

Chapter 18 Creating Competitive Advantage

1) Of the following successful marketing strategies in the past, today's Nike has learned that the most important is _____.

- A) creating a recognizable brand image
- B) having creative advertising
- C) building deep community with customers
- D) maintaining big-name endorsers
- E) moving into new product categories, sports, and regions of the world

Answer: C

Diff: 2 Page Ref: 527

Skill: Concept

Objective: 18-1

2) To gain _____ requires delivering more value and satisfaction to target consumers than competitors do.

- A) competitive advantage
- B) competitor analysis
- C) benchmarking
- D) a market-center
- E) a target advantage

Answer: A

Diff: 2 Page Ref: 528

Skill: Concept

Objective: 18-1

3) The first step in initiating competitive marketing strategies is to conduct _____.

- A) a private screening
- B) a competitive advantage analysis
- C) management modifications
- D) competitor analysis
- E) absolute advantage processing

Answer: D

Diff: 3 Page Ref: 528

Skill: Concept

Objective: 18-1

4) Part two of a competitor analysis is assessing all of the following EXCEPT a company's _____.

- A) objectives
- B) employees
- C) strategies
- D) strengths and weaknesses
- E) reaction patterns

Answer: B

Diff: 1 Page Ref: 529

Skill: Concept

Objective: 18-1

5) Strategies that strongly position the company against competitors and that give the company the strongest possible strategic advantage are _____.

- A) competitor analyses
- B) customer relationship strategies
- C) competitive marketing strategies
- D) competitive relationship strategies
- E) universal strategy analyses

Answer: C

Diff: 3 Page Ref: 528

Skill: Concept

Objective: 18-2

6) _____ involves first identifying and assessing competitors and then selecting which competitors to attack or avoid.

- A) Competitor analysis
- B) Benchmarking
- C) Customer-centered analysis
- D) Market leading
- E) The marketing management process

Answer: A

Diff: 2 Page Ref: 528

Skill: Concept

Objective: 18-1

7) To plan effective marketing strategies, the company needs to find out all it can about its competitors. It must constantly compare its marketing strategies, products, prices, channels, and promotion with those of close competitors. This is an example of _____.

- A) benchmarking
- B) competitor analysis
- C) customer value analysis
- D) product leadership
- E) continuous innovation

Answer: B

Diff: 2 Page Ref: 528

Skill: Concept

Objective: 18-1

8) Companies can identify competitors from a _____ point of view. Here they define competitors as companies that are trying to satisfy the same customer need or build relationships with the same customer group.

- A) customer's
- B) market niches'
- C) market
- D) database
- E) industry

Answer: C

Diff: 2 Page Ref: 529

Skill: Concept

Objective: 18-1

9) Companies can identify _____ from both the industry and market point of view.

- A) competitors
- B) products
- C) customers
- D) locations
- E) employees

Answer: A

Diff: 1 Page Ref: 529

Skill: Concept

Objective: 18-1

10) A company is guilty of _____ if the company forgets latent competitors and only focuses on current competitors.

- A) marketing myopia
- B) misdirected segmentation
- C) competitor synergy
- D) competitor phobia
- E) competitor myopia

Answer: E

Diff: 2 Page Ref: 529

Skill: Concept

Objective: 18-1

11) Kodak's film business didn't suffer at the hands of direct competitor Fujifilm; it lost out to Sony, Canon, and other digital camera makers, along with a host of digital image developers and online image sharing services. This is an example of _____.

- A) a blue ocean strategy
- B) benchmarking
- C) competitor phobia
- D) competitor myopia
- E) marketing myopia

Answer: D

Diff: 2 Page Ref: 529

AACSB: Analytic Skills

Skill: Application

Objective: 18-1

12) Hallmark's Binney & Smith, maker of Crayola crayons, might define its competitors as other makers of crayons and children's drawing supplies. But from a/an _____ point of view, it would include all firms making recreational and educational products for children.

- A) industry
- B) market
- C) segment
- D) niche
- E) expanded

Answer: B

Diff: 2 Page Ref: 529

Skill: Application

Objective: 18-1

13) From a/an _____ point of view, Pepsi might see its competition as Coca-Cola, Dr Pepper, 7UP, and the makers of other soft drink brands. From a/an _____ point of view, however, the customer really wants "thirst quenching."

- A) market; industry
- B) market; consumer's
- C) industry; competitive
- D) industry; market
- E) company's; consumer's

Answer: D

Diff: 2 Page Ref: 529

AACSB: Analytic Skills

Skill: Application

Objective: 18-1

14) All of the following are fundamental questions that a marketing management team considers when assessing competitors EXCEPT?

- A) What are competitors' objectives □ what does each seek in the marketplace?
- B) What is each competitor's strategy?
- C) What are various competitors' strengths?
- D) What are various competitors' locations?
- E) What are various competitors' weaknesses?

Answer: D

Diff: 2 Page Ref: 530

Skill: Concept

Objective: 18-1

15) Each competitor has a mix of objectives. The company wants to know the relative importance that a competitor places on all of the following EXCEPT _____.

- A) company history
- B) current profitability
- C) market share growth
- D) cash flow
- E) technological and service leadership

Answer: A

Diff: 2 Page Ref: 530

Skill: Concept

Objective: 18-1

16) A company that pursues _____ leadership will react much more strongly to a competitor's _____ manufacturing breakthrough than to the same competitor's advertising increase.

- A) high-cost; cost reducing
- B) low-cost; cost reducing
- C) high-cost; cost inflation
- D) low-cost; cost structure
- E) mid-cost; cost inflation

Answer: B

Diff: 3 Page Ref: 530

Skill: Application

Objective: 18-1

17) The more that one firm's strategy resembles another firm's strategy, the more the two firms _____.

- A) compete
- B) join
- C) grow
- D) fail
- E) succeed

Answer: A

Diff: 2 Page Ref: 530

Skill: Concept

Objective: 18-1

18) General Electric and Whirlpool each produce a full line of medium-price appliances supported by good service. In contrast, Sub-Zero and Viking produce a narrower line of higher quality appliances, offer a higher level of service, and charge a premium price. The first group and second group of companies are in the same _____ group.

- A) leading
- B) strategic
- C) branding
- D) target
- E) industry

Answer: B

Diff: 3 Page Ref: 530

Skill: Application

Objective: 18-1

19) Companies need to know each competitor's product quality, features, and mix; customer services; pricing policy; distribution coverage; sales force strategy; and advertising and sales promotion programs. These are all the dimensions that identify _____ groups within the industry.

- A) target
- B) leading
- C) geographic
- D) strategic
- E) competing

Answer: D

Diff: 2 Page Ref: 530

AACSB: Analytic Skills

Skill: Application

Objective: 18-1

20) Companies use secondary data, personal experience, benchmarking, and word of mouth to _____.

