Chapter 4  Managing Marketing Information to Gain Customer Insights

1) Despite the data glut that marketing managers receive, they frequently complain that they lack _______.
   A) enough information of the right kind
   B) timely information
   C) accurate information
   D) reliable information
   E) valid information
   Answer:  A
   Diff: 2       Page Ref: 100
   AACSB:  Communication
   Skill:  Concept
   Objective:  4-1

2) Which of the following statements is NOT true regarding information collected for marketers?
   A) Many managers lack information of the right kind.
   B) Most managers do not need more information.
   C) Most managers need better information.
   D) Many managers are burdened by data overload.
   E) Managers have enough of the right information.
   Answer:  E
   Diff: 3       Page Ref: 100
   AACSB:  Communication
   Skill:  Concept
   Objective:  4-1

3) A marketing information system (MIS) consists of people and procedures to assess information needs, _______, and help decision makers analyze and use the information.
   A) experiment to develop information
   B) test market the information
   C) develop the needed information
   D) critique the needed information
   E) question the needed information
   Answer:  C
   Diff: 1       Page Ref: 101
   AACSB:  Communication
   Skill:  Concept
   Objective:  4-1
4) A good MIS balances the information users would ________ against what they really ________ and what is ________.
   A) need; like; feasible
   B) like; can afford; needed
   C) like to have; need; feasible to offer
   D) need; can afford; useful
   E) use; have to use; available
   Answer: C
   Diff: 3          Page Ref: 102  
   Skill: Concept  
   Objective: 4-2

5) Marketers must weigh carefully the costs of additional information against the ________ resulting from it.
   A) organization
   B) benefits
   C) creativity
   D) ethical issues
   E) cost
   Answer: B  
   Diff: 1          Page Ref: 102  
   Skill: Concept  
   Objective: 4-2

6) Four common sources of internal data include the accounting department, operations, the sales force, and the ________.
   A) owners
   B) stockholders
   C) marketing department
   D) competition
   E) Web
   Answer: C
   Diff: 2          Page Ref: 103  
   AACSB: Communication  
   Skill: Concept  
   Objective: 4-2
7) Marketing information from which type of database usually can be accessed more quickly and cheaply than other information sources?
   A) external  
   B) LexisNexis  
   C) Dun & Bradstreet's  
   D) internal  
   E) Hoover's  
   Answer: D  
   Diff: 1 Page Ref: 103  
   AACSB: Use of IT  
   Skill: Concept  
   Objective: 4-2  

8) ________ is the systematic collection and analysis of publicly available information about consumers, competitors, and developments in the marketing environment.
   A) Marketing data  
   B) Marketing intelligence  
   C) Sales management  
   D) Customer intelligence  
   E) Competitive intelligence  
   Answer: B  
   Diff: 1 Page Ref: 103  
   Skill: Concept  
   Objective: 4-2  

9) Which of the following statements regarding marketing intelligence is true?
   A) The advantage of using competitive intelligence is negligible.  
   B) All marketing intelligence is available for free.  
   C) Marketing intelligence relies upon privately held information.  
   D) Marketing intelligence relies upon publicly available information.  
   E) Marketing intelligence gathering is more focused on gaining insights into consumer activities than competitors' activities.  
   Answer: D  
   Diff: 2 Page Ref: 103  
   Skill: Concept  
   Objective: 4-2  

10) Which of the following is NOT considered a source of marketing intelligence?
    A) suppliers  
    B) resellers  
    C) key customers  
    D) causal research  
    E) activities of competitors  
    Answer: D  
    Diff: 2 Page Ref: 104  
    Skill: Concept  
    Objective: 4-2
11) Which of the following is NOT a potential source for marketing intelligence?
A) looking through competitors' garbage
B) purchasing competitors' products
C) monitoring competitors' sales
D) collecting primary data
E) talking with purchasing agents
Answer: D
Diff: 2 Page Ref: 104
Skill: Concept
Objective: 4-2

12) Through which of these sources of information is a competitor LEAST likely to reveal intelligence information?
A) annual reports
B) trade show exhibits
C) Web pages
D) press releases
E) internal marketing conferences
Answer: E
Diff: 1 Page Ref: 104-105
AACSB: Communication
Skill: Concept
Objective: 4-2

13) To combat marketing intelligence efforts by competitors, Unilever Corporation is now providing ________ to employees.
A) competitive intelligence training
B) privacy blocks
C) protection
D) less information
E) a code of ethics
Answer: A
Diff: 2 Page Ref: 105
Skill: Concept
Objective: 4-2
14) Which of the following is an example of a free online database that a company could access in order to develop marketing intelligence?
A) LexisNexis
B) ProQuest
C) Dialog
D) the U.S. Security and Exchange Commission's database
E) Hoover's
Answer: D
Diff: 2 Page Ref: 104-105
AACSB: Use of IT
Skill: Concept
Objective: 4-2

15) ________ is the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization.
A) The marketing information system
B) Marketing intelligence
C) Marketing research
D) Competitive intelligence
E) Causal research
Answer: C
Diff: 1 Page Ref: 105
Skill: Concept
Objective: 4-3

16) What is the first step in the marketing research process?
A) developing a marketing information system
B) defining the problem and research objectives
C) developing the research plan for collecting information
D) implementing the research plan
E) hiring an outside research specialist
Answer: B
Diff: 2 Page Ref: 105
Skill: Concept
Objective: 4-3
17) Which step in the four-step marketing research process has been left out of the following list: defining the problems and research objectives, implementing the research plan, and interpreting and reporting the findings?
A) developing the research budget
B) choosing the research agency
C) choosing the research method
D) developing the research plan
E) comparing and contrasting primary and secondary data
Answer: D
Diff: 2 Page Ref: 105
Skill: Concept
Objective: 4-3

18) Causal research is used to __________.
A) test hypotheses about cause-and-effect relationships
B) gather preliminary information that will help define problems
C) uncover information at the outset in an unstructured way
D) describe marketing problems or situations
E) quantify observations that produce insights unobtainable through other forms of research
Answer: A
Diff: 1 Page Ref: 106
Skill: Concept
Objective: 4-3

19) Managers often start with ________ research and later follow with ________ research.
A) exploratory; causal
B) descriptive; causal
C) descriptive; exploratory
D) causal; descriptive
E) causal; exploratory
Answer: A
Diff: 3 Page Ref: 106
Skill: Concept
Objective: 4-3

20) Your colleague is confused about using the marketing research process, as he knows that something is wrong but is not sure of the specific causes to investigate. He seems to be having problems with ________, which is often the hardest step to take.
A) developing the research plan
B) determining a research approach
C) defining the problem and research objectives
D) selecting a research agency
E) C and D
Answer: C
Diff: 2 Page Ref: 106
Skill: Concept
Objective: 4-3
21) The objective of ______ research is to gather preliminary information that will help define the problem and suggest hypotheses.
A) exploratory  
B) descriptive  
C) causal  
D) primary  
E) secondary  
Answer: A  
Diff: 1  Page Ref: 106  
Skill: Concept  
Objective: 4-3

22) In the second step of the marketing research process, research objectives should be translated into specific _______.
A) marketing goals  
B) information needs  
C) dollar amounts  
D) research methods  
E) information sources  
Answer: B  
Diff: 1  Page Ref: 106  
Skill: Concept  
Objective: 4-3

23) Secondary data consists of information _______.
A) that already exists somewhere but is outdated  
B) that does not currently exist in an organized form  
C) that already exists but was collected for a different purpose  
D) used by competitors  
E) that researchers can only obtain through surveys and observation  
Answer: C  
Diff: 1  Page Ref: 107  
Skill: Concept  
Objective: 4-3

24) Information collected from online databases is an example of _______ data.
A) primary  
B) secondary  
C) observational  
D) experimental  
E) ethnographic  
Answer: B  
Diff: 2  Page Ref: 107  
AACSB: Use of IT  
Skill: Concept  
Objective: 4-3
25) Which form of data below can usually be obtained more quickly and at a lower cost than the others?
A) primary
B) survey research
C) experimental research
D) secondary
E) observational research
Answer: D
Diff: 2 Page Ref: 108
Skill: Concept
Objective: 4-3

26) Secondary data are ________.
A) collected mostly via surveys
B) expensive to obtain
C) never purchased from outside suppliers
D) always necessary to support primary data
E) not always very usable
Answer: E
Diff: 2 Page Ref: 109
Skill: Concept
Objective: 4-3

27) Your assistant wants to use secondary data exclusively for the current research project. You advise him that the use of secondary data has some potential problems. Which of the following is NOT one of them?
A) It may not exist.
B) It may not be relevant.
C) It is generally more expensive to obtain than primary data.
D) It may not be current.
E) It may not be impartial.
Answer: C
Diff: 3 Page Ref: 109
Skill: Concept
Objective: 4-3

28) For primary data to be useful to marketers, it must be relevant, current, unbiased, and ________.
A) complete
B) accurate
C) inexpensive
D) collected before secondary data
E) experimental
Answer: B
Diff: 2 Page Ref: 109
Skill: Concept
Objective: 4-3
29) Which method could a marketing researcher use to obtain information that people are unwilling or unable to provide?
A) observational
B) survey
C) questionnaire
D) focus groups
E) personal interviews
Answer: A
Diff: 2 Page Ref: 109
AACSB: Communication
Skill: Concept
Objective: 4-3

30) Ethnographic research ________.
A) comes from traditional focus groups
B) is gathered where people live and work
C) provides secondary data
D) is most popular in the service sector
E) provides data to marketers when observation is impossible
Answer: B
Diff: 2 Page Ref: 110
AACSB: Communication
Skill: Concept
Objective: 4-3

31) Survey research, though used to obtain many kinds of information in a variety of situations, is best suited for gathering ________ information.
A) interpersonal
B) causal
C) exploratory
D) descriptive
E) creative
Answer: D
Diff: 2 Page Ref: 110
AACSB: Communication
Skill: Concept
Objective: 4-3
32) Fredia Pellerano has just discovered the major advantage of survey research. She reports to her supervisor that the major advantage is its ________.
A) flexibility
B) interactive design
C) ease and speed to complete
D) duplicability
E) simplicity
Answer: A
Diff: 2 Page Ref: 111
AACSB: Communication
Skill: Concept
Objective: 4-3

33) Survey research is least likely to be conducted through which of the following?
A) the Web
B) the mail
C) the telephone
D) in person
E) observation
Answer: E
Diff: 2 Page Ref: 111
AACSB: Communication
Skill: Concept
Objective: 4-3

34) Experimental research is best suited for gathering ________ information.
A) exploratory
B) causal
C) interactive
D) preferential
E) descriptive
Answer: B
Diff: 2 Page Ref: 111
AACSB: Communication
Skill: Concept
Objective: 4-3
35) Observational research is best suited for gathering ________ information.
A) exploratory
B) causal
C) interactive
D) preferential
E) descriptive
Answer: A
Diff: 3 Page Ref: 111
AACSB: Communication
Skill: Concept
Objective: 4-3

36) Which of the following is true of ethnographic research?
A) It is conducted within traditional focus groups.
B) It provides greater insight into customer behavior than interviews do.
C) It provides researchers with secondary data.
D) It is most popular in the service sector.
E) It is a research option when observation is not possible.
Answer: B
Diff: 3 Page Ref: 109
Skill: Concept
Objective: 4-3

37) ABC Company has decided to use mail questionnaires to collect data. Management recognizes this method has all the following advantages EXCEPT which one?
A) low cost per respondent
B) may encourage more honest answers
C) has an average response rate
D) no interviewer to bias respondents' answers
E) can collect large amounts of information
Answer: C
Diff: 3 Page Ref: 111
AACSB: Communication
Skill: Concept
Objective: 4-3

38) Which of the following contact methods has the poorest response rate?
A) mail
B) telephone
C) personal
D) online
E) individual
Answer: A
Diff: 2 Page Ref: 111
AACSB: Communication
Skill: Concept
Objective: 4-3
39) Which of the following has the highest rating for speed of data collection and compilation?
A) open-ended questionnaires
B) personal interviews
C) mail surveys
D) Internet surveys
E) ethnographic research
Answer: D
Diff: 2 Page Ref: 111
AACSB: Use of IT
Skill: Concept
Objective: 4-3

40) Which of the following is NOT a disadvantage of telephone interviews?
A) They are more expensive to conduct than mail questionnaires.
B) Interviewer bias is introduced.
C) Under time pressures, some interviewers might cheat.
D) Interviewers can explain some questions and probe more deeply on others.
E) Potential respondents may refuse to participate.
Answer: D
Diff: 3 Page Ref: 112
AACSB: Communication
Skill: Concept
Objective: 4-3

41) Which of the following contact methods is generally the LEAST flexible?
A) mail
B) telephone
C) Internet surveys
D) online panels
E) personal
Answer: A
Diff: 2 Page Ref: 111
AACSB: Communication
Skill: Concept
Objective: 4-3
42) Which form of marketing research is flexible, allows for explanation of difficult questions, and lends itself to showing products and advertisements?
A) individual interviewing
B) Internet surveys
C) telephone surveys
D) ethnographic research
E) observational research
Answer: A
Diff: 2  Page Ref: 112
AACSB: Communication
Skill: Concept
Objective: 4-3

43) A consumer is most likely to be paid a small fee for participating in which of the following?
A) a telephone interview
B) a mail-in survey
C) an Internet survey
D) a focus group interview
E) an observational interview
Answer: D
Diff: 2  Page Ref: 112
Skill: Concept
Objective: 4-3

44) Focus group interviewing has become one of the major marketing research tools for getting insight into consumer thoughts and feelings. However, if the sample size is too small, it is likely to be difficult to ________.
A) find enough secondary data to support the findings
B) orchestrate cooperation among participants
C) encourage honest responses to questions
D) generalize from the results
E) find a representative sample
Answer: D
Diff: 2  Page Ref: 112
Skill: Concept
Objective: 4-3
45) Which of the following is a disadvantage of online focus groups?
A) Participants must be in a central location.
B) The Internet format can restrict respondents' expressiveness.
C) Results take longer to tabulate and analyze.
D) The cost of online focus groups is greater than that of most other qualitative research methods.
E) The format of focus groups can be varied.
Answer: B
Diff: 2 Page Ref: 114
AACSB: Use of IT
Skill: Concept
Objective: 4-3

46) Which of the following is NOT an advantage of Web-based research?
A) speed
B) low costs
C) almost instantaneous results
D) control over who respondents are
E) ease of administration
Answer: D
Diff: 2 Page Ref: 115
AACSB: Use of IT
Skill: Concept
Objective: 4-3

47) Del Monte has created an ________ called "I Love My Dog"; this online community allows company-selected dog enthusiasts to complete product-related polls, chat with product developers, and provide feedback about specific products.
A) online experiment
B) online social network
C) Internet survey
D) immersion group
E) expert panel
Answer: B
Diff: 2 Page Ref: 116-117
AACSB: Use of IT
Skill: Concept
Objective: 4-3
48) Marketing researchers usually draw conclusions about large groups of consumers by studying a small ________ of the total consumer population.
A) group
B) target group
C) population
D) sample
E) audience
Answer: D
Diff: 1 Page Ref: 115
Skill: Concept
Objective: 4-3

49) You generally need to ask three questions when developing a sampling plan. Which of the questions below is one of these three?
A) Who should be left out of the sample (sampling exclusion)?
B) How should we contact the sample (sampling approach)?
C) Why should respondents by selected (sampling justification)?
D) How should participants be chosen (sampling procedure)?
E) none of the above
Answer: D
Diff: 3 Page Ref: 116
Skill: Concept
Objective: 4-3

50) What is a major drawback of probability sampling?
A) It can be time consuming.
B) The sampling error cannot be measured.
C) The most difficult population from which to obtain information is chosen.
D) Everyone has an equal chance of selection.
E) Marketers must rely on the judgment of the researcher in respondent selection.
Answer: A
Diff: 3 Page Ref: 116
Skill: Concept
Objective: 4-3

51) What are the two main types of research instruments used to collect primary data?
A) surveys and samples
B) questionnaires and mechanical devices
C) focus groups and online databases
D) online panels and experiments
E) personal interviews and online marketing research
Answer: B
Diff: 1 Page Ref: 118
Skill: Concept
Objective: 4-3
52) The most common research instrument used is the _______.  
A) mechanical device  
B) live interviewer  
C) questionnaire  
D) focus group  
E) people meter  
Answer: C  
Diff: 2 Page Ref: 118  
Skill: Concept  
Objective: 4-3

53) In marketing research, the ______ phase is generally the most expensive and most subject to error.  
A) exploratory research  
B) planning  
C) interpreting the findings  
D) reporting the findings  
E) data collection  
Answer: E  
Diff: 2 Page Ref: 119  
Skill: Concept  
Objective: 4-3

54) AMF Research Group must guard against problems during the implementation phase of marketing research for its clients. Which of the following is NOT a problem that should be anticipated during this phase?  
A) contacting respondents  
B) respondents who give biased answers  
C) interviewers who take shortcuts  
D) interpreting and reporting the findings  
E) interviewers who make mistakes  
Answer: D  
Diff: 2 Page Ref: 119  
Skill: Concept  
Objective: 4-3
55) Typically, customer information is buried deep in separate databases, plans, and records of many different company functions and departments. To overcome such problems, which of the following should you try?
A) customer satisfaction management
B) more sophisticated hardware
C) customer relationship management
D) decreased marketing intelligence
E) a marketing information system
Answer: C
Diff: 1 Page Ref: 120
Skill: Concept
Objective: 4-4

56) Which of the following is true about customer relationship management (CRM)?
A) It relies on information produced through primary research.
B) Its aim is to maximize profit margins.
C) Its aim is to increase the efficiency of each customer touchpoint.
D) Its aim is to maximize customer loyalty.
E) Most companies who first implemented CRM have greatly benefited from the results.
Answer: D
Diff: 2 Page Ref: 120
AACSB: Communication
Skill: Concept
Objective: 4-4

57) What is the purpose of a data warehouse?
A) to organize internal and external data by relevance
B) to gather and integrate information a company already has
C) to interpret data
D) to analyze data
E) to identify and discard outdated data
Answer: B
Diff: 2 Page Ref: 120
AACSB: Use of IT
Skill: Concept
Objective: 4-4
58) In CRM, findings about customers discovered through ________ techniques often lead to marketing opportunities.
A) data warehousing  
B) data mining  
C) customer strategy  
D) customer loyalty management  
E) value network  
Answer: B  
Diff: 2 Page Ref: 120  
AACSB: Use of IT  
Skill: Concept  
Objective: 4-4  

59) What source of marketing information provides those within the company ready access to research information, stored reports, shared work documents, contact information for employees and other stakeholders, and more?
A) an intranet  
B) an extranet  
C) the Internet  
D) marketing research  
E) marketing intelligence  
Answer: A  
Diff: 2 Page Ref: 122  
AACSB: Use of IT  
Skill: Concept  
Objective: 4-3  

60) Marketing information is only valuable when it is used to ________.
A) simplify management's job  
B) identify a target market  
C) please shareholders  
D) increase efficiencies in the supply chain  
E) make better marketing decisions  
Answer: E  
Diff: 2 Page Ref: 122  
Skill: Concept  
Objective: 4-4
61) When managers use small convenience samples such as asking customers what they think or inviting a small group out to lunch to get reactions, they are using ________.
A) experiments
B) informal surveys
C) observation
D) marketing intelligence
E) direct marketing
Answer: B
Diff: 2       Page Ref: 123
AACSB: Communication
Skill: Concept
Objective: 4-5

62) Small organizations can obtain, with minimal effort, most of which type of data available to large businesses?
A) observational
B) experimental
C) touch point
D) primary
E) secondary
Answer: E
Diff: 2       Page Ref: 123
Skill: Concept
Objective: 4-5

63) You have been asked to locate secondary data for your small organization's research needs. Which of the following is NOT a common source for this type of research?
A) the local chamber of commerce
B) the U.S. Census Bureau
C) competitors' Web sites
D) online surveys
E) the Bureau of Economic Analysis
Answer: D
Diff: 2       Page Ref: 123
Skill: Concept
Objective: 4-5
64) The availability of which of the following is most problematic in international marketing research?
A) primary data  
B) research specialists  
C) secondary data  
D) intelligence limitations  
E) consumers willing to answer survey questions  
Answer: C  
Diff: 2  Page Ref: 124  
AACSB: Multicultural and Diversity  
Skill: Concept  
Objective: 4-5

65) Because of the scarcity of good secondary data, international researchers often must collect their own primary data. An initial problem with this collection is developing good ________. 
A) samples  
B) research firms  
C) customer relationships with nationals  
D) relations with channel members  
E) analytical models  
Answer: A  
Diff: 2  Page Ref: 124  
AACSB: Multicultural and Diversity  
Skill: Concept  
Objective: 4-5

66) What do many researchers encounter when conducting market research in foreign countries? 
A) Some countries have few telephones, limiting access to respondents.  
B) Some countries have poor mail services.  
C) Some countries have poor roads that limit personal contacts.  
D) Some cultures do not value marketing research.  
E) all of the above  
Answer: E  
Diff: 1  Page Ref: 124-125  
AACSB: Multicultural and Diversity  
Skill: Concept  
Objective: 4-5
67) Cultural differences, especially those involving language, can add to research costs in foreign markets and can increase the ________.
A) risk of error  
B) foreign trade  
C) response rate  
D) likelihood of using a smaller sample  
E) reliance on primary data  
Answer: A  
Diff: 2    Page Ref: 125  
AACSB: Multicultural and Diversity  
Skill: Concept  
Objective: 4-5

68) Anna Gregory just read a marketing research report about the top 25 countries that purchase American products. What would the report most likely say about international research involving these countries?
A) It is on the decrease due to high costs.  
B) The costs are higher than the benefits.  
C) There is a lack of qualified research personnel.  
D) Despite the costs of international research, the costs of not doing it are higher.  
E) Interpretations of American quality are consistent among different countries.  
Answer: D  
Diff: 3    Page Ref: 125  
Skill: Concept  
Objective: 4-5

69) Choose the statement that is NOT a typical consumer concern about intrusion on consumer privacy.
A) Sophisticated researchers probe our deepest feelings.  
B) Marketers use personal information to manipulate our buying.  
C) Marketers build huge databases full of personal information.  
D) Marketers make too many products and services available, creating unnecessary consumer wants.  
E) Protecting personal information is increasingly important.  
Answer: D  
Diff: 1    Page Ref: 125-127  
AACSB: Ethical Reasoning  
Skill: Concept  
Objective: 4-5
70) Behavioral targeting, the practice of ________, is being used by more and more companies.
A) tracking customers' activities and rewarding customer loyalty
B) managing customer relationships
C) mining and analyzing data from data warehouses
D) tracking consumers' online movements and using this information to target ads to them
E) observing and interacting with consumers in their natural environments
Answer: D
Diff: 2 Page Ref: 126
AACSB: Use of IT
Skill: Concept
Objective: 4-5

71) Consumers will be most likely to gladly provide research information when researchers provide ________.  
A) coupons
B) value for the exchange
C) prizes
D) rebates
E) social network membership
Answer: B
Diff: 2 Page Ref: 128
AACSB: Communication
Skill: Concept
Objective: 4-5

72) The best approach for researchers to take to guard consumer privacy includes all of the following EXCEPT which one?  
A) Ask only for the information needed.  
B) Use information responsibly to provide value.  
C) Avoid sharing information without the customer's permission.  
D) Sell the information only when it is financially worthwhile.  
E) Fully explain to the respondents how the information will be used.  
Answer: D
Diff: 1 Page Ref: 128
AACSB: Ethical Reasoning
Skill: Concept
Objective: 4-5
73) Many major companies have created the position of ________ to address concerns about the privacy of customers.
A) chief customer loyalty manager
B) chief behavioral analyst
C) chief privacy officer
D) ethics manager
E) data warehouse manager
Answer: C
Diff: 2 Page Ref: 128
AACSB: Ethical Reasoning
Skill: Concept
Objective: 4-5

74) Google and Yahoo! routinely post ads related to a user's keyword searches alongside the searches. This practice is called ________.
A) using "cookies"
B) consumer tracking
C) contextual targeting
D) cobranding
E) data mining
Answer: C
Diff: 2 Page Ref: 126
AACSB: Use of IT
Skill: Concept
Objective: 4-5

75) To address concerns about the misuse of research study findings, several highly regarded marketing associations have developed ________.
A) customer relationship management guidelines
B) behavioral targeting "Do Not Track" lists
C) chief privacy officer job descriptions
D) codes of research ethics
E) bans against using "cookies"
Answer: D
Diff: 2 Page Ref: 128
AACSB: Ethical Reasoning
Skill: Concept
Objective: 4-5
76) Diana Dion is currently researching data sources from within her company to make marketing decisions. Diana is making use of ________ databases.

A) online
B) internal
C) external
D) public
E) search service

Answer: B

Diff: 1 Page Ref: 102
AACSB: Reflective Thinking
Skill: Application
Objective: 4-2

77) Your marketing department is attempting to improve strategic decision making, track competitors' actions, and provide early warning of opportunities and threats. To achieve this goal, which of the following would be the best for your department to use?

A) internal databases
B) external databases only
C) company reports only
D) marketing intelligence
E) the Internet

Answer: D

Diff: 2 Page Ref: 103
AACSB: Reflective Thinking
Skill: Application
Objective: 4-2

78) Patti Lovelace is making a presentation to the owners of her company. She is trying to convince them to conduct some current marketing research. Which of the following would she be LEAST likely to emphasize as a benefit or selling point of marketing research?

A) assessing market potential and market share
B) understanding customer satisfaction and purchase behavior
C) measuring the effectiveness of pricing and accounting
D) measuring the effectiveness of distribution and promotion activities
E) understanding customer motivation

Answer: C

Diff: 3 Page Ref: 105
AACSB: Analytic Skills
Skill: Application
Objective: 4-3
79) You want to observe how often consumers listen to music throughout their day and what different audio devices they use. You are also interested in how consumers store and access their own music collections. You should conduct ________ research.
A) causal
B) experimental
C) secondary
D) survey
E) exploratory
Answer: E
Diff: 1 Page Ref: 106
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

80) You are about to test hypotheses about decreasing sales in certain markets and their causes. You are involved in what type of research?
A) exploratory
B) descriptive
C) causal
D) focus group
E) ethnographic
Answer: C
Diff: 1 Page Ref: 106
AACSB: Reflective Thinking
Skill: Application
Objective: 4-3

81) Which type of research would be best suited for identifying which demographic groups prefer diet soft drinks and why they have this preference?
A) exploratory
B) descriptive
C) causal
D) experimental
E) secondary
Answer: B
Diff: 2 Page Ref: 106
AACSB: Reflective Thinking
Skill: Application
Objective: 4-3
82) Wal-Mart sends a trained observer to watch and interact with customers as they shop in a Wal-Mart store. This is an example of ________.
A) secondary research
B) survey research
C) ethnographic research
D) experimental research
E) descriptive research
Answer: C
Diff: 2 Page Ref: 110
AACSB: Reflective Thinking
Skill: Application
Objective: 4-3

83) When ZIBA designers looking for ideas on how to craft a shower-cleaning tool spent 10 days in people's homes, watching consumers wash shower stalls, they were conducting ________ research.
A) survey
B) experimental
C) secondary
D) ethnographic
E) personal
Answer: D
Diff: 2 Page Ref: 110
AACSB: Reflective Thinking
Skill: Application
Objective: 4-3

84) Carls Jr. came out with a new hamburger and released it in two different cities with two different price points. Marketers at Carls Jr. then analyzed the different levels of purchase made at the two different price points, planning on using the information to help them set a nationwide price for the new offering. This is an example of ________.
A) observational research
B) behavioral research
C) qualitative research
D) experimental research
E) survey research
Answer: D
Diff: 2 Page Ref: 111
AACSB: Reflective Thinking
Skill: Application
Objective: 4-3
85) Juanita Petino operates a dress shop in a suburban mall. Her research budget is very small, so she utilizes low-cost or no-cost methods to gather research data. One method that works very well for her is to change the themes in her local newspaper and radio advertising and watch the result. Juanita is using ________ to gather data for marketing decisions.
A) informal surveys
B) experiments
C) guess work
D) logic-directed research
E) secondary sources
Answer: B
Diff: 2 Page Ref: 111
AACSB: Reflective Thinking
Skill: Application
Objective: 4-3

86) Maryann Rose is conducting research to determine consumers' personal grooming habits. Because of the personal nature of the survey questions about this topic, Maryann wants to select the contact method that is most likely to encourage respondents to answer honestly. Which contact method should Maryann select?
A) mail questionnaires
B) telephone interviews
C) individual interviews
D) focus group interviews
E) online panels
Answer: A
Diff: 3 Page Ref: 111
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

87) Tasoula Jeannopoulos has a limited budget for the market research she needs to conduct; however, the sample size for her research is quite large. Which of the following methods of contact would provide Tasoula with the most cost-effective way to reach a large sample of potential customers?
A) telephone surveys
B) personal interviews
C) Internet surveys
D) mail surveys
E) focus group interviews
Answer: C
Diff: 2 Page Ref: 111
AACSB: Analytic Skills
Skill: Application
Objective: 4-3
88) You want to find out whether Americans between 21 and 40 years of age tend to vote Democratic and whether Americans between 41 and 70 tend to vote Republican. You will most likely use a ________ to collect your data.
A) simple random sample  
B) mechanical device  
C) stratified random sample  
D) cluster sample  
E) convenience sample  
Answer: C  
Diff: 3  Page Ref: 117  
AACSB: Analytic Skills  
Skill: Application  
Objective: 4-3

89) You have decided to use only open-end questions on your survey. Which of the following questions would NOT be found on your survey?
A) Why is voting important to you?  
B) How many cars does your family own?  
C) What is your best childhood memory?  
D) Where did you spend your last vacation?  
E) What are the most important qualities in a friend?  
Answer: B  
Diff: 1  Page Ref: 118  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 4-3

90) Which of the following is good advice about creating research questionnaires for Mark Hammel, research specialist at New Wave Data, to follow?
A) Use care in the wording and ordering of questions.  
B) Questions do not have to be arranged in any given order.  
C) Ask difficult questions in the beginning to "weed out" uninterested respondents.  
D) Ask personal questions in the middle of the instrument.  
E) Use impressive vocabulary to convey the importance of the questionnaire.  
Answer: A  
Diff: 3  Page Ref: 118  
AACSB: Communication  
Skill: Application  
Objective: 4-3
91) You have decided to use only closed-end questions on your survey. Which of the following questions would NOT be found on your survey?
   A) Do you like chocolate?
   B) What is your gender?
   C) Do you work full-time or part-time?
   D) What do you like about your teacher?
   E) In which month do you plant your garden?
   Answer: D
   Diff: 1 Page Ref: 118
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 4-3

92) Loft Industries sells roof trusses to contractors and builders and would like to conduct research to determine how customers assess customer service. Which of the following research instruments would be best for this firm?
   A) people meters
   B) checkout scanners
   C) questionnaires
   D) eye cameras
   E) BlueEyes technology
   Answer: C
   Diff: 2 Page Ref: 118
   AACSB: Analytic Skills
   Skill: Application
   Objective: 4-3

93) Tommy Baker is in charge of CRM for American Pie Nostalgia. As a result of his successful efforts in this area, his firm will likely enjoy all of the following EXCEPT ________.
   A) providing higher levels of customer services
   B) developing deeper customer relationships
   C) creating offers tailored to specific customer requirements
   D) understanding the competition better
   E) cross-selling products to high-value customers
   Answer: D
   Diff: 2 Page Ref: 121
   AACSB: Use of IT
   Skill: Application
   Objective: 4-4
94) Michael Quinones is a customer service agent for a national car rental business. He has access to the company's intranet, which provides performance reports, shared work documents, contact information, and detailed information about customers. Which of the following is this access most likely to enable Michael to do during interactions with customers?
A) analyze primary data
B) use data mining techniques
C) share information with value-network partners
D) reward customer loyalty with an upgrade or discount
E) evaluate marketing intelligence
Answer: D
Diff: 2 Page Ref: 122
AACSB: Analytic Skills
Skill: Application
Objective: 4-4

95) Marialba Hooper is conducting marketing research for a company that is investigating the possibility of entering multiple international markets. As Marialba plans her research in 30 different countries, upon which of the following is she LEAST likely to rely?
A) free secondary data
B) translators
C) primary data collected for the purpose of her research
D) the same process domestic researchers use
E) personal interviews
Answer: A
Diff: 2 Page Ref: 124
AACSB: Analytic Skills
Skill: Application
Objective: 4-5

96) Malaya Ramirez is organizing marketing research in Central American countries for a large American corporation that is interested in expanding its market. The survey Malaya is using was written in English and then translated into Spanish for use by Spanish-speaking respondents. Which of the following should Malaya do before administering this questionnaire to a sample of the market?
A) make sure that the survey includes both open-end and closed-end questions
B) decide whether to focus on primary or secondary data
C) determine which type of research instrument to use
D) have the questionnaire translated back into English to check for accuracy
E) determine whether to focus on descriptive or causal objectives
Answer: D
Diff: 2 Page Ref: 125
AACSB: Analytic Skills
Skill: Application
Objective: 4-5
Refer to the scenario below to answer the following questions.

Jason West, owner of A-1 Cleaning, began his enterprise in 2001. Jason's primary focus had been on office cleaning for large corporations. But in recent months Jason has seen a decline in demand for office cleaning. Surprisingly, the competitive environment appears relatively stable with no new competitors. However, Jason understands that office cleaning is a high-frequency service that is usually performed daily; therefore, competitors must be doing something to attract his customers. Building a competitive advantage seems to be the only option to offset competition. But as Jason pondered his dilemma, he realized that he needed to better understand how customers assess service quality and what they are looking for in a superior cleaning service, prior to building his competitive advantage.

Jason developed a research plan. First, he gathered competitor information—primarily through pamphlets and Web sites—but also from a few phone calls—to find out exactly what competitors offer in their cleaning packages. In addition, Jason obtained from the area Chamber of Commerce an updated list of local corporations to which he would send a short survey.

Though the list of corporations contained 141 local company names, Jason chose to survey 75 of them. To better understand customer service expectations between both small and large corporations, Jason divided his surveys into two categories. The survey questions were designed to extract specific data from respondents with regard to service quality expectations in correlation to service frequency and price.

Jason awaited the results. Though his primary focus had been on large corporations, he was flexible and would aim his efforts differently if needed.

97) In this scenario, which of the following is an example of primary data?
A) the list of local corporations from the Chamber of Commerce
B) competitor information gleaned from pamphlets
C) responses to the 75 surveys
D) the names of the 75 companies that received surveys
E) competitors’ Web sites
Answer: C
Diff: 1 Page Ref: 107
AACSB: Reflective Thinking
Skill: Application
Objective: 4-3
98) Jason wanted to better understand how his customers assess service quality. This is an example of a ________.
A) marketing research problem
B) research objective
C) research method
D) research plan
E) research approach
Answer:  B
Diff: 2  Page Ref: 106
AACSB:  Reflective Thinking
Skill:  Application
Objective:  4-3

99) In this scenario, which of the following are examples of marketing intelligence?
A) responses to the surveys Jason sent
B) competitors' pamphlets
C) phone calls made to competitors to learn about their offerings
D) B and C only
E) all of the above
Answer:  D
Diff: 3  Page Ref: 103
AACSB:  Reflective Thinking
Skill:  Application
Objective:  4-3

100) Of the 141 companies on the list, Jason chose to survey only 75 of them. Jason sent surveys to small companies and large companies. If Jason selected survey recipients randomly from the groups of small companies and large companies, he was using a ________.
A) simple random sample
B) judgment sample
C) convenience sample
D) stratified random sample
E) quota sample
Answer:  D
Diff: 3  Page Ref: 117
AACSB:  Reflective Thinking
Skill:  Application
Objective:  4-3
101) Most marketers today believe they still lack a sufficient quantity of research data to make high-quality decisions.
Answer: FALSE
Diff: 2 Page Ref: 100
AACSB: Communication
Skill: Concept
Objective: 4-1

102) The real value of marketing research and information lies not in quantity but in the customer insights provided.
Answer: TRUE
Diff: 1 Page Ref: 101
AACSB: Communication
Skill: Concept
Objective: 4-1

103) An effective MIS assesses information needs, develops needed information, and helps decision makers use the information.
Answer: TRUE
Diff: 1 Page Ref: 101
AACSB: Communication
Skill: Concept
Objective: 4-1

104) Today, marketing managers view marketing information not only as an input for making internal decisions but also as an input for external partners.
Answer: TRUE
Diff: 2 Page Ref: 102
AACSB: Communication
Skill: Concept
Objective: 4-2

105) Too much marketing information can be as harmful as too little.
Answer: TRUE
Diff: 2 Page Ref: 102
Skill: Concept
Objective: 4-2

106) When you glean information from your company's accounting and sales records stored in the company's computer system, you are developing an internal database.
Answer: TRUE
Diff: 2 Page Ref: 103
AACSB: Use of IT
Skill: Application
Objective: 4-2
107) You have just extracted sales and cost data used by the accounting department for preparing financial statements. Most likely, this information is complete and in useable form to build an internal marketing database.
Answer: FALSE
Diff: 3 Page Ref: 103
AACSB: Use of IT
Skill: Application
Objective: 4-2

108) It is important to note that data age quickly, so keeping the database current requires a major effort.
Answer: TRUE
Diff: 2 Page Ref: 103
AACSB: Use of IT
Skill: Concept
Objective: 4-2

109) Your manager asked you to go through three of your competitors' garbage bins to gather marketing intelligence from their discarded paperwork. One of them caught you in the act and has summoned you to court. The judge will most likely rule this to be an illegal activity and fine you and your company.
Answer: FALSE
Diff: 3 Page Ref: 104
AACSB: Ethical Reasoning
Skill: Application
Objective: 4-2

110) Good sources of marketing intelligence information include competitors' annual reports, business publications, trade show exhibits, press releases, advertisements, and Web pages.
Answer: TRUE
Diff: 1 Page Ref: 103-104
AACSB: Communication
Skill: Concept
Objective: 4-2

111) After conducting formal marketing research for your department, you make an oral presentation with notes to management. You are following the normal order of marketing research steps.
Answer: FALSE
Diff: 2 Page Ref: 105
AACSB: Reflective Thinking
Skill: Application
Objective: 4-3
112) Once the research problems and objectives have been defined, researchers must determine the exact information needed and present it to management.
Answer: FALSE
Diff: 3 Page Ref: 105
Skill: Concept
Objective: 4-3

113) Marketing researchers can conduct their own searches of secondary data sources today by using commercial online databases.
Answer: TRUE
Diff: 1 Page Ref: 107
AACSB: Use of IT
Skill: Concept
Objective: 4-3

114) Because secondary data provide good starting points and often help to define problems and research objectives, most companies do not also need to collect primary data.
Answer: FALSE
Diff: 2 Page Ref: 109
Skill: Concept
Objective: 4-3

115) The most important issue facing online researchers is the lack of a broad cross section of consumers who have access to the Internet.
Answer: FALSE
Diff: 3 Page Ref: 115
AACSB: Use of IT
Skill: Concept
Objective: 4-3

116) Focus groups use no interviewer to bias the answers, may produce more honest answers, and can be used to collect large amounts of data at a low cost per respondent.
Answer: FALSE
Diff: 3 Page Ref: 112
AACSB: Communication
Skill: Concept
Objective: 4-3

117) ABC Interior Designs wants to collect research data through mechanical observation. The three typical methods are video cameras, checkout scanners, and Internet surveys.
Answer: FALSE
Diff: 3 Page Ref: 118
Skill: Concept
Objective: 4-3
118) Ideally, a sample should be representative so that the researcher can make accurate estimates of the thoughts and behaviors of the larger population.
Answer: TRUE
Diff: 1 Page Ref: 116
Skill: Concept
Objective: 4-3

119) A researcher who wants to calculate confidence limits for sampling error would use nonprobability samples.
Answer: FALSE
Diff: 3 Page Ref: 116
Skill: Concept
Objective: 4-3

120) Online social networks such as the "I Love My Dog" community organized by Del Monte offer marketers much broader and deeper information than can be obtained from traditional focus groups.
Answer: TRUE
Diff: 2 Page Ref: 117
AACSB: Use of IT
Skill: Concept
Objective: 4-3

121) Samples of less than one percent of a population cannot provide good reliability.
Answer: FALSE
Diff: 3 Page Ref: 116
Skill: Concept
Objective: 4-3

122) Open-ended survey questions are particularly useful in exploratory research.
Answer: TRUE
Diff: 2 Page Ref: 118
AACSB: Communication
Skill: Concept
Objective: 4-3

123) Interpretation of market research data should be the responsibility of the researchers, not the marketing managers.
Answer: FALSE
Diff: 2 Page Ref: 120
Skill: Concept
Objective: 4-3
124) You have just identified the "touch points" of the 400 best customers in your database. At this point, you want to manage detailed information about each of them to maximize customer loyalty. You should use customer relationship management (CRM).
Answer: TRUE
Diff: 2 Page Ref: 120
AACSB: Reflective Thinking
Skill: Application
Objective: 4-4

125) The ability to reach respondents is a major concern in international marketing research.
Answer: TRUE
Diff: 1 Page Ref: 124
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 4-5

126) Discuss the makeup and functions of a marketing information system (MIS).
Answer: A typical MIS consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers. First, it interacts with information users to assess information needs. Next, it develops needed information from internal company databases, marketing intelligence activities, and marketing research. Finally, it helps users to analyze and use the information to develop customer insights, make marketing decisions, and manage customer relationships.
Diff: 2 Page Ref: 101-102
AACSB: Communication
Skill: Application
Objective: 4-1

127) Marketers can obtain needed information from internal data, marketing intelligence, and marketing research. Explain some common sources for each of these.
Answer: Internal databases are built upon records of consumer and market information data sources within the company network. For example, the accounting department provides records of sales, costs, and cash flows; operations reports on production-related issues; sales and marketing provide data on resellers, competitors, buyer behavior, and the industry; and marketing provides information on customer transactions, demographics, and buying behavior. Internal data are cheaper sources that are easy to access. Marketing intelligence is a collection and analysis of publicly available data about consumers, competitors, and developments in the industry. It can come from quizzing employees, studying competitors' ads and annual reports, analyzing competitors' products, monitoring Internet buzz, and researching the Internet. In addition to internal data and marketing intelligence, marketers often need formal studies of specific situations. To address this need, they conduct marketing research to collect, analyze, and report secondary and primary data to better form decisions.
Diff: 3 Page Ref: 102-105
AACSB: Communication
Skill: Application
Objective: 4-2
128) Describe the basic marketing research process.
Answer: The marketing research process involves four steps: defining the problem and research objectives, developing the plan, implementing the plan, and interpreting and reporting the findings. Managers must know what is wrong in defining the problem. Research objectives may be reached through exploratory, descriptive, or causal research. Next, the information needed and a plan for gathering and presenting is made. Then, secondary and primary data must be collected to compile and analyze. Finally, the important information must be presented to management for decision making.

Diff: 2 Page Ref: 105
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

129) Briefly compare the three different types of research approaches for gathering primary data.
Answer: The three research approaches for gathering primary data are observations, surveys, and experiments. Observational research involves watching relevant people, actions, and situations, usually to glean customer insights that can't be obtained through direct questions and answers. Observations can reveal information that people are unwilling or unable to provide in surveys or experiments. Survey research is very flexible, as it can be used to obtain many different kinds of information in many different situations. Mail, telephone, and online surveys have relatively low costs in comparison to observational research. Surveys are also better suited than observations for gathering descriptive information. Experimental research is best suited for gathering causal information.

Diff: 2 Page Ref: 109
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

130) Provide the advantages/benefits of each of the contact methods.
Answer: Mail questionnaires can be used to collect large amounts of information at a low cost per respondent. Respondents may give more honest answers to more questions by mail than to an unknown interviewer in person or on the phone. Also, no interviewer is involved to bias the answers. Telephone interviewing is one of the best methods for gathering information quickly, and it provides great flexibility. Interviewers can explain difficult questions, skip questions, or probe on other questions. Rates of response tend to be higher than through the mail. Personal and group interviews are flexible and allow interviewers to guide respondents and explore issues as they evolve. Visual aids can be used, products can be demonstrated, and reactions and behaviors can be observed. Online methods allow the interviewee to be more honest, the costs are greatly reduced, the response rate is higher, and reports come back faster.

Diff: 3 Page Ref: 111
AACSB: Analytic Skills
Skill: Application
Objective: 4-3
131) Describe the three decisions a researcher must make when designing a sample.
Answer: First, the researcher must determine who is to be surveyed. Next, a researcher must determine the sample size by deciding how many people need to be surveyed. Third, the sampling procedure should be chosen to know how the respondents should be chosen.
Diff: 1 Page Ref: 116
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

132) Compare and contrast closed-end questions and open-end questions for gathering data.
Answer: Closed-end questions, which include all possible answers, make it easier for respondents to choose among relevant answers. Examples include multiple-choice questions and scale questions. These types of questions are easier for the researcher to interpret and tabulate. Open-end questions allow respondents to answer in their own words and as such do not limit their choices. Open-ended questions are more difficult to interpret and tabulate, but they are particularly useful in exploratory research.
Diff: 1 Page Ref: 118
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

133) How can a company overcome the problem of gathering internal data for research purposes when the data is usually scattered widely across the organization?
Answer: Many companies are using customer relationship management (CRM). CRM offers the benefits of managing detailed information about individual customers and carefully managing customer "touch points" in order to maximize customer loyalty. By using sophisticated software and analytical tools, information about customers can be integrated from all sources and analyzed in depth, and the results can be applied to build stronger customer relationships. CRM integrates everything that a company's sales, service, and marketing teams know about individual customers to provide a 360-degree view of the customer relationship. CRM involves creating a data warehouse that can be mined for useful insights about customers.
Diff: 3 Page Ref: 120
AACSB: Analytic Skills
Skill: Application
Objective: 4-4
134) Discuss several ways in which smaller organizations can use marketing research techniques at little or no expense.
Answer: Small organizations can use the same marketing research process as larger firms, as well as many of the same methods, such as secondary data collection, observation, surveys, and experiments. There are many sources of free secondary data on the Web, and small firms also have access to special help collecting data from chambers of commerce, government agencies, and other organizations. Managers of small organizations can use observation and conversations with their customers to collect data. Informal surveys with small convenience samples are another tool that smaller organizations can use. As with larger firms, smaller organizations must conduct research systematically for the results to be valid and useful.
Diff: 2 Page Ref: 123
AACSB: Communication
Skill: Application
Objective: 4-5

135) Explain the common problems that international marketing researchers encounter.
Answer: International researchers deal with less homogeneous markets in and among countries. The markets often vary greatly in their levels of economic development, cultures and customers, and buying patterns. Good secondary data are difficult to find in many foreign markets. More time and expense is involved in gathering primary data. In addition, choosing representative samples and finding methods of contacting participants can be a formidable task. Cultural and language differences can present obstacles in interpreting the data and drawing realistic conclusions. Consumers' attitudes in other countries may hinder the process of collection.
Diff: 3 Page Ref: 124-125
AACSB: Multicultural and Diversity
Skill: Application
Objective: 4-5

136) Briefly explain the following statement: "Too much information can be as harmful as too little."
Answer: Too much information may prohibit marketers from clearly applying the data/information to their objectives; excess information may also lead marketers to lose sight of their objectives.
Diff: 3 Page Ref: 102
AACSB: Analytic Skills
Skill: Application
Objective: 4-2
137) You have decided to run for a local political office. You want to hand-deliver campaign materials in person to the homes of voters. Explain how marketing intelligence plays a role in this scenario.

Answer: You must have a system for knowing where the voters live; merely knocking on every door would be inefficient. You need a list of registered voters and their addresses from which you can plan your visits.

Diff: 3 Page Ref: 103
AACSB: Analytic Skills
Skill: Application
Objective: 4-2

138) When do marketers need marketing research?

Answer: Marketing research becomes important when marketing intelligence cannot provide the detailed information needed for a specific situation.

Diff: 1 Page Ref: 105
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

139) Explain why exploratory research, descriptive research, or causal research would be the best method for determining whether shoppers in the Midwest are more sensitive to a price increase for laundry soap than shoppers on the East Coast are.

Answer: Causal research would be most important because it investigates cause-and-effect relationships; causal research would allow the researcher to test a hypothesis about price sensitivity and compare the differences in the two geographic regions.

Diff: 3 Page Ref: 106
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

140) Why is it important for the statement of the problem and the research objectives to guide the entire research process?

Answer: The specific nature of the problem and the research objectives determine which type of research, contact methods, sampling plans, and instruments should be used; without a focus of a specific problem and objectives, the marketing research process would not result in relevant data.

Diff: 2 Page Ref: 106
AACSB: Analytic Skills
Skill: Application
Objective: 4-3
141) You want to determine whether no-smoking policies have impacted employee morale in the United States in the past two decades. Are any secondary data likely available? Why?
Answer: Yes, there are likely to be several studies conducted from which the researcher could extract information because many companies have implemented no-smoking policies in the past twenty years.
Diff: 3 Page Ref: 107
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

142) You want to determine whether no-smoking policies have impacted employee morale in the United States among workers in companies that employ fewer than 50 workers in Fort Wayne, Indiana. Are any secondary data likely available? Why?
Answer: Because the data sought are so specific, there will likely not be much, if any, data that specifically answer the question.
Diff: 2 Page Ref: 107
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

143) Give two ways that a researcher should evaluate information in on online databases.
Answer: The researcher should evaluate whether the data are relevant, current, unbiased, and accurately presented.
Diff: 1 Page Ref: 109
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

144) You are trying to determine whether retired people drink more coffee at McDonald's during lunch than they do during dinner. Why is observation research NOT effective in this scenario?
Answer: It is difficult to determine, just by looking, whether people are retired.
Diff: 2 Page Ref: 109
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

145) Why would survey research be a better approach than observation research when attempting to assess customer satisfaction?
Answer: Survey research is more effective than observation in measuring customer satisfaction because observations of smiling customers or armloads of merchandise, for example, do not necessarily indicate customer satisfaction.
Diff: 2 Page Ref: 110
AACSB: Analytic Skills
Skill: Application
Objective: 4-3
146) A marketer of frozen dinners has decided to collect consumer feedback via a focus group interview. How might the marketer use the focus group interview to determine whether peas or green beans should be included with the turkey entrée?
Answer: The group might be given a prepared meal with both vegetable options. Afterward, the marketer can obtain fresh feedback from the respondents or through observation. The marketer could assess respondents' reactions and facial expressions while they eat provided meals.
Diff: 2 Page Ref: 112
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

147) A researcher is collecting data from travelers in an airport. Why might a sample be most appropriate?
Answer: People in an airport are often in a hurry; not everyone will want to participate in providing data. Therefore, the researcher may be satisfied with collecting data from whoever is willing to provide it.
Diff: 1 Page Ref: 117
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

148) Explain why it's important for both the researcher and the marketing manager to interpret the findings of market research.
Answer: Both a marketing manager and a researcher bring important points of view to the task: a marketing manager is an expert in the problem and the decisions that must be made, but also may be biased about the results; a researcher is an expert in statistics. Because findings can be interpreted in many ways, discussions between a researcher and marketing manager will lead to the most appropriate interpretation for the given situation.
Diff: 2 Page Ref: 120
AACSB: Analytic Skills
Skill: Application
Objective: 4-3

149) Why is it difficult to obtain relevant and reliable secondary data when conducting international marketing research?
Answer: Unlike the United States, many countries have no or almost no research services; in addition, most international research services operate in only a handful of countries.
Diff: 2 Page Ref: 124
AACSB: Multicultural and Diversity
Skill: Application
Objective: 4-5
150) Why has consumer resentment toward marketing research been growing?
Answer: More individuals are wary of invasion of privacy and want to protect personal information; many also simply resent the intrusion of marketing research and dislike surveys that are too long or too personal.
Diff: 2 Page Ref: 127
AACSB: Communication
Skill: Application
Objective: 4-5

Chapter 5 Consumer Markets and Consumer Buyer Behavior

1) ________ is never simple, yet understanding it is the essential task of marketing management.
A) Brand personality
B) Consumption pioneering
C) Early adoption
D) Consumer buying behavior
E) Understanding the difference between primary and secondary data
Answer: D
Diff: 1 Page Ref: 135
Skill: Concept
Objective: 5-1

2) The consumer market is made up of which of the following?
A) individuals who acquire goods or services for personal consumption
B) households that purchase goods or services for personal consumption
C) businesses that purchase goods and services
D) A and B
E) all of the above
Answer: D
Diff: 2 Page Ref: 135
Skill: Concept
Objective: 5-1

3) Economic, technological, and cultural forces are all ________ in the stimulus-response model of buyer behavior.
A) buyer responses
B) stimuli
C) components of the buyer's decision process
D) buyer characteristics
E) buying attitudes
Answer: B
Diff: 2 Page Ref: 137
Skill: Concept
Objective: 5-1
4) Most large companies research ________ buying decisions to find out what they buy, where they buy, how and how much they buy, when they buy, and why they buy.
   A) market
   B) permanent
   C) consumer
   D) social
   E) group
   Answer:  C
   Diff: 1           Page Ref: 136
   Skill:  Concept
   Objective:  5-1

5) The starting point of understanding a consumer's response to various marketing efforts is the ________ of a buyer's behavior.
   A) belief
   B) subculture
   C) postpurchase feeling
   D) stimulus-response model
   E) postpurchase dissonance
   Answer:  D
   Diff: 2           Page Ref: 136
   Skill:  Concept
   Objective:  5-1

6) Marketing stimuli consist of the four Ps. Which is NOT one of these?
   A) product
   B) politics
   C) price
   D) promotion
   E) place
   Answer:  B
   Diff: 2           Page Ref: 136
   Skill:  Concept
   Objective:  5-1
7) The marketer wants to understand how the stimuli are changed into responses inside the consumer's ________, which has two parts. First, the buyer's characteristics influence how he or she perceives and reacts to the stimuli. Second, the buyer's decision process itself affects the buyer's behavior.
   A) culture
   B) black box
   C) belief
   D) lifestyle
   E) social class
   Answer: B
   Diff: 2 Page Ref: 136
   Skill: Concept
   Objective: 5-1

8) In the model of buyer behavior, which of the following is NOT a major type of force or event in the buyer's environment?
   A) economic
   B) technological
   C) political
   D) channel
   E) cultural
   Answer: D
   Diff: 2 Page Ref: 136
   Skill: Concept
   Objective: 5-1

9) ________ is(are) the most basic cause of a person's wants and behavior.
   A) Culture
   B) Brand personality
   C) Cognitive dissonance
   D) Societal factors
   E) Selective perception
   Answer: A
   Diff: 1 Page Ref: 137
   Skill: Concept
   Objective: 5-2
10) Marketers are always trying to spot ________ in order to discover new products that might be wanted.
A) lifestyles
B) cultural shifts
C) groups
D) dissonance
E) attitudes
Answer: B

11) Each culture contains smaller ________, or groups of people with shared value systems based on common life experiences and situations.
A) alternative evaluations
B) cognitive dissonances
C) subcultures
D) motives
E) attitudes
Answer: C

12) Which of the following is NOT considered an important American subculture by marketers?
A) Hispanics
B) African Americans
C) mature consumers
D) opinion leaders
E) Asian Americans
Answer: D
13) This group of consumers tends to buy more branded, higher-quality products and to make shopping a family event, with children having a big say in the purchase decision. In general, they are very brand loyal, and they favor companies who show special interest in them.
   A) Hispanic
   B) African American
   C) Asian
   D) mature
   E) gay and lesbian
   Answer: A
   Diff: 3 Page Ref: 137-138
   AACSB: Multicultural and Diversity
   Skill: Concept
   Objective: 5-2

14) ________, the fastest-growing U.S. demographic segment, now number more than 45 million.
   A) African Americans
   B) Hispanics
   C) Asian Americans
   D) Mature consumers
   E) Gays and lesbians
   Answer: B
   Diff: 3 Page Ref: 137
   AACSB: Multicultural and Diversity
   Skill: Concept
   Objective: 5-2

15) Although more price-conscious than other segments, ________ consumers tend to be strongly motivated by quality and selection. Brands are important. They enjoy shopping and are more fashion conscious than other ethnic groups.
   A) Hispanic
   B) African American
   C) mature
   D) Asian
   E) baby boomer
   Answer: B
   Diff: 3 Page Ref: 139
   AACSB: Multicultural and Diversity
   Skill: Concept
   Objective: 5-2
16) ________, the most affluent American demographic subculture, now have more than $450 billion in annual spending power.
   A) Hispanics
   B) African Americans
   C) Asian Americans
   D) Gays and lesbians
   E) Gen Xers
   Answer: C
   Diff: 3 Page Ref: 139
   AACSB: Multicultural and Diversity
   Skill: Concept
   Objective: 5-2

17) ________ are becoming a very attractive market: they are the ideal market for travel, restaurants, high-tech home entertainment products, and convenient services
   A) Hispanics
   B) Asian Americans
   C) Mature consumers
   D) African Americans
   E) Teenagers
   Answer: C
   Diff: 2 Page Ref: 140
   AACSB: Multicultural and Diversity
   Skill: Concept
   Objective: 5-2

18) Which of the following is NOT true of mature consumers?
   A) The best strategy is to appeal to their active, multidimensional lives.
   B) They are an ideal market for "do-it-for-me" services.
   C) High-tech home entertainment products appeal to them.
   D) They place more importance on brand names and are more brand loyal than members of other age groups.
   E) They are a good market for cosmetics and personal care products.
   Answer: D
   Diff: 2 Page Ref: 140
   AACSB: Multicultural and Diversity
   Skill: Concept
   Objective: 5-2
19) ________ are society's relatively permanent and ordered divisions whose members share similar values, interests, and behaviors.
A) Social classes
B) Cultures
C) Reference groups
D) Attitudes
E) Lifestyles
Answer: A
Diff: 1 Page Ref: 140
Skill: Concept
Objective: 5-2

20) What is one way that social class is NOT measured?
A) occupation
B) education
C) income
D) number of children in the family
E) wealth
Answer: D
Diff: 2 Page Ref: 140
Skill: Concept
Objective: 5-2

21) Which of the following statements is true regarding social class in the United States?
A) Social class is determined primarily by income level.
B) Lines between social classes in the United States are fixed and rigid.
C) Social classes show distinct product preferences in clothing and automobiles.
D) Wealth is more critical than education level in measuring social class.
E) People are relegated to a permanent class layer in the United States.
Answer: C
Diff: 3 Page Ref: 140
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 5-2

22) ________ are groups to which an individual wishes to belong, as when a teenaged basketball player hopes to play someday for the Los Angeles Lakers.
A) Membership groups
B) Aspirational groups
C) Leading adopter groups
D) Leisure groups
E) Social class groups
Answer: B
Diff: 2 Page Ref: 140
Skill: Concept
Objective: 5-2
23) _______ are people within a reference group who, because of special skills, knowledge, personality, or other characteristics, exert influence on others.
A) Opinion leaders  
B) Habitual buyers  
C) Social networkers  
D) Stealth marketers  
E) Buzz marketers  
Answer: A  
Diff: 1  Page Ref: 141  
AACSB: Communication  
Skill: Concept  
Objective: 5-2

24) Opinion leaders are sometimes referred to as _______.  
A) the influentials  
B) the upper uppers  
C) the middle class  
D) buzz marketers  
E) networkers  
Answer: A  
Diff: 3  Page Ref: 141  
AACSB: Communication  
Skill: Concept  
Objective: 5-2

25) Many companies, such as JetBlue and Sony, enlist everyday consumers who are enthusiastic about their brands to become _______, brand ambassadors who share their passion for a company's products with large circles of friends and acquaintances in return for insider knowledge and other rewards.  
A) leading adopters  
B) brand evangelists  
C) direct marketers  
D) direct sellers  
E) influencers  
Answer: B  
Diff: 2  Page Ref: 141  
AACSB: Communication  
Skill: Concept  
Objective: 5-2
26) Companies who use brand ambassadors are participating in ________.
A) opinion leading
B) traditional marketing
C) buzz marketing
D) direct marketing
E) values marketing
Answer: C
Diff: 2 Page Ref: 141
AACSB: Communication
Skill: Concept
Objective: 5-2

27) MySpace.com and YouTube are both examples of ________.
A) buzz marketing
B) opinion leaders
C) social networks
D) early adopters
E) word-of-mouth marketing
Answer: C
Diff: 2 Page Ref: 143
AACSB: Use of IT
Skill: Concept
Objective: 5-2

28) Which of the following best explains why a rush of marketers now participate in established online social networks?
A) Social networking has been proven to be more effective than traditional marketing.
B) Social networks allow companies to have greater control over brand-related content than other media do.
C) Members of social networking sites are unlikely to tune out personalized advertising messages.
D) Companies have found their own social networks to be unsuccessful.
E) Consumers are more likely to view peer-to-peer communication as credible.
Answer: E
Diff: 3 Page Ref: 144
AACSB: Communication
Skill: Concept
Objective: 5-2
29) The ________ is the most important consumer buying organization in society; the roles and influences of different members have been researched extensively.
A) family  
B) social class  
C) membership group  
D) subculture  
E) reference group  
Answer: A
Diff: 2  Page Ref: 145  
Skill: Concept  
Objective: 5-2

