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Marketing: An Introduction, 14e **(Armstrong/Kotler)**
Chapter 2 Company and Marketing Strategy: Partnering to Build Customer Engagement, Value, and Relationships

1) Which of the following is true of strategic planning in a firm?
A) It deals with maintaining the company's current business ventures.
B) It focuses on the firm's internal environment rather than the external environment.
C) It occurs at the business-unit, product, and market levels rather than at the corporate level.
D) It deals with adapting the firm to take advantage of changing marketing opportunities.
E) It involves preparing short-term investment objectives at the product level.
Answer: D
Diff: 2
LO: 2-1: Explain company-wide strategic planning and its four steps.
AACSB: Analytical thinking

2) Cosmetics firm SatinSilk is revamping its mission statement and advertising strategy. The CEO stresses that the new mission statement should be market-oriented rather than product-oriented. Which of the following mission statements will best suit the company?
A) to create the best possible products and sell them at the best possible prices
B) to sell hypoallergenic cosmetics products made only from the finest organic ingredients
C) to give customers the complexion they dream about by providing products suited to their needs
D) to become a market leader in every cosmetics product category
E) to increase our market share in the cosmetics segment and increase profit margins
Answer: C
Diff: 2
LO: 2-1: Explain company-wide strategic planning and its four steps.
AACSB: Analytical thinking

3) A _____ is purposeful, specifying what an organization wants to accomplish in the larger environment.
A) marketing strategy
B) marketing objective
C) strategic plan
D) mission statement
E) market portfolio
Answer: D
Diff: 1
LO: 2-1: Explain company-wide strategic planning and its four steps.
AACSB: Analytical thinking

4) Most firms begin the strategic planning process by developing detailed marketing and departmental plans that support a company-wide plan.
Answer: FALSE
Diff: 2
LO: 2-1: Explain company-wide strategic planning and its four steps.
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5) An organization's mission statement should emphasize its intentions toward customers and the customer experience the organization seeks to create.
Answer: TRUE
Diff: 2
LO: 2-1: Explain company-wide strategic planning and its four steps.
AACSB: Application of knowledge

6) "At Dodson, we sell shoes" is a market-oriented business definition.
Answer: FALSE
Diff: 2
LO: 2-1: Explain company-wide strategic planning and its four steps.
AACSB: Analytical thinking

7) "At CL Online, we create customer connectivity, anytime, anywhere" is a product-oriented mission statement.
Answer: FALSE
Diff: 2
LO: 2-1: Explain company-wide strategic planning and its four steps.
AACSB: Analytical thinking

8) Which of the following best describes a company's business portfolio?
A) the list of all the marketing activities in which the company invests
B) the target segments of the company's various businesses
C) the company's products or services in a particular market
D) the collection of businesses and products that make up the company
E) the company's strengths in terms of technology, people, and products
Answer: D
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

9) Business portfolio analysis is defined as the process in which management _____.
A) studies the products and strategies of competitors to improve the company's own products
B) analyzes consumer feedback in order to better position the company's brand image
C) assesses the attractiveness of an SBU's market and the strength of its position in the market
D) segments the company's markets to reach target consumers effectively
E) conducts marketing research to evaluate the company's marketing strategy
Answer: C
Diff: 2
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10) Which of the following provides a measure of market attractiveness in the Boston Consulting Group approach?
A) relative market share
B) market sentiment
C) return on marketing investment
D) market growth rate
E) brand image
Answer: D
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Application of knowledge

11) The two dimensions the BCG approach uses to evaluate and manage SBUs are _____.
A) market growth rate and relative market share
B) market growth rate and market penetration
C) market growth rate and market development
D) relative market share and product development
E) relative market share and market penetration
Answer: A
Diff: 1
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

12) According to the BCG matrix, products or businesses with a high market share in a high-growth market are classified as _____.
A) stars
B) cash cows
C) question marks
D) dogs
E) heroes
Answer: A
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

13) In the BCG growth-share matrix, question marks refer to products or businesses with a _____.
A) low market share in a niche market
B) low market share in a market with high growth prospects
C) greater market share than all their competitors combined in a saturated market
D) high market share in a market with a high growth rate
E) low market share in a market that is set to shrink significantly
Answer: B
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
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14) In the BCG matrix, _____ refer to low-growth, high-share businesses or products.
A) stars
B) cash cows
C) question marks
D) dogs
E) heroes
Answer: B
Diff: 1
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Application of knowledge

15) Omni Healthcare's analgesic drug Cetaprin has a 40 percent share in the analgesics market in the country of Terrania. Its closest competitor, Febex, has a 25 percent share in the market, while four other analgesic brands split the remainder. Which statement indicates that Cetaprin is a cash cow according to the BCG matrix?
A) Omni Healthcare often takes money from other strategic business units to support Cetaprin.
B) A customer survey shows that Cetaprin users do not prefer it to other analgesics in the market.
C) The demand for analgesic drugs in the Terrania market is expected to maintain a low-growth, high-share status
D) Febex is rapidly gaining market share over Cetaprin due to aggressive marketing efforts.
E) The Terrania market for healthcare products is expanding rapidly.
Answer: C
Diff: 3
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