- A) estimate competitors' reactions
- B) learn about their competitors' strengths and weaknesses
- C) select competitors to attack or avoid
- D) identify competitors' target locations
- E) identify competitors' target customers

Answer: B

Diff: 3 Page Ref: 531

Skill: Concept

Objective: 18-1

21) _____ is the process of comparing the company's products and processes to those of competitors or leading firms in other industries to find ways to improve quality and performance.

- A) Competitive advantage
- B) Advertising synergy
- C) Sales promotion
- D) Benchmarking
- E) Publicity

Answer: D

Diff: 1 Page Ref: 531

Skill: Concept

Objective: 18-1

22) Benchmarking has become a powerful tool for increasing a company's _____,

- A) brand image
- B) mass appeal
- C) employee training services
- D) distribution channels
- E) competitiveness

Answer: E

Diff: 2 Page Ref: 531

Skill: Concept

Objective: 18-1

23) Knowing how major competitors react gives the company clues on how best to _____ competitors or how best to _____ the company's current positions.

- A) remove; decrease
- B) attack; increase
- C) attack; defend
- D) value; change
- E) decrease; defend

Answer: C

Diff: 3 Page Ref: 531

Skill: Application

Objective: 18-1

24) Most companies prefer to aim competition against _____.

- A) their biggest competitor
- B) the market leader
- C) weak competitors
- D) new competitors
- E) distant competitors

Answer: C

Diff: 2 Page Ref: 531

Skill: Concept

Objective: 18-1

25) A firm should compete with _____ competitors in order to sharpen its abilities. Succeeding against these competitors often provides greater returns.

- A) strong
- B) mediocre
- C) weak
- D) distant
- E) smaller

Answer: A

Diff: 2 Page Ref: 531

Skill: Concept

Objective: 18-1

26) Analysis conducted to determine what benefits target customers value and how they rate the relative value of various competitors' offers is known as _____.

- A) customer value analysis
- B) competitive customer analysis
- C) power analysis
- D) advertising specialty analysis
- E) benchmarking

Answer: A

Diff: 2 Page Ref: 531

Skill: Concept

Objective: 18-1

27) PepsiCo conducts a survey on all Coca-Cola drinkers to assess the company's strengths and weaknesses upon their target customers. PepsiCo is using a/an _____.

- A) innovative market analysis
- B) global marketing strategy
- C) competitive marketing strategy
- D) customer value analysis
- E) blue ocean strategy

Answer: D

Diff: 2 Page Ref: 531

AACSB: Analytic Skills

Skill: Application

Objective: 18-1

28) A company wants to find the _____, the place where it meets customers' needs in a way that rivals can't.

- A) "strategic sweet spot"
- B) "value innovation"
- C) "blue ocean strategy"
- D) "red ocean strategy"
- E) "common platform"

Answer: A

Diff: 2 Page Ref: 531

Skill: Concept

Objective: 18-1

29) If the company's offer delivers greater value by exceeding the competitor's offer on important attributes, the company can charge a higher price and _____, or it can charge the same price and _____.

- A) earn lower profits; gain higher profits
- B) earn higher profits; lose profits
- C) earn higher profits; gain more market share
- D) lose profits; gain more market share
- E) lose profits; gain higher profits

Answer: C

Diff: 3 Page Ref: 531

Skill: Concept

Objective: 18-1

30) Most companies will compete with _____ rather than _____.

- A) distant competitors; close competitors
- B) close competitors; distant competitors
- C) benchmarkers; distant competitors
- D) market challengers; market followers
- E) market challengers; market nichers

Answer: B

Diff: 3 Page Ref: 532

Skill: Concept

Objective: 18-1

31) The following are all examples of close competitors EXCEPT _____.

- A) Nike and Adidas
- B) Wal-Mart and K-Mart
- C) Pepsi and Coca-Cola
- D) Neiman Marcus and Nordstrom
- E) Nike and Timberland

Answer: E

Diff: 1 Page Ref: 532

AACSB: Analytic Skills

Skill: Application

Objective: 18-1

32) A company's close competitors are _____.

- A) considered "bad" competitors
- B) those that least resemble the company's operation
- C) those that most resemble the company's operations
- D) not a threat
- E) the sole focus of all successful companies

Answer: C

Diff: 2 Page Ref: 532

Skill: Concept

Objective: 18-1

33) All of the following statements are benefits from the existence of competitors EXCEPT?

- A) Competitors may share the costs of market and product development.
- B) Competitors help legitimize new technologies.
- C) Competitors serve less-attractive segments or lead to more product differentiation.
- D) Competitors divide the target market.
- E) Competitors may help increase total demand.

Answer: D

Diff: 2 Page Ref: 532

AACSB: Reflective Thinking

Skill: Concept

Objective: 18-1

34) An industry often contains "good" and "bad" competitors. Good competitors _____.

- A) break all of the rules
- B) are nice people
- C) play by the rules
- D) dominate the market
- E) share their marketing strategies

Answer: C

Diff: 2 Page Ref: 533

Skill: Concept

Objective: 18-1

35) Most competitors in the music download industry see Apple's iTunes Music Store as a _____ because they created a closed system with mass appeal.

- A) good competitor
- B) marginal competitor
- C) bad competitor
- D) market-centered competitor
- E) maverick competitor

Answer: C

Diff: 3 Page Ref: 533

AACSB: Analytic Skills

Skill: Application

Objective: 18-1

36) The implication suggested by strategic actions of "good competitor companies" is that they would like to shape an industry that consists of _____.

- A) all would-be competitors
- B) groups that support a democratic model of behavior
- C) "good" and "bad" competitors
- D) only well-behaved competitors
- E) monopolists

Answer: D

Diff: 2 Page Ref: 533

Skill: Concept

Objective: 18-1

37) Rather than competing head to head with established competitors, many companies seek out unoccupied positions in uncontested market spaces. They try to create products and services for which there are no direct competitors. This is called a _____.

- A) "red ocean strategy"
- B) "strategic sweet spot"
- C) "common platform"
- D) "blue ocean strategy"
- E) "strategic platform"

Answer: D

Diff: 1 Page Ref: 533

Skill: Concept

Objective: 18-1

38) Tomorrow's leading companies will succeed by creating "blue oceans" of uncontested market space. Such strategic moves, termed _____, create powerful leaps in value for both the firm and its buyers, creating all new demand and rendering rivals obsolete.

- A) "strategic sweet spots"
- B) "common platforms"
- C) "value innovation"
- D) "strategic platform"
- E) "service nichers"

Answer: C

Diff: 3 Page Ref: 533

Skill: Concept

Objective: 18-1

39) An example of a company exhibiting blue-ocean thinking is _____.

