

ch02

Student: _____

1. What is a competitive advantage?
 - A. A product that an organization's customers place a lesser value on than similar offerings from a competitor.
 - B. A product or service that an organization's customers value more highly than similar offerings from a supplier.
 - C. A service that an organization's customers place a lesser value on than similar offerings from a supplier.
 - D. A product or service that an organization's customers place a greater value on than similar offerings from a competitor.
2. What occurs when an organization can significantly impact its market share by being the first to market with a competitive advantage?
 - A. Private exchange.
 - B. First-mover advantage.
 - C. Environmental scanning.
 - D. Loyalty program.
3. What is the acquisition and analysis of events and trends in the environment external to an organization?
 - A. Private exchange.
 - B. First-mover advantage.
 - C. Environmental scanning.
 - D. Loyalty program.
4. Which company uses environmental scanning to determine everything from how well competing products are selling to the strategic placement of its own products?
 - A. Kia.
 - B. Fedex.
 - C. Frito lay.
 - D. Audi.
5. All of the following are common tools used in industry to analyze and develop competitive advantages, except:
 - A. Five forces model.
 - B. Three generic strategies.
 - C. Competitive analysis model.
 - D. Value chain analysis.
6. What does the Five Forces Model help determine the relative attractiveness of?
 - A. An organization.
 - B. A company.
 - C. An industry.
 - D. An investment.
7. Which of the following is not one of Porter's Five Forces?
 - A. Buyer power.
 - B. Supplier power.
 - C. Threat of substitute buyers.
 - D. Rivalry among existing competitors.

8. Which of the following forces is commonly reduced through the use of a loyalty program?
 - A. Buyer power.
 - B. Supplier power.
 - C. Threat of new entrants.
 - D. Rivalry among existing competitors.

9. Which of the following represents buyer power in Porter's Five Forces Model?
 - A. Low when buyers have many choices of whom to buy from and high when their choices are few.
 - B. High when buyers have many choices of whom to buy from and low when their choices are few.
 - C. Low when buyers have many customers of whom to buy from and low when their customers are few.
 - D. High when buyers have many customers of whom to buy from and low when their customers are few.

10. Which of the following represents supplier power in Porter's Five Forces Model?
 - A. High when buyers have few choices of whom to buy from and low when their choices are many.
 - B. Low when buyers have few choices of whom to buy from and high when their choices are many.
 - C. High when buyers have many choices of whom to buy from and low when their choices are few.
 - D. None of the above.

11. Which of the following is an example of a loyalty program?
 - A. Frequent-flier programs for airlines.
 - B. Frequent-stayer programs for hotels.
 - C. Frequent-dining programs for restaurants.
 - D. All of the above.

12. What is a business-to-business marketplace?
 - A. An Internet-based service that brings together many buyers.
 - B. A personal business that brings together many sellers.
 - C. An Internet-based service that brings together many buyers and sellers.
 - D. A personal business that brings together many buyers and sellers.

13. What is a business-to-business (B2B) marketplace in which a single buyer posts its needs and then opens the bidding to any supplier who would care to bid?
 - A. Reverse auction.
 - B. Private exchange.
 - C. Private auction.
 - D. Reverse exchange.

14. What is an auction format in which increasingly lower bids are solicited from organizations willing to supply the desired product or service at an increasingly lower price?
 - A. Reverse auction.
 - B. Private exchange.
 - C. Private auction.
 - D. Reverse exchange.

15. Which of the following is an example of the way that information technology can reduce supplier power for an organization?
 - A. Switching costs.
 - B. Reverse auction.
 - C. Entry barrier.
 - D. Loyalty program.