30) A ________ consists of the activities people are expected to perform according to the persons around them.
A) motive  
B) role  
C) lifestyle  
D) life cycle  
E) tradition  
Answer: B
Diff: 2  Page Ref: 146  
Skill: Concept  
Objective: 5-2

31) A buyer's decisions are influenced by ________ such as the buyer's age and life-cycle stage, occupation, economic situation, lifestyle, and personality and self-concept.
A) personal characteristics  
B) reference groups  
C) perceptions  
D) attitudes  
E) psychographics  
Answer: A
Diff: 2  Page Ref: 146  
Skill: Concept  
Objective: 5-2

32) People change the goods and services they buy over time because of the two changing factors of ________.
A) belief and attitude  
B) perception and personality  
C) age and life-cycle stage  
D) groups and learning  
E) family and tradition  
Answer: C
Diff: 2  Page Ref: 146  
Skill: Concept  
Objective: 5-2
33) ________ is a person’s pattern of living as expressed in his or her psychographics, including his or her activities, interests, and opinions.
   A) Personality  
   B) Culture  
   C) Lifestyle  
   D) Motive  
   E) Social class  
   Answer: C  
   Diff: 1  Page Ref: 147  
   Skill: Concept  
   Objective: 5-2

34) All of the following make up a person's lifestyle EXCEPT ________.
   A) AIO dimensions  
   B) interests  
   C) dissonance-reducing buying behavior  
   D) opinions  
   E) work  
   Answer: C  
   Diff: 2  Page Ref: 147  
   Skill: Concept  
   Objective: 5-2

35) A customer's lifestyle can be measured by using the AIO dimensions. What does AIO stand for?
   A) Activities, Interests, Opinions  
   B) Achievement, Involvement, Organizations  
   C) Accommodation, Investment, Orientation  
   D) Acknowledgements, Interests, Observations  
   E) Adoptions, Interests, Occupations  
   Answer: A  
   Diff: 2  Page Ref: 147  
   Skill: Concept  
   Objective: 5-2
36) ________ refers to the unique psychological characteristics that lead to relatively consistent and lasting responses to one's own environment. It is usually described in traits such as self-confidence, dominance, sociability, autonomy, defensiveness, adaptability, and aggressiveness.
A) Alternative evaluation
B) Belief
C) Culture
D) Personality
E) Self-awareness
Answer: D
Diff: 1 Page Ref: 148
Skill: Concept
Objective: 5-2

37) Researchers found that a number of well-known brands tended to be strongly associated with one particular trait, such as Jeep with "ruggedness." Which of the following terms would a marketer use to describe a specific mix of human traits that may be attributed to a particular brand?
A) brand perception
B) product image
C) brand personality
D) brand concept
E) brand equity
Answer: C
Diff: 1 Page Ref: 148
Skill: Concept
Objective: 5-2

38) Brand personality is a mix of human traits attributed to a brand. Which of the following is NOT a brand personality trait as discussed in your text?
A) sincerity
B) excitement
C) competence
D) sophistication
E) emotion
Answer: E
Diff: 3 Page Ref: 148
Skill: Concept
Objective: 5-2
39) A person's buying choices are influenced by four major psychological factors. Which is NOT one of these factors?
A) motivation
B) perception
C) alternative evaluation
D) learning
E) beliefs
Answer: C
Diff: 2    Page Ref: 148
Skill: Concept
Objective: 5-2

40) A ________ is a need that is sufficiently pressing to direct a person to seek satisfaction.
A) stimulus
B) perception
C) culture
D) motive
E) tradition
Answer: D
Diff: 1    Page Ref: 148
Skill: Concept
Objective: 5-2

41) Many marketers use the self-concept premise that people's possessions contribute to and reflect their identities; that is, "we are what we have." Under this premise, consumers ________.
A) buy products to support their self-images
B) use brand personalities
C) are affected by subconscious motivations
D) are attracted to products that fit in with their existing attitudes
E) conduct the information search
Answer: A
Diff: 2    Page Ref: 148
Skill: Concept
Objective: 5-2

42) According to Freud's theories, people are ________ many of the psychological forces shaping their behavior.
A) unaware of
B) unsure of
C) aware of
D) status-driven about
E) socially conscious of
Answer: A
Diff: 2    Page Ref: 149
Skill: Concept
Objective: 5-2
43) The term ________ refers to qualitative research designed to probe consumers' hidden, subconscious motivations.
A) perception analysis
B) opinion leader
C) motivation research
D) need recognition investigation
E) depth research technique
Answer: C
Diff: 2 Page Ref: 149
Skill: Concept
Objective: 5-2

44) Maslow's theory is that ________ can be arranged in a hierarchy.
A) stimuli
B) beliefs and attitudes
C) perceptions
D) human needs
E) decisions
Answer: D
Diff: 1 Page Ref: 149
Skill: Concept
Objective: 5-2

45) Which of the following is NOT part of Maslow's Hierarchy of Needs?
A) physiological needs
B) safety needs
C) stimulus needs
D) self-actualization needs
E) social needs
Answer: C
Diff: 2 Page Ref: 149
Skill: Concept
Objective: 5-2

46) What is the LEAST pressing in Maslow's Hierarchy of Needs?
A) physiological needs
B) social needs
C) esteem needs
D) self-actualization needs
E) safety needs
Answer: D
Diff: 2 Page Ref: 149
Skill: Concept
Objective: 5-2
47) ________ is the process by which people select, organize, and interpret information to form a meaningful picture of the world.
A) Personality
B) Perception
C) Selective grouping
D) Learning
E) Self-actualization
Answer:  B
Diff: 2    Page Ref: 150
AACSB: Communication
Skill: Concept
Objective:  5-2

48) People cannot focus on all of the stimuli that surround them each day. A person's tendency to screen out most of the information to which he or she is exposed is called ________.
A) selective retention
B) selective distortion
C) selective attitude
D) selective attention
E) selective perception
Answer:  D
Diff: 2    Page Ref: 150
AACSB: Communication
Skill: Concept
Objective:  5-2

49) People tend to interpret new information in a way that will support what they already believe. This is called ________.
A) selective retention
B) selective distortion
C) selective attitude
D) selective attention
E) selective perception
Answer:  B
Diff: 2    Page Ref: 150
AACSB: Communication
Skill: Concept
Objective:  5-2
50) People forget much that they learn. They tend to retain information that supports their attitudes and beliefs. This is called ________.
A) selective attention
B) selective retention
C) selective attitude
D) selective distortion
E) perceptual vigilance
Answer: B
Diff: 2 Page Ref: 150
AACSB: Communication
Skill: Concept
Objective: 5-2

51) Some consumers worry that they will be affected by marketing messages without even knowing it. They are concerned about ________ advertising.
A) alternative evaluation
B) subliminal
C) perceptual
D) innovative
E) comparative
Answer: B
Diff: 2 Page Ref: 150
AACSB: Communication
Skill: Concept
Objective: 5-2

52) ________ describes changes in an individual's behavior arising from experience.
A) Lifestyle
B) Learning
C) Perception
D) Cognitive dissonance
E) Aggressiveness
Answer: B
Diff: 1 Page Ref: 151
Skill: Concept
Objective: 5-2
53) Learning occurs through the interplay of all of the following EXCEPT ________.  
A) drives  
B) stimuli  
C) cues  
D) dissonance behavior  
E) reinforcement  
Answer: D  
Diff: 2 Page Ref: 151  
Skill: Concept  
Objective: 5-2

54) ________ are subtle stimuli that determine where, when, and how a person responds to an idea.  
A) Cues  
B) Drives  
C) Messages  
D) Personalities  
E) Impulses  
Answer: A  
Diff: 2 Page Ref: 151  
AACSB: Communication  
Skill: Concept  
Objective: 5-2

55) If a consumer's experience is rewarding, that consumer will probably use the product more and more. The consumer's response to the product will be ________.  
A) an attitude  
B) a belief  
C) reinforced  
D) a dissonant experience  
E) motivated  
Answer: C  
Diff: 2 Page Ref: 151  
Skill: Concept  
Objective: 5-2
56) Applying ________, marketers can affect demand for a product by associating it with strong drives, using motivating cues, and providing positive reinforcement.
A) subliminal advertising
B) social classes
C) learning theory
D) need recognition
E) cognitive dissonance
Answer: C
Diff: 2     Page Ref: 151
AACSB: Communication
Skill: Concept
Objective: 5-2

57) A(n) ________ is a descriptive thought that a person has about something.
A) lifestyle
B) motive
C) belief
D) attitude
E) perception
Answer: C
Diff: 1     Page Ref: 151
Skill: Concept
Objective: 5-2

58) A(n) ________ is a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea.
A) lifestyle
B) motive
C) belief
D) attitude
E) perception
Answer: D
Diff: 1     Page Ref: 151
Skill: Concept
Objective: 5-2
59) A person's attitudes fit into a pattern, and to change one attitude may require difficult adjustments in many others. Thus, a company should ________ try to fit its products into existing attitudes rather than attempt to change attitudes.
A) usually  
B) not  
C) once in a while  
D) seldom  
E) never  
Answer: A  
Diff: 1 Page Ref: 151  
Skill: Concept  
Objective: 5-2

60) When consumers are highly involved with the purchase of an expensive product and they perceive significant differences among brands, they most likely will undertake ________.
A) habitual buying behavior  
B) complex buying behavior  
C) reflective buying behavior  
D) habitual buying behavior  
E) variety-seeking buying behavior  
Answer: B  
Diff: 2 Page Ref: 152  
Skill: Concept  
Objective: 5-3

61) Which of the following typically occurs with habitual buying behavior?
A) There is high consumer involvement.  
B) There is strong brand loyalty.  
C) Consumers search extensively for information.  
D) Ad repetition creates brand conviction.  
E) none of the above  
Answer: E  
Diff: 2 Page Ref: 152  
Skill: Concept  
Objective: 5-3
62) When customers have a low involvement in a purchase but perceive significant brand differences, they will most likely engage in ________.
A) complex buying behavior
B) dissonance-reducing buying behavior
C) habitual buying behavior
D) variety-seeking buying behavior
E) brand conviction buying behavior
Answer: D
Diff: 2 Page Ref: 153
Skill: Concept
Objective: 5-3

63) The buyer decision process consists of five stages. Which of the following is NOT one of these stages?
A) need recognition
B) information search
C) variety-seeking buying behavior
D) purchase decision
E) postpurchase behavior
Answer: C
Diff: 1 Page Ref: 153
Skill: Concept
Objective: 5-3

64) The buying process starts with _______, in which the buyer recognizes a problem.
A) need recognition
B) information search
C) product awareness
D) product interest
E) alternative evaluation
Answer: A
Diff: 1 Page Ref: 154
Skill: Concept
Objective: 5-3
65) If the consumer's drive is strong and a satisfying product is near at hand, the consumer is likely to buy it then. If not, the consumer may store the need in memory or undertake a(n) __________.
   A) brand personality  
   B) alternative evaluation  
   C) postpurchase behavior  
   D) information search  
   E) product adoption  
   Answer: D  
   Diff: 3  Page Ref: 154  
   Skill: Concept  
   Objective: 5-3

66) The consumer can obtain information from any of several sources. Which of the following is NOT one of these types of sources?
   A) personal  
   B) commercial  
   C) attitude  
   D) public  
   E) experiential  
   Answer: C  
   Diff: 2  Page Ref: 154  
   AACSB: Communication  
   Skill: Concept  
   Objective: 5-3

67) The most effective sources from which consumers obtain information are ________ because they legitimize or evaluate products for the buyer.
   A) commercial  
   B) public  
   C) experimental  
   D) personal  
   E) experiential  
   Answer: D  
   Diff: 3  Page Ref: 154  
   AACSB: Communication  
   Skill: Concept  
   Objective: 5-3
68) Marketers describe the way the consumer processes information to arrive at brand choices as ________.
A) alternative evaluation
B) information search
C) purchase decision
D) situational factors
E) post-purchase dissonance
Answer: A
Diff: 1 Page Ref: 154
Skill: Concept
Objective: 5-3

69) Generally, the consumer's purchase decision will be to buy the most preferred brand, but two factors can come between the purchase intention and the purchase decision. Which of the following is one of these factors?
A) postpurchase behavior
B) attitude of others
C) cognitive dissonance
D) alternative evaluation
E) new product adoption
Answer: B
Diff: 3 Page Ref: 155
Skill: Concept
Objective: 5-3

70) After the purchase of a product, consumers will be either satisfied or dissatisfied and engage in ________.
A) need recognition
B) alternative evaluation
C) postpurchase behavior
D) product expectations
E) information searches
Answer: C
Diff: 1 Page Ref: 155
Skill: Concept
Objective: 5-3
71) The relationship between the consumer's expectations and the product's _______ determines whether the buyer is satisfied or dissatisfied with a purchase.
A) perceived performance
B) brand personality
C) recognition
D) consumer market
E) service quality
Answer: A
Diff: 2 Page Ref: 155
Skill: Concept
Objective: 5-3

72) Almost all major purchases result in _______, or discomfort caused by postpurchase conflict.
A) need recognition
B) cognitive dissonance
C) purchase decisions
D) legitimization
E) dissatisfaction
Answer: B
Diff: 1 Page Ref: 155
Skill: Concept
Objective: 5-3

73) Consumers learn about new products for the first time and make the decision to buy them during the _______.
A) need recognition stage
B) adoption process
C) evaluation process
D) trial process
E) quality assessment
Answer: B
Diff: 1 Page Ref: 158
Skill: Concept
Objective: 5-4
74) Which of the following is NOT one of the stages that customers go through in the process of learning about and making decisions about a new product or service?
A) awareness
B) interest
C) evaluation
D) culture
E) trial
Answer: D
Diff: 2 Page Ref: 158
Skill: Concept
Objective: 5-4

75) Relative advantage, compatibility, complexity, divisibility, and communicability are all examples of ________.
A) alternative evaluations
B) dissonance-reducing buying behaviors
C) product characteristics that influence rate of adoption
D) individual differences in innovation
E) postpurchase behaviors
Answer: C
Diff: 2 Page Ref: 159
Skill: Concept
Objective: 5-4

76) Generation Xers, who were born between 1965 and 1976, share the childhood experiences of higher parental divorce rates, recession, and corporate downsizing. They tend to care about the environment and value experience over acquisition. Generation Xers make up a ________.
A) subculture
B) social class
C) social network
D) life-cycle stage
E) lifestyle
Answer: A
Diff: 1 Page Ref: 137
AACSB: Reflective Thinking
Skill: Application
Objective: 5-2
77) A shoe company uses ads featuring the members of a country music band with the hope that the band's fans will see them wearing the company's shoes and want to wear the same shoes. The shoe company is hoping that fans of the band view the band as a ________.
A) membership group
B) reference group
C) status symbol
D) subculture
E) lifestyle
Answer: B
Diff: 3 Page Ref: 140
AACSB: Analytic Skills
Skill: Application
Objective: 5-2

78) Rashmi Singh always knows about the trendiest fashions. She actively shares her knowledge with a wide group of friends and colleagues about where to shop for cutting-edge fashion at great deals, and her advice is often followed. Rashmi is an example of a(n)________.
A) innovator
B) membership group
C) opinion leader
D) buzz marketer
E) experiential source
Answer: C
Diff: 2 Page Ref: 141
AACSB: Reflective Thinking
Skill: Application
Objective: 5-2

79) Shane Sudendorf is an active member of her sorority, two intramural teams, and a service organization at her college. She also actively participates on two online social networks, posting information about her day along with her thoughts on music, food, fashion, and culture. From this description, which of the following is the best way to describe Shane?
A) an opinion leader
B) a status symbol
C) a member of the RBC Builder segment
D) a member of the RBC Youth segment
E) a brand ambassador
Answer: A
Diff: 2 Page Ref: 141
AACSB: Reflective Thinking
Skill: Application
Objective: 5-2
80) There is a trend in the United States toward rediscovering the flavor of regional cooking and the use of locally grown ingredients. People are choosing to spend hours in the kitchen using only the freshest ingredients to recreate local culinary traditions. This change in ________ is one of the reasons the number of farmers markets in the United States has increased by 70 percent in the last eight years.
A) variety-seeking behavior  
B) subculture  
C) lifestyle  
D) personality  
E) life cycle  
Answer:  C  
Diff: 2  
Page Ref: 147  
AACSB:  Reflective Thinking  
Skill:  Application  
Objective:  5-2

81) The RBC Royal Bank has identified five life-stage segments. Members of which segment are most likely to be interested in debt-load management services?
A) Youth  
B) Getting Started  
C) Builders  
D) Accumulators  
E) Preservers  
Answer:  C  
Diff: 3  
Page Ref: 146  
AACSB:  Analytic Skills  
Skill:  Application  
Objective:  5-2

82) According to one analyst, a Harley-Davidson motorcycle can make you feel like "the toughest, baddest guy on the block." Harley-Davidson promotes its motorcycles with images of independence, freedom, and power. Harley-Davidson has created a ________.
A) lifestyle  
B) life-cycle stage  
C) brand motivation  
D) brand personality  
E) brand self-image  
Answer:  D  
Diff: 1  
Page Ref: 148  
AACSB:  Reflective Thinking  
Skill:  Application  
Objective:  5-2
83) A marketing research company asked members of a focus group to describe several motorcycle brands as animals. This is an example of ________.
A) hierarchical needs analysis  
B) interpretive consumer research  
C) status influence  
D) buzz marketing  
E) information search  
Answer:  B  
Diff: 3       Page Ref: 149  
AACSB: Reflective Thinking  
Skill: Application  
Objective:  5-2

84) Mark has long supported the actions and decisions of his city's mayor. However, many recent news stories have raised questions about the ethics of the mayor's programs and initiatives. Mark doubts that the mayor, in whom he has such faith, could behave unethically, and Mark tends to distrust the information in the media. Mark continues to support the mayor. Mark has engaged in ________.
A) selective distortion  
B) selective attitude  
C) selective retention  
D) selective attention  
E) perceptual defense  
Answer:  A  
Diff: 2       Page Ref: 150  
AACSB: Reflective Thinking  
Skill: Application  
Objective:  5-2

85) Juana looked at her September issue of O magazine and did not see anything of interest. After her mother was diagnosed with bipolar disorder, she found the issue extremely interesting because it offered advice on how to help people who are suffering from this problem. The issue became quite interesting to Juana due to ________.
A) subliminal messaging  
B) social factors  
C) selective attention  
D) the hierarchy of needs  
E) unconscious motivations  
Answer:  C  
Diff: 2       Page Ref: 150  
AACSB: Reflective Thinking  
Skill: Application  
Objective:  5-2
86) Bob's job description had been changed. The rationale for the changes made no sense to Bob when they were explained. Bob continued to perform most of his job duties as usual. He has engaged in ________.
A) selective distortion
B) selective attitude
C) selective interpretation
D) selective attention
E) perceptual defense
Answer: D
Diff: 2     Page Ref: 150
AACSB: Reflective Thinking
Skill: Application
Objective: 5-2

87) Stephanie and Jamal attended a sales seminar. Both left the seminar with differing opinions about what was important to implement in their jobs. Both used the information in different ways, according to what each already believed was important. They have engaged in ________.
A) selective distortion
B) selective attitude
C) selective retention
D) selective attention
E) perceptual defense
Answer: A
Diff: 2     Page Ref: 150
AACSB: Reflective Thinking
Skill: Application
Objective: 5-3

88) George is buying his first house. He has found two houses that he thinks he likes. He is highly involved in the purchase and perceives significant differences between these two houses. George will likely undertake ________.
A) variety-seeking buying behavior
B) complex buying behavior
C) opinion leadership
D) dissonance-reducing buying behavior
E) marketing myopia
Answer: B
Diff: 1     Page Ref: 152
AACSB: Reflective Thinking
Skill: Application
Objective: 5-3
89) Pat thought he had received the best deal on his new car. Shortly after the purchase, Pat started to notice certain disadvantages of his new car as he learned more about other cars available. Pat is experiencing ________.
A) postpurchase culture  
B) selective perception  
C) postpurchase dissonance  
D) purchase decision  
E) information evaluation  
Answer: C  
Diff: 2  
Page Ref: 152  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 5-3

90) For the past 10 years Bill and Margaret Kennedy have saved money to go to the Super Bowl should their team, the Chicago Bears, ever win the NFC championship. This is the year, and several tour companies offer attractive, but very similar, packages to the game. They want to be certain to choose the best one. Bill and Margaret are most likely to exhibit ________.
A) complex buying behavior  
B) dissonance-reducing buying behavior  
C) habitual buying behavior  
D) variety-seeking buying behavior  
E) brand familiarity buying behavior  
Answer: B  
Diff: 3  
Page Ref: 152  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 5-3

91) Carrie tends to purchase various brands of bath soap. She has never been loyal to a specific brand; instead, she does a lot of brand switching. Carrie exhibits ________.
A) dissonance-reducing buying behavior  
B) complex buying behavior  
C) habitual buying behavior  
D) variety-seeking buying behavior  
E) brand familiarity buying behavior  
Answer: D  
Diff: 1  
Page Ref: 153  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 5-3
92) Which of the following would a marketer be LEAST likely to do to encourage habitual buying behavior?
A) dominate shelf space
B) run frequent reminder advertising
C) keep shelves fully stocked
D) stress several key points in ad copy
E) focus on visual imagery and symbols in ad campaigns
Answer: D
Diff: 3    Page Ref: 153
AACSB: Analytic Skills
Skill: Application
Objective: 5-3

93) Lexus works to keep customers happy after each sale, aiming to delight the customer in order to gain a customer for life. In this pursuit, Lexus is focused on which step of the buyer decision process?
A) need recognition
B) information search
C) evaluation of alternatives
D) purchase decision
E) postpurchase behavior
Answer: E
Diff: 2    Page Ref: 155
AACSB: Reflective Thinking
Skill: Application
Objective: 5-3

94) Blake is in the process of buying a new car. He is highly involved in the purchase and perceives significant differences among his three favorite models. Blake's next step is most likely to be ________.
A) postpurchase behavior
B) alternative evaluation
C) opinion leadership
D) cognitive dissonance
E) purchase decision
Answer: B
Diff: 2    Page Ref: 154
AACSB: Reflective Thinking
Skill: Application
Objective: 5-3
95) Donna wants to buy a new coat. During the ________ stage of her purchase process she will ask her friends to recommend a store and/or a style of coat. She will search the newspaper for coat sales, and she will visit nearby stores to see what is available in her price range.
A) product evaluation
B) alternative evaluation
C) need recognition
D) information search
E) purchase decision
Answer: D
Diff: 2 Page Ref: 154
AACSB: Reflective Thinking
Skill: Application
Objective: 5-3

96) Leona purchased two bottles of wine from vineyards in Australia. When asked her opinion of the wine, she said the burgundy wine tasted like alcoholic grape juice, but the Chablis had a crisp taste that she really enjoyed. These statements were made during the ________ stage of the purchase decision.
A) information search
B) situational analysis
C) alternative evaluation
D) purchase decision
E) postpurchase behavior
Answer: E
Diff: 1 Page Ref: 155
AACSB: Reflective Thinking
Skill: Application
Objective: 5-3

97) Cameron loves to know about and purchase the most up-to-date technological gadgets. Among his friends, he is almost always the first to own the newest electronic product. Often the products that Cameron buys become adopted by large groups of consumers, but occasionally Cameron will purchase a product that is adopted by only a small portion of the population. To which of the following adopter groups does Cameron belong?
A) innovator
B) early adopter
C) early majority
D) late majority
E) laggards
Answer: A
Diff: 2 Page Ref: 158
AACSB: Reflective Thinking
Skill: Application
Objective: 5-4
Refer to the scenario below to answer the following questions.

The Attic Trunk began in 1979 as an upscale dress shop in Forest Ridge's fashionable shopping district, catering to a wealthy, mature clientele. Many other specialty shops lined the main avenue over the next few years. But as Forest Ridge began to attract an affluent, younger, and more demographically diverse population, the once-popular shopping district was increasingly perceived as stodgy and snobby. By the late 1980s, many of these specialty shops suffered financially. Most shops attracted only tourists who enjoyed browsing through the displays of alligator belts and shoes, piles of scented soaps, and useless flowered parasols, often laughing at the ridiculously high prices. Owners of The Attic Trunk had noticed the shifts in population and buying behavior of the typical shopper by the late 1980s. In fact, the owners had observed that the once-fashionable shopping district in Forest Ridge no longer attracted a "typical shopper." The wealthy, mature clientele had been partially replaced with affluent families with children, a mix of Asian and African Americans as well as Caucasians. Specialty items at The Attic Trunk gradually disappeared, replaced by brand-name apparel, colognes, and jewelry. Other owners followed suit in the early 1990s, bringing restaurants, an outdoor cafe, and a day spa to the main avenue in Forest Ridge.

98) Which of the following is the strongest reason that the owners of The Attic Trunk might NOT want to completely discount the mature consumers as a still-viable target market?

A) Mature consumers wield considerable influence over purchases made by their children and grandchildren.
B) Mature consumers are the largest and wealthiest demographic segment in the United States.
C) Mature consumers are spending an increasing percentage of their income on specialty items such as those originally sold by The Attic Trunk.
D) Mature consumers are interested in shopping where younger families shop in an effort to look as young as they feel.
E) Mature consumers are less willing to shop around and change brands than younger consumers are, so they will likely remain loyal to The Attic Trunk.

Answer: B

Diff: 2 Page Ref: 140
AACSB: Analytic Skills
Skill: Application
Objective: 5-2
99) Many families with children are now attracted to the shopping district in Forest Ridge. What characteristics about families as consumer groups might the owners of The Attic Trunk want to keep in mind?
A) Though more women hold jobs outside the home today than when The Attic Trunk first opened, husband-wife involvement in the buying process has remained relatively unchanged.
B) Children have considerable amounts of disposable income and have a strong influence on family buying decisions.
C) Women today account for 50 percent of all technology purchases.
D) Men today account for about 40 percent of all food purchases.
E) Women influence nine out of ten new home and vacation purchases.
Answer: B
Diff: 1 Page Ref: 146
AACSB: Analytic Skills
Skill: Application
Objective: 5-2

100) It is most likely that each consumer segment attracted to The Attic Trunk would have which of the following in common with the other consumer segments?
A) subculture
B) personality
C) AIO dimensions
D) reference groups
E) membership groups
Answer: C
Diff: 3 Page Ref: 147
AACSB: Analytic Skills
Skill: Application
Objective: 5-2

101) The starting point of understanding how consumers respond to various marketing efforts is called the marketing stimulus model of buyer behavior.
Answer: FALSE
Diff: 2 Page Ref: 136
Skill: Concept
Objective: 5-1

102) Subcultures are society's relatively permanent and ordered divisions whose members share similar values, interests, and behaviors.
Answer: FALSE
Diff: 1 Page Ref: 137
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 5-2
103) Younger consumers are better off financially than mature consumers. They are the ideal market for travel, restaurants, high-tech home entertainment products, and convenient services.
Answer: FALSE
Diff: 2    Page Ref: 140
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 5-2

104) Social class is based on shared value systems and common life experiences and situations.
Answer: FALSE
Diff: 2    Page Ref: 140
Skill: Concept
Objective: 5-2

105) Because people are able to move between social classes, these classes are relatively impermanent and disordered divisions whose members share dissimilar values, interests, and behaviors.
Answer: FALSE
Diff: 2    Page Ref: 140
AACSB: Analytic Skills
Skill: Application
Objective: 5-2

106) Online social networks represent an important new form of buzz for marketers.
Answer: TRUE
Diff: 2    Page Ref: 144
AACSB: Use of IT
Skill: Concept
Objective: 5-2

107) Children exert little influence on family buying decisions, particularly in areas such as entertainment and food.
Answer: FALSE
Diff: 2    Page Ref: 146
Skill: Concept
Objective: 5-2

108) Personality is a person's pattern of living as expressed in his or her psychographics.
Answer: FALSE
Diff: 1    Page Ref: 148
Skill: Concept
Objective: 5-2
109) A person's buying choices are influenced by four major psychological factors: motivation, perception, learning, and beliefs and attitudes.
Answer: TRUE
Diff: 1     Page Ref: 148
Skill: Concept
Objective: 5-2

110) Maslow's theory is that human needs including physiological, safety, social needs, esteem, and self-actualization needs are arranged in a hierarchy and that an unsatisfied need motivates an individual to take action to satisfy it.
Answer: TRUE
Diff: 2     Page Ref: 149
Skill: Concept
Objective: 5-2

111) Alternative evaluation is the process by which people select, organize, and interpret information to form a meaningful picture of the world.
Answer: FALSE
Diff: 2     Page Ref: 154
AACSB: Communication
Skill: Concept
Objective: 5-2

112) A belief is the specific mix of human traits that may be attributed to a particular brand.
Answer: FALSE
Diff: 1     Page Ref: 151
Skill: Concept
Objective: 5-2

113) Dissonance-reducing buying behavior typically occurs when a buyer sees little difference among brands but is highly involved with the purchase.
Answer: TRUE
Diff: 1     Page Ref: 152
Skill: Concept
Objective: 5-3

114) A person buying a car would be unlikely to exhibit complex buying behavior.
Answer: FALSE
Diff: 2     Page Ref: 152
AACSB: Reflective Thinking
Skill: Application
Objective: 5-3
115) A marketer seeking to create brand familiarity should be more concerned about creative ad copy content than ad repetition.
Answer: FALSE
Diff: 3 Page Ref: 153
AACSB: Analytic Skills
Skill: Application
Objective: 5-3

116) Commercial sources of information typically legitimize and evaluate products for buyers.
Answer: FALSE
Diff: 3 Page Ref: 154
AACSB: Communication
Skill: Concept
Objective: 5-3

117) After purchasing a product, the consumer will be satisfied or dissatisfied and will engage in post-purchase behavior.
Answer: TRUE
Diff: 1 Page Ref: 155
Skill: Concept
Objective: 5-3

118) Most unhappy customers explain their reasons for dissatisfaction to the company who sold the product.
Answer: FALSE
Diff: 2 Page Ref: 157
Skill: Concept
Objective: 5-3

119) When a consumer learns about a new product for the first time and makes a decision to try it, the consumer is engaged in the alternative evaluation process.
Answer: FALSE
Diff: 2 Page Ref: 154
Skill: Concept
Objective: 5-4

120) People differ greatly in their readiness to try new products. In each product area, there are "consumption pioneers." They are also called laggards.
Answer: FALSE
Diff: 2 Page Ref: 158
Skill: Concept
Objective: 5-4
121) Early adopters are opinion leaders in their communities and adopt new ideas early but carefully.
Answer: TRUE
Diff: 3 Page Ref: 158
Skill: Concept
Objective: 5-4

122) Ed purchases new technological devices such as PDAs, DVRs, and MP3 players after many people he knows already own the devices. However, Ed is rarely among the last people he knows to purchase a new technology. Ed is part of the laggard adopter group.
Answer: FALSE
Diff: 3 Page Ref: 158
AACSB: Reflective Thinking
Skill: Application
Objective: 5-4

123) Members of the early majority are deliberate; although they rarely are leaders, they adopt new ideas before the average person.
Answer: TRUE
Diff: 2 Page Ref: 158
Skill: Concept
Objective: 5-4

124) In general, innovators tend to be relatively older, be more mature, and have a lower income than late adopters.
Answer: FALSE
Diff: 3 Page Ref: 159
Skill: Concept
Objective: 5-4

125) Two of the characteristics that are especially important in influencing an innovation's rate of adoption are relative advantage and compatibility.
Answer: TRUE
Diff: 2 Page Ref: 159
Skill: Concept
Objective: 5-4
Cultural factors exert a broad and deep influence on consumer behavior. The marketer needs to understand the role played by the buyer's culture, subculture, and social class. Compare the roles of culture, subculture, and social class.

Answer: Culture is the most basic cause of a person's wants and behavior. Each culture contains smaller subcultures, or groups of people with shared value systems based on common life experiences and situations. Subcultures include nationalities, religions, racial groups, and geographic regions. Many subcultures make up important markets. Social classes are society's relatively permanent and ordered divisions whose members share similar values, interests, and behaviors. Unlike nationality or ethnic subculture, social class is determined by a combination of many variables, such as occupation, income, education, and wealth. Social scientists have identified seven social classes within the American culture, ranging from upper class to lower class.

Diff: 2  Page Ref: 137 and 140
AACSB: Analytic Skills
Skill: Application
Objective: 5-2

Many subcultures make up important market segments. Examples of four such important subculture groups include Hispanics, African Americans, Asian Americans, and mature consumers. Describe the general characteristics of each of these groups.

Answer: Hispanic consumers tend to buy more branded, higher-quality products. Generics do not sell well to Hispanics. Perhaps more important, Hispanics are very brand loyal, and they favor companies who show special interest in them. African American consumers are more price-conscious than other segments; they are also strongly motivated by quality and selection. African Americans seem to enjoy shopping more than other ethnic groups and are also more fashion conscious. Asian American consumers are the most affluent U.S. demographic segment and are the second-fastest-growing population subculture, after Hispanics. Asian American consumers are very tech-savvy and are the most brand conscious of all the ethnic groups. Mature consumers are better off financially than are younger consumer groups. They are an ideal market for travel, restaurants, high-tech home entertainment products, convenient services, financial services, and healthcare services.

Diff: 3  Page Ref: 137-140
AACSB: Multicultural and Diversity
Skill: Application
Objective: 5-2
128) A consumer's behavior is influenced by social factors, such as the consumer's small groups, family, and social roles and status. Explain the differences among these social factors.

Answer: Small groups to which a person belongs have a direct influence on what a person buys. Reference groups serve as direct or indirect points of comparison or reference in forming a person's attitudes or behaviors. An aspirational group is one to which the individual wishes to belong. Reference groups expose a person to new behaviors and lifestyles, influence a person's attitudes and self-concept, and create pressures to conform that may affect the person's product and brand choices. Opinion leaders are also included in reference groups. The group closest to consumers is the family, the most important consumer buying organization in society. Marketers are interested in the changing roles and influence of each family member, particularly as male and female purchasing roles evolve and children wield more purchasing influence. Within groups, including families, the position of an individual is defined by role and status. A role consists of the activities people are expected to perform according to the persons around them, while status is the general esteem given to that role. People tend to choose products that fit with their roles and status.

Diff: 3 Page Ref: 140-146
AACSB: Analytic Skills
Skill: Application
Objective: 5-2

129) Each person's distinct personality influences his or her buying behavior. Personality is usually described in terms of traits. What are these traits, and how do they affect the way people purchase items? Give at least one example.

Answer: Personality is described in terms of traits such as self-confidence, dominance, sociability, autonomy, defensiveness, adaptability, and aggressiveness. Personality can be useful in analyzing behavior for certain products. Consumers are likely to choose brands with personalities that match their own. For example, someone with a sophisticated personality might be attracted to a more sophisticated product, such as a BMW, while someone with a more rugged personality might be attracted to a more rugged product, such as a Jeep.

Diff: 1 Page Ref: 148
AACSB: Analytic Skills
Skill: Application
Objective: 5-2

130) Explain Maslow's Hierarchy of Needs.

Answer: Maslow suggested that our unfulfilled needs motivate us and that our needs are arranged in a hierarchy. The hierarchy of needs includes physiological, safety, social, self-esteem, and self-actualization needs. Maslow suggested that we fill the bottom-level, basic needs first before moving up the hierarchy. Until more basic needs such as safety are fulfilled, an individual has little interest in higher-level needs such as esteem and self-actualization.

Diff: 2 Page Ref: 149
AACSB: Analytic Skills
Skill: Application
Objective: 5-2
131) Compare and contrast the four types of buying decision behavior exhibited by consumers.
Answer: A consumer exhibits complex buying behavior when he or she is highly involved in a purchase decision and perceives significant differences among the choices. Consumers will engage in a learning process as they gather and analyze information about their choices before making a purchase. When a consumer is highly involved with a purchase but does not perceive significant differences among his or her choices, he or she will most likely engage in dissonance-reducing behavior. This behavior involves less time learning about each product's attributes, and a consumer is more likely to make a choice based on a good price or convenience. Habitual buying behavior and variety-seeking behavior are exhibited when a consumer has a low involvement with the product. When the consumer sees little difference between brands, he or she will most likely engage in habitual buying behavior, buying the most familiar brands out of habit. When the consumer perceives some significant brand differences, he or she is more likely to engage in variety-seeking buying behavior, doing a lot of brand switching without a great deal of evaluation before purchase.
Diff: 2 Page Ref: 152-153
AACSB: Analytic Skills
Skill: Application
Objective: 5-2

132) Describe some important strategies for a marketer of a high-involvement product.
Answer: Marketers must understand the information-gathering and evaluation behavior of their high-involvement customers. This involves helping customers learn about the product attributes and their relative importance, as well as clearly differentiating the brand's features. Marketers might use long copy in print media to satisfy the customer's need for information. Marketers must also motivate salespeople to influence the customer's choice. To discourage customers' postpurchase dissonance, after-sale communications from the marketer should help customers feel good about their purchase decision.
Diff: 2 Page Ref: 152
AACSB: Analytic Skills
Skill: Application
Objective: 5-3
133) Listing them in the proper order, what are the stages in the buyer decision process?
Describe each.
Answer: In the need recognition stage, consumers become aware of a new problem or need. Then, consumers seek information products to meet that need in the information search stage. In the alternative evaluation stage, consumers use the gathered information to compare and contrast the choices. Consumers do not use the same evaluation process in all buying situations; sometimes they may make careful, logical calculations and other times they may rely on intuition and buy on impulse. Consumers then make the purchase decision, buying the product. The last component of the process is postpurchase behavior, which is determined by any difference between the consumer's expectations for the product and the perceived performance of the product.

Diff: 1 Page Ref: 153-155
AACSB: Analytic Skills
Skill: Application
Objective: 5-3

134) Identify and describe the stages in the adoption process.
Answer: In the awareness stage, consumers become aware of the new product but lack information about it. Then, consumers seek information about the new product in the interest stage. In the evaluation stage, consumers consider whether trying the new product makes sense. Consumers try the product on a limited basis in the trial stage. Finally, consumers decide to make full use of the product in the adoption stage.

Diff: 2 Page Ref: 158
AACSB: Analytic Skills
Skill: Application
Objective: 5-4

135) Identify the product characteristics that influence the rate of adoption. Explain how each characteristic affects the rate of adoption.
Answer: The five most important product characteristics that influence the rate of a product's adoption are relative advantage, compatibility, complexity, divisibility, and communicability. Relative advantage is the degree to which an innovation appears superior to existing products; the greater the perceived relative advantage, the sooner the product will be adopted. Compatibility is the degree to which the innovation fits the values and experiences of potential consumers; high compatibility leads to quick adoption. Complexity is the degree to which the innovation is difficult to understand or use; the greater the complexity, the slower the adoption rate. Divisibility is the degree to which the innovation may be tried on a limited basis; the higher the divisibility, the slower the rate of adoption. Finally, communicability is the degree to which the results of using the innovation can be observed or described to others; high communicability lends itself to a higher rate of adoption.

Diff: 3 Page Ref: 159
AACSB: Analytic Skills
Skill: Application
Objective: 5-4
136) What role do the four Ps play in consumer behavior?
Answer: The four Ps are the marketing stimuli that affect buyer behavior: marketers use product, price, place, and promotion to attract the targeted consumers.
Diff: 1  Page Ref: 136
AACSB: Analytic Skills
Skill: Application
Objective: 5-1

137) Give an example of a cultural shift that may impact the marketing of products or services.
Answer: Answers will vary. Currently, the shift toward greater concern about health and fitness has generated increased marketing of exercise equipment and gear.
Diff: 1  Page Ref: 137
AACSB: Reflective Thinking
Skill: Application
Objective: 5-2

138) Why might the Hispanic market be a viable targeted group for a new marketer of products?
Answer: Hispanics are the fastest growing U.S. subculture and they tend favor companies who show special interest in them, attributes a new marketer of a product could capitalize on.
Diff: 3  Page Ref: 138
AACSB: Analytic Skills
Skill: Application
Objective: 5-2

139) In what way might a marketer rely on opinion leaders?
Answer: Opinion leaders can influence other larger groups of consumers to be attracted to a marketer's products.
Diff: 2  Page Ref: 141
AACSB: Analytic Skills
Skill: Application
Objective: 5-2

140) How does marketing through online social networks differ from more traditional marketing?
Answer: Marketers hope to use social networks to interact with consumers and become a part of their everyday lives instead of relying on the one-way commercial messages of more traditional media.
Diff: 1  Page Ref: 144
AACSB: Communication
Skill: Application
Objective: 5-2
141) Explain why typical husband-dominant or wife-dominant products of the 1970s may no longer be regarded as typical.
Answer: Changes in the traditional family structure, such as more women holding jobs outside the home and more single-parent households, have changed the traditional buying roles over time.
Diff: 2 Page Ref: 145
AACSBS: Analytic Skills
Skill: Application
Objective: 5-2

142) Explain the concept of brand personality.
Answer: A brand personality is the specific mix of human traits that may be attributed to a particular brand.
Diff: 1 Page Ref: 148
AACSBS: Analytic Skills
Skill: Application
Objective: 5-2

143) Explain why selective attention is not controllable by a marketer.
Answer: A marketer cannot guarantee that a consumer will pay attention to or remember a specific ad; people use selective attention because it is impossible for them to pay attention to the thousands of marketing stimuli they experience each day.
Diff: 3 Page Ref: 150
AACSBS: Analytic Skills
Skill: Application
Objective: 5-2

144) Explain how selective distortion is somewhat controllable by a marketer.
Answer: Marketers can attempt to understand consumers' mindsets and how these will affect perceptions of advertisements.
Diff: 3 Page Ref: 150
AACSBS: Analytic Skills
Skill: Application
Objective: 5-2

145) Knowing that selective retention prevents consumers from remembering everything about an ad, what might a marketer do to enhance retention?
Answer: Use of drama, fear, or extreme humor in an ad can often promote retention among consumers; ad repetition may also work.
Diff: 2 Page Ref: 150
AACSBS: Analytic Skills
Skill: Application
Objective: 5-2
146) Explain the role of marketers in the information search step of the consumer decision-making process. Give an example of how the marketer might execute this role.
Answer: The role of marketers in the information search step of the consumer decision-making process is to make the information consumers want and need about their product easily accessible by the consumer.
Diff: 2 Page Ref: 154
AACSB: Analytic Skills
Skill: Application
Objective: 5-3

147) Explain how marketers may be able to reduce postpurchase cognitive dissonance.
Answer: Marketers must make every effort to enhance after-sale communications, providing evidence and support to help consumers feel good about their purchases.
Diff: 2 Page Ref: 157
AACSB: Analytic Skills
Skill: Application
 Objective: 5-3

148) Why should marketers set up systems that encourage customers to complain about products?
Answer: Most customers never share their complaints with marketers; without this information, it is difficult for a company to identify how it can improve.
Diff: 2 Page Ref: 157
AACSB: Analytic Skills
Skill: Application
Objective: 5-3

149) What strategy should a marketer use upon learning that consumers are not buying a product because they do not perceive a need for it?
Answer: Marketing might launch an advertising campaign that shows customers how the product can solve their existing problems and meet their existing needs.
Diff: 3 Page Ref: 157
AACSB: Analytic Skills
Skill: Application
Objective: 5-4

150) What are the differences between innovators and early adopters?
Answer: Innovators are more willing to take on risk; early adopters try new ideas early on but are much more deliberate.
Diff: 2 Page Ref: 158
AACSB: Analytic Skills
Skill: Application
Objective: 5-4
1) In which of the following ways is GE like most other large companies?
A) It produces hundreds of products for a wide range of markets.
B) It has an entertainment division.
C) It has a finance division.
D) Most of its business comes from final consumers.
E) Most of its business comes from commercial and industrial customers.
Answer: E
Diff: 1 Page Ref: 168
Skill: Concept
Objective: 6-1

2) As a purchasing agent, Benni Lopez buys goods and services for use in the production of products that are sold and supplied to others. Benni is involved in ________.
A) consumer buying behavior
B) post-purchase dissonance
C) retail buyer behavior
D) business buyer behavior
E) interpretive business research
Answer: D
Diff: 1 Page Ref: 168
Skill: Concept
Objective: 6-1

3) Business buying behavior refers to the buying behavior of organizations that buy all of the following EXCEPT ________.
A) products for use in production of other products
B) services for use in production of other services
C) products purchased to resell to others
D) products purchased to rent to others
E) products purchased for personal consumption
Answer: E
Diff: 1 Page Ref: 168
Skill: Concept
Objective: 6-1
4) In one way or another, most large companies sell to ________.  
A) consumers  
B) other organizations  
C) employees  
D) not-for-profit companies  
E) the service sector  
Answer: B  
Diff: 2 Page Ref: 168  
Skill: Concept  
Objective: 6-1

5) When compared to consumer markets, business markets are ________.  
A) approximately the same  
B) smaller  
C) huge  
D) somewhat larger  
E) less complex  
Answer: C  
Diff: 2 Page Ref: 168  
Skill: Concept  
Objective: 6-1

6) Which of the following is NOT a way that business and consumer markets differ?  
A) market structure and demand  
B) nature of the buying unit  
C) satisfaction of needs through purchases  
D) types of decisions  
E) decision processes  
Answer: C  
Diff: 3 Page Ref: 169  
Skill: Concept  
Objective: 6-1

7) There are many sets of ________ purchases made for each set of ________ purchases.  
A) consumer; business  
B) tangible; intangible  
C) service; product  
D) business; consumer  
E) product; service  
Answer: D  
Diff: 2 Page Ref: 168  
Skill: Concept  
Objective: 6-1
8) Which of the following is true about business marketers in comparison to consumer marketers?
A) They deal with far fewer but far larger buyers.
B) They deal with far more but far small buyers.
C) They deal with a more elastic market.
D) They deal with fewer demands in fluctuation.
E) They deal with the same decision buying process.
Answer: A
Diff: 2       Page Ref: 169
Skill: Concept
Objective: 6-1

9) Hewlett-Packard and Dell buy Intel microprocessor chips because consumers buy personal computers. This demonstrates an economic principle called ________.
A) elastic demand
B) fluctuating demand
C) derived demand
D) joint demand
E) market demand
Answer: C
Diff: 2       Page Ref: 169
Skill: Concept
Objective: 6-1

10) The Pure Drug Company produces insulin, a product with a very stable demand, even though the price has changed several times in the past two years. Insulin is a product with ________ demand.
A) joint
B) service
C) inelastic
D) elastic
E) fluctuating
Answer: C
Diff: 2       Page Ref: 169
Skill: Concept
Objective: 6-1
11) The demand for many business goods and services tends to change more, and more quickly, than the demand for consumer goods and services does. This is referred to as ________ demand.
A) fluctuating
B) derived
C) inelastic
D) elastic
E) supplier
Answer: A
Diff: 1 Page Ref: 169
Skill: Concept
Objective: 6-1

12) Large business purchasers usually call for detailed product specifications, written purchase orders, careful supplier searches, and formal approval. These are all examples of how the business buying decision process is more ________ than the consumer buying decision process is.
A) formalized
B) creative
C) relationship-oriented
D) independent
E) concentrated
Answer: A
Diff: 2 Page Ref: 170
Skill: Concept
Objective: 6-1

13) The owners of the company you work for have developed a core network of suppliers they are working closely with to ensure an appropriate and dependable supply of products. This is an example of ________ management.
A) value chain
B) network relationship
C) channel captain
D) core channel
E) supplier development
Answer: E
Diff: 1 Page Ref: 170
Skill: Concept
Objective: 6-1
14) Although there are many differences between business buying behavior and consumer buying behavior, both respond to the same four stimuli: product, price, promotion, and _______.
   A) precision
   B) personal relationships
   C) place
   D) publicity
   E) packaging
   Answer: C
   Diff: 2    Page Ref: 172
   Skill: Concept
   Objective: 6-2

15) In a typical organization, buying activity consists of two major parts: the buying _______ and the buying _______.
   A) committee; time
   B) time; reorder point
   C) economic order quantity; reorder point
   D) center; decision process
   E) deciders; influencers
   Answer: D
   Diff: 3    Page Ref: 172
   Skill: Concept
   Objective: 6-2

16) The buying center and the buying decision process are affected by all of the following factors EXCEPT _______.
   A) internal organization factors
   B) interpersonal factors
   C) individual factors
   D) external environmental factors
   E) self-concept factors
   Answer: E
   Diff: 2    Page Ref: 172
   Skill: Concept
   Objective: 6-2

17) Which business buying situation is the marketer's greatest opportunity and challenge?
   A) modified rebuy
   B) straight rebuy
   C) new task
   D) multiple rebuys
   E) system rebuys
   Answer: C
   Diff: 2    Page Ref: 173
   Skill: Concept
   Objective: 6-2
18) In which type of buying situation would a supplier most likely focus on maintaining product and service quality?
A) straight rebuy  
B) modified rebuy  
C) new task  
D) systems task  
E) solutions task  
Answer: A 
Diff: 3 Page Ref: 173 
Skill: Concept 
Objective: 6-2 

19) You just lost a major account because a competitor provided the most complete system to meet the customer's needs and solve the customer's problems, and made the sale. In other words, the competition beat you with ________.  
A) solutions selling  
B) team selling  
C) cross-functional skill  
D) customer relationship management  
E) promotions  
Answer: A 
Diff: 2 Page Ref: 173 
Skill: Concept 
Objective: 6-2 

20) Another name for systems selling is ________ selling.  
A) solutions  
B) blanket contract  
C) vendor-managed inventory  
D) negotiated contract  
E) periodic purchase  
Answer: A 
Diff: 1 Page Ref: 173 
Skill: Concept 
Objective: 6-2 

21) The decision-making unit of a buying organization is called the ________.  
A) business buyer  
B) buying center  
C) buying system  
D) business-to-business market  
E) supplier-development center  
Answer: B 
Diff: 1 Page Ref: 174 
Skill: Concept 
Objective: 6-2
22) A ________ consists of the actual users of products, those who control buying information, those who influence the decisions, those who do the actual buying, and those who make the buying decisions.
   A) supplier development team
   B) cross-functional team
   C) buying center
   D) quality management center
   E) partnership management team
   Answer:  C
   Diff: 2    Page Ref: 174
   Skill:  Concept
   Objective:  6-2

23) In routine buying situations, which members of the buying center have formal or informal power to select or approve the final suppliers?
   A) users
   B) influencers
   C) gatekeepers
   D) deciders
   E) buyers
   Answer:  D
   Diff: 1    Page Ref: 174
   Skill:  Concept
   Objective:  6-2

24) A(n) ________ controls the flow of information to others in the buying center.
   A) user
   B) influencer
   C) buyer
   D) gatekeeper
   E) decider
   Answer:  D
   Diff: 1    Page Ref: 174
   AACSB:  Communication
   Skill:  Concept
   Objective:  6-2
25) Don Amspacher, in his role on the buying committee, provides information for evaluating the alternative purchase decisions and helps define and set specifications for evaluating alternatives for purchasing. Don is a(n) ________.
A) user 
B) influencer
C) decider
D) gatekeeper
E) buyer
Answer: B
Diff: 2 Page Ref: 174
AACSB: Communication
Skill: Concept
Objective: 6-2

26) Gretchen Kabor has formal authority to select the suppliers and arrange terms of purchase for many of the items her firm uses. Her role in the buying center is that of ________.
A) user
B) influencer
C) buyer 
D) decider
E) gatekeeper
Answer: C
Diff: 2 Page Ref: 174
Skill: Concept
Objective: 6-2

27) A buying center is not a fixed, formally identified, unit within an organization, but rather a set of ________ assumed by different people for different purchases.
A) budgetary limits
B) informal job titles
C) buying roles
D) status roles
E) marketing positions
Answer: C
Diff: 3 Page Ref: 174
Skill: Concept
Objective: 6-2
28) Which of the following is NOT included in the decision-making unit of a buying organization?
A) individuals who use the product or service
B) individuals who influence the buying decision
C) individuals who make the buying decision
D) individuals who supply the product
E) individuals who control buying information
Answer: D
Diff: 2 Page Ref: 174
Skill: Concept
Objective: 6-2

29) Which of the following statements about buying centers is true?
A) The buying center is like a standing committee.
B) The buying center roles are specified on the organizational chart.
C) The typical buying center has five employees, one to assume each of the buying center's roles.
D) An individual's role in the buying center does not change.
E) The buying center may involve informal participants who are not obvious to sellers.
Answer: E
Diff: 3 Page Ref: 175
Skill: Concept
Objective: 6-2

30) When suppliers' offers are very similar, business buyers have little basis for strictly ________.
A) emotional choice
B) rational choice
C) personal choice
D) intuitive choice
E) independent choice
Answer: B
Diff: 3 Page Ref: 175
Skill: Concept
Objective: 6-2
31) When competing products differ greatly, business buyers are more accountable for their purchase choices and tend to pay more attention to ________.  
A) economic factors  
B) emotional choice  
C) intuition  
D) personal factors  
E) creative factors  
Answer: A  
Diff: 3  Page Ref: 175  
Skill: Concept  
Objective: 6-2

32) Buyers are heavily influenced by the current and expected economic environment. That includes which of the following buyer influences?  
A) level of primary demand  
B) economic outlook  
C) the cost of money  
D) A and B only  
E) all of the above  
Answer: E  
Diff: 3  Page Ref: 175  
Skill: Concept  
Objective: 6-2

33) To ensure an adequate and available supply of key scarce materials, many companies are now willing to ________.  
A) decrease levels of demand  
B) buy and hold large inventories of the materials  
C) eliminate distribution and warehousing partners  
D) experiment with just-in-time technologies  
E) reduce the length of the supply chain  
Answer: B  
Diff: 2  Page Ref: 175  
Skill: Concept  
Objective: 6-2
34) The major influences on the buying process at General Aeronautics include company policies and systems, technological change, and economic developments. The types of influences on the buying process in this scenario are most accurately categorized as ________ and ________.
A) individual; environmental  
B) organizational; interpersonal  
C) individual; organizational  
D) environmental; interpersonal  
E) organizational; environmental  
Answer: E  
Diff: 3 Page Ref: 176  
Skill: Concept  
Objective: 6-2

35) Which of the following types of factors influencing members of a buying center are typically the most difficult for marketers to assess?
A) economic  
B) technological  
C) interpersonal  
D) organizational  
E) political  
Answer: C  
Diff: 3 Page Ref: 176  
Skill: Concept  
Objective: 6-2

36) Policies, procedures, and systems are all examples of ________ influences on business buyer behavior.
A) environmental  
B) authoritative  
C) interpersonal  
D) organizational  
E) cultural  
Answer: D  
Diff: 2 Page Ref: 176  
Skill: Concept  
Objective: 6-2
37) Status, empathy, and persuasiveness are all examples of ________ influences on business buyer behavior.
A) environmental  
B) individual  
C) interpersonal  
D) organizational  
E) cultural  
Answer: C  
Diff: 2  
Page Ref: 176  
Skill: Concept  
Objective: 6-2

38) Charlie Van Dusen, executive vice president of National Central Bank, is going through all of the stages of the buying process to purchase a computer system for the bank. Charlie is facing a(n) ________ situation.
A) straight rebuy  
B) modified rebuy  
C) new-task buying  
D) limited budget  
E) independent buying  
Answer: C  
Diff: 2  
Page Ref: 176  
Skill: Concept  
Objective: 6-3

39) Which of the following is an example of an internal stimulus that might lead to the business buying process stage of problem recognition?
A) A buyer gets a new idea from an advertisement.  
B) A buyer gets a new idea at a trade show.  
C) A buyer is unhappy with a current supplier's price.  
D) A buyer receives a call from a salesperson offering better service terms.  
E) A buyer learns about a new product at an industry convention.  
Answer: C  
Diff: 2  
Page Ref: 177  
Skill: Concept  
Objective: 6-3

40) The first step of the business buying process is ________.
A) general need description  
B) alternative evaluations  
C) problem recognition  
D) order-routine specification  
E) performance review  
Answer: C  
Diff: 2  
Page Ref: 177  
Skill: Concept  
Objective: 6-3
41) Business marketers often alert customers to potential problems and then show how their products provide solutions. These marketers are hoping to influence which stage of the business buying process?
A) general need description
B) alternative evaluations
C) problem recognition
D) order-routine specification
E) performance review
Answer: C
Diff: 2 Page Ref: 177
Skill: Concept
Objective: 6-3

42) The purchasing agent at your company is working with engineers and users to define the items to purchase by describing general characteristics and quantities needed. He is also ranking the importance of reliability, durability, and price. The buyer is preparing a(n) ________.
A) value analysis
B) product specifications list
C) general need description
D) order-routine specification
E) product proposal
Answer: C
Diff: 2 Page Ref: 177
Skill: Concept
Objective: 6-3

43) In which stage of the business buying process is a supplier most likely to provide a buyer with information about the values of different product characteristics?
A) problem recognition
B) general need description
C) supplier search
D) supplier selection
E) order-routine specification
Answer: B
Diff: 3 Page Ref: 177
Skill: Concept
Objective: 6-3
44) Which of the following is the process of the buying center deciding on the best product characteristics?
A) value analysis  
B) general need description  
C) marketing myopia  
D) purchase order  
E) product specification
Answer: E  
Diff: 1  Page Ref: 177  
Skill: Concept  
Objective: 6-3

45) During which stage of the business buying process is a buyer most likely to conduct a value analysis, carefully studying components to determine if they can be redesigned, standardized, or made less expensively?
A) proposal solicitation  
B) general need description  
C) order-routine specification  
D) performance review  
E) product specification
Answer: E  
Diff: 3  Page Ref: 177  
Skill: Concept  
Objective: 6-3

46) Empire Products has begun a process to find the best suppliers. Empire Products is actively engaged in ________.
A) value analysis  
B) performances review  
C) supplier search  
D) supplier control  
E) supplier selection
Answer: C  
Diff: 1  Page Ref: 177  
Skill: Concept  
Objective: 6-3
47) A buyer would be most likely to review trade directories in which stage of the business buying process?
A) problem recognition  
B) general need description  
C) product specification  
D) supplier search  
E) supplier selection  
Answer: D  
Diff: 2  Page Ref: 177  
Skill: Concept  
Objective: 6-3

48) In the generally accepted stages of the business buying process, the step following product specification is ________.
A) proposal solicitation  
B) supplier search  
C) problem recognition  
D) general need description  
E) order-routine specification  
Answer: B  
Diff: 2  Page Ref: 177  
Skill: Concept  
Objective: 6-3

49) In the generally accepted stages of the business buying process, the step following problem recognition is ________.
A) proposal solicitation  
B) supplier search  
C) product value analysis  
D) general need description  
E) performance review  
Answer: D  
Diff: 2  Page Ref: 177  
Skill: Concept  
Objective: 6-3
50) Members of the buying center at ABC Kid's World are drawing up a list of desired toy supplier attributes and their relative importance. Next, they intend to compare several suppliers to these attributes. In which step of the business buying process is the buying center at ABC Kid's World engaged?
A) supplier search
B) proposal solicitation
C) supplier selection
D) order-routine specification
E) performance review
Answer: C
Diff: 2 Page Ref: 178
Skill: Concept
Objective: 6-3

51) Which of the following statements about the supplier selection stage of the business buying decision process is true?
A) Price is the only factor businesses consider before making a purchase decision.
B) Even companies that have adopted a total quality management approach consider price to be the most important factor in choosing a supplier.
C) Price and warranty are the only two factors businesses consider before making a purchase decision.
D) Buyers do not negotiate for better terms before making a final supplier selection.
E) Before selecting a supplier, many companies consider the supplier's reputation, ethical corporate behavior, and honest communication.
Answer: E
Diff: 2 Page Ref: 178
Skill: Concept
Objective: 6-3

52) During the ________ stage of the business buying decision process, the buying center assesses the proposals.
A) proposal solicitation
B) supplier selection
C) product value analysis
D) order-routine specification
E) performance review
Answer: B
Diff: 2 Page Ref: 178
Skill: Concept
Objective: 6-3
53) In the case of maintenance, repair, and operating items, buyers may use a ________ rather than periodic purchase orders.
   A) blanket contract
   B) negotiable instrument
   C) binding purchase order
   D) locked-in sale
   E) solutions purchase
   Answer: A
   Diff: 2 Page Ref: 179
   Skill: Concept
   Objective: 6-3

54) In which stage of the business buying process is a supplier's task to make sure that the supplier is giving the buyer the expected satisfaction?
   A) problem recognition
   B) performance review
   C) supplier search
   D) supplier selection
   E) order-routine specification
   Answer: B
   Diff: 2 Page Ref: 179
   Skill: Concept
   Objective: 6-3