- A) Amazon's digital music download services
- B) a Starbucks opening in the same vicinity of an independent coffee house
- C) Nike's brand image of the "swoosh"
- D) Whirlpool's full line of medium-price appliances supported by good service
- E) Cirque du Soleil's reinvention of the circus as a higher form of modern entertainment

Answer: E

Diff: 3 Page Ref: 534

AACSB: Analytic Skills

Skill: Application

Objective: 18-1

40) There are specific kinds of information that companies need about their competitors. The _____ system first identifies the vital types of competitive information and the best sources of this information.

- A) marketing information
- B) global network
- C) competitive intelligence
- D) marketing research
- E) collaborative

Answer: C

Diff: 1 Page Ref: 534

Skill: Concept

Objective: 18-1

41) Which statement is NOT a factor of the competitive intelligence system?

- A) The system identifies the vital types of competitive information needed and the best sources of this information.
- B) The system creates a new brand image and marketing concept.
- C) The system collects information from the field and from published data.
- D) The system checks information for validity and reliability, interprets it, and organizes it in an appropriate way.
- E) The system sends key information to relevant decision makers and responds to inquiries from managers about competitors.

Answer: B

Diff: 2 Page Ref: 534

Skill: Concept

Objective: 18-1

42) A manager who used to work for a competitor might follow that competitor closely to see what it does in the marketplace. Such a manager would be considered to be your company's _____ expert.

- A) market leader
- B) market follower
- C) strategy
- D) in-house
- E) technical

Answer: D

Diff: 2 Page Ref: 534

Skill: Concept

Objective: 18-1

43) Having identified and evaluated its major competitors, the company now must design broad competitive marketing strategies by which it can gain competitive advantage through superior _____.

- A) customer value
- B) customer service
- C) employee value
- D) employee service
- E) target locations

Answer: A

Diff: 1 Page Ref: 534

Skill: Concept

Objective: 18-2

44) Companies that operate large marketing departments, conduct expensive marketing research, spell out elaborate competitive strategies, and spend huge sums on advertising are using _____ competitive marketing strategies.

- A) informal
- B) formal
- C) blue ocean
- D) red ocean
- E) technical

Answer: B

Diff: 2 Page Ref: 535

Skill: Concept

Objective: 18-2

45) Approaches to marketing strategy and practice often pass through which of the three following stages?

- A) formulated marketing, intreprenurial marketing, and innovative marketing
- B) entrepreneurial marketing, intreprenurial marketing, and innovative marketing
- C) entrepreneurial marketing, formulated marketing, and strategic marketing
- D) entrepreneurial marketing, formulated marketing, and intreprenurial marketing
- E) innovative marketing, strategic marketing, and formulated marketing

Answer: D

Diff: 1 Page Ref: 535

Skill: Concept

Objective: 18-2

46) Most companies are started by individuals who live by their wits. They visualize an opportunity, construct flexible strategies on the backs of envelopes, and knock on every door to gain attention. What stage in marketing strategy are these individuals in?

- A) exponential marketing
- B) formulated marketing
- C) entrepreneurial marketing
- D) intreprenurial marketing
- E) innovative marketing

Answer: C

Diff: 1 Page Ref: 535

Skill: Concept

Objective: 18-2

47) Gary Hirshberg of Stonyfield Farm yogurt company stated that "companies can do better with less advertising, less marketing research, more guerilla marketing, and more acting from the gut." At this point, Hirshberg was following which marketing strategy?

- A) formulated marketing
- B) entrepreneurial marketing
- C) innovative marketing
- D) exponential marketing
- E) intreprenurial marketing

Answer: B

Diff: 3 Page Ref: 535

Skill: Application

Objective: 18-2

48) As small companies achieve success, they inevitably move toward more _____ marketing. They pore over the latest Nielsen numbers, scan market research reports, and try to fine-tune their competitive strategies and programs.

- A) diversified
- B) formulated
- C) entrepreneurial
- D) intreprenurial
- E) targeted

Answer: B

Diff: 1 Page Ref: 535

Skill: Concept

Objective: 18-2

49) Companies that have been in existence for some time often lose the marketing creativity and passion that they had at the start. They now need to refresh their marketing strategies and try new approaches. This is known as _____.

- A) network marketing
- B) formulated marketing
- C) entrepreneurial marketing
- D) intreprenurial marketing
- E) marketing myopia

Answer: D

Diff: 1 Page Ref: 535

Skill: Concept

Objective: 18-2

50) There will be a constant tension between the formulated side of marketing and the _____.

- A) creative side
- B) competitor side
- C) customer side
- D) overall cost leadership
- E) product value

Answer: A

Diff: 2 Page Ref: 536

Skill: Concept

Objective: 18-2

51) Michael Porter suggests four basic competitive positioning strategies that companies can follow—three winning strategies and one losing one. Which of the following are considered winning strategies?

- A) middle-of-the-roader, focus, and overall cost leadership
- B) focus, differentiation, and middle-of-the-roader
- C) overall cost leadership, differentiation, and middle-of-the-roader
- D) overall cost leadership, differentiation, and focus
- E) differentiation, operational excellence, and focus

Answer: D

Diff: 1 Page Ref: 536

Skill: Concept

Objective: 18-2

52) Wal-Mart, Texas Instruments, and Dell all achieve the lowest production and distribution costs to win a large market share. They utilize a(n) _____ strategy very effectively.

- A) overall cost leadership
- B) differentiation
- C) focus
- D) operational
- E) customer intimacy

Answer: A

Diff: 2 Page Ref: 536

AACSB: Analytic Skills

Skill: Application

Objective: 18-2

53) Companies that pursue a clear strategy will likely perform well. Firms that do not pursue a clear strategy are called _____.

- A) challenger risk-takers
- B) middle-of-the-roaders
- C) nichers
- D) analyzers
- E) overall cost leaders

Answer: B

Diff: 2 Page Ref: 536

Skill: Concept

Objective: 18-2

54) Sears and Holiday Inn encountered difficult times because they did not stand out as the lowest in cost, highest in perceived value, or best in serving some market segment. Both companies are _____.

- A) nichers
- B) challenger risk-takers
- C) middle-of the roaders
- D) differentiated
- E) formulated

Answer: C

Diff: 2 Page Ref: 536

AACSB: Analytic Skills

Skill: Application

Objective: 18-2

55) Companies can pursue any of the following three strategies, called value disciplines, for delivering superior customer value:

- A) operational excellence, overall cost leadership, and differentiation
- B) customer intimacy, operational excellence, and focus
- C) employee relations, product leadership, and overall cost leadership
- D) product leadership, customer intimacy, and focus
- E) operational excellence, customer intimacy, and product leadership

Answer: E

Diff: 2 Page Ref: 536-537

Skill: Concept

Objective: 18-2

56) When a company provides superior value by leading its industry in price and convenience, it has obtained what is called _____.