16. What is an entry barrier?
AA product feature that customers have come to expect from organizations in a particular industry and . must be offered by an entering organization to compete and survive.
BA service feature that customers have come to expect from organizations in a particular industry and . must be offered by an entering organization to compete and survive.
CA product or service feature that customers have come to expect from organizations in a particular . industry and must be offered by an entering organization to compete and survive.
DA product or service feature that customers no longer expect from organizations in a particular industry . and do not need to be offered by an entering organization to compete and survive.
17. Which of the following forces is commonly reduced through the use of switching costs?
A. Buyer power.
B. Supplier power.
C. Threat of substitute products or services.
D. Rivalry among existing competitors.
18. What is high when competition is fierce in a market and low when competition is more complacent?
A. Buyer power.
B. Supplier power.
C. Threat of substitute products or services.
D. Rivalry among existing competitors.
19. All of the following are part of Porter's Three Generic Strategies, except:
A. Broad cost leadership.
B. Broad differentiation.
C. Focused strategy.
D. Business process strategy.
20. Which of the following is Hyundai using as its generic strategy?
A. Broad cost leadership.
B. Broad differentiation.
C. Focused cost leadership.
D. Focused differentiation.
21. Which of the following is Hummer using as its generic strategy?
A. Broad cost leadership.
B. Broad differentiation.
C. Focused cost leadership.
D. Focused differentiation.
22. Which of the following is considered a business process?
A. Processing a customer's order.
B. Processing a customer's inquiry.
C. Processing a customer's complaint.
D. All of the above.
23. Which of the following can an organization use to evaluate the effectiveness of its business processes?
A. Porter's five forces model.
B. Three generic strategies.
C. Value chain.
D. First-mover advantage strategy.
24. Which approach views an organization as a series of process, each of which adds value to the product or service for each customer?
A. Low cost strategy.
B. Business process.
C. Value chain.
D. First-mover advantage.

25. Which part of the value chain acquires raw materials and manufactures, delivers, markets, sells and provides after-sales services?
- Primary value activities.
 - Secondary value activities.
 - Support value activities.
 - None of the above.
26. Which of the following supports the primary value activities in the value chain?
- Primary value activities.
 - Secondary value activities.
 - Support value activities.
 - None of the above.
27. Which part of the value chain includes firm infrastructure, human resources management, technology development and procurement?
- Primary value activities.
 - Secondary value activities.
 - Support value activities.
 - None of the above.
28. A competitive advantage is typically temporary, unless it is a first-mover advantage.
True False
29. Buyer power, supplier power, threat of products or services, threat of new entrants and rivalry among existing competitors are all included in Porter's Five Forces Model.
True False
30. Switching costs are typically used to influence the threat of substitute products or services.
True False
31. An entry barrier is typically used to influence the rivalry among existing competitors.
True False
32. Kia is following a broad differentiation strategy.
True False
33. A(n) _____ advantage is a product or service that an organization's customers place a greater value on than similar offerings from a competitor.

34. A first mover advantage occurs when an organization can significantly impact its market share by being the first to market with a _____ advantage.

35. Environmental scanning is the acquisition and analysis of events and trends in the environment _____ to an organization.

36. The Five Forces Model helps to determine the relative attractiveness of an _____.

37. Buyer power, supplier power, threat of substitute products or services, threat of new _____ and rivalry among existing competitors are all included in Porter's Five Forces Model.

38. _____ power in the Porter's Five Forces Model is high when buyers have few choices of whom to buy from and low when their choices are many.

39. _____ power in the Porter's Five Forces Model is high when buyers have many choices of whom to buy from and low when their choices are few.

40. _____ programs reward customers based on the amount of business they do with a particular organization.

41. The travel industry is famous for its _____ programs.

42. A(n) _____ chain consists of all parties involved, directly or indirectly, in the procurement of a product or raw material.

43. A(n) _____ exchange is a business-to-business (B2B) marketplace in which a single buyer posts its needs and then opens the bidding to any supplier who would care to bid.

44. A reverse auction is an auction format in which increasingly lower bids are solicited from organizations willing to supply the desired product or service at an increasingly _____ price.