16) Due to the limitations of the BCG and other formal portfolio planning models, many companies are placing responsibility for strategic planning in the hands of cross-functional teams of divisional managers who are close to their markets. In such organizations, strategic planning is _____.
A) centralized
B) decentralized
C) purposeful
D) limited
E) informal
Answer: B
Diff: 2
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17) Which of the following products would the electronics company CypressSound classify as a cash cow in its BCG matrix?
A) Cyan—a cell phone that is designed for music lovers and has a very low market share in a market that is growing steadily
B) Boosh—a home entertainment system that has a strong market share in a market that is likely to expand in the future
C) Apple—an Ipad that has a high market share in a market that is not expected to grow significantly
D) AutoPlay—a car audio system that has a high market share in a market that has been growing constantly
E) Unipress—a CD player that has a very low market share in a market that is shrinking rapidly
Answer: C
Diff: 3
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

18) Vertigo is an electronics company. According to the BCG matrix, which of the following products of Vertigo would most likely classify as a question mark?
A) Blue—a cell phone that is designed for music lovers and has a very low market share in a market that is growing steadily
B) Electra—a home entertainment system that has a strong market share in a market that is likely to expand in the future
C) Kindle Fire—a children's iPad that has a high market share in a market that is not expected to grow significantly
D) SpinDrive—a car audio system that has a high market share in a market that has been growing constantly
E) SoLo—a CD player that has a very low market share in a market that is shrinking rapidly
Answer: A
Diff: 3
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

19) According to the BCG matrix, products or businesses with a low share of market in a high-growth industry are considered _____.
A) dogs
B) cash cows
C) value chains
D) stars
E) question marks
Answer: A
Diff: 1
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20) Which of the following statements is true in the context of the BCG growth-share matrix?
A) Stars often need heavy investment to finance their rapid growth in a market.
B) The positions of SBUs in the growth-share matrix rarely change over time.
C) The income from one SBU cannot be used to support other business units.
D) Dogs promise to be large sources of cash.
E) Cash cows typically turn into stars.
Answer: A
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Application of knowledge

21) Selling or phasing out a product and using the resources elsewhere can be described as _____.
A) divesting
B) harvesting
C) market segmentation
D) diversification
E) market saturation
Answer: A
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

22) When a company chooses to harvest a particular strategic business unit, it _____.
A) increases the advertising budget for that strategic business unit
B) invests more in the strategic business unit to build its market share
C) increases short-term cash flow despite the long-term effect
D) invests just enough in the strategic business unit to keep its market share at the current level
E) gradually increases investment in the strategic business unit over time to maximize profits
Answer: C
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

23) Which of the following companies is using a divesting strategy?
A) Juggernaut Bikes acquires new businesses in order to increase its market share.
B) To achieve a higher market share, LBD Inc. increases investments in advertising and promotion.
C) When sales of its clothing division decline, Blackstone sells the division to a competitor.
D) Getix Computers increases the price of its products in order to maximize short-term profits.
E) Harlow's market share remains steady over two years, and the firm decides to maintain its share at the current level.
Answer: C
Diff: 3
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24) A strategy for company growth that involves increasing sales to current market segments without changing the product is known as _____.
A) market development
B) market differentiation
C) market penetration
D) product development
E) diversification
Answer: C
Diff: 1
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

25) A firm's decision to identify and develop new markets for existing products is a _____ strategy.
A) market development
B) market differentiation
C) market penetration
D) product development
E) diversification
Answer: A
Diff: 1
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

26) EcoBean, a chain of cafes, has introduced a Special Shopper Card that allows customers to pay in advance for coffee and snacks. This effort by EcoBean management is most likely an example of _____.
A) market development
B) product development
C) diversification
D) market penetration
E) product adaptation
Answer: D
Diff: 2
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27) Under Armour increasing its advertising spending and offering an ever-increasing range of styles and colors in its original apparel line is an example of a _____ strategy.
A) market penetration
B) market development
C) product diversification
D) business harvesting
E) product development
Answer: A
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

28) Ainsworth is a toy manufacturer based in Australia. Which of the following most likely indicates that Ainsworth is following a diversification strategy?
A) Ainsworth increases its spending on advertising and promotion.
B) Ainsworth acquires the rights to manufacture toys resembling a popular cartoon character.
C) Ainsworth introduces its toys in the Indian and Southeast Asian markets.
D) Ainsworth enters the U.S. market with a line of children's clothing.
E) Ainsworth develops a new line of educational toys targeting its current market.
Answer: D
Diff: 3
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