- A) product leadership
- B) employee excellence
- C) operational excellence
- D) employee intimacy
- E) cost leadership

Answer: C

Diff: 1 Page Ref: 536

Skill: Concept

Objective: 18-2

57) Wal-Mart, Washington Mutual, and Southwest Airlines serve customers who want reliable, good-quality products or services, but who want them cheaply and easily. They are all known for pursuing a value discipline known as _____.

- A) operational excellence
- B) customer intimacy
- C) middle-of-the-road
- D) product leadership
- E) marketing insight

Answer: A

Diff: 2 Page Ref: 536

AACSB: Analytic Skills

Skill: Application

Objective: 18-2

58) When customers are willing to pay a premium to get precisely what they want and company respond quickly to satisfy customer needs, the company has achieved what is called _____.

- A) customer intimacy
- B) employee intimacy
- C) operational excellence
- D) promotional intimacy
- E) marketing intelligence

Answer: A

Diff: 1 Page Ref: 536

Skill: Concept

Objective: 18-2

59) Nordstrom, Lexus, American Express, British Airways, and Ritz-Carlton Hotels will do almost anything to build long-term customer loyalty and to capture customer lifetime value. These companies are pursuing which of the following competitive marketing strategy?

- A) employee intimacy
- B) operational excellence
- C) differentiation
- D) product leadership
- E) customer intimacy

Answer: E

Diff: 2 Page Ref: 536

AACSB: Analytic Skills

Skill: Application

Objective: 18-2

60) If a company's aim is to make its own and competing products obsolete and serve customers who want state-of-the-art products and services, it is using a value discipline called _____.

- A) captive-product innovation
- B) promotional innovation
- C) new product innovation
- D) product leadership
- E) market leadership

Answer: D

Diff: 1 Page Ref: 537

Skill: Concept

Objective: 18-2

61) Nokia and Apple are open to new ideas, relentlessly pursue new solutions, and work to get new products to market quickly. They serve customers who want state-of-the-art products and services, regardless of the costs in terms of price or inconvenience. These companies are offering what value discipline?

- A) operational excellence
- B) customer intimacy
- C) product leadership
- D) promotional innovation
- E) differentiation

Answer: C

Diff: 2 Page Ref: 537

AACSB: Analytic Skills

Skill: Application

Objective: 18-2

62) Which of the following is NOT an example of the competitive positions or roles that firms play in the target market?

- A) market leader
- B) market challenger
- C) market follower
- D) market nicher
- E) market provider

Answer: E

Diff: 1 Page Ref: 537

Skill: Concept

Objective: 18-2

63) Most of the market is in the hands of the _____, the firm with the largest market share.

- A) market challenger
- B) market follower
- C) market leader
- D) market nicher
- E) market analyzer

Answer: C

Diff: 1 Page Ref: 537

Skill: Concept

Objective: 18-2

64) Forty percent of the market is in the hands of Company A. Another 30 percent is in the hands of Company B. Twenty percent is in the hands of Company C, and the remaining 10 percent is in the hands of Company D. Based on these hypothetical numbers Company B is the market

- _____.
- A) leader
 - B) challenger
 - C) follower
 - D) nicher
 - E) strategist

Answer: B

Diff: 3 Page Ref: 537

AACSB: Analytic Skills

Skill: Concept

Objective: 18-2

65) Forty percent of the market is in the hands of Company A. Another 30 percent is in the hands of Company B. Twenty percent is in the hands of Company C, and the remaining 10 percent is in the hands of Company D. Based on these hypothetical numbers Company D is the market

- _____.
- A) leader
 - B) challenger
 - C) follower
 - D) nicher
 - E) strategist

Answer: D

Diff: 3 Page Ref: 537

AACSB: Analytic Skills

Skill: Concept

Objective: 18-2

66) Firms that serve small segments not being pursued by other firms are called _____.

- A) market followers
- B) direct marketers
- C) market challengers
- D) market nichers
- E) market leaders

Answer: D

Diff: 1 Page Ref: 537

Skill: Concept

Objective: 18-2

67) _____ are those runner-up firms that are working to increase its market share in an industry.

- A) Market leaders
- B) Market challengers
- C) Market followers
- D) Market analyzers
- E) Market nichers

Answer: B

Diff: 1 Page Ref: 537

Skill: Concept

Objective: 18-2

68) A runner-up firm that wants to hold its share in an industry without rocking the boat is a _____.

- A) market follower
- B) direct marketer
- C) market challenger
- D) market nicher
- E) market leader

Answer: A

Diff: 1 Page Ref: 537

Skill: Concept

Objective: 18-2

69) When it comes to creating _____, Ritz-Carlton sets the gold standard. "It's all about providing a unique, personal, memorable experience."

- A) overall cost leadership
- B) differentiation
- C) focus
- D) customer intimacy
- E) product leadership

Answer: D

Diff: 3 Page Ref: 538

AACSB: Analytic Skills

Skill: Application

Objective: 18-2

70) Expanding the total market, protecting market share, and expanding market share are all strategies for _____.

- A) market leaders
- B) market challengers
- C) market followers
- D) market nichers
- E) market providers

Answer: A

Diff: 3 Page Ref: 538

Skill: Concept

Objective: 18-2

71) Which of the following are market challenger strategies?

- A) expand total market and protect market share
- B) expand market share and follow closely
- C) full frontal attack and indirect attack
- D) follow closely and follow at a distance
- E) by customer, market, quality-price, service and multiple niching

Answer: C

Diff: 3 Page Ref: 538

Skill: Concept

Objective: 18-2

72) The _____ usually leads the other firms in price changes, new product introductions, distribution coverage, and promotion spending.

- A) market leader
- B) direct leader
- C) market challenger
- D) target leader
- E) market nicher

Answer: A

Diff: 1 Page Ref: 539

Skill: Concept

Objective: 18-2

73) To remain number one, leading firms can take any of three actions. First, they can find ways to expand total demand. Second, they can protect their current market share through good defensive and offensive actions. Third, they can _____.

- A) hire and train new employees
- B) evaluate current employees
- C) run smaller companies out of business, causing them to sell out to larger companies
- D) try to expand their market share further, even if market size remains constant
- E) shut down current company locations and reopen in highly populated areas

Answer: D

Diff: 3 Page Ref: 540

Skill: Concept

Objective: 18-2

74) The leading firm normally gains the most when the _____.

- A) rest of the market follows far behind
- B) total market expands
- C) personal communication channels expand
- D) integrated marketing effort expands
- E) major competitors enter the market

Answer: B

Diff: 2 Page Ref: 540

Skill: Concept

Objective: 18-2

75) Marketers can expand markets by discovering and promoting _____.

- A) subliminal points of interest
- B) the deficiencies of competitors
- C) subtle advantages of the product
- D) new uses of the product
- E) new employees

Answer: D

Diff: 2 Page Ref: 540

Skill: Concept

Objective: 18-2

76) Market leaders can expand the market by _____, new uses, and more usage of the product.