45. _____ costs are costs that can make customers reluctant to switch to another product or service.

46. An entry _____ is a product or service feature that customers have come to expect from organizations in a particular industry and must be offered by an entering organization to compete and survive.

47. Rivalry among existing competitors is _____ when competition is fierce in a market.

48. Audi is following a broad _____ strategy with its Quattro model which is available at several price points.

49. A(n) _____ process is a standardized set of activities that accomplish a specific task, such as processing a customer's order.

50. Market and sell the product or service is considered a _____ value activity in the value chain.

51. _____ value activities in the value chain acquire raw materials and manufactures, delivers, markets, sells and provides after-sales services.

52. _____ value activities include firm infrastructure, human resource management, technology development and procurement.

53. Explain why competitive advantages are typically temporary.
54. Explain how Frito Lay uses environmental scanning.
55. Describe and compare buyer power and supplier power in Porter's Five Forces Model. Also, explain how an organization can manipulate buyer power and supplier power.
56. List and describe Porter's three generic strategies and provide an example of a company that is using each strategy.
57. Explain value chains and the differences between primary and support value activities.

ch02 Key

1. What is a competitive advantage?
- A. A product that an organization's customers place a lesser value on than similar offerings from a competitor.
 - B. A product or service that an organization's customers value more highly than similar offerings from a supplier.
 - C. A service that an organization's customers place a lesser value on than similar offerings from a supplier.
 - D.** A product or service that an organization's customers place a greater value on than similar offerings from a competitor.

This is the definition of competitive advantage.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #1
Learning Outcome: 2.1
Level: Easy*

Taxonomy: Knowledge & Understanding

2. What occurs when an organization can significantly impact its market share by being the first to market with a competitive advantage?
- A. Private exchange.
 - B.** First-mover advantage.
 - C. Environmental scanning.
 - D. Loyalty program.

This is the definition of first-mover advantage.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #2
Learning Outcome: 2.1
Level: Easy*

Taxonomy: Knowledge & Understanding

3. What is the acquisition and analysis of events and trends in the environment external to an organization?
- A. Private exchange.
 - B. First-mover advantage.
 - C.** Environmental scanning.
 - D. Loyalty program.

This is the definition of environmental scanning.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #3
Learning Outcome: 2.1
Level: Easy*

Taxonomy: Knowledge & Understanding

4. Which company uses environmental scanning to determine everything from how well competing products are selling to the strategic placement of its own products?
- A. Kia.
 - B. Fedex.
 - C. Frito lay.**
 - D. Audi.

Frito Lay uses environment scanning extensively.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #4
Learning Outcome: 2.1
Level: Easy*

Taxonomy: Knowledge & Understanding

5. All of the following are common tools used in industry to analyze and develop competitive advantages, except:
- A. Five forces model.
 - B. Three generic strategies.
 - C. Competitive analysis model.**
 - D. Value chain analysis.

A competitive analysis model is not discussed in this text.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #5
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

6. What does the Five Forces Model help determine the relative attractiveness of?
- A. An organization.
 - B. A company.
 - C. An industry.**
 - D. An investment.

This is the definition of Porter's Five Forces Model.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #6
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

7. Which of the following is not one of Porter's Five Forces?
- A. Buyer power.
 - B. Supplier power.
 - C. Threat of substitute buyers.**
 - D. Rivalry among existing competitors.

The answer should be the threat of substitute products or services, not substitute buyers.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #7
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

8. Which of the following forces is commonly reduced through the use of a loyalty program?
- A.** Buyer power.
 - B. Supplier power.
 - C. Threat of new entrants.
 - D. Rivalry among existing competitors.