55) Following a purchase, the buyer and seller would both monitor which phase of the new-task buying situation?
   A) order-routine specifications
   B) supplier selection
   C) performance review
   D) value analysis
   E) vendor analysis
   Answer: C
   Diff: 2 Page Ref: 179
   Skill: Concept
   Objective: 6-3

56) Under a ________, a supplier monitors and replenishes a buyer's stock automatically as needed.
   A) vendor-managed inventory
   B) negotiated contract
   C) stand-alone contract
   D) periodic purchase order
   E) blanket contract
   Answer: A
   Diff: 2 Page Ref: 179
   Skill: Concept
   Objective: 6-3
57) Which of the following accurately describes a cultural difference international marketers should be aware of?
A) Outside of English-speaking countries, most business leaders do not speak English.
B) British businesspeople are accustomed to making more business deals over the telephone than in person.
C) German people tend to be impressed by overstatement and showiness.
D) Japanese people tend to put a high value on rank.
E) French businesspeople are accustomed to building relationships between buyer and seller through quick and easy familiarity.
Answer: D
Diff: 3 Page Ref: 179
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 6-3

58) Which of the following is the best advice for an international marketer planning to interact with businesspeople from many different cultures?
A) Trust your instincts and behave as you normally do.
B) Remember that countries all over the world are fascinated with American culture.
C) Cultures really are different, so do your best to learn about those differences.
D) Use the same strategies with all of your clients, no matter what their cultural backgrounds are.
E) Assume that businesspeople from different cultures will make accommodations for you.
Answer: C
Diff: 2 Page Ref: 179
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 6-3

59) Instead of focusing on managing individual purchases, a seller should focus on managing the  
A) building a good reputation in the marketplace
B) organizational environment
C) use of blanket contracts
D) order-routine specifications
E) total customer relationship
Answer: E
Diff: 2 Page Ref: 180
Skill: Concept
Objective: 6-3
60) Which of the following can be especially useful for a company that needs to conduct secure
and frequent communications and transactions with key suppliers?
A) an intranet
B) an extranet
C) buying centers
D) a reverse auction
E) a trading exchange
Answer: B
Diff: 2 Page Ref: 180
AACSB: Use of IT
Skill: Concept
Objective: 6-3

61) Reverse auctions, trading exchanges, and company buying sites are all ways that companies
can participate in ________.
A) secure extranets
B) product value analysis
C) vendor-managed inventory systems
D) blanket contracts
E) e-procurement
Answer: E
Diff: 1 Page Ref: 180
AACSB: Use of IT
Skill: Concept
Objective: 6-3

62) The Bentley department store chain makes extensive use of e-procurement. As a buyer, the
store should expect to enjoy all of these benefits of e-procurement EXCEPT ________.
A) greater access to new suppliers
B) lower purchasing costs
C) hastened order processing and delivery
D) reduced payroll
E) more time for purchasing agents to focus on strategic issues
Answer: D
Diff: 2 Page Ref: 181
AACSB: Use of IT
Skill: Concept
Objective: 6-3
63) B-to-B e-procurement yields many benefits. These include all of the following EXCEPT ________.
   A) reduced transaction costs
   B) more efficient purchasing for both buyers and sellers
   C) elimination of inventory problems
   D) reduced order processing costs
   E) elimination of much of the paperwork associated with traditional ordering procedures
   Answer: C
   Diff: 2       Page Ref: 181
   AACSB: Use of IT
   Skill: Concept
   Objective: 6-3

64) A problem with the rapidly expanding use of e-purchasing is that it ________.
   A) can erode established customer-supplier relationships
   B) saves less time than expected
   C) generates more transactions to document
   D) generates less cost savings than predicted
   E) reduces the amount of time purchasing people can spend on strategic issues
   Answer: A
   Diff: 2       Page Ref: 181
   AACSB: Use of IT
   Skill: Concept
   Objective: 6-3

65) The leading barrier to expanding electronic links with customers and partners online is ________.
   A) cost
   B) lack of trained personnel
   C) concern over security
   D) lack of knowledge
   E) lack of evidence of efficiencies gained through e-procurement
   Answer: C
   Diff: 2       Page Ref: 181
   AACSB: Use of IT
   Skill: Concept
   Objective: 6-3
66) Firewalls and encryption are ________.
A) two commonly used techniques to safeguard Internet and extranet transactions
B) two methods of communicating with e-commerce customers
C) entirely reliable at keeping hackers away from sensitive company information
D) two methods for increasing employee productivity
E) effective methods for efficiently linking buyer and seller Web sites
Answer: A
Diff: 1    Page Ref: 181
AACSB: Use of IT
Skill: Concept
Objective: 6-3

67) Which of the following statements about e-procurement security issues is true?
A) There are no security risks for companies doing business on the Internet.
B) Firewalls provide adequate security for all Internet exchanges.
C) Hackers are not interested in many business-to-business transactions.
D) Extranet users and Internet users face the same security risks and use the same security tools.
E) Providing e-procurement security can involve a substantial financial investment from a company.
Answer: E
Diff: 2    Page Ref: 181
AACSB: Use of IT
Skill: Concept
Objective: 6-3

68) Sage, Inc., provides food services to schools, hospitals, and nursing homes in the Midwest. Management at Sage is involved in the ________ market.
A) government
B) not-for-profit
C) local
D) institutional
E) global
Answer: D
Diff: 1    Page Ref: 181
Skill: Concept
Objective: 6-4
69) Many institutional markets are characterized by _______ and _______.
A) low budgets; vague criteria
B) special needs; vague criteria
C) low budgets; captive patrons
D) captive patrons; limited access
E) mismanagement; disgruntled workers
Answer: C
Diff: 3 Page Ref: 182
Skill: Concept
Objective: 6-4

70) Government organizations tend to favor _______ suppliers over _______ suppliers.
A) local; domestic
B) unionized; nonunionized
C) foreign; domestic
D) domestic; foreign
E) nonunionized; unionized
Answer: D
Diff: 2 Page Ref: 182
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 6-4

71) All of the following are difficulties associated with selling to government buyers EXCEPT _______.
A) considerable paperwork
B) bureaucracy
C) regulations
D) low sales volume
E) large group decision making
Answer: D
Diff: 1 Page Ref: 182
Skill: Concept
Objective: 6-4

72) *U.S. Government Purchasing, Specifications, and Sales Directory* is a(n) _______ publication.
A) independent
B) government
C) e-procurement
D) for-profit
E) B-to-B
Answer: B
Diff: 1 Page Ref: 183
Skill: Concept
Objective: 6-4
73) There are many factors considered in government buying, but ________ is, above all, the most important.
A) price
B) product differentiation
C) advertising
D) personal selling
E) packaging
Answer: A
Diff: 2 Page Ref: 182
Skill: Concept
Objective: 6-4

74) Total government spending is determined by ________ rather than by any ________ to develop this market.
A) price; contracts
B) elected officials; contracts
C) elected officials; marketing effort
D) marketing effort; elected officials' effort
E) product and service availability; marketing strategies
Answer: C
Diff: 3 Page Ref: 183
Skill: Concept
Objective: 6-4

75) The world's largest buyer of products and services is ________.
A) the Department of Veteran Affairs
B) the Chinese government
C) the U.S. government
D) the General Services Administration
E) the Russian government
Answer: C
Diff: 2 Page Ref: 183
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 6-4
76) Which of the following is NOT part of the business market?
A) Scott Sign Systems sells interior signs to an Alabama resort.
B) A municipal government buys chemicals for its city swimming pools.
C) Sue buys a gift for her mother.
D) A Canadian software company buys tickets to send a group of salespeople to make a presentation to a heavy equipment manufacturer in Japan.
E) Airmark sells a vinyl printing press to a manufacturer of plastic bags.
Answer: C

77) Giant Food Stores buy a lot of frozen turkey products at Thanksgiving and Christmas due to high consumer demand. This is an example of ________ demand.
A) joint
B) derived
C) elastic
D) fluctuating
E) inelastic
Answer: B

78) Demand for outboard motors depends on consumers purchasing fishing boats. This is an example of ________ demand.
A) fluctuating
B) joint
C) derived
D) contrived
E) leisure
Answer: C
79) ABC Enterprises sold 9,000 units @ $2.99/unit in July. The firm sold 9,000 units @ $4.29/unit in August. This illustrates ________ demand.
A) derived
B) contrived
C) fluctuating
D) joint
E) inelastic
Answer: E
Diff: 3       Page Ref: 169
AACSB: Reflective Thinking
Skill: Application
Objective: 6-1

80) UPS serves both consumer and business markets, but most of its revenues come from its business customers. UPS has become a strategic logistics ally for many of its business customers, going far beyond offering delivery services to offering inventory management, international trade management, and even financing to its commercial customers. This is an example of which of the following differences between the consumer and business markets?
A) Business purchases involve more buyers.
B) Buyers and sellers in the business market build close, long-term relationships.
C) Business markets contain more and larger buyers.
D) Business buyer demand is derived.
E) Demand in business markets is inelastic.
Answer: B
Diff: 2       Page Ref: 172
AACSB: Reflective Thinking
Skill: Application
Objective: 6-1

81) You call in a department manager to assist in a purchase of industrial equipment. You are considering a change in product specifications, terms, and possibly suppliers. This is most likely a ________ situation.
A) modified rebuy
B) new task
C) straight rebuy
D) solution selling
E) value analysis
Answer: A
Diff: 1       Page Ref: 173
AACSB: Reflective Thinking
Skill: Application
Objective: 6-2
82) Which of the following is most likely true about a straight rebuy?
A) It requires little customer relationship management.
B) It is more complex than a new-task situation.
C) It often involves products with low risks.
D) It occurs when a buyer wants to locate the best deal on the market.
E) It involves more opportunities for "out" buyers than other types of purchasing situations do.
Answer: C
Diff: 3 Page Ref: 173
AACSB: Analytic Skills
Skill: Application
Objective: 6-2

83) You regularly purchase cleaning supplies for your custodial staff, using the same vendor and ordering relatively consistent amounts of the same products with each purchase. This is an example of a ______ situation.
A) modified rebuy
B) new task
C) straight rebuy
D) solution selling
E) value analysis
Answer: C
Diff: 1 Page Ref: 173
AACSB: Reflective Thinking
Skill: Application
Objective: 6-2

84) Worthington Farm raises chickens. For years, it has used wooden coops for hauling its poultry to market. The owner of the farm needs to buy some replacement coops and is considering buying plastic coops that are slightly more expensive than wooden ones but much easier to clean after use. This purchase of coops is an example of a ______.
A) modified rebuy
B) new task
C) straight rebuy
D) solution selling situation
E) value analysis
Answer: A
Diff: 1 Page Ref: 173
AACSB: Reflective Thinking
Skill: Application
Objective: 6-2
85) The EPA has mandated that, in order to reduce local pollution, your printing plant switch from oil-based to water-based inks. This will require entirely new printing presses and a new printing plate technology. After carefully searching through numerous manufacturers’ equipment descriptions and gathering opinions from all relevant parties related to the work, the printing plant's buying center will be ready to make this ________ purchase.
A) modified rebuy
B) new task
C) straight rebuy
D) straight task
E) situational analysis
Answer: B
Diff: 2 Page Ref: 173
AACSB: Reflective Thinking
Skill: Application
Objective: 6-2

86) Don Brady is responsible for obtaining price quotations from various vendors. After reviewing them, Don then determines whether or not to include the vendor on the approved vendor list. Don apparently plays two roles, that of ________ and ________.
A) user; buyer
B) buyer; influencer
C) buyer; gatekeeper
D) decider; buyer
E) gatekeeper; influencer
Answer: D
Diff: 3 Page Ref: 174
AACSB: Reflective Thinking
Skill: Application
Objective: 6-2

87) One of Dr. Albrecht's dental assistants told the dentist he should buy a machine that would sterilize his tools without using any water because water tends to cause the tools to rust or corrode over time. In terms of the buying center, the dental assistant had the role of ________.
A) initiator
B) buyer
C) gatekeeper
D) influencer
E) liaison
Answer: D
Diff: 2 Page Ref: 174
AACSB: Reflective Thinking
Skill: Application
Objective: 6-2
88) One of Dr. Albrecht’s dental assistants told the dentist he should buy a machine that would sterilize his tools without using any water because water tends to cause the tools to rust or corrode over time. Dr. Albrecht, who runs a solo practice in a small rural town, located some articles on the chemical sterilizer and read about how the machine works. After gathering more information and talking to salespeople, Dr. Albrecht placed his order for the machine. In terms of the buying center, Dr. Albrecht had the role of ________.
A) initiator
B) decider
C) agent
D) influencer
E) liaison
Answer: B
Diff: 2  Page Ref: 174
AACSB: Reflective Thinking
Skill: Application
Objective: 6-2

89) A trucking company is considering purchasing new trucks that are powered by ethanol instead of diesel fuel. In terms of the buying center, the truck drivers who must make sure that the trucks do not run out of fuel are the ________.
A) initiators
B) deciders
C) buyers
D) influencers
E) users
Answer: E
Diff: 2  Page Ref: 174
AACSB: Reflective Thinking
Skill: Application
Objective: 6-2

90) Worthington Farm raises chickens. For years, it has used wooden coops for hauling its poultry to market. When Bob Worthington went to reuse some of his coops, he noticed many of them could not be sufficiently cleaned for reuse and needed to be replaced. Worthington was at which stage of the business buying process when he decided to replace his old coops?
A) problem recognition
B) general need description
C) product specification
D) product value analysis
E) performance review
Answer: A
Diff: 1  Page Ref: 176
AACSB: Reflective Thinking
Skill: Application
Objective: 6-3
91) John Herr's company has standardized the size of its paper bags so that each bag can be used in five to seven different store departments. This approach to cost reduction likely took place in the ________ stage of the business buying process.
A) problem recognition  
B) general need description  
C) product specification  
D) supplier search  
E) proposal solicitation  
Answer:  C  
Diff: 3  Page Ref: 177  
AACSB:  Reflective Thinking  
Skill:  Application  
Objective:  6-3

92) In what type of buying situation would a seller most likely send only a catalog to the buyer during the proposal solicitation stage of the business buying process?
A) new task  
B) modified rebuy  
C) straight rebuy  
D) solution selling  
E) independent task  
Answer:  C  
Diff: 3  Page Ref: 178  
AACSB:  Analytic Skills  
Skill:  Application  
Objective:  6-3

93) Most newspapers rely on ________ so they do not need to rely on only one supplier to provide the tons of paper that they use annually.
A) single sourcing  
B) multiple sourcing  
C) cross-docking  
D) vendor-managed inventory  
E) blanket contracting  
Answer:  B  
Diff: 2  Page Ref: 178  
AACSB:  Reflective Thinking  
Skill:  Application  
Objective:  6-3
94) Pace Hardware uses Learningnow.com to improve sales force effectiveness and facilitate sharing of expertise. It allows Pace retailers to link with other Pace retailers to ask for managerial and marketing advice. It also allows Pace retailers to ask their suppliers about product usage, deliveries, and warranties, and it allows suppliers to send new-product information directly to Pace retailers. In this scenario, Pace Hardware is using a(n) ________.
A) extranet  
B) intranet  
C) search engine  
D) trading exchange  
E) reverse auction  
Answer: A  
Diff: 2  
Page Ref: 180  
AACSB: Use of IT  
Skill: Application  
Objective: 6-3

95) Which of the following was most likely being used when Boeing received orders for $100 million in spare parts in the first year its Web site was in operation?
A) e-procurement  
B) an intranet  
C) single sourcing  
D) blanket contracting  
E) a reverse auction site  
Answer: A  
Diff: 1  
Page Ref: 180  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 6-3

96) All of the following organizations are likely considered to be a part of the institutional market EXCEPT ________.
A) LaGrange Community Hospital  
B) Joliet Prison  
C) Lancaster Township  
D) The Water Street Rescue Mission  
E) Millersville University  
Answer: C  
Diff: 1  
Page Ref: 181  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 6-4
The following questions refer to the scenario below.

A-1 Stampings, Inc., produces 14 metal stampings for the automotive industry. Due to industry design changes, for the next model year, six of those stampings will require a slight change: two will have an extra hole punched through the side, two will require an extra plating process, and two will require an additional weld operation.

In the meantime, the purchasing agent Richard Koehl has been asked to reduce the number of A-1’s steel suppliers in an effort to cut costs. After obtaining updated price quotations and steel samples from his current suppliers, Richard faced a dilemma. Until now, he had selected his suppliers based on quality and price, but a major consideration had been the type of steel required and the specialized production processes of his respective suppliers. Not all of A-1’s suppliers could produce the exact grades of steel needed; some suppliers were better at producing certain types of steel than others.

Richard contacted several employees at A-1 who had worked with the various types of steel in the past. The quality control manager and line inspector, for example, could help to determine which suppliers had the capabilities of producing specific types of steel. The production control manager could provide input regarding which types of steel worked best in which presses. Even the warehouse foreman gave input regarding how long various types of steel could be held in inventory before rust spots began to form on their surfaces. Each person contributed the necessary information to help Richard in making his decision.

97) The demand for A-1 Stampings' products is ultimately based on the demand for new automobiles in the consumer market. This is an example of ________ demand.
A) inelastic
B) static
C) increasing
D) derived
E) independent
Answer:  D
Diff: 2        Page Ref: 169
AACSB:  Reflective Thinking
Skill:  Application
Objective:  6-1

98) In this scenario, which of the following had the greatest influence on the business buying behavior at A-1 Stampings?
A) regulatory developments
B) organizational structure
C) shifting authority
D) technological changes
E) individuals' risk attitudes
Answer:  D
Diff: 3        Page Ref: 176
AACSB:  Reflective Thinking
Skill:  Application
Objective:  6-2
99) The management directive to reduce the number of steel suppliers is most accurately classified as which type of influence affecting business buying behavior?
   A) environmental
   B) organizational
   C) interpersonal
   D) individual
   E) commercial
   Answer:  B
   Diff: 2  Page Ref: 176
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 6-2

100) At what stage in the buying process was Richard when he sought input from others in the firm?
   A) supplier selection
   B) general need description
   C) supplier search
   D) proposal solicitation
   E) order-routine specification
   Answer:  A
   Diff: 3  Page Ref: 178
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 6-3

101) The main differences between business and consumer markets include market structure and demand, the nature of the buying unit, and the types of decisions.
   Answer:  TRUE
   Diff: 2  Page Ref: 169
   Skill: Concept
   Objective: 6-1

102) One set of business purchases is made for each set of consumer purchases.
   Answer:  FALSE
   Diff: 2  Page Ref: 168
   Skill: Concept
   Objective: 6-1

103) A business marketer normally deals with far fewer buyers than the consumer marketer does.
   Answer:  TRUE
   Diff: 2  Page Ref: 169
   Skill: Concept
   Objective: 6-1
104) Buyer and seller are less dependent upon each other in the business buying process than in the consumer buying process.
Answer: FALSE
Diff: 2 Page Ref: 170
Skill: Concept
Objective: 6-1

105) The business buying process consists of business buyers determining which products and services their organizations need to purchase, and then finding, evaluating, and choosing among alternative suppliers and brands.
Answer: TRUE
Diff: 1 Page Ref: 168
Skill: Concept
Objective: 6-1

106) Business demand ultimately derives from the demand for consumer goods and services.
Answer: TRUE
Diff: 2 Page Ref: 169
Skill: Concept
Objective: 6-1

107) Demand in business markets is subject to more fluctuation than in consumer markets.
Answer: TRUE
Diff: 2 Page Ref: 169
Skill: Concept
Objective: 6-1

108) Of the different types of buying situations, the modified rebuy presents the fewest decisions for a business buyer to make.
Answer: FALSE
Diff: 2 Page Ref: 173
AACSB: Analytic Skills
Skill: Application
Objective: 6-2

109) Rob Taylor is the buyer for Major Memories. He regularly orders inexpensive merchandise in a fairly routine fashion without any modifications. He may choose other suppliers from time to time. Rob's decisions take the form of a modified rebuy.
Answer: FALSE
Diff: 2 Page Ref: 173
AACSB: Reflective Thinking
Skill: Application
Objective: 6-2
110) The buying center is not a fixed or formally identified unit within an organization.
Answer: TRUE
Diff: 3 Page Ref: 174
Skill: Concept
Objective: 6-2

111) Nancy Zahm works for LeBray Beverage Company. She often helps to define product specifications and also provides information for evaluating alternatives. In this role she is acting as a gatekeeper.
Answer: FALSE
Diff: 2 Page Ref: 174
AACSB: Reflective Thinking
Skill: Application
Objective: 6-2

112) The decider is the person in the business buying process who controls the flow of information to others involved.
Answer: FALSE
Diff: 3 Page Ref: 174
Skill: Concept
Objective: 6-2

113) In business buying decisions, the role of emotion is negligible in comparison to the role of reason.
Answer: FALSE
Diff: 3 Page Ref: 175
AACSB: Analytic Skills
Skill: Application
Objective: 6-2

114) Environmental, organizational, interpersonal, and individual factors all influence business buyer behavior.
Answer: TRUE
Diff: 1 Page Ref: 175
Skill: Concept
Objective: 6-2

115) Buyers have different buying styles influenced by interpersonal factors such as age, income, education, professional identification, and attitudes toward risk.
Answer: FALSE
Diff: 2 Page Ref: 176
Skill: Concept
Objective: 6-2
116) A statement prepared by a business buyer describing the quantity and general characteristics of the items needed is a product specification description.
Answer: FALSE
Diff: 1 Page Ref: 177
Skill: Concept
Objective: 6-3

117) In the product specification stage of the business buying process, the buyer ranks the importance of reliability, price, and other desired product characteristics.
Answer: FALSE
Diff: 1 Page Ref: 177
Skill: Concept
Objective: 6-3

118) According to the stages of the business buying process, after completing a general need description, a business buyer should next invite qualified suppliers to submit proposals.
Answer: FALSE
Diff: 3 Page Ref: 177
Skill: Concept
Objective: 6-3

119) Proposals should be marketing documents and not just technical documents.
Answer: TRUE
Diff: 2 Page Ref: 178
AACSB: Communication
Skill: Concept
Objective: 6-3

120) Suppliers are more likely to stay price competitive when the purchasing company uses single sourcing than when it uses multiple sourcing.
Answer: FALSE
Diff: 3 Page Ref: 178
AACSB: Analytic Skills
Skill: Application
Objective: 6-3

121) When conducting a performance review, the seller monitors different factors than those monitored by the buyer to make sure that the seller is giving the expected satisfaction.
Answer: FALSE
Diff: 3 Page Ref: 179
Skill: Concept
Objective: 6-3
122) E-procurement typically reduces drudgery and paperwork, thereby freeing purchasing personnel to focus on more strategic issues.
Answer: TRUE
Diff: 2 Page Ref: 181
AACSB: Use of IT
Skill: Concept
Objective: 6-3

123) The benefits of e-procurement include access to new suppliers, lower purchasing costs, and more time-efficient order processing and delivery.
Answer: TRUE
Diff: 2 Page Ref: 181
AACSB: Use of IT
Skill: Concept
Objective: 6-3

124) Unfortunately, most governments do not provide would-be suppliers with detailed guides describing how to sell to the government.
Answer: FALSE
Diff: 2 Page Ref: 183
Skill: Concept
Objective: 6-4

125) It is rare that noneconomic factors play a role in government buying.
Answer: FALSE
Diff: 2 Page Ref: 183
Skill: Concept
Objective: 6-4

126) Explain how the decision process in the business market and consumer market differs.
Answer: Business buyers usually face more complex buying decisions than do consumer buyers, as business purchases more often involve large sums of money, complex technical and economic considerations, and interactions among many people at many levels of the buyer's organization. Because the purchases are more complex, business buyers may take longer to make their decisions and are likely to use a more formalized buying process. In the business buying process, the buyer and seller are often much more dependent on each other.
Diff: 1 Page Ref: 170
AACSB: Analytic Skills
Skill: Application
Objective: 6-1
127) Describe the three major types of business buying situations and what differentiates each from the other two.
Answer: A straight rebuy is a fairly routine decision in which the buyer reorders without any modifications from existing suppliers. In a modified rebuy, the buyer wants to modify product specifications, prices, terms, or suppliers and usually involves more decision participants. A company buying a product or service for the first time faces a new task situation. It is the marketer's greatest opportunity and challenge because of the additional risk or cost, the larger number of decision participants, and the greater effort required to collect all of the needed information.
Diff: 3 Page Ref: 173
AACSB: Analytic Skills
Skill: Application
Objective: 6-2

128) Explain the advantages of systems selling.
Answer: Many business buyers prefer to buy a packaged solution to problem from a single seller instead of buying separate products and services from different sellers and then integrating them. The sale often goes to the firm that provides the most complete system that meets the customer's needs. Systems selling, also called solutions selling, is a key business marketing strategy for winning and holding accounts, as it fosters an interdependent relationship between the seller and buyer.
Diff: 1 Page Ref: 173
AACSB: Analytic Skills
Skill: Application
Objective: 6-2

129) Describe the typical roles played by the various members of a buying center.
Answer: The buying center includes all members of the organization who play any of five roles in the purchase process: user, influencer, buyer, decider, and gatekeeper. Users physically use the product or service. Influencers often help define the specifications and also provide information for evaluating alternatives. Buyers have formal authority to select the supplier and arrange terms of purchase. They may help shape product specifications, but their major role is in selecting vendors and negotiation. Deciders have formal or informal power to select or approve the final suppliers and products. Gatekeepers control the flow of information to others. Different employees may undertake these roles depending on the nature of the purchase.
Diff: 2 Page Ref: 174
AACSB: Communication
Skill: Application
Objective: 6-2
130) Provide a brief explanation of the major influences on business buyers.
Answer: Both economic and personal factors play a part in buying decisions. The environmental influences of the level of primary demand, the economic outlook, and the cost of money all make their way into the decision. Each organization has its own objectives, policies, procedures, structure, and systems to learn. All of these may affect the purchasing decision. Further, interpersonal factors carry weight; however, it is often difficult to assess such factors and group dynamics. These factors are often subtle, and some participants are invisible to the marketer. Participants bring in individual influencing factors such as personal motives, perceptions, and preferences.
Diff: 2 Page Ref: 175
AACSB: Analytic Skills
Skill: Application
Objective: 6-2

131) What is the buying center concept? Explain why this concept presents a major marketing challenge.
Answer: The buying center is the decision-making unit of a buying organization. The buying center is composed of all the individuals and units that play a role in the business purchase decision-making process, including the actual users of the product or service, those who make the buying decision, those who influence the buying decision, those who do the actual buying, and those who control buying information. The buying center is not a fixed and formally identified unit within the buying organization. Instead, it is a set of buying roles assumed by different people for different purchases. Within the organization, the size and makeup of the buying center varies for different products and buying situations. The variable nature of the buying center makes it a major marketing challenge. The business marketer must learn who participates in each decision, each participant's relative influence, and what evaluation criteria each decision participant uses.
Diff: 3 Page Ref: 174
AACSB: Analytic Skills
Skill: Application
Objective: 6-2

132) Describe the eight steps in the business buying process.
Answer: The steps are problem recognition, general need description, product specification, supplier search, proposal solicitation, supplier selection, order-routine specification, and performance review. Problem recognition is the step during which someone recognizes a problem or need caused by internal/external stimuli that can be met by acquiring a specific product or service. A general need description describes the quantity and characteristics of the needed item. Product specification follows to allow purchasing of the correct items with the highest value. A supplier search finds the best vendors. The suppliers are asked to submit proposals. After selecting the supplier or suppliers, the buyer prepares an order-routine specification. After the purchase, the buyer will conduct a performance review to analyze future relationships.
Diff: 2 Page Ref: 176-181
AACSB: Analytic Skills
Skill: Application
Objective: 6-3
133) Briefly describe the major advantages of business-to-business marketing on the Internet. 
Answer: E-procurement gives buyers access to new suppliers, lowers purchasing costs, and hastens order processing and delivery. In turn, business marketers can connect with customers online to share marketing information, sell products and services, provide customer support services, and maintain ongoing customer relationships. E-procurement frees purchasing people to focus on more strategic issues such as value-added activities, finding different sources, and working with suppliers to reduce costs and develop new products.
Diff: 2 Page Ref: 180-181
AACSB: Use of IT
Skill: Application
Objective: 6-3

134) What are the major characteristics of institutional markets?
Answer: The institutional market is made up of schools, hospitals, prisons, and other institutions that provide goods and services to people in their care. These markets are characterized by low budgets and captive patrons. For many institutions, the buying objective will not strictly be profit maximization or cost minimization; instead, the institution is likely to search for vendors that meet or exceed a certain minimum standard while also offering low prices.
Diff: 2 Page Ref: 182
AACSB: Analytic Skills
Skill: Concept
Objective: 6-4

135) What are the major characteristics of government markets?
Answer: Government markets offer large opportunities for companies. Although they also buy on a negotiated contract basis, government organizations typically require suppliers to submit bids, and normally they award the contract to the lowest bidder. The process is highly structured and famous for "red tape." In addition to the bid amount, noneconomic criteria also play a role in government buying. Government buyers often favor firms from depressed business areas, small business firms, minority-owned firms, and business firms that avoid race, gender, or age discrimination.
Diff: 2 Page Ref: 182
AACSB: Analytic Skills
Skill: Application
Objective: 6-4

136) Explain the concept of derived demand, giving an example of a product that has derived demand.
Answer: Derived demand is created when demand increases due to consumers' increasing demand for some other product either made with or dependent upon the product in question. Examples will vary.
Diff: 2 Page Ref: 169
AACSB: Analytic Skills
Skill: Application
Objective: 6-1
137) Why is demand in the business market mostly inelastic?
Answer: The demand in business-to-business markets is mostly inelastic because what is being sold is often just one of the many parts or materials that go into producing the consumer product. It is not unusual for a large increase in a business product's price to have little effect on the final consumer product's price.
Diff: 3   Page Ref: 169
AACSB: Analytic Skills
Skill: Application
Objective: 6-1

138) How is the business buying process more formalized than the consumer buying process?
Answer: Business purchases usually call for product specification, written purchase orders, and supplier searches.
Diff: 1   Page Ref: 170
AACSB: Analytic Skills
Skill: Application
Objective: 6-1

139) How have relationships between customers and suppliers changed in recent years?
Answer: Customers and suppliers have had adversarial relationships in the past, but because they are dependent on each other, they have begun to act more as partners; many customer companies now practice supplier development, systematically developing networks of supplier-partners to ensure an appropriate and dependable supply of products and materials.
Diff: 2   Page Ref: 170
AACSB: Analytic Skills
Skill: Application
Objective: 6-1

140) In what type of purchase would one person most likely assume all buying center roles?
Answer: One person will likely play all roles in purchasing routine products and services, or a straight rebuy.
Diff: 2   Page Ref: 173
AACSB: Analytic Skills
Skill: Application
Objective: 6-2

141) Why is the new-task buying situation both a great opportunity and a challenge for a marketer?
Answer: In the new-task buying situation, decision participants put forth substantial effort to collect information and so are positioned to be influenced by a marketer's message; these situations are likely to be competitive, as other marketers also want to establish a relationship with the buyer.
Diff: 3   Page Ref: 173
AACSB: Analytic Skills
Skill: Application
Objective: 6-2
142) Although a company has purchased printers and copiers before, Xerox now offers the firm a multitasking machine that prints, copies, scans, and faxes. Explain what type of buying situation this is.
Answer: This is a modified rebuy. The firm has already purchased similar machinery, but this purchase now involves a modified machine.
Diff: 3 Page Ref: 173
AACSB: Reflective Thinking
Skill: Application
Objective: 6-2

143) Explain the buyer center role of the influencer.
Answer: An influencer often helps define specifications and provide information for evaluating alternatives.
Diff: 1 Page Ref: 174
Skill: Application
Objective: 6-2

144) Which roles in the buying center are likely to change with different purchases?
Answer: Although any of the roles may change from purchase to purchase, the roles of users and influencers are the most likely to change with each type of purchase a business makes.
Diff: 2 Page Ref: 174
AACSB: Analytic Skills
Skill: Application
Objective: 6-2

145) When are business buyers most likely to make decisions heavily influenced by personal factors?
Answer: If suppliers' offers are very similar, there is little basis for a rational, objective choice; in these situations, buyers are more likely to allow emotions and other personal factors to influence their decision.
Diff: 2 Page Ref: 175
AACSB: Analytic Skills
Skill: Application
Objective: 6-2

146) Why is it difficult to assess interpersonal factors that influence the business buying process?
Answer: Interpersonal factors—such as who is liked, who controls rewards and punishments, and who has special relationships with other important participants—are subtle and not obvious to the external observer.
Diff: 3 Page Ref: 176
AACSB: Analytic Skills
Skill: Application
Objective: 6-2
147) How can marketers influence business buyers who are in the problem recognition stage? Answer: Through advertising, business marketers can make buyers aware of and concerned about potential problems and then offer their products as solutions to the newly recognized problem.

148) What information is a buyer likely to include in the general need description? Answer: This element describes the general characteristics and quantity of the needed item.

149) Describe two advantages of using multiple source contracts. Answer: With multiple source contracts, a buyer avoids being totally dependent on one supplier and can conduct comparisons of prices and performance of several suppliers over time.

150) What type of noneconomic criteria impact government buying? Answer: Government buyers are asked to favor depressed business areas, small business firms, minority-owned firms, and business firms that avoid race, gender, or age discrimination.

Chapter 7 Customer-Driven Marketing Strategy: Creating Value for Target Customers

1) When a company identifies the parts of the market it can serve best and most profitably, it is practicing _______.
   A) concentrated marketing
   B) mass marketing
   C) market targeting
   D) segmenting
   E) differentiation
   Answer: C
   Diff: 2 Page Ref: 191
   Skill: Concept
   Objective: 7-1

2) What are the four steps, in order, to designing a customer-driven marketing strategy?
A) market segmentation, differentiation, positioning, and targeting  
B) positioning, market segmentation, mass marketing, and targeting  
C) market segmentation, targeting, differentiation, and positioning  
D) market alignment, market segmentation, differentiation, and market positioning  
E) market recognition, market preference, market targeting, and market insistence  
Answer: C  
Diff: 2  
Page Ref: 191  
Skill: Concept  
Objective: 7-1  

3) Through market segmentation, companies divide large, heterogeneous markets into smaller segments that can be reached more ________ with products and services that match their unique needs.  
A) efficiently  
B) effectively  
C) intensely  
D) indirectly  
E) both A and B  
Answer: E  
Diff: 2  
Page Ref: 192  
Skill: Concept  
Objective: 7-2
4) Even though several options are available at any one time, there ________ to segment a market.
A) is one single best way
B) is no single way
C) is a most effective way
D) are limited ways
E) are four ways
Answer: B
Diff: 2 Page Ref: 192
Skill: Concept
Objective: 7-2

5) Your firm has decided to localize its products and services to meet local market demands. A good approach to use would be ________ segmentation.
A) geographic
B) benefit
C) end-use
D) customer
E) image
Answer: A
Diff: 1 Page Ref: 193
Skill: Concept
Objective: 7-2

6) Pendergraft Pet Supplies divides the pet market according to the owners' race, occupation, income, and family life cycle. What type of segmentation does Pendergraft use?
A) geographic
B) behavioral
C) lifestyle
D) demographic
E) psychographic
Answer: D
Diff: 1 Page Ref: 194
Skill: Concept
Objective: 7-2
7) Through talking to numerous competitors at a regional trade show, you learn that most of them use the most popular base for segmenting markets. What is it?
A) demographic  
B) gender  
C) psychographic  
D) behavioral  
E) geographic  
Answer: A  
Diff: 2  Page Ref: 194  
Skill: Concept  
Objective: 7-2

8) Demographic variables are so frequently used in market segmentation because they _______.  
A) create smaller segments than other methods do  
B) create more easily reached segments than other methods do  
C) do not involve stereotypes  
D) are easy to measure in comparison to many other methods  
E) involve fewer attributes to consider than other methods do  
Answer: D  
Diff: 2  Page Ref: 194  
Skill: Concept  
Objective: 7-2

9) Marketers must be most careful to guard against which of the following when using age and life cycle segmentation?  
A) underestimating  
B) stereotyping  
C) traditional marketing  
D) cultural bias  
E) gender bias  
Answer: B  
Diff: 2  Page Ref: 194  
AACSB: Ethical Reasoning  
Skill: Concept  
Objective: 7-2

10) When Positive Image, Inc., caters to clothing, cosmetics, and toiletries markets, it is most likely using which type of segmentation?  
A) age and life cycle  
B) gender  
C) behavior  
D) psychographic  
E) geographic  
Answer: B  
Diff: 2  Page Ref: 195  
Skill: Concept  
Objective: 7-2
11) Marketers of automobiles, financial services, and travel are most likely to use which of the following types of segmentation?
A) gender
B) income
C) occasion
D) usage rate
E) benefits sought
Answer: B
Diff: 2 Page Ref: 195
Skill: Concept
Objective: 7-2

12) The division of buyers into groups based on their knowledge, attitudes, uses, or responses to a product is ________ segmentation.
A) behavioral
B) psychographic
C) age and life cycle
D) demographic
E) geographic
Answer: A
Diff: 1 Page Ref: 196
Skill: Concept
Objective: 7-2

13) Many marketers believe that which of the following variables are the best starting point for building marketing segments?
A) behavioral
B) family size
C) gender
D) age
E) beneficial
Answer: A
Diff: 2 Page Ref: 196
Skill: Concept
Objective: 7-2
14) Which type of segmentation centers on the use of the word *when*, such as *when* consumers get the idea to buy, *when* they actually make their purchase, or *when* they use the purchased item?
   A) behavioral
   B) psychographic
   C) occasion
   D) impulse
   E) emergency
   Answer: C
   Diff: 2 Page Ref: 196
   Skill: Concept
   Objective: 7-2

15) Markets can be segmented into groups of nonusers, ex-users, potential users, first-time users, and regular users of a product. This method of segmentation is called ________.
   A) user status
   B) usage rates
   C) benefit
   D) behavior
   E) loyalty status
   Answer: A
   Diff: 1 Page Ref: 197
   Skill: Concept
   Objective: 7-2

16) Consumers can show their allegiance to brands, stores, or companies. Marketers can use this information to segment consumers by ________.
   A) user status
   B) loyalty status
   C) store type
   D) brand preference
   E) usage rate
   Answer: B
   Diff: 1 Page Ref: 197
   Skill: Concept
   Objective: 7-2
17) By studying its less loyal buyers, a company can detect which brands are most ________ its own.
   A) competitive with  
   B) used with  
   C) overlooked with  
   D) similar to  
   E) complementary to  
   Answer: A  
   Diff: 2  Page Ref: 198  
   Skill: Concept  
   Objective: 7-2  

18) Many firms make an effort to identify smaller, better-defined target groups by using ________.
   A) user rates  
   B) loyalty segmentation  
   C) multiple segmentation bases  
   D) positioning  
   E) mass marketing  
   Answer: C  
   Diff: 3  Page Ref: 198  
   Skill: Concept  
   Objective: 7-2  

19) Consumer and business marketers use many of the same variables to segment markets. Business marketers use all of the following EXCEPT ________.
   A) operating characteristics  
   B) purchasing approaches  
   C) situational factors  
   D) personal characteristics  
   E) brand personalities  
   Answer: E  
   Diff: 3  Page Ref: 198  
   Skill: Concept  
   Objective: 7-2
20) As in consumer segmentation, many marketers believe that ________ and ________ segmentation provide the best basis for segmenting business markets.
A) geographic; demographic
B) user status; user loyalty
C) benefits; buying behavior
D) age and life-cycle; psychographic
E) income; usage rate
Answer: C
Diff: 2 Page Ref: 199
Skill: Concept
Objective: 7-2

21) International Drilling Company segments its foreign markets by their overall level of economic development. This firm segments on what basis?
A) political factors
B) legal factors
C) geographic factors
D) economic factors
E) cultural factors
Answer: D
Diff: 1 Page Ref: 199
Skill: Concept
Objective: 7-2

22) Lexus targets wealthy consumers with similar needs and buying behaviors, even though the consumers are located in different countries. This is an example of ________.
A) intermarket segmentation
B) loyalty segmentation
C) life-cycle segmentation
D) targeting segmentation
E) psychographic segmentation
Answer: A
Diff: 1 Page Ref: 200
Skill: Concept
Objective: 7-2

23) When the size, purchasing power, and profiles of a market segment can be determined, it possesses the requirement of being ________.
A) measurable
B) accessible
C) substantial
D) actionable
E) observable
Answer: A
Diff: 2 Page Ref: 200
Skill: Concept
Objective: 7-2
24) When a business market segment is large or profitable enough to serve, it is termed ________.
A) measurable
B) accessible
C) substantial
D) actionable
E) differentiable
Answer: C
Diff: 2 Page Ref: 200
Skill: Concept
Objective: 7-2

25) When an effective program can be designed for attracting and serving a chosen segment, the segment is best described as ________.
A) accessible
B) measurable
C) reachable
D) actionable
E) differentiable
Answer: D
Diff: 2 Page Ref: 201
Skill: Concept
Objective: 7-2

26) You have discovered that the segments you are targeting are conceptually distinguishable and respond differently to different marketing mix elements and programs. These segments are ________.
A) accessible
B) measurable
C) reachable
D) differentiable
E) observable
Answer: D
Diff: 2 Page Ref: 201
Skill: Concept
Objective: 7-2
27) To evaluate the different market segments your company serves, you would look at all of these factors EXCEPT which one?
A) segment size
B) segment growth
C) segment structural attractiveness
D) company values
E) company resources
Answer: D
Diff: 3 Page Ref: 201
Skill: Concept
Objective: 7-3

28) Barney Hopkins has compiled a list of things that make segments more attractive. Which one of the following items should NOT be on the list?
A) relative power of buyers
B) lack of powerful suppliers to control prices
C) few substitute products
D) competition with superior resources
E) financial resources
Answer: D
Diff: 2 Page Ref: 201
Skill: Concept
Objective: 7-3

29) Which of the following is NOT one of the reasons a segment would be less attractive to a company?
A) strong competitors
B) substitute products
C) concentrated market
D) power of buyers
E) power of suppliers
Answer: C
Diff: 2 Page Ref: 201
Skill: Concept
Objective: 7-3

30) In general, a company should enter only segments in which it can _________ and _________.
A) offer lower prices; ship faster
B) offer superior value; gain advantages over competitors
C) offer superior value; ship faster
D) gain advantages over competitors; differentiate its products
E) identify behaviors; understanding spending power
Answer: B
Diff: 3 Page Ref: 201
Skill: Concept
Objective: 7-3
31) Mass marketers, such as Target and Venture Stores, often ignore market segment differences and target the whole market with one offer. What is their approach to segmenting?
A) undifferentiated marketing
B) differentiated marketing
C) target marketing
D) concentrated marketing
E) micromarketing
Answer: A
Diff: 1 Page Ref: 201
Skill: Concept
Objective: 7-3

32) The 55-year-old baby boomers share common needs in music and performers. When a music company decides to serve this group, the group is called a(n) ________.
A) market segment
B) target market
C) well-defined market
D) differentiated market
E) undifferentiated market
Answer: B
Diff: 1 Page Ref: 201
Skill: Concept
Objective: 7-3

33) When New Port Shipping uses segmented marketing, it targets several segments and designs separate offers for each one. This approach is called ________ marketing.
A) undifferentiated
B) differentiated
C) target
D) individual
E) niche
Answer: B
Diff: 2 Page Ref: 202
Skill: Concept
Objective: 7-3

34) Developing a strong position within several segments creates more total sales than ________ marketing across all segments.
A) undifferentiated
B) differentiated
C) niche
D) target
E) individual
Answer: A
Diff: 3 Page Ref: 202
Skill: Concept
Objective: 7-3
35) ByWay Ventures chose a differentiated marketing strategy. The company had to weigh _______ against _______ when selecting this strategy.
A) extra research; costs
B) sales analysis; sales
C) increased sales; increased costs
D) geographic segmentation; demographic segmentation
E) attitudes; perceptions
Answer: C
Diff: 2    Page Ref: 204
Skill: Concept
Objective: 7-3

36) Procter & Gamble sells six brands of laundry detergent in the United States, each designed for one of six laundry segments Procter & Gamble has identified. Together, these six brands take 62% of market share. Which of the following is a disadvantage of Procter & Gamble's differentiated marketing strategy?
A) lost sales that would have been made with an undifferentiated marketing strategy across all segments
B) lost customer loyalty due to lack of brand loyalty
C) increased costs for separate marketing plans for each brand
D) other suppliers controlling pricing
E) lack of resources to succeed in an attractive segment
Answer: C
Diff: 2    Page Ref: 202
Skill: Concept
Objective: 7-3

37) Successful niche marketing relies on a firm's _______ and its _______.
A) marketing strategy; services
B) individual relationships with customers; positioning
C) superior products; value network partners
D) greater knowledge of customers' needs; special reputation
E) competitive advantage in comparison to mass-market companies; affordable pricing
Answer: D
Diff: 2    Page Ref: 204
Skill: Concept
Objective: 7-3
38) Using concentrated marketing, the marketer goes after a ______ share of ______.
A) small; a small market
B) small; a large market
C) large; one or a few niches
D) large; the mass market
E) moderate; local
Answer: C
Diff: 2 Page Ref: 204
Skill: Concept
Objective: 7-3

39) Niche marketing offers smaller companies the opportunity to compete by focusing their limited resources on serving niches that may be ______ or ______ larger companies.
A) unimportant to; unwanted by
B) unimportant to; overlooked by
C) too small; undesirable to
D) unknown by; unwanted by
E) disappointed by; geographically far from
Answer: B
Diff: 2 Page Ref: 204
Skill: Concept
Objective: 7-3

40) Today, the low cost of setting up shop ______ makes it even more profitable to serve very small niches.
A) in malls in major cities
B) in mail-order catalogs
C) on the Internet
D) near major competitors
E) far from competitors
Answer: C
Diff: 1 Page Ref: 205
AACSB: Use of IT
Skill: Concept
Objective: 7-3

41) Which of the segmenting strategies carries higher-than-average risks in consumer markets?
A) concentrated
B) mass
C) differentiated
D) undifferentiated
E) multiple-segment
Answer: A
Diff: 3 Page Ref: 205
Skill: Concept
Objective: 7-3
42) As You Like It, Inc., customizes its offers to each individual consumer. This practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations is referred to as ________ marketing.
A) niche  
B) mass  
C) differentiated  
D) undifferentiated  
E) micro  
Answer: E  
Diff: 2 Page Ref: 205  
Skill: Concept  
Objective: 7-3

43) ________ tailors brands and promotions to the needs and wants of specific cities, neighborhoods, and even stores.
A) Undifferentiated  
B) Differentiated marketing  
C) Niche marketing  
D) Local marketing  
E) Individual marketing  
Answer: D  
Diff: 1 Page Ref: 205  
Skill: Concept  
Objective: 7-3

44) Which of the following is the narrowest marketing strategy?
A) segmented strategy  
B) local marketing  
C) differentiated marketing  
D) mass marketing  
E) undifferentiated marketing  
Answer: B  
Diff: 3 Page Ref: 202  
Skill: Concept  
Objective: 7-2

45) Which of the following is NOT a drawback of local marketing?
A) It can drive up manufacturing costs.  
B) It can drive up marketing costs by reducing economies of scale.  
C) It can create logistics problems.  
D) A brand’s overall image might be diluted through too much variation.  
E) Supporting technologies are expensive.  
Answer: E  
Diff: 3 Page Ref: 206  
Skill: Concept  
Objective: 7-3
46) Under what circumstances can local marketing be quite effective?
A) when pronounced regional differences in demographics are present
B) when pronounced local differences in lifestyles are present
C) when pronounced regional and local differences in demographics and lifestyles are present
D) when regional and local differences in demographics and lifestyles are similar
E) all of the above
Answer: C
Diff: 3 Page Ref: 206
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 7-3

47) When Wal-Mart customizes its merchandise store by store to meet shopper needs, it is practicing ________.
A) niche marketing
B) psychographic marketing
C) local marketing
D) social segmentation
E) individual marketing
Answer: C
Diff: 2 Page Ref: 205
Skill: Concept
Objective: 7-3

48) When a company interacts one-on-one with large numbers of customers to create customer-unique value by designing products and services tailor-made to individual needs, it is following ________.
A) one-to-one marketing
B) mass marketing
C) mass customization
D) differentiated marketing
E) localization
Answer: C
Diff: 2 Page Ref: 206
Skill: Concept
Objective: 7-3

49) The move toward individual marketing mirrors the trend in consumer ________.
A) self-imaging
B) customizing
C) self-marketing
D) tastes
E) self-conceptualization
Answer: C
Diff: 3 Page Ref: 207
Skill: Concept
Objective: 7-3
50) When choosing a target marketing strategy, many factors need to be considered. Which of the following does your text NOT mention as important?
A) company resources  
B) degree of product variability  
C) product life-cycle stage  
D) product cost  
E) competitors' marketing strategies  
Answer: D  
Diff: 2 Page Ref: 207  
Skill: Concept  
Objective: 7-3

51) When competitors use differentiated or concentrated marketing, _______ marketing can be disastrous.  
A) differentiated  
B) undifferentiated  
C) concentrated  
D) customized  
E) localized  
Answer: B  
Diff: 2 Page Ref: 207  
Skill: Concept  
Objective: 7-3

52) Target marketing sometimes generates controversy and concern. Issues usually involve the targeting of _______ consumers with _______ products.  
A) elderly; expensive  
B) young; appealing  
C) vulnerable; marketing  
D) vulnerable or disadvantaged; controversial or potentially harmful  
E) unexpected; deceptive  
Answer: D  
Diff: 2 Page Ref: 208  
AACSB: Ethical Reasoning  
Skill: Concept  
Objective: 7-3
53) It is considered socially irresponsible when the marketing of adult products spills over into the _________ segment.
A) elderly
B) child
C) animal
D) minority
E) senior
Answer: B
Diff: 1 Page Ref: 208
AACSB: Ethical Reasoning
Skill: Concept
Objective: 7-3

54) Cigarette, beer, and fast-food marketers have generated much controversy in recent years by their attempts to target ________.
A) teens
B) the poor
C) inner-city minorities
D) the poor in foreign markets
E) suburban adults
Answer: C
Diff: 3 Page Ref: 208
AACSB: Ethical Reasoning
Skill: Concept
Objective: 7-3

55) Most attempts to target children and minority groups provide ________ to target customers.
A) benefits
B) education
C) disadvantages
D) harm
E) expenses
Answer: A
Diff: 2 Page Ref: 209
AACSB: Ethical Reasoning
Skill: Concept
Objective: 7-3
56) In target marketing, the issue is not really who is targeted, but rather ________ and for ________.
A) why; what  
B) how; what  
C) why; how long  
D) where; how long  
E) how; where
Answer: B  
Diff: 2  
Page Ref: 209  
AACSB: Ethical Reasoning  
Skill: Concept  
Objective: 7-3

57) Which group determines a product's position relative to competing products?
A) manufacturers  
B) wholesalers  
C) retailers  
D) consumers  
E) suppliers
Answer: D  
Diff: 1  
Page Ref: 209  
Skill: Concept  
Objective: 7-4

58) A product's position is based on important attributes as perceived by ________.
A) suppliers  
B) competitors  
C) market conditions  
D) consumers  
E) managers
Answer: D  
Diff: 2  
Page Ref: 209  
Skill: Concept  
Objective: 7-4

59) Consumers position products and services ________.
A) after marketers put marketing mixes in place  
B) generally after consulting friends who use them  
C) with or without the help of marketers  
D) only reluctantly  
E) based on nearby competitors' positions
Answer: C  
Diff: 1  
Page Ref: 209  
Skill: Concept  
Objective: 7-4
60) Which of the listed choices is NOT a positioning task?
A) identifying a set of possible competitive advantages upon which to build a position
B) surveying frequent users of the product
C) selecting an overall positioning strategy
D) effectively communicating and delivering the chosen position to the market
E) selecting the right competitive advantages
Answer: B
Diff: 2 Page Ref: 210
AACSB: Communication
Skill: Concept
Objective: 7-4

61) A company or store gains a(n) ________ by differentiating its products and delivering more value.
A) competitive advantage
B) positioning advantage
C) cost advantage
D) efficiency advantage
E) synergy
Answer: A
Diff: 1 Page Ref: 210
Skill: Concept
Objective: 7-4

62) A company or market offer can be differentiated along the lines of product, image, services, channels, or ________.
A) prices
B) nonprice factors
C) people
D) customer service
E) location
Answer: C
Diff: 2 Page Ref: 213
Skill: Concept
Objective: 7-4

63) Which type of differentiation is used to gain competitive advantage through the way a firm designs its distribution coverage, expertise, and performance?
A) services differentiation
B) channel differentiation
C) people differentiation
D) product differentiation
E) price differentiation
Answer: B
Diff: 2 Page Ref: 213
Skill: Concept
Objective: 7-4
64) When firms use symbols, colors, or characters to convey their personalities, they are using __________ differentiation.
A) image 
B) people 
C) company 
D) reputation 
E) subliminal 
Answer: A
Diff: 1 Page Ref: 213
AACSB: Communication
Skill: Concept
Objective: 7-4

65) Ad man Rosser Reeves believes that firms should develop a USP for each brand and stick to it. What does USP stand for?
A) unique selling product 
B) unique services practice 
C) unique sales pitch 
D) unique selling proposition 
E) unique strategic practice 
Answer: D
Diff: 3 Page Ref: 213
AACSB: Communication
Skill: Concept
Objective: 7-4

66) A brand difference is worth establishing and promoting to the extent that it satisfies all of the criteria below EXCEPT which one?
A) important 
B) distinctive 
C) divisible 
D) affordable 
E) noticeable 
Answer: C
Diff: 3 Page Ref: 214
Skill: Concept
Objective: 7-4
67) You have just created the "perfect" ad. It communicates the full mix of benefits upon which the brand is differentiated and positioned. This full positioning of the brand is called ________.
   A) its value proposition
   B) target marketing
   C) capturing the consumers' attention
   D) value profiling
   E) differentiated marketing
   Answer: A
   Diff: 2       Page Ref: 214
   AACSB: Communication
   Skill: Concept
   Objective: 7-4

68) The answer to the customer's question "Why should I buy your brand?" is found in the ________.
   A) quality image
   B) customer services
   C) value proposition
   D) differentiation
   E) pricing and promotion structure
   Answer: C
   Diff: 2       Page Ref: 214
   Skill: Concept
   Objective: 7-4

69) What competitive positioning can attack a more-for-more strategy by introducing a brand offering with comparable quality at a lower price?
   A) more-for-the-same
   B) more-for-less
   C) same-for-less
   D) less-for-much-less
   E) all-or-nothing
   Answer: A
   Diff: 3       Page Ref: 215
   Skill: Concept
   Objective: 7-4
70) Which positioning strategy offers consumers a "good deal" by offering equivalent-quality products or services at a lower price?
A) more-for-the-same
B) more-for-less
C) same-for-less
D) less-for-much-less
E) all-or-nothing
Answer: C
Diff: 2 Page Ref: 215
Skill: Concept
Objective: 7-4

71) "Less-for-much-less" positioning involves meeting consumers' ________.
A) quality performance requirements at a lower price
B) lower quality requirements in exchange for a lower price
C) lower quality requirements at the lowest possible price
D) high quality requirements at a discounted rate
E) high quality requirements at the lower possible price
Answer: B
Diff: 1 Page Ref: 216
Skill: Concept
Objective: 7-4

72) Few people can afford the best in everything they buy. At times everyone needs a product with less quality or performance with a correspondingly lower price. In this case a consumer would purchase a product positioned with a ________ strategy.
A) more-for-the-same
B) more-for-less
C) same-for-less
D) less-for-much-less
E) all-or-nothing
Answer: D
Diff: 2 Page Ref: 215
Skill: Concept
Objective: 7-4

73) Which difficult-to-sustain positioning strategy attempts to deliver the "best-of-both"?
A) more-for-the-same
B) more-for-less
C) same-for-less
D) less-for-much-less
E) more-for-more
Answer: B
Diff: 2 Page Ref: 216
Skill: Concept
Objective: 7-4
74) Which type of statement first states the product's membership in a category and then shows its point-of-difference from other members of the category?
A) mission statement  
B) vision statement  
C) differentiation statement  
D) positioning statement  
E) statement of intent  
Answer: D  
Diff: 2  Page Ref: 216  
Skill: Concept  
Objective: 7-4

75) What is the following an example of? "To busy, mobile professionals who need to always be in the loop, BlackBerry is a wireless connectivity solution that gives you an easier, more reliable way to stay connected to data, people, and resources while on the go."
A) positioning statement  
B) service differentiation  
C) concentrated segmentation  
D) competitive advantage  
E) responsible target marketing  
Answer: A  
Diff: 2  Page Ref: 216  
Skill: Concept  
Objective: 7-4

76) When marketers at Procter & Gamble selected the Millennials, a demographic that includes college students, as an untapped group of potential customers for their Febreze line of products, they were executing which step in the process of designing a customer-driven marketing strategy?
A) market segmenting  
B) mass marketing  
C) differentiation  
D) targeting  
E) positioning  
Answer: D  
Diff: 1  Page Ref: 191  
AACS: Reflective Thinking  
Skill: Application  
Objective: 7-1
77) When Pacific Fisheries groups its customers as countries by regions such as Asia, Australia, or New Zealand, it is using which segmenting base?
   A) economic factors
   B) political and legal factors
   C) geographic location
   D) benefits sought
   E) demographics
   Answer: C
   Diff: 1     Page Ref: 193
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 7-2

78) When Burger King targets children, teens, adults, and seniors with different ads and media, it is practicing ________ segmentation.
   A) demographic
   B) age and life cycle
   C) psychographic
   D) behavioral
   E) generational
   Answer: B
   Diff: 1     Page Ref: 194
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 7-2

79) Which of the following statements illustrates why stereotypes should be avoided when using age and life cycle segmentation?
   A) Old women love to shop; young women love it more!
   B) Most 10-year-old boys are mischievous.
   C) Some 70 year olds use wheelchairs; others play tennis.
   D) The majority of 20 year olds have to work; the same holds true for 30 and 40 year olds.
   E) both C and D
   Answer: C
   Diff: 2     Page Ref: 194
   AACSB: Analytic Skills
   Skill: Application
   Objective: 7-2
80) Segmenting voters as either democrats or republicans is an example of ________.
A) psychographic segmentation
B) demographic segmentation
C) occasion segmentation
D) intermarket segmentation
E) A and D
Answer: A
Diff: 3 Page Ref: 196
AACSB: Reflective Thinking
Skill: Application
Objective: 7-2

81) At one time Miller Beer was known as the "champagne of bottled beer." Unfortunately, Miller drinkers did not drink much beer. To increase sales, Miller was repositioned to attract the members of the middle working class. This segmentation approach is ________.
A) user status
B) usage rate
C) benefit
D) behavioral
E) psychographic
Answer: E
Diff: 2 Page Ref: 196
AACSB: Reflective Thinking
Skill: Application
Objective: 7-2

82) Your current assignment at York Foods is to find the major benefits people look for in product classes, the kinds of people who look for each benefit, and the major brands that deliver each benefit. What is this segmentation method called?
A) benefit
B) behavioral
C) age and life cycle
D) psychographic
E) demographic
Answer: A
Diff: 1 Page Ref: 196
AACSB: Reflective Thinking
Skill: Application
Objective: 7-2
83) Shampoo marketers rate buyers as light, medium, or heavy product users. This is ________ segmentation.
   A) benefit  
   B) user status  
   C) usage rate  
   D) psychographic  
   E) occasions
   Answer:  C
   Diff: 1       Page Ref: 197
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 7-2

84) MTV targets the world's teenagers, who have similar needs and buying behavior even though they are located in different countries. This is called ________ segmentation.
   A) political and legal  
   B) cross-cultural  
   C) cultural  
   D) intermarket  
   E) individual
   Answer:  D
   Diff: 2       Page Ref: 200
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 7-2

85) The markets you have chosen to serve in four western states can be effectively reached and served. You would tell the marketing manager that these segments are ________.
   A) measurable  
   B) accessible  
   C) substantial  
   D) actionable  
   E) profitable
   Answer:  B
   Diff: 2       Page Ref: 200
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 7-2
86) Jolene Enterprises mass produces an all-purpose floor cleaner, mass distributes it and mass promotes it. This firm uses ________ marketing.
A) segmented
B) undifferentiated
C) traditional
D) differentiated
E) none of the above
Answer: B
Diff: 1 Page Ref: 201
AACSB: Reflective Thinking
Skill: Application
Objective: 7-3

87) A marketer focuses on several commonalities among all consumers. This marketer appears to be engaging in ________.
A) differentiated marketing
B) undifferentiated marketing
C) segmented marketing
D) concentrated marketing
E) mass customization
Answer: B
Diff: 2 Page Ref: 201
AACSB: Analytic Skills
Skill: Application
Objective: 7-3

88) Which of the following is the most logical reason for Procter & Gamble offering products that compete with one another on the same supermarket shelves?
A) Different people want a greater selection.
B) Procter & Gamble has little competition.
C) Different people want different mixes of benefits from the products they buy.
D) Retailers request it.
E) It creates healthy competition.
Answer: C
Diff: 3 Page Ref: 203
AACSB: Analytic Skills
Skill: Application
Objective: 7-3
89) Sanguine Services practices a marketing strategy where its limited resources are used to go after a large share of two small niches. Sanguine practices which one of these strategies?
A) undifferentiated
B) differentiated
C) mass
D) concentrated
E) geographically dispersed
Answer: D
Diff: 2 Page Ref: 204
AACSB: Reflective Thinking
Skill: Application
Objective: 7-3

90) Bob and Phyllis Cords own two retail stores, one in Pottstown and one in Norristown. Though the towns are only 40 miles apart, the consumers at both stores are very different demographically. Bob and Phyllis alter the product offerings between both locations in an effort to cater to both demographic groups. This is an example of ________.
A) local marketing
B) psychographic segmentation
C) micromarketing
D) demographic segmentation
E) A and C
Answer: E
Diff: 2 Page Ref: 205
AACSB: Reflective Thinking
Skill: Application
Objective: 7-3

91) Jay Bee Promotions tailors its advertising and promotional services to the needs and preferences of individual customers. Which of the following terms does NOT apply to this type of marketing?
A) one-to-one
B) customized
C) markets-of-one
D) concentrated
E) mass customization
Answer: D
Diff: 3 Page Ref: 206
AACSB: Analytic Skills
Skill: Application
Objective: 7-3
92) The Jay Group hires better employees than the competition by conducting lengthy searches and interviews. Management also trains employees much better than competitors do. The Jay Group has gained a strong competitive advantage through which type of differentiation?
A) image  
B) people  
C) services  
D) product  
E) channel  
Answer: B  
Diff: 2  Page Ref: 213  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 7-4

93) Ford Motor Company emphasizes "Quality First – Ford Tough" in its truck products. In doing so, the company has developed a differentiation strategy based on _______.
A) people  
B) image  
C) products  
D) services  
E) positioning  
Answer: B  
Diff: 2  Page Ref: 213  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 7-4

94) Cheap Heaps Auto specializes in lower quality vehicles, with a few dents, priced a great deal lower than other used cars. Cheap Heaps has chosen to position their products with a ________ strategy.
A) more-for-the same  
B) more-for-less  
C) same-for-less  
D) less-for-much-less  
E) A or C  
Answer: D  
Diff: 2  Page Ref: 215  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 7-4
95) Neiman Marcus claims superior quality, performance, and style. The owners provide the most upscale products and services and charge a higher price to cover the higher costs. What type of positioning does Neiman Marcus use?
A) more-for-the-same  
B) more-for-more  
C) repositioning  
D) the-same-for-less  
E) more-for-less  
Answer: B  
Diff: 1    Page Ref: 215  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 7-4

96) When it first opened for business, Home Depot claimed to offer better products at lower prices. This hard-to-sustain value proposition is called ________.
A) more-for-the-same  
B) more-for-less  
C) more-for-more  
D) same-for-less  
E) same-for-more  
Answer: B  
Diff: 2    Page Ref: 216  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 7-4

97) Superior Auto Sales, a chain of high-end used car dealerships, wants to sum up its company positioning and brand positioning in a formal way. Superior's management would use a ________.
A) mission statement  
B) vision statement  
C) competitive statement  
D) positioning statement  
E) company statement  
Answer: D  
Diff: 2    Page Ref: 216  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 7-4
Refer to the scenario below to answer the following questions.

