# Chapter 1 – Strategic Market Management: An Overview

**Essay Question:**

1.1

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

**Objective Questions**:

1.1

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

a. Strategic analysis

b. Manage multiple business units

c. Identify competitors

d. Develop a sustainable advantage

e. Develop a growth platform

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

1.2

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

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

1.3

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

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

1.4

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

## Answer: True.

1.5

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

Answer: True.

1.6

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

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

1.7

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

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

1.8

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

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

1.9

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

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

1.10

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

(a) Precipitate the consideration of strategic choices.

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

(c) Force a long-range view.

(d) Make the resource allocation decision visible.

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

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

1.11

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

Answer: Assets and competencies.

1.12

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

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

1.13

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

(a) Invest for growth

(b) Milk

(c) Maintain

(d) Liquidate

(e) Innovation

Answer: E.

1.14

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

Answer: True.

1.15

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

Answer: False.

1.16

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

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

1.17

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

Answer: True.

1.18

The strategic plan should be developed annually.

Answer: False. It should be continuously refined.