29) ToyBox is a toy manufacturer based in the United Kingdom. Which of the following indicates that the company is following a market penetration strategy?
A) It introduces a line of children's clothing in the United Kingdom.
B) It acquires toy rights for a popular cartoon character to boost its sales.
C) It introduces its toys in the Indian and Southeast Asian markets.
D) It enters the U.S. market with a line of children's clothing.
E) It develops a new line of educational software targeted at the current market.
Answer: B
Diff: 3
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

30) BlueBear is a shoe manufacturer based in the United States. Which of the following indicates that the company is following a market development strategy?
A) BlueBear introduces a line of children's clothing to its current target market.
B) BlueBear employs a British comedian for a U.S. advertising campaign.
C) BlueBear introduces its shoes in the Indian and Southeast Asian markets.
D) BlueBear adds a line of leather purses to its offerings in the U.S. market.
E) BlueBear develops a line of athletic shoes for its current target market.
Answer: C
Diff: 3
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31) Starbucks is experimenting with stand-alone boutique Princi bakery stores, taking the company beyond coffee and snack shops. This is an example of _____.
A) market penetration
B) market development
C) downsizing
D) diversification
E) product development
Answer: D
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Application of knowledge

32) Both market penetration and market development strategies primarily involve _____.
A) selling the company's current products
B) modifying the company's product line
C) selling in new as well as existing markets
D) developing new products
E) leaving the current market
Answer: A
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

33) Greyzone, a company that creates customized household furniture, is based in Terrania and is looking to enter other countries as well. The company identifies the country of Nyevka as a good option because the entry barriers for new companies are low in Nyevka. Which statement indicates that Greyzone follows a diversification strategy?
A) Greyzone does not modify its products for the Nyevkan market.
B) Greyzone leaves the Terranian market entirely in order to establish itself in the Nyevkan market with its current products.
C) Noting that Nyevka lacks well-established suppliers of office equipment, Greyzone begins to manufacture and supply office equipment.
D) Greyzone manufactures furniture in Terrania and ships it to Nyevka without setting up outlets in Nyevka.
E) Noting that production costs are lower in Nyevka, Greyzone shifts its production operations entirely to Nyevka.
Answer: C
Diff: 3
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34) Both product development strategies and diversification strategies involve _____.
A) selling a company's current products
B) selling in a company's current market
C) selling in new as well as existing markets
D) developing a new product
E) leaving the current market
Answer: D
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

35) A strategy for company growth through starting up or acquiring businesses outside the company's current products and markets is called _____.
A) vertical integration
B) market development
C) diversification
D) market penetration
E) product development
Answer: C
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

36) Under Armour's recent expansion into the digital personal health and fitness tracking market through acquisitions of three fitness app companies is a _____ strategy.
A) market penetration
B) market development
C) downsizing
D) diversification
E) product development
Answer: D
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

37) _____ refers to reducing the business portfolio by abandoning products that no longer fit the company's overall strategy.
A) Market segmentation
B) Vertical integration
C) Product line extension
D) Downsizing
E) Diversification
Answer: D
Diff: 1
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38) An SBU can be a company division or a product line within a division, but not a single product or brand.
Answer: FALSE
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Application of knowledge

39) Ford's performance against Toyota depends on the quality of Ford's overall value delivery network versus Toyota's.
Answer: TRUE
Diff: 3
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Application of knowledge

40) Market penetration means making fewer sales to current customers without changing original products.
Answer: FALSE
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

41) Companies must develop not only strategies for growing their business portfolios but also strategies for downsizing them.
Answer: TRUE
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Application of knowledge

42) Marketing needs to identify, evaluate, and select market opportunities and lay down strategies for capturing them.
Answer: TRUE
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Reflective thinking

43) Many companies have dropped formal strategic planning models like the BCG because they can be difficult, time consuming, and costly to implement.
Answer: TRUE
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Application of knowledge

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44) The product/market expansion grid, like the BCG matrix, is used to identify growth opportunities.
Answer: TRUE
Diff: 1
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

45) What is a business portfolio? How does a company typically conduct a portfolio analysis?
Answer: A business portfolio is the collection of businesses and products that make up a company. Business portfolio planning involves two steps. First, the company must analyze its current business portfolio and determine which businesses should receive more, less, or no investment. Second, it must shape the future portfolio by developing strategies for growth and downsizing. The major activity in strategic planning is business portfolio analysis, whereby management evaluates the products and businesses that make up the company. The company will want to put strong resources into its more profitable businesses and phase down or drop its weaker ones. Management's first step is to identify the key businesses that make up the company, called strategic business units (SBUs). An SBU can be a company division, a product line within a division, or sometimes a single product or brand. The company next assesses the attractiveness of its various SBUs and decides how much support each deserves. When designing a business portfolio, it's a good idea to add and support products and businesses that fit closely with the firm's core philosophy and competencies. The purpose of strategic planning is to find ways in which the company can best use its strengths to take advantage of attractive opportunities in the environment.
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