To reduce buyer power an organization must make it more attractive for customers to buy from them than from their competition. One of the best IT-based examples is the loyalty programs that many organizations offer.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #8
Learning Outcome: 2.2
Level: Medium*

Taxonomy: Knowledge & Understanding

9. Which of the following represents buyer power in Porter's Five Forces Model?
- A. Low when buyers have many choices of whom to buy from and high when their choices are few.
 - B.** High when buyers have many choices of whom to buy from and low when their choices are few.
 - C. Low when buyers have many customers of whom to buy from and low when their customers are few.
 - D. High when buyers have many customers of whom to buy from and low when their customers are few.

This is the definition of buyer power.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #9
Learning Outcome: 2.2
Level: Medium*

Taxonomy: Knowledge & Understanding

10. Which of the following represents supplier power in Porter's Five Forces Model?
- A.** High when buyers have few choices of whom to buy from and low when their choices are many.
 - B. Low when buyers have few choices of whom to buy from and high when their choices are many.
 - C. High when buyers have many choices of whom to buy from and low when their choices are few.
 - D. None of the above.

This is the definition of supplier power.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #10
Learning Outcome: 2.2
Level: Medium*

Taxonomy: Knowledge & Understanding

11. Which of the following is an example of a loyalty program?
- A. Frequent-flier programs for airlines.
 - B. Frequent-stayer programs for hotels.
 - C. Frequent-dining programs for restaurants.
 - D.** All of the above.

All of the above are examples of loyalty programs.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #11
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

12. What is a business-to-business marketplace?
- A. An Internet-based service that brings together many buyers.
 - B. A personal business that brings together many sellers.
 - C.** An Internet-based service that brings together many buyers and sellers.
 - D. A personal business that brings together many buyers and sellers.

This is the definition of B2B marketplace.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #12
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

13. What is a business-to-business (B2B) marketplace in which a single buyer posts its needs and then opens the bidding to any supplier who would care to bid?
- A. Reverse auction.
 - B.** Private exchange.
 - C. Private auction.
 - D. Reverse exchange.

This is the definition of private exchange.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #13
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

14. What is an auction format in which increasingly lower bids are solicited from organizations willing to supply the desired product or service at an increasingly lower price?
- A.** Reverse auction.
 - B. Private exchange.
 - C. Private auction.
 - D. Reverse exchange.

This is the definition of reverse auction.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #14
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

15. Which of the following is an example of the way that information technology can reduce supplier power for an organization?
- A. Switching costs.
 - B.** Reverse auction.
 - C. Entry barrier.
 - D. Loyalty program.

A reverse auction reduces supplier power, while switching costs and entry barriers are typically used to increase supplier power.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #15
Learning Outcome: 2.2
Level: Medium*

Taxonomy: Knowledge & Understanding

16. What is an entry barrier?
A A product feature that customers have come to expect from organizations in a particular industry and must be offered by an entering organization to compete and survive.
B A service feature that customers have come to expect from organizations in a particular industry and must be offered by an entering organization to compete and survive.
C A product or service feature that customers have come to expect from organizations in a particular industry and must be offered by an entering organization to compete and survive.
D A product or service feature that customers no longer expect from organizations in a particular industry and do not need to be offered by an entering organization to compete and survive.

This is the definition of entry barrier.

AACSB: Use of Information Technology
Baltzan - Chapter 02 #16
Learning Outcome: 2.2

Level: Medium

Taxonomy: Knowledge & Understanding

17. Which of the following forces is commonly reduced through the use of switching costs?
A. Buyer power.
B. Supplier power.
C. Threat of substitute products or services.
D. Rivalry among existing competitors.

To reduce buyer power an organization must make it more attractive for customers to buy from them than from their competition. One of the best IT-based examples is the loyalty programs that many organizations offer.

AACSB: Use of Information Technology
Baltzan - Chapter 02 #17
Learning Outcome: 2.2

Level: Medium

Taxonomy: Knowledge & Understanding

18. What is high when competition is fierce in a market and low when competition is more complacent?
A. Buyer power.
B. Supplier power.
C. Threat of substitute products or services.
D. Rivalry among existing competitors.