- A) developing competitors
- B) initiating monopolistic practices
- C) developing new users
- D) developing higher standards
- E) initiating new rules

Answer: C

Diff: 2 Page Ref: 540

Skill: Concept

Objective: 18-2

77) NutriSystem has typically targeted its weight loss programs toward women. Recently, however, it stepped up its efforts to attract male customers. This is an example of how the market leader _____.

- A) develops new competitors
- B) changes its products
- C) develops new rules
- D) develops new users
- E) challenges competition

Answer: D

Diff: 2 Page Ref: 540

AACSB: Analytic Skills

Skill: Application

Objective: 18-2

78) The best response to competitive threats is _____.

- A) continuous innovation
- B) a frontal attack
- C) an indirect attack
- D) to find partners
- E) to ignore them

Answer: A

Diff: 2 Page Ref: 541

Skill: Concept

Objective: 18-2

79) Profitability increases as a business gains share relative to competitors in its _____.

- A) higher market
- B) direct market
- C) communication market
- D) served market
- E) valued market

Answer: D

Diff: 2 Page Ref: 541

Skill: Concept

Objective: 18-2

80) Higher shares tend to produce higher profits only when _____ fall with increased market share.

- A) unit costs
- B) higher markets
- C) sales
- D) product values
- E) numbers of customers

Answer: A

Diff: 3 Page Ref: 542

AACSB: Reflective Thinking

Skill: Application

Objective: 18-2

81) _____ can adopt one of two competitive strategies: they can challenge the leader or they can play along with competitors and not rock the boat.

- A) Runner-up firms
- B) Market nichers
- C) Market followers
- D) Localized marketers
- E) Market developers

Answer: A

Diff: 2 Page Ref: 542

Skill: Concept

Objective: 18-2

82) Although it might seem that the market leader has the most going for it, challengers often have what some strategists call a _____. The challenger observes what has made the leader successful and improves upon it.

- A) "competitor myopia"
- B) "second mover advantage"
- C) "strategic sweet spot"
- D) "blue ocean strategy"
- E) "red ocean strategy"

Answer: B

Diff: 2 Page Ref: 542

Skill: Concept

Objective: 18-2

83) The market challenger may launch a full _____, matching the competitor's product, advertising, price, and distribution efforts. It attacks the competitor's strengths rather than its weaknesses.

- A) indirect attack
- B) direct attack
- C) frontal attack
- D) multiple attack
- E) strength attack

Answer: C

Diff: 2 Page Ref: 542

Skill: Concept

Objective: 18-2

84) Rather than challenging head-on, the challenger can make _____ on the competitor's weaknesses or on gaps in the competitor's market coverage.

- A) a direct attack
- B) a frontal attack
- C) an indirect attack
- D) an individual attack
- E) a cautious attack

Answer: C

Diff: 2 Page Ref: 542

Skill: Concept

Objective: 18-2

85) Red Bull entered the U.S. soft drinks market with a niche product: a carbonated energy drink retailing at about twice what you would pay for a Coke or Pepsi. Their product was sold in unconventional outlets not dominated by the market leaders. In this case, Red Bull was using _____ against the market leaders.

- A) a direct attack
- B) an individual attack
- C) a cautious attack
- D) an indirect attack
- E) a frontal attack

Answer: D

Diff: 3 Page Ref: 543

AACSB: Analytic Skills

Skill: Application

Objective: 18-2

86) Many firms prefer to _____ rather than _____ the leader.

- A) follow; challenge
- B) challenge; follow
- C) challenge; support
- D) support; challenge
- E) follow; support

Answer: A

Diff: 3 Page Ref: 543

Skill: Concept

Objective: 18-2

87) The market follower must keep its manufacturing costs and prices _____ or its product quality and services _____.

- A) stable; low
- B) low; high
- C) high; low
- D) fair; low
- E) low; fair

Answer: B

Diff: 3 Page Ref: 543

AACSB: Reflective Thinking

Skill: Concept

Objective: 18-2

88) Almost every industry includes firms that specialize in serving target subsegments called _____.

- A) market niches
- B) benchmarkers
- C) customer databases
- D) hotbox markets
- E) local markets

Answer: A

Diff: 1 Page Ref: 543

Skill: Concept

Objective: 18-2

89) _____ is profitable because the needs of the target customer segment are better met than when other firms casually attempt to sell to the same segment.

- A) Benchmarking
- B) Differentiated marketing
- C) Market niching
- D) Vertical marketing
- E) Dynamic marketing

Answer: C

Diff: 2 Page Ref: 543

Skill: Concept

Objective: 18-2

90) Whereas the mass marketer achieves _____, the nicher achieves _____.

- A) low margins; low volume
- B) low volume; high margins
- C) high volume; high margins
- D) high volume; low margins
- E) high margins; high volume

Answer: C

Diff: 3 Page Ref: 543

AACSB: Reflective Thinking

Skill: Application

Objective: 18-2

91) Computer mouse and interface device maker Logitech is only a fraction the size of giant Microsoft. Yet through skillful _____, it dominates the PC mouse market, with Microsoft as its runner-up.

- A) employment tactics
- B) niching
- C) brand imaging
- D) vertical marketing
- E) benchmarking

Answer: B

Diff: 3 Page Ref: 543-544

Skill: Application

Objective: 18-2

92) The key to successful niching is _____.

- A) having only a few specific customers
- B) buzz marketing
- C) follow-up
- D) specialization
- E) mass appeal of one idea

Answer: D

Diff: 1 Page Ref: 544

Skill: Concept

Objective: 18-2

93) A market nicher can specialize along all of the following market, customer, product, or marketing mix lines EXCEPT?

- A) end users
- B) customer-size groups
- C) geographic market
- D) quality price
- E) employees

Answer: E

Diff: 3 Page Ref: 544

Skill: Concept

Objective: 18-2

94) The market niche may dry up, or it might grow to the point that it attracts larger competitors. That is why many companies practice _____.

- A) multiple niching
- B) single niching
- C) specific niching
- D) service niching
- E) market niching

Answer: A

Diff: 2 Page Ref: 544

Skill: Concept

Objective: 18-2

95) A company can become so _____ centered that it loses its even more important focus on maintaining profitable _____ relationships.

- A) customer; competitor
- B) competitor; customer
- C) market; customer
- D) market; competitor
- E) competitor; product

Answer: B

Diff: 3 Page Ref: 546

AACSB: Reflective Thinking

Skill: Application

Objective: 18-3

96) A negative side of the _____ is that the company becomes too reactive. Rather than carry out its own customer relationship strategy, it bases its own moves on competitors' moves.

- A) competitor-centered company
- B) customer-centered company
- C) market-centered company
- D) dual marketing strategy
- E) image-centered company

Answer: A

Diff: 2 Page Ref: 546

Skill: Concept

Objective: 18-3

97) A positive aspect of a _____ is that the company develops a fighter orientation, watches for weaknesses in its own position, and searches out competitors' weaknesses.