46) According to the Boston Consulting Group approach, how can a company classify its SBUs on a growth-share matrix?
Answer: The growth-share matrix defines four types of SBUs:
1. Stars: Stars are high-growth, high-share businesses or products. They often need heavy investments to finance their rapid growth. Eventually their growth will slow down, and they will turn into cash cows.
2. Cash cows: Cash cows are low-growth, high-share businesses or products. These established and successful SBUs need less investment to hold their market share. Thus, they produce a lot of the cash that the company uses to pay its bills and support other SBUs that need investment.
3. Question marks: Question marks are low-share business units in high-growth markets. They require a lot of cash to hold their share, let alone increase it. Management has to think hard about which question marks it should try to build into stars and which should be phased out.
4. Dogs: Dogs are low-growth, low-share businesses and products. They may generate enough cash to maintain themselves but do not promise to be large sources of cash.
Diff: 2
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
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47) Should a company use the BCG matrix to classify its products or brands? Give reasons for your answer.
Answer: (Students' answers may vary. The answer given below is indicative.)
The Boston Consulting Group matrix evaluates SBUs on two important dimensions: the attractiveness of the SBU's market or industry growth rate and the strength of the SBU's position or relative market share in that market or industry. The growth-share matrix defines four types of SBUs: stars, cash cows, question marks, and dogs. Once each SBU has been defined, a company can determine what role each will play in the firm's future, using strategies of building, holding, harvesting, or divesting each SBU. However, the BCG and other portfolio planning approaches can be difficult to execute, time consuming, and also costly to implement. Defining SBUs and measuring relative market share and growth can be difficult tasks as well. A serious flaw with these approaches is that while they are helpful for classifying current businesses, they offer little or no advice for future planning.
Diff: 3
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
AACSB: Analytical thinking

48) Differentiate between the BCG matrix and the product/market expansion grid.
Answer: The Boston Consulting Group matrix evaluates SBUs on two important dimensions: the attractiveness of the SBU's market or industry growth rate and the strength of the SBU's position or relative market share in that market or industry. The growth-share matrix defines four types of SBUs: stars, cash cows, question marks, and dogs. Once each SBU has been defined, a company can determine what role each will play in the firm's future, using strategies of building, holding, harvesting, or divesting each SBU. A serious flaw in this approach is that while it is helpful for classifying current businesses, it offers little or no advice for future planning.

On the other hand, the product/market expansion grid is a useful device for identifying growth opportunities in the future. There are four strategies available to companies: market penetration, market development, product development, and diversification. Market penetration entails making more sales to current customers without changing original products. Market development involves identifying and developing new markets for a company's products. New markets include demographic groups and geographic regions, among others. Companies can also consider product development, offering modified or new products to current markets. Companies wishing to diversify might consider acquiring or starting new businesses unrelated to their core competencies. However, diversifying too broadly can be detrimental in the long run.
Diff: 3
LO: 2-2: Discuss how to design business portfolios and develop growth strategies.
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49) Explain how a company's value chain works. Provide an example to illustrate your response.
Answer: (Students' answers may vary. The answer given below is indicative.)
A value chain is the series of departments within a firm that carry out value-creating activities to design, produce, market, deliver, and support a firm's products. Each company department can be thought of as a link in a company's internal value chain. The company's success depends not only on how well each department performs its work but also on how well the various departments coordinate their activities. For example, Walmart's goal is to create customer value and satisfaction by providing shoppers with the products they want at the lowest possible prices. Marketers at Walmart play an important role. They learn what customers need and stock the stores' shelves with the desired products at unbeatable low prices. They prepare advertising and merchandising programs and assist shoppers with customer service. Through these and other activities, Walmart's marketers help deliver value to customers. However, the marketing department needs help from the company's other departments. Walmart's ability to help customers "Save Money. Live Better." depends on the purchasing department's skill in developing the needed suppliers and buying from them at low cost. Walmart's information technology department must provide fast and accurate information about which products are selling in each store. Its operations people must provide effective, low-cost merchandise handling. A company's value chain is only as strong as its weakest link. Success depends on how well each department performs its work of adding customer value and on how the company coordinates the activities of various departments. At Walmart, if purchasing can't obtain the lowest prices from suppliers, or if operations can't distribute merchandise at the lowest costs, then marketing can't deliver on its promise of unbeatable low prices.
Diff: 3
LO: 2-3: Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.
AACSB: Analytical thinking