Herb Marks began making wooden writing utensils as a hobby until Mel Yoder recognized Herb's talent. Mel immediately ordered 250 pens and pencils of various styles to be displayed in his shop's showcase. Within three months, the writing utensils were a hit! Herb Marks had never thought of marketing his talent but Mel's enthusiasm and the recent sales were enough to change his mind.

With limited resources, Herb contacted three additional specialty shops within 100 miles. He explained his manufacturing processes and engraving options to each. All three shops' owners placed a trial order. Within two months, just prior to the holiday season, each shop owner placed an additional order. Herb was ecstatic!

"I figured business would slow down after that," Herb stated, "but in February I was contacted by Elmore Distributors. At that point, I had to make a huge decision about how far I wanted to go with this business."

Elmore Distributors provided products for school fundraisers in a seven-state area. Herb was offered a two-year contract and immediate inclusion in Elmore's promotional flyer. Herb Marks accepted the offer and, along with it, the responsibility to produce thousands of wooden pens and pencils.

"I had to get a grip on the magnitude of this project!" Herb added. "I couldn't grow out of control. I was already working to capacity."

Herb decided to place his major focus on the large contract with Elmore. However, to avoid placing his total emphasis with one customer, Herb continued nurturing his four previously established accounts without targeting any additional customers.

"At this point, I had set up an assembly line in a rented building," Herb explained. "I had to hire three full-time employees to work the line while I managed the customer orders and purchased materials." Herb paused. "But I can't take the Elmore project for granted. It might not always be there. I'll have to have a good alternate plan if that day comes."

98) In the scenario, how does Herb segment his market?
A) loyalty status  
B) usage rate  
C) income  
D) geographically  
E) demographically  
Answer: B  
Diff: 2    Page Ref: 197  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 7-2
99) In marketing his writing utensils to his four specialty-shop customers, Herb is using _______ marketing.
A) mass  
B) undifferentiated  
C) niche  
D) mass customization  
E) individual  
Answer: C  
Diff: 2 Page Ref: 204  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 7-3

100) If Herb produced a variety of styles of pens and pencils with various wood types and engravings that he tailored specifically to each individual's order, he would be practicing _______.
A) concentrated marketing  
B) local marketing  
C) undifferentiated marketing  
D) mass customization  
E) micromarketing  
Answer: D  
Diff: 2 Page Ref: 206  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 7-3

101) Today, most companies have moved back toward mass marketing and are being choosier about the customers with whom they wish to build relationships.  
Answer: TRUE  
Diff: 2 Page Ref: 191  
Skill: Concept  
Objective: 7-1

102) Your company wants to move away from mass marketing and engage in customer-driven marketing. The four steps to take, in order, are market segmentation, marketing positioning, differentiation, and targeting.  
Answer: FALSE  
Diff: 2 Page Ref: 191  
Skill: Concept  
Objective: 7-1
103) Bombay Gifts divides its markets into units of nations, regions, and cities. Bombay uses geographic segmentation.
Answer: TRUE
Diff: 1 Page Ref: 193
AACSB: Reflective Thinking
Skill: Application
Objective: 7-2

104) Demographic segmentation uses different marketing approaches for different time periods of people's lives and different family situations.
Answer: FALSE
Diff: 2 Page Ref: 194
Skill: Concept
Objective: 7-2

105) Shopping for the Rich and Famous is a buying service that helps wealthy clients find the best buys in exclusive clothing, high-end cars, travel, and financial services. This firm most likely uses income segmentation.
Answer: TRUE
Diff: 2 Page Ref: 195
AACSB: Reflective Thinking
Skill: Application
Objective: 7-2

106) Gender segmentation has long been used in clothing, cosmetics, toiletries, and magazines.
Answer: TRUE
Diff: 2 Page Ref: 195
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 7-2

107) Your assignment at work is to divide buyers into different groups based on social class, lifestyle, and personality characteristics. After a planning session with the marketing and sales staff, you issue a memo to upper management recommending psychographic segmentation. You are right on target.
Answer: TRUE
Diff: 2 Page Ref: 196
Skill: Concept
Objective: 7-2
108) LaGrange Florists segments markets into groups of nonusers, ex-users, potential users, first-time users, and regular users of its flowers and services. This firm uses usage rate as its segmentation approach.
Answer: FALSE
Diff: 2 Page Ref: 197
AACSB: Reflective Thinking
Skill: Application
Objective: 7-2

109) Research about and planning for loyalty status as a segmentation approach is generally not useful or practical for most firms.
Answer: FALSE
Diff: 2 Page Ref: 198
Skill: Concept
Objective: 7-2

110) For simplicity's sake, most marketers generally limit their segmentation analysis to one or a few variables.
Answer: FALSE
Diff: 2 Page Ref: 198
Skill: Concept
Objective: 7-2

111) Clusters of marketable groups of customers with similar likes, dislikes, lifestyles, and purchase behaviors can be identified by multivariable segmentation systems that merge and analyze geographic, demographic, lifestyle, and behavioral data.
Answer: TRUE
Diff: 2 Page Ref: 198
AACSB: Use of IT
Skill: Concept
Objective: 7-2

112) There are many exceptions to the geographic segmentation assumption that consumers in nations close to one another will have many common behaviors and traits.
Answer: TRUE
Diff: 2 Page Ref: 199
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 7-2

113) Because there is such variation among the economies of countries around the world, it is not practical to segment international markets on the basis of economic factors.
Answer: FALSE
Diff: 2 Page Ref: 199
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 7-2
114) In evaluating different market segments, a firm should look at three factors: segment size and growth, segment structural attractiveness, and company objectives and resources.
Answer: TRUE
Diff: 2 Page Ref: 201
Skill: Concept
Objective: 7-3

115) At a recent marketing seminar, the featured speaker stated that a target market consists of a set of buyers who share common needs or characteristics that the company decides to serve. This is a correct definition.
Answer: TRUE
Diff: 1 Page Ref: 201
Skill: Concept
Objective: 7-3

116) Developing a stronger position within several segments creates more total sales than undifferentiated marketing across all segments.
Answer: TRUE
Diff: 2 Page Ref: 202
Skill: Concept
Objective: 7-3

117) Niche marketing offers smaller companies an opportunity to compete by focusing their limited resources on serving niches that may be unimportant to or overlooked by larger companies.
Answer: TRUE
Diff: 1 Page Ref: 204
Skill: Concept
Objective: 7-3

118) Because Cruise Ships International currently has limited financial and personnel resources, it should avoid concentrated or niche marketing until resources are again substantial.
Answer: FALSE
Diff: 2 Page Ref: 204
AACSB: Analytic Skills
Skill: Application
Objective: 7-3

119) Though the use of mass marketing has been widespread in the past 100 years, for centuries consumers were served as individuals as businesses practiced individual marketing.
Answer: TRUE
Diff: 3 Page Ref: 206
Skill: Concept
Objective: 7-3
120) Mass marketing is becoming a marketing principle for the 21st century.  
Answer: FALSE  
Diff: 2 Page Ref: 207  
Skill: Concept  
Objective: 7-3

121) When a company chooses a target marketing strategy, its choices are influenced by factors related to company resources, the degree of product variability, and the product's life-cycle stage.  
Answer: TRUE  
Diff: 3 Page Ref: 207  
Skill: Concept  
Objective: 7-3

122) A product's position is the way the product is defined by the retailers who sell it to target markets. It is how it is defined on important attributes—the place the product occupies in the retailers' minds relative to competing products.  
Answer: FALSE  
Diff: 1 Page Ref: 209  
AACS B: Communication  
Skill: Concept  
Objective: 7-4

123) Consumers position products in their minds in order to simplify the buying process.  
Answer: TRUE  
Diff: 3 Page Ref: 209  
Skill: Concept  
Objective: 7-4

124) A market rarely exists for products that offer less and therefore cost less.  
Answer: FALSE  
Diff: 3 Page Ref: 215  
Skill: Concept  
Objective: 7-4

125) When Kia offers a new car model with the same features as a comparable Toyota or Ford and provides a longer warranty, Kia is following a more-for-less strategy.  
Answer: FALSE  
Diff: 2 Page Ref: 216  
AACS B: Reflective Thinking  
Skill: Application  
Objective: 7-4
126) Explain the four major steps in designing a customer-driven marketing strategy.
Answer: The first step is market segmentation: dividing a market into smaller groups of buyers with distinct needs, characteristics, or behaviors, who might require separate products or marketing mixes. The company identifies different ways to segment the market and develops profiles of the resulting market segments. The second step is market targeting: evaluating each market segment's attractiveness and selecting one or more of the market segments to enter. The third step is differentiation: actually differentiating the firm's market offering to create a superior customer value. Finally, the last step is market positioning: arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of consumers.
Diff: 2  Page Ref: 191-192
AACSB: Analytic Skills
Skill: Application
Objective: 7-1

127) Explain the four major segmenting variables for consumer markets.
Answer: Geographic segmentation divides the market into different geographic units, such as nations, regions, states, countries, cities, or neighborhoods. Many companies are localizing their products, advertising, promotion, and sales efforts or are seeking to cultivate as-yet untapped geographic territory. Demographic segmentation divides the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality. These are the most popular factors because they are easy to measure, and consumer needs, wants, and usage rates often vary closely with demographic variables. Psychographic segmentation, on the other hand, divides buyers into different groups based on social class, lifestyle, or personality characteristics. People in the same demographic group can have very different psychographic makeup. Behavioral segmentation divides buyers into groups based on their knowledge, attitudes, uses, or responses to a product. Many marketers believe that behavior variables are the best starting point for building market segments.
Diff: 2  Page Ref: 193
AACSB: Analytic Skills
Skill: Application
Objective: 7-2

128) Describe how marketers use multiple-segmenting bases to their advantage.
Answer: Marketers rarely limit their segmenting analysis to only one or a few variables. Instead, they use multiple segmentation bases in an effort to identify smaller, better-defined target groups of consumers who share likes, dislikes, lifestyles, and purchase behaviors. Companies often begin by segmenting their markets using a single base, and then expand using other bases.
Diff: 2  Page Ref: 198
AACSB: Analytic Skills
Skill: Application
Objective: 7-2
129) Why do businesses segment their markets?
Answer: By going after segments instead of the whole market, companies have a much better chance to deliver value to customers and to receive maximum rewards for close attention to customer needs. Like consumer groups, business buyers can be segmented using geographic, demographic, benefits sought, user status, usage rate, and loyalty status segmentations. Business buyers are also segmented by the variables of operating characteristics, purchasing approaches, situational factors, and personal characteristics.
Diff: 2 Page Ref: 198
AACSB: Analytic Skills
Skill: Application
Objective: 7-2

130) Why do international markets need to be segmented?
Answer: Few companies have either the resources or the will to operate in all, or even most, of the countries that dot the globe. Different countries, even those that are close together, can vary greatly in their economic, cultural, technological, and political makeup. International firms need to group their world markets into segments with distinctive buying needs and behaviors.
Diff: 1 Page Ref: 199
AACSB: Multicultural and Diversity
Skill: Application
Objective: 7-2

131) Imagine that you are presenting a workshop on the Requirements for Effective Segmentation. Briefly describe the five items that will help your audience understand your topic.
Answer: The size, purchasing power, and profiles of the segments must be measurable. The major problem may be that the segment will be hard to identify and measure. The market segments must be accessible; that is they can be effectively reached and served. The segment must be substantial or large/profitable enough to serve. It should be the largest possible homogeneous group worth pursuing with a tailored marketing program. To be differentiable, the segments need to be conceptually distinguishable and respond differently to different marketing mix elements and programs. Finally, the segment must be actionable, meaning that effective programs can be designed for attracting and serving consumers who make up the segment.
Diff: 3 Page Ref: 200-201
AACSB: Analytic Skills
Skill: Application
Objective: 7-2
132) Explain how companies identify attractive market segments and choose a target marketing strategy.
Answer: To target the best market segments, the company first evaluates each segment's size and growth characteristics, structural attractiveness, and compatibility with company objectives and resources. It then chooses one of four marketing strategies—ranging from very broad to very narrow targeting. The seller can ignore segment differences and target broadly using undifferentiated marketing. This involves mass-producing, mass-distributing, and mass-promoting nearly the same product in about the same way to all consumers. Or the seller can adopt differentiated marketing—developing different market offers for several segments. Concentrated marketing involves focusing on only one or a few market segments. Finally, micromarketing is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations. Micromarketing includes local marketing and individual marketing. Which targeting strategy is best depends on company resources, product variability, product life cycle stage, market variability, and competitive marketing strategies.
Diff: 3  Page Ref: 201
AACSB: Analytic Skills
Skill: Application
Objective: 7-3

133) Compare and contrast four major segmenting strategies.
Answer: An undifferentiated marketing strategy ignores market segment differences and targets the whole market with one offer. This mass-marketing strategy focuses on what is common in the needs of consumers rather than what is different. In contrast, a differentiated strategy targets several market segments and designs separate offers for each. Companies hope for higher sales and a stronger position within each market segment. Concentrated or niche marketing goes after a large share of one or a few segments or niches instead of going after a share of a large market. These niches may be overlooked by or unimportant to other marketers. Niching offers smaller companies an opportunity to compete by focusing their limited resources more effectively. Using micromarketing, a company can tailor products and marketing programs to suit the tastes of specific individuals and locations. It includes local and individual marketing.
Diff: 2  Page Ref: 201-207
AACSB: Analytic Skills
Skill: Application
Objective: 7-3
134) In what ways might a marketer engage in socially responsible target marketing?
Answer: Socially responsible marketers work to avoid purposefully targeting vulnerable or disadvantaged consumers with controversial or potentially harmful products. In addition, marketers may reconsider the marketing of adult products that may spill over into the child segment—either intentionally or unintentionally; primary examples include beer, cigarettes, and fast food. The growth of the Internet has also presented potential problems—namely that makers of questionable products or deceptive advertisers may more readily victimize the most vulnerable audiences. Marketers can avoid becoming involved in these harmful situations as they attempt to reach vast numbers of consumers with such precise, refined targeting strategies.
Diff: 1    Page Ref: 208
AACSB: Ethical Reasoning
Skill: Application
Objective: 7-3

135) Explain the concept of positioning for competitive advantage.
Answer: A product's position is the way the product is defined by consumers on important attributes—the place the product occupies in consumers' minds relative to competing products. Positioning involves implanting the brand's unique benefits and differentiation in customers' minds. To carry out effective positioning, a company must identify a set of possible competitive advantages upon which to build a problem, choose the right competitive advantages, and select an overall positioning strategy. The company must then effectively communicate and deliver the chosen position to the market.
Diff: 3    Page Ref: 209
AACSB: Analytic Skills
Skill: Application
Objective: 7-4

136) Why do marketers segment the market?
Answer: Marketers divide heterogeneous markets into smaller groups that can be reached more efficiently with products and services that match their unique tastes; firms focus on buyers it can serve best and most profitably.
Diff: 1    Page Ref: 192
AACSB: Analytic Skills
Skill: Application
Objective: 7-1

137) When might be the best time for a marketer to use geographic segmentation?
Answer: Geographic segmentation may be especially profitable when consumers in different regions, states, counties, and so forth have different buying behaviors and product or service preferences.
Diff: 1    Page Ref: 193
AACSB: Analytic Skills
Skill: Application
Objective: 7-2
138) Why might demographic segmentation be the most common type of segmentation? 
Answer: Demographic segmentation is often based on observable features, making demographic segmentation easier than other types. 
Diff: 2 Page Ref: 194 
AACSB: Analytic Skills 
Skill: Application 
Objective: 7-2 

139) Why must marketers guard against stereotypes when using age and life cycle segmentation? 
Answer: Not all consumers in the same age and life cycle categories share the same abilities and interests; some 40-year-olds may have more in common with typical 20-year-olds, for example, than with other 40-year-olds. 
Diff: 2 Page Ref: 194 
AACSB: Analytic Skills 
Skill: Application 
Objective: 7-2 

140) If Kool-Aid promotes a year-round campaign that "Kool-Aid isn't just a summertime drink," what type of segmentation is being used? 
Answer: Occasion segmentation is being used in this scenario. 
Diff: 3 Page Ref: 196 
AACSB: Reflective Thinking 
Skill: Application 
Objective: 7-2 

141) What is one way in which a marketer can attract nonloyal consumers? 
Answer: Marketers can attract nonloyal consumers by putting the brand on sale or by altering price. 
Diff: 2 Page Ref: 198 
AACSB: Analytic Skills 
Skill: Application 
Objective: 7-2 

142) How might a marketer benefit most from using PRIZM NE? 
Answer: People and locations can be segmented into marketable groups of like-minded consumers, so marketers can more closely tailor their efforts to their target. 
Diff: 3 Page Ref: 198 
AACSB: Analytic Skills 
Skill: Application 
Objective: 7-2
143) List three variables not applicable to the consumer market that may be used to segment business markets.
Answer: Operating characteristics, purchasing approaches, situational factors, and personal characteristics can all be used to segment business markets but not consumer markets.
Diff: 2 Page Ref: 198
AACSB: Analytic Skills
Skill: Application
Objective: 7-2

144) What factors may impact segment attractiveness?
Answer: The number of competitors, substitute products, power of buyers, and powerful suppliers may impact segment attractiveness.
Diff: 2 Page Ref: 201
AACSB: Analytic Skills
Skill: Application
Objective: 7-3

145) What is one major assumption made by marketers who choose to use an undifferentiated marketing strategy?
Answer: Such marketers assume that all consumers share something in common, regardless of how different the consumers may be.
Diff: 2 Page Ref: 201
AACSB: Analytic Skills
Skill: Application
Objective: 7-3

146) XYZ Computers, Inc., a business with limited resources, is a market nicher. How might XYZ benefit from this?
Answer: XYZ Computers will have an opportunity to compete by focusing its limited resources on serving niches that may be unimportant to or overlooked by larger competitors.
Diff: 2 Page Ref: 204
AACSB: Analytic Skills
Skill: Application
Objective: 7-3

147) BMW allows customers to design their own vehicle from a set of options at BMW's Web site. What is this called?
Answer: This is mass customization.
Diff: 2 Page Ref: 206
AACSB: Reflective Thinking
Skill: Application
Objective: 7-3
148) Explain how market variability impacts the choice of a target-marketing strategy.
Answer: If most buyers have the same tastes, buy the same amounts, and react the same way to marketing efforts, undifferentiated marketing may be appropriate, for example.
Diff: 3 Page Ref: 207
AACSB: Analytic Skills
Skill: Application
Objective: 7-3

149) Why might a marketer of laundry detergent be interested in viewing a perceptual positioning map?
Answer: Perceptual positioning maps show consumer perceptions of their brands versus competing products on important buying dimensions. Laundry detergent, for example, may be placed on a perceptual map based on price and cleaning power; this allows a marketer to view how consumers perceive their product with respect to others' products along those dimensions.
Diff: 3 Page Ref: 209
AACSB: Analytic Skills
Skill: Application
Objective: 7-4

150) In what ways might a marketer be able to gain competitive advantage through channel differentiation?
Answer: Firms that practice channel differentiation gain competitive advantage through the way they design their channel's coverage, expertise, and performance. Such factors as the level of customer service, speed of delivery, packaging, transportation type, and so on may play a role in channel differentiation.
Diff: 2 Page Ref: 213
AACSB: Analytic Skills
Skill: Application
Objective: 7-4

Chapter 8  Product, Services, and Branding Strategies: Building Customer Value

1) We define a ________ as anything that can be offered to a market for attention, acquisition, use, or consumption and that might satisfy a want or need.
A) private brand  
B) service variability  
C) service  
D) product  
E) service encounter  
Answer: D  
Diff: 1 Page Ref: 224  
AACSB: Communication  
Skill: Concept  
Objective: 8-1

2) ________ are a form of product that consists of activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything.
A) Line extensions
B) Services
C) Brands
D) Consumer products
E) Supplements
Answer: B
Diff: 1 Page Ref: 224
AACSB: Communication
Skill: Concept
Objective: 8-1

3) A product is a key element in the ________. At one extreme, it may consist of pure tangible goods or at the other extreme, pure services.
A) market offering
B) brand equity
C) brand extension
D) co-branding
E) value chain
Answer: A
Diff: 1 Page Ref: 224
AACSB: Communication
Skill: Concept
Objective: 8-1
4) To differentiate themselves, many companies are going beyond products and services, they are developing and delivering customer ________.
A) quality
B) experiences
C) brands
D) product lines
E) events
Answer: B
Diff: 2 Page Ref: 224
AACSB: Communication
Skill: Concept
Objective: 8-1

5) Product planners need to consider products and services on three levels. Each level adds more customer value. The most basic level is the ________, which addresses the question, "What is the buyer really buying?"
A) actual product
B) augmented product
C) core customer value
D) co-branding
E) exchange
Answer: C
Diff: 2 Page Ref: 225
AACSB: Communication
Skill: Concept
Objective: 8-1

6) The third level of a product that product planners must consider is a(n) ________ around the core benefit and actual product that offers additional consumer services and benefits.
A) brand equity
B) augmented product
C) brand extension
D) industrial product
E) image
Answer: B
Diff: 2 Page Ref: 225
AACSB: Communication
Skill: Concept
Objective: 8-1
7) Product planners must design the actual product and find ways to ________ it in order to create the bundle of benefits that will provide the most satisfying customer experience.

A) promote  
B) package  
C) brand  
D) augment  
E) present  

Answer: D  
Diff: 3  Page Ref: 225  
AACSB: Communication  
Skill: Concept  
Objective: 8-1

8) Products and services fall into two broad classifications based on the types of consumers that use them. Which is one of these broad classes?

A) industrial products  
B) specialty products  
C) supplies and services  
D) materials and parts  
E) convenience products  

Answer: A  
Diff: 2  Page Ref: 226  
Skill: Concept  
Objective: 8-1

9) ________ are products and services bought by final consumers for personal consumption. These include convenience products, shopping products, specialty products, and unsought products.

A) Services  
B) Consumer products  
C) Line extensions  
D) Industrial products  
E) Straight extensions  

Answer: B  
Diff: 1  Page Ref: 226  
Skill: Concept  
Objective: 8-1
10) ________ are less frequently purchased consumer products and services that customers compare carefully on suitability, quality, price, and style. Consumers spend much time and effort in gathering information and making comparisons about these products.
A) Shopping products  
B) Convenience products  
C) Unsought products  
D) Industrial products  
E) Line extensions  
Answer: A  
Diff: 2  
Page Ref: 226  
Skill: Concept  
Objective: 8-1

11) ________ are consumer products and services with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort.
A) Shopping products  
B) Unsought products  
C) Specialty products  
D) Industrial products  
E) Line extensions  
Answer: C  
Diff: 1  
Page Ref: 226  
Skill: Concept  
Objective: 8-1

12) ________ are consumer products that the consumer either does not know about or knows about but does not normally think about buying. These products require a lot of advertising, personal selling, and other marketing efforts.
A) Specialty products  
B) Line extensions  
C) Unsought products  
D) Shopping products  
E) Staples  
Answer: C  
Diff: 1  
Page Ref: 226  
Skill: Concept  
Objective: 8-1
13) _______ are those products purchased for further processing or for use in conducting a business.
A) Unsought products  
B) Specialty products  
C) Shopping products  
D) Industrial products  
E) Accessories  
Answer: D  
Diff: 1    Page Ref: 227  
Skill: Concept  
Objective: 8-1

14) Most manufactured materials and parts are sold directly to _______. Price and service are the major marketing factors; branding and advertising tend to be less important.
A) consumers  
B) industrial users  
C) brand extensions  
D) co-branders  
E) wholesalers  
Answer: B  
Diff: 2    Page Ref: 227  
Skill: Concept  
Objective: 8-1

15) _______ are industrial products that aid in the buyer's production or operations, including installations and accessory equipment.
A) Materials  
B) Parts  
C) Capital items  
D) Specialty items  
E) Supplies  
Answer: C  
Diff: 2    Page Ref: 227  
Skill: Concept  
Objective: 8-1
16) ________ consists of activities undertaken to create, maintain, or change the attitudes and behavior of target consumers toward an organization.
A) Person marketing
B) Organization marketing
C) Internal marketing
D) Service variability
E) Intelligence marketing
Answer: B
Diff: 2 Page Ref: 228
AACSB: Communication
Skill: Concept
Objective: 8-1

17) ________ consists of activities undertaken to create, maintain, or change attitudes toward particular people.
A) Corporate image marketing
B) Person marketing
C) Social marketing
D) Organization marketing
E) Intermarket marketing
Answer: B
Diff: 1 Page Ref: 228
AACSB: Communication
Skill: Concept
Objective: 8-1

18) ________ involves activities undertaken to create, maintain, or change attitudes toward particular cities, states, and regions.
A) Idea marketing
B) Place marketing
C) Organization marketing
D) Social marketing
E) Interactive marketing
Answer: B
Diff: 1 Page Ref: 228
AACSB: Communication
Skill: Concept
Objective: 8-1
19) ________ is defined as the use of commercial marketing concepts and tools in programs designed to influence individuals' behavior to improve their well being and that of society.
A) Unsought product marketing
B) Internal marketing
C) Social marketing
D) Product line
E) Interactive marketing
Answer: C
Diff: 1 Page Ref: 229
AACSB: Ethical Reasoning
Skill: Concept
Objective: 8-1

20) Public health campaigns to reduce alcoholism, drug abuse, smoking, and obesity are all examples of ________.
A) specialty products
B) social marketing
C) shopping products
D) consumer products
E) responsibility marketing
Answer: B
Diff: 2 Page Ref: 229
AACSB: Ethical Reasoning
Skill: Concept
Objective: 8-1

21) Developing a product or service involves defining the benefits that it will offer. These benefits are communicated and delivered by ________ such as quality, features, and style and design.
A) private brands
B) product attributes
C) consumer products
D) product mixes
E) marketing tools
Answer: B
Diff: 3 Page Ref: 229
AACSB: Communication
Skill: Concept
Objective: 8-2
22) ________ is one of the marketer's major positioning tools because it has a direct impact on product or service performance; it is therefore closely linked to customer value and satisfaction.
A) Packaging
B) Product quality
C) Total quality management
D) Specialty product marketing
E) Positioning
Answer: B
Diff: 2 Page Ref: 229
AACSB: Communication
Skill: Concept
Objective: 8-2

23) ________ is an approach in which all the company's people are involved in constantly improving the products, services, and business processes.
A) Product quality
B) Brand equity
C) Total quality management
D) Specialty product marketing
E) Positioning
Answer: C
Diff: 2 Page Ref: 230
Skill: Concept
Objective: 8-2

24) What are the two dimensions of product quality?
A) consistency and level
B) performance and resistance
C) design and innovation
D) conformance and style
E) feature and design
Answer: A
Diff: 2 Page Ref: 230
Skill: Concept
Objective: 8-2
25) Which of the following types of quality refers to freedom from defects and consistency in delivering a targeted level of performance?
A) private brand  
B) product  
C) total quality management  
D) conformance  
E) adherence  
Answer: D

26) A stripped-down model without any extras is the starting point; a company can create a higher-level model by adding ________.
A) co-branding  
B) features  
C) product quality  
D) service variability  
E) markets  
Answer: B

27) In assessing which new features to add to a product, a company must weigh each feature's ________ to customers versus its ________ to the company.
A) cost; line extension  
B) cost; service  
C) value; cost  
D) service; line extension  
E) equity; cost  
Answer: C
28) A sensational ________ may grab attention and produce pleasing aesthetics, but it does not necessarily improve a product's performance.
A) design  
B) style  
C) experience  
D) service-profit chain  
E) augmented product  
Answer:  B  
Diff: 2    Page Ref: 230  
AACSB: Communication  
Skill: Concept  
Objective:  8-2

29) ________ contributes to a product's usefulness as well as to its looks.
A) Style  
B) Design  
C) Package  
D) Brand  
E) Functionality  
Answer:  B  
Diff: 2    Page Ref: 230  
Skill: Concept  
Objective:  8-2

30) A(n) ________ is a name, term, sign, symbol, design, or a combination of these, that identifies the maker or seller of a product or service.
A) service  
B) brand  
C) co-branding  
D) internal marketing  
E) external marketing  
Answer:  B  
Diff: 1    Page Ref: 231  
AACSB: Communication  
Skill: Concept  
Objective:  8-2
31) ________ involves designing and producing the container or wrapper for a product.
A) Packaging
B) Product line
C) Service
D) Branding
E) Labeling
Answer: A
Diff: 1 Page Ref: 231
Skill: Concept
Objective: 8-2

32) In recent years, product safety and environmental responsibility have become major ________ concerns.
A) branding
B) packaging
C) labeling
D) service
E) product line
Answer: B
Diff: 2 Page Ref: 232
AACSB: Ethical Reasoning
Skill: Concept
Objective: 8-2

33) At the very least, the ________ identifies the product or brand. It might also describe several things about the product and promote the brand.
A) line extension
B) social marketing
C) label
D) specialty product
E) package
Answer: C
Diff: 1 Page Ref: 232
AACSB: Communication
Skill: Concept
Objective: 8-2
34) The ________ requires sellers to provide detailed nutritional information on food products.
A) Fair Packaging and Labeling Act of 1966
B) Nutritional Labeling and Educational Act of 1990
C) Labeling Act of 1970
D) Packaging Act of 1970
Answer: B
Diff: 3        Page Ref: 233
AACSB: Ethical Reasoning
Skill: Concept
Objective: 8-2

35) ________ has been affected by the need to include unit pricing, open dating, and nutritional information.
A) Branding
B) Packaging
C) Labeling
D) Product line filling
E) Product mixing
Answer: C
Diff: 2        Page Ref: 233
AACSB: Communication
Skill: Concept
Objective: 8-2

36) Many companies now use a combination of phone, e-mail, fax, Internet, and other technologies to provide ________.
A) labeling information
B) brand equity
C) support services
D) packaging advantages
E) product mixes
Answer: C
Diff: 2        Page Ref: 233
AACSB: Use of IT
Skill: Concept
Objective: 8-2
37) A ________ is a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same type of outlets, or fall within given price ranges.
A) product line  
B) line extension  
C) private brand  
D) convenience product  
E) product bandwidth  
Answer: A  
Diff: 2 Page Ref: 234  
AACSB: Communication  
Skill: Concept  
Objective: 8-2

38) The major product line decision involves ________.  
A) line stretching  
B) moving the line upward or downward  
C) product line filling  
D) product line length  
E) product packaging  
Answer: D  
Diff: 3 Page Ref: 234  
AACSB: Communication  
Skill: Concept  
Objective: 8-2

39) Berkowitz Piano Company can expand its product line in one of two common ways. Which of the following is one of those ways?  
A) internal marketing  
B) line filling  
C) product mix  
D) social marketing  
E) line mixing  
Answer: B  
Diff: 2 Page Ref: 234  
AACSB: Communication  
Skill: Concept  
Objective: 8-2
40) An alternative to product line stretching is _______, adding more items within the present range of the line.
A) product mix
B) interactive marketing
C) product line filling
D) co-branding
E) service marketing
Answer: C
Diff: 2 Page Ref: 234
AACSB: Communication
Skill: Concept
Objective: 8-2

41) When a company lengthens its product line beyond its current range, it is _______.
A) product line filling
B) product line stretching
C) product mixing
D) increasing product depth
E) building brand equity
Answer: B
Diff: 2 Page Ref: 234
AACSB: Communication
Skill: Concept
Objective: 8-2

42) A _______ consists of all the product lines and items that a particular seller offers for sale.
A) product mix
B) brand line
C) consumer mix
D) packaging mix
E) line extension
Answer: A
Diff: 1 Page Ref: 234
AACSB: Communication
Skill: Concept
Objective: 8-2
43) Product mix ________ refers to the number of different product lines the company carries. Procter & Gamble markets 250 brands organized into many product lines.
A) length
B) height
C) width
D) perimeter
E) depth
Answer:  C
Diff: 2    Page Ref: 235
AACSB: Communication
Skill: Concept
Objective:  8-2

44) Product mix ________ refers to the number of versions offered of each product in the line. Crest toothpaste comes in 13 varieties, ranging from Crest Multicare to Crest Baking Soda formulations.
A) length
B) depth
C) height
D) width
E) perimeter
Answer:  B
Diff: 3    Page Ref: 235
AACSB: Communication
Skill: Concept
Objective:  8-2

45) 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.
A) length
B) depth
C) consistency
D) width
E) perimeter
Answer:  C
Diff: 3    Page Ref: 235
AACSB: Communication
Skill: Concept
Objective:  8-2
46) A company can increase its business in four ways. Which is NOT one of these ways?
A) It can add new product lines, thus widening its product mix.
B) It can lengthen its existing product lines.
C) It can add more versions of each product and thus deepen its product mix.
D) It can discontinue some of its lines.
E) It can increase the consistency of its product mix.
Answer: D
Diff: 1 Page Ref: 235
AACSB: Communication
Skill: Concept
Objective: 8-2

47) Some analysts see _______ as the major enduring asset of a company, outlasting the company's specific products and facilities.
A) brands
B) convenience products
C) specialty products
D) unsought products
E) staples
Answer: A
Diff: 1 Page Ref: 235
AACSB: Communication
Skill: Concept
Objective: 8-3

48) A key element in a company's relationship with consumers, a _______ represents consumers' perceptions and feelings about a product and its performance.
A) product line
B) product experience
C) brand
D) service
E) product attribute
Answer: C
Diff: 2 Page Ref: 236
AACSB: Communication
Skill: Concept
Objective: 8-3
49) Which of the following is NOT one of the four consumer perception dimensions used by ad agency Young & Rubicam to measure brand strength?
A) brand differentiation
B) brand knowledge
C) brand valuation
D) brand esteem
E) brand relevance
Answer: C
Diff: 3        Page Ref: 236
AACSB: Communication
Skill: Concept
Objective: 8-3

50) The total financial value of a brand is estimated through the process of brand ________.
A) differentiation
B) valuation
C) extensions
D) positioning
E) equity
Answer: B
Diff: 2        Page Ref: 236
AACSB: Communication
Skill: Concept
Objective: 8-3

51) The fundamental asset underlying brand equity is ________—the value of the customer relationships that the brand creates. A powerful brand is important, but what it really represents is a set of loyal consumers.
A) the customer mix
B) customer equity
C) line equity
D) service variability
E) the service encounter
Answer: B
Diff: 3        Page Ref: 238
AACSB: Communication
Skill: Concept
Objective: 8-3
52) Which of the following is the lowest level on which marketers can position their brands in target customers' minds?
A) interactive marketing
B) internal marketing
C) product attributes
D) strong beliefs and values
E) added service
Answer: C
Diff: 3 Page Ref: 238
AACSB: Communication
Skill: Concept
Objective: 8-3

53) The strongest brands go beyond attributes or benefit positioning; they are positioned on ________.
A) desirable benefit
B) good packaging
C) service inseparability
D) strong beliefs and values
E) customer image
Answer: D
Diff: 2 Page Ref: 239
AACSB: Communication
Skill: Concept
Objective: 8-3

54) Which of the following is NOT a desirable quality for a brand name?
A) It should suggest something about the product's benefits and qualities.
B) It should be easy to pronounce, recognize, and remember.
C) The brand should almost always be a long word to get attention.
D) The name should translate easily into foreign languages.
E) It should be distinctive.
Answer: C
Diff: 2 Page Ref: 239
AACSB: Communication
Skill: Concept
Objective: 8-3
55) All of the following are a manufacturer's sponsorship options for a product EXCEPT
________.
A) manufacturer's brand
B) multibrands
C) private brand
D) licensed brand
E) co-branding
Answer: B
Diff: 2 Page Ref: 240
Skill: Concept
Objective: 8-3

56) In the competition between _______ and _______ brands, retailers have the advantages of controlling what products will be stocked, where products will be stocked, what prices will be charged, and which products will be featured in print promotions.
A) national; manufacturer's
B) store; private
C) national; private
D) store; licensed
E) private; distributor
Answer: C
Diff: 2 Page Ref: 241
Skill: Concept
Objective: 8-3

57) An increasing number of retailers and wholesalers have created their own _________, also called store brands.
A) unsought products
B) private brands
C) specialty products
D) service variability
E) shopping products
Answer: B
Diff: 1 Page Ref: 240
Skill: Concept
Objective: 8-3
58) For a fee, some companies ________ names or symbols previously created by other manufacturers, names of well-known celebrities, and/or characters from popular movies and books, any of which can provide an instant and proven brand name.
A) service  
B) market  
C) package  
D) brand  
E) license  
Answer: E
Diff: 2    Page Ref: 241
AACSB: Communication  
Skill: Concept  
Objective: 8-3

59) ________ occurs when two established brand names of different companies are used on the same product.
A) A brand extension  
B) Brand equity  
C) Co-branding  
D) Internal marketing  
E) Cannibalization  
Answer: C
Diff: 2    Page Ref: 241
AACSB: Communication  
Skill: Concept  
Objective: 8-3

60) In most ________ situations, one company licenses another company's well-known brand to use in combination with its own.
A) brand extension  
B) brand equity  
C) co-branding  
D) internal marketing  
E) line extension  
Answer: C
Diff: 2    Page Ref: 242  
Skill: Concept  
Objective: 8-3
61) Which of the following is an advantage offered by co-branding?
A) Manufacturers do not have to invest in creating their own brand names.
B) Retailers have exclusive products that cannot be purchased from competitors.
C) A company can expand its existing brand into a category it otherwise might have difficulty entering alone.
D) Advertising, sales, promotion, and marketing must be carefully coordinated.
E) Brand equity is stabilized.
Answer: C
Diff: 2 Page Ref: 242
Skill: Concept
Objective: 8-3

62) A company has four choices when it comes to developing brands. What is NOT one of those choices?
A) line extension
B) brand extension
C) multibrands
D) width and depth extension
E) new brands
Answer: D
Diff: 3 Page Ref: 242
Skill: Concept
Objective: 8-3

63) ________ occur(s) when a company introduces additional items in a given product category under the same brand name, such as new flavors, forms, colors, ingredients, or package sizes.
A) Line extension
B) Product mix
C) Interactive marketing
D) Service variability
E) Service intangibility
Answer: A
Diff: 3 Page Ref: 242
Skill: Concept
Objective: 8-3

64) A ________ involves the use of a successful brand name to launch new or modified products in a new category.
A) line extension
B) product line
C) brand extension
D) private brand
E) brand symbol
Answer: C
Diff: 1 Page Ref: 243
Skill: Concept
Objective: 8-3
65) Which of the following is a potential drawback of multibranding?
A) Consumers may become confused about the image of the main brand.
B) An overextended brand name might lose its specific meaning for consumers.
C) Different product features can appeal to consumers with different buying motives.
D) The company's resources may be spread over too many brands.
E) The company can occupy more retail shelf space.
Answer: D
Diff: 3 Page Ref: 243
Skill: Concept
Objective: 8-3

66) Which strategy involves weeding out weaker brands and focusing marketing dollars only on brands that can achieve the number-one or number-two market share positions in their categories?
A) megabrand
B) service inseparability
C) social marketing
D) unsought product
E) undifferentiated
Answer: A
Diff: 2 Page Ref: 243
Skill: Concept
Objective: 8-3

67) Major brand marketers often spend huge amounts on advertising to create brand ________ and to build preference and loyalty.
A) extension
B) awareness
C) packaging
D) internal marketing
E) preference
Answer: B
Diff: 2 Page Ref: 244
AACSB: Communication
Skill: Concept
Objective: 8-3
68) While advertising campaigns can help to create name recognition, brand knowledge, and maybe even some brand preference, brands are not maintained by advertising but by ________.
A) marketing experience
B) line extensions
C) brand experience
D) product mix
E) word-of-mouth elements
Answer:  C
Diff: 2    Page Ref: 244
AACSB: Communication
Skill:  Concept
Objective:  8-3

69) Service providers must consider four special characteristics when designing marketing programs. Which is NOT one of these characteristics?
A) intangibility
B) inseparability
C) perishability
D) interactive marketing
E) variability
Answer:  D
Diff: 3    Page Ref: 244
Skill:  Concept
Objective:  8-4

70) ________ means that services cannot be seen, tasted, felt, heard, or smelled before they are bought.
A) Service inseparability
B) Service variability
C) Service intangibility
D) Service perishability
E) Service heterogeneity
Answer:  C
Diff: 2    Page Ref: 245
Skill:  Concept
Objective:  8-4
71) ______ means that services cannot be separated from their providers, whether the providers are people or machines.
A) Service intangibility
B) Service inseparability
C) Service variability
D) Service perishability
E) Service heterogeneity
Answer: B
Diff: 1 Page Ref: 245
Skill: Concept
Objective: 8-4

72) Which of the following is NOT one of the links in the service-profit chain, linking service firm profits with employee and customer satisfaction?
A) internal service quality
B) evidence management
C) satisfied and productive service employees
D) satisfied and loyal customers
E) healthy service profits and growth
Answer: B
Diff: 3 Page Ref: 246
Skill: Concept
Objective: 8-4

73) Through ______, the service firm trains and motivates its customer-contact employees and supporting service people to work as a team to provide customer satisfaction.
A) service inseparability
B) service intangibility
C) service variability
D) internal marketing
E) external marketing
Answer: D
Diff: 2 Page Ref: 247
Skill: Concept
Objective: 8-4
74) Because service quality depends on the quality of buyer-seller interaction during the service encounter, service marketers use _______ to train employees in the art of interacting with customers to satisfy their needs.
A) interactive marketing  
B) service differentiation  
C) service productivity  
D) internal marketing  
E) external marketing
Answer: A  
Diff: 2  Page Ref: 247  
Skill: Concept  
Objective: 8-4

75) All of the following are methods for developing a differentiated service offer, delivery, or image EXCEPT _______.
A) offering innovative features  
B) increasing the quantity of service by giving up some quality  
C) having more reliable customer-contact people  
D) developing symbols and branding  
E) designing a superior delivery process
Answer: B  
Diff: 2  Page Ref: 248  
Skill: Concept  
Objective: 8-4

76) When the Twin Six Cafe provides gourmet menu options to its customers, as well as impeccable service which even allows customers to hand-select their own cuts of meat _______ is(are) are evident.
A) only an actual product  
B) only an augmented product  
C) only a core benefit  
D) both a core benefit and an actual product  
E) a core benefit, an actual product, and an augmented product
Answer: E  
Diff: 3  Page Ref: 225  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 8-1
77) A hickory rocking chair, handmade by an Amish woodcarver in Lancaster, Pennsylvania, from locally grown wood is an example of a(n) ________.
A) convenience product  
B) shopping product  
C) specialty product  
D) service  
E) augmented product  
Answer: C  
Diff: 2  Page Ref: 226  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 8-1

78) You have an upset stomach. Your spouse rushes to the corner convenience store for a bottle of Pepto-Bismol. This product is a(n) ________ product.
A) convenience  
B) unsought  
C) specialty  
D) shopping  
E) augmented  
Answer: A  
Diff: 2  Page Ref: 226  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 8-1

79) Mabel Lu is planning to buy a new washing machine. She notices that they come in numerous price ranges. She wants to make sure she gets the most for her money. This product is a(n) ________ product.
A) convenience  
B) unsought  
C) specialty  
D) shopping  
E) augmented  
Answer: D  
Diff: 2  Page Ref: 226  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 8-1
80) Which of the following does NOT belong to the materials and parts group of industrial products?
A) farm products such as wheat  
B) natural products such as iron ore  
C) repair and maintenance items  
D) petroleum  
E) lumber  
Answer: C  
Diff: 1  
Page Ref: 227  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 8-1

81) Which of the following capital items is NOT considered accessory equipment?
A) buildings  
B) hand tools  
C) lift trucks  
D) desks  
E) chairs  
Answer: A  
Diff: 1  
Page Ref: 227  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 8-1

82) Paper, pencils, lubricants, paint, nails, and brooms are examples of ________.
A) supplies  
B) capital items  
C) raw materials  
D) specialty products  
E) installations  
Answer: A  
Diff: 1  
Page Ref: 227  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 8-1
83) General Electric's campaign stating, "We bring good things to life" is an example of _______.
   A) personal marketing
   B) corporate image marketing
   C) product quality
   D) product line
   E) social marketing
   Answer: B
   Diff: 2   Page Ref: 228
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 8-1

84) "I love New York" is an example of _______.
   A) corporate image advertising
   B) person marketing
   C) organization marketing
   D) social advertising
   E) place marketing
   Answer: E
   Diff: 2   Page Ref: 228
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 8-1

85) The Ad Council of America has developed dozens of _______ marketing campaigns, including classics such as "Smokey the Bear," "Keep America Beautiful," and "Only You Can Prevent Forest Fires."
   A) social
   B) brand equity
   C) service
   D) product line
   E) place
   Answer: A
   Diff: 1   Page Ref: 229
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 8-1
86) To achieve their social change objectives, social marketing programs ________.  
A) utilize only the promotional P of the marketing mix  
B) utilize only the promotional and product Ps of the marketing mix  
C) work to influence individuals' behavior to improve their well-being  
D) utilize all of the Ps in the marketing mix  
E) C and D  
Answer: E  
Diff: 3 Page Ref: 229  
AACSB: Analytic Skills  
Skill: Application  
Objective: 8-1  

87) Which of the following is the most important for product designers to consider as they develop a product?  
A) which product features can be added to create higher-level models  
B) how the product appears  
C) what the product's technical specifications are  
D) how customers will use and benefit from the product  
E) how the product is packaged to attract spontaneous purchases  
Answer: D  
Diff: 3 Page Ref: 231  
AACSB: Analytic Skills  
Skill: Application  
Objective: 8-2  

88) Helene Curtis began to market shampoo for normal hair. In an attempt to increase profits and use excess market capacity, Helene Curtis then marketed shampoo for oily hair and color-treated hair. This is an example of ________.  
A) line filling  
B) social marketing  
C) a shopping product  
D) an unsought product  
E) people marketing  
Answer: A  
Diff: 3 Page Ref: 234  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 8-2
89) Which of the following is(are) examples of product line depth?
A) hamburger and cheeseburger
B) hamburger and fries
C) Coke and Diet Coke
D) A and C
E) all of the above
Answer: D
Diff: 3
Page Ref: 235
AACSB: Reflective Thinking
Skill: Application
Objective: 8-2

90) Chicken of the Sea brand tuna sells more than the same size Kroger brand tuna, even though the Kroger tuna costs $0.15 less per can. Chicken of the Sea has brand ________.
A) extension
B) equity
C) specialty
D) service
E) valuation
Answer: B
Diff: 2
Page Ref: 236
AACSB: Reflective Thinking
Skill: Application
Objective: 8-3

91) A manager of a Holiday Inn said, "We have power and value in the market and people are willing to pay for it." This manager is referring to ________.
A) social marketing
B) specialty products
C) brand equity
D) line filling
E) product length
Answer: C
Diff: 2
Page Ref: 236
AACSB: Reflective Thinking
Skill: Application
Objective: 8-3
92) Costco's Kirkland products are an example of a(n) ________.
A) organizational brand
B) support brand
C) private brand
D) sponsorship brand
E) manufacturer's brand
Answer: C
Diff: 2 Page Ref: 240
AACSB: Reflective Thinking
Skill: Application
Objective: 8-3

93) An apparel marketer is planning to launch an existing brand name into a new product category. Which brand development strategy is being implemented?
A) line extension
B) brand extension
C) multibranding
D) new brands
E) rebranding
Answer: B
Diff: 2 Page Ref: 243
AACSB: Reflective Thinking
Skill: Application
Objective: 8-3

94) Each new iPod product introduction advances the causes of democratizing technology and approachable innovation. iPod, an expert at fostering customer community, has been ranked one of the Breakaway Brands by the brand consultancy Landor Associates. iPod is positioned on ________.
A) attributes
B) benefits
C) variation
D) selection
E) beliefs and values
Answer: E
Diff: 2 Page Ref: 239
AACSB: Reflective Thinking
Skill: Application
Objective: 8-3
95) Manor Plaza Barber's customers have noticed that the quality of a haircut depends on who provides it as well as when, where, and how it is provided. What have the customers noticed?
A) service intangibility
B) service inseparability
C) service variability
D) service perishability
E) service distinction
Answer: C
Diff: 2    Page Ref: 245
AACSB: Reflective Thinking
Skill: Application
Objective: 8-4

96) The impossibility of a barber storing haircuts for later sale is an example of which of the following?
A) service intangibility
B) service inseparability
C) service variability
D) service perishability
E) low-context services
Answer: D
Diff: 2    Page Ref: 246
AACSB: Reflective Thinking
Skill: Application
Objective: 8-4

97) Gina's Nail Salon is serious about pleasing its customers. Employees are trained to immediately and pleasantly respond to any customer complaints, and they are empowered to offer discounts and free add-ons to customers who believe they have received anything less than the best service. Gina's Nail Salon focuses on ________.
A) differentiating its offer
B) good service recovery
C) internal marketing
D) image marketing
E) productivity
Answer: B
Diff: 1    Page Ref: 249
AACSB: Reflective Thinking
Skill: Application
Objective: 8-4
Refer to the scenario below to answer the following questions.

Herb Marks built his enterprise on the faithful patronage of four specialty shops and a large contract from Elmore Distributors. But after two years, the maker of novelty pens and pencils had to rethink his strategy when his two-year contract with Elmore ended.

Herb built a company reputation on the manufacture and distribution of a variety of wooden writing utensils with customized engravings. Specialty shops loved to display the products in their fancy, lighted showcases, but such specialty shops alone were not profitable. Herb Marks established a brand name, known merely as Marks, and decided to expand on it.

Herb extended his writing utensil lines to include quills, felt-tip pens, and multiple-cartridge pens that write in different colors. He even added a line of various grades of personalized stationery and business cards. Perhaps Herb's biggest added touch, however, was the addition of two salespeople who would work to explain the diverse array of products offered by Marks, as well as nurture existing accounts.

"We make an excellent product," Herb Marks stated, "and we honor a good guarantee on everything we sell. But let's face it—we face hundreds of competitors! We need Marks representatives out there to help prospects understand what they should demand in something as simple as a writing tool."

The Marks brand was fast-becoming synonymous with top-notch customer service. Part of the purchase package brought personal visits from the Marks representative, before the purchase and long after.

