# Chapter 1: Defining Marketing for the 21st Century

# GENERAL CONCEPT QUESTIONS

# Multiple Choice

1. The most formal definition of marketing is \_\_\_\_\_\_\_\_.
2. meeting needs profitably
3. identifying and meeting human and social needs
4. the four Ps (product, price, place, promotion)
5. an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders
6. improving the quality of life for consumers

Answer: d Page: 5 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties.
   1. Marketing management
   2. Forecasting
   3. Segmentation
   4. Targeting
   5. Distribution

Answer: a Page: 5 Difficulty: Medium AACSB: Communication

1. Marketing management is \_\_\_\_\_\_\_\_.
   1. managing the marketing process
   2. monitoring the profitability of the company’s products and services
   3. selecting target markets
   4. developing marketing strategies to move the company forward
   5. the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value

Answer: e Page: 5 Difficulty: Easy

1. A social definition of marketing says \_\_\_\_\_\_\_\_.
   1. effective marketing requires companies to remove intermediary parties to achieve a closer connection with direct consumers
   2. a company should focus exclusively on achieving high production efficiency, low costs, and mass distribution to facilitate the broadest possible access to the company’s products
   3. marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others
   4. marketing is the process of extracting maximal value from consumers to facilitate corporate growth
   5. marketing is the process of aggressive selling and promotion to encourage the purchase of products that might otherwise be unsought by the consumer

Answer: c Page: 5 Difficulty: Medium

# \_\_\_\_\_\_\_\_ goods constitute the bulk of most countries’ production and marketing efforts.

* 1. Durable
  2. Impulse
  3. Physical
  4. Service
  5. Event

Answer: c Page: 6 Difficulty: Medium

1. As economies advance, a growing proportion of their activities focuses on the production of \_\_\_\_\_\_\_\_.
   1. products
   2. events
   3. experiences
   4. places
   5. services

Answer: e Page: 6 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ actively work to build a strong, favorable, and unique image in the minds of their target publics.
   1. Information
   2. Shopping goods
   3. Durable goods
   4. Organizations
   5. Properties

Answer: d Page: 7 Difficulty: Medium AACSB: Analytic Skills

1. Charles Revson of Revlon observed: “In the factory, we make cosmetics; in the store, **\_\_\_\_\_\_\_\_**.”
   1. we make profits
   2. we challenge competitors
   3. we implement ads
   4. we sell hope
   5. we sell quality

Answer: d Page: 7 Difficulty: Easy AACSB: Reflective Thinking

1. A \_\_\_\_\_\_\_\_is someone seeking a response (attention, a purchase, a vote, a donation) from another party, called the **\_\_\_\_\_\_\_\_.**
   1. salesperson; customer
   2. fund raiser; contributor
   3. politician; voter
   4. marketer; prospect
   5. celebrity; audience

Answer: d Page: 7 Difficulty: Hard AACSB: Analytic Skills

1. In \_\_\_\_\_\_\_\_, consumers may share a strong need that cannot be satisfied by an existing product.
   1. negative demand
   2. latent demand
   3. declining demand
   4. irregular demand
   5. nonexistent demand

Answer: b Page: 8 Difficulty: Medium

1. In \_\_\_\_\_\_\_\_, more customers would like to buy the product than can be satisfied.
   1. latent demand
   2. irregular demand
   3. overfull demand
   4. excessive
   5. negative demand

Answer: c Page: 8 Difficulty: Medium

1. In \_\_\_\_\_\_\_\_, consumers dislike the product and may even pay a price to avoid it.
   1. nonexistent demand
   2. overfull demand
   3. irregular demand
   4. negative demand
   5. declining demand

Answer: d Page: 8 Difficulty: Medium

1. Marketers often use the term \_\_\_\_\_\_\_\_ to cover various groupings of customers.
   1. people
   2. buying power
   3. demographic segment
   4. social class position
   5. market

Answer: e Page: 9 Difficulty: Hard AACSB: Analytic Skills

1. Companies selling mass consumer goods and services such as soft drinks, cosmetics, air travel, and athletic shoes and equipment spend a great deal of time trying to establish a superior brand image in markets called \_\_\_\_\_\_\_\_.
   1. business markets
   2. global markets
   3. consumer markets
   4. nonprofit and governmental markets
   5. service markets

Answer: c Page: 9 Difficulty: Medium AACSB: Analytic Skills

1. Much of a brand’s strength in consumer markets depends on \_\_\_\_\_\_\_\_.
   1. developing a superior product
   2. creating superior packaging
   3. ensuring the product’s availability
   4. backing the product with engaging communications and reliable service
   5. all of the above

Answer: e Page: 9 Difficulty: Hard AACSB: Analytic Skills

1. In business markets, advertising can play a role, but a stronger role may be played by the sales force, \_\_\_\_\_\_\_\_, and the company’s reputation for reliability and quality.
   1. brand image
   2. distribution
   3. promotion
   4. price
   5. performance

Answer: d Pages: 9–10 Difficulty: Hard AACSB: Communication

1. Global marketers must decide \_\_\_\_\_\_\_\_.
   1. which countries to enter
   2. how to enter each country (as an exporter, licenser, joint venture partner, contract manufacturer, or solo manufacturer)
   3. how to adapt their product and service features to each country
   4. how to price their products in different countries
   5. all of the above

Answer: e Page: 10 Difficulty: Medium AACSB: Reflective Thinking

1. Mohan Sawhney has proposed the concept of \_\_\_\_\_\_\_\_ to describe a cluster of complementary products and services that are closely related in the minds of consumers but are spread across a diverse set of industries.
   1. metamarket
   2. vertical integration
   3. horizontal integration
   4. betamarket
   5. synchronized marketing

Answer: a Page: 10 Difficulty: Hard

1. The \_\_\_\_\_\_\_\_ process consists of analyzing marketing opportunities, selecting target markets, designing marketing strategies, developing marketing programs, and managing the marketing effort.
   1. marketing planning
   2. strategic planning
   3. market research
   4. opportunity analysis
   5. share of customer

Answer: a Page: 11 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ are basic human requirements; \_\_\_\_\_\_\_\_ are the ways in which we satisfy those requirements, and they are shaped by our society.
   1. Wants; needs
   2. Demands; wants
   3. Needs; wants
   4. Needs; demands
   5. Demands; needs

Answer: c Page: 12 Difficulty: Medium AACSB: Ethical Reasoning

1. A(n) \_\_\_\_\_\_\_\_ need is a need that the consumer explicitly verbalizes.
   1. stated
   2. real
   3. unstated
   4. delight
   5. secret

Answer: a Page: 12 Difficulty: Hard AACSB: Reflective Thinking

1. The identification and profiling of distinct groups of buyers who might prefer or require varying product and service mixes is known as \_\_\_\_\_\_\_\_.
   1. segmentation
   2. integration
   3. disintermediation
   4. targeting
   5. partner relationship management

Answer: a Page: 13 Difficulty: Medium

1. Companies address needs by putting forth a(n) \_\_\_\_\_\_\_\_, a set of benefits that they offer to customers to satisfy their needs.
   1. brand
   2. value proposition
   3. offering
   4. target market
   5. demand

Answer: b Page: 13 Difficulty: Medium

1. A(n) \_\_\_\_\_\_\_\_ need is one that motivates the consumer but that the consumer is reluctant or unwilling to explicitly verbalize.
   1. real
   2. unstated
   3. delight
   4. secret
   5. stated

Answer: d Page: 13 Difficulty: Hard AACSB: Reflective Thinking

1. During market segmentation analysis, the marketer identifies which segments present the greatest opportunity. These segments are called \_\_\_\_\_\_\_\_.
   1. target markets
   2. primary markets
   3. tertiary markets
   4. demographic markets
   5. focused markets

Answer: a Page: 13 Difficulty: Medium AACSB: Analytic Skills

1. For each target market, the firm develops a \_\_\_\_\_\_\_\_. The offering is then positioned in the minds of the target buyers as delivering some central benefit(s).
   1. value offering
   2. niche offering
   3. market offering
   4. segment offering
   5. social offering

Answer: c Page: 13 Difficulty: Medium

1. *\_\_\_\_\_\_\_\_* reflects a customer’s judgment of a product’s performance in relation to his or her expectations.
   1. Loyalty
   2. Satisfaction
   3. Value
   4. Expectations
   5. Comparison shopping

Answer: b Page: 14 Difficulty: Medium AACSB: Reflective Thinking

1. If a marketer decides to use warehouses, transportation companies, banks, and insurance companies to facilitate transactions with potential buyers, the marketer is using what is called a \_\_\_\_\_\_\_\_.
   1. service channel
   2. distribution channel
   3. brand channel
   4. relationship channel
   5. intermediary channel

Answer: a Page: 14 Difficulty: Medium AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ is a long channel stretching from raw materials to components to final products that are carried to final buyers.
   1. communication channel
   2. distribution channel
   3. supply chain
   4. service channel
   5. marketing channel

Answer: c Page: 14 Difficulty: Medium

1. Value reflects \_\_\_\_\_\_\_\_.
   1. the price consumers are charged for a product
   2. the cost of manufacturing a product
   3. the degree to which consumer demand for the product is positive
   4. the sum of the perceived tangible and intangible benefits and costs to customers
   5. all of the above

Answer: d Page: 14 Difficulty: Hard AACSB: Ethical Reasoning

1. \_\_\_\_\_\_\_\_ includes all the actual and potential rival offerings and substitutes that a buyer might consider.
   1. Competition
   2. The product offering
   3. A value proposition
   4. The supply chain
   5. The marketing environment

Answer: a Page: 14 Difficulty: Easy AACSB: Reflective Thinking

1. The \_\_\_\_\_\_\_\_ includes the actors involved in producing, distributing, and promoting the offering. The main actors are the company, suppliers, distributors, dealers, and the target customers.
   1. operations environment
   2. management environment
   3. strategic environment
   4. task environment
   5. tactical environment

Answer: d Page: 15 Difficulty: Medium AACSB: Analytic Skills

1. Many countries have \_\_\_\_\_\_\_\_ industries to create greater competition and growth opportunities.
   1. open market
   2. deregulated
   3. regulated
   4. scientifically segmented
   5. created mass market

Answer: b Page: 15 Difficulty: Medium AACSB: Multicultural/Diversity

1. Rising promotion costs and shrinking profit margins are the result of \_\_\_\_\_\_\_\_.
   1. changing technology
   2. globalization
   3. deregulation
   4. privatization
   5. heightened competition

Answer: e Page: 15 Difficulty: Hard AACSB: Reflective Thinking

1. Industry boundaries are blurring rapidly as companies identify new opportunities at the intersection of two or more industries—this is called \_\_\_\_\_\_\_\_.
   1. globalization
   2. customization
   3. industry convergence
   4. heightened competition
   5. acquisition

Answer: c Page: 15 Difficulty: Medium

###### In response to giant retailers and category killers, entrepreneurial retailers are building entertainment into stores with coffee bars, lectures, demonstrations, and performances. They are marketing a(n) \_\_\_\_\_\_\_\_ rather than a product assortment.

###### experience

* 1. customer value
  2. customer delight
  3. total service solution
  4. intangible benefit(s)

Answer: a Page: 15 Difficulty: Medium AACSB: Reflective Thinking

1. In response to threats from such companies as AOL, Amazon.com, Yahoo!, eBay, E\*TRADE, and dozens of others, established manufacturers and retailers became “brick and click” oriented by adding online services to their existing offerings. This process became known as \_\_\_\_\_\_\_\_.
   1. reintermediation
   2. disintermediation
   3. e commerce
   4. e collaboration
   5. new market synchronization

Answer: a Page: 16 Difficulty: Hard AACSB: Use of IT

1. Many brick and click competitors became stronger contenders in the marketplace than the pure click firms because they had a larger pool of resources to work with and \_\_\_\_\_\_\_\_.
   1. better prices
   2. greater value
   3. well established brand names
   4. one on one communications
   5. direct selling capability

Answer: c Page: 16 Difficulty: Medium AACSB: Use of IT

1. Managers of \_\_\_\_\_\_\_\_ oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution.
   1. selling
   2. product
   3. production
   4. marketing
   5. consumer

Answer: c Page: 18 Difficulty: Medium AACSB: Reflective Thinking

1. The feasibility of companies dealing with customers one at a time has risen as a result of advances in \_\_\_\_\_\_\_\_, computers, the Internet, and database marketing software.
   1. improved communication flow
   2. information technology
   3. just in time manufacturing
   4. factory customization
   5. customer centered strategies

Answer: d Page: 18 Difficulty: Hard AACSB: Use of IT

1. The \_\_\_\_\_\_\_\_ concept holds that consumers will favor those products that offer the most quality, performance, or innovative features.
   1. product
   2. marketing
   3. production
   4. selling
   5. holistic marketing

Answer: a Page: 18 Difficulty: Easy

1. The \_\_\_\_\_\_\_\_ is practiced most aggressively with unsought goods, goods that buyers normally do not think of buying, such as insurance, encyclopedias, and cemetery plots.
   1. marketing concept
   2. selling concept
   3. production concept
   4. product concept
   5. holistic marketing concept

Answer: b Page: 19 Difficulty: Medium AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ concept holds that consumers and businesses, if left alone, will ordinarily not buy enough of the organization’s products.
   1. production
   2. selling
   3. marketing
   4. product
   5. holistic marketing

Answer: b Page: 19 Difficulty: Medium

1. Several scholars have found that companies who embrace the marketing concept achieve superior performance. This was first demonstrated for companies practicing a \_\_\_\_\_\_\_\_—understanding and meeting customers’ expressed needs.
   1. reactive market orientation
   2. proactive marketing orientation
   3. total market orientation
   4. impulsive market orientation
   5. holistic market orientation

Answer: a Page: 19 Difficulty: Medium

1. According to Theodore Levitt, who drew contrasts between the selling and marketing concepts, \_\_\_\_\_\_\_\_ is preoccupied with the need to convert products into cash.
   1. marketing
   2. selling
   3. direct marketing
   4. holistic marketing
   5. service marketing

Answer: b Page: 19 Difficulty: Medium

1. Companies that practice both a reactive and proactive marketing orientation are implementing a *\_\_\_\_\_\_\_\_* and are likely to be the most successful.
   1. total market orientation
   2. external focus
   3. customer focus
   4. competitive, customer focus
   5. confrontation process

Answer: a Page: 19 Difficulty: Medium AACSB: Reflective Thinking

1. Companies that adopt and employ the marketing concept switch from being solely product centered to being more \_\_\_\_\_\_\_\_ centered.
   1. competency
   2. strategy
   3. marketing
   4. customer
   5. sales

Answer: d Page: 19 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ can be seen as the development, design, and implementation of marketing programs, processes, and activities that recognizes the breadth and interdependencies of their effects.
   1. Niche marketing
   2. Holistic marketing
   3. Relationship marketing
   4. Supply chain marketing
   5. Demand centered marketing

Answer: b Pages: 19–20 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ marketing aims to build mutually satisfying long term relations with key parties such as customers, suppliers, distributors, and other marketing partners.
   1. Holistic
   2. Demand based
   3. Direct
   4. Relationship
   5. Synthetic

Answer: d Page: 20 Difficulty: Easy AACSB: Communication

1. The strength of the \_\_\_\_\_\_\_\_ depends on the mutually profitable business relationships built by the company and its supporting stakeholders.
   1. sales network
   2. holistic union
   3. marketing network
   4. supply chain network
   5. integrated network

Answer: c Page: 22 Difficulty: Hard AACSB: Communication

1. One traditional depiction of marketing activities is in terms of the marketing mix or four Ps. The four Ps are characterized as being \_\_\_\_\_\_\_\_.
   1. product, positioning, place, and price
   2. product, production, price, and place
   3. promotion, place, positioning, and price
   4. place, promotion, production, and positioning
   5. product, price, promotion, and place

Answer: e Page: 22 Difficulty: Medium

1. From a buyer’s point of view, each marketing tool is designed to deliver a customer benefit. The SIVA customer centric breakdown of marketing activities includes \_\_\_\_\_\_\_\_.
   1. sale, interaction, voice, and availability
   2. solution, information, value, and access
   3. satisfaction, intention, value, and account
   4. situation, importance, variability, and awareness
   5. none of the above

Answer: b Page: 23 Difficulty: Medium AACSB: Multicultural/Diversity

1. A firm can \_\_\_\_\_\_\_\_ only in the long run.
   1. reduce its sales force size
   2. develop new products
   3. change its price
   4. modify advertising expenditures
   5. All of the above may be done in the short or long run.

Answer: b Page: 23 Difficulty: Medium AACSB: Reflective Thinking

1. Holistic marketing incorporates \_\_\_\_\_\_\_\_, ensuring that everyone in the organization embraces appropriate marketing principles, especially senior management.
   1. profit objectives
   2. share of customer
   3. internal marketing
   4. the marketing mix
   5. strategic planning

Answer: c Page: 24 Difficulty: Hard AACSB: Analytic Skills

1. Companies are recognizing that much of their market value comes from \_\_\_\_\_\_\_\_, particularly their brands, customer base, employees, distributor and supplier relations, and intellectual capital.
   1. variable assets
   2. the value proposition
   3. intangible assets
   4. tangible assets
   5. customer preferences

Answer: c Page: 26 Difficulty: Easy AACSB: Reflective Thinking

1. Holistic marketing incorporates \_\_\_\_\_\_\_\_, an understanding of broader concerns in the ethical, environmental, legal, and social context of marketing activities.
   1. safe product design
   2. cultural marketing
   3. social responsibility marketing
   4. cross functional teams
   5. direct sales policies

Answer: c Page: 26 Difficulty: Medium

1. The \_\_\_\_\_\_\_\_ holds that the organization’s task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer’s and the society’s well being.
   1. customer centered business
   2. focused business model
   3. societal marketing concept
   4. ethically responsible marketing manager
   5. production centered business

Answer: c Page: 27 Difficulty: Medium AACSB: Analytic Skills

1. At the heart of any marketing program is the \_\_\_\_\_\_\_\_—the firm’s tangible offering to the market.
   1. service offer
   2. product
   3. sales support team
   4. packaging
   5. auxiliary offer

Answer: b Page: 29 Difficulty: Medium AACSB: Analytic Skill

1. \_\_\_\_\_\_\_\_ activities include those the company undertakes to make the product accessible and available to target customers.
   1. Consumer behavior
   2. Market segmentation
   3. Marketing research
   4. Channel
   5. New product development

Answer: d Pages: 29 30 Difficulty: Medium AACSB: Communication

1. Marketing feedback and \_\_\_\_\_\_\_\_ processes are necessary to understand the efficiency and effectiveness of marketing activities and how both could be improved.
   1. control
   2. analysis
   3. measurement
   4. retrospective
   5. consumer behavior

Answer: a Page: 30 Difficulty: Medium AACSB: Analytic Skills

# True/False

1. A short definition of marketing is “meeting needs profitably.”

Answer: True Page: 5 Difficulty: Easy AACSB: Analytic Skills

1. Value marketing is the “art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.”

Answer: False Page: 5 Difficulty: Medium

1. Services constitute the bulk of most countries’ production and marketing effort.

Answer: False Page: 6 Difficulty: Medium AACSB: Analytic Skills

1. The U.S. economy today consists of a 70–30 services to goods mix.

Answer: True Page: 6 Difficulty: Medium

1. “Friends Don’t Let Friends Drive Drunk,” is an example of marketing an experience to an interested audience.

Answer: False Page: 7 Difficulty: Hard AACSB: Reflective Thinking

1. Unwholesome demand occurs when consumers’ purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis.

Answer: False Page: 8 Difficulty: Hard AACSB: Analytic Skills

1. When consumers share a strong need that cannot be satisfied by an existing product, they are engaged in latent demand.

Answer: True Page: 8 Difficulty: Medium

1. Companies selling goods and services in the global marketplace have the advantage of being able to sell the goods and services in almost the same way as they do in their domestic market.

Answer: False Page: 10 Difficulty: Easy AACSB: Multicultural/Diversity

1. Companies selling their goods to nonprofit organizations may charge an extra premium over their normal prices because these organizations are largely indifferent to price.

Answer: False Page: 10 Difficulty: Medium AACSB: Reflective Thinking

1. A marketspace is physical, as when you shop in a store.

Answer: False Page: 10 Difficulty: Medium AACSB: Use of IT

1. Wants are basic human requirements such as food or air.

Answer: False Page: 12 Difficulty: Medium

1. Demands are wants for specific products backed by an ability to pay.

Answer: True Page: 12 Difficulty: Easy AACSB: Analytic Skills

1. Most marketers satisfy everyone in a market—that’s how they stay in business.

Answer: False Page: 13 Difficulty: Medium

1. The customer value triad consists of a combination of quality, service, and price.

Answer: True Page: 14 Difficulty: Hard AACSB: Analytic Skills

1. A distribution channel includes distributors, wholesalers, retailers, and agents that display, sell, or deliver the physical product or service(s) to the buyer or user.

Answer: True Page: 14 Difficulty: Easy

1. The main actors in the task environment are the components of demographics, economics, physical setting, technology, the political legal system, and the social cultural arena.

Answer: False Page: 14 Difficulty: Medium AACSB: Analytic Skills

1. Regulation of industries has created greater competition and growth opportunities because the playing field has been leveled.

Answer: False Page: 15 Difficulty: Hard AACSB: Reflective Thinking

1. Industry boundaries are blurring at an incredible rate as companies are recognizing that new opportunities lie at the intersection of two or more industries.

Answer: True Page: 15 Difficulty: Medium

1. The overabundance of information available on the Internet has made it more difficult for consumers to compare product features and prices.

Answer: False Page: 16 Difficulty: Easy AACSB: Reflective Thinking

1. Companies can facilitate and speed external communication among customers by creating online and off line “buzz” through brand advocates and user communities.

Answer: True Page: 17 Difficulty: Easy AACSB: Communication

1. The proliferation of targeted media and communication channels has allowed marketers to become much more aware of their target consumers’ preferences and to customize both products and messages for individual consumers.

Answer: True Page: 17 Difficulty: Medium AACSB: Communication

1. The marketing concept is one of the oldest concepts in business.

Answer: False Page: 18 Difficulty: Medium

1. The selling concept holds that consumers will favor those products that offer the most quality, performance, or innovative features.

Answer: False Page: 18 Difficulty: Medium AACSB: Analytic Skills

1. The marketing concept stresses a customer centered approach to marketing.

Answer: True Page: 19 Difficulty: Easy AACSB: Analytic Skills

1. The selling concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognizes their breadth and interdependencies.

Answer: False Page: 19 Difficulty: Medium AACSB: Analytic Skills

1. Relationship marketing aims to build mutually satisfying long term relationships with key parties.

Answer: True Page: 20 Difficulty: Medium

1. Attracting a new customer may cost five times as much as doing a good enough job to retain an existing one.

Answer: True Page: 22 Difficulty: Medium AACSB: Analytic Skills

1. The marketing mix component called *promotion* includes such items as product variety, design, packaging, services, and warranties.

Answer: False Page: 23 Difficulty: Medium

1. When a marketer makes decisions involving channels, assortments, locations, and transportation, the marketer is making what are called *place decisions*.

Answer: True Page: 23 Difficulty: Medium

1. Advertising, sales promotion, and direct marketing are all part of what is called the *offering mix.*

Answer: False Page: 23 Difficulty: Medium

1. One of the key themes of integrated marketing is that there are very few marketing activities that can effectively communicate and deliver value.

Answer: False Page: 22 Difficulty: Medium AACSB: Reflective Thinking

1. Internal marketing is an appropriate practice to be used in holistic marketing.

Answer: True Page: 24 Difficulty: Easy AACSB: Reflective Thinking

1. In most companies, marketing should focus on the customer and other departments should focus on the business itself.

Answer: False Page: 24 Difficulty: Easy AACSB: Reflective Thinking

1. Performance marketing involves reviewing metrics assessing market share, customer loss rate, customer satisfaction, and product quality in the evaluation of the effectiveness of marketing activities.

Answer: True Page: 26 Difficulty: Medium

1. The selling relationship concept holds that consumers will prefer products that are ethical, environmentally responsible, legal, and social in the context of marketing activities and programs.

Answer: False Page: 27 Difficulty: Medium AACSB: Analytic Skills

1. The societal marketing concept holds that the organization’s task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer’s and the society’s well being.

Answer: True Page: 27 Difficulty: Easy

1. Cause related marketing involves donating a percentage of revenues to a specific cause based on the revenue occurring during the announced period of support.

Answer: True Page: 27 Difficulty: Medium AACSB: Analytic Skills

1. Making gifts of money, goods, or time to help nonprofit organizations, groups, or individuals is known as corporate philanthropy.

Answer: True Page: 27 Difficulty: Medium

1. To understand what is happening inside and outside the company, the company needs a reliable marketing information system.

Answer: True Page: 28 Difficulty: Easy AACSB: Reflective Thinking

1. Because of surprises and disappointments that can occur as marketing plans are implemented, the company will need feedback and control to improve itself.

Answer: True Page: 30 Difficulty: Easy AACSB: Reflective Thinking

**Essay**

1. Marketing has been described being both an “art” and a “science.” Discuss the differences and similarities between these two marketing thrusts. Provide your theoretical response and a “real life” example where you have seen both processes work effectively at creating customer value and loyalty.

**Suggested Answer:** The student should demonstrate his or her understanding that the marketer must use data to understand customer needs and translate this understanding into properly designed products and services. They should also see the “art” side of human behavior, where the customer makes decisions based on emotions, such as the perceived benefits.

Page: 5 Difficulty: Medium AACSB: Reflective Thinking

1. Marketing people are involved in marketing 10 types of entities. List and briefly characterize those entities.

**Suggested Answer:** The types of entities that marketing people are involved in marketing are (1) goods—physical goods, (2) services—hotels and car rental, (3) events—time based events such as trade shows, (4) experiences—Walt Disney’s Magic Kingdom, (5) persons—celebrity marketing, (6) places—cities, states, regions, and even whole nations, (7) properties—intangible rights of ownership of either real property or financial property, (8) organizations—corporate identity, (9) information—information produced and marketed as a product, and (10) ideas—marketing the basic idea of a market offering.

Pages: 6–7 Difficulty: Hard AACSB: Analytic Skills

1. Marketers are skilled in stimulating demand for a company’s products, but this is too limited a view of the tasks they perform. Just as production and logistics professionals are responsible for supply management, marketers are responsible for demand management. Marketing managers seek to influence the level, timing, and composition of demand to meet the organization’s objectives. List and briefly characterize the eight demand states described in the text.

**Suggested Answer:** The eight different demand states are (1) negative demand—consumers dislike the product and may even pay a price to avoid it, (2) nonexistent demand—consumers may be unaware or uninterested in the product, (3) latent demand—consumers may share a strong need that cannot be satisfied by an existing product, (4) declining demand—consumers begin to buy the product less frequently or not at all, (5) irregular demand—consumer purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis, (6) full demand—consumers are adequately buying all products put into the marketplace, (7) overfull demand—more consumers would like to buy the product than can be satisfied, and (8) unwholesome demand—consumers may be attracted to products that have undesirable social consequences.

Page: 8 Difficulty: Hard AACSB: Analytic Skills

1. We can distinguish among five types of customer needs. List and provide an example of each of those customer needs.

**Suggested Answer:** The five types of customer needs are (note the example from the text): (1) stated needs—the customer wants an inexpensive car, (2) real needs—the customer wants a car whose operating cost, not its initial price, is low, (3) unstated needs—the customer expects good service from the dealer, (4) delight needs—the customer would like the dealer to include an onboard navigation system, and (5) secret needs—the customer wants to be seen by friends as a savvy consumer.

Pages: 12–13 Difficulty: Medium AACSB: Analytic Skills

1. Distinguish between the concepts of value and satisfaction.

**Suggested Answer:** The offering will be successful if it delivers value and satisfaction to the target buyer. The buyer chooses between different offerings on the basis of which is perceived to deliver the most value. *Value* reflects the perceived tangible and intangible benefits and costs to customers. Value can be seen as primarily a combination of quality, service, and price (called the *customer value triad*). *Satisfaction* reflects a person’s comparative judgments resulting from a product’s perceived performance (or outcome) in relation to his or her expectations.

Pages: 13–14 Difficulty: Medium AACSB: Reflective Thinking

1. Examine and document the factors that have brought about customers’ higher expectations of their suppliers. What are the major shifts in marketing management that have brought about these changes?

**Suggested Answer:** Students may not understand that our world’s capacity to produce products exceeds the needs. Therefore, customers have more choices and can be more demanding. The time crunch has allowed new providers to enter the market. For example, Netflix competes effectively with Blockbuster Video because they deliver videos to your home. It’s service like this that fits the customer needs to satisfy what money can buy—time. Students may use appropriate marketing management shifts as described in the chapter.

Pages: 16–17 Difficulty: Hard AACSB: Reflective Thinking

1. The competing concepts under which organizations have conducted marketing activities include: the production concept, product concept, selling concept, marketing concept, and holistic marketing concept. Evaluate the advantages and disadvantages of each concept as defined and presented in your textbook. Which concept do you believe is the most effective? Why?

**Suggested Answer:** Although students will be expected to research each concept, they should conclude the most effective concept is the holistic marketing concept, where companies need to have a more complete, cohesive approach that goes beyond traditional applications of the marketing concept.

Pages: 18–22 Difficulty: Medium AACSB: Reflective Thinking

1. Increasingly, a key goal of marketing is to develop deep, enduring relationships with all people or organizations that could directly or indirectly affect the success of the firm’s marketing activities. *Relationship marketing* has the aim of building mutually satisfying long term relations with key parties—customers, suppliers, distributors, and other marketing partners—in order to earn and retain their business.

Discuss the merits of relationship marketing. Describe in detail a company who is in business today that models relationship marketing.

**Suggested Answer:** Students should understand the relationship between any supplier and customer is not just in the mechanics of the transaction, but more importantly how the customer is treated during the transaction. The better the relationship, the more apt the customer will remain loyal. They should pick a company that has served them well and made them feel special each and every time.

Pages: 20–22 Difficulty: Medium AACSB: Communication

1. Identify and define the four Ps and the corresponding consumer oriented SIVA dimensions.

**Suggested Answer:** The four Ps are: Product (product variety, quality, design, features, brand name, packaging, sizes, services, warranties, returns), Price (list price, discounts, allowances, payment period, credit terms), Promotion (sales promotion, advertising, sales force, public relations, direct marketing), and Place (channels, coverage, assortments, locations, inventory, transportation). A complementary breakdown of marketing activities that approaches the process from a customer centric viewpoint is the SIVA framework: Solution (How can I solve my problem?), Information (Where can I learn more about it?), Value (What is my total sacrifice to get the solution?), and Access (Where can I find it?).

Page: 23 Difficulty: Hard AACSB: Analytic Skills

1. According to Starbucks Chairman Howard Schultz, “Consumers now commonly engage in a cultural audit of [product and service] providers. People want to know your value and ethics demonstrated by how you treat employees, the community in which you operate.” Discuss the concept of social responsibility marketing and how it impacts both companies and consumers.

**Suggested Answer:** The societal marketing concept holds that the organization’s task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfaction more effectively and efficiently than competitors in a way that preserves or enhances the consumer’s and society’s long term well being. Many companies actively engaged in corporate social responsibility campaigns to both motivate employees and attract consumers. As goods become more commoditized, and as consumers grow more socially conscious, some companies are adding social responsibility as a way to differentiate themselves from competitors, build consumer preference, and achieve notable sales and profit gains. They believe customers will increasingly look for signs of good corporate citizenship.

Pages: 26–27 Difficulty: Medium AACSB: Ethical Reasoning

# APPLICATION QUESTIONS

# Multiple Choice

1. When IKEA noticed that people wanted good furniture at a substantially lower price and created knockdown furniture, they demonstrated marketing savvy and turned a private or social need into a(n) \_\_\_\_\_\_\_\_.
   1. market need
   2. profitable business opportunity
   3. product development
   4. invention
   5. customer want

Answer: b Page: 5 Difficulty: Medium AACSB: Reflective Thinking

1. Car rental firms, barbers, and management consultants provide \_\_\_\_\_\_\_\_.
   1. goods
   2. experiences
   3. places
   4. services
   5. information

Answer: d Page: 6 Difficulty: Easy AACSB: Analytic Skills

1. Walt Disney’s Magic Kingdom represents \_\_\_\_\_\_\_\_ marketing: Customers visit a fairy kingdom, a pirate ship, or a haunted house.
   1. experiential
   2. services
   3. event
   4. celebrity
   5. goods

Answer: a Page: 6 Difficulty: Medium AACSB: Analytic Skills

1. Janet is very upset that she can’t get tickets to the new Rolling Stones concert. “Why do they keep advertising the show if you can’t get tickets?” wonders Janet. Which of the following demand states applies to Janet’s situation?
   1. nonexistent demand
   2. latent demand
   3. full demand
   4. unwholesome demand
   5. overfull demand

Answer: e Page: 8 Difficulty: Medium AACSB: Analytic Skills

1. When Jack purchases his air conditioning unit in the winter to avoid the high prices found in the summer, he is exhibiting *\_\_\_\_\_\_\_\_* demand.
   1. irregular
   2. declining
   3. impulse
   4. latent
   5. negative

Answer: a Page: 8 Difficulty: Medium AACSB: Analytic Skills

1. Julia hates smoking and is willing to pay an extra tax just to help eliminate smoking in her city. She is exhibiting \_\_\_\_\_\_\_\_ with respect to smoking.
   1. negative demand
   2. nonexistent demand
   3. latent demand
   4. declining demand
   5. unwholesome demand

Answer: a Page: 8 Difficulty: Medium AACSB: Analytic Skills

1. In a modern exchange economy, all of the following markets are likely to exist EXCEPT \_\_\_\_\_\_\_\_.
   1. resource market
   2. manufacturer market
   3. government market
   4. consumer market
   5. class market

Answer: e Page: 9 Difficulty: Medium AACSB: Reflective Thinking

1. In a simple marketing system, if the automobile industry sends advertising and personal sales messages to prospective buyers, it expects \_\_\_\_\_\_\_\_ in exchange.
   1. goods
   2. services
   3. money
   4. information
   5. image enhancement

Answer: d Page: 9 Difficulty: Medium AACSB: Analytic Skills

1. Automobile manufactures, new car and used car dealers, financing companies, and insurance companies are all part of the automobile \_\_\_\_\_\_\_\_.
   1. marketplace
   2. marketspace
   3. metamediary
   4. marketportal
   5. metamarket

Answer: e Page: 10 Difficulty: Medium

1. When Frank identifies a marketing opportunity to market his company’s ski and snowboard helmets to baby boomers interested in winter sports through advertisements in enthusiast magazines, Frank is going through the \_\_\_\_\_.
   1. metamarket
   2. marketing planning process
   3. social marketing concept
   4. supply chain conglomeration
   5. negative demand

Answer: b Page: 11 Difficulty: Medium AACSB: Analytic Skills

1. When a customer has a(n) \_\_\_\_\_\_\_\_ need, the customer might expect something like admiration from friends because he or she has purchased something that might indicate a certain market savvy.
   1. real
   2. unstated
   3. delight
   4. secret
   5. stated

Answer: d Page: 13 Difficulty: Hard AACSB: Analytic Skills

1. When Volvo runs advertisements suggesting that it is the safest car money can buy, it is engaging in which of the following forms of marketing programming?
   1. Technological
   2. Service
   3. Market segmentation
   4. Public relations
   5. Positioning

Answer: e Page: 13 Difficulty: Medium AACSB: Communication

1. When online dot coms, such as eBay and Amazon.com cut out the majority of middlemen that normally would participate in the exchange process, they were advocating \_\_\_\_\_\_\_\_.
   1. category killers
   2. every day low prices
   3. reintermediation
   4. disintermediation
   5. supply chain conglomeration

Answer: d Page: 16 Difficulty: Medium AACSB: Use of IT

1. Under which of the following company orientations toward the marketplace would we expect to find the “better mousetrap” fallacy?
   1. Production concept
   2. Product concept
   3. Selling concept
   4. Marketing concept
   5. Holistic marketing concept.

Answer: b Page: 18 Difficulty: Hard AACSB: Reflective Thinking

1. If marketers are characterized as “gardening” rather than “hunting,” the \_\_\_\_\_\_\_\_ is most likely to be the concept the marketers are following.
   1. production concept
   2. product concept
   3. selling concept
   4. marketing concept
   5. social responsibility concept

Answer: d Page: 19 Difficulty: Hard AACSB: Reflective Thinking

1. When 3M, HP, and Motorola practice researching or imaging latent needs of consumers through a “probe and learn” process, they are most likely using which of the following marketing orientations with respect to their consumers?
   1. Selling orientation
   2. Promotion orientation
   3. Supply side orientation
   4. Reactive market orientation
   5. Proactive marketing orientation

Answer: e Page: 19 Difficulty: Medium AACSB: Reflective Thinking

1. Companies that practice \_\_\_\_\_\_\_\_ are implementing a total market orientation and are likely to be the most successful.
   1. reactive market orientation
   2. proactive marketing orientation
   3. both reactive and proactive marketing orientation
   4. consolidation and acquisition
   5. “invent and market”

Answer: c Page: 19 Difficulty: Medium AACSB: Reflective Thinking

1. In which of the following dimensions of holistic marketing might we find an emphasis on communications, products and services, and channels?
   1. Internal marketing
   2. Integrated marketing
   3. Socially responsible marketing
   4. Global marketing
   5. Relationship marketing

Answer: b Page: 21 Difficulty: Medium AACSB: Analytic Skills

1. Kroger supermarkets are aggressively pursuing a strategy of capturing a larger share of the customer’s “stomach.” Which of the following shifts in marketing management is most appropriate for this example?
   1. From relying on old market positions to uncovering new ones.
   2. From marketing does the marketing to everyone does the marketing.
   3. From a focus on gaining market share to a focus on building customer share.
   4. From focusing on profitable transactions to focusing on customer lifetime value.
   5. From building brands through advertising to building brands through performance and integrated communications.

Answer: c Page: 22 Difficulty: Hard AACSB: Analytic Skills

1. A number of companies—including the Body Shop, Ben & Jerry’s, and Patagonia—have achieved notable sales and profit gains by adopting and practicing a form of the societal marketing concept called \_\_\_\_\_\_\_\_, by which a company with an image, product, or service to market builds a relationship or partnership with a cause, or a number of causes, for mutual benefit.
   1. social marketing
   2. environmental marketing
   3. cause related marketing
   4. benefit marketing
   5. responsible marketing

Answer: c Page: 27 Difficulty: Easy

# Short Answer

1. What would be a good social definition of marketing?

**Suggested Answer:** Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.

Page: 5 Difficulty: Medium

1. Discuss the eight demand states with respect to bifocal lenses for glasses.

**Suggested Answer:** Student answers may vary, but a possible answer includes the following: (1) negative demand—many people don’t want to admit they need bifocals, (2) nonexistent demand—when bifocal lenses were first introduced, people didn’t know they existed, (3) latent demand—before they were introduced, many people thought such a product would be nice, but didn’t think it would ever exist, (4) declining demand—this will occur when something better is invented, such as surgery to repair the eyes, (5) irregular demand—the consumer perceives a need for eye care devices only periodically, possibly when they begin having trouble seeing, (6) full demand—the manufacturers of the lenses are making all they possibly can, (7) overfull demand—the manufacturers of the lenses can’t make enough and inventories are low, and (8) unwholesome demand—seeking alternatives, consumers may find that alternatives have undesirable social consequences.

Page: 8 Difficulty: Hard AACSB: Reflective Thinking

1. New terms are now being used to describe where marketing is done. Using the automobile market, describe automotive buying behavior for a: (1) marketplace, (2) marketspace, and (3) metamarket.

**Suggested Answer:** Responses to this question should include a reference to the following: (1) marketplace—shopping for an automobile at a dealer’s lot, (2) marketspace—shopping for an automobile via the Internet, eBay, or even designing your own car via a manufacturer’s Web site, and (3) metamarket—(a cluster of complementary products and services that are closely related in the customer’s mind but are spread across a diverse set of industries) that might include insurance companies, the racing industry, the travel industry, the customization industry, et cetera. Individual answers might vary.

Page: 10 Difficulty: Medium AACSB: Analytic Skills

1. Identify the five key functions of the CMO in leading marketing within the organization.

**Suggested Answer:** The five key functions of the CMO in leading marketing within the organization are: (1) strengthening brands, (2) measuring marketing effectiveness, (3) driving new product development based on customer needs, (4) getting meaningful customer insights, (5) utilizing new marketing technology.

Page: 11 Difficulty: Medium AACSB: Reflective Thinking

1. Assume that you have been given the task of assisting a company in designing its marketing planning process. What components should be in such a process? Be specific in your answer.

**Suggested Answer:** The marketing planning process consists of analyzing marketing opportunities, selecting target markets, designing strategies, developing marketing programs, and managing the marketing effort. Students might also review Figure 1.6 for additional information.

Page: 11 Difficulty: Hard AACSB: Analytic Skills

1. Consumers often have many needs that are not readily obvious. Just observing their behavior inside a retail store is not enough to get a true feel for their “needs.” List and briefly describe the five types of needs that most consumers have.

**Suggested Answer:** The various consumer needs are: (1) stated needs—what the consumer says he or she wants—a car, (2) real needs—the customer wants a car whose operating costs, not its initial price, is low, (3) unstated needs—the customer expects good service and honesty from the dealer, (4) delight needs—the customer would like a DVD player set up thrown in to guarantee a quick signing of the purchase agreement, and (5) secret needs—inner fantasies such as gaining prestige with members of the opposite sex or friends.

Pages: 12–13 Difficulty: Hard AACSB: Analytic Skills

1. Wal Mart knows that to reach its target markets three kinds of marketing channels may be used. What are these three marketing channels and how might Wal Mart use each of them?

**Suggested Answer:** The three marketing channels are communication, distribution, and service channels. Wal Mart could use advertising to communicate price specials to consumers (communication channel), use wholesalers to assemble merchandise assortments to be sold in the Wal Mart stores (distribution channels), and use transportation companies (service channels) to extend Wal Mart’s global reach.

Page: 14 Difficulty: Hard AACSB: Analytic Skills

1. The marketplace isn’t what it used to be. List and briefly discuss what new behaviors, new opportunities, and new challenges await the marketer in the 21st century.

**Suggested Answer:** Responses to this question should include: (1) changing technology, (2) globalization, (3) deregulation, (4) privatization, (5) customer resistance, (6) heightened competition, (7) industry convergence, (8) retail transformation, and (9) disintermediation.

Pages: 15–16 Difficulty: Hard AACSB: Reflective Thinking

1. The digital revolution has placed a whole new set of capabilities in the hands of consumers and businesses. Consider what consumers have today that they didn’t have yesterday. As indicated in the chapter, what would appear on such a list?

**Suggested Answer:** Responses to this question should include: (1) a substantial increase in buying power, (2) a greater variety of available goods and services, (3) a great amount of information about practically anything, (4) a greater ease in interacting and placing and receiving orders, and (5) an ability to compare notes on products and services.

Page: 16 Difficulty: Hard AACSB: Use of IT

1. Discuss the concept of disintermediation and provide an example.

**Suggested Answer:** Disintermediation grew out of the rush to embrace the dot coms and e commerce. Essentially, the dot coms removed many of the traditional intermediaries that brought goods and services to consumers by encouraging consumers to deal directly with the dot coms via the Internet. “Brick and click” businesses eventually brought some of the intermediaries back through a process called *reintermediation.*

Page: 16 Difficulty: Medium AACSB: Use of IT

1. The Internet has given today’s companies a new set of capabilities. Among those capabilities is the ability to operate a new information channel. Describe how information can be used by the marketer in this new channel.

**Suggested Answer:** Companies can operate a powerful new information and sales channel, the Internet, with augmented geographical reach to inform and promote their businesses and products worldwide. By establishing one or more Web sites, a company can list its products and services, its history, its business philosophy, its job opportunities, and other information of interest to visitors. For additional information, see chapter section.

Page: 17 Difficulty: Medium AACSB: Use of IT

1. Arthur Jones has decided to build his manufacturing business (lawn mowers) around the production concept. If this approach is taken, what will be Mr. Jones’ primary areas of concentration as he builds his business?

**Suggested Answer:** This orientation holds that consumers will prefer products that are widely available and inexpensive. Managers of production oriented businesses concentrate on high production efficiency, low costs, and mass distribution. This approach is also used when a company wants to expand the market. Students may use these facts as they design their answer.

Page: 18 Difficulty: Medium AACSB: Analytic Skills

1. Illustrate the differences between a *reactive market orientation* and a *proactive marketing orientation*. Give an example of a company that uses a proactive marketing orientation

**Suggested Answer:** In a *reactive market orientation* a company might be content to keep up with understanding and meeting customers’ expressed needs. In a *proactive market orientation* a company such as Motorola might prefer to make a practice of researching and imagining latent needs through a “probe and learn” process. Students’ answers may vary but the basic concepts of reaction and proactivity should be clear in answers.

Page: 19 Difficulty: Medium AACSB: Analytic Skills

1. The ultimate outcome of relationship marketing is the building of a unique company asset called a *marketing network.* What would be the parts of a marketing network for a motorcycle company such as Harley Davidson?

**Suggested Answer:** A marketing network consists of the company and its supporting stakeholders. These stakeholders (in Harley Davidson’s case) might be customers, employees, suppliers, distributors, retailers, repair services, ad agencies, lobby groups, and motorcycle support clubs. The operating principle is simple: Build an effective network of relationships with key stakeholders, and profits will follow.

Page: 22 Difficulty: Medium AACSB: Analytic Skills

1. Linda Evans has been given the task of developing the product portion of her company’s marketing mix. List the components that will likely be included in this element of the marketing mix.

**Suggested Answer:** Product variety, quality, design, features, brand names, packaging, sizes, services, warranties, and returns are the key elements of the product portion of the marketing mix. To see a more complete diagram of the four Ps process, see Figure 1.5.

Page: 23 Difficulty: Medium AACSB: Analytic Skills

1. Discuss how companies can use the Internet to build their brands. Give an example of a company that has done so.

**Suggested Answer:** Online marketing activities can be used to build brands by increasing consumer exposure to the brand and creating an interactive experience between the customer and the brand, giving consumers access not only to company created information but also consumer generated content. For example, Carnival Connections, an online cruise booking site, made it easy for cruise fans to compare notes on cruise destinations and onboard entertainment.

Pages: 23–24 Difficulty: Medium AACSB: Reflective Thinking

1. Define internal marketing and its role in the company. Outline how various departments within the company outside marketing can demonstrate a customer focus.

**Suggested Answer:** Internal marketing must take place on two levels. At one level, the various marketing functions must work together. At the second level, other departments must embrace marketing and “think customer.” Students may use Table 1.1 to furnish various examples of customer centric focus outside the marketing department.

Pages: 24–25 Difficulty: Hard AACSB: Reflective Thinking

1. According to information provided in the chapter, McDonald’s has been involved in a variety of corporate social initiatives. Give an example of how McDonald’s might initiate cause related marketing, and define what cause related marketing is.

**Suggested Answer:** Cause related marketing is donating a percentage of revenues to a specific cause based on revenue occurring during the announced period of support. The example used in the chapter noted McDonald’s earmarking of $1 for Ronald McDonald Children’s Charities from the sale of every Big Mac and pizza sold on McHappy Day. Students may create additional examples but each should meet the parameters set above.

Page: 27 Difficulty: Medium AACSB: Analytic Skills

1. You have been given the assignment of justifying cause related marketing to your board of directors. What would be your primary argument in favor of such a proposal?

**Suggested Answer:** Companies see cause related marketing as an opportunity to enhance their corporate reputation, raise brand awareness, increase customer loyalty, build sales, and increase press coverage. They believe customers will increasingly look for signs of good corporate citizenship that go beyond supplying rational and emotional benefits.

Page: 27 Difficulty: Hard AACSB: Ethical Reasoning

1. Your firm is in the process of moving from focusing on a financial scorecard as the basis for running and evaluating your organization to a marketing scorecard approach. What is a marketing scorecard approach and what might be some of its components?

**Suggested Answer:** Top management is going beyond sales revenue alone to examine the marketing scorecard. Today, the shift to the marketing scorecard attempts to interpret what is happening to market share, customer loss rate, customer satisfaction, product quality, and other measures. Managers know changes in marketing indicators predict changes in financial results.

Pages: 26–27 Difficulty: Hard AACSB: Reflective Thinking

**Chapter 2: Developing Marketing Strategies and Plans**

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. The task of any business is to deliver \_\_\_\_\_\_\_\_ at a profit.
   1. customer needs
   2. products
   3. customer value
   4. products and services
   5. improved quality

Answer: c Page: 34 Difficulty: Medium

1. In a hypercompetitive economy such as ours, a company can win only by fine tuning the value delivery process and choosing, providing, and \_\_\_\_\_\_\_\_ superior value.
   1. communicating
   2. selecting target markets with
   3. composing
   4. developing
   5. researching

Answer: a Page: 34 Difficulty: Medium AACSB: Reflective Thinking

1. The traditional view of marketing is that the firm makes something and then \_\_\_\_\_\_\_\_ it.
   1. markets
   2. sells
   3. distributes
   4. prices
   5. services

Answer: b Page: 34 Difficulty: Easy

1. Today, the “mass market” is actually splintering into numerous \_\_\_\_\_\_\_\_, each with its own wants, perceptions, preferences, and buying criteria.
   1. micromarkets
   2. market targets
   3. macromarkets
   4. customer cliques
   5. demographic units

Answer: a Page: 34 Difficulty: Medium AACSB: Analytic Skills

1. The first phase of the value creation and delivery sequence is \_\_\_\_\_\_\_\_ that represents the “homework” marketing must do before any product exists.
   1. choosing the value
   2. market research
   3. target marketing
   4. service consideration
   5. projective thinking

Answer: a Page: 34 Difficulty: Medium

1. The last step in the value creation and delivery sequence is \_\_\_\_\_\_\_\_ the value where the sales force, sales promotion, advertising, and other communication tools announce and promote the product.
   1. developing
   2. distributing
   3. communicating
   4. reversing
   5. researching

Answer: c Page: 34 Difficulty: Medium AACSB: Communication

1. The \_\_\_\_\_\_\_\_ is a tool for identifying ways to create more customer value.
   1. value chain
   2. customer survey
   3. brand loyalty index
   4. promotion channel
   5. supplier database

Answer: a Page: 35 Difficulty: Easy AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ identifies nine strategically relevant activities that create value and cost in a specific business.
   1. value proposition
   2. value chain
   3. mission statement
   4. annual report
   5. manager’s log

Answer: b Page: 35 Difficulty: Medium AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ in the value chain cover the sequence of bringing materials into the business (inbound logistics), converting them into final products (operations), shipping out final products (outbound logistics), marketing them (marketing and sales), and servicing them (service).
   1. operations processes
   2. manufacturing processes
   3. primary activities
   4. secondary activities
   5. tertiary activities

Answer: c Page: 35 Difficulty: Medium

1. Procurement, technology development, human resource management, and firm infrastructure are handled in certain specialized departments and are called \_\_\_\_\_\_\_\_.
   1. materials handling
   2. support activities
   3. inventory activities
   4. primary activities
   5. benchmark activities

Answer: b Page: 35 Difficulty: Hard AACSB: Analytic Skills

1. The firm should estimate its competitors’ costs and performances as \_\_\_\_\_\_\_\_ against which to compare its own costs and performance.
   1. competition
   2. standards
   3. challenges
   4. benchmarks
   5. moveable standards

Answer: d Page: 35 Difficulty: Easy AACSB: Reflective Thinking

1. The firm’s success depends both on how well each department performs its work, and on how well the various departmental activities are coordinated to conduct *\_\_\_\_\_\_\_\_*.
   1. core strategies
   2. satellite businesses
   3. core values
   4. core business processes
   5. core technologies

Answer: d Page: 35 Difficulty: Medium AACSB: Reflective Thinking

1. With respect to core business processes, the \_\_\_\_\_\_\_\_ includes all the activities involved in gathering market intelligence, disseminating it within the organization, and acting on the information.
   1. market sensing process
   2. market research process
   3. target marketing process
   4. market pulse process
   5. deployment process

Answer: a Page: 35 Difficulty: Medium AACSB: Analytic Skills

1. With respect to the core business processes, the \_\_\_\_\_\_\_\_ includes all the activities involved in researching, developing, and launching new high quality offerings quickly and within budget.
   1. new product process
   2. new offering realization process
   3. product development process
   4. product launch process
   5. return on investment process

Answer: b Page: 35 Difficulty: Hard AACSB: Analytic Skills

1. With respect to the core business processes, the \_\_\_\_\_\_\_\_ is considered to be all the activities involved in defining target markets and prospecting for new customers.
   1. customer acquisition process
   2. customer relationship management process
   3. fulfillment management process
   4. customer prospecting process
   5. customer equity process

Answer: a Page: 35 Difficulty: Medium AACSB: Analytic Skills

1. A good way to describe the \_\_\_\_\_\_\_\_ would be to discuss all the activities involved in building deeper understanding, relationships, and offerings to individual customers.
   1. customer acquisition process
   2. customer relationship management process
   3. customer prospecting process
   4. customer fulfillment management process
   5. customer equity process

Answer: b Page: 35 Difficulty: Medium AACSB: Reflective Thinking

1. Another way to describe a value delivery network (partnering with specific suppliers and distributors) is to call it a \_\_\_\_\_\_\_\_.
   1. teamwork group
   2. cabal
   3. domestic power center
   4. link to relationships
   5. supply chain

Answer: e Page: 36 Difficulty: Easy

1. The key to utilizing organizational core competencies is to \_\_\_\_\_\_\_\_ that make up the essence of the business.
   1. force organizational departments to justify the budgetary components
   2. own all intermediaries who come in contact with the goods and services
   3. own and nurture the resources and competencies
   4. emphasize global promotions
   5. segment the workforces

Answer: c Page: 36 Difficulty: Hard AACSB: Reflective Thinking

1. We can say that a \_\_\_\_\_\_\_\_ has three characteristics: (1) It is a source of competitive advantage in that it makes a significant contribution to perceived customer benefits; (2) it has applications in a wide variety of markets; and (3) it is difficult for competitors to imitate.
   1. core competency
   2. business strategy
   3. core technology
   4. strategic business unit
   5. winning strategy

Answer: a Page: 36 Difficulty: Medium AACSB: Analytic Skills

1. Core competencies tend to refer to areas of special technical and production expertise, whereas \_\_\_\_\_\_\_\_ tend to describe excellence in broader business processes.
   1. process benchmarks
   2. distinctive capabilities
   3. core business values
   4. value statements
   5. mission statements

Answer: b Page: 36 Difficulty: Medium

1. Market driven organizations tend to excel in three distinctive capabilities: \_\_\_\_\_\_\_\_, customer linking, and channel bonding.
   1. target marketing
   2. market research
   3. fulfilling customer needs
   4. market sensing
   5. customer service relationships

Answer: d Page: 37 Difficulty: Medium AACSB: Reflective Thinking

1. Competitors find it hard to imitate companies such as Southwest Airlines, Dell, or IKEA because they are unable to copy their \_\_\_\_\_\_\_\_.
   1. product innovations
   2. distribution strategy
   3. pricing policies
   4. activity systems
   5. logistics system

Answer: d Page: 37 Difficulty: Hard AACSB: Reflective Thinking

1. One conception of holistic marketing views it as “integrating the value exploration, \_\_\_\_\_\_\_\_, and value delivery activities with the purpose of building long term, mutually satisfying relationships and coprosperity among key stakeholders.”
   1. value creation
   2. value proposition
   3. value management
   4. value research
   5. value chain

Answer: a Page: 38 Difficulty: Hard

1. Holistic marketers achieve profitable growth by expanding customer share, \_\_\_\_\_\_\_\_, and capturing customer lifetime value.
   1. undermining competitive competencies
   2. building customer loyalty
   3. milking the market for product desires
   4. renewing a customer base
   5. inspecting all market share data

Answer: b Page: 38 Difficulty: Medium AACSB: Analytic Skills

1. The holistic marketing framework is designed to address three key management questions. Which of the following is one of those questions?
   1. Value claims—how does the company deal with value erosion?
   2. Value proposition—how can value propositions be made profitable?
   3. Value chain—are there weak links in the company’s value chain?
   4. Value network—how can a company effectively network?
   5. Value exploration—how can a company identify new value opportunities?

Answer: e Page: 38 Difficulty: Hard AACSB: Analytic Skills

1. Business realignment may be necessary to maximize core competencies. Which of the following would be one of the steps in this realignment process?
   1. reviewing all macro relationships
   2. reviewing global outreach projections
   3. redefining the business concept (the “big idea”)
   4. reviewing successes from e commerce (if any)
   5. revamping the ethics statement

Answer: c Page: 38 Difficulty: Medium AACSB: Analytic Skills

1. The customer’s \_\_\_\_\_\_\_\_ reflects existing and latent needs and includes dimensions such as the need for participation, stability, freedom, and change.
   1. competence space
   2. resource space
   3. emotional space
   4. relationship space
   5. cognitive space

Answer: e Page: 39 Difficulty: Medium

1. The company’s \_\_\_\_\_\_\_\_ can be described in terms of breadth—broad versus focused scope of business; and depth—physical versus knowledge based capabilities.
   1. business mission
   2. core strategy
   3. cognitive space
   4. competency space
   5. resource space

Answer: d Page: 39 Difficulty: Medium AACSB: Analytic Skills

1. The collaborator’s \_\_\_\_\_\_\_\_ involves horizontal partnerships, where companies choose partners based on their ability to exploit related market opportunities, and vertical partnerships, where companies choose partners based on their ability to serve their value creation.
   1. resource space
   2. competency space
   3. cognitive space
   4. rational space
   5. service space

Answer: a Page: 39 Difficulty: Medium

1. *\_\_\_\_\_\_\_\_* allows the company to discover who its customers are, how they behave, and what they need or want. It also enables the company to respond appropriately, coherently, and quickly to different customer opportunities.
   1. Network management
   2. Strategic management
   3. Marketing management
   4. Customer relationship management
   5. Total quality management

Answer: d Page: 39 Difficulty: Medium

1. To respond effectively and provide value delivery, the company requires \_\_\_\_\_\_\_\_ to integrate major business processes within a single family of software modules.
   1. human resource management
   2. internal auditing management
   3. internal resource management
   4. strategic management
   5. marketing management

Answer: c Page: 39 Difficulty: Hard AACSB: Analytic Skills

1. With respect to value delivery, *\_\_\_\_\_\_\_\_* allows the company to handle complex relationships with its trading partners to source, process, and deliver products.
   1. a value matrix
   2. a global distribution policy
   3. a business development strategy
   4. business partnership management
   5. total quality management

Answer: d Page: 39 Difficulty: Medium AACSB: Analytic Skills

1. Successful marketing requires having capabilities such as understanding, creating, delivering, capturing, and sustaining \_\_\_\_\_\_\_\_.
   1. customer loyalty
   2. customer perks
   3. customer retention
   4. customer value
   5. customer benefits

Answer: d Page: 39 Difficulty: Easy AACSB: Reflective Thinking

1. Which of the three key areas of strategic planning deals specifically with devising a long term game plan for achieving long run objectives?
   1. creating a viable business opportunity
   2. producing a strategic fit
   3. developing an investment portfolio
   4. expanding core competencies
   5. establishing a strategy

Answer: e Page: 39 Difficulty: Medium AACSB: Analytic Skills

1. Most large companies consist of four organizational levels: the \_\_\_\_\_\_\_\_, the division level, the business unit level, and the product level.
   1. board of director level
   2. major stakeholder level
   3. management team level
   4. corporate level
   5. strategic level

Answer: d Page: 39 Difficulty: Easy AACSB: Analytic Skills

1. The **\_\_\_\_\_\_\_\_** is the central instrument for directing and coordinating the marketing effort.
   1. strategic plan
   2. marketing plan
   3. tactical plan
   4. customer value statement
   5. corporate mission

Answer: b Page: 39 Difficulty: Medium AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ lays out the target markets and the value proposition that will be offered, based on an analysis of the best market opportunities.
   1. organizational plan
   2. strategic marketing plan
   3. corporate tactical plan
   4. corporate mission
   5. customer value statement

Answer: b Pages: 39–40 Difficulty: Medium

1. If you wanted to find out more about target markets and the organization’s value proposition, which of the following types of plans would most likely contain information that might be useful to you in your quest?
   1. the marketing plan
   2. the organizational plan
   3. the strategic marketing plan
   4. the tactical marketing plan
   5. the marketing mix plan

Answer: c Pages: 39 Difficulty: Medium AACSB: Reflective Thinking

1. In which of the following plans would we most likely find directions for implementing and addressing daily challenges and opportunities in product features, promotion, merchandising, pricing, sales channels, and service areas?
   1. the tactical marketing plan
   2. the target marketing plan
   3. the deployment plan
   4. the product launch plan
   5. the product development plan

Answer: a Page: 40 Difficulty: Easy AACSB: Analytic Skills

1. Which of the following is one of the four planning activities undertaken by all corporate headquarters?
   1. defining the corporate mission
   2. establishing strategic business units
   3. assigning resources to each SBU
   4. assessing growth opportunities
   5. all of the above

Answer: e Page: 41 Difficulty: Medium

1. A clear, thoughtful mission statement provides employees with a shared sense of purpose, direction, and \_\_\_\_\_\_\_\_.
   1. profitability
   2. target market feasibility
   3. opportunity
   4. continuous improvement
   5. quality products

Answer: c Page: 42 Difficulty: Medium AACSB: Reflective Thinking

1. Mission statements are at their best when they reflect a \_\_\_\_\_\_\_\_.
   1. market
   2. strength
   3. competency
   4. vision
   5. value

Answer: d Page: 42 Difficulty: Medium AACSB: Reflective Thinking

1. Which of the following is one of the five major characteristics of good mission statements?
   1. They focus on a large number of goals.
   2. They expand the range of individual employee discretion.
   3. They define the major competitive spheres within which the company will operate.
   4. They take a short term view.
   5. They are long and comprehensive to ensure that all critical concepts are included.

Answer: c Page: 42 Difficulty: Medium AACSB: Reflective Thinking

1. The \_\_\_\_\_\_\_\_ is the number of channel levels, from raw materials to final product and distribution, in which a company will participate.
   1. industry sphere
   2. vertical sphere
   3. product/application sphere
   4. competence sphere
   5. market segment sphere

Answer: b Page: 42 Difficulty: Medium AACSB: Analytic Skills

1. Harvard professor Ted Levitt argues that \_\_\_\_\_\_\_\_ of a business are superior to \_\_\_\_\_\_\_\_.
   1. product definitions; service definitions
   2. service definitions; market definitions
   3. marketing definitions; market definitions
   4. market definitions; product definitions
   5. none of the above

Answer: d Page: 43 Difficulty: Medium

1. A \_\_\_\_\_\_\_\_ of a business focuses on selling a product or service to an existing market.
   1. target market definition
   2. strategic market definition
   3. mass market definition
   4. differentiated market definition
   5. integrated market definition

Answer: a Page: 44 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following terms matches to the phrase “it is a single business or collection of related businesses that can be planned separately from the rest of the company”?
   1. strategic business unit
   2. diverse business unit
   3. growth business unit
   4. niche market unit
   5. specialized business unit

Answer: a Page: 44 Difficulty: Easy

1. Market penetration, product development, and market development strategies would all be examples of \_\_\_\_\_\_\_\_ strategies.
   1. concentric
   2. conglomerate
   3. horizontal
   4. intensive growth
   5. integrative growth

Answer: d Page: 45 Difficulty: Hard AACSB: Analytic Skills

1. A company that seeks to increase its sales and profits through backward, forward, or horizontal integration within the industry is said to be employing a(n) \_\_\_\_\_\_\_\_ strategy.
   1. diversification growth
   2. intensive growth
   3. target growth
   4. integrative growth
   5. conglomerate growth

Answer: d Page: 46 Difficulty: Medium AACSB: Analytic Skills

1. A(n) \_\_\_\_\_\_\_\_ is when a company might seek new businesses that have no relationship to its current technology, products, or markets.
   1. concentric strategy
   2. conglomerate strategy
   3. horizontal strategy
   4. intensive growth strategy
   5. integrative strategy

Answer: b Page: 47 Difficulty: Medium

1. Which of the following terms most closely matches to “the shared experiences, stories, beliefs, and norms that characterize an organization”?
   1. organizational dynamics
   2. a business mission
   3. an ethical/value statement
   4. customer relationships
   5. corporate culture

Answer: e Page: 47 Difficulty: Medium AACSB: Analytic Skills

1. The first step in the business unit strategic planning process deals with which of the following?
   1. goal formulation
   2. business mission
   3. strategy formulation
   4. program formulation
   5. SWOT analysis

Answer: b Page: 48 Difficulty: Medium

1. When a business gets to know market segments intimately and pursues either cost leadership or differentiation within the target segment, it is employing a \_\_\_\_\_\_\_\_.
   1. defined strategy
   2. focused strategy
   3. value added strategy
   4. competitive advantage strategy
   5. customer focused strategy

Answer: b Page: 54 Difficulty: Hard AACSB: Analytic Skills

1. If a firm pursues a \_\_\_\_\_\_\_\_ strategy, it must be good at engineering, purchasing, manufacturing, and physical distribution.
   1. differentiation
   2. overall cost leadership
   3. focus
   4. domestic customer relationship
   5. market share

Answer: b Page: 54 Difficulty: Medium AACSB: Reflective Thinking

1. To keep their strategic alliances thriving, corporations have begun to develop organizational structures to support them and have come to view the ability to form and manage partnerships as core skills. This is called \_\_\_\_\_\_\_\_.
   1. value managed partnership
   2. synergistic partnership
   3. centralized partnership
   4. partner relationship management
   5. win win relationship management

Answer: d Page: 55 Difficulty: Hard AACSB: Analytic Skills

1. Traditionally, most businesses focused on stockholders. Today, the focus is on what are called \_\_\_\_\_\_\_\_.
   1. stakeholders
   2. partners
   3. regulators
   4. consumer triads
   5. supply chain relationships

Answer: a Page: 55 Difficulty: Easy AACSB: Analytic Skills

1. A \_\_\_\_\_\_\_\_ is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firm plans to reach its marketing objectives.
   1. strategic plan
   2. marketing plan
   3. sales plan
   4. target market plan
   5. competitive analysis plan

Answer: b Page: 56 Difficulty: Easy AACSB: Communication

1. Which of the following elements of a marketing plan permits senior management to grasp the plan’s major thrust?
   1. the situation analysis
   2. the marketing strategy
   3. the executive summary and table of contents
   4. financial projections
   5. implementation and controls

Answer: c Page: 57 Difficulty: Medium AACSB: Communication

1. Most marketing plans cover \_\_\_\_\_\_\_\_.
   1. one year
   2. two years
   3. three years
   4. four years
   5. five years

Answer: a Page: 57 Difficulty: Easy

1. The most frequently cited shortcomings of current marketing plans, according to marketing executives, are lack of realism, insufficient competitive analysis, and a \_\_\_\_\_\_\_\_ focus.
   1. long term
   2. profit
   3. short run
   4. product
   5. price

Answer: c Page: 57 Difficulty: Easy

**True/False**

1. The traditional view of marketing is that the firm makes something and then sells it.

Answer: True Page: 34 Difficulty: Easy AACSB: Reflective Thinking

1. The traditional view of marketing begins with a first step called *strategic marketing.*

Answer: False Page: 34 Difficulty: Hard

1. Segmentation, targeting, and positioning constitute the essence of strategic marketing.

Answer: True Page: 34 Difficulty: Medium

1. The customer relationship management process is all the activities involved in receiving and approving orders, shipping the goods on time, and collecting payment.

Answer: False Page: 35 Difficulty: Hard AACSB: Analytic Skills

1. The new offering realization process involves all activities in defining target markets and prospecting for new customers.

Answer: False Page: 35 Difficulty: Hard AACSB: Analytic Skills

1. A principle of the value chain is that every firm is a synthesis of activities performed to design, produce, market, deliver, and support its product.

Answer: True Page: 35 Difficulty: Easy

1. Another name for a company’s value delivery network is “the intermediary team.”

Answer: False Page: 36 Difficulty: Medium AACSB: Analytic Skills

1. A core competency is usually common among competitors in a given industry.

Answer: False Page: 36 Difficulty: Medium AACSB: Reflective Thinking

1. Competitive advantage ultimately derives from how well the company has guarded its core competencies from theft by competitors.

Answer: False Page: 37 Difficulty: Hard AACSB: Reflective Thinking

1. Holistic marketing focuses on the integration of value exploration, value creation, and value delivery as a means to build long term relationships with consumers.

Answer: True Page: 38 Difficulty: Medium

1. If a manager asks, “How can my company identify new value opportunities?” he or she is examining a management question identified as being value creation.

Answer: False Page: 38 Difficulty: Hard AACSB: Reflective Thinking

1. The marketing plan is the central instrument for directing and coordinating the marketing effort.

Answer: True Page: 39 Difficulty: Easy AACSB: Analytic Skills

1. A mission statement has as its primary focus the product and how to make it.

Answer: False Page: 42 Difficulty: Medium

1. One of the characteristics of a good mission statement is that it has an expansive number of goals for doing business.

Answer: False Page: 42 Difficulty: Medium AACSB: Reflective Thinking

1. A good illustration of a market definition of the business a company is in would be “We sell gasoline.”

Answer: False Page: 43 Difficulty: Medium AACSB: Reflective Thinking

1. An intensive growth strategy involving marketing current products to new markets is a market development strategy.

Answer: True Page: 45 Difficulty: Medium AACSB: Analytic Skills

1. If a company sought to expand the number of existing products sold to its current markets, it would use an integrative growth strategy labeled as “market penetration strategy.”

Answer: True Page: 45 Difficulty: Hard AACSB: Analytic Skills

1. If a company sought to grow via a strategy that required the company to seek new businesses that have no relationship to its current technology, products, or markets, the company would be using a diversification strategy called a conglomerate strategy.

Answer: True Page: 47 Difficulty: Medium AACSB: Analytic Skills

1. Scenario analysis can be used to assist companies in appraising how well their corporate culture might match (or not match) potential business partners or acquisitions.

Answer: True Page: 48 Difficulty: Medium

1. Marketing opportunities to supply something that is currently in short supply require significant marketing talent.

Answer: False Page: 49 Difficulty: Medium AACSB: Reflective Thinking

1. To evaluate opportunities, companies can use market opportunity analysis (MOA) to determine the attractiveness and probability of success.

Answer: True Page: 51 Difficulty: Easy

1. An environmental threat is a challenge posed by an unfavorable trend or development that would lead, in the absence of defensive marketing action, to lower sales or profit.

Answer: True Page: 51 Difficulty: Medium

1. Once a SWOT analysis has been completed, the strategic planner is ready to proceed to the goal formulation stage of the strategic planning process model.

Answer: True Page: 52 Difficulty: Medium AACSB: Analytic Skills

1. In applying MBO (management by objectives) all objectives are treated as being equally important—objective discrimination is not allowed.

Answer: False Page: 52 Difficulty: Medium

1. For an MBO (management by objectives) system to work, one of the four criteria that the unit’s objectives must meet is that objectives must be stated quantitatively whenever possible.

Answer: True Page: 52 Difficulty: Medium AACSB: Reflective Thinking

1. A good illustration of a marketing objective would to “decrease customer acquisition costs by 1.5 percent per quarter.”

Answer: True Page: 52 Difficulty: Easy AACSB: Reflective Thinking

1. A strategy is a game plan for achieving what the business unit wants to achieve.

Answer: True Page: 53 Difficulty: Easy AACSB: Reflective Thinking

1. A firm employing a focus strategymust be good at engineering, purchasing, manufacturing, and physical distribution.

Answer: False Page: 54 Difficulty: Hard AACSB: Analytic Skills

1. One of the four major categories of strategic alliance involves sharing personnel (e.g., human resource alliance) to staff alliance member marketing departments.

Answer: False Pages: 54–55 Difficulty: Medium

1. Partner relationship management (PRM) can be thought of as a corporation’s development of structures that support strategic alliances and treat the formation and management of partnerships as a core skill.

Answer: True Page: 55 Difficulty: Medium AACSB: Analytic Skills

1. Companies normally measure their profit performance using ROI; however, this approach suffers because profits are arbitrarily measured and subject to manipulation.

Answer: True Page: 56 Difficulty: Medium AACSB: Ethical Reasoning

1. A *marketing vision statement* is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firm plans to reach its marketing objectives.

Answer: False Page: 56 Difficulty: Hard

1. Marketing plans are becoming more production oriented because of the high costs of doing business in today’s economy.

Answer: False Page: 56 Difficulty: Medium AACSB: Reflective Thinking

1. The marketing plan should open with a situation analysis.

Answer: False Page: 57 Difficulty: Easy

1. The marketing strategy section of a marketing plan includes definitions of the mission and marketing and financial objectives.

Answer: True Page: 57 Difficulty: Medium AACSB: Analytic Skills

1. One of the key questions to ask in evaluating a marketing plan is whether the plan is simple or not.

Answer: True Page: 57 Difficulty: Medium AACSB: Reflective Thinking

1. Such areas as sales forecasts, expense forecasts, and break even analysis are usually found in the financial projections section of the marketing plan.

Answer: True Page: 57 Difficulty: Easy

1. Return on investment (ROI) shows how many units must be sold monthly to offset the monthly fixed costs and average per unit variable costs.

Answer: False Page: 57 Difficulty: Medium AACSB: Analytic Skills

1. Most marketing plans conclude with a section that indicates how the plan will be implemented.

Answer: True Page: 57 Difficulty: Easy

1. Within the marketing strategy section of the marketing plan, goals and budgets are spelled out for each month or quarter so management can review each period’s results and take corrective action as needed.

Answer: False Page: 57 Difficulty: Medium

**Essay**

1. Briefly summarize the two views of the value delivery process that may be followed by organizations seeking to gain business from consumers.

**Suggested Answer:** The traditional view of marketing is that the firm makes something and then sells it. Companies that subscribe to this view have the best chance of succeeding in economies marked by goods shortages where consumers are not fussy about the quality, features, or style. If abundant choices are present, this view does not work well. Another view emphasizes the organization’s role in the value delivery process. Strategic and tactical marketing are used to choose the value, provide the value, and communicate the value to consumers and channel partners. Marketing is moved to the first part of the delivery process.

Page: 34 Difficulty: Medium AACSB: Analytic Skills

1. The firm’s success depends not only on how well each department performs its work, but also on how well the various departmental activities are coordinated to conduct core business processes. List and briefly describe the five core business processes outlined in the text.

**Suggested Answer:** The core business processes include (1) the market sensing process—all the activities involved in gathering market intelligence, disseminating it within the organization, and acting on the information; (2) the new offering realization process—all the activities involved in researching, developing, and launching new high quality offerings quickly and within budget; (3) the customer acquisition process—all the activities involved in defining target markets and prospecting for new customers; (4) the customer relationship management process—all the activities involved in building deeper understanding, relationships, and offerings to individual customers; and (5) the fulfillment management process—all the activities involved in receiving and approving orders, shipping the goods on time, and collecting payment.

Page: 35 Difficulty: Hard AACSB: Analytic Skills

1. A successful company nurtures its resources and competencies. A core competency has three characteristics. Describe those characteristics.

**Suggested Answer:** Core competency characteristics are: (1) It is a source of competitive advantage; (2) it has applications in a wide variety of markets; and (3) it is difficult for competitors to imitate.

Page: 36 Difficulty: Medium AACSB: Analytic Skills

1. A holistic marketing orientation can provide insight into the process of capturing customer value and is designed to address three key management questions. Describe and illustrate each of these key management questions.

**Suggested Answer:** The three management questions are: (1) value exploration—how can a company identify new customer value opportunities? (2) value creation—how can a company efficiently create more promising new customer value offerings? and (3) value delivery—how can a company use its capabilities and infrastructure to deliver the new customer value offerings more efficiently?

Page: 38 Difficulty: Hard

1. Indicate the differences and similarities between the following terms: *marketing plan, strategic marketing plan,* and *tactical marketing plan.*

**Suggested Answer:** The marketing plan is the central instrument for directing and coordinating the marketing effort. The marketing plan operates at two levels: strategic and tactical. The strategic marketing plan lays out the target markets and the value proposition that will be offered, based on an analysis of the best market opportunities. The tactical marketing plan specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service.

Pages: 39–40 Difficulty: Medium AACSB: Analytic Skills

1. Good mission statements are essential to being a success in business. Describe the three major characteristics that good mission statements should have.

**Suggested Answer:** Major characteristics include: (1) They focus on a limited number of goals; (2) mission statements stress the company’s major policies and values; (3) they define the major competitive spheres within which the company will operate (e.g., industry, products and applications, competence, market segment, vertical, and geographical); (4) mission statements should take a long term view; and (5) they should b as short, memorable, and meaningful as possible.

Page: 42–43 Difficulty: Easy AACSB: Reflective Thinking

1. During the planning process, if there is a gap between future desired sales and projected sales, corporate management will need to develop or acquire new businesses to fill it. Identify and describe the three strategies that can be used to fill the strategic gap.

**Suggested Answer:** The first option is to identify opportunities to achieve further growth with current businesses (intensive growth opportunities). The second is to identify opportunities to build or acquire businesses that are related to current businesses (integrative growth opportunities). The third is to identify opportunities to add attractive businesses that are unrelated to current businesses (diversification growth opportunities).

Pages: 44–46 Difficulty: Hard AACSB: Analytic Skills

1. Assume that you are directed to prepare a short brief explaining the steps of the Business Unit Strategic Planning Process. Your task is to construct such a brief by carefully outlining the steps of the aforementioned process.

**Suggested Answer:** Refer to Figure 2.5 in the chapter for assistance. Students should be able to describe (in order) the business mission, SWOT analysis, goal formulation, strategy formulation, program formulation and implementation, and feedback and control. The descriptions do not need to be long; however, they do need to be consistent with the text material. Answers will vary but consistency should be a learning goal.

Pages: 48–56 Difficulty: Hard AACSB: Analytic Skills

1. Identify and give examples of the four major categories of strategic alliances.

**Suggested Answer:** The four major categories of strategic alliances include (1) product or service alliances, where one company licenses its product, or two companies jointly market their complementary products or a new product; (2) promotional alliances, where one company agrees to carry a promotion for another company’s product or service; (3) logistics alliances, where one company offers logistical services for another company’s product; and (4) pricing collaboration, where one or more companies join in an agreement on coordinated pricing. Student examples may vary.

Pages: 54–55 Difficulty: Hard AACSB: Analytic Skills

1. Briefly summarize the contents of a marketing plan.

**Suggested Answer:** The contents of a marketing plan include (1) an executive summary and table of contents; (2) a situation analysis; (3) marketing strategy; (4) financial projections; and (5) implementation controls. Descriptions of the content steps may vary but should be in keeping with the general outline of this section of the chapter. See text material for further information.

Page: 57 Difficulty: Hard

**APPLICATION QUESTIONS**

**Multiple Choice**

1. Apex Corporation is one of the best in its industry in terms of costs and performance. Many companies will probably use Apex as a \_\_\_\_\_\_\_\_.
   1. target
   2. benchmark
   3. competitor to beat
   4. future supplier
   5. sounding board for ideas

Answer: b Page: 35 Difficulty: Easy AACSB: Reflective Thinking

1. James Franks has been put in charge of gathering marketing intelligence, disseminating it within his organization, and eventually directing action on the information. Mr. Franks’ task is best described as part of the \_\_\_\_\_\_\_\_.
   1. market sensing process
   2. new offering realization process
   3. customer acquisition process
   4. customer relationship management process
   5. fulfillment management process

Answer: a Page: 35 Difficulty: Hard AACSB: Analytic Skills

1. When a customer places an order at BookBox.com, the company processes the customer’s payment information, sends the order to the nearest warehouse, and ships the order via FedEx. This is best described as the \_\_\_\_\_\_\_\_.
   1. market sensing process
   2. customer acquisition process
   3. customer relationship management process
   4. fulfillment management process
   5. new offering realization process

Answer: d Page: 35 Difficulty: Medium AACSB: Analytic Skills

1. Netflix, the pioneer online DVD rental service, has several \_\_\_\_\_\_\_\_, including fast delivery and a deep catalogue of titles for customers to choose from.
   1. core competency
   2. distinctive capabilities
   3. market savvy
   4. business touch
   5. intuitive synergy

Answer: b Page: 36 Difficulty: Medium AACSB: Analytic Skills

1. As Kodak addresses the digital revolution taking over the photographic industry, it wants customers to see it as a leader in digital photography and is moving away from its connection to print only photography. This would be an example of which of the following value creation steps?
   1. redefining the big idea
   2. reshaping the business scope
   3. repositioning the company’s brand identity
   4. redoing its corporate logo
   5. researching its competitors

Answer: c Page: 38 Difficulty: Hard AACSB: Analytic Skills

1. During Jill’s market research study, many customers indicated that traditional oven mitts made it very difficult to hold cooking utensils, pots, and baking dishes, resulting in frequent spills and burns. Jill brought her findings to the research department, and her company leveraged its engineering and design competencies to develop a new hand held hot pad that allows for significantly greater dexterity in handling hot cooking implements, while protecting the cook from burns. This is an example of the \_\_\_\_\_\_\_\_ element of the holistic marketing framework.
   1. value exploration
   2. value creation
   3. value delivery
   4. value networking
   5. value focus

Answer: b Page: 39 Difficulty: Medium AACSB: Reflective Thinking

1. Intel’s breakthrough “Intel Inside” marketing campaign built awareness of the brand in an attempt to improve perceptions of \_\_\_\_\_\_\_\_ and differentiate its chips from those of other competing manufacturers. This strategy allowed Intel to charge PC manufacturers a premium for its chips.
   1. customer value
   2. corporate planning
   3. competitive pricing
   4. business partner management
   5. resource efficiency

Answer: a Page: 40 Difficulty: Medium AACSB: Reflective Thinking

1. Juan Garcia is seen as a \_\_\_\_\_\_\_\_ planner because he plans the daily promotional releases about his company’s products and services.
   1. strategic
   2. selective
   3. tactical
   4. niche
   5. organizational

Answer: c Page: 40 Difficulty: Medium AACSB: Analytic Skills

1. Sony’s former president, Akio Morita, wanted everyone to have access to “personal portable sound,” so his company created the Walkman and portable CD player. This vision was reflected in the company’s \_\_\_\_\_\_\_\_.
   1. mission statement
   2. SWOT analysis
   3. consumer intelligence
   4. database
   5. vertical

Answer: a Page: 42 Difficulty: Easy AACSB: Analytic Skills

1. Gerber serves primarily baby food. In choosing to focus on the baby market, Gerber is defining its competitive sphere on the basis of \_\_\_\_\_\_\_\_.
   1. vertical
   2. competence
   3. market segment
   4. industry
   5. geography

Answer: c Page: 42 Difficulty: Medium AACSB: Reflective Thinking

1. Which of the following is best described as a market oriented business definition?
   1. Missouri Pacific Railroad: We run a railroad.
   2. Xerox: We make copying equipment.
   3. Standard Oil: We sell gasoline.
   4. Encyclopedia Britannica: We distribute information.
   5. Columbia Pictures: We make movies.

Answer: d Page: 42 Difficulty: Medium AACSB: Analytic Skills

1. If you were the CEO of a company that was looking to implement strategies to fill a perceived strategic planning gap, you would most likely explore \_\_\_\_\_\_\_\_ growth first because it is easier to improve an existing business than to build a new one.
   1. intensive
   2. integrative
   3. diversification
   4. conglomerate
   5. concentric

Answer: a Page: 44 Difficulty: Medium AACSB: Reflective Thinking

1. Once Starbucks had established itself as a presence in thousands of cities internationally, the company sought to increase the number of purchases by existing customers with a \_\_\_\_\_\_\_\_ strategy that led to new in store merchandise, including compilation CDs and high speed wireless access.
   1. product development
   2. market penetration
   3. diversification
   4. market development
   5. conglomerate

Answer: a Page: 45 Difficulty: Hard AACSB: Analytic Skills

1. When it was first launched, Google’s paid search platform represented a new strategy for revenue generation on the Internet. This is an example of innovation along which of the following dimensions?
   1. process
   2. supply chain
   3. value capture
   4. presence
   5. brand

Answer: c Page: 50 Difficulty: Hard AACSB: Analytic Skills

1. Through its cutting edge point of sale inventory management technology and highly efficient shipping practices, Wal Mart is able to keep its inventory and logistics costs extremely low and to pass these cost savings on to consumers in the form of low prices. Wal Mart’s strategy is best described as \_\_\_\_\_\_\_\_.
   1. focus
   2. integrative growth
   3. differentiation
   4. market development
   5. overall cost leadership

Answer: e Page: 54 Difficulty: Medium AACSB: Analytic Skills

1. After analyzing their company’s strengths and weaknesses, top managers at Loan Bright decided that they would serve individual loan officers who typically only wanted to purchase small sets of homebuyer data, rather than bigger institutional clients. To meet the needs of this segment, Loan Bright simplified its sales contract, restructured its advertising efforts to focus on Google ads, and created a separate customer service department. Loan Bright’s strategy is best described as a(n) \_\_\_\_\_\_\_\_ strategy.
   1. overall cost leadership
   2. focus
   3. differentiation
   4. logistics
   5. promotional

Answer: b Page: 54 Difficulty: Hard AACSB: Analytic Skills

1. In the online air travel industry, Travelocity is pursuing a(n) \_\_\_\_\_\_\_\_ strategy by offering the most comprehensive range of services to the traveler.
   1. overall cost leadership
   2. focus
   3. differentiation
   4. logistics
   5. promotional

Answer: c Page: 54 Difficulty: Medium AACSB: Analytic Skills

1. McDonald’s has often teamed up with Disney to offer products related to current Disney films as part of its meals for children. The best description of this form of alliance would a \_\_\_\_\_\_\_\_.
   1. product alliance
   2. logistics alliance
   3. pricing collaboration
   4. network alliance
   5. promotional alliance

Answer: e Page: 55 Difficulty: Medium AACSB: Analytic Skills

1. Abbot Laboratories warehouses and delivers 3M’s medical and surgical products to hospitals across the United States. The best description of this form of alliance would a \_\_\_\_\_\_\_\_.
   1. product alliance
   2. logistics alliance
   3. pricing collaboration
   4. network alliance
   5. promotional alliance

Answer: b Page: 55 Difficulty: Medium AACSB: Reflective Thinking

1. MasterCard and Visa may team up with university alumni associations to offer affinity credit cards that typically display an iconic image associated with the university on the card itself and may include an incremental donation program associated with purchases made using the card. The best description of this form of alliance would a \_\_\_\_\_\_\_\_.
   1. product alliance
   2. logistics alliance
   3. pricing collaboration
   4. network alliance
   5. promotional alliance

Answer: e Page: 55 Difficulty: Medium AACSB: Analytic Skills

**Short Answer**

1. As the marketing manager for a small regional toy manufacturer, what three strategic marketing processes would you use to choose the value of your offer?

**Suggested Answer:** The three processes would be (1) customer segmentation, (2) market selection/focus, and (3) value positioning.

Page: 34 Difficulty: Medium AACSB: Analytic Skills

1. Hot Topic, a chain that sells rock band inspired clothes for teens, recently launched Torrid to give plus size teens the same fashion options. Identify the three parts of the value delivery process and their function for Hot Topic.

**Suggested Answer:** The first phase, choosing the value, represents the “homework” marketing must do before any product exists. The second phase, providing the value, is where product features, prices, and distribution are selected. The third phase, communicating the value, utilizes the sales force, sales promotion, advertising, and other communication tools to announce and promote the product.

Page: 34 Difficulty: Medium AACSB: Reflective Thinking

1. Critics of Nike often complain that its shoes cost almost nothing to make, yet cost the consumer so much. Identify the elements of providing and communicating value that add to Nike’s cost structure and result in the high price of Nike’s shoes.

**Suggested Answer:** Although the raw materials and manufacturing costs of a sneaker are relatively cheap, marketing the product to the consumer is quite expensive. Providing value includes R&D costs and the costs associated with shipping to retail locations and the retailers’ overhead. Communicating value includes obtaining celebrity endorsement and extensive advertising. Nike must also pay for a sales force that communicates the product’s value to retailers and helps ensure that products are available in retail locations convenient to end consumers.

Page: 34 Difficulty: Hard AACSB: Reflective Thinking

1. Over the past 10 years, Cisco Systems has drastically reduced its number of suppliers and aligned itself more closely with its remaining suppliers for each of its product based teams. How might this have helped Cisco improve its new offering realization process?

**Suggested Answer:** By reducing the number of suppliers it uses, Cisco is able to work more closely with its few remaining suppliers, involving them in new product development and tapping their expertise in improving time to volume, cutting costs, and improving supplier quality.

Page: 35 Difficulty: Hard AACSB: Reflective Thinking

1. In the central role of strategic planning, only a handful of companies stand out as master marketers—Procter & Gamble, Southwest Airlines, Nike, Disney, Nordstrom, Wal Mart, and McDonald’s to name a few. From a consumer’s perspective why do you think they stand out? Explain.

**Suggested Answer:** Students should explain that these companies focus on the customer and are organized to respond effectively to changing customer needs. They all have well staffed marketing departments, and all their other departments—manufacturing, finance, research and development, personnel, purchasing—also accept the concept that the customer is king.

Page: 39 Difficulty: Medium AACSB: Reflective Thinking

1. Identify the elements of a tactical marketing plan for a new kind of cola.

**Suggested Answer:** The tactical marketing plan specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service. For a new kind of cola, the tactical marketing plan might include the packaging size and shape, the flavor, the kinds of advertising used (print, television, buzz marketing), how to price the new cola relative to other colas currently on the market, and where to sell the new cola (grocery stores, gas stations, vending machines, sandwich shops).

Page: 40 Difficulty: Medium AACSB: Reflective Thinking

1. Porsche makes only expensive cars and Gerber serves primarily the baby market. Which of the major competitive spheres within which a company can operate matches most closely to these two companies?

**Suggested Answer:** Several competitive spheres are mentioned (e.g., industry, products and applications, competence, market segment, vertical, and geographical). The sphere most appropriate in this case is market segment.

Page: 42 Difficulty: Hard AACSB: Analytic Skills

1. Gymboree is a 530 store chain that sells children’s clothing to upscale parents. Because there are not enough parents making more than $65,000 year to support more stores, Gymboree has created Janie and Jack, a chain selling upscale baby gifts. Which intensive growth strategy is Gymboree employing?

**Suggested Answer:** Gymboree is pursuing a product development strategy, targeting upscale parents of young children, many of whose peers are having children, with a new product sold through a new retail location.

Page: 45 Difficulty: Hard AACSB: Analytic Skills

1. Goodwin’s Grocery has decided to purchase a meat processing plant to gain more control of its beef supply and improve profits. Which form of integrative growth strategy has Goodwin’s employed?

**Suggested Answer:** Goodwin’s has selected a backward integration strategy.

Page: 46 Difficulty: Medium

1. From its origins as an animated film producer, Walt Disney Company has moved into licensing characters for merchandised goods and developed theme parks and vacation and resort properties. What strategy best describes Disney’s growth?

**Suggested Answer:** Disney has employed a diversification growth strategy, taking advantage of opportunities outside its original animated film business, leveraging the strength of its characters in new businesses.

Page: 46 Difficulty: Hard AACSB: Analytic Skills

1. When Yahoo! began to flounder in the 2001, CEO Terry Semel imposed a more conservative, buttoned down atmosphere on the freewheeling Internet start up. At the new Yahoo!, spontaneity is out and order is in. What term is most closely applied to this organizational change phenomenon? Be sure to explain what the term means with respect to this example.

**Suggested Answer:** The correct term would be *corporate* or *organizational culture.* Corporate culture has been defined as “the shared experiences, stories, beliefs, and norms that characterize an organization.”

Page: 47 Difficulty: Hard AACSB: Analytic Skills

1. Describe what happens in scenario analysis and explain why firms such as Royal Dutch/Shell Group use the technique.

**Suggested Answer:** Scenario analysis consists of developing plausible representations of a firm’s possible future that make different assumptions about forces driving the market and include different uncertainties. Answers may vary on why to use the concept but answers should be mindful of the definition given.

Page: 48 Difficulty: Medium AACSB: Reflective Thinking

1. Explain what happens in a SWOT analysis during the strategic planning process.

**Suggested Answer:** SWOT (strengths, weaknesses, opportunities, and threats) monitors the external and internal environment by examining key macroeconomic and microeconomic forces and actors that have an impact on the organization’s business and industry. See chapter for additional details on the SWOT analysis format.

Pages: 49–52 Difficulty: Medium

1. Good marketing is the art of finding, developing, and profiting from marketing opportunities. What are the three primary methods for uncovering possible product or service improvements.

**Suggested Answer:** Methods for uncovering possible product or service improvements include (1) the problem detection method, which asks consumers for their suggestions; (2) the ideal method, which asks consumers to imagine an ideal version of the product or service; and (3) the consumption chain method, which asks consumers to chart their steps in acquiring, using, and disposing of a product.

Page: 50 Difficulty: Medium AACSB: Analytic Skills

1. What questions would typically be asked during a market opportunity analysis (MOA)?

**Suggested Answer:** Questions would typically be: (1) Can the benefits involved in the opportunity be articulated convincingly to a defined target market(s)? (2) Can the target market(s) be located and reached with cost effective media and trade channels? (3) Does the company posses or have access to the critical capabilities and resources needed to deliver the customer benefits? (4) Can the company deliver the benefits better than any actual or potential competitors? and (5) Will the financial rate of return meet or exceed the company’s required threshold for investment?

Page: 51 Difficulty: Hard AACSB: Analytic Skills

1. For an MBO system to work, the business unit attempting to implement the process must meet four criteria. What are those criteria?

**Suggested Answer:** The criteria are: (1) They must be arranged hierarchically, from the most to the least important; (2) objectives should be stated quantitatively whenever possible; (3) goals must be realistic; and (4) objectives must be consistent.

Page: 52–53 Difficulty: Hard AACSB: Reflective Thinking

1. Which of Michael Porter’s generic strategies would be most appropriate for an organization that concentrates on achieving superior performance in an important customer benefit area valued by a large part of the market?

**Suggested Answer:** The strategy that would be most appropriate would be that of differentiation.

Page: 54 Difficulty: Medium AACSB: Analytic Skills

1. Michael Porter draws a firm distinction between operational effectiveness and a strategy. Briefly describe this distinction and identify when a company can claim that it has a strategy.

**Suggested Answer:** Competitors can quickly copy the operationally effective company using benchmarking and other tools, thus diminishing the advantage of operational effectiveness. Porter defines strategy as “the creation of a unique and valuable position involving a different set of activities.” A company can claim that it has a strategy when it “performs different activities from rivals or performs similar activities in different ways.”

Page: 54 Difficulty: Hard AACSB: Reflective Thinking

1. When H&R Block and Hyatt Legal Services combined their efforts (two service businesses), they also joined marketing forces to create a strong alliance. Which of the alliance forms cited in the text most closely matches the H&R Block and Hyatt Legal Services alliance? Explain.

**Suggested Answer:** This alliance is called a *product* or *service alliance* where one company licenses another to produce its product, or two companies jointly market their complementary products or a new product.

Pages: 54–55 Difficulty: Medium AACSB: Analytic Skills

1. Characterize a marketing plan.

**Suggested Answer:** A marketing plan is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firm plans to reach its marketing objectives. It contains tactical guidelines for the marketing programs and financial allocations over the planning period.

Page: 56 Difficulty: Easy AACSB: Reflective Thinking

**Chapter 3:**

**Gathering Information and Scanning the Environment**

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. The major responsibility for identifying significant marketplace changes falls to the \_\_\_\_\_\_\_\_.
   1. U.S. Department of Labor
   2. company’s marketers
   3. American Marketing Association
   4. industry lobby groups found in Washington D.C.
   5. marketing research industry

Answer: b Page: 66 Difficulty: Easy

1. All of the following questions EXCEPT one would be considered to be forms of information needs probes. Which one?
   1. What decisions do you regularly make?
   2. What information do you need to make decisions?
   3. What data analysis programs would you want?
   4. What magazines and trade reports would you like to see on a regular basis?
   5. What products would be most closely matched to consumer needs?

Answer: e Page: 67 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers.
   1. A marketing information system
   2. A marketing research system
   3. A marketing intelligence system
   4. A promotional campaign
   5. A marketing database

Answer: a Page: 67 Difficulty: Medium AACSB: Analytic Skills

1. The company’s marketing information system should be a cross between what managers think they need, what managers really need, and \_\_\_\_\_\_\_\_.
   1. what the marketing research department is able to do
   2. what consumers are willing to share
   3. what the competition is doing
   4. what is acceptable industry practice
   5. what is economically feasible

Answer: e Page: 67 Difficulty: Medium AACSB: Reflective Thinking

1. The heart of the internal records system is the \_\_\_\_\_\_\_\_.
   1. database
   2. asset acquisition process
   3. order to payment cycle
   4. service consideration
   5. information liquidity ratio

Answer: c Page: 67 Difficulty: Hard

1. When a marketer “mines” his or her company’s database, fresh insights can be gained into neglected customer segments, \_\_\_\_\_\_\_\_, and other useful information.
   1. recent customer trends
   2. long term competitive trends
   3. possible new inventions
   4. possible new technologies
   5. new primary data possibilities

Answer: a Page: 69 Difficulty: Medium AACSB: Analytic Skills

1. The internal records system supplies resultsdata, but the marketing intelligence system supplies \_\_\_\_\_\_\_\_ data.
   1. concurrent
   2. secondary
   3. research
   4. happenings
   5. premium

Answer: d Page: 69 Difficulty: Medium AACSB: Reflective Thinking

1. A \_\_\_\_\_\_\_\_ is a set of procedures and sources managers use to obtain everyday information about developments in the marketing environment.
   1. marketing research system
   2. marketing information system
   3. product management system
   4. marketing intelligence system
   5. vertical system

Answer: d Page: 69 Difficulty: Medium AACSB: Use of IT

1. A company can take several steps to improve the quality of its marketing intelligence. If the company purchases competitive products for study, attends open houses and trade shows, and reads competitors’ published reports and stockholder information, the company is using \_\_\_\_\_\_\_\_ to improve the quality of its marketing intelligence.
   1. sales force surrogates
   2. intermediaries
   3. external networks
   4. advisory panels
   5. customer feedback systems

Answer: c Page: 69 Difficulty: Hard AACSB: Analytic Skills

1. All of the following would be considered to be steps to improve the quality of marketing intelligence in a company EXCEPT \_\_\_\_\_\_\_\_.
   1. training and motivating the sales force to spot and report new developments
   2. using guerrilla tactics such as going through a competitor’s trash
   3. motivating intermediaries to pass along important information
   4. networking externally
   5. purchasing information from outside suppliers

Answer: b Pages: 69–71 Difficulty: Easy AACSB: Ethical Reasoning

1. The 2000 U.S. census provides an in depth look at the population swings, demographic groups, regional migrations, and changing family structure of 281+ million people. Which of the following steps to improve the quality of a company marketing intelligence system would be most closely associated with this illustration?
   1. A company can purchase information from outside suppliers.
   2. A company can take advantage of government data sources.
   3. A company can use online customer feedback systems to collect data.
   4. A company can network externally.
   5. A company can use its sales force to collect and report data.

Answer: b Pages: 70–71 Difficulty: Easy AACSB: Reflective Thinking

1. One of the difficulties of using chat rooms and blogs to collect competitive intelligence is that \_\_\_\_\_\_\_\_.
   1. their unstructured nature makes it difficult for marketers to find relevant messages
   2. people are generally unwilling to share their perspective on products and services without being paid for them
   3. they constitute a very expensive form of market research
   4. it is difficult to access chat rooms and blogs because of privacy issues
   5. All of the above are difficulties experienced when using chat rooms and blogs to collect competitive intelligence.

Answer: a Page: 71 Difficulty: Medium AACSB: Use of IT

1. There are several ways marketers can find relevant online information on competitors’ products and weaknesses, summary comments, and overall performance rating of a product, service, or supplier. \_\_\_\_\_\_\_\_ is(are) a type of site that is concentrated in financial services and high tech products that require professional knowledge.
   1. Independent customer goods and service reviews
   2. Distributor or sales agent feedback sites
   3. Combo sites offering customer reviews and expert opinions
   4. Customer complaint sites
   5. Shopping bot service sites

Answer: c Page: 72 Difficulty: Hard AACSB: Use of IT

1. A \_\_\_\_\_\_\_\_ is “unpredictable, short lived, and without social, economic, and political significance.”
   1. fad
   2. fashion
   3. trend
   4. megatrend
   5. style

Answer: a Page: 72 Difficulty: Medium

1. A \_\_\_\_\_\_\_\_ is a direction or sequence of events that has some momentum and durability; the shape of the future is revealed and many opportunities are provided.
   1. fad
   2. fashion
   3. trend
   4. megatrend
   5. style

Answer: c Page: 72 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ have been described as “large social, economic, political and technological changes [that] are slow to form, and once in place, they influence us for some time—between seven and ten years, or longer.
   1. Fads
   2. Fashions
   3. Trends
   4. Megatrends
   5. Styles

Answer: d Page: 73 Difficulty: Medium

1. The beginning of the new century brought a series of new challenges. All of the following would be considered to be among those challenges EXCEPT \_\_\_\_\_\_\_\_.
   1. a deterioration of innovative ideas
   2. the steep decline of the stock market
   3. increasing unemployment
   4. corporate scandals
   5. the rise of terrorism

Answer: a Page: 74 Difficulty: Medium AACSB: Reflective Thinking

1. With the rapidly changing global picture, the firm must monitor six major forces. All of the following would be among those forces EXCEPT \_\_\_\_\_\_\_\_.
   1. demographic
   2. economic
   3. social cultural
   4. natural
   5. promotional

Answer: e Page: 74 Difficulty: Easy AACSB: Analytic Skills

1. The main demographic force that marketers monitor is \_\_\_\_\_\_\_\_.
   1. suppliers
   2. competitors
   3. communication (such as advertising)
   4. government reports dealing with birth rates
   5. population

Answer: e Page: 75 Difficulty: Easy AACSB: Reflective Thinking

1. A significant fact about population growth and population shifts is that in 2005, \_\_\_\_\_\_\_\_.
   1. the youth market exceeded that of the adult market
   2. people over the age of 60 outnumbered those under five years of age
   3. baby boomers were eclipsed by Gen X young adults
   4. most age group segments were about equal
   5. N Generation young adults surpassed the baby boomers as the largest age segment

Answer: b Page: 76 Difficulty: Hard

1. The \_\_\_\_\_\_\_\_ regions of the world currently account for 76% of the world population and are growing almost four times faster than the populations of \_\_\_\_\_\_\_\_ regions.
   1. industrialized; service based
   2. less developed; more developed
   3. Western; Eastern
   4. wealthier; poorer
   5. Democratic; Socialist

Answer: b Pages: 75–76 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ are groups of individuals who are born during the same time period and travel through life together.
   1. Cohorts
   2. Populations
   3. Demographics
   4. Societies
   5. Markets

Answer: a Page: 76 Difficulty: Medium AACSB: Analytic Skills

1. More than any other group, the \_\_\_\_\_\_\_\_ cohort accepts cultural diversity and puts personal life ahead of work life.
   1. World War II
   2. postwar
   3. leading edge baby boomer
   4. trailing edge baby boomer
   5. Generation X

Answer: e Page: 76 Difficulty: Medium

1. Although still a work in progress, the \_\_\_\_\_\_\_\_ cohort is more idealistic and social cause oriented, without the cynical, what’s in it for me mindset of other cohorts.
   1. N Generation
   2. postwar
   3. leading edge baby boomer
   4. Depression
   5. Generation X

Answer: a Page: 76 Difficulty: Medium

1. According to the 2000 census, the U.S. population of 276.2 million was 72% white and \_\_\_\_\_\_\_\_ % African American. The remainder consisted of Hispanic Americans and other minorities.
   1. 20
   2. 18
   3. 15
   4. 13
   5. 11

Answer: d Page: 77 Difficulty: Hard AACSB: Multicultural/Diversity

1. Frequently noted as a megatrend, the increasing percentage of \_\_\_\_\_ in the total population represents a major shift in cultural center of gravity in the United States.
   1. African Americans
   2. European Americans
   3. Asian Americans
   4. Hispanic Americans
   5. Middle Eastern Americans

Answer: d Page: 77 Difficulty: Medium AACSB: Multicultural/Diversity

1. Diversity goes beyond ethnic and racial markets. More than \_\_\_\_\_\_\_\_ million Americans have disabilities, and they constitute a market for home delivery companies (and others).
   1. 50
   2. 40
   3. 30
   4. 20
   5. 10

Answer: a Page: 78 Difficulty: Hard

1. Two thirds of all illiterate adults are \_\_\_\_\_\_\_\_.
   1. Chinese
   2. middle class
   3. women
   4. living in industrialized countries
   5. none of the above

Answer: c Page: 78 Difficulty: Medium AACSB: Multicultural/Diversity

1. The \_\_\_\_\_\_\_\_ household consists of a husband, wife, and children (and sometimes grandparents).
   1. “traditional”
   2. “extended”
   3. “diversity”
   4. “modern”
   5. “revised”

Answer: a Page: 78 Difficulty: Medium

1. By 2010, projections indicate that the largest category of households will be composed of \_\_\_\_\_\_\_\_.
   1. childless married couples and empty nesters
   2. single parent families
   3. single live alones
   4. singles living with nonrelatives
   5. married couples with children

Answer: a Page: 78 Difficulty: Hard AACSB: Multicultural/Diversity

1. The 21st century saw \_\_\_\_\_\_\_\_ markets grow more rapidly again due to a higher birth rate, a lower death rate, and rapid growth from foreign immigration.
   1. suburban
   2. urban
   3. rural
   4. coastal
   5. secondary

Answer: b Page: 78 Difficulty: Medium AACSB: Analytic Skills

1. The movement by the U.S. population to the \_\_\_\_\_\_\_\_ has lessened the demand for warm clothing and home heating equipment and increased demand for air conditioning.
   1. Sunbelt
   2. Pacific Northwest
   3. Northeast
   4. Mid Coastal areas
   5. Heartland

Answer: a Page: 79 Difficulty: Easy AACSB: Analytic Skills

1. Almost one in \_\_\_\_\_\_\_\_ people over the age of five (120 million) moved at least one time between 1995 and 2000, according to a Census 2000 brief, with an emphasis away from the Midwest and Northeast.
   1. two
   2. three
   3. four
   4. five
   5. ten

Answer: a Page: 79 Difficulty: Hard

1. In which of the following economies would we expect to find the fewest opportunities for marketers?
   1. Industrializing economies
   2. Land locked economies
   3. Raw material exporting economies
   4. Industrial economies
   5. Subsistence economies

Answer: e Page: 79 Difficulty: Easy AACSB: Multicultural/Diversity

1. According to information presented in the text, which of the following countries is surprisingly a very good market for Lamborghini automobiles (costing more than $150,000) because of the number of wealthy families that can afford expensive cars.
   1. Greece
   2. Switzerland
   3. Holland
   4. Russia
   5. Portugal

Answer: e Page: 79 Difficulty: Hard AACSB: Multicultural/Diversity

1. Over the past three decades in the United States, the rich have grown richer and the middle class has \_\_\_\_\_\_\_\_.
   1. stayed about the same
   2. shrunk
   3. increased slightly
   4. matched the rich in terms of relative growth
   5. been ignored because of problems with the poorer classes

Answer: b Page: 79 Difficulty: Medium

1. Consumer expenditures are affected by \_\_\_\_\_\_\_\_.
   1. savings
   2. debt
   3. credit availability
   4. all of the above
   5. none of the above

Answer: d Page: 80 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following groups is most vulnerable to recent income distribution trends in the United States?
   1. Makers of high end sports cars
   2. Large discount chains
   3. Pharmaceutical firms
   4. Conventional retailers offering medium priced goods
   5. Expensive and exclusive restaurants

Answer: d Page: 80 Difficulty: Hard AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ shapes the beliefs, values, and norms that largely define tastes and preferences.
   1. Marketing
   2. The mass media
   3. Government
   4. Production innovation and engineering
   5. Society

Answer: e Page: 80 Difficulty: Medium AACSB: Reflective Thinking

1. According to the information found in the social cultural environment, with respect to *views of others,* \_\_\_\_\_\_\_\_ are considered to be things that allow people who are alone to feel they are not (e.g., television, home video games, and Internet chat rooms).
   1. social surrogates
   2. subliminal fantasies
   3. relationship avoidance
   4. primary products
   5. secondary products

Answer: a Page: 81 Difficulty: Medium AACSB: Reflective Thinking

1. Today, corporations need to make sure that they are good corporate citizens and that their consumer messages are honest in order to positively align themselves with consumers’ \_\_\_\_\_\_\_\_.
   1. views of others
   2. views of organizations
   3. views of themselves
   4. views of the universe
   5. views of society

Answer: b Page: 81 Difficulty: Easy AACSB: Reflective Thinking

1. People vary in their attitudes toward their society. \_\_\_\_\_\_\_\_ usually live more frugally, drive smaller cars, and wear simpler clothing.
   1. Makers
   2. Escapers
   3. Seekers
   4. Changers
   5. Developers

Answer: d Page: 81 Difficulty: Hard

1. People vary in their attitudes toward society and react accordingly. \_\_\_\_\_\_\_\_ are a major market for movies, music, surfing, and camping.
   1. Makers
   2. Preservers
   3. Escapers
   4. Changers
   5. Developers

Answer: c Page: 81 Difficulty: Easy

1. All of the following have been cited by the text as being among Americans’ core values EXCEPT \_\_\_\_\_\_\_\_.
   1. belief in work
   2. belief in getting married
   3. belief in giving to charity
   4. belief in being honest
   5. belief in sexual permissiveness

Answer: e Page: 81 Difficulty: Easy AACSB: Reflective Thinking

1. Which of the following would be the best illustration of a secondary belief or value?
   1. Belief in work
   2. Belief in giving to charity
   3. Belief in getting married
   4. Belief in getting married early
   5. Belief in being honest

Answer: d Page: 81 Difficulty: Medium AACSB: Analytic Skills

1. Each society contains \_\_\_\_\_\_\_\_, groups with shared values emerging from their special life experiences or circumstances.
   1. demographic segments
   2. cliques
   3. consumer bundles
   4. subcultures
   5. behavioral niches

Answer: d Page: 81 Difficulty: Medium

1. Marketers are particularly interested in the consumption of \_\_\_\_\_\_\_\_, as developing brand loyalty in this age group is likely to lead to the highest consumer lifetime value.
   1. infants
   2. young children
   3. teens
   4. parents
   5. retirees

Answer: c Pages: 81–82 Difficulty: Hard AACSB: Analytic Skills

1. Which of the following would be the best illustration of a subculture?
   1. A softball team
   2. A university alumni association
   3. Teenagers
   4. A Boy Scout troop
   5. Frequent flyers

Answer: c Page: 81 Difficulty: Medium

1. Although core values are fairly persistent, cultural swings do take place. \_\_\_\_\_\_\_\_ caused such a swing in the 1960s.
   1. Ford Motor Company
   2. George McGovern
   3. G.I. Joe action characters
   4. The infomercial
   5. The Beatles

Answer: e Page: 81 Difficulty: Medium

1. Marketers need to be aware of threats and opportunities associated with four trends in the natural environment, including all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. the shortage of raw materials
   2. the increased cost of energy
   3. near 90% corporate support for “green causes”
   4. increased pollution levels
   5. the changing role of governments

Answer: c Page: 82 Difficulty: Easy

1. With respect to the shortage of raw materials, air and water are classified as \_\_\_\_\_\_\_\_ resources. However, as we know, problems are beginning to plague both our air and water quality.
   1. infinite
   2. near finite
   3. finite renewable
   4. finite nonrenewable
   5. absolute

Answer: a Page: 82 Difficulty: Medium AACSB: Analytic Skills

1. Firms making products that require \_\_\_\_\_\_\_\_face substantial cost increases as these become increasingly scarce.
   1. infinite
   2. near finite
   3. finite renewable
   4. finite nonrenewable
   5. absolute

Answer: d Page: 82 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is the recognition for the importance of environmental issues facing the firm and the integration of those issues into the firm’s strategic plans.
   1. Nonrenewable resource
   2. Corporate environmentalism
   3. Multicultural awareness
   4. Bipartisanism
   5. Secondary belief

Answer: b Page: 82 Difficulty: Medium AACSB: Analytic Skills

1. “Green marketing myopia” is a term used to describe the tendency to \_\_\_\_\_\_\_\_.
   1. completely ignore environmental issues
   2. regard environmental issues as too abstract to provide customer value
   3. balance environmental concerns with other forms of customer value
   4. overly focus on a product’s greenness
   5. none of the above

Answer: d Page: 83 Difficulty: Hard

1. From a branding perspective, “green marketing” programs have not been entirely successful. \_\_\_\_\_\_\_\_ must be overcome for “green marketing” programs to be more successful.
   1. Perceived inferior quality and lack of credibility
   2. High cost
   3. Poor promotions
   4. Resistance by the youth segment in the marketplace
   5. Lack of support by governmental agencies and concerns

Answer: a Page: 83 Difficulty: Hard

1. The largest consumer environmental segment is the True Blue Greens, who are characterized by \_\_\_\_\_\_\_\_.
   1. a strong knowledge of environmental issues and a higher likelihood to engage in environmentally conscious behavior
   2. the belief that their individual behavior cannot improve environmental conditions
   3. their belief that environmental indifference is mainstream
   4. a lack of time or inclination to behave entirely green
   5. the purchase of environmentally conscious products, but only if those products meet their needs

Answer: a Page: 83 Difficulty: Hard

1. The marketer should monitor the following trends in technology, EXCEPT \_\_\_\_\_\_\_\_, if progress is to be made in business.
   1. the pace of change
   2. the difficulties found in sharing information
   3. the opportunities for innovation
   4. varying R&D budgets
   5. increased regulation

Answer: b Page: 85 Difficulty: Hard AACSB: Use of IT

1. The \_\_\_\_\_\_\_\_ environment consists of laws, government agencies, and pressure groups that influence and limit various organizations and individuals.
   1. natural
   2. technological
   3. social cultural
   4. economic
   5. political legal

Answer: e Page: 86 Difficulty: Easy AACSB: Analytic Skills

1. The purpose of \_\_\_\_\_\_\_\_ legislation is to protect companies from unfair competition, to protect consumers from unfair business practices, and to protect the interests of society from unbridled business behavior.
   1. business
   2. consumer
   3. bipartisan
   4. activist
   5. global

Answer: a Page: 86 Difficulty: Easy AACSB: Analytic Skills

1. An important force affecting business is the \_\_\_\_\_\_\_\_—a movement of citizens and government organized to strengthen the rights and powers of buyers in relation to sellers.
   1. lobbyist movement
   2. consumerist movement
   3. environmental movement
   4. self rights movement
   5. ethical reform movement

Answer: b Page: 86 Difficulty: Medium AACSB: Analytic Skills

**True/False**

1. Today, most firms are rather sophisticated about gathering information.

Answer: False Page: 67 Difficulty: Medium

1. Companies with superior information enjoy a competitive advantage.

Answer: True Page: 67 Difficulty: Easy AACSB: Reflective Thinking

1. A marketing information system is developed from internal company records, marketing intelligence, and promotional models supplied by the marketing department.

Answer: False Page: 67 Difficulty: Medium AACSB: Use of IT

1. The heart of the internal records system is the bar code.

Answer: False Page: 67 Difficulty: Medium AACSB: Reflective Thinking

1. Few consumers actually delete cookies frequently. When customers accept cookies, they expect customized marketing appeals and deals.

Answer: True Page: 68 Difficulty: Hard AACSB: Use of IT

1. Sales data are always unambiguous and clearly interpreted.

Answer: False Page: 68 Difficulty: Hard AACSB: Reflective Thinking

1. According to principles found in database construction and usage, a “carpet bombing” mailing of a new offer is usually the most successful strategy.

Answer: False Page: 68 Difficulty: Medium AACSB: Use of IT

1. If a company were pursuing a policy of networking externally, it might collect competitors’ ads or look up news stories about competitors.

Answer: True Page: 69 Difficulty: Medium AACSB: Analytic Skills

1. Competitive intelligence gathering is inherently illegal and unethical.

Answer: False Page: 70 Difficulty: Easy AACSB: Ethical Reasoning

1. One of the ways to find relevant online information on competitors’ strengths and weaknesses might be to frequent distributor or sales agent feedback sites.

Answer: True Page: 72 Difficulty: Medium

1. A style is unpredictable, short lived, and without social or economic significance.

Answer: False Page: 72 Difficulty: Medium AACSB: Analytic Skills

1. A megatrend has been described as being what follows all fads that stay on the market at least one year.

Answer: False Page: 73 Difficulty: Medium AACSB: Analytic Skills

1. One of the 10 significant megatrends that will impact marketing efforts in the future is increasing scrutiny on the role and behavior of big business.

Answer: True Page: 73 Difficulty: Medium

1. Microenvironmental forces have been labeled as being “uncontrollable.”

Answer: False Page: 74 Difficulty: Medium AACSB: Analytic Skills

1. Population growth is highest in countries and communities that can least afford it.

Answer: True Page: 75 Difficulty: Medium AACSB: Multicultural/Diversity

1. A growing population always means a growing market.

Answer: False Page: 76 Difficulty: Medium AACSB: Reflective Thinking

1. The basis of cohort segmentation is that the occurrence of key defining moments while a person comes of age imprints core values that remain largely intact throughout life.

Answer: True Page: 76 Difficulty: Medium AACSB: Analytic Skills

1. Japan has one of the world’s oldest populations.

Answer: True Page: 76 Difficulty: Medium AACSB: Multicultural/Diversity

1. According to the 2000 census, Latinos make up the largest minority in the United States with 13% of the total population.

Answer: False Page: 77 Difficulty: Medium

1. In marketing to ethnic groups, African Americans should be treated as a uniform group because of their shared heritage and homogeneous consumption patterns.

Answer: False Page: 77 Difficulty: Easy AACSB: Analytic Skills

1. The United States has one of the highest percentages of college educated citizens, which spells a high demand for quality books, magazines, and travel.

Answer: True Page: 78 Difficulty: Medium AACSB: Analytic Skills

1. According to studies of minority markets, the disabled market is 10 times more likely to be in a professional job, almost twice as likely to own a vacation home, 8 times more likely to own a notebook computer, and twice as likely to own individual stocks as compared to the general population.

Answer: False Page: 78 Difficulty: Medium AACSB: Multicultural/Diversity

1. The available purchasing power in an economy depends on current income, prices, savings, debt, and credit availability.

Answer: True Page: 79 Difficulty: Easy AACSB: Analytic Skills

1. Egypt is a good example of a raw material exporting economy.

Answer: False Page: 79 Difficulty: Hard AACSB: Multicultural/Diversity

1. Markets with a segment of very wealthy consumers, but high income disparity, present few opportunities to marketers.

Answer: False Page: 79 Difficulty: Medium AACSB: Analytic Skills

1. Over the past three decades in the United States, income disparity has grown while the middle class has shrunk.

Answer: True Page: 79 Difficulty: Medium

1. High debt to income ratios among U.S. consumers can slow down their expenditures on housing and large ticket items.

Answer: True Page: 80 Difficulty: Hard AACSB: Analytic Skills

1. If a single person has a home entertainment system that is rich in television capabilities and home video games, he or she may be using such a system as a “social surrogate.”

Answer: True Page: 81 Difficulty: Hard

1. In recent years, because of a tough job market, there has been an increasing amount of organizational loyalty among most employees.

Answer: False Page: 81 Difficulty: Medium AACSB: Analytic Skills

1. With respect to views of society, changers tend to be high achievers who live lavishly.

Answer: False Page: 81 Difficulty: Medium AACSB: Reflective Thinking

1. Secondary beliefs and values are passed on from parents to children and reinforced by major social institutions, making them very difficult to change.

Answer: False Page: 81 Difficulty: Medium AACSB: Reflective Thinking

1. Most Americans still hold the importance of marriage as a core belief.

Answer: True Page: 81 Difficulty: Easy

1. Firms making products that require increasingly scarce finite nonrenewable resources face substantial cost increases.

Answer: True Page: 82 Difficulty: Medium AACSB: Analytic Skills

1. Consumers are consistently in favor of environmental safety and the majority show their concern by purchasing recycled and environmentally safe products.

Answer: False Page: 82 Difficulty: Medium

1. Most wealthy nations are doing little about pollution, largely because they lack the funds or the political will.

Answer: False Page: 83 Difficulty: Medium

1. Every new technology is a force for “creative destruction.”

Answer: True Page: 84 Difficulty: Easy

1. A growing portion of U.S. R&D expenditure is going into the development side of R&D, raising concerns about whether the United States can maintain its lead in basic science.

Answer: True Page: 85 Difficulty: Hard AACSB: Reflective Thinking

1. Legislation affecting business has increased steadily over the years.

Answer: True Page: 86 Difficulty: Easy

1. One of the major trends in the political legal environment is the trend toward the growth of special interest groups.

Answer: True Page: 86 Difficulty: Easy

1. Today, customers are still willing to swap personal information for customized products from firms.

Answer: True Page: 86 Difficulty: Easy

**Essay**

1. Describe a marketing information system (MIS). From what sources is the MIS developed?

**Suggested Answer:** A *marketing information system (MIS)* consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers. A marketing information system is developed from internal company records, marketing intelligence activities, and marketing research.

Page: 67 Difficulty: Medium AACSB: Use of IT

1. Describe the order to payment cycle and why it is important to internal records keeping.

**Suggested Answer:** The heart of the internal records system is the order to payments cycle. Sales representatives, dealers, and customers send orders to the firm. The sales department prepares invoices and transmits copies to various departments. Out of stock items are back ordered. Shipped items are accompanied by shipping and billing documents that are sent to various departments. Today’s companies must perform these steps quickly and accurately.

Page: 67 Difficulty: Medium AACSB: Reflective Thinking

1. What are the various steps a company can take to improve the quality of its marketing intelligence function?

**Suggested Answer:** The steps are: (1) A company can train and motivate the sales force to spot and report new developments; (2) a company can motivate distributors, retailers, and other intermediaries to pass along important intelligence; (3) a company can network externally; (4) a company can set up a customer advisory panel; (5) a company can take advantage of government data resources; (6) a company can purchase information from outside suppliers; and (7) a company can use online customer feedback systems to collect competitive intelligence.

Pages: 69–71 Difficulty: Hard AACSB: Analytic Skills

1. List and briefly describe the five main ways marketers can find relevant online information on competitors’ strengths and weaknesses, summary comments, and overall performance rating of a product, service, or supplier.

**Suggested Answer:** The five ways are: (1) independent customer goods and service review forums; (2) distributor or sales agent feedback sites; (3) combo sites offering customer reviews and expert opinions; (4) customer complaint sites; and (5) public blogs.

Page: 72 Difficulty: Hard AACSB: Use of IT

1. What is a “megatrend”? Briefly describe five megatrends shaping the consumer landscape.

**Suggested Answer:** A *megatrend* is a large, social, economic, political, and technological change that is slow to form, and once in place, influences us for some time (e.g., between 7 and 10 years or longer). The 10 trends (students discuss 5) discussed in the text are (1) centers of economic activity will shift, both globally and regionally; (2) public sector activities will balloon, making productivity gains essential; (3)the consumer landscape will change and expand significantly; (4) technological connectivity will transform the way people live and interact; (5) the battlefield for talent will shift; (6) the role and behavior of big business will come under increasingly sharp scrutiny; (7) demand for natural resources will grow, as will the strain on the environment; (8) new global industry structures are emerging; (9) management will go from art to science; and (10) ubiquitous access to information is changing the economics of knowledge.

Page: 73 Difficulty: Hard AACSB: Reflective Thinking

1. What is the main demographic force monitored by marketers? Why?

**Suggested Answer:** The main demographic force monitored by marketers is population. The reason for its importance is because people make up markets. Marketers are keenly interested in the size and growth rate of population in cities, regions, and nations; age distribution and ethnic mix; educational levels; household patterns; and regional characteristics and movements.

Page: 75 Difficulty: Medium AACSB: Reflective Thinking

1. How are household patterns anticipated to change over the next few years?

**Suggested Answer:** By 2010, only one in five U.S. households will consist of married couples with children under the age of 18, the “traditional household.” More people are divorcing or separating, choosing not to marry, marrying later, or marrying without the intention to have children. By 2010, childless married couples and empty nesters will constitute the largest household group, followed by single live alones. Nontraditional households are currently growing more rapidly than traditional ones.

Page: 78 Difficulty: Medium AACSB: Reflective Thinking

1. People absorb, almost unconsciously, a worldview that defines their relationships. List and describe the “views” that assist or retard this relationship development process.

**Suggested Answer:** The views are: (1) views of themselves; (2) views of others; (3) views of organizations; (4) views of society; (5) views of nature; and (6) views of the universe. Students should characterize each based on materials presented in the text.

Pages: 80–81 Difficulty: Hard AACSB: Reflective Thinking

1. Describe the differences between a core belief and a secondary belief. List the primary core beliefs of Americans as revealed by the text.

**Suggested Answer:** The people living in a particular society hold many *core beliefs* and values that tend to persist. Most Americans still believe in work, in getting married, in giving to charity, and in being honest. Core beliefs and values are passed on from parents to children and are reinforced by major social institutions. *Secondary beliefs* and values are more open to change. Believing in the institution of marriage is a core belief; believing that people ought to get married early is a secondary belief. Marketers have some chance of changing secondary beliefs. There is little chance to change core beliefs or values.

Page: 81 Difficulty: Medium AACSB: Analytic Skills

1. Many marketers have tried and failed with “green marketing” programs. Identify and briefly describe the two main problems with such campaigns.

**Suggested Answer:** Although many companies have launched “green marketing” programs, they have not been entirely successful from a branding perspective. Two main problems are that (1) consumers may believe the product is of inferior quality as a result of being green and (2) they may feel the product is not really that green to begin with.