50) Explain the term "value delivery network."
Answer: In its quest to create consumer value, a firm needs to look beyond its own value chain and into the value chains of its suppliers, distributors, and, ultimately, its customers. A value delivery network is the network made up of a company, its suppliers, its distributors, and customers who partner with each other to improve the performance of the entire system. More companies are partnering with other members of the supply chain to improve the performance of the customer value delivery network. In fact, in today's marketplace, competition no longer takes place between individual competitors. It takes place between entire value delivery networks created by these competitors.
Diff: 2
LO: 2-3: Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.
AACSB: Reflective thinking

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51) Which of the following best describes the value chain of a company?
A) the collection of businesses and products that make up the company
B) profits earned by the cash cows and stars in the company's business portfolio
C) touchpoints at which a company or brand interacts with its consumers
D) the series of departments that design, produce, market, deliver, and support the company's products
E) a network made up of the company, its suppliers, and its distributors working together to deliver customer value
Answer: C
Diff: 2
LO: 2-3: Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.
AACSB: Analytical thinking

52) True Value Hardware relies on its _____ to coordinate and carry out activities that provide shoppers with the hardware and home improvement products they need at affordable prices along with top-notch customer service.
A) suppliers
B) internal value chain
C) distributors
D) portfolio network
E) internal supply chain
Answer: B
Diff: 2
LO: 2-3: Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.
AACSB: Application of knowledge

53) Marketing department actions can increase purchasing costs, disrupt production schedules, increase inventories, and create budget headaches. Thus, other departments may _____ the marketing department's efforts.
A) support
B) develop
C) resist
D) encourage
E) favor
Answer: C
Diff: 2
LO: 2-3: Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.
AACSB: Application of knowledge

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54) A _____ is made up of a company, its suppliers, its distributors, and its customers who partner with each other to improve the performance of the entire system.
A) value chain
B) shareholder network
C) business portfolio
D) value delivery network
E) growth-share matrix
Answer: D
Diff: 2
LO: 2-3: Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.
AACSB: Application of knowledge

55) A firm's marketing department must partner with other company departments to produce superior value for customers.
Answer: TRUE
Diff: 1
LO: 2-3: Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.
AACSB: Application of knowledge

56) A company's customer value delivery network does not include members external to the organization.
Answer: FALSE
Diff: 1
LO: 2-3: Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.
AACSB: Application of knowledge

57) Traxx is a newly emerging shoe manufacturing company. After extensive market research, Traxx divides its market into professional athletes, "hobbyists" or amateur players, and people who wear shoes as part of their casual attire. Each category has its own needs, traits, and marketing goals. In this scenario, Traxx has engaged in market _____.
A) development
B) positioning
C) diversification
D) segmentation
E) penetration
Answer: D
Diff: 2
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Analytical thinking

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58) _____ refers to the process of evaluating each market segment's attractiveness and selecting one or more segments to enter.
A) Market divesting
B) Market diversification
C) Market targeting
D) Market mixing
E) Market positioning
Answer: C
Diff: 1
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Analytical thinking

59) Which of the following best describes product positioning?
A) differentiating a market offering to create superior customer value
B) arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products
C) identifying consumer needs and creating a product to meet those needs
D) evaluating each market segment's attractiveness and selecting one or more segments to enter
E) dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviors
Answer: B
Diff: 2
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Analytical thinking

60) Ferrari sells only 2,200 of its very high-performance cars in North America each year at very high prices. The company is appealing to a specific _____.
A) value chain
B) market segment
C) market position
D) business portfolio
E) value delivery network
Answer: B
Diff: 1
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Application of knowledge

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61) Which of the following best describes market segmentation?
A) differentiating a market offering to create superior customer value
B) identifying consumer needs and creating a product to meet those needs
C) arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers
D) evaluating each market segment's attractiveness and selecting one or more segments to enter
E) dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviors
Answer: E
Diff: 2
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Analytical thinking

62) Which component of the marketing mix refers to the goods-and-services combination a company offers to its target market?
A) promotion
B) product
C) price
D) place
E) position
Answer: B
Diff: 1
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Analytical thinking

63) Packaging is an element of the _____ component of a company's marketing mix.
A) product
B) price
C) promotion
D) place
E) people
Answer: A
Diff: 2
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Application of knowledge

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64) Ford Motor Company issuing a recall that requires customers to schedule appointments with car dealerships to repair faulty igniters would have the greatest impact on the _____ component of its marketing mix.
A) promotion
B) price
C) product
D) packaging
E) place
Answer: E
Diff: 2
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Analytical thinking

65) Which of the following will most likely be included in the "price" component of a company's marketing mix?
A) packaging
B) sales promotion
C) brand name
D) inventory
E) discounts
Answer: E
Diff: 2
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Application of knowledge

66) When viewing the market from a buyer's point of view, "communication" corresponds to the _____ component of the marketing mix.
A) people
B) price
C) product
D) promotion
E) place
Answer: D
Diff: 2
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Analytical thinking