98) An easier, more comfortable, more stylish transfer of thought onto paper is the ________ of Herb's offerings.
   A) tangible good
   B) core customer value
   C) actual product
   D) augmented product
   E) pure service
   Answer: B
   Diff: 2        Page Ref: 225
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 8-1

99) What type of consumer products does Marks manufacture?
   A) industrial
   B) convenience
   C) specialty
   D) shopping
   E) unsought
   Answer: C
   Diff: 2        Page Ref: 226
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 8-1
100) The new felt-tip pens, multiple-cartridge pens, and quills are all examples of ________.
A) product line filling
B) multibranding
C) megabranding
D) product line inconsistencies
E) licensed brands
Answer: A
Diff: 1 Page Ref: 234
AACSB: Reflective Thinking
Skill: Application
Objective: 8-2

101) A service is anything that can be offered to a market for attention, acquisition, use, or consumption and that might satisfy a want or need.
Answer: FALSE
Diff: 1 Page Ref: 224
Skill: Concept
Objective: 8-1

102) Sony offers consumers more than just camcorders; it provides consumers with a complete solution to their picture-taking problems. This offering is called an augmented product.
Answer: TRUE
Diff: 3 Page Ref: 225
AACSB: Reflective Thinking
Skill: Application
Objective: 8-1

103) Unsought products are products that the customer usually buys frequently, immediately, and with a minimum of comparison and buying effort.
Answer: FALSE
Diff: 1 Page Ref: 226
Skill: Concept
Objective: 8-1

104) Shopping products are less frequently purchased consumer products and services that customers compare carefully on suitability, quality, price, and style.
Answer: TRUE
Diff: 2 Page Ref: 226
Skill: Concept
Objective: 8-1

105) Style is a larger concept than design. Design describes the appearance of a product.
Answer: FALSE
Diff: 3 Page Ref: 230
Skill: Concept
Objective: 8-2
106) Branding can add consumer value to a product.
Answer: TRUE
Diff: 2  Page Ref: 231
AACSB: Communication
Skill: Concept
Objective: 8-2

107) Because so many purchase decisions are made in stores, a product's packaging may be a seller's last and best chance to influence consumers.
Answer: TRUE
Diff: 2  Page Ref: 232
AACSB: Communication
Skill: Concept
Objective: 8-2

108) Product support services identify the product or brand, describe several things about the product, and promote the product through attractive graphics.
Answer: FALSE
Diff: 2  Page Ref: 233
AACSB: Communication
Skill: Concept
Objective: 8-2

109) Quaker produces a variety of cereals. This variety is called its product line.
Answer: TRUE
Diff: 2  Page Ref: 234
AACSB: Reflective Thinking
Skill: Application
Objective: 8-2

110) Cannibalization and customer confusion about product differentiation are two potential results if line filling is overdone.
Answer: TRUE
Diff: 3  Page Ref: 234
Skill: Concept
Objective: 8-2

111) A company can stretch its product either upward or downward, but not both directions.
Answer: FALSE
Diff: 1  Page Ref: 234
Skill: Concept
Objective: 8-2
112) A company might stretch its product line upward to add prestige to its current products.
Answer: TRUE
Diff: 2 Page Ref: 234
Skill: Concept
Objective: 8-2

113) A company's product mix has four important dimensions: width, length, depth, and consistency.
Answer: TRUE
Diff: 1 Page Ref: 235
Skill: Concept
Objective: 8-2

114) Dove marketers can go beyond the brand's cleansing cream properties and talk about the resulting benefit of softer skin. This is known as product attributes in brand positioning.
Answer: FALSE
Diff: 3 Page Ref: 238
AACSB: Reflective Thinking
Skill: Application
Objective: 8-3

115) Attributes are the least desirable level for brand positioning because competitors can easily copy attributes and customers are more interested in what attributes will do for them than in the attributes themselves.
Answer: TRUE
Diff: 2 Page Ref: 238
Skill: Concept
Objective: 8-3

116) Retailers and wholesalers who have created their own brands such as Wal-Mart's Sam's Choice beverages and food products are participating in co-branding.
Answer: FALSE
Diff: 3 Page Ref: 241
AACSB: Reflective Thinking
Skill: Application
Objective: 8-3

117) When a company introduces a new brand name in the same product category, it is called line extension.
Answer: FALSE
Diff: 2 Page Ref: 242
Skill: Concept
Objective: 8-3
118) Customers come to know a brand through a wide range of contacts and touch points, including word of mouth, personal interactions with company people, telephone interactions, and company Web pages.
Answer: TRUE
Diff: 1 Page Ref: 244
AACSB: Communication
Skill: Concept
Objective: 8-3

119) An example of service variability is that within a given Marriott hotel, one registration-desk employee may be cheerful and efficient, whereas another may be unpleasant and slow.
Answer: TRUE
Diff: 3 Page Ref: 245
AACSB: Reflective Thinking
Skill: Application
Objective: 8-4

120) Service inseparability means that the quality of services depends on who provides them, as well as when, where, and how they are provided.
Answer: FALSE
Diff: 2 Page Ref: 245
Skill: Concept
Objective: 8-4

121) In a service business, the customer and front-line service employee interact to create the service.
Answer: TRUE
Diff: 2 Page Ref: 246
Skill: Concept
Objective: 8-4

122) The service-profit chain is the set of all product lines and items that a particular seller offers for sale.
Answer: FALSE
Diff: 2 Page Ref: 246
Skill: Concept
Objective: 8-4

123) One aspect of managing service differentiation is the company's service delivery.
Answer: TRUE
Diff: 2 Page Ref: 248
Skill: Concept
Objective: 8-4
124) Customer retention is perhaps the best measure of quality—a service firm's ability to hang on to its customers depends on how consistently it delivers value to them.
Answer: TRUE
Diff: 2    Page Ref: 248
Skill: Concept
Objective: 8-4

125) Good service recovery can turn angry customers into loyal customers and can even win more customer purchasing and loyalty than if no problem had occurred in the first place.
Answer: FALSE
Diff: 2    Page Ref: 249
Skill: Concept
Objective: 8-4

126) Products and services fall into two broad classes based on the types of consumers that use them. Name these two broad classes and describe how they are different from each other.
Answer: The two broad classes are consumer products and industrial products. Consumer products and services—those bought by final consumers—are usually classified according to consumer shopping habits. Consumer products include convenience products, shopping products, specialty products, and unsought products. Industrial products are distinguished from consumer products by the purpose for which they were purchased. Industrial products are those that are purchased for further processing or for use in conducting a business. These products include the three broad categories of materials and parts, capital items, and supplies and services.
Diff: 2    Page Ref: 226-227
AACSB: Analytic Skills
Skill: Application
Objective: 8-1

127) Name and describe three decisions that companies make regarding their individual products and services.
Answer: Decisions to be made in the development and marketing of individual products and services include 1) product attributes, 2) branding, 3) packaging, 4) labeling, and 5) product support services. Product attribute decisions involve product quality, features, and style and design. Branding decisions include selecting a brand name and developing a brand strategy. Packaging involves designing and producing a product's container; packaging provides many key benefits, such as protection, economy, convenience, and promotion. Labeling identifies the product and may describe and promote the product and brand. Companies must also make a decision about product support services, which are usually a minor or major part of a market offering.
Diff: 1    Page Ref: 229
AACSB: Communication
Skill: Application
Objective: 8-2
128) Describe the role of packaging.
Answer: Packaging involves designing and producing the container or wrapper for a product. Packaging contains and protects the product, but it also is used to attract customer attention, to describe the product, and to make the sale. Innovative packaging may give a company an edge over competitors.
Diff: 1 Page Ref: 231
AACSB: Communication
Skill: Application
Objective: 8-2

129) Explain the history of legal concerns about packaging and labels.
Answer: The Federal Trade Commission Act of 1914 held that false, misleading, or deceptive labels or packages constitute unfair competition. Labels can mislead consumers, fail to describe important ingredients, or fail to include needed safety warnings. To address this problem, several federal and state laws regulate labeling. The Fair Packaging and Labeling Act of 1966, for example, set mandatory labeling requirements, encouraged voluntary industry packaging standards, and allowed federal agencies to set packaging regulations in specific industries. The Nutritional Labeling and Education Act of 1990 requires sellers to provide detailed nutritional information on food products; the Food and Drug Administration regulates the use of health-related terms such as low-fat, light, and high-fiber.
Diff: 3 Page Ref: 233
AACSB: Ethical Reasoning
Skill: Application
Objective: 8-2

130) Compare product mix width, length, consistency, and depth.
Answer: Product mix width refers to the number of different product lines the company carries; product length refers to the total number of products carried in a company's product lines. Consistency refers to how closely related the various product lines are in end use. Product depth refers to the number of versions offered of each product in the line.
Diff: 2 Page Ref: 235
AACSB: Analytic Skills
Skill: Application
Objective: 8-2

131) A manufacturer has four brand sponsorship options. Describe what they are.
Answer: A manufacturer can launch its own brand (manufacturer's brand or national brand). It can sell to resellers who give the product a private brand (or store brand). It can market licensed brands, using names or symbols created by other manufacturers, names of celebrities, or characters from popular movies or television. Finally, a manufacturer can join forces with another company to co-brand a product.
Diff: 2 Page Ref: 240
AACSB: Communication
Skill: Application
Objective: 8-3
132) A company has four choices when it comes to developing brands. Describe what they are. 
Answer: The company can introduce line extensions, brand extensions, multibrands, or entirely new brands. A line extension involves extending a current brand name to new forms, colors, sizes, flavors, etc. in one of the company’s existing product categories. In contrast, a brand extension extends a current brand name to a new or modified product in a new product category. Multibranding involves introducing several brands within the same category. Finally a company may decide that a new brand name is needed, particularly if the power of an existing brand name is declining or the company is entering a new product category.
Diff: 2  Page Ref: 242
AACSB: Communication 
Skill: Application
Objective: 8-3

133) Services are characterized by four key characteristics. Name and describe these four characteristics.
Answer: The four service characteristics are intangibility, inseparability, variability, and perishability. Services are intangible: they cannot be seen, tasted, felt, heard, or smelled before they are bought. Services are inseparable: they are produced and consumed at the same time and cannot be separated from their providers, whether the providers are people or machines. Services are variable: their quality may vary greatly, depending on who provides them and when, where, and how they are provided. Services are perishable: they cannot be stored for later sale or use.
Diff: 2  Page Ref: 245
AACSB: Analytic Skills
Skill: Application
Objective: 8-4

134) Good service companies focus attention on both customers and employees. Describe what the service-profit chain and internal marketing are, and how they differ from each other.
Answer: The service-profit chain links service firm profits with employee and customer satisfaction. The links in the service-profit chain are as follows: internal service quality leads to satisfied and productive employees, who create greater service value, which leads to satisfied and loyal customers, who create healthy service profits and growth. Internal marketing by a service firm refers to training and effectively motivating its customer-contact employees and all the supporting service people to work as a team to provide customer satisfaction. The service-profit chain deals with employees and customers. Internal marketing deals with training employees.
Diff: 3  Page Ref: 246
AACSB: Communication
Skill: Application
Objective: 8-4
135) How can service providers use a differentiated offer, delivery, and image to avoid competing solely on price?
Answer: A service offer can include innovative features that differentiate the company's offers from competitors. Service delivery can be differentiated by hiring and training more reliable customer-contact people, developing a superior physical environment in which the service is delivered, and designing a superior delivery process. Services can also be differentiated through symbols and branding, creating an image that sets a company's services apart from competitors'.
Diff: 2 Page Ref: 248
AACSB: Analytic Skills
Skill: Application
Objective: 8-4

136) Give an example of the most basic level of product, the core benefit.
Answer: Examples are numerous. A salon owner, providing similar services of a day spa, may focus on "pampering yourself in total relaxation."
Diff: 2 Page Ref: 225
AACSB: Reflective Thinking
Skill: Application
Objective: 8-1

137) Give examples of the second level of product, the actual product.
Answer: A salon owner may market hair- and nail-care products and services, full- and partial-body massages, workout equipment and training, and social activities, and so forth.
Diff: 1 Page Ref: 225
AACSB: Analytic Skills
Skill: Application
Objective: 8-1

138) Give an example of an augmented product.
Answer: Examples will vary. An augmented product may include the customer of a salon having the option of having most of the services performed in the privacy and solitude of his or her home.
Diff: 2 Page Ref: 225
AACSB: Reflective Thinking
Skill: Application
Objective: 8-1

139) Give three examples of convenience products.
Answer: Examples may include soft drinks, milk, and candy.
Diff: 1 Page Ref: 226
AACSB: Reflective Thinking
Skill: Application
Objective: 8-1
140) Give three examples of shopping products.
Answer: Examples may include washing machines, lawn mowers, and furniture.
Diff: 1 Page Ref: 226
AACSB: Reflective Thinking
Skill: Application
Objective: 8-1

141) Give three examples of specialty products.
Answer: Examples may include a Rolex watch, a Jaguar sports car, or an around-the-world cruise.
Diff: 1 Page Ref: 226
AACSB: Reflective Thinking
Skill: Application
Objective: 8-1

142) What do industrial supplies and consumer convenience products have in common? How do they differ?
Answer: Industrial supplies are purchased for further use in conducting a business, while convenience products are purchased by final consumers for personal consumption; both types of products are usually purchased with a minimum of effort or comparison.
Diff: 3 Page Ref: 227
AACSB: Analytic Skills
Skill: Application
Objective: 8-1

143) How does a brand name add value to a product?
Answer: Quality and consistency can be identified through a brand; experience with or knowledge of another's experience with a brand helps a buyer know what features, benefits, and quality to expect from a product.
Diff: 2 Page Ref: 231
AACSB: Analytic Skills
Skill: Application
Objective: 8-2

144) How might a flower shop engage in line stretching?
Answer: A flower shop may offer single-stem, fresh-cut flowers, sold individually, small arrangements, bouquets, or large ceremonial sprays; with line stretching, the flower shop will offer a wide array of products geared toward all types of flower buyers.
Diff: 3 Page Ref: 234
AACSB: Analytic Skills
Skill: Application
Objective: 8-2
145) Why might a company pursue a strategy of less product line consistency?
Answer: A company might want to increase its business by building a reputation in several
product fields.
Diff: 2 Page Ref: 235
AACSB: Analytic Skills
Skill: Application
Objective: 8-2

146) Consumers form relationships with products via brands. What might happen that allows a
consumer to move from merely recognizing a brand to preferring a brand?
Answer: A consumer has likely tried the brand at least once in order to prefer it over others; or,
perhaps the consumer prefers a brand merely because he or she has been exposed to a catchy ad
or promotional gimmick.
Diff: 2 Page Ref: 236
AACSB: Analytic Skills
Skill: Application
Objective: 8-3

147) Why is it important for a brand promise to be simple and honest?
Answer: Consumers who purchase the product and believe it does not live up to the promise will
develop a negative image of the brand; they will be less likely to become loyal customers.
Diff: 2 Page Ref: 239
AACSB: Analytic Skills
Skill: Application
Objective: 8-3

148) Consider such brand names as A1 Steak Sauce, 409, A & D Ointment, A & W Root Beer,
and Super 8. Why might such names with alphanumeric characters aid in brand name selection?
Answer: Such brands are easy to pronounce, easy to recognize, and easy to remember.
Diff: 2 Page Ref: 239
AACSB: Communication
Skill: Application
Objective: 8-3

149) How might measuring service quality be more difficult than measuring product quality?
Answer: Products are tangible; therefore, measuring quality across several dimensions such as
durability, functionality, and so on may be easier or performed more consistently than when
measuring service quality.
Diff: 3 Page Ref: 245
AACSB: Analytic Skills
Skill: Application
Objective: 8-4
150) As a service provider, why might you perceive the buyer-seller relationship in the service encounter to be especially critical?
Answer: Customers' perceptions are established during the service encounter. At this time, based on these perceptions, customers can become loyal, long-term buyers. It is critical that service sellers establish sound relationships from the beginning.
Diff: 2
AACSB: Analytic Skills
Skill: Application
Objective: 8-4

Chapter 9  New-Product Development and Product Life-Cycle Strategies

1) What are the two ways that a company can obtain new products?
A) line extension and brand management
B) internal development and brand management
C) new-product development and acquisition
D) service development and product extension
E) market mix modification and research and development
Answer: C
Diff: 2
Page Ref: 258
Skill: Concept
Objective: 9-1

2) Product improvements, product modifications, and original products can all be classified as
A) pioneer products
B) new products
C) product concepts
D) product ideas
E) test products
Answer: B
Diff: 1
Page Ref: 258
Skill: Concept
Objective: 9-1

3) Which of the following is NOT a potential reason for a new product to fail?
A) an underestimated market size
B) a poorly designed product
C) an incorrectly positioned product
D) higher than anticipated costs of product development
E) ineffective advertising
Answer: A
Diff: 2
Page Ref: 258
Skill: Concept
Objective: 9-1
4) Which of the following is NOT a challenge presented by the product life cycle that a firm must face?
A) All products eventually decline.
B) Changing tastes, technologies, and competition affect the marketing of the product as it passes through lifecycle stages.
C) A firm must be good at developing new products to replace aging ones.
D) A firm must be good at adapting its marketing strategies.
E) It is difficult to plot the stages as a product goes through them.
Answer: E
Diff: 2 Page Ref: 258
Skill: Concept
Objective: 9-1

5) The creation of a successful new product depends on a company's understanding of its _______ and its ability to deliver _______ to customers.
A) competitors, distributors, and employees; new styles
B) customers, brands, products; product images
C) customers, competitors, and markets; superior value
D) product, marketing mix, and marketing strategy; functional features
E) product life cycle, legal responsibilities, and social responsibilities; innovations
Answer: C
Diff: 2 Page Ref: 259
Skill: Concept
Objective: 9-2

6) New product development starts with ________.
A) idea generation
B) idea screening
C) concept development
D) concept testing
E) test marketing
Answer: A
Diff: 1 Page Ref: 259
Skill: Concept
Objective: 9-2

7) Executives, manufacturing employees, and salespeople are all examples of ________.
A) external sources for new-product ideas
B) internal sources for new-product ideas
C) core members of innovation management systems
D) research and development team members
E) new-product committee members
Answer: B
Diff: 2 Page Ref: 260
AACSB: Communication
Skill: Concept
Objective: 9-2
8) Your company decides to use internal sources for developing new product ideas. Which of the following would NOT be consulted?
A) executives and professionals
B) company records and data
C) intrapreneurial programs
D) suppliers
E) salespeople
Answer: D
Diff: 1 Page Ref: 260
Skill: Concept
Objective: 9-2

9) Which of the following is perhaps the most important external source of new-product ideas?
A) engineers
B) customers
C) competitors
D) trade magazines, shows, and seminars
E) distributors and suppliers
Answer: B
Diff: 2 Page Ref: 261
AACSB: Communication
Skill: Concept
Objective: 9-2

10) Which of the following is NOT a recommended method for companies to tap into their customers as sources for new-product ideas?
A) analyzing customer complaints and questions
B) relying heavily on customers to know what types of technical products they need
C) working alongside customers to get ideas and suggestions
D) turning customers into cocreators
E) putting customer-created products on the market
Answer: B
Diff: 3 Page Ref: 261
Skill: Concept
Objective: 9-2

11) Your firm asks you to consult external sources for new product ideas. All of the following are common external sources EXCEPT_______.
A) customers
B) suppliers
C) competitors
D) trade shows and magazines
E) the firm's executives
Answer: E
Diff: 1 Page Ref: 260-261
Skill: Concept
Objective: 9-2
12) The purpose of idea generation is to create a _______ number of ideas. The purpose of succeeding stages is to _______ that number.
A) small number; reduce  
B) small number; increase  
C) large number; increase  
D) large number; reduce  
E) limited number; sustain  
Answer: D 
Diff: 2  Page Ref: 262  
Skill: Concept  
Objective: 9-2

13) GrayBerry Gifts has just brainstormed a large number of ideas for adding new products and services after visiting several buying fairs. The owners will begin the first idea-reducing stage, called ________, to arrive at a realistic number to adopt.
A) business analysis  
B) idea generation  
C) concept testing  
D) idea screening  
E) concept development  
Answer: D 
Diff: 2  Page Ref: 262  
Skill: Concept  
Objective: 9-2

14) Which of the following is most likely to be included in an executive's write up of a new-product idea to be presented to a new-product committee?
A) the proposed customer value proposition  
B) the product image  
C) the marketing strategy  
D) the business analysis  
E) the planned marker rollout  
Answer: A 
Diff: 3  Page Ref: 262  
Skill: Concept  
Objective: 9-2
15) A detailed version of a new idea stated in meaningful customer terms is called a ________.
A) product idea  
B) product concept  
C) product image  
D) product proposal  
E) product movement  
Answer: B  
Diff: 2  
Page Ref: 262  
AACSB: Communication  
Skill: Concept  
Objective: 9-2

16) A ________ is the way consumers perceive an actual or potential product.
A) product idea  
B) product concept  
C) product image  
D) test market  
E) concept test  
Answer: C  
Diff: 1  
Page Ref: 262  
AACSB: Communication  
Skill: Concept  
Objective: 9-2

17) An attractive idea must be developed into a ________.
A) product idea  
B) product concept  
C) product image  
D) test market  
E) product strategy  
Answer: B  
Diff: 2  
Page Ref: 262  
Skill: Concept  
Objective: 9-2

18) ________ calls for testing new-product concepts with groups of target consumers.
A) Concept development  
B) Concept testing  
C) Idea generation  
D) Idea screening  
E) Test marketing  
Answer: B  
Diff: 1  
Page Ref: 263  
Skill: Concept  
Objective: 9-2
19) In the concept testing stage of new-product development, a product concept in ________ form is presented to groups of target consumers.
A) physical or symbolic  
B) prototype  
C) final  
D) market-tested  
E) commercial  
Answer: A
Diff: 2  Page Ref: 263
Skill: Concept  
Objective: 9-2

20) With what groups do firms conduct concept testing for new products?
A) suppliers  
B) employees  
C) target customers  
D) manufacturers  
E) competitors  
Answer: C
Diff: 3  Page Ref: 263
Skill: Concept  
Objective: 9-2

21) For some ________, a simple description consisting of a word or picture might be sufficient.
A) concept tests  
B) product concepts  
C) marketing strategies  
D) product developments  
E) business analyses  
Answer: A
Diff: 2  Page Ref: 263  
AACSBAACSB: Communication  
Skill: Concept  
Objective: 9-2

22) After concept testing, a firm would engage in which stage in developing and marketing a new product?
A) idea screening  
B) marketing strategy development  
C) business analysis  
D) product development  
E) test marketing  
Answer: B
Diff: 2  Page Ref: 263
Skill: Concept  
Objective: 9-2
23) The first part of the marketing strategy statement describes the target market; the planned product positioning; and goals for sales, profits, and ________.
A) market share
B) competition
C) secondary market
D) competition's anticipated reaction
E) life-cycle duration
Answer:  A
Diff: 3 Page Ref: 263
Skill: Concept
Objective: 9-2

24) The second part of the marketing strategy statement outlines the product's planned price, distribution, and ________ for the first year.
A) advertising
B) promotion
C) marketing budget
D) positioning
E) target market
Answer:  C
Diff: 3 Page Ref: 264
Skill: Concept
Objective: 9-2

25) The third part of the marketing strategy statement includes all of the following EXCEPT ________.
A) long-run sales
B) profit goals
C) marketing mix strategies
D) short-run sales
E) A and C
Answer:  D
Diff: 3 Page Ref: 264
Skill: Concept
Objective: 9-2

26) A review of the sales, costs, and profit projections for a new product to find out whether they satisfy the company's objectives is called a ________.
A) business feasibility plan
B) marketing strategy development
C) business analysis
D) product acceptance
E) proposal
Answer:  C
Diff: 1 Page Ref: 264
Skill: Concept
Objective: 9-2
27) During which stage of new-product development will management most likely estimate minimum and maximum sales to assess the range of risk in launching a new product?
A) concept testing
B) marketing strategy development
C) business analysis
D) product development
E) test marketing
Answer: C
Diff: 2 Page Ref: 264
Skill: Concept
Objective: 9-2

28) Once managers of The Grecian Urn have decided on their product concept and marketing strategy, they can evaluate the business attractiveness of the proposal in the ________ stage of the new-product development process.
A) business feasibility
B) feasibility study
C) business analysis
D) product acceptance
E) concept testing
Answer: C
Diff: 2 Page Ref: 264
Skill: Concept
Objective: 9-2

29) New World Releases is conducting a business analysis to determine which of the many new songs available to management should be released. Sales must be estimated before costs can be estimated. Which of the following did your text recommend for forecasting sales?
A) conducting surveys of competitors
B) considering the history of market opinions
C) considering the sales history of similar products and conducting surveys of market opinions
D) applying the PLC concept
E) none of the above
Answer: C
Diff: 3 Page Ref: 264
Skill: Concept
Objective: 9-2
30) Once the product or service passes the business analysis test, it moves into what stage?
A) concept development
B) product development
C) market testing
D) strategy development
E) product proposal
Answer: B
Diff: 2 Page Ref: 264
Skill: Concept
Objective: 9-2

31) In the ________ stage of new-product development, products undergo rigorous tests to make sure that they perform safely and effectively or that consumers will find value in them.
A) business analysis
B) idea generation
C) concept development and testing
D) product development
E) marketing mix
Answer: D
Diff: 2 Page Ref: 264
Skill: Concept
Objective: 9-2

32) Once the prototype of Wainwright Industries' new riding lawnmower, made especially for women, passes product tests, the next step is ________.
A) test marketing
B) focus group surveys
C) commercialization
D) post-testing
E) business analysis
Answer: A
Diff: 2 Page Ref: 265
Skill: Concept
Objective: 9-2

33) Bonneville Communications is concerned about test marketing its new device. Which of the following is NOT a disadvantage of test marketing that would likely concern Bonneville Communications?
A) Test marketing costs can be high.
B) It can take a lot of time to test market.
C) Test marketing allows time for competitors to spy and gain advantages.
D) People who are surveyed tend to tell less than the truth.
E) Test marketing does not guarantee success.
Answer: D
Diff: 3 Page Ref: 265
Skill: Concept
Objective: 9-2
34) Under what circumstances might it be wise for a company to do little or no test marketing?
A) when a new product requires a major investment
B) when management is not sure of the product
C) when management is not sure of the marketing program
D) when the product has no substitutes and is new in its category
E) when the costs of developing and introducing the product are low
Answer: E
Diff: 2 Page Ref: 265
Skill: Concept
Objective: 9-2

35) Although test marketing costs can be high, they are often small when compared with ________.
A) the final results
B) the costs of a major mistake
C) management's approval and acceptance
D) stockholders' confidence
E) research and development costs
Answer: B
Diff: 2 Page Ref: 265
Skill: Concept
Objective: 9-2

36) Many marketers are now using new interactive technologies, such as Frito-Lay's online virtual convenience store, to reduce the cost of ________.
A) concept development
B) concept testing
C) marketing strategy development
D) product development
E) test marketing
Answer: E
Diff: 2 Page Ref: 267
Skill: Concept
Objective: 9-2

37) The major purpose of test marketing is to provide management with the information needed to make a final decision about ________.
A) how to develop a market strategy
B) which market to compete in
C) whether to launch the new product
D) how to compete in the market
E) how long to compete in the market
Answer: C
Diff: 3 Page Ref: 268
Skill: Concept
Objective: 9-2
38) Introducing a new product into the market is called ________.
A) test marketing
B) new product development
C) experimenting
D) commercialization
E) marketing development
Answer: D
Diff: 2 Page Ref: 268
Skill: Concept
Objective: 9-2

39) Which of the following costs is most likely associated with the commercialization stage of new-product development?
A) building or renting a manufacturing facility
B) paying groups of target customers for product feedback
C) determining the product’s planned price, distribution, and marketing budget
D) developing a prototype of the product
E) identifying target markets
Answer: A
Diff: 2 Page Ref: 268
Skill: Concept
Objective: 9-2

40) A company getting ready to launch a new product must make several decisions. The company must first decide on ________.
A) whether to launch the product in a single location
B) whether to launch the product in a region
C) whether to launch the product into full national distribution
D) when to time the new product introduction
E) when to develop a planned market rollout
Answer: D
Diff: 2 Page Ref: 268
Skill: Concept
Objective: 9-2

41) Following the decision to "time" the introduction of the new product, a company must decide ________ to launch the new product.
A) where
B) how
C) to what degree
D) why
E) all of the above
Answer: A
Diff: 2 Page Ref: 268
Skill: Concept
Objective: 9-2
42) Which of the following is necessary for successful new-product development?
A) a holistic and sequential product development approach
B) a customer-centered, team-based, systematic approach
C) a team-based, innovation-management approach
D) a market pioneer mindset and a holistic approach
E) an innovation management system and sequential product development
Answer: B
Diff: 3 Page Ref: 268
Skill: Concept
Objective: 9-2

43) Which stage of the new-product development process focuses on finding new ways to solve customer problems and create more customer-satisfying experiences?
A) concept testing
B) new-product development
C) customer-centered new-product development
D) sequential product development
E) team-based new-product development
Answer: C
Diff: 1 Page Ref: 269
Skill: Concept
Objective: 9-2

44) ______ is a new-product development approach in which one company department works to complete its stage of the process before passing the new product along to the next department and stage.
A) Team-based product development
B) Simultaneous product development
C) Sequential product development
D) Product life-cycle analysis
E) Micromarketing
Answer: C
Diff: 2 Page Ref: 269
Skill: Concept
Objective: 9-2

45) In order to get their new products to market more quickly, many companies are adopting a faster, team-oriented approach called ________.
A) simulated new-product development
B) sequential product development
C) team-based new-product development
d) phased-in new-product development
E) market development
Answer: C
Diff: 1 Page Ref: 270
Skill: Concept
Objective: 9-2
46) The team-based new-product development approach is faster because departments work closely together through _______.
   A) team efforts  
   B) a step-by-step process  
   C) the help of a consultant  
   D) cross-functional teams  
   E) departmentalization  
   Answer:  D  
   Diff: 2  Page Ref: 270  
   AACSB: Communication  
   Skill: Concept  
   Objective: 9-2

47) The team-based new-product development approach uses cross-functional teams that overlap the steps in the process to achieve which of the following goals?
   A) save time and reduce errors  
   B) save time and increase effectiveness  
   C) increase effectiveness and employee satisfaction  
   D) speed product to market and reduce costs  
   E) B and D  
   Answer:  B  
   Diff: 2  Page Ref: 270  
   Skill: Concept  
   Objective: 9-2

48) Which of the following is a disadvantage of a team-based approach to new-product development?
   A) It takes longer to get the right products to market.  
   B) The development effort is not as effective because of team members' lack of expertise.  
   C) Levels of risk can be more easily controlled.  
   D) Organizational confusion and tension can affect the process.  
   E) The process does not work with the shorter life cycles of many of today's products.  
   Answer:  D  
   Diff: 2  Page Ref: 270  
   AACSB: Communication  
   Skill: Concept  
   Objective: 9-2
49) The innovation management system approach yields two favorable outcomes: it helps create an innovation-oriented company culture, and it ________.  
A) clearly assigns responsibility for the process  
B) yields a larger number of new-product ideas  
C) guarantees successful products  
D) frees up senior management time  
E) requires less budget support  
Answer: B  
Diff: 3 Page Ref: 272  
Skill: Concept  
Objective: 9-2

50) The search for new-product ideas should be ________ rather than haphazard.  
A) intermittent  
B) systematic  
C) segmented  
D) strategically planned  
E) rare  
Answer: B  
Diff: 2 Page Ref: 271  
Skill: Concept  
Objective: 9-2

51) ________ is the product life cycle period when sales fall off and profits drop.  
A) Introduction  
B) Growth  
C) Maturity  
D) Decline  
E) Development  
Answer: D  
Diff: 1 Page Ref: 273  
Skill: Concept  
Objective: 9-3

52) Increasing profits will most likely occur at which stage of the PLC?  
A) introduction  
B) maturity  
C) growth  
D) decline  
E) product development  
Answer: C  
Diff: 1 Page Ref: 273  
Skill: Concept  
Objective: 9-3
53) Which stage in the PLC is characterized by rapid market acceptance and increasing sales?
A) introduction
B) maturity
C) growth
D) decline
E) development
Answer: C
Diff: 1 Page Ref: 273
Skill: Concept
Objective: 9-3

54) Some products that have entered the decline stage have been cycled back to the growth stage through ________.
A) promotion or repositioning
B) concept testing
C) business analysis
D) innovation management
E) customer-centered product development
Answer: A
Diff: 2 Page Ref: 273
Skill: Concept
Objective: 9-3

55) All of the following are stages in the PLC EXCEPT ________.
A) introduction
B) growth
C) maturity
D) adoption
E) decline
Answer: D
Diff: 1 Page Ref: 273
Skill: Concept
Objective: 9-3

56) Which stage of the typical consumer product life cycle is out of order below?
A) product development
B) introduction
C) maturity
D) growth
E) decline
Answer: C
Diff: 2 Page Ref: 273
Skill: Concept
Objective: 9-3
57) Which of the following CANNOT be described using the PLC concept?
A) product class
B) product form
C) product image
D) brand
E) styles
Answer: C
Diff: 3  Page Ref: 273
Skill: Concept
Objective: 9-3

58) All of the following are accurate descriptions of a style product, EXCEPT which one?
A) Style products appear in home, clothing, and art.
B) Once a style is invented, it may last for generations.
C) A style has a cycle showing several periods of renewed interest.
D) Styles last only a short time and tend to attract only a limited following.
E) Styles are basic and distinctive modes of expression.
Answer: D
Diff: 2  Page Ref: 274
Skill: Concept
Objective: 9-3

59) The PLC concept can be applied by marketers as a useful framework for describing how
________.
A) to forecast product performance
B) to develop marketing strategies
C) products and markets work
D) concept testing is conducted
E) product ideas are developed
Answer: C
Diff: 3  Page Ref: 274
Skill: Concept
Objective: 9-3

60) Using the PLC concept to develop marketing strategy can be difficult because strategy is both a ________ and a(n) ________ of the product's life cycle.
A) mirror image; cause
B) cause; result
C) result; mirror image
D) beginning; end
E) purpose; effect
Answer: B
Diff: 3  Page Ref: 274
Skill: Concept
Objective: 9-3
61) In which stage of the PLC will promotional expenditures be especially high in an attempt to create consumer awareness?
A) growth
B) product development
C) maturity
D) introduction
E) adoption
Answer: D
Diff: 2 Page Ref: 276
Skill: Concept
Objective: 9-3

62) In the ________ stage, the firm faces a trade-off between high market share and high current profit.
A) growth
B) decline
C) maturity
D) introduction
E) adoption
Answer: A
Diff: 2 Page Ref: 277
Skill: Concept
Objective: 9-3

63) In which stage of the PLC will promotional expenditures be high in an attempt to respond to increasing competition?
A) growth
B) decline
C) maturity
D) product development
E) adoption
Answer: A
Diff: 2 Page Ref: 277
Skill: Concept
Objective: 9-3
64) Which stage in the PLC normally lasts longer and poses strong challenges to the marketing managers?
A) growth
B) decline
C) maturity
D) phase-in
E) adoption
Answer: C
Diff: 1 Page Ref: 277
Skill: Concept
Objective: 9-3

65) Which of the following would lead to greater competition in the maturity stage of the PLC?
A) overcapacity
B) market pioneers
C) poor management
D) inadequate promotion
E) diminishing budgets
Answer: A
Diff: 2 Page Ref: 277
Skill: Concept
Objective: 9-3

66) Most products in the marketplace are in the ________ stage of the product life cycle.
A) growth
B) decline
C) maturity
D) introduction
E) development
Answer: C
Diff: 2 Page Ref: 277
Skill: Concept
Objective: 9-3

67) When a product enters the maturity stage, the company should consider ________.
A) harvesting the product
B) modifying the product, market, or marketing mix
C) divesting the product
D) maintaining the product
E) dropping the product
Answer: B
Diff: 1 Page Ref: 277
Skill: Concept
Objective: 9-3
68) Sales decline in the decline stage of the PLC because of technological advances, increased competition, and ________.
A) shifts in the economy  
B) shifts in unemployment  
C) shifts in consumer tastes and preferences  
D) inventory costs  
E) new market pioneers  
Answer: C  
Diff: 2  Page Ref: 278  
Skill: Concept  
Objective: 9-3

69) Which of the following best represents the options a company has when a product is declining?
A) maintain or harvest the product  
B) harvest or drop the product  
C) maintain, harvest, or drop the product  
D) maintain or pioneer the product  
E) pioneer, harvest, or maintain the product  
Answer: C  
Diff: 2  Page Ref: 278  
Skill: Concept  
Objective: 9-3

70) A manufacturer with a product in the decline stage of the product life cycle might decide to ________ if it has reason to hope that competitors will leave the industry.
A) harvest the product  
B) maintain the product without change  
C) drop the product  
D) search for replacements  
E) delay planning  
Answer: B  
Diff: 2  Page Ref: 278  
Skill: Concept  
Objective: 9-3

71) Manufacturers must comply with specific laws regarding ________.
A) price structures  
B) product quality and safety  
C) product placement  
D) distribution channels  
E) product life cycles  
Answer: B  
Diff: 1  Page Ref: 280  
AACSB: Ethical Reasoning  
Skill: Concept  
Objective: 9-4
72) Because of _______, a company cannot make its product illegally similar to a competitor's already established product.
A) anti-monopoly laws
B) patent laws
C) the Consumer Product Safety Act
D) product warranties
E) product liability
Answer: B
Diff: 1 Page Ref: 280
AACSB: Ethical Reasoning
Skill: Concept
Objective: 9-4

73) Which of the following best describes the role of a product steward?
A) to protect consumers from harm
B) to evaluate new-product ideas against a set of general criteria
C) to develop a new-product concept into a physical product
D) to protect the company from liability by identifying and solving potential product problems
E) A and D
Answer: E
Diff: 3 Page Ref: 280
AACSB: Ethical Reasoning
Skill: Concept
Objective: 9-4

74) The advantages of standardizing an international product include all of the following EXCEPT ________.
A) the development of a consistent image
B) lower product design costs
C) the adaptation of products to different markets
D) decreased manufacturing costs
E) lower marketing costs
Answer: C
Diff: 2 Page Ref: 281
Skill: Concept
Objective: 9-4
75) Because names, labels, and colors may not easily translate from one country to another, international marketers must carefully assess ________.
A) product standardization
B) market rollout
C) the product life cycle
D) packaging
E) styles
Answer: D
Diff: 2 Page Ref: 281
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 9-4

76) Your firm added three new products earlier this year to increase variety for customers. Two of them failed to reach even minimal sales. Which of the following is LEAST likely to have been the cause of their failure?
A) The products were priced too high.
B) The products were advertised incorrectly.
C) Competitors fought back harder than expected.
D) Research was too extensive.
E) The product launch was ill-timed.
Answer: D
Diff: 1 Page Ref: 258
AACSB: Analytic Skills
Skill: Application
Objective: 9-1

77) Which of the following is the most likely reason that employees at your firm regularly attend trade shows and seminars?
A) to analyze the product life cycle
B) to test new-product concepts
C) to get new-product ideas
D) to test market new products
E) to implement a team-based new-product development approach
Answer: C
Diff: 2 Page Ref: 260
AACSB: Analytic Skills
Skill: Application
Objective: 9-2
78) Which of the following statements best explains why idea screening may be the most important step of new product development?
A) It increases the number of ideas generated.
B) Some potentially profitable ideas may be ill perceived by the idea screeners.
C) Some ideas that will become market disasters may be originally viewed favorably by the idea screeners.
D) It gives research and development team members an opportunity to gather consumer feedback.
E) It saves the company money in product development costs by giving the green light to only the product ideas that are likely to be profitable.
Answer: E
Diff: 3  Page Ref: 262
AACSB: Analytic Skills
Skill: Application
Objective: 9-2

79) JoAnn Fabrics, Inc., has just created a new combination of colors and fabric types. The firm wants to be sure of the way consumers perceive its new product. The firm is concerned with the product ________.
A) idea
B) concept
C) image
D) proposal
E) presentation
Answer: C
Diff: 2  Page Ref: 262
AACSB: Reflective Thinking
Skill: Application
Objective: 9-2

80) Which of the following is a product concept?
A) a battery-powered all-electric car
B) a pocket-size digital music player
C) an energy efficient humidifier
D) a thin, lightweight laptop with extended battery life appealing to students and young professionals who want access to their computer anywhere, anytime
E) a high-tech, stylish running shoe with built-in sensors to record the distance the wearer has walked or run
Answer: D
Diff: 2  Page Ref: 262
AACSB: Reflective Thinking
Skill: Application
Objective: 9-2
81) Wainwright Industries will build a new prototype riding lawnmower especially for women. In the product development stage, Joe Wainwright and his staff will incorporate the functional features and convey the _______.
A) brand image
B) advertising
C) safety features
D) intended psychological characteristics
E) visual characteristics
Answer: D
Diff: 3 Page Ref: 265
AACSB: Reflective Thinking
Skill: Application
Objective: 9-2

82) Skippy Peanut Butter has a new peanut butter and bacon product and finds a small number of representative test cities. They plan to use the results to forecast national sales and profits. Skippy is using _______.
A) controlled test markets
B) simulated test markets
C) standard test markets
D) random test markets
E) single-city test markets
Answer: C
Diff: 2 Page Ref: 266
AACSB: Reflective Thinking
Skill: Application
Objective: 9-2

83) Anita's DayCare plans to offer third-shift childcare, based upon the opening of two new manufacturing plants in her area. Together the plants will hire 423 employees and run all three shifts. Initial test marketing results look promising. In considering launching this new service, Anita must first decide on _______.
A) timing
B) expansion costs
C) hiring suitable employees
D) checking local and state regulations
E) food costs
Answer: A
Diff: 2 Page Ref: 268
AACSB: Reflective Thinking
Skill: Application
Objective: 9-2
84) Atlas Steel Corporation lacks the confidence, capital, and capacity to launch its new steel product into full national or international distribution. Even though test market results look promising, what will be management's next step?
A) retest the product in additional markets
B) develop a planned market rollout over time
C) secure a loan to provide confidence, capital, and capacity
D) seek the help of a nationally known consultant
E) develop a prototype
Answer:  B
Diff: 3    Page Ref: 268
AACSB:  Reflective Thinking
Skill:  Application
Objective:  9-2

85) At Fantastic Flavors, a large regional chain of candy stores, employees from marketing, design, production, and finance work in a cross-functional group to save time and money in the new-product development process. Fantastic Flavors uses a(n) ________ approach.
A) customer-centered new-product development
B) sequential new-product development
C) team-based new-product development
D) innovation management system
E) consumer composite
Answer:  C
Diff: 1    Page Ref: 269
AACSB:  Reflective Thinking
Skill:  Application
Objective:  9-2

86) Sherri's Exclusives sells currently accepted and popular clothing items in given fields. What does she stock in her store?
A) styles
B) fashions
C) fads
D) exclusives
E) services
Answer:  B
Diff: 2    Page Ref: 274
AACSB:  Reflective Thinking
Skill:  Application
Objective:  9-3
87) Flurrbies, a winter accessory which fell in and out of favorability with customers quickly, are an example of a ________.
A) style  
B) fashion  
C) fad  
D) product idea  
E) market strategy  
Answer: C  
Diff: 2  Page Ref: 274  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 9-3

88) Big Moose Toys is a market pioneer introducing a modern version of Bullwinkle the Moose, a character from an animated television series originally broadcast in the 50s and 60s. Their version of Rocky the Flying Squirrel, another character from the show, targeted to baby boomers was a strong success. They need to make the new launch strategy for Bullwinkle consistent with the intended ________.
A) promotion campaign  
B) product positioning  
C) company image  
D) target market  
E) use  
Answer: B  
Diff: 3  Page Ref: 276  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 9-3

89) Apple's iPod has been called "one of the greatest consumer electronics hits of all time." More than 120 million iPods have been sold, and the iPod captures more than 70 percent of the music player market. This success has attracted many large, resourceful competitors. The iPod is in the ________ stage of the product life cycle.
A) introduction  
B) product development  
C) maturity  
D) decline  
E) adoption  
Answer: C  
Diff: 2  Page Ref: 273  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 9-3
90) Mattel's Barbie is an example of an age-defying product. Barbie, simultaneously timeless and trendy, is in the ________ stage of the PLC.
A) introduction
B) growth
C) maturity
D) decline
E) adoption
Answer: C
Diff: 2 Page Ref: 277
AACSB: Reflective Thinking
Skill: Application
Objective: 9-3

91) Over the past 100 years or so, Binney and Smith's Crayola crayons have become a household staple in more than 80 countries around the world. Crayola crayons are in the ________ stage of the PLC.
A) introduction
B) growth
C) maturity
D) decline
E) incubation
Answer: C
Diff: 2 Page Ref: 277
AACSB: Reflective Thinking
Skill: Application
Objective: 9-3

92) When Heinz introduced EZ Squirt packaging and new colors such as Blastin' Green and Awesome Orange to revitalize consumer buying, the company was ________.
A) modifying the market
B) modifying the pricing strategy
C) modifying the distribution
D) modifying the product
E) dropping the product
Answer: D
Diff: 1 Page Ref: 278
AACSB: Reflective Thinking
Skill: Application
Objective: 9-3
93) It's What's Hip, a chain of 18 music and CD stores, has discovered that carrying a weak product during the decline stage of the PLC can be very costly to a firm, and not just in profit terms. Which one of these is NOT likely to be one of those costs?
A) takes up much of management's time  
B) frequent price and inventory adjustment  
C) requires advertising and sales force attention  
D) few concerns about company image and other products  
E) all of the above
Answer: D
Diff: 3 Page Ref: 278

AACSB: Reflective Thinking
Skill: Application
Objective: 9-3

94) Superior Luggage Company has undertaken the task of identifying its products in the decline stage of the PLC. Which of the following should NOT be done in the identification process?
A) regularly reviewing sales  
B) regularly reviewing market share  
C) regularly reviewing costs and profit trends  
D) regularly reviewing management's pet projects  
E) all of the above
Answer: D
Diff: 1 Page Ref: 278

AACSB: Reflective Thinking
Skill: Application
Objective: 9-3

95) Proctor & Gamble has sold off a number of lesser or declining brands such as Oxydol detergent and Jif peanut butter. In these examples, management decided to ________ the products.
A) further test  
B) maintain  
C) drop  
D) harvest  
E) ignore the test market results of
Answer: C
Diff: 1 Page Ref: 279

AACSB: Reflective Thinking
Skill: Application
Objective: 9-3
96) When Kraft focused on cost-cutting with its older and established brands, leaving them to wither without much investment or modification, Kraft had decided to ________ the older products.
A) extend
B) maintain
C) drop
D) harvest
E) review
Answer: D
Diff: 2          Page Ref: 279
AACSB: Reflective Thinking
Skill: Application
Objective: 9-3

97) CellTones, a new company selling several lines of cellular phones, has closely modeled its products after successful products that are already in the marketplace. As it prepares to enter the market with its new products and services, which of the following should concern CellTones the most?
A) legal obligations to suppliers and dealers
B) patent laws
C) the Federal Food, Drug, and Cosmetic Act
D) product liability suits
E) limited warranties
Answer: B
Diff: 2          Page Ref: 280
AACSB: Reflective Thinking
Skill: Application
Objective: 9-4
Refer to the scenario below to answer the following questions.

Most people laughed when Evelyn Ringler explained her product idea: a solar-powered vacuum cleaner. But the concept was practical and the technology used in the vacuum was the same as that used in many children's toys. After setting up a demonstration booth in a mall in a Chicago suburb, Evelyn felt more assured than ever that her idea would be a hit. Consumers seemed receptive and offered helpful pieces of advice, such as how much they would pay for the vacuum, what colors they would prefer, and why they would not buy the vacuum.

The vacuum itself was dome-shaped, something like a small saucer, with a filter bag on top and sensory nodes along the edges. After being charged in the sunlight, the vacuum could run for 10 hours, covering a floor area of 600 square feet. As the apparatus lightly bumped into table legs, chairs, and so on, the sensory nodes allowed the vacuum to move around the objects in various directions. This is the same type of technology used in the manufacture of children's race cars and walking dolls.

Evelyn knew that the solar-powered vacuum would be especially helpful to both elderly consumers, who may have a more difficult time with vacuuming, and on-the-go consumers who lead busy lives. The price would be above average but would likely reduce after Evelyn recouped some of her costs.

After a 500-unit production run and a substantial financial investment, Evelyn Ringler set up a multiple-city test market, in a Chicago mall and in an appliance store in New Jersey. "It's such a novel idea," Evelyn added. "People will notice it, even if they don't buy it right away."

98) Evelyn's ________ is the practical use of solar power in a vacuum cleaner that is designed to effortlessly sweep the floors of on-the-go and elderly consumers.
A) product idea
B) product concept
C) product image
D) prototype
E) promotional product
Answer: B
Diff: 2 Page Ref: 262
AACSB: Reflective Thinking
Skill: Application
Objective: 9-2

99) When Evelyn set up a demonstration booth to learn about consumers' feelings toward her vacuum cleaner, she was doing which of the following?
A) concept testing
B) marketing strategy development
C) idea screening
D) product development
E) test marketing
Answer: A
Diff: 2 Page Ref: 263
AACSB: Reflective Thinking
Skill: Application
Objective: 9-2
100) Evelyn's vacuum is at the ________ stage of the product life cycle.
A) product development  
B) introduction  
C) growth  
D) adoption  
E) incubation  
Answer: A  
Diff: 1  Page Ref: 273  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 9-3

101) A firm can obtain new products in two ways: acquisition or new-product development.  
Answer: TRUE  
Diff: 2  Page Ref: 258  
Skill: Concept  
Objective: 9-1

102) Up to 90 percent of all new consumer products fail.  
Answer: TRUE  
Diff: 2  Page Ref: 258  
Skill: Concept  
Objective: 9-1

103) New product development begins with a systematic search for new product ideas through idea generation.  
Answer: TRUE  
Diff: 1  Page Ref: 259  
Skill: Concept  
Objective: 9-2

104) Malibu Beach Parties finds that the tastes and preferences of its customers change more rapidly than in the past. The manager should constantly look for external ideas from customers, suppliers, and the competition.  
Answer: TRUE  
Diff: 1  Page Ref: 260  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 9-2

105) Companies rarely solicit ideas from customers during the idea generation stage of product development.  
Answer: FALSE  
Diff: 1  Page Ref: 261  
AACSB: Communication  
Skill: Concept  
Objective: 9-2
106) Blair Housewares wants to add new lines of products to its 46-store chain. Managers are correct in believing that the purpose of idea generation is to create a few ideas, and the purpose of succeeding stages is to increase that number.
Answer: FALSE
Diff: 2 Page Ref: 262
AACS: Analytic Skills
Skill: Application
Objective: 9-2

107) A product idea is an idea for a possible product a company can offer the market, while a product concept is a detailed version of the idea stated in meaningful consumer terms.
Answer: TRUE
Diff: 3 Page Ref: 262
Skill: Concept
Objective: 9-2

108) Concept testing works best with people who are familiar with the new idea and the new product's purpose. This generally includes top management, the sales force, and research and development.
Answer: FALSE
Diff: 3 Page Ref: 263
Skill: Concept
Objective: 9-2

109) GreenTree Lawn and Garden Products is engaged in marketing strategy development. Management should first create a statement outlining the product's planned price, distribution, and marketing budget for the first year.
Answer: FALSE
Diff: 3 Page Ref: 263
AACS: Analytic Skills
Skill: Application
Objective: 9-2

110) GreenTree Lawn and Garden Products is engaged in a review of the sales, costs, and profit projections for some new products to find out whether they satisfy the company's objectives. This activity is called business product development.
Answer: FALSE
Diff: 2 Page Ref: 264
AACS: Reflective Thinking
Skill: Application
Objective: 9-2
111) The business analysis stage represents the first large jump in financial investment in the new-product development process.
Answer: FALSE
Diff: 2 Page Ref: 264
Skill: Concept
Objective: 9-2

112) The stage at which new product and marketing programs are introduced into realistic market settings is called concept testing.
Answer: FALSE
Diff: 1 Page Ref: 265
Skill: Concept
Objective: 9-2

113) A company launching a new product into the market must first decide on when to launch the product.
Answer: TRUE
Diff: 2 Page Ref: 268
Skill: Concept
Objective: 9-2

114) JumBo Games is launching a new set of game toys in the commercialization stage. The first decision to make is introduction timing and the second is where to launch the new product.
Answer: TRUE
Diff: 2 Page Ref: 268
Skill: Concept
Objective: 9-2

115) Sequential product development has the advantage of not only being a team-oriented approach, but it is also faster in bringing products to market.
Answer: FALSE
Diff: 1 Page Ref: 269
Skill: Concept
Objective: 9-2

116) To avoid too few new product ideas and the failure of many good ideas, management should install an innovation management system that collects, reviews, evaluates, and manages new-product ideas.
Answer: TRUE
Diff: 1 Page Ref: 271
AACSB: Communication
Skill: Concept
Objective: 9-2
117) Using the PLC concept to develop marketing strategy can be problematic because strategy is both a cause and a result of the product's life cycle.
Answer: TRUE
Diff: 3 Page Ref: 274
Skill: Concept
Objective: 9-3

118) Profits rise during the growth stage of the PLC because promotion costs are spread over a large volume and unit manufacturing costs fall.
Answer: TRUE
Diff: 2 Page Ref: 277
Skill: Concept
Objective: 9-3

119) Although products that remain in the maturity stage of the PLC seem unchanged, the most successful ones actually evolve to meet changing consumer needs.
Answer: TRUE
Diff: 2 Page Ref: 277
Skill: Concept
Objective: 9-3

120) When sales of a product falter during the PLC, a company can take several approaches. The more common ones are to modify the marketing mix, modify the product, or modify the market.
Answer: TRUE
Diff: 2 Page Ref: 277
Skill: Concept
Objective: 9-3

121) Sales for the time-tried household cleansers made by Brite and New, Inc., have been declining for some time. If these products are typical, sales are declining because of technological advances, shifts in consumer tastes, and lack of raw materials from foreign suppliers.
Answer: FALSE
Diff: 3 Page Ref: 278
AACSB: Analytic Skills
Skill: Application
Objective: 9-3

122) Companies need to pay attention to their aging products. Management should regularly review sales, market shares, costs, and profit trends, and then decide whether to maintain, harvest, or drop these declining products.
Answer: TRUE
Diff: 2 Page Ref: 278
Skill: Concept
Objective: 9-3
123) When a company decides to maintain a product in the decline stage, it will reduce costs and hope that sales hold up to increase the profits in the short run.
Answer: FALSE
Diff: 2 Page Ref: 279
Skill: Concept
Objective: 9-3

124) The federal government may prevent a company from adding products through acquisitions if acquisition threatens to lessen competition.
Answer: TRUE
Diff: 2 Page Ref: 280
AACSB: Ethical Reasoning
Skill: Concept
Objective: 9-4

125) The international growth of many professional and business services such as accounting, consulting, and advertising led to the globalization of the client companies they serve.
Answer: FALSE
Diff: 3 Page Ref: 282
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 9-4

126) Explain why so many new products fail and how a company can improve its odds of new product success.
Answer: Although an idea may be good, the market size may have been overestimated. Other possible reasons for failure include the following: the actual product was not designed as well as it should have been; the product may have been incorrectly positioned in the market, priced too high, or advertised poorly; a high-level executive might have pushed a favorite idea despite poor marketing research findings; the costs of product development were higher than expected; or competitors fought back harder than expected. One way to improve the odds is to identify successful new products and find out what they have in common. Another is to study new product features to see what lessons can be learned. A company must understand its customers, markets, and competitors and deliver superior value to customers.
Diff: 3 Page Ref: 258
AACSB: Analytic Skills
Skill: Application
Objective: 9-1
127) Briefly describe the steps in the new-product development process.
Answer: New-product development starts with idea generation from internal and/or external sources. Next, the ideas must be reduced through idea screening. Once the new ideas are decided upon, the product concept must be developed and tested. A marketing strategy must be developed to introduce the product to the market. Once the product concept and marketing strategy are chosen, a business analysis is conducted to review the sales, costs, and profit projections to see if they will satisfy the company's objectives. A prototype will next be created in the product development stage. Test marketing will follow, introducing the new product and its marketing program into more realistic market settings. The last step is to launch or not launch the new product. If the company decides to launch the product, it will go ahead with the commercialization stage and later test its sales and profit results.
Diff: 3 Page Ref: 259-268
AACSB: Analytic Skills
Skill: Application
Objective: 9-2

128) Provide the major sources of external new product ideas and explain why these sources offer advantages over internal sources.
Answer: The major sources of new product ideas from external sources include customers, suppliers/distributors, competitors, and research firms. These sources are close to the market and tend to reflect current tastes and preferences. Firms can better match their product offerings to customer needs and wants. Consumers may also create new products and services on their own.
Diff: 2 Page Ref: 260
AACSB: Analytic Skills
Skill: Application
Objective: 9-2

129) Distinguish among a product idea, a product concept, and a product image.
Answer: A product idea is an idea for a product that a company can imagine itself offering to the market. A product concept takes the idea several steps further, with a detailed version of the idea stated in meaningful consumer terms. Finally, a product image is the way consumers perceive an actual or potential product.
Diff: 1 Page Ref: 262
AACSB: Analytic Skills
Skill: Application
Objective: 9-2
130) Explain concept testing.
Answer: Concept testing calls for testing new product concepts with groups of target consumers. The concepts may be presented physically or symbolically. A more concrete and physical presentation, however, will increase the reliability of the concept test. After being exposed to the concept, consumers are asked questions about it; their answers reveal to the marketer whether the concept needs to be altered in any way.
Diff: 1 Page Ref: 263
AACSB: Analytic Skills
Skill: Application
Objective: 9-2

131) Define commercialization. Explain the two important issues on which the company must decide during this stage.
Answer: Introducing a new product into the market is called commercialization. The company launching a new product must first decide on introduction timing. Next, the company must decide where to launch the new product— in a single location, a region, the national market, or the international market. Confidence, capital, and capacity are required to launch new products on a large-scale basis. Hence, firms plan a market rollout over time.
Diff: 1 Page Ref: 268
AACSB: Analytic Skills
Skill: Application
Objective: 9-2

132) What are the two advantages of an innovation management system for developing new products? Provide four ideas for a company to use to establish a successful system.
Answer: The first advantage of an innovation management system is that it helps create an innovation-oriented company culture. It shows that top management supports, encourages, and rewards innovation. The second advantage is that it will yield a larger number of ideas, among which will be found some especially good ones. As the system matures, ideas will flow more freely. To establish a successful system a company can do the following: (1) Appoint a respected senior person to be the company's idea manager; (2) create a cross-functional innovation management committee with people from each department; (3) set up a Web site for anyone who wants to become involved in finding and developing new products; (4) encourage all company stakeholders to send their ideas to the idea manager; and (5) set up formal recognition programs to reward those who contribute the best new ideas.
Diff: 3 Page Ref: 272
AACSB: Analytic Skills
Skill: Application
Objective: 9-2
133) Each product will have a life cycle, although its exact shape and length is not known in advance. Briefly explain each step in the PLC.
Answer: Product development begins when the company finds and develops a new product idea. Sales are zero and the company's investment costs mount. Introduction is a period of slow sales growth as the product is introduced in the market. Profits are nonexistent in this stage because of the heavy expenses of product introduction. Growth is a period of rapid market acceptance and increasing profits. Maturity is a period of slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits level off or decline because of increased marketing outlays to defend the product against competition. Decline is the period when sales fall off and profits drop. A company may seek to reinvigorate a product in decline or maintain it hoping competition will diminish or harvest it or drop it.
Diff: 2 Page Ref: 273
AACSB: Analytic Skills
Skill: Application
Objective: 9-3

134) PLC can be applied to more than just brands. Your assignment is to prepare a presentation about the application of the PLC to as many of your company's operations as possible. What would you include?
Answer: The PLC can be applied to new product and services. It can also be applied to product class, a product form, or a brand. The PLC concept lends itself to styles, fashions, and fads. The concept can be used as a useful framework for describing how products and markets work, as well as developing marketing strategy for each stage of the product life cycle. Managers may have difficulties using the PLC concept to forecast product performance or develop general marketing strategies.
Diff: 2 Page Ref: 274
AACSB: Analytic Skills
Skill: Application
Objective: 9-3

135) Describe three public policy issues or regulations that marketers should carefully consider as they make decisions about adding or dropping products.
Answer: The government may prevent companies from adding products through acquisitions if the effect threatens to lessen competition. On the other hand, companies dropping products must be aware that they have legal obligations to their suppliers, dealers, and customers who have a stake in the dropped product. Companies must also obey U.S. patent laws when developing new products, meaning that a company cannot make its product illegally similar to another company's established product. Manufacturers must also comply with specific laws regarding product quality and safety. The Federal Food, Drug, and Cosmetic Act and the Consumer Product Safety Act are just two of many laws that protect consumers from potentially harmful products. If consumers have been injured by a product that has a defective design, they can sue manufacturers or dealers.
Diff: 2 Page Ref: 280
AACSB: Ethical Reasoning
Skill: Application
Objective: 9-4
136) How might a firm benefit from implementing an "intrapreneurial" program?
Answer: Such programs encourage employees to be innovative and to develop new-product ideas.
Diff: 2 Page Ref: 260
AACSB: Analytic Skills
Skill: Application
Objective: 9-2

137) How might competitors be a good external idea source?
Answer: Marketers can pay particular attention to competitors' ads to get clues about their new products. In addition, salespeople in the field can learn about competitors' plans if prospects purposefully, or even inadvertently, reveal them.
Diff: 1 Page Ref: 260
AACSB: Analytic Skills
Skill: Application
Objective: 9-2

138) You have recently sent a proposal for a fictional novel to an editor at a major publishing firm. The editor, alone, will carry out the idea screening. Why might you feel this process is unfair?
Answer: The success of your proposal, or at least the likelihood that your novel will be published, is at the mercy of that one individual. A screening committee might give the proposal a more accurate and fair assessment.
Diff: 3 Page Ref: 262
AACSB: Analytic Skills
Skill: Application
Objective: 9-2

139) What elements may help to create a product image?
Answer: Any number of product attributes, as well as packaging and intended use, create product image; the promotional campaign also affects product image.
Diff: 1 Page Ref: 262
AACSB: Communication
Skill: Application
Objective: 9-2

140) The potential market strengths and weaknesses are being determined for a new-product idea at Art for Kids. In what stage of the new-product development process does this occur?
Answer: It occurs in the business analysis stage of the new product development process.
Diff: 2 Page Ref: 264
AACSB: Reflective Thinking
Skill: Application
Objective: 9-2
141) What may be learned in a test market?
Answer: Test marketing lets a company assess customer response to its product and the effectiveness of its positioning strategy, advertising, distribution, pricing, branding, and packaging.
Diff: 2 Page Ref: 265
AACSB: Analytic Skills
Skill: Application
Objective: 9-2

142) A marketer has selected a single city in which to conduct a test market. What might we conclude from this choice of a single-city test market?
Answer: The marketer may feel assured that consumers in that city are typical of the overall market.
Diff: 3 Page Ref: 266
AACSB: Analytic Skills
Skill: Application
Objective: 9-2

143) A marketer has chosen a multiple-city test market. What might we conclude from this choice of a multiple-city test market?
Answer: The marketer likely understands that the product being tested will be perceived differently in different geographic regions.
Diff: 3 Page Ref: 266
AACSB: Analytic Skills
Skill: Application
Objective: 9-2

144) Why might a company choose to develop a planned market rollout?
Answer: A company without the confidence, capacity, or capital to introduce its product in several regions or the full national market may find it less risky and more manageable to enter attractive cities or regions one at a time, using success in regional markets to build up to a larger market rollout.
Diff: 2 Page Ref: 268
AACSB: Analytic Skills
Skill: Application
Objective: 9-2

145) Why might individual departments prefer sequential product development?
Answer: This process allows individual departments to work individually with a new idea, completing its stage of development before passing the product on; other departments are less likely to interfere.
Diff: 2 Page Ref: 269
AACSB: Analytic Skills
Skill: Application
Objective: 9-2
146) Explain how the PLC applies differently to a product class than to a product form.
Answer: Product classes have longer life cycles, while product forms tend to have the standard PLC shape.
Diff: 3 Page Ref: 273
AACSB: Analytic Skills
Skill: Application
Objective: 9-3

147) Why might ad expenditures be high for products in the introduction stage of the PLC?
Answer: Consumers have very little awareness about such products; promotional spending can enhance customer awareness.
Diff: 1 Page Ref: 276
AACSB: Analytic Skills
Skill: Application
Objective: 9-3

148) Why might ad expenditures remain high in the growth stage of the PLC?
Answer: Though sales are increasing for such products, competition becomes fierce as competitors attempt to enter the market; therefore, ad dollars remain high in an effort to offset competitive threats.
Diff: 2 Page Ref: 277
AACSB: Analytic Skills
Skill: Application
Objective: 9-3

149) Marketers can prolong the lives of many products in the maturity or decline stages of the PLC, sometimes even moving these products back into the growth stage. How can this happen?
Answer: Marketers can change any element of the marketing mix, change the number of uses or the number of users, or even change the frequency of product use.
Diff: 2 Page Ref: 277
AACSB: Analytic Skills
Skill: Application
Objective: 9-3

150) Why has the cost of product liability insurance risen so dramatically?
Answer: Consumers who have been injured by a product with a defective design can sue manufacturers or dealers of the product; though manufacturers are only found to be at fault in a small percentage of cases, the average jury award is $1.5 million.
Diff: 2 Page Ref: 280
AACSB: Analytic Skills
Skill: Application
Objective: 9-4

Chapter 10 Pricing Products: Understanding and Capturing Customer Value

1) _______ is the amount of money charged for a product or service.
A) Experience curve
B) Demand curve
C) Price
D) Wage
E) Salary
Answer: C
Diff: 1 Page Ref: 290
Skill: Concept
Objective: 10-1

2) Price is the only element in the marketing mix that produces ________.
A) revenue
B) variable costs
C) expenses
D) outfixed costs
E) stability
Answer: A
Diff: 1 Page Ref: 290
Skill: Concept
Objective: 10-1

3) ________ is an important element in the marketing mix. It is the only element that does not represent costs.
A) Current profit maximization
B) Market share leadership
C) Price
D) Product quality leadership
E) The target market
Answer: C
Diff: 1 Page Ref: 290
Skill: Concept
Objective: 10-1
4) Consumer perceptions of the product's value set the ________ for prices.
A) demand curve
B) floor
C) ceiling
D) variable cost
E) image
Answer: C
Diff: 2 Page Ref: 291
Skill: Concept
Objective: 10-2

5) Product costs set a(n) ________ to a product's price.
A) demand curve
B) floor
C) ceiling
D) break-even cost
E) experience curve
Answer: B
Diff: 2 Page Ref: 291
Skill: Concept
Objective: 10-2

6) Which of the following is a customer-oriented approach to pricing?
A) value-based pricing
B) sealed-bid pricing
C) break-even pricing
D) target profit pricing
E) C and D
Answer: A
Diff: 2 Page Ref: 291
Skill: Concept
Objective: 10-2

7) ________ uses buyers' perceptions of what a product is worth, not the seller's cost, as the key to pricing.
A) Value-based pricing
B) Value-added pricing
C) Variable cost
D) Price elasticity
E) Product image
Answer: A
Diff: 2 Page Ref: 291
Skill: Concept
Objective: 10-2
8) In ________, price is considered along with the other marketing mix variables before the marketing program is set.
A) value-based pricing
B) cost-based pricing
C) variable costs
D) price elasticity
E) building the marketing mix
Answer: A
Diff: 2   Page Ref: 291
Skill: Concept
Objective: 10-2

9) Value-based pricing is the reverse process of ________.
A) variable cost pricing
B) cost-plus pricing
C) cost-based pricing
D) good-value pricing
E) value-added pricing
Answer: C
Diff: 2   Page Ref: 291
Skill: Concept
Objective: 10-2

10) With ________, price is set to match consumers' perceptions of product value.
A) variable cost pricing
B) cost-plus pricing
C) cost-based pricing
D) value-based pricing
E) every day low pricing
Answer: D
Diff: 2   Page Ref: 291
Skill: Concept
Objective: 10-2