Page: 83 Difficulty: Medium AACSB: Analytic Skills

**APPLICATION QUESTIONS**

**Multiple Choice**

1. DuPont commissioned marketing studies to uncover personal pillow behavior for its Dacron Polyester unit that supplies filling to pillow makers and sells its own Comforel brand. Which of the following was revealed by research to be the primary challenge faced by DuPont in expanding sales in the pillow industry?
   1. Price
   2. People not wanting to give up their old pillows
   3. The smell associated with polyester
   4. The lack of a favorable reputation in the industry
   5. Competition from China

Answer: b Page: 66 Difficulty: Medium AACSB: Analytic Skills

1. As the manager of an organization that is attempting to build a MIS, you have been informed that a MIS is built upon three fundamental information sources. The sources are \_\_\_\_\_\_\_\_, marketing intelligence activities, and marketing research.
   1. external records and documents
   2. databases found on the Internet
   3. consultant reports
   4. internal company records
   5. secondary data from government sources such as the Better Business Bureau

Answer: d Page: 67 Difficulty: Hard AACSB: Use of IT

1. The \_\_\_\_\_\_\_\_ is the process that starts with sales representatives, dealers, and customers sending orders to the firm, ends with item shipment and bill payment, and includes the preparation of invoices and the back order of out of stock items.
   1. sales information cycle
   2. order to payment cycle
   3. demographic trend
   4. marketing information system
   5. marketing intelligence

Answer: b Page: 67 Difficulty: Medium AACSB: Analytic Skills

1. By equipping its sales force with handheld devices with bar code readers and Internet connections to speed inventory assessment, TaylorMade’s sales reps have significantly more time to interact with their consumers. This is an example of the use of technology in improving \_\_\_\_\_\_\_\_.
   1. sales information systems
   2. order to payment cycles
   3. cookies
   4. cohort segmentation
   5. competitive intelligence gathering

Answer: a Page: 68 Difficulty: Medium AACSB: Use of IT

1. Marketing managers tend to us internal records systems to supply \_\_\_\_\_\_\_\_ data, whereas marketing intelligence system are used to supply happenings data.
   1. demand
   2. logistical
   3. psychographic
   4. results
   5. primary

Answer: d Page: 69 Difficulty: Hard AACSB: Reflective Thinking

1. Which of the following best describes the practice used by McDonald’s when it hired mystery shoppers to assess stores’ internal speed standards?
   1. Training and motivating the sales force to spot and report new developments
   2. Motivating intermediaries to pass along important intelligence
   3. Networking externally
   4. Setting up an advisory panel
   5. Taking advantage of government data sources

Answer: b Page: 69 Difficulty: Medium AACSB: Analytic Skills

1. Many business schools have \_\_\_\_\_ made up of alumni and recruiters who provide valuable feedback on the curriculum.
   1. government data sources
   2. advisory panels
   3. trends
   4. order to payment cycles
   5. green marketing initiatives

Answer: b Page: 70 Difficulty: Medium AACSB: Analytic Skills

1. Elance.com is a service provider that allows contractors to describe their level of satisfaction with subcontractors. This is an example of a(n) \_\_\_\_\_\_\_\_.
   1. independent customer goods and service review forum
   2. public blog
   3. customer complaint site
   4. combo site offering customer reviews and expert opinions
   5. distributor or sales agent feedback site

Answer: e Page: 72 Difficulty: Hard AACSB: Use of IT

1. Examples of \_\_\_\_\_\_\_\_ that were considered to be successful for toy retailers were Beanie Babies, Furbies, and Tickle Me Elmo dolls.
   1. trends
   2. fashions
   3. fads
   4. megatrends
   5. styles

Answer: c Page: 72 Difficulty: Medium

1. According to information provided in the text, \_\_\_\_\_\_\_\_ is an example of a country with a very young and rapidly expanding population where products such as milk, diapers, school supplies, and toys would be important.
   1. Japan
   2. France
   3. Spain
   4. Mexico
   5. the United Kingdom

Answer: d Page: 76 Difficulty: Hard AACSB: Multicultural/Diversity

1. \_\_\_\_\_\_\_\_ shows a spirit of entrepreneurship unmatched by any cohort.
   1. Baby boomers
   2. War babies
   3. Generation Z
   4. Generation X
   5. N Generation

Answer: d Page: 76 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ made up half of all new workers in the past decade and will make up 25% of all workers in the United States within two generations.
   1. Asian Americans
   2. African Americans
   3. Hispanic Americans
   4. European Americans
   5. Native Americans

Answer: c Page: 77 Difficulty: Medium AACSB: Multicultural/Diversity

1. Within the African American market, the largest and perhaps most influential socio behavioral subsegments are \_\_\_\_\_\_\_\_.
   1. the Reachers and the Attainers
   2. the Seekers and the Conservers
   3. the Elites and the Attainers
   4. the Emulators and the Reachers
   5. the Conservers and the Emulators

Answer: a Page: 77 Difficulty: Hard AACSB: Multicultural/Diversity

1. By 2010, only \_\_\_\_\_\_\_\_ of U.S. households will consist of married couples with children under the age of 18.
   1. 50%
   2. 40%
   3. 30%
   4. 20%
   5. 10%

Answer: d Page: 78 Difficulty: Hard AACSB: Analytic Skills

1. Marketers look at where consumers are gathering to gain insights into consumption trends. The movement to \_\_\_\_\_\_\_\_ states has lessened the demand for warm clothing and increased the demand for air conditioning.
   1. Northeast
   2. Sunbelt
   3. Midwest
   4. West Coast
   5. Mountain

Answer: b Page: 79 Difficulty: Easy AACSB: Analytic Skills

1. In response to the U.S. income distribution trend toward \_\_\_\_\_\_\_\_, Levi Strauss introduced premium Levi’s Capital E line to upscale retailers and the less expensive Levi Strauss Signature line to mass market retailers.
   1. very low incomes
   2. mostly low incomes
   3. very low and very high incomes
   4. mostly medium incomes
   5. low and high incomes, with a shrinking middle income segment

Answer: e Pages: 79–80 Difficulty: Hard AACSB: Analytic Skills

1. William rose rapidly in his organization and was the youngest CEO in the company’s history. William would be characterized as a \_\_\_\_\_\_\_\_.
   1. preserver
   2. maker
   3. taker
   4. seeker
   5. reaper

Answer: b Page: 81 Difficulty: Medium AACSB: Reflective Thinking

1. Frito Lay has seen a rise in chip snacking by grown ups and believes it is a result of more directed marketing efforts toward \_\_\_\_\_\_\_\_, who continued to snack on Frito Lay products into adulthood.
   1. infants
   2. young children
   3. parents
   4. teens
   5. none of the above

Answer: d Page: 82 Difficulty: Medium

1. The Toyota Prius, with its 55 miles per gallon fuel efficiency, was designed in response to consumption trends as they related to the \_\_\_\_\_\_\_\_ environment.
   1. demographic
   2. political legal
   3. natural
   4. economic
   5. social

Answer: c Page: 82 Difficulty: Easy AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ lobby government officials and pressure business executives to pay more attention to consumers’ rights, women’s rights, senior citizens’ rights, minority rights, and gay rights.
   1. Political action committees (PACs)
   2. Universities and colleges
   3. The Better Business Bureau
   4. The U.S. Chamber of Commerce
   5. Manufacturing trade associations (MTAs)

Answer: a Page: 86 Difficulty: Easy AACSB: Analytic Skills

**Short Answer**

1. Although every manager in an organization needs to observe the outside environment, marketers have two advantages. What are those two advantages?

**Suggested Answer:** The two advantages are: (1) They have disciplined methods for collecting information; and (2) they spend more time interacting with customers and observing competition.

Page: 66 Difficulty: Medium AACSB: Reflective Thinking

1. If you were a company’s marketing information manager, you would need to realize that your marketing information system should be a cross between three areas of concern (thoughts) for managers with respect to information. What are those three concerns (thoughts)?

**Suggested Answer:** The three concerns (thoughts) are: (1) what managers think they need, (2) what managers really need, and (3) what is economically feasible.

Page: 67 Difficulty: Medium AACSB: Analytic Skills

1. What typically would be the function of a sales information system? Think of an example to illustrate such a function.

**Suggested Answer:** A sales information system typically supplies accurate and timely reports on current sales. See the example of Wal Mart and its sales information system to add additional data to this question.

Page: 68 Difficulty: Easy AACSB: Reflective Thinking

1. Explain the statement that “internal records systems supply results data and marketing intelligence systems supply happenings data.”

**Suggested Answer:** The internal records system records orders, sales, prices, costs, inventory levels, receivables, payables, and so on (*results* data). Marketing intelligence is a set of procedures and sources managers use to obtain everyday information about developments in the marketing environment (*happenings* data).

Page: 69 Difficulty: Easy AACSB: Reflective Thinking

1. One of the ways that a marketer can improve his or her marketing intelligence function is to network externally. What does networking externally mean?

**Suggested Answer:** A company that seeks to network externally does so by purchasing competitor products, attending open houses and trade shows, reading competitors’ published reports, attending stockholder meetings, talking to employees, dealers, distributors, suppliers, and freight agents, collecting competitors’ ads, and looking up news stories about competitors.

Pages: 69–70 Difficulty: Medium AACSB: Reflective Thinking

1. What is a trend and why is it important in marketing?

**Suggested Answer:** A trend is a direction or sequence of events that has some momentum and durability. Trends are more predictable and durable than fads. A trend reveals the shape of the future and provides many opportunities.

Page: 72 Difficulty: Medium AACSB: Reflective Thinking

1. Marketers today use relevant online information to assess competitors’ product strengths and weaknesses. List the five main ways marketers can get such information online.

**Suggested Answer:** The five ways are (1) independent customer goods and service review forms; (2) distributor or sales agent feedback sites; (3) combo sites offering customer reviews and expert opinions; (4) customer complaint sites; and (5) public blogs

Page: 72 Difficulty: Hard AACSB: Analytic Skills

1. A study by management consulting firm McKinsey identified the potential emergence of a new global industry structure as a key trend to watch in the coming years. Discuss this trend and what it means for marketers.

**Suggested Answer:** In many industries, a barbell like structure is appearing, with a few giants on top, a narrow middle, and then a flourish of smaller, fast moving players at the bottom. Similarly, corporate borders are becoming blurrier as interlinked “ecosystems” of suppliers, producers, and customers emerge. Students may speculate on the implications of these developments on marketing.

Page: 73 Difficulty: Hard AACSB: Reflective Thinking

1. Discuss the marketing implications of the recent population explosion.

**Suggested Answer:** The main demographic force that marketers monitor is population, because people make up markets. A growing population does not mean growing markets, unless these markets have sufficient purchasing power.

Pages: 75–76 Difficulty: Medium AACSB: Analytic Skills

1. Characterize the N Generation and how it differs from Generation X. What implications does this generation have for marketing over the next few years?

**Suggested Answer:** Born after 1977, N Generation is under 32 years old in 2008. The advent of the Internet is a defining event for them, and they will be the engine of growth over the next two decades. Their core value structure is different from that of Generation X. They are more idealistic and social cause oriented, without the cynical, what’s in it for me, free agent mindset of many Xers.

Page: 76 Difficulty: Hard AACSB: Reflective Thinking

1. Assume that you are a marketing manager for a youth clothing manufacturer that has just read about the megatrend of the “rising Hispanic influence” in the United States. Explain this megatrend and indicate why it might be important to your company and industry.

**Suggested Answer:** Although Hispanic households represented only 11% of U.S. households in 2000, they made up half of all new workers in the past decade. Hispanic disposable income has risen twice as fast as that of the rest of the population. By some estimates, this is the fastest growing and most influential consumer group. Students should indicate how they might use such information.

Page: 77 Difficulty: Hard AACSB: Multicultural/Diversity

1. The United States has one of the world’s highest percentages of college educated citizens. What does this mean for both marketers and employers?

**Suggested Answer:** As a marketer, the high percentage of college educated citizens in the United States suggests that there should be high demand for quality books, magazines, and travel. As an employer, this means that there should be a high supply of skilled potential employees.

Page: 78 Difficulty: Medium AACSB: Reflective Thinking

1. As a marketing manager you have observed that the prevalence of “nontraditional households” is on the rise. Characterize a “nontraditional household.”

**Suggested Answer:** Examples of the nontraditional household would be single live alones, adult live togethers of one or both sexes, single parent families, childless married couples, and empty nesters.

Page: 78 Difficulty: Medium AACSB: Analytic Skills

1. Identify the five common income distribution patterns. Which of these types represents a good market for luxury goods?

**Suggested Answer:** The five commonly used income distribution patterns are: (1) very low incomes; (2) mostly low incomes; (3) very low and very high incomes; (4) low, medium, and high incomes; and (5) mostly medium incomes. Countries in categories 3 and 4 are the best markets for luxury goods, as they include consumers with incomes high enough to pay a premium for such products.

Page: 79 Difficulty: Medium AACSB: Analytic Skills

1. Within our social cultural environment, consumers often see themselves from different views. Assume that you were espousing the *view of themselves*. Characterize this view.

**Suggested Answer:** People vary in their relative emphasis placed on self gratification. In the 1960s and 1970s there were many “pleasure seekers.” Others sought self realization. Today, conservatism is on the rise.

Page: 80 Difficulty: Hard

1. Describe the differences between a core belief and secondary belief. Provide an example to illustrate your description.

**Suggested Answer:** The people living in a particular society hold many core beliefs and values. These tend to persist over time. Most Americans believe in work, getting married, in giving to charity, and in being honest. Secondary beliefs are more open to change, such as when is the right time to get married.

Page: 81 Difficulty: Medium AACSB: Analytic Skills

1. Define a successful green product in the context of the problems typically encountered in green marketing campaigns.

**Suggested Answer:** Successful green products convincingly overcome consumer concerns about inferior product quality and false claims of greenness to persuade consumers they are acting in their own and society’s long run interests at the same time.

Page: 83 Difficulty: Medium AACSB: Reflective Thinking

1. Some marketing efforts suffer from “green marketing myopia.” Define “green marketing myopia” and identify the three keys to avoiding this.

**Suggested Answer:** The three keys to avoiding green marketing myopia is the tendency to overly focus on a product’s greenness. It can be avoided by (1) appropriately positioning the consumer value; (2) calibrating consumer knowledge; and (3) reinforcing the credibility of product claims.

Page: 84 Difficulty: Hard AACSB: Reflective Thinking

1. What four trends in technology should marketers monitor?

**Suggested Answer:** The four trends are: (1) the pace of change, (2) the opportunities for innovation, (3) varying R&D budgets, and (4) increased regulation.

Pages: 85–86 Difficulty: Hard AACSB: Analytic Skills

1. Consumers are increasingly willing to swap personal information for customized products from firms. However, there are still consumer concerns. You know that privacy issues are still a public policy hot button. As a consumer advocate, list the consumer concerns that seem to be the most compelling and most difficult to deal with by the marketer.

**Suggested Answer:** The consumers concerns are: (1) that they will be robbed or cheated, (2) that private information will be used against them, (3) that someone will steal their identity, (4) that they will be bombarded with solicitations, and (5) that children will be targeted.

Pages: 86–87 Difficulty: Medium AACSB: Analytic Skills

**Chapter 4:**

**Conducting Marketing Research and Forecasting Demand**

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. \_\_\_\_\_\_\_\_ provide diagnostic information about how and why we observe certain effects in the marketplace, and what that means to marketers.
   1. Marketing insights
   2. Marketing metrics
   3. Marketing diagnostics
   4. Marketing intelligence
   5. Marketing mix models

Answer: a Page: 90 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company.
   1. Marketing intelligence
   2. MIS (marketing information system)
   3. Marketing research
   4. Demographics
   5. Marketing management

Answer: c Page: 90 Difficulty: Easy AACSB: Analytic Skills

1. Marketing research is now about a \_\_\_\_\_\_\_\_ billion industry globally.
   1. $50
   2. $24
   3. $16.5
   4. $10
   5. $7.5

Answer: b Page: 90 Difficulty: Hard AACSB: Analytic Skills

1. Companies normally budget marketing research at \_\_\_\_\_\_\_\_ of company sales.
   1. 1% to 2%
   2. 2% to 3%
   3. 4%
   4. 6.5%
   5. 10% to 12%

Answer: a Page: 90 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following types of marketing research firms would best be described as being one that gathers consumer and trade information which they sell for a fee (e.g., Nielsen Media Research)?
   1. Custom marketing research firms
   2. Syndicated service research firms
   3. Specialty line marketing research firms
   4. General line marketing research firms
   5. Nonprofit marketing research firms

Answer: b Page: 90 Difficulty: Medium AACSB: Reflective Thinking

1. If a marketing research firm were also known as a *field service firm* (e.g., it sells its field interviewing services to other firms), it would be called a \_\_\_\_\_\_\_\_.
   1. custom marketing research firm
   2. syndicated service research firm
   3. specialty line marketing research firm
   4. general line marketing research firm
   5. systematic marketing research firm

Answer: c Page: 90 Difficulty: Medium AACSB: Reflective Thinking

1. All of the following would be among the ways that small companies can conduct marketing research in creative and affordable ways EXCEPT \_\_\_\_\_\_\_\_.
   1. using the Internet
   2. engaging students to design and carry out projects
   3. checking out rivals
   4. engaging professors to design and carry out projects
   5. hiring syndicated service research firms to conduct projects

Answer: e Pages: 90–91 Difficulty: Hard AACSB: Reflective Thinking

1. The first step in the marketing research process is to \_\_\_\_\_\_\_\_.
   1. develop a research plan
   2. define the problem and research objectives
   3. analyze the internal environment
   4. read marketing research journals
   5. contact a professional consultant

Answer: b Page: 91 Difficulty: Easy AACSB: Analytic Skills

1. Which of the following is considered to be the last step in the marketing research process?
   1. Present the findings
   2. Analyze the information
   3. Control the environment
   4. Make the decision
   5. Draft the report

Answer: d Page: 91 Difficulty: Medium AACSB: Analytic Skills

1. The marketing manager needs to know the cost of the research project before approving it. During which of the following stages of the marketing research process would such a consideration most likely take place?
   1. Step 1—defining the problem
   2. Step 1—creating decision alternatives
   3. Step 1—drafting the research objectives
   4. Step 2—develop the research plan
   5. Step 3—information collection

Answer: d Page: 92 Difficulty: Medium AACSB: Analytic Skills

1. Designing a research plan calls for decisions on all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. drafting research objectives
   2. data sources
   3. research approaches
   4. research instruments
   5. sampling plans

Answer: a Page: 92 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ are data that were collected for another purpose and already exist.
   1. Primary data
   2. Secondary data
   3. Tertiary data
   4. Inordinate data
   5. Ordinate data

Answer: b Page: 92 Difficulty: Easy AACSB: Analytic Skills

1. Primary data can be collected in several ways. Which of the following primary data collection methods would be exemplified by constructing see through mirrors in a retail store whereby consumers’ actions could be recorded?
   1. Focus groups
   2. Surveys
   3. Observation
   4. Behavioral data
   5. Experiments

Answer: c Page: 92 Difficulty: Medium AACSB: Reflective Thinking

1. A \_\_\_\_\_\_\_\_ is a gathering of 6 to 10 people who are carefully selected based on certain demographic, psychographic, or other considerations and brought together to discuss at length various topics of interest.
   1. market maven
   2. virtual research market
   3. consumer dyad
   4. focus group
   5. Nielsen sample family

Answer: d Page: 93 Difficulty: Easy AACSB: Analytic Skills

1. Companies undertake surveys to learn about people’s knowledge, \_\_\_\_\_\_\_\_, preferences, and satisfaction and to measure these magnitudes in the general population.
   1. beliefs
   2. psyche
   3. inner id
   4. deepest secrets
   5. intelligence and literacy

Answer: a Page: 94 Difficulty: Medium AACSB: Analytic Skills

1. The most scientifically valid research is \_\_\_\_\_\_\_\_ research.
   1. observation
   2. focus group
   3. survey
   4. behavioral data
   5. experimental

Answer: e Page: 95 Difficulty: Medium AACSB: Reflective Thinking

1. All of the following are rules of thumb for questionnaire design EXCEPT \_\_\_\_\_\_\_\_.
   1. making questions as simple as possible
   2. making the questions specific
   3. ensuring that fixed responses overlap
   4. avoiding hypothetical questions
   5. avoiding questions with a negative in them

Answer: c Page: 96 Difficulty: Hard

1. The most common instrument used to collect primary data is the \_\_\_\_\_\_\_\_.
   1. human eye (through observation)
   2. Internet
   3. bar code reader (behavioral data research)
   4. video camera (e.g., focus group research)
   5. questionnaire

Answer: e Page: 96 Difficulty: Easy

1. Some marketers prefer more \_\_\_\_\_\_\_\_ methods for gauging consumer opinion because consumer actions do not always match their answers to survey questions.
   1. quantitative
   2. qualitative
   3. psychographic
   4. covert
   5. subliminal

Answer: b Page: 96 Difficulty: Medium AACSB: Reflective Thinking

1. A question that uses a scale that connects two bipolar words wherein the respondent selects the point that represents his or her opinion is called \_\_\_\_\_\_\_\_.
   1. a dichotomous question
   2. a multiple choice question
   3. a Likert scale
   4. the semantic differential
   5. a word association question

Answer: d Page: 97 Difficulty: Hard AACSB: Analytic Skills

1. If a marketing researcher chooses to use a word association question, the researcher has chosen which of the following type of question for the research questionnaire?
   1. Closed end question
   2. Likert scale question
   3. Open end question
   4. Rating scale question
   5. Semantic differential question

Answer: c Page: 97 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following types of tests shows a picture and asks respondents to make up a story about what they think is happening or may happen in the picture?
   1. Word association
   2. Completely unstructured question
   3. Story completion
   4. Thematic Apperception Test (TAT)
   5. Holistic association

Answer: d Page: 97 Difficulty: Hard AACSB: Analytic Skills

1. If a marketing researcher asks subjects what kind of person they think of when the brand is mentioned in order to understand how consumers feel about a particular brand, the marketing researcher is using the \_\_\_\_\_\_\_\_ approach.
   1. word association
   2. projective
   3. visualization
   4. brand personification
   5. laddering

Answer: d Page: 98 Difficulty: Hard AACSB: Analytic Skills

1. With respect to the sampling plan, three decisions must be made: (1) the sampling unit—who is to be surveyed; (2) sample size—how many people should be surveyed; and (3) \_\_\_\_\_\_\_\_.
   1. sample cost—how much the sampling costs
   2. surveyor skill—who does the surveying
   3. sample security—how to protect the sample data
   4. sampling procedure—how the respondents are chosen
   5. sample supervisor—who leads the sampling effort

Answer: d Page: 100 Difficulty: Hard

1. If a marketing researcher selects the most accessible population members, he or she would have selected the \_\_\_\_\_\_\_\_ sampling method.
   1. simple random
   2. stratified random
   3. cluster
   4. judgment
   5. convenience

Answer: e Page: 100 Difficulty: Medium AACSB: Analytic Skills

1. If a researcher finds and interviews a prescribed number of people in each of several categories, the researcher is using the \_\_\_\_\_\_\_\_ sampling method.
   1. judgment
   2. quota
   3. convenience
   4. cluster
   5. simple random

Answer: b Page: 100 Difficulty: Hard AACSB: Analytic Skills

1. If a marketing researcher wished to reach people who would not give personal interviews or whose responses might be biased or distorted by the interviewers, he or she should choose the \_\_\_\_\_\_\_\_ as the best way to reach people.
   1. mail questionnaire
   2. telephone interview
   3. online interview
   4. focus group interview
   5. cell phone interview

Answer: a Page: 100 Difficulty: Medium AACSB: Reflective Thinking

1. Which of the following is considered to be the most versatile of the questioning or interviewing methods?
   1. mail questionnaire
   2. telephone interview
   3. personal interview
   4. online interview
   5. cell phone interview

Answer: c Page: 101 Difficulty: Medium AACSB: Reflective Thinking

1. Online research has grown significantly in the past several years. It is estimated that \_\_\_\_\_\_\_\_ of all survey based research was done online in 2006.
   1. 12%
   2. 21%
   3. 33%
   4. 37%
   5. 45%

Answer: c Page: 101 Difficulty: Hard AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ phase of marketing research is generally the most expensive and the most prone to error.
   1. research objectives
   2. research planning
   3. questionnaire design
   4. interview design
   5. data collection

Answer: e Page: 101 Difficulty: Medium

1. Which of the following is one of the key disadvantages of online market research?
   1. Online research is expensive.
   2. Online research is slow.
   3. People tend to be dishonest online.
   4. Online research lacks versatility.
   5. Samples can be small and skewed.

Answer: e Page: 102 Difficulty: Hard AACSB: Reflective Thinking

1. All of the following are considered to be advantages of online research EXCEPT that \_\_\_\_\_\_\_\_.
   1. online research is inexpensive
   2. online research is fast
   3. online research is relatively free of technological problems and inconsistencies
   4. online research is versatile
   5. people tend to be more honest online than in other interviewing methods

Answer: c Page: 102 Difficulty: Medium

1. One of the biggest obstacles to conducting international research is \_\_\_\_\_\_\_\_.
   1. cost
   2. lack of consistency
   3. language difficulties
   4. religious bias
   5. lack of management’s commitment in this area

Answer: b Page: 102 Difficulty: Hard AACSB: Reflective Thinking

1. A \_\_\_\_\_\_\_\_ has been defined as being a coordinated collection of data, systems, tools, and techniques with supporting software and hardware by which an organization gathers and interprets relevant information from business and environment and turns it into a basis for marketing action.
   1. marketing information system
   2. marketing intelligence system
   3. marketing decision support system
   4. marketing research system
   5. database management system

Answer: c Page: 103 Difficulty: Medium

1. All of the following are considered to be among the seven characteristics of good marketing research EXCEPT \_\_\_\_\_\_\_\_.
   1. the scientific method
   2. research creativity
   3. multiple methods
   4. ethical marketing
   5. independence of models and data

Answer: e Page: 104 Difficulty: Medium

1. In spite of the rapid growth of marketing research, many companies still fail to use it sufficiently or correctly. Barriers to the use of marketing research include all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. a broad conception of the research
   2. uneven caliber of researchers
   3. poor framing of the problem
   4. late and occasionally erroneous findings
   5. personality and presentational differences

Answer: a Page: 103–104 Difficulty: Hard

1. In the famous case where Coca Cola introduced New Coke after much research, the failure of New Coke was largely due to a marketing research barrier identified as \_\_\_\_\_\_\_\_.
   1. a narrow conception of the research
   2. uneven caliber of researchers
   3. poor framing of the problem
   4. late and occasional erroneous findings
   5. personality and presentation differences

Answer: c Page: 104 Difficulty: Medium AACSB: Reflective Thinking

1. Marketers are increasing being held accountable for their \_\_\_\_\_\_\_\_ and must be able to justify marketing expenditures to senior management.
   1. product quotas
   2. employees
   3. own training
   4. investments
   5. personal character traits

Answer: d Page: 106 Difficulty: Medium AACSB: Analytic Skills

1. Two complimentary approaches to measure marketing productivity are \_\_\_\_\_\_\_\_ and marketing mix modeling.
   1. quality ratios
   2. salesperson satisfaction scales
   3. marketing metrics to assess marketing effects
   4. distributor satisfaction surveys
   5. end user samples

Answer: c Page: 106 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is(are) the set of measures that helps firms to quantify, compare, and interpret their marketing performance.
   1. Marketing diagnostics
   2. Psychographics
   3. Demographics
   4. Marketing intelligence
   5. Marketing metrics

Answer: e Page: 106 Difficulty: Easy AACSB: Analytic Skills

1. London Business School’s Tim Ambler believes evaluation of marketing performance can be split into two parts: \_\_\_\_\_\_\_\_.
   1. (1) long term results and (2) changes in brand equity
   2. (1) short term results and (2) changes in brand equity
   3. (1) long term results and (2) changes in consumer perceptions
   4. (1) short term results and (2) changes in profitability
   5. (1) changes in market share and (2) changes in profitability

Answer: b Page: 106 Difficulty: Hard AACSB: Analytic Skills

1. All of the following would be considered to be external marketing metrics EXCEPT \_\_\_\_\_\_\_\_.
   1. market share
   2. relative price
   3. number of complaints
   4. perceived quality/esteem
   5. relative employee satisfaction

Answer: e Page: 107 Difficulty: Medium AACSB: Analytic Skills

1. A \_\_\_\_\_\_\_\_ records how well the company is doing year after year on customer based measures (e.g., percentage of new customers to average number of customers).
   1. customer performance scorecard
   2. stakeholder performance scorecard
   3. mission/objectives scorecard
   4. variance scorecard
   5. management scorecard

Answer: a Pages: 107–108 Difficulty: Medium AACSB: Analytic Skills

1. If a company actively tracks the satisfaction of its suppliers, banks, and distributors, it is using what is called a \_\_\_\_\_\_\_\_.
   1. customer performance scorecard
   2. stakeholder performance scorecard
   3. mission/objectives scorecard
   4. variance scorecard
   5. management scorecard

Answer: b Page: 108 Difficulty: Easy

1. According to marketing consultant Pat LaPointe, the \_\_\_\_\_\_\_\_ measurement pathway of the marketing dashboard reflects what marketers know about sales volumes, the marketing cost per unit sold, and where and how margin is optimized.
   1. customer metrics
   2. unit metrics
   3. cash flow metrics
   4. brand metrics
   5. productivity metrics

Answer: b Page: 108 Difficulty: Hard AACSB: Analytic Skills

1. According to marketing consultant Pat LaPointe, the \_\_\_\_\_\_\_\_ measurement pathway of the marketing dashboard reflects how prospects become customers.
   1. customer metrics
   2. unit metrics
   3. cash flow metrics
   4. brand metrics
   5. productivity metrics

Answer: a Page: 108 Difficulty: Hard AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ is the set of customers who are buying the company’s product.
   1. potential market
   2. available market
   3. target market
   4. penetrated market
   5. repositioned market

Answer: d Page: 110 Difficulty: Easy AACSB: Analytic Skills

1. A marketing manager, during an annual planning meeting, would like to have the department’s staff examine the set of consumers who have interest, income, and access to the company’s offers, known as the \_\_\_\_\_\_\_\_.
   1. potential market
   2. available market
   3. target market
   4. penetrated market
   5. repositioned market

Answer: b Page: 110 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ for a product is the total volume that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program.
   1. Market share
   2. Market supply
   3. Market demand
   4. Market potential
   5. Market penetration

Answer: c Page: 111 Difficulty: Medium

1. When calculating the market demand function, the \_\_\_\_\_\_\_\_ is the base sales that would take place without any demand stimulating expenditures.
   1. market supply
   2. market minimum
   3. market potential
   4. market demand
   5. inert market

Answer: b Page: 111 Difficulty: Easy AACSB: Analytic Skills

1. Racquetball playing, which is very much affected in size by the level of industry marketing expenditures, is known as a(n) \_\_\_\_\_\_\_\_.
   1. nonexpansible market
   2. market demand function
   3. expansible market
   4. potential market
   5. target market

Answer: c Page: 111 Difficulty: Medium AACSB: Analytic Skills

1. A low market penetration index indicates \_\_\_\_\_\_\_\_.
   1. substantial growth potential for all firms
   2. substantial growth opportunities for few firms
   3. it will be very expensive to attract more prospects
   4. price competition is increasing
   5. profit margins are falling

Answer: a Page: 111 Difficulty: Hard AACSB: Reflective Thinking

1. A company with a \_\_\_\_\_\_\_\_ may be held back by low brand awareness, low brand availability, benefit deficiencies, and high price.
   1. high market penetration index
   2. high share penetration index
   3. low market penetration index
   4. low share penetration index
   5. none of the above

Answer: d Page: 111 Difficulty: Hard AACSB: Reflective Thinking

1. The \_\_\_\_\_ is the limit approached by market demand as industry marketing expenditures approach infinity for a given marketing environment.
   1. market forecast
   2. product penetration percentage
   3. company demand
   4. market minimum
   5. market potential

Answer: e Page: 112 Difficulty: Medium AACSB: Analytic Skills

1. Companies assume that the lower the \_\_\_\_\_\_\_\_, the higher the market potential.
   1. market forecast
   2. product penetration percentage
   3. company demand
   4. market minimum
   5. market potential

Answer: b Page: 112 Difficulty: Hard AACSB: Reflective Thinking

1. The company’s estimated share of market demand at alternative levels of company marketing effort in a given time period is known as the \_\_\_\_\_\_\_\_.
   1. market forecast
   2. product penetration percentage
   3. company demand
   4. market minimum
   5. market potential

Answer: c Page: 112 Difficulty: Medium AACSB: Analytic Skills

1. There are several methods for assessing market potential. Which of these methods do business marketers prefer?
   1. Market buildup method
   2. Multiple factor index method
   3. Brand development index method
   4. Purchase profitability index
   5. Market test index

Answer: a Page: 113 Difficulty: Hard

1. \_\_\_\_\_\_\_\_ is the art of anticipating what buyers are likely to do under a given set of conditions.
   1. Forecasting
   2. Market penetration
   3. Demand
   4. Market buildup
   5. Brand development

Answer: a Page: 115 Difficulty: Easy AACSB: Analytic Skills

1. All forecasts are built on one of three informational bases: what people say, what people do, or \_\_\_\_\_\_\_\_.
   1. what marketers think they’ll do
   2. what they say they’ll do
   3. what people say others do
   4. what people have done
   5. none of the above

Answer: d Page: 115 Difficulty: Medium AACSB: Reflective Thinking

1. Time series analysis, exponential smoothing, and statistical demand analysis are all forms of \_\_\_\_\_\_\_\_.
   1. expert opinion
   2. market test methods
   3. buyer intention surveys
   4. past sales analysis
   5. none of the above

Answer: d Page: 116 Difficulty: Medium AACSB: Analytic Skills

**True/False**

1. Most large companies use outside marketing research consultants rather than employ their own marketing research department.

Answer: False Page: 90 Difficulty: Medium AACSB: Analytic Skills

1. A good illustration of a syndicated service research firm is Nielsen Media Research.

Answer: True Page: 90 Difficulty: Medium AACSB: Reflective Thinking

1. One way companies can conduct market research in a creative and affordable way is to engage students to design and carry out projects, such as the Innovation Challenge sponsored by American Express, GE, and Hilton Hotels.

Answer: True Page: 90 Difficulty: Medium

1. After developing the research plan, the marketing researcher should define the problem and research objectives.

Answer: False Page: 91 Difficulty: Easy AACSB: Analytic Skills

1. All research must begin with an exploratory research study.

Answer: False Page: 92 Difficulty: Easy AACSB: Reflective Thinking

1. James collected primary data when he distributed a survey to dorm residents to discover their attitudes and opinions on campus life.

Answer: True Page: 92 Difficulty: Medium AACSB: Reflective Thinking

1. Researchers frequently should and do successfully generalize findings from focus group participants to the whole market.

Answer: False Page: 93 Difficulty: Medium AACSB: Reflective Thinking

1. A good example of collecting behavioral data would be when a store uses scanners to read bar codes on products selected by consumers.

Answer: True Page: 95 Difficulty: Medium AACSB: Reflective Thinking

1. The most scientifically valid research is focus group research.

Answer: False Page: 95 Difficulty: Medium

1. The most common instrument used to collect primary data is the questionnaire.

Answer: True Page: 96 Difficulty: Easy

1. If a marketing researcher decides to use a Likert scale, the researcher has chosen a technique wherein the respondent reviews a statement that shows the amount of agreement/disagreement with some product, service, or concept.

Answer: True Page: 97 Difficulty: Medium

1. “What is your opinion of the American way of life?” is an example of what might be called the semantic differential.

Answer: False Page: 97 Difficulty: Medium AACSB: Analytic Skills

1. “What does the Coca Cola name mean to you?” would be an illustration of a question that might be used in a projective technique.

Answer: False Page: 98 Difficulty: Medium AACSB: Analytic Skills

1. Samples of less than 1% of a population can often provide good reliability, with a credible sampling procedure.

Answer: True Page: 100 Difficulty: Hard AACSB: Analytic Skills

1. Probability sampling allows confidence limits to be calculated for sampling error and makes the sampling more representative.

Answer: True Page: 100 Difficulty: Medium AACSB: Reflective Thinking

1. If a marketing researcher bases his or her sample on population members who are good prospects for accurate information, a judgment sample has been selected.

Answer: True Page: 100 Difficulty: Medium

1. If a marketing researcher is looking for a contact method that can gather information quickly and allow the interviewer to clarify questions if necessary, he or she will choose the telephone interview method.

Answer: True Page: 101 Difficulty: Medium AACSB: Reflective Thinking

1. Because of their versatility and speed, the use of telephone interviewing as a marketing research tool is projected to increase dramatically over the next few years.

Answer: False Page: 101 Difficulty: Medium AACSB: Reflective Thinking

1. A good illustration of what is called the arranged interview occurs when interviewers stop people in a shopping mall or on a busy street and solicit information necessary to their research effort.

Answer: False Page: 101 Difficulty: Medium AACSB: Reflective Thinking

1. The data analysis phase of the marketing research process is generally the most expensive and the most prone to error.

Answer: False Page: 101 Difficulty: Medium AACSB: Analytic Skills

1. One of the characteristics of good marketing research is that it uses multiple methods.

Answer: True Page: 104 Difficulty: Easy AACSB: Reflective Thinking

1. Marketing researchers should have a healthy skepticism toward glib assumptions made by managers about how a market works.

Answer: True Page: 104 Difficulty: Easy AACSB: Reflective Thinking

1. Marketing mix modeling is used to estimate causal relationships and measure how marketing activity affects outcomes.

Answer: True Page: 106 Difficulty: Medium AACSB: Analytic Skills

1. A set of measures that helps firms to quantify, compare, and interpret their marketing performance is called *marketing metrics.*

Answer: True Page: 106 Difficulty: Medium

1. Especially popular with such companies as Procter & Gamble, marketing mix modeling is used to allocate or reallocate expenditures.

Answer: True Page: 107 Difficulty: Medium AACSB: Analytic Skills

1. A stakeholder performance scorecard tracks the satisfaction with the company and its products and services among such entities as suppliers, banks, and stockholders.

Answer: True Page: 108 Difficulty: Medium

1. The production department is responsible for preparing sales forecasts because they have the most data about production schedules and the ability to meet orders.

Answer: False Page: 109 Difficulty: Easy AACSB: Reflective Thinking

1. All the buyers who are able and willing to buy a company’s products or services are called the overall market share.

Answer: False Page: 110 Difficulty: Medium

1. A target market is the set of consumers who profess a sufficient level of interest in a market offer.

Answer: False Page: 110 Difficulty: Medium AACSB: Analytic Skills

1. The distance between the market minimum and the market potential shows the overall marketing sensitivity of demand.

Answer: True Page: 111 Difficulty: Medium AACSB: Analytic Skills

1. Market demand is not a fixed number, but rather a function of the stated conditions.

Answer: True Page: 111 Difficulty: Easy AACSB: Reflective Thinking

1. A low market share penetration index indicates substantial growth potential for all the firms.

Answer: True Page: 111 Difficulty: Medium AACSB: Reflective Thinking

1. Companies interested in market potential have a special interest in the product penetration percentage, which is the percentage of ownership or use of a product or service in a population.

Answer: True Page: 112 Difficulty: Medium AACSB: Analytic Skills

1. A sales quota is a conservative estimate of the expected volume of sales, primarily for making current purchasing, production, and cash flow decisions.

Answer: False Page: 112 Difficulty: Medium AACSB: Analytic Skills

1. A common way to estimate total market potential is to multiply the potential number of buyers by the average quantity each purchases, times the price.

Answer: True Page: 113 Difficulty: Medium AACSB: Analytic Skills

1. Estimating area market potential, as a subset of total market potential, facilitates effective marketing budget allocation.

Answer: True Page: 113 Difficulty: Hard AACSB: Reflective Thinking

1. The multiple factor index method for assessing area market potential is most commonly used by those interested in consumer markets.

Answer: True Page: 114 Difficulty: Medium

1. Few companies use sales force estimates without making some adjustments because of both deliberate and inadvertent estimation error on the part of salespeople.

Answer: True Page: 116 Difficulty: Easy AACSB: Reflective Thinking

1. With respect to past sales analysis, econometric analysis consists of projecting the next period’s sales by combining an average of past sales and the most recent sales, giving more weight to the latter.

Answer: False Page: 116 Difficulty: Medium

1. When buyers don’t plan their purchases carefully, or experts are unavailable or unreliable, exponential smoothing can help forecast new product sales.

Answer: False Page: 116 Difficulty: Medium

**Essay**

1. What are the six steps in the marketing research process?

**Suggested Answer:** The six steps are: (1) define the problem and research objectives, (2) develop the research plan, (3) collect the information, (4) analyze the information, (5) present the findings, and (6) make the decision.

Page: 91 Difficulty: Medium AACSB: Analytic Skills

1. Characterize the structure and purpose of a focus group.

**Suggested Answer:** A focus group is a gathering of 6 to 10 people who are carefully selected based on certain demographic, psychographic, or other considerations and brought together to discuss at length various topics of interest.

Pages: 93 Difficulty: Medium AACSB: Analytic Skills

1. Explain what qualitative research is and why it might be useful to marketers.

**Suggested Answer:** Some marketers prefer more qualitative methods for gauging consumer opinion because consumer actions do not always match their answers to survey questions. Qualitative research techniques are relatively unstructured measurement approaches to permit a range of possible responses, and they are a creative means of ascertaining consumer perceptions that may otherwise be difficult to uncover.

Page: 96 Difficulty: Medium AACSB: Reflective Thinking

1. Describe and illustrate the following question formats: dichotomous, Likert scale, word association, and Thematic Appreciation Test (TAT).

**Suggested Answer:** Dichotomous questions are questions with two possible answers. A Likert scale question is a statement with which the respondent shows the amount of agreement/disagreement with something. Word association occurs when words are presented, one at a time, and respondents mention the first word that comes to mind. Lastly, the Thematic Appreciation Test (TAT) has a picture presented to respondents where the respondents are asked to make up a story about what they think is happening or may happen in the picture. See Table 4.1 in the chapter for specific illustrations.

Page: 97 Difficulty: Hard AACSB: Analytic Skills

1. Explain what a “projective technique” is and how it might be used to assist researchers in understanding consumer actions and behavior.

**Suggested Answer:** In a projective technique, people are presented an incomplete stimulus and asked to complete it or given an ambiguous stimulus that may not make sense in and of itself and are asked to make sense of it. The argument is that people will reveal their true beliefs and feelings. An example would be to use “bubble exercises” where different people are depicted in a buying scene and the respondent is asked to indicate what they might be saying to one another (e.g., in the blank bubble over their heads).

Page: 98 Difficulty: Hard AACSB: Reflective Thinking

1. What is the chief advantage of using each of the following contact methods: mail questionnaire, telephone interview, and personal interview?

**Suggested Answer:** The chief advantage of each contact method mentioned is (1) mail questionnaire—the best way to reach people who would not give personal interviews or whose responses might be biased or distorted by the interviews, (2) telephone interviews—the best method for gathering information quickly and the interviewer is also able to clarify questions if respondents do not understand them, and (3) personal interview—the most versatile method because they can ask more questions and record additional observations about the respondent.

Pages: 100–101 Difficulty: Medium AACSB: Reflective Thinking

1. According to information presented in the text, what are the seven characteristics of good marketing research?

**Suggested Answer:** The seven characteristics of good marketing research, as found on Table 4.3, are: (1) scientific method, (2) research creativity, (3) multiple methods, (4) interdependence of models and data, (5) value and cost of information, (6) healthy skepticism, and (7) ethical marketing.

Page: 104 Difficulty: Hard

1. In spite of the rapid growth of marketing research, many companies still fail to use it sufficiently or correctly. List and briefly discuss five reasons why this might happen.

**Suggested Answer:** Barriers to using marketing research effectively are: (1) a narrow conception of the research, (2) uneven caliber of researchers, (3) poor framing of the problem, (4) late and occasionally erroneous findings, and (5) personality and presentational differences. See chapter section for discussion details.

Pages: 103–104 Difficulty: Hard AACSB: Analytic Skills

1. Describe the following terms and then construct an illustration to demonstrate the relationships involved: potential market, available market, qualified available market, target market, and penetrated market.

**Suggested Answer:** The *potential market* is the set of consumers who profess a sufficient level of interest in a market offer. The *available market* is the set of consumers who have interest, income, and access to a particular offer. The *qualified available market* is the set of consumers who have interest, income, access, and qualifications for the particular market offer. The *target market* is the part of the qualified available market the company decides to pursue. The *penetrated market* is the set of consumers who are buying the company’s product. See chapter section for illustrations of the terms.

Page: 110 Difficulty: Hard AACSB: Analytic Skills

1. All forecasts are built on one of three information bases: what people say, what people do, or what people have done. How do market researchers collect information on each of three information bases?

**Suggested Answer:** Using what people say requires surveying the opinions of buyers or those close to them, such as salespeople or outside experts, with surveys of buyer’s intentions, composites of sales force opinions, and expert opinion. Building a forecast on what people do means putting the product into a test market to measure buyer response. To use what people have done, firms analyze records of past buying behavior or use time series analysis or statistical demand analysis.

Page: 115 Difficulty: Hard AACSB: Analytic Skills

**APPLICATION QUESTIONS**

**Multiple Choice**

1. Assume that you are a marketing research director for a medium sized manufacturing firm and you would like to engage an outside marketing research firm to conduct your field interviews. Which of the following options would be your best choice to achieve your objective?
   1. A syndicated service research firm
   2. A custom marketing research firm
   3. A global research management firm
   4. A specialty line marketing research firm
   5. A brand management specialty research firm

Answer: d Page: 90 Difficulty: Hard AACSB: Reflective Thinking

1. Which of the following is the best definition of the market research problem as American Airlines conducts research to determine whether to make the in flight Internet available to first class passengers?
   1. Find out whether enough passengers aboard a B747 flying direct between Chicago and Tokyo would be willing to pay $25 for an Internet connection for American Airlines to break even in one year on the cost of offering this service.
   2. Find out everything you can about first class air travelers’ needs.
   3. Will offering an in flight Internet service create enough incremental preference and profit for American Airlines to justify its cost against other possible investments in service enhancements American might make?
   4. Is the Internet an important element of first class air travelers’ work and home lives?
   5. None of the above.

Answer: c Page: 91 Difficulty: Hard AACSB: Communication

1. If American Airlines seeks to quantify demand, such as how many first class passengers would purchase in flight Internet service at $25, the airline should conduct \_\_\_\_\_\_\_\_ research.
   1. descriptive
   2. exploratory
   3. prescriptive
   4. analytic
   5. qualitative

Answer: a Page: 92 Difficulty: Medium AACSB: Analytic Skills

1. Before Sandra Perez opened her floral shop she read all she could on the industry. She also reviewed library data banks on growth patterns in the local area with particular interest in the location of florists throughout the city. This \_\_\_\_\_\_\_\_ assisted her in deciding where to locate her store.
   1. primary information
   2. secondary information
   3. guerilla marketing data
   4. tertiary information
   5. nonpersonal information

Answer: b Page: 92 Difficulty: Medium AACSB: Reflective Thinking

1. As one marketing executive noted, \_\_\_\_\_\_\_\_ are “…the most cost effective, quickest, dirtiest way to get information in rapid time on an idea.”
   1. scanners
   2. tele us machines
   3. surveys
   4. in store interviews
   5. focus groups

Answer: e Page: 95 Difficulty: Hard AACSB: Analytic Skills

1. One of the don’ts of questionnaire construction is to ensure that fixed responses do not overlap. Which of the following is the best illustration of a problem that this “don’t” might cause?
   1. A question has three possible responses: yes, no, or maybe.
   2. An income question asks for an income designation in one of the following income categories: $0–$20,000, $20,000–$40,000, or $40,000 and above.
   3. A consumer is asked to describe a recent event while driving.
   4. A consumer must describe a cartoon about buying a car.
   5. A consumer is asked whether or not he or she could spy on another consumer’s shopping experience.

Answer: b Page: 96 Difficulty: Medium AACSB: Analytic Skills

1. If a questionnaire says “Small college classes are better places to learn effectively: (choose) 1\_\_ Strongly disagree, 2 \_\_ Disagree, 3\_\_ Neither agree nor disagree, 4\_\_ Agree, 5\_\_ Strongly agree,” the researcher would be using which of the following to discover data.
   1. Likert scale
   2. Semantic differential
   3. Multiple choice
   4. Thematic Appreciation Test (TAT)
   5. Dichotomous question

Answer: a Page: 97 Difficulty: Medium AACSB: Analytic Skills

1. The question “What is your opinion of American Airlines?” is an example of a \_\_\_\_\_\_\_\_ question.
   1. rating scale
   2. word association
   3. completely unstructured
   4. story completion
   5. importance scale

Answer: c Page: 97 Difficulty: Medium AACSB: Analytic Skills

1. One set of consumers, during a focus group session, indicated that Dell computers reminded them of a surfer, Apple computers were equated to a mad scientist, and IBM computers to Scrooge from the Dickens’s tale. Which of the following qualitative research approaches matches to the approach described above?
   1. Projective techniques
   2. Visualization
   3. Brand personification
   4. Laddering
   5. Pyramiding

Answer: c Page: 98 Difficulty: Hard AACSB: Analytic Skills

1. If you decided to interview members of your class with regard to issues relating to the university and college life, you would have selected the \_\_\_\_\_\_\_\_ as a means of sampling members of the total population.
   1. simple random sample
   2. stratified random sample
   3. cluster (area) sample
   4. convenience sample
   5. quota sample

Answer: d Page: 100 Difficulty: Medium AACSB: Analytic Skills

1. The main drawback to the \_\_\_\_\_\_\_\_ is that the interviews must be short and not too personal.
   1. mail questionnaire
   2. personal interview
   3. online interview
   4. secondary interview
   5. telephone interview

Answer: e Page: 101 Difficulty: Medium AACSB: Reflective Thinking

1. If a marketing researcher were to use careful observation, hypotheses, prediction, and testing to ensure that his or her marketing research efforts were of the highest quality, the researcher would have then used \_\_\_\_\_\_\_\_ characteristic of good marketing research to assist in the research effort.
   1. research creativity
   2. scientific method
   3. ethical marketing
   4. multiple methods
   5. interdependence of models and data

Answer: b Page: 104 Difficulty: Medium AACSB: Reflective Thinking

1. Some marketing managers view marketing research as little more than a clerical activity and treat it as such. This is a reflection of which of the barriers that must be overcome if successful marketing research is to occur?
   1. Uneven caliber of researchers
   2. Poor framing of the problem
   3. Erroneous findings
   4. Personality differences
   5. Presentation differences

Answer: a Page: 104 Difficulty: Easy AACSB: Reflective Thinking

1. The most important task of a marketing researcher is to \_\_\_\_\_\_\_\_.
   1. identify consumer insights
   2. assess the efficiency and effectiveness of marketing activities
   3. develop new product offerings
   4. identify potential market openings for the firm to exploit
   5. all of the above

Answer: b Page: 106 Difficulty: Hard AACSB: Reflective Thinking

1. 3M tracks the proportion of sales resulting from its recent innovations. This measurement is an example of a \_\_\_\_\_\_\_\_.
   1. consumer insight
   2. target market
   3. secondary information search
   4. marketing metric
   5. sales forecast

Answer: d Page: 106 Difficulty: Easy AACSB: Analytic Skills

1. Jeanine would like to own a Mercedes but is unable to afford to buy one at this time. Jeanine is part of the \_\_\_\_\_\_\_\_ for this product.
   1. potential market
   2. available market
   3. target market
   4. projected market
   5. penetrated market

Answer: a Page: 110 Difficulty: Medium AACSB: Analytic Skills

1. Jason is examining a recent breakdown of his company’s West Coast market. The terms in the report are somewhat confusing because there was no attached vocabulary key to assist the uninformed reader. Jason is looking for the set of consumers who are currently buying his company’s products. Which of the following terms will assist him in finding the right column for his data query?
   1. Potential market
   2. Bilateral market
   3. Available market
   4. Target market
   5. Penetrated market

Answer: e Page: 110 Difficulty: Medium

1. Barry’s company sells in a nonexpansible market. As a marketer, Barry should focus on \_\_\_\_\_\_\_\_.
   1. increasing marketing expenditure to increase the overall market size
   2. more effectively allocating his budget to increase demand for his company’s product category
   3. decreasing the marketing sensitivity of demand for his product
   4. improving his company’s market share by attracting competitors’ customers
   5. all of the above

Answer: d Page: 111 Difficulty: Medium AACSB: Reflective Thinking

1. A high market penetration index suggests that \_\_\_\_\_\_\_\_.
   1. a substantial growth potential exists for all firms in the market
   2. there will be increased costs of attracting the few remaining prospects
   3. mistakes have been made in selecting the correct promotional alternatives
   4. the price of the product or service is too high with respect to competition
   5. it would be great time to expand distribution outlets

Answer: b Page: 111 Difficulty: Hard AACSB: Analytic Skills

1. A marketing research firm intends to ask consumers a question that reads “Do you intend to buy a automobile within the next six months?” Consumers could respond in several ways including no chance, slight possibility, fair possibility, good possibility, high possibility, and certain. Which of the following terms most accurately categorizes the type of scale that the marketing researcher will want to use in the research effort?
   1. Buying ratio scale
   2. Behavioral scale
   3. Attitude scale
   4. Purchase probability scale
   5. Market test scale

Answer: d Page: 116 Difficulty: Medium AACSB: Analytic Skills

**Short Answer**

1. Define marketing research.

**Suggested Answer:** *Marketing research* is seen as a systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company.

Page: 90 Difficulty: Easy AACSB: Analytic Skills

1. The text lists several creative ways that a small company can conduct marketing research without incurring the high costs often associated with a marketing research effort. List three methods that might be considered to be creative.

**Suggested Answer:** The three methods are: (1) engaging students or professors to design and carry out projects, (2) using the Internet, and (3) checking out rivals. Pages: 90–91 Difficulty: Medium AACSB: Reflective Thinking

1. During which phase of the marketing research process will the marketing manager most likely calculate the cost of the marketing research plan?

**Suggested Answer:** The most likely phase will be the second phase (develop the research plan).

Page: 92 Difficulty: Medium AACSB: Analytic Skills

1. Bank of America’s research following baby boomer women at home and while they shopped yielded two insights—they rounded up financial transactions because it was more convenient, and those with children found it difficult to save. In what category of research would this study fall?

**Suggested Answer:** This study was an example of ethnographic research.

Page: 93 Difficulty: Medium AACSB: Analytic Skills

1. If a company wants to assess the magnitude of consumers’ knowledge, beliefs, preferences, and satisfaction, the company will most likely choose which of the five research approaches outlined in the text?

**Suggested Answer:** The company will most likely choose the *survey research* approach.

Page: 94 Difficulty: Medium AACSB: Analytic Skills

1. If you needed to collect primary data and were seeking to use the research instrument that is considered to be the most common method for obtaining that type of data, what type of instrument would you select?

**Suggested Answer:** The company should choose the *questionnaire* as the instrument to collect data. It is by far the most common method for obtaining primary data information.

Page: 96 Difficulty: Easy AACSB: Analytic Skills

1. The Bledsoe Marketing Research group has been hired to administer a series of “yes/no” questions to shoppers in a local mall. If questions on a survey have only two possible answers (such as “yes/no” questions), what type of questions are these?

**Suggested Answer:** Questions of this type are *closed end questions* that are *dichotomous* in nature. Students may use either term for credit unless the instructor prefers otherwise.

Page: 97 Difficulty: Easy AACSB: Analytic Skills

1. A marketing manager would like to ask a few simple questions of his or her company’s target market (a population). If the manager would like to ensure that every member of that population has an equal chance of being chosen for questioning, the manager would need to select which sampling method?

**Suggested Answer:** A probability sample can be taken using a *simple random sample.* See chapter section for additional details.

Page: 100 Difficulty: Medium AACSB: Analytic Skills

1. Describe what might occur in an intercept interview. What are the chief disadvantages of this method of contact?

**Suggested Answer:** *Intercept interviews* involve stopping people at a shopping mall or busy street corner and requesting an interview. Intercept interviews can have the drawback of being nonprobability samples, and the interviews must not require too much time.

Page: 101 Difficulty: Medium AACSB: Reflective Thinking

1. List the four advantages of conducting marketing research online.

**Suggested Answer:** The advantages are: (1) Online research is inexpensive; (2) online research is fast; (3) people tend to be more honest online than they are in personal or telephone interviews; and (4) online research is versatile.

Page: 102 Difficulty: Hard AACSB: Analytic Skills

1. Describe a marketing decision support system (MDSS).

**Suggested Answer:** A *marketing decision support system* is defined as being a coordinated collection of data, systems, tools, and techniques with supporting software and hardware by which an organization gathers and interprets relevant information from business and environment and turns it into a basis for marketing action.

Page: 103 Difficulty: Medium

1. Describe how ethical marketing assists a desire to have good marketing research.

**Suggested Answer:** Marketing research benefits both the sponsoring company and its customers. The misuse of marketing research can harm or annoy customers, increasing resentment at what consumers regard as the invasion of their privacy or a disguised sales pitch. See Table 4.3 for additional details.

Page: 104 Difficulty: Medium AACSB: Ethical Reasoning

1. Many managers see marketing research as a fact finding operation. Is this a correct view? Explain.

**Suggested Answer:** Managers expect the researcher to design a questionnaire, choose a sample, conduct interviews, and report results, often without a careful definition of the problem or of the decisions facing management. When fact finding fails to be useful, management’s idea of the limited usefulness of marketing research is reinforced.

Pages: 103–104 Difficulty: Medium AACSB: Reflective Thinking

1. List four external marketing metrics that will be useful for the marketing researcher.

**Suggested Answer:** The text lists 10 external marketing metrics (see Table 4.4). They are: awareness, market share (volume or value), relative price (market share value/volume), number of complaints (level of dissatisfaction), consumer satisfaction, distribution/availability, total number of customers, perceived quality/esteem, loyalty/retention, and relative perceived quality. Students may choose any of the above.

Page: 107 Difficulty: Hard AACSB: Analytic Skills

1. You have been asked to develop a customer performance scorecard for your company’s toy division. List three measures you might include.

**Suggested Answer:** Table 4.5 presents a list of sample customer performance scorecard measures including (1) percentage of new customers to average number of customers; (2) percentage of lost customers to average number of customers; (3) percentage of win back customers to average number of customers.

Page: 108 Difficulty: Hard AACSB: Analytic Skills

1. A stakeholder performance scorecard tracks the satisfaction of various constituencies who have a critical interest and impact on the company’s performance. List four constituencies that might be included.

**Suggested Answer:** The stakeholder performance scorecard could track the satisfaction of employees, suppliers, banks, distributors, retailers, and stockholders.

Page: 108 Difficulty: Medium AACSB: Analytic Skills

1. If a researcher is interested in the qualified available market, how would you describe this market?

**Suggested Answer:** The *qualified available market* is the set of consumers who have interest, income, access, and qualifications for the particular market offer.

Page: 110 Difficulty: Medium AACSB: Analytic Skills

1. It is often necessary for marketers to understand the nature of market demand. Define market demand.

**Suggested Answer:** *Market demand* for a product is the total volume that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program.

Page: 111 Difficulty: Medium AACSB: Analytic Skills

1. What is the difference between company demand and a company sales forecast?

**Suggested Answer:** *Company demand* is the company’s estimated share of market demand at alternative levels of the company marketing effort in a given

time period. The *company sales forecast* is the expected level of company sales based on a chosen marketing plan and an assumed marketing environment.

Page: 112 Difficulty: Medium AACSB: Analytic Skills

1. Create a question and an associated scale that illustrate a purchase probability scale.

**Suggested Answer:** The text suggests a question such as “Do you intend to buy an automobile within the next six months?” The range of the associated scale would then be: no chance, slight possibility, fair possibility, good possibility, high possibility, and certain. Students are to create their own example, but the example should be in keeping with the material in the text.

Page: 116 Difficulty: Hard AACSB: Reflective Thinking

**Chapter 5:**

**Creating Customer Value, Satisfaction, and Loyalty**

# GENERAL CONCEPT QUESTIONS

# Multiple Choice

1. \_\_\_\_\_\_\_\_ are adept at building customer relationships, not just products; they are skilled in market engineering, not just product engineering.
   1. Profit centered companies
   2. Customer centered companies
   3. Production centered companies
   4. Sales centered companies
   5. Promotion centered companies

Answer: b Page: 119 Difficulty: Easy AACSB: Reflective Thinking

1. The opening vignette on Ritz Carlton shows that successful marketers are the ones that fully \_\_\_\_\_\_\_\_.
   1. understand promotional strategy
   2. diversify their product line
   3. divorce themselves from a production mentality
   4. satisfy their customers profitably
   5. understand the sales concept

Answer: d Page: 120 Difficulty: Medium AACSB: Reflective Thinking

1. In the modern customer oriented organizational chart, which of the following is considered to be at the top of the organizational pyramid?
2. Sales
3. The president
4. Front line people
5. Customers
6. Middle management

Answer: d Page: 121 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ is the difference between the prospective customer’s evaluation of all the benefits and all the costs of an offering and the perceived alternatives.
   1. Perceived usefulness
   2. Failure avoidance rate
   3. Report rating
   4. Customer perceived value
   5. Competitors’ market share rate

Answer: d Page: 121 Difficulty: Medium AACSB: Analytic Skills

1. Total customer benefit is the perceived monetary value of the bundle of economic, functional, and \_\_\_\_\_\_\_\_ benefits customers expect from a given market offering.
   1. psychological
   2. intangible
   3. realized
   4. fabricated
   5. advertised

Answer: a Page: 121 Difficulty: Hard AACSB: Analytic Skills

1. The bundle of costs customers expect to incur in evaluating, obtaining, using, and disposing of the given market offering is called the \_\_\_\_\_\_\_\_.
   1. organizational expense ratio
   2. shopper’s fatigue
   3. total customer cost
   4. analysis paralysis
   5. comparison shopping to comparison buying ratio

Answer: c Page: 121 Difficulty: Medium AACSB: Analytic Skills

1. In applying a customer’s perceived value to a decision, a seller who is at a disadvantage with respect to customer perceived value has two alternatives: to increase total customer benefit or \_\_\_\_\_\_\_\_.
   1. increase a cash back bonus
   2. decrease total customer cost
   3. lose the sale to the competitor
   4. advertise more frequently
   5. offer an extended warranty

Answer: b Page: 123 Difficulty: Medium AACSB: Analytic Skills

1. The final step of customer value analysis is to \_\_\_\_\_\_\_\_.
   1. identify the major attributes and benefits that customers value
   2. assess the company’s and competitors’ performances on the different customer values against their rated importance
   3. examine how customers in a specific segment rate the company’s performance against a specific major competitor on an individual attribute or benefit basis
   4. monitor customer values over time
   5. assess the quantitative importance of the different attributes and benefits

Answer: d Page: 122 Difficulty: Medium

1. The \_\_\_\_\_\_\_\_ consists of the whole cluster of benefits the company promises to deliver; it is more than the core positioning of the offering.
   1. customer promise
   2. mission statement
   3. corporate pledge
   4. corporate perceived value
   5. value proposition

Answer: e Page: 123 Difficulty: Medium AACSB: Analytic Skills

1. A company’s \_\_\_\_\_\_\_\_ includes all the experiences the customer will have on the way to obtaining and using the offering.
   1. value proposition
   2. value delivery system
   3. customer value analysis
   4. total customer benefit
   5. total customer cost

Answer: b Page: 123 Difficulty: Easy AACSB: Analytic Skills

1. Total customer satisfaction is measured based on the relationship of \_\_\_\_\_\_\_\_.
   1. anticipated and real performance
   2. perceived performance and expectation
   3. advertised outcomes and real outcomes
   4. past experience and present experience
   5. customer attitude and salesperson’s attitude

Answer: b Page: 124 Difficulty: Hard AACSB: Reflective Thinking

1. The ultimate goal of the customer centered firm is \_\_\_\_\_\_\_\_.
   1. high customer satisfaction
   2. high profits
   3. low costs
   4. maximum stakeholder satisfaction
   5. none of the above

Answer: e Pages: 124–125 Difficulty: Hard AACSB: Reflective Thinking

1. Buyers form their expectations from all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. past buying experience
   2. friends and associates advice
   3. marketers’ information
   4. competitors’ information
   5. governmental newsletters

Answer: e Page: 125 Difficulty: Easy AACSB: Analytic Skills

1. A customer’s decision to be loyal or to defect is the sum of many small encounters with the company. In order for all these small encounters to add up to customer loyalty, many companies, such as Joie de Vivre Hospitality, strive to create \_\_\_\_\_\_\_\_.
   1. a reward program
   2. a comprehensive customer database
   3. a branded customer experience
   4. strong word of mouth promotions
   5. a top notch advertising campaign

Answer: c Page: 125 Difficulty: Hard AACSB: Reflective Thinking

1. One key to customer retention is \_\_\_\_\_\_\_\_. It would be wise for a company to measure this factor frequently.
   1. heavy promotion
   2. deep discounts for intermediaries
   3. to have an ethics officer
   4. customer satisfaction
   5. to have customers on the board of directors

Answer: d Page: 125 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ can track customer satisfaction directly and also gauge consumers’ willingness to recommend the company and brand to others.
   1. Periodic surveys
   2. Mystery shoppers
   3. Customer loss rates
   4. Customer focus statements
   5. All of the above

Answer: a Page: 126 Difficulty: Medium AACSB: Analytic Skills

1. Studies of customer dissatisfaction show that customers are dissatisfied with their purchases about 25% of the time, but only about \_\_\_\_\_\_\_\_ complain.
   1. 1%
   2. 5%
   3. 10%
   4. 15%
   5. 20%

Answer: b Page: 128 Difficulty: Hard

1. Of customers who register a complaint, \_\_\_\_\_\_\_\_.
   1. the majority will do business with the company again because they are unwilling to dedicate the effort required to find another vendor
   2. none will do business with the company again
   3. customers whose complaints are satisfactorily resolved spread more word of mouth than those who continue to be dissatisfied
   4. the speed of resolution has no impact on the likelihood of repeat business
   5. between approximately half and three quarters will do business with the company again if their complaint is resolved

Answer: e Page: 129 Difficulty: Hard

1. \_\_\_\_\_\_\_\_ is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.
   1. Performance
   2. Value
   3. Quality
   4. Customer retention
   5. Customer loyalty

Answer: c Page: 129 Difficulty: Easy AACSB: Analytic Skills

1. Total quality is the key to value creation and customer satisfaction. A marketing manager has several roles to play in a quality centered company, including \_\_\_\_\_\_\_\_.
   1. participating in cross functional team building
   2. correctly identifying customers’ needs and requirements
   3. ensuring costs are adequately controlled during order fulfillment
   4. setting expectations both internally and externally
   5. working closely with the sales team to create a dynamic sales message

Answer: b Page: 130 Difficulty: Hard AACSB: Analytic Skills

1. The 20–80 rule reflects the idea that \_\_\_\_\_\_\_\_.
   1. the top 20% of customers often generate 80% of the company’s profits
   2. the top 20% of customers are highly satisfied and 80% of customers will recommend the company to a friend
   3. 20% of customers are unprofitable, and 80% make up a company’s profits
   4. 20% of the company’s profits are generated by the top 80% of customers
   5. any new product offering will be accepted by 20% of the customers immediately, but 80% of the customers will be up for grabs throughout the product’s life cycle

Answer: a Page: 130 Difficulty: Hard AACSB: Analytic Skills

1. Most companies have learned that the \_\_\_\_\_\_\_\_ are often the most profitable because of service expectations and their willingness to pay almost full price.
   1. large size customers
   2. midsize customers
   3. small size customers
   4. niche customers
   5. target market customers

Answer: b Page: 130 Difficulty: Medium

1. A(n) \_\_\_\_\_\_\_\_ customer is a person, household, or company that over time yields a revenue stream that exceeds by an acceptable amount the company’s cost stream of attracting, selling, and servicing that customer.
   1. profitable
   2. semiprofitable
   3. unprofitable
   4. niche
   5. target

Answer: a Pages: 130–131 Difficulty: Easy AACSB: Analytic Skills

1. Customer profitability analysis (CPA) is best conducted with the tools of an accounting technique called \_\_\_\_\_\_\_\_.
   1. input output analysis
   2. factor analysis
   3. revenue based costing (RBC)
   4. activity based costing (ABC)
   5. future date costing (FDC)

Answer: d Page: 131 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ describes the net present value of the stream of future profits expected over the customer’s lifetime purchases.
   1. Activity based costing
   2. Customer profitability analysis
   3. Customer value analysis
   4. Customer perceived value
   5. Customer lifetime value

Answer: e Page: 132 Difficulty: Medium AACSB: Analytic Skills

1. The aim of customer relationship management (CRM) is to produce high customer \_\_\_\_\_\_\_\_.
   1. value
   2. loyalty
   3. profitability
   4. satisfaction
   5. equity

Answer: b Page: 133 Difficulty: Medium

1. A customer touch point in the airline industry would include an item such as \_\_\_\_\_\_\_\_.
   1. reservations
   2. mechanics’ ability to service the airplanes
   3. ease of access to the airport
   4. the value of air travel versus surface transportation
   5. competency of a travel agent

Answer: a Page: 133 Difficulty: Medium AACSB: Reflective Thinking

1. Customer relationship management enables companies to provide excellent real time customer service through the effective use of \_\_\_\_\_\_\_.
   1. reports from mystery shoppers
   2. survey data from customers who have defected
   3. market research into overall consumption trends
   4. individual account information
   5. demographic trend data

Answer: d Page: 135 Difficulty: Hard AACSB: Reflective Thinking

1. All of the following would be among the Peppers and Rogers’s four step framework for one to one marketing that can be adapted to CRM marketing EXCEPT \_\_\_\_\_\_\_\_.
   1. customizing products, services, and messages to each customer
   2. interacting with individual customers to learn their needs
   3. always offering the lowest price
   4. differentiating customers in terms of their needs and value to the company
   5. identifying your prospects and customers

Answer: c Page: 135 Difficulty: Hard AACSB: Analytic Skills

1. Winning companies improve the value of their customer base by excelling at each of the following strategies EXCEPT \_\_\_\_\_\_\_\_.
   1. retaining all customers regardless of profitability
   2. reducing the rate of customer defection
   3. increasing the longevity of the customer relationship
   4. making low profit customers more profitable or terminating them
   5. focusing disproportionate efforts on high value customers

Answer: a Page: 136 Difficulty: Medium AACSB: Reflective Thinking

1. Harley Davidson sells more than motorcycles and accessories. Its dealerships also sell branded clothing and licensed goods. This expansion of dealership sales offerings is an attempt to increase the value of the customer base by \_\_\_\_\_\_\_\_.
   1. reducing the rate of customer defection
   2. increasing the longevity of the customer relationship
   3. enhancing the growth potential of each customer through cross selling
   4. making low profit customers more profitable
   5. terminating low profit customers

Answer: c Page: 136 Difficulty: Medium AACSB: Reflective Thinking

1. Although actual costs vary from business to business depending on the complexity of the sales process, the most expensive customer acquisition method based on cost per solicitation is \_\_\_\_\_\_\_\_.
   1. personal selling
   2. direct mail
   3. telemarketing
   4. banner advertisements
   5. e mail

Answer: a Page: 137 Difficulty: Medium AACSB: Analytic Skills

1. Another term for high customer \_\_\_\_\_\_\_\_ is *customer churn.*
   1. retention
   2. defection
   3. value
   4. perception
   5. belief

Answer: b Page: 137 Difficulty: Easy AACSB: Analytic Skills

1. People with the motivation, ability, and opportunity to make a purchase are known as \_\_\_\_\_\_\_\_.
   1. potentials
   2. advocates
   3. members
   4. prospects
   5. partners

Answer: d Page: 137 Difficulty: Medium AACSB: Analytic Skills

1. Customers who enthusiastically recommend the company and its products and services to others are known as \_\_\_\_\_\_\_\_.
   1. potentials
   2. advocates
   3. members
   4. prospects
   5. partners

Answer: b Page: 137 Difficulty: Medium AACSB: Analytic Skills

1. Satisfied customers constitute the company’s \_\_\_\_\_\_\_\_.
   1. customer relationship capital
   2. customer churn
   3. prospects
   4. high value customers
   5. customer touch points

Answer: a Page: 138 Difficulty: Medium

1. Acquiring new customers can cost \_\_\_\_\_\_\_\_ times more than satisfying and retaining current customers.
   1. two
   2. three
   3. five
   4. seven
   5. 10

Answer: c Page: 138 Difficulty: Hard

1. All of the following are methods to form strong customer bonds EXCEPT \_\_\_\_\_\_\_\_.
   1. creating superior products, services, and experiences for the target market
   2. making it easy for customers to reach the appropriate company personnel and express their needs, perceptions, and complaints
   3. organizing and making accessible a database of information on individual customer needs, preferences, contacts, purchase frequency, and satisfaction
   4. running award programs recognizing outstanding employees
   5. concentrating the planning and management of the customer satisfaction and retention process within the marketing department

Answer: e Page: 138 Difficulty: Hard AACSB: Reflective Thinking

1. When companies provide rewards to customers who buy frequently and in substantial amounts, this is referred to as \_\_\_\_\_\_\_\_.
   1. benefit programs
   2. frequency programs
   3. satisfaction programs
   4. loyalty programs
   5. quality programs

Answer: b Page: 139 Difficulty: Easy AACSB: Analytic Skills

1. Typically, \_\_\_\_\_\_\_\_ gains the most benefit from introducing a frequency program.
   1. the first company to introduce a frequency program in an industry
   2. the fast follower, who is second to introduce a frequency program in an industry,
   3. the industry sales leader
   4. the niche player in the industry
   5. the low cost leader in the industry

Answer: a Page: 140 Difficulty: Medium AACSB: Reflective Thinking

1. All of the following are CRM imperatives EXCEPT \_\_\_\_\_\_\_\_.
   1. acquiring the right customer
   2. crafting the right value proposition
   3. instituting the best processes
   4. motivating employees
   5. learning to make profits through marginal customers

Answer: e Page: 141 Difficulty: Hard AACSB: Analytic Skills

1. CRM technology can help motivate employees by \_\_\_\_\_\_\_\_.
   1. analyzing customer revenue and cost data to identify current and future high value customers
   2. better targeting the company’s direct marketing efforts
   3. tracking customer service satisfaction levels
   4. aligning employee incentives and metrics
   5. developing new pricing models

Answer: d Page: 141 Difficulty: Hard AACSB: Reflective Thinking

1. According to Stanford’s business guru Jeffery Pfeffer, “the best companies build cultures in which frontline people \_\_\_\_\_\_\_\_.”
   1. can refer serious problems to senior management
   2. have strictly limited freedom to deviate from standard operating procedures
   3. are also consumers of the company’s products
   4. are empowered to do what’s needed to take care of the customer
   5. live in the communities they serve

Answer: d Page: 142 Difficulty: Medium AACSB: Reflective Thinking

1. An organized collection of comprehensive information about individual customers or prospects that is current, accessible, and actionable for such marketing purposes as lead generation, lead qualification, sale of a product or service, or maintenance of customer relationships is called \_\_\_\_\_\_\_\_.
   1. a customer database
   2. a customer mail list
   3. target market segments
   4. customer segments
   5. relationship markets

Answer: a Pages: 142–143 Difficulty: Medium AACSB: Analytic Skills

1. The process of building, maintaining, and using customer databases and other databases for the purpose of contacting, transacting, and building customer relationships is called \_\_\_\_\_\_\_\_.
   1. data warehousing
   2. datamining
   3. database marketing
   4. custom marketing
   5. electronic marketing

Answer: c Page: 143 Difficulty: Easy AACSB: Analytic Skills

1. A \_\_\_\_\_\_\_\_\_\_\_\_\_ is simply a set of names, addresses, and telephone numbers.
   1. customer database
   2. customer mailing list
   3. call waiting list
   4. psychographic list
   5. demographic list

Answer: b Page: 143 Difficulty: Easy

1. A customer database should contain all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. a customer’s past purchases
   2. demographics
   3. psychographics
   4. mediagraphics
   5. an assessment of competitive strengths and weaknesses

Answer: e Page: 143 Difficulty: Medium AACSB: Reflective Skills

1. A \_\_\_\_\_\_\_\_ would contain such items as past volumes, prices, profits, buyer, status of current contacts, and an assessment of competitive strengths and weaknesses.
   1. customer mailing list
   2. contact list
   3. customer database
   4. business database
   5. general corporate database

Answer: d Page: 143 Difficulty: Easy AACSB: Analytic Skills

1. Savvy companies are capturing information every time a customer comes into contact with any of its departments. As a marketing manager all of the following would be available customer touch points for your consideration EXCEPT \_\_\_\_\_\_\_\_.
   1. a customer purchase
   2. an online query
   3. a mail in rebate card
   4. an ad run on a national television network
   5. a customer requested service call

Answer: d Page: 143 Difficulty: Medium

1. Using his company’s \_\_\_\_\_\_\_\_ lets a telemarketer respond to customer inquiries more effectively because he or she can see a total picture of the customer relationship.
   1. data warehouse
   2. call back list
   3. call rejection list
   4. corporate database
   5. Better Business Bureau contacts

Answer: a Page: 143 Difficulty: Medium

1. Through \_\_\_\_\_\_\_\_, marketing statisticians can extract useful information about individuals, trends, and segments from the mass of data.
   1. data accumulation
   2. target market information supplied by the government
   3. datamining
   4. data management
   5. data marketing

Answer: c Page: 143 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ involves the use of sophisticated statistical and mathematical techniques such as cluster analysis, automatic interaction detection, predictive modeling, and neural networking.
   1. Data management
   2. Data marketing
   3. Target market analysis
   4. Data accumulation
   5. Datamining

Answer: e Page: 143 Difficulty: Medium AACSB: Analytic Skills

1. In general, companies can use their databases in all of the following ways EXCEPT \_\_\_\_\_\_\_\_.
   1. to predict competitive strategies and plans
   2. to identify prospects
   3. to decide which customers should receive a particular offer
   4. to deepen customer loyalty
   5. to avoid serious customer mistakes

Answer: a Pages: 143–145 Difficulty: Medium AACSB: Analytic Skills

1. Susan Lefferts’ company advertises widely. Ms. Lefferts uses business reply cards attached to her company’s magazine ads to build her company’s database. In which of the following ways would Ms. Lefferts most likely use the database?
   1. To deepen customer loyalty
   2. To reactivate customer purchases
   3. To avoid serious customer mistakes
   4. To determine if up selling is appropriate
   5. To identify prospects

Answer: e Page: 143 Difficulty: Hard AACSB: Reflective Thinking

1. Phil Langston has just ordered a number of expensive executive gifts that he will be sending as an appreciation token to a select few customers from his client database. In which of the following ways is Mr. Langston most likely using his database?
   1. To identify prospects
   2. To decide which customers should receive a new sales offer
   3. To deepen customer loyalty
   4. To avoid serious customer mistakes
   5. To beat the competition to a sale

Answer: c Page: 145 Difficulty: Medium AACSB: Reflective Thinking

1. Royal Caribbean uses its \_\_\_\_\_\_\_\_ to offer spur of the moment cruise packages to fill all the berths on its ships. It focuses on retired people and single people because they are more able to make quick commitments.
   1. advertising
   2. database
   3. mail catalogs
   4. public relations department
   5. radio advertising

Answer: b Page: 145 Difficulty: Easy

1. Which of the following is considered to be one of the four problems that can deter a firm from using CRM (customer relationship marketing)?
   1. Competitors can often hack into CRM systems.
   2. Building and maintaining a customer database requires a large investment.
   3. It is very difficult to find and train database employees.
   4. Long term results of such systems are still unproven.
   5. Focusing too much on databases separates a company from its customers.

Answer: b Page: 145 Difficulty: Medium AACSB: Reflective Thinking

1. Building a database would not be worthwhile for a company in all of the following cases EXCEPT \_\_\_\_\_\_\_\_.
   1. where the product is a one in a lifetime purchase
   2. where customers show little loyalty to a brand
   3. where the company already has an above average relationship with its customers
   4. where the unit sale is very small
   5. where the cost of gathering the information is too high

Answer: c Pages: 145–146 Difficulty: Hard

1. All of the following are examples of the perils of CRM EXCEPT \_\_\_\_\_\_\_\_.
   1. implementing CRM before creating a customer strategy
   2. the enormous cost that might eventually drain significant profits from the organization
   3. rolling out CRM before changing the organization to match
   4. assuming more CRM technology is better
   5. stalking, not wooing, customers

Answer: b Page: 146 Difficulty: Medium

1. Marketers from which of the following are most likely to use database marketing?
   1. An airline
   2. A candy bar manufacturer
   3. A grand piano maker
   4. A toothpaste manufacturer
   5. None of the above would use database marketing.

Answer: a Page: 146 Difficulty: Medium AACSB: Reflective Thinking

# True/False

1. Managers who believe the customer is the company’s only true “profit center” consider the traditional organization chart to be obsolete.

Answer: True Page: 120 Difficulty: Easy

1. The modern customer oriented organization chart places top management at the top of the pyramid as long as they can think like consumers.

Answer: False Page: 120 Difficulty: Medium AACSB: Reflective Thinking

1. There are two determinates of customer perceived value: total customer benefit and total customer cost.

Answer: True Page: 121 Difficulty: Medium AACSB: Analytic Skills

1. Customer perceived value is the perceived monetary value of all the purchases a customer makes on an annual basis.

Answer: False Page: 121 Difficulty: Medium AACSB: Analytic Skills

1. Consumers tend to be value maximizes—they estimate which offer will deliver the most perceived value and act on it.

Answer: True Page: 121 Difficulty: Easy AACSB: Analytic Skills

1. At the heart of a good value delivery system is a set of core business processes that help to deliver distinctive customer value.

Answer: True Page: 123 Difficulty: Hard AACSB: Analytic Skills

1. Professional buyers and purchasing agents operate under various constraints and occasionally make choices that give more weight to their personal benefit than to the company’s benefit.

Answer: True Page: 123 Difficulty: Medium AACSB: Reflective Thinking

1. The value proposition is stated in the price of a product and readily recognized by the average consumer.

Answer: False Page: 123 Difficulty: Medium AACSB: Analytic Skills

1. The value delivery system includes all the experiences the customer will have on the way to obtaining and using the offering.

Answer: True Page: 123 Difficulty: Medium AACSB: Analytic Skills

1. For a consumer to be delighted with a product or service he or she must perceive that performance exceeds expectations.

Answer: True Page: 124 Difficulty: Easy AACSB: Analytic Skills

1. The ultimate goal of the customer centered firm is to create high customer satisfaction.

Answer: False Page: 124 Difficulty: Hard AACSB: Reflective Thinking

1. One key to customer retention is customer satisfaction.

Answer: True Page: 125 Difficulty: Easy

1. Consumers’ expectations result exclusively from past buying experiences.

###### Answer: False Page: 125 Difficulty: Medium

1. A highly satisfied customer generally stays loyal longer, pays less attention to competing brands, and is less sensitive to price.

Answer: True Page: 125 Difficulty: Medium

1. Price perception is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.

Answer: False Page: 129 Difficulty: Medium AACSB: Analytic Skills

1. Conformance quality and performance quality is essentially the same thing in a marketing sense.

Answer: False Page: 129 Difficulty: Medium AACSB: Analytic Skills

1. Two products with very different performance qualities can have the same conformance quality if both products deliver their respective promised quality.

Answer: True Page: 129 Difficulty: Hard AACSB: Analytic Skills

1. Marketers have found that pricing plays the most essential role in defining and delivering high quality goods and services to target customers.

Answer: False Page: 130 Difficulty: Easy AACSB: Reflective Thinking

1. The midsize customers for most organizations receive good service, pay nearly full price for the products and services they purchase, and are often the most profitable.

Answer: True Page: 130 Difficulty: Medium AACSB: Reflective Thinking

1. A profitable customer is a person, household, or company that over time yields a revenue stream that exceeds by an acceptable amount the company’s cost stream of attracting, selling, and servicing the customer.

Answer: True Pages: 130–131 Difficulty: Medium AACSB: Analytic Skills

1. The best thing a company can do in the face of company mistakes is to discourage the customer from complaining.

Answer: False Page: 129 Difficulty: Easy AACSB: Reflective Thinking

1. Quality is the key to value creation and customer satisfaction.

Answer: True Page: 130 Difficulty: Medium

1. The least profitable 10% to 20% of customers can reduce profits by 50% to 200% per account.

Answer: True Page: 130 Difficulty: Medium AACSB: Analytic Skills

1. Most companies measure customer satisfaction and individual customer profitability.

Answer: False Page: 131 Difficulty: Medium

1. Unprofitable customers who defect to a competitor should be encouraged to do so.

Answer: True Page: 131 Difficulty: Medium AACSB: Reflective Thinking

1. Customer profitability analysis (CPA) is best conducted with the tools of an accounting technique called activity based costing (ABC).

Answer: True Page: 131 Difficulty: Medium

1. According to customer profitability analysis (CPA), platinum customers spend the most money with the organization, thereby making them valuable.

Answer: False Page: 131 Difficulty: Hard AACSB: Analytic Skills

1. Customer lifetime value (CLV) describes the net present value of the stream of future profits expected over the customer’s lifetime purchases.

Answer: True Page: 132 Difficulty: Medium AACSB: Analytic Skills

1. A good illustration of a personal touch in the hotel business would be if the hotel employees (e.g., registration, maid service, et cetera) call a guest by his or her name.

Answer: True Page: 133 Difficulty: Easy AACSB: Reflective Thinking

1. A customer touch point is the time when the customer makes a purchase.

Answer: False Page: 133 Difficulty: Medium AACSB: Analytic Skills

1. The aim of customer relationship management is to keep the costs of meeting and tracking consumers as low as possible.

Answer: False Page: 133 Difficulty: Medium AACSB: Reflective Thinking

1. All companies should practice one to one marketing.

Answer: False Page: 135 Difficulty: Medium

1. A key driver of shareholder value is the aggregate value of the customer base.

Answer: True Page: 136 Difficulty: Medium

1. Customer churn is how rapidly a store can move customers through its checkout facility or process.

Answer: False Page: 137 Difficulty: Medium

1. The average company loses 25% of its customers each year.

Answer: False Page: 138 Difficulty: Hard AACSB: Analytic Skills

1. A customer database is simply a listing of a customer’s name, address, and phone number for credit reference.

Answer: False Pages: 142–143 Difficulty: Easy

1. It’s often easier to reattract ex customers (because the company knows their names and histories) than to find new ones.

Answer: True Page: 142 Difficulty: Medium AACSB: Reflective Thinking

1. Cluster analysis is a good example of a statistical technique that might be employed in datamining.

Answer: True Page: 143 Difficulty: Medium AACSB: Analytic Skills

1. It always costs less to serve loyal customers than to attract new ones.

Answer: False Page: 146 Difficulty: Medium AACSB: Analytic Skills

1. Database marketing is most frequently used by business marketers and service providers (hotels, banks, airlines, and insurance, credit card, and telephone companies) that normally and easily collect a lot of customer data.

Answer: True Page: 146 Difficulty: Medium

**Essay**

1. Compare and contrast the traditional organization chart for an organization against the modern customer oriented organization chart.

**Suggested Answer:** For a visual comparison, see Figure 5.1. With respect to a written description, students should note that the modern customer oriented organization chart is inverted (see the traditional model [e.g., top management—middle management—frontline people—customers]). Customers are at the top, followed by frontline people, then middle management, and, lastly, top management. Students might also provide some discussion on why the inversion is beneficial.

Pages: 120–121 Difficulty: Medium AACSB: Analytic Skills

1. Provide a customer centered definition of the term quality.

**Suggested Answer:** Quality is the totality of features and characteristics of a product or service that bear on the ability to satisfy stated or implied needs. This is clearly a customer centered definition.

Page: 129 Difficulty: Easy AACSB: Reflective Thinking

1. Differentiate between performance quality and conformance quality. Give an example of two products that have different performance quality but are of equal conformance quality.

**Suggested Answer:** Performance quality is the quality of the product’s attributes. Conformance quality is the extent to which the product delivers the performance quality promised to consumers. A Lexus provides higher performance quality than a Hyundai: The Lexus rides smoother, goes faster, and lasts longer. Yet both would deliver the same conformance quality if both delivered their respective promised quality.

Page: 129 Difficulty: Hard AACSB: Analytic Skills

1. The case for maximizing long term customer profitability is captured in the concept of customer lifetime value. How is customer lifetime value calculated?

**Suggested Answer:** Customer lifetime value describes the net present value of the stream of future profits expected over the customer’s lifetime purchases. The company must subtract from its expected revenues the expected costs of attracting, selling, and servicing the account for that customer, applying the appropriate discount rate (depending on cost of capital and risk attitudes).

Page: 132 Difficulty: Hard AACSB: Analytic Skills

1. Peppers and Rogers outline a four step framework for one to one marketing that can be adapted to CRM marketing. What are those four steps?

**Suggested Answer:** The four steps are: (1) Identify your prospects and customers; (2) differentiate customers in terms of their needs and their value to your company; (3) interact with individual customers to improve your knowledge about their individual needs and to build stronger relationships; and (4) customize products, services, and messages to each customer.

Page: 135 Difficulty: Hard AACSB: Analytic Skills

1. A key driver of shareholder value is the aggregate value of the customer base. Identify the five strategies employed by winning companies to improve the value of their customer base.

**Suggested Answer:** Winning companies improve the value of their customer base by excelling at the following five strategies: (1) reducing the rate of customer defection; (2) increasing the longevity of the customer relationship; (3) enhancing the growth potential of each customer through “share of wallet,” cross selling, and up selling; (4) making low profit customers more profitable or terminating them; and (5) focusing disproportionate effort on high value customers.

Page: 136 Difficulty: Hard AACSB: Reflective Thinking

1. Today, companies are increasingly concerned about customer defection. There are three main steps a company can take to reduce the defection rate. Characterize those three steps.

**Suggested Answer:** The three steps are: (1) The company must define and measure its retention rate; (2) the company must distinguish the causes of customer attrition and identify those that can be managed better; and (3) the company must compare the lost profit equal to the customer lifetime value from a lost customer to the costs to reduce the defection rate.

Page: 137 Difficulty: Hard AACSB: Analytic Skills

1. Discuss the concepts of a data warehouse and datamining.

**Suggested Answer:** Data are collected by the company’s contact center and organized into a *data warehouse*. Company personnel can capture, query, and analyze the data. Inferences can be drawn about an individual customer’s needs and responses. Through *datamining,* marketing statisticians can extract useful information about individuals, trends, and segments from the mass of data. Datamining involves the use of sophisticated statistical and mathematical techniques.

Page: 143 Difficulty: Medium AACSB: Analytic Skills

1. Assume that a marketing manager of a small company is in the process of implementing the use of a database to assist his or her company in its marketing efforts. Considering the information found in the text, list five ways that the marketing manager might be able to use the database for marketing efforts.

**Suggested Answer:** Five ways to use a database for marketing efforts include: (1) to identify prospects; (2) to decide which customers should receive a particular offer; (3) to deepen customer loyalty; (4) to reactivate customer purchases; and (5) to avoid serious customer mistakes.

Pages: 143– 145 Difficulty: Medium AACSB: Reflective Thinking

1. Describe four situations or cases when building a customer database would not be worthwhile for a company.

**Suggested Answer:** Four situations or cases when building a customer database would not be worthwhile for a company would be: (1) where the product is a once in a lifetime purchase; (2) where customers show little loyalty to a brand; (3) where the unit sale is very small; and (4) where the cost of gathering information is too high.

Pages: 145–146 Difficulty: Medium AACSB: Reflective Thinking

# APPLICATION QUESTIONS

# Multiple Choice

1. John Chambers, CEO of Cisco Systems, said, “Make your customer the center of your culture.” Customer centered companies are adept at building customer relationships, not just producing products; they are skilled in \_\_\_\_\_\_\_\_, not just product engineering.
   1. service engineering
   2. market engineering
   3. cultural engineering
   4. innovation engineering
   5. management engineering

Answer: b Page: 119 Difficulty: Medium

1. Immediately below the customers in a modern customer oriented organization chart, we would expect to find the \_\_\_\_\_\_\_\_ of an organization.
   1. top management
   2. marketing department
   3. middle management
   4. frontline people
   5. service department

Answer: d Page: 121 Difficulty: Easy AACSB: Analytic Skills

1. All of the following are considered to be customer costs EXCEPT \_\_\_\_\_\_\_\_.
   1. financial cost of acquiring the product
   2. financial cost of disposing of the product
   3. time spent acquiring the product
   4. the risk of social stigma associated with acquiring the product
   5. All of the above are considered to be customer costs.

Answer: e Page: 121 Difficulty: Medium AACSB: Reflective Thinking

1. When a consumer considers a product or service, he or she will choose whichever product or service delivers the highest \_\_\_\_\_\_\_\_.
   1. customer perceived value
   2. customer perceived cost
   3. consumer discount
   4. consumer relationship
   5. consumer synergy

Answer: a Page: 121 Difficulty: Medium AACSB: Analytic Skills

1. Buyers do not always make logical or rational decisions. They might purchase the most expensive and least quality item for example. Which of the following would be another good example of this behavior?
   1. The buyer is not seen by the seller as being very intelligent.
   2. The buyer might be under orders to buy at the lowest price.
   3. The buyer might be underage.
   4. The buyer might be under pressure to resist sales messages.
   5. The buyer refuses to listen to or read any advertising.

Answer: b Page: 123 Difficulty: Medium AACSB: Reflective Thinking

1. If a company were to focus its marketing efforts on all the experiences the customer will have on the way to obtaining and using the offering, it would be focusing its marketing efforts on the customer’s \_\_\_\_\_\_\_\_.
   1. perception system
   2. cost versus benefit system
   3. demand
   4. psychological system
   5. value delivery system

Answer: e Page: 123 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is defined as “a deeply held commitment to rebuy or repatronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior.”
   1. Customer satisfaction
   2. Customer value
   3. Loyalty
   4. Customer profitability
   5. Quality

Answer: c Page: 123 Difficulty: Medium AACSB: Analytic Skills

1. Whether the buyer is satisfied after purchase depends on the offer’s performance in relation to the \_\_\_\_\_\_\_\_.
   1. buyer’s reactions
   2. buyer’s expectations
   3. seller’s delivery
   4. seller’s expectations
   5. both the buyer’s and seller’s demands

Answer: b Page: 124 Difficulty: Medium AACSB: Analytic Skills

1. Buyers form expectations in all of the following ways EXCEPT \_\_\_\_\_\_\_\_.
   1. from past buying experience
   2. from friends’ and associates’ advice
   3. from marketers’ information
   4. from competitors’ information
   5. from inherited traits

Answer: e Page: 125 Difficulty: Easy AACSB: Analytic Skills

1. Field Grocery is considering using \_\_\_\_\_\_\_\_\_ to pose as customers and report on strong and weak points in customer service at Field Grocery stores.
   1. intelligence agents
   2. covert operatives
   3. mystery shoppers
   4. market mavens
   5. opinion leaders

Answer: c Page: 126 Difficulty: Easy

1. 3M makes it easy for dialog to occur with its customers. 3M claims that over two thirds of its product improvement ideas come from listening to \_\_\_\_\_\_\_\_.
   1. customer suggestions
   2. entrepreneurial product ideas
   3. customer complaints
   4. media feedback
   5. customer reactions to competitive products

Answer: c Page: 129 Difficulty: Medium AACSB: Analytic Skills

1. According to GE’s former chairman, John F. Welch Jr., “\_\_\_\_\_\_\_\_ is our best assurance of customer allegiance, our strongest defense against foreign competition, and the only path to sustained growth and earnings.”
   1. Quality
   2. Customer satisfaction
   3. True value
   4. Sustainable enterprise
   5. Motivation

Answer: a Page: 129 Difficulty: Hard AACSB: Analytic Skills

1. With respect to customer profitability analysis, \_\_\_\_\_\_\_\_ customers are the most likely dropped as customers because of poor profitability.
   1. granite
   2. wood
   3. iron
   4. plastic
   5. lead

Answer: e Page: 131 Difficulty: Medium

1. Jim is a residential construction contractor. Although one particular realtor provides Jim with a large volume of work, the realtor frequently demands discounts for sending him customers. This realtor is best described as a(n) \_\_\_\_\_\_\_\_ customer.
   1. platinum
   2. gold
   3. lead
   4. iron
   5. ivory

Answer: d Page: 131 Difficulty: Medium AACSB: Reflective Thinking

1. Harrah’s has used effective \_\_\_\_\_\_\_\_ to almost double its share of customers’ gaming budgets by targeting offers to specific customer segments.
   1. customer relationship management
   2. customer lifetime value
   3. customer profitability analysis
   4. customer satisfaction analysis
   5. customer value delivery

Answer: a Page: 135 Difficulty: Medium AACSB: Analytic Skills

1. Many banks and phone companies now charge fees for once free services to ensure minimum customer revenue levels. This is an example of \_\_\_\_\_\_\_\_.
   1. reducing the rate of customer defection
   2. making low profit customers more profitable
   3. enhancing the growth potential for each customer through cross selling
   4. increasing the longevity of the customer relationship
   5. focusing disproportionate effort on high value customers

Answer: b Page: 136 Difficulty: Medium AACSB: Reflective Thinking

1. When Bob found out his friend was thinking about buying a new car, he strongly recommended that his friend look into the newest line of Ford sedans. Bob is best characterized as a(n) \_\_\_\_\_\_\_\_ for Ford.
   1. first time customer
   2. member
   3. partner
   4. advocate
   5. prospect

Answer: d Page: 137 Difficulty: Medium AACSB: Reflective Thinking

1. Carol is currently considering buying a Motorola cell phone offered by her service provider in conjunction with a two year service contract. Carol is best characterized as a(n) \_\_\_\_\_\_\_\_ for Motorola.
   1. first time customer
   2. member
   3. partner
   4. advocate
   5. prospect

Answer: e Page: 137 Difficulty: Medium AACSB: Reflective Thinking

1. Southwest Airlines offers a Rapid Rewards program, an example of a \_\_\_\_\_\_\_\_ that allows customers to count flights they have taken toward free future flights.
   1. value proposition
   2. value delivery system
   3. club membership program
   4. one to one marketing program
   5. customer churn

Answer: c Page: 140 Difficulty: Easy AACSB: Analytic Skills

1. The skillful use of database marketing and \_\_\_\_\_\_\_\_ has made catalog house Fingerhut one of the nation’s largest direct mail marketers.
   1. everyday low prices
   2. expanded home delivery options
   3. relationship building
   4. competitor’s mistakes
   5. retailer alliances

Answer: c Page: 145 Difficulty: Hard AACSB: Analytic Skills

# Short Answer

1. What do modern managers believe is their company’s only true “profit center”?

**Suggested Answer:** Managers believe the *customer* is their only true profit center.

Page: 120 Difficulty: Easy AACSB: Analytic Skills

1. Customer perceived value is based on two components. What are those components?

**Suggested Answer:** The two components of customer perceived value are total customer value and total customer cost.

Page: 121 Difficulty: Medium AACSB: Analytic Skills

1. What is the definition for customer perceived value (CPV)?

**Suggested Answer:** Customer perceived value (CPV) is the difference between prospective customer’s evaluation of all the benefits and all the costs of an offering and the perceived alternatives.

Page: 121 Difficulty: Medium AACSB: Analytic Skills

1. Using European automobile giant Volvo as your illustration, create a value proposition for the company.

**Suggested Answer:** Students may have several answers; however, any value proposition must be built on their stated positioning objective of “safety.” Other benefits that might be worked into a value proposition could be a long lasting car, good service, and a long warranty period. Basically, the value proposition is a statement about the total experience customers will gain from the company’s market offering and from their relationship with the supplier.

Page: 123 Difficulty: Medium AACSB: Reflective Thinking

1. How do customers determine their level of satisfaction with a product?

**Suggested Answer:** In general, satisfaction is a person’s feelings of pleasure or disappointment that result from comparing a product’s perceived performance to the customer’s expectations.

Page: 124 Difficulty: Easy AACSB: Reflective Thinking

1. Give an example of a “branded customer experience.”

**Suggested Answer:** Students may have several answers. One example from the book is that of Joie de Vivre Hospitality Inc, which operates a chain of boutique hotels, restaurants, and resorts in the San Francisco area. The boutique concept enables hotels to offer personal touches, such as vitamins in place of chocolates on pillows.

Page: 125 Difficulty: Hard AACSB: Reflective Thinking

1. Companies need to be especially concerned today with their customer satisfaction level. Why?

**Suggested Answer:** Companies need to be especially concerned today with their customer satisfaction level because the Internet provides a tool for consumers to quickly spread bad word of mouth to the rest of the world.

Page: 126 Difficulty: Easy AACSB: Reflective Thinking

1. Identify three ways companies with customer complaints can recover customer goodwill.

**Suggested Answer:** Five methods are identified in the text. Students should present three of the following: (1) Set up a 24/7 toll free “hotline” to receive and act on customer complaints; (2) contact the complaining customer as quickly as possible; (3) accept responsibility for the customer’s disappointment; (4) use customer service people who are empathic; and (5) resolve the complaint swiftly and to the customer’s satisfaction.

Page: 129 Difficulty: Medium AACSB: Analytic Skills

1. Define the term *quality.*

**Suggested Answer:** *Quality* is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.

Page: 129 Difficulty: Easy AACSB: Analytic Skills

1. What are the three ways that customer profitability can be assessed?

**Suggested Answer:** Customer profitability can be assessed individually, by market segment, or by channel.

Page: 131 Difficulty: Medium AACSB: Analytic Skills

1. What are the four classifications (tiers) of customers in customer profitability analysis using activity based costing?

**Suggested Answer:** The tiers would be platinum customers (most profitable), gold customers (profitable), iron customers (low profitability but desirable), and lead customers (unprofitable and undesirable).

Page: 131 Difficulty: Hard AACSB: Analytic Skills

1. What is a customer touch point?

**Suggested Answer:** A customer touch point is any occasion on which a customer encounters the brand and product—from actual experience to personal or mass communications to casual observation.

Page: 133 Difficulty: Medium AACSB: Analytic Skills

1. One to one marketing is not for every company. For whom does this style of marketing work best?

**Suggested Answer:** One to one marketing works best for companies that normally collect a great deal of individual customer information, carry a lot of products that can be cross sold, carry products that need periodic replacement or upgrading, and sell products of high value.

Page: 135 Difficulty: Hard AACSB: Reflective Thinking

1. A 5% reduction in the customer defection rate can increase profits by 25% to 85%, depending on the industry. Explain how this is so.

**Suggested Answer:** Acquiring new customers can cost five times more than satisfying existing customers. Customer profit rate also tends to increase over the life of the retained customer due to increased purchases, referrals, and price premiums and reduced operating costs to service.

Page: 138 Difficulty: Medium AACSB: Reflective Thinking

1. Explain how a company frequency program might work.

**Suggested Answer:** Frequency programs are designed to provide rewards to customers who buy frequently and in substantial amounts. Frequency programs acknowledge the validity of the 20–80 rule.

Page: 139 Difficulty: Medium AACSB: Analytic Skills

1. Describe the process of database marketing.

**Suggested Answer:** Database marketing is the process of building, maintaining, and using customer databases and other databases (products, suppliers, resellers) for the purpose of contacting, transacting, and building customer relationships.

Page: 143 Difficulty: Medium AACSB: Analytic Skills

1. How do companies use their databases to identify prospects?

**Suggested Answer:** Many companies generate sales leads by advertising their product or service. The ads generally contain a response feature, such as a business reply card or a toll free phone number, and the company builds its database from customer responses. It sorts through the database to identify the best prospects, then contacts them by mail, phone, or personal call to convert them into customers.

Page: 143 Difficulty: Medium AACSB: Reflective Thinking

1. Give an illustration of how a company can use a customer database to reactivate customer purchases.

**Suggested Answer:** Companies can install automatic mailing programs that send out birthday or anniversary cards, Christmas shopping reminders, or off season promotions. Other illustrations by students should be in a similar vein.

Page: 145 Difficulty: Medium AACSB: Reflective Thinking

1. One of the main problems that can prevent a firm from effectively using CRM is that some of the assumptions behind CRM may not always hold true. Give an example of one of these assumptions that might not always hold true.

**Suggested Answer:** It may not actually cost less to serve more loyal customers.

Page: 146 Difficulty: Medium AACSB: Analytic Skills

1. According to information provided in the text, what are the four main perils of CRM?

**Suggested Answer:** The four main perils are: (1) implementing CRM before creating a customer strategy; (2) rolling out CRM before changing the organization to match; (3) assuming more CRM technology is better; and (4) stalking, not wooing, customers.

Page: 146 Difficulty: Hard AACSB: Analytic Skills

#### Chapter 6: Analyzing Consumer Markets

# GENERAL CONCEPT QUESTIONS

**Multiple Choice**

1. **\_\_\_\_\_\_\_\_** is the study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants.
   1. Target marketing
   2. Psychographic segmentation
   3. Psychology
   4. Consumer behavior
   5. Product differentiation

Answer: d Page: 150 Difficulty: Easy AACSB: Analytic Skills

1. The fundamental determinant of a person’s wants and behavior is the person’s \_\_\_\_\_\_\_\_.
   1. psyche
   2. national origin
   3. culture
   4. peer group
   5. family tree

Answer: c Page: 150 Difficulty: Medium AACSB: Analytic Skills

1. A child growing up in the United States is exposed to all of the following values EXCEPT \_\_\_\_\_\_\_\_.
   1. achievement and success
   2. activity
   3. efficiency and practicality
   4. the importance of the group in daily life
   5. freedom

Answer: d Page: 150 Difficulty: Medium AACSB: Reflective Thinking

1. Which of the following would be the best illustration of a subculture?
   1. A religion
   2. A group of close friends
   3. Your university
   4. A fraternity or sorority
   5. Your occupation

Answer: a Page: 150 Difficulty: Hard

1. Based on information provided in the text, which of the following trends has lead to increased household consumption?
   1. Growing female economic power
   2. Higher growth in low income households
   3. Widening wealth disparity
   4. Falling male college enrollment
   5. The fall of the mass affluent

Answer: a Page: 152 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ is defined as being relatively homogeneous and enduring divisions in a society, which are hierarchically ordered and whose members share similar values, interests, and behavior.
   1. Culture
   2. Subculture
   3. Social class
   4. The family
   5. A group

Answer: c Page: 152 Difficulty: Medium AACSB: Analytic Skills

1. Social classes show distinct product and brand preferences in all the following areas EXCEPT \_\_\_\_\_\_\_\_.
   1. clothing
   2. home furnishings
   3. leisure activities
   4. automobiles
   5. fast food

Answer: e Page: 154 Difficulty: Medium

1. A person’s \_\_\_\_\_\_\_\_ consist(s) of all the groups that have a direct (face to face) or indirect influence on his/her attitudes or behavior.
   1. culture
   2. subculture
   3. psychographics
   4. reference groups
   5. demographics

Answer: d Page: 154 Difficulty: Medium AACSB: Analytic Skills

1. A(n) \_\_\_\_\_\_\_\_ group is one whose values or behavior an individual rejects.
   1. aspirational
   2. disassociative
   3. membership
   4. primary
   5. procreational

Answer: b Page: 154 Difficulty: Easy

1. A(n) \_\_\_\_\_\_\_\_ is the person who offers informal advice or information about a specific product or product category, such as which of several brands is best or how a particular product may be used.
   1. reference group
   2. opinion leader
   3. family of procreation
   4. social factor
   5. anchoring heuristic

Answer: b Page: 154 Difficulty: Medium AACSB: Analytic Skills

1. If a direct mail marketer wished to direct promotional efforts toward the family of \_\_\_\_\_\_\_\_, efforts need to be directed toward parents and siblings of the family members.
   1. orientation
   2. procreation
   3. immediacy
   4. intimacy
   5. reference

Answer: a Page: 155 Difficulty: Medium

1. A major shift in buying patterns is an increase in the amount of dollars spent and the direct and indirect influence wielded by \_\_\_\_\_\_\_\_.
   1. the wife
   2. the husband
   3. the parent
   4. the child
   5. joint decision making

Answer: d Page: 155 Difficulty: Medium AACSB: Analytic Skills

1. People choose products that reflect and communicate their role and actual or desired \_\_\_\_\_\_\_\_ in society.
   1. group
   2. status
   3. attitudes
   4. beliefs
   5. feelings

Answer: b Page: 156 Difficulty: Medium AACSB: Analytic Skills

1. Consumption may be shaped by \_\_\_\_\_\_\_\_ (such as marriage, childbirth, or divorce).
   1. the psychological life cycle
   2. the product life cycle
   3. the life/death life cycle
   4. postpuberty cycles
   5. critical life events or transitions

Answer: e Page: 157 Difficulty: Medium

1. Product choice is greatly affected by economic circumstances. All of the following would be among those circumstances EXCEPT \_\_\_\_\_\_\_\_.
   1. spendable income
   2. savings and assets
   3. debts
   4. occupation
   5. borrowing power

Answer: d Page: 157 Difficulty: Easy AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ is a set of distinguishing human psychological traits that lead to relatively consistent and enduring responses to environmental stimuli.
   1. Image
   2. Personality
   3. Beliefs
   4. Heredity
   5. Culture

Answer: b Pages: 157–158 Difficulty: Medium AACSB: Analytic Skills

1. When the Marlboro Man was depicted in advertising as a rugged outdoor, tough cowboy type, this was done to establish what is called a \_\_\_\_\_\_\_\_.
   1. trademark
   2. brand name
   3. brand personality
   4. psychological approach to advertising
   5. brand reference

Answer: c Page: 158 Difficulty: Medium AACSB: Reflective Thinking

1. Consumers often choose and use brands that have a brand personality consistent with how they see themselves, also known as the \_\_\_\_\_\_\_\_.
   1. actual self concept
   2. ideal self concept
   3. others’ self concept
   4. prohibitive self concept
   5. suggestive self concept

Answer: a Page: 158 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ portrays the “whole person” interacting with his or her environment.
   1. Attitude
   2. Reference group
   3. Lifestyle
   4. Culture
   5. Subculture

Answer: c Page: 159 Difficulty: Medium AACSB: Analytic Skills

1. Consumers today are experiencing a time famine because of their busy lifestyles. One way to avoid the difficulties of time famine, which is of particular interest to marketers, is \_\_\_\_\_\_\_\_.
   1. to set fewer goals
   2. to multitask
   3. to give in to personal burdens
   4. to report frustration to management
   5. to develop a callous attitude toward marketers

Answer: b Page: 160 Difficulty: Hard AACSB: Reflective Thinking

1. With respect to understanding consumer behavior, there are four key psychological processes. All of the following would be among those processes EXCEPT \_\_\_\_\_\_\_\_.
   1. motivation
   2. perception
   3. learning
   4. self reliance
   5. memory

Answer: d Page: 161 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ assumed that the psychological forces shaping people’s behavior are largely unconscious, and that a person cannot fully understand his or her own motivations.
   1. Abraham Maslow
   2. Frederick Herzberg
   3. Sigmund Freud
   4. John Cacioppo
   5. Karl Marx

Answer: c Page: 162 Difficulty: Medium AACSB: Analytic Skills

1. Frederick Herzberg developed a \_\_\_\_\_\_\_\_ that distinguishes dissatisfiers and satisfiers.
   1. trait role theory
   2. psychological constraint theory
   3. probability scale
   4. leadership model
   5. two factor theory

Answer: e Page: 163 Difficulty: Medium

1. At the top of Maslow’s hierarchy of needs (shown as a pyramid in the text) are \_\_\_\_\_\_\_\_ needs.
   1. esteem
   2. self actualization
   3. social
   4. safety
   5. physiological

Answer: b Page: 163 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ is the process by which we select, organize, and interpret information inputs to create a meaningful picture of the world.
   1. Consumption
   2. Perception
   3. Personality
   4. Discrimination
   5. Cognitive dissonance

Answer: b Page: 163 Difficulty: Easy AACSB: Analytic Skills

1. It has been estimated that the average person is exposed to over \_\_\_\_\_\_\_\_ ads or brand communications a day.
   1. 1,500
   2. 1,300
   3. 1,000
   4. 800
   5. 500

Answer: a Page: 164 Difficulty: Hard

1. \_\_\_\_\_\_\_\_ is the tendency to interpret information in a way that will fit our preconceptions.
   1. Selective retention
   2. Cognitive dissonance
   3. Selective distortion
   4. Subliminal perception
   5. Discrimination

Answer: c Page: 164 Difficulty: Medium AACSB: Analytic Skills

1. A \_\_\_\_\_\_\_\_ is a strong internal stimulus impelling action.
   1. cue
   2. need
   3. want
   4. drive
   5. belief

Answer: d Page: 164 Difficulty: Easy

1. \_\_\_\_\_\_\_\_ teaches marketers that they can build demand for a product by associating it with strong drives, using motivating cues, and providing positive reinforcement
   1. Demand theory
   2. Learning theory
   3. Economic theory
   4. Psychological theory
   5. Demographic theory

Answer: b Page: 165 Difficulty: Medium AACSB: Analytic Skills

1. Anne prefers Yoplait strawberry yogurt over other brands. When she decides to try a different flavor, she picks another Yoplait yogurt because she believes that, if the strawberry flavor is good, other Yoplait flavors must be good as well. This behavior is best described as \_\_\_\_\_\_\_\_.
   1. discrimination
   2. associative networking
   3. generalization
   4. heuristic thinking
   5. self actualization

Answer: c Pages: 164–165 Difficulty: Medium AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ says people have a general tendency to attribute success to themselves and failure to external causes.
   1. availability heuristic
   2. trait role theory
   3. awareness set
   4. anchoring heuristic
   5. hedonic bias

Answer: e Page: 165 Difficulty: Medium AACSB: Analytic Skills

1. As Rita scans the yellow pages section of her phone book looking for a florist, she sees several other products and services advertised. Though interesting on first glance, she quickly returns to her primary task of finding a florist. The items that distracted her from her search were most likely stored in which of the following types of memory?
   1. Short term memory
   2. Long term memory
   3. Middle memory
   4. Subconscious memory
   5. Subliminal memory

Answer: a Page: 165 Difficulty: Medium AACSB: Analytic Skills

1. Brand associations consist of all the brand related thoughts, feelings, perceptions, images, experiences, beliefs, attitudes, and so on that become linked to the brand \_\_\_\_\_\_\_\_.
   1. stimulus
   2. link
   3. connection
   4. personality
   5. node

Answer: e Page: 165 Difficulty: Hard

1. In general, the more attention placed on the meaning of information during \_\_\_\_\_\_\_\_, the stronger the resulting associations in memory will be.
   1. encoding
   2. decoding
   3. classification
   4. retrieval
   5. memorization

Answer: a Page: 166 Difficulty: Medium AACSB: Analytic Skills

1. Repeated exposures to information provide greater opportunity for processing and thus the potential for \_\_\_\_\_\_\_\_.
   1. more profits
   2. more sales
   3. stronger associations
   4. increased brand personality
   5. more one to one relationships

Answer: c Page: 166 Difficulty: Medium AACSB: Reflective Thinking

1. Cognitive psychologists believe that memory is \_\_\_\_\_\_\_\_, so that once information becomes stored in memory, its strength of association decays very slowly.
   1. very limited
   2. somewhat limited
   3. fluid
   4. often reflective
   5. extremely durable

Answer: e Page: 167 Difficulty: Medium

1. The five stage model of the consumer buying process includes all of the following stages EXCEPT \_\_\_\_\_\_\_\_.
   1. problem recognition
   2. information search
   3. social interaction
   4. purchase decision
   5. postpurchase behavior

Answer: c Page: 168 Difficulty: Easy AACSB: Analytic Skills

1. The buying process starts when the buyer recognizes a(n) \_\_\_\_\_\_\_\_\_.
   1. product
   2. advertisement for the product
   3. salesperson from a previous visit
   4. problem or need
   5. internal cue

Answer: d Page: 168 Difficulty: Medium AACSB: Reflective Thinking

1. Which of the following is considered to be a more advanced form of information search wherein the person might phone friends or go online to secure information about a product or service?
   1. Heightened attention
   2. Short term memory processing
   3. Subliminal processing of information
   4. Long term memory processing
   5. Active information search

Answer: e Page: 168 Difficulty: Hard AACSB: Reflective Thinking

1. Of key interest to marketers are the major informational sources to which the consumer will turn and the relative importance of each. Which of the following would be considered to be an experiential information source?
   1. Consumer rating organizations
   2. The mass media
   3. Acquaintances
   4. Web sites
   5. Using the product itself

Answer: e Page: 168 Difficulty: Medium AACSB: Analytic Skills

1. Brands that meet consumers’ initial buying criteria are called the \_\_\_\_\_\_\_\_.
   1. total set
   2. awareness set
   3. consideration set
   4. choice set
   5. decision set

Answer: c Page: 168 Difficulty: Easy AACSB: Analytic Skills

1. With respect to consumer decision making, the \_\_\_\_\_\_\_\_ is the set of strong contenders from which one will be chosen as a supplier of a good or service.
   1. total set
   2. awareness set
   3. consideration set
   4. choice set
   5. decision set

Answer: d Page: 168 Difficulty: Medium AACSB: Analytic Skills

1. A(n) \_\_\_\_\_\_\_\_ is a descriptive thought that a person holds about something.
   1. attitude
   2. belief
   3. desire
   4. feeling
   5. emotion

Answer: b Page: 170 Difficulty: Medium

1. A(n) \_\_\_\_\_\_\_\_ puts people into a frame of mind: liking or disliking an object, moving toward or away from it.
   1. attitude
   2. belief
   3. feeling
   4. position
   5. stance

Answer: a Page: 170 Difficulty: Medium AACSB: Analytic Skills

1. The expectancy value model of attitude formation posits that consumers evaluate products and services by combining their \_\_\_\_\_\_\_\_.
   1. needs
   2. wants
   3. desires
   4. brand beliefs
   5. consuming attitudes

Answer: d Page: 171 Difficulty: Medium AACSB: Analytic Skills

1. All of the following would be considered to be strategies for approaching consumers who had rejected your company’s model of a product for another competitive brand EXCEPT \_\_\_\_\_\_\_\_.
   1. redesign your company’s product
   2. alter beliefs about your company’s brand
   3. covertly alter the qualitative data about your product
   4. alter beliefs about competitors’ brands
   5. call attention to neglected attributes

Answer: c Pages: 171–172 Difficulty: Medium AACSB: Reflective Thinking

1. With respect to consumer purchase intention, all of the following would be among the subdecisions made by consumers EXCEPT \_\_\_\_\_\_\_\_.
   1. emotional value
   2. brand
   3. dealer
   4. timing
   5. payment method

Answer: a Page: 172 Difficulty: Medium

1. With the \_\_\_\_\_\_\_\_ heuristic, the consumer sets a minimum acceptable cutoff level for each attribute and chooses the first alternative that meets the minimum standard for all attributes.
   1. conjunctive
   2. lexicographic
   3. elimination by aspects
   4. primary
   5. secondary

Answer: a Page: 172 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ are rules of thumb or mental shortcuts in the decision process.
   1. Attitudes
   2. Beliefs
   3. Heuristics
   4. Discriminations
   5. Biases

Answer: c Page: 172 Difficulty: Easy AACSB: Analytic Skills

1. Even if consumers form brand evaluations, two general factors can intervene between the purchase intention and the purchase decision. One of these is unanticipated situational factors. What is the other factor?
   1. Amount of purchasing power
   2. Attitudes of others
   3. Short term memory capabilities
   4. Ability to return merchandise
   5. The self concept

Answer: b Pages: 172–173 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ risk occurs if the product fails to perform up to expectations.
   1. Physical
   2. Financial
   3. Social
   4. Psychological
   5. Functional

Answer: e Page: 173 Difficulty: Hard AACSB: Analytic Skills

1. Steve has only 20 minutes to get lunch. Although he really likes McDonald’s, the line is very long and he is concerned that he will not have a chance to get through the line and eat his lunch before he is due back at work. Steve perceives \_\_\_\_\_\_\_\_ in going to McDonald’s today.
   1. time risk
   2. functional risk
   3. physical risk
   4. psychological risk
   5. social risk

Answer: a Page: 173 Difficulty: Medium AACSB: Analytic Skills

1. A key driver of sales frequency is the \_\_\_\_\_\_\_\_ rate.
   1. product consumption
   2. disposal
   3. refusal
   4. utility
   5. option

Answer: a Page: 174 Difficulty: Easy AACSB: Analytic Skills

1. The level of engagement and active processing undertaken by the consumer in responding to a marketing stimulus is called \_\_\_\_\_\_\_\_.
   1. elaboration likelihood
   2. consumer disengagement
   3. consumer involvement
   4. variety seeking
   5. low involvement

Answer: c Page: 174 Difficulty: Medium AACSB: Analytic Skills

1. If a consumer is persuaded to buy a product by a message that requires little thought and is based on an association with a brand’s positive consumption experiences from the past, the consumer used a \_\_\_\_\_\_\_\_ to arrive at this purchase decision.
   1. central route
   2. peripheral route
   3. behavioral route
   4. subjective route
   5. objective route

Answer: b Pages: 174–175 Difficulty: Hard AACSB: Reflective Thinking

1. Marketers use all of the following techniques to convert a low involvement product into one of high involvement EXCEPT \_\_\_\_\_\_\_\_.
   1. linking the product to some involving personal situation
   2. linking the product to some involving issue
   3. designing advertising to trigger strong emotions related to personal values or ego defense
   4. adding an important feature
   5. raising the price

Answer: e Page: 175 Difficulty: Medium AACSB: Analytic Skills

1. With the \_\_\_\_\_\_\_\_, predictions of usage are based on quickness and ease of use.
   1. availability heuristic
   2. representative heuristic
   3. anchoring heuristic
   4. adjustment heuristic
   5. semantic heuristic

Answer: a Page: 175 Difficulty: Medium AACSB: Analytic Skills

1. Ben always reaches for the bright blue and yellow box of Ritz crackers when he visits the snack food aisle in the grocery store. He rarely even reads the box or checks the price. Which of the following heuristics is most likely being used by Ben?
   1. Availability
   2. Representative
   3. Anchoring
   4. Adjustment
   5. Semantic

Answer: b Page: 176 Difficulty: Hard AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ refers to the manner by which consumers code, categorize, and evaluate financial outcomes of choices.
   1. Cost accounting
   2. Financial accounting
   3. Behavioral accounting
   4. Mental accounting
   5. Factual accounting

Answer: d Page: 177 Difficulty: Medium

1. When marketers profile the customer buying decision process by thinking about how they themselves would act, these marketers are employing the \_\_\_\_\_\_\_\_.
   1. retrospective method
   2. introspective method
   3. consumption system method
   4. prospective method
   5. prescriptive method

Answer: b Page: 178 Difficulty: Medium AACSB: Analytic Skills

**True/False**

1. Social class is the fundamental determinant of a person’s wants and behavior.

Answer: False Page: 150 Difficulty: Easy AACSB: Reflective Thinking

1. An example of a subculture would be a person’s geographic region.

Answer: True Page: 150 Difficulty: Medium AACSB: Reflective Thinking

1. Because mass market advertising is target nonspecific, all ethnic and demographic niches respond to it in the same way.

Answer: False Page: 152 Difficulty: Medium AACSB: Reflective Thinking

1. One of the characteristics of social classes is that those within each class tend to behave more alike than persons from two different social classes.

Answer: True Pages: 152–154 Difficulty: Medium AACSB: Analytic Skills

1. Secondary groups require continuous interaction to be effective and meaningful.

Answer: False Page: 154 Difficulty: Medium AACSB: Reflective Thinking

1. When Mark went to college he had a burning desire to join a social fraternity; for Mark, this would be an example of an aspirational group.

Answer: True Page: 154 Difficulty: Easy AACSB: Reflective Thinking

1. The family of procreation includes one’s parents and siblings.

Answer: False Page: 155 Difficulty: Hard AACSB: Analytic Skills

1. A role consists of the activities a person is expected to perform.

Answer: True Page: 156 Difficulty: Easy

1. The behavior people exhibit as they pass through certain life cycle stages, such as becoming a parent, is largely fixed and does not change over time.

Answer: False Page: 156 Difficulty: Medium AACSB: Reflective Thinking

1. Divorce is an example of a critical life event that impacts a consumer’s behavior.

Answer: True Page: 157 Difficulty: Easy AACSB: Reflective Thinking

1. Whereas economic circumstances can have a profound effect on consumption, occupation does not impact how people spend their money and what they buy.

Answer: False Page: 157 Difficulty: Easy

1. One of the five traits of a product’s brand personality is thought to be its shape.

Answer: False Page: 158 Difficulty: Hard AACSB: Analytic Skills

1. A brand personality is the specific mix of human traits that may be attributed to a particular brand.

Answer: True Page: 158 Difficulty: Medium

1. The five brand personality traits identified by Jennifer Aaker are consistently observed regardless of nationality or culture.

Answer: False Page: 158 Difficulty: Medium AACSB: Multicultural/Diversity

1. A person’s personality portrays the “whole person” interacting with his or her environment.

Answer: False Page: 158 Difficulty: Medium

1. Consumers who feel time constrained are always interested in products that are convenient and require low involvement in order to maximize their effectiveness and efficiency.

Answer: False Page: 160 Difficulty: Hard AACSB: Reflective Thinking

1. Psychogenic needs arise from physiological states of tension such as hunger or discomfort.

Answer: False Pages: 161–162 Difficulty: Medium AACSB: Analytic Skills

1. Abraham Maslow assumed that the psychological forces shaping people’s behavior are largely unconscious, and that people cannot fully understand their motivations.

Answer: False Page: 162 Difficulty: Hard AACSB: Reflective Thinking

1. According to Maslow’s hierarchy of needs model, recognition, self esteem, and status would be among a person’s social needs.

Answer: False Page: 163 Difficulty: Medium AACSB: Analytic Skills

1. According to Herzberg’s two factor theory, satisfiers will make the major difference as to which brand the customer buys.

Answer: True Page: 163 Difficulty: Medium AACSB: Analytic Skills

1. Perception depends only on the physical stimuli experienced by the person.

Answer: False Page: 163 Difficulty: Medium AACSB: Analytic Skills

1. People are more likely to notice stimuli whose deviations are large in relation to the normal size of the stimuli.

Answer: True Page: 164 Difficulty: Medium AACSB: Analytic Skills

1. Selective attention is the tendency to interpret information in a way that will fit our preconceptions.

Answer: False Page: 164 Difficulty: Hard

1. Selective retention works to the advantage of strong brands.

Answer: True Page: 164 Difficulty: Medium AACSB: Reflective Thinking

1. Because of selective retention, we are likely to forget about the good points of competing products.

Answer: True Page: 164 Difficulty: Easy

1. Consistent with the *elaboration memory model,* consumer brand knowledge in memory can be conceptualized as consisting of a brand node in memory with a variety of linked associations.

Answer: False Page: 165 Difficulty: Hard AACSB: Analytic Skills

1. Repeated exposures to information provide greater opportunity for processing and thus the potential for stronger associations.

Answer: True Page: 166 Difficulty: Medium AACSB: Analytic Skills

1. Memory can often be reconstructive, meaning that consumers may remember an experience differently after the fact due to intervening factors or other events.

Answer: True Page: 167 Difficulty: Hard

1. The buying process starts when the buyer decides to or actually enters a store or service provider’s facility.

Answer: False Page: 167 Difficulty: Medium AACSB: Reflective Thinking

1. All consumers pass through all five of the stages of buying process when in a buying situation.

Answer: False Page: 168 Difficulty: Easy AACSB: Reflective Thinking

1. A belief is a person’s enduring favorable or unfavorable evaluation, emotional feeling, and action tendencies toward some object or idea.