- A) market-centered company
- B) customer-centered company
- C) competitor-centered company
- D) branding-centered company
- E) image-centered company

Answer: C

Diff: 2 Page Ref: 546

Skill: Concept

Objective: 18-3

98) A company that focuses on customer developments in designing its marketing strategies and on delivering superior value to its target customers is a _____.

- A) market-centered company
- B) geographic-centered company
- C) target-centered company
- D) customer-centered company
- E) branding-centered company

Answer: D

Diff: 1 Page Ref: 546

Skill: Concept

Objective: 18-3

99) When companies watch both their customers and their competitors, they are called _____.

- A) promotion-centered companies
- B) market-centered companies
- C) competitor-centered companies
- D) customer-centered companies
- E) analytically-centered companies

Answer: B

Diff: 1 Page Ref: 546

Skill: Concept

Objective: 18-3

100) All of the below choices are evolving company orientations EXCEPT?

- A) central-orientation
- B) competitor-orientation
- C) customer-orientation
- D) product orientation
- E) market-orientation

Answer: A

Diff: 2 Page Ref: 546

Skill: Concept

Objective: 18-3

101) To plan effective marketing strategies, the company needs to find out all it can about its employees.

Answer: FALSE

Diff: 2 Page Ref: 528

Skill: Concept

Objective: 18-3

102) A competitive analysis involves first identifying and assessing competitors and then selecting which competitors to attack or avoid.

Answer: TRUE

Diff: 1 Page Ref: 528

Skill: Concept

Objective: 18-1

103) At the narrowest level, a company can define its competitors as other companies offering similar products and services to the same customers at similar prices.

Answer: TRUE

Diff: 1 Page Ref: 528

Skill: Concept

Objective: 18-1

104) An example of competitor myopia was when Fujifilm sales unsuspectingly surpassed those of Kodak.

Answer: FALSE

Diff: 3 Page Ref: 529

AACSB: Analytic Skills

Skill: Application

Objective: 18-1

105) An integrated group is a group of firms in an industry following the same or a similar strategy in a given target market.

Answer: FALSE

Diff: 3 Page Ref: 530

Skill: Concept

Objective: 18-1

106) Business-to-business marketers find it hard to estimate competitors' market shares because they do not have the same syndicated data services that are available to consumer packaged-goods companies.

Answer: TRUE

Diff: 3 Page Ref: 531

AACSB: Reflective Thinking

Skill: Application

Objective: 18-1

107) Continuous innovation is the process of comparing the company's products and processes to those of competitors or leading firms in other industries to find ways to improve quality and performance.

Answer: FALSE

Diff: 2 Page Ref: 541

Skill: Concept

Objective: 18-1

108) Many firms avoid direct competition with Procter & Gamble and look for easier prey, knowing that Procter & Gamble will react fiercely if challenged.

Answer: TRUE

Diff: 1 Page Ref: 531

AACSB: Reflective Thinking

Skill: Application

Objective: 18-1

109) Most companies prefer to compete against strong competitors.

Answer: FALSE

Diff: 1 Page Ref: 531

Skill: Concept

Objective: 18-1

110) Most companies tend to compete with distant competitors, who are those competitors most unlike them, rather than with close competitors.

Answer: FALSE

Diff: 2 Page Ref: 532

Skill: Concept

Objective: 18-1

111) A company may want to avoid trying to "destroy" a close competitor.

Answer: TRUE

Diff: 2 Page Ref: 532

Skill: Concept

Objective: 18-1

112) A company really needs and benefits from competitors.

Answer: TRUE

Diff: 1 Page Ref: 532

Skill: Concept

Objective: 18-1

113) One reason companies really need competitors is because competitors may help increase total demand.

Answer: TRUE

Diff: 1 Page Ref: 532

Skill: Concept

Objective: 18-1

114) Apple's iTunes Music Store is a good competitor, one that plays by its own rules at the expense of the industry as a whole.

Answer: FALSE

Diff: 2 Page Ref: 533

AACSB: Analytic Skills

Skill: Application

Objective: 18-1

115) The goal of a "red ocean strategy" is to make competition irrelevant.

Answer: FALSE

Diff: 2 Page Ref: 533

Skill: Concept

Objective: 18-1

116) The competitive intelligence system of a company supplies key information to relevant decision makers about the company's competitors.

Answer: TRUE

Diff: 1 Page Ref: 534

Skill: Concept

Objective: 18-1

117) Small firms that can't afford a competitive intelligence system often resort to using "in-house" experts to study competitors.

Answer: TRUE

Diff: 2 Page Ref: 534

Skill: Concept

Objective: 18-1

118) All companies choose one marketing strategy for their different businesses or products..

Answer: FALSE

Diff: 2 Page Ref: 534

Skill: Concept

Objective: 18-2

119) Approaches to marketing strategy and practice often pass through three stages: entrepreneurial marketing, formulated marketing, and strategic marketing.

Answer: FALSE

Diff: 2 Page Ref: 535

Skill: Concept

Objective: 18-2

120) Gary Hirshberg started the Stonyfield Farm yogurt company. His marketing strategy: building a strong connection with customers using guerilla marketing. This is an example of formulated marketing.

Answer: FALSE

Diff: 2 Page Ref: 535

AACSB: Analytic Skills

Skill: Application

Objective: 18-2

121) Many large and mature companies get stuck in formulated marketing. They pore over the latest Nielsen numbers, scan market research reports, and try to fine-tune their competitive strategies and programs.

Answer: TRUE

Diff: 1 Page Ref: 535

Skill: Concept

Objective: 18-2

122) FedEx is rare because it excels at more than one value discipline.

Answer: TRUE

Diff: 3 Page Ref: 537

Skill: Concept

Objective: 18-2

123) By trying to be good at all of the value disciplines, a company usually ends up being best at none.

Answer: TRUE

Diff: 2 Page Ref: 537

Skill: Concept

Objective: 18-2

124) Market leaders can grow by increasing their market shares further.

Answer: TRUE

Diff: 2 Page Ref: 541

Skill: Concept

Objective: 18-2

125) A company can become so competitor centered that it loses its even more important focus on maintaining profitable customer relationships.

Answer: TRUE

Diff: 2 Page Ref: 546

Skill: Concept

Objective: 18-3

126) Discuss the steps in analyzing competitors.

Answer: Creating competitive advantage begins with competitor analysis. First, the company's competitors must be identified. The next step is assessing competitors' objectives, strategies, strengths, weaknesses, and reaction patterns. Based on this information, the company can select which competitors to attack or avoid.

Diff: 2 Page Ref: 528

Skill: Application

Objective: 18-1

127) Discuss the different levels at which competitors can be identified.