11) Measuring ________ can be difficult. A company might conduct surveys or experiments to test this in the different products they offer.
A) price elasticity
B) the demand curve
C) perceived value
D) break-even pricing
E) quantity supplied
Answer: C
Diff: 3   Page Ref: 292
AACSB: Communication
Skill: Concept
Objective: 10-2
12) Underpriced products sell very well, but they produce less revenue than they would have if price were raised to the ________ level.
A) perceived 
B) value-based 
C) variable 
D) demand curve 
E) price-floor 
Answer:  A  
Diff: 2    Page Ref: 292 
Skill:  Concept 
Objective:  10-2 

13) If a seller charges ________ than the buyer's perceived value, the company's sales will ________.
A) more; benefit 
B) more; suffer 
C) less; increase 
D) less; suffer 
E) none of the above 
Answer:  B  
Diff: 2    Page Ref: 292 
Skill:  Concept 
Objective:  10-2 

14) Some companies have adopted a ________ strategy, offering just the right combination of quality and good service at a fair price.
A) value-based pricing 
B) good-value pricing 
C) cost-plus pricing 
D) low-price image 
E) none of the above 
Answer:  B  
Diff: 1    Page Ref: 293 
Skill:  Concept 
Objective:  10-2 

15) Wal-Mart is famous for using what important type of value pricing?
A) competition-based pricing 
B) everyday low pricing 
C) cost-plus pricing 
D) break-even pricing 
E) penetration pricing 
Answer:  B  
Diff: 2    Page Ref: 293 
Skill:  Concept 
Objective:  10-2
16) _______ involves charging a constant, everyday low price with few or no temporary price discounts.
A) High-low pricing  
B) Target pricing 
C) Cost-plus pricing  
D) EDLP  
E) Penetration pricing  
Answer: D  
Diff: 2  
Page Ref: 293  
Skill: Concept  
Objective: 10-2

17) _______ involves attaching features and services to differentiate a company's offers and to support charging higher prices.
A) Break-even pricing  
B) Target pricing  
C) Value-added pricing  
D) Cost-plus pricing  
E) Pricing-down  
Answer: C  
Diff: 1  
Page Ref: 293  
Skill: Concept  
Objective: 10-2

18) _______ is a company's power to escape price competition and to justify higher prices and margins.
A) Variable cost  
B) Pricing power  
C) Target cost  
D) Fixed cost  
E) Unit cost  
Answer: B  
Diff: 2  
Page Ref: 293  
Skill: Concept  
Objective: 10-2

19) To maintain and increase a company's _______, a firm must retain or build the value of its marketing offer.
A) variable cost  
B) pricing power  
C) target cost  
D) fixed cost  
E) image  
Answer: B  
Diff: 3  
Page Ref: 293  
Skill: Concept  
Objective: 10-2
20) When there is price competition, many companies adopt _______ rather than cutting prices to match competitors.
A) pricing power
B) value-added strategies
C) fixed costs
D) price elasticity
E) image pricing
Answer: B
Diff: 2 Page Ref: 293
Skill: Concept
Objective: 10-2

21) Ryanair offers free flights to a quarter of its customers and rock-bottom prices to many of its other customers. Ryanair then charges for all extra services, such as baggage handling and in-flight refreshments. Which of the following best describes Ryanair's pricing method?
A) value-added pricing
B) low-cost pricing
C) cost-plus pricing
D) high-low pricing
E) image pricing
Answer: B
Diff: 2 Page Ref: 295
Skill: Concept
Objective: 10-2

22) _______ pricing involves setting prices based on the costs for producing, distributing, and selling the product plus a fair rate of return for the company's efforts and risks.
A) Value-based
B) Fixed cost
C) Cost-based
D) Variable
E) Skimming
Answer: C
Diff: 1 Page Ref: 295
Skill: Concept
Objective: 10-3

23) Fixed costs _______ as the number of units produced increases.
A) decrease
B) increase
C) divide in half
D) remain the same
E) increase at a diminishing rate
Answer: D
Diff: 2 Page Ref: 295
Skill: Concept
Objective: 10-3
24) Costs that do not vary with production or sales level are referred to as ________.
A) fixed costs
B) variable costs
C) target costs
D) total costs
E) unit costs
Answer: A
Diff: 1  Page Ref: 295
Skill: Concept
Objective: 10-3

25) Rent, electricity and executive salaries are examples of ________.
A) fixed costs
B) variable costs
C) accumulated costs
D) total costs
E) marketing costs
Answer: A
Diff: 2  Page Ref: 295
Skill: Concept
Objective: 10-3

26) Costs that vary directly with the level of production are referred to as ________.
A) fixed costs
B) variable costs
C) target costs
D) total costs
E) unit costs
Answer: B
Diff: 1  Page Ref: 296
Skill: Concept
Objective: 10-3

27) ________ are the sum of the ________ and ________ for any given level of production.
A) Fixed costs; variable; total costs
B) Fixed costs; total; variable costs
C) Variable costs; fixed; total costs
D) Total costs; fixed; variable costs
E) Break-even costs; fixed; total costs
Answer: D
Diff: 2  Page Ref: 296
Skill: Concept
Objective: 10-3
28) SRAC is the acronym for which concept related to costs at different levels of production?
A) strategic reasoning and costs
B) short-run accounting costs
C) short-run average cost
D) strategic rights and company
E) strategic revenues and costs
Answer: C
Diff: 2 Page Ref: 296
Skill: Concept
Objective: 10-3

29) As production workers become better organized and more familiar with equipment, the average cost per unit decreases. This is called the _______.
A) demand curve
B) experience curve
C) short-run average cost curve
D) long-run average cost curve
E) marginal utility
Answer: B
Diff: 1 Page Ref: 296
Skill: Concept
Objective: 10-3

30) With a higher volume of product, most companies can expect to _______.
A) gain economies of scale
B) become less efficient
C) see average costs increase
D) have a straight, horizontal learning curve
E) find competitors using the experience curve strategically
Answer: A
Diff: 2 Page Ref: 296
Skill: Concept
Objective: 10-3

31) The experience curve reveals that _______.
A) repetition in production lowers costs
B) repetition in production enhances efficiency
C) the average cost drops with accumulated production experience
D) A, B, and C
E) none of the above
Answer: D
Diff: 3 Page Ref: 296
Skill: Concept
Objective: 10-3
32) When a downward-sloping experience curve exists, a company should usually ________ the selling price of that product in order to bring in higher revenues.
A) increase
B) greatly increase
C) decrease
D) not alter
E) none of the above
Answer: C
Diff: 3 Page Ref: 297
Skill: Concept
Objective: 10-3

33) Which of the following is a risk a company takes when building a strategy around the experience curve?
A) Competitors will likely not be able to meet the company's price cuts.
B) Existing technologies are likely to become more expensive as the company expands.
C) The method does not take competitors' prices into account.
D) The method may cause consumers to become frustrated with changing prices.
E) Aggressive pricing may give the product a cheap image, causing customers to lose interest.
Answer: E
Diff: 2 Page Ref: 297
Skill: Concept
Objective: 10-3

34) A company building its pricing strategy around the experience curve would be likely to ________.
A) price its products low
B) price its products high
C) engage in break-even pricing
D) all of the above
E) none of the above
Answer: A
Diff: 3 Page Ref: 297
Skill: Concept
Objective: 10-3
35) The company designs what it considers to be a good product, totals the expenses of making the product, and sets a price that adds a standard mark-up to the cost of the product. This approach to pricing is called ________.
A) value-based pricing  
B) fixed cost pricing  
C) cost-plus pricing  
D) variable pricing  
E) skimming pricing  
Answer: C  
Diff: 1 Page Ref: 297  
Skill: Concept  
Objective: 10-3

36) Lawyers, accountants, and other professionals typically price by adding a standard markup for profit. This is known as ________.
A) variable costs  
B) cost-plus pricing  
C) value-based pricing  
D) break-even price  
E) penetration pricing  
Answer: B  
Diff: 2 Page Ref: 297  
Skill: Concept  
Objective: 10-3

37) The simplest pricing method is ________.
A) value-based pricing  
B) going-rate and sealed-bid pricing  
C) cost-plus pricing  
D) break-even analysis  
E) target profit pricing  
Answer: C  
Diff: 2 Page Ref: 297  
Skill: Concept  
Objective: 10-3

38) Which of the following is a reason why markup pricing is NOT practical?
A) Sellers earn a fair return on their investment.  
B) By tying the price to cost, sellers simplify pricing.  
C) When all firms in the industry use this pricing method, prices tend to be similar.  
D) This method ignores demand.  
E) With a standard markup, consumers know when they are being overcharged.  
Answer: D  
Diff: 3 Page Ref: 298  
Skill: Concept  
Objective: 10-3
39) One reason ________ remains popular is that sellers are more certain about costs than about demand.
A) markup pricing  
B) variable pricing  
C) inelasticity pricing  
D) elasticity pricing  
E) penetration pricing  
Answer:  A  
Diff: 2  
Page Ref: 298  
Skill: Concept  
Objective: 10-3

40) Price competition is minimized when all firms in an industry use which pricing method?
A) variable pricing  
B) markup pricing  
C) elasticity pricing  
D) value-added pricing  
E) value-based pricing  
Answer:  B  
Diff: 3  
Page Ref: 298  
Skill: Concept  
Objective: 10-3

41) Many people feel that ________ pricing is fairer to both buyers and sellers. Sellers earn a fair return on their investment but do not take advantage of buyers when buyers' demand becomes great.
A) variable  
B) markup  
C) elasticity  
D) inelasticity  
E) penetration  
Answer:  B  
Diff: 2  
Page Ref: 298  
AACSB: Ethical Reasoning  
Skill: Concept  
Objective: 10-3

42) Which of the following is a cost-based approach to pricing?
A) value-based pricing  
B) going-rate pricing  
C) target profit pricing  
D) good value pricing  
E) A and C  
Answer:  C  
Diff: 2  
Page Ref: 298  
Skill: Concept  
Objective: 10-3
43) Break-even pricing, or a variation called ________, is when the firm tries to determine the price at which it will break even or make the profit it is seeking.
A) competition-based pricing
B) target profit pricing
C) fixed cost pricing
D) value-based pricing
E) customer-based pricing
Answer: B
Diff: 1 Page Ref: 298
Skill: Concept
Objective: 10-3

44) Target profit pricing uses the concept of a ________, which shows the total cost and total revenue expected at different sales volume levels.
A) value-based chart
B) break-even chart
C) competition-based chart
D) demand-curve
E) unit cost
Answer: B
Diff: 2 Page Ref: 298
Skill: Concept
Objective: 10-3

45) The break-even volume is the point at which ________.
A) the total revenue and total costs lines intersect
B) demand equals supply
C) the production of one more unit will not increase profit
D) the company can pay all of its long-term debt
E) a firm's profit goal is reached
Answer: A
Diff: 3 Page Ref: 298
Skill: Concept
Objective: 10-3

46) ________ pricing works only if that price actually brings in the expected level of sales.
A) Elasticity
B) Markup
C) Variable
D) Inelasticity
E) Target profit
Answer: E
Diff: 3 Page Ref: 298
Skill: Concept
Objective: 10-3
47) Which of the following statements about break-even analysis is true?
A) It is used to determine how much production experience a company must have to achieve desired efficiencies.
B) It is a technique used to calculate fixed costs.
C) It determines the amount of retained earnings a company will have during an accounting period.
D) It is a technique marketers use to examine the relationship between supply and demand.
E) It is calculated using variable costs, the unit price, and fixed costs.
Answer: E
Diff: 3 Page Ref: 298
Skill: Concept
Objective: 10-3

48) As a manufacturer increases price, the ________ drops.
A) target
B) break-even volume
C) cost-plus pricing
D) total cost
E) sales
Answer: B
Diff: 3 Page Ref: 299
Skill: Concept
Objective: 10-3

49) Which of the following is an external factor that affects pricing decisions?
A) the salaries of production management
B) competition
C) the salaries of finance management
D) funds expensed to clean production equipment
E) A, B, and C
Answer: B
Diff: 1 Page Ref: 299
Skill: Concept
Objective: 10-4

50) ________ that influence pricing decisions include the nature of the market and demand and competitors' prices.
A) Internal factors
B) Elasticity factors
C) External factors
D) Target factors
E) Domestic factors
Answer: C
Diff: 2 Page Ref: 299
Skill: Concept
Objective: 10-4
51) Companies may set prices low for which of the following reasons EXCEPT ________.  
A) to prevent competition from entering the market  
B) to stabilize the market  
C) to create excitement for a product  
D) to prepare for an easy exit from a market  
E) to match a competitor  
Answer: D  
Diff: 2  Page Ref: 299  
Skill: Concept  
Objective: 10-4

52) In order to form a consistent and effective integrated marketing program, price decisions should be coordinated with each of the following EXCEPT ________.  
A) product design  
B) distribution  
C) competitors' prices  
D) promotion decisions  
E) marketing objectives  
Answer: C  
Diff: 2  Page Ref: 299  
Skill: Concept  
Objective: 10-4

53) With target costing, marketers will first _______ and then _______.  
A) build the marketing mix; identify the target market  
B) identify the target market; build the marketing mix  
C) design the product; determine its cost  
D) use skimming pricing; penetrating pricing  
E) determine a selling price; target costs to ensure that the price is met  
Answer: E  
Diff: 2  Page Ref: 300  
Skill: Concept  
Objective: 10-4

54) Price setting is usually determined by _______ in small companies.  
A) top management  
B) marketing departments  
C) sales departments  
D) divisional managers  
E) cross-functional teams  
Answer: A  
Diff: 2  Page Ref: 300  
Skill: Concept  
Objective: 10-4
55) Price setting is usually determined by ________ in large companies.
A) top management
B) divisional managers
C) product line managers
D) pricing departments
E) both B and C
Answer: E
Diff: 2 Page Ref: 300
Skill: Concept
Objective: 10-4

56) In industrial markets, ________ typically has the final say in setting the pricing objectives and policies of a company.
A) the sales manager
B) top management
C) the production manager
D) the finance manager
E) the pricing department
Answer: B
Diff: 2 Page Ref: 300
Skill: Concept
Objective: 10-4

57) In industries in which pricing is a key factor, ________ often set the best prices or help others in setting them.
A) sales managers
B) top managers
C) production managers
D) finance managers
E) pricing departments
Answer: E
Diff: 2 Page Ref: 300
Skill: Concept
Objective: 10-4

58) Under ________, the market consists of many buyers and sellers trading in a uniform commodity such as wheat, copper, or financial securities.
A) pure competition
B) monopolistic competition
C) oligopolistic competition
D) a pure monopoly
E) anti-trust agreements
Answer: A
Diff: 2 Page Ref: 302
Skill: Concept
Objective: 10-4
59) Under ________, the market consists of many buyers and sellers who trade over a range of prices rather than a single market price.
A) pure competition
B) monopolistic competition
C) oligopolistic competition
D) pure monopoly
E) socialism
Answer:  B
Diff: 2  Page Ref: 302
Skill:  Concept
Objective: 10-4

60) Under ________, the market consists of a few sellers who are highly sensitive to each other's pricing and marketing strategies.
A) pure competition
B) monopolistic competition
C) oligopolistic competition
D) pure monopoly
E) capitalism
Answer:  C
Diff: 2  Page Ref: 302
Skill:  Concept
Objective: 10-4

61) Nonregulated monopolies are free to price at what the market will bear. However, they do not always charge the full price for a number of reasons. What is NOT one of those reasons?
A) They don't want to attract competition.
B) They want to penetrate the market faster with a low price.
C) They have a fear of government regulation.
D) They want to encourage government regulations.
E) They want to please a large group of consumers.
Answer:  D
Diff: 3  Page Ref: 303
Skill:  Concept
Objective: 10-4

62) The relationship between the price charged and the resulting demand level can be shown as the ________.
A) demand curve
B) variable cost
C) target cost
D) break-even pricing
E) experience curve
Answer:  A
Diff: 1  Page Ref: 303
Skill:  Concept
Objective: 10-4
63) Consumers usually perceive higher-priced products as ________.
A) out of reach for most people
B) having high quality
C) having high profit margins
D) having cost-based prices
E) being in the introductory stage of the product life cycle
Answer: B
Diff: 3    Page Ref: 303
Skill: Concept
Objective: 10-4

64) Why do marketers consider prestige goods to be an exception to the typical demand curve?
A) The demand curve for prestige goods slopes downward and to the right.
B) Increasing the price of prestige goods can make them seem more desirable.
C) Demand for prestige goods often is greater than supply.
D) Prestige products such as diamonds, sapphires, and emeralds are nonrenewable resources.
E) Customers are more aware of any price changes to prestige goods.
Answer: B
Diff: 3    Page Ref: 303
Skill: Concept
Objective: 10-4

65) Which of the following is true about the demand curve?
A) It is used to illustrate the effect of price on the quantity supplied.
B) It is always graphically depicted by a straight line.
C) It shows the quantity of product customers will buy in a market during a period of time even if other factors change.
D) It usually slopes upward and to the right.
E) It shows the relationship between product demand and product price.
Answer: E
Diff: 3    Page Ref: 303
Skill: Concept
Objective: 10-4

66) When Gibson Guitar Corporation, long known for its high quality instruments, lowered its prices to compete more effectively with Japanese rivals, the company sold fewer guitars. Which of the following best explains this?
A) The Gibson guitars were not as well made as the Japanese guitars.
B) The market was already flooded with guitars.
C) The sound of the Gibson guitar was not as good as the Japanese guitars.
D) Customers did not distinguish the superiority of the Gibson guitar when it was at a lower price.
E) Customers had come to expect a higher price for a Gibson guitar.
Answer: D
Diff: 3    Page Ref: 303
Skill: Concept
Objective: 10-4
67) ________ describes how responsive demand will be to a change in price.
A) Price elasticity
B) Break-even pricing
C) The demand curve
D) Target costing
E) Supply
Answer: A
Diff: 1 Page Ref: 304
Skill: Concept
Objective: 10-4

68) If demand hardly changes with a small change in price, we say the demand is ________.
A) variable
B) inelastic
C) value-based
D) at break-even pricing
E) market penetrating
Answer: B
Diff: 2 Page Ref: 304
Skill: Concept
Objective: 10-4

69) If demand changes greatly with a small change in price, we say the demand is ________.
A) variable
B) inelastic
C) value-based
D) elastic
E) fixed
Answer: D
Diff: 1 Page Ref: 304
Skill: Concept
Objective: 10-4

70) Price elasticity of demand is ________ divided by ________.
A) percent change in quantity demanded; percent change in price
B) demand; price
C) percent change in price; percent change in quantity demanded
D) the going price; the asking price
E) none of the above
Answer: A
Diff: 2 Page Ref: 304
Skill: Concept
Objective: 10-4
71) Buyers are less price sensitive in all of the following situations EXCEPT ________.
A) when the product they are buying is unique
B) when the product they are buying is in high demand
C) when substitute products are hard to find
D) when the total expenditure for a product is high relative to their income
E) when the product is a specialty product
Answer: D
Diff: 2 Page Ref: 304
Skill: Concept
Objective: 10-4

72) The less ________ the demand, the ________ it pays for the seller to raise the price.
A) determined; less
B) elastic; more
C) elastic; less
D) constant; more
E) none of the above
Answer: B
Diff: 3 Page Ref: 304
Skill: Concept
Objective: 10-4

73) Each of the following economic factors can have a strong impact on a firm's pricing strategy EXCEPT ________.
A) an economic boom
B) the reseller's reaction to price changes
C) an economic recession
D) inflation
E) interest rates
Answer: B
Diff: 2 Page Ref: 305
Skill: Concept
Objective: 10-4

74) A company should set prices that will allow ________ to receive a fair profit.
A) resellers
B) producers
C) consumers
D) the elderly
E) competitors
Answer: A
Diff: 2 Page Ref: 305
Skill: Concept
Objective: 10-4
75) When companies set prices, the government and social concerns are two _______ affecting pricing decisions.
A) external factors
B) internal factors
C) economic conditions
D) demand curves
E) temporary influences
Answer: A
Diff: 1 Page Ref: 305
Skill: Concept
Objective: 10-4

76) Amos Zook, an Amish farmer, sells organically grown produce. Often he will trade some of his produce for dairy products produced by other Amish farmers. The sum of the values that others exchange is called a _______.
A) price
B) cost-plus price
C) dynamic price
D) common value price
E) penetration price
Answer: A
Diff: 1 Page Ref: 290
AACSB: Reflective Thinking
Skill: Application
Objective: 10-1

77) Trader Joe's offers an assortment of exclusive gourmet products at impossibly low prices. These prices are not limited-time offers or special discounts. Instead, they reflect Trader Joe's _______ strategy.
A) everyday low pricing
B) cost-plus pricing
C) dynamic pricing
D) value-based pricing
E) cost-based pricing
Answer: A
Diff: 2 Page Ref: 293
AACSB: Reflective Thinking
Skill: Application
Objective: 10-2
78) Jimmy's Hardware, an independent local retailer, is losing business to Wal-Mart. This is most likely because he cannot match Wal-Mart's pricing strategy of ________.
A) EDLP
B) EFGF
C) fixed prices
D) negotiated pricing
E) skimming pricing
Answer: A  
Diff: 2 Page Ref: 293 
AACSB: Analytic Skills 
Skill: Application 
Objective: 10-2

79) When McDonald's and other fast food restaurants offer "value menu" items at surprisingly low prices, they are using ________.
A) break-even pricing
B) target profit pricing
C) value pricing
D) cost-plus pricing
E) bundling
Answer: C  
Diff: 1 Page Ref: 293 
AACSB: Analytic Skills 
Skill: Application 
Objective: 10-2

80) Consumers who have less time and patience for watching for supermarket specials and clipping coupons would most likely prefer ________.
A) variable pricing
B) high-low pricing
C) EDLP
D) break-even pricing
E) value-based pricing
Answer: C  
Diff: 3 Page Ref: 293 
AACSB: Analytic Skills 
Skill: Application 
Objective: 10-2
81) Xbox 360 decides to add a free subscription to XBOX magazine with every game bought in an effort to differentiate its offering from PS3 games. This is an example of ________.
A) good-value pricing
B) add-on pricing
C) product-support pricing
D) value-added pricing
E) cost-based pricing
Answer: D
Diff: 2 Page Ref: 293
AACSB: Reflective Thinking
Skill: Application
Objective: 10-2

82) The long-run average cost curve (LRAC) helps the producer understand which of the following?
A) It shows how large a business should be, to be most efficient.
B) It deals mainly with competitors' prices.
C) It deals mainly with external factors.
D) all of the above
E) none of the above
Answer: A
Diff: 2 Page Ref: 296
AACSB: Analytic Skills
Skill: Application
Objective: 10-3

83) Assume a manufacturer with fixed costs of $100,000, a variable cost of $10, and expected sales of 50,000 units wants to earn a 20-percent markup on sales. What is the manufacturer's markup price?
A) $14
B) $15
C) $18
D) $18.50
E) none of the above
Answer: B
Diff: 3 Page Ref: 297
AACSB: Analytic Skills
Skill: Application
Objective: 10-3
84) General Motors prices its automobiles to achieve a 15 to 20 percent profit on its investment. This approach is called ________.
A) value-based pricing  
B) going-rate pricing  
C) cost-plus pricing  
D) low-price image  
E) target-profit pricing  
Answer: E  
Diff: 2  
Page Ref: 298  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 10-3

85) A company faces fixed costs of $100,000 and variable costs of $8.00/unit. They plan to directly sell their product to the market for $12.00. How many units must they produce and sell to break even?
A) 20,000  
B) 25,000  
C) 40,000  
D) 50,000  
E) not enough information to calculate  
Answer: B  
Diff: 2  
Page Ref: 298  
AACSB: Analytic Skills  
Skill: Application  
Objective: 10-3

86) Ecstasy Pharmaceuticals faces fixed costs with their new drug of $1,000,000. The company sells the drug in bottles of 50 pills for $10.00. They estimate that they must sell 200,000 bottles to break even. What is the total cost to produce a bottle of 50 pills?
A) $2.50  
B) $5.00  
C) $6.00  
D) $7.50  
E) not enough information to calculate  
Answer: B  
Diff: 3  
Page Ref: 298  
AACSB: Analytic Skills  
Skill: Application  
Objective: 10-3
87) A manufacturer is trying to determine its break-even volume. With fixed costs of $100,000, a variable cost of $10, and expected sales of 50,000 units, what should the manufacturer's unit cost be to break even?
A) $10
B) $12
C) $16
D) $20
E) none of the above
Answer: B
Diff: 3 Page Ref: 298
AACSB: Analytic Skills
Skill: Application
Objective: 10-3

88) As a manufacturer decreases price, ________ volume increases.
A) target
B) break-even
C) cost-plus pricing
D) total cost
E) sales
Answer: B
Diff: 3 Page Ref: 299
AACSB: Analytic Skills
Skill: Application
Objective: 10-3

89) P&G surveyed the market and identified an unserved segment of electric toothbrush market. Using these results, they created Spinbrush. The unorthodox order of this marketing mix decision is an example of ________.
A) competition-based pricing
B) cost-plus pricing
C) target costing
D) value-based pricing
E) penetration pricing
Answer: C
Diff: 2 Page Ref: 300
AACSB: Reflective Thinking
Skill: Application
Objective: 10-4
90) PoolPak produces climate-control systems for large swimming pools. The company's customers are more concerned about service support for maintaining a system than its initial price. PoolPak may use this knowledge to become more competitive through ________.
A) target costing
B) value pricing
C) cost-plus pricing
D) a nonprice position
E) skimming pricing
Answer: D
Diff: 2    Page Ref: 300
AACSB: Reflective Thinking
Skill: Application
Objective: 10-3

91) By pledging to be a leader in providing clean, renewable energy sources and developing products and services that help consumers protect the environment, Green Mountain Power competes successfully against "cheaper" brands that focus on more price-sensitive consumers. Green Mountain Power has the firm belief that even kilowatt-hours can be ________.
A) cost-plus priced
B) a demand curve
C) differentiated
D) value-based priced
E) none of the above
Answer: C
Diff: 3    Page Ref: 300
AACSB: Analytic Skills
Skill: Application
Objective: 10-4

92) In Vin del Mar, Chile, there are a dozen stores specializing in selling the same quality of seafood products on one street. An individual store dare not charge more than the going price without the risk of losing business to the other stores that are selling the fish at a common price. This is an example of what type of market?
A) pure competition
B) monopolistic competition
C) oligopolistic competition
D) pure monopoly
E) socialist
Answer: A
Diff: 2    Page Ref: 302
AACSB: Reflective Thinking
Skill: Application
Objective: 10-4
93) Ascot Tires has decided to decrease its prices. The company can expect that ________ for their product will increase.
A) cost-plus pricing
B) value-based pricing
C) demand
D) the experience curve
E) competition
Answer: C
Diff: 1 Page Ref: 303
AACSB: Reflective Thinking
Skill: Application
Objective: 10-4

94) If Canon Camera Company follows a high-price, high-margin strategy, what will competitors such as Nikon, Minolta, and Pentax most likely do?
A) They will go out of business.
B) They will want to compete against Canon.
C) They will advertise less.
D) They will bundle their products.
E) none of the above
Answer: B
Diff: 2 Page Ref: 304
AACSB: Analytic Skills
Skill: Application
Objective: 10-4

95) If Canon Camera Company follows a low-price, low-margin strategy for a product, what will competitors most likely do?
A) They will not be able to compete or may leave the market.
B) They will want to compete against Canon.
C) They will advertise less.
D) They will advertise more.
E) none of the above
Answer: A
Diff: 3 Page Ref: 304
AACSB: Analytic Skills
Skill: Application
Objective: 10-4
96) Companies are fortunate to have demand that is more ________ because they may be able to set higher prices.
A) elastic
B) external
C) internal
D) inelastic
E) fixed
Answer:  D
Diff: 2 Page Ref: 304
AACSB:  Analytic Skills
Skill:  Application
Objective:  10-4

97) If demand falls by 1 percent when price is increased by 2 percent, then ________.
A) elasticity is —1/2
B) demand is inelastic
C) demand is elastic
D) buyers are not price sensitive
E) A and B
Answer:  E
Diff: 3 Page Ref: 304
AACSB:  Analytic Skills
Skill:  Application
Objective:  10-4
Refer to the scenario below to answer the following questions.

Alden Manufacturing produces small kitchen appliances—blenders, hand mixers, and electric skillets—under the brand name First Generation. Alden attempts to target newlyweds and first-time home buyers with this brand.

In considering that most young households have limited financial resources, Alden has attempted to engage in target costing. "In doing this," Milt Alden stated, "we have better control over keeping price right in line with customers."

Alden manufactures a three-speed blender, its top seller, and a five-speed blender. The hand mixers are manufactured in two styles—a small hand-held mixer with two rotating beaters and a similar style that comes with an optional stand and attached mixing bowl. Alden's temperature-controlled skillets are manufactured in one style with three color options.

"Our product offerings are narrower," Milt Alden added, "but our line workers know each product like the back of their hands. This allows us to produce superior products while holding our prices low."

98) Milt Alden says that his line workers "know each product like the back of their hands," and that this knowledge helps the company keep its prices low. This indicates that Alden Manufacturing most likely uses which of the following strategies?
A) cost-plus pricing
B) value-based pricing
C) the experience curve
D) cost-based pricing
E) target profit pricing
Answer: C
Diff: 2 Page Ref: 296
AACSB: Analytic Skills
Skill: Application
Objective: 10-2

99) Milt Alden uses a target costing strategy. Which of the following is he most likely to do in executing this strategy?
A) base his price on competitors' prices
B) use everyday low pricing
C) use a break-even chart to determine pricing
D) start with customer-value considerations
E) start by determining the costs of a new product
Answer: D
Diff: 2 Page Ref: 300
AACSB: Analytic Skills
Skill: Application
Objective: 10-4
100) If Alden raises the price on the handheld mixer by 2 percent and quantity demanded falls by 10 percent what is the price elasticity of demand?
A) —5
B) —8
C) —12
D) 5
E) 12
Answer: A
Diff: 3 Page Ref: 304
AACSB: Analytic Skills
Skill: Application
Objective: 10-4

101) When faced with price competition cutting prices is often not the best answer.
Answer: TRUE
Diff: 2 Page Ref: 293
AACSB: Analytic Skills
Skill: Application
Objective: 10-1

102) Prices have a direct impact on a company's bottom line.
Answer: TRUE
Diff: 1 Page Ref: 290
Skill: Concept
Objective: 10-1

103) Demand and consumer value perceptions set the floor for prices.
Answer: FALSE
Diff: 2 Page Ref: 291
Skill: Concept
Objective: 10-2

104) Product costs set a floor to the price; consumer perceptions of the product's value set the ceiling.
Answer: TRUE
Diff: 2 Page Ref: 291
Skill: Concept
Objective: 10-2

105) Value-based pricing is being used when costs vary directly with the level of product.
Answer: FALSE
Diff: 3 Page Ref: 291
Skill: Concept
Objective: 10-2
106) Value-based pricing uses the company's perception of value.
Answer: FALSE
Diff: 2 Page Ref: 291
Skill: Concept
Objective: 10-2

107) Value-based pricing is the reverse of cost-based pricing.
Answer: TRUE
Diff: 2 Page Ref: 291
Skill: Concept
Objective: 10-2

108) Using value-based pricing, a marketer would not design a product and marketing program before setting the price.
Answer: TRUE
Diff: 3 Page Ref: 291
AACSB: Analytic Skills
Skill: Application
Objective: 10-2

109) EDLP is very similar to high-low pricing.
Answer: TRUE
Diff: 2 Page Ref: 293
Skill: Concept
Objective: 10-2

110) Overhead cost is another term for fixed cost.
Answer: TRUE
Diff: 1 Page Ref: 295
Skill: Concept
Objective: 10-3

111) Cost-based pricing relies on consumer perception of value to drive pricing.
Answer: FALSE
Diff: 2 Page Ref: 295
Skill: Concept
Objective: 10-3

112) Average unit cost increases with accumulated production experience.
Answer: FALSE
Diff: 1 Page Ref: 296
Skill: Concept
Objective: 10-3
113) An upward-sloping experience curve is beneficial for a company.
Answer: FALSE
Diff: 3  Page Ref: 297
Skill: Concept
Objective: 10-3

114) The simplest pricing method is cost-plus pricing, which involves adding a standard markup to the cost of the product.
Answer: TRUE
Diff: 2  Page Ref: 297
Skill: Concept
Objective: 10-3

115) Markup pricing is popular because prices tend to be similar and price competition is thus minimized.
Answer: TRUE
Diff: 2  Page Ref: 298
Skill: Concept
Objective: 10-3

116) Target profit pricing is used when a firm tries to determine the price at which it will break even or make the profit it is seeking.
Answer: TRUE
Diff: 3  Page Ref: 298
Skill: Concept
Objective: 10-3

117) A break-even chart shows the total cost and total revenue expected at various sales volume levels.
Answer: TRUE
Diff: 2  Page Ref: 298
Skill: Concept
Objective: 10-3

118) Environmental elements are categorized as external factors that affect pricing decisions.
Answer: TRUE
Diff: 2  Page Ref: 299
Skill: Concept
Objective: 10-4

119) In a pure monopoly, the market consists of one seller.
Answer: TRUE
Diff: 1  Page Ref: 303
Skill: Concept
Objective: 10-4
120) Nonregulated monopolies always charge the full price because they do not fear attracting competition.
Answer: FALSE
Diff: 2 Page Ref: 303
AACSB: Analytic Skills
Skill: Application
Objective: 10-4

121) Marketers may learn a few simple rules that apply equally to all price-demand relationships.
Answer: FALSE
Diff: 2 Page Ref: 303
AACSB: Analytic Skills
Skill: Application
Objective: 10-4

122) The demand curve shows the number of units the market will buy in a given time period at different prices that might be charged. In normal cases, the higher the price, the lower the demand.
Answer: TRUE
Diff: 1 Page Ref: 303
Skill: Concept
Objective: 10-4

123) If demand changes greatly with price, we say the demand is inelastic.
Answer: FALSE
Diff: 2 Page Ref: 304
Skill: Concept
Objective: 10-4

124) The more elastic the demand, the more it pays for the seller to raise the price.
Answer: FALSE
Diff: 2 Page Ref: 304
AACSB: Analytic Skills
Skill: Application
Objective: 10-4

125) Consumers will base their judgments of a product's value on the prices that competitors charge for similar products.
Answer: TRUE
Diff: 2 Page Ref: 304
Skill: Concept
Objective: 10-4
126) Pricing and price competition account for the number-one problem facing many marketing executives. What are some of the frequent problems that companies encounter?

Answer: The pricing environment changes at a fast pace, and value-seeking customers have put increased pricing pressure on many companies. However, companies are often too quick to reduce prices in order to get a sale rather than convincing buyers that their products are worth a higher price. A company's pricing, in addition, is often too cost-oriented rather than customer-value oriented. Companies have prices that are not revised often enough to reflect market changes. Another common problem is pricing that does not take the rest of the marketing mix into account.

Diff: 2    Page Ref: 289
AACSB: Analytic Skills
Skill: Application
Objective: 10-1

127) Discuss the importance of consumer perceptions of value and costs to setting prices.

Answer: Customer perceptions of value set the upper limit for prices, and costs set the lower limit. However, in setting prices within these limits the company must then consider other internal and external factors. Internal factors affecting pricing include the company's overall marketing strategy, objectives, and marketing mix, as well as other organizational considerations. External factors include the nature of the market and demand, competitors' strategies and prices, and other environmental factors.

Diff: 1    Page Ref: 291
AACSB: Analytic Skills
Skill: Application
Objective: 10-2

128) Explain how break-even analysis can be used for target profit pricing.

Answer: The firm determines the price at which it will break even. The firm can also add the target profit to the fixed costs and then determine the new, "break-even point," which now includes the target profit. Pricing decisions can be made by examining where the total revenue and total cost curves intersect on a break-even chart at different price points and sales volume.

Diff: 2    Page Ref: 298
AACSB: Analytic Skills
Skill: Application
Objective: 10-3

129) Identify and define the internal factors affecting a firm's pricing decisions.

Answer: The pricing strategy is largely determined by the company's target market and positioning objectives. Pricing decisions affect and are affected by product design, distribution, and promotion decisions. Costs set the floor for the company's price, which must cover all the costs of making and selling the product, plus a fair rate of return. In order to coordinate pricing goals and decisions, management must decide who within the organization is responsible for setting price.

Diff: 2    Page Ref: 299
AACSB: Analytic Skills
Skill: Application
Objective: 10-4
130) Compare pure competition with oligopolistic competition.
Answer: Under pure competition, the market consists of many buyers and sellers trading in a uniform commodity. No single buyer or seller has much effect on the going market price. Under oligopolistic competition, the market consists of few sellers who are highly sensitive to each other's pricing and marketing strategies. The product can be uniform or nonuniform. There are few sellers because it is difficult for new sellers to enter the market. Each seller is alert to competitors' strategies and moves.

Diff: 3 Page Ref: 302-303
AACSB: Analytic Skills
Skill: Application
Objective: 10-4

131) Compare oligopolistic competition with a pure monopoly.
Answer: Under oligopolistic competition, the market consists of a few sellers who are highly sensitive to each other's pricing and marketing strategies. There are few sellers because it is difficult for new sellers to enter the market. Under a pure monopoly, the market consists of one seller. Pricing is handled differently in each case. The seller may be a government monopoly, a private nonregulated monopoly, or a private regulated monopoly.

Diff: 3 Page Ref: 302-303
AACSB: Analytic Skills
Skill: Application
Objective: 10-4

132) Describe what a demand curve is and explain how it helps businesses.
Answer: It estimates consumer demand at different prices. In a monopoly, the demand curve shows the total market demand resulting from different prices. If the company faces competition, its demand at different prices will depend on whether competitors' prices stay constant or change with the company's own prices.

Diff: 2 Page Ref: 303
AACSB: Analytic Skills
Skill: Application
Objective: 10-4

133) What does price elasticity reveal about a product?
Answer: Price elasticity is a measure of the sensitivity of demand to changes in price. If demand hardly changes with a small change in price, we say the demand is inelastic. If demand changes greatly, we say the demand is elastic.

Diff: 1 Page Ref: 304
AACSB: Analytic Skills
Skill: Application
Objective: 10-4
134) The company must consider the impact its prices will have on resellers. Identify three ways the company can help resellers.
Answer: The company, first of all, should set prices that give resellers a fair profit. The company should also encourage their support. Finally, the company should help resellers to sell the product effectively.
Diff: 1 Page Ref: 305
AACSB: Analytic Skills
Skill: Application
Objective: 10-4

135) When setting prices, the company must consider its external environment. Describe four parts of the external environment and how they affect businesses.
Answer: Economic conditions affect both the costs of producing a product and consumer perceptions of the product's price and value. The company should encourage and support resellers and help them to sell the product effectively. The government, in the form of local, state, and federal laws, is another important influence on pricing decisions. Social concerns impact pricing, especially when a company's short-term sales, market share, and profit goals may have to be tempered by broader societal considerations.
Diff: 1 Page Ref: 305
AACSB: Analytic Skills
Skill: Application
Objective: 10-4

136) How important is price among the elements of the marketing mix?
Answer: In recent decades, nonprice factors have gained increasing importance. However, price still remains one of the most important elements determining a firm's market share and profitability.
Diff: 2 Page Ref: 290
AACSB: Analytic Skills
Skill: Application
Objective: 10-1

137) Why is price considered to be one of the most flexible elements of the marketing mix?
Answer: Price can be changed quickly.
Diff: 1 Page Ref: 290
AACSB: Analytic Skills
Skill: Application
Objective: 10-1

138) Explain the concept of a price floor.
Answer: A price floor is the lowest price charged at which the company still earns some profits.
Diff: 2 Page Ref: 291
AACSB: Analytic Skills
Skill: Application
Objective: 10-2
139) Explain the concept of a price ceiling.
Answer: A price ceiling is the highest price charged at which there is still some consumer demand.
Diff: 2 Page Ref: 291
AACSB: Analytic Skills
Skill: Application
Objective: 10-2

140) What must a company using value-based pricing find out about its customers?
Answer: They must determine the specific value that individual buyers assign to different competitive offers.
Diff: 3 Page Ref: 292
AACSB: Analytic Skills
Skill: Application
Objective: 10-2

141) Explain good-value pricing.
Answer: With good-value pricing, a marketer offers just the right combination of quality and good service at a fair price.
Diff: 1 Page Ref: 293
AACSB: Analytic Skills
Skill: Application
Objective: 10-2

142) What must a firm do to retain pricing power?
Answer: To retain pricing power, a firm must retain or build the value of its market offering.
Diff: 2 Page Ref: 293
AACSB: Analytic Skills
Skill: Application
Objective: 10-2

143) What costs make up a product's total cost?
Answer: Fixed costs and variable costs make up total cost.
Diff: 1 Page Ref: 296
AACSB: Analytic Skills
Skill: Application
Objective: 10-3

144) Explain the significance of a downward-sloping experience curve.
Answer: Not only will the company's unit production cost fall, but it will fall faster if the company makes and sells more during a given time period.
Diff: 3 Page Ref: 297
AACSB: Analytic Skills
Skill: Application
Objective: 10-3
145) A marketer's fixed costs are $400,000, the variable cost is $16, and they expect the product to sell for $24. What is their break-even point in units?
Answer: The break-even point in units is 50,000 units.
Diff: 3 Page Ref: 298
AACSB: Analytic Skills
Skill: Application
Objective: 10-3

146) A marketer's fixed costs are $400,000, the variable cost is $16, and they expect the product to sell for $24. What is their break-even point in dollar sales?
Answer: The break-even point in dollar sales is $1,200,000.
Diff: 3 Page Ref: 298
AACSB: Analytic Skills
Skill: Application
Objective: 10-3

147) A marketer's fixed costs are $400,000, the variable cost is $16, and they expect their product to sell for $24. If the marketer has sales of $1,440,000, what is their profit on this product?
Answer: The profit is $80,000.
Diff: 3 Page Ref: 298
AACSB: Analytic Skills
Skill: Application
Objective: 10-3

148) Who typically sets prices in small companies? In large companies?
Answer: Top management sets prices in small companies, whereas divisional or product line managers typically set prices in large companies.
Diff: 2 Page Ref: 300
AACSB: Analytic Skills
Skill: Application
Objective: 10-4

149) Explain a pure monopoly.
Answer: The market consists of one seller that dominates the market.
Diff: 2 Page Ref: 303
AACSB: Analytic Skills
Skill: Application
Objective: 10-4

150) If demand is elastic, will sellers consider lowering their prices? Explain.
Answer: Yes. A lower price will produce more needed revenue, as consumers will respond to the change in price and buy more.
Diff: 2 Page Ref: 304
AACSB: Analytic Skills
Skill: Application
Objective: 10-4
Chapter 11 Pricing Strategies

1) A company sets not a single price, but rather a _______ that covers different items in its line that change over time as products move through their life cycles.
   A) pricing by-product
   B) pricing structure
   C) pricing loop
   D) pricing cycle
   E) pricing bundle
   Answer: B
   Diff: 1 Page Ref: 311
   Skill: Concept
   Objective: 11-1

2) Companies facing the challenge of setting prices for the first time can choose between two broad strategies: market-penetration pricing and ________.
   A) market-level pricing
   B) market-competitive pricing
   C) market-skimming pricing
   D) market-price lining
   E) market-price filling
   Answer: C
   Diff: 2 Page Ref: 312
   Skill: Concept
   Objective: 11-1

3) Of the following, which statement would NOT support a market-skimming policy for a new product?
   A) The product's quality and image support its higher price.
   B) Enough buyers want the products at that price.
   C) Competitors are not able to undercut the high price.
   D) Competitors can enter the market easily.
   E) C and D
   Answer: D
   Diff: 3 Page Ref: 312
   Skill: Concept
   Objective: 11-1
4) A firm is using ________ when it charges a high, premium price for a new product with the intention of reducing the price in the future.
A) price skimming
B) trial pricing
C) value pricing
D) market-penetration pricing
E) prestige pricing
Answer: A
Diff: 2  Page Ref: 312
Skill: Concept
Objective: 11-1

5) ________ pricing is the approach of setting a low initial price in order to attract a large number of buyers quickly and win a large market share.
A) Market-skimming
B) Market-penetration
C) Below-market
D) Value-based
E) Leader
Answer: B
Diff: 1  Page Ref: 313
Skill: Concept
Objective: 11-1

6) Accent Software faces the conditions below, all of which support Accent's use of a market-penetration pricing strategy EXCEPT that ________.
A) the market is highly price sensitive
B) production and distribution costs will fall as sales volume increases
C) the product's quality and image support a high price
D) a low price would help keep out the competition
E) A and C
Answer: C
Diff: 3  Page Ref: 313
Skill: Concept
Objective: 11-1
7) Which of the following is a reason that a marketer would choose a penetration pricing strategy?
A) to ensure the company has the ability to increase prices once demand decreases
B) to focus on the rapid achievement of profit objectives
C) to appeal to different consumer segments with different levels of price sensitivity
D) to create markets for highly technical products
E) to discourage competition from entering the market
Answer: E
Diff: 3 Page Ref: 313
Skill: Concept
Objective: 11-1

8) Companies usually develop ________ rather than single products.
A) product families
B) product lines
C) product groupings
D) product brands
E) product images
Answer: B
Diff: 1 Page Ref: 313
Skill: Concept
Objective: 11-2

9) A marketer must be familiar with the five major product mix pricing situations. Which of the following is NOT one of them?
A) product line pricing
B) optional-product pricing
C) captive-product pricing
D) unbundled product pricing
E) by-product pricing
Answer: D
Diff: 3 Page Ref: 313
Skill: Concept
Objective: 11-2

10) A challenge for management in product line pricing is to decide on the price steps between the ________.
A) various products in a line
B) product mixes
C) product groupings
D) product lines
E) various target markets
Answer: A
Diff: 2 Page Ref: 313
Skill: Concept
Objective: 11-2
11) When using price steps, the seller must establish perceived _______ that support the price differences.
A) nonprice competitions  
B) quality differences  
C) quantity levels  
D) images  
E) strategies  
Answer: B
Diff: 2 Page Ref: 314  
AACSB: Communication  
Skill: Concept  
Objective: 11-2

12) Many producers who use captive-product pricing set the price of the main product _______ and set _______ on the supplies necessary to use the product.
A) low; low markups  
B) high; low markups  
C) low; high markups  
D) high; high markups  
E) moderately; moderate markups  
Answer: C
Diff: 2 Page Ref: 314  
Skill: Concept  
Objective: 11-2

13) When amusement parks and movie theaters charge admission plus fees for food and other attractions, they are following a(n) _______ pricing strategy.
A) by-product  
B) optional-product  
C) captive-product  
D) skimming  
E) penetration  
Answer: C
Diff: 2 Page Ref: 315  
Skill: Concept  
Objective: 11-2
14) HiPoint Telephone Company uses two-part pricing for its long-distance call charges. Because this is a service, the price is broken into a fixed rate plus a ________.  
A) fixed rate usage  
B) variable usage rate  
C) standard usage rate  
D) market usage rate  
E) none of the above  
Answer: B  
Diff: 1 Page Ref: 315  
Skill: Concept  
Objective: 11-2  

15) Companies involved in deciding which items to include in the base price and which to offer as options are engaged in ________ pricing.  
A) product bundle  
B) optional-product  
C) captive-product  
D) by-product  
E) skimming  
Answer: B  
Diff: 1 Page Ref: 314  
Skill: Concept  
Objective: 11-2  

16) Keeping in mind that a seller must sell by-products at a price that covers more than the cost of storing and delivering them, which of the following will by-product pricing permit a seller to do?  
A) increase the main product's price  
B) make extra profit  
C) reduce the main product's price  
D) none of the above  
E) B and C  
Answer: E  
Diff: 3 Page Ref: 315  
Skill: Concept  
Objective: 11-2
17) With product bundle pricing, sellers can combine several products and offer the bundle ________.
   A) as a working unit
   B) at a reduced price
   C) as a complete self-service package
   D) as a reward to loyal customers
   E) as segmented pricing
   Answer: B
   Diff: 1       Page Ref: 315
   Skill: Concept
   Objective: 11-2

18) What is a major advantage of product bundle pricing?
   A) It can promote the sales of products consumers might not otherwise buy.
   B) It offers consumers more value for the money.
   C) It combines the benefits of the other pricing strategies.
   D) It provides a more complete product experience for consumers.
   E) All of the above.
   Answer: A
   Diff: 2       Page Ref: 315
   Skill: Concept
   Objective: 11-2

19) Which of the following is NOT a price adjustment strategy?
   A) segmented pricing
   B) promotional pricing
   C) free samples
   D) geographical pricing
   E) seasonal pricing
   Answer: C
   Diff: 2       Page Ref: 315
   Skill: Concept
   Objective: 11-3

20) Service Industries, Inc., plans to offer a price-adjustment strategy in the near future. They could consider each of the following EXCEPT ________.
   A) discount and allowance pricing
   B) segmented pricing
   C) physiological pricing
   D) promotional pricing
   E) location pricing
   Answer: C
   Diff: 2       Page Ref: 315
   Skill: Concept
   Objective: 11-3
21) A quantity discount is a price reduction to buyers who purchase ________.
A) frequently
B) large volumes
C) close outs
D) inferior merchandise
E) superior merchandise
Answer: B
Diff: 2 Page Ref: 316
Skill: Concept
Objective: 11-3

22) Trade or functional discounts are offered by manufacturers to which of the following?
A) channel members who perform tasks that the manufacturer would otherwise have to perform
B) consumers who earn a price reduction for buying in bulk
C) intermediaries such as financing institutions as a cost of doing business with them
D) manufacturers that agree to exclusive distribution contracts
E) the government market and other organizations that require bid proposals
Answer: A
Diff: 3 Page Ref: 316
Skill: Concept
Objective: 11-3

23) Which of the following is an example of a cash discount?
A) 2/10, net 30
B) $5.00 with a two-pack
C) a free case when you buy 12
D) when you pay cash and take the product with you
E) none of the above
Answer: A
Diff: 3 Page Ref: 316
Skill: Concept
Objective: 11-3

24) When General Motors provides payments or price reductions to its new car dealers as rewards for participating in advertising and sales support programs, it is granting a(n) ________. 
A) trade discount
B) functional discount
C) allowance
D) promotional allowance
E) trade credit
Answer: D
Diff: 1 Page Ref: 316
Skill: Concept
Objective: 11-3
25) Quantity discounts provide an incentive to the customer to buy ________.  
A) more products or services from a variety of sellers  
B) less from another competitor  
C) more from one given seller, rather than from many different sources  
D) more than he or she needs  
E) bundled merchandise  
Answer: C  
Diff: 2 Page Ref: 316  
Skill: Concept  
Objective: 11-3

26) By definition, this type of pricing is used when a firm sells a product or service at two or more prices, even though the difference in price is not based on differences in cost.  
A) segmented pricing  
B) variable pricing  
C) flexible pricing  
D) cost-plus pricing  
E) reference pricing  
Answer: A  
Diff: 2 Page Ref: 316  
Skill: Concept  
Objective: 11-2

27) When a firm varies its price by the season, month, day, or even hour, it is using ________ pricing.  
A) revenue management  
B) penetration  
C) variable  
D) time  
E) value-added  
Answer: D  
Diff: 1 Page Ref: 316  
Skill: Concept  
Objective: 11-3

28) Airlines, hotels, and restaurants call segmented pricing ________.  
A) time pricing  
B) yield management  
C) location pricing  
D) segmented  
E) service pricing  
Answer: B  
Diff: 2 Page Ref: 317  
Skill: Concept  
Objective: 11-3
29) Which of the following conditions should exist for segmented pricing to be an effective strategy?
A) The market must be able to be segmented.
B) The segments must show different degrees of demand.
C) Competitors can't undersell in the segment being charged the higher price.
D) All of the above.
E) None of the above.
Answer:  D
Diff: 2   Page Ref: 317
Skill:  Concept
Objective:  11-3

30) Consumers usually perceive higher-priced products as ________.
A) not within reach of most people
B) having a higher quality
C) having high profit margins
D) popular brands
E) being in the introductory stage of the product life cycle
Answer:  B
Diff: 2   Page Ref: 317
Skill:  Concept
Objective:  11-3

31) Consumer use price less to judge the quality of a product when they ________.
A) lack information
B) lack skills to use the product
C) have experience with the product
D) are shopping for a specialty item
E) cannot physically examine the product
Answer:  C
Diff: 2   Page Ref: 317
Skill:  Concept
Objective:  11-3

32) Michael and John both own leather jackets and are currently shopping for two new ones. They both have prices in mind and refer to them when shopping. These prices are termed ________.
A) psychological prices
B) reference prices
C) comparison prices
D) price points
E) skimmed prices
Answer:  B
Diff: 2   Page Ref: 319
Skill:  Concept
Objective:  11-3
33) Which of the following refers to the prices that a buyer carries in his or her mind and refers to when looking at a given product?
A) target prices
B) reference prices
C) promotional prices
D) geographical prices
E) dynamic prices
Answer: B
Diff: 1 Page Ref: 319
Skill: Concept
Objective: 11-3

34) When consumers cannot judge quality because they lack the information or skill, price becomes ________.
A) less important
B) insignificant
C) an important quality signal
D) the only driver of the purchase
E) none of the above
Answer: C
Diff: 2 Page Ref: 317
Skill: Concept
Objective: 11-3

35) All of the following are typical ways a reference price might be formed in a buyer's mind EXCEPT ________.
A) noting current prices
B) remembering past prices
C) assessing the buying situation
D) comparing it to a new product
E) influences from sellers
Answer: D
Diff: 2 Page Ref: 319
Skill: Concept
Objective: 11-3

36) What type of pricing is being used when a company temporarily prices its product below the list price or even below cost to create buying excitement and urgency?
A) segmented pricing
B) psychological pricing
C) referent pricing
D) promotional pricing
E) dynamic pricing
Answer: D
Diff: 1 Page Ref: 320
Skill: Concept
Objective: 11-3
37) Promotional pricing can have all of the following adverse effects EXCEPT _______.
A) creating deal-prone customers
B) eroding the brand’s value in the eyes of customers
C) giving pricing secrets away to competitors
D) becoming addicting to both the customer and business
E) instigating industry price wars
Answer: C
Diff: 2  Page Ref: 320
Skill: Concept
Objective: 11-3

38) The most likely effect of the frequent use of promotional pricing is an industry _______.
A) expansion
B) price war
C) erosion
D) cooperation
E) imbalance
Answer: B
Diff: 2  Page Ref: 320
Skill: Concept
Objective: 11-3

39) When customers buy products from manufacturers’ dealers within a specified time period, the manufacturer sends the customer a check called a _______.
A) cash rebate
B) discount
C) dealer reduction
D) promotional pricing reward
E) discount allowance
Answer: A
Diff: 2  Page Ref: 320
Skill: Concept
Objective: 11-3

40) Durango China Company charges all customers within a given geographical area a single total price. The more distant the area, the higher the price. This is _______.
A) freight-absorption pricing
B) zone pricing
C) uniform-delivered pricing
D) FOB-origin pricing
E) bulk rate pricing
Answer: B
Diff: 2  Page Ref: 321
Skill: Concept
Objective: 11-3
41) Under which type of geographic pricing strategy does each customer pay the exact freight for the product from the factory to its destination?
A) zone pricing  
B) basing-point pricing  
C) uniform-delivered pricing  
D) FOB-origin pricing  
E) dynamic pricing  
Answer: D  
Diff: 2  Page Ref: 321  
Skill: Concept  
Objective: 11-3

42) Using this pricing strategy, the seller takes responsibility for part or all of the actual freight charges in order to get the desired business.
A) FOB-origin  
B) freight-absorption  
C) basing-point  
D) loss leader  
E) zone pricing  
Answer: B  
Diff: 1  Page Ref: 321  
Skill: Concept  
Objective: 11-3

43) Which of the following is the opposite of FOB-origin pricing?
A) basing-point pricing  
B) freight-absorption pricing  
C) uniform-delivered pricing  
D) freight-absorption pricing  
E) zone pricing  
Answer: C  
Diff: 3  Page Ref: 321  
Skill: Concept  
Objective: 11-3

44) Freight-absorption pricing is used for _______ and _______.
A) market penetration; higher profit margins  
B) holding on to increasingly competitive markets; higher profit margins  
C) market penetration; holding on to increasingly competitive markets  
D) generating temporary higher profits; discouraging competitors  
E) services; installations  
Answer: C  
Diff: 3  Page Ref: 321  
Skill: Concept  
Objective: 11-3
45) When a company charges the same rate to ship a product anywhere in the United States, it is using which form of geographic pricing?
A) F.O.B. delivered
B) F.O.B. factory
C) F.O.B. origin
D) uniform delivered
E) basing-point
Answer: D
Diff: 1 Page Ref: 321
Skill: Concept
Objective: 11-3

46) The Internet offers ________, where the price can easily be adjusted to meet changes in demand.
A) captive pricing
B) dynamic pricing
C) basing-point pricing
D) price bundling
E) cost-plus pricing
Answer: B
Diff: 2 Page Ref: 322
AACSB: Use of IT
Skill: Concept
Objective: 11-3

47) Some companies are reversing the fixed pricing trend and using ________.
A) captive pricing
B) segmented pricing
C) promotional pricing
D) dynamic pricing
E) geographical pricing
Answer: D
Diff: 2 Page Ref: 322
Skill: Concept
Objective: 11-3

48) When pricing internationally, most companies adjust their prices to reflect ________.
A) local market conditions
B) cost considerations
C) local laws and regulations
D) exchange-rate fluctuations
E) all of the above
Answer: E
Diff: 2 Page Ref: 323
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 11-3
49) Most companies that conduct international business ________ to ________.
A) adjust their prices; take local market conditions into consideration
B) use promotional pricing; create excitement in new markets
C) use geographical pricing; reduce delivery costs
D) set a uniform price; maintain a consistent product image
E) initiate price cuts; compensate for import tariffs and taxes
Answer: A
Diff: 2 Page Ref: 323
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 11-3

50) Price escalation in international markets may result from differences in market conditions or ________.
A) cultural preferences
B) selling strategies
C) regional tastes
D) customer perceptions
E) language barriers
Answer: B
Diff: 2 Page Ref: 323
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 11-4

51) Which of the following is LEAST likely to cause price escalation in foreign markets?
A) the additional costs of product modifications
B) the additional costs of shipping and insurance
C) the additional costs of import tariffs and taxes
D) the additional costs of improving a country's infrastructure
E) exchange rate fluctuations
Answer: D
Diff: 2 Page Ref: 323
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 11-3
52) Price escalation in international markets may result from four of these five marketing conditions. Which one will have the LEAST effect?
A) the additional cost of physical distribution
B) exchange-rate fluctuations
C) market stability
D) higher costs of selling
E) language barriers
Answer: E
Diff: 2 Page Ref: 323
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 11-3

53) There are many reasons why a firm might consider cutting its price. All of the following are among them EXCEPT ________.
A) excess capacity
B) falling demand in the face of strong price competition
C) a drive to dominate the market through lower costs
D) monopolistic competition
E) a drive to gain market share and cut costs through volume
Answer: D
Diff: 2 Page Ref: 324
Skill: Concept
Objective: 11-4

54) Which of the following is a reason for a company to raise its prices?
A) to address the issue of over demand for a product
B) to win a larger share of the market
C) to use excess capacity
D) to boost sales volume
E) to balance out decreasing costs
Answer: A
Diff: 1 Page Ref: 324
Skill: Concept
Objective: 11-4

55) Which of the following is a major factor that influence price increases?
A) cost inflation
B) surplus of raw materials
C) government intervention
D) foreign competition
E) B and C
Answer: A
Diff: 2 Page Ref: 324
Skill: Concept
Objective: 11-4
56) Competitors are most likely to react to a price change when _______.
A) the number of firms involved is small
B) the purchase is uniform
C) the buyers are not well informed
D) A and B
E) all of the above
Answer: D
Diff: 2 Page Ref: 325
Skill: Concept
Objective: 11-4

57) A competitor is likely to interpret your firm's decision to cut prices in many ways, including all of the following EXCEPT as _______.
A) an attempt to take more market share
B) an effort it to use excess capacity
C) a personal decision due to management's personality
D) an attempt to cut prices industry-wide
E) A and D
Answer: C
Diff: 2 Page Ref: 326
Skill: Concept
Objective: 11-4

58) When a competitor cuts its price, a company is most likely to decide to _______ if it believes it will not lose much market share or would lose too much profit by cutting its own price.
A) reduce its production costs
B) reduce its marketing costs
C) maintain its current prices and profit margin
D) increase its marketing budget to raise the perceived value of the product
E) increase its production costs to improve the quality of the product
Answer: C
Diff: 2 Page Ref: 326
Skill: Concept
Objective: 11-4
59) When faced with a competitor who has cut its product's price, which of the following is typically the most efficient way for a company to maintain its own price but raise the perceived value of its offer?
A) improving the quality of the product
B) introducing a higher-priced premium brand
C) altering the company's marketing communications
D) bundling the offer with add-ons
E) distributing the product through less costly channels
Answer: C
Diff: 3 Page Ref: 326
Skill: Concept
Objective: 11-4