Answer: False Page: 170 Difficulty: Medium AACSB: Analytic Skills

1. The expectancy value model of attitude formation posits that consumers evaluate products and services by combining their brand beliefs according to importance.

Answer: True Page: 171 Difficulty: Medium AACSB: Analytic Skills

1. If a company finds that a consumer has chosen a competitive product over their company’s offering, one way to get the consumer back could be by developing a strategy wherein the company “shifts the buyer’s ideals” on one or more levels.

Answer: True Page: 172 Difficulty: Medium AACSB: Reflective Thinking

1. With noncompensatory models of consumer choice, positive and negative attribute considerations usually net out.

Answer: False Page: 172 Difficulty: Medium AACSB: Analytic Skills

1. Volvo has the reputation for being one of the most “safe” cars on the road. For those that value safety, Volvo would be the logical choice. This is an example of the lexicographic heuristic of consumer choice.

Answer: True Page: 172 Difficulty: Medium AACSB: Reflective Thinking

1. When consumers evaluate the risks associated with a purchase, only real risks with a high likelihood of occurrence are important.

Answer: False Page: 173 Difficulty: Hard AACSB: Analytic Skills

1. If a product poses a threat to the physical well being of a consumer, this is called *psychological risk.*

Answer: False Page: 173 Difficulty: Medium AACSB: Analytic Skills

1. With respect to a consumer buying situation that involves variety seeking behavior, the market leader can encourage variety seeking by offering lower prices or deals.

Answer: False Page: 175 Difficulty: Hard AACSB: Reflective Thinking

1. In the anchoring heuristic, the consumer bases his or her predictions on the quickness and ease with which a particular example of an outcome comes to mind.

Answer: False Page: 176 Difficulty: Hard AACSB: Analytic Skills

1. Prospect theory maintains that consumers frame decision alternatives in terms of gains and losses according to a value function.

Answer: True Page: 178 Difficulty: Medium AACSB: Analytic Skills

**Essay**

1. Explain the differences between culture, subculture, and social class.

**Suggested Answer:** *Culture* is the fundamental determinant of a person’s wants and behavior. *Subcultures* provide more specific identification and socialization of their members. Subcultures include nationalities, religions, racial groups, and geographic regions. *Social class* is a relatively homogeneous and enduring division in a society, that are hierarchically ordered and whose members share similar values, interests, and behaviors.

Pages: 150–154 Difficulty: Medium AACSB: Analytic Skills

1. What is a reference group? Describe three different types of reference groups that can have an impact on a consumer’s purchasing behavior.

**Suggested Answer:** *Reference groups* consist of all the groups that have a direct (face to face) or indirect influence on attitudes or behavior. Types of reference groups that can impact a consumer’s purchasing behavior include membership groups, primary groups, secondary groups, aspirational groups, and disassociative groups.

Page: 154 Difficulty: Medium AACSB: Analytic Skills

1. What is brand personality and what five traits have been linked to it?

**Suggested Answer:** Brand personality is the specific mix of human traits that may be attributed to a particular brand. Traits that have been associated with brand personality are sincerity, excitement, competence, sophistication, and ruggedness.

Page: 158 Difficulty: Medium

1. Briefly explain Freud’s theory on human motivation and how this might be related to marketing.

**Suggested Answer:** Sigmund Freud assumed that the psychological forces shaping people’s behavior are largely unconscious, and that a person cannot fully understand his or her own stated capabilities. When a person examines specific brands, he or she will react not only to their stated capabilities, but also to other, less conscious cues.

Page: 162 Difficulty: Hard AACSB: Reflective Thinking

1. List and briefly characterize Maslow’s Hierarchy of Needs.

**Suggested Answer:** Beginning with the most basic needs to the most advanced, the need structure is as follows: (1) physiological needs—food, water, shelter; (2) safety needs—security, protection; (3) social needs—sense of belonging, love; (4)

esteem needs—self esteem, recognition, status; and (5) self actualization needs—self development and realization.

Pages: 162–163 Difficulty: Medium AACSB: Analytic Skills

1. People can emerge with different perceptions of the same object because of three perceptual processes. List and briefly characterize those processes.

**Suggested Answer:** The three processes are selective attention, selective distortion, and selective retention. *Selective attention* occurs because a person cannot possibly attend to all the stimuli that he or she is exposed to during an average day. Some will be screened out. *Selective distortion* is the tendency to interpret information in a way that will fit our perceptions. *Selective retention* occurs because people will fail to register much information to which they are exposed in memory, but will tend to retain information that supports their attitudes and beliefs.

Pages: 163–164 Difficulty: Hard AACSB: Reflective Thinking

1. What are the five stages of the consumer buying process?

**Suggested Answer:** The five stages are problem recognition, information search, evaluation of alternatives, purchase decision, and postpurchase behavior.

Page: 168 Difficulty: Medium

1. How is the expectancy value model used in the evaluation of alternatives as a consumer engages in a buying process?

**Suggested Answer:** The expectancy value model of attitude formation posits that consumers evaluate products and services by combining their brand beliefs—the positives and negatives—according to importance. The model assists consumers in making choices.

Page: 171 Difficulty: Hard AACSB: Analytic Skills

1. Gordon Jones is considering purchasing a computer from Best Buy. He has created a scale whereby he has rated eight different computers on three different characteristics. Gordon has decided that for a computer to make his short list, it must score at least a seven on his scale on all three characteristics. Describe the type of choice heuristic that Mr. Jones is using as he selects a computer.

**Suggested Answer:** Mr. Jones is using what is called a *conjunctive heuristic*. This heuristic sets a minimum acceptable cutoff level for each attribute and chooses the first alternative that meets the minimum standard for all attributes.

Page: 172 Difficulty: Hard AACSB: Reflective Thinking

1. Heuristics can come into play when consumers forecast the likelihood of future outcomes or events. When would a consumer use an anchoring and adjustment heuristic?

**Suggested Answer:** Consumers will use this heuristic when the consumer arrives at an initial judgment and then makes adjustments of that first impression based on additional information.

Pages: 175–176 Difficulty: Medium AACSB: Reflective Thinking

**APPLICATION QUESTIONS**

**Multiple Choice**

1. According to information presented in the text, the \_\_\_\_\_\_\_\_ cultural market segment is the most fashion conscious of all the racial groups and tends to be motivated by quality and selection.
   1. African American
   2. Hispanic American
   3. Asian American
   4. European American
   5. Indian American

Answer: a Page: 153 Difficulty: Hard AACSB: Multicultural/Diversity

1. Jason writes a weekly column in his school’s newspaper about movies he has seen, books he has read, and concerts he has attended. His column provides information and opinions. Feedback from his fellow students is positive, and they are appreciative of the advice that is given. Which of the following would be the most apt description of the role played by Jason?
   1. Silent majority
   2. Protestor
   3. Protector
   4. Muckraker
   5. Opinion leader

Answer: e Page: 154 Difficulty: Medium AACSB: Reflective Thinking

1. Social classes differ in media preferences, with upper class consumers often preferring \_\_\_\_\_\_\_\_ and books and lower class consumers often preferring television.
   1. movies
   2. radio
   3. video or computer games
   4. magazines
   5. music downloads

Answer: d Page: 154 Difficulty: Hard AACSB: Analytic Skills

1. According to recent research, which of the following market segments is characterized as valuing connections and relationships with family and friends with respect to marketing messages received?
   1. Men
   2. Women
   3. Seniors
   4. Young adults
   5. Single parents

Answer: b Page: 155 Difficulty: Easy AACSB: Analytic Skills

1. The brand personality of a new product is characterized as having the trait of \_\_\_\_\_\_\_\_ if promotional messages consistently portray the product as being reliable, intelligent, and successful.
   1. sincerity
   2. excitement
   3. competence
   4. sophistication
   5. ruggedness

Answer: c Page: 158 Difficulty: Hard AACSB: Analytic Skills

1. Consumers often choose and use brands that have a brand personality that is matched to the consumer’s \_\_\_\_\_\_\_\_ (how one would like to view oneself).
   1. actual self concept
   2. others’ self concept
   3. ideal self concept
   4. dual self concept
   5. perceptual self concept

Answer: c Page: 158 Difficulty: Medium AACSB: Analytic Skills

1. Consumers who worry about the environment and want products to be produced in a sustainable way have been named \_\_\_\_\_\_\_\_.
   1. “Green”
   2. “Tree Huggers”
   3. “LOHAS”
   4. “Socialists”
   5. “Mamas”

Answer: c Page: 159 Difficulty: Medium AACSB: Analytic Skills

1. Marketers who target consumers on the basis of their \_\_\_\_\_\_\_\_ believe that, with appeals to people’s inner selves, they can influence purchase behavior.
   1. time famine
   2. sophistication
   3. opinions
   4. social class
   5. core values

Answer: e Page: 160 Difficulty: Hard AACSB: Reflective Thinking

1. IKEA has achieved widely recognized success by offering consumers leading edge Scandinavian furniture design at bargain prices. IKEA delivers value to consumers who are \_\_\_\_\_\_\_\_.
   1. money constrained
   2. time constrained
   3. brand constrained
   4. value constrained
   5. self concept constrained

Answer: a Page: 161 Difficulty: Easy

1. In marketing, \_\_\_\_\_\_\_\_ are more important than reality because they affect consumers’ actual behavior.
   1. ideals
   2. values
   3. social classes
   4. perceptions
   5. heuristics

Answer: d Page: 163 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ can work to the advantage of marketers with strong brands when consumers make neutral or ambiguous brand information more positive.
   1. Selective attention
   2. Selective distortion
   3. Selective retention
   4. Selective choice
   5. Selective embellishment

Answer: b Page: 164 Difficulty: Medium AACSB: Reflective Thinking

1. James finds store brand canned goods to be of good quality and value, but believes that store brand dairy products are of lesser quality than competing brands. James’ behavior is best described as \_\_\_\_\_\_\_\_.
   1. generalization
   2. hedonic bias
   3. discrimination
   4. selective attention
   5. psychological repositioning

Answer: c Page: 165 Difficulty: Medium AACSB: Reflective Thinking

1. Many consumer products brands advertise their products inside supermarkets and retail stores to promote the process of \_\_\_\_\_\_\_\_ and stimulate purchase.
   1. memory encoding
   2. memory retrieval
   3. memory decoding
   4. memory formation
   5. memory augmentation

Answer: b Page: 167 Difficulty: Medium AACSB: Analytic Skills

1. Maria sees her best friend driving around in her new car and decides that she needs a new car also. Which of the following forms of stimulus has activated Maria’s problem recognition process?
   1. External stimuli
   2. Internal stimuli
   3. Peer stimuli
   4. Secondary stimuli
   5. Marketing induced stimuli

Answer: a Page: 168 Difficulty: Medium AACSB: Analytic Skills

1. If a consumer uses Google to find comparative reports on new automobiles, the consumer is using which of the following information sources for assistance?
   1. Personal
   2. Public
   3. Experiential
   4. Commercial
   5. Under the radar

Answer: d Page: 168 Difficulty: Medium AACSB: Analytic Skills

1. When a consumer makes the final decision on which brand to buy, he or she selects a brand from the \_\_\_\_\_\_\_\_ set.
   1. total
   2. awareness
   3. consideration
   4. choice
   5. belief

Answer: d Page: 168 Difficulty: Medium

1. Ford believes its cars to be of higher quality than GM’s but thinks that consumers wrongly believe the opposite. Ford might employ a(n) \_\_\_\_\_\_\_\_ strategy to change buyers’ perceptions of its competition.
   1. real repositioning
   2. competitive depositioning
   3. psychological repositioning
   4. biased repositioning
   5. attribute repositioning

Answer: b Page: 171 Difficulty: Medium AACSB: Analytic Skills

1. When a marketer tries to alter a consumer’s beliefs about a company’s brand to get the consumer to rethink a purchase decision, the marketer is using \_\_\_\_\_\_\_\_.
   1. psychological repositioning
   2. competitive depositioning
   3. positioning
   4. repositioning
   5. biased positioning

Answer: a Page: 171 Difficulty: Hard AACSB: Analytic Skills

1. A consumer tells another consumer, “Every time I eat at Big Bill’s Steakhouse, I get poor service.” Whether this is true or not, it is the consumer’s perception. This is an example of consumers basing future predictions on the quickness and ease with which a particular example of an outcome comes to mind. This scenario would be an illustration of the \_\_\_\_\_\_\_\_ heuristic.
   1. discrimination
   2. differentiation
   3. availability
   4. screening
   5. representativeness

Answer: c Page: 175 Difficulty: Hard AACSB: Reflective Thinking

1. When marketers interview a small number of recent purchasers, asking them to recall the events leading to their purchase, the marketers are using the \_\_\_\_\_\_\_\_ method to learn more about the consumer buying process.
   1. introspective
   2. retrospective
   3. prospective
   4. prescriptive
   5. descriptive

Answer: b Page: 178 Difficulty: Medium AACSB: Analytic Skills

**Short Answer**

1. Culture is the fundamental determinant of a person’s wants and behavior. The growing child acquires a set of values, perceptions, preferences, and behaviors through his or her family and other key institutions. What values are the typical American young children exposed to?

**Suggested Answer:** According to the text, a child growing up in the United States is exposed to the following values: achievement and success, activity, efficiency and practicality, progress, material comfort, individualism, freedom, external comfort, humanitarianism, and youthfulness.

Page: 151 Difficulty: Hard AACSB: Reflective Thinking

1. Explain the concept of multicultural marketing.

**Suggested Answer:** *Multicultural marketing* grew out of careful marketing research that revealed that different ethnic and demographic niches did not always respond favorably to mass market advertising. Companies have capitalized on well thought out multicultural marketing strategies in recent years.

Page: 152 Difficulty: Medium AACSB: Multicultural/Diversity

1. An *opinion leader* is the person in informal, product related communications who offers advice or information about a specific product or product category, such as which of several brands is best or how a particular product may be used. According to the text, how do marketers try to reach opinion leaders?

**Suggested Answer:** Marketers try to reach opinion leaders by identifying demographic and psychographic characteristics associated with opinion leadership, identifying the media read by opinion leaders, and directing messages at opinion leaders.

Page: 154 Difficulty: Medium AACSB: Reflective Thinking

1. The family is the most important consumer buying organization in society, and family members constitute the most influential primary reference group. We can distinguish between two family categorization in the buyer’s life. Name the two families and their impact on buying behavior.

**Suggested Answer:** The *family of orientation* consists of parents and siblings. From parents a person acquires an orientation toward religion, politics, and economics and a sense of personal ambition, self worth, and love. Even if the buyer no longer interacts very much with his or her parents, their influence on behavior can be significant. A more direct influence on everyday buying behavior is the *family of procreation*—namely, one’s spouse and children.

Page: 155 Difficulty: Medium

1. Explain the differences between a role and status.

**Suggested Answer:** A *role*consists of the activities a person is expected to perform. Each role carries a *status.* For example, a senior vice president has more status than a sales manager.

Page: 156 Difficulty: Easy AACSB: Analytic Skills

1. Each person has personality characteristics that influence his or her buying behavior. What does personality mean in terms of buying traits?

**Suggested Answer:** Personality is often described in terms of such buying traits as self confidence, dominance, autonomy, deference, sociability, defensiveness, and adaptability. Personality can be a useful variable in analyzing consumer brand choices. The idea is that brands also have personalities, and consumers are likely to choose brands whose personalities match their own.

Pages: 157–158 Difficulty: Hard AACSB: Reflective Thinking

1. People from the same subculture, social class, and occupation may lead quite different lifestyles. A lifestyle is a person’s pattern of living in the world as expressed in activities, interests, and opinions. Lifestyle portrays the “whole person” interacting with his or her environment. Given this information, describe the LOHAS (an acronym) lifestyle described in the text and its usefulness in marketing.

**Suggested Answer:** Consumers who worry about the environment, want products to be produced in a sustainable way, and spend money to advance their personal development and potential have been named “LOHAS.” The name is an acronym standing for *lifestyles of health and sustainability.* The market for LOHAS products encompasses things such as organic foods, energy efficient appliances, and solar panels as well as alternative medicine, yoga tapes, and ecotourism.

Page: 159 Difficulty: Hard

1. According to Freudian theory, how can the technique called *laddering* be used?

**Suggested Answer:** Shape, size, weight, material, color, and brand name can all trigger certain associations and emotions. A technique called *laddering* can be used to trace a person’s motivations from the stated instrumental ones to the more terminal ones. Then the marketer can decide at what level to develop the message and appeal.

Page: 162 Difficulty: Medium AACSB: Analytic Skills

1. Abraham Maslow sought to explain why people are driven by particular needs at particular times. Describe Maslow’s hierarchy of needs. How does Maslow’s theory help marketers?

**Suggested Answer:** In order of importance, they are physiological needs, safety needs, social needs, esteem needs, and self actualization needs. Maslow’s theory helps marketers understand how various products fit into the plans, goals, and lives of consumers.

Pages: 162–163 Difficulty: Medium AACSB: Reflective Thinking

1. Frederick Herzberg developed a two factor theory that distinguishes dissatisfiers and satisfiers. How does Herzberg’s theory affect sellers’ marketing strategy?

**Suggested Answer:** Herzberg’s theory has two implications. First, sellers should do their best to avoid dissatisfiers (for example, a poor training manual or a poor service policy). Although these things will not sell a product, they might easily unsell it. Second, the seller should identify the major satisfiers or motivators of purchase in the market and then supply them. These satisfiers will make the major difference as to which brand the customer buys.

Page: 163 Difficulty: Medium AACSB: Reflective Thinking

1. Perception is the process by which an individual selects, organizes, and interprets information inputs to create a meaningful picture of the world. For a marketer, what is the key point of perception?

**Suggested Answer:** The key point is that perceptions can vary widely among individuals exposed to the same reality. In marketing, perceptions are more important than the reality, as it is perceptions that will affect consumers’ actual behavior.

Page: 163 Difficulty: Medium AACSB: Analytic Skills

1. Explain the concept of selective retention and its association with marketing.

**Suggested Answer:** Selective retention says that consumers are likely to remember good points about a product we like and forget good points about competing products. Selective retention works to the advantage of strong brands. It also means that marketers need to use repetition in sending messages to their target markets to make sure their message is not overlooked.

Page: 164 Difficulty: Medium AACSB: Reflective Thinking

1. What does the learning theory teach marketers about demand for products?

**Suggested Answer:** The learning theory teaches marketers that they can build demand for a product by associating it with strong drives, using motivating cues, and providing positive reinforcement.

Page: 165 Difficulty: Hard

1. Describe how the problem recognition process works in the five stage model of the consumer buying process.

**Suggested Answer:** The buying process starts when the buyer recognizes a problem or need. With an internal stimulus, one of the person’s normal needs—hunger, thirst, sex—rises to a threshold level and becomes a drive; or a need can be aroused by an external stimuli such as an advertisement.

Page: 168 Difficulty: Medium AACSB: Analytic Skills

1. Through gathering information, the consumer learns about competing brands and their features. The consumer will then advance through four sets with respect to brands before a decision is reached. What are those four sets?

**Suggested Answer:** The four sets are: (1) the total set, (2) the awareness set, (3) the consideration set, and (4) the choice set.

Page: 168 Difficulty: Medium AACSB: Analytic Skills

1. Explain the differences between a belief and an attitude.

**Suggested Answer:** A *belief* is a descriptive thought that a person holds about something. An *attitude* is a person’s enduring favorable or unfavorable evaluation, emotional feeling, and action tendencies toward some object or idea.

Page: 170 Difficulty: Medium AACSB: Reflective Thinking

1. Describe the lexicographic heuristic used to make consumer choices.

**Suggested Answer:** The *lexicographic heuristic* is in use when the consumer chooses the best brand on the basis of its perceived most important attribute.

Page: 172 Difficulty: Medium AACSB: Analytic Skills

1. Identify three types of risk consumers might perceive in the context of purchasing a car.

**Suggested Answer:** Consumers might perceive physical risk (an unsafe car poses a safety risk to the physical well being of the driver and passengers), a financial risk (the car might be overpriced or may decline in value so rapidly that it will have minimal resale value when the consumer tries to resell it), and a functional risk (the car may not perform to the expectations of the consumer). Students may identify other risks, including social, psychological, and time risks.

Page: 173 Difficulty: Medium AACSB: Reflective Thinking

1. What four strategies can marketers of low involvement products employ in an effort to convert their products into ones of higher involvement?

**Suggested Answer:** The four strategies are: (1) linking the product to some involving issue; (2) linking the product to some involving personal situation; (3) designing advertising to trigger strong emotions related to personal values or ego defense; and (4) adding important features to the product.

Page: 175 Difficulty: Hard AACSB: Reflective Thinking

1. How can marketers learn about the stages in the buying process for their product? List and briefly characterize four methods.

**Suggested Answer:** The four methods are: (1) introspective—they can think about how they themselves would act; (2) retrospective—they can interview a small number of recent purchasers, asking them to recall the events leading to their purchase; (3) prospective—they can locate consumers who plan to buy the product and ask them to think out loud about going through the buying process; and, (4) prescriptive—they can ask consumers to describe the ideal way to buy the product. Each method yields a picture of the steps in the process.

Page: 178 Difficulty: Hard AACSB: Analytic Skills

##### Chapter 7: Analyzing Business Markets

# GENERAL CONCEPT QUESTIONS

# Multiple Choice

1. To create and capture value, sellers need to understand business organizations’ needs, resources, policies, and \_\_\_\_\_\_\_\_.
   1. demands
   2. protocols
   3. strategies
   4. buying procedures
   5. personnel policies

Answer: d Page: 181 Difficulty: Easy

1. Webster and Wind define \_\_\_\_\_\_\_\_ as the decision making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers.
   1. marketing channels
   2. organizational buying
   3. demand oriented buying
   4. purchasing
   5. inventory control

Answer: b Page: 182 Difficulty: Medium AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ consists of all the organizations that acquire goods and services used in the production of other products or services that are sold, rented, or supplied to others.
   1. business market
   2. consumer market
   3. e commerce market
   4. global market
   5. supplier market

Answer: a Page: 182 Difficulty: Medium AACSB: Analytic Skills

1. Business markets differ significantly consumer markets in that business markets possess all of the following characteristics EXCEPT \_\_\_\_\_\_\_\_.
   1. fewer, larger buyers
   2. close supplier–customer relationship
   3. professional purchasing
   4. inverted demand
   5. multiple sales calls

Answer: d Pages: 182–185 Difficulty: Hard AACSB: Reflective Thinking

1. All of the following would be among the major industries that make up the business market EXCEPT \_\_\_\_\_\_\_\_.
   1. agriculture, forestry, and fisheries
   2. manufacturing
   3. construction
   4. banking, finance, and insurance
   5. the Internet

Answer: e Page: 182 Difficulty: Hard

1. The business marketer normally deals with \_\_\_\_\_\_\_\_ buyers than the consumer marketer does.
   1. more and larger
   2. more and smaller
   3. fewer and larger
   4. fewer and smaller
   5. the same number of

Answer: c Page: 182 Difficulty: Medium AACSB: Analytic Skills

1. Trained purchasing agents, who must follow their organization’s \_\_\_\_\_\_\_\_, often purchase business goods.
   1. culture
   2. past purchasing history
   3. purchasing policies, constraints, and requirements
   4. needs
   5. financial budgets

Answer: c Pages: 183–184 Difficulty: Medium

1. There are a series of guidelines for selling to small businesses. Which of the following should NOT be among those guidelines?
   1. Don’t waste their time.
   2. Do keep it simple.
   3. Do use the Internet.
   4. Don’t forget about direct contact.
   5. Do lump small and midsize businesses together for efficiency sake.

Answer: e Page: 184 Difficulty: Medium AACSB: Reflective Thinking

1. Ultimately, the amount of steel sold to General Motors depends on the consumer’s demand for GM cars and trucks. From the standpoint of the steel manufacturer, which of the following demand forms is most pertinent?
   1. Derived demand
   2. Inelastic demand
   3. Geographic demand
   4. Relational demand
   5. Static demand

Answer: a Page: 185 Difficulty: Hard AACSB: Reflective Thinking

1. The demand for business goods is ultimately derived from the demand for \_\_\_\_\_\_\_\_.
   1. raw materials
   2. consumer goods
   3. electronics
   4. business solutions
   5. e commerce

Answer: b Page: 185 Difficulty: Easy

1. A given percentage increase in consumer demand can lead to a much larger percentage increase in the demand for plant and equipment necessary to produce the additional output. Economists refer to this as the \_\_\_\_\_\_\_\_.
   1. derived demand
   2. inelastic demand
   3. acceleration effect
   4. straight rebuy
   5. sales cycle

Answer: c Page: 185 Difficulty: Medium AACSB: Analytic Skills

1. The total demand for many business goods and services is \_\_\_\_\_\_\_\_ —that is, not much affected by price changes.
   1. derived
   2. fluctuating
   3. accelerated
   4. multiple
   5. inelastic

Answer: e Page: 185 Difficulty: Medium AACSB: Analytic Skills

1. The business buyer faces many decisions in making a purchase. The number of decisions depends on the buying situation. All of the following contribute to the number of decisions required EXCEPT the \_\_\_\_\_\_\_\_.
   1. complexity of the problem being solved
   2. newness of the buying requirement
   3. number of people involved
   4. applicability of situation to mission statement
   5. time required

Answer: d Page: 185 Difficulty: Hard AACSB: Reflective Thinking

1. The purchasing department buys office supplies on a routine basis. This type of purchase is classified as a \_\_\_\_\_\_\_\_.
   1. straight rebuy
   2. modified rebuy
   3. new task
   4. secondary purchase
   5. preordained purchase

Answer: a Page: 185 Difficulty: Easy AACSB: Analytic Skills

1. Purchasing a new security system or renting a new office building is best characterized as a \_\_\_\_\_\_\_\_.
   1. modified rebuy
   2. regular buy
   3. straight rebuy
   4. new rebuy
   5. new task

Answer: e Page: 185 Difficulty: Medium

1. In a \_\_\_\_\_\_\_\_ purchasing situation, the buyer wants to make some change to existing product specifications, prices, delivery requirements, or other terms.
   1. modified rebuy
   2. regular buy
   3. straight rebuy
   4. new rebuy
   5. new task

Answer: a Page: 185 Difficulty: Medium AACSB: Analytic Skills

1. The business buyer makes the fewest decisions in the \_\_\_\_\_\_\_\_.
   1. modified rebuy
   2. regular buy
   3. straight rebuy
   4. new rebuy
   5. new task

Answer: c Page: 186 Difficulty: Medium

1. Many business buyers prefer to buy a total solution to a problem from one seller. \_\_\_\_\_\_\_\_ is the correct term for this process.
   1. Channel consolidation
   2. Systems buying
   3. Vertical buying
   4. Horizontal buying
   5. Supply buying

Answer: b Page: 186 Difficulty: Medium AACSB: Analytic Skills

1. In order to successfully develop customer reference stories, firms should \_\_\_\_\_\_\_\_.
   1. state the customer’s needs in compelling terms
   2. use very few direct customer quotes
   3. avoid referencing the barriers to satisfying customer needs
   4. describe the company’s solution in terms of products and services
   5. focus on qualitative results

Answer: a Page: 187 Difficulty: Medium AACSB: Reflective Thinking

1. Xerox offers a \_\_\_\_\_\_\_\_ approach to prospective clients when it offers a complete turnkey solution, including the operation and management of the client’s information and communication need.
   1. supply buying
   2. primary buying
   3. systems buying
   4. co op buying system
   5. direct buying

Answer: c Page: 187 Difficulty: Medium AACSB: Analytic Skills

1. If Ampex Support Systems is the single supplier for a local manufacturing company’s MRO (maintenance, repair, operating) supplies and needs, Ampex Support Systems is considered as providing \_\_\_\_\_\_\_\_ for the manufacturer.
   1. systems buying
   2. purchasing support
   3. turnkey logistics
   4. decision support
   5. systems contracting

Answer: e Page: 187 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is a key industrial marketing strategy in bidding to build large scale industrial products (e.g., dams, pipelines, et cetera).
   1. Systems contracting
   2. Systems buying
   3. Systems selling
   4. Solutions buying
   5. Turnkey logistics

Answer: c Page: 187 Difficulty: Hard AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ is composed of all parties who participate in the purchasing decision making process and share common goals and risks associated with their decisions.
   1. The buying center
   2. The marketing sales team
   3. Strategic management
   4. Engineering support
   5. The logistics center

Answer: a Page: 188 Difficulty: Medium AACSB: Analytic Skills

1. In the purchasing decision process, the \_\_\_\_\_\_\_\_ are those who request that something be purchased. They may be users or others in the organization.
   1. users
   2. initiators
   3. influencers
   4. deciders
   5. approvers

Answer: b Page: 188 Difficulty: Easy

1. In the purchasing decision process, the \_\_\_\_\_\_\_\_ are those who have the power to prevent sellers or information from reaching members of the buying center.
   1. gatekeepers
   2. buyers
   3. initiators
   4. approvers
   5. deciders

Answer: a Page: 188 Difficulty: Medium AACSB: Analytic Skills

1. In the purchasing decision process, the major role of \_\_\_\_\_\_\_\_ is in selecting vendors and negotiating.
   1. gatekeepers
   2. buyers
   3. initiators
   4. approvers
   5. deciders

Answer: b Page: 188 Difficulty: Medium AACSB: Analytic Skills

1. The typical buying center has a minimum of \_\_\_\_\_\_\_\_ members.
   1. 2–3
   2. 3–4
   3. 4–5
   4. 5–6
   5. 10

Answer: d Page: 188 Difficulty: Hard

1. Webster cautions that ultimately, \_\_\_\_\_\_\_\_ make purchasing decisions.
   1. only senior managers
   2. individuals, not organizations,
   3. organizations, not individuals,
   4. third parties
   5. systems contractors

Answer: b Page: 189 Difficulty: Medium AACSB: Reflective Thinking

1. Business buyers are ultimately purchasing solutions to two problems: the organization’s economic and strategic problem and \_\_\_\_\_\_\_\_.
   1. their own personal need for individual achievement and reward
   2. the community’s continued health and well being
   3. the fulfillment of the company’s social impact goals
   4. to maximize overall firm performance
   5. none of the above

Answer: a Page: 189 Difficulty: Medium AACSB: Reflective Thinking

1. Small sellers should concentrate their marketing efforts on reaching \_\_\_\_\_\_\_\_.
   1. approvers
   2. initiators
   3. key buying influencers
   4. users
   5. the purchasing staff

Answer: c Page: 190 Difficulty: Medium AACSB: Reflective Thinking

1. In principle, business buyers seek to \_\_\_\_\_\_\_\_ in relation a market offering’s costs.
   1. spread risks
   2. obtain the highest benefit package
   3. maintain everyday low prices
   4. outsource as much as is possible
   5. eliminate partners’ shares in profits as much as possible

Answer: b Page: 191 Difficulty: Hard AACSB: Reflective Thinking

1. In the past, what position did purchasing departments hold in the management hierarchy of most organizations?
   1. A high level because of their role in managing the company’s costs
   2. A moderate level because of their spotty record on controlling costs
   3. A low level despite managing more than half of the company’s costs
   4. A secretive position
   5. There has been no determination of this position.

Answer: c Page: 191 Difficulty: Hard

1. The new, more strategically oriented purchasing departments have a mission. Which of the following most accurately describes that mission?
   1. Make the most profit possible and remain independent of entanglements.
   2. Approach every purchasing opportunity as means to create interdependency.
   3. Seek the best value from fewer and better suppliers.
   4. Outsource the supply function.
   5. Abandon all strategies except for systems selling and buying.

Answer: c Page: 191 Difficulty: Hard AACSB: Reflective Thinking

1. Most purchasing professionals describe their jobs as more \_\_\_\_\_\_\_\_, technical, team oriented, and involving more responsibility than ever before.
   1. risky
   2. strategic
   3. ethically difficult
   4. Web based
   5. human based

Answer: b Page: 192 Difficulty: Hard

1. Robinson and his associates have identified eight stages and called them *buyphases.* This model is called the \_\_\_\_\_\_\_\_ framework.
   1. buygrid
   2. buying/selling
   3. seller centered
   4. commercial
   5. buy analysis

Answer: a Page: 192 Difficulty: Medium AACSB: Analytic Skills

1. The first step (buyphase) in the straight rebuy buyclass is \_\_\_\_\_\_\_\_.
   1. problem recognition
   2. general need description
   3. product specification
   4. supplier search
   5. proposal solicitation

Answer: c Page: 192 Difficulty: Hard AACSB: Analytic Skills

1. A new task buyclass decision begins with which of the following buyphases?
   1. Problem recognition
   2. General need description
   3. Product specification
   4. Supplier search
   5. Proposal solicitation

Answer: a Page: 192 Difficulty: Medium

1. Business marketers can stimulate problem recognition by \_\_\_\_\_\_\_\_.
   1. trade directories
   2. direct mail, telemarketing, and calling on prospects
   3. encouraging the Better Business Bureau to release statistics
   4. consumer advertising
   5. requesting testimonials from existing customers

Answer: b Page: 193 Difficulty: Medium AACSB: Analytic Skills

1. With respect to e procurement, Coca Cola, Sara Lee, Kraft, PepsiCo, P&G, and several other companies joined forces to form a \_\_\_\_\_\_\_\_ called Transora to use their combined leverage to obtain lower prices for raw materials.
   1. manufacturer’s co op
   2. supplier’s co op
   3. middleman group
   4. buying alliance
   5. cabal

Answer: d Page: 194 Difficulty: Medium

1. Identifying good leads and converting them to sales requires the whole marketing and sales organization to work in a coordinated, multichannel approach in the role of \_\_\_\_\_\_\_\_ to prospective customers .
   1. product specification
   2. price de escalation
   3. systems selling
   4. trusted advisor
   5. strategic alliance

Answer: d Page: 194 Difficulty: Medium AACSB: Reflective Thinking

1. With respect to e procurement, Web sites are organized around two types of e hubs: \_\_\_\_\_\_\_\_.
   1. vertical and horizontal hubs
   2. vertical and functional hubs
   3. functional hubs and organizational hubs
   4. supplier and user hubs
   5. manufacturer and supplier hubs

Answer: b Page: 194 Difficulty: Hard AACSB: Analytic Skills

1. Moving into e procurement has many benefits. Which of the following would not be among those benefits?
   1. Aggregating purchasing across departments gains larger volume discounts.
   2. Aggregating purchasing gains centrally negotiated volume discounts.
   3. There is less buying of substandard goods from suppliers not on the approved list.
   4. A smaller purchasing staff is required.
   5. Purchasing gains a significant leverage with top management because of its management team.

Answer: e Page: 194 Difficulty: Hard AACSB: Reflective Thinking

1. In the proposal solicitation process, \_\_\_\_\_\_\_\_ should be marketing documents that describe value and benefits in customer terms.
   1. written proposals
   2. oral proposals
   3. e proposals
   4. alliance proposals
   5. global proposals

Answer: a Page: 194 Difficulty: Medium AACSB: Reflective Thinking

1. As an alternative to reducing price, sellers may handle price oriented buyers by establishing any of the following purchasing conditions EXCEPT \_\_\_\_\_\_\_\_.
   1. limiting the quantity that can be purchased
   2. no refunds
   3. no adjustments
   4. no services
   5. no customer advertising

Answer: e Page: 195 Difficulty: Medium AACSB: Reflective Thinking

1. The \_\_\_\_\_\_\_\_ approach to consumer research asks customers to attach a monetary value to alternative levels of a given attribute. The value of a given configuration is determined by adding the average values of each of the given attributes.
   1. benchmarking
   2. compositional
   3. importance rating
   4. focus group
   5. conjoint analysis

Answer: b Page: 196 Difficulty: Hard AACSB: Analytic Skills

1. All of the following are methods of assessing customer value EXCEPT \_\_\_\_\_\_\_\_.
   1. direct survey questions
   2. exit interviewing
   3. focus group value assessment
   4. conjoint analysis
   5. benchmarks

Answer: b Page: 196 Difficulty: Medium AACSB: Analytic Skills

1. A supplier signs an agreement with a customer that states $350,000 in savings will be earned by the customer over the next 18 months in an exchange for a tenfold increase in the customer’s share of supplies ordered by the customer. This is an example of \_\_\_\_\_\_\_\_.
   1. solution selling
   2. consultative selling
   3. risk and gain sharing
   4. strategic alignment
   5. demand shifting

Answer: c Page: 197 Difficulty: Medium

1. Using the \_\_\_\_\_\_\_\_ form of solution selling, W.W. Grainger employees work at large customer facilities to reduce materials management costs.
   1. solutions to partnerships
   2. solutions to alter corporate culture
   3. solutions to enhance customer revenues
   4. solutions to decrease customer risks
   5. solutions to reduce customer costs

Answer: e Page: 197 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following would NOT be among those advantages gained through leasing heavy equipment such as machinery and trucks, rather than purchasing it?
   1. Higher quality products
   2. Conserving capital
   3. Getting the latest products
   4. Receiving better service
   5. Some tax advantages

Answer: a Page: 198 Difficulty: Hard AACSB: Reflective Thinking

1. Several major companies regard \_\_\_\_\_\_\_\_ as a major responsibility of their purchasing managers.
   1. forming networks for future business
   2. assuring quality conformance
   3. being fair with all parties
   4. using a team approach in negotiations
   5. long term supply planning

Answer: e Page: 198 Difficulty: Hard AACSB: Reflective Thinking

1. Which of the following methods may be used by buyers to review the performance of chosen suppliers?
   1. The buyer may contact the end users and ask for their evaluations.
   2. The buyer may rate the supplier on several criteria using a weighted score method.
   3. The buyer might aggregate the cost of poor performance to come up with adjusted costs of purchase, including price.
   4. All of the above
   5. None of the above

Answer: d Page: 198 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following reflects high trust between business sellers and buyers?
   1. Distorted and hidden information
   2. Incentive alignment for seller, not customer gains
   3. Limited or biased product comparisons and advice
   4. Minimal customer education and support
   5. Customers help design products individually and through committees

Answer: e Page: 200 Difficulty: Medium AACSB: Reflective Thinking

1. Research has found that buyer–suppler relationships differed according to four factors. Which of the following would NOT be among those factors?
   1. Importance of supply
   2. Complexity of supply
   3. Availability of alternatives
   4. Supply market dynamism
   5. Demand market conservatism

Answer: e Page: 201 Difficulty: Medium AACSB: Reflective Thinking

1. Which of the following relationships is characterized as being one that has much trust and commitment leading to a true partnership?
   1. Mutually adaptive
   2. Collaborative
   3. Basic buying and selling
   4. Customer supply
   5. Cooperative systems

Answer: b Page: 201 Difficulty: Medium AACSB: Analytic Skills

1. In the \_\_\_\_\_\_\_\_ category of buyer–supplier relationship, although bonded by a close, cooperative relationship, the seller adapts to meet the customer’s needs without expecting much adaptation or change on the part of the customer in exchange.
   1. contractual transaction
   2. cooperative system
   3. collaborative
   4. mutually adaptive
   5. customer is king

Answer: e Page: 201 Difficulty: Medium AACSB: Analytic Skills

1. In the \_\_\_\_\_\_\_\_ category of buyer–supplier relationships, competition rather than cooperation is the dominant form of governance.
   1. basic buying and selling
   2. bare bones
   3. contractual transaction
   4. customer supply
   5. collaborative

Answer: d Page: 201 Difficulty: Medium AACSB: Analytic Skills

1. Vertical coordination may increase the risk to consumer’s and supplier’s \_\_\_\_\_\_\_\_ (e.g., those expenditures tailored to a particular company and value chain partner).
   1. logistics channel
   2. independent operations
   3. specific investments
   4. leverage ability
   5. liquidity situation

Answer: c Page: 201 Difficulty: Hard AACSB: Reflective Thinking

1. When buyers cannot easily monitor supplier performance, the supplier might shirk or cheat and not deliver the expected value. \_\_\_\_\_\_\_\_ is “some form of cheating or undersupply relative to an implicit or explicit contract.”
   1. Institutional sale
   2. Opportunism
   3. Business buying
   4. Vertical integration
   5. Contractual transactionism

Answer: b Page: 202 Difficulty: Medium

1. The \_\_\_\_\_\_\_\_ market consists of schools, hospitals, nursing homes, prisons, and other institutions that must provide goods and services to people in their care.
   1. vertical
   2. nonprofit
   3. spot
   4. secondary business
   5. institutional

Answer: e Page: 202 Difficulty: Medium AACSB: Analytic Skills

1. In most countries, \_\_\_\_\_\_\_\_ are the major buyers of goods and services.
   1. consumer packaged goods companies
   2. government organizations
   3. health services vendors
   4. educational institutions
   5. households

Answer: b Page: 203 Difficulty: Medium

# True/False

1. Webster and Wind define organizational buying as the decision making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers.

Answer: True Page: 182 Difficulty: Easy AACSB: Analytic Skills

1. More dollars and items change hands in sales to business buyers than to consumers.

Answer: True Page: 182 Difficulty: Medium

1. The business market is essentially the same thing as the consumer market.

Answer: False Page: 182 Difficulty: Easy AACSB: Reflective Thinking

1. Business buyers often select suppliers who also buy from them.

Answer: True Page: 183 Difficulty: Medium

1. Small business owners typically engage in long range planning in order to effectively budget for purchases over the upcoming three to five years.

Answer: False Page: 184 Difficulty: Medium AACSB: Reflective Thinking

1. The best way to generate leads among small businesses is for business suppliers to cold call them.

Answer: False Page: 184 Difficulty: Medium AACSB: Reflective Thinking

1. Business buyers often buy directly from manufacturers rather than through intermediaries, especially items that are technically complex or expensive.

Answer: True Page: 185 Difficulty: Medium

1. The demand for business goods is ultimately derived from the demand for raw materials.

Answer: False Page: 185 Difficulty: Medium AACSB: Reflective Thinking

1. The total demand for many business goods and services is inelastic—that is, not much affected by price changes.

Answer: True Page: 185 Difficulty: Easy

1. In the straight rebuy, “out suppliers” try to get a small order and then enlarge their purchase share over time.

Answer: True Page: 185 Difficulty: Easy AACSB: Analytic Skills

1. Over time, new buy situations become straight rebuys and routine purchase behavior.

Answer: True Page: 186 Difficulty: Medium AACSB: Reflective Thinking

1. Most business buyers, preferring to spread their risk, reject what is called *systems buying* from one seller.

Answer: False Page: 186 Difficulty: Medium AACSB: Reflective Thinking

1. Failure to quantify a customer’s results in customer references can be a detriment to the effectiveness of those references.

Answer: True Page: 187 Difficulty: Medium AACSB: Reflective Thinking

1. *Systems selling* is a key industrial marketing strategy in bidding to build large scale industrial projects such as dams or pipelines.

Answer: True Page: 187 Difficulty: Medium AACSB: Analytic Skills

1. Sellers benefit from systems contracting through lower operating costs as a result of steady demand and reduced paperwork.

Answer: True Page: 187 Difficulty: Medium AACSB: Reflective Thinking

1. The *buying center* is where consumers go to purchase their goods and services.

Answer: False Page: 188 Difficulty: Easy AACSB: Analytic Skills

1. *Initiators* are those who authorize the proposed action of deciders or buyers.

Answer: False Page: 188 Difficulty: Medium AACSB: Analytic Skills

1. *Users* perform all seven roles in the buying center because of their direct tie to the product and what it is supposed to do.

Answer: False Page: 188 Difficulty: Medium AACSB: Analytic Skills

1. Personal needs motivate the behavior of individuals, but organizational needs legitimate the buying decision process and its outcomes.

Answer: True Page: 189 Difficulty: Medium AACSB: Reflective Thinking

1. In the business market, small sellers concentrate on reaching as many participants as possible because their chances of success are slim.

Answer: False Page: 190 Difficulty: Medium AACSB: Reflective Thinking

1. Minority suppliers are the fastest growing segment of today’s business landscape, reflecting the importance of supplier diversity to business buyers.

Answer: True Page: 191 Difficulty: Hard AACSB: Reflective Thinking

1. Today, purchasing departments occupy a relatively low position in the management hierarchy and answer primarily to the vice president of marketing.

Answer: False Page: 191 Difficulty: Medium

1. According to the buygrid framework described in the text, a *performance review* completes the buygrid as a last step.

Answer: True Page: 192 Difficulty: Medium

1. The buying process begins when someone places an order with a sales representative.

Answer: False Page: 193 Difficulty: Easy AACSB: Analytic Skills

1. Product value analysis (PVA) attempts to reduce costs by studying components to see if they can be redesigned, standardized, or produced more cheaply.

Answer: True Page: 193 Difficulty: Medium AACSB: Analytic Skills

1. In barter markets, participants offer to trade goods or services.

Answer: True Page: 193 Difficulty: Medium AACSB: Analytic Skills

1. With respect to proposal solicitation in B2B, sellers begin the process by requesting permission to make a proposal rather than waiting for the buyer to request one.

Answer: False Page: 194 Difficulty: Medium AACSB: Analytic Skills

1. In general, buyers review the product and its price rather than any other considerations about the seller as a buying decision is made.

Answer: False Pages: 194–195 Difficulty: Easy AACSB: Reflective Thinking

1. With respect to assessing customer value, in conjoint analysis customers are asked to rank their preference for alternative market offerings or concepts.

Answer: True Page: 196 Difficulty: Medium AACSB: Analytic Skills

1. One of the forms of solution selling is to provide solutions to enhance customer revenues.

Answer: True Page: 197 Difficulty: Medium AACSB: Analytic Skills

1. Companies are increasingly reducing the number of suppliers they utilize, and there is a trend toward single sourcing.

Answer: True Page: 197 Difficulty: Medium

1. Most performance reviews are conducted by outside auditing agencies to avoid bias and internal discrepancies.

Answer: False Page: 198 Difficulty: Medium AACSB: Reflective Thinking

1. Corporate credibility depends on corporate expertise, corporate trustworthiness, and corporate likeability.

Answer: True Page: 200 Difficulty: Medium AACSB: Analytic Skills

1. One of the problems facing B2B on the Web is that many firms often impose more stringent requirements on their online business partners than they do on non online partners.

Answer: True Page: 200 Difficulty: Medium

1. One of the eight categories of buyer–seller relationships is the contractual transaction that generally shows low levels of trust, cooperation, and interaction; exchange is defined by formal contract.

Answer: True Page: 201 Difficulty: Hard AACSB: Reflective Thinking

1. In the “customer is king” category of buyer–seller relationship, the category is characterized as being one that it relatively simple where routine exchanges with moderately high levels of cooperation and information exchange occurs.

Answer: False Page: 201 Difficulty: Hard AACSB: Analytic Skills

1. Contracts are always sufficient to govern supplier transactions and prevent supplier opportunism.

Answer: False Page: 202 Difficulty: Medium AACSB: Reflective Thinking

1. A good illustration of a member of the institutional market would be Boeing because it is a member of the aviation institution structure.

Answer: False Page: 202 Difficulty: Medium AACSB: Analytic Skills

1. The U.S. government is the largest customer in the world.

Answer: True Page: 203 Difficulty: Easy

1. Today, all companies that sell to the U.S. government use a marketing orientation because of the special relationship required.

Answer: False Page: 204 Difficulty: Medium

**Essay**

1. Business markets have several characteristics that contrast sharply with those of consumer markets. Name and briefly characterize five of those characteristics.

**Suggested Answer:** The characteristics are: (1) fewer, larger buyers, (2) close supplier–customer relationship, (3) professional purchasing, (4) multiple buying influences, (5) multiple sales calls, (6) derived demand, (7) inelastic demand, (8) fluctuating demand, (9) geographically concentrated buyers, and (10) direct purchasing. See chapter section for brief characterizations.

Pages: 182–185 Difficulty: Medium AACSB: Reflective Thinking

1. Illustrate the differences between a straight rebuy, modified rebuy, and a new task purchase.

**Suggested Answer:** In a straight rebuy, the purchasing department reorders on a routine basis and choose from suppliers on an approved list. In a modified rebuy, the buyer wants to modify product specifications, prices, delivery requirements, or other terms. Lastly, in the new task purchase, a purchaser buys a product or service for the first time. For additional differences, see chapter section.

Page: 185 Difficulty: Easy AACSB: Analytic Skills

1. Describe the practices of systems buying and systems contracting.

**Suggested Answer:** Systems buying involves buying a total solution to a problem from one seller. Systems contracting is a variant of systems selling in which a single supplier provides the buyer with his entire requirement for maintenance, repair, and operating supplies. During the contract period, the supplier manages the customer’s inventory.

Pages: 186–187 Difficulty: Medium

1. List and briefly describe the seven roles played by members of a buying center.

**Suggested Answer:** The roles are: (1) initiators, (2) users, (3) influencers, (4) deciders, (5) approvers, (6) buyers, and (7) gatekeepers. For descriptions, see chapter section.

Page: 188 Difficulty: Hard

1. List the stages (buyphases) of the industrial buying process.

**Suggested Answer:** The major stages in the industrial buying process include: (1) problem recognition, (2) general need description, (3) product specification, (4) supplier search, (5) proposal solicitation, (6) supplier selection, (7) order routine specification, and (8) performance review.

Page: 192 Difficulty: Medium AACSB: Analytic Skills

1. Identify four types of contract restrictions that business suppliers can use to protect their margins when dealing with price oriented buyers.

**Suggested Answer:** Some companies handle price oriented buyers by setting a lower price but establishing restrictive conditions, such as: (1) limited quantities, (2) no refunds, (3) no adjustments, and (4) no services.

Page: 195 Difficulty: Easy AACSB: Analytic Skills

1. Explain the concept of solution selling. Give one example of this approach.

**Suggested Answer:** *Solution selling* approaches buyers from a solutions to problems approach rather than a product purchase approach. Three forms include: (1) solutions to enhance customer revenues, (2) solutions to decrease customer risks, and (3) solutions to reduce customer costs. Students may expound on any of the above. For additional information, see chapter section.

Pages: 195–197 Difficulty: Medium AACSB: Reflective Thinking

1. List and briefly characterize five methods of assessing customer value.

**Suggested Answer:** There are eight suggested methods for assessing customer value. The students may list and describe any five of the following: (1) internal engineering assessment, (2) field value in use assessment, (3) focus group value assessment, (4) direct survey questions, (5) conjoint analysis, (6) benchmarks, (7) compositional approach, and (8) importance ratings. See chapter section for descriptions of each assessment method.

Page: 196 Difficulty: Hard AACSB: Analytic Skills

1. Identify the five factors affecting partner interdependence and environmental uncertainty that influence the development of a relationship between business partners.

**Suggested Answer:** The five factors affecting partner interdependence and environmental uncertainty are: (1) one sided market growth during the relationship formation stage; (2) information asymmetry between partners such that a partnership would generate more profits than if the partner attempted to invade the other firm’s area; (3) high barriers to entry for at least one partner that prevents the other partner from entering the business; (4) dependence asymmetry such that one partner is more able to control or influence the other’s conduct; and (5) one partner benefits from economies of scale related to the relationship.

Pages: 199–201 Difficulty: Hard AACSB: Reflective Thinking

1. Researchers have found that buyer–supplier relationships differed according to four factors: availability of alternatives; importance of supply; complexity of supply; and supply market dynamism. Based on these four factors, they classified buyer–supplier relationships into eight different categories. What are those categories?

**Suggested Answer:** The categories are: (1) basic buying and selling, (2) bare bones, (3) contractual transaction, (4) customer supply, (5) cooperative systems, (6) collaborative, (7) mutually adaptive, and (8) customer is king. For additional information, see the specific chapter section.

Page: 201 Difficulty: Hard AACSB: Analytic Skills

**APPLICATION QUESTIONS**

##### Multiple Choice

1. All of the following are considered to be guidelines for selling to small businesses EXCEPT \_\_\_\_\_\_\_\_.
   1. do not use the Internet
   2. do keep it simple
   3. don’t lump small and midsize businesses together
   4. don’t forget about direct contact
   5. do provide support after the sale

Answer: a Page: 184 Difficulty: Medium AACSB: Analytic Skills

1. Sometimes a rise of only 10% in consumer demand can cause as much as a 200% rise in business demand for products for the next period. This is an example of \_\_\_\_\_\_\_\_.
   1. inelastic demand
   2. direct purchasing
   3. fluctuating demand
   4. derived demand
   5. a straight rebuy

Answer: c Page: 185 Difficulty: Medium

1. Shoe manufacturers are not going to buy much more leather if the price of leather falls, nor will they buy much less leather if the price rises, unless they can find satisfactory substitutes. This is an example of \_\_\_\_\_\_\_\_.
   1. inelastic demand
   2. direct purchasing
   3. the acceleration effect
   4. derived demand
   5. a straight rebuy

Answer: a Page: 185 Difficulty: Medium AACSB: Analytic Skills

1. Jason Riggs’ company is considered to be an in supplier for a lawn mower manufacturer. However, recently the lawn mower company has put out a memo to in and out suppliers indicating that it would like to modify product specifications and delivery schedules. Which of the following buying situations is most likely to be in operation given this data?
2. Straight rebuy
3. Elastic rebuy
4. Fluctuating rebuy
5. Flatten rebuy
6. Modified rebuy

Answer: e Page: 185 Difficulty: Medium AACSB: Analytic Skills

1. Orica Ltd. competes in the market for commercial explosives and recently changed its business model to the management of an entire blast in a quarry, selling contracts for “broken rock,” rather than just selling explosives. This customer solution based approach to the sale of explosives is an example of \_\_\_\_\_\_\_\_.
   1. systems selling
   2. straight rebuying
   3. customer referencing
   4. derived demand
   5. channel consolidation

Answer: a Pages: 186–187 Difficulty: Medium AACSB: Reflective Thinking

1. If you decided to go into the *systems contracting* business, which of the following categories would constitute your main area of expertise, the service you provide for customers?
2. Computer applications
3. Database management
4. Manufacturing
5. Promotion management
6. MRO (maintenance, repair, operating) supplies

Answer: e Page: 187 Difficulty: Hard AACSB: Reflective Thinking

1. Think about what you have learned about a buying center. If you performed the role of the \_\_\_\_\_\_\_\_, you would be the person that has the power to prevent sellers or information from reaching other members of the buying center.

a. initiator

b. influencer

c. decider

d. gatekeeper

e. approver

Answer: d Page: 188 Difficulty: Medium AACSB: Analytic Skills

1. When purchasing disposable surgical gowns, Mercy Hospital’s vice president of purchasing analyzes whether the hospital should buy disposable gowns or reusable gowns. If the findings favor disposable gowns, then the operating room administrator compares various competitors’ products and prices and makes a choice. Surgeons influence the decision retroactively by reporting their satisfaction with the particular brand. In this situation, the operating room administrator performs the role of the \_\_\_\_\_\_\_\_.
   1. decider
   2. initiator
   3. user
   4. gatekeeper
   5. influencer

Answer: a Page: 188 Difficulty: Hard AACSB: Reflective Thinking

1. When purchasing disposable surgical gowns, Mercy Hospital’s vice president of purchasing analyzes whether the hospital should buy disposable gowns or reusable gowns. If the findings favor disposable gowns, then the operating room administrator compares various competitors’ products and prices and makes a choice. Surgeons influence the decision retroactively by reporting their satisfaction with the particular brand. In this situation, the surgeons perform the role of the \_\_\_\_\_\_\_\_.
   1. decider
   2. initiator
   3. user
   4. gatekeeper
   5. buyer

## Answer: c Page: 188 Difficulty: Hard AACSB: Reflective Thinking

1. According to Webster, with respect to buying center influences, senior managers should remember that people are \_\_\_\_\_\_\_\_.
   1. not buying products—they are buying solutions to problems
   2. buying products that they personally will not use
   3. buying surrogates that must appreciate that role
   4. are human shopping bots
   5. limited in their scope of overall business operations

Answer: a Page: 189 Difficulty: Medium AACSB: Reflective Thinking

1. Consider yourself as an upper level marketing executive of a large seller of fleet trucks. Which of the following strategies would be most appropriate in reaching buying center targets?
2. Concentrate on key buying influencers.
3. Use multilevel in depth selling.
4. Use trade based promotions.
5. Begin all sales efforts with the secretarial support staff.
6. Move all operations to the Net.

Answer: b Page: 190 Difficulty: Hard AACSB: Analytic Skills

1. The new, more strategically oriented purchasing departments have a mission to \_\_\_\_\_\_\_\_.
2. always make a profit
3. always take the lowest bid
4. seek the best value from fewer and better suppliers
5. continue to seek outsourcing as their primary strategy
6. use consultants whenever possible

Answer: c Page: 191 Difficulty: Medium AACSB: Analytic Skills

1. In reordering office supplies, the only buyphases that the buyer passes through are the product specification phase and the \_\_\_\_\_\_\_\_ phase.
   1. problem recognition
   2. general need description
   3. order routine specification
   4. supplier search
   5. performance review

Answer: e Page: 192 Difficulty: Hard AACSB: Analytic Skills

1. Business buyers may get new ideas at a trade show, see an ad, or receive a call from a sales representative who offers a better product or a lower price compared to the current in supplier. These situations spur the \_\_\_\_\_\_\_\_ buyphase.
   1. problem recognition
   2. general need description
   3. order routine specification
   4. supplier search
   5. performance review

Answer: a Page: 193 Difficulty: Hard AACSB: Analytic Skills

1. The Tuxax Company has decided that handling price oriented buyers can be profitable under certain conditions. Conditions that would make good sense for Tuxax Company would be all of the following EXCEPT \_\_\_\_\_\_\_\_.
2. limiting the quantity that can be purchased
3. no services
4. no adjustments
5. no refunds
6. no packaging or crating

Answer: e Page: 195 Difficulty: Easy AACSB: Reflective Thinking

1. In the \_\_\_\_\_\_\_\_ method for assessing customer value, customers are asked how costs of using a new product compared to those of using an incumbent.
   1. direct survey
   2. importance ratings
   3. field value in use assessment
   4. benchmarking
   5. conjoint analysis

Answer: c Page: 196 Difficulty: Medium

1. Hendrix Voeders sales consultants help farmers deliver an incremental animal weight gain of 5% to 10% over competitors. This is an example of \_\_\_\_\_\_\_\_.
   1. solutions selling to enhance customer revenues
   2. solutions selling to reduce customer costs
   3. solutions selling to decrease customer risks
   4. solutions selling to simplify customer purchasing
   5. all of the above

Answer: a Page: 197 Difficulty: Medium AACSB: Reflective Thinking

1. The relationship between an company and its office supplies vendor is probably best described as \_\_\_\_\_\_\_\_.
   1. basic buying and selling
   2. contractual transaction
   3. collaborative
   4. customer supply
   5. customer is king

Answer: d Page: 201 Difficulty: Medium AACSB: Reflective Thinking

1. Value Central gives certain suppliers access to its sophisticated and detailed daily, individual store based sales data. In exchange, those suppliers are responsible for managing Value Central’s inventory of their products. This relationship is best described as \_\_\_\_\_\_\_\_.
   1. basic buying and selling
   2. contractual transaction
   3. collaborative
   4. customer supply
   5. customer is king

Answer: c Page: 201 Difficulty: Hard

1. The closest relationships between customers and suppliers arise when \_\_\_\_\_\_\_\_.
   1. supply is important to the customer
   2. procurement is simple
   3. there are many undifferentiated vendors in the marketplace
   4. the customer is highly price sensitive
   5. all of the above

Answer: a Page: 201 Difficulty: Hard AACSB: Reflective Thinking

**Short Answer**

1. The business market consists of all the organizations that acquire goods and services used in the production of other products or services that are sold, rented, or supplied to others. List the major industries that make up the business market.

**Suggested Answer:** The major industries making up the business market are agriculture, forestry, and fisheries; mining; manufacturing; construction; transportation; communication; public utilities; banking, finance, and insurance; distribution; and services.

Page: 182 Difficulty: Medium AACSB: Analytic Skills

1. Define organizational buying.

**Suggested Answer:** Organizational buying is the decision making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers.

Page: 182 Difficulty: Easy AACSB: Analytic Skills

1. Selling to small businesses presents a huge opportunity and huge challenges. What are some of the challenges of selling to small businesses?

**Suggested Answer:** The small business market is large and fragmented by industry, size, and number of years of operation. Additionally, small business owners are notably averse to long range planning and have an “I’ll buy it when I need it” decision making style.

Page: 184 Difficulty: Medium

1. Explain the concept of derived demand.

**Suggested Answer:** The demand for business goods is ultimately derived from the demand for consumer goods. Consumer demand for business’ end products drives their production. Production of those end products drives business demand for the inputs to those production processes.

Page: 185 Difficulty: Medium AACSB: Reflective Thinking

1. Explain how fluctuating demand impacts business markets differently than consumer markets.

**Suggested Answer:** The demand for business goods and services tends to be more volatile than the demand for consumer goods and services. A given percentage increase in consumer demand can lead to a much larger percentage increase in the demand for plant and equipment necessary to produce additional output. Economists refer to this as the *acceleration effect.*

Page: 185 Difficulty: Medium

1. If you were a purchasing agent facing a modified rebuy situation, how would you describe that situation?

**Suggested Answer:** The buyer wants to modify product specifications, prices, delivery requirements, or other items. The modified rebuy usually involves additional participants on both sides.

Page: 185 Difficulty: Easy AACSB: Reflective Thinking

1. In systems buying, the U.S. government often solicits bids from prime contractors. What do prime contractors do?

**Suggested Answer:** The government solicits bids from prime contractors who assemble the package or system. The contractor who was awarded the contract would be responsible for bidding out and assembling the system’s subcomponents from second tier contractors. Thus, the prime contractor would provide a turnkey solution.

Pages: 186–187 Difficulty: Medium AACSB: Analytic Skills

1. Many firms depend on the opinions and experiences of others in evaluating a new business proposal from a new company. Identify five keys to successfully developing customer reference stories to respond to these demands.

**Suggested Answer:** Students may choose five of the following seven keys to successfully developing customer reference stories: (1) state the customer’s needs in compelling terms; (2) emphasize the barriers to satisfying customer needs; (3) describe your company’s solution in terms of value; (4) list quantified results, especially those that affect ROI; (5) differentiate your offering from those of competitors; (6) provide a brief comprehensive summary; and (7) include numerous customer quotes.

Page: 187 Difficulty: Hard AACSB: Communications

1. Systems selling is a key industrial marketing strategy in bidding to build large scale industrial projects. Competition for these projects is fierce. What are the main areas of competition for these project engineering firms?

**Suggested Answer:** Primary competitive areas include: price, quality, reliability, and other attributes to win contracts.

Page: 187 Difficulty: Easy AACSB: Analytic Skills

1. Webster and Wind call the decision making unit of a buying organization *the buying center*. What is the composition of the buying center?

**Suggested Answer:** It is composed of “all those individuals and groups who participate in the purchasing decision making process, who share some common goals and the risks arising from the decisions.” The buying center includes all members of the organization who play any of seven roles in the purchase decision process. Buying centers usually include several participants with differing interests, authority, status, and persuasiveness. Each member of the buying center is likely to give priority to very different decision criteria.

Page: 188 Difficulty: Medium AACSB: Analytic Skills

1. Webster cautions that ultimately, individuals, not organizations, make purchasing decisions. What does this mean for business suppliers?

**Suggested Answer:** Individuals are motivated by their own needs and perceptions in attempting to maximize the rewards offered by the organization. Personal needs motivate the behavior of individuals, but organizational needs legitimate the buying decision process and its outcomes. People are buying solutions to two problems: the organization’s economic and strategic problem and their own personal need for individual achievement.

Page: 189 Difficulty: Medium AACSB: Reflective Thinking

1. How do large and small sellers differ in their approaches to buying center targeting?

**Suggested Answer:** Small sellers concentrate on reaching the key buying influencers in order to make the most effective use of their small sales force. Large sellers go for multilevel in depth selling to reach as many participants as possible to increase sales volumes and strengthen relationships.

Page: 190 Difficulty: Medium AACSB: Reflective Thinking

1. E procurement Web sites are organized around two types of e hubs. If you were in the advertising business and were seeking to take advantage of e procurement, what type of e hub should be constructed by your company?

**Suggested Answer:** The two types of hubs are vertical hubs (centered on industries such as plastics) and functional hubs (centered on functions such as advertising). Therefore, you would construct a functional hub.

Page: 194 Difficulty: Medium AACSB: Analytic Skills

1. Assume that you have been given the task of assessing customer value at your organization. Further, you have been instructed to use the “compositional approach” to make this assessment. Describe what you would do if you used the compositional approach in assessing customer value.

**Suggested Answer:** In the compositional approach, customers are asked to attach a monetary value to alternative levels of a given attribute. This is repeated for other attributes. The values are then added together for any offer configuration.

Page: 196 Difficulty: Hard AACSB: Analytic Skills

1. As part of the buyer selection process, buying centers must decide how many suppliers to use. What might motivate a buyer to use multiple sources?

**Suggested Answer:** Companies that use multiple sources often cite the threat of a labor strike as the biggest deterrent to single sourcing. Another reason companies may be reluctant to use a single source is that they fear they’ll become too comfortable with the relationship and lose their competitive edge.

Page: 197 Difficulty: Medium AACSB: Reflective Thinking

1. In the buygrid framework model, where the major stages of the industrial buying process are listed and characterized, supplier selection is an important process. What follows supplier selection and what occurs in this phase?

**Suggested Answer:** The step that follows supplier selection is order routine specification. After selecting suppliers, the buyer negotiates the final order, listing the technical specifications, the quantity needed, the expected time of delivery, return policies, warranties, and so on.

Pages: 197–198 Difficulty: Medium AACSB: Analytic Skills

1. As a seller in the business market, you have promised your customers that you have corporate credibility as one of your corporate goals. What three factors will have some bearing on whether you will be able to meet your goal and promise?

**Suggested Answer:** The three factors are: (1) corporate expertise, (2) corporate trustworthiness, and (3) corporate likability. In other words, a credible firm is seen as being good at what it does, it keeps its customers’ best interests in mind, and it is enjoyable to work with.

Page: 200 Difficulty: Hard AACSB: Ethical Reasoning

1. Researchers have found that buyer–supplier relationships could be classified into eight different categories. What category would be appropriate for a relationship where, although bonded by a close, cooperative relationship, the seller adapts to meet the customer’s needs without expecting much adaptation or change on the part of the customer in exchange?

**Suggested Answer:** The appropriate category would be the “customer is king” category.

Page: 201 Difficulty: Hard AACSB: Reflective Thinking

1. Vertical coordination can facilitate stronger customer–seller ties but at the same time may increase the risk to the customer’s and supplier’s specific investments. What are specific investments and why are they risky?

**Suggested Answer:** Specific investments are those expenditures tailored to a particular company and value chain partner. These might include investments in company specific training, equipment, and operating procedures or systems. Because these investments are partially sunk, they lock the firm that makes them into a particular relationship. A buyer may be vulnerable to holdup because of switching costs; a supplier may be more vulnerable to holdup in future contracts because of dedicated assets and/or expropriation of technology/knowledge.

Pages: 201–202 Difficulty: Medium AACSB: Ethical Reasoning

1. Your organization is considering selling its products to the institutional market. What type of customers will you be making your appeals to? Give specific examples.

**Suggested Answer:** The institutional market consists of schools, hospitals, nursing homes, prisons, and other institutions that must provide goods and services to people in their care.

Page: 202 Difficulty: Easy AACSB: Reflective Thinking

**Chapter 8: Identifying Market Segments and Targets**

# GENERAL CONCEPT QUESTIONS

# Multiple Choice

1. In \_\_\_\_\_\_\_\_ marketing, the seller engages in the mass production, mass distribution, and mass promotion of one product for all buyers.
   1. group
   2. mass
   3. general
   4. segmented
   5. differentiated

Answer: b Page: 208 Difficulty: Medium AACSB: Analytic Skills

1. The argument for \_\_\_\_\_\_\_\_ marketing is that it creates the largest potential market, which leads to the lowest costs, which in turn can lead to lower prices or higher margins.
   1. niche
   2. micro
   3. macro
   4. differentiated
   5. mass

Answer: e Page: 208 Difficulty: Medium AACSB: Reflective Thinking

1. A \_\_\_\_\_\_\_\_ consists of a group of customers who share a similar set of needs and wants.
   1. market target
   2. market group
   3. market slice
   4. market segment
   5. market level

Answer: d Page: 208 Difficulty: Medium AACSB: Analytic Skills

1. A \_\_\_\_\_\_\_\_ consists of two parts: a *naked solution* and *discretionary options*.
   1. differentiated market offering
   2. flexible market offering
   3. rigid market offering
   4. vertical market offering
   5. horizontal market offering

Answer: b Pages: 208–209 Difficulty: Hard AACSB: Analytic Skills

1. If a marketing manager observes that his or her market shows no natural segments and consumers seem to have roughly the same preferences, the marketing manager will most likely be faced with a \_\_\_\_\_\_\_\_ preferences pattern.
   1. homogeneous
   2. heterogeneous
   3. diffused
   4. clustered
   5. scattered

Answer: a Page: 209 Difficulty: Medium AACSB: Analytic Skills

1. Procter & Gamble has many soap brands. One reason for this is that soap users tend to group together in terms of preferences such as bleaching action, softness, stain removal, et cetera. Which of the following preferences pattern would most likely apply to P&G’s method of response to market needs?
   1. Homogeneous preferences
   2. Diffused preferences
   3. Clustered preferences
   4. Psychological preferences
   5. Cultural preferences

Answer: c Page: 209 Difficulty: Medium AACSB: Analytic Skills

1. Marketers usually identify niches by \_\_\_\_\_\_\_\_.
   1. dividing a segment into subsegments
   2. conducting VALS tests
   3. allowing consumers to gravitate toward product brands
   4. examining the demographics section of The Handbook of Marketing
   5. producing products that can be used in a variety of ways

Answer: a Page: 209 Difficulty: Medium

1. A niche is characterized as being all of the following EXCEPT that \_\_\_\_\_\_\_\_.
   1. the customers in the niche have a distinct set of needs
   2. the customers will pay a premium to the firm that satisfies their needs
   3. the niche is not likely to attract other competitors
   4. the customers generally have smaller amounts of income
   5. the nicher gains certain economies through specialization

Answer: d Page: 209 Difficulty: Medium AACSB: Reflective Thinking

1. When Nike attempts to get close to its customers at the local level by sponsoring local school teams and providing shoes, equipment, and clothing to many of them, Nike is using which of the following marketing formats?
   1. Differentiated marketing
   2. Consumer marketing
   3. Instructional marketing
   4. Partner marketing
   5. Grassroots marketing

Answer: e Page: 210 Difficulty: Medium AACSB: Analytic Skills

1. Those who favor localized marketing see national advertising as wasteful because \_\_\_\_\_\_\_\_.
   1. it gets too up close and personal with consumers
   2. it drives up manufacturing and marketing costs by reducing economies of scale
   3. it magnifies logistical problems
   4. it fails to address local needs
   5. all of the above

Answer: d Page: 210 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ combines operationally driven mass customization with customized marketing in a way that empowers consumers to design the product service offering of their choice.
   1. Consumptionization
   2. Viral marketing
   3. Virtual marketing
   4. Regionalization
   5. Customerization

Answer: e Page: 212 Difficulty: Medium AACSB: Analytic Skills

1. All of the following are disadvantages of customerization EXCEPT that \_\_\_\_\_\_\_\_.
   1. it requires more prior information about the customer than most customers are willing to share
   2. it is difficult to implement for complex products
   3. it can raise the cost of goods by more than the customer is willing to pay
   4. some customers don’t know what they want until they see the actual product
   5. the product may be hard to repair and have little sales value

Answer: a Page: 212 Difficulty: Hard AACSB: Reflective Thinking

1. Regardless of the type of segmentation scheme used, the key is adjusting the marketing program to recognize \_\_\_\_\_\_\_\_.
   1. the level of disposable income earned by the target group
   2. customer differences
   3. the cost–benefit relationship of narrowing the target market
   4. customer similarities
   5. saturated markets

Answer: b Page: 213 Difficulty: Easy

1. If a marketer decides to segment a market based on neighborhoods, the marketer will have chosen the \_\_\_\_\_\_\_\_ method of segmentation.
   1. demographic
   2. psychographic
   3. geographic
   4. cultural
   5. social class

Answer: c Page: 213 Difficulty: Easy AACSB: Analytic Skills

1. When segmenting on the basis of family life cycle, all of the following are segment categories EXCEPT \_\_\_\_\_\_\_\_.
   1. young, single
   2. male, female
   3. young, married
   4. older, married, no children under 18
   5. young, married, youngest child 6 or over

Answer: b Page: 214 Difficulty: Medium AACSB: Analytic Skills

1. If a marketing manager segments the market into culture oriented, sports oriented, or outdoor oriented groups, he or she is segmenting on the basis of \_\_\_\_\_\_\_\_.
   1. personality
   2. behavioral occasions
   3. user status
   4. psychographic lifestyle
   5. readiness stage

Answer: d Page: 214 Difficulty: Medium AACSB: Analytic Skills

1. If a market is segmented according to light, medium, and heavy product users, the marketer segmenting this market is using the \_\_\_\_\_\_\_\_ as the means to segment.
   1. user status
   2. usage rate
   3. buyer readiness stage
   4. occasion
   5. benefit

Answer: b Page: 214 Difficulty: Easy AACSB: Analytic Skills

1. According to PRIZM, the \_\_\_\_\_\_\_\_ cluster is characterized as being in their late forties and fifties, college educated, upper middle class homeowners that married late and are still raising children in comfortable suburban subdivisions and are still pursuing kid centered lifestyles?
   1. Cosmopolitans
   2. Beltway Boomers
   3. Young Digerati
   4. Winner’s Circle
   5. Old Milltowns

Answer: b Page: 215 Difficulty: Hard AACSB: Reflective Thinking

1. Jose and Erika have just divorced. Which of the following demographic segmentation subsegment formats might be used by marketers to reach Jose or Erika?
   1. Life stage
   2. Benefits
   3. Age segment
   4. User segment
   5. Occasion segment

Answer: a Page: 216 Difficulty: Medium AACSB: Reflective Thinking

1. Men and women tend to have different attitudinal and behavioral orientations, based partly on genetic makeup and partly on \_\_\_\_\_\_\_\_.
   1. income
   2. occupation
   3. socialization
   4. heredity
   5. globalization

Answer: c Page: 217 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ are products such as Kiehl’s skin care and Kendall Jackson wines that are priced between average middle market and superpremium Old Luxury brands.
   1. Old Luxury brand extensions
   2. Accessible superpremium products
   3. Deluxury items
   4. Hourglass products
   5. Masstige goods

Answer: e Page: 219 Difficulty: Hard AACSB: Analytic Skills

1. Rock band Foo Fighters created a digital street team that sends targeted e mail messages to members who receive exclusive news, previews, and opportunities to win prizes. The Foo Fighters are using \_\_\_\_\_\_\_\_ to reach Generation Y.
   1. student ambassadors
   2. unconventional sports
   3. cool events
   4. computer games
   5. online buzz

Answer: e Page: 220 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ is the science of using psychology and demographics to better understand consumers.
   1. Psychographics
   2. Segmentation
   3. Clustering
   4. Demographics
   5. Social psychology

Answer: a Page: 221 Difficulty: Medium AACSB: Analytic Skills

1. According to the VALS segmentation system, \_\_\_\_\_\_\_\_ are successful, sophisticated, active, “take charge” people with high self esteem. Their purchases often reflect cultivated tastes for relatively upscale, niche oriented products and services.
   1. innovators
   2. thinkers
   3. achievers
   4. experiencers
   5. believers

Answer: a Page: 221 Difficulty: Hard AACSB: Analytic Skills

1. Kim is a young professional who enjoys snowboarding and going to rock concerts with her friends. According to the VALS eight part typology segmentation system, Kim is best described as a(n) \_\_\_\_\_\_\_\_.
   1. thinker
   2. achiever
   3. experiencer
   4. striver
   5. survivor

Answer: c Page: 221 Difficulty: Medium AACSB: Analytic Skills

1. According to the VALS segmentation system, \_\_\_\_\_\_\_\_ are considered to be elderly, passive people who are concerned about change and are loyal to their favorite brands.
   1. believers
   2. strivers
   3. makers
   4. survivors
   5. experiencers

Answer: d Page: 222 Difficulty: Medium AACSB: Analytic Skills

1. A housewife requests a new treadmill for her birthday. With respect to consumer decision roles, which role is the housewife currently playing?
   1. Initiator
   2. Influencer
   3. Decider
   4. Buyer
   5. Gatekeeper

Answer: a Page: 223 Difficulty: Easy

1. The sale of turkeys in the United States is highest in mid to late November, as people buy turkeys to serve at Thanksgiving. Grocery stores who specifically advertise turkeys at this time of year are segmenting on the basis of \_\_\_\_\_\_\_\_.
   1. benefits
   2. user status
   3. psychographics
   4. demographics
   5. occasion

Answer: e Page: 223 Difficulty: Easy AACSB: Analytic Skills

1. With respect to occasion segmentation, Christmas, Valentine’s Day, and \_\_\_\_\_\_\_\_ account for just over half of gifters’ budgets.
   1. Halloween
   2. Father’s Day
   3. Mother’s Day
   4. Thanksgiving
   5. Independence Day

Answer: c Page: 223 Difficulty: Medium AACSB: Analytic Skills

1. Mothers to be are potential users who will turn into heavy users of infant products and services. By targeting mothers to be as future heavy users, producers of these products and services are segmenting consumers on the basis of \_\_\_\_\_\_\_\_.
   1. usage rate
   2. buyer readiness stage
   3. loyalty status
   4. user status
   5. benefits

Answer: d Page: 224 Difficulty: Medium AACSB: Analytic Skills

1. If a buyer is loyal to two or three different brands of soap, this buyer’s loyalty status can be described as being among the \_\_\_\_\_\_\_\_.
   1. switchers
   2. shifting loyals
   3. split loyals
   4. hard core loyals
   5. antiloyals

Answer: c Page: 224 Difficulty: Easy

1. Pete always buys Purina dog food for his dog because he believes that it is the best value for the nutritional content. Pete’s loyalty status is best described as \_\_\_\_\_\_\_\_.
   1. split loyal
   2. shifting loyal
   3. consistent loyal
   4. hard core loyal
   5. switcher

Answer: d Page: 224 Difficulty: Easy AACSB: Analytic Skills

1. A company can learn a great deal by analyzing the degrees of brand loyalty. For example, by studying the \_\_\_\_\_\_\_\_ the company can pinpoint which brands are most competitive with its own.
   1. hard core loyals
   2. split loyals
   3. shifting loyals
   4. switchers
   5. antiloyals

Answer: b Page: 224 Difficulty: Hard AACSB: Reflective Thinking

1. All of the following are considered to be product attitude segments EXCEPT \_\_\_\_\_\_\_\_.
   1. synergistic
   2. enthusiastic
   3. positive
   4. indifferent
   5. hostile

Answer: a Page: 225 Difficulty: Medium AACSB: Analytic Skills

1. A snack chip manufacturer is concerned about consumers leaving its brand and going to competitive alternatives. Which of the following groups (based on strength of commitment) would be most likely to leave the company’s offering and go somewhere else for snack products?
   1. Convertible
   2. Shallow
   3. Average
   4. Entrenched
   5. Hard rocks

Answer: a Page: 225 Difficulty: Medium AACSB: Reflective Thinking

1. If a consumer group is designated based on their “balance of disposition,” the \_\_\_\_\_\_\_\_ group can be described as one that is made up of nonusers who are as attracted to a competing brand as they are to their current brands.
   1. strongly unavailable
   2. weakly unavailable
   3. ambivalent
   4. available
   5. desirable

Answer: c Page: 226 Difficulty: Medium AACSB: Analytic Skills

1. A behavioral segmentation method related to the Conversion Model is the Gravity of Decision Spectrum. On the shallow end of the spectrum, consumers seek products and services they think will \_\_\_\_\_\_\_\_.
   1. make them appear more wealthy than they are
   2. help them save face in publicly visible situations
   3. reinforce their emotional stability
   4. align with their core values and beliefs
   5. save them time, effort, and money

Answer: e Page: 226 Difficulty: Hard

1. If a marketer is seeking to segment a business market, which of the following variables is generally felt to be the most important?
   1. Personal characteristics
   2. Demographic variables
   3. Situational factors
   4. Operating variables
   5. Purchasing approaches

Answer: b Page: 226 Difficulty: Hard AACSB: Analytic Skills

1. In segmenting its markets, an aluminum company first looked at which end use market to serve: automobile, residential, or beverage containers. This is an example of \_\_\_\_\_\_\_\_.
   1. macrosegmentation
   2. microsegmentation
   3. strategic segmentation
   4. goal based segmentation
   5. short term segmentation

Answer: a Page: 226 Difficulty: Hard AACSB: Analytic Skills

1. A company can be said to have used \_\_\_\_\_\_\_\_ if the company distinguished among customers buying on the basis of price, service, and quality.
   1. macrosegmentation
   2. microsegmentation
   3. strategic segmentation
   4. global segmentation
   5. short term segmentation

Answer: b Page: 226 Difficulty: Hard

1. A marketer is interested in segmenting a business market based on technology and customer capabilities. Which of the following major segmentation variables would most likely be used by the marketer to assist with the task?
   1. Demographic variables
   2. Purchasing approaches
   3. Situational factors
   4. Personal characteristics
   5. Operating variables

Answer: e Page: 227 Difficulty: Hard AACSB: Analytic Skills

1. A marketer is interested in segmenting a business market on \_\_\_\_\_\_\_\_ if the marketer intends to eventually segment the market based on loyalty and attitudes toward risk.
   1. situational factors
   2. purchasing approaches
   3. personal characteristics
   4. operating variables
   5. demographic variables

Answer: c Page: 227 Difficulty: Medium

1. A marketer interested in segmenting a business market based on \_\_\_\_\_\_\_\_ intends to eventually segment the market based on power structure and purchasing criteria.
   1. situational factors
   2. purchasing approaches
   3. personal characteristics
   4. operating variables
   5. demographic variables

Answer: b Page: 227 Difficulty: Medium AACSB: Analytic Skills

1. During which step of the segmentation process would the marketer group customers into segments based on similar needs and benefits sought by the customer in solving a particular consumption problem?
   1. Step 2—segment identification
   2. Step 3—segment attractiveness
   3. Step 6—segment “acid test”
   4. Step 1—needs based segmentation
   5. Step 7—marketing mix strategy

Answer: d Page: 228 Difficulty: Medium AACSB: Reflective Thinking

1. If an organization’s marketing department wished to create “segment storyboards” to test the attractiveness of each segment’s positioning strategy, this action would most likely occur in the \_\_\_\_\_\_\_\_ step of the segmentation process.
   1. needs based segmentation
   2. segment identification
   3. segment profitability
   4. segment “acid test”
   5. marketing mix strategy

Answer: d Page: 228 Difficulty: Hard AACSB: Analytic Skills

1. In the \_\_\_\_\_\_\_\_ step of the market segmentation process, the marketer evaluates the segment using criteria such as market growth and market access.
   1. need based segmentation
   2. segment identification
   3. segment attractiveness
   4. segment profitability
   5. segment “acid test”

Answer: c Page: 228 Difficulty: Hard

1. To meet the \_\_\_\_\_\_\_\_ criterion of useful market segments, it must be possible to formulate effective programs for attracting and serving the segments.
   1. measurable
   2. substantial
   3. accessible
   4. differentiable
   5. actionable

Answer: e Page: 228 Difficulty: Medium AACSB: Analytic Skills

1. If married and unmarried women respond similarly to a sale on perfume, these hypothetical segments fail the \_\_\_\_\_\_\_\_ criterion for useful market segments.
   1. measurable
   2. substantial
   3. accessible
   4. differentiable
   5. actionable

Answer: d Page: 228 Difficulty: Medium

1. According to the \_\_\_\_\_\_\_\_ criterion for useful market segments, a segment should be the largest possible homogenous group worth going after with a tailored marketing program.
   1. measurable
   2. substantial
   3. accessible
   4. differentiable
   5. actionable

Answer: b Page: 228 Difficulty: Medium AACSB: Analytic Skills

1. In evaluating different market segments, the firm must look at two factors: the segment’s overall attractiveness and \_\_\_\_\_\_\_\_.
   1. company’s objectives and resources
   2. the product to be sold
   3. the purchasing process
   4. competition’s strategies
   5. the global nature of the product

Answer: a Page: 228 Difficulty: Medium AACSB: Reflective Thinking

1. Volkswagen concentrates on the small car market and Porsche on the sports car market. These would be examples of what is called \_\_\_\_\_\_\_\_.
   1. single segment concentration
   2. selective specialization
   3. product specialization
   4. market specialization
   5. full market coverage

Answer: a Page: 228 Difficulty: Easy AACSB: Analytic Skills

1. All of the following are benefits of following the \_\_\_\_\_\_\_\_ approach to target market selection: a strong knowledge of the segment’s needs, a strong market presence, operating economies through specializing in production, distribution, and promotion.
   1. single segment concentration
   2. selective specialization
   3. product specialization
   4. market specialization
   5. full market coverage

Answer: a Page: 228 Difficulty: Medium AACSB: Reflective Thinking

1. When a symphony orchestra targets people who have broad cultural interests, rather than only those who regularly attend concerts, the orchestra is targeting \_\_\_\_\_\_\_\_.
   1. market mavens
   2. strategic segments
   3. supersegments
   4. occasion segments
   5. psychodemographic segments

Answer: c Page: 229 Difficulty: Hard AACSB: Analytic Skills

1. Which of the following best represents the chief advantage of pursuing a selective specialization multisegment strategy?
   1. It makes the company almost bulletproof to competitors’ actions.
   2. It diversifies the firm’s risk.
   3. It creates synergy between markets.
   4. It is a low cost strategy.
   5. It treats all buyers the same and, therefore, lowers promotion costs.

Answer: b Page: 229 Difficulty: Medium AACSB: Reflective Thinking

1. The chief disadvantage to a firm that decides to follow a product specialization strategy in selecting target markets is that \_\_\_\_\_\_\_\_.
   1. no synergy exists
   2. logistics can become a nightmare
   3. the product may be supplanted by an entirely new technology
   4. competitors can easily copy any new product introductions
   5. e commerce becomes difficult for the company

Answer: c Page: 229 Difficulty: Hard AACSB: Reflective Thinking

1. With \_\_\_\_\_\_\_\_ as a target market strategy, the firm concentrates on serving many needs of a particular customer group.
   1. single segment concentration
   2. selective specialization
   3. product specialization
   4. market specialization
   5. full market coverage

Answer: d Page: 229 Difficulty: Easy AACSB: Analytic Skills

1. In \_\_\_\_\_\_\_\_ marketing, the firm operates in several market segments and designs different products for each segment.
   1. segmented
   2. undifferentiated
   3. differentiated
   4. geodemographic
   5. niche

Answer: c Page: 229 Difficulty: Easy

1. Johnson & Johnson broadened its target market for its baby shampoo to include adults through \_\_\_\_\_\_\_\_.
   1. countersegmentation
   2. metamarketing
   3. undifferentiated marketing
   4. product specialization
   5. single segment concentration

Answer: a Page: 230 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is the strategic coordination of economic, psychological, political, and public relations skills, to gain the cooperation of a number of parties in order to enter or operate in a given market.
   1. Metamarketing
   2. Macromarketing
   3. Micromarketing
   4. Megamarketing
   5. Modular marketing

Answer: d Page: 231 Difficulty: Medium AACSB: Analytic Skills

1. Not all attempts to target children, minorities, or other special segments draw criticism. Which of the following is the best illustration of a company (or industry) that seems to be marketing to a target segment in a correct and ethical way?
   1. McDonald’s marketing to inner city youth
   2. R. J. Reynolds marketing of the Kool brand
   3. Colgate Palmolive’s Colgate Junior toothpaste
   4. The cereal industry’s approaches to children
   5. G. Heileman Brewing’s approach to Colt 45 malt liquor

Answer: c Page: 232 Difficulty: Medium AACSB: Ethical Reasoning

# True/False

1. Markets are almost always homogeneous.

Answer: False Page: 208 Difficulty: Easy AACSB: Reflective Thinking

1. Effective target marketing requires that marketers use market segmentation, market targeting, and market positioning to achieve success in the marketplace.

Answer: True Page: 208 Difficulty: Medium AACSB: Reflective Thinking

1. Henry Ford epitomized the market segmentation strategy when he offered the Model T Ford in only one color.

Answer: False Page: 208 Difficulty: Hard AACSB: Reflective Thinking

1. A market segment consists of a group of consumers who share a similar set of needs and wants.

Answer: True Page: 208 Difficulty: Easy AACSB: Analytic Skills

1. With respect to market offerings, if a marketer emphasizes a *naked solution*, he or she is emphasizing the product and service elements that all segment members value.

Answer: True Page: 209 Difficulty: Hard AACSB: Analytic Skills

1. A marketer glances at this month’s market preference pattern diagram and notices that all of the customers are grouped in the middle of the diagram; therefore, customers are exhibiting *clustered preferences*.

Answer: False Page: 209 Difficulty: Hard AACSB: Analytic Skills

1. An attractive niche is characterized as having a distinct set of needs.

Answer: True Page: 209 Difficulty: Easy AACSB: Analytic Skills

1. Local marketing reflects a growing trend called macromarketing.

Answer: False Page: 210 Difficulty: Medium AACSB: Reflective Thinking

1. The ultimate level of segmentation leads to “segments of one,” “customized marketing,” or “one to one marketing.”

Answer: True Page: 210 Difficulty: Easy

1. A company is customerized when it is able to respond to individual customers by customizing its products, services, and messages on a one to one basis.

Answer: True Page: 212 Difficulty: Medium AACSB: Analytic Skills

1. Customer cloning is the practice of identifying the key characteristics of a market segment and then identifying multiple geographic areas where the majority of the population possesses those characteristics.

Answer: False Page: 214 Difficulty: Medium

1. Illustrations of personality segmentation would include culture oriented, sports centered, or outdoor oriented subsegments.

Answer: False Page: 214 Difficulty: Medium AACSB: Analytic Skills

1. A local service company has decided to segment its market based on occupation; therefore, it has chosen a form of demographic segmentation for its approach.

Answer: True Page: 215 Difficulty: Medium AACSB: Analytic Skills

1. Demographic variables are extremely popular because they are often associated with consumer needs and wants and they are easy to measure.

Answer: True Page: 215 Difficulty: Medium AACSB: Reflective Thinking

1. *Life stage* defines a person’s age.

Answer: False Page: 216 Difficulty: Medium

1. Research shows that men and women shop differently. Men often like to read product information; women may relate to a product on a more personal level.

Answer: True Page: 217 Difficulty: Hard

1. Research has shown that income is a highly accurate predictor of the “best” customers for a given product.

Answer: False Page: 218 Difficulty: Medium AACSB: Reflective Thinking

1. In order to maintain acceptable levels of sales and profits, marketers target only middle and high income groups of consumers.

Answer: False Page: 218 Difficulty: Medium AACSB: Reflective Thinking

1. Average U.S. household income has risen in the past 30 years, with growth highest for the top 20% of households.

Answer: True Page: 219 Difficulty: Hard AACSB: Analytic Skills

1. Members of the same generational cohort share the same major cultural, political, and economic experiences and have similar outlooks and values.

Answer: True Page: 219 Difficulty: Medium AACSB: Reflective Thinking

1. Members of Generation Y are generally open to overt branding practices and a “hard sell,” making product placements in computer and video games a popular way to reach this cohort.

Answer: False Page: 220 Difficulty: Medium AACSB: Communication

1. Psychographics is the science of using psychology and demographics to better understand consumers.

Answer: True Page: 221 Difficulty: Easy AACSB: Analytic Skills

1. People in the same demographic group generally exhibit similar psychographic profiles.

Answer: False Page: 221 Difficulty: Medium

1. In the VALS segmentation system, *Thinkers* are characterized as being successful, sophisticated, active, “take charge” people with high self esteem.

Answer: False Page: 221 Difficulty: Hard AACSB: Analytic Skills

1. According to the VALS segmentation system, the *Strivers* are at bottom of the typology with the lowest resources and lowest with respect to innovation.

Answer: False Page: 222 Difficulty: Medium AACSB: Analytic Skills

1. Psychographic segmentation schemes are the same across cultures.

Answer: False Page: 222 Difficulty: Medium AACSB: Multicultural/Diversity

1. Each person involved in a buying decision plays only one of five roles: *Initiator, Influencer, Decider, Buyer,* or *User*.

Answer: False Page: 223 Difficulty: Hard AACSB: Reflective Thinking

1. Everyone who buys a given product wants the same benefits from it.

Answer: False Page: 223 Difficulty: Easy AACSB: Reflective Thinking

1. Heavy users are often a small percentage of the market but account for a high percentage of total consumption.

Answer: True Page: 224 Difficulty: Medium

1. Marketers would rather attract one heavy user than several light users.

Answer: True Page: 224 Difficulty: Easy AACSB: Analytic Skills

1. With respect to loyalty status, if a consumer is loyal to two or three brands, he or she is called *shifting loyal*.

Answer: False Page: 224 Difficulty: Medium AACSB: Analytic Skills

1. Consumers that consistently buy the same brand are always brand loyal consumers.

Answer: False Page: 225 Difficulty: Hard AACSB: Reflective Thinking

1. Gary uses only Crest toothpaste. He grew up using Crest toothpaste and would not consider using any other brand. Colgate would probably describe Gary as a weakly unavailable consumer.

Answer: False Page: 226 Difficulty: Medium AACSB: Reflective Thinking

1. Situational factor segmentation variables in the business marketplace include urgency, specific application, and size of order.

Answer: True Page: 227 Difficulty: Hard AACSB: Analytic Skills

1. The last step in the seven step marketing segmentation process would be to develop a *marketing mix strategy* reflective of segment positioning strategies.

Answer: True Page: 228 Difficulty: Medium

1. To be useful, market segments must be measurable.

Answer: True Page: 228 Difficulty: Medium AACSB: Reflective Thinking

1. Companies following a market specialization strategy offer one product to as many markets as possible.

Answer: False Page: 229 Difficulty: Medium AACSB: Analytic Skills

1. An undifferentiated marketing approach to full market coverage designs a product and a marketing program that will endow the product with a superior image and appeal to the broadest number of buyers.

Answer: True Page: 229 Difficulty: Medium AACSB: Analytic Skills

1. If a marketer is blocked from entering a market, the strategy of megamarketing can be used to assist in breaking into that market.

Answer: True Page: 231 Difficulty: Medium

1. All attempts to target marketing to children, minorities, or other special segments are discriminatory and unethical.

Answer: False Page: 232 Difficulty: Easy AACSB: Ethical Reasoning

## Essay

1. Market segments can be defined in many different ways. One way to carve up a market is to identify *preference segments*. List and briefly characterize three preference segments cited in the text.

**Suggested Answer:** The three preference segments cited in the text are: (1) homogeneous preferences—a market where all consumers basically have the same preferences; (2) diffused preferences—a market where preferences are scattered, indicating consumers vary greatly in their preferences; and, (3) clustered preferences—where distinct natural market clusters develop.

Page: 209 Difficulty: Medium AACSB: Analytic Skills

1. A new trend in marketing is toward customerization. Describe what customerization is and how marketers are using it.

**Suggested Answer:** *Customerization* combines operationally driven mass customization with customized marketing in a way that empowers consumers to design the product or service offering of their choice. A company is customerized when it is able to respond to individual customers by customizing its products, services, and messages on a one to one basis.

Page: 212 Difficulty: Medium AACSB: Analytic Skills

1. There are several major segmentation variables that might be used by a marketer to address a consumer market. If the marketer were to use social class, psychographic lifestyle, and readiness stage to segment its market, identify possible segmentation subcategories under each of the three.

**Suggested Answer:** First, social class would yield the subcategories of lower lowers, upper lowers, working class, middle class, upper middles, lower uppers, and upper uppers. Second, psychographic lifestyles would yield culture oriented, sports oriented, and outdoor oriented. Lastly, readiness stage would yield unaware, aware, informed, interested, desirous, and intending to buy. Other sub categories might be possible. The list comes from Table 8.1. If you wish to deviate from this table, be sure to set ground rules for the students.

Page: 214 Difficulty: Hard

1. Thanks to the trading up trend, New Luxury goods sell at higher volumes than traditional luxury goods. Identify and describe the three main types of New Luxury products.

**Suggested Answer:** The three main types of New Luxury products are: (1) accessible superpremium products, (2) Old Luxury brand extensions, and (3) masstige goods.

Page: 219 Difficulty: Hard AACSB: Analytic Skills

1. Marketing to Generation Y is a challenge because of their size and characteristics. Because they are often turned off by overt branding practices and a “hard sell,” marketers have tried many different approaches to reach and persuade Gen Y. List and briefly discuss four of those methods for reaching this group.

**Suggested Answer:** Students may select any four of the following seven methods: (1) online buzz, (2) student ambassadors, (3) unconventional sports, (4) cool events, (5) computer games, (6) videos, and (7) street teams.

Page: 220 Difficulty: Hard AACSB: Reflective Thinking

1. The VALS segmentation system has evolved into an eight part typology. List and briefly describe any four categories of that eight part typology.

**Suggested Answer:** The eight parts of the VALS segmentation system include the following: (1) innovators, (2) thinkers, (3) achievers, (4) experiencers, (5) believers, (6) strivers, (7) makers, and (8) survivors. Students may choose any four of the eight for their discussion unless otherwise directed. See the chapter section for characterization and discussion of each of the eight categories.

Pages: 221–222 Difficulty: Hard AACSB: Analytic Skills

1. Identify the four market segment groups based on brand loyalty status and list what a company can learn from analyzing the degrees of brand loyalty.

**Suggested Answer:** Marketers usually envision four groups based on brand loyalty status: (1) hard core loyals, (2) split loyals, (3) shifting loyals, and (4) switchers. Hard core loyals can help identify the products’ strengths. Split loyals can show the firm which brands are most competitive with its own. By looking at customers who are shifting away from its brand, the company can learn about its marketing weaknesses and attempt to correct them.

Page: 224 Difficulty: Medium AACSB: Reflective Thinking

1. To be useful, market segments must rate favorably on five key criteria. What are those criteria?

**Suggested Answer:** The five criteria are: (1) measurable, (2) substantial, (3) accessible, (4) differentiable, and (5) actionable. For additional information, see the chapter section.

Page: 228 Difficulty: Medium AACSB: Reflective Thinking

1. The Conversion Model measures the strength of consumers’ psychological commitment to brands and their openness to change. Identify and describe the four segments of brand users and the four segments of nonusers.

**Suggested Answer:** Brand users can be divided into four segments: (1) convertible, (2) shallow, (3) average, and (4) entrenched. Nonusers can also be divided into four segments: (1) strongly unavailable, (2) weakly unavailable, (3) ambivalent, and (4) available.

Pages: 225–226 Difficulty: Medium

1. The text describes five possible patterns for target market selection. Describe the pattern called *selective specialization*.

**Suggested Answer:** In *selective specialization,* a firm selects a number of segments, each objectively attractive and appropriate. There may be little of no synergy among the segments, but each promises to be a moneymaker. This multi segment strategy has the advantage of diversifying the firm’s risk.

Page: 229 Difficulty: Medium AACSB: Analytic Skills

**APPLICATION QUESTIONS**

**Multiple Choice**

1. When Coca Cola sold only one kind of Coke in a 6.5 ounce bottle, it was practicing what is called \_\_\_\_\_\_\_\_.
   1. primary marketing
   2. micromarketing
   3. macromarketing
   4. segmented marketing
   5. mass marketing

Answer: e Page: 208 Difficulty: Medium AACSB: Analytic Skills

1. The marketer \_\_\_\_\_\_\_\_ the segments; the marketer’s task is to identify the segments and decide which one(s) to target.
   1. plans
   2. creates
   3. does not create
   4. rarely controls
   5. controls

Answer: c Page: 208 Difficulty: Hard AACSB: Reflective Thinking

1. Anderson and Narus have urged marketers to present flexible market offerings to all members of a segment. A flexible market offering consists of two parts. Which part contains the product and service elements that all segment members value?
   1. Naked solution
   2. Discretionary solution
   3. Maximum solution
   4. Pseudo solution
   5. Virtual solution

Answer: a Page: 209 Difficulty: Medium AACSB: Analytic Skills

1. The recipe for Internet niching success is to \_\_\_\_\_\_\_\_.
   1. find a need and fill it
   2. choose a hard to find product that customers do not need to see and touch
   3. choose a low budget product that is heavily demanded by Gen Y
   4. choose an exclusive product sold primarily to seniors
   5. find a product that has some attraction to a health conscious market

Answer: b Page: 210 Difficulty: Medium AACSB: Reflective Thinking

1. Hilton Hotels customizes rooms and lobbies according to location. Northeastern hotels are sleeker and more cosmopolitan. Southwestern hotels are more rustic. This is an example of \_\_\_\_\_\_\_\_ segmentation.
   1. demographic
   2. behavioral
   3. psychographic
   4. geographic
   5. user status

Answer: d Page: 213 Difficulty: Easy

1. Pampers divides its market demographically on the basis of \_\_\_\_\_\_\_\_ into prenatal, new baby, baby, toddler, and preschooler.
   1. life stage
   2. gender
   3. age
   4. income
   5. social class

Answer: c Page: 215 Difficulty: Easy AACSB: Analytic Skills

1. If a marketing researcher uses such names (categories) as *Blue Blood Estates, Winner’s Circle, Hometown Retired,* or *Shotguns and Pickups* when doing segmentation research, the marketing researcher is using \_\_\_\_\_\_\_\_ clusters.
   1. PRIZM
   2. geodemographic
   3. psychographic
   4. demographic
   5. VALS

Answer: a Page: 215 Difficulty: Medium

1. Newlyweds in the United States buy more in the first six months than an established household does in five years. Newlyweds are an example of a(n) \_\_\_\_\_\_\_\_ segment.
   1. life stage
   2. gender
   3. behavior
   4. user status
   5. income

Answer: a Page: 216 Difficulty: Medium AACSB: Analytic Skills

1. Increasingly, companies are finding that their markets are \_\_\_\_\_\_\_\_ as middle market Americans migrate toward more premium products.
   1. “triangle shaped”
   2. “inverted”
   3. “hourglass shaped”
   4. “circular”
   5. “linear”

Answer: c Page: 218 Difficulty: Hard AACSB: Analytic Skills

1. Which of the following statements accurately describes what demographers are calling the “boom boom effect”?
   1. Consumers are demanding more “bang for their buck.”
   2. Baby boomers still rule the marketplace.
   3. Generation X and its taste for violence will dominate the market in the future.
   4. Products that appeal to 20 somethings also appeal to baby boomers.
   5. Companies must have success quickly or go bust.

Answer: d Page: 219 Difficulty: Medium

1. If a marketing manager employs such marketing techniques as online buzz, student ambassadors, cool events, and street teams to reach target markets, the manager is most likely appealing to the \_\_\_\_\_\_\_\_ market.
   1. pre school
   2. Generation X
   3. Generation Y
   4. Generation Z
   5. latent baby boomers

Answer: c Page: 220 Difficulty: Easy AACSB: Communications

1. Mature and reflective people who seek durability, functionality, and value in products are most likely to be categorized as \_\_\_\_\_\_\_\_ in the VALS system.
   1. innovators
   2. thinkers
   3. achievers
   4. experiencers
   5. strivers

Answer: b Page: 221 Difficulty: Medium AACSB: Analytic Skills

1. A hardware store is interested in reaching people who are characterized by the VALS system as being practical, down to earth, and self sufficient who like to work with their hands, the \_\_\_\_\_\_\_\_ category.
   1. believers
   2. strivers
   3. survivors
   4. experiencers
   5. makers

Answer: e Page: 222 Difficulty: Hard AACSB: Reflective Thinking

1. The key to attracting potential users, or even possibly nonusers, is \_\_\_\_\_\_\_\_.
   1. understanding the reasons they are not using
   2. offering financial incentives for first time use
   3. increasing the usage rate of existing users
   4. developing a new product that better meets their needs
   5. increasing advertising expenditures

Answer: a Page: 223 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ are often a small percentage of the market but account for a high percentage of total consumption.
   1. Light users
   2. Medium users
   3. Heavy users
   4. Nonusers
   5. None of the above

Answer: c Page: 224 Difficulty: Easy

1. By analyzing the behaviors of \_\_\_\_\_\_\_\_, companies can learn about their marketing weaknesses and attempt to correct them.
   1. hard core loyals
   2. split loyals
   3. shifting loyals
   4. switchers
   5. ambivalents

Answer: d Page: 224 Difficulty: Medium AACSB: Reflective Thinking

1. Users of a brand can be segmented into several groups based on the strength of commitment to the brand. If a brand manager is seeking to identify those users who are actively considering alternative brands, he or she should look for users that are labeled as \_\_\_\_\_\_\_\_.
   1. convertible
   2. shallow
   3. average
   4. entrenched
   5. latent

Answer: b Pages: 225–226 Difficulty: Medium

1. You have decided to take a purchasing approach to segmenting a proposed business market. All of the following would be potential means (subsegments) for segmenting under the “purchasing approach” EXCEPT \_\_\_\_\_\_\_\_.
   1. purchasing function organization
   2. power structure
   3. specific application
   4. nature of existing relationships
   5. purchasing criteria

Answer: c Page: 227 Difficulty: Hard AACSB: Analytic Skills

1. If your assignment was (for each segment) to create a value proposition and product price positioning strategy based on the segment’s unique customer needs and characteristics, you would be in which of the following steps of the segmentation process?
   1. Needs based segmentation
   2. Segment identification
   3. Segment attractiveness
   4. Segment positioning
   5. Segment “acid test”

Answer: d Page: 228 Difficulty: Medium AACSB: Analytic Skills

1. As a brand manager you have decided to use the \_\_\_\_\_\_\_\_ full market coverage approach in marketing to your customers, whereby your firm will operate in several market segments and design different products for each segment.
   1. undifferentiated
   2. differentiated
   3. concentrated
   4. introverted
   5. parallel

Answer: b Page: 229 Difficulty: Medium AACSB: Analytic Skills

## Short Answer

1. A starting point for discussing segmentation is mass marketing. Explain this concept.

**Suggested Answer:** In mass marketing, the seller engages in the mass production, mass distribution, and mass promotion of one product for all buyers.

Page: 208 Difficulty: Easy AACSB: Analytic Skills

1. Most companies today are turning to micromarketing at one of four levels. What are those levels?

**Suggested Answer:** The levels are: (1) segments, (2) niches, (3) local areas, and (4) individuals.

Page: 208 Difficulty: Medium AACSB: Analytic Skills

1. A flexible market offering consists of two parts. Identify and describe these two parts.

**Suggested Answer:** A flexible market offering consists of two parts: a naked solution containing the product and service elements that all segment members value, and discretionary options that some segment members value.

Page: 209 Difficulty: Medium

1. Assume that you have decided to use a niche strategy to advance your marketing goals. Characterize an attractive niche.

**Suggested Answer:** An attractive niche is distinguished as follows: (1) The customers in the niche have a distinct set of needs; (2) they will pay a premium to the firm that best satisfies their needs; (3) the niche is not likely to attract other competitors; (4) the nicher gains certain economies through specialization; and (5) the niche has size, profit, and growth potential.

Page: 209 Difficulty: Hard AACSB: Reflective Thinking

1. How are brands likely to position themselves if they are competing in a market that demonstrates diffused preferences?

**Suggested Answer:** Consumers with diffused preferences vary greatly in their preferences. If several brands are in the market, they are likely to position themselves throughout the space and show real differences to match differences in consumer preference.

Page: 209 Difficulty: Hard AACSB: Reflective Thinking

1. Local marketing reflects a growing trend called *grassroots marketing.* Characterize grassroots marketing.

**Suggested Answer:** In grassroots marketing, marketing activities concentrate on getting as close and personally relevant to individual customers as possible.

Page: 210 Difficulty: Easy AACSB: Analytic Skills

1. Not everyone is in favor of local marketing. Identify two arguments made against local marketing.

**Suggested Answer:** Those against local marketing argue that it drives up manufacturing and marketing costs by reducing economies of scale and magnifying logistical problems. A brand’s overall image might be diluted if the product and message are different in different localities.

Page: 210 Difficulty: Medium AACSB: Analytic Skills

1. Explain the concept of the Long Tail and how consumers’ embrace of the Internet as a shopping medium has changed consumer buying patterns.

**Suggested Answer:** The Long Tail is comprised of those niche products with low sales that, in a traditional retailing world, would be unprofitable to provide to consumers. The Internet, however, lowers the cost of distribution, allowing vendors to economically offer more products without having to predict demand. The more products vendors offer, the greater the chance that they will be able to tap latent demand for minority tastes that was unreachable through traditional retail.

Page: 211 Difficulty: Hard AACSB: Analytic Skills

1. Marketers use two broad groups of variables to segment consumer markets. Identify these groups and how they are used.

**Suggested Answer:** Some researchers try to define segments by looking at descriptive characteristics such as geographic, demographic, and psychographic characteristics. Then they examine whether these customer segments exhibit different needs or product responses. Other researchers try to define segments by looking at behavioral considerations such as consumer responses to benefits, use occasions, or brands. The researcher then sees whether different characteristics are associated with each consumer response segment.

Page: 213 Difficulty: Medium AACSB: Reflective Thinking

1. What is customer cloning and how is it used?

**Suggested Answer:** Customer cloning is a way of identifying new prospects by assuming that the best prospects live where most of a company’s existing customers come from.

Page: 214 Difficulty: Easy AACSB: Analytic Skills

1. PRIZM was developed by Claritas Inc. Explain what PRIZM is intended to do.

**Suggested Answer:** PRIZM stands for Potential Rating Index by Zip Markets. It is a method for geoclustering that classifies over half a million U.S. residential neighborhoods into 14 distinct groups and 66 distinct lifestyle segments called PRIZM Clusters. For more information, see the chapter section.

Page: 215 Difficulty: Hard AACSB: Reflective Thinking

1. Age and life cycle can be tricky variables with which to segment a market. Why?

**Suggested Answer:** In some cases, the target market for products may be associated with psychological age, rather than chronological age. For example, with baby boomers seeking to stay young, they may represent lucrative markets for youth oriented products such as the Honda Element.

Page: 216 Difficulty: Hard

1. Identify three ways that shopping behaviors differ between men and women.

**Suggested Answer:** Women tend to be more communal minded and men tend to be more self expressive and goal directed. Women tend to take in more of the data in their immediate environment, whereas men focus on the part of the environment that helps them achieve a goal. When shopping, men often need to be invited to touch a product, whereas women are likely to pick it up without prompting. Men like to read product information, whereas women may relate to a product on a more personal level.

Page: 217 Difficulty: Hard AACSB: Reflective Thinking

1. Increasingly, companies are finding that their markets are “hourglass shaped.” What does this mean for consumers and for marketers?

**Suggested Answer:** Middle market U.S. consumers are migrating toward both discount *and* premium products. Companies that miss out on this new market risk being “trapped in the middle” and seeing their market share steadily decline.

Page: 218 Difficulty: Medium AACSB: Reflective Thinking

1. Although we can make distinctions between them, different generational cohorts also influence each other. Give an example of this.

**Suggested Answer:** Because so many members of Generation Y are living with their boomer parents, parents are being influenced by what demographers are calling a “boom boom effect.” The same products that appeal to 21 year olds are appealing to youth obsessed baby boomers.

Pages: 219–220 Difficulty: Medium AACSB: Analytic Skills

1. Characterize psychographic segmentation.

**Suggested Answer:** In psychographic segmentation, buyers are divided into different groups on the basis of psychological/personality traits, lifestyle, or values.

Page: 221 Difficulty: Medium

1. Identify the five decisional roles people can play in the buying decision.

**Suggested Answer:** The five roles are: (1) Initiator, (2) Influencer, (3) Decider, (4) Buyer, and (5) User.

Page: 223 Difficulty: Medium AACSB: Analytic Skills

1. Describe the brand funnel and how marketers use it to focus their marketing efforts.

**Suggested Answer:** The brand funnel characterizes how many people are at different buyer readiness stages and how effective marketers are at converting consumers from one stage to the next. Using this tool, marketers can identify between which buyer readiness stages they lose the most customers and focus their efforts on lowering the hurdles between awareness and frequent use.

Page: 224 Difficulty: Medium AACSB: Reflective Thinking

1. Consumer attitudes are an interesting way to segment a market. Research has shown that five attitude groups can be found in the market. What are those five attitude groups?

**Suggested Answer:** The five attitude groups are: (1) enthusiastic, (2) positive, (3) indifferent, (4) negative, and (5) hostile. For more information, see the chapter section.

Page: 225 Difficulty: Medium AACSB: Analytic Skills

1. Give an example of how a company might target products to children in an ethical way.

**Suggested Answer:** The public is concerned when marketers take unfair advantage of vulnerable groups, such as children. Not all attempts to target children draw criticism, however. Socially responsible marketing calls for targeting that serves not only the company’s interests, but also the interests of those targeted. For example, Colgate Junior toothpaste has special features designed to get children to brush longer and more often.

Page: 232 Difficulty: Medium AACSB: Ethical Reasoning

**Chapter 9:** **Dealing with Competition**

# GENERAL CONCEPT QUESTIONS

# Multiple Choice

1. Michael Porter has identified five forces that determine the intrinsic long run attractiveness of a market or market segment. Which of the following would NOT be among Porter’s five forces?
   1. Industry competitors
   2. Technological partners
   3. Substitutes
   4. Buyers
   5. Potential entrants

Answer: b Page: 294 Difficulty: Medium

1. When entry and exit barriers are high, \_\_\_\_\_\_\_\_.
   1. profit potential is high, but firms face more risk because poorer performing firms stay in and fight it out
   2. firms easily enter and leave the industry, and returns are stable and low
   3. few new firms can enter the industry, and poorly performing firms can easily exit
   4. firms enter during good times but find it hard to leave during bad times, resulting in chronic overcapacity and depressed earnings for all
   5. none of the above

Answer: a Page: 294 Difficulty: Medium AACSB: Analytic Skills

1. A segment is unattractive when there are actual or potential \_\_\_\_\_\_\_\_ for the product.
   1. contenders
   2. competitors
   3. substitutes
   4. unclear demand
   5. profit fluctuation

Answer: c Page: 295 Difficulty: Medium AACSB: Analytic Skills

1. Wal Mart is perhaps one of the best illustrations of the threat of \_\_\_\_\_\_\_\_ found in Porter’s model.
   1. intense segment rivalry
   2. new entrants
   3. substitute products
   4. buyers’ growing bargaining power
   5. suppliers’ growing bargaining power

Answer: d Page: 295 Difficulty: Hard AACSB: Reflective Thinking

1. A segment is unattractive if the company’s suppliers are able to raise prices or reduce quantity supplied. Which of the following is the best illustration of the threat of suppliers’ growing bargaining power?
   1. Wal Mart has almost no competitors in its marketspace.
   2. Oil companies must purchase a significant amount of their product from OPEC.
   3. McDonald’s is the largest fast food franchise and is still growing.
   4. The U.S. Post Office has merged package operations with FedEx.
   5. Sears unsuccessfully attempted to compete with Wal Mart and Kmart.

Answer: b Page: 295 Difficulty: Hard AACSB: Reflective Thinking

1. A(n) \_\_\_\_\_\_\_\_ is a group of firms that offer a product or class of products that are close substitutes for one another.
   1. industry
   2. cartel
   3. cooperative
   4. monopoly
   5. demand field

Answer: a Page: 296 Difficulty: Easy AACSB: Analytic Skills

1. Using the market approach, \_\_\_\_\_\_\_\_ are companies that satisfy the same customer need.
   1. partners
   2. competitors
   3. entrepreneurs
   4. innovators
   5. followers

Answer: b Page: 296 Difficulty: Medium

1. A group of firms following the same strategy in a given target market is called a(n) \_\_\_\_\_\_\_\_.
   1. cartel
   2. cabal
   3. cooperative
   4. informal alliance
   5. strategic group

Answer: e Page: 296 Difficulty: Easy AACSB: Analytic Skills

1. An example of a strategic group in the appliance industry would be one where \_\_\_\_\_\_\_\_.
   1. there is a large franchised dealer system
   2. a common promotional theme is used
   3. competitors have broad lines, medium manufacturing costs, low service responsibility, and low prices
   4. multinational operations are mandated
   5. there is a value orientation rather than a cost orientation

Answer: c Page: 296 Difficulty: Medium AACSB: Reflective Thinking

1. Once a company has identified its main competitors and their strategies, it must next ask: \_\_\_\_\_\_\_\_?
   1. What are the competitors’ objectives
   2. What are the competitive brand attributes
   3. What are the competitive promotion schemes
   4. What is the attrition rate in the market
   5. What are the subtle market entrance requirements

Answer: a Page: 297 Difficulty: Hard AACSB: Reflective Thinking

1. In general, a company should monitor the following variables when analyzing competitors: \_\_\_\_\_\_\_\_, share of heart, and share of market.
   1. share of demand
   2. share of profits
   3. share of promotion
   4. share of universe
   5. share of mind

Answer: e Page: 299 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is the percentage of customers who named the competitor in responding to the statement, “Name the company from which you would prefer to buy the product.”
   1. Share of market
   2. Share of mind
   3. Share of heart
   4. Share of competitive space
   5. Share of psychological field

Answer: c Page: 299 Difficulty: Medium

1. A competitor’s share of industry sales is known as the firm’s \_\_\_\_\_\_\_\_.
   1. share of market
   2. share of mind
   3. share of heart
   4. share of competitive space
   5. share of psychological field

Answer: a Page: 299 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is the art of learning from companies that perform certain tasks better than other companies.
   1. Competition
   2. Market share
   3. Value delivery
   4. Industry definition
   5. Benchmarking

Answer: e Page: 300 Difficulty: Medium AACSB: Analytic Skills

1. Most companies aim their competitive shots at \_\_\_\_\_\_\_\_ competitors, because this requires fewer resources per share point gained.
   1. strong
   2. weak
   3. distant
   4. “good”
   5. unacknowledged

Answer: b Page: 300 Difficulty: Easy AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ competitors try to buy market share rather than earn it; take large risks; invest in overcapacity; and upset industrial equilibrium.
   1. “Bad”
   2. “Good”
   3. Distant
   4. Close
   5. Strong

Answer: a Page: 300 Difficulty: Hard AACSB: Analytic Skills

1. The aim of benchmarking is to copy or improve on \_\_\_\_\_\_\_\_ either within an industry or across industries.
   1. profitability
   2. manufacturing
   3. ideation
   4. aggressiveness
   5. “best practices”

Answer: e Page: 300 Difficulty: Medium AACSB: Analytic Skills

1. In selecting customers, a company should \_\_\_\_\_\_\_\_ those who are vulnerable and not valuable.
   1. make every effort to retain
   2. focus on maintaining margins on
   3. encourage the departure of
   4. try to improve the vulnerability of
   5. try to improve the value of

Answer: c Page: 300 Difficulty: Hard

1. The \_\_\_\_\_\_\_\_ in a given marketplace has the largest market share in the relevant product market and usually leads other firms in price changes, new product introductions, distribution coverage, and promotional intensity.
   1. market challenger
   2. market leader
   3. market follower
   4. market nicher
   5. market entrant

Answer: b Page: 301 Difficulty: Medium AACSB: Analytic Skills

1. A firm that is willing to maintain its market share and not rock the boat is known as a \_\_\_\_\_\_\_\_.
   1. market challenger
   2. market leader
   3. market follower
   4. market nicher
   5. market entrant

Answer: c Page: 301 Difficulty: Medium

1. A firm that serves small market segments not being served by bigger firms is known as a \_\_\_\_\_\_\_\_.
   1. market challenger
   2. market leader
   3. market follower
   4. market nicher
   5. market entrant

Answer: d Page: 301 Difficulty: Medium AACSB: Analytic Skills

1. Being a market leader is often a difficult position to maintain and defend. The firm can try to increase its market share in the face of constant market size, protect its current market share through good defensive and offensive actions, or \_\_\_\_\_\_\_\_.
   1. be a cost leader
   2. find new, innovative technologies on a monthly basis
   3. strive to win promotional awards
   4. find ways to expand total market demand
   5. pursue markets others do not want

Answer: d Page: 303 Difficulty: Medium AACSB: Reflective Thinking

1. When the total market expands, the \_\_\_\_\_\_\_\_ usually gains the most.
   1. market challenger
   2. market leader
   3. market follower
   4. market nicher
   5. market entrant

Answer: b Page: 303 Difficulty: Medium AACSB: Analytic Skills

1. As a marketing manager, you have decided to pursue new customers with your established products. Specifically, the new customers that you want are those who might use the product but do not at present. Which of the following strategies is recommended to pursue such a customer market?
   1. Market penetration strategy
   2. New market segment strategy
   3. Geographical expansion strategy
   4. Needs assessment strategy
   5. Consolidation strategy

Answer: a Page: 304 Difficulty: Hard AACSB: Analytic Skills

1. One of the market leader strategies for expanding the total market is to focus on more usage. Two avenues are open for doing this: increasing the frequency of consumption or \_\_\_\_\_\_\_\_.
   1. increasing adherence to everyday low pricing
   2. decreasing the number of product returns
   3. increasing the level or quantity of consumption
   4. increasing the level of promotional expenditures relative to market share percentage
   5. decreasing sales related expenses

Answer: c Page: 304 Difficulty: Hard

1. Increasing \_\_\_\_\_\_\_\_ requires either (1) identifying additional opportunities to use the brand in the same basic way or (2) identifying completely new and different ways to use the brand.
   1. amount of consumption
   2. level of consumption
   3. dedication to consumption
   4. awareness consumption
   5. frequency of consumption

Answer: e Page: 304 Difficulty: Medium AACSB: Analytic Skills

1. One approach to \_\_\_\_\_\_\_\_ is to identify completely new and different applications for the product. For example, food product companies have long advertised recipes that use their branded products in entirely different ways.
   1. amount of consumption
   2. level of consumption
   3. dedication to consumption
   4. awareness consumption
   5. frequency of consumption

Answer: e Page: 305 Difficulty: Medium AACSB: Analytic Skills

1. Market leaders are constantly under attack from large and small competitors alike. What is the most constructive response a market leader can make when defending its terrain?
   1. Basic cost control
   2. Expanding expected benefits
   3. Expanding desired benefits
   4. Meet all challengers with a swift response
   5. Continuous innovation

Answer: e Page: 305 Difficulty: Medium AACSB: Reflective Thinking

1. Sony is an unusual market leader. It gives its customers new products that they have never even asked for (e.g., Walkmans, VCRs, video cameras, CDs). This makes Sony a(n) \_\_\_\_\_\_\_\_ firm.
   1. market driven
   2. market driving
   3. operations driven
   4. vision driven
   5. virtually driven

Answer: b Page: 306 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ become market leaders through superior value delivery of unmet—and maybe even unknown—consumer needs.
   1. Creative marketers
   2. Anticipative marketers
   3. Responsive marketers
   4. Market driving firms
   5. Reactive marketers

Answer: d Page: 306 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ defense involves occupying the most desirable market space in the minds of the consumers, making the brand almost impregnable.
   1. Position
   2. Flank
   3. Preemptive
   4. Mobile
   5. Contraction

Answer: a Page: 306 Difficulty: Medium

1. A marketing manager has planned a strategy that will require the organization to erect outposts to protect its weak front running brands. In this \_\_\_\_\_\_\_\_ defense, the outposts will be central to the organization’s new competitive strategy.
   1. position
   2. flank
   3. preemptive
   4. counteroffensive
   5. mobile

Answer: b Page: 306 Difficulty: Medium AACSB: Analytic Skills

1. The “best defense is a good offense” would be a policy under which of the following market leader defensive strategies?
   1. Position defense
   2. Flank defense
   3. Contraction defense
   4. Preemptive defense
   5. Lateral defense

Answer: d Page: 307 Difficulty: Medium AACSB: Reflective Thinking

1. After FedEx watched UPS successfully invade its airborne delivery system, FedEx invested heavily in ground delivery service through a series of acquisitions to challenge UPS on its home turf. This is an example of a \_\_\_\_\_\_\_\_.
   1. position defense
   2. flank defense
   3. counteroffensive defense
   4. contraction defense
   5. mobile defense

Answer: c Page: 307 Difficulty: Medium AACSB: Reflective Thinking

1. Market broadening and market diversification are likely tactics employed in which of the following market leader defensive strategies?
   1. Position defense
   2. Flank defense
   3. Preemptive defense
   4. Counteroffensive defense
   5. Mobile defense

Answer: e Page: 307 Difficulty: Medium AACSB: Analytic Skills

1. In \_\_\_\_\_\_\_\_, the market leaders stretches its domain over new territories that can serve as future centers for defense and offense.
   1. counteroffensive defense
   2. flank defense
   3. mobile defense
   4. contraction defense
   5. position defense

Answer: c Page: 307 Difficulty: Medium AACSB: Analytic Skills

1. Some market leaders have increased profitability by selectively \_\_\_\_\_\_\_\_ market share in weaker areas.
   1. decreasing
   2. increasing
   3. protecting
   4. sharing
   5. trading

Answer: a Page: 307 Difficulty: Medium AACSB: Reflective Thinking

1. Because the cost of buying higher market share may far exceed its revenue value, a company should consider four factors before pursuing increased market share. These include all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. the possibility of provoking antitrust action
   2. the likelihood that an award winning promotional campaign can be generated
   3. economic cost
   4. pursuing the wrong marketing mix strategy

e. the effect of increased market share on actual and perceived quality

Answer: b Page: 308 Difficulty: Medium AACSB: Reflective Thinking

1. Pushing for higher market share is less justified when \_\_\_\_\_\_\_\_.
   1. there are obvious scale economies
   2. attractive market segments exist
   3. buyers want a single source of supply
   4. exit barriers are low
   5. there are few scale or experience economies

Answer: e Page: 308 Difficulty: Hard AACSB: Reflective Thinking

1. Companies successfully gaining market share typically outperform competitors in which of the following areas?
   1. New product activity
   2. Relative product quality
   3. Marketing expenditures
   4. All of the above
   5. None of the above

Answer: d Page: 308 Difficulty: Hard AACSB: Analytic Skills

1. A market challenger must decide who to attack. All of the following are considered as likely possible targets (as per information found in the text) EXCEPT \_\_\_\_\_\_\_\_.
   1. the market leader
   2. firms its own size that are not doing the job
   3. firms its own size that are underfinanced
   4. a global conglomerate that is market hungry

e. small local firms

Answer: d Pages: 308–309 Difficulty: Medium AACSB: Reflective Thinking

1. According to attack strategies available to the market challenger, the \_\_\_\_\_\_\_\_ can be used when the challenger spots areas where the opponent is underperforming.
   1. encirclement attack
   2. frontal attack
   3. flank geographic attack
   4. backwards flank attack
   5. guerilla warfare

# Answer: c Page: 309 Difficulty: Medium AACSB: Reflective Thinking

1. Sally Seabrook is an up and coming marketing manager for a large department store chain. Ms. Seabrook has distinguished herself with bold strategies such as launching attacks on her primary competitor from several fronts, including advertising, new store openings, and new distributor alliances. Which of the following market challenger attack strategies is Ms. Seabrook using to attack her competition?
   1. Frontal attack
   2. Bypass attack
   3. Guerrilla warfare
   4. Flank attack
   5. Encirclement attack

Answer: e Pages: 309–310 Difficulty: Hard AACSB: Analytic Skills

1. All of the following are considered to be viable attack strategies that can be employed by a market challenger EXCEPT \_\_\_\_\_\_\_\_.
   1. counteroffensive attack
   2. frontal attack
   3. flank attack
   4. bypass attack
   5. guerilla warfare

Answer: a Pages: 309–310 Difficulty: Hard AACSB: Analytic Skills

1. A marketing manager has decided to “leapfrog” competition by moving into cutting edge technologies. This indirect approach to attacking competition can be characterized as \_\_\_\_\_\_\_\_.
   1. flank attack
   2. encirclement attack
   3. bypass attack
   4. guerrilla warfare
   5. frontal attack

Answer: c Page: 310 Difficulty: Medium

1. Selective price cuts, intense promotional blitzes, and occasional legal action are commonplace in the strategic design of a(n) \_\_\_\_\_\_\_\_.
   1. frontal attack
   2. flank attack
   3. bypass attack
   4. encirclement attack
   5. guerilla warfare

Answer: e Page: 310 Difficulty: Hard AACSB: Analytic Skills

1. Avon became a major cosmetics company by perfecting door to door selling instead of battling other cosmetic firms in conventional stores. This is an example of which of the following specific market challenger attack strategies?
   1. Manufacturing cost reduction
   2. Intensive advertising promotion
   3. Distribution innovation
   4. Product innovation
   5. Product proliferation

Answer: c Page: 310 Difficulty: Medium AACSB: Reflective Thinking

1. In his article, “Innovative Imitation,” Theodore Levitt argues that \_\_\_\_\_\_\_\_.
   1. imitation is wrong and should be punished
   2. product imitation might be as profitable as a strategy of product innovation
   3. innovation is not possible without substantial imitation
   4. innovation cannot begin unless dissatisfaction with imitation occurs
   5. imitation should be against the law because of the intellectual property decision involved

Answer: b Page: 310 Difficulty: Hard AACSB: Analytic Skills

1. Patterns of \_\_\_\_\_\_\_\_ are common in capital intensive, homogeneous product industries, where competitors present similar offers to buyers and market shares show high stability.
   1. “conscious parallelism”
   2. “feature fashion”
   3. “covert security analysis”
   4. “supply delay”
   5. “predatory pricing”

Answer: a Page: 311 Difficulty: Hard AACSB: Reflective Thinking

1. All of the following are considered market follower strategies EXCEPT \_\_\_\_\_\_\_\_.
   1. counterfeiter
   2. cloner
   3. imitator
   4. innovator
   5. adapter

Answer: d Pages: 311–312 Difficulty: Medium

1. As a market follower strategy, the \_\_\_\_\_\_\_\_ emulates the leader’s products, name, and packaging, with slight variations.
   1. counterfeiter
   2. cloner
   3. imitator
   4. adapter
   5. innovator

Answer: b Page: 312 Difficulty: Hard AACSB: Analytic Skills

1. As a market follower strategy, the \_\_\_\_\_\_\_\_ copies some things from the leader but maintains differentiation in terms of packaging, advertising, pricing, or location. This strategy is tolerated by the market leader as long as the follower’s aggressiveness does not mount.
   1. counterfeiter
   2. cloner
   3. imitator
   4. adapter
   5. innovator

Answer: c Page: 312 Difficulty: Medium AACSB: Analytic Skills

1. An alternative to being a market follower in a large market is to be a leader in a small market. This type of competitor is called a(n) \_\_\_\_\_\_\_\_.
   1. marketing knave
   2. market nicher
   3. segment king
   4. guerilla marketer
   5. strategic clone

Answer: b Page: 312 Difficulty: Medium

1. In terms of comparisons with a market leader, whereas the market leader achieves high volume, the market nicher achieves \_\_\_\_\_\_\_\_.
   1. high margin
   2. low margin
   3. high promotability
   4. medium pricing
   5. lower demand

Answer: a Page: 312 Difficulty: Medium AACSB: Analytic Skills

1. The key idea in successful nichemanship is specialization. Which of the following specialists would most closely be identified with the characterization of being an organization that limits its selling to one customer?
   1. End user specialist
   2. Vertical level specialist
   3. Customer size specialist
   4. Specific customer specialist
   5. Quality price specialist

Answer: d Page: 313 Difficulty: Hard AACSB: Analytic Skills

1. A market nicher is considered to be a(n) \_\_\_\_\_\_\_\_ specialist if the firm specializes in producing a certain type of product or product feature such as Rent a Wreck that rents only “beat up” cars.
   1. end user
   2. vertical level
   3. customer size
   4. channel

e. product feature

Answer: e Page: 313 Difficulty: Hard

1. Which of the following types of companies is characterized as having a “fighter orientation?”
   1. Customer centered
   2. Competitor centered
   3. Distribution centered
   4. Promotion centered
   5. Niche centered

Answer: b Page: 314 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following types of companies is characterized as being “too reactive?”
   1. Competitor centered
   2. Customer centered
   3. Service centered
   4. Distribution centered
   5. Niche centered

Answer: a Page: 314 Difficulty: Medium AACSB: Reflective Thinking

1. Which of the following types of companies is felt to be in a better position to identify new opportunities?
   1. Competitor centered
   2. Customer centered
   3. Service centered
   4. Distribution centered
   5. Niche centered

Answer: b Page: 314 Difficulty: Medium AACSB: Reflective Thinking

1. In a \_\_\_\_\_\_\_\_ company, the obsession of the company is with the customer, not the competition.
   1. niche centered
   2. price centered
   3. cost centered
   4. customer centered
   5. promotion centered

Answer: d Page: 314 Difficulty: Easy AACSB: Analytic Skills

#### True/False

1. Markets have become too competitive to focus just on the consumer alone.

Answer: True Page: 294 Difficulty: Easy AACSB: Reflective Thinking

1. A market is unattractive if it already contains numerous, strong, or aggressive competitors.

Answer: True Page: 294 Difficulty: Medium

1. The most attractive segment is one in which the entry barriers are low and exit barriers are high.

Answer: False Page: 294 Difficulty: Medium AACSB: Reflective Thinking

1. The best defense against strong buyers is to develop superior offers that strong buyers cannot refuse.

Answer: True Page: 295 Difficulty: Easy AACSB: Reflective Thinking

1. An industry is a group of firms that offer a product or class of products that are close substitutes for one another.

Answer: True Page: 296 Difficulty: Easy AACSB: Analytic Skills

1. All companies seek to maximize both long and short term profits.

Answer: False Page: 298 Difficulty: Medium

1. Share of market is the percentage of customers who named the competitor in responding to the statement, “Name the first company that comes to mind in this industry.”