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67) The four Ps model has been challenged because it omits or underemphasizes important activities such as services. It's also been criticized for taking a seller's, rather than a buyer's, viewpoint. The more recent four As framework complements the traditional model and includes _____.
A) adaptability, affordability, availability, and awareness
B) adaptability, affordability, accessibility, and awareness
C) acceptability, affordability, accessibility, and awareness
D) acceptability, affordability, accessibility, and aptitude
E) adaptability, affordability, availability, and aptitude
Answer: C
Diff: 2
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Analytical thinking

68) Place includes company activities that make the product available to target consumers.
Answer: TRUE
Diff: 2
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Analytical thinking

69) A company can offer greater customer value by either charging lower prices than competitors or offering more benefits to justify higher prices.
Answer: TRUE
Diff: 2
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Application of knowledge

70) Holiday Inn divided its customer market into segments and selected the most promising segments. Deciding what position it wants to occupy in these segments is called diversification.
Answer: FALSE
Diff: 3
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Application of knowledge

71) In the marketing mix, product refers to activities that communicate the merits of a product and persuade target customers to buy it.
Answer: FALSE
Diff: 1
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Analytical thinking

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72) In the four Ps of the marketing mix, promotion refers solely to advertising.
Answer: FALSE
Diff: 2
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Analytical thinking

73) Services, such as banking, airline, and retailing services, are products too. We call them *service products*.
Answer: TRUE
Diff: 1
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Application of knowledge

74) Discuss the four Ps of the typical marketing mix. Some people consider that there should be more than four marketing mix elements. Suggest two additional aspects that the marketing mix could include.
Answer: The marketing mix is the set of tactical marketing tools that a firm blends to produce the response it wants in the target market. The marketing mix consists of everything a firm can do to influence the demand for its product. The many possibilities can be collected into four groups of variables—the four Ps. **Product** means the goods-and-services combination a company offers to the target market. **Price** is the amount of money customers must pay to obtain the product. **Place** includes company activities that make the product available to target consumers. **Promotion** refers to activities that communicate the merits of the product and persuade target customers to buy it.

Additional aspects could include services and packaging. (Students' answers to this part of the question may vary. The answer given here is merely indicative.)
Diff: 3
LO: 2-4: Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
AACSB: Reflective thinking

75) Managing the marketing function begins with a complete analysis of the company's situation. A thorough _____ guides decision making.
A) situation analysis
B) internal assessment
C) industry overview
D) SWOT analysis
E) portfolio analysis
Answer: D
Diff: 1
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

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76) CVS Pharmacy changed its name to CVS Health, reshaping and broadening its lines of products and services to align more appropriately with its revamped "better health" mission. For example, it stopped selling tobacco products altogether. How would this be classified in a SWOT analysis?
A) strength
B) weakness
C) resources
D) threat
E) barrier to entry
Answer: A
Diff: 3
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking; Ethical understanding and reasoning

77) In a SWOT analysis, which of the following would most likely be considered a strength of a company?
A) a favorable economic climate that encourages consumption
B) the exit of a competitor from the market
C) higher prices of the company's products resulting from inflation
D) an increase in consumer interest in the company's products
E) an improvement in the company's production technology
Answer: E
Diff: 2
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

78) In a SWOT analysis, which of the following would be considered a weakness of a company?
A) an unfavorable economic climate that discourages consumption
B) the exit of a competitor from the market
C) inflation that leads to higher prices of the company's products
D) falling consumer interest in its products
E) obsolete technologies used by the company
Answer: E
Diff: 3
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

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79) In a SWOT analysis, _____ refer to favorable factors or trends in the external environment that a company may be able to exploit to its advantage.
A) strengths
B) strategies
C) threats
D) opportunities
E) controls
Answer: D
Diff: 1
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

80) In a SWOT analysis, _____ refer to unfavorable external factors or trends that may present challenges to performance.
A) threats
B) strategies
C) weaknesses
D) opportunities
E) strengths
Answer: A
Diff: 1
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

81) Nike's goal to increase sales of its running shoes by 25 percent during the first six months of the new fiscal year is an example of a _____.
A) differentiation objective
B) positioning objective
C) marketing objective
D) marketing strategy
E) target market strategy
Answer: C
Diff: 2
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Application of knowledge

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82) The process that turns marketing plans into marketing actions to accomplish strategic marketing objectives is called marketing _____.
A) analysis
B) implementation
C) control
D) planning
E) design
Answer: B
Diff: 1
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

83) At John Deere, thousands of people both inside and outside the organization make decisions about target segments, branding, product development, pricing, promotion, and distribution. They talk with engineering about product design, advertising agencies about ad campaigns, and large retailers like Lowe's about quality offerings. This is an example of _____.
A) marketing planning
B) marketing standards
C) marketing control
D) marketing strategy
E) marketing implementation
Answer: E
Diff: 2
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

