do not accept the risks as a result of their decisions.

- \_\_\_\_\_ 7. Facilitating intermediaries are involved in ownership and title transfer of goods and services.
- \_\_\_\_\_ 8. The product concept is most viable in markets in which supply exceeds demand.
- \_\_\_\_\_ 9. The terms marketing and selling mean the same thing so the terms can be used interchangeably.
- \_\_\_\_\_ 10. The marketing concept is an approach to doing business which is based on the viewpoint that organizations can most easily meet their objectives by the creation of customer satisfaction.
- \_\_\_\_\_ 11. The rise of consumerism was evidence that management too often failed to have a true consumer orientation and that the marketing concept had failed to embrace the broader issues of society.
- \_\_\_\_\_ 12. The role of marketing always is to stimulate demand.
- \_\_\_\_\_ 13. The task of marketing management is to manage the level, timing, and character of demand in facilitating the exchange process.

### COMPLETION EXERCISE

Each of the following statements contains one or more missing words. Complete the exercise by filling in the appropriate word in the blank spaces provided.

1. Consumers do not buy products, services, or ideas; they buy \_\_\_\_\_.
2. Marketing is defined as the performance of all activities necessary for the \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ of ideas, goods, and services to create \_\_\_\_\_ that satisfy individual and organizational objectives.
3. The role of marketing is to help overcome \_\_\_\_\_. In so doing, organizations must overcome the following forms of separations that exist between producers and consumers: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
4. Marketing, in seeking to overcome the barriers hindering exchange, creates \_\_\_\_\_ for the parties involved in the exchange.
5. Marketing functions necessary to bridge the gap between producers and consumers in the exchange process include \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
6. Various flows occur in the performance of marketing functions. Probably the most important flow is the \_\_\_\_\_ of the good from the producer to the consumer.
7. \_\_\_\_\_ are organizations that carry out many of the necessary functions which are part of the exchange process. They can be either \_\_\_\_\_ or \_\_\_\_\_ participants.
8. The \_\_\_\_\_ concept is most viable in markets where demand exceeds supply because the need to tailor offerings to the needs of individual consumers is reduced in such circumstances.

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9. The sales concept guides management to sell what is available by the use of \_\_\_\_\_ and \_\_\_\_\_ instead of being concerned with the creation of long-term \_\_\_\_\_.
10. The marketing concept includes a primary focus on \_\_\_\_\_, long-run \_\_\_\_\_ through consumer satisfaction, and \_\_\_\_\_ of all functions in the organization in such a way as to meet consumer needs.
11. The rise in \_\_\_\_\_ in the 1970s was evidence that companies too often failed to have a true \_\_\_\_\_ and that the marketing concept had failed to embrace the broader issues of society. Thus, the concept was broadened to include the \_\_\_\_\_ of organizations.
12. Marketing management is management of the \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ of demand in facilitating the exchange process.
13. Marketing management tasks require decisions on the \_\_\_\_\_ or \_\_\_\_\_ to be offered, the \_\_\_\_\_ programs to create customer awareness, the \_\_\_\_\_ to be charged, and the \_\_\_\_\_ systems to have products or services available to consumers at the time and in the form that appeals to them.
14. Most persons think that the role of marketing is to \_\_\_\_\_ demand; however, organizations practicing demarketing attempt to \_\_\_\_\_ the level of consumption.
15. The \_\_\_\_\_ approach to studying marketing focuses on how specific types of goods move from producers to consumers. The \_\_\_\_\_ approach emphasizes marketing functions, how they are performed by various intermediaries, and how their efficiency can be evaluated. The \_\_\_\_\_ approach focuses primarily upon understanding the role of intermediaries such as wholesalers and retailers.
16. The strategic management approach to the study of marketing involves identifying \_\_\_\_\_ and \_\_\_\_\_ for the firm, deciding on the \_\_\_\_\_ for the organization, and making decisions on \_\_\_\_\_ and ways to achieve them.

## **CHAPTER 2**

### **THE RELATIONSHIP BETWEEN ORGANIZATIONAL STRATEGY AND MARKETING STRATEGY**

#### **CHAPTER OBJECTIVES**

- To explain the concept of an organization's mission statement
- To indicate the difference between long-range and short-range objectives
- To describe the factors involved in a strategic audit
- To highlight factors involved in selecting markets in which to compete
- To discuss the issues an organization considers when deciding how to compete in a market
- To outline the components of a short-run marketing plan
- To define marketing strategy, marketing plans, marketing tactics, and the marketing mix
- To present the goals of evaluation and control in the context of marketing control and a marketing audit

#### **CHAPTER SUMMARY**

A carefully developed organizational strategy is the key to creating satisfied customers. An organizational strategy defines the organization's mission and purpose, reveals the objectives management wants to achieve, and indicates how the organization's activities are to be managed so as to achieve chosen objectives.