Answer: At the narrowest level, a company can define its competitors as other companies offering similar products and services to the same customers at similar prices. However, the company might also define competitors as all firms making the same product or class of products. Even more broadly, competitors might include all companies making products that supply the same service. Finally, and still more broadly, competitors might include all companies that compete for the same consumer dollars.

Diff: 2 Page Ref: 528-529

Skill: Application

Objective: 18-1

128) Explain how Kodak had "competitor myopia."

Answer: Kodak saw Fuji as its only major competitor. But its real competitor turned out to be digital imaging, including other digital camera makers and a host of digital image developers and online image-sharing services.

Diff: 1 Page Ref: 529

AACSB: Reflective Thinking

Skill: Application

Objective: 18-1

129) Give examples of competitor objectives and discuss the importance of knowing a competitor's mix of objectives.

Answer: Each competitor has a mix of objectives. The company wants to know the relative importance that a competitor places on current profitability, market share growth, cash flow, technological leadership, service leadership, and other goals. Knowing a competitor's mix of objectives reveals whether the competitor is satisfied with its current situation and how it might react to different competitive actions.

Diff: 2 Page Ref: 530

Skill: Application

Objective: 18-1

130) Describe what a strategic group is, name a few companies that belong to the same strategic group, and discuss why they are in the same group.

Answer: A strategic group is a group of firms in an industry following the same or a similar strategy in a given target market. General Electric, Whirlpool, and Maytag belong to the same strategic group because each produces a full line of medium-price appliances supported by good service.

Diff: 1 Page Ref: 530

Skill: Application

Objective: 18-1

131) How can companies learn about their competitors strengths and weaknesses?

Answer: Companies normally learn about their competitors' strengths and weaknesses through secondary data, personal experience, and word of mouth. They can also conduct primary marketing research with customers, suppliers, and dealers. Or they can benchmark themselves against other firms.

Diff: 2 Page Ref: 531

Skill: Application

Objective: 18-1

132) What is a "strategic sweet spot," and why do companies want to find these?

Answer: The company wants to find the "strategic sweet spot," the place where it meets customers' needs in a way that rivals can't. If the company's offer delivers greater value by exceeding the competitor's offer on important attributes, the company can charge a higher price and earn higher profits, or it can charge the same price and gain more market share.

Diff: 2 Page Ref: 531

Skill: Application

Objective: 18-1

133) Use a scenario to discuss why a company may want to avoid destroying a close competitor?

Answer: Bausch & Lomb moved aggressively against other soft lens manufacturers with great success. However, this forced weak competitors to sell out to larger firms such as Schering-Plough and Johnson & Johnson. As a result, Bausch & Lomb now faces much larger competitors such as Johnson & Johnson, who bought Vistakon.

Diff: 3 Page Ref: 532

AACSB: Reflective Thinking

Skill: Application

Objective: 18-1

134) Discuss why a company really needs and benefits from competitors.

Answer: The existence of competitors results in several strategic benefits. Competitors may share the costs of market and product development and help to legitimize new technologies. They may serve less-attractive segments or lead to more product differentiation. Finally, competitors may help increase total demand.

Diff: 3 Page Ref: 532

AACSB: Analytic Skills

Skill: Application

Objective: 18-1

135) Michael Porter suggested four basic competitive positioning strategies that companies can follow, three winning strategies and one losing one. Name and describe these four different strategies.

Answer: Overall cost leadership is when the company works hard to achieve the lowest production and distribution costs. Differentiation is when the company concentrates on creating a highly differentiated product line. Focus is when the company puts its efforts on serving a few market segments well rather than going after the whole market. Middle-of-the-roaders are firms that do not pursue a clear strategy. These firms do the worst.

Diff: 2 Page Ref: 536

Skill: Application

Objective: 18-2

136) Name the three value disciplines. Why do firms establish them?

Answer: Research indicates that companies can pursue leadership positions by delivering superior value to their customers; the text outlines three possible value disciplines that marketers can follow: operational excellence, customer intimacy, or product leadership.

Diff: 2 Page Ref: 536-537

Skill: Application

Objective: 18-2

137) Explain how a market follower can gain advantage from a market leader.

Answer: The market leader often bears the huge expenses of developing new products and markets, expanding distribution, and educating the market. By contrast, the market follower can learn from the leader's experience. It can copy or improve on the leader's products and programs, usually with much less investment.

Diff: 2 Page Ref: 543

AACSB: Analytic Skills

Skill: Application

Objective: 18-2

138) Why is niching profitable?

Answer: The main reason is that the market nicher ends up knowing the target customer group so well that it meets their needs better than other firms that casually sell to that niche. As a result, the nicher can charge a substantial markup over costs because of the added value.

Whereas the mass marketer achieves high volume, the nicher achieves high margins.

Diff: 3 Page Ref: 543

AACSB: Analytic Skills

Skill: Application

Objective: 18-2

139) What is the primary focus of a competitor-centered company?

Answer: A competitor-centered company spends most of its time tracking competitors' moves and market shares and tries to find strategies to counter them.

Diff: 1 Page Ref: 546

Skill: Application

Objective: 18-3

140) What is the primary focus of a customer-centered company?

Answer: A customer-centered company focuses more on customer developments in designing its strategies. By watching customer needs evolve, a customer-centered company can decide what customer groups and what emerging needs are the most important to serve.

Diff: 1 Page Ref: 546

Skill: Application

Objective: 18-3

141) Discuss the need to understand competitors as well as customers through competitor analysis.

Answer: In order to prepare an effective marketing strategy, a company must consider its competitors as well as its customers. Building profitable customer relationships requires satisfying target consumer needs better than competitors do. A company must continually analyze competitors and develop competitive marketing strategies that position it effectively against competitors and give it the strongest possible competitive advantage. Competitor analysis first involves identifying the company's major competitors, using both an industry-based and a market-based analysis. The company then gathers information on competitors' objectives, strategies, strengths and weaknesses, and reaction patterns. With this information in hand, it can select competitors to attack or avoid. Competitive intelligence must be collected, interpreted, and distributed continuously. Company marketing managers should be able to obtain full and reliable information about any competitor affecting their decisions.

Diff: 3 Page Ref: 528

AACSB: Analytic Skills

Skill: Application

Objective: 18-1

142) Although competition is most intense within a strategic group, explain why there is also rivalry among groups. Give examples.

Answer: First, some of the strategic groups may appeal to overlapping customer segments. For example, no matter what their strategy, all major appliance manufacturers will go after the apartment and homebuilders segment. Second, the customers may not see much difference in the offers of different groups; they may see the little difference in quality between GE and Whirlpool. Finally, members of one strategic group might expand into new strategy segments. Thus, General Electric's Monogram and Profile lines of appliances compete in the premium quality, premium-price line with Viking and Sub-Zero.

Diff: 3 Page Ref: 530

Skill: Application

Objective: 18-1

143) Marketing managers need a deep understanding of a given competitor's mentality if they want to anticipate how the competitor will act or react. Discuss the different ways competitor's act or react. Why do they do so? You may use examples to support your thoughts.