84) Which of the following best describes a marketing department with a functional organization?
A) A company creates large teams, or even whole divisions, to serve domestic and international markets.
B) Marketing managers are responsible for developing marketing strategies and plans for their specific markets or customers, and the company is organized around the needs of specific customer segments.
C) A product manager develops and implements a complete strategy and marketing program for a specific product or brand.
D) Sales and marketing people are assigned to specific countries, regions, and districts.
E) Different marketing activities are headed by specialists such as sales managers, advertising managers, marketing research managers, and customer service managers.
Answer: E
Diff: 2
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

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85) Evaluating the results of marketing strategies and plans and taking corrective action to ensure that the objectives are attained is called _____.
A) marketing control
B) marketing implementation
C) market planning
D) marketing development
E) market targeting
Answer: A
Diff: 1
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

86) Which of the following is true of marketing ROI?
A) Marketing ROI uses only those marketing factors that can be measured in dollars.
B) Marketing ROI ignores customer-centered measures of marketing impact, such as customer acquisition and retention.
C) Marketing ROI is easier to calculate than financial ROI.
D) Marketing ROI cannot be assessed in terms of standard marketing performance measures, such as brand awareness, sales, or market share.
E) Marketing ROI measures the profits generated by investments in marketing activities.
Answer: E
Diff: 2
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

87) Marketing planning involves choosing marketing strategies that will help the company attain its overall strategic objectives.
Answer: TRUE
Diff: 2
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

88) The most common form of marketing organization is the product management organization.
Answer: FALSE
Diff: 1
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Application of knowledge

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89) *Operating control* involves checking ongoing performance against the annual plan and taking corrective action when necessary.
Answer: TRUE
Diff: 1
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Application of knowledge

90) A company can assess marketing ROI in terms of standard marketing performance measures, such as brand awareness, sales, or market share.
Answer: TRUE
Diff: 1
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Application of knowledge

91) Marketing dashboards are used to monitor strategic marketing performance.
Answer: TRUE
Diff: 1
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

92) Marketing ROI measures the internal capabilities generated by investments in marketing activities.
Answer: FALSE
Diff: 2
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

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93) What is a SWOT analysis? Why is it useful?
Answer: Managing the marketing function begins with a complete analysis of a company's situation. The marketer should conduct a SWOT analysis, by which it evaluates a company's overall strengths (S), weaknesses (W), opportunities (O), and threats (T). Strengths include internal capabilities, resources, and positive situational factors that may help a company serve its customers and achieve its objectives. Weaknesses include internal limitations and negative situational factors that may interfere with a company's performance. Opportunities are favorable factors or trends in the external environment that a company may be able to exploit to its advantage. And threats are unfavorable external factors or trends that may present challenges to performance. Conducting a SWOT analysis is important because a company should analyze its markets and marketing environment to find attractive opportunities and identify environmental threats. It should analyze company strengths and weaknesses as well as current and possible marketing actions to determine which opportunities it can best pursue. The goal is to match the company's strengths to attractive opportunities in the environment, while simultaneously eliminating or overcoming the weaknesses and minimizing the threats. Marketing analysis provides inputs to each of the other marketing management functions.
Diff: 2
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Application of knowledge

94) Define marketing planning. Briefly outline what a company should cover in its marketing plan.
Answer: Marketing planning involves deciding on marketing strategies that will help a company achieve its overall strategic objectives. A detailed marketing plan is needed for each business, product, or brand. A typical product or brand marketing plan begins with an executive summary that quickly reviews major assessments, goals, and recommendations. The main section of the plan presents a detailed SWOT analysis of the current marketing situation as well as potential threats and opportunities. The plan then states major objectives for the brand and outlines the specifics of a marketing strategy for achieving them. In addition, action programs for implementing the marketing strategy along with the details of a supporting marketing budget are presented. The final section outlines the controls used to monitor progress and corrective action.
Diff: 2
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Application of knowledge

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95) Kawaii Electronics sells air conditioning systems for office buildings. The company's marketing department is currently structured as a functional organization. However, Kawaii is considering changing the structure to either a product management or a customer management organization. In a brief essay, describe each type of organization: functional, product management, and customer management. What are the advantages and/or disadvantages of each structure for Kawaii? Which structure do you recommend for Kawaii? Why?
Answer: (Students' answers may vary. The answer given below is indicative.)
Under the functional organization, different marketing activities are headed by a functional specialist—a sales manager, an advertising manager, a marketing research manager, a customer service manager, or a new product manager.