The development of organizational strategy begins with agreement on a definition or purpose of the firm. This mission statement normally identifies the activities in which the organization will engage, how the firm's assets will be used to encourage customer satisfaction, and how management will compete in the activities in which it plans to engage.

After agreement on the mission statement for the organization, objectives (both long- and short-term) must be established. Objectives are statements of results to be achieved. They help force agreement on (1) action priorities for the organization, (2) how resources will be used in carrying out the purpose of the organization, and (3) how responsibilities will be assigned.

Once objectives are set, management must think about a plan for achieving them within the context of the organization's mission. This plan, however, is not developed in a vacuum. It is based on an analysis of the organization's strengths and weaknesses and threats and opportunities in the environments. The analysis of these internal and external factors is referred to as a strategic audit.

The external factors evaluated in the strategic audit consist of forces outside the firm which cannot be controlled by management and include such variables as legal and regulatory issues, market size, market growth rate and stability, technology, demographic changes, and changes in consumer tastes. Internal

factors evaluated in the strategic audit are those variables largely under the control of management and can include financial resources, research and development strengths, manufacturing technology, human resources skills, marketing plans, product or service lines, sales force composition, and the reputation of the firm with customers.

Decisions on markets in which to compete emerge from the strategic audit. Management seeks markets in which strong opportunities for growth and profitability exist and seeks to avoid markets which seem to be undesirable because of problems such as cyclical demand, low or no growth, or a history of labor strife.

The next step in organizational strategy development is the formulation of a marketing strategy. A marketing strategy is a plan of action which outlines in broad terms how a firm will compete in chosen markets. Decisions on how to compete are made in the context of what are known as the marketing mix variables, those elements of the marketing strategy under the control of management. The elements of the marketing mix include product, price, promotion, and distribution variables.

Once the marketing strategy is developed, it must be successfully executed. The key to implementing the strategy is a set of marketing tactics. Marketing tactics are the specifics of how each element of the marketing mix will be used in the short-term support of the organization's marketing strategy and, as such, formed the heart of the short-term marketing plan. This plan is prepared annually and indicates programs based on the marketing mix variables that will be implemented during the year.

Managers need feedback on how the organization is performing based on its strategy. Marketing control is a system which provides feedback on the effectiveness of the short-term marketing plan; a marketing audit can be used to evaluate the effectiveness of the long-term marketing strategy. Information obtained from both of these control mechanisms can help in determining if adjustments are needed in either the short-term marketing tactics or in the long-term marketing strategy.

### **IMPORTANT TERMS MATCHING EXERCISE**

On the blank line next to each phrase or sentence, place the letter of the term that the phrase or sentence describes.

- |                       |                            |
|-----------------------|----------------------------|
| a. Marketing Strategy | g. Marketing Control       |
| b. Marketing Audit    | h. Marketing Plan          |
| c. Marketing Tactics  | i. Organizational Strategy |
| d. Strategic Audit    | j. Objectives              |
| e. Mission Statement  | k. Internal Factors        |
| f. External Factors   | l. Marketing Mix           |

- \_\_\_\_\_ 1. A formalized appraisal of market characteristics, the competitive strategy of the firm, the compatibility of the strategy with the corporate mission and objectives, and an assessment of the environments in which the firm operates.
- \_\_\_\_\_ 2. Statements of results to be achieved.
- \_\_\_\_\_ 3. An annual plan for the firm's short-run marketing activities.
- \_\_\_\_\_ 4. Defines the organization's mission and purpose, reveals the objectives management wants to achieve, and indicates how the organization's activities are to be managed so as to achieve chosen objectives.