Answer: Each competitor reacts differently. Some do not react quickly or strongly to a competitor's move. They may feel their customers are loyal; they may be slow in noticing the move; they may lack the funds to react. Some competitors react only to certain types of moves and not to others. Other competitors react swiftly and strongly to any action. Thus, Procter & Gamble does not let a new detergent come easily into the market. Many firms avoid direct competition with P&G and look for easier prey, knowing that P&G will react fiercely if challenged. In some industries, competitors live in relative harmony; in others, they fight constantly. Knowing how major competitors react gives the company clues on how best to attack competitors or how best to defend the company's current positions.

Diff: 3 Page Ref: 531

AACSB: Reflective Thinking

Skill: Application

Objective: 18-1

144) An industry often contains "good" competitors and "bad" competitors. Define each term and discuss scenarios with both "good" and "bad" competitors. How might "good" competitors choose to react to "bad" competition?

Answer: Good competitors play by the rules of the industry. Bad competitors, in contrast, break the rules. They try to buy share rather than earn it, take large risks, and play by their own rules. For example, Yahoo! Music Unlimited sees Napster, Rhapsody, AOL Music, Amazon.com, and most other digital music download services as good competitors. They share a common platform, so that music bought from any of these competitors can be played on almost any playback device. However, it sees Apple's iTunes Music Store as a bad competitor, one that plays by its own rules at the expense of the industry as a whole. With the iPod, Apple created a closed system with mass appeal. A company might be smart to support good competitors, aiming its attacks at bad competitors. Thus, Yahoo! Music Unlimited, Napster, and other digital music competitors will no doubt support one another in trying to break Apple's stranglehold on the market.

Diff: 3 Page Ref: 533

AACSB: Reflective Thinking

Skill: Application

Objective: 18-1

145) Discuss the functions and goals of a competitive intelligence system.

Answer: The competitive intelligence system first identifies the vital types of competitive information needed and the best sources of this information. Then, the system continuously collects information from the field (sales force, channels, suppliers, market research firms, trade associations, Web sites) and from published data (government publications, speeches, articles). Next, the system checks the information for validity and reliability, interprets it, and organizes it in an appropriate way. Finally, it sends key information to relevant decision makers and responds to inquiries from managers about competitors.

With this system, company managers will receive timely intelligence information about competitors in the form of phone calls, e-mails, bulletins, newsletters, and reports. In addition, managers can connect with the system when they need an interpretation of a competitor's sudden move, or when they want to know a competitor's weaknesses and strengths, or when they need to know how a competitor will respond to a planned company move.

Diff: 3 Page Ref: 534

Skill: Application

Objective: 18-1

146) Discuss formal and informal marketing strategies, and give examples of companies that use both.

Answer: Many large firms develop formal competitive marketing strategies and implement them religiously. However, other companies develop strategy in a less formal and orderly fashion. Some companies, such as Harley-Davidson, Virgin Atlantic Airways, and BMW's MINI unit succeed by breaking many of the "rules" of marketing strategy. Such companies don't operate large marketing departments, conduct expensive marketing research, spell out elaborate competitive strategies, and spend huge sums on advertising. Instead, they sketch out strategies on the fly, stretch their limited resources, live close to their customers, and create more satisfying solutions to customer needs. They form buyer's clubs, use buzz marketing, and focus on winning customer loyalty. It seems that not all marketing must follow in the footsteps of marketing giants such as IBM and Procter & Gamble.

Diff: 3 Page Ref: 535

Skill: Application

Objective: 18-2

147) Discuss customer intimacy. Why is it important? Provide an example of a company that successfully abides by this value discipline.

Answer: A company provides superior value by precisely segmenting its markets and tailoring its products or services to match exactly the needs of targeted customers. It specializes in satisfying unique customer needs through a close relationship with and intimate knowledge of the customer. It builds detailed customer databases for segmenting and targeting, and empowers its marketing people to respond quickly to customer needs. Customer-intimate companies serve customers who are willing to pay a premium to get precisely what they want. They will do almost anything to build long-term customer loyalty and to capture customer lifetime value. Examples include Nordstrom, Lexus, American Express, British Airways, and Ritz-Carlton hotels.

Diff: 2 Page Ref: 536

Skill: Application

Objective: 18-2

148) Explain the four competitive positions that are often used to describe market structures.

Answer: Determining which competitive marketing strategy makes the most sense depends on the company's industry, and on whether it is a market leader, challenger, follower, or nicher. A market leader has to mount strategies to expand the total market, protect market share, and expand market share. A market challenger is a firm that tries aggressively to expand its market share by attacking the leader, other runner-up companies, or smaller firms in the industry. The challenger can select from a variety of direct or indirect attack strategies. A market follower is a runner-up company that chooses not to rock the boat, usually from fear that it stands to lose more than it might gain. But the follower is not without a strategy and seeks to use its particular skills to gain market growth. A market nicher is a smaller firm that is unlikely to attract the attention of larger firms; they often become specialists in some end use, customer size, specific customer, geographic areas, or service.

Diff: 3 Page Ref: 537

Skill: Application

Objective: 18-2

149) Discuss the two ways a market challenger can best attack the chosen competitor and achieve its strategic objectives? Explain when a challenger should use these attacks and provide examples of companies that have used these methods.

Answer: The market challenger may launch a full frontal attack, matching the competitor's product, advertising, price, and distribution efforts. It attacks the competitor's strengths rather than its weaknesses. The outcome depends on who has the greater strength and endurance. If the market challenger has fewer resources than the competitor, however, a frontal attack makes little sense. Thus, many new market entrants avoid frontal attacks, knowing that the market leaders can head them off with ad blitzes, price wars, and other retaliations. Rather than challenging head-on, the challenger can make an indirect attack on the competitor's weaknesses or on gaps in the competitor's market coverage. It can care out toe holds using tactics that the established leaders have trouble responding to or choose to ignore. Virgin Drinks is an example of an unsuccessful frontal attack. Red Bull is a successful example of an indirect attack.

Diff: 2 Page Ref: 542

AACSB: Reflective Thinking

Skill: Application

Objective: 18-2

150) Discuss the four evolving company orientations. Which orientation is considered most successful and why?

Answer: In the first stage, companies were product oriented, paying little attention to either customers or competitors. In the second stage, they become customer oriented and started to pay attention to customers. In the third stage, when they started to pay attention to competitors, they became competitor oriented. Today, companies need to be market oriented, paying balanced attention to both customers and competitors. Rather than simply watching competitors and trying to beat them on current ways of doing business, they need to watch customers and find innovative ways to build profitable customer relationships by delivering more customer value than competitors do. As noted previously, marketing begins with a good understanding of consumers and the marketplace.

Diff: 2 Page Ref: 546

Skill: Application

Objective: 18-3