Answer: False Page: 299 Difficulty: Hard AACSB: Analytic Skills

1. Companies that make steady gains in mind share and heart share will inevitably make gains in market share and profitability.

Answer: True Page: 299 Difficulty: Medium AACSB: Reflective Thinking

1. Firms should only ever target weak competitors in order to maximize the return on their competitive investments.

Answer: False Page: 300 Difficulty: Medium AACSB: Analytic Skills

1. All happy customers are profitable.

Answer: False Page: 300 Difficulty: Hard AACSB: Reflective Thinking

1. Few industries contain a single firm that is acknowledged as the marked leader.

Answer: False Page: 301 Difficulty: Easy AACSB: Analytic Skills

1. Although marketers assume well known brands are distinctive in consumers’ minds, unless a dominant firm enjoys a legal monopoly, it must maintain constant vigilance.

Answer: True Page: 301 Difficulty: Medium AACSB: Reflective Thinking

1. As a strategy for expanding the total market, a market penetration strategy is aimed at consumers who have never used the product.

Answer: False Page: 304 Difficulty: Medium AACSB: Analytic Skills

1. Larger package sizes have been shown to increase the amount of product that consumers use at one time. This is an example of increasing sales through increasing the amount of consumption.

Answer: True Page: 304 Difficulty: Medium AACSB: Analytic Skills

1. Because consumers generally fail to recognize when their toothbrushes need to be replaced, many new toothbrushes have a colored set of bristles that fade with wear, signaling the consumer that he or she needs to buy a new toothbrush. This is an example of increasing sales through increasing the frequency of consumption.

Answer: True Page: 305 Difficulty: Medium AACSB: Analytic Skills

1. If a market leader follows a strategy of continuous innovation, it keeps increasing its competitive strength and value to its customers.

Answer: True Page: 305 Difficulty: Medium AACSB: Reflective Thinking

1. The aims of defensive strategy are to reduce the probability of attack, divert attacks to less threatening areas, and lessen their intensity.

Answer: True Page: 306 Difficulty: Medium AACSB: Analytic Skills

1. When U.S. tobacco companies acknowledged the growing curbs on cigarette smoking and decided to move into new industries, such as beer, liquor, and soft drinks, they were employing a market broadening mobile defense.

Answer: False Page: 307 Difficulty: Hard AACSB: Analytic Skills

1. Profitability always rises with market share gains.

Answer: False Page: 308 Difficulty: Medium

1. Companies that attempt to increase market share by cutting prices more deeply than competitors typically achieve significant gains.

Answer: False Page: 308 Difficulty: Medium AACSB: Analytic Skills

1. Position defense involves occupying the most desirable market space in the minds of consumers, making the brand almost impregnable.

Answer: True Page: 306 Difficulty: Medium AACSB: Analytic Skills

1. A preemptive defense is basically a strategic retreat until resources can be assembled for a more advantageous attack.

Answer: False Page: 307 Difficulty: Medium

1. A good way of describing a contraction defense would be to label it a strategic withdrawal.

Answer: True Page: 307 Difficulty: Easy AACSB: Analytic Skills

1. The market leader should consider several factors before pursuing increased market share. One of the chief factors for consideration is the effect of increased market share on actual and perceived quality.

Answer: True Page: 308 Difficulty: Medium AACSB: Reflective Thinking

1. After the market leader position, firms that occupy second, third, and lower ranks in an industry are often called fledgling leaders.

Answer: False Page: 308 Difficulty: Medium

1. The first step that a market challenger must take in establishing its stance against competitors is to define its strategic objective.

Answer: True Page: 308 Difficulty: Medium AACSB: Analytic Skills

1. The frontal attack by a market challenger looks for weak spots on the fringe of the opponent’s defenses because these are natural targets.

Answer: False Page: 309 Difficulty: Medium AACSB: Analytic Skills

1. The most indirect assault strategy that can be used by a market challenger is the bypass attack where the challenger bypasses the enemy and attacks easier markets to broaden one’s resource base.

Answer: True Page: 310 Difficulty: Medium

The encirclement attack by a market challenger consists of waging small, intermittent attacks to harass and demoralize the opponent and eventually secure permanent footholds.

Answer: False Pages: 309–310 Difficulty: Medium AACSB: Analytic Skills

1. Because market followers avoid stealing competitors’ customers and instead copy the leader and present similar offers to buyers, market followers do not need to develop strategies.

Answer: False Page: 311 Difficulty: Easy AACSB: Reflective Thinking

1. As one of the market follower strategies, *counterfeiting* duplicates the leader’s product and package and sells it on the black market or through disreputable dealers.

Answer: True Page: 311 Difficulty: Easy AACSB: Analytic Skills

1. As a market follower strategy, the *adapter* emulates the leader’s products, name, and packaging with slight variations.

Answer: False Page: 312 Difficulty: Medium

1. A typical market challenger strategy is that of being an imitator (e.g., copies some things from the leader but maintains differentiation in terms of packaging, advertising, pricing, or location).

Answer: False Page: 312 Difficulty: Hard

1. The market follower typically earns less than the market leader.

Answer: True Page: 312 Difficulty: Medium AACSB: Analytic Skills

1. One of the chief advantages held by a market nicher is the fact that once a niche is established, it tends to be rather stable and can be “milked for profit” for several years (i.e., single niching is a preferred strategy).

Answer: False Page: 313 Difficulty: Hard AACSB: Reflective Thinking

1. As a niche specialist role, a channel specialist specializes in serving only one channel of distribution.

Answer: True Page: 313 Difficulty: Easy AACSB: Analytic Skills

1. Hewlett Packard specializes in the high quality, high price end of the handheld calculator market, qualifying the company to be called a *quality price specialist*.

Answer: True Page: 313 Difficulty: Easy AACSB: Analytic Skills

1. As a proven strategy for meeting competitors, almost all companies spend the majority of their time focusing on competitors exclusively.

Answer: False Page: 314 Difficulty: Medium AACSB: Reflective Thinking

1. As a result of a competitor centered company orientation, the company develops a fighter orientation.

Answer: True Page: 314 Difficulty: Easy AACSB: Reflective Thinking

1. A customer centered company focuses on competitors’ efforts to win customers and devises strategies to thwart these efforts.

Answer: False Page: 314 Difficulty: Medium AACSB: Analytic Skills

#### Essay

1. Michael Porter has identified five forces that determine the intrinsic long run attractiveness of a market or market segment. Briefly list and characterize those forces.

**Suggested Answer:** Porter’s five forces are: (1) threat of intense segment rivalry—a segment is unattractive if it already contains numerous, strong, or aggressive competitors; (2) threat of new entrants—a segment’s attractiveness varies with the height of its entry and exit barriers; (3) threat of substitute products—a segment is unattractive when there are actual or potential substitutes for the product; (4) threat of buyers’ growing bargaining power—a segment is unattractive if buyers possess strong or growing bargaining power; and (5) threat of suppliers’ growing bargaining power—a segment is unattractive if the company’s suppliers are able to raise prices or reduce quantity supplied. For additional information and characterization, see chapter section.

Pages: 294–295 Difficulty: Medium AACSB: Analytic Skills

1. INSEAD professors W. Chan Kim and Renée Mauborgne believe that too many firms engage in “red ocean thinking”—seeking bloody, head to head battles with competitors based largely on incremental improvements in cost, quality, or both. They advocate engaging instead in “blue ocean thinking.” Explain the concept of blue ocean strategy.

**Suggested Answer:** “Blue ocean strategy” creates products and services for which there are no direct competitors. Instead of searching within the conventional boundaries of industry competition, managers should look beyond those boundaries to find unoccupied market positions that represent real value innovation. Classic blue ocean thinking involves designing creative business ventures to positively affect both a company’s cost structure and its value proposition to consumers. Cost savings result from eliminating and reducing the factors affecting traditional industry competition; value to consumers comes from introducing factors the industry has never before offered.

Page: 297 Difficulty: Hard AACSB: Reflective Thinking

1. In general, a company should monitor three variables when analyzing competitors. List and briefly characterize those three variables?

**Suggested Answer:** The three variables are: (1) share of market—the competitor’s share of the target market; (2) share of mind—the percentage of customers who named the competitor in responding to the statement, “Name the first company that comes to mind in this industry”; and, (3) share of heart—the percentage of customers who named the competitor in responding to the statement, “Name the company from which you would prefer to buy the product.” For additional information and characterization, see chapter section.

Page: 299 Difficulty: Hard AACSB: Analytic Skills

1. Identify the seven steps of benchmarking.

**Suggested Answer:** The seven steps of benchmarking are: (1) Determine which functions or processes to benchmark; (2) identify the key performance variables to measure; (3) identify the best in class companies; (4) measure the performance of best in class companies; (5) measure the company’s performance; (6) specify programs and actions to close the gap; and (7) implement and monitor results.

Page: 300 Difficulty: Hard

1. The market leader must work hard to stay on top of its market. Three strategies can be crafted to achieve this objective. Describe these three strategies and any relevant substrategies that are necessary for accomplishing the primary objective.

**Suggested Answer:** The three primary strategies that may be used by the market leader are: (1) expanding the total market by attracting new customers and by stimulating more usage of product; (2) defending market share (see the six substrategies as outlined in the chapter section); and (3) expanding market share. For additional information on each of the above, see the chapter section.

Pages: 303–307 Difficulty: Hard AACSB: Analytic Skills

1. Assume that your organization has chosen to pursue a market leader strategy of the flank defense. Describe what such a strategy might be.

**Suggested Answer:** The market leader should erect outposts to protect a weak front or possibly serve as an invasion base for counterattack. This, then, becomes the basis for the flank defense. Students may add additional information; see chapter section for details.

Page: 306 Difficulty: Medium

1. Assume that you are the marketing manager for a market challenger that is seeking to attack the market leader with an encirclement attack. Describe the encirclement attack and evaluate probable success using this strategy.

**Suggested Answer:** The encirclement maneuver is an attempt to capture a wide slice of the enemy’s territory through a “blitz.” It involves launching a grand offensive on several fronts. Encirclement makes sense when the challenger commands superior resources and believes a swift encirclement will break the opponent’s will.

Pages: 309–310 Difficulty: Hard AACSB: Analytic Skills

1. Adam Morgan offers eight suggestions on how small brands can better compete in the marketplace. List five of them.

**Suggested Answer:** Small brands can better compete in the marketplace by: (1) breaking with their immediate past; (2) building a “lighthouse identity”; (3) assuming thought leadership of the category; (4) creating symbols of reevaluation; (5) sacrificing; (6) overcommitting; (7) using publicity and advertising to enter popular culture; and (8) being idea centered, not consumer centered.

Page: 311 Difficulty: Hard AACSB: Analytic Skills

1. Characterize the four broad strategies often employed by market followers to meet their competitors.

**Suggested Answer:** These broad strategies include: (1) counterfeiter—the counterfeiter duplicates the leader’s product and package and sells it on the black market or through disreputable dealers; (2) cloner—the cloner emulates the leader’s products, name, and packaging, with slight variations; (3) imitator—the imitator copies some things from the leader but maintains differentiation in terms of packaging, advertising, pricing, or location; and (4) adapter—the adapter takes the leader’s products and adapts or improves them. For additional information and characterization, see chapter section.

Pages: 311–312 Difficulty: Hard

1. The market nicher is a specialist. Characterize five niche specialist roles that can be assumed by the market nicher.

**Suggested Answer:** The niche specialist roles that can be assumed by the market nicher include: (1) end user specialist—specializes in serving one type of end use customer; (2) vertical level specialist—specializes at some vertical level of the production distribution value chain; (3) customer size specialist—concentrates on selling to either small, medium sized, or large customers; (4) specific customer specialist—the firm limits its selling to one or a few customers; (5) geographic specialist—firm sells only in a certain locality, region, or area of the world; (6) product or product line specialist—firm carries or produces only one product line or product; (7) product feature specialist—firm specializes in producing a certain type of product or product feature; (8) job shop specialist—firm customizes its products for individual customers; (9) quality price specialist—the firm operates at the low or high quality ends of the market; (10) service specialist—firm offers one or more services not available from other firms; and, (11) channel specialist—firm specializes in serving only one channel of distribution. For additional information, see chapter section.

Page: 313 Difficulty: Hard AACSB: Analytic Skills

**APPLICATION QUESTIONS**

**Multiple Choice**

1. A market segment’s attractiveness varies with the height of its entry and exit barriers. Which of the following forces as described by Michael Porter would most likely be the force being examined if the above situation were to be considered by a marketing manager?
   1. Threat of intense segment rivalry
   2. Threat of new entrants
   3. Threat of substitute products
   4. Threat of buyers’ growing bargaining power
   5. Threat of suppliers’ growing bargaining power

Answer: b Page: 294 Difficulty: Medium AACSB: Reflective Thinking

1. Greyhound and Amtrak have seen profitability threatened by the rise of air travel. These companies have experienced the threat of \_\_\_\_\_\_\_\_.
   1. buyers’ growing bargaining power
   2. suppliers growing bargaining power
   3. new entrants
   4. substitute products
   5. intense segment rivalry

Answer: d Page: 295 Difficulty: Medium AACSB: Analytic Skills

1. Each marketing manager needs to be aware of the industry in which they compete. Industries can be classified according to all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. degree of usage of promotion
   2. number of sellers
   3. degree of product differentiation
   4. degree of vertical integration
   5. degree of globalization

Answer: a Page: 296 Difficulty: Hard

1. Successful blue ocean thinkers take advantage of three platforms on which value innovation can take place: physical product, service, and \_\_\_\_\_\_\_\_.
   1. consumer perception
   2. prestige
   3. manufacturing
   4. advertising
   5. delivery

Answer: e Page: 297 Difficulty: Medium AACSB: Reflective Thinking

1. When a buyer thinks of performance running shoes, the first name that comes to mind is Nike. In this example, Nike has a high \_\_\_\_\_\_\_\_.
   1. share of market
   2. share of mind
   3. share of heart
   4. share of pocketbook
   5. share of innovation

Answer: b Page: 299 Difficulty: Medium AACSB: Analytic Skills

1. Increases in \_\_\_\_\_\_\_\_ arise from increases in \_\_\_\_\_\_\_\_.
   1. share of heart; share of market
   2. share of mind; share of heart
   3. share of mind; share of market
   4. share of market; share of mind and heart
   5. none of the above

Answer: d Page: 299 Difficulty: Medium

1. Chevrolet competes with Ford, not with Ferrari. Which of the following statements most aptly fits with the competitive situation faced by Chevrolet when it seeks *optimum selection of competitors*?
   1. Compete with strong competitors.
   2. Compete with distant competitors.
   3. Compete with parallel competitors.
   4. Compete with bad competitors.
   5. Compete with close competitors.

Answer: e Page: 300 Difficulty: Hard AACSB: Reflective Thinking

1. Coca Cola recognizes that its number one competitor is tap water, not Pepsi. Which of the following statements most aptly fits with the competitive situation faced by Coca Cola when it seeks *optimum selection of competitors*?
   1. Compete with strong competitors.
   2. Compete with distant competitors.
   3. Compete with parallel competitors.
   4. Compete with bad competitors.
   5. Compete with close competitors.

Answer: b Page: 300 Difficulty: Hard AACSB: Reflective Thinking

1. When a regional computer manufacturing firm began to seek out customers who lived outside of its traditional market boundaries, the firm was employing which of the following new customer expansion strategies to expand its total market?
   1. market penetration strategy
   2. new market segment strategy
   3. geographic expansion strategy
   4. product differentiation strategy
   5. latent demand strategy

Answer: c Page: 304 Difficulty: Easy AACSB: Analytic Skills

1. When Starbucks introduced its Tazo Tea line to bring in new customers who had never gone to Starbucks because they don’t drink coffee, Starbucks was employing a \_\_\_\_\_\_\_\_ strategy
   1. market penetration
   2. new market segment
   3. geographical expansion
   4. niche identification
   5. blue ocean

# Answer: b Page: 304 Difficulty: Medium

1. Clorox runs ads stressing the many benefits of its bleach, such as how it eliminates kitchen odors, in order to generate additional opportunities to use the brand in the same basic way. This is an attempt to \_\_\_\_\_\_\_\_.
   1. increase the amount of consumption
   2. increase the level of consumption
   3. increase the perception of consumption
   4. increase the frequency of consumption
   5. increase the emotional implications of consumption

# Answer: d Page: 305 Difficulty: Medium AACSB: Analytic Skills

1. In satisfying customer needs, a \_\_\_\_\_\_\_\_ marketer discovers and produces solutions customers did not ask for but to which they enthusiastically respond. Sony is a good illustration of such a marketer.
   1. responsive
   2. anticipative
   3. combative
   4. manipulative
   5. creative

Answer: e Page: 306 Difficulty: Hard AACSB: Analytic Skills

1. If Microsoft announces plans for a new product development, smaller firms may choose to concentrate their development efforts in other directions to avoid head to head competition. In this example, Microsoft is employing a \_\_\_\_\_\_\_\_ strategy.
   1. preemptive defense
   2. counteroffensive defense
   3. mobile defense
   4. flank defense
   5. contraction defense

# Answer: a Page: 307 Difficulty: Medium

1. When “petroleum” companies such as BP sought to recast themselves as “energy” companies, increasing their research into the oil, coal, nuclear, hydroelectric, and chemical industries, these companies were employing a \_\_\_\_\_\_\_\_ strategy.
   1. preemptive defense
   2. counteroffensive defense
   3. mobile defense
   4. flank defense
   5. contraction defense

Answer: c Page: 307 Difficulty: Hard AACSB: Analytic Skills

1. In 2006, Sara Lee spun off products that accounted for almost 40% of the company’s revenues, including its strong Hanes hosiery brand, so it could concentrate on its well known food brands. In this example, Sara Lee is employing a \_\_\_\_\_\_\_\_ strategy.
   1. preemptive defense
   2. counteroffensive defense
   3. mobile defense
   4. flank defense
   5. contraction defense

Answer: e Page: 307 Difficulty: Medium

1. A \_\_\_\_\_\_\_\_ is another name for identifying shifts in market segments that are causing gaps to develop, then rushing in to fill the gaps and develop them into strong segments.
   1. frontal attack strategy
   2. flanking strategy
   3. encircling strategy
   4. counteroffensive strategy
   5. bypass strategy

Answer: b Page: 309 Difficulty: Medium AACSB: Analytic Skills

1. All of the following suggestions have been provided by Adam Morgan for improving small brands’ success in competing with larger rivals EXCEPT \_\_\_\_\_\_\_\_.
   1. break with your immediate past
   2. build a “lighthouse identity”
   3. assume thought leadership of the category
   4. create symbols of reevaluation
   5. deeply discount products and services

Answer: e Page: 311 Difficulty: Medium AACSB: Reflective Thinking

1. The TelePizza chain, which operates in Europe and Latin America, has copied Domino’s service model but maintains differentiation in terms of location. TelePizza is an example of a(n) \_\_\_\_\_\_\_\_.
   1. counterfeiter
   2. adopter
   3. cloner
   4. imitator
   5. adapter

Answer: d Page: 312 Difficulty: Medium AACSB: Analytic Skills

1. Tasteeos, Fruit Rings, and Corn Flakes sell for nearly $1 a box less than leading cereal brands. Which market follower strategy is being employed by the cereal manufacturer?
   1. Counterfeiter
   2. Cloner
   3. Imitator
   4. Adapter
   5. Reverse innovator

Answer: b Page: 312 Difficulty: Medium AACSB: Reflective Thinking

1. A niche firm that specializes in customizing its products for individual customers is known as a \_\_\_\_\_\_\_\_.
   1. job shop specialist
   2. customer size specialist
   3. specific customer specialist
   4. channel specialist
   5. vertical level specialist

Answer: a Page: 313 Difficulty: Hard AACSB: Analytic Skills

**Short Answer**

1. According to information provided in Michael Porter’s model that describes segment structural attractiveness, the threat of mobility can be encountered. In which of the five forces described by Porter would such a threat occur?

**Suggested Answer:** This threat would occur as a *threat of new entrants*.

Page: 294 Difficulty: Medium AACSB: Analytic Skills

1. What factors contribute to increasing the bargaining power of buyers?

**Suggested Answer:** Buyers’ bargaining power grows when they become more concentrated or organized, when the product represents a significant fraction of the buyers’ costs, when the product is undifferentiated, when buyers’ switching costs are low, when buyers are price sensitive because of lower profits, or when they can integrate upstream.

Page: 295 Difficulty: Medium AACSB: Reflective Thinking

1. What factors contribute to increasing the bargaining power of suppliers?

**Suggested Answer:** Suppliers tend to be powerful when they are concentrated or organized, when there are few substitutes, when the supplied product is an important input, when the costs of switching suppliers are high, and when the suppliers can integrate downstream.

Page: 295 Difficulty: Medium AACSB: Reflective Thinking

1. According to information provided in Michael Porter’s model that describes segment structural attractiveness, the suppliers’ growing bargaining power is a real threat. What is considered to the best defense for such a threat?

**Suggested Answer:** The best defenses to this threat are to build win win relationships with suppliers or use multiple supply sources.

Page: 295 Difficulty: Medium

1. You have been asked to evaluate a strategic group in your industry. What is a strategic group? What two important insights should emerge from your formulation process?

**Suggested Answer:** A strategic group is a group of firms following the same strategy in a given target market. Two insights will emerge from the formulation process: (1) The height of the entry barriers differs for each group formed; and (2) if a company successfully enters a group, the members of that group become its key competitors. For additional information, see chapter section and Figure 11.2.

Page: 296 Difficulty: Hard AACSB: Analytic Skills

1. If your company monitors competitive “share of mind,” what is your company monitoring?

**Suggested Answer:** The “share of mind” is the percentage of customers who named the competitor in responding to the statement, “Name the first company that comes to mind in this industry.”

Page: 299 Difficulty: Medium

1. What differentiates a “good” competitor from a “bad” one?

**Suggested Answer:** Good competitors play by the industry’s rules; they set prices in reasonable relationship to costs; and they favor a healthy industry. Bad competitors try to buy share rather than earn it; they take large risks; they invest in overcapacity; and they upset industrial equilibrium.

Page: 300 Difficulty: Medium AACSB: Analytic Skills

1. How should a company deal with customers who are neither vulnerable nor valuable?

**Suggested Answer:** These unprofitable customers are happy. The company should try to make them valuable and then retain them, or make them vulnerable and encourage their departure.

Page: 300 Difficulty: Medium AACSB: Reflective Thinking

1. Identify the two requirements that must be satisfied to create a successful low cost operation.

**Suggested Answer:** Companies should set up low cost operations only if: (1) the firm’s existing business will be made more competitive as a result and (2) the new business will derive some advantages it would not have gained by being independent.

Page: 303 Difficulty: Hard AACSB: Reflective Thinking

1. Your marketing manager has asked you to develop a new customer strategy for your company. Additionally, you have been asked to develop, specifically, a market penetration strategy to assist in gaining new customers. Describe a market penetration strategy in this context.

**Suggested Answer:** The market penetration strategy in this context would seek to get new customers from those customers who might use the product but as yet do not.

Page: 304 Difficulty: Medium

1. As a brand manager, you have decided to implement a preemptive defense to meet an anticipated competitive challenge. Describe the preemptive defense.

**Suggested Answer:** A preemptive defense is a more aggressive maneuver that has as its purpose to attack before the enemy starts its offense. A company can launch a preemptive defense by waging a guerrilla action across the market; it can send out signals to dissuade competitors from attacking; it can introduce a stream of new products. For additional details, see chapter section.

Page: 307 Difficulty: Medium AACSB: Analytic Skills

1. If you were asked to develop a mobile defense for your products that are likely to come under attack from a market challenger, what would you suggest?

**Suggested Answer:** In mobile defense, the leader stretches its domain over new territories that can serve as future centers for defense and offense through market broadening and market diversification. For additional information on these two strategies, see the chapter section.

Page: 307 Difficulty: Medium AACSB: Reflective Thinking

1. Describe the characteristics of an industry in which competitive rivalry and price cutting are most intense.

**Suggested Answer:** Competitive rivalry and price cutting have been shown to be most intense in industries with high fixed costs, high inventory costs, and stagnant primary demand.

Page: 308 Difficulty: Medium

1. Consider that you have been placed in the role of being a market challenger. Where (toward which opponents) can you attack?

**Suggested Answer:** You can attack: (1) the industry leader; (2) firms of your own size that are not doing the job and are underfinanced; or (3) small local and regional firms. See chapter section for additional information.

Pages: 308–309 Difficulty: Easy AACSB: Reflective Thinking

1. When a market challenger uses a frontal attack, what is the principle of force?

**Suggested Answer:** In a pure frontal attack, the attacker matches its opponent’s product, advertising, price, and distribution. The principle of force says that the side with the greater resources will win.

Page: 309 Difficulty: Easy AACSB: Reflective Thinking

1. Your marketing manager has chosen the bypass attack as a means of responding to an industry leader. Describe the ideas contained in the bypass attack.

**Suggested Answer:** The bypass attack is an indirect assault. It means bypassing the enemy and attacking easier markets to broaden one’s resource base. For additional information, see chapter section.

Page: 310 Difficulty: Medium AACSB: Analytic Skills

1. If your company was labeled as an imitator (market follower), what would your primary strategies for meeting competition be?

**Suggested Answer:** According to information provided in the text, the imitator copies some things from the leader but maintains differentiation in terms of packaging, advertising, pricing, or location. The leader does not mind the imitator as long as the imitator does not attack the leader aggressively.

Page: 312 Difficulty: Medium AACSB: Reflective Thinking

1. As a market follower, you have been labeled as a counterfeiter. Characterize your label.

**Suggested Answer:** The counterfeiter duplicates the leader’s product and package and sells it on the black market or through disreputable dealers.

Page: 311 Difficulty: Medium AACSB: Analytic Skills

1. How can a firm with low share of the total market become highly profitable?

**Suggested Answer:** Firms with low shares of the total market can become highly profitable through smart niching. Such companies tend to offer high value, charge a premium price, achieve lower manufacturing costs, and shape a strong corporate culture and vision.

Page: 312 Difficulty: Medium AACSB: Analytic Skills

1. You are about to change the emphasis of your organization from a competitor centered company to a customer centered one. What are the advantages to making such a switch?

**Suggested Answer:** The advantages of the customer centered company are that it is in a better position to identify new opportunities and set a course that promises to deliver long run profits. By monitoring customer needs, it can decide which customer groups and emerging needs are the most important to serve, given its resources and objectives.

Page: 314 Difficulty: Medium AACSB: Reflective Thinking

**Chapter 10:** **Creating Brand Equity**

# GENERAL CONCEPT QUESTIONS

# Multiple Choice

1. At the heart of a successful brand is \_\_\_\_\_\_\_\_, backed by creatively designed and executed marketing.
   1. price
   2. promotion
   3. a great product or service
   4. a great slogan
   5. a brand concept

Answer: c Page: 235 Difficulty: Easy

1. The strategic brand management process involves four main steps. Which of the following would NOT be among those steps?
   1. Measuring consumer brand knowledge
   2. Identifying and establishing brand positioning
   3. Planning and implementing brand marketing
   4. Measuring and interpreting brand performance
   5. Growing and sustaining brand value

Answer: a Page: 236 Difficulty: Hard AACSB: Analytic Skills

1. The American Marketing Association defines a \_\_\_\_\_\_\_\_ as “a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.”
   1. holistic product concept
   2. product concept
   3. service concept
   4. brand
   5. brand image

Answer: d Page: 236 Difficulty: Medium AACSB: Analytic Skills

1. The earliest signs of branding in Europe were the medieval \_\_\_\_\_\_\_\_ requirement that craftspeople put trademarks on their products.
   1. kings’
   2. churches’
   3. consumers’
   4. governments’
   5. guilds’

Answer: e Page: 236 Difficulty: Medium

1. Consumers learn about brands through \_\_\_\_\_\_\_\_ and product marketing programs.
   1. the mass media
   2. past experiences with the product
   3. the sales force
   4. shopping bots
   5. independent information sources

Answer: b Page: 237 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is endowing products and services with the power of a brand.
   1. Brand image
   2. The branding concept
   3. Branding
   4. Brand positioning
   5. Brand partitioning

Answer: c Page: 238 Difficulty: Easy

1. Brand \_\_\_\_\_\_\_\_ is the added value endowed to products and services.
   1. loyalty
   2. equity
   3. preference
   4. satisfaction
   5. benefits

Answer: b Page: 238 Difficulty: Medium

1. The premise of \_\_\_\_\_\_\_\_ models is that the power of a brand lies in what customers have seen, read, learned, thought, and felt about the brand over time.
   1. product based brand equity
   2. service based brand equity
   3. functional based brand equity
   4. mission driven brand equity
   5. customer based brand equity

Answer: e Page: 240 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ can be defined as the differential effect that brand knowledge has on consumer response to the marketing of that brand.
   1. Mission driven brand equity
   2. Customer based brand equity
   3. Product driven brand equity
   4. Service driven brand equity
   5. Function based brand equity

Answer: b Page: 240 Difficulty: Medium AACSB: Analytic Skills

1. If consumers do not demonstrate different responses to different brands within a product category, then the products are essentially commodities or generic versions and competition will probably be based on \_\_\_\_\_\_\_\_.
   1. emotional attachment
   2. brand awareness
   3. advertising expenditure
   4. price
   5. prestige

Answer: d Page: 240 Difficulty: Hard AACSB: Reflective Thinking

1. When a consumer expresses thoughts, feelings, images, experiences, beliefs, and so on that become associated with the brand, the consumer is expressing brand \_\_\_\_\_\_\_\_.
   1. knowledge
   2. loyalty
   3. behavior
   4. preference
   5. equity

Answer: a Page: 241 Difficulty: Medium AACSB: Analytic Skills

1. The challenge for marketers in building a strong brand is \_\_\_\_\_\_\_\_.
   1. ensuring that customers have the right type of experiences with products and their marketing programs to create the desired brand knowledge
   2. pricing the product at a point that maximizes sales volumes
   3. minimizing the number of people to whom the product is targeted in order to provide consumers with a personalized experience
   4. retain as many customers as possible in order to minimize the costs and pressure associated with continually generating new leads
   5. maximizing customer value

Answer: a Page: 241 Difficulty: Hard AACSB: Analytic Skills

1. Strong brands possess all of the following marketing advantages EXCEPT \_\_\_\_\_\_\_\_.
   1. greater loyalty
   2. larger margins
   3. guaranteed profits
   4. improved perceptions of product performance
   5. more elastic consumer response to price decreases

Answer: c Page: 241 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ is what drives the differences that manifest themselves in brand equity.
   1. Brand image
   2. Consumer income
   3. Consumer purchasing power
   4. Consumer knowledge
   5. Brand perception

Answer: d Page: 242 Difficulty: Medium AACSB: Reflective Thinking

1. When a marketer expresses his or her vision of what the brand must be and do for consumers, they are expressing what is called \_\_\_\_\_\_\_\_.
   1. a brand promise
   2. a brand mission
   3. brand equity
   4. a brand position
   5. a brand concept

Answer: a Page: 242 Difficulty: Hard AACSB: Analytic Skills

1. There are five key components—or pillars—of brand equity. Which of those components or pillars measures the breadth of a brand’s appeal?
   1. Differentiation
   2. Relevance
   3. Esteem
   4. Knowledge
   5. Value

Answer: b Page: 243 Difficulty: Hard

1. Three pillars that point to the brand’s future value, rather than just reflecting its past, are differentiation, energy, and relevance. Differentiation, energy, and relevance combine to determine what is called brand \_\_\_\_\_\_\_\_.
   1. position
   2. image
   3. depth
   4. knowledge
   5. strength

Answer: e Page: 243 Difficulty: Medium AACSB: Analytic Skills

1. According to Young and Rubicam’s brand asset valuator, a brand’s \_\_\_\_\_\_\_\_ measures how well the brand is regarded and respected.
   1. differentiation
   2. energy
   3. relevance
   4. esteem
   5. knowledge

Answer: d Page: 243 Difficulty: Medium

1. David Aaker views brand equity as a set of three categories of brand assets and liabilities linked to a brand that add or subtract from the value provided by a product or service. They include all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. brand loyalty
   2. brand awareness
   3. brand associations
   4. brand price
   5. None of the above is among Aaker’s three categories.

Answer: d Page: 244 Difficulty: Hard AACSB: Reflective Thinking

1. According to Aaker, a particularly important concept for building brand equity is \_\_\_\_\_\_\_\_—the unique set of brand associations that represent what the brand stands for and promises to consumers.
   1. brand knowledge
   2. brand preference
   3. brand identity
   4. brand vision
   5. brandable differences

Answer: c Page: 244 Difficulty: Medium AACSB: Analytic Skills

1. According to the BRANDZ model of brand strength, brand building involves a sequential series of steps. Which of these steps would address or answer the question, “Do I know about it?”?
   1. relevance
   2. presence
   3. performance
   4. advantage
   5. bonding

Answer: b Page: 244 Difficulty: Medium AACSB: Reflective Thinking

1. All of the following are considered to be among the “six brand building blocks” EXCEPT \_\_\_\_\_\_\_\_.
   1. brand salience
   2. brand performance
   3. brand imagery
   4. brand feelings
   5. brand pride

Answer: e Page: 245 Difficulty: Medium AACSB: Reflective Thinking

1. With respect to the “six brand building blocks,” \_\_\_\_\_\_\_\_ focus on customers’ own personal opinions and evaluations.
   1. brand salience
   2. brand performance
   3. brand imagery
   4. brand judgments
   5. brand resonance

Answer: d Page: 245 Difficulty: Medium AACSB: Analytic Skills

1. With respect to the brand building pyramid, at which of the following “building block levels” would we expect the consumer to develop an intense, active loyalty?
   1. salience
   2. imagery
   3. feelings
   4. judgments
   5. resonance

Answer: e Page: 245 Difficulty: Hard AACSB: Reflective Thinking

1. From a marketing management perspective, there are three main sets of brand equity drivers. Which of these drivers was most applicable when McDonald’s decided to use the “golden arches” and Ronald McDonald as symbols of their brand?
   1. The product and all accompanying marketing activities and supporting marketing programs
   2. The service and all accompanying marketing activities and programs
   3. The initial choices for the brand elements or identities making up the brand
   4. Associations indirectly transferred to the brand by linking it to some other entity
   5. The profitability associated with brand development

Answer: c Page: 245 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ are those trademarkable devices that serve to identify and differentiate the brand.
   1. Brand elements
   2. Brand value
   3. Brand perception
   4. Brand image
   5. Brand tracks

Answer: a Page: 246 Difficulty: Medium AACSB: Analytic Skills

1. Six brand elements assist in brand building. Which of the following would NOT be among those preferred brand elements?
   1. Adaptable
   2. Protectible
   3. Memorable
   4. Likable
   5. Subliminal nature

Answer: e Page: 246 Difficulty: Medium AACSB: Reflective Thinking

1. If a brand element can be used to introduce new products in the same or different categories, the brand element is said to be \_\_\_\_\_\_\_\_.
   1. memorable
   2. meaningful
   3. likeable
   4. transferable
   5. adaptable

Answer: d Page: 246 Difficulty: Medium AACSB: Analytic Skills

1. Brand names are not the only important brand element. Often, \_\_\_\_\_\_\_\_, the more important it is that brand elements capture the brand’s intangible characteristics.
   1. the less concrete brand benefits are
   2. the more concrete brand benefits are
   3. the more varied brand perceptions are
   4. the less varied brand perceptions are
   5. the more sophisticated brand benefits are

Answer: a Page: 246 Difficulty: Hard AACSB: Reflective Thinking

1. With respect to powerful brand elements, a \_\_\_\_\_\_\_\_ is an extremely efficient means to build brand equity. The element can function as useful “hooks” or “handles” to help consumers grasp what the brand is and what makes it special.
   1. spokesperson
   2. product shape
   3. slogan
   4. patent
   5. promotional descriptor

Answer: c Page: 246 Difficulty: Medium AACSB: Analytic Skills

1. A \_\_\_\_\_\_\_\_ can be defined as any information bearing experience a customer or prospect has with the brand, the product category, or the market that relates to the marketer’s product or service.
   1. brand value
   2. brand element
   3. brand trait
   4. brand character
   5. brand contact

Answer: e Page: 247 Difficulty: Medium

1. The rapid expansion of \_\_\_\_\_\_\_\_ has created opportunities to personalize marketing.
   1. target marketing
   2. globalization
   3. the Internet
   4. standardization

e. CD technology

Answer: c Page: 247 Difficulty: Hard AACSB: Use of IT

1. \_\_\_\_\_\_\_\_ is about making sure that the brand and its marketing are as relevant as possible to as many customers as possible.
   1. Personalizing marketing
   2. Segmenting marketing
   3. Brand imagery
   4. Emotionalizing brands
   5. Rationalizing brands

Answer: a Page: 247 Difficulty: Medium AACSB: Analytic Skills

1. The traditional “marketing mix” concept and the notion of the “four Ps” may not adequately describe modern marketing programs. \_\_\_\_\_\_\_\_ is about mixing and matching marketing activities to maximize their individual and collective effects.
   1. Personalizing marketing
   2. Individualizing marketing
   3. Globalizing marketing
   4. Institutionalizing marketing

e. Integration marketing

Answer: e Page: 248 Difficulty: Medium AACSB: Analytic Skills

1. For a brand to succeed, marketers must “walk the walk” and ensure that employees and marketing partners do the same. Marketers often must use \_\_\_\_\_\_\_\_ to motivate those groups to support the brand.
   1. global branding
   2. retro branding
   3. internal branding
   4. external branding
   5. dual branding

Answer: c Page: 249 Difficulty: Medium AACSB: Reflective Thinking

1. Mark Thomas has observed that Shell delivers on its promises to supply the best gasoline possible to the driving public. Shell promotions, employees, and distributors send a common and consistent message about delivering on Shell promises to Mr. Thomas. Mr. Thomas is most likely experiencing \_\_\_\_\_\_\_\_.
   1. brand image
   2. brand enhancement
   3. brand belief
   4. brand attitude
   5. brand bonding

Answer: e Page: 249 Difficulty: Medium AACSB: Analytic Skills

1. Brand equity can be built by \_\_\_\_\_\_\_\_—linking the brand to other information in memory that conveys meaning to customers.
   1. internal marketing
   2. brand bonding
   3. secondary associations
   4. customer alignment
   5. brand auditing

Answer: c Page: 250 Difficulty: Medium

1. Which of the following is NOT a main secondary source of brand knowledge?
   1. Other brands
   2. People
   3. Things
   4. Local, state, and federal governments
   5. Places

Answer: d Page: 250 Difficulty: Easy AACSB: Analytic Skills

1. Which of the following is one of the main ways to measure brand equity?
   1. Statistical analysis of demographics
   2. Secondary evaluation of governmental statistics
   3. Directly assessing the actual impact of brand knowledge on consumer response to different aspects of marketing
   4. Evaluating published statistics of competitors
   5. Hiring independent evaluators

Answer: c Page: 251 Difficulty: Medium

1. A brand manager is concerned that his organization’s brand image and physical sales are slipping in the marketplace. The manager has decided to query consumers about the health of the brand and try to discover ways to leverage the brand’s equity. Which of the following terms will most likely provide the structure and process for the manager’s investigation?
   1. A brand demographic matrix analysis
   2. A secondary search of good brand characteristics
   3. A brand audit
   4. An organizational audit
   5. A brand positioning study

Answer: c Page: 251 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ are a means of understanding where, how much, and in what ways brand value is being created, to facilitate day to day decision making.
   1. Internal marketing campaigns
   2. Brand portfolio audits
   3. Brand value chains
   4. Sales cycles
   5. Brand tracking studies

Answer: e Page: 251 Difficulty: Medium

1. A structured approach to assessing the sources and outcomes of brand equity and the manner in which marketing activities create brand value is called \_\_\_\_\_\_\_\_.
   1. the brand value chain
   2. the brand portfolio
   3. the brand life cycle
   4. brand partitioning
   5. brand positioning

# Answer: a Page: 252 Difficulty: Medium AACSB: Analytic Skills

1. Competitive superiority and channel and other intermediary support are factors that influence the \_\_\_\_\_\_\_\_ of the brand value chain.
   1. program multiplier
   2. customer multiplier
   3. brand multiplier
   4. profit multiplier
   5. market multiplier

Answer: b Page: 252 Difficulty: Hard

1. \_\_\_\_\_\_\_\_ is the job of estimating the total financial value of the brand.
   1. Brand tracking
   2. Brand auditing
   3. Brand equity
   4. Brand valuation
   5. Brand partitioning

Answer: d Page: 253 Difficulty: Medium AACSB: Analytic Skills

1. A company’s major enduring asset is \_\_\_\_\_\_\_\_.
   1. its leadership
   2. its brand
   3. its culture
   4. its shareholders
   5. its workers

Answer: b Page: 253 Difficulty: Easy AACSB: Reflective Thinking

1. The first step in the brand valuation process is \_\_\_\_\_\_\_\_.
   1. the brand strength assessment
   2. quantification of the role of branding
   3. calculation of the net present value of the earnings forecast
   4. the division of markets in which the brand is sold into mutually exclusive customer segments
   5. financial analysis of the company’s earnings before interest and taxes

Answer: d Page: 254 Difficulty: Medium AACSB: Analytic Skills

1. When a firm uses an established brand to introduce a new product, it is called a\_\_\_\_\_\_\_\_.
   1. subbrand
   2. brand value
   3. brand extension
   4. brand mix

e. brand posture

Answer: c Page: 256 Difficulty: Medium

1. A parent brand that is associated with multiple products through brand extensions can also be called a \_\_\_\_\_\_\_\_.
   1. category brand
   2. subbrand
   3. extension brand
   4. family brand
   5. line brand

Answer: d Page: 256 Difficulty: Easy AACSB: Analytic Skills

1. A \_\_\_\_\_\_\_\_ consists of all products—original as well as line and category extensions—sold under a particular brand.
   1. brand line
   2. brand variant
   3. brand mix
   4. licensed product
   5. subbrand

Answer: a Page: 257 Difficulty: Medium AACSB: Analytic Skills

1. A major advantage of a(n) \_\_\_\_\_\_\_\_ strategy is that the company does not tie its reputation to the product.
   1. blanket family name
   2. licensing
   3. individual names
   4. category extension
   5. brand revitalization

Answer: c Page: 257 Difficulty: Medium AACSB: Reflective Thinking

1. Two advantages of \_\_\_\_\_\_\_\_ are that they can facilitate new product acceptance and provide positive feedback to the parent brand and company.
   1. product licensing
   2. brand extensions
   3. individual names strategies
   4. brand audits
   5. brand dilutions

Answer: b Page: 258 Difficulty: Medium AACSB: Reflective Thinking

1. According to Ries and Trout, Cadbury suffered from the \_\_\_\_\_\_\_\_ when the company allowed its brand to become diluted by putting their name on such variants as mashed potatoes, powdered milk, and soups, as well as chocolates and candies.
   1. “greed is good” trap
   2. “pyramid principle”
   3. “branding fallout” concept
   4. “image syndrome”
   5. “line extension” trap

Answer: e Page: 259 Difficulty: Hard AACSB: Analytic Skills

1. Even if sales of a brand extension are high and meet targets, the revenue may be coming from consumers switching to the extension from existing parent brand offerings—in effect \_\_\_\_\_\_\_\_ the parent brand.
   1. diluting
   2. cannibalizing
   3. reinforcing
   4. eroding
   5. feeding back to

# Answer: b Page: 260 Difficulty: Medium

1. A \_\_\_\_\_\_\_\_ is the set of all brands and brand lines a particular firm offers for sale to buyers in a particular category.
   1. brand partition
   2. brand position
   3. brand portfolio
   4. brand concept
   5. brand image

Answer: c Page: 261 Difficulty: Medium AACSB: Analytic Skills

1. Marketers introduce multiple brands in a category for all of the following reasons EXCEPT \_\_\_\_\_\_\_\_.
   1. to increase shelf presence and retailer dependence in the store
   2. to attract consumers seeking variety who may otherwise have switched brands
   3. to increase internal competition within the firm
   4. to yield economies of scale in advertising, sales, and merchandising
   5. to reduce manufacturing costs and complexity

# Answer: e Page: 261 Difficulty: Medium AACSB: Analytic Skills

1. The hallmark of an optimal brand portfolio is \_\_\_\_\_\_\_\_.
   1. the ability of each brand to maximize equity in combination with all the other brands in it
   2. the ability of each brand to maximize its individual equity in isolation
   3. maximal brand overlap
   4. the eventual reduction of brand differentiation to create a unified brand appearance
   5. none of the above

# Answer: a Page: 262 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ brands are positioned with respect to competitors’ brands so that more important (and more profitable) flagship brands can retain their desired positioning.
   1. Flanker
   2. Attacker
   3. Defender
   4. Blitzkrieg
   5. Individual

Answer: a Page: 262 Difficulty: Medium AACSB: Analytic Skills

1. The role of a \_\_\_\_\_\_\_\_ in the brand portfolio often may be to attract customers to the brand franchise. Trading up will often occur with this type of brand.
   1. cash cow
   2. flanker brand
   3. fighting brand
   4. high end prestige brand
   5. low end entry level brand

Answer: e Page: 262 Difficulty: Medium AACSB: Reflective Thinking

1. In its focus on bottom line financial value, the \_\_\_\_\_\_\_\_ approach often overlooks the “option value” of brands and their potential to affect future revenues and costs.
   1. brand equity
   2. brand value chain
   3. customer value
   4. customer equity
   5. brand extension

# Answer: d Page: 263 Difficulty: Medium AACSB: Analytic Skills

1. According to Scott Bedbury’s book, *A New Brand World,* all of the following are considered to be important principles for 21st century branding EXCEPT \_\_\_\_\_\_\_\_.
   1. consumers will tell you what your brand image should be
   2. relying on brand awareness has become marketing fool’s gold
   3. you have to know it before you can grow it
   4. great brands establish enduring customer relationships
   5. all brands need good parents

## Answer: a Page: 263 Difficulty: Hard AACSB: Reflective Thinking

#### True/False

1. Consumers may evaluate identical products differently depending on how they are branded.

Answer: True Page: 237 Difficulty: Medium AACSB: Reflective Thinking

1. Physical goods, services, and stores can be branded, but ideas and people cannot.

Answer: False Page: 238 Difficulty: Medium AACSB: Reflective Thinking

1. Brand knowledge is indicated when the consumer refuses to purchase competitive brands.

Answer: False Page: 241 Difficulty: Medium AACSB: Analytic Skills

1. One of the advantages of having a strong brand is the ability to have a more elastic consumer response to price decreases of the brand.

Answer: True Page: 241 Difficulty: Medium

1. The quantity of a marketer’s investment in brand building is the critical factor in building brand equity, not necessarily the quality.

Answer: False Page: 242 Difficulty: Easy AACSB: Reflective Thinking

1. There are five key components—or pillars—of brand equity; one of these components is called knowledge.

Answer: True Page: 243 Difficulty: Medium AACSB: Analytic Skills

1. According to Young and Rubicam’s brand asset valuator, the energy component of brand equity measures the brand’s sense of momentum.

Answer: True Page: 243 Difficulty: Medium

1. Under the BRANDZ model of brand strength, customers who are bonded to the brand believe “nothing else beats it.”

Answer: True Page: 244 Difficulty: Easy AACSB: Reflective Thinking

1. Brand resonance is associated with how a brand name sounds when said by spokespersons or consumers.

Answer: False Page: 245 Difficulty: Hard AACSB: Analytic Skills

1. Brand salience relates to how often and easily the brand is evoked under various purchase or consumption situations.

Answer: True Page: 245 Difficulty: Medium AACSB: Analytic Skills

1. Brand imagery is the consumers’ emotional responses and reactions with respect to the brand.

Answer: False Page: 245 Difficulty: Medium

1. In the brand resonance pyramid, the lowest level is associated with what is called salience.

Answer: True Page: 245 Difficulty: Hard AACSB: Analytic Skills

1. A few good illustrations of power brand elements are Nike’s “swoosh” logo, the empowering “Just Do It” slogan, and the mythological “Nike” name based on the winged goddess of victory.

Answer: True Page: 246 Difficulty: Medium AACSB: Reflective Thinking

1. One of the selection criteria for creating a successful brand element is that it should be *protectible.*

Answer: True Page: 246 Difficulty: Medium AACSB: Reflective Thinking

1. If a brand element has the characteristic of being *memorable*, the brand is credible and suggestive of its corresponding category.

Answer: False Page: 246 Difficulty: Hard AACSB: Analytic Skills

1. Because consumers have not fundamentally changed in recent years, neither have the strategies and tactics behind marketing programs.

Answer: False Page: 247 Difficulty: Easy AACSB: Analytic Skills

1. *Personalizing marketing* is based on the fact that all customers are identical in several ways.

Answer: False Page: 247 Difficulty: Medium

1. Gillette sent 1,000 young males a new, innovative razor product. In return, the company asked the young males to supply their e mail addresses so future contacts could be initiated. This would be an example of what is called *permission marketing.*

Answer: True Page: 248 Difficulty: Medium AACSB: Reflective Thinking

*Internal branding* is the perceptions and beliefs held by consumers, as reflected in the associations held in consumer memory.

Answer: False Page: 249 Difficulty: Hard AACSB: Analytic Skills

1. Marketers must now “walk the walk” to deliver the brand promise. Often *internal branding* is necessary to make sure that all employees assist in meeting the brand promise.

Answer: True Page: 249 Difficulty: Medium AACSB: Reflective Thinking

1. The brand promise will not be delivered unless everyone in the company lives the brand.

Answer: True Page: 249 Difficulty: Easy

1. To improve employee morale, Miller Brewing has tapped into its brewing heritage to generate some pride and passion. This is an example of internal branding.

Answer: True Page: 250 Difficulty: Medium AACSB: Reflective Thinking

1. The brand audit can be used to set strategic direction for the brand.

Answer: True Page: 251 Difficulty: Easy AACSB: Reflective Thinking

1. Tracking studies collect information from consumers on a routine basis over time.

Answer: True Page: 251 Difficulty: Easy AACSB: Analytic Skills

1. The *indirect* approach to assessing brand equity assesses the actual impact of brand knowledge on consumer response to different aspects of marketing.

Answer: False Page: 251 Difficulty: Medium AACSB: Analytic Skills

1. A brand value chain often does not exist because of an organization’s commitment to its service value chain.

Answer: False Page: 252 Difficulty: Medium AACSB: Reflective Thinking

1. Spending on product research, development, and design constitutes investment in the brand value development process.

Answer: True Page: 252 Difficulty: Medium AACSB: Reflective Thinking

1. In essence, brand equity is basically the same concept as brand valuation.

Answer: False Page: 253 Difficulty: Medium

1. A company’s most enduring asset is its intellectual capital generated by the top officers of the organization.

Answer: False Page: 253 Difficulty: Medium AACSB: Reflective Thinking

1. Reinforcing brand equity requires innovation and relevance throughout the marketing program. The brand must always be moving forward with new products and messages, regardless of direction.

Answer: False Page: 253 Difficulty: Easy AACSB: Reflective Thinking

1. An important part of reinforcing brands is providing uniform and unchanging marketing support.

Answer: False Page: 254 Difficulty: Medium

1. Many tactical changes to the marketing program may be necessary to maintain the strategic thrust and direction of the brand, but unless there is some change in the marketing environment, there is little need to deviate from a successful positioning.

Answer: True Page: 254 Difficulty: Hard AACSB: Reflective Thinking

1. With respect to brand revitalization, the primary strategy for recovery is to hire a public relations firm to think of a new image for the firm and its products.

Answer: False Page: 255 Difficulty: Hard AACSB: Reflective Thinking

1. It is often harder to reinvent a brand than it is to revive a brand that is alive but has been more or less forgotten.

Answer: True Page: 256 Difficulty: Medium AACSB: Reflective Thinking

1. Kisses candy are considered to be a subbrand of Hershey, the manufacturer.

Answer: True Page: 256 Difficulty: Easy

1. When Honda expanded its brand into such areas as automobiles, snowblowers, and marine engines, it was pursuing a strategy called *category extension* of its brand.

Answer: True Pages: 256–257 Difficulty: Medium AACSB: Analytic Skills

1. Brand extensions can reduce the costs of introductory launch campaigns and make it easier to convince retailers to stock and promote a new product.

Answer: True Page: 259 Difficulty: Medium AACSB: Reflective Thinking

1. *Brand dilution* occurs when consumers no longer associate a brand with a specific product or highly similar products and start thinking less of the brand.

# Answer: True Pages: 259–260 Difficulty: Medium AACSB: Analytic Skills

1. Interbrand shifts in a company’s sales are always undesirable.

# Answer: False Page: 260 Difficulty: Medium AACSB: Reflective Thinking

1. The most effective advertising strategy for an extension emphasizes the parent brand.

# Answer: False Page: 261 Difficulty: Hard AACSB: Analytic Skills

#### Essay

1. Describe the role of brands from a customer perspective.

**Suggested Answer:** Brands signal a certain level of quality so that satisfied buyers can easily choose the product again.

Page: 237 Difficulty: Medium

1. Explain the concept of brand equity.

**Suggested Answer:** *Brand equity* is the added value endowed to products and services. This value may be reflected in how consumers think, feel, and act with respect to the brand, as well as the prices, market share, and profitability that the brand commands for the firm.

Pages: 238–240 Difficulty: Medium AACSB: Analytic Skills

1. Advertising agency Young and Rubicam (Y&R) developed a model of brand equity called Brand Asset Valuator (BAV). What is the intent of the BAV model? List and briefly characterize the five key components (pillars) of brand equity.

**Suggested Answer:** The BAV model is based on research of almost 500,000 consumers in 44 countries. BAV provides comparative measures of the brand equity of thousands of brands across hundreds of different categories. There are five key components—or pillars—of brand equity. These pillars are: (1) differentiation—measures the degree to which a brand is seen as different from others; (2) energy—measures the brand’s sense of momentum; (3) relevance—measures the breadth of a brand’s appeal; (4) esteem—measures how well the brand is regarded and respected; and (5) knowledge—measures how familiar and intimate consumers are with the brand. For additional information on the BAV model, see chapter section.

Page: 243 Difficulty: Medium AACSB: Analytic Skills

1. The creation of significant brand equity involves reaching the top or pinnacle of the brand pyramid. List and briefly characterize the six components of the brand resonance pyramid.

**Suggested Answer:** The six components of the brand resonance pyramid include brand: (1) salience—relates to how often and easily the brand is evoked under various purchase or consumption situations; (2) performance—relates to how the product or service meets customers’ functional needs; (3) imagery—deals with the extrinsic properties of the product or service, including the ways in which the brand attempts to meet the customers’ psychological or social needs; (4) judgments—focus on consumers’ own personal opinions and evaluations; (5) feelings—customers’ emotional responses and reactions with respect to the brand; and, (6) resonance—refers to the nature of the relationship that customers have with the brand and the extent to which customers feel that they are “in sync” with the brand. For additional information on the brand resonance pyramid, see chapter material.

Pages: 244–245 Difficulty: Hard AACSB: Reflective Thinking

1. There are six criteria used in creating brand elements. The first three can be characterized as “brand building” in terms of how brand equity can be built through the judicious choice of a brand element. The latter three are more “defensive” and are concerned with how the brand equity contained in the brand element can be leveraged and preserved in the face of different opportunities and constraints. List and briefly characterize the six criteria.

**Suggested Answer:** The six elements are: (1) memorable, (2) meaningful, (3) likable, (4) transferable, (5) adaptable, and (6) protectible. For characterizations, see chapter materials.

Page: 246 Difficulty: Medium AACSB: Analytic Skills

1. Describe the meaning and function of a brand audit.

**Suggested Answer:** To better understand their brands, marketers often need to conduct brand audits. A brand audit is a consumer focused exercise that involves a series of procedures to assess the health of the brand, uncover its sources of brand equity, and suggest ways to improve and leverage its equity. The brand audit can be used to set strategic direction for the brand. As the result of this strategic analysis, the marketer can develop a marketing program to maximize long term brand equity. Marketers should conduct a brand audit whenever they consider important shifts in strategic direction.

Page: 251 Difficulty: Medium AACSB: Analytic Skills

1. Identify and describe the four value stages of the brand value chain.

**Suggested Answer:** The brand value creation process begins when the firm invests in a marketing program targeting actual or potential customers. Next, customers’ mindsets are assumed to change as a result of the marketing program. This change affects the way the brand performs in the marketplace through the collective impact of individual customers deciding how much to purchase and when, how much they’ll pay, and so on. Finally, the investment community considers market performance and other factors such as replacement cost and purchase price in acquisitions to arrive at an assessment of shareholder value in general and the value of a brand in particular.

Page: 252 Difficulty: Medium AACSB: Analytic Skills

1. The decision as to how to brand new products is especially critical. When a firm introduces a new product, it has three main choices. What are those choices?

**Suggested Answer:** The firm can: (1) develop new brand elements for the new product, (2) apply some of its existing brand elements, or (3) use a combination of new and existing brand elements.

Page: 256 Difficulty: Medium AACSB: Reflective Thinking

1. In what ways can brand extensions improve the odds of new product success?

**Suggested Answer:** Consumers make inferences and form expectations about the composition and performance of a new product based on what they already know about the parent brand and the extent to which they feel this information is relevant to the new product. By setting up positive expectations, extensions reduce risk and may make it easier to convince retailers to stock and promote a brand extension because of increased customer demand. From a marketing communications perspective, an introductory campaign for an extension doesn’t need to create awareness of both the brand *and* the new product, but instead can concentrate on the new product itself.

Pages: 258–259 Difficulty: Medium AACSB: Reflective Thinking

1. There are a number of specific roles brands can play as part of a brand portfolio. List and briefly describe the four roles described in the text.

**Suggested Answer:** The four roles are: (1) flankers—or fighting brands. These are positioned with respect to competitors’ brands so that more important (and more profitable) flagship brands can retain their desired positioning; (2) cash cows—some brands may be kept around despite dwindling sales because they still manage to hold on to a sufficient number of customers and maintain their profitability with virtually no marketing support. These “cash cow” brands can be effectively “milked” by capitalizing on their reservoir of existing brand equity; (3) low end entry level—the role of the relatively low priced brand in the portfolio often may be to attract customers to the brand franchise. Retailers like to feature these “traffic builders” because they are able to “trade up” customers to a higher priced brand; and, (4) high end prestige—the role of a high priced brand in the brand family often is to add prestige and credibility to the entire portfolio. For additional information on the four roles, see chapter materials.

Page: 262 Difficulty: Hard AACSB: Reflective Thinking

**APPLICATION QUESTIONS**

**Multiple Choice**

1. Marketers of successful 21st century brands must excel at \_\_\_\_\_\_\_\_—the design and implementation of marketing activities and programs to build, measure, and manage brands to maximize their value.
   1. promotional planning
   2. brand personification
   3. strategic brand management
   4. brand awareness
   5. competitive differential advantage

# Answer: c Page: 236 Difficulty: Medium AACSB: Analytic Skills

1. Coca Cola, Calvin Klein, Gucci, Tommy Hilfiger, Marlboro, and others have become leaders in their product categories by understanding \_\_\_\_\_\_\_\_ and desires and creating relevant and appealing images around their products.
   1. consumer perceptions
   2. consumer motivations
   3. consumer behaviors
   4. consumer demographics
   5. consumer market segments

# Answer: b Page: 238 Difficulty: Hard AACSB: Reflective Thinking

1. During the Pepsi Challenge campaign, launched while Coke was clearly the market leader by sales, consumers were given blind taste tests of Pepsi and Coke and asked which flavor they preferred. Apparently, people preferred the taste of Pepsi in blind taste tests, but bought Coke when they visited the store. This is an example of Coke’s \_\_\_\_\_\_\_\_.
   1. customer based brand equity
   2. mission driven brand equity
   3. functional based brand equity
   4. service based brand equity
   5. attribute based brand equity

Answer: a Page: 240 Difficulty: Hard AACSB: Analytic Skills

1. A marketing manager stresses to a newly hired brand manager the importance of having a strong brand. All of the following would be advantages that the marketing manager might stress to his subordinate EXCEPT \_\_\_\_\_\_\_\_.
   1. improved perceptions of product performance
   2. greater loyalty
   3. less vulnerability to marketing crises
   4. lower margins
   5. possible licensing opportunities

# Answer: d Page: 241 Difficulty: Medium AACSB: Reflective Thinking

1. Apple Computer achieves incredible brand loyalty largely by delivering on its \_\_\_\_\_\_\_\_ to “create great things that change people’s lives” by combining superior design functionality and style in its products.
   1. brand promise
   2. brand dynamic
   3. brand resonance
   4. brand entity
   5. umbrella branding

Answer: a Page: 242 Difficulty: Hard AACSB: Analytic Skills

1. If a manager is looking for a “report card” on past performance of a brand, he or she should turn to an examination of the brand \_\_\_\_\_\_\_\_.
   1. strength
   2. compatibility
   3. stature
   4. image
   5. dominance

# Answer: c Page: 243 Difficulty: Medium AACSB: Analytic Skills

1. Matt always thinks of Die Hard batteries when he thinks of a dependable car battery. This is an example of brand \_\_\_\_\_\_\_\_.
   1. salience
   2. imagery
   3. judgments
   4. feelings
   5. scope

# Answer: a Page: 245 Difficulty: Medium

1. The famous “Plop, plop, fizz, fizz! Oh, what a relief it is!” campaign is a good example of what is called a brand \_\_\_\_\_\_\_\_.
   1. element
   2. bond
   3. visual
   4. personification
   5. perception

# Answer: a Page: 246 Difficulty: Medium AACSB: Analytic Skills

1. Although initially an online book seller, Amazon.com chose not to call itself “Books ‘R’ Us,” enabling it eventually to sell a wide range of products. This naming decision makes the brand element more \_\_\_\_\_\_\_\_.
   1. memorable
   2. meaningful
   3. likable
   4. protectible
   5. transferable

Answer: e Page: 246 Difficulty: Medium AACSB: Analytic Skills

1. The face of Betty Crocker has been updated several times in the past 75 years without losing any of its brand recognition. This brand element is \_\_\_\_\_\_\_\_.
   1. likeable
   2. transferable
   3. adaptable
   4. protectible
   5. memorable

Answer: c Page: 246 Difficulty: Medium

1. Marketers of Mountain Dew created the multicity Dew Action Sports Tour where athletes compete in skateboarding, MBX, and freestyle motocross events to establish a meaningful \_\_\_\_\_\_\_\_ with its 12–24 year old target market.
   1. brand element
   2. brand contact
   3. internal brand
   4. brand salience
   5. brand asset

Answer: b Page: 247 Difficulty: Hard AACSB: Analytic Skills

1. According to Seth Godin, marketers can no longer use \_\_\_\_\_\_\_\_. Instead, marketers should turn to permission marketing as a way to ensure long term customer relationships and loyalty.
   1. task oriented marketing
   2. interruption marketing
   3. hard core selling
   4. advocacy marketing
   5. one to one marketing

# Answer: b Page: 248 Difficulty: Medium AACSB: Analytic Skills

1. If the Olive Garden sends employees to special classes to teach them the value of the brand and how pasta is much more than just pasta, Olive Garden is using \_\_\_\_\_\_\_\_ to accomplish this task.
   1. interruption marketing
   2. loyalty marketing
   3. cohort marketing
   4. macrobranding
   5. internal branding

# Answer: e Page: 249 Difficulty: Medium AACSB: Reflective Thinking

1. IBM’s e business campaign not only helped to change public perceptions of the company in the marketplace, it also sent a signal to employees that IBM was determined to be a leader in the use of Internet technology. This is an example of \_\_\_\_\_\_\_\_.
   1. leveraging secondary associations
   2. linking internal and external marketing
   3. integration marketing
   4. permission marketing
   5. brand tracking

Answer: b Page: 250 Difficulty: Medium

1. If Burton, a maker of snowboard and ski equipment and clothing, decided to introduce a new surfboard and promote it by publicizing favorable ratings from third party sources such as *Surfer* or *Surfing* magazine, the company would be \_\_\_\_\_\_\_\_ to promote its new product.
   1. leveraging secondary associations
   2. linking internal and external marketing
   3. conducting integration marketing
   4. engaging in permission marketing
   5. emphasizing brand tracking

Answer: a Page: 251 Difficulty: Hard AACSB: Analytic Skills

1. Irene and Dave Washburn are part of a long term \_\_\_\_\_\_\_\_. The Washburn’s supply a national research firm with information about their brand habits, preferences, dislikes, and beliefs on a monthly basis for a period of two years.
   1. image study
   2. demographic study
   3. psychological profile study
   4. promotion management study
   5. brand tracking study

Answer: e Page: 251 Difficulty: Medium AACSB: Analytic Skills

1. Dannon has introduced several types of Dannon yogurt \_\_\_\_\_\_\_\_ through the years—Fruit on the Bottom, All Natural Flavors, and Fruit Blends.
   1. category extensions
   2. line extensions
   3. brand extensions
   4. subbrands
   5. family brands

Answer: b Page: 256 Difficulty: Medium AACSB: Analytic Skills

1. Customers can now buy Jeep strollers and apparel, which are not manufactured by Jeep, but are instances where Jeep has received payment from the manufacturers of these products to use Jeep’s brand name. These items are considered \_\_\_\_\_\_\_\_.
   1. licensed products
   2. family products
   3. line extensions
   4. brand extensions
   5. subbrands

Answer: a Page: 257 Difficulty: Medium

1. Many firms use \_\_\_\_\_\_\_\_ in order to take advantage of corporate image associations such as innovativeness, expertise, and trustworthiness to directly influence consumer evaluations.
   1. separate family names for all products
   2. individual names for each product
   3. blanket family names
   4. brand revitalization
   5. the brand discount rate

Answer: c Page: 257 Difficulty: Hard AACSB: Reflective Thinking

1. Four general strategies can be used in branding. Which of the following strategies is the one used by Kellogg’s when it follows a subbranding policy with Kellogg’s Rice Krispies, Kellogg’s Raisin Bran, and Kellogg’s Corn Flakes?
   1. Individual names
   2. Blanket family names
   3. Separate family names for all products
   4. Global names for all products
   5. Corporate name combined with individual product names

# Answer: e Page: 258 Difficulty: Medium

**Short Answer**

1. Assume you are a marketing manager that wishes pursue a process of strategic brand management. List the four main steps that you would most likely go through to accomplish this task.

**Suggested Answer:** The steps would be: (1) identifying and establishing brand positioning; (2) planning and implementing brand marketing; (3) measuring and interpreting brand performance; and, (4) growing and sustaining brand value.

Page: 236 Difficulty: Hard AACSB: Analytic Skills

1. How does the American Marketing Association define the term *brand*?

**Suggested Answer:** A brand, according to the AMA, is “a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.”

Page: 236 Difficulty: Easy

1. What valuable functions can brands perform for the firm?

**Suggested Answer:** Brands simplify product handling and tracing and help to organize inventory and accounting records. They also offer the firm legal protection for unique features or aspects of the product. Brand loyalty provides predictability and security of demand for the firm, and it creates barriers to entry that make it difficult for other firms to enter the market. Loyalty can also translate into customer willingness to pay higher prices.

Page: 237 Difficulty: Medium AACSB: Reflective Thinking

1. Your company desires to have positive customer based brand equity. What has to occur for this to happen?

**Suggested Answer:** A brand is said to have positive customer based brand equity when consumers react more favorably to a product and the way it is marketed when the brand is identified as compared to when it is not.

Page: 240 Difficulty: Easy AACSB: Reflective Thinking

1. Volvo has a strong brand association with respect to brand knowledge when consumers perceive it as a very safe care (safety). Explain the concept of brand knowledge.

**Suggested Answer:** *Brand knowledge* consists of all the thoughts, feelings, images, experiences, beliefs, and so on that become associated with the brand. In particular, brands must create strong, favorable, unique brand associations with customers.

Page: 241 Difficulty: Medium

1. List five advantages shared by other strong brands that you will most likely need to emulate to accomplish this objective.

**Suggested Answer:** Strong brands have the following advantages: (1) improved perceptions of product performance; (2) greater loyalty; (3) less vulnerability to competitive marketing actions; (4) less vulnerability to marketing crises; (5) larger margins; (6) more inelastic consumer response to price increases; (7) more elastic consumer response to price decreases; (8) greater trade cooperation and support; (9) increased marketing communications effectiveness; (10) possible licensing opportunities; and, (11) additional brand extension opportunities. Students are to pick five advantages.

Page: 241 Difficulty: Hard AACSB: Reflective Thinking

1. How does consumer knowledge play a role in the success of new products associated with existing brands?

**Suggested Answer:** Brand knowledge created by marketing investments dictates appropriate future directions for the brand. Consumers will decide, based on what they think and feel about the brand, where they believe the brand should go and grant permission to any marketing action or program. Many new products can fail because consumers find them inappropriate extensions for the brand.

Page: 242 Difficulty: Hard AACSB: Reflective Thinking

1. Brand equity has five components—differentiation, energy, relevance, esteem, and knowledge. How are these components combined to produce brand strength and brand stature?

**Suggested Answer:** Differentiation, energy, and relevance combine to produce brand strength. Esteem and knowledge together create brand stature.

Page: 243 Difficulty: Medium AACSB: Analytic Skills

1. According to the BRANDZ model of brand strength, brand building involves a series of five sequential steps. What are those five sequential steps?

**Suggested Answer:** The steps are in ascending order: (1) presence, (2) relevance, (3) performance, (4) advantage, and (5) bonding.

Pages: 243–244 Difficulty: Medium

1. As a brand manager you would like to have your brand (brand name) to be protectible. Explain what you mean by “protectible” and give an illustration.

**Suggested Answer:** As a brand manager you would need to consider the questions of “How legally protectible is the brand element?” “How competitively protectible?” and “Can it be easily be copied?” It is important that names that become synonymous with product categories—such as Kleenex, Kitty Litter, Jell O, Scotch Tape, Xerox, and Fiberglass—retain their trademark rights and not become generic. Answers on examples may vary. The above are a few illustrations that demonstrate the protectible characteristic.

Page: 246 Difficulty: Medium AACSB: Reflective Thinking

1. What is permission marketing and why does it work?

**Suggested Answer:** Permission marketing, the practice of marketing to consumers only after gaining their express permission, is based on the premise that marketers can no longer use “interruption marketing” via mass media campaigns. It is purported to work because it is “anticipated, personal, and relevant.”

Page: 248 Difficulty: Medium AACSB: Reflective Thinking

1. Distinguish between brand identity and brand image.

**Suggested Answer:** Identity is the way a company aims to identify or position itself or its product. Image is the way the public actually perceives them.

Page: 248 Difficulty: Medium AACSB: Analytic Skills

1. Identify the three important principles for internal branding presented in the text.

**Suggested Answer:** Three important principles for internal branding are: (1) choose the right moment; (2) link internal and external marketing; and (3) bring the brand alive for employees.

Page: 250 Difficulty: Medium AACSB: Analytic Skills

1. Given that the power of a brand resides in the minds of consumers and how it changes their response to marketing, there are two basic approaches to measuring brand equity. Briefly, describe each of these approaches.

**Suggested Answer:** The two approaches are: (1) an *indirect* approach assesses potential sources of brand equity by identifying and tracking consumer brand knowledge structures; and (2) a *direct* approach assesses the actual impact of brand knowledge on consumer response to different aspects of the marketing.

Page: 251 Difficulty: Easy AACSB: Analytic Skills

1. If your marketing manager asked you to design and implement a brand value chain, explain what you have been asked to do.

**Suggested Answer:** The *brand value chain* is a structured approach to assessing the sources and outcomes of brand equity and the manner in which marketing activities create brand value. The model assumes that a number of linking factors intervene between the stages and determine the extent to which value created at one stage transfers to the next stage. For additional insight and discussion, see chapter section.

Page: 252 Difficulty: Medium AACSB: Analytic Skills

1. Distinguish between brand equity and brand valuation.

**Suggested Answer:** According to information provided in the text, *brand equity* is the added value endowed to products and services. *Brand valuation* is the job of estimating the total financial value of the brand.

Page: 253 Difficulty: Easy AACSB: Reflective Thinking

1. Identify and define the two general categories into which brand extensions fall.

**Suggested Answer:** Brand extensions fall into two general categories: (1) line extensions, where the parent covers a new product within a category it currently serves; and (2) category extensions, where the parent brand is used to enter a different product category from the one it currently serves.

Page: 256 Difficulty: Easy AACSB: Analytic Skills

1. As a branding manager, you have recommended to your board of directors a corporate policy of blanket family branding. Write a brief statement outlining the advantages of blanket family branding.

**Suggested Answer:** This policy is followed by Heinz and General Electric. A blanket family name has advantages. Development cost is less because there is no need for “name” research or heavy advertising expenditures to create brand name recognition. Furthermore, sales of the new product are likely to be strong if the manufacturer’s name is good. Campbell’s introduces new soups under its brand name with extreme simplicity and achieves instant recognition.

Page: 257 Difficulty: Medium AACSB: Reflective Thinking

1. Tide laundry detergent maintains the same market share it had 50 years ago because of the sales contributions of its various line extensions. Tide could be said to employ a preemptive cannibalization strategy in generating line extensions. What does this mean?

**Suggested Answer:** In preemptive cannibalization, consumers might have switched to a competing brand instead of the line extension if the extension hadn’t been introduced. Even though Tide’s various line extensions may cannibalize sales of its other products, if the extensions had not been introduced, then customers would have defected to another brand offering the same type of extension. In this way, Tide has maintained its market share through preemptive cannibalization.

Page: 260 Difficulty: Hard AACSB: Analytic Skills

1. Scott Bedbury, author of *A New Brand World,* cites eight principles on which 21st century branding should be built. List four of those principles.

**Suggested Answer:** Bedbury’s eight principles are: (1) relying on brand awareness has become marketing fool’s gold; (2) you have to know it before your can grow it; (3) always remember the Spandex rule of brand extension; (4) great brands establish enduring customer relationships; (5) everything matters; (6) all brands need good parents; (7) big is no excuse for being bad; and, (8) relevance, simplicity, and humanity. Students may choose from any four of the eight. See chapter section for additional discussion.

Page: 263 Difficulty: Hard AACSB: Analytic Skills

**Chapter 11:** **Crafting the Brand Positioning**

# GENERAL CONCEPT QUESTIONS

# Multiple Choice

1. As part of the strategic brand management process, each company and offering must represent a distinctive \_\_\_\_\_\_\_\_ in the mind of the target market.
   1. promotion
   2. cell
   3. big idea
   4. ad
   5. organizational concept

Answer: c Page: 267 Difficulty: Medium AACSB: Reflective Thinking

1. All marketing strategy is built on STP—segmentation, targeting, and \_\_\_\_\_\_\_\_.
   1. positioning
   2. product
   3. planning
   4. promotion
   5. performance

Answer: a Page: 268 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is the act of designing the company’s offering and image to occupy a distinctive place in the minds of the target market.
   1. Positioning
   2. Product conceptualization
   3. Promotion presentation
   4. Performance imaging
   5. Preproduct launching

Answer: a Page: 268 Difficulty: Easy AACSB: Analytic Skills

1. Which of the following best describes Volvo’s value proposition?
   1. We charge a 20% premium on our cars.
   2. We target safety conscious “upscale” families.
   3. We sell the safest, most durable wagon in which your family can ride.
   4. We make cars.
   5. None of the above is a value proposition.

Answer: c Page: 269 Difficulty: Medium AACSB: Reflective Thinking

1. The result of positioning is the successful creation of \_\_\_\_\_\_\_\_, a cogent reason why the target market should buy the product.
   1. an award winning promotional campaign
   2. a customer focused value proposition
   3. a demand channel
   4. everyday low pricing
   5. strategic window of opportunity

Answer: b Page: 269 Difficulty: Hard AACSB: Reflective Thinking

1. A starting point in defining a competitive frame of reference for a brand positioning is to determine \_\_\_\_\_\_\_\_—the products or sets of products with which a brand competes and which function as close substitutes.
   1. functional membership
   2. competitive field
   3. category membership
   4. value membership
   5. demand field

Answer: c Page: 269 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following terms is most closely associated with the following statement: “attributes or benefits consumers strongly associate with a brand, positively evaluate, and believe that they could not find to the same extent with a competitive brand”?
   1. Brand image
   2. Points of difference
   3. Points of parity
   4. Points of value
   5. Brand concept

Answer: b Page: 269 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ are associations that are not necessarily unique to the brand but may in fact be shared with other brands.
   1. Points of parity
   2. Points of difference
   3. Brand cells
   4. Brand positions
   5. Points of competitive field

Answer: a Page: 270 Difficulty: Medium

1. To achieve a point of parity (POP) on a particular attribute or benefit, a sufficient number of consumers must believe that the brand is “\_\_\_\_\_\_\_\_” on that dimension.
   1. most excellent
   2. neutral
   3. marginal
   4. good enough
   5. service based

Answer: d Page: 271 Difficulty: Medium AACSB: Reflective Thinking

1. When BMW created \_\_\_\_\_\_\_\_ with its “luxury and performance” approach, it was able to maximize both attributes and benefits.
   1. its core identity
   2. a core competency
   3. deliverability criteria
   4. a straddle position
   5. competitive parity

# Answer: d Page: 273 Difficulty: Medium AACSB: Reflective Thinking

1. The preferred approach to positioning is to inform consumers of a brand’s membership before stating its \_\_\_\_\_\_\_\_.
   1. point of parity
   2. point of difference
   3. point of conflict
   4. point of weakness
   5. point of reference

Answer: b Page: 273 Difficulty: Medium AACSB: Analytic Skills

1. There are three main ways to convey a brand’s category membership: announcing category benefits, \_\_\_\_\_\_\_\_, and relying on the product descriptor.
   1. overt publicity
   2. industry trade press
   3. buzz marketing
   4. preference positions
   5. comparing to exemplars

Answer: e Page: 273 Difficulty: Hard AACSB: Communication

1. A brownie mix might claim to taste great and support this claim by including high quality ingredients or by showing users delighting in its consumption, thereby communicating its membership of the baked desserts category through \_\_\_\_\_\_\_\_.
   1. announcing category benefits
   2. comparing to exemplars
   3. relying on the product descriptor
   4. communicating deliverability variables
   5. identifying counterexamples

Answer: a Page: 273 Difficulty: Medium AACSB: Communication

1. Points of parity are driven by the needs of category membership and \_\_\_\_\_\_\_\_.
   1. loyalty
   2. large margins
   3. guaranteed profits
   4. the necessity of negating competitors’ PODs (points of difference)
   5. the creation of PODs (points of difference)

Answer: d Page: 274 Difficulty: Hard AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ are typically the least desirable level to position a brand’s points of difference, in part because competitors can easily copy them.
   1. Benefits
   2. Attitudes
   3. Values
   4. Attributes
   5. Messages

Answer: d Page: 274 Difficulty: Medium AACSB: Reflective Thinking

1. Marketers must decide at which level to anchor the brand’s points of differences. At the lowest level are \_\_\_\_\_\_\_\_. For example, Dove soap can talk about the fact that it is one quarter cleansing cream.
   1. brand values
   2. brand attributes
   3. brand benefits
   4. brand specifications
   5. brand partitions

# Answer: b Page: 274 Difficulty: Medium AACSB: Analytic Skills

1. One common difficulty in creating a strong, competitive brand positioning is that many of the attributes or benefits that make up the points of parity and points of difference are \_\_\_\_\_\_\_\_.
   1. negatively correlated
   2. positive correlated
   3. neither positive nor negatively correlated
   4. inversely correlated
   5. unable to be correlated

Answer: a Page: 274 Difficulty: Hard AACSB: Analytic Skills

1. All of the following would be considered to be among examples of negatively correlated attributes and benefits EXCEPT \_\_\_\_\_\_\_\_.
   1. low price versus high quality
   2. taste versus low calories
   3. supply versus demand
   4. powerful versus safe
   5. nutritious versus good tasting

# Answer: c Pages: 274–276 Difficulty: Easy AACSB: Reflective Thinking

1. There are at least three key consumer desirability criteria for PODs (points of difference): relevance, distinctiveness, and \_\_\_\_\_\_\_\_.
   1. believability
   2. presentation style
   3. economy
   4. nontechnological
   5. information content

Answer: a Page: 275 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following desirability criteria asks a question such as “Is the positioning preemptive, defensible, and difficult to attack?” when determining a POD (point of difference)?
   1. feasibility
   2. communicability
   3. sustainability
   4. knowledgeable
   5. value orientation

Answer: c Page: 275 Difficulty: Hard AACSB: Analytic Skills

1. For a point of difference to possess \_\_\_\_\_\_\_\_, target consumers must find it unique and superior.
   1. distinctiveness
   2. communicability
   3. relevance
   4. believability
   5. feasibility

Answer: a Page: 275 Difficulty: Medium

1. In a positioning statement, the case for the product rests on its \_\_\_\_\_\_\_\_.
   1. product category
   2. points of difference
   3. target consumer
   4. consumer need
   5. brand

Answer: b Page: 275 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is a company’s ability to perform in one or more ways that competitors cannot or will not match.
   1. Positioning
   2. Deliverability
   3. Competitive advantage
   4. Distribution
   5. Differentiation

Answer: c Page: 276 Difficulty: Medium AACSB: Analytic Skills

1. The obvious means of differentiation, and often most compelling ones to consumers, relate to aspects of the \_\_\_\_\_\_\_\_.
   1. price
   2. distribution process
   3. promotions
   4. product and service
   5. sales team responsible for the product or service

Answer: d Page: 277 Difficulty: Medium AACSB: Reflective Thinking

1. A \_\_\_\_\_\_\_\_ is one that a company can use as a springboard to new advantages.
   1. customer advantage
   2. leverageable advantage
   3. real advantage
   4. realized advantage
   5. distinct advantage

Answer: b Page: 277 Difficulty: Medium AACSB: Analytic Skills

1. The primary explanation for Marlboro’s extraordinary worldwide market share is that Marlboro’s “macho cowboy” persona has struck a responsive chord with much of the cigarette smoking public. This is an example of \_\_\_\_\_\_\_\_.
   1. personnel differentiation
   2. channel differentiation
   3. position differentiation
   4. maturity differentiation
   5. image differentiation

Answer: e Page: 278 Difficulty: Medium

1. To say that a product has a life cycle is to assert all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. products have a limited life
   2. product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller
   3. products all basically exhibit cycle recycle growth patterns
   4. profits rise and fall at different stages of the product life cycle
   5. products require different marketing, financial, manufacturing, purchasing, and human resource strategies in each life cycle stage

Answer: c Page: 278 Difficulty: Medium AACSB: Reflective Thinking

1. The four stages of the product life cycle include all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. decline
   2. learning
   3. maturity
   4. introduction
   5. growth

Answer: b Page: 278 Difficulty: Easy AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ stage of the product life cycle is a period of rapid market acceptance and substantial profit improvement.
   1. introduction
   2. growth
   3. maturity
   4. saturation
   5. decline

Answer: b Page: 278 Difficulty: Medium AACSB: Analytic Skills

1. According to the general bell shaped curve used to illustrate the product life cycle, which of the following stages is generally seen when the sales curve is at its peak?
   1. Introduction
   2. Growth
   3. Maturity
   4. Decline
   5. Abandonment

Answer: c Page: 278 Difficulty: Easy

1. According to the illustrations describing the product life cycle, during which stage of the cycle is there a strong likelihood that negative profits will be the norm?
   1. Introduction
   2. Growth
   3. Maturity
   4. Decline
   5. Abandonment

Answer: a Page: 278 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following common product life cycle patterns would be characterized as being one where sales grow rapidly when the product is first introduced and then fall to a “petrified” level that is sustained by late adopters buying the product for the first time and early adopters replacing the product?
   1. Cycle recycle pattern
   2. Scalloped pattern
   3. Growth slump maturity pattern
   4. Reverse cycle pattern
   5. Inverse cycle pattern

Answer: c Page: 279 Difficulty: Medium

1. A product such as nylon (e.g., numerous uses—parachutes, hosiery, shirts, carpeting, et cetera) has been characterized as having a \_\_\_\_\_\_\_\_ pattern to its product lifecycle.
   1. growth slump maturity
   2. scalloped
   3. cycle recycle
   4. triangular
   5. fad

Answer: b Page: 279 Difficulty: Hard AACSB: Analytic Skills

1. When Mel chose his new home, he picked a Cape Cod design. Cape Cod is best described as a(n) \_\_\_\_\_\_\_\_ in home design.
   1. style
   2. fashion
   3. fad
   4. ideation

e. technological

Answer: a Page: 279 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ do not normally survive (as a special category product life cycle) because they do not normally satisfy a strong need.
   1. Styles
   2. Fashions
   3. Fads
   4. Intra brands
   5. Trends

Answer: c Page: 280 Difficulty: Easy

1. Which of the following product life cycle stages would be appropriately described as being one where firms focus mainly on buyers from higher income groups and prices tend to be high because costs are high?
   1. Introduction stage
   2. Growth stage
   3. Maturity stage
   4. Saturation stage

e. Decline stage

Answer: a Page: 280 Difficulty: Medium AACSB: Reflective Thinking

1. Most studies indicate, with respect to the product life cycle in its introductory stage, that the \_\_\_\_\_\_\_\_ gains the greatest advantage.
   1. market pioneer
   2. market nicher
   3. market reverser
   4. market follower

e. market challenger

Answer: a Page: 280 Difficulty: Hard

1. Tellis and Golder identified five factors as underpinning long term market leadership. Which of the following is NOT one of those factors?
   1. Vision of mass market
   2. Persistence
   3. Slash and burn tactics
   4. Relentless innovation
   5. Asset leverage

Answer: c Page: 282 Difficulty: Medium AACSB: Reflective Thinking

1. Which of the following product life cycle stages is characterized as being one where a rapid climb in sales occurs, new product features are introduced by new competitors, and distribution is expanded?
   1. Prepioneering
   2. Introduction
   3. Saturation
   4. Growth
   5. Maturity

Answer: d Page: 282 Difficulty: Medium AACSB: Analytic Skills

1. All of the following strategies have been suggested as proper for sustaining rapid market growth during the growth stage of the product life cycle EXCEPT \_\_\_\_\_\_\_\_.
   1. improving product quality and adding new product features and improved styling
   2. entering into new market segments
   3. lowering prices to attract the next layer of price sensitive buyers
   4. shifting from product awareness advertising to product preference advertising
   5. moving to sue all new entrants into the marketplace

Answer: e Pages: 282–283 Difficulty: Medium AACSB: Reflective Thinking

1. Today, most products are in the \_\_\_\_\_\_\_\_ of the life cycle, and most marketing managers must cope with the problems and challenges of this stage.
   1. prepioneering stage
   2. introduction stage
   3. growth stage
   4. maturity stage
   5. decline stage

Answer: d Page: 283 Difficulty: Medium AACSB: Analytic Skills

1. The maturity stage of the product life cycle can be divided into three distinct phases. If the absolute level of sales starts to decline and customers begin switching to other products, the product is most likely in the \_\_\_\_\_\_\_\_ phase of the maturity stage.
   1. growth
   2. decaying maturity
   3. stable
   4. competitive vulnerability
   5. abandonment

Answer: b Page: 283 Difficulty: Medium AACSB: Reflective Thinking

1. A company might try to expand the market for its mature brand by working with the two factors that make up sales volume. Volume equals (=) \_\_\_\_\_\_\_\_.
   1. supply times (X) demand
   2. number of brand users times (X) amount of money spent on each purchase
   3. number of brand users times (X) usage rate per user
   4. price level of the product times (X) the number of items purchased
   5. price level of the product times (X) the number in the market segment selected for targeting

Answer: c Page: 285 Difficulty: Hard AACSB: Analytic Skills

1. When Campbell’s soups began advertising its soups as excellent snacks, it was using which of the following volume oriented brand usage strategies?
   1. Use the product on more occasions.
   2. Use more of the product on each occasion.
   3. Use the product in new ways.
   4. Use improved quality to attract new users.
   5. Use the product in older, more traditional ways.

Answer: a Page: 285 Difficulty: Medium AACSB: Reflective Thinking

1. Managers try to stimulate sales by modifying the product’s characteristics. Which of these modifications has as its aim to increase the product’s functional performance?
   1. Feature improvement
   2. Style improvement
   3. Fashion improvement
   4. Packaging improvement
   5. Quality improvement

Answer: e Page: 285 Difficulty: Hard AACSB: Reflective Thinking

1. When Vlasic created a cucumber 10 times larger than the traditional pickle cucumber (e.g., Hamburger Stackers), it used \_\_\_\_\_\_\_\_ as a means of modifying its product so additional customers might be attracted to the brand.
   1. quality improvement
   2. feature improvement
   3. style improvement
   4. packaging improvement
   5. idea improvement

Answer: b Page: 285 Difficulty: Medium

1. Marketing programs can be modified to stimulate sales. Which of the following forms of marketing program modification might seek to speed delivery or extend more credit?
   1. Pricing
   2. Distribution
   3. Advertising
   4. Personal selling
   5. Services

Answer: e Page: 286 Difficulty: Medium AACSB: Reflective Thinking

1. In the decline phase of the product life cycle, if a firm “milks” the firm’s investment to recover cash quickly, it is using a strategy called \_\_\_\_\_\_\_\_.
   1. positioning
   2. reverse engineering
   3. psychological divestment
   4. harvesting
   5. abandonment

Answer: d Page: 287 Difficulty: Medium AACSB: Analytic Skills

1. If an organization chooses “harvesting” as a decline stage PLC strategy, the first step in using such a strategy would likely be to \_\_\_\_\_\_\_\_.
   1. rejuvenate the brand or product
   2. cut R&D costs and plant and equipment investment
   3. cut all promotional expenses
   4. cancel distribution contracts
   5. require that all distributors reduce inventory of older models of the product

Answer: b Page: 287 Difficulty: Hard AACSB: Reflective Thinking

1. Markets are similar to products with respect to life cycle concepts. All of the following are considered to be stages that markets pass through in market evolution EXCEPT \_\_\_\_\_\_\_\_.
   1. emergence
   2. growth
   3. decline
   4. maturity
   5. destruction

# Answer: e Page: 288 Difficulty: Easy

1. Which of the following is a popular criticism of product life cycle theory?
   1. It is too costly to implement.
   2. It has few actual examples that can be benchmarked.
   3. It works only in the U.S. market.
   4. Life cycle patterns are too variable in shape and duration.
   5. Stages often follow fad trends.

Answer: d Page: 287 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following stages of the product life cycle (PLC) is characterized as being one where there are low sales, high cost per customer, negative profits, and few competitors?
   1. Introduction
   2. Growth
   3. Maturity
   4. Decline
   5. Abandonment

Answer: a Page: 288 Difficulty: Medium AACSB: Analytic Skills

1. During which of the following stages of the product life cycle (PLC) would we expect a marketing manager to pursue a marketing objective of maximizing market share?
   1. Introduction
   2. Growth
   3. Maturity
   4. Decline
   5. Abandonment

Answer: b Page: 288 Difficulty: Hard AACSB: Analytic Skills

1. When sales peak, there is a low cost per customer, profits are high, and the marketing manager attempts to maximize profit while defending market share, the product is most likely in the \_\_\_\_\_\_\_\_ stage of the product life cycle (PLC).
   1. introduction
   2. prepioneering
   3. growth
   4. maturity

e. decline

Answer: d Page: 288 Difficulty: Medium

1. A manufacturer of calculators finds that there is an even split between customers who want small handheld calculators and those that want large ones. This type of market, in which buyer preferences scatter evenly, is called a(n) \_\_\_\_\_\_\_\_ market.
   1. emerging
   2. mass market
   3. diffused preference
   4. niche
   5. standardized

Answer: c Page: 288 Difficulty: Medium AACSB: Analytic Skills

1. Francis Kelly and Barry Silverstein define a \_\_\_\_\_\_\_\_ as one that stands out, not just in its own product category but from all other brands, and that achieves significant results in the marketplace.
   1. point of difference
   2. breakaway brand
   3. point of parity
   4. negatively correlated brand attribute
   5. fragmented market

Answer: b Page: 289 Difficulty: Medium AACSB: Analytic Skills

1. If an entrepreneur discovers that her firm’s market is one of diffused preferences, she can use a \_\_\_\_\_\_\_\_ to expand sales while keeping costs low.
   1. mass market strategy
   2. multiple niche strategy
   3. bipolar design strategy
   4. standardized niche strategy
   5. single niche strategy

Answer: e Page: 289 Difficulty: Hard AACSB: Reflective Thinking

1. During the \_\_\_\_\_\_\_\_ phase of market evolution, if a new product sells well, new firms enter the market.
   1. induction
   2. emergence
   3. growth
   4. maturity
   5. decline

Answer: c Page: 289 Difficulty: Medium

1. As market growth slows during the maturity stage of market evolution, the market splits into finer segments and high \_\_\_\_\_\_\_\_ occurs.
   1. market ideation
   2. market consolidation
   3. market fragmentation
   4. market deflation
   5. market escalation

Answer: c Page: 290 Difficulty: Medium AACSB: Analytic Skills

1. Market fragmentation in the market evolution process is often followed by \_\_\_\_\_\_\_\_ caused by the emergence of a new attribute that has strong appeal.
   1. a market consolidation
   2. a market dissolution
   3. a market expansion
   4. a market abandonment
   5. a market harvesting

Answer: a Page: 290 Difficulty: Medium AACSB: Reflective Thinking

#### True/False

1. Positioning is the act of designing the company’s offering and image to occupy a distinctive place in the minds of the target market.

Answer: True Page: 268 Difficulty: Easy AACSB: Analytic Skills

1. Category membership is seen as the products or sets of products with which a brand competes and which function as close substitutes.

Answer: True Page: 269 Difficulty: Medium AACSB: Analytic Skills

1. Associations that make up points of difference are based exclusively on product features.

Answer: False Page: 269 Difficulty: Hard AACSB: Reflective Thinking

1. Points of parity are attributes or benefits consumers strongly associate with a brand, positively evaluate, and believe that they could not find to the same extent with a competitive brand.

Answer: False Page: 270 Difficulty: Medium AACSB: Analytic Skills

1. Points of parity come in two basic forms: category and competitive.

Answer: True Page: 270 Difficulty: Medium AACSB: Analytic Skills

1. Category points of parity may change over time due to technological advances, legal developments, or consumer trends.

Answer: True Page: 271 Difficulty: Easy AACSB: Reflective Thinking

1. Once a company has identified a brand’s category membership, consumers do not question the validity of that brand’s membership of the category.

Answer: False Page: 272 Difficulty: Medium AACSB: Reflective Thinking

1. The preferred approach to positioning is to inform consumers of a brand’s membership before stating its point of difference.

Answer: True Page: 273 Difficulty: Medium

1. If Barry compares his organization’s products to those of leaders in the field, then he is conveying category membership by “comparing to exemplars”.

Answer: True Page: 273 Difficulty: Easy AACSB: Communication

1. A good illustration of negatively correlated attributes or benefits is good tasting versus bad tasting.

# Answer: False Page: 276 Difficulty: Medium AACSB: Reflective Thinking

1. Brands can differentiate their products only on real, relevant attributes.

Answer: False Page: 274 Difficulty: Medium AACSB: Reflective Thinking

1. There are three consumer desirability criteria for PODs (points of difference): price, value, and respectability.

Answer: False Page: 275 Difficulty: Medium AACSB: Analytic Skills

1. A firm must be sufficiently committed and willing to devote enough resources to create an enduring positioning for its points of difference to be considered deliverable.

Answer: True Page: 275 Difficulty: Medium AACSB: Analytic Skills

1. Consumers are typically content to accept the trade offs inherent in negatively correlated attributes or benefits.

Answer: False Page: 276 Difficulty: Medium AACSB: Reflective Thinking

1. The obvious means of differentiation, and often most compelling to consumers, relate to aspects of the product and service.

Answer: True Page: 277 Difficulty: Easy AACSB: Reflective Thinking

1. Customers must see any competitive advantage as a customer advantage.

Answer: True Page: 277 Difficulty: Easy

1. Companies cannot achieve differentiation by differentiating their channels, as this is not the purpose of a distribution channel.

Answer: False Page: 278 Difficulty: Easy AACSB: Analytic Skills

1. One of the assertions of saying that a product has a life cycle is to recognize that products have a limited life.

Answer: True Page: 278 Difficulty: Medium AACSB: Analytic Skills

1. Most product life cycles are portrayed as a scalloped shaped curve.

Answer: False Page: 278 Difficulty: Medium

1. In the product life cycle, *growth* is a stage of rapid market acceptance and substantial profit improvement.

Answer: True Page: 278 Difficulty: Medium AACSB: Analytic Skills

1. One of the *shortest stages* in the product life cycle is the maturity stage because of the marketing manager’s desire to keep the product in its growth stage.

Answer: False Page: 278 Difficulty: Medium AACSB: Analytic Skills

1. The profit curve for most product life cycles peaks during the growth stage of the life cycle.

Answer: False Page: 278 Difficulty: Medium

1. The sales curve for most product life cycles peaks during the maturity stage of the life cycle.

Answer: True Page: 278 Difficulty: Medium AACSB: Analytic Skills

1. According to information presented in the text, pharmaceuticals have a cycle recycle product life cycle pattern because, as sales begin to decline, companies reinvigorate their promotions, which produces a second cycle of smaller magnitude and duration.

Answer: True Page: 279 Difficulty: Hard

1. With respect to product life cycles, a *style* can last for generations and go in and out of vogue.

Answer: True Page: 279 Difficulty: Medium AACSB: Reflective Thinking

1. The length of a fashion cycle is usually easy to predict.

Answer: False Page: 279 Difficulty: Easy AACSB: Analytic Skills

In the introductory stage of a product’s life cycle, promotion expenditures are at their highest ratio to sales.

Answer: True Page: 280 Difficulty: Medium AACSB: Analytic Skills

1. Because of the pioneer advantage, virtually all market pioneers demonstrate market staying power and sustained product growth.

Answer: False Page: 280 Difficulty: Medium AACSB: Reflective Thinking

1. Pioneers who start markets through incremental innovation have much higher survival rates than those who start a market with a really new product.

Answer: True Page: 282 Difficulty: Medium AACSB: Analytic Skills

1. During the growth stage of the product life cycle, prices grow along with profits.

Answer: False Page: 282 Difficulty: Medium AACSB: Analytic Skills

1. One strategy for sustaining rapid growth during the growth stage of the product life cycle is for the firm to add flanker products.

Answer: True Page: 282 Difficulty: Medium AACSB: Reflective Thinking

1. Most products are in the growth stage of the life cycle, and most marketing managers cope with the problem of sustaining growth.

Answer: False Page: 283 Difficulty: Medium AACSB: Analytic Skills

1. In the maturity stage of the product life cycle, three phases appear to exist: growth, decay, and abandonment.

Answer: False Page: 283 Difficulty: Hard AACSB: Analytic Skills

1. Consumers are always willing and eager to accept an “improved” product.

Answer: False Page: 286 Difficulty: Medium AACSB: Reflective Thinking

1. One of the chief advantages of using the product life cycle as a forecasting procedure is that product life cycle patterns have proven to be stable in shape and duration.

Answer: False Page: 287 Difficulty: Medium AACSB: Reflective Thinking

1. A good pricing strategy to use in the introduction stage of the product life cycle is to charge cost plus.

Answer: True Page: 288 Difficulty: Medium

1. A good advertising strategy to use in the maturity stage of the product life cycle would be to stress brand differences and benefits.

Answer: True Page: 288 Difficulty: Medium AACSB: Analytic Skills

1. According to ideas found in the concept of market evolution, as market growth slows down, the market splits into finer segments and high *market consolidation* occurs.

Answer: False Page: 290 Difficulty: Medium AACSB: Analytic Skills

1. Market fragmentation is often followed by a market consolidation, caused by the emergence of a new attribute that has strong appeal.

Answer: True Page: 290 Difficulty: Medium

1. Once a market has consolidated, it will remain consolidated until the product class dies.

Answer: False Page: 290 Difficulty: Medium AACSB: Analytic Skills

#### Essay

1. With respect to positioning, explain points of parity and points of difference.

**Suggested Answer:** Points of difference (PODs) are attributes or benefits consumers strongly associate with a brand, positively evaluate, and believe that they could not find to the same extent with a competitive brand. Points of parity (POPs), on the other hand, are associations that are not necessarily unique to the brand but may in fact be shared with other brands. See chapter material for additional discussion material.

Pages: 269–270 Difficulty: Medium AACSB: Analytic Skills

1. There are three main ways to convey a brand’s category membership. What are those three ways?

**Suggested Answer:** The three main ways to convey a brand’s category membership is: (1) announcing category benefits; (2) comparing to exemplars; and (3) relying on the product descriptor.

Page: 273 Difficulty: Medium AACSB: Communication

1. In choosing points of difference, one of the primary considerations is that consumers find points of difference desirable. There are three key consumer desirability criteria for points of difference. What are those three criteria?

**Suggested Answer:** The three consumer desirability criteria are: (1) relevance; (2) distinctiveness; and (3) believability.

Page: 275 Difficulty: Medium AACSB: Analytic Skills

1. Brands can be differentiated on the basis of many variables; however, four differentiation strategies are emphasized in the text. List and briefly characterize the three differentiation strategies.

**Suggested Answer:** The four differentiation strategies are: (1) personnel differentiation—companies can gain a strong competitive advantage through having better trained people; (2) channel differentiation—companies can achieve competitive advantage through the way they design their distribution channels’ *coverage, expertise*, and *performance;* and (3) image differentiation—buyers respond differently to company and brand images. For additional information, see chapter section.

Pages: 277–278 Difficulty: Hard

1. A company’s positioning and differentiation strategy must change as the product, market, and competitors change over the *product life cycle*. To say that a product has a life cycle is assert four things. What are those four things?

**Suggested Answer:** The four assertions are: (1) Products have a limited life; (2) product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller; (3) profits rise and fall at different stages of the product life cycle; and (4) products require different marketing, financial, manufacturing, purchasing, and human resource strategies in each life cycle stage.

Page: 278 Difficulty: Medium AACSB: Reflective Thinking

1. The product life cycle’s bell shaped curve is generally depicted as being divided into four stages. Briefly name and characterize each of the four stages.

**Suggested Answer:** The bell shaped curve’s four stages are: (1) introduction—a period of slow sales growth as the product is introduced in the market; profits are nonexistent because of the heavy expenses of product introduction; (2) growth—a period of rapid market acceptance and substantial profit improvement; (3) maturity—a slowdown in sales growth because the product has achieved acceptance by most potential buyers; profits stabilize or decline because of increased competition; and (4) decline—sales show a downward drift and profits erode.

Page: 278 Difficulty: Medium AACSB: Analytic Skills

1. Characterize the differences between style, fashion, and fad life cycles.

**Suggested Answer:** A style is a basic and distinctive mode of expression appearing in a field of human endeavor. A style can last for generations and go in and out of vogue. A fashion is a currently accepted or popular style in a given field. Fashions pass through four stages: distinctiveness, emulation, mass fashion, and decline. Fads are fashions that come quickly into public view, are adopted with great zeal, peak early, and decline very fast. For additional differences and information on styles, fashions, and fads, see the chapter section.

Pages: 279–280 Difficulty: Hard AACSB: Analytic Skills

1. Assume that you are the marketing manager for a large appliance manufacturer. You have had five quarters of rapid sales growth and would like to prolong the eventual downturn that always follows periods of high growth for as long as possible. You also know that any one of six strategies for sustaining rapid market growth can be used to achieve your objective. What are the six generally accepted strategies for sustaining rapid growth in a market from which you will make your choice?

**Suggested answer:** The firm uses several strategies to sustain rapid market growth, and they are: (1) improves product quality and adds new product features and improved styling; (2) adds new models and flanker products; (3) enters new market segments; (4) increases its distribution coverage and enters new distribution channels; (5) shifts from product awareness advertising to product preference advertising; or (6) lowers prices to attract the next layer of price sensitive buyers.

Pages: 282–283 Difficulty: Hard AACSB: Analytic Skills

1. Characterize an organization’s strategies with respect to product, price, distribution, and advertising for a product in its maturity stage of the product life cycle. Use information found in the summary table on the product life cycle to construct your answer. Be sure to characterize each of the four strategic areas mentioned.

**Suggested Answer:** Strategies include: (1) product—diversify brands and items models; (2) price—price to match or best competitors’ prices; (3) distribution—build more intensive distribution; and (4) advertising—stress brand differences and benefits. For additional information, see text section and Table 10.5.

Page: 288 Difficulty: Hard

1. Like products, markets evolve through four stages. What are those four stages? Characterize each stage of a market’s evolution.

**Suggested Answer:** The four stages are: (1) emergence—before a market materializes, it exists as a latent market (when a product is launched that addresses the latent needs, the *emergence stage* begins); (2) growth—if the new

product sells well, new firms will enter the market, ushering in a *market growth stage;* (3) maturity—eventually, the competitors cover and serve all the major market segments and the market enters the *maturity stage;* and (4) decline—eventually, demand for the present products will begin to decrease, and the market will enter the *decline stage.* For additional details, see the chapter section.

Pages: 288–290 Difficulty: Hard AACSB: Analytic Skills

**APPLICATION QUESTIONS**

**Multiple Choice**

1. “It’s not delivery, it’s DiGiorno!” This ad campaign helped DiGiorno’s pizza become the frozen pizza leader. Which of the following terms is most associated with the company’s promotional success strategy?
   1. Price leader
   2. Value relationships
   3. Vertical integration
   4. Superior quality control
   5. Clever positioning

Answer: e Page: 269 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ may be based on virtually any type of attribute or benefit. For example, FedEx uses “guaranteed overnight delivery” and Nike uses “performance.”
   1. Points of parity
   2. Points of difference
   3. Points of conflict
   4. Points of defensibility
   5. Points of service

Answer: b Page: 269 Difficulty: Medium AACSB: Analytic Skills

1. Consumers might not consider a travel agency truly a travel agency unless it is able to make air and hotel reservations, provide advice about leisure packages, and offer various ticket payment and delivery options. These service elements are considered \_\_\_\_\_\_\_\_.
   1. competitive points of difference
   2. competitive points of parity
   3. category points of difference
   4. category points of parity
   5. conceptual points of parity

Answer: d Page: 271 Difficulty: Medium AACSB: Analytic Skills

1. As a marketing manager, which of the following would be the best purpose for your organization’s competitive points of parity?
   1. To point out competitive points of difference
   2. To emphasize competitive points of difference
   3. To rationalize competitive points of difference
   4. To globalize competitive points of difference
   5. To negate competitive points of difference

Answer: e Page: 271 Difficulty: Medium

1. If your task was to construct a positioning statement for a new product that your company was considering as an addition to your product portfolio, what would be the best first step for you to take?
   1. State the product’s cost
   2. State the product’s membership in a category
   3. State who manufactured the product
   4. State the image of the product
   5. State who would distribute the product

# Answer: b Page: 271 Difficulty: Hard AACSB: Reflective Thinking

1. Tums claims to have the most acid reducing components of any antacid. In what way is the brand’s category membership being conveyed?
   1. Comparing to exemplars
   2. Relying on the product descriptor
   3. Announcing category benefits
   4. Focusing on reliability
   5. Persuasion based on believability

Answer: c Page: 273 Difficulty: Medium AACSB: Communication

1. A marketer that wants to anchor a point of difference for Dove soap on brand benefits might emphasize which of the following?
   1. The soap is one quarter cleansing cream.
   2. Dove products include bar soaps and shampoos.
   3. Dove soap helps users have softer skin.
   4. The Dove brand is widely available.
   5. None of the above.

Answer: c Page: 274 Difficulty: Medium AACSB: Reflective Thinking

1. Assume that you are in a position to develop your organization’s points of difference for an upcoming promotional campaign. Which of the following sets of consumer desirability criteria would best fit your promotional task?
   1. Value, location, service
   2. Loyalty, customization, status
   3. Value, reliability, dependability
   4. Relevance, distinctiveness, believability
   5. Licensing opportunities, promotional protection, and believability

# Answer: d Page: 275 Difficulty: Hard AACSB: Analytic Skills

1. Splenda sugar substitute became a category leader by differentiating itself on its authenticity as a product derived from sugar. This POD demonstrates \_\_\_\_\_\_\_\_ because target consumers found it to be unique and superior.
   1. believability
   2. relevance
   3. feasibility
   4. communicability
   5. distinctiveness

Answer: e Page: 275 Difficulty: Medium AACSB: Analytic Skills

1. A marketing manager asks a subordinate, “Can the favorability of the new brand association we just created in our recent ad campaign be reinforced and strengthened over time?” Which of the following delivery criteria used for choosing points of difference would be most appropriate to the question asked?
   1. Relevance
   2. Communicability
   3. Sustainability
   4. Feasibility
   5. Comparisons

Answer: c Page: 275 Difficulty: Hard

1. A \_\_\_\_\_\_\_\_ should follow the form: To (target group and need), our (brand) is (the concept) that (what the point of difference is or does).
   1. feasibility statement
   2. positioning statement
   3. breakaway branding campaign
   4. brand specification
   5. category membership mechanism

Answer: b Page: 275 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following is NOT a negatively correlated attribute and benefit?
   1. Efficacious versus mild
   2. Varied versus simple
   3. Powerful versus safe
   4. Nutritious versus good tasting
   5. Low price versus low quality

Answer: e Page: 276 Difficulty: Medium AACSB: Analytic Skills

1. Your product’s profit curve is in the negative. Which of the following stages of the product life cycle is your product most likely in?
   1. Introduction
   2. Growth
   3. Maturity
   4. Decline
   5. Abandonment

Answer: a Page: 278 Difficulty: Medium

1. While looking a series of special case product life cycles, you observe that one of the life cycles has had a rapid growth in sales resulting in a severe peak of the sales curve followed by a rapid decline. Which of the following product life cycle curves is most likely represented by the above illustration?
   1. Style life cycle
   2. Fashion life cycle
   3. Fad life cycle
   4. Niche life cycle
   5. Techno life cycle

Answer: c Page: 279 Difficulty: Medium AACSB: Analytic Skills

1. The pioneer advantage does not always ensure success in the marketplace. All of the following are reasons cited by the text that a market pioneer’s product might not be successful EXCEPT \_\_\_\_\_\_\_\_.
   1. the new product was too crude
   2. the new product was improperly positioned
   3. the new product appeared when there was strong demand
   4. the product development costs exhausted the innovator’s resources
   5. managerial incompetence

Answer: c Page: 281 Difficulty: Medium AACSB: Reflective Thinking

1. While Wikipedia has ridden its pioneer advantage to become as familiar as eBay and Google, Citizendium believes it can overtake Wikipedia as the most popular online collaborative Internet encyclopedia because its \_\_\_\_\_\_\_\_ includes significantly reduced R&D time.
   1. product life cycle
   2. leverageable advantage
   3. core competency
   4. channel differentiation
   5. second mover advantage

Answer: e Page: 281 Difficulty: Medium

1. Markets often need modification to be able to grow and flourish. When AARP began to recruit members that were 50–55 years of age instead of pursuing their normal target market of 65+ seniors, it was using a market modification strategy called \_\_\_\_\_\_\_\_.
   1. converting nonusers
   2. entering new market segments
   3. winning competitors’ customers
   4. value vision
   5. age discounting

Answer: b Page: 282 Difficulty: Medium AACSB: Analytic Skills

1. A firm in the growth stage faces a trade off between \_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_.
   1. high market share; high current profit
   2. high valuation; high current profit
   3. high growth potential; high market share
   4. high current profit; high growth potential
   5. high market share; high valuation

Answer: a Page: 283 Difficulty: Hard AACSB: Analytic Skills

1. As an entrepreneur you have decided to launch two products simultaneously to capture two different parts of the market. You are employing a(n) \_\_\_\_\_\_\_\_.
   1. single niche strategy
   2. multiple niche strategy
   3. standardization strategy
   4. mass market strategy
   5. adaptive strategy

Answer: b Page: 289 Difficulty: Easy

1. The energy bar market created by PowerBar ultimately split into a variety of subcategories, including those directed at specific segments and some possessing specific attributes. This is an example of \_\_\_\_\_\_\_\_.
   1. market consolidation
   2. consumer determinism
   3. breakaway marketing
   4. market fragmentation
   5. channel differentiation

Answer: d Page: 290 Difficulty: Hard AACSB: Analytic Skills

###### Short Answer

1. A starting point in defining a competitive frame of reference for a brand positioning is to determine category membership. How would you define category membership?

**Suggested Answer:** *Category membership* includes the products or sets of products with which a brand competes and which function as close substitutes.

Page: 269 Difficulty: Easy AACSB: Analytic Skills

1. With respect to points of parity, explain why a product does not have to be equal to a competitive product to be compared to that product.

**Suggested Answer:** To achieve a point of parity on a particular attribute or benefit, a sufficient number of consumers must believe that the brand is “good enough” on that dimension. There is a range of tolerance with points of parity. The brand does not have to be seen as equal to competitors, but consumers must feel that the brand does well enough on that particular attribute or benefit.

Page: 271 Difficulty: Medium AACSB: Reflective Thinking

1. As a company seeks to establish a category membership designation, how does the company approach points of difference? What is done first?

**Suggested Answer:** The preferred approach to positioning is to inform consumers of a brand’s membership before stating its point of difference. Presumably, consumers need to know what a product is and what function it serves before deciding whether it dominates the brands against which it competes.

Page: 273 Difficulty: Medium AACSB: Reflective Thinking

1. There are three main ways to convey a brand’s category membership. Assume you were an automobile designer for Ford and wished to position a new “sports wagon.” Which of the three ways to convey the brand’s category membership would be most appropriate for your task?

**Suggested Answer:** The most appropriate strategy would be to rely on the product descriptor (e.g., name of the product, product’s function, or category position). See chapter section for more details.

Page: 273 Difficulty: Medium AACSB: Communication

1. As the marketer of a new soft drink, what are the three levels at which you might anchor your brand’s points of difference?

**Suggested Answer:** The three levels at which a marketer might anchor a brand’s points of difference are: (1) brand attributes, (2) brand benefits, and (3) brand values. Students may furnish their own examples of these types of points of difference as they might pertain to a soft drink.

Page: 274 Difficulty: Medium AACSB: Analytic Skills

1. There are three key consumer desirability criteria for creating points of difference. When the Westin Stamford hotel in Singapore advertised that it was the world’s tallest hotel, it attempted to create a point of difference. The hotel may not have been successful in its attempt to create its POD because of which consumer desirability criteria associated with PODs?

**Suggested Answer:** There is a question of *relevance*. Is staying in the world’s tallest hotel a necessary need for most tourists or are there other factors that are more important?

Page: 275 Difficulty: Hard

1. Delivering on promises made in points of difference is very important in successful marketing. There are three deliverability criteria stressed in the text with respect to PODs. What are those three criteria?

**Suggested Answer:** The three criteria are feasibility, communicability, and sustainability.

Page: 275 Difficulty: Medium AACSB: Reflective Thinking

1. How might a company address consumers’ desires to maximize two negatively correlated attributes or benefits?

**Suggested Answer:** The best approach is to develop a product or service that performs well on both dimensions. Other methods include: launching two different marketing campaigns, each devoted to a different brand attribute or benefit; linking the company to any kind of entity that possesses an attribute or benefit as a POP or POD; and attempting to convince consumers that the negative relationship between attributes and benefits is in fact positive.

Page: 276 Difficulty: Hard AACSB: Communication

1. Companies can achieve competitive advantage through the way they design their distribution channel. What three areas are considered in this design process?

**Suggested Answer:** Considerations to achieve competitive advantage in the distribution channel are in the areas of coverage, expertise, and performance.

Page: 278 Difficulty: Hard AACSB: Analytic Skills

1. As a marketing manager, you have the following facts about your product offering presented to you: (1) There is a slowdown in sales growth; (2) profits are stabilized; (3) competition has increased; and, (4) both profits and sales are likely to peak soon. Given these facts, what stage of the product life cycle is your product most likely in?

**Suggested Answer:** Given the facts, your product is most likely in its maturity stage of its product life cycle. See chapter section for additional information.

Page:278 Difficulty: Easy AACSB: Analytic Skills

1. As a brand manager of a pharmaceutical firm you have observed that your brand is following the classic cycle recycle pattern with respect to the product life cycle. Describe what is mostly likely happening in this pattern.

**Suggested Answer:** The cycle recycle pattern often describes the sales of new drugs. The pharmaceutical company aggressively promotes its new drug, and this produces the first cycle. Later, sales start declining and the company gives the drug another promotion push, which produces the second cycle (usually of smaller magnitude and duration).

Page: 279 Difficulty: Medium

1. The length of a fashion cycle is often hard for industry analysts to predict. Explain why this is true.

**Suggested Answer:** One point of view is that fashions end because they represent a purchase compromise, and consumers start looking for missing attributes. Another observation is that the length of a particular fashion cycle depends on the extent to which the fashion meets a genuine need, is consistent with other trends in the society, satisfies societal norms and values, and does not exceed technological limits as it develops.

Pages: 279–280 Difficulty: Medium AACSB: Reflective Thinking

1. Most studies indicate that the market pioneer gains the greatest advantage in the marketplace. What are the sources of the pioneer’s advantage?

**Suggested Answer:** Early users will recall the pioneer’s brand name if the product satisfies them. The pioneer’s brand also establishes the attributes the product class should possess. The pioneer’s brand normally aims at the middle of the market and so captures more users. Customers may experience inertia and be uninterested in switching brands. Producer advantages including economies of scale, technological leadership, patents, and ownership of scarce assets also create barriers to entry.

Page: 280 Difficulty: Hard AACSB: Reflective Thinking

1. What weaknesses do failing pioneers have that allow them to be surpassed by imitators?

**Suggested Answer:** New products may be too crude, be improperly positioned, or appear before there was strong demand. Product development costs can exhaust the innovator’s resources. The innovator may also lack resources to compete against entering larger firms.

Page: 281 Difficulty: Hard

1. David Aaker cites seven market dynamics that can result in the emergence of new product categories. Identify four of them.

**Suggested Answer:** The seven market dynamics that result in new product categories are: (1) A new product or service dimension expands the boundaries of an existing category; (2) a new product or set of products carves out a fresh niche in an existing category; (3) a new competitor devises a way to bundle existing categories into a supercategory; (4) a new competitor repositions existing products or services to create an original category; (5) customer needs propel a new product category or subcategory; (6) a new technology leads the development of a product category or subcategory; and (7) a company exploits changing technologies to invent a new category.

Page: 284 Difficulty: Hard AACSB: Analytic Skills

1. When beverage marketers began selling drinks in wide mouth cans, so that consumers could drink the beverage faster, what were the marketers trying to do?

**Suggested Answer:** The marketers were trying to increase the usage rate among users.

Page: 285 Difficulty: Easy AACSB: Analytic Skills

1. Experience has shown marketing managers that a product’s sales can be stimulated by modifying the product’s characteristics in one of three ways. What are those three ways of making improvement in the product’s characteristics?

**Suggested Answer:** According to information provided in the text, product modification can be accomplished through: (1) quality improvement, (2) feature improvement, and (3) style improvement.

Page: 285 Difficulty: Hard AACSB: Reflective Thinking

1. Identify the weaknesses of the product life cycle concept that you should keep in mind as an aspiring marketing manager.

**Suggested Answer:** Criticisms are: (1) Life cycle patterns are too variable in shape and duration; (2) one can seldom tell what stage the product is in (a product may appear to be mature when actually it has reached a plateau prior to another upsurge); and (3) the PLC pattern is the result of marketing strategies rather than an inevitable course that sales must follow. For additional information, see chapter section.

Page: 287 Difficulty: Hard AACSB: Reflective Thinking

1. List five things you could do as a marketer to build a breakaway brand.

**Suggested Answer:** The text recommends the following 10 tips for building a breakaway brand: (1) Make a commitment; (2) get a “chief” behind it; (3) find your brand truth; (4) target a winning mind set; (5) create a category of one; (6) demand a great campaign; (7) tirelessly integrate; (8) take risks; (9) accelerate new product development; and (10) invest as if your brand depends on it.