This is the definition of rivalry among existing competitors.

AACSB: Use of Information Technology
Baltzan - Chapter 02 #18
Learning Outcome: 2.2

Level: Easy

Taxonomy: Knowledge & Understanding

19. All of the following are part of Porter's Three Generic Strategies, except:
A. Broad cost leadership.
B. Broad differentiation.
C. Focused strategy.
D. Business process strategy.

Business process strategy is not a part of Porter's Three Generic Strategies.

AACSB: Use of Information Technology
Baltzan - Chapter 02 #19
Learning Outcome: 2.3

Level: Easy

Taxonomy: Knowledge & Understanding

20. Which of the following is Hyundai using as its generic strategy?
A. Broad cost leadership.
B. Broad differentiation.
C. Focused cost leadership.
D. Focused differentiation.

Hyundai is following a broad cost leadership strategy.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #20
Learning Outcome: 2.3
Level: Medium
Taxonomy: Knowledge & Understanding*

21. Which of the following is Hummer using as its generic strategy?
A. Broad cost leadership.
B. Broad differentiation.
C. Focused cost leadership.
D. Focused differentiation.

Hummer is following a focuses differentiation strategy.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #21
Learning Outcome: 2.3
Level: Medium
Taxonomy: Knowledge & Understanding*

22. Which of the following is considered a business process?
A. Processing a customer's order.
B. Processing a customer's inquiry.
C. Processing a customer's complaint.
D. All of the above.

All of the above are considered business processes.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #22
Learning Outcome: 2.4
Level: Easy
Taxonomy: Knowledge & Understanding*

23. Which of the following can an organization use to evaluate the effectiveness of its business processes?
A. Porter's five forces model.
B. Three generic strategies.
C. Value chain.
D. First-mover advantage strategy.

Value chains are designed to evaluate business processes.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #23
Learning Outcome: 2.4
Level: Easy
Taxonomy: Knowledge & Understanding*

24. Which approach views an organization as a series of process, each of which adds value to the product or service for each customer?
- A. Low cost strategy.
 - B. Business process.
 - C. Value chain.**
 - D. First-mover advantage.

This is the definition of value chain.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #24
Learning Outcome: 2.4
Level: Easy*

Taxonomy: Knowledge & Understanding

25. Which part of the value chain acquires raw materials and manufactures, delivers, markets, sells and provides after-sales services?
- A. Primary value activities.**
 - B. Secondary value activities.
 - C. Support value activities.
 - D. None of the above.

This is the definition of primary value activities.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #25
Learning Outcome: 2.4
Level: Easy*

Taxonomy: Knowledge & Understanding

26. Which of the following supports the primary value activities in the value chain?
- A. Primary value activities.
 - B. Secondary value activities.
 - C. Support value activities.**
 - D. None of the above.

This is the definition of support value activities.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #26
Learning Outcome: 2.4
Level: Easy*

Taxonomy: Knowledge & Understanding

27. Which part of the value chain includes firm infrastructure, human resources management, technology development and procurement?
- A. Primary value activities.
 - B. Secondary value activities.
 - C. Support value activities.**
 - D. None of the above.

These functions are a part of the support value activities.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #27
Learning Outcome: 2.4
Level: Medium
Taxonomy: Knowledge & Understanding*

28. A competitive advantage is typically temporary, unless it is a first-mover advantage.

FALSE

All competitive advantages are typically temporary, especially first-mover advantages.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #28
Learning Outcome: 2.1
Level: Easy*

Taxonomy: Knowledge & Understanding

29. Buyer power, supplier power, threat of products or services, threat of new entrants and rivalry among existing competitors are all included in Porter's Five Forces Model.