60) Which of the following is NOT an effective action that a company can take to combat a competitor's price cut on a product?
A) reduce price
B) raise perceived value
C) improve quality and increase price
D) bundle products together
E) launch a low-price "fighting brand"
Answer: D
Diff: 2 Page Ref: 326
Skill: Concept
Objective: 11-4

61) When a firm improves the quality and increases the price of a product in reaction to a competitor making a price reduction, the firm in essence is ________.
A) moving its brand into a less competitive position
B) adversely positioning its product
C) moving its brand into a higher price-value position
D) creating a "fighting brand"
E) changing its target market
Answer: C
Diff: 3 Page Ref: 327
Skill: Concept
Objective: 11-4
62) A company would most likely consider launching a low-price "fighting brand" in response to a competitor reducing prices if ________.
A) the market segment being lost is price sensitive
B) the market segment being lost is not price sensitive
C) the market segment being lost responds to arguments of higher quality
D) the market segment being lost no longer demands the product
E) the market segment being lost has shifted culturally
Answer: A
Diff: 2 Page Ref: 327
Skill: Concept
Objective: 11-4

63) Price-fixing, predatory pricing, retail price maintenance, and deceptive pricing are examples of ________.
A) common pricing policies
B) major public policy issues in pricing
C) common pricing strategies
D) pricing policies used mostly in the wholesale sector
E) pricing used mostly in the retail sector
Answer: B
Diff: 1 Page Ref: 327
AACSB: Ethical Reasoning
Skill: Concept
Objective: 11-4

64) The Sherman, Clayton, and Robinson-Patman Acts are all federal laws that were enacted to curb the formation of ________.
A) monopolies
B) oligopolies
C) competitive markets
D) international markets
E) limited partnerships
Answer: A
Diff: 2 Page Ref: 327
AACSB: Ethical Reasoning
Skill: Concept
Objective: 11-4
65) When sellers set prices after talking to competitors and engaging in collusion, they are involved in ________.
A) predatory pricing  
B) discriminatory pricing  
C) price-fixing  
D) skimming pricing  
E) penetration pricing  
Answer: C
Diff: 2   Page Ref: 328
AACSB: Ethical Reasoning  
Skill: Concept  
Objective: 11-4

66) Federal legislation on price-fixing requires that sellers set their prices ________.
A) based on their fixed and variable costs  
B) without communication from competitors  
C) to achieve a specific profit margin  
D) without the intention of cutting into competitors' profits  
E) consistently throughout a region  
Answer: B
Diff: 2   Page Ref: 328
AACSB: Ethical Reasoning  
Skill: Concept  
Objective: 11-4

67) If a large retailer sold numerous items below cost with the intention of punishing small competitors and gaining higher long-run profits by putting them out of business, the retailer would be guilty of ________.
A) price collusion  
B) price-fixing  
C) predatory pricing  
D) discriminatory pricing  
E) penetration pricing  
Answer: C
Diff: 2   Page Ref: 328-329
AACSB: Ethical Reasoning  
Skill: Concept  
Objective: 11-4
68) Which of the following would most likely be considered predatory pricing?
A) pricing below cost to get rid of a surplus
B) pricing below cost to drive out competitors
C) pricing below cost in order to entice customers to your store
D) offering a suggested retail price on the manufacturer's package
E) both B and C if the intent is to somehow harm competition
Answer: E
Diff: 3 Page Ref: 328
AACSB: Ethical Reasoning
Skill: Concept
Objective: 11-4

69) The Robinson-Patman Act seeks to prevent unfair _________ by ensuring that sellers offer the same price terms to customers at a given price level.
A) marketing
B) price discrimination
C) competition
D) price collusion
E) treatment of small retailers
Answer: B
Diff: 2 Page Ref: 330
AACSB: Ethical Reasoning
Skill: Concept
Objective: 11-4

70) Price discrimination is legal under which of the following conditions?
A) when a manufacturer and reseller have agreed upon a specified retail price for a product
B) when a manufacturer sells to retailers in different markets
C) when a seller can prove its costs are different when selling to different retailers
D) when a seller advertises prices that are not actually available to consumers
E) when a seller has not communicated with competitors before announcing prices
Answer: C
Diff: 3 Page Ref: 330
AACSB: Ethical Reasoning
Skill: Concept
Objective: 11-4
71) Price discrimination may be used to match competition as long as the strategy is temporary, localized, and ________.
A) defensive
B) offensive
C) published
D) private
E) used in all channels
Answer: A
Diff: 3    Page Ref: 330
AACSB: Ethical Reasoning
Skill: Concept
Objective: 11-4

72) Mark's Markers, a manufacturer of color markers, has required its dealers to charge a specified retail price for its markers. Mark's is most likely guilty of ________.
A) price-fixing
B) retail price maintenance
C) price discrimination
D) price collusion
E) unfair price skimming
Answer: B
Diff: 2    Page Ref: 330
AACSB: Ethical Reasoning
Skill: Concept
Objective: 11-4

73) ________ results when a company uses pricing methods that make it difficult for consumers to understand just what price they are really paying.
A) Scanner fraud
B) Skimming pricing
C) Price confusion
D) Predatory pricing
E) Price collusion
Answer: C
Diff: 2    Page Ref: 330
AACSB: Ethical Reasoning
Skill: Concept
Objective: 11-4
74) Failure to enter the current price into a retailer's system may result in charges of ________.
A) predatory pricing
B) scanner fraud
C) retail maintenance pricing
D) discriminatory pricing
E) price-fixing
Answer: B
Diff: 2 Page Ref: 330
AACSB: Use of IT
Skill: Concept
Objective: 11-4

75) Comparison pricing claims are legal if they are truthful. However, sellers should not advertise a price reduction unless ________.
A) it is a saving from the usual retail price
B) a "factory" price, if listed, is what it is claimed to be
C) a "wholesale" price, if listed, is what it is claimed to be
D) "comparable value items" are not actually imperfect goods
E) all of the above
Answer: E
Diff: 1 Page Ref: 330
AACSB: Ethical Reasoning
Skill: Concept
Objective: 11-4

76) Valeo Fashions has just introduced a new line of fashion dresses for teens. They will initially enter the market at high prices in a ________ pricing strategy.
A) market-penetration
B) market-skimming
C) competitive market
D) psychological
E) demographic
Answer: B
Diff: 2 Page Ref: 312
AACSB: Reflective Thinking
Skill: Application
Objective: 11-1
77) Market-skimming pricing would likely be most effective in selling ________.
A) any convenience item
B) an electronic device for which research and development must be recouped
C) shampoo and bath soap
D) anything easily copied by competitors
E) most items at EDLP retailers such as Wal-Mart
Answer: B
Diff: 3 Page Ref: 312
AACSB: Analytic Skills
Skill: Application
Objective: 11-1

78) Among the following, a market-penetration strategy will likely be most effective with ________.
A) pharmaceuticals
B) an electronic device for which R&D must be recouped
C) convenience items for which there is much competition
D) any specialty item
E) none of the above
Answer: C
Diff: 3 Page Ref: 313
AACSB: Analytic Skills
Skill: Application
Objective: 11-1

79) When Pepsi came out with Pepsi Blue and priced it at half price to attract buyers they were using, Pepsi was using ________.
A) market-skimming pricing
B) market-penetration pricing
C) new-product pricing
D) discount pricing
E) value-added pricing
Answer: B
Diff: 2 Page Ref: 313
AACSB: Reflective Thinking
Skill: Application
Objective: 11-1
80) Johnson Boats wants to introduce a new model of boat into mature markets in highly developed countries with the goal of quickly gaining mass-market share. As a consultant, you should recommend a ________ pricing strategy.
A) market-skimming
B) market-penetration
C) zone
D) loss-leader
E) captive-product
Answer: B
Diff: 2 Page Ref: 313
AACSB: Reflective Thinking
Skill: Application
Objective: 11-1

81) When Circuit Town Electronics sets its televisions at three price levels of $699, $899, and $1,099, it is using ________.
A) product line pricing
B) market-skimming pricing
C) market-penetration pricing
D) break-even pricing
E) target profit pricing
Answer: A
Diff: 1 Page Ref: 314
AACSB: Reflective Thinking
Skill: Application
Objective: 11-2

82) When Polaroid set the general price range of its cameras low and the markup on its film high, it was practicing ________.
A) market-penetration pricing
B) market-skimming pricing
C) product line pricing
D) captive-product pricing
E) price bundling
Answer: D
Diff: 2 Page Ref: 314
AACSB: Reflective Thinking
Skill: Application
Objective: 11-2
83) When product managers at Schwinn make decisions about which types of bicycle seats, handle bars, and saddlebags to offer customers on their bikes, they are engaged in ________.
A) product line pricing  
B) optional-product pricing  
C) captive-product pricing  
D) by-product pricing  
E) value-based pricing  
Answer: B  
Diff: 1  Page Ref: 314  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 11-2

84) Mach 3 razor blades must be used in the Mach 3 razor. Which type of pricing is most likely used?
A) product line pricing  
B) optional-product pricing  
C) captive-product pricing  
D) by-product pricing  
E) product bundle pricing  
Answer: C  
Diff: 2  Page Ref: 314  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 11-2

85) The fact that a hot dog cost five times more at Disneyland than at Sam's Club is an example of ________.
A) allowance pricing  
B) captive-product pricing  
C) penetration pricing  
D) segmented pricing  
E) promotional pricing  
Answer: B  
Diff: 2  Page Ref: 314  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 11-2
86) A manufacturer offers 3/10, net 30, terms to a wholesaler for a recent purchase. The wholesaler may deduct ________ percent if the bill is paid within ________ days.
A) 10; 30
B) 10; 3
C) 3; 30
D) 3; 10
E) 7; 10
Answer: D
Diff: 3 Page Ref: 316
AACSB: Analytic Skills
Skill: Application
Objective: 11-3

87) When Whallans Gift Card Shop offers a price reduction to customers who buy Christmas cards the week after Christmas, Whallans is giving a(n) ________ discount.
A) functional
B) seasonal
C) annual
D) allowance
E) credit
Answer: B
Diff: 1 Page Ref: 316
AACSB: Reflective Thinking
Skill: Application
Objective: 11-3

88) The New Age Gallery has three admission prices for students, adults, and seniors. All three groups are entitled to the same services. This form of pricing is called ________.
A) time pricing
B) location pricing
C) customer-segmented pricing
D) revenue management pricing
E) generational pricing
Answer: C
Diff: 2 Page Ref: 316
AACSB: Reflective Thinking
Skill: Application
Objective: 11-3
89) Brown Baby Tanning Salon offers weekly tanning sessions for $15 and season passes with unlimited tanning for $150. Brown Baby Tanning Salon is offering ________ pricing.
A) by-product
B) captive-product
C) product bundling
D) discount
E) psychographic
Answer: D
Diff: 2       Page Ref: 316
AACSB: Analytic Skills
Skill: Application
Objective: 11-3

90) Lancaster Recycling has a history of problems with customers who do not pay their bills on time. Lancaster Recycling wants to improve its cash situation, reduce bad debts, and reduce credit-collection costs. The company might consider which of the following forms of pricing?
A) by-product
B) inflation-adjusted
C) cash discounts
D) captive-product
E) penetration
Answer: C
Diff: 3       Page Ref: 316
AACSB: Reflective Thinking
Skill: Application
Objective: 11-3

91) Secret Sneaker will give anyone $10 for their old sneakers, regardless of condition, when purchasing a new pair of sneakers. The end result is essentially reducing the price of the new sneakers by $10. What is this type of price adjustment called?
A) functional discount
B) captive-product
C) seasonal discount
D) trade-in allowance
E) by-product
Answer: D
Diff: 1       Page Ref: 316
AACSB: Reflective Thinking
Skill: Application
Objective: 11-3
92) Bose prices its most expensive noise reduction earphones at $399.95, which is a full $100.00 more than its next most expensive earphones. It costs Bose only a few dollars more to make the most expensive earphones. Bose is using _______ pricing.
A) customer-segment
B) product-form
C) skimming
D) penetration
E) captive-product
Answer: B
Diff: 3 Page Ref: 316
AACSB: Reflective Thinking
Skill: Application
Objective: 11-3

93) The Chicago Bears organization charges different prices for seats in different areas of the Soldier Field, even though the costs are the same. This form of pricing is called ________.
A) location pricing
B) skimming pricing
C) product form pricing
D) flexible pricing
E) penetration pricing
Answer: A
Diff: 2 Page Ref: 316
AACSB: Reflective Thinking
Skill: Application
Objective: 11-3

94) Manor Cinemas has announced that seniors over 60 years of age can enter the theater for free prior to 4:00 p.m. when accompanied by a paying customer. This is an example of ________.
A) promotional pricing
B) discounts and allowances
C) by-product pricing
D) product bundle pricing
E) none of the above
Answer: A
Diff: 2 Page Ref: 320
AACSB: Reflective Thinking
Skill: Application
Objective: 11-3
95) The JC Whitney Company of Chicago offers replacement parts for older Volkswagen Beetles. Parts are often shipped from other locations throughout the United States. However, the company charges for shipping as if every part was shipped from their Chicago headquarters. The company practices ________.
A) FOB-origin pricing  
B) uniform-delivered pricing  
C) zone pricing  
D) basing-point pricing  
E) none of the above  
Answer: D  
Diff: 2  
Page Ref: 321  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 11-3

96) If Northwest Awnings charges the same price for delivery of their product to any customer that is located within the Great Lakes states, the company is using ________.
A) psychological pricing  
B) promotional pricing  
C) reference pricing  
D) zone pricing  
E) uniform-delivered pricing  
Answer: D  
Diff: 3  
Page Ref: 321  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 11-3

97) Big Mike's Health Food Store sells nutritional energy-producing foods. The price of the products sold varies according to individual customer accounts and situations. For example, long-time customers receive discounts. This strategy is an example of ________.
A) price elasticity  
B) cost-plus pricing  
C) dynamic pricing  
D) value pricing  
E) penetration pricing  
Answer: C  
Diff: 3  
Page Ref: 322  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 11-3
98) Savings for You, a discount retail chain, is highly competitive. When entering a new market, Savings for You often cuts prices so deeply that it sells below costs, effectively pushing smaller companies with less purchasing power out of the market. Savings for You is most at risk of being accused of ________.
A) market skimming
B) price-fixing
C) deceptive pricing
D) price confusion
E) predatory pricing
Answer: E
Diff: 2 Page Ref: 328
AACSB: Reflective Thinking
Skill: Application
Objective: 11-3

Refer to the scenario below to answer the following questions.

Quills, Inc., is a manufacturer of ballpoint pens, pencils, and stationery. The firm's primary distribution strategy is to sell in large volumes to office supply stores and large discount chains. Charles Powell, CEO of Quills, had hoped to manufacture and sell in large enough quantities that prices could be held low. However, in the first several months, the firm experimented with the price portion of its marketing mix in an effort to cater to a number of markets.

99) Why might have Charles Powell have avoided using market-skimming pricing at Quills?
A) A high price was likely to produce more market growth.
B) It was difficult for competitors to enter the market.
C) The costs of producing a larger volume of the firm's products were too high.
D) The quality and image of the products would not have likely supported the high initial price.
E) The market for the products was not highly price sensitive.
Answer: D
Diff: 2 Page Ref: 312
AACSB: Reflective Thinking
Skill: Application
Objective: 11-1

100) By offering a set of pens packaged with stationery and matching envelopes, Quills is using ________.
A) optional product pricing
B) product bundle pricing
C) by-product pricing
D) dynamic pricing
E) price-fixing
Answer: B
Diff: 2 Page Ref: 315
AACSB: Reflective Thinking
Skill: Application
Objective: 11-2
101) Pricing strategies tend to change and evolve as the average product passes through its life cycle.
Answer: TRUE
Diff: 1 Page Ref: 312
Skill: Concept
Objective: 11-1

102) When Murphy's Candies sets a low initial price in order to get its "foot in the door" and quickly attract a large number of buyers, the company is practicing market-skimming pricing.
Answer: FALSE
Diff: 2 Page Ref: 312
AACSB: Reflective Thinking
Skill: Concept
Objective: 11-1

103) Market-skimming is a more popular strategy for pricing new products, while market-penetration is a more popular strategy for pricing products that are more advanced in the product life cycle.
Answer: FALSE
Diff: 3 Page Ref: 312-313
Skill: Concept
Objective: 11-1

104) Pricing is often difficult because various products have related demand and costs, and they face different degrees of competition.
Answer: TRUE
Diff: 1 Page Ref: 313
Skill: Concept
Objective: 11-2

105) Water Light Fishing Boats is like most companies. They commercialize their new product ideas one at a time rather than developing a product line.
Answer: FALSE
Diff: 2 Page Ref: 313
Skill: Concept
Objective: 11-2

106) Just Hats prices its various types of caps at ten different price levels, ranging from $2.00 to $4.95. This is an illustration of price steps.
Answer: TRUE
Diff: 1 Page Ref: 314
AACSB: Reflective Thinking
Skill: Application
Objective: 11-2
107) When Johnny On the Spot, a house mover, sells boxes and pads that must be used in moving a household's furniture, the company is practicing by-product pricing.
Answer: FALSE
Diff: 2 Page Ref: 315
AACSB: Reflective Thinking
Skill: Application
Objective: 11-2

108) Some industries commonly use two-part pricing, breaking the price down into a fixed fee and a fixed usage rate.
Answer: FALSE
Diff: 3 Page Ref: 315
Skill: Concept
Objective: 11-2

109) When a manufacturer seeks a market for by-products and accepts a price that covers more than the cost of storing and delivering those by-products, the manufacturer is able to reduce the main product's price to make it more competitive.
Answer: TRUE
Diff: 2 Page Ref: 315
AACSB: Analytic Skills
Skill: Application
Objective: 11-2

110) When using product bundle pricing, sellers combine several of their products and offer the bundle at an increased price for increased profit.
Answer: FALSE
Diff: 1 Page Ref: 315
Skill: Concept
Objective: 11-2

111) Most companies adjust their basic prices to account for various customer differences and changing situations.
Answer: TRUE
Diff: 2 Page Ref: 315
Skill: Concept
Objective: 11-3

112) A seasonal discount is a price reduction to buyers who buy merchandise or services while they are in season.
Answer: FALSE
Diff: 2 Page Ref: 316
Skill: Concept
Objective: 11-3
113) Manufacturers may offer functional discounts within trade channels for channel members who store inventory.
Answer: TRUE
Diff: 3 Page Ref: 316
Skill: Concept
Objective: 11-3

114) The basic difference between customer-segment pricing and product-form pricing is that the latter offers alternative versions of the product that are priced differently but not according to differences in their costs.
Answer: TRUE
Diff: 3 Page Ref: 316
AACSB: Analytic Skills
Skill: Application
Objective: 11-3

115) Segmented pricing is known by other names; two of the most common are revenue management and yield management.
Answer: TRUE
Diff: 2 Page Ref: 317
Skill: Concept
Objective: 11-3

116) When consumers cannot judge the quality of a product because they lack information or skill, they are likely to perceive a higher-priced product as having higher quality.
Answer: TRUE
Diff: 2 Page Ref: 317
Skill: Concept
Objective: 11-3

117) The frequent use of promotional pricing can lead to industry price wars.
Answer: TRUE
Diff: 2 Page Ref: 320
Skill: Concept
Objective: 11-3

118) Used too frequently, promotional pricing can have the negative effect of decreasing the brand's value in the eyes of customers.
Answer: TRUE
Diff: 2 Page Ref: 320
Skill: Concept
Objective: 11-3
119) The FOB-origin pricing strategy means that the goods sold are placed free on board a carrier. At that point the title and responsibility pass to the customer, who pays the freight from the factory to the destination.
Answer: TRUE
Diff: 3 Page Ref: 321
Skill: Concept
Objective: 11-3

120) Zone pricing involves the customer paying for the shipping if they live outside the zone where the company is located.
Answer: FALSE
Diff: 2 Page Ref: 321
Skill: Concept
Objective: 11-3

121) Fixed price policies—one price for all buyers—is a relatively modern idea that arose at the end of the nineteenth century.
Answer: TRUE
Diff: 2 Page Ref: 322
Skill: Concept
Objective: 11-3

122) A company considering a price change should be more concerned about consumers' reactions than competitors' reactions.
Answer: FALSE
Diff: 3 Page Ref: 325
Skill: Concept
Objective: 11-4

123) Your company may respond to a competitor's price reduction by launching a low-price fighting brand. This is likely necessary if the particular market segment being lost is price sensitive and will not respond to arguments of higher quality.
Answer: TRUE
Diff: 3 Page Ref: 327
Skill: Concept
Objective: 11-4

124) State and federal governments accept some reasons for price-fixing when it does not limit competition.
Answer: FALSE
Diff: 2 Page Ref: 328
AACSB: Ethical Reasoning
Skill: Concept
Objective: 11-4
125) When Redman's Variety raised their store prices 40 percent and then ran a 20 percent off sale, Redman's was guilty of deceptive pricing.
Answer: TRUE
Diff: 2 Page Ref: 330
AACSB: Ethical Reasoning
Skill: Application
Objective: 11-4

126) Companies bringing out a new product can choose between two broad strategies: market-skimming pricing and market-penetration pricing. Distinguish between the two.
Answer: Market skimming is used to skim revenues layer by layer from the market by entering the market with high initial prices. The product's quality and image must support its higher price, and enough buyers must want the product at that price. The costs of producing a smaller volume cannot be so high that they cancel the advantage of charging more. Competitors should not be able to enter the market easily and undercut the high price. Market penetration is used to penetrate the market quickly and deeply to attract a large number of buyers quickly and win a large market share by setting a low price initially when it enters the market. The market must be highly price sensitive so that a low price produces more market growth. Production and distribution costs must fall as sales volume increases. Also, the low price must help keep out competition and be maintained over time.
Diff: 2 Page Ref: 312-313
AACSB: Analytic Skills
Skill: Application
Objective: 11-1

127) Sensenig Propeller manufactures replica antique wooden airplane propellers. In the process of producing these products they generate a great deal of scrap hardwood. Which pricing mix strategy should they use, and how does it function?
Answer: Using by-product pricing, Sensenig will seek a market for the hardwood or by-products and should accept any price that covers more than the cost of storing and delivering the by-products. This practice allows the Sensenig to reduce the main product's price to make it more competitive. Sensenig might even find that the by-products themselves are profitable.
Diff: 1 Page Ref: 315
AACSB: Analytic Skills
Skill: Application
Objective: 11-2
128) Explain product line pricing.
Answer: With this option, management must decide on the price steps to set between the various products in a line. The price steps should take into account cost differences between the products in a line, customer evaluations of their different features, and competitors' prices. The seller's task is to establish perceived quality differences that support the price differences between various price points.
Diff: 1  Page Ref: 313  
AACSB: Analytic Skills  
Skill: Application  
Objective: 11-2

129) Why do businesses use cash discounts when they are in essence losing some money on the sale?
Answer: Such discounts are customary in many industries in order to reward a customer who pays their bill promptly. The practice encourages customers to pay early, giving the firm quicker and more reliable access to cash. A cash discount can also help to build customer loyalty to the firm.
Diff: 2  Page Ref: 316  
AACSB: Analytic Skills  
Skill: Application  
Objective: 11-3

130) Describe the differences between dynamic and fixed pricing.
Answer: Throughout most of history, prices were set by negotiation between buyers and sellers. The fixed price policy—setting one price for all buyers—is a relatively modern idea that arose with the development of large-scale retailing at the end of the nineteenth century. Today most prices are set this way. However, some companies are now reversing the fixed pricing trend. They are using dynamic pricing, adjusting prices continually to meet the characteristics and needs of individual customers and situations. Dynamic pricing makes sense in many contexts, it adjusts prices according to market forces, and it often works to the benefit of the customer.
Diff: 1  Page Ref: 322  
AACSB: Analytic Skills  
Skill: Application  
Objective: 11-3
131) Explain the factors involved in setting international pricing.
Answer: In some cases, a company can set a uniform worldwide price. However, most companies adjust their prices to reflect local market conditions and cost considerations. A firm must consider economic conditions, competitive situations, laws and regulations, and development of the wholesale and retail system. Consumer perceptions and preferences also may vary from country to country, calling for different prices. The company may have different marketing objectives in various world markets. Costs play an important role in setting international prices. Management must prepare for price escalation that may result from the differences in selling strategies or market conditions. The additional costs of product modifications, shipping and insurance, import tariffs and taxes, exchange-rate fluctuations, and physical distributions must all be factored into the "price."
Diff: 2 Page Ref: 323
AACSB: Multicultural and Diversity
Skill: Application
Objective: 11-3

132) When would price cuts and price increases be necessary?
Answer: Price cuts may be necessary when there is excess capacity. Another time to cut prices is when market share is falling in the face of strong price competition. A company may also cut prices in a drive to dominate the market through lower costs. A major factor in price increases is cost inflation. Rising costs squeeze profit margins and lead companies to pass cost increases along to customers. Another factor leading to price increases is over-demand. When a company cannot supply all its customers' needs, it can raise its prices, ration products to customers, or both.
Diff: 3 Page Ref: 324
AACSB: Analytic Skills
Skill: Application
Objective: 11-4

133) When are competitors most likely to react to price changes? How can a firm anticipate the likely reactions of its competitors?
Answer: Competitors are most likely to react when the number of firms involved is small, when the product is uniform, and when the buyers are well informed. If the firm faces one large competitor, and if the competitor tends to react in a set way to price changes, that reaction can be easily anticipated. But if the competitor treats each price change as a fresh challenge and reacts according to its self-interest, the company will have to figure out just what makes up the competitor's self-interest at the time.
Diff: 2 Page Ref: 325-326
AACSB: Analytic Skills
Skill: Application
Objective: 11-4
134) What regulates pricing activities when the federal government does not? 
Answer: States often regulate these activities. The most important pieces of federal legislation affecting prices are the Sherman, Clayton, and Robinson-Patman Acts, initially adopted to curb the formation of monopolies and to regulate business practices that might unfairly restrain trade. Because these statutes can be applied only to interstate commerce, many states have adopted similar provisions for companies that operate locally. Examples include pricing within channel levels and pricing across channel levels.
Diff: 2    Page Ref: 327
AACSB: Ethical Reasoning
Skill: Application
Objective: 11-4

135) Compare the practices of price-fixing and predatory pricing, explaining why each is prohibited by law.
Answer: Many federal, state, and local laws govern the rules of fair play in pricing. Two major areas of concern are price-fixing and predatory pricing. Companies that engage in price-fixing collude to set a common price for their comparable products; price-fixing undermines the core element of price competition in our free-market economy. On the other hand, predatory pricing takes price competition too far. Predatory pricing occurs when a company sells a product below cost with the intention of punishing a competitor or by putting a competitor out of business.
Diff: 3    Page Ref: 328-329
AACSB: Ethical Reasoning
Skill: Application
Objective: 11-4

136) For what types of products might marketers use market-skimming pricing?
Answer: Such pricing works when the product's quality and image support the higher price; for example, companies selling high-tech electronics may use market-skimming pricing.
Diff: 2    Page Ref: 312
AACSB: Analytic Skills
Skill: Application
Objective: 11-1

137) For what types of products might marketers use market-penetration pricing?
Answer: Marketers use such pricing when attempting to attract a large number of buyers quickly and win a large market share; such pricing may be common when competition for products is high.
Diff: 2    Page Ref: 313
AACSB: Analytic Skills
Skill: Application
Objective: 11-1
138) Why is product line pricing used?
Answer: Such pricing is used to establish price ranges or price steps within product lines.
Diff: 1 Page Ref: 313
AACSB: Analytic Skills
Skill: Application
Objective: 11-2

139) Give two examples of products for which marketers may use optional-product pricing.
Answer: Such products may include refrigerators with icemakers and cars with options such as stereos, GPS, and cruise control.
Diff: 1 Page Ref: 314
AACSB: Reflective Thinking
Skill: Application
Objective: 11-2

140) Give two examples of products for which captive-product pricing may be used.
Answer: Captive-product pricing is used when pricing theater tickets and selling refreshments at a higher rate; it is also used when pricing game consoles along with video games.
Diff: 3 Page Ref: 314
AACSB: Reflective Thinking
Skill: Application
Objective: 11-2

141) Give two examples of by-product pricing.
Answer: Examples could include selling scrap metal after producing metal stampings or selling donut holes after producing donuts.
Diff: 2 Page Ref: 315
AACSB: Reflective Thinking
Skill: Application
Objective: 11-2

142) How do consumers benefit from product bundle pricing?
Answer: Several products are sold together at a reduced rate; vacation packages that include air and hotel or value meals in the fast-food industry are examples.
Diff: 2 Page Ref: 315
AACSB: Analytic Skills
Skill: Application
Objective: 11-2

143) Give an example of a cash discount.
Answer: With a 2/10, net 30 arrangement, for example, the customer can deduct 2 percent if the bill is paid within 10 days.
Diff: 3 Page Ref: 316
AACSB: Analytic Skills
Skill: Application
Objective: 11-3
144) List four types of segmented pricing.
Answer: Customer-segment pricing, product-form pricing, location pricing, and time pricing are all examples.
Diff: 3 Page Ref: 316
AACSB: Analytic Skills
Skill: Application
Objective: 11-3

145) Explain the psychology behind a price of $9.99 instead of $10.00.
Answer: Consumers typically see the $9.99 product in the $9 range instead of the $10 range; the price appears to psychologically be cheaper.
Diff: 2 Page Ref: 320
AACSB: Analytic Skills
Skill: Application
Objective: 11-3

146) L.L. Bean sells its catalog items FOB-origin pricing. Who pays the freight charges?
Answer: The customer pays for the freight.
Diff: 2 Page Ref: 321
AACSB: Reflective Thinking
Skill: Application
Objective: 11-3

147) Explain two different ways a consumer might view a price cut.
Answer: A consumer might believe that he or she is getting a good deal on a quality product, or a consumer might believe that the quality of the product has been reduced.
Diff: 2 Page Ref: 325
AACSB: Analytic Skills
Skill: Application
Objective: 11-4

148) Why is predatory pricing considered illegal?
Answer: Predatory pricing works against the principles of a free-enterprise system; predatory pricing allows the marketers to sell below cost with the intention of punishing competitors.
Diff: 2 Page Ref: 329
AACSB: Ethical Reasoning
Skill: Application
Objective: 11-4

149) How can a manufacturer avoid using retail price maintenance but still exert some influence over the price retailers charge for its product?
Answer: The manufacturer can propose a suggested retail price.
Diff: 1 Page Ref: 330
AACSB: Ethical Reasoning
Skill: Application
Objective: 11-4
150) How does deceptive pricing harm consumers?
Answer: Deceptive pricing occurs when a seller states prices or price savings that mislead consumers or are actually not available to consumers.
Diff: 2  Page Ref: 330
AACSB: Ethical Reasoning
Skill: Application
Objective: 11-4

Chapter 12  Marketing Channels: Delivering Customer Value

1) Which of the following is NOT a typical supply chain member?
A) resellers
B) customers
C) intermediaries
D) government agencies
E) raw materials supplier
Answer: D
Diff: 1  Page Ref: 337
Skill: Concept
Objective: 12-1

2) ________ the manufacturer or service provider is the set of firms that supply the raw materials, components, parts, information, finances, and expertise needed to create a product or service.
A) Downstream from
B) Upstream from
C) Separated from
D) Congruous to
E) Parallel with
Answer: B
Diff: 2  Page Ref: 337
Skill: Concept
Objective: 12-1

3) Another term for the supply chain that suggests a sense and respond view of the market is ________.
A) supply and demand chain
B) demand chain
C) channel of distribution
D) distribution channel
E) physical distribution
Answer: B
Diff: 3  Page Ref: 338
Skill: Concept
Objective: 12-1
4) When suppliers, distributors, and customers partner with each other to improve the performance of the entire system, they are participating in a ________.
A) value delivery network
B) channel of distribution
C) supply chain
D) demand chain
E) all of the above
Answer: A
Diff: 1 Page Ref: 338
Skill: Concept
Objective: 12-1

5) Most producers today sell their goods to ________.
A) final users
B) final users and marketing members
C) intermediaries
D) the government at various levels
E) competitors
Answer: C
Diff: 2 Page Ref: 339
Skill: Concept
Objective: 12-1

6) A company's channel decisions directly affect every ________.
A) channel member
B) marketing decision
C) customer's choices
D) employee in the channel
E) competitor's actions
Answer: B
Diff: 2 Page Ref: 339
Skill: Concept
Objective: 12-1

7) Distribution channel decisions often involve ________ with other firms, particularly those that involve contracts or relationships with channel partners.
A) short-term commitments
B) long-term commitments
C) major problems
D) financial losses
E) disagreements
Answer: B
Diff: 3 Page Ref: 339
Skill: Concept
Objective: 12-1
8) Joe Blanco, like other producers, has discovered that his intermediaries usually offer his firm more than it can achieve on its own. Which of the following is most likely an advantage that Joe creates by working with intermediaries?
A) financial support
B) fast service
C) scale of operation
D) working relationships with foreign distributors
E) promotional assistance
Answer: C
Diff: 2  Page Ref: 339
Skill: Concept
Objective: 12-1

9) From the economic system's point of view, the role of marketing intermediaries is to transform the assortment of products made by producers into the assortment of products wanted by ________.
A) channel members
B) distributors
C) consumers
D) manufacturers
E) marketers
Answer: C
Diff: 2  Page Ref: 340
Skill: Concept
Objective: 12-1

10) Producers benefit from using intermediaries because they ________.
A) offer greater efficiency in making goods available to target markets
B) bring a fresh point of view to strategy development
C) eliminate risk
D) are generally backlogged with orders
E) refuse to store products for longer than a few days
Answer: A
Diff: 3  Page Ref: 339
Skill: Concept
Objective: 12-1

11) Intermediaries play an important role in matching ________.
A) dealer with customer
B) supply and demand
C) product to region
D) manufacturer to product
E) information and promotion
Answer: B
Diff: 2  Page Ref: 340
Skill: Concept
Objective: 12-1
12) Channel members add value by bridging the major gaps of _______ that separate goods and services from those who would use them.
A) time, place, and form
B) place, possession, and form
C) time, place, and possession
D) place, time, and need
E) place, need, and distribution
Answer: C
Diff: 2 Page Ref: 340
Skill: Concept
Objective: 12-1

13) Which of the following is NOT a key function that intermediaries play in completing transactions?
A) promotion
B) information
C) matching
D) financing
E) negotiation
Answer: E
Diff: 3 Page Ref: 340
Skill: Concept
Objective: 12-1

14) Which of the following is NOT a key function that intermediaries play in helping to fulfill a completed transaction?
A) physical distribution
B) promotion
C) financing
D) risk taking
E) storing goods
Answer: B
Diff: 3 Page Ref: 340
Skill: Concept
Objective: 12-2

15) In marketing terms, we say that the number of intermediary levels indicates the ________ of a channel.
A) depth
B) complexity
C) involvement
D) length
E) width
Answer: D
Diff: 1 Page Ref: 341
Skill: Concept
Objective: 12-1
16) To a producer of goods, a greater number of channel levels means ________ and greater channel complexity.
A) less distance between producer and end consumer
B) less control
C) more potential ideas
D) higher taxes
E) fewer channel partners
Answer:  B
Diff: 2     Page Ref: 341
Skill:  Concept
Objective: 12-1

17) All of the institutions in a channel are connected by various flows. These include physical flow, flow of ownership, payment flow, information flow, and ________ flow.
A) promotion
B) acquisition
C) customer
D) return product
E) by-product
Answer:  A
Diff: 3     Page Ref: 341
AACSB:  Communication
Skill:  Concept
Objective: 12-1

18) A distribution channel is more than a collection of firms connected by various flows; it is a(n) ________ in which people and companies interact to accomplish individual, company, and channel goals.
A) added value chain
B) complex behavioral system
C) corporate marketing system
D) vertical marketing system
E) multichannel system
Answer:  B
Diff: 2     Page Ref: 342
AACSB:  Communication
Skill:  Concept
Objective: 12-2
19) An advantage of a channel of distribution over selling direct to consumers is that each channel member plays a ________ in the channel.
A) time-saving part
B) specialized role
C) decisional role
D) informational role
E) disciplinary role
Answer:  B
Diff: 2  Page Ref: 342
Skill:  Concept
Objective:  12-2

20) ________ conflict, which occurs between different levels of the same channel, is more common than ________ conflict, which occurs among firms at the same level of the channel.
A) Horizontal; vertical
B) Vertical; horizontal
C) Contractual; corporate
D) Corporate; franchise
E) Wholesaler; retailer
Answer:  B
Diff: 2  Page Ref: 342
Skill:  Concept
Objective:  12-2

21) Historically, conventional channels have lacked the leadership to ________.
A) assign channel member roles and attain efficiency
B) attain efficiency and assign member roles
C) assign member roles and manage conflict
D) set standard pricing and promotions
E) set standard pricing and packaging
Answer:  C
Diff: 3  Page Ref: 343
AACSB:  Communication
Skill:  Concept
Objective:  12-2

22) A conventional distribution channel consists of one or more ________ producers, wholesalers, and retailers.
A) product-related
B) independent
C) contract
D) estranged
E) merchant
Answer:  B
Diff: 2  Page Ref: 344
Skill:  Concept
Objective:  12-2
23) A channel consisting of one or more independent producers, wholesalers, or retailers that seek to maximize their own profits even at the expense of profits for the channel as a whole is a(n) ________.
A) vertical marketing system
B) conventional distribution channel
C) independent channel allocation
D) corporate VMS
E) administered vertical marketing system
Answer: B
Diff: 2 Page Ref: 344
Skill: Concept
Objective: 12-2

24) An advantage of a vertical marketing system (VMS) is that it acts as a ________ system.
A) unified
B) more efficient
C) modern
D) customer-driven
E) task-driven
Answer: A
Diff: 3 Page Ref: 344
Skill: Concept
Objective: 12-2

25) A corporate VMS has the advantage of controlling the entire distribution chain under ________.
A) a profit-maximizing strategic plan
B) single ownership
C) mass distribution
D) a few intermediaries
E) little control
Answer: B
Diff: 1 Page Ref: 344
Skill: Concept
Objective: 12-2

26) Which of the following are the three major types of vertical marketing systems?
A) corporate, contractual, and chain
B) contractual, corporate, and independent
C) contractual, corporate, and administered
D) administered, independent, and franchised
E) contractual, corporate, and task
Answer: C
Diff: 2 Page Ref: 344
Skill: Concept
Objective: 12-2
27) A distinguishing feature of a contractual VMS is that coordination and conflict management among the independent members of the channel are attained through ________.  
A) agents and brokers  
B) working partnerships  
C) limited liability incorporation  
D) contractual agreements  
E) natural competitive forces  
Answer: D  
Diff: 1  Page Ref: 345  
AACS: Communication  
Skill: Concept  
Objective: 12-2

28) The most common type of contractual agreement in business is the ________.  
A) franchise organization  
B) vertical marketing system  
C) conventional marketing channel  
D) corporate VMS  
E) administered VMS  
Answer: A  
Diff: 3  Page Ref: 345  
Skill: Concept  
Objective: 12-2

29) Leadership in which type of marketing system is assumed not through common ownership or contractual ties but through the size and power of one or a few dominant channel members?  
A) horizontal marketing system  
B) administered VMS  
C) corporate VMS  
D) multichannel distribution system  
E) conventional marketing channel  
Answer: B  
Diff: 2  Page Ref: 345  
Skill: Concept  
Objective: 12-2

30) In a ________, two or more companies at one level join together to develop a new marketing opportunity.  
A) franchise  
B) horizontal marketing system  
C) corporate VMS  
D) multichannel distribution system  
E) conventional distribution channel  
Answer: B  
Diff: 1  Page Ref: 345  
Skill: Concept  
Objective: 12-2
31) Hybrid marketing systems are also called ________.
A) dual distribution systems
B) multichannel distribution systems
C) administered franchises
D) horizontal multichannel systems
E) contractual marketing systems
Answer: B
Diff: 2     Page Ref: 346
Skill: Concept
Objective: 12-2

32) As marketing manager for Globe Imports and Exports, you want to start reaping the benefits of a multichannel distribution system. You will likely enjoy all of the following EXCEPT which one?
A) expanded sales
B) expanded market coverage
C) selling at a higher gross margin
D) opportunities to tailor products and services to the needs of diverse segments
E) A and C
Answer: C
Diff: 3     Page Ref: 346
Skill: Concept
Objective: 12-2

33) The use of multichannel systems in the United States is ________.
A) decreasing
B) increasing
C) holding steady
D) spreading abroad fast
E) declining abroad
Answer: B
Diff: 2     Page Ref: 346
Skill: Concept
Objective: 12-2

34) The major disadvantage of a multichannel system is that it is harder to control and it can generate ________.
A) channel conflict
B) less net profit
C) fewer domestic sales
D) inefficiencies
E) declining employee morale
Answer: A
Diff: 2     Page Ref: 346
Skill: Concept
Objective: 12-2
35) Due in a large part to advances in technology, ________ is a major trend whereby product and service producers are bypassing intermediaries and going directly to final buyers, or radically new types of channel intermediaries are emerging to displace traditional ones.
A) the vertical marketing system
B) the corporate marketing system
C) disintermediation
D) the corporate merger
E) the hostile takeover
Answer: C
Diff: 2 Page Ref: 347
AACSB: Use of IT
Skill: Concept
Objective: 12-2

36) In many industries, traditional intermediaries are dropping by the wayside because of changes in ________ and the growth of ________ marketing.
A) federal laws; business-to-business
B) state and local laws; target
C) franchise structure; independent
D) technology; direct and online
E) channel design; retail
Answer: D
Diff: 2 Page Ref: 347
AACSB: Use of IT
Skill: Concept
Objective: 12-2

37) Designing a channel system calls for analyzing consumer needs, setting channel objectives, ________ and evaluation.
A) establishing a budget
B) identifying major channel alternatives
C) seeking regulatory approval
D) seeking legal advice
E) measuring objectives
Answer: B
Diff: 2 Page Ref: 348
Skill: Concept
Objective: 12-3
38) Which of the following should be the first step in designing a marketing channel?
A) identifying channel objectives
B) identifying what consumers want from the channel
C) analyzing channel alternatives
D) evaluating intermediaries
E) exploring international opportunities
Answer: B
Diff: 2 Page Ref: 349
Skill: Concept
Objective: 12-3

39) To increase a channel's service level, it must provide a greater assortment of products, more add-on services, and _______.
A) lower prices
B) more efficiency
C) faster delivery
D) better terms
E) follow-up
Answer: C
Diff: 3 Page Ref: 349
Skill: Concept
Objective: 12-3

40) Companies should state their channel objectives in terms of targeted levels of _______.
A) co-op advertising
B) efficiency
C) customer service
D) conflict reduction
E) profitability
Answer: C
Diff: 2 Page Ref: 350
AACSB: Communication
Skill: Concept
Objective: 12-3

41) When a company is identifying its major channel alternatives, it should consider its choices in terms of types, number, and ________ of intermediaries.
A) size
B) power
C) responsibilities
D) capacity
E) none of the above
Answer: C
Diff: 2 Page Ref: 350
Skill: Concept
Objective: 12-3
42) Which type of product might require a more direct marketing channel to avoid delays and too much handling?
A) lower-priced products
B) perishable products
C) high-priced products
D) products in their maturity stage
E) products in their decline stage
Answer: B
Diff: 2 Page Ref: 350
Skill: Concept
Objective: 12-3

43) When determining the number of channel members to use at each level, three strategies are available: intensive, exclusive, and ________ distribution.
A) multichannel
B) selective
C) international
D) direct
E) extensive
Answer: B
Diff: 1 Page Ref: 350
Skill: Concept
Objective: 12-3

44) Sometimes a producer chooses only a few dealers in a territory to distribute its products or services. Generally these dealers are given a right to ________ distribution.
A) exclusive
B) selective
C) intensive
D) administered
E) corporate
Answer: A
Diff: 1 Page Ref: 351
Skill: Concept
Objective: 12-3

45) Which type of distribution is used when the producer wants more than one, but fewer than all, of the intermediaries who are willing to carry its products?
A) exclusive
B) selective
C) intensive
D) administered
E) corporate
Answer: B
Diff: 1 Page Ref: 351
Skill: Concept
Objective: 12-3
46) When establishing the responsibilities of channel members, the producer establishes a list price, sets discounts for intermediaries, and defines each channel member’s ________.  
A) sales volume  
B) territory  
C) legal rights  
D) customers  
E) mission  
Answer: B  
Diff: 2 Page Ref: 351 
Skill: Concept  
Objective: 12-3

47) Channel members should be evaluated using all of the following criteria EXCEPT which one?  
A) economic factors  
B) control  
C) adaptive criteria  
D) channel leadership  
E) none of the above  
Answer: D  
Diff: 3 Page Ref: 351 
Skill: Concept  
Objective: 12-3

48) When a company compares the likely sales, costs, and profitability of different channel alternatives, it is using ________ criteria to evaluate its channel options.  
A) selective  
B) adaptive  
C) economic  
D) control  
E) distribution  
Answer: C  
Diff: 2 Page Ref: 351 
Skill: Concept  
Objective: 12-3
49) It is common for international marketers to ________ their channel strategies for each country.
A) extend
B) adapt
C) restrict
D) seek approval for
E) eliminate
Answer: B
Diff: 1 Page Ref: 352
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 12-3

50) China and India each contain more than one billion people. However, companies can access only a small percentage of these potential markets due to ________.
A) inadequate distribution systems
B) indifference toward Western products
C) high regional taxes
D) the religious caste system
E) insurmountable language barriers
Answer: A
Diff: 3 Page Ref: 352
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 12-3

51) Marketing channel management calls for selecting, managing, ________, and evaluating channel members over time.
A) reducing conflict
B) reducing waste
C) motivating
D) pruning
E) all of the above
Answer: C
Diff: 2 Page Ref: 352
Skill: Concept
Objective: 12-4
52) A company should think of its intermediaries as both its ________ and ________.
A) competitors; partners
B) customers; partners
C) competitors; marketers
D) customers; employees
E) competitors; customers
Answer: B
Diff: 2 Page Ref: 353
Skill: Concept
Objective: 12-4

53) Most companies practice strong PRM to forge long-term relationships with channel members. What does PRM stand for?
A) primary relationship management
B) potential relationship management
C) perennial relationship management
D) partner relationship management
E) personnel roster maintenance
Answer: D
Diff: 1 Page Ref: 353
AACSB: Communication
Skill: Concept
Objective: 12-4

54) Sometimes a seller requires its dealers to abstain from handling competitors' products in an arrangement called ________.
A) exclusive distribution
B) exclusive dealing
C) selective distribution
D) exclusive pricing
E) disintermediation
Answer: B
Diff: 2 Page Ref: 356
AACSB: Ethical Reasoning
Skill: Concept
Objective: 12-4
55) Exclusive dealing is legal as long as it does not ________ or tend to create a monopoly and as long as both parties enter into the agreement ________.
A) substantially lessen competition; coercively
B) restrict trade; for a cause
C) substantially lessen competition; voluntarily
D) interfere with competitors; forcefully
E) create a smaller market; permanently
Answer: C
Diff: 3 Page Ref: 356
AACSB: Ethical Reasoning
Skill: Concept
Objective: 12-4

56) Exclusive territorial agreements are normal in ________.
A) vertical marketing systems
B) franchises
C) integrated marketing systems
D) horizontal marketing systems
E) supply chain management
Answer: B
Diff: 2 Page Ref: 356
AACSB: Ethical Reasoning
Skill: Concept
Objective: 12-4

57) If the producer of a strong brand agrees to sell its brand to a dealer only if the dealer will take some or all of the rest of the line, the result is ________.  
A) exclusive distribution
B) exclusive dealing
C) always illegal
D) a tying agreement
E) disintermediation
Answer: D
Diff: 2 Page Ref: 356
AACSB: Ethical Reasoning
Skill: Concept
Objective: 12-4
58) Marketing logistics involves getting the right product to the right customer in the right place at the right time. Which one of the following is NOT included in this process?
A) planning the physical flow of goods and services
B) implementing the plan for the flow of goods and services
C) controlling the physical flow of goods, services, and information
D) gathering customer's ideas for new products
E) A and C
Answer: D
Diff: 1 Page Ref: 356
Skill: Concept
Objective: 12-5

59) Marketing logistics involves which of the following distribution flows?
A) outbound and inbound
B) outbound, inbound, and reverse
C) inbound and reverse
D) outbound and reverse
E) outbound
Answer: B
Diff: 2 Page Ref: 356
Skill: Concept
Objective: 12-5

60) Which of the following is NOT an area of responsibility for a logistics manager?
A) information systems
B) warehousing
C) marketing
D) inventory
E) purchasing
Answer: C
Diff: 2 Page Ref: 356-357
Skill: Concept
Objective: 12-5

61) Which of the following innovations has created opportunities for significant gains in distribution efficiency?
A) tying agreements
B) Web-based logistics systems
C) partner relationship management
D) contractual vertical marketing systems
E) storage warehouses
Answer: B
Diff: 2 Page Ref: 357
AACSB: Use of IT
Skill: Concept
Objective: 12-5
62) The goal of marketing logistics should be to provide a ________ level of customer service at the least cost.
A) maximum
B) targeted
C) moderate
D) minimum
E) competitive
Answer: B
Diff: 2 Page Ref: 357
Skill: Concept
Objective: 12-5

63) The difference between distribution centers and storage warehouses is that the former are designed to ________.
A) store goods for longer periods
B) hold larger volumes
C) move goods rather than just store them
D) primarily be owned by the manufacturer
E) be automated
Answer: C
Diff: 2 Page Ref: 358
Skill: Concept
Objective: 12-5

64) To reduce inventory management costs, many companies use a system called ________, which involves carrying only small inventories of parts or merchandise, often only enough for a few days of operation.
A) reduction-inventory management
B) just-in-time logistics
C) limited inventory logistics
D) supply chain management
E) economic order quantity
Answer: B
Diff: 2 Page Ref: 359
AACSB: Use of IT
Skill: Concept
Objective: 12-5
65) Through the use of _______, or "smart tag" technology, a company is able to locate exactly where a product is within the supply chain.
A) RFID  
B) PRM  
C) VMS  
D) IT  
E) 3PL  
Answer: A  
Diff: 2  Page Ref: 359  
AACSB: Use of IT  
Skill: Concept  
Objective: 12-5

66) Which of the following transportation modes is used for digital products?
A) trucks  
B) rail  
C) the Internet  
D) air  
E) ship  
Answer: C  
Diff: 1  Page Ref: 359  
AACSB: Use of IT  
Skill: Concept  
Objective: 12-5

67) In choosing a transportation mode for a product, shippers must balance the considerations of speed, dependability, cost, and _______.
A) weight  
B) customer choice  
C) availability  
D) distance  
E) company reputation  
Answer: C  
Diff: 3  Page Ref: 360  
Skill: Concept  
Objective: 12-5
68) In the proper order, identify the correct terms for these intermodal transportation combinations: rail and truck, water and truck, water and rail.
A) fishyback; airtruck; trainship
B) piggyback; airtruck; fishyback
C) trainship; fishyback; piggyback
D) piggyback; fishyback; trainship
E) piggyback, fishyback; birdyback
Answer: D
Diff: 2 Page Ref: 360
Skill: Concept
Objective: 12-5

69) Companies manage their supply chains through ________.
A) skilled operators
B) information
C) the Internet
D) transportation modes
E) competitors
Answer: B
Diff: 2 Page Ref: 360
AACSB: Communication
Skill: Concept
Objective: 12-5

70) Using ________, retailers can share real-time data on sales and current inventory levels with suppliers who take responsibility for ordering and delivering products to retailers, thereby saving time and money.
A) dual distribution modes
B) continuous inventory replenishment systems
C) the Internet
D) their own trucking and distribution systems
E) integrated distribution
Answer: B
Diff: 2 Page Ref: 361
AACSB: Use of IT
Skill: Concept
Objective: 12-5
71) Lancaster Box Company wants to provide better customer service while trimming distribution costs through teamwork, both inside the company and among all the marketing channel organizations. Lancaster Box is thinking of ________.
A) integrated logistics management
B) supply chain management
C) customer relationship management
D) horizontal marketing system
E) disintermediation
Answer: A
Diff: 2 Page Ref: 361
AACSB: Communication
Skill: Concept
Objective: 12-5

72) What is the goal of integrated supply chain management?
A) to reduce costs
B) to increase services with minimal cost through teamwork
C) to harmonize all of the company's logistics decisions
D) to reduce conflict and increase cooperation among channel members
E) all of the above
Answer: E
Diff: 3 Page Ref: 361
AACSB: Communication
Skill: Concept
Objective: 12-5

73) Smart companies coordinate their logistics strategies and forge strong partnerships with suppliers and customers to improve customer service and reduce channel costs through 
________.
A) cross-functional teams
B) cross-company teams
C) partnering
D) cross-functional, cross-company teams
E) segregated departmentalization
Answer: D
Diff: 3 Page Ref: 362
AACSB: Communication
Skill: Concept
Objective: 12-5
74) The success of each channel member depends on the performance of ________.
A) key channel members
B) the entire supply chain
C) the channel captain
D) the manufacturer
E) the wholesaler
Answer:  B
Diff: 2    Page Ref: 362
Skill:  Concept
Objective:  12-5

75) Today, a growing number of firms now outsource some or all of their logistics to ________.
A) cross-functional teams
B) disintermediaries
C) channel members
D) third-party logistics providers
E) competitors
Answer:  D
Diff: 1    Page Ref: 362
Skill:  Concept
Objective:  12-5

76) In designing its marketing channel, Chairs for Every Occasion has moved from a make-and-sell view of its business, which focused on productive inputs and factory capacity as a starting point for marketing planning, to a sense-and-respond view, which begins instead with the needs of target customers. With this new view, Chairs for Every Occasion is developing its ________.
A) supply chain
B) wholesaler chain
C) demand chain
D) logistics
E) vertical marketing system
Answer:  C
Diff: 3    Page Ref: 338
AACSB:  Reflective Thinking
Skill:  Application
Objective:  12-1
77) Proud Pets, a producer of clothing and accessories for pets, has recently partnered with a regional chain of pet stores. Which of the following would Proud Pets be LEAST likely to expect from its new channel member?
A) promoting its products through advertising
B) assembling and packaging its products for final sale
C) distributing relevant marketing research information
D) identifying raw materials and other productive inputs
E) negotiating on its products' prices
Answer: D
Diff: 2 Page Ref: 340
AACSB: Reflective Thinking
Skill: Application
Objective: 12-1

78) Steve's Physco Skates sells its products to Wal-Mart, who then sells them to the consumer. This is an example of a(n) ________.
A) direct marketing channel
B) producer channel
C) indirect marketing channel
D) retailer channel
E) corporate vertical marketing system
Answer: C
Diff: 1 Page Ref: 341
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

79) Joanie Calvert is experiencing a disagreement with intermediaries in the channel over who should do what and for what rewards. Joanie is experiencing ________.
A) channel delusion
B) channel conflict
C) channel disintermediation
D) channel mismanagement
E) channel intermediation
Answer: B
Diff: 1 Page Ref: 342
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2
80) When two Taco Bell restaurants have a disagreement over who should be able to sell in quantity at a discount to the local high school band, they are in a ________ conflict.
A) vertical  
B) problematic  
C) no-win  
D) horizontal  
E) functional  
Answer:  D  
Diff: 2  Page Ref: 342  
AACSB:  Reflective Thinking  
Skill:  Application  
Objective:  12-2

81) Staples Office Supply opened an online store that created competition with many of its dealers. The corporate office created a ________ conflict.
A) vertical  
B) problematic  
C) no-win  
D) horizontal  
E) intermediation  
Answer:  A  
Diff: 2  Page Ref: 342  
AACSB:  Reflective Thinking  
Skill:  Application  
Objective:  12-2

82) Which of the following is an example of horizontal channel conflict?
A) managers of two separate Holiday Inns disagreeing over what constitutes poor service  
B) United Airlines competing with Northwest Airlines for customers  
C) disgruntled factory workers complaining about a small pay raise  
D) the BMW dealership in Fort Wayne complaining that the BMW dealership in Indianapolis is situated too close  
E) A and D  
Answer:  E  
Diff: 3  Page Ref: 342  
AACSB:  Reflective Thinking  
Skill:  Application  
Objective:  12-2
83) Which of the following is an example of a manufacturer-sponsored retailer franchise system?
A) fast-food restaurants such as McDonald’s and Burger King
B) Starbucks operating within Target stores
C) Ford and its network of independent franchised dealers
D) licensed bottlers that bottle and sell Coca-Cola to retailers
E) motels such as Holiday Inn and Ramada Inn
Answer:  C
Diff: 3       Page Ref: 345
AACSB: Analytic Skills
Skill: Application
Objective: 12-2

84) When McDonald's offers its products inside of a Wal-Mart store, it is following a ________.
A) conventional distribution channel
B) corporate VMS
C) contractual VMS
D) administered VMS
E) horizontal marketing system
Answer:  C
Diff: 3       Page Ref: 345
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

85) Which of the following is an example of a multichannel distribution system?
A) Wal-Mart locating to several countries
B) J. C. Penney's catalog and retail store sales
C) Avon's door-to-door distribution
D) Starbucks's location inside of book stores
E) a hotel providing guest privileges at a health spa across the street
Answer:  B
Diff: 2       Page Ref: 346
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2
86) Blockbuster offers DVD rentals through its Total Access online rental service and through its bricks-and-mortar stores. This is an example of a(n)________.  
A) contractual VMS  
B) administered VMS  
C) horizontal marketing system  
D) conventional distribution channel  
E) multichannel distribution system  
Answer: E  
Diff: 1 Page Ref: 346  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 12-2

87) When Netflix began delivering DVDs directly to customers through the mail instead of using a brick-and-mortar system, Netflix was following the trend of ________.  
A) indirect marketing  
B) disintermediation  
C) a franchise system  
D) exclusive distribution  
E) selective distribution  
Answer: B  
Diff: 1 Page Ref: 347  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 12-2

88) Chewing gum is stocked in many outlets in the same market or community; in fact, it is placed in as many outlets as possible. This is an example of ________ distribution.  
A) exclusive  
B) selective  
C) multichannel  
D) intensive  
E) disintermediated  
Answer: D  
Diff: 2 Page Ref: 351  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 12-3
89) Which product(s) will most likely be intensively distributed?
A) Olympus digital cameras
B) BMW cars
C) Guess blue jeans
D) Coca-Cola
E) Nike running shoes
Answer: D
Diff: 1 Page Ref: 351
AACSB: Analytic Skills
Skill: Application
Objective: 12-3

90) Which product will most likely be exclusively distributed?
A) BMW cars
B) Levi's blue jeans
C) Bazooka bubble gum
D) Prairie Farms yogurt
E) Coca-Cola
Answer: A
Diff: 1 Page Ref: 351
AACSB: Analytic Skills
Skill: Application
Objective: 12-3

91) Tiffany & Co jewelry can only be found in a limited number of intermediaries. This is an example of ________ distribution.
A) exclusive
B) intensive
C) quality
D) high-end
E) independent
Answer: A
Diff: 2 Page Ref: 351
AACSB: Reflective Thinking
Skill: Application
Objective: 12-3
92) Why is it important for manufacturers to be sensitive to the needs of their dealers?
A) Dealers have few legal rights.
B) Poorly performing dealers will be replaced.
C) Dealers fail to provide value to the entire channel system.
D) Dealer support is essential to creating value for the customer.
E) Manufacturers cannot break commitments to channel.
Answer: D
Diff: 2 Page Ref: 353
AACSB: Analytic Skills
Skill: Application
Objective: 12-4

93) Caterpillar, the famous heavy equipment manufacturer, has a reputation for working in harmony with its worldwide distribution network of independent dealers. Caterpillar has shared its successes with its dealers and protected its dealers during difficult economic times. This is an example of ________.
A) intensive distribution
B) integrated logistics management
C) disintermediation
D) third-party logistics
E) partner relationship management
Answer: E
Diff: 2 Page Ref: 353
AACSB: Reflective Thinking
Skill: Application
Objective: 12-4

94) Max Samuelson is a high-end fashion designer who markets his clothing lines through a limited number of highly reputable retailers. Max uses ________.
A) exclusive distribution
B) exclusive dealing
C) exclusive territorial agreements
D) full-line forcing
E) tying agreements
Answer: A
Diff: 3 Page Ref: 356
AACSB: Reflective Thinking
Skill: Application
Objective: 12-4
95) Jewels for the Rich and Famous sells very exclusive jewelry with a minimum price of $25,000 to customers around the world. Speed of delivery to distant markets is a must. Management should consider using ________ as its main carrier.
A) rail
B) air
C) truck
D) the Internet
E) water
Answer: B
Diff: 2 Page Ref: 360
AACSB: Analytic Skills
Skill: Application
Objective: 12-5

96) Grayville Rock and Gravel, located in a seaport town, sells rock, gravel, and sand to local markets. It has just been awarded a contract with a company 500 miles down the coast. Management should consider switching from truck to ________ transport.
A) water
B) rail
C) pipeline
D) air
E) none of the above
Answer: A
Diff: 2 Page Ref: 360
AACSB: Analytic Skills
Skill: Application
Objective: 12-5

97) When Home Depot allows key suppliers to use its stores as a testing ground for new merchandising programs, it is implementing a ________.
A) shared services
B) partnership management
C) shared projects
D) third-party project
E) cross-functional, cross-company team
Answer: C
Diff: 2 Page Ref: 362
AACSB: Reflective Thinking
Skill: Application
Objective: 12-5
98) UPS Supply Chain Solutions, which handles all of its clients' "grunt work" associated with logistics, is an example of ________.
A) integrated logistics management
B) a distribution center
C) selective distribution
D) a third-party logistics provider
E) a cross-functional, cross-company team
Answer: D
Diff: 2 Page Ref: 362
AACSB: Reflective Thinking
Skill: Application
Objective: 12-5

Refer to the scenario below to answer the following questions.