Page: 289 Difficulty: Hard AACSB: Analytic Skills

1. As an entrepreneur, you have identified your market as a diffused preference market. What does this mean and how can you approach it?

**Suggested Answer:** A diffused preference market is one in which buyer preferences scatter evenly. In addressing this market, the entrepreneur has three options: (1) Design the new product to meet the preferences of one of the corners of the market; (2) launch two or more products simultaneously to capture two or more parts of the market; and (3) design the new product for the middle of the market.

Pages: 288–289 Difficulty: Medium AACSB: Analytic Skills

Chapter 12: Setting Product Strategy

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. Marketing planning begins with the formulation of an offering to \_\_\_\_\_\_\_\_ target customers’ needs or wants.
   1. undermine
   2. meet
   3. capture
   4. compete with
   5. comprehend

Answer: b Page: 318 Difficulty: Easy AACSB: Reflective Thinking

1. The customer will judge the offering by three basis elements: \_\_\_\_\_\_\_\_, services mix and quality, and price.
   1. performance
   2. salespeople
   3. price
   4. product features and quality
   5. none of the above

Answer: d Page: 318 Difficulty: Easy AACSB: Analytic Skills

1. The five product levels constitute a \_\_\_\_\_\_\_\_. At each level more customer value is added.
   1. customer augmented product
   2. customer consumption system
   3. customer value hierarchy
   4. customer perceived value
   5. customer hierarchy

Answer: c Page: 318 Difficulty: Medium

1. When companies search for new ways to satisfy customers and distinguish their offering from others, they look at the \_\_\_\_\_\_\_\_ product, which encompasses all the possible augmentations and transformations of the product.
   1. consumption system
   2. expected
   3. potential
   4. augmented
   5. basic

## Answer: c Page: 318 Difficulty: Hard AACSB: Analytic Skills

1. The way the user performs the tasks of getting and using products and related services is the user’s total \_\_\_\_\_\_\_\_.
   1. consumption system
   2. consumable system
   3. consistent use system
   4. augmented system
   5. none of the above

Answer: a Page: 319 Difficulty: Medium

1. Marketers have traditionally classified products on the basis of three characteristics: \_\_\_\_\_\_\_\_, tangibility, and use.
   1. customer value hierarchy
   2. expected
   3. augmented
   4. durability
   5. none of the above

Answer: d Page: 319 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ are tangible goods that normally survive many uses.
   1. Nondurable goods
   2. Durable goods
   3. Services
   4. Consumption systems
   5. Potential products

Answer: b Page: 319 Difficulty: Medium AACSB: Analytic Skills

1. Because \_\_\_\_\_\_\_\_ are purchased frequently, marketers should make them available in many locations, charge only a small markup, and advertise heavily to induce trial and build preference.
   1. nondurable goods
   2. durable goods
   3. services
   4. consumption systems
   5. potential products

Answer: a Page: 319 Difficulty: Medium

1. The consumer usually purchases \_\_\_\_\_\_\_\_ frequently, immediately, and with a minimum of effort.
   1. specialty goods
   2. shopping goods
   3. “must haves” goods
   4. personal goods
   5. convenience goods

Answer: e Page: 320 Difficulty: Medium AACSB: Analytic Skills

1. It was sunny when Jenny went to class, but by the time class was over it was raining heavily, so Jenny stopped by the student store to buy an umbrella before she walked back to her dorm. In this case, the umbrella is an example of a(n) \_\_\_\_\_\_\_\_.
   1. impulse good
   2. staple
   3. homogeneous shopping good
   4. emergency good
   5. heterogeneous shopping good

Answer: d Page: 320 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ are similar in quality but different enough in price to justify shopping comparisons.
   1. Emergency goods
   2. Homogeneous shopping goods
   3. Heterogeneous shopping goods
   4. Specialty goods
   5. Impulse goods

Answer: b Page: 320 Difficulty: Medium AACSB: Reflective Thinking

1. Products such as insurance, cemetery plots, and smoke detectors are examples of \_\_\_\_\_\_\_\_ that are products that the consumer does not know about or does not normally think of buying.
   1. specialty goods
   2. unsought goods
   3. heterogeneous shopping goods
   4. homogeneous shopping goods
   5. none of the above

Answer: b Page: 320 Difficulty: Hard AACSB: Reflective Thinking

1. Industrial goods can be classified as \_\_\_\_\_\_\_\_, capital items, or suppliers and business services based on their costliness and how they enter the production process.
   1. service components
   2. subassemblies
   3. pieces and parts
   4. specialty goods
   5. materials and parts

Answer: e Page: 320 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ are the major factors influencing the selection of suppliers for natural products.
   1. Price and delivery reliability
   2. Product features and customization
   3. Price and customization
   4. Delivery reliability and product features
   5. Customization and delivery reliability

Answer: a Page: 321 Difficulty: Medium

1. Capital items are long lasting goods that facilitate developing or managing the finished product. They include two groups: installations and \_\_\_\_\_\_\_\_.
   1. natural products
   2. component materials
   3. operating supplies
   4. equipment
   5. none of the above

Answer: d Page: 321 Difficulty: Easy AACSB: Reflective Thinking

1. Supplies and business services are short term goods and services that facilitate \_\_\_\_\_\_\_\_ or managing the finished product.
   1. inspecting
   2. developing
   3. building
   4. creating
   5. none of the above

Answer: b Page: 321 Difficulty: Easy AACSB: Reflective Thinking

1. Many products can be differentiated in terms of their \_\_\_\_\_\_\_\_,—size, shape, or physical structure.
   1. form
   2. performance quality
   3. conformance quality
   4. reliability
   5. design

Answer: a Page: 321 Difficulty: Easy AACSB: Analytic Skills

1. Most products can be offered with varying \_\_\_\_\_\_\_\_ that supplement its basic function.
   1. reliability
   2. conformance qualities
   3. features
   4. forms
   5. none of the above

Answer: c Page: 322 Difficulty: Easy AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ is the ability of a company to prepare on a mass basis individually designed products, services, programs, and communications.
   1. Mass customization
   2. Feature fatigue
   3. Performance quality
   4. Conformance quality
   5. Repairability

Answer: a Page: 322 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is the level at which the product’s primary characteristics operate.
   1. Design
   2. Conformance quality
   3. Reparability
   4. Performance quality
   5. Durability

Answer: d Page: 322 Difficulty: Easy

1. Buyers expect products to have a high \_\_\_\_\_\_\_\_, which is the degree to which all the produced units are identical and meet the promised specifications.
   1. durability
   2. reliability
   3. conformance quality
   4. form
   5. performance quality

Answer: c Page: 323 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ describes the product’s look and feel to the buyer; it has an advantage of creating distinctiveness that is difficult to copy.
   1. Design
   2. Style
   3. Durability
   4. Conformance
   5. None of the above

Answer: b Page: 323 Difficulty: Easy AACSB: Analytic Skills

1. Ideal \_\_\_\_\_\_\_\_ would exist if users could fix the product themselves with little cost in money or time.
   1. durability
   2. reliability
   3. style
   4. design
   5. repairability

Answer: e Page: 323 Difficulty: Medium AACSB: Reflective Thinking

1. In increasingly fast paced markets, price and technology are not enough. \_\_\_\_\_\_\_\_ is the factor that will often give a company its competitive edge and is defined as the totality of features that affect how a product looks, feels, and functions in terms of customer requirements.
   1. Services
   2. Performance
   3. Reliability
   4. Style
   5. Design

Answer: e Page: 325 Difficulty: Hard AACSB: Reflective Thinking

1. When the physical product cannot be easily differentiated, the key to competitive success may lie in adding valued services and improving their quality. The main service differentiators are ordering ease, delivery, installation, \_\_\_\_\_\_\_\_, customer consulting, maintenance, and repair.
   1. customer limiting
   2. customer orders
   3. niche marketing
   4. customer training
   5. customer marketing

Answer: d Page: 326 Difficulty: Hard AACSB: Analytic Skills

1. Delivery refers to how well the product or service is brought to the customer. It includes speed, \_\_\_\_\_\_\_\_, and care throughout the delivery process.
   1. length of time for delivery
   2. type of delivery services
   3. attributes
   4. completeness
   5. accuracy

Answer: e Page: 326 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ refers to training the customer’s employees to use the vendor’s equipment properly and efficiently.
   1. Customer training
   2. Internal marketing
   3. Client marketing
   4. Customer relationships
   5. Technical training

Answer: a Page: 326 Difficulty: Easy

1. \_\_\_\_\_\_\_\_ refers to data, information systems, and advice services that the seller offers to their buyers.
   1. Sales force relationships
   2. Customer relationships
   3. Internal marketing
   4. Customer training
   5. Customer consulting

Answer: e Page: 326 Difficulty: Easy AACSB: Analytic Skills

1. Differentiating on \_\_\_\_\_\_\_\_ is important for companies with complex products and becomes an especially good selling point when targeting technology novices.
   1. delivery
   2. ordering ease
   3. ease of installation
   4. customer consulting
   5. repairability

Answer: c Page: 326 Difficulty: Hard AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ describes the service program for helping customers keep purchased products in good working order.
   1. Returns
   2. Ordering ease
   3. Installation
   4. Maintenance and repair
   5. Delivery

Answer: d Page: 327 Difficulty: Medium AACSB: Reflective Thinking

1. Improved handling or storage, better packaging, and improved transportation and forward logistics are methods for reducing \_\_\_\_\_\_\_\_.
   1. installation
   2. uncontrollable returns
   3. controllable returns
   4. product families
   5. customer consulting

Answer: c Page: 328 Difficulty: Medium AACSB: Reflective Thinking

1. A group of products within a product class that are closely related because they perform a similar function, are sold to the same customer groups, are marketed through the same outlets or channels, or fall within given price ranges is known as a \_\_\_\_\_\_\_\_.
   1. product type
   2. product class
   3. need family
   4. product variant
   5. product line

Answer: e Page: 328 Difficulty: Medium

1. A(n) \_\_\_\_\_\_\_\_ is defined as a distinct unit within a brand or product line distinguishable by size, price, appearance, or some other attribute.
   1. stockkeeping unit
   2. UPC (uniform product code)
   3. stock unit
   4. product type
   5. none of the above

Answer: a Page: 328 Difficulty: Hard AACSB: Analytic Skills

1. A \_\_\_\_\_\_\_\_ is the set of all products and items a particular seller offers for sale.
   1. product line
   2. product mix
   3. family of products
   4. product system
   5. product class

Answer: b Page: 328 Difficulty: Easy AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ of the product mix refers to how closely related the various product lines are in end use, production requirements, distribution channels, or some other way.
   1. consistency
   2. depth
   3. width
   4. length
   5. composition

Answer: a Page: 329 Difficulty: Hard

1. The \_\_\_\_\_\_\_\_ of the product mix refers to the total number of items in the mix.
   1. width
   2. length
   3. depth
   4. consistency
   5. height

Answer: b Page: 329 Difficulty: Medium AACSB: Analytic Skills

1. In offering a product line, companies normally develop a \_\_\_\_\_\_\_\_ and modules that can be added to meet different customer requirements.
   1. convenience item
   2. “best selling” item
   3. staple item
   4. product
   5. basic platform

Answer: e Page: 329 Difficulty: Medium AACSB: Reflective Thinking

1. The \_\_\_\_\_\_\_\_ of a product mix refers to how many variants are offered of each product in the line.
   1. width
   2. length
   3. depth
   4. consistency
   5. height

Answer: c Page: 329 Difficulty: Medium AACSB: Analytic Skills

1. A company can classify its products into four types that yield different gross margins, depending upon sales volume and promotional costs. The four classifications include all EXCEPT \_\_\_\_\_\_\_\_.
   1. core product
   2. shopping goods
   3. staples
   4. specialties
   5. convenience items

Answer: b Page: 330 Difficulty: Medium AACSB: Analytic Skills

1. The main point in segmenting products into different classes is that companies should recognize that these items \_\_\_\_\_\_\_\_ in the potential for being priced higher or advertised more as ways to increase sales, margins, or both.
   1. differ
   2. are more elastic
   3. are less elastic
   4. respond to advertising differently
   5. none of the above

Answer: a Page: 330 Difficulty: Easy AACSB: Reflective Thinking

1. A benefit of product mapping is that it identifies \_\_\_\_\_\_\_\_.
   1. market matrices
   2. target markets
   3. market segments
   4. consumers
   5. none of the above

Answer: c Page: 330 Difficulty: Hard AACSB: Reflective Thinking

1. Product line analysis provides information for two key decision areas—product line length and \_\_\_\_\_\_\_\_.
   1. product length new items
   2. product mix pricing
   3. product pricing
   4. popular pricing
   5. none of the above

Answer: b Page: 331 Difficulty: Hard

1. \_\_\_\_\_\_\_\_ occurs when a company lengthens its product line beyond its current range.
   1. Market reach
   2. Product reach
   3. Product adaptations
   4. Line shrinking
   5. Line stretching

Answer: e Page: 331 Difficulty: Easy AACSB: Analytic Skills

1. When a company positioned in the “middle” market introduces a lower priced product line, this is an example of \_\_\_\_\_\_\_\_.
   1. product line length
   2. up market stretch
   3. down market stretch
   4. maintenance
   5. none of the above

Answer: c Page: 331 Difficulty: Easy AACSB: Analytic Skills

1. Moving \_\_\_\_\_\_\_\_ carries risks. The new brand can cannibalize core brand sales and lower the core brand’s quality image.
   1. up market
   2. two ways
   3. one way
   4. down market
   5. none of the above

Answer: d Page: 333 Difficulty: Medium

1. Companies may wish to implement a(n) \_\_\_\_\_\_\_\_ to achieve more growth, to realize higher margins, or simply to position themselves as full line manufacturers.
   1. up market stretch
   2. down market stretch
   3. service market stretch
   4. consulting model stretch
   5. obsolescence strategy

Answer: a Page: 333 Difficulty: Medium AACSB: Reflective Thinking

1. A product line can also be lengthened by adding more items within the present range. There are several motives for line filling: \_\_\_\_\_\_\_\_, trying to satisfy dealers who complain about lost sales because of missing items in the line, trying to utilize excess capacity, and others.
   1. responding to senior management wishes
   2. responding to consumer wishes
   3. reaching for incremental profits
   4. reaching for incremental capacity
   5. responding to sales force demands

Answer: c Page: 334 Difficulty: Hard

1. If line filling is overdone, it could result in \_\_\_\_\_\_\_\_ and customer confusion.
   1. sales paralysis
   2. manufacturing inefficiencies
   3. self cannibalization
   4. self sacrifice
   5. none of the above

Answer: c Page: 334 Difficulty: Easy AACSB: Reflective Thinking

1. Price setting logic must be modified when the product is part of a product mix. In that case, the firm searches for a set of prices that \_\_\_\_\_\_\_\_ profits on the total mix.
   1. are ineffective on total
   2. have no effect on total
   3. maximize
   4. minimize
   5. capitalize upon

Answer: c Page: 335 Difficulty: Easy AACSB: Analytic Skills

1. Companies normally develop product lines rather than single products and require sellers to establish \_\_\_\_\_\_\_\_ quality differences between price steps within the line.
   1. imaginary
   2. actual
   3. perceived
   4. monetary
   5. none of the above

Answer: c Page: 335 Difficulty: Medium AACSB: Reflective Thinking

1. Some service firms often engage in \_\_\_\_\_\_\_\_, consisting of a fixed fee plus a variable usage fee.
   1. pure bundling
   2. pure pricing
   3. mixed pricing
   4. captive pricing
   5. two part pricing

Answer: e Page: 336 Difficulty: Easy AACSB: Analytic Skills

1. In \_\_\_\_\_\_\_\_, the seller offers goods both individually and in bundles and often charges less for the “bundle” than for the individual products.
   1. pirating pricing
   2. captive pricing
   3. two part pricing
   4. pure bundling
   5. mixed bundling

Answer: e Page: 336 Difficulty: Medium AACSB: Analytic Skills

1. The main advantage of co branding is that a product may be convincingly positioned by virtue of the \_\_\_\_\_\_\_\_ involved.
   1. branding synergy
   2. increased advertising dollars
   3. multiple brands
   4. bundled package
   5. none of the above

Answer: c Page: 337 Difficulty: Hard AACSB: Reflective Thinking

1. The potential disadvantages of \_\_\_\_\_\_\_\_ are the risks and lack of control from becoming aligned with another brand in the consumers mind. Consumer expectations about the level of involvement and commitment are likely to be high, so unsatisfactory performance could be very negative for the brands involved.
   1. co branding
   2. primary service features
   3. values
   4. perceptions
   5. pricing

Answer: a Page: 337 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ is a special case of co branding involving creating brand equity for materials, components, or parts that are necessarily contained within other branded products.
   1. Component branding
   2. Ingredient branding
   3. Advertising branding
   4. Sales branding
   5. None of the above

Answer: b Page: 337 Difficulty: Hard AACSB: Analytic Skills

1. We define packaging as all the activities of designing and producing the container for a product. This includes up to three levels of material: primary package, secondary package, and \_\_\_\_\_\_\_\_.
   1. retailer package
   2. design package
   3. shipping package
   4. consumer package
   5. none of the above

Answer: c Page: 339 Difficulty: Medium AACSB: Analytic Skills

1. Various factors have contributed to the growing use of packaging as a marketing tool and include all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. self service
   2. consumer affluence
   3. consumer influence
   4. company and brand images
   5. innovation opportunities

Answer: c Page: 339 Difficulty: Hard AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ are formal statements of expected product performance by the manufacturer.
   1. Insurance
   2. Warranties
   3. Guarantees
   4. Reputation
   5. Marketing statements

Answer: b Page: 341 Difficulty: Medium AACSB: Analytic Skills

1. Many sellers offer either general or specific guarantees. Guarantees reduce the buyer’s \_\_\_\_\_\_\_\_ risk.
   1. actual
   2. perceived
   3. real
   4. implied
   5. stated

Answer: b Page: 342 Difficulty: Easy AACSB: Reflective Thinking

1. Guarantees are most effective in two situations. The first is when the company or products are not well known and the second is when the product’s quality is \_\_\_\_\_\_\_\_ to competition.
   1. not known
   2. different
   3. inferior
   4. equivalent
   5. superior

Answer: e Page: 342 Difficulty: Medium AACSB: Reflective Thinking

**True/False**

1. Product is the key element in the market offering.

Answer: True Page: 317 Difficulty: Easy AACSB: Reflective Thinking

1. A *product* is anything that can be offered to a market to satisfy a want or need.

Answer: True Page: 318 Difficulty: Medium AACSB: Reflective Thinking

1. In planning its market offering, the marketer needs to address five product levels, each of which reduces customer value.

Answer: False Page: 318 Difficulty: Medium AACSB: Analytic Skills

1. The customer value hierarchy consists of the basic product, core benefit, expected product, augmented product, and the consumption system.

Answer: False Page: 318 Difficulty: Medium AACSB: Analytic Skills

1. Marketers have traditionally classified products on the basis of characteristics such as durability, tangibility, and use.

Answer: True Page: 319 Difficulty: Medium

1. Durable products normally require more personal selling and service and more seller guarantees than nondurable goods.

Answer: True Pages: 319–320 Difficulty: Medium AACSB: Reflective Thinking

1. Because they are intangible, durable goods normally require more quality control, supplier credibility, and adaptability than either services or nondurable goods.

Answer: False Page: 320 Difficulty: Medium

1. Carlos always buys bread and milk when he goes grocery shopping. In this case, bread and milk are examples o f impulse goods.

Answer: False Page: 320 Difficulty: Medium AACSB: Analytic Skills

1. A Maserati sports car is considered a specialty good because interested buyers will travel far to buy one.

Answer: True Page: 320 Difficulty: Medium AACSB: Analytic Skills

1. The homogeneity of natural materials limits the amount of demand creation activity that producers undertake.

Answer: True Page: 321 Difficulty: Medium

1. *Capital items* are long lasting goods that facilitate developing or managing the finished products.

Answer: True Page: 321 Difficulty: Medium AACSB: Analytic Skills

1. *Supplies* can be classified as two kinds: maintenance and repair items and operating supplies.

Answer: True Page: 321 Difficulty: Medium AACSB: Analytic Skills

1. To be branded, physical products must be differentiated.

Answer: True Page: 321 Difficulty: Easy

1. To avoid “feature fatigue,” companies must be careful to prioritize those features that are included and find unobtrusive ways to provide information about how consumers can use and benefit from the feature.

Answer: True Page: 322 Difficulty: Medium AACSB: Reflective Thinking

1. Firms should design the highest performance level possible for their products.

Answer: False Page: 322 Difficulty: Medium AACSB: Reflective Thinking

1. As a selling point, durability commands a particularly high pricing premium, especially for products that are subject to rapid technological obsolescence, as are personal computers and video cameras.

Answer: False Page: 323 Difficulty: Hard AACSB: Reflective Thinking

1. Design can shift consumer perceptions to make brand experiences more rewarding.

Answer: True Page: 325 Difficulty: Medium

1. If the physical product cannot be easily differentiated, the key to competitive advantage lies in the pricing of the related “services” provided by the manufacturer.

Answer: False Page: 326 Difficulty: Hard AACSB: Reflective Thinking

1. *Customer training* and *customer consulting* are two areas for service differentiation that manufacturers can use with their products.

Answer: True Page: 326 Difficulty: Medium AACSB: Analytic Skills

1. The cost of processing a return can be significantly greater than that of an outbound shipment.

Answer: True Page: 327 Difficulty: Hard AACSB: Analytic Skills

1. The *product hierarchy* stretches from basic needs to particular items that satisfy those needs.

Answer: True Page: 328 Difficulty: Medium AACSB: Reflective Thinking

1. A *product system* is a group of diverse but related items that function in a compatible manner and includes the *product mix* and *product assortment.*

Answer: False Page: 328 Difficulty: Medium AACSB: Analytic Skills

1. The four product mix dimensions (*length, width, depth, consistency*) permit the company to expand its business.

Answer: True Page: 329 Difficulty: Medium AACSB: Analytic Skills

1. Factors that influence product line length do NOT include company objectives or management aspirations.

Answer: False Page: 331 Difficulty: Hard AACSB: Reflective Thinking

1. Every company’s product line covers a certain part of the total possible range of products and consumer levels.

Answer: True Page: 331 Difficulty: Hard

1. Companies in the “middle market” should never attempt to stretch their line in both directions.

Answer: False Page: 333 Difficulty: Medium AACSB: Reflective Thinking

1. *Line filling*, if overdone, may result in self cannibalization and increased customer loyalty.

Answer: False Page: 334 Difficulty: Medium AACSB: Analytic Skills

1. In the rapidly changing market of today’s world, product lines must be continuously updated or modernized.

Answer: True Page: 334 Difficulty: Medium AACSB: Reflective Thinking

1. Price setting logic must be modified when the product is part of a product mix.

Answer: True Page: 335 Difficulty: Easy AACSB: Reflective Thinking

1. Companies normally develop product lines rather than a single product and introduce price steps such as a “low ,” “average ,” and “high ” priced computer system.

Answer: True Page: 335 Difficulty: Medium

1. Manufacturers of systems such as razors and ink jet printers use a system of pricing called *“two part pricing”*—one price for the disposable products and another for the “hardware.”

Answer: False Page: 336 Difficulty: Hard

1. A pricing system in which there is a “fixed” fee and then a variable “usage” fee is called *bundling.*

Answer: False Page: 336 Difficulty: Hard AACSB: Analytic Skills

1. *Pure bundling* occurs when a firm offers goods both individually and in bundles.

Answer: False Page: 336 Difficulty: Medium AACSB: Analytic Skills

1. *Co branding* is when two or more well known existing brands are combined into a joint product and/or marketed together in some fashion.

Answer: True Page: 337 Difficulty: Medium AACSB: Analytic Skills

1. *Ingredient branding* can take on a form called *“self branding”* in which the company advertises its own branded ingredients.

Answer: True Page: 338 Difficulty: Medium AACSB: Analytic Skills

1. *Packaging* is all the activities of designing and producing the container for a product.

Answer: True Page: 339 Difficulty: Easy AACSB: Analytic Skills

1. *Labels* can identify the product and must contain legal statements that under various Federal laws cannot be misleading, false, or deceptive.

Answer: True Page: 341 Difficulty: Medium AACSB: Reflective Thinking

1. *Warranties* are formal statements of expected product performance by the manufacturer.

Answer: True Page: 341 Difficulty: Easy AACSB: Analytic Skills

1. *A guarantee’s* greatest contribution to a product’s success is that it decreases the buyer’s perceived risk in the purchase of the product.

Answer: True Page: 342 Difficulty: Hard AACSB: Reflective Thinking

1. *Guarantees* are most effective when the product is well known and/or similar in performance to other brands in the market.

Answer: False Page: 342 Difficulty: Hard AACSB: Reflective Thinking

**Essay**

1. In planning its market offering, the marketer must address the five product levels of the customer value hierarchy. Describe the “customer value hierarchy” and identify the five levels of product contained within.

**Suggested Answer:** Each layer adds more customer value, and the five levels are: (1) the core benefit—the service or benefit the customer is really buying; (2) the basic product—the actual product that provides the core benefit; (3) expected product—a set of attributes and conditions buyers normally expect when they purchase the product; (4) the augmented product—the marketer exceeds customer expectations; and (5) the potential product—which encompasses all the possible augmentations and transformations the product or offering might undergo in the future. These five elements constitute the buyers’ consumption system.

Page: 318 Difficulty: Easy AACSB: Analytic Skills

1. The vast array of products that consumers buy can be classified on the basis of shopping habits and are broken down into four main areas. List these four main classifications of consumer goods and explain what elements are included within.

**Suggested Answer:** The four main areas are: (1) Convenience goods are bought frequently, immediately, and with a minimum of effort; (2) shopping goods are goods that the consumer characteristically compares on such bases as suitability, quality, price, and style; (3) specialty goods have unique characteristics or brand identification for which a sufficient number of buyers are willing to make a special purchasing effort; and (4) unsought goods are those goods that the consumer does not know about or does not normally think of buying.

Page: 320 Difficulty: Medium AACSB: Analytic Skills

1. Industrial goods can be classified in terms of how they enter the production process and their relative costliness. Identify the three groups of industrial goods.

**Suggested Answer:** The three groups of industrial goods include: (1) Materials and parts are goods that enter the manufacturer’s product completely. Raw materials (farm and natural products) and manufactured materials and parts (component materials and component parts) compose this group; (2)Capital items are long lasting goods that facilitate developing or managing the finished product, such as machinery (installations and equipment); and (3) Supplies and business services are short term goods and services that facilitate developing or managing the finished product; maintenance and repair and operating supplies are included here. Business supplies include advisory services and other “services” necessary for the ongoing operation of the business.

Pages: 320–321 Difficulty: Hard

1. When differentiated, products can then be branded. List the possible ways that physical products can be differentiated.

**Suggested Answer:** Products can be differentiated according to form, features, customization, performance quality, conformance quality, durability, reliability, reparability, and style.

Pages: 321–323 Difficulty: Easy AACSB: Reflective Thinking

1. When a physical product cannot easily be differentiated, the key to competitive success may lie in adding valued services and improving quality. Identify and discuss the six main service differentiators.

**Suggested Answer:** The six main service differentiators are (1) ordering ease, (2) delivery, (3) installation, (4) customer training, (5) customer consulting, and (6) maintenance and repair.

Pages: 326–327 Difficulty: Medium AACSB: Analytic Skills

1. Explain the concepts of product line width, length, depth, and consistency.

**Suggested Answer:** The width of a product mix refers to how many different product lines the company carries. The length of a product mix refers to the total number of items in the mix. The depth of a product mix refers to how many variants are offered of each product in the line and is determined by dividing the total number of items by the number of lines. The consistency of the product mix refers to how closely related the various product lines are in end use, production requirements, distribution channels, or some other way.

Page: 329 Difficulty: Hard AACSB: Analytic Skills

1. Explain the concept of line stretching and the three uses for it.

**Suggested Answer:** Line stretching occurs when a company lengthens its product line beyond its current range. It includes down market stretch (introduce a lower priced line), up market stretch (introduce an upscale line), or two way stretch (introduce both an upscale line and a down scale line).

Pages: 331–333 Difficulty: Hard AACSB: Analytic Skills

1. Product mix pricing can involve a number of pricing strategies for the brand manager. List each of these strategies and briefly define each.

**Suggested Answer:** There are six situations involving product mix pricing: (1) product line pricing—low , medium , and high priced products within the same line, such as different priced ties; (2) optional feature pricing —charging for “extra” features, such as leather seats in a car; (3) captive product pricing—when the “user” has no choice but to use the high priced “disposable” products that make the entire product work (for example, ink cartridges for printers); (4) two part pricing—consisting of a fixed fee and a variable usage fee (cell phone usage); (5) by product pricing—the price of the by products of goods being used for other purposes (oil refining for example); and (6) product bundling pricing—pure bundling when the firm offers its products only as a bundle, or mixed bundling when the firm offers its products as a “bundle” and/or individually.

Pages: 335–337 Difficulty: Hard

1. Various factors have contributed to the increased importance of packaging as a marketing tool. List and briefly describe these events.

**Suggested Answer**: Self service—an increasing number of products are being sold without any personal interaction, on a self service basis. Consumer affluence —rising consumer affluence means consumers are willing to pay a little more for convenience, appearance, dependability, and prestige of better packages. Company and brand image—packages contribute to instant recognition of the company or brand. Innovation opportunity—innovative packaging can bring large benefits to consumers and profits to producers.

Page: 339 Difficulty: Hard AACSB: Reflective Thinking

1. Sellers must label their products. Labels serve many purposes beyond just “naming” the product. List the additional services provided by a product’s label.

**Suggested Answer:** A label *identifies* the product; a label might also *grade* the product; a label might *describe* the product; and the label might *promote* the product. A label may contain information required by law.

Page: 340 Difficulty: Medium AACSB: Reflective Thinking

**APPLICATION QUESTIONS**

**Multiple Choice**

1. Marketers must see themselves as benefit providers. For example, when a shopper purchases new shoes, he/she expects the shoes to cover his/her feet and allow them to walk unobstructed. This is an example of what level in the consumer value hierarchy?
   1. Pure tangible good
   2. Basic product
   3. Augmented product
   4. Potential product
   5. Consumption system

Answer: b Page: 318 Difficulty: Easy AACSB: Analytic Skills

1. How a consumer shops for organic foods and how they use and dispose of the product is part of the consumers’ \_\_\_\_\_\_\_\_\_ that is important for marketers to consider.
   1. basic product system.
   2. customer value system
   3. potential system
   4. consumption system
   5. none of the above

Answer: d Page: 319 Difficulty: Medium

1. The sellers of \_\_\_\_\_\_\_\_ goods carry a wide assortment to satisfy individual tastes and must have well trained salespeople to inform and advise customers. Examples include automobile dealers, furniture stores, and insurance services.
   1. unsought shopping goods
   2. specialty shopping goods
   3. homogeneous shopping goods
   4. heterogeneous shopping goods
   5. none of the above

Answer: d Page: 320 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ are major purchases and are usually bought directly from the producer with the typical sale preceded by long negotiation periods.
   1. Raw materials
   2. Materials and parts
   3. Business services
   4. Capital goods
   5. Installations

Answer: e Page: 321 Difficulty: Medium AACSB: Analytic Skills

1. Most products are established at one of four performance levels: low, average, high, or superior. For example, mountain bikes come in a variety of sizes and physical attributes. When a consumer purchases a mountain bike costing $1,000, she/he expects the bike to perform to specifications and to have a high \_\_\_\_\_\_\_\_\_ meeting the promised specifications.
   1. features
   2. durability
   3. conformance quality
   4. performance quality
   5. reliability

Answer: d Page: 322 Difficulty: Medium AACSB: Reflective Thinking

1. If the Porsche 911 is designed to accelerate to 60 miles per hour within 10 seconds, and every Porsche 911 coming off the assembly line does this, the model is said to have high \_\_\_\_\_\_\_\_.
   1. reliability
   2. conformance quality
   3. durability
   4. repairability
   5. style

Answer: b Page: 323 Difficulty: Medium AACSB: Analytic Skills

1. Realizing that although household products is a huge category, taking up an entire supermarket aisle or more, it is an incredibly boring one, the founders of Method Products designed a sleek, uncluttered dish soap container that also carried functional advantages. Method is competing in the crowded market for household products on the basis of superior \_\_\_\_\_\_\_\_.
   1. design
   2. durability
   3. conformance
   4. reliability
   5. performance quality

Answer: a Page: 325 Difficulty: Medium AACSB: Reflective Thinking

1. When Baxter Medical supplied their hospitals with computer terminals directly linked to Baxter’s ordering system, this was an example of a company differentiating itself versus competition in terms of \_\_\_\_\_\_\_\_.
   1. customer relationships
   2. customer training
   3. installation
   4. delivery ease
   5. ordering ease

Answer: e Page: 326 Difficulty: Hard AACSB: Reflective Thinking

1. Using the \_\_\_\_\_\_\_\_ level of the product hierarchy to market its soups, Campbell Soups feature the company name first, then the soup variety on their packaging.
   1. item
   2. product type
   3. need family
   4. product family
   5. product line

Answer: e Page: 328 Difficulty: Hard

1. A consumer products firm manufacturers and sells over 200 different sizes and varieties of jams and jellies. We can say that this manufacturer’s product mix has high \_\_\_\_\_\_\_\_.
   1. consistency
   2. depth
   3. height
   4. product assortment
   5. width

Answer: b Page: 329 Difficulty: Medium AACSB: Reflective Thinking

1. Happy Home Products produces detergents, toothpaste, bar soap, disposable diapers, and paper products. This company has a product \_\_\_\_\_\_\_\_ of five lines.
   1. depth
   2. length
   3. consistency
   4. height
   5. width

Answer: e Page: 329 Difficulty: Medium AACSB: Analytic Skills

1. When Jack bought his new laptop, he also bought a laptop bag and a spare power cord through the same retailer. These items are considered to be \_\_\_\_\_\_\_\_.
   1. core products
   2. staples
   3. convenience items
   4. specialties
   5. emergency items

Answer: c Page: 330 Difficulty: Medium AACSB: Analytic Skills

1. A manufacturer of hiking boots looks at data that indicate that their subsegment of the market called “serious hiker” is declining and is predicted to decline into the future. The firm decides to enter the “low price” segment with its new items. This is an example of a firm’s \_\_\_\_\_\_\_\_ to reach a new market.
   1. down market stretch
   2. up market stretch
   3. two way stretch
   4. marketing research
   5. capitalizing

Answer: a Page: 331 Difficulty: Medium AACSB: Reflective Thinking

1. Marriott Corporation now contains hotels and motels from the “budget” end of the consumer spectrum to the “premium” end with their JD Marriott flagship locations. This is an example of a firm that successfully performed a \_\_\_\_\_\_\_\_ to reach more consumers and ventures that are more profitable.
   1. marketing diversification
   2. two way stretch
   3. up market stretch
   4. down market stretch
   5. cross stretch

Answer: b Page: 333 Difficulty: Medium AACSB: Analytic Skills

1. When shopping for tires for your automobile, you notice that the manufacturer you have selected has tires for your car priced low, average, and high, based upon performance and features. This is an example of what type of product mix pricing?
   1. Captive price pricing
   2. Product line pricing
   3. By product pricing
   4. Two part pricing
   5. Optional feature pricing

Answer: b Page: 335 Difficulty: Medium AACSB: Reflective Thinking

1. Purchasers of theatre tickets receive a 20% discount if they purchase and pay for the full season at one time. This is an example of what type of product mix pricing?
   1. Mixed bundling
   2. Pure bundling
   3. Cross promotion
   4. Captive pricing
   5. None of the above

Answer: a Page: 336 Difficulty: Medium AACSB: Analytic Skills

1. McDonald’s restaurants inside Super Wal Marts and Starbucks inside Super Targets are examples of \_\_\_\_\_\_\_\_, whose main advantages are that the products can or may be convincingly positioned by virtue of the associated brands.
   1. cooperative marketing
   2. co branding
   3. retail co branding
   4. ingredient branding
   5. none of the above

Answer: c Page: 337 Difficulty: Medium AACSB: Reflective Thinking

1. Betty Crocker cake mixes using Hershey syrup in its cake mixes and “Lunchables” lunch combinations with Taco Bell tacos are examples of what special type of branding?
   1. Mixed branding
   2. Ingredient co branding
   3. Co branding
   4. Self branding
   5. None of the above

Answer: b Pages: 337–338 Difficulty: Medium AACSB: Analytic Skills

1. Sales of luxury goods such as perfumes, colognes, and aftershaves depend heavily upon their initial response by the consumer. A well designed package can create convenience and promotional value. It has been called the “silent salesman.” Which of the three levels of packaging is this “silent salesman”?
   1. Retailer
   2. Consumer
   3. Shipping
   4. Secondary
   5. Primary

Answer: e Page: 339 Difficulty: Medium AACSB: Reflective Thinking

1. A new product is advertised on the “infomercials” as being “the best cleaner money can buy” and “if not completely satisfied, return the product for a full refund, including shipping.” The strategy of using a strong guarantee in this instance is sound because \_\_\_\_\_\_\_\_.
   1. it is an example of a misleading or false advertising and is illegal
   2. the product is so superior to competition that there will be no claims for refunds
   3. it is just “advertising fluff” and the manufacturer has no intentions of refunding money
   4. for a product that is not too well known, it is “good advertising” because the claims will be a small percentage of sales
   5. for a product that is not too well known it reduces the buyer’s risk in purchasing

Answer: e Page: 342 Difficulty: Medium AACSB: Reflective Thinking

**Short Answer**

1. A manufacturer is contemplating introducing a product that is inferior to its competition in its performance, design, and functionality. However, the manufacturer believes that “good brand marketing” can overcome these shortfalls. Why is this thinking incorrect?

**Suggested Answer:** At the heart of a great brand is a great product, the product is a key element in the market offering. Customers will judge the product (offering) on three basic elements: product features and quality; services mix and quality, and price. Not having a competitive product cannot be overcome by marketing.

Pages: 317–318 Difficulty: Hard AACSB: Reflective Thinking

1. Studying how consumers shop, how they use a particular product or service, and how they dispose of the product when consumed is important for marketers. This information forms the basis of product strategy. First, define the consumption system and second, identify the two upcoming product strategies that are affected by this knowledge.

**Suggested Answer:** This is called the user’s total consumption system, defined as the way the user performs the tasks of getting and using products and related services. This is important because it will contain information useful in the product augmentation strategy and the potential product strategy.

Page: 319 Difficulty: Hard

1. You know that marketers have traditionally classified products based on characteristics of durability, tangibility, and use. You also know that each product type has an appropriate marketing mix strategy attached. In analyzing your company’s products, you decide to list each of these products and the appropriate marketing mix strategy to understand where your products “fit.” List these products and their appropriate marketing mix strategies.

**Suggested Answer:** (1) Nondurable goods—the appropriate strategy is to make them available in many locations, charge only a small markup, and advertise heavily to induce trial and build preference. (2) Durable goods—tangible goods that normally survive many uses. Durable products normally require more personal selling and service, command a higher margin, and require more seller guarantees. (3) Services—intangible, inseparable, variable, and perishable products. They require more quality control, supplier credibility, and adaptability.

Pages: 319–320 Difficulty: Hard AACSB: Reflective Thinking

1. Convenience goods, products purchased without much thought, can be classified as impulse goods and emergency goods, and this constitutes one of the four classifications of goods based on shopping habits. The purchase of a Mercedes automobile, life insurance, homogeneous shopping goods, and heterogeneous shopping goods are examples of the other classifications. Identify these “goods” classifications or segments.

**Suggested Answer:** The vast array of goods purchased by consumers can be classified as convenience goods, shopping goods (homogeneous and heterogeneous), specialty goods, and unsought goods.

Page: 320 Difficulty: Easy

1. Industrial goods classifications based on terms of how the products enter the production process and their relative costs include such segments as materials and parts and capital items. Window cleaning services, consumable office supplies, personal computers, desks, paint, nails, and buckets are included in the classifications of industrial goods. List the other “classifications” including subclassifications for industrial goods.

**Suggested Answer:** Industrial goods classifications include material and parts, farm products, natural products, manufactured materials and parts, and component parts. Capital goods include installations and equipment. Supplies and business services include maintenance and repair items, operating supplies, and business advisory services.

Pages: 320–321 Difficulty: Hard AACSB: Analytic Skills

1. In your position as a marketing manager for a small industrial company, you have been asked by the president to help differentiate the company’s product from its competitors. In reviewing your marketing management notes, you note that the text stated that physical products could be differentiated in nine ways. These nine areas comprise the “meat” of the memo you are writing to the president of your firm. What are the nine ways that physical products can be differentiated?

**Suggested Answer:** The nine ways that physical products can be differentiated are form, features, customization, performance quality, conformance quality, durability, reliability, reparability, and style.

Pages: 321–323 Difficulty: Medium AACSB: Analytic Skills

1. You know that your small firm cannot compete with the “big boys” in terms of price and promotion. Instead, you have decided to “outdesign” them. What is necessary for this strategy of “outdesigning them” to succeed?

**Suggested Answer:** Design offers a potent way to differentiate and position a company’s products and services. Design is the factor that will often give a company its competitive edge. Design is the totality of features that affect how a

product looks and functions in terms of customer requirements. The designer must figure out how much to invest in form, feature development, performance, conformance, durability, reliability, reparability, and style. To the company, a well designed product is one that is easy to manufacture and distribute. To the consumer, a well designed product is one that is pleasant to look at and easy to open, install, use, repair, and dispose of.

Page: 325 Difficulty: Medium AACSB: Reflective Thinking

1. As the marketing manager for a product often referred to as a “commodity,” you know that incremental sales and profits lies not in physical differentiation but in “service” differentiation. As you compose a memo to your boss regarding the concept of “service” differentiation, you note the six areas where service differentiation can make a difference. List these six areas for service differentiation.

**Suggested Answer:** The main service differentiators are: ordering ease, delivery, installation, customer training, customer consulting, and maintenance and repair.

Pages: 326–327 Difficulty: Easy AACSB: Analytic Skills

1. You have been asked to create a product system for your company’s personal digital assistant. Before starting, you must define the term “product system” to the engineers to enable them to start design and production of the aligned items. Define the concept of a “product system.”

**Suggested Answer:** A product system is a group of diverse but related items that function in a compatible manner.

Page: 328 Difficulty: Easy

1. You have been asked to prepare a product line analysis for your company’s stable of products. Why is it important for product line mangers to do a product line analysis?

**Suggested Answer:** Product line managers need to know the sales and profits of each item in their line in order to determine which items to build, maintain, harvest, or divest. They also need to understand each product line’s market profile.

Page: 329 Difficulty: Medium AACSB: Analytic Skills

1. How do the four product mix dimensions (width, length, depth, and consistency) affect a firm’s product and corporate strategies?

**Suggested Answer:** These four product mix dimensions permit the company to expand its business in four different ways. First, it can add new product lines, thus widening its product mix. Second, it can lengthen each product line. It can add more product variants to each product line and deepen its product mix. Finally, a company can pursue more product line consistency.

Page: 329 Difficulty: Medium AACSB: Reflective Thinking

1. As the newest member of the marketing department, your immediate boss asks you to comment on the company’s proposal to add two new shoes to the company’s middle of the road pricing and product line strategies. The first pair will retail for $ 40.00 and has as its target market the “bargain” shopper. The second pair will retail for $ 200.00 and is targeted at the “sophisticated shopper.” In relation to product line strategy, what is the company trying to accomplish with these two new items?

**Suggested Answer:** This is an example of the company trying a “two way stretch”—introducing products at both ends of the consumer market simultaneously.

Page: 333 Difficulty: Medium AACSB: Analytic Skills

1. During a meeting, you were asked by the vice president of marketing, to comment on the company’s pricing strategy for its products. Recalling your marketing management course in college, your comments define the six situations involving product mix pricing. List these six product mix pricing strategies.

**Suggested Answer:** Product mix pricing includes product line pricing, optional feature pricing, captive product pricing, two part pricing, by product pricing, and product bundling pricing.

Pages: 335–336 Difficulty: Medium

1. Your firm is contemplating a bundling strategy for its line of products. In a memo to your boss, you outline the three guidelines for correctly implementing a building strategy.

**Suggested Answer:** Do not promote individual products in a package as frequently and cheaply as the bundle. Second, limit promotions to a single item in the mix if you still want to promote individual products. Third, if you decide to offer large rebates on individual products, it must be the absolute exception and done with discretion.

Page: 337 Difficulty: Hard AACSB: Analytic Skills

1. As the marketing manager for your firm, you have been approached by your key component manufacturer suggesting that your two firms “ingredient brand” a new item. What are some of the requirements for succeeding in ingredient branding?

**Suggested Answer:** First, the consumer must perceive that the ingredient matters to the performance and success of the product. Secondly, consumers must be convinced that not all ingredient brands are the same and that the ingredient is superior. Third, a distinctive symbol or logo must clearly signal to consumers that the host product contains the ingredient. Fourth, a coordinated “pull” and “push” program must help consumers understand the importance and advantages of the branded ingredient.

Page: 339 Difficulty: Hard AACSB: Reflective Thinking

1. Your research shows that over 53% of all purchases are made on impulse. As you sit down with your packaging design team, you tell them that the package must communicate many of the sales tasks. List the sales tasks that packaging must now incorporate due to the increase in self service sales.

**Suggested Answer:** These tasks are: attract attention, describe the product’s features, create consumer confidence, and make a favorable overall impression.

Page: 339 Difficulty: Medium AACSB: Analytic Skills

1. In discussions with the packaging design team, you note that they do not have a firm design objective for the final package. In an internal memo to your boss, you outline the objectives (both company and consumer orientated) that you wish to see implemented by the design team. List these objectives.

**Suggested Answer:** The objectives of packaging are to identify of the brand; convey descriptive and persuasive information; facilitate product transportation and protection; assist at home storage; and aid product consumption.

Pages: 339–340 Difficulty: Hard AACSB: Analytic Skills

1. In discussions with the packaging design team, it seems that they are unclear as to what should be included on the final product (consumer package) packaging. You list these objectives in a memo. List these objectives here.

**Suggested Answer:** Labels must first *identify* the product or brand; the label might also *grade* the product. The label should *describe* the product and *promote* the product; and finally the label must contain all required government information.

Pages: 340–341 Difficulty: Medium

1. Your service firm is contemplating adding a “guarantee” component. Members of senior management are unclear as to the marketing advantages of a guarantee. How would you convince members of senior management that a guarantee can provide a marketing advantage?

**Suggested Answer:** Guarantees reduce the buyer’s perceived risk. They suggest that the service/product is of high quality and that the company and its service performance are dependable.

Page: 342 Difficulty: Easy AACSB: Reflective Thinking

1. As you contemplate the introduction of your company’s newest services, you think that the offering of a service guarantee would be a “marketing coup” and completely surprise your competition. You remember that your marketing management text stated that guarantees are most effective in two situations. What are these two situations?

**Suggested Answer:** Guarantees are most effective when either the company or the product is not well known, so a “money back” guarantee in that case would reduce the buyer’s perceived risk and provide them with confidence in purchasing the product. The second area is when the product/service is superior to competition in quality and performance.

Page: 342 Difficulty: Medium AACSB: Analytic Skills

Chapter 13: Designing and Managing Services

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. Service industries are everywhere. They include the government sector, private nonprofit sector, business sector, manufacturing sector, and the \_\_\_\_\_\_\_\_.
   1. insurance salespeople
   2. seasonal workers
   3. temporary workers
   4. retail sector
   5. none of the above

Answer: d Page: 346 Difficulty: Easy AACSB: Analytic Skills

1. Manufacturers, distributors, and retailers can provide \_\_\_\_\_\_\_\_ services, or simply excellent customer service, to differentiate themselves.
   1. financial
   2. value added
   3. sales
   4. marketing
   5. distribution

Answer: b Page: 346 Difficulty: Easy AACSB: Reflective Thinking

1. There are five categories of offerings for a service. It can be either a minor or a major component of the company’s offerings. Which of the following is NOT one of these five categories?
   1. Pure tangible good
   2. Tangible good with accompanying services
   3. Hybrid
   4. Major service with accompanying minor goods and services
   5. Major service with accompanying major goods

Answer: e Pages: 347–348 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following would be an example of a hybrid service?
   1. University
   2. Professor
   3. Restaurant
   4. Soap manufacturer
   5. Airline

Answer: c Page: 347 Difficulty: Medium AACSB: Reflective Thinking

1. Which of the following would be an example of a pure service?
   1. Insurance
   2. Airlines
   3. Car dealer
   4. Copier company
   5. None of the above

Answer: a Page: 348 Difficulty: Medium AACSB: Reflective Thinking

1. Services vary as to whether they are equipment based or \_\_\_\_\_\_\_\_.
   1. service based
   2. people based
   3. process based
   4. historical based
   5. none of the above

Answer: b Page: 348 Difficulty: Hard AACSB: Analytic Skills

1. Some services require that the client be present to conduct the service. An example of such a service is a \_\_\_\_\_\_\_\_.
   1. vending machine
   2. fast food meal
   3. medical operation
   4. car repair
   5. tax service

Answer: c Page: 348 Difficulty: Easy

1. Services differ as to whether they meet a personal need or a \_\_\_\_\_\_\_\_.
   1. quality need
   2. production need
   3. business need
   4. functional need
   5. customer need

Answer: c Page: 348 Difficulty: Hard AACSB: Reflective Thinking

1. Services high in \_\_\_\_\_\_\_\_qualities are those services that have characteristics the buyer normally finds hard to evaluate even after consumption.
   1. equipment
   2. search
   3. experience
   4. personal attention
   5. credence

Answer: e Page: 348 Difficulty: Medium AACSB: Analytic Skills

1. Services have four distinctive characteristics that greatly affect the design of marketing programs. Which of the following is NOT one of these characteristics?
   1. Intangibility
   2. Communicability
   3. Variability
   4. Perishability
   5. None of the above

Answer: b Page: 349 Difficulty: Medium AACSB: Analytic Skills

1. Services cannot be seen, tasted, felt, or heard before they are bought. To reduce uncertainty, buyers will look for evidence of quality. They will draw inference about quality from place, people, and price they see. Therefore, the service provider’s task is to “\_\_\_\_\_\_\_\_.”
   1. communicate value
   2. manage the evidence
   3. go full speed ahead
   4. provide high touch, high price
   5. none of the above

Answer: b Page: 349 Difficulty: Hard AACSB: Reflective Thinking

1. Service companies can try to demonstrate their service quality through physical evidence and \_\_\_\_\_\_\_\_.
   1. predatory pricing
   2. people
   3. pricing
   4. profits
   5. presentation

Answer: e Page: 349 Difficulty: Medium

1. Unlike physical goods, services are produced and \_\_\_\_\_\_\_\_ simultaneously.
   1. launched
   2. consumed
   3. created
   4. maximized
   5. none of the above

Answer: b Page: 350 Difficulty: Easy AACSB: Analytic Skills

1. One of the special features of services marketing is the provider–client interaction. This is defined as when the client is also \_\_\_\_\_\_\_\_ as the service is produced.
   1. prominent
   2. productive
   3. producing
   4. present
   5. paying

Answer: d Page: 350 Difficulty: Hard AACSB: Analytic Skills

1. Services depend on who provides them and when and where they are provided. They are highly \_\_\_\_\_\_\_\_.
   1. suspect
   2. variable
   3. consistent
   4. substandard
   5. none of the above

Answer: b Page: 350 Difficulty: Easy AACSB: Reflective Thinking

1. Better trained personnel exhibit several characteristics such as \_\_\_\_\_\_\_\_, which means they perform the service consistently and accurately.
   1. reliability
   2. courtesy
   3. credibility
   4. competence
   5. responsiveness

Answer: a Page: 350 Difficulty: Easy

1. Better trained personnel exhibit several characteristics such as \_\_\_\_\_\_\_\_, which means they respond quickly to customers’ requests and problems.
   1. reliability
   2. courtesy
   3. credibility
   4. competence
   5. responsiveness

Answer: e Page: 350 Difficulty: Easy AACSB: Analytic Skills

1. There are three steps service firms can take to increase quality control. Which of the following is NOT one of these steps?
   1. Reduce customer contact points
   2. Monitor customer satisfaction
   3. Standardize the service performance process
   4. Invest in good training procedures
   5. Invest in good hiring procedures

Answer: a Pages: 350–351 Difficulty: Hard

1. A \_\_\_\_\_\_\_\_ is a tool that allows service providers to simultaneously map out the service process, the points of customer contact, and the evidence of service from the customer’s point of view.
   1. service guarantee
   2. service blueprint
   3. communication material
   4. credence quality
   5. tangible good

Answer: b Page: 351 Difficulty: Medium AACSB: Analytic Skills

1. Services cannot be stored. This concept is unique to service marketers and is called \_\_\_\_\_\_\_\_.
   1. standardization
   2. heterogeneity
   3. perishability
   4. intangibility
   5. none of the above

Answer: c Page: 351 Difficulty: Easy AACSB: Analytic Skills

1. To match demand and supply, service marketers can utilize a number of strategies on the demand side. Which of the following is NOT one of these strategies?
   1. Provide complementary services to waiting customers
   2. Cultivate nonpeak demand
   3. Differential pricing
   4. Share services
   5. Manage demand levels through a reservation system

Answer: d Page: 352 Difficulty: Hard AACSB: Reflective Thinking

1. To match supply and demand on the supply side, marketers can employ a number of strategies. Which of the following is NOT one of these strategies?
   1. Maximize peak time efficiency
   2. Employ a reservation system
   3. Increase consumer participation
   4. Utilize part time employees
   5. Share services

Answer: b Page: 352 Difficulty: Easy AACSB: Reflective Thinking

1. According to Berry, Parasuraman, and Zeithaml, \_\_\_\_\_\_\_\_ is the single most important dimension of service quality.
   1. listening
   2. fair play
   3. reliability
   4. service design
   5. recovery

Answer: c Page: 353 Difficulty: Hard AACSB: Analytic Skills

1. Firms have decided to raise fees and lower service to those customers who barely pay their way and to coddle big spenders to retain their patronage as long as possible, an example of organizing customers by \_\_\_\_\_\_\_\_.
   1. purchase frequency
   2. profit tiers
   3. psychographic characteristics
   4. social influence
   5. none of the above

Answer: b Page: 353 Difficulty: Medium AACSB: Analytic Skills

1. There are shifts that favor the customer in the client relationship. Customers are now becoming more sophisticated about buying product support services and are pressing for \_\_\_\_\_\_\_\_.
   1. selective pricing
   2. institutional pricing/services
   3. substitute services
   4. promotional pricing
   5. services unbundling

Answer: e Page: 354 Difficulty: Hard AACSB: Reflective Thinking

1. Holistic marketing for services requires external, \_\_\_\_\_\_\_\_, and internal marketing.
   1. exceptional
   2. incremental
   3. consistent
   4. interactive
   5. influential

Answer: d Page: 356 Difficulty: Hard AACSB: Analytic Skills

1. In the context of holistic marketing, \_\_\_\_\_\_\_\_ describes the normal work of preparing, pricing, distributing, and promoting the service to customers.
   1. internal marketing
   2. correlated marketing
   3. external marketing
   4. integrated marketing
   5. universal marketing

Answer: c Page: 356 Difficulty: Easy AACSB: Analytic Skills

1. Factors that lead to customer switching behavior include all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. problem solving
   2. pricing
   3. inconvenience
   4. ethical problems
   5. none of the above

Answer: a Page: 357 Difficulty: Hard AACSB: Reflective Thinking

1. Clients judge the service outcome not only by its \_\_\_\_\_\_\_\_ but also by its functional quality.
   1. length of time
   2. price
   3. attributes
   4. completeness
   5. technical quality

Answer: e Page: 358 Difficulty: Easy

1. \_\_\_\_\_\_\_\_ describes the employees’ skill in serving the client.
   1. Interactive marketing
   2. Internal marketing
   3. Client marketing
   4. Fixed marketing
   5. Technical marketing

Answer: a Page: 358 Difficulty: Easy AACSB: Analytic Skills

1. According to the service quality model, the first “gap” is the one between \_\_\_\_\_\_\_\_.
   1. perceived service and expected service
   2. service delivery and external communications
   3. service quality specifications and service delivery
   4. management perception and service quality specification
   5. consumer expectation and management perception

Answer: e Page: 359 Difficulty: Hard AACSB: Analytic Skills

1. According to the service quality model, the second “gap” is the one between \_\_\_\_\_\_\_\_.
   1. perceived service and expected service
   2. service delivery and external communications
   3. service quality specifications and service delivery
   4. management perception and service quality specification
   5. consumer expectation and management perception

Answer: e Page: 359 Difficulty: Hard

1. According to the service quality model, the third “gap” in their service quality model is the gap between \_\_\_\_\_\_\_\_.
   1. perceived service and expected service
   2. service delivery and external communications
   3. service quality specifications and service delivery
   4. management perception and service quality specification
   5. consumer expectation and management perception

Answer: c Page: 360 Difficulty: Hard AACSB: Analytic Skills

1. According to the service quality model, the fourth “gap” is the one between \_\_\_\_\_\_\_\_.
   1. perceived service and expected service
   2. service delivery and external communications
   3. service quality specifications and service delivery
   4. management perception and service quality specification
   5. consumer expectation and management perception

Answer: b Page: 360 Difficulty: Hard AACSB: Analytic Skills

1. According to the service quality model, the fifth “gap” is the one between \_\_\_\_\_\_\_\_.
   1. perceived service and expected service
   2. service delivery and external communications
   3. service quality specifications and service delivery
   4. management perception and service quality specification
   5. consumer expectation and management perception

Answer: a Page: 360 Difficulty: Hard

1. The five determinants of service quality include all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. empathy
   2. assurance
   3. responsiveness
   4. reliability
   5. reputation

Answer: e Page: 360 Difficulty: Medium AACSB: Analytic Skills

1. There is a(n) \_\_\_\_\_\_\_\_ where consumer perceptions on a service dimension would be deemed satisfactory, anchored by the minimum level consumers would be willing to accept and the level that customers believe can and should be delivered.
   1. empathy
   2. zone of tolerance
   3. zone of forgiveness
   4. perceived forgiveness
   5. value definition

Answer: b Page: 360 Difficulty: Medium AACSB: Analytic Skills

1. Top service companies are “customer obsessed.” They have a clear sense of their target customers and their needs. Their management looks not only at financial performance on a monthly basis, but also at \_\_\_\_\_\_\_\_.
   1. service performance
   2. tangible rewards
   3. consumer complaints
   4. marketing activities
   5. none of the above

Answer: a Page: 363 Difficulty: Medium AACSB: Reflective Thinking

1. A service company can differentiate itself on three levels. The first is reliability, the second is resilience, and the third is \_\_\_\_\_\_\_\_.
   1. assuredness
   2. employees
   3. innovativeness
   4. teamwork
   5. none of the above

Answer: c Page: 363 Difficulty: Hard AACSB: Analytic Skills

1. Not all SSTs improve service quality, but they have the potential of making service transactions more accurate, \_\_\_\_\_\_\_\_, and faster.
   1. convenient
   2. discounted
   3. inconvenient
   4. popular
   5. none of the above

Answer: a Page: 363 Difficulty: Easy AACSB: Analytic Skills

1. When initiating self service technologies, some companies have found that the biggest obstacle is not the technology itself, but \_\_\_\_\_\_\_\_ customers to use it.
   1. enticing
   2. becoming familiar with
   3. adapting
   4. utilizing
   5. convincing

Answer: e Page: 363 Difficulty: Easy AACSB: Reflective Thinking

1. Top firms audit both their own and their competitors’ service performance on a regular basis by collecting \_\_\_\_\_\_\_\_ measurements to probe customer satisfaction.
   1. chat room
   2. voice of the customer
   3. e mail solicitation
   4. consumer activist group
   5. none of the above

Answer: b Page: 365 Difficulty: Easy AACSB: Analytic Skills

1. Services can be judged on customer importance and company performance. \_\_\_\_\_\_\_\_ is used to rate the various elements of the service bundle and identify what actions are required.
   1. SERVQAL
   2. Consumer quality analysis
   3. Importance performance analysis
   4. Key service indices analysis
   5. Reliability service indices analysis

Answer: c Page: 365 Difficulty: Hard AACSB: Analytic Skills

1. Companies that \_\_\_\_\_\_\_\_ disappointed customers to complain—and also empower employees to remedy the situation on the spot—achieve higher revenues and greater profits than companies that lack a systematic approach for addressing service failures.
   1. ignore
   2. frustrate
   3. discourage
   4. encourage
   5. none of the above

Answer: d Pages: 365–366 Difficulty: Easy AACSB: Reflective Thinking

1. Research has shown that customers evaluate complaint incidents in terms of the\_\_\_\_\_\_\_\_.
   1. anger of the customer
   2. personality of the manager
   3. outcomes they receive
   4. monetary rewards
   5. none of the above

Answer: c Page: 366 Difficulty: Medium AACSB: Reflective Thinking

1. Getting front line employees to adopt \_\_\_\_\_\_\_\_ and to advocate the interests and image of the firm to consumers as well as take initiative and engage in conscientious behavior in dealing with customers can be a critical asset.
   1. company policies and procedures
   2. win win philosophy
   3. conflict management courses
   4. training lessons
   5. extra role behaviors

Answer: e Page: 366 Difficulty: Hard AACSB: Reflective Thinking

1. Excellent service companies know that \_\_\_\_\_\_\_\_ employee attitudes will promote stronger customer loyalty.
   1. accommodating
   2. nonthreatening
   3. neutral
   4. negative
   5. positive

Answer: e Page: 366 Difficulty: Medium AACSB: Analytic Skills

1. Service marketers frequently complain about the difficulty of \_\_\_\_\_\_\_\_ their services.
   1. marketing
   2. diffusing
   3. differentiating
   4. developing
   5. designing

Answer: c Page: 367 Difficulty: Medium

1. Service offerings can be differentiated in many ways. The offering can include innovative features. What the customer expects is called the \_\_\_\_\_\_\_\_.
   1. brand package
   2. complete service package
   3. primary service package
   4. bundled package
   5. none of the above

Answer: c Page: 367 Difficulty: Hard AACSB: Analytic Skills

1. To differentiate its service, a provider can add \_\_\_\_\_\_\_\_ to the package of services already provided.
   1. secondary service features
   2. primary service features
   3. value bundling
   4. branding
   5. price bands of like services

Answer: a Page: 367 Difficulty: Medium AACSB: Analytic Skills

1. Sometimes companies achieve differentiation through the sheer range of its service offerings and the success of its \_\_\_\_\_\_\_\_ efforts.
   1. pricing
   2. cross selling
   3. advertising
   4. sales representatives’
   5. none of the above

Answer: b Page: 368 Difficulty: Hard AACSB: Analytic Skills

1. Developing brand strategies for a service requires special attention to choosing brand elements, establishing image dimensions, and \_\_\_\_\_\_\_\_.
   1. developing a marketing niche
   2. developing an advertising campaign
   3. devising a branding strategy
   4. developing differentiation
   5. none of the above

Answer: c Page: 368 Difficulty: Easy

1. Because service decisions and arrangements are often made away from the actual service location, brand \_\_\_\_\_\_\_\_ becomes critical.
   1. design
   2. slogans
   3. image
   4. recall
   5. remind

Answer: d Page: 368 Difficulty: Easy AACSB: Reflective Thinking

1. Because a physical product does not exist, the \_\_\_\_\_\_\_\_ of the service provider are especially important.
   1. characteristics
   2. logos
   3. physical facilities
   4. brand images
   5. colors

Answer: c Page: 369 Difficulty: Easy

1. Service firms can design \_\_\_\_\_\_\_\_ and information programs so that consumers learn more about the brand than the information they get from the service encounter alone.
   1. advertising campaigns
   2. marketing measures
   3. ad agencies
   4. marketing communications
   5. marketing strategy

Answer: d Page: 369 Difficulty: Medium AACSB: Analytic Skills

1. Services must consider developing a brand hierarchy and brand portfolio that permits \_\_\_\_\_\_\_\_ and targeting of different market segments.
   1. differentiation
   2. product placement
   3. positioning
   4. image
   5. none of the above

Answer: c Page: 369 Difficulty: Easy

1. Manufacturers of equipment all must provide product support services. Companies in these industries must define customer needs carefully in designing their service support program. Customers have three specific worries when discussing product support services. These three worries include all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. out of pocket costs
   2. reputation of manufacturer
   3. service dependability
   4. downtime
   5. failure frequency

Answer: b Page: 370 Difficulty: Medium AACSB: Reflective Thinking

1. A buyer may try to estimate the life cycle cost of purchasing a product. Life cycle cost is defined as the \_\_\_\_\_\_\_\_.
   1. product’s purchase cost plus the total cost of maintenance and repair less any salvage value
   2. product’s purchase cost plus discounted cost of maintenance and repair less any salvage value
   3. product’s purchase cost plus discounted cost of maintenance and repair plus any salvage value.
   4. product’s purchase cost plus any salvage value.
   5. product’s purchase cost plus discounted cost of maintenance and repair

Answer: b Page: 370 Difficulty: Hard AACSB: Analytic Skills

1. To provide the best support, a manufacturer must identify the services customers value most and their \_\_\_\_\_\_\_\_ importance.
   1. competitive
   2. popular
   3. absolute
   4. relative
   5. none of the above

Answer: d Page: 371 Difficulty: Easy AACSB: Reflective Thinking

1. Classes of services can be branded vertically on the basis of \_\_\_\_\_\_\_\_.
   1. popularity and price
   2. cost of providing the service
   3. price and quality
   4. price and frequency
   5. target return on investment

Answer: c Page: 369 Difficulty: Easy AACSB: Analytic Skills

**True/False**

1. The Bureau of Labor Statistics reports that the service producing sector will continue to lose jobs over the next five years.

Answer: False Page: 346 Difficulty: Easy AACSB: Analytic Skills

1. Services include government, private nonprofit, business, retail, and the manufacturing sector.

Answer: True Page: 346 Difficulty: Easy

1. A service is defined as any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything.

Answer: True Page: 346 Difficulty: Medium AACSB: Analytic Skills

1. A pure tangible good consists of unequal parts of goods and services, with services being in the majority.

Answer: False Page: 347 Difficulty: Medium AACSB: Analytic Skills

1. An example of a pure service provider might be a car repair facility.

Answer: False Page: 348 Difficulty: Medium

1. Service providers typically develop very similar marketing programs for personal and business markets.

Answer: False Page: 348 Difficulty: Medium AACSB: Analytic Skills

1. Service consumers can always judge the quality that they receive from the service provider.

Answer: False Page: 348 Difficulty: Medium AACSB: Reflective Thinking

1. Because services are generally high in experience and credence qualities, there is more risk in purchase.

Answer: True Page: 348 Difficulty: Hard AACSB: Reflective Thinking

1. Services have five distinctive characteristics, one of these five being “pure service.”

Answer: False Page: 349 Difficulty: Medium AACSB: Analytic Skills

1. Intangibility with regards to a service means that the service cannot be duplicated across providers.

Answer: False Page: 349 Difficulty: Medium AACSB: Analytic Skills

1. Service companies try to demonstrate their service qualities through physical evidence and presentation.

Answer: True Page: 349 Difficulty: Medium AACSB: Reflective Thinking

1. Inseparability in the context of a service means that the service provider and the service customer/consumer cannot be separated because one effects another.

Answer: True Page: 350 Difficulty: Hard AACSB: Analytic Skills

1. The quality of services is independent of who provides them.

Answer: False Page: 350 Difficulty: Medium AACSB: Analytic Skills

1. Services cannot be stored, so their perishability can become a problem when demand fluctuates.

Answer: True Page: 351 Difficulty: Medium

1. One of the strategies to equalize supply and demand for service providers is to price their services high when demand is low and low when demand is at its highest.

Answer: False Page: 352 Difficulty: Hard AACSB: Reflective Thinking

1. Customers are becoming more sophisticated about buying product support services and are pressing for services unbundling.

Answer: True Page: 354 Difficulty: Medium AACSB: Reflective Thinking

1. Customers generally acknowledge when they are at fault for a service failure and do not hold the service provider responsible.

Answer: False Page: 355 Difficulty: Medium

1. Because service encounters are complex interactions affected by multiple elements, adopting a holistic marketing approach might not work effectively.

Answer: False Page: 356 Difficulty: Medium AACSB: Reflective Thinking

1. Interactive marketing describes the employees’ skill in serving the client.

Answer: True Page: 358 Difficulty: Medium AACSB: Analytic Skills

1. Clients judge service not only by its technical quality but also by its functional quality.

Answer: True Page: 358 Difficulty: Medium AACSB: Analytic Skills

1. As companies collect, store, and use more information about customers, they must also incorporate the proper safeguards to protect that information and reassure customers about their efforts.

Answer: True Page: 359 Difficulty: Easy AACSB: Ethical Reasoning

1. The service quality of a firm is tested at each service encounter.

Answer: True Page: 359 Difficulty: Medium AACSB: Reflective Thinking

1. Customers form service expectations from such areas as past experiences, word of mouth, and advertising.

Answer: True Page: 359 Difficulty: Easy AACSB: Analytic Skills

1. Management always correctly perceives what customers want.

Answer: False Page: 359 Difficulty: Medium AACSB: Reflective Thinking

1. The appearance of physical facilities, equipment, personnel, and communication materials are the tangibles that convey service quality to consumers.

Answer: True Page: 360 Difficulty: Medium AACSB: Analytic Skills

1. With continuously provided services, such as public utilities or health care, customers have been observed to mentally calculate their payment equity—the perceived fairness of the level of economic benefits derived from service usage in relationship to the level of economic costs.

Answer: True Page: 361 Difficulty: Medium AACSB: Analytic Skills

1. Various studies have found that well managed service companies share no common service characteristics.

Answer: False Page: 362 Difficulty: Hard AACSB: Reflective Thinking

1. Top service companies are “customer obsessed.”

Answer: True Page: 363 Difficulty: Medium AACSB: Analytic Skills

1. A service company can differentiate itself by designing a better and faster delivery system.

Answer: True Page: 363 Difficulty: Hard

1. The three levels of differentiation for a service company include reliability, resilience, and cost.

Answer: False Page: 363 Difficulty: Hard AACSB: Analytic Skills

1. All customers seek social exchange and affirmation in their service experiences.

Answer: False Page: 364 Difficulty: Medium AACSB: Reflective Thinking

1. Services can be judged on customer importance and company performance.

Answer: True Page: 365 Difficulty: Medium AACSB: Analytic Skills

1. Excellent service companies know that positive employee attitudes will promote stronger customer loyalty.

Answer: True Page: 366 Difficulty: Medium AACSB: Analytic Skills

1. Service marketers have no problem in differentiating their services from the competition.

Answer: False Page: 367 Difficulty: Easy AACSB: Reflective Thinking

1. Service offerings can be differentiated in numerous ways because the consumer expects to see only the company’s primary service package.

Answer: True Page: 367 Difficulty: Hard AACSB: Analytic Skills

1. Brand personality is an important image dimension for services.

Answer: True Page: 369 Difficulty: Medium AACSB: Reflective Thinking

1. The company need not define the customer needs carefully because customers can always switch providers.

Answer: False Page: 370 Difficulty: Medium AACSB: Reflective Thinking

1. Service contracts and extended warranties are examples of companies charging for additional services.

Answer: True Page: 371 Difficulty: Easy AACSB: Analytic Skills

1. Developing brand strategies for a service brand requires special attention to choosing brand elements, establishing image dimensions, and devising the branding strategy.

Answer: True Page: 368 Difficulty: Hard

1. Services must consider developing a brand hierarchy and brand portfolio that permits positioning and targeting of different market segments.

Answer: True Page: 369 Difficulty: Hard

**Essay**

1. A company’s offerings often include services as a minor or a major part of the total offering. List and briefly explain each of the five categories of offerings.

**Suggested Answer:** The five offerings are: (1) pure tangible good; (2) tangible good with accompanying services; (3) hybrid; (4) major service with accompanying minor goods and services; and (5) pure service.

Pages: 347–348 Difficulty: Easy AACSB: Analytic Skills

1. Services have four distinctive characteristics that greatly affect the design of marketing programs. List these characteristics and briefly explain each.

**Suggested Answer:** The characteristics are: (1) intangibility—services cannot be seen, tasted, felt, heard, or smelled before they are bought; (2) inseparability—services are produced and consumed simultaneously; (3) variability—because services depend on who provides them and when and where they are provided, they are highly variable in their delivery consistency; and (4) perishability—services cannot be stored.

Pages: 349–351 Difficulty: Medium

1. The service outcome, and whether people will remain loyal to a service provider, is influenced by a host of variables. Identify the eight categories into which these factors fall.

**Suggested Answer:** Factors leading to customer switching behavior fall into the following categories: (1) pricing; (2) inconvenience; (3) core service failure; (4) service encounter failures; (5) response to service failure; (6) competition; (7) ethical problems; and (8) involuntary switching.

Page: 357 Difficulty: Medium AACSB: Analytic Skills

1. The service quality of a firm is tested at each customer encounter. The service quality model highlights the main requirements for delivering high service quality. The model identifies five gaps that cause unsuccessful delivery. List each of these gaps.

**Suggested Answer:** The five gaps are: (1) the gap between consumer expectation and management perception; (2) the gap between management perception and service quality specification; (3) the gap between service quality specifications and service delivery; (4) the gap between service delivery and external communications; and (5) the gap between perceived service and expected service.

Pages: 359–360 Difficulty: Hard

1. Based on the service quality “gaps” model, the researchers identified five determinants of service quality. List and briefly explain each.

**Suggested Answer:** The five determinants of service qualityare: (1) reliability— the ability to perform the promised service dependably and accurately; (2) responsiveness—the willingness to help customers and to provide prompt service; (3) assurance—the knowledge and courtesy of employees and their ability to convey trust and confidence; (4) empathy—the provision of caring, individualized attention to customers; and (5) tangibles—the appearance of physical facilities, equipment, personnel, and communication materials.

Page: 360 Difficulty: Hard AACSB: Analytic Skills

1. The model of service quality expectations is based on the premise that customer perceptions and expectations of service quality change over time, but at any one point in time are a function of prior expectations of what will and what should happen during the service encounter, as well as the actual service delivered during the last contact. The researchers’ empirically tested model contends that the two different types of expectations have opposing effects on perceptions of service quality. List these two models.

**Suggested Answer:** The two models are: (1) increasing customer expectations of what the firm will deliver can lead to improved perceptions of overall service quality; and (2) decreasing customer expectations of what the firm should deliver can lead to improved perceptions of overall service quality.

Page: 361 Difficulty: Hard AACSB: Reflective Thinking

1. Marketing academics and consultants Jeffrey Rayport and Bernie Jaworski believe that to deliver high levels of customer perceived value, any customer service interface should excel on four dimensions. Define the term “customer service interface” and identify the four dimensions on which it should excel.

**Suggested Answer:** A Customer service interface is any place at which a company seeks to manage a relationship with a customer, whether through people, technology, or some combination of the two. To deliver high levels of customer perceived value, any interface should excel on: (1) physical presence and appearance; (2) cognition; (3) emotion or attitude; and (4) connectedness.

Page: 364 Difficulty: Hard AACSB: Analytic Skills

1. Developing brand strategies for a service brand requires special attention to the elements of branding and marketing. Explain why it is different for branding a service versus a tangible product.

**Suggested Answer:** First, choosing brand elements—the intangibility of services has implications for the choice of brand elements. Because service decisions and arrangements are often made away from the actual service location, brand recall becomes critically important. Second, establishing image dimensions— organizational associations are likely to be particularly important brand associations that may affect evaluations of service quality directly or indirectly. Service firms must design marketing communication and information programs so that consumers learn more about the brand than the information they get from service encounters alone. Lastly, devising branding strategy—services must also consider developing a brand hierarchy and brand portfolio that permits positioning and targeting of different market segments. Classes of service can be branded vertically on the basis of price and quality and vertically by subbranding strategies where the corporate name is combined with an individual name or modifier.

Pages: 368–369 Difficulty: Medium AACSB: Reflective Thinking

1. Manufacturers of equipment must provide product support services. Product support services are becoming a major battleground for competitive advantages. Firms that provide high quality service outperform their less service orientated competitors. In service support programs, customers generally have three specific worries. List these three worries and briefly explain each.

**Suggested Answer:** Customers worry about: (1) the reliability and failure frequency of the product; (2) downtime caused by the failure of the product; and (3) out of pocket costs associated with the product failure.

Page: 370 Difficulty: Hard

1. Several strategies exist for managing supply and demand of services. List the strategies for both managing “supply” and then for managing “demand.”

**Suggested Answer**: To manage “demand”—differential pricing, nonpeak demand, complementary services, and reservation systems can all be used. To manage “supply”—part time employees, peak time efficiency, increased consumer participation, shared services, and facilities for future expansion.

Page: 352 Difficulty: Medium AACSB: Analytic Skills

**APPLICATION QUESTIONS**

**Multiple Choice**

1. A plumbing firm is considered a service firm because they are providing “services” to households and businesses. The service component then would fall into which one of the following categories of offerings?
   1. Pure tangible good
   2. Tangible good with accompanying services
   3. Hybrid
   4. Major service with accompanying minor goods and services
   5. Pure service

Answer: b Page: 347 Difficulty: Easy

1. Some services are easy to evaluate by the consumer and others are not. Which one of the following would be considered high in credence qualities and thus hard to evaluate by the majority of consumers?
   1. Decorating
   2. A restaurant
   3. A haircut
   4. A medical diagnosis
   5. None of the above

Answer: d Page: 348 Difficulty: Medium AACSB: Reflective Thinking

1. Services can be high in search qualities. Which one of the following is NOT seen as high in search qualities?
   1. Decorating
   2. A restaurant
   3. A haircut
   4. A medical diagnosis
   5. None of the above

Answer: d Page: 348 Difficulty: Medium AACSB: Reflective Thinking

1. If we say that services cannot be seen before purchase, forcing customers to look for other clues to assess service quality, we mean that services are \_\_\_\_\_\_\_\_\_.
   1. intangible
   2. inseparable
   3. perishable
   4. variable
   5. none of the above

Answer: a Page: 349 Difficulty: Medium AACSB: Analytic Skills

1. When Blue Man Group began, the three founders performed every show. In order to expand the concept and overcome the limits of service \_\_\_\_\_\_\_\_, the founders added more Blue Men.
   1. perishability
   2. inseparability
   3. variability
   4. intangibility
   5. temporality

Answer: b Page: 350 Difficulty: Hard AACSB: Reflective Thinking

1. Services vary depending who provides them and when and where they are performed. Which of the following strategy would work for you to increase the quality control over your tax preparation services as you expand to other markets?
   1. Invest in good training and hiring procedures.
   2. Standardize the service.
   3. Monitor customer satisfaction.
   4. All of the above
   5. None of the above

Answer: d Pages: 350–351 Difficulty: Hard

1. When cell phone providers offer “weekends free,” they are attempting to \_\_\_\_\_\_\_\_ when it comes to the perishability of the service they provide.
   1. manage supply and demand
   2. manage supply
   3. manage demand
   4. offer to sign up new subscribers
   5. increase usage

Answer: a Page: 352 Difficulty: Medium AACSB: Reflective Thinking

1. When restaurants and theme parks add summer workers, they are attempting to manage supply and demand for their services by \_\_\_\_\_\_\_\_.
   1. sharing services
   2. introducing complementary services
   3. maximizing nonpeak demand
   4. using part time employees
   5. increasing enrollment

Answer: d Page: 352 Difficulty: Easy AACSB: Reflective Thinking

1. Charles Schwab’s best customers get their calls answered in 15 seconds; other customers can wait longer. This is best described as \_\_\_\_\_\_\_\_.
   1. fair play in service delivery
   2. customer empowerment through the Internet
   3. raising service levels to retain the patronage of profitable customers
   4. increasing consumer participation
   5. standardizing the service performance process

Answer: c Page: 354 Difficulty: Medium AACSB: Reflective Thinking

1. Although I used to use the U.S. Postal Service because it offered better prices on package shipping, now I almost always use FedEx because I can ship from any FedEx\*Kinkos location 24 hours per day. This is an example of which of the following factors leading to customer switching behavior?
   1. Inconvenience
   2. Pricing
   3. Response to service failure
   4. Ethical problems
   5. Involuntary switching

Answer: a Page: 357 Difficulty: Easy

1. I have switched my dry cleaning provider because the cleaner did not perform up to my standards. This is an example of which of the following factors leading to customer switching behavior?
   1. Service encounter failure
   2. Core service failure
   3. Response to service failure
   4. Involuntary switching
   5. Competition

Answer: b Page: 357 Difficulty: Medium AACSB: Analytic Skills

1. After sending registered letters to the roofing company, numerous attempts to contact the president of the company by phone, and sending copies of the complaint to the Better Business Bureau, you finally received a response from the firm that did not satisfy you. In desperation, you decided to have another company complete the repairs to your home. This is an example of what kind of customer switching behavior on your part?
   1. Involuntary switching
   2. Competition
   3. Response to service failure
   4. Service encounter failures
   5. Inconvenience

Answer: c Page: 357 Difficulty: Medium AACSB: Analytic Skills

1. When the lawn service firm advertises, “We can handle all your lawn needs in one stop” and then requires three or four visits to satisfy you, this is an example of which of the gaps of service performance?
   1. Between service delivery and translation of perceptions
   2. Between expected service and perceived service
   3. Between service delivery and external communications
   4. Between management’s perception and consumers expectations
   5. None of the above

Answer: c Page: 360 Difficulty: Medium AACSB: Reflective Thinking

1. Bill always takes his shoes to the same cobbler when they need to be resoled because that cobbler always has the shoes ready quickly. This cobbler excels at which of the following five determinants of service quality?
   1. Reliability
   2. Responsiveness
   3. Assurance
   4. Empathy
   5. Tangibles

Answer: b Page: 360 Difficulty: Medium AACSB: Analytic Skills

1. Gloria always goes to the same bagel shop in the morning because the workers there remember her name and know her order. They always make her feel welcome. The employees of this bagel shop excel at which of the following determinants of service quality?
   1. Reliability
   2. Responsiveness
   3. Assurance
   4. Empathy
   5. Tangibles

Answer: d Page: 360 Difficulty: Medium

1. A service company can differentiate itself by designing a better and faster delivery system. Of the three levels of differentiation, \_\_\_\_\_\_\_\_ describes how well suppliers handle emergencies, product recalls, and answering inquiries.
   1. reliability
   2. resilience
   3. innovativeness
   4. preparedness
   5. none of the above

Answer: b Page: 363 Difficulty: Medium AACSB: Analytic Skills

1. Not all \_\_\_\_\_\_\_\_ improve service quality, but they can make service transactions more accurate, convenient, and faster.
   1. service standards
   2. top management commitment
   3. self service technologies
   4. strategic concepts
   5. service quality perceptions

Answer: c Page: 363 Difficulty: Hard AACSB: Reflective Thinking

1. After visiting a local car dealer and having your car serviced, a day later you receive a phone call from a research firm asking you to comment on your service experience. This is part of the manufacturer’s quality control over its dealers and the firm’s audit of the service performance by collecting \_\_\_\_\_\_\_\_\_.
   1. satisfying customer complaints
   2. dealer performance
   3. customer performance
   4. “voice of the customer measurements”
   5. “competitive data”

Answer: d Page: 365 Difficulty: Hard AACSB: Analytic Skills

1. Employees thrive in customer contact positions when they have an internal drive to \_\_\_\_\_.
   1. pamper customers
   2. accurately read customer needs
   3. develop a personal relationship with customers
   4. deliver quality service to solve customers’ problems
   5. all of the above

Answer: e Page: 369 Difficulty: Medium AACSB: Reflective Thinking

1. To provide the best support, a manufacturer must identify the services customers value most and their relative importance. Johnson Controls introduced services that extend beyond its climate control equipment and components business to manage integrated facilities by offering products and services that optimize energy use and improve comfort and security. This is an example of adding \_\_\_\_\_\_\_\_.
   1. facilitating services
   2. extended warranties
   3. life cycle services
   4. service contracts
   5. value augmenting services

Answer: e Page: 371 Difficulty: Hard AACSB: Analytic Skills

**Short Answer**

1. There are five categories of service offerings depending upon whether or not the service component is minor or major. In which of the five categories would you place a restaurant?

**Suggested Answer:** A restaurant would be considered a hybrid—the offering consists of equal parts of goods and services.

Page: 347 Difficulty: Easy AACSB: Reflective Thinking

1. You have been asked by your firm to evaluate the “service” of one of its competitors (a restaurant). As you understand service, services differ according to form and purpose. Explain how you classify services.

**Suggested Answer:** Services vary as to whether they are equipment based or people based. Services can be differentiated as to the processes used and whether or not the client/customer needs to be physically present for the service to be performed. Services differ as to whether they have profit or nonprofit objectives.

Page: 348 Difficulty: Medium AACSB: Analytic Skills

1. Services cannot be stored or inventoried. Attempts to regulate the “services” on the supply side—to increase the service providers when needed—include such strategies as part time workers. What are some other ways a firm can “shift” supply for its services?

**Suggested Answer:** Other strategies include peak time efficiency; increased customer participation in the service; shared services; and facilities for future expansion.

Page: 352 Difficulty: Medium AACSB: Reflective Thinking

1. Services cannot be seen, tasted, or felt before purchase. The challenge to marketers of services is to “tangibilize the intangible” and “manage the evidence.” What do these statements really mean for a marketer of a service firm?

**Suggested Answer:** Service companies can try to demonstrate their service quality through physical evidence and presentation. Customers will draw inference about the quality of the service to be provided by the place, people, equipment, communication material, symbols, and price.

Page: 349 Difficulty: Medium AACSB: Reflective Thinking

1. In developing a service blueprint, your firm has outlined each step in the delivery process of the service it provides. The development of a service blueprint is an attempt to minimize what element or characteristic of a service?

**Suggested Answer:** This is an attempt to reduce the variability of the service by standardizing the service performance process.

Page: 351 Difficulty: Medium AACSB: Analytic Skills

1. Services cannot be stored. Attempts to regulate the “demand” of a service include reservation systems and differential pricing. What are some other ways a firm can shift demand for its services to nonpeak times?

**Suggested Answer:** Complementary services can be provided to provide alternatives to waiting customers; nonpeak demand can be cultivated by offering “specials” during slower periods of the day/week/month/season.

Page: 352 Difficulty: Medium AACSB: Analytic Skills

1. Researchers have outlined 10 lessons for improving service quality across services industries. What are the 10 lessons?

**Suggested Answer:** These 10 lessons are: listening, reliability, basic service, service design, recovery, surprising customers, fair play, teamwork, employee research, and servant leadership.

Page: 353 Difficulty: Hard

1. E mail response systems to address customer complaints must be implemented properly to be effective. List the four things companies should do to maximize the efficacy of their e mail response systems.

**Suggested Answer:** In order to maximize the efficacy of its e mail response system, a company should (1) send an automated reply to tell customers when a more complete answer will arrive; (2) ensure the subject line always contains the company name; (3) make the message easy to scan for relevant information; and (4) give customers an easy way to respond with follow up questions.

Page: 353 Difficulty: Hard AACSB: Analytic Skills

1. How has the Internet empowered customers with complaints?

**Suggested Answer:** The Internet has empowered customers by letting them vent their rage about bad service—or reward good service—and have their comments beamed around the world with a mouse click.

Page: 354 Difficulty: Easy AACSB: Reflective Thinking

1. What are the dangers associated with providing differentiated levels of service to customers in different profit tiers?

**Suggested Answer:** Companies that provide differentiated levels of service must be careful about claiming superior service – the customers who receive poor treatment will bad mouth the company and injure its reputation.

Page: 354 Difficulty: Hard AACSB: Reflective Thinking

1. Interactive marketing describes the employees’ skill in serving the client. After your recent stay in the hospital, the hospital calls and asks you a series of questions about your stay. Here the hospital is trying to collect data about the two aspects of the service that clients use to judge a service. What are they?

**Suggested Answer:** Service is judge by its technical and its functional quality.

Page: 358 Difficulty: Medium AACSB: Analytic Skills

1. The creation of service standards, such as a policy of answering the company’s phone on the second ring, is an example of a firm trying to prevent which of the service quality gaps from ever beginning?

**Suggested Answer:** This is an example of translating the consumer perceptions into service quality specifications in order to prevent a gap between consumer expectation and management perception.

Page: 359 Difficulty: Medium

1. As a newly hired marketing associate, you have asked your boss if the firm has service quality specifications spelled out for ensuring exceptional customer service. His answer is “no, we all know what the consumer expects; after all, we have been doing this for over 30 years.” Recalling your marketing management services marketing chapter, you identify this attitude as a factor leading to the creation of what gap in the service quality model?

**Suggested Answer:** The gap between management perception and service quality specification.

Page: 359 Difficulty: Hard AACSB: Reflective Thinking

1. The SERVQUAL scale includes the five determinants of service quality. Companies schooled in and practitioners of this craft are among the highest rated consumer friendly firms doing business today. What are the five determinants that firms such as Southwest, Disney, and Marriott honor so highly?

**Suggested Answer:** These five determinants are: reliability, responsiveness, assurance, empathy, and tangibles.

Page: 360 Difficulty: Medium AACSB: Analytic Skills

1. The last time you were in this restaurant, as you remember it, your dinner was excellent. Tonight is your anniversary and, as such, you are looking forward to an enjoyable evening. At the end of the meal, your perception is that the service was not up to par and the evening was not as successful as you had hoped. In the service quality model, which gap prevailed?

**Suggested Answer:** The gap between expected service and perceived service.

Page: 360 Difficulty: Easy AACSB: Reflective Thinking

1. In your service firm, you are always choosing between fully answering the consumer’s questions and waiting on the next customer. The firm’s standards are not clear on how they want you to perform. When asked, your boss answers, “You make the decision.” This is an example of which service quality gap?

**Suggested Answer:** The gap between service quality specifications and service delivery.

Page: 360 Difficulty: Medium AACSB: Reflective Thinking

1. In the pool advertisement, it reads “a pool for $3,000 total cost.” Upon contracting with the firm for the pool, the sale representative tells you that the total cost will be $6,000. When you ask why the extra $3,000, the sales rep says that is for the removal of the dirt. This is an example of which one of the service quality gaps?

**Suggested Answer:** This is an example of a gap between external communications to consumers and service delivery.

Page: 360 Difficulty: Medium

1. The brown trucks of UPS are a strong moniker for the firm. Explain why such physical facilities are especially important.

**Suggested Answer:** The intangibility of services has implications for the choice of brand elements. Because service decisions and arrangements are made away from the actual service location, brand recall becomes critically important. And because a physical product does not exist, all aspects of the service delivery process can be branded.

Pages: 368–369 Difficulty: Easy AACSB: Reflective Thinking

1. When a consumer buys a piece of equipment, such as a lawn tractor, they consider the life cycle cost of the equipment. Explain what is meant by “life cycle” cost.

**Suggested Answer:** The life cycle cost is the product’s purchase cost plus the discounted cost of maintenance and repair less the discounted salvage value.

Pages: 370–371 Difficulty: Hard AACSB: Analytic Skills

1. Manufacturers can offer and charge for product support services in different ways. One firm charges for extended warranties. What are some other ways that manufacturers charge for services?

**Suggested Answer:** They can offer facilitating services, value augmenting services, and service contracts.

Page: 371 Difficulty: Hard AACSB: Analytic Skills

Chapter 14: Developing Pricing Strategies and Programs

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. \_\_\_\_\_\_\_\_ communicates to the market the company’s intended value positioning of its product or brand.
   1. Packaging
   2. Price
   3. Place
   4. Promotion
   5. Product features

Answer: b Page: 375 Difficulty: Easy AACSB: Analytic Skills

1. Traditionally, \_\_\_\_\_\_\_\_ has operated as the major determinant of buyer choice.
   1. promotion
   2. packaging
   3. placement
   4. distribution
   5. price

Answer: e Page: 376 Difficulty: Medium AACSB: Analytic Skills

1. Today, \_\_\_\_\_\_\_\_ is partially reversing the fixed pricing trend.
   1. volume discounting
   2. big box retailing
   3. the Internet
   4. high margin niching
   5. all of the above

Answer: c Page: 377 Difficulty: Medium AACSB: Use of IT

1. Executives often complain that pricing is a big headache. Common mistakes include: price is not revised often enough to capitalize on market changes; price is set \_\_\_\_\_\_\_\_ of the rest of the marketing mix rather than an intrinsic element of a market positioning strategy.
   1. divergently
   2. too high
   3. intrinsically
   4. independently
   5. concurrently

Answer: d Page: 377 Difficulty: Medium AACSB: Analytic Skills

1. Purchase decisions are based on how consumers perceive prices and what they consider to be the \_\_\_\_\_\_\_\_ price—*not* the marketer’s stated price.
   1. current actual
   2. last purchased price
   3. current sale price
   4. referent price
   5. none of the above

Answer: a Page: 380 Difficulty: Medium AACSB: Analytic Skills

1. The definition of \_\_\_\_\_\_\_\_ prices is: In considering an observed price, consumers often compare it to an internal memory reference price or an external frame of reference (such as a posted “regular retail price”).
   1. historical
   2. reference
   3. promotional
   4. everyday low price
   5. none of the above

Answer: b Page: 380 Difficulty: Hard

1. The last price paid, competitors’ prices, and the expected future price all serve as customer \_\_\_\_\_\_\_\_.
   1. given prices
   2. odd prices
   3. reference prices
   4. price quality inferences
   5. market skimmings

Answer: c Page: 380 Difficulty: Medium AACSB: Analytic Skills

1. Many consumers use price as an indicator of \_\_\_\_\_\_\_\_. Image pricing is especially effective with ego sensitive products such as perfumes and expensive cars.
   1. status
   2. quality
   3. ability
   4. capability
   5. size

Answer: b Page: 381 Difficulty: Easy AACSB: Analytic Skills

1. Pricing cues such as sale signs and prices that end in 9 become more influential when \_\_\_\_\_\_\_\_.
   1. consumer price knowledge is poor
   2. items are purchased frequently
   3. items have been on the market a long time
   4. prices are consistent year round
   5. they are employed frequently

Answer: a Page: 383 Difficulty: Medium

1. A firm must set a price for the first time when it develops a new product, when it introduces its regular product into a new distribution channel or geographical area, and when it \_\_\_\_\_\_\_\_.
   1. needs to increase bottom line results
   2. raises prices due to cost escalation
   3. rolls out an improved product
   4. enters bids on new contract work
   5. changes styles

Answer: d Page: 383 Difficulty: Medium AACSB: Analytic Skills

1. A firm must consider many factors in setting its pricing policy. We list these as a six step process. Which of the following is NOT one of these steps?
   1. Determining demand
   2. Selecting the pricing objective
   3. Researching reference prices in the target market
   4. Selecting the final price
   5. Selecting a pricing method

Answer: c Page: 383 Difficulty: Hard AACSB: Analytic Skills

1. A firm first decides where it wants to position its market offering. A company can pursue any of five major objectives through pricing. Which of the following is NOTone of these objectives?
   1. Predatory pricing
   2. Survival
   3. Maximum current profit
   4. Maximum market share
   5. Product quality leadership

Answer: a Page: 383 Difficulty: Medium AACSB: Reflective Thinking

1. Companies pursue survival as their major objective if they are plagued with \_\_\_\_\_\_\_\_.
   1. legal prosecution
   2. weak competition
   3. static consumer wants
   4. shareholder activism
   5. overcapacity

Answer: e Page: 383 Difficulty: Medium AACSB: Reflective Thinking

1. In market penetration pricing, the company’s objective is to \_\_\_\_\_\_\_\_, believing that higher sales volume will lead to lower unit costs and higher long run profits.
   1. block competitive launches
   2. maximize their market share
   3. minimize their market share
   4. maximize volume
   5. none of the above

Answer: b Page: 383 Difficulty: Easy AACSB: Analytic Skills

1. To maximize market share, a firm may use \_\_\_\_\_\_\_\_\_\_\_\_\_ pricing, which is based on the theory that as sales volume increases, unit costs will decrease.
   1. market penetration
   2. market skimming
   3. value pricing
   4. demand pricing
   5. price bands

## Answer: a Page: 383 Difficulty: Medium AACSB: Analytic Skills

1. Market skimming prices make sense under the following conditions EXCEPT \_\_\_\_\_\_\_\_.
   1. the high price communicates high value
   2. the high initial price blocks competition from entering the market
   3. the unit costs of producing a small number of units are not too high
   4. the product is a “me too” and contains no new technology or points of difference
   5. a sufficient number of buyers have a high current demand

Answer: d Page: 384 Difficulty: Hard AACSB: Reflective Thinking

1. The first step in estimating demand is to understand what affects price sensitivity. Generally speaking, customers are most price sensitive to products that cost a lot or are \_\_\_\_\_\_\_\_.
   1. priced low to begin with
   2. low cost
   3. bought frequently
   4. bought infrequently
   5. none of the above

Answer: c Page: 385 Difficulty: Easy AACSB: Reflective Thinking

1. Consumers \_\_\_\_\_\_\_\_ low cost products or items they buy infrequently.
   1. prefer the lowest total cost of ownership of
   2. remember prices of
   3. are ambivalent to prices of
   4. are more price sensitive to
   5. are less price sensitive to

Answer: e Page: 385 Difficulty: Easy AACSB: Analytic Skills

1. The concept of the lowest \_\_\_\_\_\_\_\_ means that a seller can charge a higher price if they can convince the customers that price is only a small part of the total cost of obtaining, operating, and servicing the product over its lifetime.
   1. prestige pricing
   2. total cost of ownership
   3. convenience pricing
   4. key price points
   5. none of the above

Answer: b Page: 386 Difficulty: Medium AACSB: Analytic Skills

1. If demand hardly changes with a small change in price, we say that the demand is \_\_\_\_\_\_\_\_.
   1. equal
   2. marginal
   3. inelastic
   4. elastic
   5. none of the above

Answer: c Page: 387 Difficulty: Easy

1. If demand changes considerably, we say that the demand is \_\_\_\_\_\_\_\_.
   1. equal
   2. elastic
   3. inelastic
   4. marginal
   5. none of the above

Answer: b Page: 387 Difficulty: Easy AACSB: Analytic Skills

1. Price elasticity depends on the magnitude and direction of the price change. If may differ for a price cut versus a price increase. When the price changes have little or no effect, there might exist a \_\_\_\_\_\_\_\_ for your product.
   1. selective price
   2. price indifference band
   3. substitute product
   4. promotional price
   5. collective price

Answer: b Page: 387 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ sets a ceiling on the price the company can charge for its products.
   1. Government regulations
   2. Market forces
   3. Costs
   4. Demand
   5. Competition

Answer: d Page: 388 Difficulty: Easy AACSB: Reflective Thinking

1. A company’s costs take two forms. \_\_\_\_\_\_\_\_ are costs that do not vary with production or sales revenue.
   1. Fixed costs
   2. Variable costs
   3. Adjusted costs
   4. Attributed costs
   5. Unknown costs

Answer: a Page: 388 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ differ greatly depending upon the level of production.
   1. Fixed costs
   2. Adjusted costs
   3. Attributed costs
   4. Unknown costs
   5. Variable costs

Answer: e Page: 388 Difficulty: Easy

1. \_\_\_\_\_\_\_\_ consist of the sum of the fixed and variable costs for any given level of production.
   1. Total costs
   2. Manufacturing costs
   3. Delivery costs
   4. Fixed costs
   5. Variable costs

Answer: a Page: 388 Difficulty: Easy AACSB: Analytic Skills

1. Today’s companies try to adapt their offers and terms to different buyers. \_\_\_\_\_\_\_\_ accounting tries to identify the real costs associated with serving each customer. It allocates indirect costs to the activities that use them and are tagged back to each customer.
   1. Cost
   2. Experience cost
   3. Target costing
   4. Direct product profitability
   5. Activity based cost

Answer: e Page: 388 Difficulty: Hard

1. The decline in the average cost of production with accumulated production experience is called the \_\_\_\_\_\_\_\_.
   1. demand curve
   2. cost curve
   3. learning curve
   4. cost target
   5. indifference band

Answer: c Page: 389 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is the result of a concentrated effort by designers, engineers, and purchasing agents to reduce the product’s overall costs.
   1. Learning curve
   2. Target costing
   3. Least cost producer
   4. Experience curve
   5. None of the above

Answer: b Page: 389 Difficulty: Hard AACSB: Analytic Skills

1. Your competitor has reduced prices on his entire line of products. You can interpret these price cuts by assuming that your competitor is trying to gain market share, is doing poorly and wants to increase revenue quickly, or \_\_\_\_\_\_\_\_.
   1. signals an end to price/promotion wars
   2. signals that price is no longer a competitive advantage
   3. wants the whole industry to reduce prices
   4. wants you to reduce your prices below his
   5. none of the above

Answer: c Page: 390 Difficulty: Medium AACSB: Reflective Thinking

1. The three major considerations in price setting are: costs set the floor price; \_\_\_\_\_\_\_\_; and customers’ assessment of unique features establishes the price ceiling.
   1. competitors’ prices and the price of substitutes provide an orientation point
   2. competitors’ prices establishes a “target price” goal
   3. the price of substitutes establishes a “target price”
   4. the price of competitors and substitutes does not enter into the pricing considerations.
   5. none of the above

Answer: a Page: 390 Difficulty: Hard AACSB: Reflective Thinking

1. The most elementary pricing method is to add a standard \_\_\_\_\_\_\_\_ to the product’s cost.
   1. target margin
   2. target price
   3. markup
   4. margin
   5. target return

Answer: c Page: 390 Difficulty: Easy

1. Despite its weaknesses, markup pricing remains popular for which of the following reasons?
   1. Sellers can determine demand much more easily than they can estimate costs.
   2. By tying the price to cost, sellers make the pricing task more nuanced.
   3. When all firms in the industry use markup pricing, price competition flourishes.
   4. Sellers take advantage of buyers when the latter’s demand becomes acute.
   5. Many people feel that cost plus pricing is fairer to both buyers and sellers.

Answer: e Page: 391 Difficulty: Medium AACSB: Reflective Thinking

1. An increasing number of companies now base their price on the customer’s \_\_\_\_\_\_\_\_ of their products.
   1. usage
   2. EDLP pricing
   3. everyday value pricing
   4. perceived value
   5. value proposition

Answer: d Page: 392 Difficulty: Easy AACSB: Analytic Skills

1. The key to perceived value pricing is to deliver more value than your competitors and to \_\_\_\_\_\_\_\_ this to prospective buyers.
   1. demonstrate
   2. communicate
   3. advertise
   4. promote
   5. convince

Answer: a Page: 392 Difficulty: Easy AACSB: Reflective Thinking

1. In recent years, companies have adopted \_\_\_\_\_\_\_\_, trying to win loyal customers by charging a fairly low price for a high quality offering.
   1. EDLP
   2. high low pricing
   3. value pricing
   4. everyday low pricing
   5. none of the above

Answer: c Page: 392 Difficulty: Easy AACSB: Analytic Skills

1. In \_\_\_\_\_\_\_\_, the retailer charges higher prices on an everyday basis but then runs frequent promotions in which prices are temporarily lowered below the EDLP level.
   1. going rate pricing
   2. EDLP pricing
   3. value pricing
   4. high low pricing
   5. everyday low pricing

Answer: d Page: 393 Difficulty: Easy AACSB: Analytic Skills

1. Value pricing is not a matter of simply setting lower prices; it is a matter of reengineering the company’s operations to become a low cost producer without sacrificing quality and lowering prices significantly to attract a large number of \_\_\_\_\_\_\_\_ customers.
   1. expert
   2. price orientated
   3. value conscious
   4. product orientated
   5. none of the above

Answer: c Page: 393 Difficulty: Medium

1. Auction type pricing is becoming very popular due to the Internet. The three types of auction pricing include sealed bid auctions, descending bids auctions, and \_\_\_\_\_\_\_\_.
   1. EDLP auctions
   2. ascending bid auctions
   3. high low bid auctions
   4. going rate bidding auctions
   5. value pricing auctions

Answer: b Pages: 394–395 Difficulty: Medium AACSB: Analytic Skills

1. In one type of \_\_\_\_\_\_\_\_, the auctioneer announces a high price for a product and then slowly decreases the price until a bidder accepts the price.
   1. ascending auction
   2. English auction
   3. sealed bid auction
   4. going rate auction
   5. Dutch auction

Answer: e Page: 395 Difficulty: Medium

1. Pricing methods narrow the range from which the company selects its final price. In selecting that price, the company must consider additional factors, including the impact of other marketing activities, company pricing policies, gain and risk sharing pricing, and the impact of price on \_\_\_\_\_\_\_\_.
   1. other parties
   2. channels of distribution
   3. channel partners
   4. marketing activities
   5. none of the above

Answer: a Page: 395 Difficulty: Medium AACSB: Analytic Skills

1. In \_\_\_\_\_\_\_\_ pricing, the company decides how to price its products to different customers in different locations and countries.
   1. specialty
   2. geographical
   3. offset
   4. regional
   5. none of the above

Answer: b Page: 397 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is the direct exchange of goods, with no money and no third party involved.
   1. Co optation
   2. Buyback
   3. Barter
   4. Offset
   5. Compensation

## Answer: c Page: 397 Difficulty: Easy

1. A British aircraft manufacturer sold planes to Brazil for 70% cash and the rest in coffee. This is an example of \_\_\_\_\_\_\_\_.
   1. bartering
   2. a compensation deal
   3. a buyback arrangement
   4. an offset
   5. a price allowance

Answer: b Page: 397 Difficulty: Medium AACSB: Analytic Skills

1. The seller sells a plant, equipment, or technology to another country and agrees to accept as partial payment products manufactured with the supplied equipment in a \_\_\_\_\_\_\_\_.
   1. buyback arrangement
   2. co optation
   3. barter
   4. offset
   5. none of the above

Answer: a Page: 398 Difficulty: Hard AACSB: Analytic Skills

1. Most companies will \_\_\_\_\_\_\_\_ their list price and give discounts and allowances for early payments, volume purchases, and off season buying.
   1. raise
   2. increase
   3. reduce
   4. adjust
   5. none of the above

## Answer: d Page: 398 Difficulty: Medium AACSB: Reflective Thinking

1. A(n) \_\_\_\_\_\_\_\_ is offered by a manufacturer to trade channel members if they will perform certain functions, such as selling, storing, and record keeping.
   1. functional discount
   2. quantity discount
   3. allowance
   4. cash discount
   5. none of the above

Answer: a Page: 399 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ occurs when a company sells a product or service at two or more prices that do not reflect a proportional difference in costs.
   1. Psychological pricing
   2. Loss leader pricing
   3. Product form pricing
   4. Customer segment pricing
   5. Price discrimination

Answer: e Page: 400 Difficulty: Medium AACSB: Ethical Reasoning

1. When supermarkets and department stores drop the price on well known brands to stimulate store traffic, this is called \_\_\_\_\_\_\_\_.
   1. EDLP
   2. loss leader pricing
   3. special event pricing
   4. net pricing
   5. none of the above

Answer: b Page: 399 Difficulty: Easy AACSB: Analytic Skills

1. Companies often adjust their basic price to accommodate differences in customers, products, locations, and so forth. Examples of these differentiated prices include all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. new product pricing
   2. customer segment pricing
   3. product form pricing
   4. channel pricing
   5. none of the above

Answer: a Page: 401 Difficulty: Easy AACSB: Analytic Skills

1. When different customer groups are charged different prices for the same product or service, it is called \_\_\_\_\_\_\_\_.
   1. price discrimination
   2. customer segment pricing
   3. illegal
   4. product form pricing
   5. channel pricing

Answer: b Page: 401 Difficulty: Medium

1. Varying prices by time of the day, the season of the year, or the day of the week is called \_\_\_\_\_\_\_\_.
   1. discounting
   2. time pricing
   3. price discrimination
   4. product form pricing
   5. channel pricing

## Answer: b Page: 401 Difficulty: Medium AACSB: Analytic Skills

1. One of the traps of instituting a price decrease is when that low price buys market share in the short term. The same customers will shift to any lower priced product that may come along. This trap is called \_\_\_\_\_\_\_\_.
   1. low price trap
   2. market loyalty trap
   3. shallow pockets trap
   4. low quality trap
   5. fragile market share trap

Answer: e Page: 402 Difficulty: Medium AACSB: Analytic Skills

1. Companies sometimes initiate price cuts in a drive to dominate the market through lower costs. One of the possible traps of a price cutting strategy is \_\_\_\_\_\_\_\_.
   1. secure target market customer
   2. consistent high quality consumer
   3. dependence on a firm market
   4. loyal customer market
   5. shallow pockets

Answer: e Pages: 402–403 Difficulty: Hard

1. A major circumstance provoking price increases is \_\_\_\_\_\_\_\_.
   1. market demand
   2. profitability versus target
   3. cost inflation
   4. price versus competition
   5. stock price versus target price

Answer: c Page: 403 Difficulty: Easy AACSB: Analytic Skills

1. Companies often raise their prices by more than the inflationary cost increases as preparation for further inflation or government price controls. This practice is known as \_\_\_\_\_\_\_\_.
   1. anticipatory pricing
   2. delayed quotation pricing
   3. escalator pricing
   4. unbundling
   5. discount pricing

Answer: a Page: 403 Difficulty: Medium AACSB: Analytic Skills

1. Generally, consumers prefer \_\_\_\_\_\_\_\_ price increases on a regular basis to sudden, sharp increases.
   1. large
   2. consistent
   3. small
   4. reciprocal
   5. trade

Answer: c Page: 404 Difficulty: Easy AACSB: Reflective Thinking

1. Given strong consumer resistance to price hikes, marketers go to great lengths to find alternative approaches that will allow them to postpone a price increase. Which of the following is NOT one of these approaches?
   1. Reduce or eliminate some product features.
   2. Reduce or eliminate some services, such as free delivery.
   3. Shrink package sizes.
   4. Demand upfront payment before shipping goods.
   5. None of the above

Answer: d Page: 404 Difficulty: Hard

1. In markets that are characterized by products that are highly homogenous, how should a firm react to a competitor’s price decline?
   1. Reduce product performance levels.
   2. Enhance services.
   3. Reduce services.
   4. Reduce product characteristics.
   5. Augment the product.

Answer: e Page: 404 Difficulty: Hard AACSB: Reflective Thinking

1. Some of the considerations that companies face when deciding to match a competitor’s price decline include the product’s importance in the company’s portfolio, the competitor’s intentions, and the \_\_\_\_\_\_\_\_.
   1. reaction by the channels of distribution
   2. shareholder value
   3. market’s price and quality sensitivity
   4. ordering time frames for the product
   5. ordering ease for the product

Answer: c Page: 404 Difficulty: Medium AACSB: Reflective Thinking

**True/False**

1. Price is one of the two elements of the marketing mix that produce revenue.

Answer: False Page: 375 Difficulty: Easy AACSB: Analytic Skills

1. A well designed and marketed product can command a price premium and reap big profits.

Answer: True Page: 375 Difficulty: Easy

1. All products have experienced heavy discounting in recent years.

Answer: False Page: 376 Difficulty: Medium AACSB: Reflective Thinking

1. The Internet is largely a one sided tool that benefits buyers, but not sellers.

Answer: False Page: 377 Difficulty: Medium AACSB: Use of IT

1. In large companies, pricing is typically set by the boss.

Answer: False Page: 377 Difficulty: Easy AACSB: Analytic Skills

1. Consumers are “price takers” and accept prices at “face value” or as given.

Answer: False Page: 379 Difficulty: Hard AACSB: Reflective Thinking

1. Purchase decisions are based on how consumers perceive prices and what they consider the current actual price and *not* the marketer’s stated price.

Answer: True Page: 380 Difficulty: Medium AACSB: Analytic Skills

1. Although consumers may have fairly good knowledge of the range of prices involved, very few can accurately recall specific prices of products.

Answer: True Page: 380 Difficulty: Medium AACSB: Analytic Skills

1. Many consumers use price as an indicator of quality and value.

Answer: True Page: 381 Difficulty: Medium

1. Research on reference prices has found that “unpleasant surprises”—when perceived price is lower than the stated price—can have a greater impact on purchase likelihood than pleasant surprises.

Answer: True Page: 381 Difficulty: Hard AACSB: Analytic Skills

1. The price a firm charges for its product does not affect where it chooses to position the product in the marketplace.

Answer: False Page: 383 Difficulty: Hard AACSB: Reflective Thinking

1. Consumers often rank brands according to price tiers in a category.

Answer: True Page: 383 Difficulty: Medium AACSB: Analytic Skills

1. Most firms have no trouble estimating the demand and cost functions for their products.

Answer: False Page: 383 Difficulty: Medium AACSB: Analytic Skills

1. Trying to maximize market share, a firm would be best served to use a market skimming pricing strategy.

Answer: False Page: 384 Difficulty: Medium AACSB: Reflective Thinking

1. When prices start off high and are slowly lowered over time, this is called market skimming pricing.

Answer: True Page: 384 Difficulty: Medium AACSB: Analytic Skills

1. Nonprofit organizations have the same pricing objectives as private enterprise.

Answer: False Page: 384 Difficulty: Medium AACSB: Reflective Thinking

1. In the case of prestige goods, the demand curve sometimes slopes upward.

Answer: True Page: 385 Difficulty: Medium AACSB: Analytic Skills

1. Companies prefer customers who are less price sensitive.

Answer: True Page: 386 Difficulty: Easy AACSB: Reflective Thinking

1. Price elasticity depends upon the magnitude and direction of the contemplated price change.

Answer: True Page: 387 Difficulty: Medium

1. A *price indifference band* is that section of the price increase in which the consumer does not notice or does not have any effect in demand.

Answer: True Page: 387 Difficulty: Medium AACSB: Analytic Skills

1. The price elasticity of demand rarely varies between the short and long term.

Answer: False Page: 387 Difficulty: Hard AACSB: Analytic Skills

1. Price elasticities are higher for individual items than for overall brands.

Answer: True Page: 388 Difficulty: Hard

1. *Activity based cost* *accounting* is just another method to distribute attributable costs across the product line.

Answer: False Page: 388 Difficulty: Medium AACSB: Analytic Skills

1. *Total costs* consist of the sum of the fixed and variable costs associated with the product.

Answer: True Page: 388 Difficulty: Easy AACSB: Analytic Skills

1. In *target return pricing*, the firm determines the markup required and adds that amount to the fixed cost of the product.

Answer: False Page: 391 Difficulty: Hard

1. An increasing number of companies are basing their pricing on *perceived value,* which is the value that the consumer decides the product is worth and is the same across all incomes and regions of the company.

Answer: False Page: 392 Difficulty: Hard AACSB: Analytic Skills

1. The key to effectively using *perceived value pricing* is always to deliver the same or equal value as your competitors.

Answer: False Page: 392 Difficulty: Medium AACSB: Reflective Thinking

1. *Value pricing* is a matter of reengineering the company’s operations to become a low cost producer.

Answer: True Page: 393 Difficulty: Medium AACSB: Reflective Thinking

1. *EDLP pricing* is a type of going rate pricing in which the retailer sets low prices everyday on selected items.

Answer: False Page: 393 Difficulty: Medium AACSB: Analytic Skills

1. The final price charged by the company does not necessarily have to take into account the brand’s quality and advertising relative to competition.

Answer: False Page: 396 Difficulty: Hard AACSB: Reflective Thinking

1. In some cases, price is not as important as quality and other benefits in the market offering.

Answer: True Page: 396 Difficulty: Medium AACSB: Reflective Thinking

1. Management need not consider how the marketing/distribution channels will react to its pricing policies.

Answer: False Page: 397 Difficulty: Hard AACSB: Analytic Skills

1. When the seller receives full payment in cash and agrees to spend a substantial amount of the money in a country within a stated time period, this is called *offset.*

Answer: True Page: 398 Difficulty: Easy

1. A *quantity discount* is a price reduction given to those who buy a large volume of the manufacturer’s products.

Answer: True Page: 399 Difficulty: Medium AACSB: Analytic Skills

1. Price discrimination in all forms is illegal in the United States.

Answer: False Page: 400 Difficulty: Medium AACSB: Ethical Reasoning

1. Psychological discounting involves setting an artificially high price and then offering the product at substantial savings.

## Answer: True Page: 400 Difficulty: Hard AACSB: Analytic Skills

1. When firms charge different prices to different consumer groups (senior citizens for example), this is a form of price discrimination and is illegal.

## Answer: False Page: 401 Difficulty: Easy AACSB: Ethical Reasoning

1. Predatory pricing—selling below cost with the intention of destroying competition—is legal under certain conditions.

Answer: False Page: 402 Difficulty: Hard AACSB: Ethical Reasoning

1. Companies sometimes initiate price cuts in a drive to *dominate the market through lower costs.*

Answer: True Page: 402 Difficulty: Easy AACSB: Reflective Thinking

1. A major circumstance provoking price increases is *cost inflation.*

Answer: True Page: 403 Difficulty: Medium AACSB: Analytic Skills

**Essay**

1. Explain why and how the Internet is partially reversing the fixed price concept of retailing?

**Suggested Answer:** Using computer technology, buyers can get instant price comparisons from thousands of vendors, name their price and have it met, and get products free. Sellers can monitor customer behavior and tailor offers to individuals and give certain customers access to special prices. Both buyers and sellers can negotiate prices in online auctions and exchanges.

Page: 377 Difficulty: Medium AACSB: Use of IT

1. Prior research has shown that although consumers may have fairly good knowledge of the range of prices involved, surprisingly few can recall specific prices of products accurately. When examining products, consumers often employ reference prices. List the possible prices consumers use as their “reference.”

**Suggested Answer:** These reference prices include “fair price” (what the product should cost); typical price; last price paid; upper bound price (reservation price or what most consumers would pay); lower bound price (lower threshold price or the least consumers would pay); competitor price; expected future price; and usual discounted price.

Page: 380 Difficulty: Hard

1. Identify and discuss the six steps of the pricing procedure.

**Suggested Answer:** The six steps of the pricing procedure are: (1) selecting the pricing objective; (2) determining demand; (3) estimating costs; (4) analyzing competitors’ costs, prices, and offers; (5) selecting a pricing method; and (6) selecting the final price. See text for discussion of each step.

Pages: 383–397 Difficulty: Hard AACSB: Analytic Skills

1. Under what conditions is demand likely to be less elastic for a product?

**Suggested Answer:** Demand is likely to be less elastic under the following conditions: (1) there are few or no substitutes or competitors; (2) buyers do not really notice the higher price; (3) buyers are slow to change their buying habits; and (4) buyers think the higher prices are justified.

Pages: 385–386 Difficulty: Hard AACSB: Analytic Skills

1. What is experience curve pricing and what risks does it carry?

**Suggested Answer:** Experience curve pricing is pricing below the rest of the industry to increase demand for the company’s product, thereby moving production along the experience curve to reduced per unit production costs. This is followed by further reductions in price that retain profit margins but drive competitors out of the market. One of the risks of this strategy is that aggressive pricing might give the product a cheap image. This strategy also assumes that competitors are weak followers. It leads the company into building more plants to meet demand, but a competitor may choose to innovate with a lower cost technology. The market leader would then be stuck with the old technology

Page: 389 Difficulty: Hard

1. An increasing number of companies are basing their prices on the customer’s perceived value. Explain the concept of “perceived value” and identify the key to pricing in this manner.

**Suggested Answer:** Perceived value is made up of several elements, such as the buyer’s image of the product performance, the channel deliverables, the warranty quality, customer support, and softer attributes such as the supplier’s reputation, trustworthiness, and esteem. The key to perceived value pricing is to deliver more value than the competitor and to demonstrate this to prospective buyers. The company can determine the value of its offering in several ways: managerial judgments, value of similar products, focus groups, surveys, experimentation, analysis of historical data, and conjoint analysis.

Page: 392 Difficulty: Hard AACSB: Analytic Skills

1. Explain why “value pricing” is not just a matter of simply setting lower prices.

**Suggested Answer:** Value pricing is not just a matter of simply setting lower prices; it is a matter of reengineering the company’s operations to become a low cost producer without sacrificing quality, to attract a large number of value conscious consumers.

Page: 393 Difficulty: Easy AACSB: Reflective Thinking

1. In a classic study, Farris and Reibstein examined the relationships among relative price, relative quality, and relative advertising for 227 consumer businesses. List and briefly explain their findings.

**Suggested Answer:** (1) Brands with average relative quality but high relative advertising budgets were able to charge premium prices. Consumers apparently were willing to pay higher prices for known products than for unknown products. (2) Brands with high relative quality and high relative advertising obtained the highest prices. Conversely, brands with low quality and low advertising charged the lowest prices. (3) The positive relationship between high prices and high advertising held most strongly in the later stages of the product life cycle for market leaders.

Page: 396 Difficulty: Hard AACSB: Analytic Skills

1. For price discrimination to work, certain conditions must exist. List and briefly explain these conditions.

**Suggested Answer:** First, the market must be segmentable and the segments must show different intensities of demand. Second, members in the lower price segment must not be able to resell the product to the higher price segment. Third, competitors must not be able to undersell the firm in the higher price segment. Fourth, the cost of segmenting and policing the market must not exceed the extra revenue derived from price discrimination. Fifth, the practice must not breed customer resentment and ill will. Sixth, the particular form of price discrimination must not be illegal.

Page: 402 Difficulty: Hard AACSB: Analytic Skills

1. In responding to a competitor’s price cut, a firm in a nonhomogeneous market has more latitude and should consider what four issues before responding?

**Suggested Answer:** In a nonhomogeneous market, a firm needs to consider the following issues: (1) Why did the competitor change the price? (2) Does the competitor plan to make the price change temporary or permanent? (3) What will happen to the company’s market share and profits if it does not respond? (4) What are the competitors’ and other firms’ responses likely to be to each possible reaction?

Page: 405 Difficulty: Medium AACSB: Reflective Thinking

**APPLICATION QUESTIONS**

**Multiple Choice**

1. When a consumer buys a $100 bottle of perfume containing $10 worth of materials, the gift giver is communicating their high regard to the receiver, and this represents the concept of \_\_\_\_\_\_\_\_ in pricing.
   1. maximum current profit
   2. price–quality relationship
   3. reference prices
   4. price cues
   5. price leadership

Answer: b Page: 381 Difficulty: Easy

1. When a retailer puts a sign on a product that says “reduced” or a retailer puts a sign on a product that says “compare to XXX at $10.00 more,” the retailer is encouraging what kind of pricing psychology for its shoppers?
   1. Reference pricing
   2. Price cues
   3. Price leadership
   4. Going rate pricing
   5. None of the above

Answer: a Page: 380 Difficulty: Medium AACSB: Reflective Thinking

1. Research has shown that consumers tend to process prices in a “left to right” manner rather than by rounding. With this knowledge, which of the following prices would seem to be a better physiological price?
   1. $101.99
   2. $109.50
   3. $99.99
   4. $100.00
   5. none of the above

Answer: c Page: 382 Difficulty: Medium AACSB: Reflective Thinking

1. You are introducing a new product to the market; in fact, you are first with this new product to the marketplace. In developing your pricing strategy, it was decided that the price of the product should be at the maximum the market would bear. This is an example of what type of pricing strategy?
   1. Product quality leadership
   2. Market skimming pricing
   3. Market penetration pricing
   4. Going rate pricing
   5. Prestige pricing

Answer: b Page: 384 Difficulty: Easy AACSB: Analytic Skills

1. Texas Instruments builds a large plant to produce a great quantity of products, hoping that as prices decline, sales volume increases and thus costs decline. This market penetration pricing is dependent upon three conditions existing in the marketplace. Which one of the following is NOT one of these conditions?
   1. Low price discourages competition from entering the market.
   2. Production and distribution costs actually fall with increases in production.
   3. Low prices does not increase consumer demand but increases retailer competition.
   4. The market is stimulated by lower prices.
   5. The market is highly price sensitive.

Answer: c Page: 389 Difficulty: Hard AACSB: Reflective Thinking

1. Starbucks coffee, Aveda shampoo, and BMW cars have been able to position themselves within their categories by combining quality, luxury, and premium prices with an intensely loyal customer base. These companies are employing a \_\_\_\_\_\_\_\_ strategy.
   1. market skimming
   2. short term profit maximization
   3. survival
   4. market share maximization
   5. product quality leadership

## Answer: e Page: 384 Difficulty: Medium AACSB: Analytic Skills

1. If consumers were largely indifferent to a $0.10 increase in the price of a gallon of milk, the rise can be said to fall within customers’ \_\_\_\_\_\_\_\_.
   1. price indifference band
   2. price elasticity zone
   3. price inelasticity range
   4. coefficient of ambivalence
   5. none of the above

Answer: a Page: 387 Difficulty: Medium AACSB: Analytic Skills

1. The demand for your product fell 66% when the price increased by 50%. This is an example of what type of demand?
   1. Coefficient
   2. Inelastic
   3. Elastic
   4. Unitary
   5. none of the above

Answer: c Page: 387 Difficulty: Easy AACSB: Analytic Skills

1. The quantity demanded of your firm’s product increased only 5% when the price of each unit was reduced by 33%. This is an example of what type of demand?
   1. Elastic
   2. Coefficient
   3. Unitary
   4. Inelastic
   5. None of the above

Answer: d Page: 387 Difficulty: Easy

1. Manufacturing costs such as rent, utilities, interest expense, and some salaries are considered \_\_\_\_\_\_\_\_ and these costs do not vary with the production or sale of the item.
   1. corporate overhead
   2. division overhead
   3. overhead
   4. fixed costs
   5. variable

Answer: d Page: 388 Difficulty: Easy AACSB: Analytic Skills

1. At 1,000 calculators per day, Texas Instrument’s factory is running at full capacity. This means that the cost of each calculator is now at its \_\_\_\_\_\_\_\_ cost.
   1. total
   2. average
   3. lowest
   4. highest
   5. undetermined

Answer: c Page: 388 Difficulty: Medium AACSB: Reflective Thinking

1. If variable costs are $10 per unit, fixed costs are $300,000, and expected unit sales are 50,000, the unit cost is \_\_\_\_\_\_\_\_.
   1. $16.00
   2. $6.00
   3. $20.00
   4. $10.00
   5. none of the above

Answer: a Page: 390 Difficulty: Easy AACSB: Analytic Skills

1. Following the industry average, your firm accepts a 20% markup on sales. If the unit cost of your product is $20.00, then the retail price would be \_\_\_\_\_\_\_\_.
   1. $48.00
   2. $40.00
   3. $44.00
   4. $22.00
   5. $24.00

Answer: e Page: 390 Difficulty: Easy

1. Your company has invested $1,000,000 in plant and equipment and wants to ensure that it receives a 20% ROI on the pricing of its products. This 20% translates into $200,000. At a $16.00 cost and a 50,000 expected sales volume, at what price must your product “go out the door” to satisfy this ROI return?
   1. $24.00
   2. $20.00
   3. $40.00
   4. $44.00
   5. none of the above

Answer: b Page: 391 Difficulty: Medium AACSB: Analytic Skills

1. The formula for the break even volume calculation is \_\_\_\_\_\_\_\_.
   1. (price – variable costs)/fixed costs
   2. fixed costs/(price – variable costs)
   3. fixed costs/unit sales
   4. fixed costs/(variable costs – price)
   5. fixed costs X (variable costs – price)

Answer: b Page: 392 Difficulty: Hard AACSB: Analytic Skills

1. In oligopolistic industries that sell a commodity, firms base their prices largely on competitors’ prices. This is an example of \_\_\_\_\_\_\_\_.
   1. EDLP
   2. countertrade
   3. price discrimination
   4. going rate pricing
   5. high low pricing

Answer: d Page: 393 Difficulty: Medium

1. Baxter Healthcare, a leading medical products firm, was able to secure a contract for an information management system from Columbia/HCA, a leading health care provider, by guaranteeing the firm several million dollars in savings over an eight year period. This is an example of \_\_\_\_\_\_\_\_.
   1. market skimming pricing
   2. geographical pricing
   3. auction type pricing
   4. going rate pricing
   5. gain and risk sharing pricing

Answer: e Page: 397 Difficulty: Medium AACSB: Analytic Skills

1. In exchange for the distribution of your products overseas, your firm has accepted to receive a shipment of imported products in trade. This is an example of what type of countertrade?
   1. Offset
   2. Barter
   3. Compensation deal
   4. Buyback agreement
   5. None of the above

Answer: b Page: 397 Difficulty: Easy AACSB: Analytic Skills

1. Florida hotels discount the cost of their hotel rooms during the hot summer months. On the other hand, during the winter months, the price of these rooms increases. This is an example of what type of discount?
   1. Seasonal
   2. Functional
   3. Quantity
   4. Promotional allowance
   5. None of the above

Answer: a Page: 399 Difficulty: Easy

1. The popularity of “early bird” specials at restaurants is an example of what type of price discrimination?
   1. Time pricing
   2. Channel pricing
   3. Image pricing
   4. Product form pricing
   5. Customer segment pricing

Answer: a Page: 401 Difficulty: Easy AACSB: Analytic Skills

**Short Answer**

1. Your company is considering employing a “freemium” strategy. Identify five guidelines for success using this strategy.