Under a product management organization, a product manager develops and implements a complete strategy and marketing program for a specific product or brand. Unless the company has a few standout products, this system will not benefit it as much as other methods. Considering that the company sells one basic product type, this system may not be profitable for the company. Under a market or customer management organization, the company is organized around the needs of specific customer segments. In firms that use this organization, one product line is sold to many different types of markets and customers that have different needs and preferences. Though the firm sells a single type of product and product line, all its customers are offices and significant differences will most likely not exist. Though the company may segment its market based on office size, this may be an inefficient use of company resources.
Diff: 3
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Reflective thinking

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96) ToyTrain is a toy company that sells its products in most regions of the United States. It produces a variety of toys for children of every age group, from toddlers to preteens. What are ToyTrain's options for organizing its marketing department? Briefly describe each structure as it would apply to ToyTrain. Which organization do you think would be best for ToyTrain? Why?
Answer: (Students' answers may vary. The answer given below is indicative.)
Modern marketing departments can be arranged in several ways. The most common form of marketing organization is the functional organization. Under a functional organization, different marketing activities are headed by a functional specialist—a sales manager, an advertising manager, a marketing research manager, a customer-service manager, or a new product manager. As ToyTrain is based only in the United States, a functional organization may be appropriate if marketing strategies and messages need to be consistent across the region. Under a geographic organization, sales and marketing people are assigned to specific countries, regions, and districts. A company that sells across a country could benefit from a geographic organization. As ToyTrain sells products across the country, organizing its sales and marketing personnel by region may also be appropriate. Under a product management organization, a product manager develops and implements a complete strategy and marketing program for a specific product or brand. Unless the company has a few standout brands, this system will not benefit it as much as other methods. Under a market or customer management organization, the company is organized around the needs of specific customer segments. In firms that use this organization, one product line is sold to many different types of markets and customers that have different needs and preferences. ToyTrain could use this method and organize its departments according to the age groups of the children it caters to and the types of toys suitable for each group.

The company could also use some combination of these organizational forms.
Diff: 3
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Reflective thinking

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97) RTF Developers is a construction company with a presence in several countries. The company currently organizes its marketing department using a functional system of organization, but this seems inefficient. Explain why a geographic organization would benefit the company more than a functional organization.
Answer: (Students' answers may vary. The answer given below is indicative.)
Under a functional organization, different marketing activities are headed by a functional specialist—a sales manager, an advertising manager, a marketing research manager, a customer service manager, or a new product manager. Under a geographic organization, sales and marketing people are assigned to specific countries, regions, and districts. As RTF has a presence in many countries, a geographic system might benefit it more than a functional system. Organizing its marketing department by country would allow its marketing plans and messages to be tailored to the culture and customers of that particular country and may produce a better result than centralized planning across countries. A geographic organization also allows salespeople to settle into a territory, get to know their customers, and work with a minimum of travel time and cost.
Diff: 3
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Reflective thinking

98) How do organizations carry out marketing control?
Answer: Marketing control is the process of evaluating the results of marketing strategies and plans and taking corrective action to ensure that the objectives are attained. As many surprises occur during the implementation of marketing plans, marketers must practice constant marketing control. Marketing control involves four steps. Management first sets specific marketing goals. It then measures its performance in the marketplace and evaluates the causes of any differences between expected and actual performance. Finally, management takes corrective action to close the gaps between goals and performance. This may require changing the action programs or even changing the goals. Operating control involves checking ongoing performance against the annual plan and taking corrective action when necessary. Its purpose is to ensure that the company achieves the sales, profits, and other goals set out in its annual plan. It also involves determining the profitability of different products, territories, markets, and channels. Strategic control involves looking at whether the company's basic strategies are well matched to its opportunities. Marketing strategies and programs can quickly become outdated, and each company should periodically reassess its overall approach to the marketplace.
Diff: 2
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

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99) What is a marketing dashboard? How does it benefit marketers?
Answer: A company can assess marketing ROI in terms of standard marketing performance measures, such as brand awareness, sales, or market share. Many companies are assembling such measures into marketing dashboards – meaningful sets of marketing performance measures in a single display used to monitor strategic marketing performance. Just as automobile dashboards present drivers with details on how their cars are performing, the marketing dashboard gives marketers the detailed measures they need to assess and adjust their marketing strategies.
Diff: 2
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

100) Raintree Developers has been measuring its marketing return on investment (or marketing ROI) to assess its marketing performance for the past few years. Explain why this method may not accurately reflect the company's performance and what Raintree can use to better estimate its performance.
Answer: (Students' answers may vary. The answer given below is indicative.)
Marketing ROI is the net return from a marketing investment divided by the costs of the marketing investment. ROI is a measure of the profits generated by investments in marketing activities. Marketing ROI can be difficult to assess because the benefits of marketing are not always easily translated in dollar amounts. For instance, returns such as advertising and brand-building impact cannot be easily put into dollar returns. However, marketing ROI can be assessed in terms of more quantifiable standard marketing performance measures such as brand awareness, sales, or market share. Beyond standard performance measures, Raintree can also use customer-centered measures such as customer acquisition, customer engagement, customer retention, customer equity, and customer lifetime value.
Diff: 3
LO: 2-5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
AACSB: Analytical thinking

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