FALSE

Threat of products or services should be Threat of "substitute" products or services.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #29
Learning Outcome: 2.2
Level: Medium*

Taxonomy: Knowledge & Understanding

30. Switching costs are typically used to influence the threat of substitute products or services.

TRUE

Switching costs are used by organizations to influence the threat of substitute products or services.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #30
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

31. An entry barrier is typically used to influence the rivalry among existing competitors.

FALSE

Entry barriers are used by organizations to influence the threat of new entrants.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #31
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

32. KIA is following a broad differentiation strategy.

FALSE

KIA is following a focused cost leadership strategy.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #32
Learning Outcome: 2.3
Level: Easy*

Taxonomy: Knowledge & Understanding

33. A(n) _____ advantage is a product or service that an organization's customers place a greater value on than similar offerings from a competitor.

Competitive

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #33
Learning Outcome: 2.1
Level: Easy*

Taxonomy: Knowledge & Understanding

34. A first mover advantage occurs when an organization can significantly impact its market share by being the first to market with a _____ advantage.

Competitive

AACSB: Use of Information Technology
Baltzan - Chapter 02 #34
Learning Outcome: 2.1
Level: Easy

Taxonomy: Knowledge & Understanding

35. Environmental scanning is the acquisition and analysis of events and trends in the environment _____ to an organization.

External

AACSB: Use of Information Technology
Baltzan - Chapter 02 #35
Learning Outcome: 2.1
Level: Medium

Taxonomy: Knowledge & Understanding

36. The Five Forces Model helps to determine the relative attractiveness of an _____.

Industry

AACSB: Use of Information Technology
Baltzan - Chapter 02 #36
Learning Outcome: 2.2
Level: Medium

Taxonomy: Knowledge & Understanding

37. Buyer power, supplier power, threat of substitute products or services, threat of new _____ and rivalry among existing competitors are all included in Porter's Five Forces Model.

Entrants

AACSB: Use of Information Technology
Baltzan - Chapter 02 #37
Learning Outcome: 2.2
Level: Easy

Taxonomy: Knowledge & Understanding

38. _____ power in the Porter's Five Forces Model is high when buyers have few choices of whom to buy from and low when their choices are many.

Supplier

AACSB: Use of Information Technology
Baltzan - Chapter 02 #38
Learning Outcome: 2.2
Level: Easy

Taxonomy: Knowledge & Understanding

39. _____ power in the Porter's Five Forces Model is high when buyers have many choices of whom to buy from and low when their choices are few.

Buyer

AACSB: Use of Information Technology
Baltzan - Chapter 02 #39
Learning Outcome: 2.2
Level: Easy

Taxonomy: Knowledge & Understanding

40. _____ programs reward customers based on the amount of business they do with a particular organization.

Loyalty

AACSB: Use of Information Technology
Baltzan - Chapter 02 #40
Learning Outcome: 2.2
Level: Easy

Taxonomy: Knowledge & Understanding

41. The travel industry is famous for its _____ programs.

Loyalty

AACSB: Use of Information Technology
Baltzan - Chapter 02 #41
Learning Outcome: 2.2
Level: Easy

Taxonomy: Knowledge & Understanding

42. A(n) _____ chain consists of all parties involved, directly or indirectly, in the procurement of a product or raw material.

Supply

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #42
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

43. A(n) _____ exchange is a business-to-business (B2B) marketplace in which a single buyer posts its needs and then opens the bidding to any supplier who would care to bid.

Private

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #43
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

44. A reverse auction is an auction format in which increasingly lower bids are solicited from organizations willing to supply the desired product or service at an increasingly _____ price.

Lower

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #44
Learning Outcome: 2.2
Level: Medium*

Taxonomy: Knowledge & Understanding

45. _____ costs are costs that can make customers reluctant to switch to another product or service.

Switching

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #45
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

46. An entry _____ is a product or service feature that customers have come to expect from organizations in a particular industry and must be offered by an entering organization to compete and survive.