**Suggested Answer:** Students may choose any five of the following: (1) Have a product or service that truly stands out. (2) Know your up selling plan from the beginning. (3) Once you’ve decided that a product will be given away for free, don’t change your mind. (4) Access to your product should be just one click away. (5) Make sure the major bugs have been exterminated. (6) Harness the collective intelligence of your users. (7) Keep improving the product to give users more reasons to stick with it. (8) Identify a range of revenue sources. (9) Timing is everything.

Page: 379 Difficulty: Hard AACSB: Analytic Skills

1. Explain how Armani uses consumer psychology to charge at least 20 times more for a black T shirt than do Gap or H&M.

**Suggested Answer:** Although the Armani black T shirt is a bit more stylishly cut than the other two, sports a “Made in Italy” label, and is made of a different material blend, the true value of the shirt comes from its scarcity and its association with a luxury brand. Pricing in this case hinges on the customer’s perception of the brand’s luxury connotations.

Page: 380 Difficulty: Easy

1. What is market skimming and where might you see market skimming pricing practiced in consumer goods?

**Suggested Answer:** Market skimming pricing is a strategy whereby prices start high and slowly drop over time. This is a prevalent practice in consumer electronics.

Page: 384 Difficulty: Medium AACSB: Analytic Skills

1. When the salesperson at the local luxury car dealer pitches a customer on the dealer’s “free maintenance for 36 months or 36,000 miles whichever comes first,” the salesperson is trying to overcome the car’s initial high cost by using what method?

**Suggested Answer:** The salesperson is trying to convince the customer that it offers the lowest *total cost of ownership* (TCO).

Page: 386 Difficulty: Easy AACSB: Analytic Skills

1. Identify and describe three methods companies can use to attempt to measure their demand curves.

**Suggested Answer:** Companies can use surveys of consumer purchase intentions, price experiments that vary the prices of different products in a store or across territories, and statistical analyses of past prices, quantities sold, and other factors.

Pages: 386–387 Difficulty: Medium

1. How can the Internet impact consumer price sensitivity?

**Suggested Answer:** Research has found that in some established, fairly big ticket categories such as auto retailing and term insurance, consumers pay lower prices as a result of the Internet. Car buyers use the Internet to gather information and to use the negotiating clout of an online buying service. But customers must visit multiple sites to realize these savings, and they don’t always do so. Targeting only price sensitive consumers may in fact be “leaving money on the table.”

Page: 386 Difficulty: Easy AACSB: Analytic Skills

1. How would you explain the concept of “price elasticity” to a co worker?

**Suggested Answer:** Price elasticity is the responsiveness or demand of the product’s sales in relationship to price. Price elasticity depends on the magnitude and direction of the price change. It may be negligible with a small price change and substantial with a large price change. It may differ for a price cut versus a price increase, and there may be a *price indifference* *band* within which price changes have little or no effect.

Page: 387 Difficulty: Medium AACSB: Analytic Skills

1. Explain the relationship between fixed costs, variable costs, total cost, and average cost.

**Suggested Answer:** Fixed costs are costs that do not vary with production level or sales revenue. Variable costs vary directly with the level of production. Total costs consist of the sum of the fixed and variable costs for any given level of production. Average cost is the cost per unit at that level of production (total costs divided by production volume).

Page: 388 Difficulty: Easy

1. As a newly hired marketing associate, you have been given the responsibility to reduce the costs of your product by utilizing a process called “target costing.” Explain how you would go about implementing a target costing program.

**Suggested Answer:** Market research is used to establish a new product’s desired functions and the price at which the product will sell, given its appeal and competitors’ prices. Deducting the desired profit margin from this price leaves the target cost that must be achieved. Each cost element—design, engineering, manufacturing, and sales—must be examined to reduce costs to the target cost range.

Page: 389 Difficulty: Hard AACSB: Analytic Skills

1. Explain the difference between everyday low pricing (EDLP) and high low pricing.

**Suggested Answer:** A retailer that holds to an EDLP pricing policy charges a constant low price with little or no price promotions and special sales. These constant prices eliminate week to week price uncertainty and the “high low” pricing of promotion oriented competitors. In high low pricing, the retailer charges higher prices on an everyday basis but then runs frequent promotions in which prices are temporarily lowered below the EDLP levels.

Page: 393 Difficulty: Easy AACSB: Analytic Skills

1. How do EDLP and high low pricing strategies affect consumer price judgments?

**Suggested Answer:** Deep discounts (EDLP) can lead customers to perceive lower prices over time than frequent, shallow discounts (high low), even if the actual averages are the same.

Page: 393 Difficulty: Hard AACSB: Reflective Thinking

1. As a small firm in a commodity industry, you are often faced with a pricing policy that can best be described as “going rate pricing.” Explain how this pricing policy works.

**Suggested Answer:** With “going rate,” pricing, the firm bases its price largely on competitors’ prices. The firm might charge the same, more, or less than major competitors.

Page: 393 Difficulty: Medium AACSB: Analytic Skills

1. Your local retailer has instituted an EDLP pricing program for his stores. What would one of the reasons be for the retailer to adopt an EDLP pricing policy?

**Suggested Answer:** Constant sales and promotions are costly and have eroded consumer confidence in the credibility of everyday shelf prices.

Page: 393 Difficulty: Easy AACSB: Reflective Thinking

1. IKEA and Southwest Airlines are among the best practitioners of value pricing—win loyal customers by charging a fairly low price for a high quality offering. Why is value pricing not a matter of simply lowering prices?

**Suggested Answer:** Value pricing is a matter of reengineering the company’s operations to become a low cost producer without sacrificing quality, to attract a large number of value conscious customers.

Page: 393 Difficulty: Medium

1. As the marketing manager for your product, you have been forced to take a price increase due to cost pressures from your suppliers. After adjusting for customer and consumer demand fluctuations and elasticity, you feel that you have accounted for all possible reactions. Your boss, however, feels differently and says that your recommendations are not complete. What other factors, besides consumer/customers, are affected by price changes?

**Suggested Answer:** Other parties that must be accounted for include distributors and dealers, the sales force, suppliers, government agencies, and your competitors.

Page: 397 Difficulty: Medium AACSB: Reflective Thinking

1. Your company has recently sold its resin producing plant in India to a local concern. As part of the sales price, your company agrees to accept as partial payment the production of the resin at an agreed upon price for six years. This is an example of what type of countertrade?

**Suggested Answer:** This is an example of a *buyback arrangement.*

Page: 398 Difficulty: Medium AACSB: Analytic Skills

1. In attempt to “rein in” the continued discounting by the sales force, you implement a net price analysis program to arrive at the “real price” of your products. Describe the steps necessary to implement such a program.

**Suggested Answer:** A net price analysis should adjust for discounts and promotional allowances/pricing such as loss leader pricing, special events pricing, cash rebates, low interest financing, longer payment terms, warranties and service contracts, and psychological discounting employed by the sales force.

Pages: 399–400 Difficulty: Medium

1. Movie matinees are priced lower than the evening shows; afternoon ball games are sometimes priced cheaper than the evening games, television advertising costs less when run after midnight. These are examples of what type of price discrimination?

**Suggested Answer:** These are examples of time pricing discrimination.

Page: 401 Difficulty: Easy

1. When is price discrimination legal?

**Suggested Answer:** Price discrimination is legal if the seller can prove that its costs are different when selling different volumes or different qualities of the same product to different retailers.

Page: 402 Difficulty: Hard AACSB: Ethical Reasoning

1. When a company initiates a price cut in an attempt to dominate the market through lower costs (such as the $1.00 special lunch menus at key fast food restaurants), the company must ensure that it does not fall into certain low cost traps. List these four “traps.”

**Suggested Answer:** There is the low quality trap, the fragile market share trap, the shallow pockets trap, and the price war trap.

Pages: 402–403 Difficulty: Hard AACSB: Analytic Skills

**Chapter 15:**

**Designing and Managing Integrated Marketing**

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. Intermediaries who buy, take title to, and resell the merchandise are called \_\_\_\_\_\_\_\_.
   1. retailers
   2. facilitators
   3. marketers
   4. agents
   5. merchants

## Answer: e Page: 410 Difficulty: Easy AACSB: Analytic Skills

1. Companies that search for customers and may negotiate on the producer’s behalf but do not take title to the goods are called \_\_\_\_\_\_\_\_.
   1. marketers
   2. merchants
   3. facilitators
   4. agents
   5. none of the above

## Answer: d Page: 410 Difficulty: Easy AACSB: Analytic Skills

1. Transportation companies, independent warehouses, banks, and advertising agencies that assist in the distribution process but neither take title to goods nor negotiate purchases or sales are called \_\_\_\_\_\_\_\_.
   1. marketers
   2. facilitators
   3. agents
   4. merchants
   5. none of the above

## Answer: b Page: 410 Difficulty: Easy

1. One of the chief roles of marketing channels is to convert potential buyers into profitable \_\_\_\_\_\_\_\_.
   1. sales
   2. marketers
   3. customers
   4. orders
   5. consumers

## Answer: c Page: 410 Difficulty: Medium AACSB: Reflective Thinking

1. A marketing channel system is the particular set of \_\_\_\_\_\_\_\_ employed by a firm. Decisions about the marketing channel system are among the most critical facing a firm.
   1. marketing channels
   2. distribution/warehouse channels
   3. finance channels
   4. management channels
   5. advertising channels

## Answer: a Page: 410 Difficulty: Easy AACSB: Analytic Skills

1. A \_\_\_\_\_\_\_\_ strategy involves the manufacturer using its sales force and trade promotion money to induce intermediaries to carry, promote, and sell the product to end users.
   1. push
   2. pull
   3. promote
   4. provide
   5. none of the above

## Answer: a Page: 410 Difficulty: Hard

1. A \_\_\_\_\_\_\_\_ strategy creates consumer demand through promotions and advertising as a way to induce intermediaries to carry the product.
   1. push
   2. pull
   3. promote
   4. provide
   5. none of the above

## Answer: b Page: 410 Difficulty: Hard AACSB: Analytic Skills

1. Today customers expect channel integration to work smoothly. Which of the following is NOT one of the characteristics of channel integration?
   1. The ability to order the product online and pick it up at a retail location
   2. The ability to return an online purchase at the retail location
   3. The right to receive discounts based on total online and off line purchases
   4. Offering gift certificates that can be redeemed online and off line
   5. None of the above are characteristics of channel integration

## Answer: d Page: 412 Difficulty: Medium AACSB: Reflective Thinking

1. Generally speaking, buyers fall into four categories. Which of the following is NOT one of these categories?
   1. Habitual shoppers
   2. High value deal seekers
   3. Low involvement shoppers
   4. Variety loving shoppers
   5. High involvement shoppers

## Answer: c Page: 413 Difficulty: Hard AACSB: Analytic Skills

1. Shoppers who primarily seek stores that suit people like themselves or members of groups they aspire to join are known as \_\_\_\_\_\_\_\_.
   1. price/value customers
   2. affinity customers
   3. service/quality customers
   4. variety loving shoppers
   5. high value deal seekers

## Answer: b Page: 413 Difficulty: Medium AACSB: Analytic Skills

1. A supply chain view of a firm sees markets as destination points and amounts to a linear view of the flow. The company should first think of the target market and then design the supply chain backward from that point. This view is called \_\_\_\_\_\_\_\_.
   1. value network
   2. demand chain planning
   3. demand retail planning
   4. customer planning
   5. none of the above

## Answer: b Page: 414 Difficulty: Easy AACSB: Analytic Skills

1. A value network includes a firm’s suppliers and its suppliers’ suppliers, and its immediate customers and their end \_\_\_\_\_\_\_\_.
   1. retailers
   2. marketers
   3. shoppers
   4. customers
   5. procedures

## Answer: d Page: 414 Difficulty: Medium

1. Through their contacts, experience, specialization, and scale of operation, intermediaries help firms \_\_\_\_\_\_\_ in making goods widely available.
   1. achieve superior products
   2. achieve superior use of technology
   3. achieve superior efficiency
   4. achieve superior contacts
   5. achieve superior distribution channels

## Answer: c Page: 414 Difficulty: Hard AACSB: Reflective Thinking

1. A marketing channel overcomes the time, place, and \_\_\_\_\_\_\_\_ gaps that separate goods and services from those who need or want them.
   1. possession
   2. retail
   3. consumers
   4. policies
   5. buyers

## Answer: a Page: 415 Difficulty: Easy AACSB: Reflective Thinking

1. Physical functions, title functions, and promotional functions are example of \_\_\_\_\_\_\_\_ flow of activity from the company to the customer.
   1. lateral
   2. forward
   3. backward
   4. sidewise
   5. none of the above

## Answer: b Page: 415 Difficulty: Easy AACSB: Analytic Skills

1. The question regarding the various channel functions is not whether or not they need to be performed but who is to perform them. All channel functions have three things in common. Which of the following is NOT one of these channel functions?
   1. They use up scarce resources.
   2. They can often be performed better through specialization.
   3. They can be shifted among channel members.
   4. They require substantial investments by the producer.
   5. None of the above

## Answer: d Page: 416 Difficulty: Hard AACSB: Reflective Thinking

1. A \_\_\_\_\_\_\_\_ channel consists of a manufacturer selling directly to the final customer.
   1. three level
   2. two level
   3. zero level
   4. multiple level
   5. one level

## Answer: c Page: 416 Difficulty: Easy AACSB: Analytic Skills

1. Designing a marketing channel system involves analyzing customer needs, \_\_\_\_\_\_\_\_, identifying major channel alternatives, and evaluating major channel alternatives.
   1. establishing channel partners
   2. establishing channel costs
   3. establishing channel members
   4. establishing channel budgets
   5. establishing channel objectives

## Answer: e Page: 417 Difficulty: Medium

1. In designing the marketing channel, the marketer must understand the service output levels desired by the target customers. Channels produce five service outputs. Which of the following is NOT one of these outputs?
   1. Product variety
   2. “Entertainment shopping experience”
   3. Spatial convenience
   4. Waiting and delivery time
   5. Lot size

## Answer: b Pages: 417–418 Difficulty: Medium AACSB: Analytic Skills

1. Channel objectives should be stated in terms of \_\_\_\_\_\_\_\_ service output levels.
   1. efficient
   2. budgeted
   3. targeted
   4. affordable
   5. none of the above

## Answer: c Page: 418 Difficulty: Easy AACSB: Reflective Thinking

1. A channel alternative is described by three elements: the types of available business intermediaries, the number of intermediaries needed, and the \_\_\_\_\_\_\_\_.
   1. area of expertise of each channel member
   2. terms and responsibilities of each channel member
   3. quality of the channel member organization
   4. size of each channel member
   5. depth of commitment of each channel member

## Answer: b Page: 419 Difficulty: Hard AACSB: Analytic Skills

1. Companies deciding on the number of intermediaries to use at each channel level have three strategies available to them. They can use exclusive distribution, \_\_\_\_\_\_\_\_ distribution, and intensive distribution.
   1. selective
   2. extensive
   3. self selecting
   4. competitive
   5. collective

## Answer: a Page: 419 Difficulty: Medium AACSB: Analytic Skills

1. When the producer wants to maintain control over the service level and outputs offered by the resellers, it most likely will use \_\_\_\_\_\_\_\_ distribution.
   1. competitive
   2. extensive
   3. intensive
   4. exclusive
   5. selective

## Answer: d Page: 419 Difficulty: Easy

1. By granting \_\_\_\_\_\_\_\_, the producer hopes to obtain more dedicated and knowledgeable selling.
   1. selective distribution
   2. intensive distribution
   3. extensive distribution
   4. random distribution
   5. exclusive distribution

## Answer: e Page: 419 Difficulty: Medium AACSB: Reflective Thinking

1. With \_\_\_\_\_\_\_\_, the company does not need to worry about too many outlets; it can gain adequate market coverage with more control and less cost that intensive distribution.
   1. selective distribution
   2. normal distribution
   3. extensive distribution
   4. random distribution
   5. exclusive distribution

## Answer: a Page: 420 Difficulty: Medium AACSB: Reflective Thinking

1. Manufacturers are constantly tempted to move from exclusive or selective distribution to more intensive distribution in order to \_\_\_\_\_\_\_\_.
   1. increase coverage and sales
   2. decrease coverage and sales
   3. enter the market
   4. leave the market
   5. none of the above

## Answer: a Page: 421 Difficulty: Easy AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ distribution consists of the manufacturer placing his goods and services in as many outlets as possible.
   1. Selective
   2. Exclusive
   3. Intensive
   4. “Shotgun”
   5. Scattered

## Answer: c Page: 421 Difficulty: Easy

1. The main elements in the “trade relations mix” are price policies, conditions of sale, \_\_\_\_\_\_\_\_, and specific services to be performed by each party.
   1. competitive policies
   2. distribution policies
   3. service policies
   4. credit policies
   5. territorial rights

## Answer: e Page: 421 Difficulty: Hard AACSB: Analytic Skills

1. Each channel alternative needs to be evaluated against \_\_\_\_\_\_\_\_, control, and adaptive criteria.
   1. economic
   2. manufacturing
   3. delivery
   4. financial
   5. timing issues

## Answer: a Page: 421 Difficulty: Easy AACSB: Analytic Skills

1. One of the control issues of using a sales agency as a channel partner is that the sales agency is an independent firm seeking to \_\_\_\_\_\_\_\_.
   1. find new customers
   2. increase sales
   3. lower its costs and profits
   4. maximize profits
   5. none of the above

## Answer: d Page: 423 Difficulty: Easy AACSB: Reflective Thinking

1. After a company has chosen a channel alternative, individual intermediaries must be \_\_\_\_\_\_\_\_, trained, motivated, and evaluated.
   1. selected
   2. researched
   3. compensated
   4. induced
   5. none of the above

## Answer: a Page: 423 Difficulty: Easy AACSB: Analytic Skills

1. It is important for the company to select its channel members carefully because to the customers, the channels \_\_\_\_\_\_\_\_\_ the company.
   1. are independent entrepreneurs of
   2. distance themselves from
   3. are not
   4. are
   5. look like

## Answer: d Page: 423 Difficulty: Easy AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ can be defined as the ability to alter channel members’ behavior so that they take actions they would not have taken otherwise.
   1. Marketing
   2. Superior products
   3. Channel power
   4. Channel relationships
   5. Channel concerns

## Answer: c Page: 424 Difficulty: Easy

1. The five types of power available to the producer to elicit cooperation from channel members includes all of the following EXCEPT \_\_\_\_\_\_\_\_ power.
   1. expert
   2. position
   3. coercive
   4. referent
   5. reward

## Answer: b Page: 424 Difficulty: Medium AACSB: Analytic Skills

1. In competitive markets with low entry barriers, the optimal channel structure will inevitably \_\_\_\_\_\_\_\_ over time.
   1. become cumbersome
   2. harden
   3. stay the same
   4. increase
   5. change

## Answer: e Page: 425 Difficulty: Medium AACSB: Reflective Thinking

1. Regarding distribution systems, one of the most difficult decision that a firm must make at some time involves \_\_\_\_\_\_\_\_ the channel strategy.
   1. discontinuing
   2. revising
   3. decreasing members of
   4. increasing members of
   5. scrapping

## Answer: b Page: 425 Difficulty: Medium AACSB: Reflective Thinking

1. A conventional marketing channel comprises a(n) \_\_\_\_\_\_\_\_, wholesaler(s), and retailer(s), each acting in his own self interest.
   1. broker
   2. manufacturing agent
   3. manufacturing representative
   4. merchant wholesaler
   5. independent producer

## Answer: e Page: 426 Difficulty: Medium

1. A(n) \_\_\_\_\_\_\_\_ comprises the producer, wholesaler(s), and retailers(s) acting as a unified system.
   1. corporate VMS
   2. distributor relationship
   3. vertical marketing system
   4. distribution system
   5. administered system

## Answer: c Page: 426 Difficulty: Medium AACSB: Analytic Skills

1. A(n) \_\_\_\_\_\_\_\_ consists of independent firms at different levels of production and distribution integrating their programs on a contractual basis to obtain more economies or sales impact than they could achieve alone.
   1. contractual VMS
   2. distributor VMS
   3. administered VMS
   4. vertical marketing system
   5. none of the above

## Answer: a Page: 427 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following is a type of contractual VMS?
   1. Specialty stores
   2. Franchise organizations
   3. Kiosks stores
   4. Catalog stores
   5. None of the above

## Answer: b Page: 427 Difficulty: Hard

1. When two or more unrelated companies put together resources or programs to exploit an emerging marketing opportunity, it is called a \_\_\_\_\_\_\_\_.
   1. coop marketing system
   2. horizontal marketing system
   3. financial marketing system
   4. vertical marketing system
   5. cross marketing system

## Answer: b Page: 428 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ occurs when a single firm uses two or more marketing channels to reach one or more customer segments.
   1. Multichannel marketing
   2. Multimarket marketing
   3. Diversified marketing
   4. Integrated marketing
   5. None of the above

## Answer: a Page: 429 Difficulty: Easy AACSB: Analytic Skills

1. By adding more channels, companies can gain three important benefits. First, they can increase their market coverage; second, they can lower channel costs; and third, they can provide \_\_\_\_\_\_\_\_.
   1. effective dollar costs/sale
   2. increased exposure
   3. increased volume of potential customers
   4. increased volume of sales
   5. more customized selling

## Answer: e Page: 429 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ is generated when one channel member’s actions prevent another channel from achieving its goal.
   1. Channel power
   2. Channel conflict
   3. Channel coordination
   4. Channel advertisement
   5. None of the above

## Answer: b Page: 430 Difficulty: Easy

1. \_\_\_\_\_\_\_\_ involves conflict between members at the same level within the channel.
   1. Vertical channel conflict
   2. Circular channel conflict
   3. Multichannel conflict
   4. Horizontal channel conflict
   5. None of the above

## Answer: d Page: 431 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ means conflict between different levels within the same channel.
   1. Vertical channel conflict
   2. Circular channel conflict
   3. Multichannel conflict
   4. Horizontal channel conflict
   5. None of the above

## Answer: a Page: 431 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ exists when the manufacturer has established two or more channels that sell to the same market.
   1. Vertical channel conflict
   2. Circular channel conflict
   3. Multichannel conflict
   4. Horizontal channel conflict
   5. None of the above

## Answer: c Page: 431 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ occurs when channel members are brought together to advance the goals of the channel, as opposed to their own potentially incompatible goals.
   1. Channel coordination
   2. Channel cooperation
   3. Channel conflict
   4. Channel advertisement
   5. None of the above

## Answer: a Page: 431 Difficulty: Easy AACSB: Analytic Skills

1. Causes of channel conflict include all of the following, EXCEPT\_\_\_\_\_\_\_\_.
   1. goal incompatibility
   2. differences in perception
   3. dependency
   4. unclear goals and rights
   5. channel power usage

## Answer: e Page: 431 Difficulty: Hard AACSB: Reflective Thinking

1. There are several mechanisms for effective channel conflict management. These include the following, EXCEPT \_\_\_\_\_\_\_\_.
   1. frequent vendor switching
   2. superordinate goals
   3. co optation
   4. diplomacy
   5. mediation

## Answer: a Page: 432 Difficulty: Hard

1. \_\_\_\_\_\_\_\_ is an effort by one organization to win the support of the leaders of another organization by including them in advisory councils, board of directors, and the like.
   1. Co optation
   2. Diplomacy
   3. Superordinate goals
   4. Mediation
   5. Arbitration

## Answer: a Page: 432 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ means resorting to a neutral third party who is skilled in conciliating the two parties’ interests.
   1. Co optation
   2. Negotiation
   3. Mediation
   4. Arbitration
   5. Diplomacy

## Answer: c Page: 432 Difficulty: Medium AACSB: Analytic Skills

1. Producers of strong brands sometimes sell them to dealers only if the dealers will take some or all of the rest of the line. This practice is called full line forcing or \_\_\_\_\_\_\_\_.
   1. EDLPs
   2. laddering
   3. tying agreements
   4. reciprocal agreements
   5. trade offs

## Answer: c Page: 434 Difficulty: Hard

1. \_\_\_\_\_\_\_\_ describes the use of electronic means and platforms to conduct a company’s business.
   1. E business
   2. E commerce
   3. E purchasing
   4. E marketing
   5. None of the above

## Answer: a Page: 434 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ means that the company or site offers to transact or facilitate the selling of products or services online.
   1. E business
   2. E commerce
   3. E purchasing
   4. E marketing
   5. None of the above

## Answer: b Page: 434 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ means companies decide to purchase goods, services, and information from various online suppliers.
   1. E business
   2. E commerce
   3. E purchasing
   4. E marketing
   5. none of the above

## Answer: c Page: 434 Difficulty: Easy

1. \_\_\_\_\_\_\_\_ describes company efforts to inform buyers, communicate, promote, and sell its products and services over the Internet.
   1. E business
   2. E commerce
   3. E purchasing
   4. E marketing
   5. None of the above

## Answer: d Page: 434 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ are companies that have launched a Web site without any previous existence as a firm.
   1. Dot coms
   2. Internet firms
   3. Pure click firms
   4. Brick click firms
   5. None of the above

## Answer: c Page: 434 Difficulty: Easy AACSB: Use of IT

1. \_\_\_\_\_\_\_\_ are existing companies that have added an online site for information and/or e commerce.
   1. Store locations
   2. Brick and click firms
   3. Brick and mortar firms
   4. Pure click firms
   5. None of the above

## Answer: b Page: 437 Difficulty: Easy AACSB: Use of IT

1. For the brick and click companies, adding an e commerce channel creates the threat of \_\_\_\_\_\_\_\_ from retailers, brokers, agents, and other intermediaries.
   1. competition
   2. a backlash
   3. cooperation
   4. refusal
   5. support

## Answer: b Page: 437 Difficulty: Medium AACSB: Reflective Thinking

**True/False**

1. Marketing channels are sets of interdependent organizations involved in the process of making a product or service available for use or consumption.

## Answer: True Page: 410 Difficulty: Easy AACSB: Analytic Skills

1. Top marketing companies typically employ either a push or a pull strategy.

## Answer: False Page: 411 Difficulty: Medium AACSB: Reflective Thinking

1. Customers’ shopping habits can vary by countries, and retailers that have largely stuck to the same selling formula regardless of geography have sometimes encountered trouble in entering new markets.

## Answer: True Page: 411 Difficulty: Easy AACSB: Multicultural/Diversity

1. A hybrid channel is one in which the manufacturer uses two or more different channels of distribution to reach the target markets.

## Answer: True Page: 412 Difficulty: Medium AACSB: Analytic Skills

1. The ability to order a product online and pick it up at a convenient retail location is an example of the consumers’ expectations for channel integration.

## Answer: True Page: 412 Difficulty: Hard AACSB: Reflective Thinking

1. Habitual shoppers purchase from the same places in the same manner over time.

## Answer: True Page: 413 Difficulty: Medium AACSB: Analytic Skills

1. High involvement shoppers gather information in all channels, purchasing in a low cost channel, but taking advantage of customer support from a high touch channel.

## Answer: True Page: 413 Difficulty: Medium AACSB: Analytic Skills

1. Every individual consumer typically chooses the same channels for serving all of their shopping needs in making a purchase.

## Answer: False Page: 413 Difficulty: Hard AACSB: Reflective Thinking

1. Thinking of the target market first, then designing the supply chain backward from that point is called demand chain planning.

## Answer: True Page: 414 Difficulty: Medium AACSB: Analytic Skills

1. A system of partnerships and alliances that a firm creates to source, augment, and deliver its offering is called a demand chain.

## Answer: False Page: 414 Difficulty: Medium AACSB: Analytic Skills

1. Delegating some of the selling functions to intermediaries means loss of control over how and to whom the products are sold.

## Answer: True Page: 414 Difficulty: Hard AACSB: Reflective Thinking

1. A manufacturer selling a physical product and related services might require three channels: a sales channel, a delivery channel, and a service channel.

## Answer: True Page: 415 Difficulty: Medium AACSB: Analytic Skills

1. All channel functions need not be performed for the channel to operate efficiently.

## Answer: False Page: 416 Difficulty: Hard AACSB: Reflective Thinking

1. A direct marketing channel consists of a manufacturer selling directly to one retailer.

## Answer: False Page: 416 Difficulty: Medium AACSB: Analytic Skills

1. The reverse flow channels are not important except in the cases of recycling, refurbishing, and disposal.

## Answer: False Page: 417 Difficulty: Medium AACSB: Reflective Thinking

1. Designing a marketing channel involves analyzing customer needs, establishing channel objectives, and identifying cost saving channels, identifying key channel partners, and evaluating all alternatives.

## Answer: False Page: 417 Difficulty: Medium AACSB: Reflective Thinking

1. Channel objectives should never be stated in terms of targeted service outputs and levels but instead stated in terms of dollar costs.

## Answer: False Page: 418 Difficulty: Hard

1. Companies can choose from a wide variety of channels for reaching customers—from sales forces to agents, distributors, dealers, direct mail, telemarketing, and the Internet.

## Answer: True Page: 418 Difficulty: Easy AACSB: Reflective Thinking

1. Channel objectives vary with product characteristics.

## Answer: True Page: 418 Difficulty: Medium AACSB: Reflective Thinking

1. Exclusive distribution involves the use of more than a few but less than all of the intermediaries that are willing to carry your product.

## Answer: False Page: 419 Difficulty: Hard AACSB: Analytic Skills

1. Selective distribution means severely limiting the number of intermediaries.

## Answer: False Page: 420 Difficulty: Medium AACSB: Analytic Skills

1. Intensive distribution consists of the manufacturer placing the goods or services in as many outlets as possible.

## Answer: True Page: 421 Difficulty: Medium AACSB: Analytic Skills

1. Moving to more intensive distribution to increase coverage and sales may help in the short term, but it can hurt long term performance by encouraging retailers to compete aggressively.

## Answer: True Page: 421 Difficulty: Medium AACSB: Reflective Thinking

1. Each channel alternative needs to be evaluated against economic, control, and power criteria.

## Answer: False Page: 421 Difficulty: Medium AACSB: Analytic Skills

1. Channel arrangements, once constructed, need not be modified over time.

## Answer: False Page: 423 Difficulty: Hard AACSB: Reflective Thinking

1. Companies need to plan and implement careful training programs for their intermediaries.

## Answer: True Page: 423 Difficulty: Hard AACSB: Reflective Thinking

1. One of the major causes of channel conflict is goal incompatibility between the manufacturer and the channel members.

## Answer: True Page: 431 Difficulty: Hard

1. Coercive power is objectively observable, whereas legitimate, expert, and referent power are more subjective.

## Answer: True Page: 424 Difficulty: Medium AACSB: Analytic Skills

1. More sophisticated companies try to forge a long term partnership with distributors.

## Answer: True Page: 424 Difficulty: Medium AACSB: Reflective Thinking

1. Once a manufacturer has identified the appropriate channel for its new product, that channel is likely to remain effective over the whole product life cycle.

## Answer: False Page: 425 Difficulty: Medium AACSB: Reflective Thinking

1. A vertical marketing system comprises the producer, wholesaler(s), and retailer(s) acting in their own interests.

## Answer: False Page: 426 Difficulty: Easy AACSB: Analytic Skills

1. V. Kasturi Rangan defines channel stewardship as the ability of a given participant in a distribution channel to create a go to market strategy that simultaneously addresses customers’ best interests and drives profits for all channel partners.

## Answer: True Page: 427 Difficulty: Hard AACSB: Analytic Skills

1. A horizontal marketing system brings two related firms together to marshal the resources or programs necessary to provide an emerging marketing opportunity.

## Answer: False Page: 428 Difficulty: Hard AACSB: Analytic Skills

1. A company’s various channels should ideally work in complete isolation.

## Answer: False Page: 429 Difficulty: Easy AACSB: Reflective Thinking

1. Channel conflict is generated when one channel member’s actions prevent another channel from achieving its goal.

## Answer: True Page: 430 Difficulty: Easy AACSB: Analytic Skills

1. Channel coordination occurs when channel members are brought together to advance the goals of the channel.

## Answer: True Page: 431 Difficulty: Easy AACSB: Analytic Skills

1. The purpose of exclusive dealing, where the seller requires that dealers not handle competitors’ products, is to substantially limit competition. This is legal as long as both parties enter into the agreement voluntarily.

## Answer: False Page: 433 Difficulty: Hard AACSB: Ethical Reasoning

1. E business means that the company or site offers to transact or facilitate the selling of products and services online.

## Answer: False Page: 434 Difficulty: Medium AACSB: Use of IT

1. E marketing describes company efforts to inform buyers, communicate, promote, and sell its products and services over the Internet.

## Answer: True Page: 434 Difficulty: Easy AACSB: Use of IT

1. In adding e commerce, a brick and click company need not worry about backlash from retailers, brokers, agents, or other intermediaries.

## Answer: False Page: 437 Difficulty: Hard AACSB: Reflective Thinking

**Essay**

1. Explain why the marketing channel system is so important to a firm.

**Suggested Answer:** Decisions about the marketing channel system are among the most critical facing management. In the United States, channel members collectively earn margins that account for 30% 50% of the final retail price. Marketing channels represent a substantial opportunity cost. One of the chief roles of marketing channels is to convert potential buyers into profitable customers. Marketing channels must not just *serve* markets, they must also *make* markets. The channels chosen affect all other marketing decisions. The companies’ price strategies, promotion strategies, and place strategies are determined by the channel the firm pursues.

Page: 410 Difficulty: Hard AACSB: Reflective Thinking

1. Explain the concept of a hybrid channel distribution system.

**Suggested Answer:** A hybrid channel distribution system is when a firm uses a combination of different channels to reach differing target markets. For example, HP uses its sales force to sell to large accounts, outbound telemarketing to sell to medium sized accounts, direct mail with an inbound number for small accounts, retailers to sell to even smaller accounts, and the Internet to sell specialty items.

Page: 412 Difficulty: Hard AACSB: Analytic Skills

1. Different consumers have different needs during the purchase process. Researchers Nunes and Cespedes argue that, in many markets, buyers fall into four categories. List and briefly define these four categories.

**Suggested Answer:** The four categories are: (1) habitual shoppers—purchase from the same places in the same manner over time; (2) high value deal seekers—know their needs and “channel surf” a great deal before buying at the lowest possible price; (3) variety loving shoppers­—gather information in many channels, take advantage of high touch services, and then buy in their favorite channel, regardless of price; and (4) high involvement shoppers—gather information in all channels, make their purchases in a low cost channel, but take advantage of customer support from a high touch channel.

Page: 413 Difficulty: Hard AACSB: Analytic Skills

1. Demand chain planning yields several insights for manufacturers who follow this view of the supply chain. Explain what these insights are and how companies can use them to their best advantage.

**Suggested Answer:** First, the company can estimate whether more money is made upstream or downstream, in case it might want to integrate backward or forward. Second, the company is more aware of disturbances anywhere in the supply chain that might cause costs, prices, or suppliers to change suddenly. Third, companies can go online with their business partners to carry on faster and more accurate communications, transactions, and payments to reduce costs, speed up information, and increase accuracy.

Page: 414 Difficulty: Hard AACSB: Reflective Thinking

1. What are some of the advantages available to producers using intermediaries?

**Suggested Answer:** Producers gain several advantages by using intermediaries, including: (1) many producers lack the financial resources to carry out direct marketing; (2) intermediaries have contacts, experience, specialization, and scale of operations to make goods widely available and accessible to target markets; and (3) in some cases, direct marketing simply is not feasible.

Page: 414 Difficulty: Hard AACSB: Reflective Thinking

1. In designing a marketing channel system, the marketer must understand the service output levels desired by target customers. Channels provide five service outputs. List and briefly describe each of these outputs.

**Suggested Answer:** The five service outlets are:(1) lot size—the number of units the channel permits a typical customer to purchase on one occasion; (2) waiting and delivery time—the average time customers of that channel wait for receipt of the goods; (3) spatial convenience—the degree to which the marketing channel makes it easy for customers to purchase the product; (4) product variety—the assortment breadth provided by the marketing channel; and (5) service backup—the add on services (credit, delivery, etc.) provided by the channel .

Pages: 417–418 Difficulty: Hard AACSB: Analytic Skills

1. Manufacturers are constantly tempted to move from exclusive distribution or selective distribution to more intensive distribution. Give a reason why this might not be a good long term strategy for a manufacturer.

**Suggested Answer:** They might be tempted to move to increase coverage and sales and it may help in the short term, but often hurts long term performance. Intensive distribution increases product and service availability but may result in retailers competing aggressively. If price wars ensue, retailer profitability may also decline, potentially dampening retailer interest in the product.

Page: 421 Difficulty: Medium AACSB: Reflective Thinking

1. Explain the differences between a vertical marketing system (VMS) and a conventional marketing system?

**Suggested Answer:** A vertical marketing system comprises the producer, wholesaler(s), and retailer(s) acting as a unified system. One channel member, the channel captain, owns the others, franchises them, or has so much power that they all cooperate. A conventional marketing channel comprises an independent producer, wholesaler(s), and retailer(s). Each is a separate business seeking to maximize its own profits, and no channel member has complete or even substantial control over the other members.

Page: 426 Difficulty: Medium AACSB: Analytic Skills

1. The most advanced supply distributor arrangements for administering VMSs involve distribution programming. Explain the components of distribution programming.

**Suggested Answer:** Distribution programming can be defined as building a planned, professionally managed, vertical marketing system that meets the needs of both manufacturer and distributors. The manufacturer establishes a department within the company called distributor relations planning. The department’s job is to identify distributor needs and build up merchandising programs to help each distributor operate as efficiently as possible. This department and the distributors

jointly plan merchandising goals, inventory levels, space and visual merchandising plan, sales training requirements, and advertising and promotion plans.

Pages: 426–427 Difficulty: Hard AACSB: Analytic Skills

1. For a brick and click company to add e commerce to its marketing mix, the firm must be aware that it creates the threat of a backlash from its channel partners. The question remains: How to sell both through intermediaries and online? Three strategies for successfully answering this question were postulated in the chapter. List and briefly define these three strategies.

**Suggested Answer:** First, offer different brands or products on the Internet. Second, offer the off line partners higher commissions to cushion the negative impact on sales. Third, take orders on the Web site but have retailers deliver and collect payments.

Page: 437 Difficulty: Medium AACSB: Reflective Thinking

**APPLICATION QUESTIONS**

**Multiple Choice**

1. Your product enjoys high brand loyalty and high involvement in the category. It has perceived differences that consumers recognize between brands and is one of the few that its consumers choose before selecting the retail store/Web site to purchase the product. Which promotion strategy would hold the greatest opportunity for incremental sales for your product?
   1. Branding
   2. Pull
   3. Push
   4. Hybrid
   5. None of the above

Answer: b Page: 410 Difficulty: Medium AACSB: Reflective Thinking

1. Your product has low brand loyalty in its category; brand choice is often made by the consumer in the store, often at the very moment of purchase. Which promotion strategy would hold the greatest opportunity for incremental sales for your product?
   1. Branding
   2. Pull
   3. Push
   4. Hybrid
   5. None of the above

Answer: c Page: 410 Difficulty: Medium

1. When managing a hybrid channel, the channel manager must ensure that these different channels work seamlessly in the consumer’s opinion. When the consumer can order a product online and pick it up at the nearby retail store or be able to return the Internet ordered product to the retail store, we state that the channel has \_\_\_\_\_\_\_\_.
   1. channel strong core operations
   2. channel integration
   3. channel synergy
   4. channel cooperation
   5. channel committing to TQM

Answer: b Page: 412 Difficulty: Easy AACSB: Reflective Thinking

1. Jenny gathers information from a variety of channels, conducting extensive research on the advantages/disadvantages of the products available. She visits a number of high priced retailers, asks numerous questions, and tries many of the products. When the time comes to purchase, she always purchases through the lowest cost channel. Jenny is best described as a \_\_\_\_\_\_\_\_.
   1. high involvement shopper
   2. variety loving shopper
   3. high value deal seeker
   4. habitual shopper
   5. none of the above

Answer: a Page: 413 Difficulty: Hard AACSB: Analytic Skills

1. Palm, the leading manufacturer of handheld devices, consists of a whole community of suppliers and assemblers of semiconductor components, plastic cases, LCD displays, and accessories; of off line and online resellers; of 275,000 developers in the Palm Developer Network who have created over 21,000 software programs and 100 hardware add ons for the Palm operating system for handheld computers and smartphones. Combined, these make up Palm’s \_\_\_\_\_\_\_\_.
   1. demand chain planning
   2. channel integration
   3. enterprise resource planning
   4. hybrid channel
   5. value network

## Answer: e Page: 414 Difficulty: Medium AACSB: Analytic Skills

1. A company selling exercise equipment may need to establish three channels of distribution—a sales channel, a delivery channel, and a \_\_\_\_\_\_\_\_.
   1. customer’s channel
   2. dealer channel
   3. service channel
   4. speed channel
   5. direct channel

Answer: c Page: 415 Difficulty: Easy AACSB: Reflective Thinking

1. Tupperware manufactures kitchen goods and has its representatives sell them through home parties. This is an example of a \_\_\_\_\_\_\_\_.
   1. one level channel
   2. two level channel
   3. three level channel
   4. direct marketing channel
   5. none of the above

## Answer: d Page: 416 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ deals between suppliers and retailers, such as Disney’s Consumer Products deal with Wal Mart, are becoming a mainstay for specialists looking for an edge in a business world that is increasingly driven by price.
   1. Exclusive
   2. Selective
   3. Intensive
   4. Blanket
   5. None of the above

Answer: a Page: 419 Difficulty: Medium AACSB: Reflective Thinking

1. In rolling out your company’s newest product, you decided to use manufacturers’ representatives as your sales agents. Part of your \_\_\_\_\_\_\_\_ was to establish territories based upon counties per state.
   1. “trade relations mix”
   2. franchise agreements
   3. pricing policies
   4. product specs
   5. conditions of sale

Answer: a Page: 421 Difficulty: Easy

1. The sales of your product are low compared to your competition. The decision facing you is whether to use a sales agency (brokers, manufacturers’ representatives) or hire a field sales force. The fixed costs of engaging a sales agency are lower than those of establishing a company sales force, but costs rise faster through an agency. When figuring out sales and costs, the intersection of the costs between sales agencies and sales force (SB) means that \_\_\_\_\_\_\_\_.
   1. above SB means that the company’scosts escalate
   2. the sales agency is the better choice for any sales volume below this point
   3. the sales force is the better choice for any sales volume below this point
   4. the sales agency is the better choice for any sales volume above this point
   5. both choices are equally good—choose the one that you are most comfortable with

Answer: b Page: 422 Difficulty: Hard AACSB: Analytic Skills

1. Rolex is very selective when choosing the retailers that will sell its watches. The company needs to view its retailer in the same way as it views its end users. The firm needs to determine intermediaries’ needs and construct a channel positioning such that its channel offering is tailored to provide \_\_\_\_\_\_\_\_ to these retailers.
   1. customer responsiveness
   2. superior value
   3. integrated marketing communications
   4. market logistics
   5. supply chain management

Answer: b Page: 423 Difficulty: Medium AACSB: Analytic Skills

1. As more women entered the workforce and were unavailable to Avon’s traditional door to door system for selling cosmetics, Avon ventured into selling its cosmetics in JCPenney. Avon revised its channel strategy due to \_\_\_\_\_\_\_\_.
   1. presence of a gap between the traditional distribution system and costs/profit constraints forcing new distribution methods
   2. presence of a gap between the traditional and the ideal system that would satisfy the target markets needs and desires
   3. desire to open new markets
   4. desire to lower costs
   5. desire to increase profits

Answer: b Page: 425 Difficulty: Medium AACSB: Reflective Thinking

1. When Kodak coordinates successive stages of production and distribution and receives cooperation from major retailers in connection with displays, shelf space, promotions, and pricing policies due exclusively to Kodak’s size and power , we call this a(n) \_\_\_\_\_\_\_\_.
   1. conventional marketing channel
   2. administered VMS
   3. corporate VMS
   4. contractual VMS
   5. none of the above

Answer: b Page: 426 Difficulty: Hard AACSB: Analytic Skills

1. The emergence of rental car counters, hair salons, banks, and dry cleaners found in such stores as Wal Mart, Target, grocery retailers, and others is an example of \_\_\_\_\_\_\_\_ marketing systems.
   1. horizontal
   2. vertical
   3. multichannel
   4. integrated
   5. none of the above

Answer: a Page: 428 Difficulty: Medium

1. As a recent college graduate, you dream of opening up your own business. You have explored franchising. In fact, one of the companies that you are strongly interested in is a service organization (fast food) that has a whole system designed to bring its service efficiently to consumers. This is an example of a \_\_\_\_\_\_\_\_.
   1. manufacturer sponsored retailer franchise
   2. wholesaler sponsored voluntary chains
   3. retailer cooperatives
   4. national retailer
   5. service firm sponsored retailer franchise

Answer: e Page: 428 Difficulty: Hard AACSB: Analytic Skills

1. A soft drink concentrate producer makes a 20% margin on its regular soda and 25% on its diet version of the same drink. The soft drink bottlers, however, are required to sell both the regular and diet versions to the retailers at the same price. This is a classic example of \_\_\_\_\_\_\_\_.
   1. unclear roles and rights
   2. goal incompatibility
   3. channel coordination
   4. channel conflict
   5. direct conflict

Answer: d Page: 430 Difficulty: Hard AACSB: Analytic Skills

1. In deciding to take your product to market, one of the first considerations must be your channel or channels of distribution. If you decide to sell your product (a) in exclusive franchisee operations and (b) to mass distributors/retailers concurrently, to the same target market, this may lead to a \_\_\_\_\_\_\_\_.
   1. rapid market penetration
   2. good business marketing
   3. vertical channel conflict
   4. horizontal channel conflict
   5. multichannel conflict

Answer: e Page: 431 Difficulty: Hard AACSB: Reflective Thinking

1. As a marketing manager for a national company that uses brokers as your field sales agents, you suggest to your senior management the creation of an “advisory team” composed of retailers, food brokers, sales managers, and inside marketing and management personnel. Your objective is to win support of the leaders of another organization by including them in planning discussions. You are advocating what type of conflict management resolution?
   1. Arbitration
   2. Mediation
   3. Co optation
   4. Diplomacy
   5. None of the above

Answer: c Page: 432 Difficulty: Medium AACSB: Analytic Skills

1. The text would define eBay, a third party that creates markets by linking buyers and sellers, as a \_\_\_\_\_\_\_\_.
   1. market maker
   2. infomediaries
   3. customer communities
   4. supplier
   5. none of the above

## Answer: a Page: 436 Difficulty: Medium AACSB: Analytic Skills

1. Harley Davidson’s entry into the Web for their parts and accessory business called for them to “protect” their retailers by referring customers to the local Harley Davidson dealer. One additional strategy available to firms wishing to protect their channels of distribution yet capitalize on Internet sales is \_\_\_\_\_\_\_\_.
   1. offer fewer services to Web customers than retail customers
   2. offer online partners higher commission rates
   3. offer off line partners higher commission rates
   4. sell identical brands/products
   5. do not allow customers to order through the Web site

Answer: c Page: 437 Difficulty: Hard AACSB: Reflective Thinking

**Short Answer**

1. Define the term “marketing channels.”

**Suggested Answer:** Marketing channels are sets of interdependent organizations involved in the process of making a product or service available for use or consumption.

Page: 410 Difficulty: Easy AACSB: Analytic Skills

1. Why is a marketing channel system so important to the manufacturer?

**Suggested Answer:** Channel members collectively earn margins that account for 30% to 50% of the ultimate selling price. Marketing channels also represent a substantial opportunity cost. One of the chief role of marketing channels is to convert potential buyers into profitable customers.

Page: 410 Difficulty: Hard AACSB: Reflective Thinking

1. The ability by the consumer to access information via the Internet, conduct business transactions either by phone, Internet, or in person is an example of a company using what type of marketing channels?

**Suggested Answer:** This is an example of a firm using hybrid channels.

Page: 412 Difficulty: Medium AACSB: Analytic Skills

1. When you deliver the products to the customer, exchange title of the goods, or even conduct a sales promotion, you are conducting a forward flow of activity through the channel. Explain the elements for a backward flow from customers to the company.

**Suggested Answer:** A backward flow consists of ordering and payments.

Page: 415 Difficulty: Medium

1. In setting up your distribution channel, you note that you must account for the physical transfer of the product from your location to the consumer and must receive payment for the goods sold. These are part of the channel functions. All channel functions must be performed and have three things in common. List the three things that all functions have in common.

**Suggested Answer:** All channel functions have three things in common: (1) They use up scarce resources; (2) they can often be performed better through specialization; and (3) they can be shifted among channel members.

Page: 416 Difficulty: Easy AACSB: Analytic Skills

1. Your company has decided to use a distribution channel that consists of a wholesaler, a jobber, and a retailer to reach your final consumer or user of your product. How many channel levels are involved in the distribution of your product to the final user?

**Suggested Answer:** This is a three level distribution channel.

Page: 416 Difficulty: Easy AACSB: Analytic Skills

1. When we talk about manufacturers’ redemption centers, community groups, trash collection specialists, recycling centers, and central processing warehouses, we are talking about what kind of distribution channels?

**Suggested Answer:** In these cases, we are talking about a reverse flow channel where the product or waste products move backwards and are important in recycling products for reuse.

Page: 417 Difficulty: Medium

1. The ability of a shopper of laundry detergents to visit a grocery retailer and see a wide variety of brands, sizes, and units for purchase is an example of what elements of the channel service output?

**Suggested Answer:** This is an example of both the product variety and the lot size channel service outputs.

Pages: 417–418 Difficulty: Medium AACSB: Analytic Skills

1. As the “channel manager” for your firm, you have been asked by senior managers to identify new distribution channels for the launch of a new product. Your presentation describes a channel alternative as having three sets of elements. What are the three elements that would be contained in your presentation?

**Suggested Answer:** The three elements that a channel alternative possesses are: (1) the types of available business intermediaries; (2) the number of intermediaries needed; and (3) the terms and responsibilities of each channel member.

Page: 419 Difficulty: Hard AACSB: Analytic Skills

1. A leading manufacturer of watches maintains a set of very exclusive networks of retailers (exclusive distribution) that are authorized to sell its watches. This exclusivity ensures that the company can control the service level, distribution, and outputs offered by the retail stores doing business with them. Recently, however, there has been pressure on the company (by Wall Street investors) to expand its products to more and more retailers (intensive distribution) in order to increase sales. What are some of the dangers that the company might encounter when moving from one form of distribution to another?

**Suggested Answer:** The danger of moving from exclusive distribution to either selective or intensive distribution may help in the short term, but often hurts long term performance. Intensive distribution increases product and service availability but may also result in retailers competing aggressively. If price wars ensue, retailer profitability may also decline, potentially dampening retailer interest in supporting the product, and it may also harm brand equity.

Page: 421 Difficulty: Hard AACSB: Reflective Thinking

1. List the main elements in the “trade relations mix” between producers and channel members.

**Suggested Answer:** These are: price policies, conditions of sale, distributors’ territorial rights, and mutual services and responsibilities to be performed by each party.

Page: 421 Difficulty: Easy AACSB: Analytic Skills

1. As the channel manager at a consumer products firm, you develop a channel incentive program in which channel members receive an extra 2% discount on all purchases when the channel members agree to pass half of this discount along to their customers in terms of a price decline. This is an example of what type of channel power?

**Suggested Answer:** This is an example of reward power.

Page: 424 Difficulty: Medium AACSB: Analytic Skills

1. When you purchase a Subway franchise, the corporate office delivers to you an entire system designed to bring the services efficiently to the consumer. This is an example of what type of contractual VMS?

**Suggested Answer:** This is the new system called service firm sponsored retailer franchise. (An alternative acceptable answer is franchising.)

Page: 428 Difficulty: Medium AACSB: Analytic Skills

1. When independent operators such as optometrists or nail and hair salons locate in the front part of selected retail superstores, this is an example of what type of marketing system?

**Suggested Answer:** This is an example of a horizontal marketing system.

Page: 428 Difficulty: Medium

1. A textbook manufacturer uses a direct sales force to reach the college market, a telemarketing division to reach small independent bookstore owners, and rack jobbers to reach retail outlets. This is an example of what type of marketing systems?

**Suggested Answer:** This is an example of a multichannel marketing system.

Page: 429 Difficulty: Medium AACSB: Analytic Skills

1. What three important benefits can companies gain by adding more channels?

**Suggested Answer:** By adding more channels, companies gain: (1) increased market coverage; (2) lower channel cost; and (3) more customized selling.

Page: 429 Difficulty: Medium AACSB: Analytic Skills

1. Identify four things that marketers can do to better integrate their online and off line channels.

**Suggested Answer:** The text provides the following nine suggestions: (1) Train all store associates on processes for online merchandise returns; (2) list your company’s 800 number on the Web homepage and be sure your customer service hours of operation are easily accessible; (3) provide an information center that is easy to navigate and includes contact information, FAQs, guarantees, return policies, and tips for first time customers; (4) implement a store locator feature that includes store locations, hours, and events; (5) make store pickup for purchases an option and include real time inventory levels, where applicable; (6) post the store’s weekly circular online; (7) offer gift certificates that can be redeemed online and off line; (8) send e mail notifications of the order, shipping, and return credit; and (9) supply all pertinent/compatible information for store return of merchandise on the packing slip or invoice.

Page: 429 Difficulty: Hard AACSB: Reflective Thinking

1. You own a franchise of a national chain of quick luncheon meals. The corporate office is conducting a nationwide marketing campaign introducing a $5.00 value meal option. This $5.00 value meal option severely cuts into you operating margins. Numerous complaints to the corporate office have resulted in the corporate office taking the position that “the franchisees need to be competitive and this $5.00 meal is competitive.” You disagree, noting that even with an increase in store traffic, the reduction in revenue and margin produced by this value menu will result in a net loss for your store. What type of channel conflict is evident here?

**Suggested Answer:** This can be seen as a conflict or a difference in perception. The corporate office (franchisor) sees the $5.00 meal as a competitive response, whereas the franchisee sees it as a “loss leader.”

Page: 431 Difficulty: Medium AACSB: Reflective Thinking

1. When one Pizza Hut franchisee noticed that his counterpart in the south part of town was using “nonapproved” ingredients in its Pizza Hut pizzas, he complained to the franchise office. This is an example of what type of channel conflict?

**Suggested Answer:** This is an example of horizontal channel conflict.

Page: 431 Difficulty: Hard AACSB: Analytic Skills

1. In setting up your company’s channel of distribution, you arranged for the company’s products to be carried by a select set of outlets and required that these outlets not carry competitive products. What are the benefits to the company and to the distributor in entering into such an exclusive distribution and exclusive dealing arrangement?

**Suggested Answer:** The seller obtains more loyal and dependable outlets, and the dealers obtain a steady source of supply of special products and stronger seller support.

Page: 433 Difficulty: Medium AACSB: Reflective Thinking

Chapter 16: Managing Retailing, Wholesaling, and Logistics

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. Intermediaries include retailers, \_\_\_\_\_\_\_\_, and logistical organizations.
   1. Internet companies
   2. wholesalers
   3. competitors
   4. box stores
   5. none of the above

Answer: b Page: 441 Difficulty: Easy AACSB: Analytic Skills

1. Some intermediaries use strategic planning, advanced information systems, sophisticated marketing tools, measure performance on a return on investment basis, segment their markets, improve their target marketing and positioning, and \_\_\_\_\_\_\_\_.
   1. contend with dwindling customer bases
   2. aggressively “squeeze” manufacturer margins
   3. aggressively pursue takeover strategies
   4. dominant the manufacturers they do business with
   5. aggressively pursue market expansion and diversification strategies

Answer: e Page: 442 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is the cornerstone of all discount operations.
   1. Self service
   2. Self selection
   3. Limited service
   4. Full service
   5. Custom service

Answer: a Page: 442 Difficulty: Medium AACSB: Reflective Thinking

1. Major retailer types include the following EXCEPT \_\_\_\_\_\_\_\_.
   1. specialty store
   2. discount store
   3. catalog showroom
   4. the Internet
   5. superstore

Answer: d Page: 443 Difficulty: Medium

1. High staffing costs, along with a higher proportion of specialty goods and slower moving items and many services, result in the high cost structure of \_\_\_\_\_\_\_\_ retailing.
   1. self service
   2. self selection
   3. limited service
   4. full service
   5. custom service

Answer: d Page: 443 Difficulty: Medium AACSB: Analytic Skills

1. Retailers can position themselves as offering one of four service levels. Which of the following is NOTone of these levels?
   1. Self selection
   2. Self service
   3. Limited service
   4. Direct service
   5. Full service

Answer: d Pages: 442–443 Difficulty: Medium AACSB: Analytic Skills

1. Nonstore retailing falls into four major categories. Which of the following is NOTone of the four nonstore retailing categories?
   1. Buying service
   2. Internet sales
   3. Automatic vending
   4. Direct marketing
   5. Direct selling

Answer: b Page: 444 Difficulty: Medium

1. A \_\_\_\_\_\_\_\_ is a storeless retailer serving a specific clientele—usually employees of large organizations—who are authorized to buy from a list of retailers that have agreed to give discounts in return for inclusion on the list.
   1. direct selling vendor
   2. direct marketing vendor
   3. buying service
   4. automatic vendor
   5. corporate retailer

Answer: c Page: 444 Difficulty: Medium AACSB: Analytic Skills

1. One of the advantages of corporate retailing is that corporate retail organizations achieve economies of scale, greater purchasing power, and \_\_\_\_\_\_\_\_.
   1. wider brand recognition
   2. more locations
   3. branded merchandise
   4. “fresh” merchandise
   5. more advertising

Answer: a Page: 444 Difficulty: Hard AACSB: Reflective Thinking

1. An independent retailer using a central buying organization and joint promotion efforts is known as a \_\_\_\_\_\_\_\_.
   1. corporate chain store
   2. voluntary chain
   3. retailer cooperative
   4. merchandising conglomerate
   5. franchise organization

Answer: c Page: 445 Difficulty: Hard

1. In a franchising system, individual franchisees are \_\_\_\_\_\_\_\_.
   1. a tightly knit group of enterprises whose systematic operations are planned, directed, and controlled by the franchisor
   2. regional managers of corporately owned facilities
   3. employees working in front line service roles for the entrepreneur
   4. independent businesspeople who have the freedom to develop their own processes, brands, and images, facilitated by a retailing cooperative
   5. none of the above

Answer: a Page: 445 Difficulty: Medium AACSB: Analytic Skills

1. Franchising accounts for more than $1 trillion of annual U.S. sales and nearly one third of all retail transactions. Franchises are distinguished by three characteristics, which are: (1) The franchisee pays for the right to be part of the system: (2) the franchisor provides its franchisees with a system for doing business; and (3) \_\_\_\_\_\_\_\_.
   1. the franchisor controls all actions of the franchisee including hiring and marketing decisions
   2. the franchisee has unlimited freedom to change the operation once he/she pays the upfront charges
   3. the franchisor owns a trade or service mark and licenses it to franchisees in return for royalty payments
   4. the franchisor receives a percentage of sales from the franchisee for the right to belong
   5. none of the above

## Answer: c Page: 445 Difficulty: Hard AACSB: Analytic Skills

1. In the face of increased competition from discount houses and specialty stores, department stores are waging a comeback war. Two models for department stores’ success seems to be emerging. The first is a store that has a strong retail brand approach, as demonstrated by Kohl’s in the United States. The second model is the \_\_\_\_\_\_\_\_, typified by Galeries Lafayette in Paris.
   1. tourist area store
   2. single brand store
   3. limited variety store
   4. specialty store
   5. showcase store

Answer: e Page: 447 Difficulty: Medium

1. Recent trends in retailing includes which of the following?
   1. Reduction in the level of global competition
   2. Decline in the “shop at home” markets
   3. Growth of the “smaller” boutique type stores
   4. Competition between Internet selling and store based retailing
   5. Competition between store based and non store based retailing

Answer: e Page: 447 Difficulty: Hard AACSB: Reflective Thinking

1. Retailers must make marketing decisions in the areas of product assortment and procurement, services and store atmosphere, prices, communications, locations, and \_\_\_\_\_\_\_\_.
   1. niche
   2. style
   3. shoppers
   4. target market
   5. procedures

Answer: d Page: 448 Difficulty: Medium AACSB: Analytic Skills

1. The retailer must decide on product assortment breadth and \_\_\_\_\_\_\_\_.
   1. store location
   2. layout
   3. prices
   4. selection
   5. depth

Answer: e Page: 448 Difficulty: 448 AACSB: Analytic Skills

1. After deciding on the product assortment strategy, the retailer must establish merchandise sources, \_\_\_\_\_\_\_\_, and practices.
   1. vendors
   2. suppliers
   3. lead times
   4. policies
   5. buyers

Answer: d Page: 450 Difficulty: Easy

1. The first step to retail category management is to \_\_\_\_\_\_\_\_, which means deciding where to draw the line between product categories.
   1. set goals
   2. choose the audience
   3. figure out tactics
   4. define the category
   5. figure out the category’s role

Answer: d Page: 449 Difficulty: Medium AACSB: Analytic Skills

1. Retailers are rapidly improving their skills in demand forecasting, merchandise selection, stock control, space allocation, and \_\_\_\_\_\_\_\_.
   1. advertising
   2. display
   3. choosing the media mix
   4. selecting the marketing channels
   5. none of the above

Answer: b Page: 450 Difficulty: Easy

1. According to A.C. Nielsen Company, when considering whether to stock a new product, store mangers are most influenced by \_\_\_\_\_\_\_\_.
   1. generous financial incentives to the trade
   2. a well designed advertising and sales promotion plan
   3. attractive packaging that will catch consumers’ attention
   4. strong evidence of customer acceptance
   5. none of the above

Answer: d Page: 450 Difficulty: Hard AACSB: Analytic Skills

1. When retailers study the economics of buying and selling individual products, they typically find that \_\_\_\_\_\_\_\_ of their square footage is tied up in products that don’t make an economic profit for them.
   1. half
   2. a quarter
   3. almost all
   4. none
   5. a third

Answer: e Page: 451 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ measures a product’s handling costs from the time the product reaches the warehouse until a customer buys it in the retail store.
   1. Brand management
   2. Shelf management
   3. Profitability analysis
   4. Direct product profitability analysis
   5. Direct product performance analysis

Answer: d Page: 451 Difficulty: Medium

1. The three elements of the services mix for retailers includes \_\_\_\_\_\_\_\_.
   1. target marketing
   2. breath and depth
   3. transition zone
   4. direct product profitability
   5. ancillary services

Answer: e Page: 452 Difficulty: Easy AACSB: Analytic Skills

1. Most retailers will put low prices on some items to serve as traffic builders or \_\_\_\_\_\_\_\_\_\_\_\_\_.
   1. loss leaders
   2. profit leaders
   3. traffic leaders
   4. ad items
   5. none of the above

Answer: a Page: 452 Difficulty: Easy AACSB: Analytic Skills

1. Fine specialty retailers most likely fall into the \_\_\_\_\_\_\_\_ group with respect to margins and volume.
   1. mixed markup, high volume
   2. low volume, mixed markup
   3. low volume, low markup
   4. high volume, high markup
   5. high markup, lower volume

Answer: e Page: 452 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ is(are) a key positioning factor for retailers and must be decided in relation to the target market, the product and service assortment mix, and the competition.
   1. Hours of operation
   2. Advertisement
   3. Locations
   4. Prices
   5. Assortment

Answer: d Page: 452 Difficulty: Easy AACSB: Analytic Skills

1. Every store has a “look” and a physical layout that makes it hard or easy to move around. These elements constitute a store’s \_\_\_\_\_\_\_\_.
   1. layout
   2. transition zone
   3. atmosphere
   4. brands
   5. none of the above

Answer: c Page: 453 Difficulty: Easy AACSB: Reflective Thinking

1. In the pursuit of higher sales volume, retailers are studying their store environments for ways to improve the shopper’s experience. According to Paco Underhill, one of his suggestions for fine tuning retail space is to \_\_\_\_\_\_\_\_.
   1. make the store “fun” and “interesting” but move the shoppers through it quickly
   2. honor the “transition zone” and allow the shopper time to “sort out” the stimuli
   3. place the checkouts in the rear of the store
   4. make the store more receptive to “men” shoppers
   5. make them “hunt” for it

Answer: b Page: 454 Difficulty: Hard

1. Traditional brick and mortar retailers are responding to the growth of e commerce by providing and emphasizing \_\_\_\_\_\_\_\_ as a strong differentiator.
   1. celebrities on the premises
   2. the shopping experience
   3. expert advice in selecting merchandise
   4. a wider selection of merchandise
   5. the reputation of the retailer

Answer: b Page: 454 Difficulty: Hard AACSB: Analytic Skills

1. Retailers can locate their stores in the central business district, a regional shopping center, \_\_\_\_\_\_\_\_, a shopping strip, or within a larger store.
   1. suburbia
   2. town centers
   3. strip malls
   4. a freestanding location
   5. a community shopping center

Answer: e Page: 455 Difficulty: Easy AACSB: Analytic Skills

1. Retailers can assess a particular store’s sales effectiveness by looking at (1) the number of people passing by on an average day; (2) the \_\_\_\_\_\_\_\_\_; (3) the percentage of those entering who buy; and (4) the average amount spent per sale.
   1. percentage of customers who bought merchandise on “sale”
   2. total units sold per day
   3. total dollar sales per day
   4. percentage of those who buy full price merchandise
   5. percentage who enter the store

Answer: e Page: 455 Difficulty: Hard AACSB: Reflective Thinking

1. A brand developed by a retailer and/or wholesaler that is available only in selected retail outlets is called a \_\_\_\_\_\_\_\_\_ brand.
   1. national
   2. household
   3. premium
   4. selective
   5. private label

Answer: e Page: 456 Difficulty: Easy AACSB: Analytic Skills

1. Intermediaries sponsor their own brands because \_\_\_\_\_\_\_\_.
   1. private label brands sell at higher volumes
   2. private label brands are recognizable to the consumer as being widely available from many different retailers
   3. private label brands are always of better quality than national brands
   4. private label brands can be sold at lower prices yet generate a higher profit margin because of their lower cost structure
   5. all of the above

Answer: d Page: 456 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ are unbranded, plainly packaged, less expensive versions of common products such as spaghetti, paper towels, and canned peaches.
   1. Slotting fees
   2. National products
   3. Generics
   4. Private labels
   5. Shopping strips

Answer: c Page: 457 Difficulty: Medium AACSB: Analytic Skills

1. Because shelf space is scarce, many supermarkets now charge a \_\_\_\_\_\_\_\_ for accepting a new brand, to cover the cost of listing and stocking it.
   1. generic
   2. slotting fee
   3. shopping strip
   4. promotion allowance
   5. none of the above

Answer: b Page: 457 Difficulty: Easy AACSB: Analytic Skills

1. Besides the growing power of store brands, other factors weakening national brands include the fact that \_\_\_\_\_\_\_\_.
   1. national brands’ quality is superior to store brands
   2. national manufacturers have increased advertising support for their brands
   3. national brands have quality control problems not found in store brands
   4. consumers are more price sensitive
   5. consumers are more selective on purchases of national brands

Answer: d Page: 457 Difficulty: Hard AACSB: Reflective Thinking

1. The functions that wholesalers perform include all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. bulk breaking
   2. buying and assortment building
   3. financing
   4. producing
   5. market information

Answer: d Pages: 458 459 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ refers to buying large carload lots and dividing them into smaller units before shipping them out to consumers.
   1. Bulk breaking
   2. Containerization
   3. Wholesaling
   4. Warehousing
   5. Market logistics

Answer: a Page: 458 Difficulty: Easy AACSB: Analytic Skills

1. Distributors differ from retailers in a number of ways. One of these ways is that distributor transactions are usually \_\_\_\_\_\_\_\_ than retail transactions.
   1. more concise
   2. larger
   3. more complicated
   4. more involved
   5. more limited

Answer: b Page: 458 Difficulty: Medium

1. Major wholesaler types include all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. full service wholesalers
   2. specialized wholesalers
   3. cash and carry wholesalers
   4. merchant wholesalers
   5. direct to consumer wholesalers

Answer: e Page: 459 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ are independently owned businesses that take title to the merchandise they handle. They are full service and limited service jobbers, distributors, and mill supply houses.
   1. Brokers
   2. Agents
   3. Merchant wholesalers
   4. Specialized wholesalers
   5. Retailers’ branches

Answer: c Page: 459 Difficulty: Hard

1. Wholesaler distributors have faced mounting pressure in recent years. They have had to develop appropriate strategic responses. One major drive has been to increase \_\_\_\_\_\_\_\_ productivity by managing their inventories and receivables better.
   1. product assortment
   2. buying practices
   3. personnel
   4. asset
   5. products

Answer: d Pages: 459–460 Difficulty: Medium AACSB: Analytic Skills

1. Supply chain management (SCM) starts before physical distribution. It involves procuring the right inputs, \_\_\_\_\_ them efficiently into finished products, and then distributing them to the right customers.
   1. using
   2. converting
   3. delivering
   4. labeling
   5. procuring

Answer: b Page: 461 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ involves planning the infrastructure to meet demand, then implementing and controlling the physical flows of materials and final goods from points of origin to points of use, to meet customer requirements at a profit.
   1. Market logistics
   2. Supply chain management
   3. SCM
   4. Integrated logistics systems
   5. None of the above

Answer: a Page: 461 Difficulty: Medium

1. Integrated logistics systems (ILS) involves materials management, \_\_\_\_\_\_\_\_, and physical distribution, aided by information technology.
   1. information flow systems
   2. material flow systems
   3. cash flow systems
   4. product management systems
   5. none of the above

Answer: b Page: 462 Difficulty: Medium AACSB: Analytic Skills

1. Maximum customer service implies larger inventories, premium transportation, and multiple warehouses, all of which raise market logistics costs. Market logistics costs interact with marketing strategy and are often \_\_\_\_\_\_\_\_ related.
   1. disproportionately
   2. positively
   3. negatively
   4. complementarily
   5. none of the above

Answer: c Page: 462 Difficulty: Hard AACSB: Reflective Thinking

1. When considering competitors’ service standards, companies normally want to match or exceed the competitors’ service level while simultaneously maximizing \_\_\_\_\_\_\_\_.
   1. profit
   2. revenue
   3. sales
   4. costs
   5. all of the above

Answer: a Page: 463 Difficulty: Medium AACSB: Analytic Skills

1. Four major decisions must be made with regard to market logistics: order processing, warehousing, inventory, and \_\_\_\_\_\_\_\_.
   1. transportation
   2. purchases
   3. pricing
   4. information
   5. none of the above

Answer: a Page: 464 Difficulty: Easy

1. The elapsed time between an order’s receipt, delivery, and payment is called the \_\_\_\_\_\_\_\_.
   1. variable costs to payment cycle
   2. product to payment cycle
   3. inventory to sale cycle
   4. order cycle
   5. order to payment cycle

Answer: e Page: 464 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ cost increases at an accelerating rate as the customer service level approaches 100%.
   1. Delivery
   2. Promotion
   3. Inventory
   4. Merchandising
   5. Storage

Answer: c Page: 464 Difficulty: Easy AACSB: Analytic Skills

1. At some stock level point, management must reorder product to refill the inventory to an acceptable level. This point is called the \_\_\_\_\_\_\_\_.
   1. order (reorder) point
   2. inventory
   3. minimum inventory level
   4. inventory carrying costs
   5. none of the above

Answer: a Page: 464 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ warehouses store goods for moderate to long periods of time.
   1. Distribution
   2. Automated
   3. Storage
   4. Company owned
   5. Local

Answer: c Page: 464 Difficulty: Easy

1. Inventory carrying costs represent substantial dollars for manufacturers. These inventory carrying costs include storage charges, cost of capital, taxes and insurance, and depreciation and obsolescence. Carrying costs might run as high as \_\_\_\_\_\_\_\_ of the value of the inventory.
   1. 70%
   2. 40%
   3. 25%
   4. 30%
   5. 50%

Answer: d Page: 464 Difficulty: Hard AACSB: Analytic Skills

1. Beyond the optimal order quantity, total cost per unit increases because \_\_\_\_\_\_\_\_.
   1. inventory carrying cost per unit increases
   2. inventory carrying cost per unit decreases
   3. order processing cost per unit rises
   4. order processing cost per unit falls more rapidly
   5. order processing cost per unit falls more slowly

Answer: e Page: 465 Difficulty: Hard

1. Companies are reducing their inventory costs by treating inventory items differently, positioning them according to risk and opportunity. High risk, low opportunity items are known as \_\_\_\_\_\_\_\_.
   1. nuisance items
   2. bottleneck items
   3. commodities
   4. critical items
   5. containerized items

Answer: b Page: 465 Difficulty: Hard AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ consists of putting goods in boxes or trailers that are easy to transfer between two transportation modes.
   1. Containerization
   2. Private labeling
   3. Inventory carrying
   4. Order processing
   5. Warehousing

Answer: a Page: 466 Difficulty: Easy AACSB: Analytic Skills

1. If the shipper owns its own truck or air fleet, it becomes a \_\_\_\_\_\_\_\_.
   1. containerized carrier
   2. private carrier
   3. contract carrier
   4. common carrier
   5. diversified carrier

Answer: b Page: 466 Difficulty: Medium

1. In deciding on the method or means of transportation, shippers consider such criteria as speed, frequency, \_\_\_\_\_\_\_\_, capability, availability, traceability, and costs.
   1. air versus ground
   2. gypsy truckers
   3. dependability
   4. branded name truckers
   5. costs per mile

Answer: c Page: 466 Difficulty: Easy AACSB: Analytic Skills

1. Today customers want more frequent deliveries, shorter order cycle times, direct store deliveries, mixed pallets, tighter promised times, and \_\_\_\_\_\_\_\_ packaging, price tagging, and display building.
   1. colorful
   2. childproof
   3. custom
   4. easy opening
   5. theftproof

Answer: c Page: 466 Difficulty: Medium AACSB: Analytic Skills

1. Market logistics strategies must be derived from \_\_\_\_\_\_\_\_, rather than solely from cost considerations.
   1. competitive analysis
   2. low cost considerations
   3. cost strategies
   4. business strategies
   5. marketing strategies

Answer: d Page: 466 Difficulty: Medium AACSB: Reflective Thinking

**True/False**

1. Retailing includes all the activities involved in selling goods or services directly to final consumers for personal, nonbusiness use.

Answer: True Page: 442 Difficulty: Easy AACSB: Analytic Skills

1. Any organization selling to the final consumers is doing retailing. However, it matters *how* the goods or services are sold and *where* they are sold.

Answer: False Page: 442 Difficulty: Easy AACSB: Reflective Thinking

1. Retailers can position themselves as offering one of four levels of service. However, self selection and self service are the same in discount retailers.

Answer: False Page: 442 Difficulty: Easy AACSB: Reflective Thinking

1. An *off price* *retailer* is one in which the retailer has a broad selection of high markup, fast moving, brand name goods in stock.

Answer: False Page: 443 Difficulty: Medium AACSB: Analytic Skills

1. *Full service* retailers have salespeople who are ready to assist the customers in every phase of their shopping trip.

Answer: True Page: 443 Difficulty: Medium

1. *Nonstore retailing* has not been growing as fast as traditional store retailing.

Answer: False Page: 444 Difficulty: Hard AACSB: Analytic Skills

1. Corporate retail organizations achieve economies of scale, greater purchasing power, wider brand recognition, and better trained employees.

Answer: True Page: 444 Difficulty: Medium AACSB: Reflective Thinking

1. All of the benefits in a franchising system accrue to the franchisor because the franchisor is able to concentrate the risk and effort associated with running a store in the hands of the franchisee.

Answer: False Page: 445 Difficulty: Medium AACSB: Reflective Thinking

1. The two models of the traditional department store’s responses to competition is to develop a store with strong retail brand approaches and the “showcase” store.

Answer: True Pages: 446–447 Difficulty: Medium AACSB: Analytic Skills

1. Department stores today are exclusively worried about competition from other department stores. Other retailing forms are not a threat to department stores’ sales and profitability.

Answer: False Page: 447 Difficulty: Easy AACSB: Reflective Thinking

1. One of the up and coming trends in retailing is the growth of giant retailers,knownas *category killers* and *supercenters.*

Answer: True Page: 447 Difficulty: Easy AACSB: Analytic Skills

1. Today, growth in the retail market is centered firmly in the middle market, leaving luxury retailers and discounting specialists struggling.

Answer: False Page: 447 Difficulty: Medium AACSB: Analytic Skills

1. The retailer’s product assortment does not need to match the target market’s shopping expectations.

Answer: False Page: 448 Difficulty: Medium

1. A retailer’s real challenge begins after defining the store’s product assortment, and that is to develop a product differentiation strategy.

Answer: True Page: 450 Difficulty: Medium AACSB: Reflective Thinking

1. Retailers are generally eager to stock new products, making it difficult for manufacturers to keep older, but proven brands on the shelves.

Answer: False Page: 450 Difficulty: Medium AACSB: Reflective Thinking

1. Because of the high cost of retail space, most retailers are highly attuned to which of the products they stock generate profit.

Answer: False Page: 451 Difficulty: Medium AACSB: Analytic Skills

1. Prices are a key positioning factor to retailers and must be decided in relation to the target market.

Answer: True Page: 452 Difficulty: Medium AACSB: Analytic Skills

1. The amount of time shoppers spend in a store is perhaps the single most important factor in determining how much they will buy.

Answer: True Page: 454 Difficulty: Medium AACSB: Analytic Skills

1. Paco Underhill suggests that retailers, to increase sales volume, make their shoppers hunt for the merchandise. His logic is this: While “hunting,” the shopper will be exposed to more and more products, thus the likelihood increases that the shopper will purchase “impulse” items, thus increasing their overall purchase total.

Answer: False Page: 454 Difficulty: Hard

1. One of a retailer’s most important decisions is “location, location, location.”

## Answer: True Page: 455 Difficulty: Hard AACSB: Analytic Skills

1. There is generally a relationship between high customer traffic and high rents in choosing a retail location.

Answer: True Page: 455 Difficulty: Hard AACSB: Reflective Thinking

1. Private label merchandise is also known as store, house, or distributor brands.

Answer: True Page: 456 Difficulty: Easy AACSB: Analytic Skills

1. Retailers develop their own “store brands” to differentiate themselves from other retailers and the national branded merchandise.

Answer: True Page: 456 Difficulty: Medium AACSB: Reflective Thinking

1. The lower price of generics is made possible by lower quality ingredients, lower cost labeling and packaging, and minimal advertising.

Answer: True Page: 457 Difficulty: Medium AACSB: Analytic Skills

1. The growing power of store brands is not weakening the national brands due to the national brands’ increases in advertising and research and development.

Answer: False Page: 457 Difficulty: Hard AACSB: Reflective Thinking

1. Wholesaling includes all the activities involved in selling goods or services to those who buy for resale or business use. Wholesaling includes manufacturers and farmers who sell directly to consumers.

Answer: False Page: 458 Difficulty: Hard AACSB: Analytic Skills

1. Wholesaler distributors have not faced the pressures in recent years from new sources of competition, demanding customers, new technologies, or more direct buying programs.

Answer: False Page: 459 Difficulty: Hard AACSB: Reflective Thinking

1. Because wholesalers do not actually manufacture a product, they are unable to effectively manage asset productivity.

Answer: False Page: 460 Difficulty: Easy AACSB: Analytic Skills

1. Supply chain management starts when the product comes off the factory floor and enters the distribution/transportation channels.

Answer: False Page: 461 Difficulty: Medium AACSB: Analytic Skills

1. Market logistics involves planning the infrastructure to meet demand, then implementing and controlling the physical flows of materials and final goods from points of origin to points of use, to meet customer requirements at a profit.

Answer: True Page: 461 Difficulty: Medium

1. Integrated logistics systems involves materials management, material flow systems, and electronic distribution.

Answer: False Page: 462 Difficulty: Medium AACSB: Analytic Skills

1. Today information systems play a critical role in managing market logistics, especially computers, satellite tracking, and electronic funds transfers.

Answer: True Page: 462 Difficulty: Easy AACSB: Use of IT

1. Choosing a market logistics system calls for examining the total cost (M) associated with different proposed systems and selecting the system that minimizes it, where T (total freight costs) + FW (total fixed warehouse cost) + VW (total variable warehouse costs) is expressed as M = T + FW + VW.

## Answer: True Page: 463 Difficulty: Hard AACSB: Analytic Skills

1. One of the four major decisions that must be made about market logistics is: How much inventory do we keep in the warehouse?

Answer: True Page: 464 Difficulty: Hard AACSB: Reflective Thinking

1. The *order to payment cycle* is the elapsed time between an order’s receipt, delivery, and payment by the customer.

Answer: True Page: 464 Difficulty: Easy AACSB: Analytic Skills

1. Order processing costs must be compared with *inventory carrying costs* because as the amount of stock carried increases, the higher the inventory carrying costs.

Answer: True Page: 464 Difficulty: Medium AACSB: Reflective Thinking

1. Inventory costs increases at a decreasing rate as customer service levels approach 100% fulfillment.

Answer: False Page: 464 Difficulty: Medium AACSB: Analytic Skills

1. The choice of transportation methods of distribution have negligible effects on the prices charged for the product and therefore marketers need not be overly involved in this process.

Answer: False Page: 465 Difficulty: Medium AACSB: Reflective Thinking

1. The logistics system must be information intensive and establish electronic links among all the significant parties.

Answer: True Page: 466 Difficulty: Medium AACSB: Analytic Skills

1. In shipping goods to its warehouses, dealers, and customers, the company can choose between five transportation modes: rail, air, truck, waterway, and pipeline.

Answer: True Page: 466 Difficulty: Easy AACSB: Analytic Skills

**Essay**

1. The “wheel of retailing” hypothesis explains one reason that new store types emerge. Explain this hypothesis and delineate the four service levels available to retailers.

**Suggested Answer:** The “wheel of retailing” hypothesis states that conventional retail stores typically increase their services and raise their prices to cover the costs. These higher costs provide an opportunity for new store forms to offer lower prices and less service. New store types meet widely different consumer preferences for service levels and specific services. The four levels of service are: (1) self service, (2) self selection, (3) limited service, and (4) full service.

Pages: 442–443 Difficulty: Hard AACSB: Analytic Skills

1. Although the overwhelming bulk of goods and services are sold through stores, *nonstore retailing* has been growing much faster than store retailing. Nonstore retailing falls into four major categories. List and briefly define each category.

**Suggested Answer:** The four categories are: (1) direct selling that includes multilevel selling and network marketing firms such as Tupperware and Amway; (2) direct marketing, including catalog sales and direct mail; (3) automatic vending that includes vending machines; and (4) buying service that is usually a storeless retailer that serves a specific clientele—usually employees of large organizations.

Page: 444 Difficulty: Hard

1. In what ways does franchising benefit the franchisor? In what ways does it benefit the franchisee?

**Suggested Answer:** Franchising benefits both the franchisor and the franchisee. Francisors gain the motivation and hard work of employees who are entrepreneurs rather than “hired hands,” the franchisees’ familiarity with local communities and conditions, and the enormous purchasing power of being a franchisor. Franchisees benefit from buying into a business with a well known and accepted brand name. They find it easier to borrow money for their business from financial institutions, and they receive support in areas ranging from marketing and advertising to site selection and staffing.

Pages: 445–446 Difficulty: Hard AACSB: Analytic Skills

1. The trends in retailing include new retail forms and combinations. List the six other trends in retailing discussed in the chapter.

**Suggested Answer:** Besides new retail forms and combinations, the other six retail trends are: (1) growth of intertype competition; (2) competition between store based and non store based retailing; (3) growth of giant retailers; (4) decline of middle market retailers; (5) growing investment in technology; and (6) new retail forms and combinations.

Pages: 446–447 Difficulty: Hard AACSB: Analytic Skills

1. Retailers are facing increasing competition from other manufacturer to consumer distribution channels. A retailer must develop a product differentiation strategy. The author suggests seven product differentiation strategies. List and explain these seven.

**Suggested Answer:** The seven possibilities are: (1) Feature exclusive national brands that are not available at competing retailers; (2) feature mostly private label merchandise; (3) feature blockbuster distinctive merchandise events; (4) feature surprise or ever changing merchandise; (5) feature the latest or newest merchandise first; (6) offer merchandise customizing services; and (7) offer a highly target assortment.

Page: 450 Difficulty: Hard

1. Paco Underhill, managing director of the retail consultancy Envirosell Inc., offers several tips for fine tuning retail space in order to keep shoppers spending. List three of them.

**Suggested Answer:** Paco Underhill offers the following advice: (1) Attract shoppers and keep them in the store; (2) honor the “transition zone”; (3) don’t make consumers hunt; (4) make merchandise available to the reach and touch; (5) note that men do not ask questions; (6) remember that women need space; and (7) make checkout easy.

Page: 454 Difficulty: Hard AACSB: Analytic Skills

1. The growth of “house brands” has skyrocketed in recent years. Why do intermediaries bother to sponsor their own brands?

**Suggested Answer:** First, these brands can be more profitable. Intermediaries search for manufacturers with excess capacity that will produce the private label at a low cost. Other costs, such as R&D, advertising, sales promotion, and physical distribution are also much lower. Second, retailers develop exclusive store brands to differentiate themselves from competitors.

Page: 456 Difficulty: Hard AACSB: Reflective Thinking

###### In the confrontation between manufacturers’ and private brands, retailers have many advantages and increasing market power. What are some of the other factors affecting or weakening the national brands?

**Suggested Answer:** Consumers are more price sensitive today. Consumers are noting the better quality as competing manufacturers and national retailers copy and duplicate the qualities of the best brands. The continuous barrage of coupons and price specials has trained a generation of shoppers to buy on price. The fact that companies have reduced advertising to 30% of their total promotion budget has in some cases weakened their brand equity. The steady stream of brand extensions and line extensions has blurred brand identity and led to a confusing amount of product proliferation.

Page: 457 Difficulty: Hard AACSB: Reflective Thinking

1. In general, wholesalers are efficient in performing specific functions. List these nine functions.

**Suggested Answer:** These nine are: (1) selling and promoting; (2) buying and assortment building; (3) bulk breaking; (4) warehousing; (5) transportation; (6) financing; (7) risk bearing; (8) market information; and (9) management services and counseling.

Pages: 458–459 Difficulty: Medium AACSB: Analytic Skills

1. Today, stronger demands for logistical support from large customers will increase suppliers’ costs. What are the demands that retailers are requiring of manufacturers?

**Suggested Answer:** Customers want more frequent deliveries so that they do not have to carry as much inventory. They want shorter order cycle times, which means that suppliers will have to carry high in stock availability. Customers often want direct store delivery rather than shipments to distribution centers. They want mixed pallets rather separate pallets. They want tighter promised delivery times. They may want custom packaging, price tagging, and display building.

Page: 466 Difficulty: Hard AACSB: Reflective Thinking

**APPLICATION QUESTIONS**

**Multiple Choice**

1. Customers who like to be waited on prefer to shop in stores that offer \_\_\_\_\_\_\_\_.
   1. limited service
   2. self service
   3. full service
   4. part time service
   5. events and experiences

Answer: c Page: 443 Difficulty: Easy AACSB: Reflective Thinking

1. You and your best friend are considering opening a retail store. You have identified your target market and location. Now you must decide on the format. You are pressing for a store that offers leftover goods, overruns, and irregular merchandise sold at less than full retail. This is a description of a(n) \_\_\_\_\_\_\_\_\_ retailer.
   1. off price
   2. self service
   3. discount
   4. limited service
   5. none of the above

Answer: a Page: 443 Difficulty: Medium AACSB: Analytic Skills

1. You have ideas of owning a Subway after graduation. In owning a Subway location, you are entering a \_\_\_\_\_\_\_\_ agreement.
   1. voluntary
   2. self service
   3. franchise
   4. merchandising
   5. none of the above

Answer: c Page: 444 Difficulty: Medium

1. In your restaurant you offer a wide variety of dishes and are open for breakfast, lunch, and dinner. In terms of product assortment, you can claim that your restaurant has a product assortment that has \_\_\_\_\_\_\_\_.
   1. a narrow focus and narrow target market
   2. appeal to all consumers
   3. location and variety
   4. variety and long hours
   5. breadth and depth

Answer: e Page: 448 Difficulty: Hard AACSB: Analytic Skills

1. Using direct product profitability analysis, many users are learning, to their surprise, that the gross margin on a product \_\_\_\_\_\_\_\_ the direct product profit.
   1. is highly correlated with
   2. is negligible compared to
   3. often bears little relation to
   4. is often significantly less than
   5. is exactly the same as

Answer: c Page: 451 Difficulty: Medium AACSB: Analytic Skills

1. Mass merchandisers and discount stores typically fall into the \_\_\_\_\_\_\_\_ group with respect to margins and volume.
   1. mixed markup, high volume
   2. low volume, mixed markup
   3. low volume, low markup
   4. high volume, low markup
   5. high markup, lower volume

Answer: d Page: 452 Difficulty: Easy AACSB: Analytic Skills

1. In your neighborhood there is a small men’s store that has a limited selection of clothing, but the selection that is carried is of very high quality and price. Services include free alterations and tailoring, personalized record keeping, and free dry cleaning. The inside of the store has deep leather chairs and couches and thick pile carpet. Upon entering the store, one feels “special and rich.” In terms of differentiation, what is this retailer trying to communicate by its decorations and service level?
   1. Differentiation based upon services mix and atmosphere
   2. Differentiation based upon prepurchase services
   3. Differentiation based upon postpurchase services and atmosphere
   4. Differentiation based upon ancillary services and atmosphere
   5. None of the above

Answer: a Pages: 452–453 Difficulty: Medium AACSB: Reflective Thinking

1. Natural advantages of brick and mortar over e commerce retailers include \_\_\_\_\_\_\_\_.
   1. products that shoppers can actually see
   2. real life customer service
   3. no delivery lag time for small or medium sized purchases
   4. a shopping experience
   5. all of the above

Answer: e Page: 454 Difficulty: Easy

1. As a marketing intern, your job is to “hang out at the mall” and note the percentage of people who enter a particular store versus those who pass by it. This is an example of \_\_\_\_\_\_\_\_\_ for retailers.
   1. measuring advertisement effectiveness
   2. measuring foot traffic at the mall
   3. measuring consumer shopping patterns
   4. measuring retail sales effectiveness
   5. measuring retail locations

Answer: d Page: 455 Difficulty: Medium

1. Wal Mart’s Ol’Roy dog food has surpassed Nestlé’s Purina brand as the top selling dog chow. Ol’Roy is an example of a \_\_\_\_\_\_\_\_.
   1. generic
   2. national brand
   3. franchise
   4. copy cat brand
   5. private label brand

Answer: e Page: 456 Difficulty: Medium AACSB: Analytic Skills

1. As a sales representative for a major food manufacturer, your largest customer has asked you to provide him with a product that meets the following definition: It must not contain any brand name, be plainly packaged, use less expensive ingredients, use lower quality raw products in its makeup, and not allocate any funds for advertising and promotion. What type of product is your buyer describing that he wants from you?
   1. Reseller brand
   2. Store brand
   3. Private label
   4. House brand
   5. Generic

Answer: e Page: 457 Difficulty: Medium

1. Agricultural assemblers, petroleum bulk plants and terminals, and auction companies are examples of \_\_\_\_\_\_\_\_.
   1. full service wholesalers
   2. specialized wholesalers
   3. limited service wholesalers
   4. merchant wholesalers
   5. brokers

Answer: b Page: 459 Difficulty: Hard AACSB: Analytic Skills

1. Which of the following is true of brokers?
   1. Brokers represent buyers or sellers on a semipermanent basis.
   2. Most brokers are small businesses with a few skilled salespeople.
   3. Brokers bring buyers and sellers together and assist in negotiation .
   4. Selling brokers have contractual authority to sell a manufacturer’s entire output.
   5. Purchasing brokers make purchases for buyers and often receive, inspect, warehouse, and ship merchandise.

Answer: c Page: 459 Difficulty: Hard AACSB: Analytic Skills

1. You are interviewing for a job after graduation with a wholesaler. In your preparation for the interview, you discover that the wholesaler carries over 10,000 stockkeeping units, maintains a sales force, makes store door deliveries, and provides management and research assistance to retailers. You are interviewing with a \_\_\_\_\_\_\_\_ wholesaler.
   1. specialized
   2. rack jobber
   3. full service
   4. cash and carry
   5. merchant

Answer: c Page: 459 Difficulty: Medium AACSB: Analytic Skills

1. The company that you work for has outlined the following to its customers: Our on time deliveries will be set at 95%; ordering and billing accuracy will be at a minimum of 98%; and we will establish four warehouses to serve the United States. These policies relate to \_\_\_\_\_\_\_\_.
   1. customer responsiveness
   2. targeted marketing
   3. integrated logistics systems
   4. market logistics
   5. supply chain management

Answer: d Page: 461 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ encompass sales forecasting, production planning, and inbound materials transportation.
   1. Market logistics
   2. Containerization
   3. Supply chain management
   4. Nonstore retailing
   5. Wholesaling

Answer: a Page: 462 Difficulty: Medium AACSB: Analytic Skills

1. A stock reorder point of 10 means reordering the product \_\_\_\_\_\_\_\_.
   1. every 10 days
   2. when stock falls to 10 units
   3. every 10 units
   4. when stock falls to 9 units
   5. none of the above

Answer: b Page: 464 Difficulty: Medium AACSB: Analytic Skills

1. Companies are reducing inventory costs by treating inventory items differently. Critical items defined as high risk, high opportunity and commodities defined as low risk, high opportunity. Recently, your company has introduced a product that is considered by the distributor a “bottleneck” item. What is the risk/reward relationship for bottleneck items?
   1. Low risk, mediocre opportunity
   2. Low risk, high opportunity
   3. Low risk, low opportunity
   4. High risk, high opportunity
   5. High risk, low opportunity

Answer: e Page: 465 Difficulty: Hard

1. Optimal order quantities exist when the order processing cost per unit and inventory carrying cost per unit curves \_\_\_\_\_\_\_\_.
   1. increase to 1
   2. decrease to less than 1
   3. intersect
   4. equal each other
   5. equal zero

Answer: c Page: 465 Difficulty: Medium AACSB: Analytic Skills

1. The trucking firm hired by your transportation manager provides service between the Northeast and the Southeast on a regular schedule. Hiring this shipper is available to all at standard rates. Your transportation manager has hired a \_\_\_\_\_\_\_\_\_\_\_\_\_.
   1. common carrier
   2. contract carrier
   3. private carrier
   4. piggybacked carrier
   5. gypsy carrier

Answer: a Page: 466 Difficulty: Medium AACSB: Analytic Skills

**Short Answer**

1. Direct marketing has its roots in direct mail and catalog marketing. What other kinds of direct marketing exist?

**Suggested Answer:** Direct marketing includes telemarketing, television direct response marketing, and electronic shopping.

Page: 444 Difficulty: Medium AACSB: Analytic Skills

1. Identify and describe three of the six major types of corporate retail organizations.

**Suggested Answer:** The six major types of corporate retail organizations are: (1) corporate chain store; (2) voluntary chain; (3) retailer cooperative; (4) consumer cooperative; (5) franchise organization; and (6) merchandising conglomerate.

Page: 445 Difficulty: Medium AACSB: Analytic Skills

1. Identify the three characteristics that distinguish franchises from other forms of corporate retailing.

**Suggested Answer:** Franchises are distinguished by three characteristics: (1) The franchisor owns a trade or service mark and licenses it to franchisees in return for royalty payments; (2) the franchisee pays for the right to be part of the system; and (3) the franchisor provides its franchisees with a system for doing business.

Page: 445 Difficulty: Medium AACSB: Reflective Thinking

1. In the past, retailers secured customer loyalty by offering convenient locations, special or unique assortments of goods, greater or better services than competitors, and store credit cards. How has this changed?

**Suggested Answer:** Retail store assortments have grown more alike as national brand manufacturers place their branded goods in more and more places. Service differentiation has eroded. Many department stores have trimmed services, and many discounters have increased theirs. Customers have become smarter shoppers. They don’t want to pay more for identical brands, especially when service differences have diminished; nor do they need credit from a particular store, because bank credit cards are almost universally accepted.

Page: 446 Difficulty: Medium

1. How has the growth of giant retailers threatened traditional retailers?

**Suggested Answer:** Through their superior information systems, logistical systems, and buying power, giant retailers such as Wal Mart are able to deliver good service and immense volumes of product at appealing prices to masses of consumers.

Page: 447 Difficulty: Medium AACSB: Reflective Thinking

1. Why must retailers begin by defining their target market before making any other marketing decisions?

**Suggested Answer:** Until the target market is defined and profiled, the retailer cannot make consistent decisions on product assortment, store décor, advertising messages and media, price, and service levels.

Page: 448 Difficulty: Medium AACSB: Reflective Thinking

1. Identify the seven steps involved in retail category management.

**Suggested Answer:** The seven steps of retail category management are: (1) Define the category; (2) figure out its role; (3) assess performance; (4) set goals; (5) choose the audience; (6) figure out tactics; and (7) implement the plan.

Page: 449 Difficulty: Hard AACSB: Analytic Skills

1. The real challenge of retail category management begins after defining the store’s product assortment, and that is to develop a product differentiation strategy. Give three possible retailing product differentiation strategies.

**Suggested Answer:** Students may choose three of the following strategies presented in the text: (1) Feature exclusive national brands that are not available at competing retailers; (2) feature mostly private label merchandise; (3) feature blockbuster distinctive merchandise events; (4) feature surprise or ever changing merchandise; (5) feature the latest or newest merchandise first; (6) offer merchandise customizing services; and (7) offer a highly targeted assortment.

Page: 450 Difficulty: Hard

1. Retailers examining their product mix find that a third of their products are not profitable or do not make economic sense. Yet these products still take up retail shelf space. Why does this continue and what techniques are retailers using to “tighten” this process?

**Suggested Answer:** Most retailers do not know which third of the products are unprofitable in their mix and which third are generating profits. Newer sophisticated techniques such as direct product profitability (DPP) may provide retailers with more definitive answers to these questions.

Page: 451 Difficulty: Medium AACSB: Reflective Thinking

1. The services mix afforded to retailers is a key tool for differentiating one store from another. Briefly explain the three services mixes available to retailers.

**Suggested Answer:** The three services mixes to offer customers are: (1) prepurchase services including accepting telephone and mail orders, advertising, window and interior display; (2) postpurchase services including shipping and delivery, gift wrapping, adjustments and returns, alterations, and tailoring; and (3) ancillary services including check cashing, parking, rest rooms, restaurants, and credit services.

Page: 452 Difficulty: Medium AACSB: Analytic Skills

1. Explain what is meant by the term “store atmosphere” and why it is important for retailers to have a distinctive atmosphere.

**Suggested Answer:** A retailer’s *atmosphere* is another tool in a store’s arsenal for establishing a differentiation strategy in the consumer’s mind.

Page: 453 Difficulty: Medium AACSB: Reflective Thinking

1. Retailers can place their stores in a variety of locations. Give three examples of shopping venues in which retailers can place their stores.

**Suggested Answer:** Retailers can place their stores in the following locations: (1) central business districts; (2) regional shopping centers; (3) community shopping centers; (4) shopping strips; or (5) a location within a larger store.

Page: 455 Difficulty: Easy AACSB: Analytic Skills

1. As part of your internship with a marketing research firm, you have been asked to evaluate the relationship between high traffic and high rents for a retailer client who is thinking about moving his location. What methods for evaluating this relationship are available to you?

**Suggested Answer:** You can use a variety of methods to assess locations—traffic counts, surveys of consumer shopping habits, and analysis of competitive locations. You can assess a particular store’s sales effectiveness by looking at the number of people passing by on an average day, the percentage of people who enter the store; the percentage of those entering who buy; and the average amount spent per sale.

Page: 455 Difficulty: Hard AACSB: Reflective Thinking

1. How do generics differ from private label brands?

**Suggested Answer:** A private label brand is a brand that retailers and wholesalers develop. Generics are unbranded.

Pages: 456–457 Difficulty: Medium AACSB: Reflective Thinking

1. Manufacturers typically do not sell directly to retailers or final consumers. They choose to use wholesalers because wholesalers are more efficient at certain functions. What functions are these?

**Suggested Answer:** Wholesalers/distributors are most efficient than firms in performing the following functions: (1) selling and promoting; (2) buying and assortment building; (3) bulk breaking; (4) warehousing; (5) transportation; (6) financing; (7) risk bearing; (8) market information; and (9) management services and counseling.

Pages: 458–459 Difficulty: Medium AACSB: Analytic Skills

1. Supply chain management is the broader concept of physical distribution. Explain the concept of “supply chain management.”

**Suggested Answer:** Supply chain management involves procuring the right inputs (raw materials), converting them efficiently into finished products, and dispatching them to the final destinations. The supply chain perspective can help a company identify superior suppliers and distributors and help them improve productivity, which ultimately brings down the company’s costs.

Page: 461 Difficulty: Medium AACSB: Analytic Skills

1. Your division has a new general manager. As part of his stated tasks, he believes in “getting the right goods to the right places at the right time for the least cost.” As your company’s logistics manager, you know that this objective provides little practical guidance and could in fact be detrimental to the company objectives. How would you formulate a response to the new general manager to convince him to change his “position” regarding customer service?

**Suggested Answer:** I would note that no system can simultaneously maximize customer service and minimize distribution cost. Maximum customer service implies large inventories, premium transportation, and multiple warehouses. Market logistics costs interact and are often negatively related.

Page: 462 Difficulty: Hard AACSB: Reflective Thinking

1. Your company’s order to payment cycle is 50 days. The average for your industry is 45 days. Your boss has asked you to reduce this cycle to the industry’s average. To accomplish this goal, you begin to outline the “processes” in the order to payment cycle to find out where improvements can be made. List the processes that make up the order to payment cycle.

**Suggested Answer:** The order to payment cycle is the elapsed time between an order’s receipt, delivery, and its payment. This cycle involves many steps, including order transmission by the salesperson, order entry, and customer credit check, inventory and production scheduling, order and invoice shipment, and receipt of payment.

Page: 464 Difficulty: Easy AACSB: Analytic Skills

1. As a brand manager why should you be concerned with the transportation decisions regarding your product?

**Suggested Answer:** Transportation choices will affect the product’s pricing, on time delivery performance, and the condition of the goods when they arrive at their final destination. Each of these factors affects customer satisfaction, which is my primary responsibility as a brand manager.

Page: 465 Difficulty: Medium AACSB: Reflective Thinking

1. Explain why the market logistics strategies must be derived from business strategies, rather than solely from cost considerations.

**Suggested Answer:** The logistics system must be information intensive and establish electronic links among all the significant parties. The company should set its logistics goals to match or exceed competitors’ service standards and should involve members of all relevant teams in the planning processes.

Page: 466 Difficulty: Hard AACSB: Reflective Thinking

**Chapter 17:**

**Designing and Managing**

**Integrated Marketing Communications**

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. Modern marketing calls for more than developing a good product, pricing it attractively, and making it accessible. Companies must also \_\_\_\_\_\_\_\_.
   1. attract popular celebrities to endorse their brands in order to appear credible
   2. reach historically underrepresented markets with their products
   3. relate to employees on a more personal level
   4. advertise exclusively to current users to cement their commitment to the brand
   5. communicate with present and potential stakeholders and the general public

Answer: e Page: 469 Difficulty: Easy AACSB: Reflective Thinking

1. eries are the means by which firms attempt to \_\_\_\_\_\_\_\_, persuade, and remind consumers about the products and brands that they sell.
   1. inform
   2. reach
   3. attract
   4. interest
   5. none of the above

Answer: a Page: 470 Difficulty: Easy AACSB: Analytic Skills

1. Marketing communications can contribute to brand equity by establishing the brand in memory and \_\_\_\_\_\_\_\_.
   1. creating interest
   2. communicating quality
   3. creating demand
   4. creating a brand image
   5. introducing new products to the market

Answer: d Page: 470 Difficulty: Medium AACSB: Analytic Skills

1. Dramatic changes in consumer technologies and media habits have \_\_\_\_\_\_\_\_.
   1. eroded the effectiveness of the mass media
   2. increased the effectiveness of the mass media
   3. expanded the appeal of mass media marketing
   4. reduced the cost of mass media marketing
   5. all of the above

Answer: a Page: 471 Difficulty: Hard AACSB: Reflective Thinking

1. Television advertising used to be the most powerful means of hitting the consumer marketing bull’s eye. Its demise is attributed to \_\_\_\_\_\_\_\_ and to shifts in the media now used to reach consumers.
   1. the aging of the baby boomer demographic
   2. a shift in the proportion of radio listening to television viewing
   3. increasing consumer cynicism toward advertising
   4. the fragmentation of U.S. audiences
   5. none of the above

Answer: d Page: 471 Difficulty: Medium AACSB: Reflective Thinking

1. The marketing communications mix consists of eight major modes of communications. Which of the following is NOT one of these modes?
   1. Personal selling
   2. Direct marketing
   3. Sales promotions
   4. Packaging
   5. Advertising

Answer: d Page: 472 Difficulty: Hard AACSB: Analytic Skills

1. Every \_\_\_\_\_\_\_\_ delivers an impression that can strengthen or weaken a customer’s view of the company.
   1. brand equity
   2. brand contact
   3. salesman
   4. featured ad
   5. direct mail piece

Answer: b Page: 472 Difficulty: Medium AACSB: Analytic Skills

1. Marketing communications activities contribute to brand equity in all of the following ways EXCEPT \_\_\_\_\_\_\_\_.
   1. by enhancing brand performance
   2. by creating brand awareness
   3. by eliciting positive brand judgments
   4. by linking the right associations to the brand image in consumers’ memories
   5. by facilitating a stronger consumer brand connection

Answer: a Page: 472 Difficulty: Hard AACSB: Reflective Thinking

1. The starting point in planning marketing communications is an audit of all the potential \_\_\_\_\_\_\_\_ that customers in the target market may have with the brand and the company.
   1. consumers
   2. interests
   3. interactions
   4. usages
   5. exposures

Answer: c Page: 472 Difficulty: Hard

1. One implication of the concept of brand equity is that the manner in which brand associations are formed does not matter. In other words, if a consumer has an equally strong, favorable, and unique brand association between two media, then the impact in terms of brand equity should be \_\_\_\_\_\_\_\_.
   1. prominent
   2. identical
   3. different
   4. measurable
   5. actionable

Answer: b Page: 472 Difficulty: Hard

1. Blogs and chat rooms are examples of the \_\_\_\_\_\_\_\_ communication platform.
   1. personal selling
   2. events and experiences
   3. public relations and publicity
   4. word of mouth marketing
   5. direct and interactive marketing

Answer: d Page: 473 Difficulty: Medium AACSB: Analytic Skills

1. Marketers need to assess which experiences and impressions will have the most influence at each \_\_\_\_\_\_\_\_ of the buying process.
   1. stage
   2. level
   3. consumer
   4. step
   5. none of the above

Answer: a Page: 474 Difficulty: Medium AACSB: Analytic Skills

1. Anything that causes the consumer to notice and pay attention to the brand can \_\_\_\_\_\_\_\_ brand awareness.
   1. decrease
   2. increase
   3. effect
   4. affect
   5. influence

Answer: b Page: 474 Difficulty: Easy AACSB: Reflective Thinking

1. The macromodel of effective communications contains nine elements. Two elements represent the major parties in a communication. These two parties are called \_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_.
   1. sender; subject
   2. beginner; receiver
   3. receiver; starter
   4. initiator; receiver
   5. sender; receiver

Answer: e Pages: 474–475 Difficulty: Medium AACSB: Analytic Skills

1. According to the macromodel of communication, the four major communication functions are decoding, response, feedback, and \_\_\_\_\_\_\_\_.
   1. message
   2. encoding
   3. response
   4. feedback
   5. noise

Answer: b Page: 475 Difficulty: Easy

1. In communicating, selective attention, selective distortion, and \_\_\_\_\_\_\_\_ may come into play.
   1. selective listening
   2. noise
   3. selective retention
   4. selective hearing
   5. selective interest

Answer: c Page: 475 Difficulty: Hard AACSB: Analytic Skills

1. In micromodels of marketing communications, the four classic response hierarchy models includes all of the following EXCEPT \_\_\_\_\_\_\_\_.
   1. communications model
   2. innovation adoption model
   3. hierarchy of effects model
   4. AIDA
   5. BAMT

Answer: e Page: 475 Difficulty: Hard AACSB: Analytic Skills

1. The hierarchy of effects model contains awareness, knowledge, liking, \_\_\_\_\_\_\_\_, conviction, and purchase.
   1. cognitive response
   2. preference
   3. interest
   4. attitude
   5. none of the above

Answer: b Page: 475 Difficulty: Medium

1. Senders know that to effectively communicate, they must encode their messages so that the target audience can decode them; the must transmit the message through the media that reach the target audience and develop \_\_\_\_\_\_\_\_ channels to monitor the responses.
   1. feedback
   2. interest
   3. response
   4. decoding
   5. none of the above

Answer: a Page: 475 Difficulty: Hard AACSB: Analytic Skills

1. The eight steps in developing effective communications start with the basics: identifying the target audience, determining the objectives, designing the communications, \_\_\_\_\_\_\_\_ , and establishing the budget.
   1. selecting the advertising copy
   2. managing the process
   3. choosing the media mix
   4. selecting the channels
   5. measuring results

Answer: d Page: 476 Difficulty: Medium AACSB: Analytic Skills

1. The ability to identify the brand within the category, in sufficient detail to make a purchase, is known as \_\_\_\_\_\_\_\_.
   1. category need
   2. brand awareness
   3. brand attitude
   4. brand purchase intention
   5. brand conviction

Answer: b Page: 477 Difficulty: Medium

1. Formulating the communications to achieve the desired response will require solving three problems: message strategy, creative strategy, and \_\_\_\_\_\_\_\_.
   1. market specific advertising
   2. media sources
   3. advertising
   4. transformational appeal
   5. message source

Answer: e Page: 477 Difficulty: Medium AACSB: Analytic Skills

1. Creative strategies are how marketers translate their messages into a specific communication. Creative strategies can be broadly classified as involving either informational or \_\_\_\_\_\_\_\_ appeals.
   1. branded entertainment
   2. point of purchase
   3. advertorials
   4. transformational
   5. individualization

Answer: d Page: 477 Difficulty: Medium AACSB: Analytic Skills

1. John Maloney saw buyers as expecting one of four types of reward from a product. These include rational, social, ego satisfying, and \_\_\_\_\_\_\_\_.
   1. exciting
   2. functional
   3. low costs
   4. sensory
   5. safety

Answer: d Page: 477 Difficulty: Medium

1. A(n) \_\_\_\_\_\_\_\_ appeal elaborates on a non product related benefit or image when advertising a product or service.
   1. informational
   2. destructive
   3. involving
   4. creative
   5. transformational

Answer: e Page: 478 Difficulty: Medium AACSB: Analytic Skills

1. Communicators use \_\_\_\_\_\_\_\_ appeals such as fear, guilt, and shame to get people to do things or stop doing things.
   1. destructive
   2. scary
   3. attractive
   4. emotional
   5. negative

Answer: e Page: 478 Difficulty: Easy AACSB: Analytic Skills

1. Communicators use positive emotional appeals to attract consumer attention and raise their \_\_\_\_\_\_\_\_ with an ad.
   1. emotions
   2. exposure
   3. involvement
   4. assessment
   5. interest

Answer: c Page: 478 Difficulty: Medium AACSB: Reflective Thinking

1. Messages delivered by attractive or popular sources can potentially achieve higher attention and recall. What is important is the spokesperson’s credibility. Source credibility consists of trustworthiness, likability, and \_\_\_\_\_\_\_\_.
   1. celebrity status
   2. experience
   3. expertise
   4. age
   5. reputation

Answer: c Page: 479 Difficulty: Hard

1. \_\_\_\_\_\_\_\_ is the specialized knowledge that the communicator possesses to back the advertising claim.
   1. Likeability
   2. Source
   3. Expertise
   4. Trustworthiness
   5. Faith

Answer: c Page: 479 Difficulty: Easy AACSB: Analytic Skills

1. A well chosen celebrity can draw attention to a product or brand. The choice of the celebrity is critical. The celebrity should have high recognition, high positive affect, and high \_\_\_\_\_\_\_\_ to the product.
   1. interest
   2. attachment
   3. relevancy
   4. appropriateness
   5. fit

Answer: d Page: 480 Difficulty: Medium AACSB: Analytic Skills

1. If a person has a positive attitude toward a source and a message, or a negative attitude toward both, a state of \_\_\_\_\_\_\_\_ is said to exits.
   1. communication
   2. congruity
   3. celebrity
   4. insight
   5. transformation

Answer: b Page: 480 Difficulty: Medium

1. Personal communications channels derive their effectiveness through \_\_\_\_\_\_\_\_ presentation and feedback.
   1. effective
   2. group
   3. canned
   4. individualized
   5. persuasion

Answer: d Page: 482 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ channels consist of company salespeople contacting buyers in the target market.
   1. Individualized
   2. Personal
   3. Expert
   4. Advocate
   5. Social

Answer: d Page: 482 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ channels consists of neighbors, friends, family members, and associates talking to target buyers.
   1. Social
   2. Expert
   3. Advocate
   4. Professional
   5. None of the above

Answer: a Page: 482 Difficulty: Easy

1. Personal influence carries especially great weight with consumers in two situations. The first is with products that are expensive, risky, or purchased infrequently. The second is where the product \_\_\_\_\_\_\_\_.
   1. suggests something about the user’s ethnic background
   2. suggests something about the user’s education
   3. suggests something about the user’s family
   4. suggests something about the user’s financial wealth
   5. suggests something about the user’s status or taste

Answer: e Page: 482 Difficulty: Hard AACSB: Analytic Skills

1. Nonpersonal channels are communications directed to more than one person and include media, sales promotions, events and experiences, and \_\_\_\_\_\_\_\_.
   1. Internet access
   2. coupons
   3. direct exposure
   4. guerilla tactics
   5. public relations

Answer: e Page: 482 Difficulty: Easy

1. Most of the recent growth of nonpersonal channels has taken place through \_\_\_\_\_\_\_\_.
   1. display media
   2. events and experiences
   3. network media
   4. public relations
   5. sales promotions

Answer: b Page: 483 Difficulty: Medium AACSB: Analytic Skills

1. Mass communications affect personal attitudes and behavior through a two step process. Ideas often flow from radio, television, and print to opinion leaders, and from these to the less \_\_\_\_\_\_\_\_ involved population groups.
   1. media
   2. advertising
   3. informed
   4. involved
   5. none of the above

Answer: a Pages: 483–484 Difficulty: Hard AACSB: Analytic Skills

1. The two step flow of information challenges the notion that consumption styles \_\_\_\_\_\_\_\_ a “trickle down” or “trickle up” effect from mass media.
   1. are secondarily influenced by
   2. are affected by
   3. start with
   4. are primarily influenced by
   5. originate with

Answer: d Page: 484 Difficulty: Hard AACSB: Reflective Thinking

1. The four common methods that companies use to decide on a promotion budget include the affordable method, the percentage of sales method, \_\_\_\_\_\_\_\_, and the objective and task method.
   1. financial method
   2. incremental growth method
   3. zero based budgeting method
   4. competitive parity method
   5. last year’s budget method

Answer: d Page: 484 Difficulty: Easy AACSB: Analytic Skills

1. Many companies set promotion expenditures at a specified percentage of current or anticipated sales, or of the sales price. This method of budgeting is called \_\_\_\_\_\_\_\_.
   1. objective and task method
   2. percentage of sales method
   3. affordable method
   4. competitive parity method
   5. none of the above

Answer: b Page: 484 Difficulty: Easy

1. Companies must allocate the marketing communications budget over the eight major modes of communication, including—advertising, sales promotion, public relations, events, sales force, interactive marketing, word of mouth, and \_\_\_\_\_\_\_\_.
   1. incentives
   2. couponing
   3. integrated marketing communications
   4. Internet marketing
   5. direct marketing

Answer: e Page: 486 Difficulty: Easy AACSB: Analytic Skills

1. Some companies set their promotion budget to achieve share of voice parity with competitors. This is referred to as the \_\_\_\_\_\_\_\_ of promotions budgeting.
   1. objective task method
   2. percentage of sales method
   3. competitive parity method
   4. affordable method
   5. comparable method

Answer: c Page: 485 Difficulty: Medium AACSB: Analytic Skills

1. Marketing functions must be coordinated to ensure \_\_\_\_\_\_\_\_ among communications tools.
   1. significant costs
   2. power
   3. importance
   4. incremental costs
   5. substitutability

Answer: e Page: 486 Difficulty: Medium

1. Advertising can be used to build up a long term image for a product and usually contains the qualities of impersonality, amplified expressiveness, and \_\_\_\_\_\_\_\_.
   1. invitation
   2. motion
   3. sound and sight
   4. pervasiveness
   5. intrusion

Answer: d Pages: 486–487 Difficulty: Hard AACSB: Analytic Skills

1. Sales promotions tools offer three distinctive benefits to marketers. Among these benefits are communication, invitation, and \_\_\_\_\_\_\_\_.
   1. credibility
   2. impersonality
   3. exclusion
   4. inclusion
   5. incentive

Answer: e Page: 487 Difficulty: Medium

1. The appeal of public relations and publicity is based on three distinctive qualities. These include \_\_\_\_\_\_\_\_, the ability to catch buyers off guard, and dramatization.
   1. invitation
   2. free
   3. high credibility
   4. exposure
   5. low cost

Answer: c Pages: 488–489 Difficulty: Medium AACSB: Analytic Skills

1. Personal selling is the most effective tool at later stages of the buying process, particularly in building up buyer preference, conviction, and action. Personal selling has three distinctive qualities. These are personal interaction, response, and \_\_\_\_\_\_\_\_.
   1. customization
   2. dramatization
   3. involvement
   4. relevance
   5. cultivation

Answer: e Page: 489 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is/are the most effective tool at later stages of the buying process, particularly in building up buyer preference, conviction, and action.
   1. Direct and interactive marketing
   2. Events and experiences
   3. Word of mouth marketing
   4. Personal selling
   5. Public relations

Answer: d Page: 489 Difficulty: Medium AACSB: Reflective Thinking

1. Companies must consider several factors in developing their communications mix: type of product market, consumer readiness to make a purchase, and the stage in the \_\_\_\_\_\_\_\_.
   1. product life cycle
   2. marketing mix
   3. advertising mix
   4. buying process
   5. none of the above

Answer: a Page: 489 Difficulty: Medium AACSB: Analytic Skills

1. An effectively trained company sales force can make four important contributions: enthusiasm building, missionary selling, key account management, and \_\_\_\_\_\_\_\_.
   1. customer contacts
   2. relationship selling
   3. direct sales contacts
   4. increased stock position
   5. account management

Answer: d Page: 490 Difficulty: Medium

1. Communication tools vary in cost effectiveness at different stages of buyer readiness. \_\_\_\_\_\_\_\_ and publicity play the most important role in the awareness building stage.
   1. Direct marketing
   2. Sales promotion
   3. Advertising
   4. Personal selling
   5. “Buzz”

Answer: c Page: 490 Difficulty: Easy AACSB: Analytic Skills

1. Senior managers want to know the outcomes and revenues resulting from their communications investments. Too often, however, their communications directors supply only \_\_\_\_\_\_\_\_ and expenses.
   1. inputs
   2. outputs
   3. measures
   4. ads
   5. none of the above

Answer: b Page: 491 Difficulty: Medium AACSB: Analytic Skills

1. In measuring the effectiveness of a firm’s communications investment, ultimately \_\_\_\_\_\_\_\_ measures capture the real payoff.
   1. behavior change
   2. purchase
   3. action
   4. inaction
   5. none of the above

Answer: a Page: 491 Difficulty: Hard AACSB: Reflective Thinking

1. Integrated marketing communications is a concept of marketing communications planning that recognizes the added value of a \_\_\_\_\_\_\_\_ plan.
   1. integrated
   2. coherent
   3. complete
   4. comprehensive
   5. none of the above

Answer: d Page: 491 Difficulty: Easy AACSB: Analytic Skills

1. A multiple media campaign deployed within a tightly defined time frame can increase message \_\_\_\_\_\_\_\_\_.
   1. delivery and reach
   2. awareness and content
   3. reach and impact
   4. impact and awareness
   5. content and delivery

Answer: c Page: 492 Difficulty: Hard AACSB: Reflective Thinking

1. A one time mailing offering a cookware item is an example of a \_\_\_\_\_\_\_\_.
   1. single vehicle, single stage campaign
   2. direct campaign
   3. single vehicle, multiple stage campaign
   4. multiple vehicle, multiple stage campaign
   5. none of the above

Answer: a Page: 492 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following is NOT one of the advantages of having an integrated marketing communications program?
   1. It forces management to think about how the company communicates.
   2. It forces management to think about every way the customer comes in contact with the company.
   3. It produces greater sales impact.
   4. It increases consumer involvement.
   5. It produces stronger message consistency.

Answer: d Page: 493 Difficulty: Hard AACSB: Reflective Thinking

1. Communication option are often more effective when used in tandem. \_\_\_\_\_\_\_\_ relates to the extent to which different associations and linkages are emphasized across communication options.
   1. Coverage
   2. Contribution
   3. Commonality
   4. Complementarity
   5. Versatility

Answer: d Page: 494 Difficulty: Hard AACSB: Analytic Skills

1. In assessing the collective impact of an IMC program, the overriding goal is to create the most effective and efficient communications program possible. Which of the following is NOT one of the six criteria used to help determine whether communications are truly integrated?
   1. Clutter
   2. Coverage
   3. Contribution
   4. Commonality
   5. Complementarily

Answer: a Page: 494 Difficulty: Medium AACSB: Analytic Skills

**True/False**

1. Marketing communications perform many functions for consumers such as telling or showing how and why a product is used, by what kind of person, and where and when.

Answer: True Page: 470 Difficulty: Easy

1. The rapid diffusion of powerful broadband Internet connections, digital video recorders, multipurpose cell phones, and portable music and video players has bolstered the effectiveness of the mass media.

Answer: False Page: 471 Difficulty: Easy AACSB: Reflective Thinking

1. Every brand contact delivers an impression that can strengthen or weaken a customer’s view of the company.

Answer: True Page: 472 Difficulty: Medium AACSB: Reflective Thinking

1. The starting point in planning marketing communications is an audit of all the brands that customers in the target market have with the company.

Answer: False Page: 472 Difficulty: Medium AACSB: Analytic Skills

1. Because brand awareness and brand recall operate along the same brand recognition continuum, anything that causes the consumer to notice and pay attention to the brand will enhance brand recall.

Answer: False Page: 474 Difficulty: Medium AACSB: Reflective Thinking

1. In the macromodel of communication, noise does not affect the communication process between sender and receiver.

Answer: False Page: 475 Difficulty: Medium AACSB: Analytic Skills

1. Micromodels of marketing communications concentrate on consumers’ specific responses to communications.

Answer: True Page: 475 Difficulty: Medium

1. The “learn do feel” model of consumer response models is relevant when the audience has low involvement and perceives little differentiation within the product category.

Answer: True Page: 475 Difficulty: Hard AACSB: Analytic Skills

1. All consumers that develop a preference for a given product also display a conviction about buying it.

Answer: False Page: 476 Difficulty: Medium AACSB: Reflective Thinking

1. Though we can profile the target audience in terms of any number of market segments, it’s often useful to do so in terms of usage and loyalty.

Answer: True Page: 476 Difficulty: Medium AACSB: Analytic Skills

1. Brand recall is easier to achieve than brand recognition.

Answer: False Page: 477 Difficulty: Medium AACSB: Analytic Skills

1. Promotional offers in the form of coupons or two for one deals encourage consumers to make a mental commitment to buy a product, particularly if the consumer does not have an expressed category need.

Answer: False Page: 477 Difficulty: Hard AACSB: Reflective Thinking

1. Communication objectives can be set at any level of the hierarchy of effect model.

Answer: True Page: 477 Difficulty: Easy AACSB: Reflective Thinking

1. An informational appeal elaborates on product or service attributes or benefits.

Answer: True Page: 477 Difficulty: Easy AACSB: Analytic Skills

1. Attention getting tactics are often too effective and distract from brand or product claims.

Answer: True Page: 478 Difficulty: Medium AACSB: Reflective Thinking

1. Two sided messages are more effective when negative associations must be overcome.

Answer: True Page: 478 Difficulty: Hard AACSB: Analytic Skills

1. The factors that underlie source credibility include expertise, trustworthiness, and appropriateness.

Answer: False Page: 479 Difficulty: Easy

1. Borrowed interest approaches to attract attention and create more liking and belief in the sponsor may also detract from comprehension, wear out their welcome fast, and overshadow the product.