- \_\_\_\_\_ 5. The elements of marketing strategy under the control of management, including product, price, promotion, and distribution.
- \_\_\_\_\_ 6. An evaluation of internal strengths and weaknesses and external opportunities and threats.
- \_\_\_\_\_ 7. A statement which indicates what an organization intends to do and how it plans to do it.
- \_\_\_\_\_ 8. Variables largely under the control of management.
- \_\_\_\_\_ 9. A plan of action which outlines in broad terms how a firm will compete in chosen markets.
- \_\_\_\_\_ 10. The specifics of how each element of the marketing mix will be used in short-term support of a firm's marketing strategy.
- \_\_\_\_\_ 11. A system which provides feedback to management on the effectiveness of the short-term marketing plan.
- \_\_\_\_\_ 12. Forces outside the firm which cannot be controlled by management.

### **MULTIPLE CHOICE QUESTIONS**

- \_\_\_\_\_ 1. Successful companies
  - a. build concern for the consumer into everything they do.
  - b. practice responsible corporate citizenship.
  - c. pursue a vigorous growth strategy even if it means acquiring businesses management does not understand.
  - d. all of the above
  - e. a and b above
- \_\_\_\_\_ 2. The first step in organizational strategy development is
  - a. developing a statement of the mission or purpose of the firm.
  - b. conducting an analysis of internal strengths and weaknesses.
  - c. deciding on markets in which to compete.
  - d. conducting an analysis of external threats and opportunities.
  - e. establishing objectives.
- \_\_\_\_\_ 3. A firm's mission or purpose statement normally includes
  - a. how the organization intends to compete in its chosen arena.
  - b. how the physical assets, financial assets, and human resources will be used to help create customer satisfaction.
  - c. the fields of activity for the organization, including the kinds of products, services, or ideas to be offered; customers to be served; and geographic areas to be covered.
  - d. all of the above
  - e. b and c above
- \_\_\_\_\_ 4. According to Peter Drucker, the only valid definition of business purpose is
  - a. to earn maximum profits.
  - b. to create a customer.
  - c. to have the largest market share.
  - d. to charge customers the lowest price possible.
  - e. to earn a higher rate of return on investment than competitors.

- \_\_\_\_\_ 5. Which of the following statements concerning objectives is false?
  - a. Objectives are statements of results to be achieved.
  - b. Management normally sets both long- and short-term objectives.
  - c. Short-term objectives have more of a strategic dimension than do long-term objectives.
  - d. Good objectives are measurable and indicate the priorities for the firm.
  - e. Good objectives are specific as to the time frame within which they are to be accomplished.
  
- \_\_\_\_\_ 6. Which of the following statements concerning the strategic audit is false?
  - a. A strategic audit involves an analysis of strengths and weaknesses of the firm and threats and opportunities facing the firm.
  - b. The external factors evaluated in a strategic audit consist of forces outside the firm which cannot be controlled by management.
  - c. The only external environments analyzed in a strategic audit are the social and economic environments.
  - d. Some organizations have established processes for continually monitoring external environments to identify threats and opportunities.
  - e. Internal factors evaluated in a strategic audit are those variables largely under the control of management.
  
- \_\_\_\_\_ 7. The marketing mix variables are
  - a. product, distribution, price, and promotion.
  - b. product, advertising, price, and promotion.
  - c. product, distribution, price, and value.
  - d. products, services, and ideas.
  - e. advertising, personal selling, and publicity.
  
- \_\_\_\_\_ 8. Marketing tactics
  - a. refer to the long-term marketing strategy decisions related to price, promotion, and distribution.
  - b. refer to the selection of markets in which to compete.
  - c. refer to product decisions but not to pricing, distribution, and promotion decisions.
  - d. refer to the specifics of how each element of the marketing mix will be used in short-term support of a firm's marketing strategy.
  - e. relate to pricing decisions but not to product, promotion, and distribution decisions.
  
- \_\_\_\_\_ 9. A marketing audit
  - a. provides feedback on the effectiveness of the short-term marketing plan.
  - b. is an annual evaluation of results achieved against established objectives.
  - c. is used to evaluate the effectiveness of the long-term marketing strategy.
  - d. does not incorporate an assessment of the environments in which the firm operates.
  - e. is used to determine whether a firm meets its annual profitability goals.

### **TRUE-FALSE QUESTIONS**

- \_\_\_\_\_ 1. Successful companies tend to organize a balanced, preferably "home-grown" management team that is compatible in purpose and commitment and consistent over time.
  
- \_\_\_\_\_ 2. The common thread in the mission statement of any organization is to show in a general sense how management plans to create and serve satisfied customers.
  
- \_\_\_\_\_ 3. Long-term objectives are set for five or so years, while short-term objectives are set on a year-by-year basis.