Barrier

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #46
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

47. Rivalry among existing competitors is _____ when competition is fierce in a market.

High

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #47
Learning Outcome: 2.2
Level: Easy*

Taxonomy: Knowledge & Understanding

48. Audi is following a broad _____ strategy with its Quattro model which is available at several price points.

Differentiation

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #48
Learning Outcome: 2.3
Level: Medium*

Taxonomy: Knowledge & Understanding

49. A(n) _____ process is a standardized set of activities that accomplish a specific task, such as processing a customer's order.

Business

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #49
Learning Outcome: 2.4
Level: Easy*

Taxonomy: Knowledge & Understanding

50. Market and sell the product or service is considered a _____ value activity in the value chain.

Primary

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #50
Learning Outcome: 2.4
Level: Hard*

Taxonomy: Knowledge & Understanding

51. _____ value activities in the value chain acquire raw materials and manufactures, delivers, markets, sells and provides after-sales services.

Primary

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #51
Learning Outcome: 2.4
Level: Easy*

Taxonomy: Knowledge & Understanding

52. _____ value activities include firm infrastructure, human resource management, technology development and procurement.

Support

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #52
Learning Outcome: 2.4
Level: Easy*

Taxonomy: Knowledge & Understanding

53. Explain why competitive advantages are typically temporary.

Competitive advantages are typically temporary because competitors often seek ways to duplicate the competitive advantage. In turn, organizations must develop a strategy based on a new competitive advantage.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #53
Learning Outcome: 2.1
Level: Easy*

Taxonomy: Knowledge & Understanding

54. Explain how Frito Lay uses environmental scanning.

Frito lay sends its sales representatives into grocery stores to stock shelves with hand-held computers that record the product offerings, inventory and even product locations of competitors.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #54
Learning Outcome: 2.1
Level: Medium*

Taxonomy: Knowledge & Understanding

55. Describe and compare buyer power and supplier power in Porter's Five Forces Model. Also, explain how an organization can manipulate buyer power and supplier power.

Buyer power is high when buyers have many choices of whom to buy from and low when their choices are few. To reduce buyer power (and create a competitive advantage) an organization must make it more attractive for customers to buy from them than from their competition. One of the best IT-based examples is the loyalty programs that many organizations offer. Supplier power is high when buyers have few choices of whom to buy from and low when their choices are many. Supplier power is the converse of buyer (customer) power. A supplier organization in a market will want buyer (customer) power to be low. The supplier wants to be able to set any price it wants for its goods and if buyers (customers) have low power then they do not have any choice but to pay the high price since there is only one or two suppliers.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #55
Learning Outcome: 2.2
Level: Hard*

Taxonomy: Knowledge & Understanding

56. List and describe Porter's three generic strategies and provide an example of a company that is using each strategy.

Organizations typically follow one of Porter's three generic strategies when entering a new market. (1) Broad cost leadership, (2) broad differentiation, (3) focused strategy. Broad strategies reach a large market segment. Focused strategies target a niche market. Focused strategies concentrate on either cost leadership or differentiation. Company examples will vary.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #56
Learning Outcome: 2.3
Level: Medium*

Taxonomy: Knowledge & Understanding

57. Explain value chains and the differences between primary and support value activities.

Value chain approach views an organization as a chain or series of processes, each of which adds value to the product or service for each customer. To create a competitive advantage, the value chain must enable the organization to provide unique value to its customers. Examining the organization as a value chain determines which activities add value for customers. The organization can then focus specifically on those activities. Primary value activities acquire raw materials and manufacture, deliver, market, sell and provide after-sales services. Support value activities support the primary value activities. Customers determine the extent to which each activity adds value to the product or service. The competitive advantage is to (1) Target high value-adding activities to enhance their value, (2) Target low value-adding activities to increase their value, (3) Perform some combination of the two.

*AACSB: Use of Information Technology
Baltzan - Chapter 02 #57
Learning Outcome: 2.4
Level: Hard
Taxonomy: Knowledge & Understanding*

ch02 Summary

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