Answer: True Page: 478 Difficulty: Medium AACSB: Reflective Thinking

1. Messages delivered by attractive or popular sources can achieve higher attention and recall.

Answer: True Page: 479 Difficulty: Easy AACSB: Reflective Thinking

1. If a person has a positive attitude toward a source and a message, or a negative attitude toward both, a state of congruity is said to exist.

Answer: True Page: 480 Difficulty: Hard AACSB: Analytic Skills

1. The principle of congruity implies that communicators can use their good image to reduce some negative feelings toward a brand but in the process might lose some esteem with the audience.

Answer: True Page: 480 Difficulty: Medium AACSB: Analytic Skills

1. Companies that sell their products to different cultures or in different countries do not need to worry about varying their message.

Answer: False Page: 481 Difficulty: Easy AACSB: Multicultural/Diversity

1. Selecting efficient channels to carry the message becomes more difficult as channels of communication become more fragmented and cluttered.

Answer: True Page: 481 Difficulty: Easy AACSB: Reflective Thinking

1. Personal communication channels derive their effectiveness through individualized presentation and feedback.

Answer: True Page: 482 Difficulty: Easy AACSB: Reflective Thinking

1. Most nonpersonal messages come through paid media.

Answer: True Page: 483 Difficulty: Medium AACSB: Analytic Skills

1. Mass communications affect personal attitudes and behavior through a two step process.

Answer: True Page: 483 Difficulty: Medium AACSB: Analytic Skills

1. Events always have a lasting effect on brand awareness, knowledge, and preference.

Answer: False Page: 483 Difficulty: Medium

1. The influence of mass media on public opinion is as direct, powerful, and automatic as supposed.

Answer: False Page: 484 Difficulty: Medium AACSB: Reflective Thinking

1. The two step flow confirms the notion that consumption styles are primarily influenced by the “trickle down” or “trickle up” effect from mass media.

Answer: False Page: 484 Difficulty: Medium AACSB: Reflective Thinking

1. The percentage of sales method of setting promotional expenditures calculates spending dollars based upon a percentage of last years’ total sales.

Answer: False Page: 484 Difficulty: Easy AACSB: Analytic Skills

1. The objective and task method calls upon marketers to develop promotion budgets by defining specific objectives, determining the tasks that must be performed to achieve these objectives, and estimating the costs of performing these tasks.

Answer: True Page: 485 Difficulty: Medium

1. The competitive parity method of promotions budgeting has been repeatedly shown to prevent promotion wars.

Answer: False Page: 485 Difficulty: Medium AACSB: Analytic Skills

1. Advertising can be used to build up a long term image for a product or trigger quick sales.

Answer: True Page: 486 Difficulty: Easy AACSB: Reflective Thinking

1. The pervasiveness of advertising permits the seller to repeat a message many times. It also allows the buyer to receive and compare the messages of various competitors.

Answer: True Page: 487 Difficulty: Medium AACSB: Analytic Skills

1. Companies must consider several factors in developing their communications mix: the type of product market, consumer readiness to make a purchase, and stage in the product’s life cycle. Also important is the company’s market rank.

Answer: True Page: 489 Difficulty: Medium AACSB: Analytic Skills

1. In measuring communication results, senior managers want to know the outcomes and revenues resulting from their communications investments.

Answer: True Page: 491 Difficulty: Medium

1. Integrated marketing communications is a concept of marketing communications planning that recognizes the added value of a comprehensive plan.

Answer: True Page: 491 Difficulty: Easy AACSB: Analytic Skills

1. The awareness and attitudes created by advertising campaigns do not generally affect the success of direct sales pitches.

Answer: False Page: 492 Difficulty: Medium AACSB: Reflective Thinking

1. Integrated marketing communications can produce stronger message consistency and greater sales impact.

Answer: True Page: 493 Difficulty: Easy AACSB: Analytic Skills

1. In assessing the collective impact of an IMC program, the overriding goal is to create the most effective and efficient communications program possible.

Answer: True Page: 494 Difficulty: Easy AACSB: Analytic Skills

**Essay**

1. Marketing communications are the means by which firms attempt to inform, persuade, and remind consumers—directly or indirectly—about the products and brands that they sell. List the eight major modes of communication that make up the marketing communications mix.

**Suggested Answer:** These eight are: (1) advertising, (2) sales promotion, (3) events and experiences, (4) public relations and publicity, (5) direct marketing, (6) personal selling, (7) interactive marketing, and (8) word of mouth marketing.

Page: 472 Difficulty: Medium AACSB: Analytic Skills

1. Explain the elements of the macromodel of communication process and list the nine elements contained.

**Suggested Answer:** The macromodel of the communication process first lists the two major parties in a communication—*sender* and *receiver*—followed by the major communication tools—*message* and *media.* Four elements represent major communication functions—*encoding, decoding, response,* and *feedback.* The last element in the system is *noise* (random and competing message that may interfere with the intended communication). See Figure 17.2.

Pages: 474–475 Difficulty: Hard AACSB: Analytic Skills

1. For a buyer with high involvement with a product category who perceives high differentiation within it, describe the six elements of the hierarchy of effects model.

**Suggested Answer:** The hierarchy of effects model includes the following six elements: (1) awareness, (2) knowledge, (3) liking, (4) preference, (5) conviction, and (6) purchase.

Pages: 475–476 Difficulty: Medium

1. There are eight steps in developing effective communications. List these steps in their order of flow.

**Suggested Answer:** First we identify the target audience, then determine the objectives, followed by designing the communications. After that, we select the channels, establish the budget, decide on the media mix, measure the results, and finally, manage integrated marketing communications. See Figure 17.4.

Page: 476 Difficulty: Hard AACSB: Analytic Skills

1. Formulating the communications to achieve the desired response will require solving the problems of message strategy and creative strategy among others. Define and then describe the differences between these two strategies.

**Suggested Answer:** Message strategy is where management searches for the appeals, themes, or ideas that will tie into the brand positioning and help to establish points of parity or points of differences. Some of these may be related directly to product or service performance, whereas others may relate to more extrinsic considerations. Creative strategies can be broadly classified as involving either “informational” or “transformational” appeals. An informational appeal elaborates on product or service attributes or benefits. A transformational appeal elaborates on a non product related benefit or image.

Pages: 477–478 Difficulty: Hard AACSB: Reflective Thinking

1. A spokesperson’s credibility is very important to his or her effectiveness as a message source. What factors underlie source credibility and what makes for the most highly credible source?

**Suggested Answer:** The three most often identified factors that underlie source credibility are expertise, trustworthiness, and likability. The most highly credible source would score high on all three dimensions.

Page: 479 Difficulty: Medium AACSB: Reflective Thinking

1. Explain the principle of congruity as it pertains to message sources. And what happens when a person holds one attitude toward the source and the opposite toward the message.

**Suggested Answer:** The principle of congruity implies that communicators can use their good image to reduce some negative feelings toward a brand but in the process might lose some esteem with the audience. If a person has a positive attitude toward a source and a message, or a negative attitude toward both, a state of congruity is said to exist. Osgood and Tannenbaum say that *attitude change will take place in the direction of increasing the amount of congruity between the two evaluations*. The consumer will end up respecting the celebrity somewhat less or respecting the brand somewhat more.

Page: 480 Difficulty: Hard AACSB: Analytic Skills

1. Many companies set promotion expenditures at a specified percentage of sales or of the sales price. What are the advantages and disadvantages of this method?

**Suggested Answer:** Supporters of the percentage of sales method see a number of advantages. First, promotion expenditures will vary with what the company can afford. Second, it encourages management to think of the relationship among promotion cost, selling price, and profit per unit. Third, it encourages stability when competing firms spend approximately the same percentage of their sales on promotion. In spite of these advantages, the percentage of sales method has little

to justify it. It views sales as the determiner of promotion rather than as the result. It leads to a budget set by the availability of funds rather than by market opportunities. It discourages experimentation with countercyclical promotion or aggressive spending. Dependence on year to year sales fluctuations interferes with long range planning. There is no logical basis for choosing the specific percentage, except what has been done in the past or what competitors are doing. Finally, it does not encourage building the promotion budget by determining what each product and territory deserves.

Pages: 484–485 Difficulty: Hard AACSB: Reflective Thinking

1. Why do companies use sales promotion tools, and what three distinctive benefits do these tools offer?

**Suggested Answer:** Companies use sales promotion tools to draw a stronger and quicker buyer response, including short run effects such as highlighting product offers and boosting sagging sales. Sales promotion tools offer three distinctive benefits: (1) communication, (2) incentive, and (3) invitation.

Page: 487 Difficulty: Medium AACSB: Analytic Skills

1. Communication tools vary in cost effectiveness at different stages of buyer readiness. Discuss which communication tools are most cost effective at the five stages of buyer readiness.

**Suggested Answer:** Advertising and publicity play the most important roles in the awareness building stage. Customer comprehension is primarily affected by advertising and personal selling. Customer conviction is influenced mostly by personal selling. Closing the sale is influenced mostly by personal selling and sales promotion. Reordering is also affected mostly by personal selling and sales promotion, and somewhat by reminder advertising.

Page: 490 Difficulty: Hard AACSB: Reflective Thinking

**APPLICATION QUESTIONS**

**Multiple Choice**

1. Your marketing communications mix includes mail, telephone, fax, e mail, or the Internet to communicate directly with specific customers and prospects. Which of the eight major modes of communication are you using?
   1. sales promotions
   2. advertising
   3. direct marketing
   4. personal selling
   5. events and experiences

Answer: c Page: 472 Difficulty: Easy AACSB: Analytic Skills

1. If a consumer has an equally strong, favorable, and unique brand association of Subaru with the concepts “outdoors,” “active,” and rugged” because of exposure to a TV ad that shows the car driving over rugged terrain at different times of the year, the impact in terms of Subaru’s brand equity should be \_\_\_\_\_\_\_\_.
   1. identical
   2. confusing
   3. heightened
   4. long lasting
   5. none of the above

Answer: a Page: 472 Difficulty: Medium

1. In the process of buying a new car, a consumer might talk to others, research the car on the Internet, visit showrooms, and buy magazines dedicated to the automobile industry. Where would you start in developing your marketing communication planning?
   1. Appoint an ad agency.
   2. Conduct an audit of all the potential interactions the target market has with the brand.
   3. Create message strategy.
   4. Create the creative strategy.
   5. None of the above

Answer: b Page: 472 Difficulty: Medium AACSB: Reflective Thinking

1. Your responsibility is to spend the company’s communications dollars efficiently. As a result, you have collected the costs of the various forms of the communications mix. Your decision on “where” to spend your company dollars will be determined \_\_\_\_\_\_\_\_.
   1. according to its ability to build brand equity and drive brand sales
   2. according to its ability to reach the most consumers
   3. according to its ability to return the “most bang for the buck”
   4. according to its ability to communicate the “message” most creatively
   5. according to its ability to have the highest return on investment

Answer: a Page: 474 Difficulty: Hard AACSB: Reflective Thinking

1. For your target audience of new parents, communicating to them via newsletters, parenting magazines, baby clubs, and through hospitals is an example of what element of the macromodel of the communications process?
   1. Response
   2. Receiver
   3. Decoding
   4. Encoding
   5. Media

Answer: e Page: 475 Difficulty: Hard

1. In developing effective communications, the first step that you must take is to identify your target audience. It is often useful to define target audience in terms of \_\_\_\_\_\_\_\_ and loyalty.
   1. exposure
   2. image
   3. reach
   4. usage
   5. none of the above

Answer: d Page: 476 Difficulty: Medium AACSB: Analytic Skills

1. Establishing a product category, such as electric cars, as necessary to remove or satisfy a perceived discrepancy between a current motivational state and a desired emotional state is an example of a \_\_\_\_\_\_\_\_.
   1. category need
   2. brand awareness
   3. brand attitude
   4. cognitive dissonance
   5. purchase intention

Answer: a Page: 477 Difficulty: Medium AACSB: Analytic Skills

1. The commercials for pain remedies that promise quick relief to your aches and pains is an example of what type of creative strategy?
   1. Informational appeal
   2. Transformational appeal
   3. Collective appeal
   4. Personal appeal
   5. Differentiated appeal

Answer: a Page: 477 Difficulty: Medium

1. By focusing on a non product related image, VW’s advertising to active, youthful people with its “Drivers Wanted” campaign was an example of a \_\_\_\_\_\_\_\_.
   1. informational appeal
   2. collective appeal
   3. transformational appeal
   4. personal appeal
   5. differentiated appeal

Answer: c Page: 478 Difficulty: Medium AACSB: Analytic Skills

1. Qualities such as candor, humor, and naturalness make a source more \_\_\_\_\_\_\_, and therefore more credible.
   1. trustworthy
   2. expert
   3. knowledgeable
   4. likable
   5. interesting

Answer: d Page: 479 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following statements best describes findings by Osgood and Tannenbaum related to congruity?
   1. Attitude change will take place in the direction of decreasing the amount of congruity between two evaluations.
   2. Attitude change will take place in a way that increases the amount of congruity between two evaluations.
   3. Attitude change will take place moving away from increasing the amount of congruity between two evaluations.
   4. Attitude change will take place in a way that increases the amount of incongruity between two evaluations.
   5. None of the above.

Answer: b Page: 480 Difficulty: Hard

1. A visit by a textbook publisher’s sales representative is an example of \_\_\_\_\_\_\_\_.
   1. advocate channels
   2. expert channels
   3. social channels
   4. interactive marketing
   5. e marketing

Answer: a Page: 482 Difficulty: Medium AACSB: Analytic Skills

1. When Chipotle entered the Manhattan market, it gave burritos away to 6,000 people, anticipating that the event would create sufficient buzz to get the store on its feet after opening. This is an example of \_\_\_\_\_\_\_\_ marketing.
   1. events and entertainment
   2. billboard
   3. word of mouth
   4. nonpersonal
   5. public relations

Answer: c Page: 482 Difficulty: Medium AACSB: Reflective Thinking

1. The premise surrounding public relations and publicity is that news stories and features about your company’s product are more authentic and \_\_\_\_\_\_\_\_ to readers than advertisements.
   1. true
   2. influenced
   3. impartial
   4. effective
   5. credible

Answer: e Page: 488 Difficulty: Easy AACSB: Analytic Skills

1. Communications mix allocations vary between consumer and business markets. Consumer marketers tend to spend comparatively more on sales promotion and advertising; business marketers tend to spend comparatively more on \_\_\_\_\_\_\_\_.
   1. word of mouth marketing
   2. personal selling
   3. direct marketing
   4. interactive marketing
   5. events and experiences

Answer: b Page: 489 Difficulty: Medium AACSB: Reflective Thinking

1. When a communications director presents senior management with such things as press clipping counts, the number of ads placed, media costs, and such, he is supplying \_\_\_\_\_\_\_\_.
   1. feedback
   2. revenues
   3. outcomes
   4. inputs
   5. outputs and expenses

Answer: e Page: 491 Difficulty: Easy AACSB: Analytic Skills

1. We find that 80% of the consumers in the total market are aware of brand A, 60% have tried it, and only 20% who have tried it are satisfied. This indicates that the communications program is effective in creating awareness, but the product fails to meet consumer \_\_\_\_\_\_\_\_.
   1. effect on complementary products
   2. purchase intent
   3. awareness
   4. interests
   5. expectations

Answer: e Page: 491 Difficulty: Medium AACSB: Reflective Thinking

1. For a Citibank campaign to market home equity loans, the bank used “mail plus coupon plus 800 number plus outbound telemarketing plus print advertising.” This kind of campaign is known as a \_\_\_\_\_\_\_\_.
   1. single vehicle, single stage campaign
   2. single vehicle, multiple stage campaign
   3. multiple vehicle, single stage campaign
   4. multiple vehicle, multiple stage campaign
   5. none of the above

Answer: d Page: 492 Difficulty: Easy

1. Dannon makes it a priority to drive traffic to its Dannon Yogurt homepage so that the company can benefit from the twin paybacks of (1) forging direct relationships with customers and (2) building a database of its best customers. This is an example of \_\_\_\_\_\_\_\_.
   1. personal selling
   2. integrated marketing communications
   3. coordinating media
   4. brand linkages
   5. direct marketing

Answer: c Pages: 482–493 Difficulty: Medium AACSB: Analytic Skills

1. In assessing the collective impact of an IMC program, the marketer’s overriding goal is to create the most effective and efficient communications program possible. The criterion of \_\_\_\_\_\_\_\_ is the proportion of the audience reached by each communication option employed, as well as how much overlap exists among communication options.
   1. coverage
   2. contribution
   3. commonality
   4. complementarity
   5. versatility

Answer: a Page: 494 Difficulty: Medium AACSB: Analytic Skills

**Short Answer**

1. Dramatic changes in the way consumers interact with media have eroded the effectiveness of the mass media. What two forces are to blame for the reduced effectiveness of mass media?

**Suggested Answer:** One force is the fragmentation of U.S. audiences and, with the advent of digital technology and the Internet, the media now used to reach them. The second force is the ability of consumers to choose whether and how they want to receive commercial content. For example, consumers may use DVRs and pop up blockers to avoid commercials on television or on the Internet.

Page: 471 Difficulty: Medium AACSB: Reflective Thinking

1. List the major ways that marketing communications activities contribute to brand equity.

**Suggested Answer:** Marketing communications activities contribute to brand equity by creating awareness of the brand; linking the right associations to the brand image in consumers’ memory; eliciting positive brand judgments or feelings; and or facilitating a stronger consumer–brand connection.

Page: 472 Difficulty: Medium

1. The macromodel of the communications process includes nine elements. Diagram the nine elements in the communications process.

**Suggested Answer:**



Page: 474 Difficulty: Medium AACSB: Analytic Skills

1. Micromodels of marketing communications concentrate on consumers’ specific response to communications. List the four classic response hierarchy models.

**Suggested Answer:** The four classic response hierarchy models are: (1) AIDA model, (2) hierarchy of effects model, (3) innovation adoption model, and (4) communications model.

Page: 475 Difficulty: Hard AACSB: Analytic Skills

1. Consumers are more likely to recognize Stouffer’s distinctive orange packages than recall the brand. When is brand recall important and when is brand recognition important?

**Suggested Answer:** Recognition is easier to achieve than recall. Brand recall is important outside the store; brand recognition is important inside the store. Brand awareness provides a foundation for brand equity.

Page: 477 Difficulty: Hard AACSB: Reflective Thinking

1. John Maloney saw buyers as expecting one of four types of reward from a product: rational, sensory, social, or ego satisfaction. Crossing these four types of rewards with the three types of experience generates 12 types of messages. Explain the phrase “Real beer taste in a great light beer.”

**Suggested Answer:** “Real beer taste in a great light beer” is a sensory reward promise connected with product in use experience

Page: 477 Difficulty: Hard AACSB: Reflective Thinking

1. In describing the experience of using Coast soap for the first time (“The Eye Opener!”), we are describing a nonproduct benefit or image. This is the definition of what type of appeal?

**Suggested Answer:** A transformational appeal elaborates on a non product related benefit or image such as described here.

Page: 478 Difficulty: Easy AACSB: Analytic Skills

1. Communications that use cute babies, puppies, or provocative sex appeals are often employed to attract consumer attention and raise their involvement with an ad. What are some of the usages for “borrowed interest” devices?

**Suggested Answer:** “Borrowed interest” techniques are thought to be necessary in the tough new media environment characterized by low involvement consumer processing and much competing ad and programming clutter. These techniques may also detract from ad comprehension, wear out their welcome faster, and overshadow the product.

Page: 478 Difficulty: Hard AACSB: Analytic Skills

1. In terms of source credibility, why would a medical doctor have greater source credibility as a spokesperson speaking about the effects of a new drug than a retired actor would? What are the three characteristics of source credibility?

**Suggested Answer:** The factors that underlie source credibility are expertise, trustworthiness, and likability. The retired actor may have or possess a higher likability quotient, but the medical doctor would have higher expertise and trustworthiness acceptances.

Page: 479 Difficulty: Medium AACSB: Reflective Thinking

1. A well chosen celebrity can draw attention to a product or brand but also poses certain risks. Identify three of those risks.

**Suggested Answer:** The celebrity might hold out for a larger fee at contract renewal time or withdraw. Celebrity campaigns can sometimes be expensive flops. The celebrity might lose popularity or, even worse, get caught in a scandal.

Page: 480 Difficulty: Medium AACSB: Reflective Thinking

1. Personal communications channels derive their effectiveness through individualized presentation and feedback. Within this category, we can distinguish between three channels: advocate channels, expert channels, and social channels. How would you characterize a seminar directed to retirees on buying real estate with no money down?

**Suggested Answer:** A seminar on buying real estate would be an example of an expert channel of personal communications.

Page: 482 Difficulty: Easy

1. How do opinion leaders mediate the affect of mass communications?

**Suggested Answer:** Mass communications affect personal attitudes and behaviors through a two step process. Ideas often flow from radio, television, and print to opinion leaders, and from these to the less media involved populations groups. This two step flow has several implications. First, the influence of mass media on public opinion is not as direct, powerful, and automatic as supposed. Second, the two step flow challenges the notion that consumption styles are primarily influenced by a “trickle down” or “trickle up” effect from mass media.

Pages: 483–484 Difficulty: Hard AACSB: Reflective Thinking

1. In introducing a new liquid dog treat to the market, you have been asked to prepare a promotion budget using the objective and task method. What would be your first step in this process?

**Suggested Answer:** The first step in the objective and task method would be to establish the market share goal of the dog treat market.

Page: 485 Difficulty: Easy AACSB: Analytic Skills

1. The objective and task method of promotions budgeting calls upon marketers to develop promotion budgets by defining specific objectives, determining the tasks that must be performed to achieve these objectives, and estimating the costs of performing these tasks. What is the major advantage of using this method?

**Suggested Answer:** The objective and task method has the advantage of requiring management to spell out its assumptions about the relationship among dollars spent, exposure levels, trial rates, and regular usage.

Page: 485 Difficulty: Medium AACSB: Reflective Thinking

1. Relate the concept of marginal profit to the communications budgeting decision.

**Suggested Answer:** In theory, marketers should establish the total communications budget so that the marginal profit from the last communication dollar just equals the marginal profit from the last dollar in the best noncommunication use.

Page: 485 Difficulty: Hard AACSB: Analytic Skills

1. The repetition of the local car dealers’ commercials on late night television, besides being universally terrible, are examples of what characteristic of the advertising component of the communications mix.

**Suggested Answer:** These commercials demonstrate the pervasiveness of the advertising communications mix.

Page: 487 Difficulty: Medium AACSB: Analytic Skills

1. Your sales force is efficient and effective. What are the four contributions that an effective sales force can make to the marketing communications mix?

**Suggested Answer:** An effective sales force can (1) increase a customer’s stock position; (2) build enthusiasm; (3) sign up more dealers; and (4) manage key accounts .

Page: 490 Difficulty: Medium AACSB: Reflective Thinking

1. After implementing the communications plan, how might marketing managers communicate the outcomes of their efforts?

**Suggested Answer:** After implementing the communications plan, the communications director must measure its impact on the target audience. Members of the target audience are asked whether they recognize or recall the message, how many times they saw it, what points they recall, how they felt about the message, and their previous and current attitudes toward the product and company. The communicator should also collect behavioral measures of audience response, such as how many people bought the product, liked it, and talked to others about it.

Page: 491 Difficulty: Medium AACSB: Analytic Skills

1. List some of the benefits of a working integrated marketing communications program.

**Suggested Answer:** A working integrated marketing communications program can produce stronger message consistency and greater sales impact. It forces management to think about every way the customer comes in contact with the company, how the company communicates its positioning, the relative importance of each vehicle, and timing issues.

Page: 493 Difficulty: Hard AACSB: Reflective Thinking

1. Integrated marketing communications has been slow to take hold for several reasons. List these reasons.

**Suggested Answer:** Large companies often employ several communications specialists who may know comparatively little about the other communication tools. Further complicating matters is that many global companies use a large number of ad agencies located in different countries and serving different divisions, resulting in uncoordinated communications and image diffusion.

Page: 493 Difficulty: Hard AACSB: Reflective Thinking

Chapter 18: Managing Mass Communications:

Advertising, Sales Promotions, Events and Experiences,

and Public Relations

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. In developing an advertising program, marketing managers can make five major decisions known as the five Ms. Which of the following is NOT one of the five Ms?
   1. Mission
   2. Money
   3. Message
   4. Media
   5. Minimum

Answer: e Page: 498 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor.
   1. Advertising
   2. Prospecting
   3. Media
   4. Marketing
   5. Public Relations

Answer: a Page: 498 Difficulty: Easy

1. Advertising objectives can be classified according to whether their aim is to inform, persuade, remind, or \_\_\_\_\_\_\_\_.
   1. create interest
   2. purchase
   3. create demand
   4. reinforce
   5. introduce

Answer: d Page: 499 Difficulty: Medium AACSB: Analytic Skills

1. When setting the advertising budget, marketers must consider the\_\_\_\_\_\_\_\_.
   1. message details
   2. cost of television time
   3. cost of new product development
   4. stage in the product life cycle
   5. buyer’s reaction to the campaign

Answer: d Page: 499 Difficulty: Hard AACSB: Analytic Skills

1. In designing and evaluating an ad campaign, it is important to distinguish the *message strategy* or positioning of an ad from its \_\_\_\_\_\_\_\_.
   1. brand strategy
   2. creative strategy
   3. test strategy
   4. medium strategy
   5. corporate strategy

Answer: b Page: 500 Difficulty: Medium AACSB: Reflective Thinking

1. A *creative brief* is an elaboration of the positioning statement and includes such items as \_\_\_\_\_\_\_\_.
   1. key brand benefits
   2. detailed instructions for the director of the commercial
   3. detailed instructions for the print ads
   4. key actors to be used in the commercial
   5. none of the above

Answer: a Page: 500 Difficulty: Hard AACSB: Analytic Skills

1. In deciding on an ad budget, marketers must recognize that consumer response can be \_\_\_\_\_\_\_\_ shaped: An ad threshold effect exists where some positive amount of advertising is necessary before any sales impact can be detected, but sales increases eventually flatten out.
   1. T
   2. M
   3. S
   4. Y
   5. C

Answer: c Page: 500 Difficulty: Medium

1. A good ad normally focuses on one or two \_\_\_\_\_\_\_\_.
   1. important environmental factors
   2. subliminal messages
   3. core selling propositions
   4. easily identifiable celebrities
   5. consumer interest items

Answer: c Page: 500 Difficulty: Medium AACSB: Analytic Skills

1. Television is the most powerful advertising medium. TV advertising can be a compelling means for dramatically portraying user and usage imagery, brand personality, and other brand \_\_\_\_\_\_\_\_.
   1. sounds
   2. sights
   3. intangibles
   4. tangibles
   5. components

Answer: c Page: 501 Difficulty: Medium AACSB: Reflective Thinking

1. Print media provides much \_\_\_\_\_\_\_\_ product information and can also effectively communicate user and usage imagery.
   1. detailed
   2. specific
   3. informational
   4. historical
   5. usage

Answer: a Page: 502 Difficulty: Easy AACSB: Analytic Skills

1. Of the elements of a print advertisement, the \_\_\_\_\_\_\_\_ matters the most when it comes to the ad’s effectiveness.
   1. headline
   2. copy
   3. picture
   4. font
   5. color

Answer: c Page: 503 Difficulty: Medium AACSB: Reflective Thinking

1. Radio’s main advantage lies in its \_\_\_\_\_\_\_\_.
   1. disk jockeys
   2. flexibility
   3. format
   4. age of audience
   5. none of the above

Answer: b Page: 504 Difficulty: Easy AACSB: Reflective Thinking

1. The obvious disadvantages of radio include \_\_\_\_\_\_\_\_.
   1. the relatively passive nature of the consumer processing
   2. excessive visual stimulus
   3. consumers’ ability to fast forward through advertisements
   4. consumers’ typical commitment to a single radio station
   5. all of the above

Answer: a Page: 504 Difficulty: Medium

1. Under U.S. law, advertisers must not \_\_\_\_\_\_\_\_.
   1. copy other’s ads
   2. make false claims
   3. advertise to children
   4. advertise after 3 a.m.
   5. demonstrate a product

Answer: b Page: 505 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is finding the most cost effective media to deliver the desired number and types of exposures to the target audience.
   1. Weight
   2. Frequency
   3. Reach
   4. Media buying
   5. Media selection

Answer: e Page: 505 Difficulty: Easy

1. Puffery is defined as \_\_\_\_\_\_\_\_.
   1. a description of a bakery product
   2. statements used in sales brochures to tout the benefits of a product
   3. simple exaggerations
   4. lies
   5. legal nontruths

Answer: c Page: 505 Difficulty: Easy AACSB: Analytic Skills

1. In choosing the proper media to carry the message, advertisers must decide on \_\_\_\_\_\_\_\_.
   1. strategy, users, and media
   2. target markets, users, and heavy users
   3. markets, target markets, and consumers
   4. reach, impact, and television stations
   5. reach, frequency, and impact

Answer: e Page: 505 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is most important when launching new products, flanker brands, or extensions of well known brands.
   1. Media selection
   2. Weighted exposures
   3. Impact
   4. Reach
   5. Frequency

Answer: d Page: 506 Difficulty: Easy AACSB: Reflective Thinking

1. The higher the \_\_\_\_\_\_\_\_ associated with a brand, product category, or message, the higher the warranted level of repetition.
   1. total number of exposures
   2. target audience media habits
   3. forgetting rate
   4. impact
   5. reach

Answer: c Page: 506 Difficulty: Medium AACSB: Analytic Skills

1. One of the advantages of television is that it combines sight, sound, and motion, appealing to the senses, high attention, and high reach. One of the disadvantages of television is its \_\_\_\_\_\_\_\_.
   1. use of the “remote control” to zap through commercials
   2. high clutter
   3. cable channels
   4. fragmented markets
   5. censorship possibilities

Answer: b Page: 507 Difficulty: Medium AACSB: Analytic Skills

1. One of the advantages of direct mail is audience selectivity. One of its limitations is \_\_\_\_\_\_\_\_.
   1. its short life
   2. poor reproduction quality
   3. high competition
   4. long ad purchase lead time
   5. relatively high cost

Answer: e Page: 507 Difficulty: Medium

1. Marketers are using creative and unexpected ad placements to grab consumers’ attentions in \_\_\_\_\_\_\_\_ advertising.
   1. market specific
   2. customer specific
   3. space
   4. nontraditional
   5. place

Answer: e Page: 508 Difficulty: Medium AACSB: Analytic Skills

1. Marketers pay fees so that their products make cameo appearances in movies and on television. This is called \_\_\_\_\_\_\_\_.
   1. branded entertainment
   2. point of purchase
   3. advertorials
   4. product placement
   5. individualization

Answer: d Page: 509 Difficulty: Easy AACSB: Analytic Skills

1. In store advertising, including ads on shopping carts, in aisles, on shelves, on the floor, and “talking” shelves, are all examples of \_\_\_\_\_\_\_\_ advertising.
   1. point of decision
   2. product placement
   3. point of purchase
   4. branding
   5. advertising

Answer: c Page: 510 Difficulty: Easy

1. The main advantage of nontraditional media is that a very precise and—because of the nature of the setting involved—captive audience often can be reached in a \_\_\_\_\_\_\_\_ manner.
   1. new
   2. effective
   3. cost effective
   4. targeted
   5. individualized

Answer: c Page: 510 Difficulty: Hard AACSB: Reflective Thinking

1. Television audience size has several possible measures. These include circulation, audience, and \_\_\_\_\_\_\_\_.
   1. nonexposed audience
   2. total circulation
   3. exposed audience
   4. listening audience
   5. effective audience

Answer: e Page: 510 Difficulty: Medium AACSB: Analytic Skills

1. Readers of *Vogue* may pay more attention to ads than do readers of *Newsweek*. In this example, *Vogue* has greater \_\_\_\_\_\_\_\_ than *Newsweek.*
   1. ad placement policies
   2. editorial quality
   3. audience attention probability
   4. audience quality
   5. lead generation

Answer: c Pages: 511–512 Difficulty: Medium

1. A media vehicle’s \_\_\_\_\_\_\_\_ refers to its prestige and believability. People are more likely to believe a TV or radio ad and to become more positively disposed toward the brand when the ad is placed within a program they like.
   1. ad placement policies
   2. editorial quality
   3. audience attention probability
   4. audience quality
   5. lead generation

Answer: b Page: 512 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ expresses the rate at which new buyers enter the market; the higher this rate, the more continuous the advertising should be.
   1. Buyer demographics
   2. Purchase frequency
   3. Purchase intent
   4. Buyer turnover
   5. Buyer profile

Answer: d Page: 512 Difficulty: Medium AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ is the rate at which the buyer forgets the brand.
   1. designated rate
   2. purchase frequency
   3. purge rate
   4. turnover rate
   5. forgetting rate

Answer: e Page: 512 Difficulty: Easy AACSB: Analytic Skills

1. The term “concentration” when used in the context of advertising means that the advertiser will \_\_\_\_\_\_\_\_.
   1. run heavy advertising day and night for a short period of time
   2. spend all of the advertising dollars in a single period
   3. run all the ads for the product within a specific period of time
   4. spend all of the advertising dollars across a specific time period
   5. not spend all of the advertising dollars in a single period

Answer: b Page: 512 Difficulty: Hard

1. \_\_\_\_\_\_\_\_ seeks to determine whether an ad is communicating effectively.
   1. Communications effect research
   2. Marketing research
   3. Buyer research
   4. Consumer research
   5. Media research

Answer: a Page: 513 Difficulty: Easy AACSB: Analytic Skills

1. In launching a new product, the advertiser chooses among continuity, concentration, flighting, and \_\_\_\_\_\_\_\_ advertising patterns.
   1. reflective
   2. periodic
   3. continuous
   4. pulsing
   5. running

Answer: d Page: 512 Difficulty: Easy AACSB: Analytic Skills

1. A company has to decide on how to allocate its advertising budget over space as well as over time. A company makes “spot buys” when it buys TV time in just a few markets or in regional editions of magazines. These markets are called \_\_\_\_\_\_\_\_.
   1. areas of dominant influence
   2. trading areas
   3. short term marketing opportunities
   4. SMSA
   5. none of the above

Answer: a Page: 513 Difficulty: Hard

1. There are three major methods of pretesting ads. These are consumer feedback, \_\_\_\_\_\_\_\_, and laboratory test.
   1. prelaunch testing
   2. copy testing
   3. direct testing
   4. telephone inquiries
   5. portfolio testing

Answer: e Page: 513 Difficulty: Easy AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ involves correlating past sales to past advertising expenditures using advanced statistical techniques in an effort to measure the sales impact of a given promotional campaign.
   1. historical approach
   2. experimental design approach
   3. humanist approach
   4. target exposure rate approach
   5. pulsing approach

Answer: a Page: 514 Difficulty: Medium

1. Sales promotions include tools for \_\_\_\_\_\_\_\_ promotion, trade promotion, and business and sales force promotions.
   1. incentive
   2. reasons
   3. target
   4. prospects
   5. consumer

Answer: e Page: 514 Difficulty: Easy AACSB: Analytic Skills

1. Sales promotions used in markets of high brand similarity can produce a high sales response in the short run but little \_\_\_\_\_\_\_\_ gain in brand preference.
   1. significant
   2. real
   3. short term
   4. incremental
   5. permanent

Answer: e Page: 515 Difficulty: Medium AACSB: Reflective Thinking

1. Sales promotion, with its incessant prices off, coupons, deals, and premiums, may \_\_\_\_\_\_\_\_ the product offering in the buyers’ mind.
   1. detract
   2. augment
   3. confuse
   4. devalue
   5. increase

Answer: d Page: 515 Difficulty: Hard AACSB: Reflective Thinking

1. Sales promotion tools that impart a selling message along with the deal, as in the case of free samples and premiums when they are related to the product, are called \_\_\_\_\_\_\_\_.
   1. promotions
   2. retailer promotions
   3. manufacturer franchise building
   4. retailer franchise building
   5. consumer franchise building

Answer: e Page: 516 Difficulty: Medium AACSB: Analytic Skills

1. When two or more brands or companies team up on coupons, refunds, and contests to increase pulling power, it is called \_\_\_\_\_\_\_\_.
   1. price packs
   2. frequency promotions
   3. team promoting
   4. tie in promotions
   5. cross promotions

Answer: d Page: 517 Difficulty: Medium

1. Merchandise offered at a relatively low cost or free as an incentive to purchase a particular product is known as \_\_\_\_\_\_\_\_.
   1. a price pack
   2. a sample
   3. premiums
   4. a tie in
   5. cross promotions

Answer: c Page: 517 Difficulty: Medium AACSB: Analytic Skills

1. When retailers buy a greater quantity of product during a deal period than they can sell during the deal period, we call this \_\_\_\_\_\_\_\_.
   1. purchasing intent
   2. forward buying
   3. trade buying
   4. de facto buying
   5. diverting

Answer: b Page: 518 Difficulty: Hard AACSB: Analytic Skills

1. When retailers buy more cases than are needed in a region in which the manufacturer offered a deal and ship the surplus to their stores in nondeal regions, is known as \_\_\_\_\_\_\_\_.
   1. forward buying
   2. purchasing intent
   3. de facto buying
   4. trade buying
   5. diverting

Answer: e Page: 518 Difficulty: Hard

1. In deciding to use a particular incentive, marketers have several factors to consider. One of these factors is \_\_\_\_\_\_\_\_.
   1. duration
   2. distribution vehicle
   3. promotion budget
   4. size
   5. all of the above

Answer: e Page: 519 Difficulty: Hard AACSB: Analytic Skills

1. Marketing managers must prepare implementation and control plans that cover the various elements of the sales promotion program. \_\_\_\_\_\_\_\_ is the time necessary to prepare the program prior to launching it.
   1. Sell in time
   2. Pretesting
   3. Duration
   4. Lead time
   5. Forwarding

Answer: d Page: 519 Difficulty: Medium AACSB: Analytic Skills

1. One of the reasons marketers sponsor events is to \_\_\_\_\_\_\_\_ a particular target market or lifestyle.
   1. identify with
   2. capitalize upon
   3. foster
   4. increase exposure to
   5. none of the above

Answer: a Page: 521 Difficulty: Easy

1. One of the potential disadvantages of sponsorships is that the success of an event can often \_\_\_\_\_\_\_\_ and some consumers may still resent the commercialization of events.
   1. attract unfavorable media attention
   2. be cancelled
   3. be illegal
   4. be unpredictable
   5. be unfavorable to the sponsor

Answer: d Page: 521 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_ is a particularly important skill in publicizing fund raising drives for nonprofit organizations.
   1. Event creation
   2. Supply side measurement
   3. Demand side measurement
   4. Containerization
   5. Incremental exposure

Answer: a Page: 522 Difficulty: Medium AACSB: Analytic Skills

1. Supply side measurement of event effectiveness focuses on \_\_\_\_\_\_\_\_.
   1. potential exposure to the brand by assessing the extent of media coverage
   2. reported exposure from consumers
   3. incremental sales earned during the event
   4. incremental sales earned as a result of the event
   5. reported changes in customer perception of the brand

Answer: a Page: 522 Difficulty: Medium AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ method of measuring event effectiveness identifies the effect sponsorship had on consumers’ brand knowledge.
   1. incremental
   2. supply side
   3. demand side
   4. historical
   5. experimental

Answer: c Page: 523 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ involve(s) a variety of programs designed to promote or protect a company’s image or its individual products.
   1. Corporate communications
   2. Press releases
   3. Press relations
   4. Publicity
   5. Public relations

Answer: e Page: 523 Difficulty: Easy AACSB: Analytic Skills

1. A(n) \_\_\_\_\_\_\_\_ is any group that has an actual or potential interest in or impact on a company’s ability to achieve its objectives.
   1. campaign
   2. movement
   3. experience
   4. public
   5. experiment

Answer: d Page: 523 Difficulty: Easy AACSB: Analytic Skills

1. Which of the following is NOT a function of the PR department?
   1. Press relations
   2. Product publicity
   3. Corporate communications
   4. Counseling
   5. All of the above are functions performed by the PR department.

Answer: e Page: 524 Difficulty: Medium AACSB: Analytic Skills

1. Marketing public relations (MPR) supports corporate or product promotion and image making and plays a crucial role in \_\_\_\_\_\_\_\_.
   1. creating publicity
   2. protecting the company from liabilities
   3. repositioning a mature product
   4. securing free ad spaces
   5. building a word of mouth campaign

Answer: c Page: 525 Difficulty: Hard AACSB: Reflective Thinking

1. MPR serves a special constituency, \_\_\_\_\_\_\_\_.
   1. the finance department
   2. consumer activists
   3. shareholder activists
   4. the marketing department
   5. ad agencies

Answer: d Page: 525 Difficulty: Medium AACSB: Analytic Skills

1. MPR can build \_\_\_\_\_\_\_\_ by placing stories in the media to bring attention to a product, service, person, organization, or idea.
   1. talk
   2. stories
   3. awareness
   4. buzz
   5. exposure

Answer: c Page: 527 Difficulty: Medium

1. The major tools in an MPR department include publications, events, sponsorships, \_\_\_\_\_\_\_\_, speeches, public service activities, and identity media.
   1. customers
   2. managers
   3. news
   4. universities
   5. colleges

Answer: c Page: 528 Difficulty: Medium AACSB: Analytic Skills

1. The easiest measure of MPR effectiveness is the number of \_\_\_\_\_\_\_\_ carried by the media.
   1. stories
   2. exposures
   3. customers
   4. articles
   5. none of the above

Answer: b Page: 529 Difficulty: Medium AACSB: Analytic Skills

1. A better measure to evaluate the effectiveness of MPR is to measure \_\_\_\_\_\_\_\_.
   1. the change in product awareness
   2. the number of exposures carried by the media
   3. the number of minutes of radio airtime garnered
   4. the difference between PR costs and advertising space expense
   5. the extent of viewer repeat exposure

Answer: a Page: 529 Difficulty: Hard AACSB: Reflective Thinking

**True/False**

1. An advertising goal (or objective) is a specific communications task and achievement level to be accomplished with a specific audience in a specific period of time.

Answer: True Page: 499 Difficulty: Easy AACSB: Analytic Skills

1. The advertising objective should emerge from a thorough analysis of the current marketing situation.

Answer: True Page: 499 Difficulty: Medium AACSB: Reflective Thinking

1. One of the five specific factors that must be considered when setting an advertising budget is the amount of money available from top management.

Answer: False Pages: 499–500 Difficulty: Medium AACSB: Analytic Skills

1. In designing and evaluating an ad campaign, it is important to distinguish the message strategy from the “messenger.”

Answer: False Page: 500 Difficulty: Hard

1. A creative brief is an elaboration of the positioning statement of the brand.

Answer: True Page: 500 Difficulty: Medium AACSB: Analytic Skills

1. One of the advantages of television is that the large number of ads and nonprogramming material on television creates clutter that makes it easy for consumers to ignore or forget the ad.

Answer: False Page: 501 Difficulty: Medium AACSB: Reflective Thinking

1. Because of the fleeting nature of the television ad, and the distracting creative elements often found in it, product related messages and the brand itself can be overlooked.

Answer: True Page: 501 Difficulty: Easy AACSB: Reflective Thinking

1. One of the advantages of print ads is that they can provide dynamic presentations and demonstrations as well as provide much detailed information.

Answer: False Page: 502 Difficulty: Medium

1. One of the advantages of radio advertising is its flexibility.

Answer: True Page: 504 Difficulty: Easy AACSB: Reflective Thinking

1. Sellers in the United States are legally obligated to avoid bait and switch advertising that attracts buyers under false pretenses.

Answer: True Page: 505 Difficulty: Medium AACSB: Analytic Skills

1. Media selection is finding the most cost effective media to deliver the desired number and types of exposures to the target audience.

Answer: True Page: 505 Difficulty: Medium

1. The total number of exposures in a marketing advertising campaign can be expressed in the formula: E = R x F.

Answer: True Page: 506 Difficulty: Hard AACSB: Analytic Skills

1. The weighted number of exposures to an advertising campaign is reach times average frequency times average impact, or WE = R x F x I.

Answer: True Page: 506 Difficulty: Hard AACSB: Analytic Skills

1. Frequency is most important where there are weak competitors, a complex story to tell, low consumer resistance, or an infrequent purchase cycle.

Answer: False Page: 506 Difficulty: Medium AACSB: Reflective Thinking

1. One of the limitations of newspapers is their short life span.

Answer: True Page: 507 Difficulty: Medium AACSB: Analytic Skills

1. Advertising in the Yellow Pages offers excellent local coverage and wide reach at low cost, but also carries high competition and creative limitations.

Answer: True Page: 507 Difficulty: Medium AACSB: Analytic Skills

1. Place advertising, also called *out of home advertising*, is a broadly defined category that captures many different alternative advertising forms.

Answer: True Page: 508 Difficulty: Easy

1. In product placement advertisements, marketers pay a fee to have their products make cameo appearances in movies, films, and television shows.

Answer: True Page: 509 Difficulty: Easy AACSB: Analytic Skills

1. “Branded entertainment” is where editorial content is produced that reflects favorably on the product or brand.

Answer: False Page: 509 Difficulty: Medium AACSB: Analytic Skills

1. One of the appeals of point of purchase advertisements, as one study suggested, is that the bulk of all buying decisions are made in the store.

Answer: True Page: 510 Difficulty: Easy

1. Strategically, outdoor advertising is often more effective at enhancing brand awareness or reinforcing brand image than creating new brand associations.

Answer: True Page: 510 Difficulty: Hard AACSB: Reflective Thinking

1. When calculating the cost per thousand persons reached by a vehicle, marketers need to adjust the measure for audience quality and audience attention probability.

Answer: True Page: 511 Difficulty: Medium AACSB: Analytic Skills

1. In choosing media, the advertiser faces both a macroscheduling and a microscheduling problem.

Answer: True Page: 512 Difficulty: Medium

1. Advertisers have the choice of concentrated, continuous, or episodic when deciding on the advertisements timing patterns.

Answer: False Page: 512 Difficulty: Medium AACSB: Analytic Skills

1. Most advertisers try to measure the communication effect of an ad—that is, its potential effect on awareness, knowledge, preference, and sales.

Answer: True Page: 513 Difficulty: Medium

1. Communication effect research seeks to determine whether an ad is communicating effectively.

Answer: True Page: 513 Difficulty: Easy AACSB: Analytic Skills

1. Advertising’s sales effect is generally no more difficult to measure than its communication effect.

Answer: False Page: 514 Difficulty: Medium AACSB: Reflective Thinking

1. Researchers try to measure the sales impact through analyzing historical or experimental data.

Answer: True Page: 514 Difficulty: Medium AACSB: Analytic Skills

1. Sales promotion consists of a collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade.

Answer: True Page: 514 Difficulty: Easy AACSB: Reflective Thinking

1. Sellers use incentive type promotions to attract new triers, to reward loyal customers, and to increase the repurchase rates of occasional users.

Answer: True Page: 514 Difficulty: Medium AACSB: Analytic Skills

1. Advertising typically builds brand loyalty, and sales promotions can weaken brand loyalty.

Answer: True Pages: 515–516 Difficulty: Hard AACSB: Reflective Thinking

1. For consumers, ideally, sales promotions would have short run sales impact as well as long run brand equity effects.

Answer: True Page: 516 Difficulty: Hard AACSB: Reflective Thinking

1. Examples of retailer promotions include price cuts, feature advertising, retailer coupons, and retailer contests or premiums.

Answer: True Page: 516 Difficulty: Medium AACSB: Analytic Skills

1. Studies have shown that sales promotions are not effective when used in conjunction with advertising.

Answer: False Page: 517 Difficulty: Medium AACSB: Analytic Skills

1. The growing power of larger retailers has increased the retailer’s ability to demand trade promotion at the expense of consumer promotion and advertising.

Answer: True Page: 517 Difficulty: Medium

1. Marketers report a number of reasons why they sponsor events. One of these reasons is that the firm wishes to identify with a particular target market or lifestyle.

Answer: True Page: 521 Difficulty: Medium AACSB: Reflective Thinking

1. Developing successful sponsored events involves choosing the appropriate events; designing the optimal sponsorship program for the event; and managing the event dynamics properly.

Answer: False Page: 521 Difficulty: Medium AACSB: Analytic Skills

1. In measuring an event, the supply side method attempts to approximate the amount of time or space devoted to media coverage of an event.

Answer: True Page: 522 Difficulty: Medium

1. Public relations involves a variety of programs designed to promote or protect a company’s image or its individual products.

Answer: True Page: 523 Difficulty: Easy AACSB: Analytic Skills

1. Many experts believe that consumers are much more likely to be influenced by editorial copy than by advertising.

Answer: True Page: 527 Difficulty: Medium AACSB: Analytic Skills

**Essay**

1. In developing an advertising program, marketing managers can make the five major decisions know as the five Ms. List and explain each of these Ms.

**Suggested Answer:** (1)mission—sales goals and advertising objectives; (2) money—factors to consider: stage in PLC, market share and consumer base, competition and clutter, advertising frequency, and product substitutability; (3) message—message generation, message evaluation and selection, message execution, and social responsibility review; (4) media—reach, frequency, impact, major media types, specific media vehicles, media timing, and geographical media allocation; and (5) measurement—communication impact and sales impact.

Page: 498 Difficulty: Hard AACSB: Analytic Skills

1. In designing and evaluating an ad campaign, it is important to distinguish the message strategy or positioning of an ad from it creative strategy. To develop a message strategy, advertisers go through three steps. List and explain these three steps.

**Suggested Answer:** The first step is message generation and evaluation. It is important to generate fresh insights and avoid using the same appeals and positions as others. The second step is creative development and execution. The ad’s impact depends not only on what is said but, often more important, on how it is said. Message execution can be decisive. The third step addresses social and legal issues. Advertisers and their agents must be sure that the advertisements do not overstep social and legal norms.

Pages: 500–505 Difficulty: Medium AACSB: Analytic Skills

1. Advertisers and their agencies must be sure advertising does not overstep social and legal norms. Public policy makers have developed a substantial body of laws and regulations to govern advertising. List some of the restraints imposed upon advertisers and their clients today.

**Suggested Answer:** First, advertisers must not make false claims. They must avoid false demonstrations. It is illegal in the United States to create ads that have the capacity to deceive. Sellers in the United States are legally obligated to avoid bait and switch advertising that attracts buyers under false pretenses. To be socially responsible, advertisers must be careful not to offend the general public as well as any ethnic groups, racial minorities, or special interest groups.

Page: 505 Difficulty: Hard AACSB: Ethical Reasoning

1. The media planner must know the capacity of the major advertising media types to deliver reach, frequency, and impact. Media planners make their choices by considering four variables. List these variables and briefly explain them.

**Suggested Answer:** These variables are: (1) target audience media habits—radio and television are the most effective media for reaching teenagers; (2) product characteristics—media types have different potential for demonstration, visualization, explanation, believability, and color; (3) message characteristics—timeliness and information content will influence media choice; and (4) cost— television is very expensive, whereas newspaper advertising is relatively inexpensive. What counts is the cost per thousand exposures.

Pages: 506–507 Difficulty: Hard AACSB: Analytic Skills

1. A decade ago, the advertising to sales promotion ratio was about 60:40. Today, in many consumer packaged goods companies, sales promotion accounts for 75% of the combined budget. Several factors contribute to this rapid growth. List and explain these factors.

**Suggested Answer:** Promotion is now more accepted by top management as an effective sales tool. In addition, the number of brands has increased; competitors use promotions frequently; many brands are seen as similar; consumer are more price orientated; the trade demands more deals from manufacturers; and advertising efficiency has declined.

Page: 515 Difficulty: Medium AACSB: Reflective Thinking

1. Manufacturers face several challenges in managing trade promotions. List some of these challenges.

**Suggested Answer:** First, they often find it difficult to police retailers to make sure they are doing what they agreed to do. Second, some retailers are doing forward buying. Third, some retailers are diverting.

Page: 518 Difficulty: Medium AACSB: Reflective Thinking

1. In deciding to use a particular type of consumer promotional incentive, marketers have several factors to consider. List these factors and briefly explain them.

**Suggested Answer:** First, the marketer must determine the *size* of the incentive. A minimum is necessary if the promotion is to succeed. Second, the marketing manager must establish *conditions* for participation. Incentives might be offered to everyone or just a select group. Third, the marketer has to decide on the *duration* of the promotion. Optimal duration is the length of the average purchase cycle. Fourth, the marketer must choose a *distribution vehicle* for the promotion (centsoff coupon, on pack coupon). Fifth, the marketer must establish the *timing* of the promotion. Finally, the marketer must determine the *total sales promotion budget.*

Page: 519 Difficulty: Hard AACSB: Analytic Skills

1. According to the IEG Sponsorship Report, $14.9 billion was projected to be spent on sponsorships in North America during 2007. List the eight reasons why marketers may want to sponsor an event.

**Suggested Answer:** Marketers reasons are as follows: (1) to identify with a particular target market or lifestyle; (2) to increase awareness of the company or product name; (3) to create or reinforce consumer perceptions of key brand image associations; (4) to enhance corporate image; (5) to create experiences and evoke feelings; (6) to express commitment to the community or on social issues; (7) to entertain key clients or reward key employees; and (8) to permit merchandising or promotional opportunities.

Page: 521 Difficulty: Hard AACSB: Analytic Skills

1. Marketing public relations plays an important role in specific tasks. List these six tasks.

**Suggested Answer:** The tasks are: (1) launching of new products; (2) repositioning a mature product; (3) building interest in a product category; (4) influencing specific target groups; (5) defending products that have encountered public problems; and (6) building the corporate image in a way that reflects favorably on its products.

Pages: 525–526 Difficulty: Medium

1. In considering when and how to use MPR, management must establish the marketing objectives, choose the PR messages and vehicles, implement the plan carefully, and evaluate the results. To accomplish this, MPR has a number of “tools” at its disposal. List the major tools of effective MPR.

**Suggested Answer:** The major tools are publications, events, sponsorships, news, speeches, public service activities, and identity media.

Page: 528 Difficulty: Medium AACSB: Analytic Skills

**APPLICATION QUESTIONS**

**Multiple Choice**

1. As the newest brand manager for your company, you are in the process of developing an advertising campaign for the coming year. When you review your product substitutability and the stage in the product life cycle, which of “the five Ms” are you deciding?
   1. Message
   2. Measurement
   3. Money
   4. Media
   5. Mission

Answer: c Page: 498 Difficulty: Medium AACSB: Analytic Skills

1. Your product competes in a mature market and your company is the market leader in the category. The advertising objective for your product should be \_\_\_\_\_\_\_\_.
   1. to stimulate and persuade consumers to use your product
   2. to stimulate and demonstrate the product’s superiority
   3. to stimulate more usage
   4. to stimulate brand recognition
   5. none of the above

Answer: c Page: 499 Difficulty: Medium AACSB: Reflective Thinking

1. Advertising often fails to increase sales for mature brands and categories in decline. The \_\_\_\_\_\_\_\_ is much lower for these products than for newer ones.
   1. clutter
   2. message generation
   3. creative brief
   4. advertising elasticity
   5. flexibility

Answer: d Page: 500 Difficulty: Hard AACSB: Analytic Skills

1. You have decided to use print media to advertise your product because the amount of information you wish to communicate is large. In designing a print campaign, you have been advised to write a headline for the ad that is strong. What is it about the headline that is so important in a print ad campaign?
   1. The headline must reinforce the picture and lead the person to read the copy.
   2. The headline must attract the reader’s eyes.
   3. The headline must appeal to the reader’s sense of “wow.”
   4. The headline must spark curiosity from the reader.
   5. The headline must offend the readers’ sensibilities to attract them to read it.

Answer: a Page: 503 Difficulty: Medium AACSB: Reflective Thinking

1. The company has decided to change its advertising message in key markets. Speed and flexibility are the issues here as the company scrambles to make up lost ground. Of all of the advertising media available to you, which one offers your company flexibility?
   1. Billboards
   2. Television
   3. Print
   4. Place advertising
   5. Radio

Answer: e Page: 504 Difficulty: Easy AACSB: Analytic Skills

1. A competitive product is advertised as being able to “keep the floor clean” for six months. Testing by your firms’ laboratories refutes this advertising message. Under U.S. law, the competition is practicing \_\_\_\_\_\_\_\_.
   1. deceptive advertising
   2. puffery
   3. creative license
   4. acceptable risks
   5. none of the above

Answer: a Page: 505 Difficulty: Medium AACSB: Ethical Reasoning

1. Your research has shown that your consumers have a high forgetting rate on your product. In fact, the forgetting rate is as high as 20%. To reverse this trend, you will undertake an advertising campaign designed to get the message back into memory by emphasizing \_\_\_\_\_\_\_\_.
   1. complicity
   2. impact
   3. reach
   4. frequency
   5. none of the above

Answer: d Page: 506 Difficulty: Hard AACSB: Analytic Skills

1. Although outdoor advertising has limited audience selectivity, it \_\_\_\_\_\_\_\_.
   1. is very expensive
   2. offers low repeat exposure
   3. is subject to low competition
   4. is highly inflexible
   5. all of the above

Answer: c Page: 507 Difficulty: Medium

1. In developing an advertising campaign of your new product, you have decided on creating a mobile workshop that would travel around the country showing consumers how to use the product. This mobile “workshop” is an example of \_\_\_\_\_\_\_\_.
   1. place advertising
   2. creative advertising
   3. product advertising
   4. billboards
   5. branded advertising

Answer: a Page: 508 Difficulty: Medium AACSB: Analytic Skills

1. When Pringles is featured on the television show *Survivor*, this is an example of\_\_\_\_\_\_\_\_.
   1. product placement
   2. advertorials
   3. branded entertainment
   4. product advertising
   5. creative advertising

Answer: a Page: 509 Difficulty: Medium AACSB: Analytic Skills

1. The ad agency you are working with cites studies that show that consumers wait until the last minute to make buying decisions and in fact, one study suggested that over 74% of all buying decisions are made in the store. The ad agency is urging you to approve the creation of \_\_\_\_\_\_\_\_ to capitalize on these spontaneous buying decisions.
   1. point of purchase material
   2. print material
   3. coupons
   4. flyers
   5. none of the above

Answer: a Page: 510 Difficulty: Medium AACSB: Reflective Thinking

1. One of the criteria for evaluating the effectiveness of your print campaign is the circulation of the physical units carrying the advertising. You have asked for more information from the ad agency. In fact, you have asked for the number of people with your target audience’s characteristics who actually saw the ad. This is an example of \_\_\_\_\_\_\_\_.
   1. interactive marketing
   2. effective ad exposed audience
   3. direct response advertising
   4. effective audience
   5. all of the above

Answer: b Page: 510 Difficulty: Medium AACSB: Analytic Skills

1. If a full page, four color ad in *Newsweek* costs $200,000 and *Newsweek*’s estimated readership is 3.1 million people, the cost of exposing the add to 1,000 people is approximately \_\_\_\_\_\_\_\_.
   1. $41
   2. $53
   3. $65
   4. $77
   5. $84

Answer: c Page: 511 Difficulty: Easy

1. For a baby lotion ad, a magazine read by one million young mothers has high \_\_\_\_\_\_\_\_.
   1. editorial quality
   2. ad placement policies
   3. extra services
   4. audience quality
   5. supply side measurement

Answer: d Page: 511 Difficulty: Medium AACSB: Analytic Skills

1. Buyers enter your market at a high rate and consumers purchase your product on almost a “daily” basis. With these two known characteristics about your consumers and market, you are better off using a(n) \_\_\_\_\_\_\_\_ advertising timing pattern.
   1. continuity
   2. intermittent
   3. concentrated
   4. flighting
   5. pulsing

Answer: a Page: 512 Difficulty: Hard AACSB: Analytic Skills

1. When consumers respond to such questions as “What is the main message you get from this ad?” or “How does this ad make you feel?” you are using what communication effect research method?
   1. Opinion testing
   2. Laboratory testing
   3. Portfolio testing
   4. Copy testing
   5. Consumer feedback method

Answer: e Page: 513 Difficulty: Hard AACSB: Analytic Skills

1. The company’s marketing mix includes such tools as coupons, cash refund offers, and premiums. These are examples of \_\_\_\_\_\_\_\_.
   1. salesman’s tools
   2. marketing mix
   3. consumer promotions
   4. trade promotions
   5. none of the above

Answer: c Page: 514 Difficulty: Easy

1. The way the promotional material gets to the consumer is known as the \_\_\_\_\_\_\_\_. For example, a 15 cents off coupon can be sent by mail, offered in stores, or attached to the product packaging.
   1. condition
   2. distribution vehicle
   3. duration
   4. supply side
   5. implementation

Answer: b Page: 519 Difficulty: Medium AACSB: Analytic Skills

1. As a sponsoring organization of a recent sporting event, your ad agency presents you with the following information: “Our brand was visible on national television for a total of 500 second; this exposure represents $100,000 in advertising based on the national rate.” This is an example of a \_\_\_\_\_\_\_\_ measurement.
   1. supply side
   2. demand side
   3. market share
   4. share of market
   5. share of voice

Answer: a Page: 522 Difficulty: Hard AACSB: Analytic Skills

1. As the national brand manager for a major egg producer, you have directed your MPR manager to help you build consumer interest in cooking eggs for dinner. This would be an example of using MPR to \_\_\_\_\_\_\_\_.
   1. build interest in a product category
   2. launch new products
   3. reposition a mature product
   4. defend products that have encountered public problems
   5. build the corporate image in a way that reflects favorably on its products

Answer: c Pages: 525–526 Difficulty: Hard AACSB: Reflective Thinking

**Short Answer**

1. What are the major differences between informative and persuasive advertising?

**Suggested Answer:** Informative advertising seeks to create brand awareness and knowledge of new products or product features; persuasive advertising aims to create liking, preference, conviction, and purchase of goods or services

Page: 499 Difficulty: Easy AACSB: Reflective Thinking

1. In designing and evaluating an ad campaign, it is important to distinguish between what two strategies?

**Suggested Answer:** You must distinguish between the *message strategy* (what the ad attempts to convey about the brand) and the *creative strategy,* (how the ad expresses the brand claims).

Page: 500 Difficulty: Medium AACSB: Analytic Skills

1. From a brand building perspective, television advertising has two particularly important strengths. List and briefly explain these strengths.

**Suggested Answer:** First, television can be an effective means of vividly demonstrating product attributes and persuasively explaining their corresponding consumer benefits. Second, television advertising can be a compelling means for

dramatically portraying user and usage imagery, brand personality, and other brand intangibles.

Page: 501 Difficulty: Hard AACSB: Reflective Thinking

1. Explain how format elements of a print ad can impact the ad’s impact.

**Suggested Answer:** Format elements such as ad size, color, and illustration can affect a print ad’s impact. Larger ads gain more attention, though not necessarily by as much as their difference in cost. Four color illustrations increase ad effectiveness and ad cost.

Page: 502 Difficulty: Medium AACSB: Reflective Thinking

1. Explain the concept of “reach.”

**Suggested Answer:** *Reach* is the number of different persons or households exposed to a particular media schedule at least once during a specified time period.

Page: 505 Difficulty: Easy AACSB: Analytic Skills

1. Explain the concept of “frequency.”

**Suggested Answer:** *Frequency* is the number of times within the specified time period that an average person or household is exposed to the message.

Page: 506 Difficulty: Easy

1. Explain the concept of “impact.”

**Suggested Answer:** *Impact* is the qualitative value of an exposure through a given medium.

Page: 506 Difficulty: Easy AACSB: Analytic Skills

1. The media planner needs to know the capacity of the major advertising media types to deliver reach, frequency, and impact. Media planners make their choices by considering what variables?

**Suggested Answer:** The variables are: (1) target audience media habits, (2) product characteristics, (3) message characteristics, and (4) costs.

Pages: 506–507 Difficulty: Hard AACSB: Reflective Thinking

1. Explain the rationale behind using out of home advertising to reach consumers.

**Suggested Answer:** The rationale behind out of home advertising is that marketers are better off reaching people where they work, play, and shop.

Page: 508 Difficulty: Hard

1. What is the appeal of point of purchase advertising?

**Suggested Answer:** The appeal of point of purchase advertising lies in the fact that in many product categories consumers make the bulk of their final brand decisions in the store.

Page: 510 Difficulty: Medium AACSB: Reflective Thinking

1. In launching your company’s new product, you are faced with a decision of what type of timing pattern will effectively match the communications objectives in relation to the nature of the product. List the four choices available to you.

**Suggested Answer:** The four choices are continuity, concentration, flighting, and pulsing.

Pages: 512–513 Difficulty: Hard AACSB: Analytic Skills

1. In attempting to measure the effectiveness of your advertising, you undertake to pretest the advertising. What are the three methods of pretesting?

**Suggested Answer:** The three methods are consumer feedback, portfolio tests, and laboratory tests.

Page: 513 Difficulty: Easy AACSB: Analytic Skills

1. Explain the formula for measuring sales impact of advertising.

**Suggested Answer:** The steps are: share of expenditures, share of voice, share of mind and heart, and ultimately, share of market.

Page: 514 Difficulty: Hard

1. In designing your sales promotion campaign, your objective is to attract new triers and to reward loyal customers. What type of sales promotion should you use?

**Suggested Answer:** Sellers use incentive type promotions to attract new triers or to reward loyal customers.

Page: 514 Difficulty: Medium AACSB: Reflective Thinking

1. Define the concept of “consumer franchise building” sales promotions.

**Suggested Answer:** Consumer franchise building sales promotions impart a selling message along with the deal.

Page: 516 Difficulty: Medium AACSB: Analytic Skills

1. Manufacturers use a number of trade promotion tools. Give four reasons why manufacturers award money to the trade.

**Suggested Answer:** Manufacturers award money to the trade (1) to persuade the retailer or wholesaler to carry the brand; (2) to persuade the retailer or wholesalers to carry more units than the normal amount; (3) to induce retailers to promote the brand by featuring, display, and price reductions; and (4) to stimulate retailers and their sales clerks to push the product.

Page: 517 Difficulty: Hard AACSB: Reflective Thinking

1. Why are more and more companies investing funds into creating “experiences” for their consumers?

**Suggested Answer:** By becoming part of a personally relevant moment in consumers’ lives, involvement with events can broaden and deepen the relationship of a company with their target market.

Page: 520 Difficulty: Medium AACSB: Reflective Thinking

1. Developing successful sponsored events involves a number of decisions. What are the three decisions that must be made to utilize sponsorships effectively?

**Suggested Answer:** These are: (1) choosing the event opportunity; (2) designing the sponsorship program; and (3) measuring the sponsorship activities.

Page: 522 Difficulty: Medium AACSB: Analytic Skills

1. The company’s public relations department performs five functions. List these five functions.

**Suggested Answer:** The five functions are: (1) press relations, (2) product publicity, (3) corporate communications, (4) lobbying, and (5) counseling.

Page: 524 Difficulty: Hard AACSB: Analytic Skills

1. MPR (marketing public relations) plays an important role in what tasks?

**Suggested Answer:** These tasks are:(1) launching new products; (2) repositioning a mature product; (3) building interest in a product category; (4) influencing specific target groups; (5) defending products that have encountered public problems; and (6) building the corporate image in a way that reflects favorably on its products.

Pages: 525–526 Difficulty: Hard AACSB: Reflective Thinking

**Chapter 19:**

**Managing Personal Communications:**

**Direct and Interactive Marketing, Word of Mouth, and**

**Personal Selling**

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. Direct marketing channels include direct mail, catalogs, Web sites, interactive TV, and \_\_\_\_\_\_\_\_.
   1. telemarketing
   2. bounce back coupons
   3. billboards
   4. coupons
   5. none of the above

Answer: a Page: 532 Difficulty: Easy

1. Direct marketers seek a measurable response, typically a customer order. This is sometimes called \_\_\_\_\_\_\_\_.
   1. benchmarking
   2. direct marketing
   3. first time ordering
   4. direct order marketing
   5. direct access marketing

Answer: d Page: 532 Difficulty: Easy AACSB: Analytic Skills

1. Direct marketers use a number of channels to reach prospects, including \_\_\_\_\_\_\_\_.
   1. direct mail
   2. telemarketing
   3. catalog marketing
   4. kiosk marketing
   5. all of the above

Answer: e Page: 532 Difficulty: Easy AACSB: Analytic Skills

1. Direct marketing permits the \_\_\_\_\_\_\_\_ of alternative media and messages in search of the most cost effective approach.
   1. accent
   2. use
   3. testing
   4. outsourcing
   5. implementation

Answer: c Page: 533 Difficulty: Easy AACSB: Reflective Thinking

1. In constructing an effective direct mail campaign, marketers must decide on their objectives, target markets, and prospects; offer elements; means of testing the campaign; and \_\_\_\_\_\_\_\_.
   1. measures of campaign success
   2. advertising campaign
   3. sales promotions
   4. salespeople’s input
   5. management’s input

Answer: a Page: 534 Difficulty: Easy AACSB: Analytic Skills

1. A direct mail campaign that has an order response rate of \_\_\_\_\_\_\_\_ is considered a success.
   1. 5%
   2. 3%
   3. 2%
   4. 10%
   5. 15%

Answer: c Page: 534 Difficulty: Easy

1. Direct mail prospects can be identified on the basis of such variables as age, sex, income, education and \_\_\_\_\_\_\_\_.
   1. banking practices
   2. previous mail order purchases
   3. previous purchases
   4. response to mail order catalogs
   5. telemarketing response

Answer: b Page: 535 Difficulty: Easy AACSB: Analytic Skills

1. Once the target market is defined, the marketer needs to obtain specific names, which can be obtained by purchasing a list of names. The better lists include overlays of \_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_ information.
   1. financial; buying groups
   2. demographic; financial
   3. opinions; interests
   4. demographic; attitudes
   5. demographic; psychographic

Answer: e Page: 535 Difficulty: Hard AACSB: Reflective Thinking

1. Direct marketing allows marketers to test different elements of an offer strategy under real marketplace conditions. Elements of an offer strategy include \_\_\_\_\_\_\_\_.
   1. the copy platform
   2. the test market
   3. the list
   4. the consumer response
   5. the order

Answer: a Page: 535 Difficulty: Medium AACSB: Analytic Skills

1. Even when a specific campaign fails to break even in the short run, it can still be profitable in the long run if \_\_\_\_\_\_\_\_ is/are factored in.
   1. customer lifetime value
   2. sales force promotions
   3. price escalation effects
   4. indirect revenues
   5. all of the above

Answer: a Page: 536 Difficulty: Hard

1. Catalog shopping is big business, about \_\_\_\_\_\_\_\_ of Americans shop from home using catalogs.
   1. 90%
   2. 60%
   3. 50%
   4. 45%
   5. 71%

Answer: e Page: 537 Difficulty: Hard AACSB: Analytic Skills

1. Call centers that receive calls from customers are called \_\_\_\_\_\_\_\_.
   1. teleprospecting
   2. telesales
   3. telecoverage
   4. outbound telemarketing
   5. inbound telemarketing

Answer: e Page: 537 Difficulty: Easy AACSB: Analytic Skills

1. Call centers that initiate calls to prospects and customers are called \_\_\_\_\_\_\_\_\_.
   1. teleprospecting
   2. telesales
   3. telecoverage
   4. outbound telemarketing
   5. inbound telemarketing

Answer: d Page: 537 Difficulty: Easy

1. Other media for direct response marketing includes television. Television is used by direct marketers in conducting or producing “infomercials,” and \_\_\_\_\_\_\_\_.
   1. ad campaigns
   2. direct response
   3. at home shopping channels
   4. commercials
   5. kiosks

Answer: c Page: 538 Difficulty: Medium AACSB: Analytic Skills

1. The Internet provides marketers and consumers with opportunities for much greater interaction and \_\_\_\_\_\_\_\_.
   1. ease of use
   2. speed
   3. specificity
   4. convenience
   5. individualization

Answer: e Page: 538 Difficulty: Easy AACSB: Use of IT

1. One of the benefits of \_\_\_\_\_\_\_\_ is that its effects can be easily traced.
   1. billboard marketing
   2. cause related marketing
   3. interactive marketing
   4. radio advertising
   5. event sponsorship

Answer: c Page: 538 Difficulty: Medium AACSB: Reflective Thinking

1. All companies need to consider and evaluate e marketing and e purchasing opportunities. Visitors to a Web site will judge its performance on its ease of use and its physical attractiveness. Ease of use breaks down into three attributes: The Web site downloads quickly; the first page is easy to understand; and \_\_\_\_\_\_\_\_.
   1. the Web site interacts with the visitor in some manner
   2. the visitor finds it easy to order
   3. the visitor finds it easy to navigate to other pages that open quickly
   4. the visitor can easily see the product selected
   5. the visitor is entertained

Answer: c Page: 540 Difficulty: Medium AACSB: Use of IT

1. For a Web site, physical attractiveness is determined by three factors. These are: The site makes good use of color and sound; pages are clean and not overly crammed; and \_\_\_\_\_\_\_\_.
   1. the site is easy to navigate
   2. the pages load quickly
   3. the first page is easy to understand
   4. the site has plenty of color photos
   5. the typefaces and fonts are very readable

Answer: e Page: 540 Difficulty: Medium AACSB: Use of IT

1. Time on the Web makes up roughly \_\_\_\_\_\_\_\_ of total U.S. consumer media time.
   1. 5%
   2. 15%
   3. 25%
   4. 35%
   5. 45%

Answer: b Page: 540 Difficulty: Medium AACSB: Analytic Skills

1. To encourage repeat visits to their Web sites, companies must pay special attention to context and content factors (the 7 Cs) and embrace \_\_\_\_\_\_\_\_.
   1. character
   2. capability
   3. constant change
   4. compatibility
   5. comparison

Answer: c Page: 540 Difficulty: Hard AACSB: Use of IT

1. A(n) \_\_\_\_\_\_\_\_ is a limited area on the Web managed and paid for by an external advertisers/company.
   1. related ad
   2. pop up ad
   3. banner ad
   4. microsite
   5. interstitial

Answer: d Page: 541 Difficulty: Easy AACSB: Use of IT

1. Of the seven Cs of effective Web design, \_\_\_\_\_\_\_\_ refers to the degree that the site is linked to other sites.
   1. community
   2. context
   3. content
   4. commerce
   5. connection

Answer: e Page: 541 Difficulty: Medium AACSB: Analytic Skills

1. According to the Pew Internet and American Life Project, \_\_\_\_\_\_\_\_ of U.S. adults have little or no usage of the Internet or cell phones.
   1. 19%
   2. 29%
   3. 39%
   4. 49%
   5. 59%

Answer: d Page: 542 Difficulty: Hard

1. In the world of the Internet, a hot growth area right now is search terms. Search terms serve as a proxy for the consumer’s consumption interests and trigger relevant links to product or service offerings alongside the search results. These ads are called \_\_\_\_\_\_\_\_.
   1. pay per click ads
   2. pop up ads
   3. interstitials
   4. content advertising
   5. none of the above

Answer: a Page: 542 Difficulty: Easy AACSB: Analytic Skills

1. A banner ad is a(n) \_\_\_\_\_\_\_\_.
   1. large ad shown on the screen for complementary products
   2. ad that appear in the user’s e mail
   3. ad that the user clicks to see
   4. small, rectangular box containing text and perhaps a picture
   5. ad that “pops up” on the user’s screen from time to time

Answer: d Page: 543 Difficulty: Medium AACSB: Analytic Skills

1. If a person clicks on three Web sites related to auto insurance, then visits an unrelated site for sports or entertainment, auto insurance ads may show up on that site. This is an example of \_\_\_\_\_\_\_\_.
   1. interstitials
   2. behavioral targeting
   3. rich media
   4. paid search advertising
   5. pay per click advertising

Answer: b Page: 543 Difficulty: Medium AACSB: Use of IT

1. An important guideline to be followed in conducting an e mail campaign is to \_\_\_\_\_\_\_\_.
   1. personalize the e mail with the subscriber’s first and last name
   2. make the consumer the same offering as in your direct mail campaign
   3. make it difficult for the consumer to “unsubscribe” from your list
   4. update your e mail lists once or twice a year
   5. offer something the customer could not get via direct mail

Answer: e Page: 545 Difficulty: Hard AACSB: Analytic Skills

1. A key aspect of social networks is \_\_\_\_\_\_\_\_, as consumers talk about dozens of brands each day.
   1. mobile marketing
   2. paid search advertising
   3. word of mouth
   4. enhancing the exit experience
   5. none of the above

Answer: c Page: 545 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ is another form of word of mouth that encourages consumers to pass along company developed products and services or audio, video, or written information to others online.
   1. Buzz marketing
   2. Viral marketing
   3. Social networking
   4. Pay per click advertising
   5. Mobile marketing

Answer: b Page: 546 Difficulty: Medium AACSB: Use of IT

1. Communication researchers see society as consisting of \_\_\_\_\_\_\_\_, small groups whose members interact frequently and whose closeness facilitates effective communication but also insulates them from new ideas.
   1. social networks
   2. buzzes
   3. cliques
   4. viruses
   5. campaigns

Answer: c Page: 548 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_, regularly updated online journals or diaries, have become an important outlet for word of mouth.
   1. Buzz
   2. Podcasts
   3. Stealth marketing
   4. Blogs
   5. E commerce

Answer: d Page: 550 Difficulty: Easy AACSB: Use of IT

1. The original and oldest form of direct marketing is \_\_\_\_\_\_\_\_.
   1. billboards
   2. Internet commerce
   3. direct mail
   4. telephone sales
   5. field sales calls

Answer: e Page: 551 Difficulty: Easy

1. Nearly \_\_\_\_\_\_\_\_ of the total workforce work full time in sales occupations.
   1. 12%
   2. 20%
   3. 30%
   4. 5%
   5. 2%

Answer: a Page: 551 Difficulty: Hard AACSB: Analytic Skills

1. The term *sales representative* covers a broad range of positions. A(n) \_\_\_\_\_\_\_\_ is an individual whose major task is the delivery of a product.
   1. order taker
   2. demand creator
   3. technician
   4. deliverer
   5. missionary

Answer: d Page: 552 Difficulty: Easy AACSB: Analytic Skills

1. The term *sales representative* covers a broad range of positions. We call a sales representative whose expertise is in the solving of a customer’s problem a(n) \_\_\_\_\_\_\_\_.
   1. order taker
   2. missionary
   3. technician
   4. solution vendor
   5. demand creator

Answer: d Page: 552 Difficulty: Medium AACSB: Analytic Skills

1. The sales force performs a number of specific tasks. \_\_\_\_\_\_\_\_ is conducting market research and doing intelligence work.
   1. Servicing
   2. Communicating
   3. Targeting
   4. Prospecting
   5. Information gathering

Answer: e Page: 552 Difficulty: Easy

1. Most companies today are moving to the concept of a leveraged sales force, which is defined as \_\_\_\_\_\_\_\_.
   1. using overseas inbound sales centers and a direct sales force
   2. using a combination of telemarketers and the Web for ordering
   3. using a combination of inside salespeople and telemarketers
   4. using a direct sales force, a representative sales force, and inside salespeople
   5. using a combination of sales force, inside salespeople, and Web ordering

Answer: e Page: 553 Difficulty: Hard AACSB: Analytic Skills

1. The underlying customer strategy for the sales force of a business in the growth phase of the business life cycle is to \_\_\_\_\_\_\_\_.
   1. create awareness and generate quick product uptake
   2. penetrate deeper into existing segments and develop new ones
   3. focus on efficiently serving and retaining existing customers
   4. emphasize efficiency
   5. protect critical customer relationships

Answer: b Page: 554 Difficulty: Hard AACSB: Reflective Thinking

1. The underlying customer strategy for the sales force of a business in the maturity phase of the business life cycle is to \_\_\_\_\_\_\_\_.
   1. create awareness and generate quick product uptake
   2. penetrate deeper into existing segments and develop new ones
   3. focus on efficiently serving and retaining existing customers
   4. emphasize efficiency
   5. protect critical customer relationships

Answer: c Page: 554 Difficulty: Hard AACSB: Reflective Thinking

1. The underlying customer strategy for the sales force of a business in the start up phase of the business life cycle is to \_\_\_\_\_\_\_\_.
   1. create awareness and generate quick product uptake
   2. penetrate deeper into existing segments and develop new ones
   3. focus on efficiently serving and retaining existing customers
   4. emphasize efficiency
   5. protect critical customer relationships

Answer: a Page: 554 Difficulty: Hard AACSB: Reflective Thinking

1. A(n) \_\_\_\_\_\_\_\_ consists of manufacturers’ reps, sales agents, and brokers, who earn a commission based on sales.
   1. direct sales force
   2. company sales force
   3. contingent sales force
   4. contractual sales force
   5. inside sales force

Answer: d Page: 553 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ compensation receives more emphasis in jobs with a high ratio of nonselling to selling duties and in jobs where the selling task is technically complex and involves teamwork.
   1. Commission
   2. Estimated
   3. Combination
   4. Variable
   5. Fixed

Answer: e Page: 556 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ compensation receives more emphasis in jobs where sales are cyclical or depend on individual initiative.
   1. Variable
   2. Fixed
   3. Commission
   4. Ratio
   5. None of the above

Answer: a Page: 556 Difficulty: Medium

1. At the heart of a successful sales force is the selection of effective representatives. One survey revealed that the top 27% of the sales force brought in \_\_\_\_\_\_\_\_ of all sales.
   1. 60%
   2. 20%
   3. 80%
   4. 52%
   5. 45%

Answer: d Page: 556 Difficulty: Hard AACSB: Analytic Skills

1. The average salesperson turnover rate for all industries almost \_\_\_\_\_\_\_\_.
   1. 60%
   2. 20%
   3. 80%
   4. 52%
   5. 45%

Answer: b Page: 556 Difficulty: Hard AACSB: Analytic Skills

1. Today’s customers expect a salesperson have deep product knowledge, to be efficient and reliable, and to add ideas to improve the customer’s operations. These demands are forcing companies to make higher investments in \_\_\_\_\_\_\_\_.
   1. sales training
   2. internal salespeople
   3. management controls
   4. premium offers
   5. sales force promotions

Answer: a Page: 557 Difficulty: Medium AACSB: Reflective Thinking

1. Studies have shown that the best salespeople are those who manage their time efficiently. Face to face selling time has decreased to as little as \_\_\_\_\_\_\_\_ of total working time.
   1. 29%
   2. 45%
   3. 10%
   4. 60%
   5. none of the above

Answer: a Page: 558 Difficulty: Hard AACSB: Analytic Skills

1. Inside salespeople are of three types. These include the technical support people, the sales assistants, and the \_\_\_\_\_\_\_\_\_ who use the phone to find new leads, qualify them, and sell to them.
   1. marketing assistants
   2. office assistants
   3. telemarketers
   4. support people
   5. sales assistants

Answer: c Page: 558 Difficulty: Easy

1. Many companies set annual sales quotas. Quotas can be set on dollar sales, selling effort or activity, margin, product type, and \_\_\_\_\_\_\_\_.
   1. attendance
   2. close ratio
   3. call ratio
   4. unit volume
   5. selling price

Answer: d Page: 558 Difficulty: Hard AACSB: Analytic Skills

1. A downside of sales quotas is that they can \_\_\_\_\_\_\_\_ as much business as possible, often at the expense of customer satisfaction.
   1. drive reps to get
   2. allow reps to get
   3. give reps a disincentive to get
   4. discourage reps from getting
   5. none of the above

Answer: a Page: 559 Difficulty: Medium AACSB: Reflective Thinking

1. The most important source of information about reps is sales reports. Sales reports are divided between activity plans and \_\_\_\_\_\_\_\_.
   1. call reports
   2. written objectives
   3. daily plans of action
   4. activity reports
   5. write ups of activity results

Answer: e Page: 559 Difficulty: Medium AACSB: Analytic Skills

1. Many companies require representatives to develop an annual territory marketing plan in which they outline their program for developing new accounts and increasing business in the existing accounts. Sales managers use these to develop \_\_\_\_\_\_\_\_.
   1. performance standards
   2. company objectives
   3. sales quotas
   4. sales objectives
   5. an estimate of the number of salespeople needed

Answer: c Pages: 559–560 Difficulty: Medium AACSB: Reflective Thinking

1. Effective salespeople have more than instinct; they are trained in methods of \_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_.
   1. profitability; analysis
   2. analysis; customer management
   3. customer management; time management
   4. pricing; time management
   5. time; territory management

Answer: b Page: 561 Difficulty: Medium AACSB: Reflective Thinking

1. The first step in the process of selling is to find \_\_\_\_\_\_\_\_.
   1. prospects
   2. a preapproach
   3. an approach
   4. a presentation
   5. a closing

Answer: a Page: 561 Difficulty: Easy AACSB: Analytic Skills

1. If the salesperson is learning about the prospect and sets call objectives to qualify the prospect, the salesperson is in which step in the selling process?
   1. Preapproach
   2. Prospects
   3. Presentation
   4. Closing
   5. Follow up

Answer: a Page: 561 Difficulty: Medium AACSB: Analytic Skills

1. In which step is the salesperson “telling the story” of his product or service?
   1. Preapproach
   2. Prospects
   3. Presentation
   4. Closing
   5. Follow up

Answer: c Page: 561 Difficulty: Medium

1. Customers typically pose objections during the presentation or when asked for the order. \_\_\_\_\_\_\_\_resistance includes resistance to interference or a reluctance to give up something.
   1. Promoting
   2. Branding
   3. Logical
   4. Psychological
   5. Normal

Answer: d Page: 562 Difficulty: Medium AACSB: Analytic Skills

1. Today many companies are not trying to seek an immediate sale, but rather to build a \_\_\_\_\_\_\_\_ supplier–customer relationship.
   1. potential
   2. long term
   3. transactional
   4. short term
   5. mutually beneficial

Answer: b Page: 562 Difficulty: Medium AACSB: Reflective Thinking

1. When a relationship management program is properly implemented, the organization will begin to focus as much on managing its customers as on managing its \_\_\_\_\_\_\_\_.
   1. finances
   2. products
   3. personnel
   4. markets
   5. brands

Answer: b Page: 562 Difficulty: Medium AACSB: Reflective Thinking

1. Salespeople need to know how to recognize closing signs from the buyer, including physical actions, statements or comments, and \_\_\_\_\_\_\_\_.
   1. products
   2. questions
   3. concerns
   4. actions
   5. objections

Answer: b Page: 562 Difficulty: Hard

**True/False**

1. Direct marketing is the use of consumer direct channels to reach and deliver goods and services to customers without using marketing intermediaries.

Answer: True Page: 532 Difficulty: Easy AACSB: Analytic Skills

1. Direct marketing is a growing avenue for serving customers.

Answer: True Page: 532 Difficulty: Easy AACSB: Analytic Skills

1. One of the shortcomings of direct marketing is that the firm conducting the marketing cannot easily measure its response to find out which campaign was most effective.

Answer: False Page: 533 Difficulty: Hard AACSB: Reflective Thinking

1. Direct mail marketing involves sending an offer, announcement, reminder, or other item to a person.

Answer: True Page: 534 Difficulty: Easy AACSB: Analytic Skills

1. Direct mail is a popular medium because it permits target market selectivity.

Answer: True Page: 534 Difficulty: Easy

1. One of the criticisms of direct mail is that it cannot achieve other communication objectives such as producing prospect leads.

Answer: False Page: 534 Difficulty: Medium AACSB: Reflective Thinking

1. One of the great advantages of direct marketing is the ability to test, under real marketplace conditions, different elements of an offer strategy.

Answer: True Page: 535 Difficulty: Medium AACSB: Reflective Thinking

1. The company’s best prospects are customers who have never bought its products.

Answer: False Page: 535 Difficulty: Medium AACSB: Reflective Thinking

1. Response rates typically overstate a direct mail campaign’s long term impact.

Answer: False Page: 536 Difficulty: Medium

1. In catalog marketing, companies may send full line merchandise catalogs to consumers and business customers.

Answer: True Page: 536 Difficulty: Easy AACSB: Analytic Skills

1. Telemarketing is the use of the telephone and call centers to attract prospects, sell to existing customers, and provide service by taking orders and answering questions.

Answer: True Page: 537 Difficulty: Easy AACSB: Analytic Skills

1. Inbound telemarketing centers receive calls from customers.

Answer: True Page: 537 Difficulty: Easy

1. Outbound telemarketing centers initiate calls to prospects and customers.

Answer: True Page: 537 Difficulty: Easy AACSB: Analytic Skills

1. The Internet provides marketers and consumers with opportunities for much greater interaction and control.

Answer: False Page: 538 Difficulty: Medium AACSB: Reflective Thinking

1. One of the newest trends is “content target advertising,” which links ads to keyword searches by consumers.

Answer: False Page: 538 Difficulty: Medium AACSB: Analytic Skills

1. One of the challenges in designing a Web site is to create one that is both attractive on first viewing and interesting enough for repeat visits.

Answer: True Page: 540 Difficulty: Medium AACSB: Use of IT

1. Visitors to a Web site will judge a site’s performance on its ease of use and on the Internet service provider.

Answer: False Page: 540 Difficulty: Easy AACSB: Use of IT

1. A microsite is a limited area on the Web managed and paid for by an external advertiser/company.

Answer: True Page: 541 Difficulty: Easy AACSB: Use of IT

1. Of the seven Cs of effective Web design, community refers to how the site enables user to user communication.

Answer: True Page: 541 Difficulty: Medium AACSB: Analytic Skills

1. According to the Pew Internet and American Life Project, 31% of U.S. adults make up a highly uniform group of elite technology users.

Answer: False Page: 542 Difficulty: Hard AACSB: Analytic Skills

1. The average click through for paid search ads is much higher than for comparable online ads.

Answer: True Page: 542 Difficulty: Medium AACSB: Use of IT

1. Interstitials are advertisements that pop up between changes on a Web site.

Answer: True Page: 543 Difficulty: Medium AACSB: Analytic Skills

1. E mail campaigns are generally twice as expensive as traditional direct mail campaigns.

Answer: False Page: 544 Difficulty: Easy AACSB: Use of IT

1. Because e mail campaigns take so long to develop, they are inappropriate for offering time sensitive information.

Answer: False Page: 545 Difficulty: Easy AACSB: Use of IT

1. One of the important guidelines for conducting an e mail campaign is to give the customer a reason to respond.

Answer: True Page: 545 Difficulty: Medium AACSB: Reflective Thinking

1. Online customers are largely indifferent to the exit, or “unsubscribe,” experience with an online advertising campaign.

Answer: False Page: 545 Difficulty: Medium AACSB: Use of IT

1. The United States took the lead in mobile phone marketing in early 2004, but was quickly superceded by Japan.

Answer: False Page: 545 Difficulty: Easy AACSB: Use of IT

1. In some cases, positive word of mouth happens organically with little advertising, but in many cases it is managed and facilitated.

Answer: True Page: 546 Difficulty: Medium AACSB: Analytic Skills

1. Sales personnel serve as the company’s personal link to its customers. For that reason, the company must carefully consider sales force design issues such as objectives, strategy, structure, size, and compensation.

Answer: True Page: 552 Difficulty: Medium AACSB: Reflective Thinking

1. In today’s global economy, many firms need to have their salespeople just “sell, sell, and sell” to meet investor and corporate obligations.

Answer: False Page: 552 Difficulty: Medium AACSB: Reflective Thinking

1. One of the specific tasks of the salesperson is “servicing” the account. The definition of “servicing” is “providing various services to the customers—consulting on problems, rendering technical assistance, arranging financing, and expediting delivery.”

Answer: True Page: 552 Difficulty: Medium

1. Selling today often involves working in teams whose members may include technical representatives, top management, customer service representatives, and office staff.

Answer: True Page: 553 Difficulty: Medium AACSB: Analytic Skills

1. At the heart of a successful sales force is the selection of effective representatives.

Answer: True Page: 556 Difficulty: Easy

1. New representatives may spend as little as 4 weeks to as much as 28 weeks in training, depending upon the complexity of the products and the industry.

Answer: True Page: 557 Difficulty: Medium AACSB: Analytic Skills

1. The majority of sales representatives do not need any encouragement or special incentives.

Answer: False Page: 558 Difficulty: Medium AACSB: Reflective Thinking

1. Regarding the setting of sales quotas, one general view is that a salesperson’s quota should be at least equal to last year’s actual sales plus some percentage increase.

Answer: False Page: 559 Difficulty: Medium AACSB: Analytic Skills

1. In a formal salesperson evaluation, one of the techniques available to the sales manager is the comparison of the salesperson’s performance to other salespeople in the organization.

Answer: False Page: 560 Difficulty: Medium AACSB: Analytic Skills

1. The sales force’s reports should be used as the sole means of evaluating a salesperson’s performance.

Answer: False Page: 560 Difficulty: Medium AACSB: Reflective Thinking

1. Sales training today tries to transform a salesperson from a passive order taker into an active order getter who engages in customer problem solving.

Answer: True Page: 561 Difficulty: Medium AACSB: Analytic Skills

1. Customers typically pose objections to the sales presentations only during the close.

Answer: False Page: 562 Difficulty: Easy AACSB: Analytic Skills

**Essay**

1. The extraordinary growth of direct marketing can be attributed to many factors, with both consumers and business benefiting. List some of these factors.

**Suggested Answer:** Market demassification has resulted in ever increasing number of market niches. The growth of next day delivery services, toll free numbers, and Web access are all contributing factors to the growth of direct marketing.

Pages: 532–533 Difficulty: Medium AACSB: Reflective Thinking

1. Most direct marketers apply the R F M formula to select customers. Explain this formula and how it is used to select customers.

**Suggested Answer:** The R F M formula refers to recency, frequency, and monetary amount and is used to select customers according to how much time has passed since their last purchase, how many times they have purchased, and how much they have spent since becoming a customer.

Page: 534 Difficulty: Medium AACSB: Analytic Skills

1. Interactive marketing offers many unique benefits to the direct marketer. Explain some of the benefits afforded to marketers using interactive marketing.

**Suggested Answer:** Interactive marketing is highly accountable and its effects can easily be traced. The Web offers the advantage of “contextual placements.” Marketers can buy ads from sites that are related to their offerings, as well as place advertising based on contextual keywords from online search engines. Light consumers of other media can be reached. The Web is especially effective at reaching people during the day.

Page: 538 Difficulty: Hard AACSB: Reflective Thinking

1. Clearly all companies need to consider and evaluate e marketing and e purchasing opportunities. A key challenge is designing a site that is attractive on first viewing and interesting enough to encourage repeat visits. Rayport and Jaworski have proposed that effective Web sites feature seven design elements that they call the 7Cs. List each of these Cs.

**Suggested Answer:** The 7Cs are: (1) context, (2) content, (3) community, (4) customization, (5) communication, (6) connection, and (7) commerce.

Page: 541 Difficulty: Medium

1. Consumers are besieged by e mails, and many employ spam filters. List four guidelines for crafting productive e mail campaigns.

**Suggested Answer:** In order to craft a productive e mail campaign, marketers should: (1) Give the customer a reason to respond; (2) personalize the content of your e mails; (3) offer something the customer can’t get via direct mail; and (4) make it easy for customers to “unsubscribe.”

Page: 545 Difficulty: Medium AACSB: Analytic Skills

1. The original and oldest form of direct marketing is the field sales call. No one debates the importance of the sales force in its marketing program. However, the term *sales representative* covers a broad range of positions, tasks, and responsibilities. List and briefly describe each of the positions.

**Suggested Answer:** The “positions” include: (1) deliverer: the major task is the delivery of a product; (2) order taker: who acts predominantly as an inside order taker or outside order taker; (3) missionary: a salesperson who is not expected or permitted to take an order but whose major task is to build goodwill or to educate the actual or potential user; (4) technician: a salesperson with a high level of technical knowledge; (5) demand creator: one who relies on creative method for selling tangible products; and (6) solution vendor: one whose expertise is in the solving of a customer’s problems.

Page: 552 Difficulty: Hard AACSB: Analytic Skills

1. The days when all the sales force did was “sell, sell, and sell” are long gone. Today companies need to define the specific objectives they want their sales force to achieve. The specific allocation scheme depends upon the kind of products and customers that the salesperson is selling. However, regardless of the selling context, salespeople will have one or more specific tasks to perform. List and explain these tasks.

**Suggested Answer:** (1) Prospecting: searching for new leads or prospects; (2) targeting: deciding how to allocate time among prospects and customers; (3) communicating: communicating information about the company’s products and services; (4) selling: approaching, presenting, answering questions, overcoming objections, and closing sales; (5) servicing: providing various services to the customers—consulting on problems, rendering technical assistance, arranging financing, expediting delivery; (6) information gathering: conducting market research and doing intelligence work; and (7) allocating: deciding which customers will get scare products during product shortages.

Page: 552 Difficulty: Hard

1. Personal selling is an ancient art. Today companies spend hundreds of millions of dollars each year to train salespeople. Most training programs agree on the major steps involved in any effective sales process. List these six steps.

**Suggested Answer:** See Figure. 19.8. The six steps are: (1) prospecting and qualifying; (2) preapproach; (3) presentation and demonstration; (4) overcoming objections; (5) closing; and (6) follow up and maintenance.

Page: 561 Difficulty: Medium AACSB: Analytic Skills

1. Most companies set annual quotas. Quotas can be on dollar sales, unit volume, margin, selling effort, or activity and product type. Compensation is often tied to the degree of quota attainment. What problems does the setting of quotas present to both the company and to the sales representative?

**Suggested Answer:** If the company underestimates and the sales reps easily achieve their quotas, the company has overpaid its reps. If the company overestimates sales potential, the salespeople will find it very hard to reach their quotas and be frustrated or quit. Another downside is that quotas can drive reps to get as much business as possible—often resulting in their ignoring the service side of the business.

Page: 559 Difficulty: Medium AACSB: Reflective Thinking

1. At the heart of a successful sales force is the selection of effective representatives. Managing the sales force consists of five steps, beginning with recruiting and selecting the sales representatives. List the other four steps in the process of managing a sales force.

**Suggested Answer:** See Figure 19.7. The other four steps are: (2) training sales representatives; (3) supervising sales representatives; (4) motivating sales representatives; and (5) evaluating sales representatives.

Page: 556 Difficulty: Medium AACSB: Analytic Skills

**APPLICATION QUESTIONS**

**Multiple Choice**

1. You receive the summer catalog in the mail in the middle of February. This is an example of \_\_\_\_\_\_\_\_, one of the fastest growing segment for marketers.
   1. advertising
   2. sales force marketing
   3. direct marketing
   4. sales promotions
   5. direct order marketing

Answer: c Page: 532 Difficulty: Easy AACSB: Analytic Skills

1. The term *sales representative* covers a broad range of positions. You have been hired by a firm as a sales representative. Your job description reads as follows: “The key duty of the sales representative is to solve the customer’s problems using the company’s products.” You are a \_\_\_\_\_\_\_\_ sales representative.
   1. deliverer
   2. technician
   3. missionary
   4. demand creator
   5. solution vendor

Answer: e Page: 552 Difficulty: Easy

1. Your company has customer service representatives who provide you with leads, writes up proposals, fulfill orders, and provide postsale support. Your responsibilities are to concentrate on the larger accounts with more complex and customized needs. This is an example of a(n) \_\_\_\_\_\_\_\_.
   1. telemarketer
   2. account management sales force
   3. leveraged sales force
   4. direct sales force
   5. none of the above

Answer: c Page: 553 Difficulty: Hard AACSB: Analytic Skills

1. Market demassification has benefited direct marketers. An example of the ever increasing number of market niches would be \_\_\_\_\_\_\_\_.
   1. a full service clothing firm
   2. a general supply firm
   3. tools for left handed individuals
   4. Wal Mart’s e commerce site
   5. none of the above

Answer: c Page: 533 Difficulty: Medium AACSB: Reflective Thinking

1. Direct marketers can time their offer to reach their prospects at the right moment and as a result receive higher readership because of the offer’s applicability. An example of such “right moment” timing would be \_\_\_\_\_\_\_\_.
   1. senior citizens receiving offers on retirement planning
   2. parents of newborn babies receiving coupons in the mail
   3. baby boomers receiving information on first time home ownership
   4. generation Xers receiving retirement planning offers
   5. none of the above

Answer: b Page: 533 Difficulty: Medium AACSB: Reflective Thinking

1. An objective of a direct mail campaign is to solicit an order from the prospects. Your firm’s latest direct mail offer was mailed to 100,000 targeted consumers. To date, you have received 2,000 orders for your offer. Based upon what the industry’s historical order response rate, has this campaign been successful?
   1. Yes, a 2% rate is considered good.
   2. No, the 2% rate is below acceptable standards for a mailing.
   3. No, the 2,000 orders does not cover the marginal costs of the mailing.
   4. No, the level is below acceptable levels.
   5. Cannot tell without more information.

Answer: a Page: 534 Difficulty: Medium

1. You have identified those customers who have purchased any product from your firm within the past six months. Additionally, you have identified those customers who have spent at least $100 and those customers who purchase something from your firm three to six times a year. What formula are you using to select customers for your mailing?
   1. Distribution, dollar amount, frequency
   2. Key customer, minimum amount, frequency
   3. Recent, often, dollar
   4. Product, offer, distribution
   5. Recency, frequency, monetary amount

Answer: e Page: 534 Difficulty: Medium AACSB: Analytic Skills

1. Because only 2% of direct mail prospects actually make an order, today direct marketers are measuring the impact of the direct mail promotion on \_\_\_\_\_\_\_\_.
   1. exposure
   2. buzz
   3. interest
   4. awareness
   5. none of the above

Answer: e Page: 536 Difficulty: Hard AACSB: Reflective Thinking

1. Catalog marketing is big business—about 71% of Americans shop from home using catalogs. One of the factors in the success of a catalog business for a company is in \_\_\_\_\_\_\_\_.
   1. management of customer lists
   2. the company’s product teams
   3. how the company manages its market management organization
   4. cost containment in catalog production
   5. the strength of the company’s customer management organization

Answer: a Page: 537 Difficulty: Medium AACSB: Reflective Thinking

1. As an example of business to business \_\_\_\_\_\_\_\_, Raleigh Bicycles reduced its personal selling costs by making sales calls to dealers via the telephone.
   1. inbound telemarketing
   2. inside marketing
   3. internal marketing
   4. outbound telemarketing
   5. paid search marketing

Answer: d Page: 537 Difficulty: Medium AACSB: Analytic Skills

1. Some of the public and ethical issues in direct marketing include irritation, unfairness, deception and fraud, and \_\_\_\_\_\_\_\_.
   1. invasion of privacy
   2. smoothness of the commercials
   3. phone calls at the dinner hour
   4. prying on the less sophisticated
   5. downright illegal activities

Answer: a Page: 538 Difficulty: Medium AACSB: Ethical Reasoning

1. Your company’s direct mail pieces include a telephone number and a Web address. Your company directs the consumer to visit your Web site and print coupons for your products. This is an example of what type of direct marketing?
   1. carpet bombing
   2. lifetime value marketing
   3. database marketing
   4. real time personalized marketing
   5. interactive marketing

Answer: e Page: 538 Difficulty: Hard AACSB: Analytic Skills

1. The Web offers the advantage of contextual placements. Marketers can buy ads from sites that are related to their offerings. An example of a contextual placement ad would be \_\_\_\_\_\_\_\_.
   1. Johnson and Johnson ads that appear when a consumer types in the term *baby*
   2. an ad for new cars when the user logs on to a Web site
   3. Johnson and Johnson ads that appear on a new car dealer’s Web site
   4. new car ads that appear when the user types in the term *baby*
   5. ads for expensive yachts when the term *bankruptcy* is typed

Answer: a Page: 538 Difficulty: Medium AACSB: Use of IT

1. Online advertising is estimated to grow to \_\_\_\_\_\_\_\_ of global ad spending by 2009.
   1. 5%
   2. 10%
   3. 15%
   4. 20%
   5. 25%

Answer: b Page: 540 Difficulty: Hard AACSB: Analytic Skills

1. If ads for Johnson & Johnson’s Tylenol headache reliever popped up on brokers’ Web sites whenever the stock market fell by 100 points or more, this type of online ad would be called a(n) \_\_\_\_\_\_\_\_.
   1. display ad
   2. banner ad
   3. interstitial
   4. pay per click ad
   5. paid search ad

Answer: c Page: 543 Difficulty: Medium AACSB: Use of IT

1. CaféMom is an example of a(n) \_\_\_\_\_\_\_\_ that has several thousand members who participate in dozens of different forums for moms.
   1. social network
   2. mobile market
   3. interstitial
   4. buzz market
   5. viral market

Answer: a Page: 545 Difficulty: Medium AACSB: Analytic Skills

1. Which of the following would improve the likelihood of starting positive buzz?
   1. Identify influential individuals and companies and devote extra effort to them.
   2. Provide compelling information that customers want to pass along.
   3. Supply key people with product samples.
   4. Work through community influentials, such as class presidents and local disk jockeys.
   5. All of the above

Answer: e Page: 548 Difficulty: Easy AACSB: Reflective Thinking

1. A pharmaceutical sales representative whose role is simply to keep doctors up to date on the latest developments of his or her drug company is playing a \_\_\_\_\_\_\_\_ role.
   1. deliverer
   2. order taker
   3. missionary
   4. solution vendor
   5. technician

Answer: c Page: 552 Difficulty: Medium

1. The majority of sales representatives require encouragement and special incentives, especially \_\_\_\_\_\_\_\_.
   1. those who have been in sales for a long time
   2. those who are responsible for maintaining strong relationships with existing customers
   3. those in the field who encounter a number of daily challenges
   4. those working primarily from the main office
   5. none of the above

Answer: c Page: 558 Difficulty: Hard AACSB: Analytic Skills

1. In trying to close a sale, Jim’s prospect raises objections about the price and delivery schedule. Jim is dealing with \_\_\_\_\_\_\_\_.
   1. logical resistance
   2. psychological resistance
   3. closing resistance
   4. maintenance resistance
   5. follow up resistance

Answer: a Page: 562 Difficulty: Medium AACSB: Analytic Skills

**Short Answer**

1. What are the five elements of an offer strategy?

**Suggested Answer:** The five elements of the offer strategy are the product, the offer, the medium, the distribution method, and the creative strategy.

Page: 535 Difficulty: Medium AACSB: Analytic Skills

1. One of the great advantages of direct marketing is the ability to test, under real marketplace conditions, different elements of an offer strategy. The response rate is only a part of the campaign’s impact. What other factors are used to measure impact?

**Suggested Answer:** These include awareness, intention to buy, and word of mouth.

Page: 536 Difficulty: Medium AACSB: Analytic Skills

1. Direct marketers and their customers usually enjoy mutually rewarding relationships. Occasionally, however, a darker side emerges. Identify four unethical practices to be avoided in direct marketing.

**Suggested Answer:** Direct marketers must avoid irritating customers through inconsiderate call times, poorly trained callers, and computerized calls by auto dial recorded message players. They must also avoid taking advantage of impulsive or less sophisticated buyers or preying on the vulnerable, especially the elderly. Direct marketers should avoid designing mailers and writing copy intended to mislead, which is deceptive and fraudulent. Consumers are also concerned about invasions of privacy and direct marketers must take care not to allow their knowledge to be used to take unfair advantage of consumers.

Page: 538 Difficulty: Hard AACSB: Ethical Reasoning

1. List the ways television is used by direct marketers.

**Suggested Answer:** Marketers can use television to reach customers directly through infomercials and at home shopping channels.

Page: 538 Difficulty: Easy AACSB: Reflective Thinking

1. Visitors will judge a Web site’s performance on ease of use and physical attractiveness. Identify the three attributes that make up a Web site’s ease of use.

**Suggested Answer:** Ease of use has three attributes: (1) The site downloads quickly; (2) the first page is easy to understand; and (3) it is easy to navigate to other pages that open quickly.

Page: 540 Difficulty: Medium AACSB: Use of IT

1. Visitors will judge a Web site’s performance on ease of use and physical attractiveness. Identify the three factors that make up a Web site’s attractiveness.

**Suggested Answer:** A Web site’s physical attractiveness is determined by these factors: (1) Individual pages are clean and not crammed with content; (2) typefaces and font sizes are very readable; and (3) the site makes good use of color (and sound).

Page: 540 Difficulty: Medium AACSB: Use of IT

1. A hot growth area in interactive marketing is paid search. How does this type of ad work?

**Suggested Answer:** The search terms serve as a proxy for the consumer’s consumption interests and trigger relevant links to product or service offerings alongside search results. Advertisers pay only if people click on the links, but marketers believe consumers who have already expressed interest by virtue of the search are prime prospects.

Page: 542 Difficulty: Hard AACSB: Use of IT

1. One of the important guidelines for pioneering e mail marketing is for the provider to “give the customer a reason to respond.” Explain.

**Suggested Answer:** Companies should offer surfers powerful incentives for reading e mail pitches and online ads, such as trivia games or sweepstakes.

Page: 545 Difficulty: Medium AACSB: Reflective Thinking

1. Describe what is meant by stealth marketing and why consumers find it controversial and potentially unethical.

**Suggested Answer:** Stealth marketing pays people to anonymously promote a product or service in public places without disclosing their financial relationship to the sponsoring firm. They may pretend they’re ordinary customers who happen to like the product, displaying, demonstrating, or talking it up in the process. Consumers may find this unethical because they feel that the marketer is lying by failing to disclose his or her true motivation for talking up the product (i.e., getting paid).

Page: 549 Difficulty: Easy AACSB: Ethical Reasoning

1. Salespeople have specific tasks to perform to make a sale. List these specific tasks.

**Suggested Answer:** The tasks are: prospecting, targeting, communicating, selling, servicing, information gathering, and allocating

Page: 552 Difficulty: Easy AACSB: Analytic Skills

1. How can salespeople act as missionaries for their companies?

**Suggested Answer:** As a missionary, a salesperson is supposed to build goodwill or educate the actual or potential user instead of being expected or even permitted to take an order.

Page: 552 Difficulty: Medium AACSB: Reflective Thinking

1. Selling increasingly calls for teamwork and the support of others. Aside from the actual salesperson, who else is on this team?

**Suggested Answer:** The other team members include top management, especially when national accounts or major sales are at stake; technical people, who supply information and service before, during, or after product purchase; customer service representatives, who provide installation, maintenance, and other services; and an office staff, consisting of sales analysts, order expediters, and assistants.

Page: 553 Difficulty: Medium AACSB: Reflective Thinking

1. Why does *where* the company’s products are sold and *to whom* they are sold have implications for the sales force structure?

**Suggested Answer:** A company that sells one product line to one end using industry with customers in many locations would use a territorial structure. A company that sells many products to many types of customers might need a product or market structure. Some companies need a more complex structure.

Page: 553 Difficulty: Medium

1. In order to maintain a market focus, companies are requiring that their salespeople be marketers as well as salespeople. Explain some of the additional skills required of salespeople in their role as marketers.

**Suggested Answer:** Today’s salespeople should know how to analyze sales data, measure market potential, gather market intelligence, and develop marketing strategies and plans. Sales representatives need analytical marketing skills.

Page: 553 Difficulty: Medium AACSB: Reflective Thinking

1. How does the sales force resource allocation change over the course of the business life cycle?

**Suggested Answer:** Sales force resource allocation is largest during product maturity and weakest during the growth and decline phases. It is somewhere in the middle during the start up phase, predominantly because of overall resource constraints on the new company.

Page: 554 Difficulty: Hard AACSB: Reflective Thinking

1. To attract top quality sales reps, a company must develop an attractive compensation package. What are the four components of sales force compensation?

**Suggested Answer:** The four components are: a fixed amount, a variable amount, expense allowances, and benefits.

Page: 555 Difficulty: Medium

1. With compensation plans that combine fixed and variable pay, companies may link the variable portion of a salesperson’s pay to a wide variety of goals. Identify some of these goals.

**Suggested Answer:** Some of these goals are: gross profitability, customer satisfaction, customer retention, sales team performance, and even company wide performance.

Page: 556 Difficulty: Hard AACSB: Analytic Skills

1. Some companies are dropping quotas as a means of measuring the effectiveness of its sales representatives in favor of other types of measures. Identify some of these other measures.

**Suggested Answer:** Some of these other measures are customer satisfaction, repeat business, and profitability.

Page: 559 Difficulty: Medium AACSB: Analytic Skills

1. An effective sales presentation contains six steps. List these steps in the order that they occur.

**Suggested Answer:** First, prospecting and qualifying; second, preapproach; third, presentation and demonstration; fourth, overcoming objections; fifth, closing; and sixth, follow up and maintenance.

Page: 561 Difficulty: Medium

1. You work for a company that “manages its customers” as much as it “manages its products,” and whose focus is on providing value to their customers. This firm is practicing what form of marketing?

**Suggested Answer:** Relationship marketing or a relationship management program is properly implemented when the company focuses as much on managing its customers as on managing its products.

Page: 562 Difficulty: Medium AACSB: Analytic Skills

Chapter 20: Introducing New Market Offerings

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. A company can add new products through acquisition or development. The acquisition route can take three forms. The company can buy other companies; it can acquire patents from other companies; or it can buy a \_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_ from another company.
   1. license; franchise
   2. license; receive permission
   3. franchise; co brand
   4. franchise; acquire rights
   5. none of the above

Answer: a Page: 566 Difficulty: Medium AACSB: Analytic Skills

1. New to the world products are \_\_\_\_\_\_\_\_.
   1. new products that create an entirely new market
   2. new products that allow a company to enter an established market
   3. new products that supplement established product lines
   4. new products that provide greater perceived value and replace existing products
   5. existing products that are targeted to new markets or market segments

Answer: a Page: 566 Difficulty: Medium AACSB: Analytic Skills

1. Most new product activity is devoted to \_\_\_\_\_\_\_\_.
   1. repositioning existing products
   2. developing new to the world products
   3. backward innovation
   4. improving existing products
   5. none of the above

Answer: d Page: 566 Difficulty: Medium

1. Fewer than \_\_\_\_\_\_\_\_ of all new products are truly innovative and new to the world.
   1. 30% to 35%
   2. 20%
   3. 10% to 15%
   4. 25%
   5. 40%

Answer: c Page: 567 Difficulty: Hard AACSB: Analytic Skills

1. Most new product activity is devoted to \_\_\_\_\_\_\_\_ existing products.
   1. improving
   2. coordinating
   3. distributing
   4. pricing
   5. marketing

Answer: a Page: 566 Difficulty: Easy AACSB: Reflective Thinking

1. Most established companies focus on \_\_\_\_\_\_\_\_ when it comes to innovation.
   1. incremental innovation
   2. continuous innovation
   3. everyday innovation
   4. demand innovation
   5. competitive innovation

Answer: a Page: 569 Difficulty: Medium AACSB: Analytic Skills

1. Newer companies create \_\_\_\_\_\_\_\_ that are cheaper and more likely to alter the competitive space. Established companies can be slow to react or invest in these technologies because they threaten their investment.
   1. new products
   2. newer markets
   3. newer channels of distribution
   4. disruptive technologies
   5. none of the above

Answer: d Page: 569 Difficulty: Medium AACSB: Reflective Thinking

1. One of the reasons new products can fail is\_\_\_\_\_\_\_\_.
   1. low development cost
   2. government regulations
   3. poor packaging
   4. ignored or misinterpreted market research
   5. all of the above

Answer: d Page: 570 Difficulty: Medium AACSB: Reflective Thinking

1. Several factors hinder new product development, including \_\_\_\_\_\_\_\_.
   1. cost of development
   2. fragmented markets
   3. shortage of important ideas in certain areas
   4. capital shortages
   5. all of the above

Answer: e Page: 570 Difficulty: Medium AACSB: Analytic Skills

1. The number one success factor for new products is \_\_\_\_\_\_\_\_.
   1. product uniqueness and superiority
   2. a marketing department that has expertise in new products
   3. a firm with deep pockets
   4. a tight marketing budget
   5. market skimming pricing

Answer: a Page: 570 Difficulty: Medium AACSB: Reflective Thinking

1. Several factors hinder new product development today, including \_\_\_\_\_\_\_\_—when a new product is successful, rivals are quick to copy it.
   1. high cost of development
   2. fragmented markets
   3. a shortage of important ideas in certain areas
   4. social and governmental constraints
   5. shorter product life cycles

Answer: e Page: 571 Difficulty: Medium

1. A(n) \_\_\_\_\_\_\_\_ strategy to designing new products attaches high importance to incorporating customer preferences in the final design.
   1. customer driven engineering
   2. market leadership
   3. cost leadership
   4. incremental innovation
   5. disruptive technology

Answer: a Page: 571 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_\_\_ is(are) a cross functional group charged with developing a specific product or business.   
   a. Contract manufacturers
   1. A venture team
   2. New product managers
   3. Product managers
   4. None of the above

Answer: b Page: 573 Difficulty: Medium AACSB: Analytic Skills

1. The new product development process starts with the search for \_\_\_\_\_\_\_\_.
   1. production efficiency
   2. products that can be improved upon
   3. overseas products
   4. ideas
   5. strategy

Answer: d Page: 574 Difficulty: Easy

1. New product ideas can come from interacting with various groups and from using \_\_\_\_\_\_\_\_\_.
   1. marketing resources
   2. financial resources
   3. groups
   4. test subjects
   5. creativity generating techniques

Answer: e Page: 574 Difficulty: Medium AACSB: Analytic Skills

1. Many top companies use the \_\_\_\_\_\_\_\_ to manage the innovation process. They divide the process into several phases, and at the end of each phase is a checkpoint where senior managers can make go, kill, hold, or recycle decisions.
   1. skunkworks system
   2. stage gate system
   3. spiral development process
   4. new product department technique
   5. reverse assumption analysis technique

Answer: b Page: 574 Difficulty: Medium AACSB: Analytic Skills

1. One on one interviews and \_\_\_\_\_\_\_\_ discussions can explore product needs and reactions.
   1. focus group
   2. strategic group
   3. customer relationship group
   4. management
   5. advertising agency

Answer: a Page: 575 Difficulty: Medium

1. The traditional company centric approach to product innovation is giving way to \_\_\_\_\_\_\_\_.
   1. the increasing importance of company R&D departments
   2. the cocreation of products with consumers
   3. the insights of senior executives in the go/no go stage gate decisions
   4. a more financially strict attitude toward funding new product development
   5. all of the above

Answer: b Page: 576 Difficulty: Hard AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ means inviting the Internet community to help create content or software, often with prize money or a moment of glory involved.
   1. Stage gating
   2. Cocreation
   3. Microstocking
   4. Buzzing
   5. Crowdsourcing

Answer: e Page: 576 Difficulty: Medium AACSB: Use of IT

1. Surgeons and ER nurses would be considered \_\_\_\_\_\_\_\_ for surgical equipment.
   1. venture groups
   2. social networks
   3. buzz agents
   4. lead users
   5. all of the above

Answer: d Page: 577 Difficulty: Easy AACSB: Analytic Skills

1. Company \_\_\_\_\_\_\_\_ and intermediaries are a particularly good source of ideas. These groups have firsthand exposure to customers and are often the first to learn about competitive developments.
   1. marketing departments
   2. competitors
   3. sales representatives
   4. top management
   5. customers

Answer: c Page: 578 Difficulty: Easy AACSB: Reflective Thinking

1. A company should motivate its employees to submit new ideas to a(n) \_\_\_\_\_\_\_\_, whose name and phone number are widely circulated.
   1. idea manager
   2. senior product manager
   3. creative manager
   4. advertising manager
   5. top management person

Answer: a Page: 578 Difficulty: Easy

1. The \_\_\_\_\_\_\_\_ technique for stimulating creativity starts with a problem, such as “getting something from one place to another via a powered vehicle,” then lists every possible combination of attributes, such as the type of platform, the medium, and the power source.
   1. reverse assumption analysis
   2. lateral marketing
   3. attribute listing
   4. forced relationships
   5. morphological analysis

Answer: e Page: 579 Difficulty: Hard AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ technique for stimulating creativity lists all the characteristics of an object and then modifies each to try to arrive at a new idea.
   1. reverse assumption analysis
   2. lateral marketing
   3. attribute listing
   4. forced relationships
   5. morphological analysis

Answer: c Page: 579 Difficulty: Medium AACSB: Analytic Skills

1. Increasingly, new product ideas arise from \_\_\_\_\_\_\_\_ that combines two product concepts or ideas to create a new offering, such as cereal bars, which combine cereal and snacking.
   1. reverse assumption analysis
   2. lateral marketing
   3. attribute listing
   4. forced relationships
   5. morphological analysis

Answer: b Page: 579 Difficulty: Hard

1. A \_\_\_\_\_\_\_\_ occurs when the company dismisses a good idea.
   1. product failure
   2. brand failure
   3. dual error
   4. DROP error
   5. GO error

Answer: d Page: 579 Difficulty: Medium AACSB: Analytic Skills

1. A \_\_\_\_\_\_\_\_ occurs when the company permits a poor idea to move into development and commercialization.
   1. dual error
   2. brand failure
   3. GO error
   4. DROP error
   5. product error

Answer: c Page: 580 Difficulty: Medium AACSB: Analytic Skills

1. A(n) \_\_\_\_\_\_\_\_ loses money when its sales do not cover variable costs.
   1. strategic product failure
   2. market product failure
   3. absolute product failure
   4. relative product failure
   5. transfer product failure

Answer: c Page: 580 Difficulty: Medium

1. A(n) \_\_\_\_\_\_\_\_ loses money, but its sales cover all its variable costs and some of the fixed costs.
   1. strategic product failure
   2. market product failure
   3. partial product failure
   4. relative product failure
   5. transfer product failure

Answer: c Page: 580 Difficulty: Medium AACSB: Analytic Skills

1. A(n) \_\_\_\_\_\_\_\_\_ yields a profit that is less than the company’s target rate of return.
   1. strategic product failure
   2. market product failure
   3. absolute product failure
   4. relative product failure
   5. transfer product failure

Answer: d Page: 580 Difficulty: Medium AACSB: Analytic Skills

1. The overall probability of success for a new product is a function of \_\_\_\_\_\_\_\_.
   1. the probability of technical completion
   2. the probability of commercialization, given technical completion
   3. the probability of economic success, given commercialization
   4. all of the above
   5. none of the above

Answer: d Page: 580 Difficulty: Medium

1. Attractive ideas must be refined into testable product concepts. A(n) \_\_\_\_\_\_\_\_ is a possible product the company might offer to the market.
   1. test brand
   2. alpha product
   3. beta version
   4. product idea
   5. product concept

Answer: d Page: 581 Difficulty: Medium AACSB: Analytic Skills

1. A(n) \_\_\_\_\_\_\_\_ is an elaborated version of the idea expressed in consumer terms.
   1. test brand
   2. alpha product
   3. beta version
   4. product idea
   5. product concept

Answer: e Page: 581 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ provide quantitative portrayals of market situations and how consumers see different products, services, and brands along various dimensions.
   1. Brand concepts
   2. Product concepts
   3. Perceptual maps
   4. Concept tests
   5. Product ideas

Answer: c Page: 581 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ means presenting the product concept, symbolically of physically, to target consumers and getting their reactions.
   1. Perceptual mapping
   2. Brand positioning mapping
   3. Ideation
   4. Concept development
   5. Concept testing

Answer: e Page: 581 Difficulty: Medium AACSB: Analytic Skills

1. Consumer preferences for alternative product concepts can be measured through \_\_\_\_\_\_\_\_\_, a method for deriving the utility values that consumers attach to varying levels of a product’s attributes.
   1. marketing strategy
   2. marketing research
   3. gap level
   4. conjoint analysis
   5. purchase intentions

Answer: d Page: 582 Difficulty: Easy AACSB: Analytic Skills

1. In \_\_\_\_\_\_\_\_, respondents see different hypothetical offers formed by combining varying levels of the attributes, then rank the various offers.
   1. conjoint analysis
   2. marketing strategy
   3. gap research
   4. need assessment
   5. skunkworks

Answer: a Page: 582 Difficulty: Medium

1. In the past, creating physical prototypes was costly and time consuming, but computer aided design and manufacturing programs have changed that. Today, firms can use \_\_\_\_\_\_\_\_ to design products on a computer, and then produce rough models of each.
   1. computer aided design
   2. rapid prototyping
   3. model making
   4. perceived reality
   5. none of the above

Answer: b Page: 582 Difficulty: Medium AACSB: Analytic Skills

1. The business attractiveness of a proposal is dependent on \_\_\_\_\_\_\_\_.
   1. sales projections
   2. cost projections
   3. profit projections
   4. all of the above
   5. none of the above

Answer: d Page: 584 Difficulty: Easy AACSB: Analytic Skills

1. Total estimated sales are the sum of estimated first time sales, replacement sales, and \_\_\_\_\_\_\_\_ for the new product.
   1. repeat sales
   2. one time purchases
   3. infrequently purchased items
   4. consumer products
   5. industrial use products

Answer: a Page: 584 Difficulty: Medium

1. \_\_\_\_\_\_\_\_ exhibit replacement cycles dictated by physical wear or obsolescence associated with changing style, features, and performance.
   1. Expensive products
   2. Inexpensive products
   3. Commodity products
   4. Frequently purchased products
   5. Infrequently purchased products

Answer: e Page: 585 Difficulty: Hard AACSB: Analytic Skills

1. To estimate replacement sales, management must research the product’s \_\_\_\_\_\_\_\_—that is, the number of units that fail in year one, two, three, and so on.
   1. survival age distribution
   2. distribution
   3. obsolescence
   4. product failure
   5. product performance usage

Answer: a Page: 585 Difficulty: Medium AACSB: Analytic Skills

1. For a frequently purchased new product, the seller estimates repeat sales as well as first time sales. A high rate of repeat purchasing means customers are \_\_\_\_\_\_\_\_.
   1. dissatisfied with the product
   2. brand switchers
   3. satisfied with the product
   4. brand evangelists
   5. indifferent to the product

Answer: c Page: 585 Difficulty: Medium

1. Companies use financial measures to evaluate the merit of a new product proposal. The simplest to use is called \_\_\_\_\_\_\_\_ , in which management estimates how many units of the product the company would have to sell to break even with the given price and cost structure.
   1. conjoint analysis
   2. risk analysis
   3. regression analysis
   4. ANOVA analysis
   5. breakeven analysis

Answer: e Page: 586 Difficulty: Easy AACSB: Analytic Skills

1. The job of translating target customer requirements into a working prototype is helped by a set of methods known as \_\_\_\_\_\_\_\_.
   1. quality function deployment (QFD)
   2. quality control processes (QFP)
   3. R&D
   4. marketing control
   5. none of the above

Answer: a Page: 586 Difficulty: Hard AACSB: Analytic Skills

1. The methodology of quality function deployment takes the list of desired \_\_\_\_\_\_\_\_ generated by market research and turns them into a list of \_\_\_\_\_\_\_\_ that the engineers can use.
   1. customer attributes; engineering mandates
   2. consumer attributes; environmental attributes
   3. customer attributes; engineering attributes
   4. consumer attributes; engineering specifications
   5. none of the above

Answer: c Page: 586 Difficulty: Medium

1. When prototypes are ready, they must be put through rigorous functional tests and \_\_\_\_\_\_\_\_ before they enter the marketplace.
   1. consumer behavior testing
   2. customer tests
   3. internal tests
   4. marketing department testing
   5. lab testing

Answer: b Page: 587 Difficulty: Easy AACSB: Reflective Thinking

1. The \_\_\_\_\_\_\_\_ method of measuring customer preferences asks the consumer to rank the options in order of preference.
   1. rank order
   2. paired comparisons
   3. monadic rating
   4. alpha ranking
   5. beta ranking

Answer: a Page: 587 Difficulty: Hard AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ method of measuring customer preferences presents pairs of items and asks the consumer which one is preferred in each pair.
   1. rank order
   2. paired comparison
   3. monadic rating
   4. alpha testing
   5. beta testing

Answer: b Page: 587 Difficulty: Medium AACSB: Analytic Skills

1. The \_\_\_\_\_\_\_\_ method of measuring customer preferences asks the consumer to rate each product on a scale so marketers can derive the individual’s preference order and levels.
   1. paired comparison
   2. rank order
   3. monadic rating
   4. alpha testing
   5. beta testing

Answer: c Page: 587 Difficulty: Hard AACSB: Analytic Skills

1. The amount of market testing that a new product undergoes is influenced by \_\_\_\_\_\_\_\_.
   1. investment cost
   2. investment risk
   3. time pressure
   4. research cost
   5. all of the above

Answer: e Page: 588 Difficulty: Medium

1. In consumer goods market testing, the company seeks to estimate four variables. These four variables are: trial, first repeat, adoption, and \_\_\_\_\_\_\_\_.
   1. money back guarantee
   2. price
   3. purchase frequency
   4. usage
   5. preferences

Answer: c Page: 588 Difficulty: Easy AACSB: Reflective Thinking

1. Advantages of \_\_\_\_\_\_\_\_ include that it can be implemented quickly, conducted with a fair amount of security, and carried out without final packaging and advertising.
   1. sales wave research
   2. simulated test marketing
   3. controlled test marketing
   4. actual test markets
   5. none of the above

Answer: a Page: 588 Difficulty: Medium AACSB: Reflective Thinking

1. Advantages of sales wave research include an indication of \_\_\_\_\_\_\_\_.
   1. trial rates the product would achieve with different sales promotion incentives
   2. the brand’s power to gain distribution and favorable shelf position
   3. the likely success of network effects on the purchase of the product
   4. levels of satisfaction for those who try the product
   5. all of the above

Answer: d Page: 588 Difficulty: Medium AACSB: Reflective Thinking

1. A(n) \_\_\_\_\_\_\_\_ is any good, service, or idea that is perceived as new, no matter how long its history.
   1. product
   2. innovation
   3. new idea
   4. creative product
   5. none of the above

Answer: b Page: 592 Difficulty: Easy AACSB: Analytic Skills

1. Adopters of new products move through five stages. These stages begin with \_\_\_\_\_\_\_\_ and follow with interest, evaluation, trial, and adoption.
   1. awareness
   2. investigation
   3. innovation
   4. diffusion process
   5. none of the above

Answer: a Page: 592 Difficulty: Easy AACSB: Analytic Skills

1. The innovation diffusion process has been defined by Rogers as “the spread of a new idea from its source of invention or creation to its ultimate users or adopters.” The consumer adoption process focuses on the \_\_\_\_\_\_\_\_ process through which an individual passes from first hearing about an innovation to final adoption.
   1. mental
   2. physical
   3. manual
   4. critical path
   5. management

Answer: a Page: 592 Difficulty: Hard AACSB: Reflective Thinking

1. Five characteristics influence the rate of adoption of an innovation. One of these is \_\_\_\_\_\_\_\_.
   1. marketing expertise
   2. relative advantage
   3. packaging
   4. government regulations
   5. all of the above

Answer: b Page: 594 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_\_ is the effect one person has on another’s attitude or purchase probability.
   1. Effective influence
   2. Direct influence
   3. Market influence
   4. Brand influence
   5. Personal influence

Answer: e Page: 593 Difficulty: Easy

1. The degree to which the beneficial results of an innovation’s use are observable or describable to others is called \_\_\_\_\_\_\_\_.
   1. divisibility
   2. communicability
   3. compatibility
   4. relative advantage
   5. complexity

Answer: b Page: 594 Difficulty: Medium AACSB: Analytic Skills

**True/False**

1. New to the world products are products that create entirely new markets.

Answer: True Page: 566 Difficulty: Easy AACSB: Reflective Thinking

1. A company can add new products through acquisition or development.

Answer: True Page: 566 Difficulty: Easy AACSB: Analytic Skills

1. Truly innovative products incur the greatest cost and risk to the firm because they are both new to the company and new to the marketplace.

Answer: True Page: 567 Difficulty: Medium AACSB: Reflective Thinking

1. Focus groups provide the most reliable data on the likelihood of success for radical innovations.

Answer: False Page: 567 Difficulty: Medium AACSB: Reflective Thinking

1. Most established companies focus on incremental innovation*,* which is the gradual improvement of existing products.

Answer: True Page: 569 Difficulty: Medium AACSB: Analytic Skills

1. Although developing new products can help a company get ahead in the marketplace, if a company currently markets a successful product, there is no need to spend money or staff time on developing new products.

Answer: False Page: 569 Difficulty: Easy AACSB: Reflective Thinking

1. Products designed for the world market, or at least to include neighboring countries, achieve significantly more profits, both at home and abroad. Thus companies should adopt an international focus in designing and developing new products.

Answer: True Page: 570 Difficulty: Medium AACSB: Analytic Skills

1. Truly innovative firms must strongly condemn and punish failure within their product development organizations.

Answer: False Page: 571 Difficulty: Medium AACSB: Analytic Skills

1. New product development requires senior management to define business domains, product categories, and specific criteria.

Answer: True Page: 572 Difficulty: Medium AACSB: Reflective Thinking

1. Many companies assign responsibility for new product ideas to product managers, but product managers are often so busy managing existing lines that they give little thought to new products other than line extensions.

Answer: True Page: 573 Difficulty: Medium AACSB: Reflective Thinking

1. The new product development process is always linear—products move past the stage gates in sequence and are not allowed to backtrack through previous gates.

Answer: False Page: 574 Difficulty: Hard AACSB: Analytic Skills

1. The traditional system of new product cocreation with consumers is giving way to a more company centric approach to product innovation.

Answer: False Page: 576 Difficulty: Medium AACSB: Reflective Thinking

1. A singular customer focus always helps to create better new products.

Answer: False Page: 578 Difficulty: Hard AACSB: Reflective Thinking

1. Group brainstorming sessions should generally be allowed to run themselves. Trained facilitators tend to slow down the momentum of such sessions and quash innovation.

Answer: False Page: 578 Difficulty: Hard

1. A relative product failure loses money, but its sales cover all its variable costs and some of the fixed costs associated with the product rollout.

Answer: False Page: 580 Difficulty: Medium AACSB: Analytic Skills

1. Product development costs rise substantially with each successive development stage, so screening is intended to drop poor ideas as early as possible.

Answer: True Page: 580 Difficulty: Medium AACSB: Reflective Thinking

1. A product idea is a possible product the company might offer to the market.

Answer: True Page: 581 Difficulty: Easy AACSB: Analytic Skills

1. A product concept is an elaborated version of the idea expressed in consumer terms.

Answer: True Page: 581 Difficulty: Easy AACSB: Analytic Skills

1. The more a tested concept resembles the final product or experience, the more dependable concept testing is.

Answer: True Page: 581 Difficulty: Medium

1. Concept testing of prototypes is particularly easy with radically different, new to the world products.

Answer: False Page: 582 Difficulty: Easy AACSB: Analytic Skills

1. Conjoint analysis is a method for deriving the utility values that consumers attach to varying levels of a product’s attributes.

Answer: True Page: 582 Difficulty: Medium

1. Following a successful concept test, the new product manger will develop a preliminary strategy plan for introducing the new product into the market.

Answer: True Page: 584 Difficulty: Hard AACSB: Analytic Skills

1. Replacement sales are generally very easy to estimate before the product is in use.

Answer: False Page: 585 Difficulty: Easy

1. The job of translating target customer requirements into a working prototype is helped by a set of methods known as *quality function deployment,* which takes the desired *customer attributes* and turns them into a list of *engineering attributes*.

Answer: True Page: 586 Difficulty: Hard AACSB: Analytic Skills

1. In controlled test marketing, a research firm manages a panel of stores that will carry new products for a fee.

Answer: True Page: 588 Difficulty: Medium AACSB: Analytic Skills

1. In a simulated test market, the firm finds 30 to 40 qualified shoppers and questions them about brand familiarity and preferences in a specific product category.

Answer: True Page: 588 Difficulty: Medium

1. In testing consumer products, the company seeks to estimate four variables: trial, first repeat, adoption, and purchase frequency.

Answer: True Page: 588 Difficulty: Easy AACSB: Analytic Skills

1. In sales wave research, consumers who initially try the product at no cost are reoffered the product, or a competitor’s product, at slightly reduced prices.

Answer: True Page: 588 Difficulty: Easy AACSB: Analytic Skills

1. The amount of market testing may be severely reduced if the company is under great time pressure because the season is just starting or because competitors are about to launch competitive brands.

Answer: True Page: 588 Difficulty: Medium AACSB: Reflective Thinking

1. High investment–high risk products, where the chance of failure is high, do not necessarily need to be market tested.

Answer: False Page: 588 Difficulty: Medium AACSB: Reflective Thinking

1. In choosing rollout markets, the major criteria are market potential, the company’s local reputation, the cost of filling the pipeline, the cost of communication media, the influence of the area on other areas, and competitive penetration.

Answer: True Page: 590 Difficulty: Hard

1. Industrial manufacturers come close to using full test marketing when they give unlimited supply of the new product to the sales force to sell in a limited number of areas without promotional support.

Answer: False Page: 590 Difficulty: Medium AACSB: Analytic Skills

1. Critical path scheduling calls for developing a master chart showing the nonsequential activities that must take place to launch the new product.

Answer: False Page: 591 Difficulty: Medium AACSB: Analytic Skills

1. An innovation is any good, service, or idea that is “new to the world.”

Answer: False Page: 592 Difficulty: Medium AACSB: Analytic Skills

1. The five stages of the consumer adoption process are awareness, interest, evaluation, purchase, and disposal.

Answer: False Page: 592 Difficulty: Medium

1. When we talk about “early adopters” for a new product, we are concerned with those opinion leaders who carefully search for new technologies that might give them a dramatic competitive advantage.

Answer: True Page: 593 Difficulty: Easy AACSB: Analytic Skills

1. The term *personal influence* is the effect one person has on another’s attitude or purchase probability.

Answer: True Page: 593 Difficulty: Easy

1. The term “relative advantage” describes the degree to which the innovation appears superior to existing products in the marketplace.

Answer: True Page: 594 Difficulty: Easy AACSB: Analytic Skills

1. One of the characteristics that affects the adoption of a product is compatibility, which is defined as the degree to which the innovation matches the values and experiences of the individuals.

Answer: True Page: 594 Difficulty: Easy AACSB: Analytic Skills

1. The term “complexity” is defined as the degree to which the innovation is difficult to understand and use.

Answer: True Page: 594 Difficulty: Easy AACSB: Analytic Skills

**Essay**

1. In an economy of change, continuous innovation is necessary. Most companies rarely innovate, some innovate occasionally, and a few innovate continuously. Comment on why a company should continuously develop new products.

**Suggested Answer:** Companies that fail to develop new products are putting themselves at risk. Their existing products are vulnerable to changing customer needs and tastes, new technologies, shortened product life cycles, and increased domestic and foreign competition.

Page: 569 Difficulty: Hard AACSB: Reflective Thinking

1. Differentiate between incremental innovation and the creation of disruptive technologies. What kind of companies focus on each and what impact does each have on the marketplace?

**Suggested Answer:** Most established companies focus on incremental innovation. Incremental innovation can allow companies to enter new markets by tweaking products for new customers, use variations on a core product to stay one step ahead of the market, and create interim solutions for industry wide problems. Newer companies create disruptive technologies that are cheaper and more likely to alter the competitive space. Established companies can be slow to react or invest in these disruptive technologies because they threaten their investment. Then they suddenly find themselves facing formidable new competitors, and many fail.

Pages: 569–570 Difficulty: Medium AACSB: Reflective Thinking

1. Customer needs and wants are the logical place to start the search for new product ideas. Identify four ways a company can draw new ideas from its customers.

**Suggested Answer:** Students may identify any four of the following: (1) Observe how your customers are using your product; (2) Ask your customers about their problems with your products; (3) Ask your customers about their dream products; (4) Use a customer advisory board to comment on your company’s ideas; (5) Use Web sites for new ideas; (6) Form a brand community of enthusiasts who discuss your product; and (7) Encourage or challenge your customers to change or improve your product.

Page: 577 Difficulty: Medium

1. The new product development process starts with the search for ideas. New product ideas can come from interacting with various groups and using creativity generating techniques. Identify and define these techniques.

**Suggested Answer:** A sampling of techniques include: (1) attribute listing; (2) forced relationships; (3) morphological analysis; (4) reverse assumption analysis; (5) new contexts; and (6) mind mapping.

Page: 579 Difficulty: Hard AACSB: Analytic Skills

1. Describe concept testing as it is used to manage the development process.

**Suggested Answer:** Concept testing involves presenting the product concept to target consumers and getting their reactions. The concepts can be presented symbolically or physically. The more the tested concept resembles the final product or experience, the more dependable concept testing is.

Page: 581 Difficulty: Medium AACSB: Reflective Thinking

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1. Following a successful concept test, the new product manger will develop a preliminary strategy plan for introducing the new product into the market. This plan consists of three parts. List and briefly describe the elements contained in these three parts.

**Suggested Answer:** The first part describes the target market’s size, structure, and behavior; the planned product positioning; and the sales, market share, and profit goals sought in the first few years. The second part outlines the planned price, distribution strategy, and marketing budget for the first year. The third part of the marketing strategy plan describes the long run sales goals, profit goals, and marketing mix strategy over time.

Page: 584 Difficulty: Hard AACSB: Analytic Skills

1. After management develops the product concept and marketing strategy, it can evaluate the proposal’s business attractiveness. Management needs to prepare sales, costs, and profit potentials. The first step is to estimate total sales. Describe what is included in estimating total sales.

**Suggested Answer:** Total estimated sales are the sum of the estimated first time sales, plus replacement sales and repeat sales. Sales estimation methods depend on whether the product is a one time purchase, an infrequently purchased product, or a frequently purchased product.

Page: 584 Difficulty: Medium AACSB: Analytic Skills

1. When the new product prototype is ready, it must be put through rigorous functional tests and customer tests. Consumer testing can take several forms, from bringing consumers into a laboratory to giving them samples to use in their homes. Consumer preferences can be measured in several ways. List the three most common ways that consumer preference is measured.

**Suggested Answer:** (1) The rank order method asks the consumer to rank the options in order of preference; (2) the paired comparison method calls for presenting pairs of items and asking the consumer which one is preferred in each pair; and (3) the monadic rating method asks the consumer to rate each product on a scale.

Page: 587 Difficulty: Hard

1. List the four methods of consumer product testing and give an indication of their relative costliness.

**Suggested Answer:** Sales wave research is the least costly method of consumer testing; simulated test marketing follows; controlled test marketing is next; and test markets round out the methods from least costly to most costly.

Pages: 588 589 Difficulty: Hard AACSB: Analytic Skills

1. The consumer adoption process focuses on the mental process through which an individual passes from first hearing about an innovation to final adoption or use of the product/service. Adopters of new products have been observed to move through five distinct stages. List and define these stages.

**Suggested Answer:** The stages are: (1) awareness, where the consumer becomes aware of the innovation but lacks information about it; (2) interest, where the consumer is stimulated to seek information about the innovation; (3) evaluation, where the consumer considers whether to try the innovation; (4) trial, where the consumer tries the innovation to improve his or her estimate of its value; and (5) adoption, where the consumer decides to make full and regular use of the innovation.

Page: 592 Difficulty: Medium AACSB: Analytic Skills

**APPLICATION QUESTIONS**

**Multiple Choice**

1. Sony used to enjoy a three year lead on new products. Today, Matsushita will copy the product within six months, leaving very little time for Sony to recoup its initial investments. This is an example of \_\_\_\_\_\_\_\_, one of the factors hindering new product development.
   1. faster required development times
   2. capital shortages
   3. cost of development
   4. fragmented markets
   5. shorter product life cycles

Answer: e Page: 571 Difficulty: Medium AACSB: Reflective Thinking

1. When Scott Paper couldn’t compete with Fort Howard Paper Co. on price for the lucrative institutional toilet tissue market, it decided to differentiate by making larger rolls of paper and providing institutional customers with free dispensers. This is an example of \_\_\_\_\_\_\_\_.
   1. incremental innovation
   2. disruptive technology
   3. fragmented markets
   4. customer driven engineering
   5. perceptual mapping

Answer: a Page: 569 Difficulty: Medium AACSB: Analytic Skills

1. When the USB memory stick was introduced, it destroyed demand for floppy disks due to its vastly superior storage capacity, cheaper price per unit of storage capacity, and more convenient size, shape, and usage. This was an example of \_\_\_\_\_\_\_\_.
   1. incremental innovation
   2. disruptive technology
   3. fragmented markets
   4. customer driven engineering
   5. perceptual mapping

Answer: b Page: 569 Difficulty: Medium AACSB: Analytic Skills

1. Your firm has a new product concept that seems to be a sure winner. You have estimated that the cost of development is $1 million, which the company does not have. As a result, this sure winner does not get out of the idea stage. This is an example of \_\_\_\_\_\_\_\_, which is one of the factors hindering new product development.
   1. shortages of new ideas
   2. cost of development
   3. faster required development times
   4. corporate culture
   5. capital shortage

Answer: e Page: 570 Difficulty: Hard AACSB: Reflective Thinking

1. When the major car companies added drink holders to the design of their cars, they were practicing \_\_\_\_\_\_\_\_, where the firm attaches high importance to incorporating customer preferences in the final designs.
   1. listening skills
   2. marketing applications
   3. implementation of customer requests
   4. customer driven engineering
   5. dual adaptation

Answer: d Page: 571 Difficulty: Medium AACSB: Reflective Thinking

1. Mountain bikes developed as a result of youngsters taking their bikes up to the top of a mountain and riding down. When the bikes broke, the youngsters began building more durable bikes and adding things such as motorcycle brakes, improved suspension, and accessories. These youngsters would be considered \_\_\_\_\_\_\_\_.
   1. product managers
   2. GO errors
   3. lead users
   4. dragalongs
   5. none of the above

Answer: c Page: 577 Difficulty: Medium AACSB: Analytic Skills

1. You have been asked to participate in an idea generating session. The moderator gives you the following directions: “List the attributes of the object in front of you (a cup), now modify each attribute by replacing each attribute with another.” You are participating in what kind of creativity techniques?
   1. Morphological analysis
   2. Mind mapping
   3. Forced relationships
   4. Attribute listing
   5. Reverse assumption analysis

Answer: d Page: 579 Difficulty: Hard AACSB: Analytic Skills

1. Combining two product ideas or concepts to create a new offering, for example, oil change/lubrication facilities with cafés, is an example of \_\_\_\_\_\_\_\_.
   1. lateral marketing
   2. internal marketing
   3. mind mapping
   4. morphological analysis
   5. forced relationships

Answer: a Page: 579 Difficulty: Hard

1. “Our product is a powdered mixture that is added to milk to make an instant breakfast that gives the person all the needed nutrition along with good taste and high convenience. The product would be offered in three flavors and would come in individual packets, six to a box, at $2.49 a box.” This is an example of \_\_\_\_\_\_\_\_.
   1. a brand concept
   2. a product concept
   3. concept testing
   4. product testing
   5. idea generating

Answer: c Page: 582 Difficulty: Medium AACSB: Reflective Thinking

1. When Tide introduces a new fragrance of laundry detergent, some consumers who buy the new fragrance switch from other Tide variants, as opposed to from other brands. The income lost on the other Tide variants is called \_\_\_\_\_\_\_\_.
   1. dragalong income
   2. incremental income
   3. disruptive income
   4. intrinsic income
   5. cannibalized income

Answer: e Page: 586 Difficulty: Hard AACSB: Analytic Skills

1. SuperToy Co. just came out with a new remote controlled motorcycle, with a special battery pack that is purchased separately. When assessing the cash flows associated with the new toy, income from the purchase of the battery pack is considered \_\_\_\_\_\_\_\_.
   1. dragalong income
   2. incremental income
   3. disruptive income
   4. intrinsic income
   5. cannibalized income

Answer: a Page: 586 Difficulty: Medium AACSB: Analytic Skills

1. The financial analysis for your new product shows that for the fist year you must sell 100,000 units at an average selling price of $10.00 in order to cover the costs of introduction, marketing, and development. The financial process used to arrive at these numbers is called \_\_\_\_\_\_\_\_.
   1. financial analysis
   2. statistical analysis
   3. covariant analysis
   4. breakeven analysis
   5. risk analysis

Answer: d Page: 586 Difficulty: Hard

1. You have been asked to try a firm’s new line of potato chips at no cost to you. Now you have been approached by the firm and asked if you would pay $1.00 per bag for these chips (regular price $1.99) or if you would prefer your regular brand of potato chips. You choose your favorite brand of chips instead. The firm then offers you the option of purchasing their chips for $.90 per bag. You are participating in a \_\_\_\_\_\_\_\_.
   1. commercialization of a new product
   2. sales wave research study
   3. controlled test market
   4. simulated test market
   5. test market

Answer: b Page: 588 Difficulty: Medium AACSB: Analytic Skills

1. Your firm has chosen a few representative cities, and the sales force tries to sell the trade on carrying the product and giving it good shelf exposure. The company puts on a full advertising and promotion campaign. Total costs exceed $1 million dollars. Your firm has decided to conduct a \_\_\_\_\_\_\_\_.
   1. simulated test market
   2. sales wave research
   3. controlled test market
   4. test market
   5. commercialization test

Answer: d Page: 589 Difficulty: Hard AACSB: Analytic Skills

1. Your company has brought in 25 consumers identified as innovators and/or heavy users of its products and is observing them as they use your new product. This test is intended to expose unanticipated problems of safety and servicing and to alert you to customer training and servicing requirements. In marketing terms, this is called \_\_\_\_\_\_\_\_.
   1. design testing
   2. alpha testing
   3. product testing
   4. regional testing
   5. beta testing

Answer: e Page: 589 Difficulty: Hard AACSB: Analytic Skills

1. When commercializing a new product, market entry timing is critical. Your firm has the distinction of being the first to market with your new product. As the first entrant in the market, your company can enjoy \_\_\_\_\_\_\_\_.
   1. market attractiveness
   2. first mover advantages
   3. parallel entry
   4. late entry
   5. brand awareness

Answer: b Page: 590 Difficulty: Hard AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ calls for developing a master chart showing the simultaneous and sequential activities that must take place to launch the product. By estimating how much time each activity takes, the planners estimate completion time for the entire project.
   1. Inventory management
   2. Innovation diffusion
   3. Critical path scheduling
   4. Product adoption
   5. Personal influence

Answer: c Page: 591 Difficulty: Medium AACSB: Analytic Skills

1. Your company is in the beginning stages of rolling out its new line of fishing gear. Targeted consumers include fishing clubs, sporting good store buyers, and subscribers to fishing magazines. In marketing terms, these prime prospects would be classified as \_\_\_\_\_\_\_\_.
   1. indirect users
   2. innovators
   3. early adopters
   4. heavy users
   5. laggards

Answer: d Page: 592 Difficulty: Medium

1. Your father in law still refuses to buy a DVD player. His rationale is that he still has a BetaMax VCR recorder in the basement that represents old technology. You inform him that videotape is an outdated technology and soon their will be no video tapes for rental or purchase. Based upon the factors influencing the adoption process, your father in law can be best described as a(n) \_\_\_\_\_\_\_\_.
   1. innovator
   2. early adopters
   3. member of the early majority
   4. member of the late majority
   5. laggard

Answer: e Page: 593 Difficulty: Easy AACSB: Analytic Skills

1. Your personal physician prides himself on being on top of the literature regarding new medicines for his patients. In fact, your doctor prides himself on being the first to prescribe new medicines to help his patients. In marketing terms, your doctor can be said to be a(n) \_\_\_\_\_\_\_\_.
   1. late majority
   2. early majority
   3. innovator
   4. laggard
   5. early adopter

Answer: e Page: 593 Difficulty: Medium

**Short Answer**

1. Fewer than 10% to 15% of all new products are truly innovative and new to the world. In producing a new to the world product, as opposed to a brand or line extension, a firm and a market face increased pressures in what two areas?

**Suggested Answer:** A firm and the marketplace face increased costs and increased risks because the product is new to both the firm and to the marketplace (consumers).

Page: 567 Difficulty: Medium AACSB: Analytic Skills

1. Companies that fail to develop new products are putting themselves at risk. Explain why this is true.

**Suggested Answer:** Their existing products are vulnerable to changing customer needs and tastes, new technologies, shortened product life cycles, and increased domestic and foreign competition.

Page: 569 Difficulty: Medium AACSB: Reflective Thinking

1. New products fail at a disturbing rate. In the United States, the failure rate is potentially as high as 95%. New products fail for many reasons. List three of the reasons why new products fail.

**Suggested Answer:** The reasons new products fail are: (1) ignoring or misinterpreting market research; (2) overestimates of market size; (3) high development costs; (4) poor design; (5) incorrect positioning; (6) ineffective advertising or wrong price; (7) insufficient distribution support; and (8) competitors who fight back.

Page: 570 Difficulty: Hard AACSB: Reflective Thinking

1. New product development can be hindered by several factors. List three of the factors hindering new product development.

**Suggested Answer:** Factors affecting or hindering new product development include: (1) shortage of important ideas in certain areas; (2) fragmented markets; (3) social and governmental constraints; (4) cost of development; (5) capital shortages; (6) shorter required development time; and (7) shorter product life cycles.

Pages: 570–571 Difficulty: Medium

1. Companies handle the organizational aspect of new product development in several ways. Some companies use product managers, others use new product managers, and others use different techniques. List two additional organizational methods .

**Suggested Answer:** Students may choose two of these three: (1) a high level management committee; (2) a new product department; and (3) venture teams.

Page: 573 Difficulty: Medium AACSB: Analytic Skills

1. 3M, Hewlett Packard, Lego, and many other companies use the stage gate system to manage the innovation process. Define the stage gate system.

**Suggested Answer:** A *stage gate system* describes the process where the new product development process is divided into “stages,” and at the end of each stage is a gate or a checkpoint. The project leader, working with a cross functional team, must bring a set of known deliverables to each gate before the project can pass to the next stage.

Page: 574 Difficulty: Hard AACSB: Analytic Skills

1. What is the open innovation movement and how has it affected the way companies go about identifying new ideas?

**Suggested Answer:** The open innovation movement is the shift away from traditional company centered product innovation to tapping outside resources for new ideas. Encouraged by this movement, many firms are increasingly tapping customers, employees, scientists, engineers, channel members, marketing agencies, top management, and even competitors for new ideas.

Page: 575 Difficulty: Medium AACSB: Reflective Thinking

1. Not everyone believes a customer focus helps to create better new products. Why might this be?

**Suggested Answer:** As Henry Ford famously said, “If I’d asked people what they wanted, they would have said a faster horse.” Customers don’t always know what they really want, or what could be possible. Relying solely on customers in innovation can result in short sighted product development and miss real potential breakthroughs because customers may not be able to conceptualize ground breaking innovations.

Page: 578 Difficulty: Hard AACSB: Reflective Thinking

1. You have been asked to participate in an idea generating session at work. You and your group have been asked to list all the normal assumptions about desk chairs and then asked to reverse them. What creative technique area you using?

**Suggested Answer:** This isreverse assumption analysis.

Page: 579 Difficulty: Medium AACSB: Analytic Skills

1. A GO error occurs when the company permits a poor idea to move into development and commercialization. Identify the three kinds of product failure that result from GO errors.

**Suggested Answer:** An absolute product failure loses money; its sales do not cover variable costs. A partial product failure loses money, but its sales cover all its variable costs and some of its fixed costs. A relative product failure yields a profit lower than the company’s target rate of return.

Page: 580 Difficulty: Medium

1. Differentiate between a product idea and a product concept.

**Suggested Answer:** A product idea is a possible product the company might offer to the market. A product concept is a more elaborated version of the idea expressed in consumer terms.

Page: 581 Difficulty: Easy AACSB: Analytic Skills

1. Concept testing entails presenting consumers with an elaborated version of the concept. Consider the scenario: “Our product is a powdered mixture that is added to milk to make an instant breakfast that gives the person all the needed nutrition along with good taste and high convenience. The product would be offered in three flavors (chocolate, vanilla, and strawberry) and would come in individual packets, six to a box, at $2.49 a box.” From this information, respondents would answer questions that would indicate what about the concept?

**Suggested Answer:** Respondents’ answers indicate whether the concept has a broad and strong consumer appeal, what products this new product competes against, and which consumers are the best targets. Additionally, the respondents’ “need gap levels” and “purchase intension levels” can be measured.

Page: 582 Difficulty: Hard

1. Define conjoint analysis and identify the reason why marketers use this concept in market testing.

**Suggested Answer:** Consumers’ preferences for alternative product concepts can be measured through *conjoint analysis,* a method for deriving the utility values that consumer attach to varying levels of a product’s attributes. The fact that marketers can note consumer’s preferences for alternatives makes this a valuable tool to marketers. Also, management can identify the most appealing offer and its estimated market share and profit.

Page: 582 Difficulty: Hard AACSB: Analytic Skills

1. How would you go about performing a risk analysis to estimate your company’s profit on a potential new product?

**Suggested Answer:** In a risk analysis, we obtain three estimates (optimistic, pessimistic, and most likely) for each uncertain variable affecting profitability, under an assumed marketing environment and marketing strategy for the planning period. A computer then simulates possible outcomes and computes a distribution showing the range of possible rates of return and their probabilities.

Page: 586 Difficulty: Medium AACSB: Analytic Skills

1. Not all companies undertake market testing. What factors influence the amount of market testing a product receives?

**Suggested Answer:** The amount of market testing is influenced by the investment cost and risk on the one hand, and the time pressure and research cost on the other. High risk products—those that create new product categories or have novel features—warrant more market testing than modified products. The amount of market testing may be severely reduced, however, if the company is under great time pressure.

Page: 588 Difficulty: Medium

1. Your company’s new pet food feeder is ready for test marketing. Define the variables that you must try to measure during the market testing.

**Suggested Answer:** The four variables are trial, first repeat, adoption, and purchase frequency.

Page: 588 Difficulty: Medium AACSB: Analytic Skills

1. In commercializing a new product, market entry timing is critical. Suppose your company has completed its development work on its new pet food feeder product but learns that a competitor is close to launching a competitive product. What three choices does the company face?

**Suggested Answer:** The company’s three choices are: first entry, parallel entry, and late entry.

Page: 590 Difficulty: Hard

1. Your search for tires for your car has identified hundreds of choices. Included in these choices were some brand names that you were unaware of or whose brand you have never heard of before but that contained some innovative features. In the adoption process, what would your next step be?

**Suggested Answer:** The next step in the adoption process would be interest, where the consumer is stimulated to seek information about the innovation (tires in this case).

Page: 592 Difficulty: Medium AACSB: Analytic Skills

1. The Apple iPod has been a new product success story the past few years. One of the reasons that the adoption process for this product was so short was due to the product’s ease of use. In marketing terminology, what term best describes the product’s ease of use?

**Suggested Answer:** The “ease of use” is best explained by the term *complexity* or the degree to whichthe innovation is difficult to understand or use.

Page: 594 Difficulty: Medium AACSB: Analytic Skills

1. The success of the cell phone is due in part to the fact that the cell phone matches the values and experiences of individuals. In the adoption process, this describes which of the processes that speeds the adoption process?

**Suggested Answer:** *Compatibility* is the degree to which the innovation matches the values and experiences of the individuals. We already knew how to use a telephone, so a cell phone was a natural extension of current knowledge.

Page: 594 Difficulty: Medium

Chapter 21: Tapping into Global Markets

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. A global industry is defined as \_\_\_\_\_\_\_\_.
   1. an industry in which the strategic positions of competitors are affected by their overall global positions
   2. an industry that operates in more than one country and captures R&D, marketing, and other financial advantages in its costs and reputation.
   3. an industry that operates in more than one country and has a strategic position in many countries
   4. a firm that operates in more than one country and has a sales and marketing staff in those countries
   5. an industry that has strategic positions in many countries but is not affected by competition

Answer: a Page: 598 Difficulty: Medium AACSB: Analytic Skills

1. A global firm is one \_\_\_\_\_\_\_\_.
   1. where the strategic positions of competitors are fundamentally affected by their overall global positions
   2. that operates in more than one country and captures R&D, production, logistical, marketing, and financial advantages not available to purely domestic competitors
   3. that operates in more than one country and has a sales and marketing staff in those countries
   4. that operates in more than one country and has a sales and marketing staff in developing countries
   5. that has strategic positions in many countries but is not affected by competition researching

Answer: b Page: 598 Difficulty: Medium AACSB: Analytic Skills

1. Global firms plan, operate, and \_\_\_\_\_\_\_\_ their activities on a worldwide basis.
   1. produce
   2. coordinate
   3. distribute
   4. price
   5. service

Answer: b Page: 598 Difficulty: Easy AACSB: Reflective Thinking

1. The major decisions in international marketing include which of the following steps?
   1. Deciding whether to go abroad
   2. Deciding which markets to enter
   3. Deciding how to enter the market
   4. Deciding on the marketing program
   5. All of the above

Answer: e Page: 600 Difficulty: Medium AACSB: Analytic Skills

1. The internationalization process has four stages. These stages include \_\_\_\_\_\_\_\_.
   1. no regular export activities
   2. export via independent representatives (agents)
   3. establishment of one or more sales subsidiaries
   4. establishment of production facilities abroad
   5. All are part of the internationalization process.

Answer: e Page: 600 Difficulty: Medium

1. Most firms initially work with a(n) \_\_\_\_\_\_\_\_ and enter a nearby or similar country.
   1. independent agent
   2. contractual export department
   3. import/export department
   4. franchisee
   5. management contract

Answer: a Page: 600 Difficulty: Easy AACSB: Analytic Skills

1. In a waterfall approach to international expansion, \_\_\_\_\_\_\_\_.
   1. countries are gradually entered sequentially
   2. countries in which the demand for the product is greatest are entered first
   3. countries in which the demand for the product is greatest are entered last
   4. countries in which the supply of raw material is greatest are entered first
   5. countries are entered based upon ease of entry

Answer: a Page: 600 Difficulty: Medium AACSB: Analytic Skills

1. In a sprinkler approach to international expansion, \_\_\_\_\_\_\_\_.
   1. countries are entered when timing is right
   2. countries are gradually entered sequentially
   3. countries in which the supply of raw material is greatest are entered first
   4. countries in which the demand for the product is greatest are entered first
   5. many countries are entered simultaneously

Answer: e Page: 600 Difficulty: Medium

1. Marketers must change their conventional marketing practices to sell their products to developing countries. One of the changes that marketers can make is to \_\_\_\_\_\_\_\_.
   1. reduce the price of the product but increase the packaging size
   2. reduce the size but keep the pricing the same
   3. reduce the price of the product but keep packaging size the same
   4. reduce the size and price of the packaging
   5. increase the price and the packaging size because these countries have never seen the product before

Answer: d Page: 602 Difficulty: Medium AACSB: Reflective Thinking

1. Regional economic integration is defined as the creation of \_\_\_\_\_\_\_\_.
   1. agreements between individual firms for the sake of commerce
   2. trading agreements between individual countries
   3. trading agreements between individual firms
   4. trading agreements between countries and firms
   5. trading agreements between blocs of countries

Answer: e Page: 603 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is one of the world’s largest single markets, with 25 member countries, a common currency, and more than 454 million consumers.
   1. NAFTA
   2. MERCOSUR
   3. The European Union
   4. APEC
   5. ASEAN

Answer: c Page: 603 Difficulty: Medium

1. NAFTA established a free trade zone between what three countries?
   1. Canada, Mexico, and South America
   2. Canada, Mexico, and Peru
   3. Mexico, South America, and the United States
   4. Canada, Mexico, and the United States
   5. Canada, Mexico, and Japan

Answer: d Page: 603 Difficulty: Medium AACSB: Analytic Skills

1. MERCOSUR is a free trade zone linking which of the following South American countries?
   1. Mexico, Japan, Brazil, Paraguay, and Venezuela
   2. Mexico, Brazil, and Paraguay
   3. Brazil, Argentina, Paraguay, and Venezuela
   4. Canada, Brazil, and Paraguay
   5. Brazil, Argentina, Paraguay, Uruguay, and Venezuela

Answer: e Page: 603 Difficulty: Medium AACSB: Analytic Skills

1. In choosing which countries to invest in, companies sometimes choose psychic proximity to their own country. Psychic proximity can best be defined as \_\_\_\_\_\_\_\_.
   1. countries in which the company feels comfortable with the language, laws, and culture
   2. countries that “mimic” the host country in terms of language and culture
   3. countries that the host country’s management team have visited
   4. countries close to the “host” country in which the company feels that they can infiltrate quickly and profitable
   5. countries close to the “host” country in which the company can easily transport their products

Answer: a Page: 605 Difficulty: Medium AACSB: Reflective Thinking

1. The five modes of entry into foreign markets generally flow by increasing commitment, risk, control, and profit potential as follows: \_\_\_\_\_\_\_\_.
   1. indirect exporting, direct exporting, licensing, joint ventures, and direct investment
   2. direct investment, licensing, direct exporting, and indirect exporting.
   3. direct investment, joint ventures, and licensing
   4. direct investment, joint ventures, licensing, and indirect exporting
   5. none of the above

Answer: a Page: 606 Difficulty: Hard AACSB: Analytic Skills

1. Domestic based export merchants \_\_\_\_\_\_\_\_.
   1. buy manufacturers’ products and then sell them abroad
   2. buy manufacturers’ products then sell them in the host country
   3. buy manufacturers’ products then find agents and customers in foreign countries
   4. seek and negotiate foreign purchases
   5. carry on exporting activities on behalf of several producers

Answer: a Page: 606 Difficulty: Hard AACSB: Analytic Skills

1. Domestic based export agents perform a valuable service for companies seeking to enter foreign markets. The primary function of these agents is to \_\_\_\_\_\_\_\_.
   1. carry on exporting activities on behalf of several producers
   2. buy the manufacturer’s products and then sell them abroad
   3. buy the manufacturer’s products then sell them in the host country
   4. seek and negotiate foreign purchases for a commission
   5. export products to foreign countries

Answer: d Page: 606 Difficulty: Medium

1. Companies prefer to enter a country \_\_\_\_\_\_\_\_.
   1. in which it possesses a competitive advantage
   2. that is low on speed to profit
   3. that is high on concentration of competitors
   4. where it can gain a dominate market share within one year of exporting
   5. where it can increase its foreign market share by 50% in one year

Answer: a Page: 606 Difficulty: Medium AACSB: Reflective Thinking

1. Indirect export has two advantages for the firm. First in involves less investment for the firm and secondly it \_\_\_\_\_\_\_\_.
   1. involves less paperwork
   2. involves less intrusion by the government
   3. involves less risk
   4. involves fewer people to manage the process
   5. involves fewer products and product lines

Answer: c Page: 606 Difficulty: Medium AACSB: Reflective Thinking

1. A company can carry on direct exporting in several ways. These include domestic based export department or division, overseas sales branch or subsidiary, traveling export sales representatives, and \_\_\_\_\_\_\_\_.
   1. foreign based distributors or agents
   2. marketing departments based in the foreign country
   3. export merchants in foreign countries
   4. export management companies
   5. none of the above

Answer: a Page: 607 Difficulty: Medium AACSB: Analytic Skills

1. Licensing is a simple way to become involved in international marketing. In licensing, the licensor issues a license to a foreign company to use a process, trademark, patent, or trade secret for a(n) \_\_\_\_\_\_\_\_.
   1. limited period of time
   2. fee or royalty
   3. exchange of information or propriety information
   4. exchange for access to the market place
   5. exchange for “their” process, trademark, patent, or secret

Answer: b Page: 607 Difficulty: Easy

1. Companies such as Hyatt sell a variation of the licensing agreement called a \_\_\_\_\_\_\_\_ to the owners of foreign hotels to manage these businesses for a fee.
   1. contract manufacturing
   2. management contracts
   3. franchising
   4. hotel management licensing
   5. none of the above

Answer: b Page: 608 Difficulty: Medium AACSB: Analytic Skills

1. In \_\_\_\_\_\_\_\_, the firm hires local manufacturers to produce the product, giving the company less control over the manufacturing process.
   1. contract manufacturing
   2. management contracts
   3. licensing
   4. franchising
   5. none of the above

Answer: a Page: 608 Difficulty: Easy AACSB: Analytic Skills

1. A company can enter a foreign market through \_\_\_\_\_\_\_\_, which is a complete form of licensing in which the company offers a complete brand concept and operating system. In return, the \_\_\_\_\_\_\_\_invests in and pays certain fees to the company.
   1. contract manufactures; licensor
   2. contract management; firm
   3. management contracts; firm
   4. joint venture; firm
   5. franchising; franchisee

Answer: e Page: 608 Difficulty: Medium

1. A joint venture may be necessary or desirable for economic or political reasons. The foreign firm might lack the \_\_\_\_\_\_\_\_, or managerial resources to undertake the venture alone.
   1. resource, competency
   2. financial, physical
   3. financial, willingness
   4. political, financial
   5. political, competency

Answer: b Page: 609 Difficulty: Medium AACSB: Reflective Thinking

1. In an adapted marketing mix, the producers \_\_\_\_\_\_\_\_ the marketing programs to each target market.
   1. reduce the importance of each element of the marketing program to adjust for cost differential between countries
   2. decide on which element of the marketing mix to change for each country and target market prior to entering the country
   3. change packaging and distribution but leave the advertising message unchanged
   4. change only one element of the marketing mix per country
   5. tailor the marketing programs to each target market.

Answer: e Page: 609 Difficulty: Medium AACSB: Analytic Skills

1. International companies must decide on how much to adapt their marketing strategy to local conditions. At one extreme are companies that use a globally standardized marketing mix worldwide. A standardized marketing mix includes \_\_\_\_\_\_\_\_.
   1. a concentric strategy that includes the product, integrated marketing communications mix, and distribution strategy
   2. standardization of the product, communication, and distribution channels, promising lowest costs
   3. changes only to the product, keeping distribution channels and marketing communications consistent across countries
   4. changing only the distribution channels to accommodate the host country
   5. changes only to the product and communication message

Answer: b Page: 609 Difficulty: Medium AACSB: Analytic Skills

1. The ultimate form of foreign involvement is direct ownership of foreign based assembly or manufacturing facilities. Advantages of direct ownership can include securing cost economies, creating jobs in the host country, and developing deeper relations with local suppliers; and the firm \_\_\_\_\_\_\_\_.
   1. retains full control over its investment
   2. reviews global outreach projections
   3. redefines the business concept
   4. reviews the successes from e commerce
   5. receives no disadvantages to direct investment

Answer: a Page: 609 Difficulty: Medium AACSB: Reflective Thinking

1. One advantage of global marketing is that it can \_\_\_\_\_\_\_\_.
   1. facilitate adaptation to foreign countries
   2. allow for the same message to be used worldwide
   3. allow for individual countries to add their specific needs to the message
   4. facilitate the evaluation of the marketing message
   5. allow for uniformity of marketing practices

Answer: e Page: 609 Difficulty: Hard AACSB: Analytic Skills

1. Hofstede identifies four cultural dimensions that can differentiate countries, including \_\_\_\_\_\_\_\_.
   1. customer relationship management versus power distances
   2. strategic management versus marketing management
   3. weak versus strong uncertainty avoidance
   4. total quality management versus JIT deliveries
   5. marketing management versus customer relationships

Answer: c Page: 610 Difficulty: Medium AACSB: Analytic Skills

1. According to Hofstede, in collectivist societies, such as Japan, \_\_\_\_\_\_\_\_.
   1. the culture is dominated by assertive individuals
   2. the self worth of the individual is rooted more in the social system than in individual achievement
   3. the culture is dominated by nurturing individuals
   4. the culture is highly egalitarian
   5. people are highly risk averse

Answer: b Page: 610 Difficulty: Medium AACSB: Multicultural/Diversity

1. According to Hofstede, cultures with low power distance are best described as \_\_\_\_\_\_\_\_.
   1. dominated by assertive individuals
   2. hierarchical
   3. egalitarian
   4. risk averse
   5. risk tolerant

Answer: c Page: 610 Difficulty: Medium AACSB: Multicultural/Diversity

1. According to Hofstede, cultures with weak uncertainty avoidance are best described as \_\_\_\_\_\_\_\_.
   1. dominated by assertive individuals
   2. hierarchical
   3. egalitarian
   4. risk averse
   5. risk tolerant

Answer: e Page: 610 Difficulty: Medium AACSB: Multicultural/Diversity

1. Most brands are adapted to some extent to reflect significant differences in \_\_\_\_\_\_\_\_, brand development, competitive forces, and the legal and political environment.
   1. consumer behavior
   2. business mission
   3. strategy
   4. programs
   5. politics

Answer: a Page: 611 Difficulty: Medium AACSB: Analytic Skills

1. Straight extension of the product means \_\_\_\_\_\_\_\_.
   1. introducing the product to the foreign market without any changes to the product
   2. introducing the product to the foreign market without major changes to the product
   3. introducing the product to the foreign market with major changes to the product
   4. introducing the product to the foreign market with no major marketing program
   5. not introducing the product to the foreign market until changes have been made

Answer: a Page: 611 Difficulty: Medium

1. Which of the following is most likely to be successful when introduced in foreign markets as a straight extension?
   1. Laundry detergent
   2. Khaki pants
   3. Dessert mixes
   4. Digital camera
   5. Condensed soup

Answer: d Page: 611 Difficulty: Medium AACSB: Analytic Skills

1. Product adaptation involves \_\_\_\_\_\_\_\_.
   1. altering the product to meet local conditions or preferences
   2. altering the product to meet minimum acceptable standards
   3. changing the product periodically
   4. upgrading the product on a periodic basis
   5. changing the product to meet competition

Answer: a Page: 612 Difficulty: Medium AACSB: Analytic Skills

1. Backward invention is \_\_\_\_\_\_\_\_.
   1. creating a new product to meet a need in another country
   2. reintroducing earlier product forms
   3. inventing products a company knows consumers will not like
   4. taking a product currently made in the home and manufacturing it on a broad scale
   5. none of the above

Answer: b Page: 613 Difficulty: Medium

1. Product invention consists of creating something new. Forward invention is \_\_\_\_\_\_\_\_.
   1. creating a new product to meet a need in another country
   2. creating a new product to meet the need in the host country
   3. understanding the differences between host and foreign country markets
   4. increasing the control over the development of new products
   5. inventing something that as yet has no “market”

Answer: a Page: 613 Difficulty: Medium AACSB: Analytic Skills

1. Companies can run the same marketing communications programs as used in the home market or change them for each local market, a process called \_\_\_\_\_\_\_\_.
   1. product communications
   2. brand communications
   3. dual adaptation
   4. marketing communications
   5. communication adaptation

Answer: e Page: 613 Difficulty: Medium AACSB: Analytic Skills

1. If a company adapts or changes both the product and the communications, the company engages in a process called \_\_\_\_\_\_\_\_.
   1. straight extension
   2. marketing communication
   3. product adaptation
   4. dual adaptation
   5. full adaptation

Answer: d Page: 613 Difficulty: Medium

1. A Gucci bag sells for $120 in Italy and $240 in the United States due to the differences in the costs of distributing the product in the two countries. This phenomenon is called a \_\_\_\_\_\_\_\_.
   1. strategic marketing pricing problem
   2. market pricing problem
   3. tactical pricing problem
   4. price escalation problem
   5. transfer pricing problem

Answer: d Page: 616 Difficulty: Medium AACSB: Analytic Skills

1. A firm that charges a price to another unit in the company sets the \_\_\_\_\_\_\_\_ price for goods that it ships to its foreign subsidiaries.
   1. original price
   2. transfer price
   3. margin price
   4. break even price
   5. customer value price

Answer: b Page: 616 Difficulty: Medium

1. Multinationals are plagued by the gray market problem. The gray market consists of \_\_\_\_\_\_\_\_.
   1. the marketing of products to older consumers
   2. branded products diverted from normal distribution channels in the country of product origin
   3. branded products diverted from one country to another
   4. products being repackaged from the intended country to a diverted country
   5. products not having full warranties by the manufacturer

Answer: b Page: 616 Difficulty: Medium AACSB: Analytic Skills

1. The price escalation problem exists for multinationals and varies from country to country; the question is: How should prices be set in different countries? Companies have three choices. One is to set a uniform price everywhere. Another is to set a market based price in each country. Finally, companies can \_\_\_\_\_\_\_\_.
   1. set a final “cost plus” price in each country
   2. set a cost based price in each country
   3. let the market dictate price/country
   4. vary the price/market/country on a daily basis to reflect consumer demand
   5. set the transfer price at marginal costs equal to marginal revenue

Answer: b Page: 616 Difficulty: Hard AACSB: Reflective Thinking

1. When companies are setting prices in different countries, the problem with setting a uniform price everywhere is that \_\_\_\_\_\_\_\_.
   1. it allows intermediaries in low price countries to reship their products to high price countries
   2. the company would earn the same profits everywhere, regardless of the cost structure
   3. this strategy might price the product out of the market in countries where costs are high
   4. this strategy would make the price too high in poor countries and not high enough in rich countries
   5. all of the above

Answer: d Page: 616 Difficulty: Medium AACSB: Analytic Skills

1. When companies are setting prices in different countries, the problem with setting a market based price in each country is that \_\_\_\_\_\_\_\_.
   1. it allows intermediaries in low price countries to reship their products to high price countries
   2. the company would earn the same profits everywhere, regardless of the cost structure
   3. this strategy might price the product out of the market in countries where costs are high
   4. this strategy would make the price too high in poor countries and not high enough in rich countries
   5. all of the above

Answer: a Page: 616 Difficulty: Medium AACSB: Analytic Skills

1. In 2000, Canadian steelmaker Stelco successfully fought dumping changes against steelmakers in Brazil and other countries. *Dumping* is defined as or occurs when \_\_\_\_\_\_\_\_.
   1. a company charges either less than its costs or less than it charges in its home market
   2. the company charges less that its costs but more than it charges in its home market
   3. the company’s pricing plans are below current domestic prices
   4. a company must increase its prices/product prior to importing the product
   5. a company unloads an excess supply of the product at the best possible prices to the consumer

Answer: a Page: 616 Difficulty: Easy

1. Various governments are watching for dumping and transfer pricing abuses and often force companies to charge the \_\_\_\_\_\_\_\_—the price charged by other competitors for the same or a similar product.
   1. gray market price
   2. implicit price
   3. arm’s length price
   4. authorized price
   5. contingent price

Answer: c Page: 616 Difficulty: Medium AACSB: Analytic Skills

1. The whole channel concept for international marketing includes the following steps: \_\_\_\_\_\_\_\_.
   1. seller to seller’s international marketing headquarters to channels between nations to channels within foreign nations to final buyers
   2. seller to marketing headquarters to channels within foreign markets to final buyers
   3. sellers to channels between nations to final buyers
   4. sellers to channels within foreign nations to final buyers
   5. sellers to international markets to channels within foreign nations to final buyers

Answer: a Page: 618 Difficulty: Hard AACSB: Analytic Skills

1. Decisions made by the seller’s international marketing headquarters in the whole channel view of distribution include \_\_\_\_\_\_\_\_.
   1. what channels to use to sell the product to end consumers
   2. how to get products to the borders of foreign nations
   3. the types of financing and risk management used when transporting products between countries
   4. how to get products from their entry point into the company to final buyers and users
   5. none of the above

Answer: a Page: 618 Difficulty: Medium

1. Decisions made by the channels within foreign nations in the whole channel view of distribution include \_\_\_\_\_\_\_\_.
   1. what channels to use to sell the product to end consumers
   2. how to get products to the borders of foreign nations
   3. the types of financing and risk management used when transporting products between countries
   4. how to get products from their entry point into the company to final buyers and users
   5. none of the above

Answer: d Page: 618 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is one of the most important functions of intermediaries in developing countries and helps perpetuate the long channels of distribution, which are a major obstacle to the expansion of retailing.
   1. Haggling
   2. Breaking bulk
   3. Risk management
   4. Transfer pricing
   5. Dual adaptation

Answer: b Page: 618 Difficulty: Medium AACSB: Reflective Thinking

1. In an increasingly connected, highly competitive global marketplace, government officials and marketers are concerned with how attitudes and beliefs about their country affect consumer and business decision making. \_\_\_\_\_\_\_\_is(are) the mental associations and beliefs triggered by a country.
   1. Corporate ownership of the firm
   2. Materials used in manufacturing
   3. Brand names and trademarks
   4. Country of origin perceptions
   5. Competitive positions in the marketplace

Answer: d Page: 619 Difficulty: Medium AACSB: Analytic Skills

1. Companies can manage their international marketing activities in three ways. These include export departments, international divisions, \_\_\_\_\_\_\_\_.
   1. or a global organization
   2. or a fixed corporate headquarters
   3. or a strong marketing department in the “host” country
   4. and local marketing efforts
   5. none of the above

## Answer: a Page: 621 Difficulty: Medium AACSB: Analytic Skills

1. An international division that is organized with regional vice presidents for North America, Latin America, Europe, and Africa is said to be a(n) \_\_\_\_\_\_\_\_.
   1. international subsidiary
   2. geographical organization
   3. world product group
   4. export department
   5. none of the above

Answer: b Page: 622 Difficulty: Easy

1. Operating units within an international division may be \_\_\_\_\_\_\_\_, each with an international vice president responsible for worldwide sales of each product group.
   1. international subsidiaries
   2. geographical organizations
   3. world product groups
   4. export departments
   5. none of the above

Answer: c Page: 622 Difficulty: Easy AACSB: Analytic Skills

1. Forces promoting global integration include \_\_\_\_\_\_\_\_.
   1. strong local preferences
   2. heterogeneous demand
   3. local standards and barriers
   4. strong consumer resistance to foreign goods
   5. capital intensive production

Answer: e Page: 622 Difficulty: Easy

1. When forces for global integration are high and forces for national responsiveness are weak, a strategy that \_\_\_\_\_\_\_\_ makes sense.
   1. segments consumers on a regional basis
   2. tailors the product on a city by city basis
   3. treats the world as a heterogeneous market
   4. treats the world as a single market
   5. customizes marketing messages to each region of the world

Answer: d Page: 622 Difficulty: Medium AACSB: Analytic Skills

1. When forces for global integration are low and forces for national responsiveness are high, a strategy that \_\_\_\_\_\_\_\_ makes sense.
   1. treats the world as a single market
   2. views the marketplace as completely homogeneous
   3. treats the world as a portfolio of national opportunities
   4. standardizes all elements of the marketing mix
   5. none of the above

Answer: c Page: 622 Difficulty: Medium AACSB: Analytic Skills

**True/False**

1. A global industry is an industry in which the strategic positions of competitors in major geographic or national markets are affected by their overall global positions.

Answer: True Page: 598 Difficulty: Easy

1. A global firm is a firm that operates in more than one country and captures R&D, production, logistical, marketing, and financial advantages not available to purely domestic competitors.

Answer: True Page: 598 Difficulty: Easy AACSB: Analytic Skills

1. Global firms, because they are targeting such a large market, must abandon niche strategies.

Answer: False Page: 599 Difficulty: Medium AACSB: Reflective Thinking

1. Major decisions to enter the international marketplace and to conduct international marketing do not include deciding on how to enter the market.

Answer: False Page: 600 Difficulty: Medium AACSB: Analytic Skills

1. Most companies would prefer to enter the international marketplace because their national markets are too small for continued growth.

Answer: False Page: 600 Difficulty: Hard

1. The internationalization process has four stages. The first stage is moving the company from no regular exports to regular export activities.

Answer: True Page: 600 Difficulty: Hard AACSB: Reflective Thinking

1. A waterfall approach to entering foreign markets is described as entering countries gradually and sequentially.

Answer: True Page: 600 Difficulty: Medium AACSB: Analytic Skills

1. More than 90% of future population growth is projected to occur in the less developed countries.

Answer: True Page: 601 Difficulty: Hard AACSB: Analytic Skills

1. Smaller packaging and lower sales prices are often critical in markets where incomes are limited.

Answer: True Page: 602 Difficulty: Medium AACSB: Multicultural/Diversity

1. Regional economic integration—the creation of trading agreements between blocs of countries—has intensified in recent years.

Answer: True Page: 603 Difficulty: Medium AACSB: Analytic Skills

1. As the EU standardizes its general trade regulations and currency, creating an economic community has created a homogeneous marketplace in Europe.

Answer: False Page: 603 Difficulty: Medium AACSB: Multicultural/Diversity

1. Once a company decides to target a particular country, it must determine the best mode of entry. Its broad choices are indirect exporting, direct exporting, licensing, joint ventures, and direct investment.

Answer: True Page: 606 Difficulty: Hard AACSB: Analytic Skills

1. Domestic based export merchants buy the manufacturer’s products and then sell them abroad.

Answer: True Page: 606 Difficulty: Easy

1. Cooperative organizations carry on exporting activities on behalf of several producers and are partly under their administrative control.

Answer: True Page: 606 Difficulty: Medium AACSB: Analytic Skills

1. Export management companies agree to manage a company’s export activities for a fee.

Answer: True Page: 606 Difficulty: Medium AACSB: Analytic Skills

1. Indirect export has two advantages. First, it involves less investment; and second, it involves less risk.

Answer: True Page: 606 Difficulty: Medium AACSB: Reflective Thinking

1. In licensing, the licensor issues a license to a foreign company to use an item of value for a fee or royalty.

Answer: True Page: 607 Difficulty: Medium

1. There are several variations of a licensing agreement. One of these that gives the licensee a complete brand concept and operating system is called franchising.

Answer: True Page: 608 Difficulty: Medium AACSB: Analytic Skills

1. Management contracts offers foreign owners the opportunity to manage businesses for a fee.

Answer: True Page: 608 Difficulty: Medium AACSB: Analytic Skills

1. Contract manufacturing gives the company less control over the manufacturing process and risks loss of potential profits on manufacturing. However, it offers a chance to start faster, with the opportunity to form a partnership or buy out the local manufacturer later.

Answer: True Page: 608 Difficulty: Easy

1. The ultimate form of foreign investment is direct ownership of foreign based assembly or manufacturing facilities.

Answer: True Page: 609 Difficulty: Easy AACSB: Analytic Skills

1. The main disadvantage of direct investment is that the firm exposes a large investment to risks such as blocked or devalued currencies, worsening markets, or expropriation.

Answer: True Page: 609 Difficulty: Medium AACSB: Reflective Thinking

1. Consumer behavior is highly consistent across different markets.

Answer: False Page: 610 Difficulty: Easy AACSB: Multicultural/Diversity

1. Straight extension means introducing the product in the foreign market without any changes to the brand.

Answer: True Page: 611 Difficulty: Medium AACSB: Analytic Skills

1. Product adaptation involves altering the product to meet local conditions or preferences.

Answer: True Page: 612 Difficulty: Easy

1. Product invention consist of creating something new. It can take two forms. Forward invention is reintroducing earlier product forms that are well adapted to a foreign country’s needs.

Answer: False Page: 613 Difficulty: Hard AACSB: Analytic Skills

1. Companies can run the same marketing communications programs as used in the home market or change them for each local market, a process called communication adaptation.

Answer: True Page: 613 Difficulty: Hard AACSB: Reflective Thinking

1. If the company adapts both the product and the communications, the company engages in dual adaptation.

Answer: True Page: 613 Difficulty: Medium AACSB: Analytic Skills

1. The use of media may require international adaptation because media availability varies from country to country.

Answer: True Page: 615 Difficulty: Medium AACSB: Reflective Thinking

1. Transfer prices can be set arbitrarily because, as an internal transaction, there are no financial implications to charging transfer prices that are too high or too low.

Answer: False Page: 616 Difficulty: Hard AACSB: Analytic Skills

1. When companies sell on the Internet, price becomes transparent, and price differentiation between countries declines.

Answer: True Page: 616 Difficulty: Medium AACSB: Reflective Thinking

1. Research has shown that gray market activity is most effectively deterred when the penalties are severe, when manufacturers are able to detect violations or mete out punishments in a timely fashion, or both.

Answer: True Page: 617 Difficulty: Medium

1. Distribution channels within countries can vary considerably.

Answer: True Page: 618 Difficulty: Easy AACSB: Reflective Thinking

1. As required levels of distribution increase, so do customer prices relative to the importer’s price.

Answer: True Page: 618 Difficulty: Medium AACSB: Analytic Skills

1. Global marketers know that buyers hold distinct attitudes and beliefs about brands or products from different countries. These country of origin perceptions do not affect consumer decision making directly or indirectly.

Answer: False Page: 620 Difficulty: Hard AACSB: Reflective Thinking

1. Attitudes toward country of origin are highly consistent over time and rarely change.

Answer: False Page: 620 Difficulty: Medium AACSB: Reflective Thinking

1. People are often ethnocentric and favorably predisposed to their own country’s products, unless they come from a less developed country.

Answer: True Page: 620 Difficulty: Medium

1. The impact of country of origin is independent of the type of product.

Answer: False Page: 620 Difficulty: Medium AACSB: Reflective Thinking

1. A firm normally gets into international marketing simply by shipping out its goods.

Answer: True Page: 622 Difficulty: Easy AACSB: Analytic Skills

1. When forces for both global integration and national responsiveness prevail to some extent, a “glocal” strategy that standardizes certain elements and localizes other elements can be the way to go.

Answer: True Page: 622 Difficulty: Medium AACSB: Analytic Skills

**Essay**

1. Most companies would prefer to remain domestic if their domestic market were large enough. Yet several factors are drawing more and more companies into the international arena. List some of these factors.

**Suggested Answer:** Some of the factors are: (1) Some foreign markets present higher profit opportunities; (2) the company needs a larger customer base to achieve economies of scale; (3) the company wants to reduce its dependence on any one market; (4)the company decides to counterattack global competitors in their home markets; and (5) customers are going abroad and require international servicing.

Page: 600 Difficulty: Hard AACSB: Reflective Thinking

1. Before making a decision to enter foreign markets, the firm must weigh several risks. List these risks.

**Suggested Answer:** These risks are: (1) The company might not understand foreign customers preferences and could fail to offer a competitively attractive product; (2) the company might not understand the foreign country’s business culture; (3) the company might underestimate foreign regulations and incur unexpected costs; (4) the company might lack managers with international experience; and (5) the foreign country might change its commercial laws, devalue its currency, or undergo a political revolution and expropriate foreign property.

Page: 600 Difficulty: Hard AACSB: Reflective Thinking

1. Outline the major decisions that a firm must undergo in making a decision to market internationally.

**Suggested Answer:** The first step is deciding whether to go abroad; the second step is deciding which markets to enter; the third step is deciding how to enter the market; the fourth step is deciding on the marketing program; and the final step is deciding on the marketing organization.

Page: 600 Difficulty: Medium AACSB: Analytic Skills

1. Regional free trade zones exist around the world. One of the oldest is the European Union, formed in 1957. Describe the purpose of the EU and discuss some of the benefits to firms engaged in trade within the European Union.

**Suggested Answer:** The EU creates a single European market by reducing barriers to the free flow of products, services, finances, and labor among member countries and develops trade policies with nonmember nations. Members in the EU have access to 454 million consumers, accounting for 23% of the world’s exports. It has a common currency, the euro monetary system.

Page: 603 Difficulty: Medium AACSB: Reflective Thinking

1. Once a company decides to target a particular country, it must determine the best mode of entry. Each of its market entry strategies involves more commitment, risk, control, and profit potential. List these market entry strategies in order from low risk to high risk.

**Suggested Answer:** The five modes of entry into foreign markets are as follows, from low risk to high risk: (1) indirect exporting; (2) direct exporting; (3) licensing;( 4) joint ventures; and (5) direct investment.

Page: 606 Difficulty: Medium AACSB: Analytic Skills

1. One of the best ways to initiate or extend export activities used to be to exhibit at an overseas trade show. With the Web, it is not even necessary to attend trade shows to show one’s wares. Explain how marketers are using the Web for international business.

**Suggested Answer:** Marketers are using the Web to attract new customers outside their home countries, to support existing customers who live abroad, to source from international suppliers, and to build global brand awareness. These companies adapt their Web sites to provide country specific content and services to their best potential international markets, ideally in the local language.

Page: 607 Difficulty: Medium AACSB: Use of IT

1. Foreign investors may join with local investors to create a joint venture. Define a joint venture and list some of the advantages and disadvantages to the firms of such a venture.

**Suggested Answer:** In a joint venture, foreign investors and local investors share ownership and control. A joint venture may be necessary or desirable for economic or political reasons. The foreign firm might lack the financial, physical, or managerial resources to undertake the venture alone; or the foreign government might require joint ownership as a condition for entry. Joint ownership has certain drawbacks. The partners might disagree over investment, marketing, or other policies. Joint ownership can also prevent a multinational company from carrying out specific manufacturing or marketing policies on a worldwide basis.

Pages: 608–609 Difficulty: Hard AACSB: Reflective Thinking

1. Most brands are adapted to some extent to reflect significant differences in consumer behavior, brand development, competitive forces, and the legal or political environment. Identify the five international product and communication strategies available to firms.

**Suggested Answer:** The five international product and communication strategies are (Figure 21.3):



Page: 611 Difficulty: Medium AACSB: Analytic Skills

1. Name the three choices that companies have for setting prices in different countries.

**Suggested Answer:** Companies have three choices for setting prices in different countries: (1) Set a uniform price everywhere; (2) set a market based price in each country; and (3) set a cost based price in each country.

Page: 616 Difficulty: Medium

1. In an increasingly connected, highly competitive global marketplace, government officials and marketers are concerned with how attitudes and beliefs about their country affect consumer and business decision makers. What is the term for this concept and what is the position of government officials and marketers?

**Suggested Answer:** *Country of origin perceptions* are the mental associations and beliefs triggered by a country. Government officials want to strengthen their country’s image to help domestic marketers who export and to attract foreign firms and investors. Markets want to use positive country of origin perceptions to sell their products and services.

Page: 619 Difficulty: Hard AACSB: Analytic Skills

**APPLICATION QUESTIONS**

**Multiple Choice**

1. A small firm has decided to enter the international market. At the present time, the firm has decided to enter only one country. What is the next step in the decision making process if the firm is to continue with its plans?
   1. Deciding on the marketing organization
   2. Deciding on the marketing program
   3. Deciding how to enter the market
   4. Deciding whether to go abroad
   5. Deciding which markets to enter

Answer: c Page: 600 Difficulty: Medium AACSB: Analytic Skills

1. Matsushita, BMW, General Electric, Benetton, and The Body Shop followed the \_\_\_\_\_\_\_\_ approach to market entry, which allows firms to carefully plan expansion and is less likely to strain human and financial resources.
   1. market attractiveness
   2. continuous
   3. born global
   4. sprinkler
   5. waterfall

Answer: e Page: 600 Difficulty: Medium

1. When Microsoft introduces a new form of Windows software, the first mover approach is preferred. Microsoft would then tend to use which form of entry strategy?
   1. Market attractiveness
   2. Continuous
   3. Born global
   4. Sprinkler
   5. Waterfall

Answer: d Page: 600 Difficulty: Hard AACSB: Analytic Skills

1. Developed nations and the prosperous parts of developing nations account for about \_\_\_\_\_\_\_\_ of the world’s population.
   1. 10%
   2. 20%
   3. 30%
   4. 40%
   5. 50%

Answer: b Page: 601 Difficulty: Hard

1. Eighty percent of consumers in emerging markets buy their products from \_\_\_\_\_\_\_\_.
   1. shopping malls
   2. big box retail outlets
   3. tiny stalls and kiosks
   4. directly from the manufacturer
   5. franchise retailers

Answer: c Page: 602 Difficulty: Hard AACSB: Multicultural/Diversity

1. Many U.S. firms prefer to sell in Canada, England, and Australia—rather than in larger markets such as German and France—because they feel more comfortable with the languages, laws, and culture, which reflect the \_\_\_\_\_\_\_\_ between these countries and the United States.
   1. straight extension
   2. coincident development
   3. psychic proximity
   4. gray market
   5. backward invention

Answer: c Page: 605 Difficulty: Medium AACSB: Analytic Skills

1. James Franks works out of Miami and buys locally produced manufacturer’s products and sells them abroad, mainly to Caribbean nations. Mr. Franks is \_\_\_\_\_\_\_\_.
   1. a domestic based export merchant
   2. a domestic based export agent
   3. a cooperative organization
   4. an export management company
   5. indirect exporting

Answer: a Page: 606 Difficulty: Hard

1. Mr. Day and Ms. Pound represent a number of producers and carry on exporting activities for each of them. As a result, Mr. Day and Ms. Pound’s firm come under the administrative control of these producers. How would you describe Mr. Day and Ms. Pound’s firm?
   1. Indirect exporters
   2. Cooperative organization
   3. Direct exporters
   4. Agents
   5. Joint venture

Answer: b Page: 606 Difficulty: Hard AACSB: Analytic Skills

1. A company can carry on direct exporting in several ways. A traveling export sales representative is \_\_\_\_\_\_\_\_.
   1. a home based sales representative that travels abroad to find business
   2. a distributor or agent who holds limited or exclusive rights to represent the company in that country
   3. a sales branch in the foreign country that handles sales and distribution there
   4. a home based department that manages exporting
   5. none of the above

Answer: a Page: 607 Difficulty: Easy AACSB: Analytic Skills

1. A company can carry on direct exporting in several ways. An overseas branch or subsidiary is \_\_\_\_\_\_\_\_.
   1. a home based sales representative that travels abroad to find business
   2. a distributor or agent who holds limited or exclusive rights to represent the company in that country
   3. a sales branch in the foreign country that handles sales and distribution there
   4. a home based department that manages exporting
   5. none of the above

Answer: c Page: 607 Difficulty: Easy

1. When Sears opened department stores in Mexico and Spain, it found qualified local manufacturers to produce many of its products. This is an example of \_\_\_\_\_\_\_\_.
   1. management contracting
   2. franchising
   3. licensing
   4. contract manufacturing
   5. straight extension

Answer: d Page: 608 Difficulty: Easy AACSB: Analytic Skills

1. Whirlpool took a 53% stake in the Dutch electronics group Philips’s white goods business to leapfrog into the European market. This is an example of a \_\_\_\_\_\_\_\_.
   1. straight extension
   2. joint venture
   3. contract manufacturing agreement
   4. license
   5. franchise

Answer: b Page: 608 Difficulty: Medium AACSB: Analytic Skills

1. Your firm has decided to enter the international market with your product called “Trema,” a new pocket organizer/cell phone combination. In your discussions about the marketing plans, your CMO has decided that no changes will be necessary in either the marketing mix or product for export. What form of marketing strategy is the CMO advocating?
   1. Collectivism
   2. Individualism
   3. Adapted marketing mix
   4. Engineering driven marketing mix
   5. Standardized marketing mix

Answer: e Page: 609 Difficulty: Hard AACSB: Reflective Thinking

1. For the launch of “Trema,” your company’s new pocket organizer/cell phone combination, the CMO has decided on no changes to either the marketing mix or the product. This introduction is described as a \_\_\_\_\_\_\_\_.
   1. design change
   2. straight extension
   3. product adaptation
   4. regional version
   5. market version

Answer: b Page: 611 Difficulty: Hard AACSB: Analytic Skills

1. Finnish cellular phone superstar Nokia customized its 6100 series phone for every major market in which it sells the product. In Asia, for example, the developers raised the ring volume so that it could be heard on the crowded Asian streets. This adaptation resulted in a \_\_\_\_\_\_\_\_.
   1. straight extension
   2. market adaptation
   3. regional version
   4. city version
   5. country version

Answer: c Page: 612 Difficulty: Hard AACSB: Reflective Thinking

1. When the National Cash Register Company reintroduced its crank operated cash registers in Latin America and Africa, it was practicing what form of invention?
   1. Backward invention
   2. Forward invention
   3. Product innovation
   4. Product invention
   5. None of the above

Answer: a Page: 613 Difficulty: Medium AACSB: Analytic Skills

1. Your firm has decided to enter the international market with your product called “Trema,” a new pocket organizer/cell phone combination. In your discussions about the marketing plans, your CMO has decided that your firm will use the same advertising program from the “home” market for the new foreign markets. Your CMO is advocating \_\_\_\_\_\_\_\_.
   1. product adaptation
   2. dual adaptation
   3. straight extension
   4. communication adaptation
   5. none of the above

Answer: e Page: 613 Difficulty: Medium AACSB: Analytic Skills

1. The “Trema” launch was a success! Now, a year later, you have been receiving calls from U.S. dealers complaining that “Trema” is available from international distributors at prices 50% less than the U.S. price. You are faced with a(n) \_\_\_\_\_\_\_\_ problem due to the international success of your product.
   1. gray market
   2. export/import problem
   3. overstock
   4. distributor relationship
   5. none of the above

Answer: a Page: 616 Difficulty: Medium AACSB: Reflective Thinking

1. Too many U.S. firms think their job is done once the product leaves the factory for the foreign country. These firms do not pay attention to how the product moves within the foreign country. There are three major links between seller and ultimate buyer in the foreign country. The first link is \_\_\_\_\_\_\_\_, where the export department or international division makes decisions on channels and other marketing mix elements.
   1. channel partners
   2. corporate headquarters
   3. seller’s international marketing headquarters
   4. advertising agencies
   5. host country corporate offices

Answer: c Page: 618 Difficulty: Hard AACSB: Analytic Skills

1. The New Zealand Way program was an initiative by the government of New Zealand to raise awareness and attract tourists by showing the dramatic landscapes featured in “The Lord of the Rings” film trilogy. This is an example of a government trying to strengthen its \_\_\_\_\_\_\_\_.
   1. country of origin perceptions
   2. international subsidiaries
   3. internationalization
   4. contract manufacturing
   5. distributor relationships

Answer: a Page: 619 Difficulty: Medium

**Short Answer**

1. Define the internationalization process’s four stages.

**Suggested Answer:** The first stage is no regular export activities; followed by export via independent representatives (agents); followed by establishment of one or more sales subsidiaries; and finally, establishment of production facilities abroad.

Page: 600 Difficulty: Medium AACSB: Analytic Skills

1. A company must decide on how many countries to enter and how fast to expand. A company’s entry strategy typically follows one of two possible approaches. What are those approaches?

**Suggested Answer:** The approaches are waterfall approach and a sprinkler approach.

Page: 600 Difficulty: Easy

1. In what political and economic ways does Brazil differ from other BRICS emerging markets.

**Suggested Answer:** Brazil differs from other emerging markets in being a full blown democracy, unlike Russia and China, and it has no serious disputes with neighbors, unlike India.

Page: 604 Difficulty: Hard AACSB: Multicultural/Diversity

1. Although the Russian economy has produced 7% annual growth in GDP, it still faces significant economic challenges. What are they?

**Suggested Answer:** The Organization for Economic Cooperation & Development cautions that economic reforms have been stagnant and ranks Russia as one of the most corrupt countries in the world. Many feel that the government under Vladimir Putin has been unpredictable and sometimes difficult to work with.

Page: 604 Difficulty: Hard AACSB: Multicultural/Diversity

1. Although India’s recent explosive economic growth has significantly expanded the market for Western goods, many challenges still exist for Western marketers there. Name a few of these challenges.

**Suggested Answer:** India still struggles with poor infrastructure and highly restrictive labor laws. Its retail channel structure, although improving, still lags. The quality of public services—education, health, provision of water—is also often lacking.

Page: 604 Difficulty: Hard AACSB: Multicultural/Diversity

1. Although the world is becoming flatter, there is still some “roundedness.” Discuss what is meant by this statement.

**Suggested Answer:** However much nations and regions integrate their trading policies and standards, each nation still has unique features. Its readiness for different products and services, and its attractiveness as a market, depend on its economic, political legal, and cultural environments.

Page: 605 Difficulty: Medium AACSB: Reflective Thinking

1. Define psychic proximity and explain why is it important for companies engaged in exporting.

**Suggested Answer:** Many U.S. firms prefer to sell in Canada, England, and Australia because they feel more comfortable with the language, laws, and culture. Companies should be careful in choosing markets according to cultural distance. Besides the fact that some very real differences exist, some potentially better markets may be overlooked.

Pages: 605–606 Difficulty: Medium AACSB: Reflective Thinking

1. When deciding where to operate internationally, it often makes sense to operate in fewer countries, with a deeper commitment and penetration in each. Identify the three criteria that companies prefer countries meet to be viable alternatives for entry.

**Suggested Answer:** In general, a company prefers to enter countries (1) that rank high on market attractiveness, (2) that are low in market risk, and (3) in which it possesses a competitive advantage.

Page: 606 Difficulty: Medium AACSB: Analytic Skills

1. The ultimate form of foreign investment is direct ownership of foreign based assembly or manufacturing facilities. Briefly describe the advantages to ownership.

**Suggested Answer:** In direct investment, the firm: (1) secures cost economies in the form of cheaper labor or raw materials; (2) strengthens its image in the host country because it creates jobs; (3) develops a deeper relationship with government and consumers in the host country; (4) retains full control over its investment; and (5) assures itself access to the market.

Page: 609 Difficulty: Hard AACSB: Reflective Thinking

1. International companies must decide how much to adapt their marketing strategy to local conditions. Identify and explain the two strategies companies can use.

**Suggested Answer:** At one end is the *standardized marketing mix*, where no changes are made to the marketing mix when entering foreign countries. At the other end is the *adapted marketing mix*,where the producer adjusts the marketing program to each target market.

Page: 609 Difficulty: Hard AACSB: Analytic Skills

1. Discuss three disadvantages of standardizing the marketing mix worldwide.

**Suggested Answer:** Standardizing the marketing mix (1) ignores differences in consumer needs, wants, and usage patterns for products; (2) ignores differences in consumer response to marketing mix elements; (3) ignores differences in brand and product development and the competitive environment; (4) ignores differences in the legal environment; (5) ignores differences in marketing institutions; and (6) ignores differences in administrative procedures. Students should identify three of these.

Page: 609 Difficulty: Medium AACSB: Reflective Thinking

1. Discuss three advantages of standardizing the marketing mix worldwide.

**Suggested Answer:** Standardizing the marketing mix (1) helps the company achieve economies of scale in production and distribution; (2) lowers marketing costs; (3) increases power and scope; (4) fosters consistency in the brand image; (5) offers the company the ability to leverage good ideas quickly and efficiently; and (6) allows for uniformity in marketing practices. Students should identify three of these.

Page: 609 Difficulty: Medium AACSB: Reflective Thinking

1. Satisfying different consumer needs and wants can require different marketing programs. Name the four cultural dimensions that differentiate countries, as identified by Hofstede.

**Suggested Answer:** Hofstede identified four cultural dimensions that differentiate countries: (1) individualism vs. collectivism; (2) high vs. low power distance; (3) masculine vs. feminine; and (4) weak vs. strong uncertainty avoidance.

Page: 610 Difficulty: Medium AACSB: Analytic Skills

1. Some types of products travel better across borders than others. What types of products are most likely to be successful as straight extensions.

**Suggested Answer:** Straight extension introduces the product in the foreign market without any changes. It has been successful with cameras, consumer electronics, and many machine tools.

Page: 611 Difficulty: Medium AACSB: Reflective Thinking

1. Product adaptation alters the product to meet local conditions or preferences. Identify four levels of adaptation.

**Suggested Answer:** There are several levels of adaptation, including regional versions, country versions, city versions, and retailer versions.

Page: 612 Difficulty: Easy AACSB: Analytic Skills

1. When companies sell their goods abroad, they face a price escalation problem. Define price escalation.

**Suggested Answer:** Depending on the added costs of transportation, tariffs, importer margin, wholesaler margin, and retailer margin, as well as the currency fluctuation risk, the product might sell for two to five times as much in another country to make the same profit margin for the manufacturer.

Page: 616 Difficulty: Medium AACSB: Analytic Skills

1. What are the choices available to companies when setting prices to avoid price escalation problems?

**Suggested Answer:** The choices are: Set a uniform price everywhere; set a market based price in each country; or set a cost based price in each country.

Page: 616 Difficulty: Medium

1. Define the gray market.

**Suggested Answer:** The gray market consists of branded products diverted from normal or authorized distributions channels in the country of product origin or across international borders.

Page: 616 Difficulty: Medium AACSB: Analytic Skills

1. How do multinationals try to prevent gray markets?

**Suggested Answer:** Multinationals try to prevent gray markets by policing the distributors, by raising their prices to lower cost distributors, or by altering the product characteristics or service warranties for different countries.

Page: 617 Difficulty: Medium AACSB: Reflective Thinking

1. U.S. manufacturers think their job is done once the product leaves the factory. These firms should pay attention to how the product moves within the foreign country. They should take a whole channel view of the problem of distributing products to the final user. Describe the whole channel concept.

**Suggested Answer:** The whole channel concept consists of: (1) a seller; (2) seller’s international marketing headquarters; (3) channels between nations; (4) channels within foreign nations; and (5) final buyers.

Page: 618 Difficulty: Medium AACSB: Analytic Skills

**Chapter 22: Managing a Holistic Marketing Organization**

**GENERAL CONCEPT QUESTIONS**

**Multiple Choice**

1. \_\_\_\_\_\_\_\_ is the appointment of teams to manage customer value building processes and break down walls between departments.
   1. Reengineering
   2. Outsourcing
   3. Benchmarking
   4. Supplier partnering
   5. Customer Partnering

Answer: a Page: 626 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is buying more goods and services from outside domestic or foreign vendors.
   1. Benchmarking
   2. Merging
   3. Globalizing
   4. Outsourcing
   5. Accelerating

Answer: d Page: 626 Difficulty: Easy

1. \_\_\_\_\_\_\_\_ is studying “best practice companies” to improve performance.
   1. Empowering
   2. Globalizing
   3. Flattening
   4. Focusing
   5. Benchmarking

Answer: e Page: 626 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is partnering with fewer but better value adding suppliers.
   1. Supplier partnering
   2. Benchmarking
   3. Customer partnering
   4. Flattening
   5. Empowering

Answer: a Page: 626 Difficulty: Easy AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is working more closely with customers to add value to their operations.
   1. Reengineering
   2. Outsourcing
   3. Customer partnering
   4. Merging
   5. Globalizing

Answer: c Page: 626 Difficulty: Easy

1. \_\_\_\_\_\_\_\_ is the acquiring or merging with firms in the same or complementary industries to gain economies of scale and scope.
   1. Merging
   2. Globalizing
   3. Accelerating
   4. Empowering
   5. Outsourcing

Answer: a Page: 626 Difficulty: Easy AACSB: Analytic Skills

1. Increasing the effort to “think global” and “act local” is known as \_\_\_\_\_\_\_\_.
   1. flattening
   2. benchmarking
   3. globalizing
   4. focusing
   5. empowering

Answer: c Page: 627 Difficulty: Easy

1. \_\_\_\_\_\_\_\_ is reducing the number of organizational levels to get closer to the customer.
   1. Flattening
   2. Globalizing
   3. Accelerating
   4. Empowering
   5. Draft the report

Answer: a Page: 627 Difficulty: Easy AACSB: Analytic Skills

1. Determining the most profitable businesses and customers and focusing on them is called \_\_\_\_\_\_\_\_.
   1. empowering
   2. focusing
   3. flattening
   4. merging
   5. outsourcing

Answer: b Page: 627 Difficulty: Easy AACSB: Analytic Skills

1. Designing the organization and setting up processes to respond more quickly to changes in the environment is called \_\_\_\_\_\_\_\_.
   1. flattening
   2. reengineering
   3. customer partnering
   4. globalizing
   5. accelerating

Answer: e Page: 627 Difficulty: Easy AACSB: Analytic Skills

1. The role of marketing in the organization is changing. Traditionally marketers have played the roles of \_\_\_\_\_\_\_\_.
   1. middlemen
   2. customers
   3. clients
   4. internal customers
   5. external consumers

Answer: a Page: 627 Difficulty: Medium AACSB: Reflective Thinking

1. Today, marketing no longer has sole ownership of customer interactions; rather marketing needs to \_\_\_\_\_\_\_\_.
   1. collect productivity data in order to bolster arguments for continued customer engagement
   2. examine customer interactions to minimize the influence of manufacturing
   3. review and consolidate customer facing responsibilities
   4. integrate all customer facing processes
   5. distribute multiple voices to customers

Answer: d Page: 627 Difficulty: Hard AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_\_ requires that everyone in the organization buy into the concepts and goals of marketing and engage in choosing, providing, and communicating customer value.
   1. Internal marketing
   2. External marketing
   3. Integrated marketing communications
   4. Sales department
   5. External relations

Answer: a Page: 627 Difficulty: Medium AACSB: Analytic Skills

1. The most common form of marketing organization consists of \_\_\_\_\_\_\_\_ reporting to a marketing vice president.
   1. a sales staff
   2. functional specialists
   3. a departmental head
   4. interns
   5. none of the above

Answer: b Page: 627 Difficulty: Medium AACSB: Analytic Skills

1. Modern marketing departments may be organized in a number of different, sometimes overlapping ways by \_\_\_\_\_\_\_\_.
   1. function, brand, product group, customer, or matrix
   2. design, brand, product, territory, or matrix
   3. matrix, brand, function, geography, or customer
   4. customer, brand, geography, or territory
   5. function, geography, product or brand, market, or matrix

Answer: e Page: 627 Difficulty: Easy

1. The main advantage of a functional marketing organization is its \_\_\_\_\_\_\_\_.
   1. ease of reporting
   2. reduced staff requirements
   3. administrative simplicity
   4. overlapping responsibilities
   5. increased work load requirements

Answer: c Page: 628 Difficulty: Medium AACSB: Reflective Thinking

1. A company selling in a national market often organizes its sales force along \_\_\_\_\_\_\_\_ lines.
   1. territory
   2. geographic
   3. psychographic profile
   4. convenience
   5. product

Answer: b Page: 628 Difficulty: Easy AACSB: Analytic Skills

1. Several companies are now adding \_\_\_\_\_\_\_\_ to support the sales efforts in high volume markets.
   1. behavior specialists
   2. consumer specialists
   3. area market specialists
   4. regional managers
   5. district managers

Answer: c Page: 629 Difficulty: Medium AACSB: Analytic Skills

1. A product management organization makes sense if \_\_\_\_\_\_\_\_.
   1. the company’s products are quite different
   2. there are very few products in the portfolio
   3. the company’s products are very similar
   4. the company’s products all meet similar customer needs
   5. all of the above

Answer: a Page: 629 Difficulty: Medium AACSB: Reflective Thinking

1. Product and brand management is sometimes characterized as a \_\_\_\_\_\_\_\_ system.
   1. hub and spoke
   2. wheel
   3. flattening organization
   4. layered organization
   5. regional

Answer: a Page: 630 Difficulty: Easy AACSB: Analytic Skills

1. The product management organization has a number of disadvantages, including \_\_\_\_\_\_\_\_.
   1. product and brand managers may lack enough authority to carry out their responsibilities
   2. short term involvement leads to short term planning and fails to build long term brand strengths
   3. fragmentation of markets makes it harder to develop a national strategy
   4. product and brand managers become experts in their product area but rarely achieve functional expertise
   5. all of the above

Answer: e Page: 630 Difficulty: Medium AACSB: Analytic Skills

1. One rationale for category management is the increasing power of the \_\_\_\_\_\_\_\_.
   1. consumer
   2. customer
   3. trade
   4. distribution partners
   5. competition

Answer: c Page: 631 Difficulty: Easy AACSB: Reflective Thinking

1. There are three types of potential product team structures. These are \_\_\_\_\_\_\_\_.
   1. vertical, triangular, and horizontal product teams
   2. vertical, horizontal, and circular product teams
   3. horizontal, vertical, and rectangular product teams
   4. horizontal, vertical, and flattened product teams
   5. vertical, rectangular, and circular product teams

Answer: a Page: 631 Difficulty: Medium

1. A brand asset management team (BAMT) \_\_\_\_\_\_\_\_.
   1. concerns itself with the brand only during the marketing audit
   2. consists of key brand managers from other companies
   3. consists of management personnel from other departments
   4. consists of top level mangers reviewing the brand during an audit
   5. consists of key representatives from functions affecting the brand’s performance

Answer: e Page: 631 Difficulty: Hard AACSB: Analytic Skills

1. When customers fall into different user groups with distinct buying preferences and practices, a \_\_\_\_\_\_\_\_ is desirable.
   1. market management organization
   2. product management organization
   3. brand management organization
   4. BAMT organization
   5. flattened organization

Answer: a Page: 631 Difficulty: Easy AACSB: Analytic Skills

1. In a \_\_\_\_\_\_\_\_, the marketing activity is organized to meet the needs of distinct customer groups rather than being focused on marketing functions, regions, or products.
   1. product centered organization
   2. brand centered organization
   3. customer management organization
   4. market centered organization
   5. brand asset organization

Answer: d Page: 631 Difficulty: Hard

1. In a \_\_\_\_\_\_\_\_, companies can organize themselves to understand and deal with individual customers rather than with the mass market or even market segments.
   1. market centered organization
   2. brand centered organization
   3. brand asset organization
   4. customer management organization
   5. product centered organization

Answer: d Page: 631 Difficulty: Medium AACSB: Analytic Skills

1. Companies that produce many products for many markets may adopt a \_\_\_\_\_\_\_\_ marketing organization.
   1. flat
   2. brand
   3. product
   4. matrix
   5. top down

Answer: d Page: 631 Difficulty: Medium

1. Under the marketing concept, \_\_\_\_\_\_\_\_ need to “think customer.”
   1. marketing departments
   2. finance departments
   3. senior managers
   4. manufacturing departments
   5. all departments

Answer: e Page: 632 Difficulty: Easy AACSB: Reflective Thinking

1. Several forces are driving companies to practice a higher level of corporate social responsibility. These include \_\_\_\_\_\_\_\_.
   1. rising customer expectations
   2. evolving employee goals and ambitions
   3. tighter government legislation
   4. investor interests
   5. all of the above

Answer: e Page: 634 Difficulty: Hard AACSB: Reflective Thinking

1. Market leaders tend to miss trends when they are risk adverse, obsessed about protecting their existing markets and physical resources, and more interested in \_\_\_\_\_\_\_\_ than innovation.
   1. profits
   2. efficiency
   3. customer loyalty
   4. customer selectivity
   5. price selectivity

Answer: b Page: 634 Difficulty: Medium AACSB: Reflective Thinking

1. Effective \_\_\_\_\_\_\_\_\_ marketing must be matched by a strong sense of ethics, values, and social responsibility.
   1. internal
   2. social
   3. external
   4. cause related
   5. ethical

Answer: a Page: 634 Difficulty: Easy AACSB: Ethical Reasoning

1. Many companies are increasingly working with public interest groups to avoid perceptions of \_\_\_\_\_\_\_\_—insincere, phony efforts to appear more environmentally sensitive than they really are.
   1. containerization
   2. decentralization
   3. greenwashing
   4. legalistic actions
   5. none of the above

Answer: c Page: 636 Difficulty: Medium AACSB: Analytic Skills

1. Raising the level of socially responsible marketing calls for a three pronged attack that relies on \_\_\_\_\_\_\_\_.
   1. proper legal, ethical, and socially responsibility behavior
   2. proper legal, ethical, and marketing communications
   3. legal, ethical, and acceptable behavior
   4. ethical, responsible, and clear behavior
   5. none of the above

Answer: a Page: 638 Difficulty: Medium AACSB: Ethical Reasoning

1. \_\_\_\_\_\_\_\_ is the importance of meeting humanity’s needs without harming future generations.
   1. Greenwashing
   2. Sustainability
   3. Social responsibility
   4. Ethical business
   5. Legal practice

Answer: b Page: 639 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ links the firm’s contributions to a designated cause to customers’ engaging directly or indirectly in revenue producing transactions with the firm.
   1. Action marketing
   2. Trade marketing
   3. Cause related marketing
   4. Social responsibility marketing
   5. Proactive marketing

Answer: c Page: 640 Difficulty: Medium AACSB: Analytic Skills

1. Cause related marketing is part of \_\_\_\_\_\_\_\_\_.
   1. action marketing
   2. corporate societal marketing
   3. socially responsible marketing
   4. trade marketing
   5. proactive marketing

Answer: b Page: 640 Difficulty: Easy AACSB: Analytic Skills

1. Clayton Christensen advocates catalytic innovators to address social sector problems. Catalytic innovators exhibit all of the following qualities EXCEPT \_\_\_\_\_\_\_\_.
   1. they create systemic social change through scaling and replication
   2. they met a need that is either overserved (because the existing solution is more complex than many people require) or not served at all
   3. they offer more complex and more costly products and services that have a higher level of performance than those of competitors
   4. they generate resources in ways that are initially unattractive to competitors
   5. they are often ignored by existing players for whom the business model is unprofitable or otherwise unattractive

Answer: c Page: 641 Difficulty: Hard AACSB: Analytic Skills

1. Some of the specific means by which cause marketing programs can build brand equity with consumers include \_\_\_\_\_\_\_\_\_.
   1. building brand awareness and enhancing brand image
   2. establishing brand credibility
   3. evoking brand feelings and creating a sense of brand community
   4. eliciting brand engagements
   5. all of the above

Answer: e Page: 642 Difficulty: Medium AACSB: Reflective Thinking

1. A successful cause marketing program can produce a number of benefits, including \_\_\_\_\_\_\_\_.
   1. increased profit margins
   2. increased brand recognition
   3. driving sales
   4. increasing the rate of return on net worth
   5. increased stock pricing

Answer: c Page: 642 Difficulty: Medium AACSB: Reflective Thinking

1. Cause marketing has a particular interested audience in civic minded \_\_\_\_\_\_\_\_.
   1. Millennial consumers
   2. baby boomers
   3. Gen Xers
   4. Gen Yers
   5. shadow boomers

Answer: a Page: 642 Difficulty: Hard AACSB: Analytic Skills

1. Some experts believe that the positive impact on a brand from cause related marketing may be lessened by \_\_\_\_\_\_\_\_\_\_.
   1. sporadic involvement with numerous causes
   2. involvement in orphan causes
   3. involvement in popular causes
   4. involvement in unpopular causes
   5. involvement in politically unacceptable causes

Answer: a Page: 644 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ is done by a nonprofit or government organization to further a cause.
   1. Issue marketing
   2. Brand marketing
   3. Causal marketing
   4. Social marketing
   5. Nonprofit marketing

Answer: d Page: 644 Difficulty: Easy AACSB: Analytic Skills

1. Choosing the right goal or objective for a social marketing program is critical. Some examples of the range of possible objectives include \_\_\_\_\_\_\_\_.
   1. cognitive campaigns, action campaigns, behavioral campaigns, value campaigns
   2. cognitive campaigns, behavioral campaigns, marketing campaigns, advertising campaigns
   3. cognitive campaigns, marketing campaigns, brand campaigns, value campaigns
   4. shock campaigns, marketing campaigns, brand campaigns, action campaigns
   5. behavioral campaigns, action campaigns, “shock” campaigns

Answer: a Page: 646 Difficulty: Hard

1. Social marketing programs designed to demotivate cigarette smoking or excessive consumption of alcohol are examples of \_\_\_\_\_\_\_\_.
   1. cognitive campaigns
   2. action campaigns
   3. behavioral campaigns
   4. value campaigns
   5. none of the above

Answer: c Page: 646 Difficulty: Medium AACSB: Analytic Skills

1. Strategy addresses the \_\_\_\_\_\_\_\_ and the \_\_\_\_\_\_\_\_\_ of marketing activities.
   1. who; how
   2. what; when
   3. what; how
   4. what; why
   5. what; who

Answer: d Page: 648 Difficulty: Medium AACSB: Reflective Thinking

1. Implementation addresses the \_\_\_\_\_\_\_\_.
   1. potential market, available markets, and target market
   2. who, where, when, and how
   3. who, when, the target market, and the price
   4. the who, the where, the consumer, and the price
   5. the who, the when, the how, and the product choices

Answer: b Page: 648 Difficulty: Medium AACSB: Reflective Thinking

1. \_\_\_\_\_\_\_\_ is the process that turns marketing plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plan’s stated objectives.
   1. Marketing implementation
   2. Marketing research
   3. Marketing management
   4. Brand management
   5. Product management

Answer: a Page: 648 Difficulty: Easy AACSB: Analytic Skills

1. The control process includes the following: \_\_\_\_\_\_\_\_.
   1. goal setting, performance measurement, performance diagnosis, corrective action
   2. goal setting, brand review, marketing audit, corrective action
   3. brand audit, control review, efficiency control, corrective action
   4. management scorecard, goal setting, marketing audit, corrective action
   5. efficiency control, strategic control, goal setting, corrective action

Answer: a Page: 649 Difficulty: Medium AACSB: Analytic Skills

1. The purpose of annual plan control is to \_\_\_\_\_\_\_\_.
   1. examine whether the planned results are being achieved
   2. examine where the company is making and losing money
   3. evaluate and improve the spending efficiency and impact of marketing expenditures
   4. examine whether the company is pursuing its best opportunities with respect to markets, products, and channels
   5. all of the above

Answer: a Page: 649 Difficulty: Medium

1. The purpose of strategic control is to \_\_\_\_\_\_\_\_.
   1. examine whether the planned results are being achieved
   2. examine where the company is making and losing money
   3. evaluate and improve the spending efficiency and impact of marketing expenditures
   4. examine whether the company is pursuing its best opportunities with respect to markets, products, and channels
   5. all of the above

Answer: d Page: 649 Difficulty: Medium AACSB: Analytic Skills

1. Marketing effectiveness rating instruments and marketing audits are approaches to \_\_\_\_\_\_\_\_.
   1. annual plan control
   2. profitability control
   3. efficiency control
   4. strategic control
   5. all of the above

Answer: d Page: 649 Difficulty: Hard AACSB: Analytic Skills

1. A \_\_\_\_\_\_\_\_\_ is an examination of a company’s marketing environment, objectives, strategies, and activities to determine problem areas and opportunities and to recommend a plan of action to improve the company’s marketing performance.
   1. marketing plan
   2. marketing management
   3. marketing audit
   4. marketing intelligence
   5. marketing metric

Answer: c Page: 656 Difficulty: Easy

1. Which of the following is an example of a distribution metric?
   1. Sales growth
   2. Spontaneous brand awareness
   3. Trial rate
   4. Stocks cover in days
   5. Repurchase rate

Answer: d Page: 650 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is the purchases from the company by its customers as a percentage of their total purchases from all suppliers of the same products.
   1. Overall market share
   2. Customer penetration
   3. Customer loyalty
   4. Customer selectivity
   5. Price selectivity

Answer: c Page: 651 Difficulty: Easy

1. \_\_\_\_\_\_\_\_ is the size of the average customer purchase from the company as a percentage of the size of the average customer purchase from an average company.
   1. Overall market share
   2. Customer penetration
   3. Customer loyalty
   4. Customer selectivity
   5. Price selectivity

Answer: d Page: 651 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_\_ is the average price charged by the company as a percentage of the average price charged by all companies.
   1. Overall market share
   2. Customer penetration
   3. Customer loyalty
   4. Customer selectivity
   5. Price selectivity

Answer: e Page: 651 Difficulty: Medium

1. The four characteristics of a marketing audit are \_\_\_\_\_\_\_\_.
   1. product orientation, market orientation, innovation orientation, productivity orientation
   2. comprehensive, systematic, independent, periodic
   3. comprehensive, systematic, periodic, corporate
   4. systematic, as needed, comprehensive, independent
   5. compartmentalized, systematic, periodic, independent

Answer: b Page: 656 Difficulty: Hard AACSB: Analytic Skills

1. Going forward, there are a number of imperatives to achieve marketing excellence. Marketing must be \_\_\_\_\_\_\_\_\_ and less departmental.
   1. holistic
   2. comprehensive
   3. integrated
   4. developed
   5. functional

Answer: a Page: 657 Difficulty: Medium AACSB: Reflective Thinking

1. One of the cardinal rules in conducting the marketing audit is that \_\_\_\_\_\_\_\_.
   1. it has to be independent
   2. it must not rely solely on company managers for data and opinions
   3. it has to be conducted periodically and comprehensively
   4. a short version of a marketing audit is satisfactory
   5. a marketing audit is not necessary except when the company is in trouble

Answer: b Page: 657 Difficulty: Hard AACSB: Reflective Thinking

**True/False**

1. Internal marketing requires that everyone in the organization buy into the concepts and goals of marketing and engage in choosing, providing, and communicating customer value.

Answer: True Page: 627 Difficulty: Medium AACSB: Analytic Skills

1. A company can have an excellent marketing department and yet fail at marketing because much depends on how other company departments view customers.

Answer: True Page: 627 Difficulty: Easy AACSB: Reflective Thinking

1. Marketing has sole ownership of customer interaction, which has existed from the very beginning, when marketers played the role of middlemen between the firm and the consumer.

Answer: False Page: 627 Difficulty: Medium AACSB: Reflective Thinking

1. The main advantage of a functional marketing organization is its administrative simplicity.

Answer: True Page: 628 Difficulty: Easy

1. A functional organization often leads to adequate planning for specific products and markets.

Answer: False Page: 628 Difficulty: Medium AACSB: Reflective Thinking

1. Companies producing a variety of products and brands often establish a product management organization.

Answer: True Page: 629 Difficulty: Medium AACSB: Analytic Skills

1. The product management organization replaces the function organization in the firm managing a variety of brands and products.

Answer: False Page: 629 Difficulty: Medium AACSB: Analytic Skills

1. A product management organization makes sense if the company’s products are quite different, or if the sheer number of products is beyond the ability of a functional organization to handle.

Answer: True Page: 629 Difficulty: Hard AACSB: Reflective Thinking

1. Product and brand management systems are sometimes characterized as a hub and spoke system.

Answer: True Page: 630 Difficulty: Easy AACSB: Analytic Skills

1. An advantage of the product and brand management system is that product and brand managers cause the company to focus on building market share rather than on building customer relationships.

Answer: False Page: 630 Difficulty: Hard AACSB: Reflective Thinking

1. A disadvantage of product and brand managers is that they become experts in their product area but rarely achieve functional expertise.

Answer: True Page: 630 Difficulty: Medium AACSB: Reflective Thinking

1. When customers fall into different user groups with distinct buying preferences and practices, a market management organization is desirable.

Answer: True Page: 631 Difficulty: Easy

1. Category management is when a company focuses on product categories to manage its brands.

Answer: True Page: 631 Difficulty: Medium AACSB: Analytic Skills

1. There are three types of potential product teams structures: vertical, triangular, and horizontal.

Answer: True Page: 631 Difficulty: Medium

1. Because the retail trade tends to think of profitability in terms of product categories, some companies are switching to a category management organizational model.

Answer: True Page: 631 Difficulty: Medium AACSB: Analytic Skills

1. To focus on key processes rather than departments, companies appoint process leaders who manage cross disciplinary teams.

Answer: True Page: 632 Difficulty: Hard AACSB: Analytic Skills

1. Many companies are beginning to realize that they are not really market and customer driven—they are product and sales driven.

Answer: True Page: 633 Difficulty: Medium

1. Although it is necessary to be customer oriented, it is not enough.

Answer: True Page: 634 Difficulty: Medium AACSB: Reflective Thinking

1. One of the problems with being seen as a socially responsible company is that it makes it difficult to attract employees, especially younger people.

Answer: False Page: 635 Difficulty: Easy AACSB: Reflective Thinking

1. Companies must adopt and disseminate a written code of ethics, build a company tradition of ethical behavior, and hold their people fully responsible for observing ethics and legal guidelines if they wish to demonstrate ethical behavior.

Answer: True Page: 638 Difficulty: Medium AACSB: Reflective Thinking

1. Raising the level of socially responsible marketing calls for a three pronged attack that relies on proper legal, ethical, and social responsibility behavior.

Answer: True Page: 638 Difficulty: Medium AACSB: Analytic Skills

1. Although salespeople are legally prohibited from saying things about their products that are not true, they may legally suggest things about competitors’ products that are not true.

Answer: False Page: 638 Difficulty: Easy AACSB: Ethical Reasoning

1. It is always easy to draw a clear line between normal marketing practice and unethical behavior.

Answer: False Page: 638 Difficulty: Medium AACSB: Ethical Reasoning

1. Investors are largely indifferent to what firms do to achieve sustainability as long as the firms are profitable.

Answer: False Page: 639 Difficulty: Medium AACSB: Analytic Skills

1. Corporate philanthropy as a whole is on the rise.

Answer: True Page: 640 Difficulty: Medium AACSB: Analytic Skills

1. The danger with cause related marketing is that it can backfire if cynical consumers question the link between the product and the cause and see the firm as self serving and exploitive.

Answer: True Page: 642 Difficulty: Medium AACSB: Reflective Thinking

1. Cash donations are the most productive contribution that businesses can make to a nonprofit or community group.

Answer: False Page: 643 Difficulty: Medium AACSB: Reflective Thinking

1. Social marketing is done by a nonprofit or government organization to further a cause.

Answer: True Page: 644 Difficulty: Easy AACSB: Analytic Skills

1. Social marketing programs designed to motivate people to donate blood or attract people for mass immunization are examples of cognitive campaigns.

Answer: False Page: 646 Difficulty: Medium

1. Social marketing programs are relatively simple; they take very little time to develop and are generally easy to implement.

Answer: False Page: 647 Difficulty: Medium AACSB: Analytic Skills

1. The actual success of the social marketing program should be evaluated in terms of the program objectives.

Answer: True Page: 647 Difficulty: Medium AACSB: Reflective Thinking

1. Companies today are less concerned with the efficiency of their marketing operations than they were in the past.

Answer: False Page: 648 Difficulty: Easy

1. The four types of marketing controls are annual plan, profitability, efficiency, and strategic.

Answer: True Page: 649 Difficulty: Medium AACSB: Analytic Skills

1. Profitability control is the prime responsibility of line and staff management.

Answer: False Page: 649 Difficulty: Hard AACSB: Analytic Skills

1. Profitability control can be approached from a product, territory, customer, segment, trade channel, or order size basis.

Answer: True Page: 649 Difficulty: Easy

1. Microsales analysis looks at specific products, territories, and so forth that failed to produce expected sales.

Answer: True Page: 650 Difficulty: Medium AACSB: Analytic Skills

1. Sometimes a market share decline is deliberately engineered to improve profits.

Answer: True Page: 651 Difficulty: Medium AACSB: Reflective Thinking

1. There is some controversy about including traceable common costs in profitability analysis because it lumps together costs that would and would not change with the scale of the marketing activity.

Answer: True Page: 655 Difficulty: Hard AACSB: Analytic Skills

1. A marketing audit is a comprehensive, systematic, internal, and periodic examination of a company’s or business units’ marketing environment.

## Answer: False Page: 656 Difficulty: Medium AACSB: Analytic Skills

1. A marketing audit only benefits a company that is in trouble. Companies in good health do not need to conduct them.

Answer: False Page: 657 Difficulty: Easy AACSB: Reflective Thinking

**Essay**

1. In response to the rapidly changing environment, companies have restructured their business and marketing practices in eleven ways. List and define five of these practices.

**Suggested Answer:** *Reengineering* is the appointment of teams to manage customer value building processes and break down walls between departments. *Outsourcing* is buying more goods and services from outside domestic or foreign vendors. *Benchmarking* is studying “best practice companies” to improve performance. *Supplier partnering* is partnering with fewer but better value adding suppliers. *Customer partnering* is working more closely with customers to add value to their operations. *Merging* is acquiring or merging with firms in the same or complementary industries to gain economies of scale and scope. *Globalizing* is increasing the effort to “think global” and “act local.” *Flattening* is reducing the number of organizational levels to get closer to the customer. *Focusing* is determining the most profitable businesses and customers and focusing on them. *Accelerating* is designing the organization and setting up processes to respond more quickly to changes in the environment. *Empowering* is encouraging and empowering personnel to produce more ideas and take more initiative.

Pages: 626–627 Difficulty: Hard AACSB: Analytic Skills

1. Characterize the functional organization of a marketing department in terms of its structure, advantages, and disadvantages.

**Suggested Answer:** The most common form of marketing organization consists of functional specialists reporting to a marketing vice president. The main advantage of a functional marketing organization is its administrative simplicity. This form can also lose its effectiveness as products and markets increase. A functional organization often leads to inadequate planning for specific products and markets.

Pages: 627–628 Difficulty: Medium AACSB: Reflective Thinking

1. Explain the product or brand management organization and list its advantages and disadvantages.

**Suggested Answer:** The product or brand management organization does not replace the functional organization, but serves as another layer of management. A product management organization makes sense if the company’s products are quite different, or if the sheer number of products is beyond the ability of a functional organization to handle. Product and brand management is sometimes characterized as a hub and spoke system. The product management organization has several advantages. The product manager can concentrate on developing a cost effective marketing mix for the product and can react more quickly to new products in the marketplace; the company’s smaller brands have a product advocate. The disadvantages are that the product managers are not given enough

authority; they become experts in their product area but rarely achieve functional expertise; the product management system is costly; and brand managers normally manage a brand only for a short time. The fragmentation of markets makes it harder to develop a national strategy; product and brand managers focus on market share and not in building customer relationships.

Pages: 629–630 Difficulty: Hard AACSB: Reflective Thinking

1. When would a firm choose to use a market management organization in bringing its products to market?

**Suggested Answer:** Many companies sell their products to differing markets. When customers fall into different user groups with distinct buying preferences and practices, *a market management organization* is desirable.

Page: 631 Difficulty: Medium AACSB: Analytic Skills

1. Many companies are beginning to realize that they are not really market and customer driven they are product and sales driven. In the attempt to transform themselves into true market driven companies, firms are required to change. Describe and explain what changes are necessary.

**Suggested Answer:** The companies will be required to develop a company wide passion for customers; organize around customer segments instead of around products; and develop a deep understanding of customers through qualitative and quantitative research. Additionally, the organization must be creative; the firm must build capability in strategic innovation and imagination. To “think customer” will require a change in job and department definitions, responsibilities, incentives, and relationships. The company that is capable of generating more and better new ideas than its competitors and watching and capitalizing on trends first will survive.

Pages: 633–634 Difficulty: Hard AACSB: Reflective Thinking

1. Identify some of the brand benefits that can accrue to a company that engages in cause marketing.

**Suggested Answer:** Consumers may develop a strong, unique bond with the firm running the cause marketing that transcends normal marketplace transactions. Specifically, cause marketing can (1) build brand awareness, (2) enhance brand image, (3) establish brand credibility, (4) evoke brand feelings, (5) create a sense of brand community, and (6) elicit brand engagement.

Page: 642 Difficulty: Hard AACSB: Analytic Skills

1. Describe and summarize the characteristics of a great marketing company.

**Suggested Answer:** Table 22.5 describes the characteristics of a great marketing company: It selects target markets in which it enjoys superior advantages; its employees are customer and market minded; there is a good working relationship between marketing and other departments; incentives are designed to lead to the right behaviors; it continuously builds and tracks customer satisfaction and loyalty; it manages a value delivery system; it is skilled at building its brand names; it is flexible in meeting customer’s varying requirements.

Page: 648 Difficulty: Hard AACSB: Analytic Skills

1. Outline and explain the four types of marketing control needed by companies, who is primarily responsible for these controls, and their overall purpose.

**Suggested Answer:** The four types of marketing control are: (1) annual plan control; top and middle management; to examine whether the planned results are being achieved; (2) profitability control; marketing controller; to examine where the company is making and losing money; (3) efficiency control; line and staff management and marketing controller; to evaluate and improve the spending efficiency and impact of marketing expenditures; and (4) strategic control, top management and marketing auditor; to examine whether the company is pursing its best opportunities with respect to markets, products, and channels. Table 22.6 outlines these controls.

Page: 649 Difficulty: Hard

1. Overall market share can be broken down into four components. List and define these components.

**Suggested Answer:** Overall market share is the product of customer penetration (percentage of all customers who buy from the company), customer loyalty (purchases from the company by its customers as a percentage of their total purchases from all suppliers of the same products), customer selectivity (size of the average customer purchase from the company as a percentage of the size of the average customer purchase from an average company), and price selectivity (average price charged by the company as a percentage of average price charged by all companies).

Page: 651 Difficulty: Medium AACSB: Analytic Skills

1. Define a marketing audit.

**Suggested Answer:** A marketing audit is a comprehensive, systematic, independent, and periodic examination of a company’s or business unit’s marketing environment, objectives, strategies, and activities, with a view to determining problem areas and opportunities and recommending a plan of action to improve the company’s marketing performance.

Page: 656 Difficulty: Medium AACSB: Analytic Skills

**APPLICATION QUESTIONS**

**Multiple Choice**

1. A company can have an excellent marketing department and yet fail at marketing. Much depends on how other company departments view customers. Only when all employees realize that their jobs are to\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_ customers does the company become an effective marketer.
   1. serve; listen; deliver
   2. create; serve; satisfy
   3. create; listen; deliver
   4. listen; create; satisfy
   5. deflect; monitor; listen

Answer: b Page: 627 Difficulty: Medium AACSB: Reflective Thinking

1. The main advantage of a functional marketing organization is \_\_\_\_\_\_\_\_.
   1. its smooth working cross departmental relationships
   2. its effectiveness in dealing with large numbers of products
   3. its encouragement of detailed planning for specific markets
   4. its administrative simplicity
   5. all of the above

Answer: d Page: 628 Difficulty: Medium AACSB: Reflective Thinking

1. You are the brand/product manager for a line of cake mixes. One of your tasks is to prepare a long range strategy for the product. Other tasks assigned to you would include \_\_\_\_\_\_\_\_.
   1. develop an annual marketing plan
   2. develop a sales forecast
   3. work with agencies to develop an advertising campaign
   4. initiate product improvements to meet changing needs
   5. all of the above

Answer: e Page: 630 Difficulty: Medium AACSB: Analytic Skills

1. Assume that your company’s products deal with individual customers rather than with mass market or even market segments. Which marketing organization would best serve your firm?
   1. A customer management organization
   2. A market centered organization
   3. A matrix organization
   4. A functional organization
   5. A brand management organization

Answer: a Page: 631 Difficulty: Medium AACSB: Reflective Thinking

1. Canon sells its fax machines to consumers, business, and government markets. As a result, it finds that a \_\_\_\_\_\_\_\_ is desirable because the market manager supervises several market development managers and market specialists.
   1. triangular product team
   2. market management organization
   3. matrix organization
   4. brand asset management team
   5. circular management team

Answer: b Page: 631 Difficulty: Medium AACSB: Reflective Thinking

1. P&G cites a number of advantages to a category management structure. This new scheme is designed to ensure that \_\_\_\_\_\_\_\_\_.
   1. all categories receive adequate resources
   2. all brand mangers compete for limited dollars
   3. all brand managers compete for the positions in the largest categories
   4. all brand managers compete for new product roll outs and launches
   5. all brand managers compete for upper level management positions

Answer: a Page: 631 Difficulty: Medium AACSB: Analytic Skills

1. Your company believes that each major brand should be run by a \_\_\_\_\_\_\_\_, consisting of key representatives from the major functions.
   1. brand asset management team
   2. product teams
   3. market management organization team
   4. market centered organization team
   5. customer management organization team

Answer: a Page: 631 Difficulty: Medium

1. The main drawback to the \_\_\_\_\_\_\_\_ is that it is costly and often creates conflicts.
   1. vertical organization
   2. horizontal organization
   3. matrix organization
   4. triangular organization
   5. BAMT

Answer: c Page: 632 Difficulty: Medium AACSB: Reflective Thinking

1. Although it’s necessary to be customer oriented, it’s not enough. The organization must also be \_\_\_\_\_\_\_\_.
   1. organized
   2. efficient
   3. profitable
   4. creative
   5. none of the above

Answer: d Page: 634 Difficulty: Medium AACSB: Analytic Skills

1. Rising customer expectations, evolving employee goals and ambitions, and tighter government legislation and pressure are driving companies to \_\_\_\_\_\_\_\_.
   1. operate leaner manufacturing facilities
   2. manage shorter supply chains
   3. operate flatter organizations
   4. practice a higher level of corporate social responsibility
   5. none of the above

Answer: d Page: 634 Difficulty: Hard AACSB: Reflective Thinking

1. In order to promote ethical cultures, companies should \_\_\_\_\_\_\_\_.
   1. disseminate a written code of ethics
   2. build a company tradition of ethical behavior
   3. hold people responsible for observing ethical and legal guidelines
   4. all of the above
   5. none of the above

Answer: d Page: 638 Difficulty: Easy AACSB: Ethical Reasoning

1. 2006 saw the highly publicized launch of (RED), a campaign created to raise awareness and money for The Global Fund by teaming with brands such as American Express, Motorola, Converse, and Gap to produce (PRODUCT)RED branded products. For these companies, this is an example of \_\_\_\_\_\_\_\_.
   1. cause related marketing
   2. social marketing
   3. sustainable business
   4. awareness marketing
   5. corporate philanthropy

Answer: a Page: 643 Difficulty: Medium AACSB: Analytic Skills

1. Cadbury’s “Sports for Schools” promotion offered sports and fitness equipment for schools in exchange for tokens. The problem was, the public and media saw a perverse incentive for children to eat more chocolate, a product associated with obesity. Cadbury’s problem can be best summarized as \_\_\_\_\_\_\_\_.
   1. consumers did not value the cause Cadbury was promoting
   2. cynical customers questioned the link between the product and the cause and saw the firm as self serving and exploitive
   3. consumers resented being sold an inferior product on the back of a cause marketing program
   4. all of the above
   5. none of the above

Answer: b Pages: 642–643 Difficulty: Medium AACSB: Reflective Thinking

1. What is the danger to a firm of limiting its cause related marketing to one particular cause?
   1. It may limit the consumers or other stakeholders who could transfer positive feelings from the cause to the firm.
   2. The cause may go out of business as a cure is found or the problem(s) is(are) eliminated.
   3. The cause may be subject to government regulations or investigations, thereby embarrassing the firm.
   4. The cause may not reach enough consumers for the firm to realize a profit from the support.
   5. The firm must cover many bases because they sell to many consumers.

Answer: a Page: 644 Difficulty: Hard

1. \_\_\_\_\_\_\_\_ measures the relative contribution of different factors to a gap in sales performance.
   1. Sales analysis
   2. Annual plan control
   3. Sales variance analysis
   4. Efficiency control
   5. Strategic control

Answer: c Page: 649 Difficulty: Medium AACSB: Analytic Skills

1. The served market is made up of \_\_\_\_\_\_\_\_.
   1. all buyers who are willing to buy the product
   2. all buyers who are able to buy the product
   3. all buyers who are aware of the product
   4. all buyers who are willing and able to buy the product
   5. all buyers who have bought the product

Answer: d Page: 650 Difficulty: Medium AACSB: Analytic Skills

1. \_\_\_\_\_\_\_ of exactly 100% means that your company is tied for the market lead. A rise means a company is gaining on its leading competitor.
   1. Overall market share
   2. Served market share
   3. Potential market share
   4. Relative market share
   5. Actual market share

Answer: d Page: 651 Difficulty: Medium

1. In response to poor performance through a particular channel, marketing management can \_\_\_\_\_\_\_\_.
   1. establish a special charge for handling orders through that channel
   2. give more promotional aid to that channel
   3. reduce the number of sales calls and the amount of advertising going to that channel
   4. abandon the weakest units in that channel
   5. all of the above

Answer: e Pages: 654–655 Difficulty: Medium AACSB: Reflective Thinking

1. Your firm has had three quarters of declining sales. You have traced the problems to distribution efficiency shortcomings. Which of the following should you track to ensure that the firm’s distribution efficiency is maximized?
   1. Logistics as a percentage of sales
   2. Percentage of sales sold on deal
   3. Before and after measures of the product’s performance
   4. Number of lost customers per quarter
   5. Costs per inquiry

Answer: a Page: 656 Difficulty: Medium AACSB: Analytic Skills

1. Going forward, there are a number of imperatives to achieving marketing excellence. For example, marketers must \_\_\_\_\_\_\_\_.
   1. create new ideas if the company is to prosper in a hypercompetitive market
   2. strive for customer insight and treat customers differently but appropriately
   3. build strong brands through performance, more than through promotion
   4. go electronic and win through building superior information and communications systems
   5. all of the above

Answer: e Page: 657 Difficulty: Hard AACSB: Reflective Thinking

**Short Answer**

1. Give an example and a flow chart for a typical functional marketing organization.

**Suggested Answer:** The most common form of marketing organization consists of functional specialists reporting to a marketing vice president, who coordinates their activities. Figure 22.1 shows a typical organizational chart.

Pages: 627–629 Difficulty: Medium AACSB: Analytic Skills

1. Discuss BAMT.

**Suggested Answer:** BAMT stands for *brand asset management team* and it consists of key representatives from major functions affecting the brand’s performance.

Page: 631 Difficulty: Medium

1. When would a firm prefer a market management organization?

**Suggested Answer:** When customers fall into different user groups with distinct buying preferences and practices, a market management organization is desirable.

Page: 631 Difficulty: Medium AACSB: Analytic Skills

1. Define a category management organization.

**Suggested Answer:** A category management organization is where a company focuses on product categories to manage its brands.

Page: 631 Difficulty: Easy

1. What are the two tasks specific to the CMO (chief marketing officer) with regards to relations with the other functional business departments?

**Suggested Answer:** The CMO has two tasks: (1)to coordinate the company’s internal marketing activities and (2) to coordinate marketing with finance, operations, and other company functions to serve the customer

Page: 632 Difficulty: Medium AACSB: Analytic Skills

1. Several forces are driving companies to practice corporate social responsibility. List and describe these forces.

**Suggested Answer:** The forces of rising customer expectations, evolving employee goals and ambitions, tighter government legislation and pressures, investor interest in social criteria, and changing business procurement practices all contribute to rising corporate responsibility.

Page: 634 Difficulty: Hard AACSB: Reflective Thinking

1. What is “greenwashing”?

**Suggested Answer:** Greenwashing is insincere, phony efforts by companies to appear more environmentally sensitive than they really are.

Page: 636 Difficulty: Medium AACSB: Analytic Skills

1. Corporate philanthropy can pose problems even when done with the best intentions. How so?

**Suggested Answer:** Good deeds can be overlooked—even resented—if the company is seen as exploitive or fails to live up to a “good guys” image.

Page: 639 Difficulty: Easy AACSB: Reflective Thinking

1. Define cause related marketing.

**Suggested Answer:** Cause related marketing links the firm’s contributions to a designated cause to customers’ engaging directly or indirectly in revenue producing transactions with the firm.

Page: 640 Difficulty: Medium AACSB: Analytic Skills

1. A successful cause marketing program can product a number of benefits of the firm. List some of these benefits.

**Suggested Answer:** Some of the benefits are: improving social welfare; creating differentiated brand positioning; building strong consumer bonds; enhancing the company’s public image with government officials; creating a reservoir of goodwill; boosting internal morale and galvanizing employees; and driving sales.

Page: 642 Difficulty: Medium AACSB: Reflective Thinking

1. Compare and contrast the differences between cause related marketing and social marketing.

**Suggested Answer:** Cause related marketing supports a cause. Social marketing by nonprofit or government organizations furthers a cause.

Page: 644 Difficulty: Medium

1. Give an example of a cognitive social marketing campaign.

**Suggested Answer:** Cognitive campaigns try to educate and inform people. A cognitive campaign might explain the nutritional value of different foods or the importance of conservation.

Page: 646 Difficulty: Medium AACSB: Reflective Thinking

1. Identify three key success factors in developing and implementing a social marketing program.

**Suggested Answer:** Students may choose three of the following key success factors presented in the text: (1) Study the literature and previous campaigns; (2) choose target markets that are most ready to respond; (3) promote a single, doable behavior in clear, simple terms; (4) explain the benefit in compelling terms; (5) make it easy to adopt the behavior; (6) develop attention grabbing messages and media; and (7) consider an education entertainment approach.

Pages: 646–647 Difficulty: Medium AACSB: Analytic Skills

1. Define marketing implementation.

**Suggested Answer:** Marketing implementation is the process that turns marketing plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plan’s stated objectives.

Page: 648 Difficulty: Medium

1. What is the purpose of profitability control?

**Suggested Answer:** The purpose of profitability control is to examine where the company is making and losing money.

Page: 649 Difficulty: Easy AACSB: Analytic Skills

1. Give three examples of approaches to annual plan control.

**Suggested Answer:** Marketers can approach annual plan control through sales analysis, market share analysis, sales to expense ratios, financial analysis, and market based scorecard analysis. Students should list three of these.

Page: 649 Difficulty: Medium AACSB: Analytic Skills

1. Explain how to calculate a company’s rate of return on net worth.

**Suggested Answer:** Rate of return on net worth is calculated as follows:



Page: 652 Difficulty: Hard AACSB: Analytic Skills

1. What are the three types of costs a company might incur? How do they differ?

**Suggested Answer:** Direct costs are costs that we can assign directly to the proper marketing entities, such as materials costs and sales force salaries. Traceable common costs are incurred indirectly but can be attributed on a plausible basis to various marketing entities, such as rent expenses. Nontraceable common costs are costs whose assignments are highly arbitrary, such as “corporate image” expenditures.

Page: 655 Difficulty: Hard

1. Full costing allocates nontraceable common costs to marketing entities and has three major weaknesses. What are they?

**Suggested Answer:** Full costing has three major weaknesses: (1) The relative profitability of different marketing entities can shift radically when we replace one arbitrary way to allocate nontraceable common costs by another; (2) the arbitrariness demoralizes mangers, who feel their performance is judged adversely; and (3) the inclusion of nontraceable common costs could weaken efforts at real cost control.

Page: 655 Difficulty: Medium AACSB: Analytic Skills

1. Identify the four characteristics of a marketing audit.

**Suggested Answer:** A marketing audit should be: (1) comprehensive—the marketing audit covers all the major marketing activities of a business; (2) systematic—the marketing audit is an orderly examination of the organization’s macro and micromarketing environments, marketing objectives and strategies, marketing systems, and specific activities; (3) independent—a marketing audit can be conducted in six ways: self audit; audit from across, audit from above, company auditing office, company task force audit, and outsider audit; and (4) periodic—marketing audits are typically initiated only after sales have turn down, sales force morale has fallen, and other problems have occurred.

Pages: 656–657 Difficulty: Hard AACSB: Analytic Skills