Miller Meat Company contracts with several Midwestern farmers to raise beef and pork for its meat processing center. To guarantee freshness, Miller Meat Company relies on a vast distribution network. For delivery to local grocers in Indiana, Miller Meat uses its own fleet of refrigerated trucks; delivery to these Indiana grocers constitutes 65 percent of Miller Meat's business. For deliveries in Illinois, Wisconsin, and points directly west of the Mississippi River, Miller Meat Company contracts with a refrigerated fleet that specializes in expediting smaller shipments. For faster delivery during peak times, Miller Meat Company often uses its own trucks to deliver to the expedited fleet's consolidation point from its distribution warehouse in Indiana. During the holiday season, however, several specialty distributors contract with Miller Meat Company to package specialty meats in gift boxes, then ship them directly to the recipients. For these specialty shipments within Indiana, Illinois, and Wisconsin, Miller uses its normal delivery mode. For all other specialty shipments, Miller ships from its distribution warehouse via air, then contracts with expedited carriers in various cities to deliver to the recipients.

99) Which of the following is one of Miller Meat Company's upstream partners?
A) local grocers in Indiana who sell the company's products
B) Midwestern farmers who raise beef and pork for the meat processing center
C) the refrigerated fleet that expedites small shipments
D) air carriers that take Miller's specialty shipments
E) recipients of Miller's gift boxes
Answer: B
Diff: 1 Page Ref: 337
AACSB: Reflective Thinking
Skill: Application
Objective: 12-1
100) In using air transportation and then expedited truck carriers to deliver specialty items to customers outside of a designated delivery range, Miller Meats is using ________.
A) all of its supply chain
B) all of its value delivery network
C) indirect marketing channels
D) intermodal transportation
E) a vertical marketing system
Answer: D
Diff: 2    Page Ref: 360
AACSB: Reflective Thinking
Skill: Application
Objective: 12-5

101) Producing a product or service and making it available to buyers requires building relationships not just with customers, but also with key suppliers and resellers in the company's supply chain.
Answer: TRUE
Diff: 1    Page Ref: 337
Skill: Concept
Objective: 12-1

102) The term supply chain may be too limited because it takes a make-and-sell view of the business.
Answer: TRUE
Diff: 2    Page Ref: 338
Skill: Concept
Objective: 12-1

103) In creating customer value, it is more important for a company to build relationships with downstream channel partners than with upstream supplier partners.
Answer: FALSE
Diff: 2    Page Ref: 338
AACSB: Analytic Skills
Skill: Application
Objective: 12-1

104) With the success of the Internet, few producers sell through intermediaries today.
Answer: FALSE
Diff: 1    Page Ref: 339
AACSB: Use of IT
Skill: Concept
Objective: 12-1
105) Imaginative distribution systems can be used to gain a competitive advantage.
Answer: TRUE
Diff: 1 Page Ref: 339
Skill: Concept
Objective: 12-1

106) A major role played by intermediaries is to buy large quantities of products from many producers and break them down into the smaller quantities and broader assortments wanted by consumers.
Answer: TRUE
Diff: 2 Page Ref: 340
Skill: Concept
Objective: 12-1

107) Members of the marketing channel may help a company complete transactions by performing key functions such as promotion and negotiation.
Answer: TRUE
Diff: 2 Page Ref: 340
AACSB: Communication
Skill: Concept
Objective: 12-1

108) It is safe to say that distribution channels are fairly simple behavioral systems in which people and companies interact to accomplish individual company and channel goals.
Answer: FALSE
Diff: 2 Page Ref: 342
Skill: Concept
Objective: 12-2

109) Judy Smith is the manager of the local McDonald's franchise in Carterville. Recently the home office did not let her participate in co-op advertising like the other McDonald's in her district. Now she is irritated and demands fairness. This is an example of horizontal conflict.
Answer: FALSE
Diff: 3 Page Ref: 342
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

110) In a conventional distribution channel, no channel member has much control over the other members, and no formal means exists for assigning roles and resolving channel conflict.
Answer: TRUE
Diff: 2 Page Ref: 343
Skill: Concept
Objective: 12-3
111) When Sherwin Williams Paint Company has single ownership of integrated, successive stages of production and distribution, it has created a corporate VMS.
Answer: FALSE
Diff: 3 Page Ref: 344
AACSB: Reflective Thinking
Skill: Application
Objective: 12-3

112) When the NewWay Dry Cleaners and The Easy Laundromat in your hometown join forces to follow a new marketing opportunity, they are forming a horizontal marketing system.
Answer: TRUE
Diff: 2 Page Ref: 345
AACSB: Reflective Thinking
Skill: Application
Objective: 12-3

113) Always Fresh Produce Company has a route selling to more than 100 groceries, schools, and restaurants at wholesale prices. Last week the owners opened up a walk-in discounted consumer produce outlet. Always is now using a multichannel distribution system.
Answer: TRUE
Diff: 2 Page Ref: 346
AACSB: Reflective Thinking
Skill: Application
Objective: 12-3

114) Disintermediation as a trend is on the rise in U.S. business.
Answer: TRUE
Diff: 1 Page Ref: 347
Skill: Concept
Objective: 12-3

115) Disintermediation has occurred when an online marketer takes business away from traditional brick-and-mortar retailers.
Answer: TRUE
Diff: 2 Page Ref: 347
Skill: Concept
Objective: 12-3

116) The faster the delivery, the greater the assortment provided, and the more add-on services supplied, the more the channel's service level is restricted.
Answer: FALSE
Diff: 2 Page Ref: 349
Skill: Concept
Objective: 12-3
117) Intensive distribution seeks many outlets in a market, while selective distribution seeks only one outlet in a given market area.
Answer: FALSE
Diff: 2 Page Ref: 351
Skill: Concept
Objective: 12-3

118) The producer and intermediaries need to agree on the terms and responsibilities of each member, including price policies, conditions of sale, territorial rights, and specific services to be performed by each party.
Answer: TRUE
Diff: 2 Page Ref: 351
Skill: Concept
Objective: 12-3

119) Generally speaking, a company's marketing channel objectives are influenced by the level of customer service sought, the nature of the company, its products, its marketing intermediaries, its competitors, and the environment.
Answer: TRUE
Diff: 2 Page Ref: 350
Skill: Concept
Objective: 12-3

120) Distribution systems are relatively consistent from county to country, making it easy for international marketers to design channels.
Answer: FALSE
Diff: 2 Page Ref: 352
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 12-3

121) Under the strategy of exclusive distribution, a seller allows only certain retail outlets to carry its products.
Answer: TRUE
Diff: 2 Page Ref: 356
Skill: Concept
Objective: 12-4

122) Some major corporations such as Procter & Gamble and General Motors have developed logistics systems that both maximize customer service and minimize distribution costs.
Answer: FALSE
Diff: 3 Page Ref: 357
Skill: Concept
Objective: 12-5
123) The key to managing inventory is to balance the costs and benefits of holding larger inventories with the costs and benefits of holding less.
Answer: TRUE
Diff: 3 Page Ref: 359
Skill: Concept
Objective: 12-5

124) When shipping large amounts of bulk products such as forest products, coal, sand, or rock over long distances, a company should choose large trucks because of their low cost per ton shipped.
Answer: FALSE
Diff: 1 Page Ref: 360
AACSB: Analytic Skills
Skill: Concept
Objective: 12-5

125) Integrated logistics management aims to provide better customer service and trim distribution costs through teamwork, both inside the company and among all the marketing channel organizations.
Answer: TRUE
Diff: 2 Page Ref: 361
AACSB: Communication
Skill: Concept
Objective: 12-5

126) Explain why "value delivery network" is a more relevant expression to use than the terms supply chain and demand chain.
Answer: Supply chain takes a make-and-sell view of the business, using materials and other inputs as the starting point for market planning instead of the needs of target customers. Demand chain takes a sense-and-respond view, starting with the needs of target customers and planning a chain of resources and activities with the goal of creating customer value. However, a demand chain is a step-by-step, linear view of purchase-production-consumption activities. This does not allow for the flexibility made possible by the Internet and other technologies. Value delivery network is more appropriate because it is made up of the company, suppliers, distributors, and ultimately customers who partner with each other to improve the performance of the entire system.
Diff: 1 Page Ref: 338
AACSB: Analytic Skills
Skill: Application
Objective: 12-1
127) How do channel members add value to a marketing system?
Answer: Intermediaries reduce the amount of work that must be done by both producers and consumers. They transform the assortment of products made by producers into the assortment wanted by consumers. They buy large quantities from many producers and break them down into the smaller quantities and broader assortments wanted by consumers. Intermediaries help to match supply and demand. Channel members add value by bridging the major time, place, and possession gaps that separate goods and services from those who would use them.
Diff: 2       Page Ref: 339
AACSB: Analytic Skills
Skill: Application
Objective: 12-1

128) What are the eight key functions that members of the marketing channel perform?
Answer: Some help to complete transactions by gathering and distributing information, developing and spreading promotions, contacting prospective buyers, matching and shaping the offer to the buyer's needs, and negotiating price and other terms. Others help to fulfill the completed transactions through physical distribution, financing, and risk taking.
Diff: 2       Page Ref: 340
AACSB: Analytic Skills
Skill: Application
Objective: 12-1

129) Compare and contrast a conventional distribution channel with a vertical marketing system (VMS).
Answer: A conventional distribution channel consists of one or more independent producers, wholesalers, and retailers. Each is a separate business seeking to maximize its own profits, even at the expense of the system as a whole. No channel member has much control over the other members, and no formal means exists for assigning roles and resolving channel conflict. On the other hand, a vertical marketing system is a unified system made up of producers, wholesalers, and retailers. While members of a conventional distribution channel seek to maximize their own profits, members of a vertical marketing system all cooperate because either one member owns the others, one has contracts with the others, or one wields a more power than the others.
Diff: 3       Page Ref: 344
AACSB: Analytic Skills
Skill: Application
Objective: 12-2

130) Why are multichannel distribution systems gaining popularity today?
Answer: Multichannel distribution systems exist when a single firm sets up two or more marketing channels to reach one or more customer segments. Such a system offers advantages to firms facing large and complex markets. It allows the firms to expand sales and market coverage. It allows firms to tailor their products and services to the specific needs of diverse customer segments. Larger bottom-line profits may occur.
Diff: 2       Page Ref: 346
AACSB: Analytic Skills
Skill: Application
Objective: 12-2
131) How have changes in technology and the growth of online marketing affected the design of marketing channels?
Answer: Changes in technology and the growth of online marketing have increased disintermediation, which is the cutting out of marketing channel intermediaries by product or service producers, or the displacement of traditional intermediaries with radically new types. In many industries, traditional intermediaries are dropping by the wayside. For example, many airlines now sell directly to final buyers, cutting retailers and sales agents from their marketing channels. Online marketers take business from traditional brick-and-mortar retailers.
Diff: 2      Page Ref: 347
AACSB: Use of IT
Skill: Application
Objective: 12-2

132) Distinguish between the three distribution strategies.
Answer: Producers of convenience products and common raw materials typically seek intensive distribution as a strategy to stock their products in as many outlets as possible. The goods are available where and when consumers want them, such as chewing gum. Selective distribution is used when selling to more than one but fewer than all of the intermediaries who are willing to carry a company's products in a given market. Examples are name-brand blue jeans and computers. Exclusive distribution is used when the producer wants to stock its products with only one or a few dealers in an area. Examples are expensive cars and prestige clothing.
Diff: 1      Page Ref: 351
AACSB: Analytic Skills
Skill: Application
Objective: 12-3

133) Explain how companies select, motivate, and evaluate channel members.
Answer: When selecting intermediaries, the company should evaluate each channel member's qualifications and select those who best fit its channel objectives. The company should use economic criteria, control issues, and adaptive criteria to analyze each possible channel member. Once selected, channel members must be continuously motivated to do their best. The company must sell not only through the intermediaries but also to and with them. It should work to forge long-term partnerships with channel partners to create a marketing system that meets the needs of both the manufacturer and the partners. The company must also regularly check channel member performance against established performance standards, rewarding intermediaries who are performing well and assisting or replacing weaker ones.
Diff: 2      Page Ref: 352
AACSB: Analytic Skills
Skill: Application
Objective: 12-4
134) Discuss how public policy affects distribution decisions.
Answer: For the most part, companies are legally free to develop whatever channel arrangement suits them, as long as they do not substantially lessen competition or tend to create a monopoly, and as long as both parties enter into the agreement voluntarily. Exclusive territorial agreements in which a producer attempts to keep a dealer from selling outside of a designated territory have become a major legal issue. Producers are free to select their dealers, but they must have legitimate cause to terminate a relationship with a dealer.
Diff: 3 Page Ref: 355-356
AACSB: Ethical Reasoning
Skill: Application
Objective: 12-4

135) Why are more and more companies turning to third-party logistics providers (3PLs)?
Answer: A third-party logistics provider is an independent company that performs any or all of the functions required to get a producer's product to market, helping clients to tighten up sluggish, overstuffed supply chains, slash inventories, and get products to customers more quickly and reliably. Companies use third-party logistics providers because getting the product to market is the main focus of 3PLs, so they can often do it more efficiently and at a lower cost. Second, outsourcing logistics frees a company to focus more intensely on its core business. Finally, integrated logistics companies understand increasingly complex logistics environments. For example, third-party logistics partners can be especially helpful to companies attempting to expand their global market coverage.
Diff: 3 Page Ref: 362
AACSB: Analytic Skills
Skill: Application
Objective: 12-5

136) What is the role of marketing intermediaries?
Answer: The role of marketing intermediaries is to transform the assortments of products made by producers into the assortments wanted by consumers.
Diff: 1 Page Ref: 340
AACSB: Analytic Skills
Skill: Application
Objective: 12-1

137) Give an example of horizontal conflict.
Answer: This type of conflict occurs among firms at the same level of the channel; an example would be two Chevrolet dealers in the St. Louis area that complain that each is being undercut by the other.
Diff: 1 Page Ref: 342
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2
138) Give an example of vertical conflict.
Answer: This type of conflict occurs between different levels of the same channel; an example would be conflict created by a manufacturer toward its dealers when deciding to open an online operation.
Diff: 1 Page Ref: 342
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

139) Explain channel power in a conventional distribution channel.
Answer: No channel member has much control over the other members, and no formal means exists for assigning roles and resolving channel conflict.
Diff: 2 Page Ref: 344
AACSB: Analytic Skills
Skill: Application
Objective: 12-2

140) Explain channel power in a vertical marketing system.
Answer: One channel member owns the others, has contracts with them, or wields so much power that they must all cooperate.
Diff: 2 Page Ref: 344
AACSB: Analytic Skills
Skill: Application
Objective: 12-2

141) How can a firm benefit from involvement in a contractual VMS?
Answer: A contractual VMS consists of independent firms at different levels of production and distribution that join together through contracts to obtain more economies or sales impact than each could achieve alone.
Diff: 3 Page Ref: 345
AACSB: Analytic Skills
Skill: Application
Objective: 12-2

142) How can a firm benefit from participating in a horizontal marketing system?
Answer: Two or more companies at one level join together to follow a new marketing opportunity; by working together, companies can combine their financial, production, or marketing resources to accomplish more than any one company could alone.
Diff: 3 Page Ref: 345
AACSB: Analytic Skills
Skill: Application
Objective: 12-2
143) Give two examples of multichannel distribution systems.
Answer: Students' answers will vary. Examples will include J. C. Penney's catalog distribution option and the retail store locations as well as Avon's door-to-door distribution and over-the-counter distribution options.
Diff: 2    Page Ref: 346
AACSB: Reflective Thinking
Skill: Application
Objective: 12-2

144) What types of products are intensively distributed?
Answer: These products must be available where and when consumers want them; examples include chewing gum, soft drinks, toothpaste, and candy.
Diff: 1    Page Ref: 351
AACSB: Analytic Skills
Skill: Application
Objective: 12-3

145) What types of products are exclusively distributed?
Answer: Exclusive distribution is often used for expensive automobiles and prestige clothing. These products are geographically dispersed.
Diff: 1    Page Ref: 351
AACSB: Analytic Skills
Skill: Application
Objective: 12-3

146) What types of products are selectively distributed?
Answer: With this type of distribution, more than one, but fewer than all, of the intermediaries who are willing to carry a company's products are used. Products include appliances and some name-brand clothing.
Diff: 1    Page Ref: 351
AACSB: Analytic Skills
Skill: Application
Objective: 12-3

147) What are two considerations when selecting intermediaries?
Answer: A company may want to evaluate each channel member's years in business, other lines carried, growth and profit records, cooperativeness, and reputation.
Diff: 3    Page Ref: 353
AACSB: Analytic Skills
Skill: Application
Objective: 12-4
148) When would an exclusive dealing contract be legally problematic?
Answer: An exclusive dealing contract may be illegal if one party has not voluntarily agreed to
the contract, or if the arrangement substantially lessens competition or tends to create a
monopoly.
Diff: 3 Page Ref: 356
AACSB: Ethical Reasoning
Skill: Application
Objective: 12-4

149) How can a company benefit through a just-in-time logistics system?
Answer: With such systems, producers and retailers carry only small inventories of parts or
merchandise, often only enough for a few days of operations. This creates substantial savings in
inventory-carrying and handling costs.
Diff: 2 Page Ref: 359
AACSB: Analytic Skills
Skill: Application
Objective: 12-5

150) Explain why a firm's suppliers tap into the firm's inventory levels with a vendor-managed
inventory system (VMI).
Answer: Some suppliers might actually be asked to generate orders and arrange deliveries for
their customers, based on the customers' inventory levels; in these cases, the suppliers must
know their customers' inventory levels.
Diff: 3 Page Ref: 361
AACSB: Analytic Skills
Skill: Application
Objective: 12-5

Chapter 13 Retailing and Wholesaling

1) ________ includes all the activities involved in selling products or services directly to final
consumers for their personal, nonbusiness use.
A) Franchising
B) Retailing
C) Brokering
D) Wholesaling
E) Disintermediation
Answer: B
Diff: 1 Page Ref: 370
Skill: Concept
Objective: 13-1

2) In recent years, ________ has/have been growing fast. This includes selling to final
consumers through direct mail, catalogs, telephone, and the Internet.
A) specialty stores
B) shopping centers
C) superstores
D) nonstore retailing
E) e-commerce
Answer: D
Diff: 1 Page Ref: 370
AACSB: Use of IT
Skill: Concept
Objective: 13-1

3) _______ is the basis of all discount operations and is typically used by sellers of convenience goods. Retailers offering this level of service require customers to perform their own "locate-compare-select" process in order to save money.
A) Limited-service
B) Self-service
C) Full-service
D) Specialty-service
E) Wholesaling
Answer: B
Diff: 2 Page Ref: 371
Skill: Concept
Objective: 13-1
4) ________, such as Sears, provide more sales assistance because they carry more shopping goods about which customers need information. Their increased operating costs result in higher prices.
A) Self-service retailers  
B) Full-service retailers  
C) Off-price retailers  
D) Limited-service retailers  
E) Specialty-service retailers  
Answer: D  
Diff: 2    Page Ref: 371
Skill: Concept  
Objective: 13-1

5) Which type of stores usually carry more specialty goods for which customers like to be "waited on" and have much higher operating costs, which are passed along to the customer?  
A) self-service stores  
B) category killer stores  
C) full-service stores  
D) independent stores  
E) specialty-service retailers  
Answer: C  
Diff: 2    Page Ref: 372
Skill: Concept  
Objective: 13-1

6) Which of the following retailers likely require the most emphasis on salespeople to assist customers?  
A) self-service retailers  
B) full-service retailers  
C) off-price retailers  
D) limited-service retailers  
E) megaretailers  
Answer: B  
Diff: 2    Page Ref: 372
Skill: Concept  
Objective: 13-1
7) ________ carry narrow product lines with deep assortments within those lines.
A) Chain stores
B) Specialty stores
C) Convenience stores
D) Discount stores
E) Off-price stores
Answer: B
Diff: 1    Page Ref: 372
Skill: Concept
Objective: 13-1

8) Specialty stores carry ________ with ________ within them.
A) convenience items; mostly staples
B) narrow product lines; deep assortments
C) narrow product lines; shallow assortments
D) wide product lines; shallow assortments
E) wide product lines; deep assortments
Answer: B
Diff: 2    Page Ref: 372
Skill: Concept
Objective: 13-1

9) Which type of store carries a wide variety of product lines and differentiates itself through service, but has been squeezed in recent years between more focused and flexible specialty stores on the one hand and more efficient, lower-priced discounters on the other?
A) chain
B) department
C) factory outlet
D) merchant wholesaler
E) independents
Answer: B
Diff: 2    Page Ref: 372
Skill: Concept
Objective: 13-1

10) ________ are facing slow sales growth because of slower population growth, increased competition, and the rapid growth of out-of-home eating.
A) Convenience stores
B) Department stores
C) Chain stores
D) Supermarkets
E) Hypermarkets
Answer: D
Diff: 2    Page Ref: 372
Skill: Concept
Objective: 13-1
11) Which type of retailer tends to be the most frequently shopped?
A) convenience stores
B) department stores
C) superstores
D) supermarkets
E) off-price retailers
Answer: D
Diff: 2 Page Ref: 372
Skill: Concept
Objective: 13-1

12) Which type of small store carries a limited line of high-turnover convenience goods and makes most of its revenues from cigarette, beverage, and gasoline sales?
A) convenience
B) chain
C) department
D) supermarket
E) hypermarket
Answer: A
Diff: 1 Page Ref: 372
Skill: Concept
Objective: 13-1

13) Which type of store is much larger than regular supermarkets and offers a large assortment of routinely purchased food products, nonfood items, and services?
A) category killer
B) chain
C) factory outlet
D) superstore
E) off-price
Answer: D
Diff: 1 Page Ref: 373
Skill: Concept
Objective: 13-1

14) Which type of store carries a deep assortment, has knowledgeable staff, and might actually be viewed as a giant specialty store?
A) category killer
B) chain
C) factory outlet
D) shopping center
E) independent
Answer: A
Diff: 1 Page Ref: 374
Skill: Concept
Objective: 13-1
15) Service retailers include all of the following EXCEPT ________.
A) hotels and motels
B) airlines
C) movie theaters
D) bowling alleys
E) convenience stores
Answer:  E
Diff: 2  Page Ref: 374
Skill:  Concept
Objective:  13-1

16) ________ retailers in the United States are growing faster than product retailers.
A) Discount
B) Merchant
C) Service
D) Specialty
E) Off-price
Answer:  C
Diff: 3  Page Ref: 374
Skill:  Concept
Objective:  13-1

17) ________ sell standard merchandise at lower prices by accepting lower margins and selling higher volume.
A) Merchant wholesalers
B) Discount stores
C) Full-service retailers
D) Limited-service retailers
E) Factory outlets
Answer:  B
Diff: 2  Page Ref: 374
Skill:  Concept
Objective:  13-1

18) Early ________ cut expenses by offering few services and operating in warehouse-like facilities in low-rent, heavily traveled districts.
A) chain stores
B) department stores
C) discount stores
D) off-price retailers
E) full-service retailers
Answer:  C
Diff: 2  Page Ref: 374
Skill:  Concept
Objective:  13-1
19) ________ have filled the ultralow-priced, high-volume gap by buying at less-than-regular wholesale prices and charging consumers less than retail.
A) Off-price retailers
B) Discount stores
C) Convenience stores
D) Chain stores
E) Limited-service retailers
Answer: A
Diff: 1 Page Ref: 374
Skill: Concept
Objective: 13-1

20) Which of the following is NOT one of the main types of off-price retailers?
A) independents
B) factory outlets
C) warehouse clubs
D) category killers
E) membership warehouses
Answer: D
Diff: 2 Page Ref: 374
Skill: Concept
Objective: 13-1

21) ________ which buy at less-than-regular wholesale prices and charge consumers less than retail, are independently owned and run or are divisions of larger retail corporations.
A) Discount stores
B) Warehouse clubs
C) Superstores
D) Independent off-price retailers
E) Full-service retailers
Answer: D
Diff: 2 Page Ref: 374
Skill: Concept
Objective: 13-1

22) ________ are sometimes several stores grouped together. These stores offer prices as low as 50 percent below retail on a wide range of mostly surplus, discounted, or irregular items.
A) Category killers
B) Factory outlets
C) Specialty stores
D) Superstores
E) Power centers
Answer: B
Diff: 1 Page Ref: 374
Skill: Concept
Objective: 13-1
23) Manufacturers send last year's merchandise and seconds to ________, while they send new merchandise to department stores.
   A) convenience stores
   B) chain stores
   C) factory outlets
   D) retailers
   E) power centers
   Answer: C
   Diff: 2 Page Ref: 376
   Skill: Concept
   Objective: 13-1

24) ________ operate in warehouse-like facilities, sell a limited selection of items, and offer few frills. Customers pay annual membership fees and are able to purchase goods at deep discounts.
   A) Warehouse clubs
   B) Independent off-price retailers
   C) Factory outlets
   D) Discount stores
   E) Superstores
   Answer: A
   Diff: 1 Page Ref: 376
   Skill: Concept
   Objective: 13-1

25) ________ are two or more outlets that are commonly owned and controlled.
   A) Chain stores
   B) Convenience stores
   C) Off-price retailers
   D) Independent off-price retailers
   E) Power centers
   Answer: A
   Diff: 1 Page Ref: 376
   Skill: Concept
   Objective: 13-1

26) As a result of the great success of corporate chains, many independent stores chose to band together in either a voluntary chain or a(n) ________.
   A) factory outlet
   B) retailer cooperative
   C) independent off-price retailer
   D) warehouse club
   E) convenience cooperative
   Answer: B
   Diff: 2 Page Ref: 376
   Skill: Concept
   Objective: 13-1
27) The main difference between ________ organizations and other contractual systems is that these systems are normally based on some unique product or service.
A) voluntary chain
B) retailer cooperative
C) franchise
D) agent
E) warehouse-club
Answer: C
Diff: 2 Page Ref: 377
Skill: Concept
Objective: 13-1

28) Merchandising ________ are corporations that combine several different retailing forms under central ownership.
A) conglomerates
B) agents
C) brokers
D) franchises
E) independents
Answer: A
Diff: 2 Page Ref: 377
Skill: Concept
Objective: 13-1

29) Retail assortments are looking more and more alike because ________.
A) customers today are more focused on service differentiation
B) national-brand manufacturers have placed their products almost everywhere
C) market segmentation has proved ineffective
D) stores are clustered together to increase their customer pulling power
E) more stores are practicing "experiential retailing"
Answer: B
Diff: 3 Page Ref: 378
Skill: Concept
Objective: 13-2

30) Until retailers ________ and ________ their markets, they cannot make consistent decisions about product assortment, services, pricing, advertising, store décor, or any of the other decisions that must support their positions.
A) compete with; position
B) target; compete with
C) define; profile
D) limit; serve
E) divest; eliminate
Answer: C
Diff: 3 Page Ref: 378
Skill: Concept
Objective: 13-2
31) Service differentiation among retailers has ________.
A) increased
B) decreased
C) stayed the same
D) franchised
E) tripled
Answer: B
Diff: 2  Page Ref: 378
Skill: Concept
Objective: 13-2

32) A retailer may fail because it tries to provide "something for everyone" and ends up satisfying no market well. Successful retailers ________ their target markets well and position themselves strongly.
A) increase
B) franchise
C) wholesale
D) define
E) position
Answer: D
Diff: 2  Page Ref: 379
Skill: Concept
Objective: 13-2

33) A retailer's ________ should differentiate the retailer while matching target shoppers' expectations. One strategy is to offer merchandise that no other competitor carries.
A) agent
B) broker
C) product assortment
D) environment
E) distribution strategy
Answer: C
Diff: 2  Page Ref: 380
Skill: Concept
Objective: 13-2

34) While all retailers would like to achieve ________ while charging ________, the two seldom happen together.
A) low volume; high markups
B) low volume; low markups
C) high volume; high markups
D) high volume; low markups
E) high volume; cut-rate markups
Answer: C
Diff: 2  Page Ref: 381
Skill: Concept
Objective: 13-2
35) In-store demonstrations, displays, contests, and visiting celebrities are examples of ________.
A) franchises
B) sales promotions
C) agent promotions
D) broker promotions
E) product life-cycling
Answer: B
Diff: 2       Page Ref: 381
AACSB: Communication
Skill: Concept
Objective: 13-2

36) Press conferences and speeches, store openings, special events, newsletters, magazines, and public service activities are examples of ways retailers use ________.
A) public relations
B) sales promotions
C) personal selling
D) the wheel-of-retailing concept
E) retail convergence
Answer: A
Diff: 2       Page Ref: 381
AACSB: Communication
Skill: Concept
Objective: 13-2

37) Of the following, what would most retailers consider to be the most important factor in retailing success?
A) fair prices
B) good atmosphere
C) helpful employees
D) location
E) service
Answer: D
Diff: 3       Page Ref: 382
Skill: Concept
Objective: 13-2
38) Why do stores cluster together?
A) to decrease competition
B) to increase their customer pulling power
C) to take advantage of tax breaks
D) to create retailer cooperatives
E) to standardize the service mix
Answer: B
Diff: 2 Page Ref: 382
Skill: Concept
Objective: 13-2

39) ________ were the main form of retail cluster until the 1950s.
A) Department stores
B) Discount stores
C) Independent off-price retailers
D) Central business districts
E) Independent stores
Answer: D
Diff: 3 Page Ref: 382
Skill: Concept
Objective: 13-2

40) A ________ is a group of retail businesses planned, developed, owned, and managed as a unit.
A) merchant wholesaler
B) franchise
C) shopping center
D) supermarket
E) hypermarket
Answer: C
Diff: 2 Page Ref: 383
Skill: Concept
Objective: 13-2

41) A ________ contains from 40 to 200 stores, is like a covered mini-downtown, and attracts customers from a wide area.
A) community shopping center
B) neighborhood shopping center
C) strip mall
D) regional shopping center
E) power center
Answer: D
Diff: 2 Page Ref: 383
Skill: Concept
Objective: 13-2
42) A ________ contains between 15 and 40 retail stores, including a department or variety store, a supermarket, specialty stores, professional offices, and sometimes a bank.
A) community shopping center
B) neighborhood shopping center
C) strip mall
D) regional shopping center
E) power center
Answer: A
Diff: 2 Page Ref: 383
Skill: Concept
Objective: 13-2

43) Most shopping centers are ________ containing between 5 and 15 stores; they are close and convenient for consumers.
A) community shopping centers
B) power centers
C) strip malls
D) lifestyle centers
E) factory outlets
Answer: C
Diff: 2 Page Ref: 383
Skill: Concept
Objective: 13-2

44) Today's trend in retail clusters is toward ________, huge unenclosed shopping centers consisting of a long strip of retail stores, including at least one large, freestanding anchor store like Wal-Mart. Each store has its own entrance with parking directly in front for shoppers who wish to visit only one store.
A) shopping malls
B) power centers
C) superstores
D) chain stores
E) regional shopping centers
Answer: B
Diff: 2 Page Ref: 384
Skill: Concept
Objective: 13-2
45) A ________ is a smaller mall with upscale stores, convenient locations, and expensive atmosphere. It is typically located near affluent residential neighborhoods.
A) regional shopping center
B) lifestyle center
C) community shopping center
D) franchise
E) power center
Answer: B
Diff: 2 Page Ref: 384
Skill: Concept
Objective: 13-2

A) Sam's Club
B) Price Club
C) T G & Y
D) Ben Franklin's
E) Costco
Answer: B
Diff: 3 Page Ref: 384
Skill: Concept
Objective: 13-3

47) According to the ________ concept, new retailing forms often begin as low-margin, low-price, low-status operations to challenge established retailers, then become successful, and eventually take the place of the established retailers they had challenged.
A) agent
B) broker
C) wheel-of-retailing
D) warehousing
E) product life cycle
Answer: C
Diff: 2 Page Ref: 384-385
Skill: Concept
Objective: 13-3

48) Mail-order, phone, and online shopping are all examples of ________.
A) the wheel-of-retailing concept
B) nonstore retailing
C) off-price retailing
D) full-service retailing
E) wholesaling
Answer: B
Diff: 2 Page Ref: 385
AACSB: Use of IT
Skill: Concept
Objective: 13-3
49) Which of the following has NOT contributed to the growth of online business?
A) easier-to-use Web sites
B) more interesting and attractive Web sites
C) concerns about online privacy and security
D) improved online service
E) increasingly sophisticated search engines
Answer: C
Diff: 2 Page Ref: 385
AACSB: Use of IT
Skill: Concept
Objective: 13-3

50) More growth in online retailing is expected from ________ retailers than other retail types.
A) click-and-brick
B) click-only
C) brick-and-mortar
D) independent
E) franchised
Answer: A
Diff: 2 Page Ref: 385
AACSB: Use of IT
Skill: Concept
Objective: 13-3

51) The merging of consumers, products, prices, and retailers is called ________.
A) retail conglomeration
B) consumer convergence
C) price merging
D) retail convergence
E) retail clustering
Answer: D
Diff: 2 Page Ref: 386
Skill: Concept
Objective: 13-3

52) Convergence means greater ________ for retailers and greater difficulty in ________ offerings.
A) differentiating; pricing
B) sales; differentiating
C) profit margins; sales
D) competition; differentiating
E) branding; differentiating
Answer: D
Diff: 3 Page Ref: 386
Skill: Concept
Objective: 13-3
53) The rise of huge mass merchandisers and specialty superstores, along with retail mergers and acquisitions, has created a core group of very large and very powerful ________.
A) category killers
B) franchises
C) superpower megaretailers
D) power centers
E) lifestyle centers
Answer: C
Diff: 2 Page Ref: 386
Skill: Concept
Objective: 13-3

54) Retail convergence is a merging of all of the following EXCEPT ________.
A) consumers
B) employees
C) products
D) prices
E) retailers
Answer: B
Diff: 2 Page Ref: 386
Skill: Concept
Objective: 13-3

55) Touch-screen kiosks, customer-loyalty cards, handheld shopping assistants, and self-scanning checkout systems are all examples of how retailers use technology to ________.
A) maintain inventory costs
B) send information between stores
C) meet consumers' expectations
D) produce more accurate forecasts
E) interact with suppliers
Answer: C
Diff: 3 Page Ref: 387
AACSB: Use of IT
Skill: Concept
Objective: 13-3

56) Most ________ retailers are significantly behind ________ retailers in global expansion.
A) African; Peruvian
B) European; American
C) American; European and Asian
D) Asian; American
E) Asian; African
Answer: C
Diff: 3 Page Ref: 388
AACSB: Multicultural and Diversity
Skill: Concept
Objective: 13-3
57) ________, the world's second largest retailer after Wal-Mart, has embarked on an aggressive mission to extend its role as a leading international retailer.
A) McDonald's  
B) Target  
C) Carrefour  
D) Ikea  
E) Costco  
Answer: C  
Diff: 3 Page Ref: 388  
AACSB: Multicultural and Diversity  
Skill: Concept  
Objective: 13-3

58) ________ includes all activities involved in selling goods and services to those buying for resale or business use.
A) Wholesaling  
B) Retailing  
C) Franchising  
D) Discounting  
E) Disintermediation  
Answer: A  
Diff: 1 Page Ref: 389  
Skill: Concept  
Objective: 13-4

59) ________ buy mostly from producers and sell to retailers and industrial consumers.
A) Independents  
B) Factory outlets  
C) Wholesalers  
D) Discount stores  
E) Megaretailers  
Answer: C  
Diff: 2 Page Ref: 389  
Skill: Concept  
Objective: 13-4

60) Which wholesaler's channel function is demonstrated when a wholesaler's sales force helps a manufacturer to reach many small customers at a low cost?
A) bulk-breaking  
B) selling and promoting  
C) buying and assortment building  
D) warehousing  
E) rackjobbing  
Answer: B  
Diff: 2 Page Ref: 390  
Skill: Concept  
Objective: 13-4
61) Which of the following is NOT one of a wholesaler's channel functions?
A) financing
B) risk bearing
C) providing market information
D) off-price retailing
E) bulk-breaking
Answer: D
Diff: 3 Page Ref: 390
Skill: Concept
Objective: 13-4

62) Which wholesaler's channel function is demonstrated when a wholesaler reduces inventory holding costs and risks to suppliers and customers?
A) financing
B) transporting
C) buying and assortment building
D) warehousing
E) bulk breaking
Answer: D
Diff: 3 Page Ref: 390
Skill: Concept
Objective: 13-4

63) Which wholesaler's channel function is demonstrated when a buyer receives quicker delivery because wholesalers are located closer than producers?
A) financing
B) transportation
C) buying and assortment building
D) warehousing
E) risk bearing
Answer: D
Diff: 2 Page Ref: 390
Skill: Concept
Objective: 13-4

64) Which of the following is NOT one of the major classifications of wholesalers?
A) merchant wholesalers
B) agents
C) manufacturers' sales branches and offices
D) specialty wholesalers
E) brokers
Answer: D
Diff: 2 Page Ref: 390
Skill: Concept
Objective: 13-4
65) _______ are the largest group of wholesalers. The group can be divided into the two broad types of full-service and limited-service.
A) Brokers
B) Manufacturer sellers
C) Agents
D) Merchant wholesalers
E) Specialty wholesalers
Answer: D
Diff: 2 Page Ref: 390
Skill: Concept
Objective: 13-4

66) In order to ________, wholesalers can propose automatic reordering systems, set up management-training and advising systems, or even sponsor a voluntary chain.
A) define their target markets
B) identify more profitable customers
C) determine product and service assortments
D) build better relationships with customers
E) settle on pricing
Answer: D
Diff: 2 Page Ref: 392
AACSB: Communication
Skill: Concept
Objective: 13-4

67) _______ and _______ do not take title to goods, and they perform only a few channel functions.
A) Full-service wholesalers; limited-service wholesalers
B) Brokers; agents
C) Branches; offices
D) Power centers; independent wholesalers
E) Independent wholesalers; off-price retailers
Answer: B
Diff: 2 Page Ref: 390
Skill: Concept
Objective: 13-4
68) A(n) ________ brings buyers and sellers together and assists in negotiations.
A) agent
B) broker
C) retailer
D) wholesaler
E) retail convergence
Answer: B
Diff: 1 Page Ref: 390
AACSB: Communication
Skill: Concept
Objective: 13-4

69) ________, or manufacturers' representatives, represent a buyer or seller on a more permanent basis.
A) Brokers
B) Franchises
C) Agents
D) Retailers
E) Intermediaries
Answer: C
Diff: 2 Page Ref: 390
AACSB: Communication
Skill: Concept
Objective: 13-4

70) Like retailers, wholesalers must ________ their target markets and ________ themselves effectively, for they cannot serve everyone.
A) define; position
B) position; define
C) discount; franchise
D) franchise; discount
E) identify; compare
Answer: A
Diff: 3 Page Ref: 390
Skill: Concept
Objective: 13-4
71) Which type of limited-service wholesaler is owned by farmers who assemble farm produce to sell in local markets?
A) cash-and-carry wholesaler
B) drop shipper
C) rack jobber
D) producer's cooperative
E) truck jobber
Answer: D
Diff: 2 Page Ref: 391
Skill: Concept
Objective: 13-4

72) Which type of wholesaler sells primarily to manufacturers rather than to retailers?
A) wholesale merchants
B) industrial distributors
C) cash-and-carry wholesalers
D) rack jobbers
E) drop shippers
Answer: B
Diff: 2 Page Ref: 391
Skill: Concept
Objective: 13-4

73) Many wholesalers are not ______-minded; they are behind the times in personal selling, seeing selling as a single salesperson talking to a single customer instead of as a team effort.
A) absent
B) promotion
C) management
D) franchise
E) customer
Answer: B
Diff: 2 Page Ref: 393
AACSB: Communication
Skill: Concept
Objective: 13-4
74) Today's large, progressive wholesalers have successfully reacted to rising costs by ________.
   A) relocating in low-rent, low-tax areas
   B) investing in information technology systems
   C) investing less money in expensive machinery
   D) increasing their markup
   E) reducing promotional activities
   Answer: B
   Diff: 3       Page Ref: 393
   AACSB: Use of IT
   Skill: Concept
   Objective: 13-4

75) Savvy wholesalers realize that their only reason for existence comes from increasing the efficiency and effectiveness of the ________.
   A) retailer
   B) industry
   C) distribution system
   D) end customer
   E) entire marketing channel
   Answer: E
   Diff: 2       Page Ref: 393
   Skill: Concept
   Objective: 13-4

76) At Neiman Marcus, a first-class department store, customers shop for specialty products and have come to expect assistance in every phase of the shopping process. Neiman Marcus is a ________.
   A) self-service retailer
   B) limited-service retailer
   C) full-service retailer
   D) specialty store
   E) power center
   Answer: C
   Diff: 1       Page Ref: 372
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 13-1
77) GameStop sells video games and systems, offering a narrow product line with a deep assortment within that line. GameStop is a _______.  
A) department store  
B) convenience store  
C) category killer  
D) specialty store  
E) off-price retailer  
Answer: D  
Diff: 1 Page Ref: 371  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 13-1

78) 7-Eleven, Stop-N-Go, and Circle K, small stores that traditionally have had a primary market of young, blue-collar men, are examples of _______.  
A) department stores  
B) convenience stores  
C) category killers  
D) specialty stores  
E) supermarkets  
Answer: B  
Diff: 1 Page Ref: 372  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 13-1

79) Overstock.com, a Web seller that buys furniture, clothing, electronics, and more from a variety of producers at less-than-regular wholesale prices and then charges customers less than retail, is a(n) _______.  
A) discount store  
B) independent off-price retailer  
C) factory outlet  
D) wholesale club  
E) category killer  
Answer: B  
Diff: 2 Page Ref: 374  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 13-1
80) A growing number of outlet malls now feature brands such as Coach, Polo Ralph Lauren, Dolce & Gabbana, and Giorgio Armani, causing ________ to protest to the manufacturers of these brands.
A) membership warehouses
B) agents
C) brokers
D) department stores
E) factory outlets
Answer: D
Diff: 3 Page Ref: 374
AACSB: Analytic Skills
Skill: Application
Objective: 13-1

81) McDonald's, Subway, and Pizza Hut are all examples of a ________.
A) voluntary chain
B) retailer cooperative
C) franchise
D) full-service retailer
E) power center
Answer: C
Diff: 2 Page Ref: 377
AACSB: Reflective Thinking
Skill: Application
Objective: 13-1

82) In the battle for "share of stomachs," some supermarkets are cutting costs and attempting to compete more effectively with food discounters, while others are moving upscale, providing improved store environments and higher-quality food offerings. These two different strategies represent differences in ________.
A) positioning
B) place decisions
C) retail convergence
D) retail technology
E) wholesaling
Answer: A
Diff: 2 Page Ref: 378
AACSB: Reflective Thinking
Skill: Application
Objective: 13-2
83) 7-Eleven has recently begun to redesign and restock its stores to offer a more upscale environment and products, such as house wines and fresh foods. 7-Eleven has changed its __________.
A) positioning  
B) wholesaler  
C) service level  
D) size  
E) relative prices  
Answer: A  
Diff: 2  
Page Ref: 378  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 13-2

84) Big and Tall Men's Shop carries goods in larger sizes; this allows the store to ________ other stores.
A) compete with  
B) differentiate itself from  
C) cluster with  
D) affect the store atmosphere of  
E) converge with  
Answer: B  
Diff: 1  
Page Ref: 380  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 13-2

85) Costco's surprise offerings of seconds, overstocks, and closeouts occasionally including diamonds is an example of how a retailer can differentiate itself through ________.
A) product assortment  
B) services mix  
C) experiential retailing  
D) store atmosphere  
E) high-low pricing  
Answer: A  
Diff: 2  
Page Ref: 380  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 13-2
86) Home Depot offers "how-to" classes for do-it-yourselfers, featuring instructions on how to complete home improvement projects using products sold at its stores. This is an example of how Home Depot has differentiated itself through its ________.
A) product assortment
B) services mix
C) segmentation
D) atmosphere
E) targeting
Answer: B
Diff: 2 Page Ref: 380
AACSB: Reflective Thinking
Skill: Application
Objective: 13-2

87) Which of the following types of retailers is most likely to practice everyday low pricing (EDLP)?
A) discount stores
B) convenience stores
C) category killers
D) limited-service retailers
E) department stores
Answer: A
Diff: 2 Page Ref: 381
AACSB: Analytic Skills
Skill: Application
Objective: 13-2

88) Which of the following describes a way that Costco and Wal-Mart are similar?
A) Both are warehouse clubs.
B) Both target the same affluent market.
C) Both offer a similar assortment of products.
D) Both use everyday low pricing.
E) Both market a very limited number of generic-priced food, household, and apparel lines.
Answer: D
Diff: 3 Page Ref: 381
AACSB: Analytic Skills
Skill: Application
Objective: 13-2
89) Macy’s department stores carry a wide range of product lines, including clothing, jewelry, kitchenware, and home furnishings. Macy’s typically charges a relatively high markup, but also holds frequent sales and price promotions, in particular offering discounts to customers who use a Macy’s credit card. Macy’s uses ________.
A) self-service retailing  
B) experiential retailing  
C) high-low pricing  
D) everyday low pricing  
E) retail convergence  
Answer: C  
Diff: 2   Page Ref: 381  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 13-2

90) Which of the following may be true about shoppers who prefer to shop at "lifestyle centers"?
A) They prefer inexpensive atmospheres.  
B) They prefer upscale stores.  
C) They prefer out-of-the-way locations.  
D) They rarely dine out.  
E) They are motivated by deals on last year's merchandise and seconds.  
Answer: B  
Diff: 3   Page Ref: 384  
AACSB: Analytic Skills  
Skill: Application  
Objective: 13-2

91) Which of the following is most likely the greatest factor in the increasingly short life cycle of new retail forms?
A) changes in technology  
B) economic swings  
C) import and export regulations  
D) stagnating retail convergence  
E) global expansion of major retailers  
Answer: A  
Diff: 3   Page Ref: 385  
AACSB: Analytic Skills  
Skill: Application  
Objective: 13-3
92) Carey David's wholesale company helps retailers train salesclerks, improve store layouts and displays, and set up inventory control systems. The channel function Cary David's is providing is ________.
A) buying and assortment building
B) selling and promotion services
C) risk bearing services
D) marketing information
E) management services and advice
Answer: E
Diff: 2 Page Ref: 390
AACSB: Reflective Thinking
Skill: Application
Objective: 13-4

93) You own an independent store in your neighborhood. You still like to offer fresh seafood in your meat display case. Which type of wholesaler might best serve you?
A) cash-and-carry wholesaler
B) rack jobber
C) drop shipper
D) mail-order wholesaler
E) agents and brokers
Answer: A
Diff: 3 Page Ref: 391
AACSB: Analytic Skills
Skill: Application
Objective: 13-4

94) You own a neighborhood grocery store and would like to have non-food items delivered, priced, displayed and inventoried by a wholesaler. You do not want to purchase title to the goods. Which type of wholesaler best fits your needs?
A) cash-and-carry wholesaler
B) rack jobber
C) drop shipper
D) mail-order wholesaler
E) agents and brokers
Answer: B
Diff: 3 Page Ref: 391
AACSB: Analytic Skills
Skill: Application
Objective: 13-4
95) Kiera Roselli, a general merchandise wholesaler, constantly looks for better ways to meet the needs of her suppliers and target customers. She knows that her business adds value by increasing the efficiency and effectiveness of the ________.  
A) retail process  
B) entire marketing channel  
C) warehousing system  
D) target market  
E) retail customer  
Answer: B  
Diff: 2  
Page Ref: 393  
AACSB: Analytic Skills  
Skill: Application  
Objective: 13-4

96) SuperValu, traditionally classified as a food wholesaler, has recently started or acquired several retail food chains of its own, including Albertsons, Jewel-Osco, and Cub Foods. Which of the following trends is this an example of?  
A) movement toward self-service retailing  
B) the growing domination of superstores  
C) the decline of the voluntary chain  
D) retail convergence  
E) the blurring of distinctions between retailers and wholesalers  
Answer: E  
Diff: 2  
Page Ref: 394  
AACSB: Analytic Skills  
Skill: Application  
Objective: 13-4
Refer to the scenario below to answer the following questions.

In the 1970s, Shipshewana was only a small town with a hardware store, a grain mill, a shoe store, a small restaurant, and a grocery store. Over the next two decades, the small town transformed into an international tourist attraction, attracting thousands of tourists who are intrigued with the lifestyle of Shipshewana's largest population—the Amish.

Ben and Mary Miller, having grown up within the Amish faith, decided to capitalize on their town's popularity and their woodworking skills. Their shop, Indiana Wood, began with a small display of handmade hickory rocking chairs, Ben Miller's specialty. But within a few months, the display at Indiana Wood included picnic tables, flower boxes, and small handmade novelty items. No other shop offers the same.

Mary Miller decorated the shop's display room with authentic Amish décor and eventually hired three Amish friends to sew and embroider napkins and other textiles per customer request. In addition, two women from the Amish community sought permission from the Millers to display home-baked pastries and jellies on Tuesdays and Wednesdays, the town's busiest tourist days, when Shipshewana attracts swarms of visitors to its flea market on the south edge of town.

"Shipshewana is full of specialty shops," Mary Miller stated. "People don't come here to buy things made in China or Taiwan. They want real, Amish-made goods."

97) Indiana Wood is best classified as a(n) ________ retailer.
   A) full-service
   B) self-service
   C) limited-service
   D) discount
   E) off-price
   Answer: A
   Diff: 1 Page Ref: 372
   AACSB: Reflective Thinking
   Skill: Application
   Objective: 13-1

98) Which of the following is most critical to Indiana Wood's success?
   A) place
   B) price
   C) differentiation
   D) store atmosphere
   E) services mix
   Answer: A
   Diff: 2 Page Ref: 382
   AACSB: Analytic Skills
   Skill: Application
   Objective: 13-2
99) The Amish decor and shop workers give customers an authentic impression of the pride and skill built into the shop's products. These aspects also contribute to the store's ________.
A) product assortment
B) services mix
C) atmosphere
D) segmentations
E) targeting
Answer: C
Diff: 2 Page Ref: 380
AACSB: Reflective Thinking
Skill: Application
Objective: 13-2

100) Which of the following would be the most logical way for Indiana Wood to expand?
A) establishing an online presence
B) pursuing retail convergence
C) implementing RFID inventory tracking
D) establishing a community-gathering environment in the store
E) joining a producers' cooperative
Answer: A
Diff: 2 Page Ref: 385
AACSB: Use of IT
Skill: Application
Objective: 13-3

101) Wholesaling includes all the activities involved in selling products or services directly to final consumers for their personal, nonbusiness use.
Answer: FALSE
Diff: 1 Page Ref: 389
Skill: Concept
Objective: 13-1

102) Full-service retailers, such as Sears or JC Penney, provide more sales assistance because they carry more shopping goods about which customers need information.
Answer: FALSE
Diff: 3 Page Ref: 372
AACSB: Reflective Thinking
Skill: Application
Objective: 13-1
103) Limited-service retailers, such as specialty stores and first-class department stores, employ salespeople who assist customers in every phase of the shopping process.
Answer: FALSE
Diff: 2    Page Ref: 371
AACSB: Analytic Skills
Skill: Application
Objective: 13-1

104) Department stores carry narrow product lines with deep assortments within those lines.
Answer: FALSE
Diff: 1    Page Ref: 372
Skill: Concept
Objective: 13-1

105) In recent years, convenience stores have redesigned their stores to closely focus on serving their primary target market made up of young, blue-collar men.
Answer: FALSE
Diff: 3    Page Ref: 372
Skill: Concept
Objective: 13-1

106) Category killers carry a deep assortment of a particular product line and have a knowledgeable staff.
Answer: TRUE
Diff: 2    Page Ref: 374
Skill: Concept
Objective: 13-1

107) Off-price retailers pay regular wholesale prices for their merchandise but maintain low prices by accepting lower margins and selling higher volume.
Answer: FALSE
Diff: 3    Page Ref: 374
Skill: Concept
Objective: 13-1

108) A discount store buys at less-than-regular wholesale prices and charges consumers less than retail.
Answer: FALSE
Diff: 3    Page Ref: 374
Skill: Concept
Objective: 13-1

109) Independent off-price retailers may in fact be divisions of larger retail corporations.
Answer: TRUE
Diff: 2    Page Ref: 374
Skill: Concept
Objective: 13-1
110) Factory outlets, independent off-price retailers, and warehouse clubs all buy their merchandise in a similar fashion.
Answer: TRUE
Diff: 3    Page Ref: 374
AACSB: Analytic Skills
Skill: Application
Objective: 13-1

111) In warehouse clubs, customers must independently bring large items to the checkout line.
Answer: TRUE
Diff: 2    Page Ref: 376
Skill: Concept
Objective: 13-1

112) Chain stores are located near residential areas and are open long hours, seven days a week; they carry a limited line of high-turnover goods.
Answer: FALSE
Diff: 2    Page Ref: 376
Skill: Concept
Objective: 13-1

113) In a retailer cooperative, independent retailers contract with each other to set up a central buying operation and conduct joint promotional efforts.
Answer: FALSE
Diff: 2    Page Ref: 376
Skill: Concept
Objective: 13-1

114) Merchandising conglomerates are corporations that combine several different retailing forms under different ownership.
Answer: FALSE
Diff: 2    Page Ref: 377
Skill: Concept
Objective: 13-1

115) Retailers first must position themselves in a market and then decide how they will define the target customers in these markets.
Answer: FALSE
Diff: 2    Page Ref: 378
Skill: Concept
Objective: 13-2
116) To create the right atmosphere, some retailers control every aspect of the consumer’s store experience, including what customers hear and smell.
Answer: TRUE
Diff: 1  Page Ref: 380
Skill: Concept
Objective: 13-2

117) Power centers are decreasing in number.
Answer: FALSE
Diff: 2  Page Ref: 384
Skill: Concept
Objective: 13-2

118) The wheel-of-retailing concept deals mainly with wholesalers rolling out reduced service levels.
Answer: FALSE
Diff: 3  Page Ref: 384
Skill: Concept
Objective: 13-3

119) The life cycle of new retail forms is getting longer.
Answer: FALSE
Diff: 2  Page Ref: 384
Skill: Concept
Objective: 13-3

120) Unlike mass marketers, niche marketers expect to see continued growth in their online sales.
Answer: FALSE
Diff: 3  Page Ref: 385
AACSB: Use of IT
Skill: Application
Objective: 13-3

121) Retail convergence means greater competition for retailers and greater difficulty in differentiating offerings.
Answer: TRUE
Diff: 2  Page Ref: 386
Skill: Concept
Objective: 13-3

122) The number of retailers creating communities for their customers is declining.
Answer: TRUE
Diff: 1  Page Ref: 388
Skill: Concept
Objective: 13-3
123) Like retailers, a wholesaler must decide on segmentation and targeting, differentiation and positioning, and the marketing mix.
Answer: TRUE
Diff: 1 Page Ref: 390
AACSB: Communication
Skill: Concept
Objective: 13-4

124) In an automated warehouse, orders are fed directly from the retailer's information system to the wholesaler's, and the items are picked up by mechanical devices and taken to a shipping platform where they are assembled.
Answer: TRUE
Diff: 2 Page Ref: 393
AACSB: Use of IT
Skill: Concept
Objective: 13-4

125) The distinction between large retailers and large wholesalers is becoming blurred.
Answer: TRUE
Diff: 2 Page Ref: 394
AACSB: Analytic Skills
Skill: Application
Objective: 13-4

126) Retail stores can be classified in terms of several characteristics. Name four of these.
Answer: These include the amount of service they offer, the breadth and depth of their product lines, the relative prices they charge, and how they are organized.
Diff: 2 Page Ref: 371
AACSB: Analytic Skills
Skill: Application
Objective: 13-1

127) Compare and contrast specialty stores and convenience stores.
Answer: Specialty stores carry narrow product lines with deep assortments within those lines. Convenience stores are small stores that carry a limited line of high-turnover convenience goods. The majority of their revenues come from sales of gasoline, cigarettes, and beverages.
Diff: 1 Page Ref: 372
AACSB: Analytic Skills
Skill: Application
Objective: 13-1
128) Describe the differences between discount stores and off-price retailers.
Answer: A discount store buys at regular wholesale prices but sells standard merchandise at lower prices by accepting lower margins and selling higher volume. Off-price retailers buy at less-than-regular wholesale prices and charge consumers less than retail.
Diff: 2 Page Ref: 374
AACSB: Analytic Skills
Skill: Application
Objective: 13-1

129) Describe the differences between chain stores and franchises.
Answer: Chain stores consist of two or more outlets that are commonly owned and controlled. Chain stores have the advantage of buying in larger quantities at lower prices and sharing resources to hire specialists to help with decisions in pricing, promotion, merchandising, inventory, and sales forecasting. Franchises are not commonly owned and controlled; instead, a franchise is a contractual association between a manufacturer, wholesaler, or service organization and an independent businessperson who buys the right to own and operate one or more units within the franchise system.
Diff: 2 Page Ref: 376-77
AACSB: Analytic Skills
Skill: Application
Objective: 13-1

130) Explain how Target is able to compete against Wal-Mart.
Answer: Target has developed distinct targeting and positioning. Target's aim is to stick to low prices, but rises above the discount fray with upmarket style and design and higher-grade service. This upscale alternative really separates it from its mass-merchant peers. It targets the higher income, better-educated clientele in its stores, hence the popular high-status pronunciation of its name as "Tar-shay."
Diff: 3 Page Ref: 379
AACSB: Analytic Skills
Skill: Application
Objective: 13-2
Three types of shopping centers are regional shopping centers, community shopping centers, and neighborhood shopping centers/strip malls. Describe how they are different from each other.

Answer: Regional shopping centers are the largest and most dramatic shopping centers. They contain from 40 to more than 200 stores. They are like covered mini-downtowns and attract customers from a wide area. Smaller than regional shopping centers, community shopping centers contain between 15 and 40 stores. They normally contain a branch of a department store or variety store, a supermarket, specialty stores, professional offices, and sometimes a bank. Smaller still are neighborhood shopping centers/strip malls, which generally contain 5 to 15 stores. They are close and convenient for consumers, usually containing a supermarket, a discount store, and several service stores.

Describe how nonstore retailing has grown in the past decade.

Answer: Though most purchases are still made in stores, more and more consumers are now shopping using a broad range of nonstore alternatives, including mail-order, television, phone, and online shopping. Easy-to-use Web sites, improved online service, and sophisticated search engines have all helped online business grow at a faster rate than retail buying. All types of retailers now use direct and online channels, with traditional brick-and-mortar retailers selling online, along with online-only retailers such as Amazon.com and eBay. Much of the growth in online sales will go to multichannel retailers who provide service both in stores and online.

Why would a producer use wholesalers rather than selling directly to retailers or consumers?

Answer: Wholesalers add value by performing one or more of the following channel functions: selling and promotion, buying and assortment building, bulk breaking, warehousing, transportation, financing, risk bearing, providing market information, and giving management services and advice. Wholesalers can perform many channel functions more efficiently and effectively than a producer can, allowing the producer to focus its energies on creating its product.
134) Explain the marketing decisions facing wholesalers.
Answer: Wholesalers are faced with the marketing decisions of segmentation and targeting, differentiation and promotion, and the marketing mix. Progressive wholesalers are adapting their services to the needs of target customers and are seeking cost-reducing methods of doing business. Faced with slow growth in their domestic markets and developments such as the North American Free Trade Association, many large wholesalers are also now going global.
Diff: 2 Page Ref: 390
AACSB: Analytic Skills
Skill: Application
Objective: 13-4

135) Explain how wholesalers have been able to use technology to cut costs.
Answer: Many wholesalers have invested in automated warehouses and information technology systems. Delivery time can be cut as orders are fed from the retailer's information system directly into the wholesaler's. Automated warehouses increase efficiencies and drive down costs, as mechanical devices can automatically pick up items and take them to a shipping platform to be assembled. Wholesalers can also use technology for accounting, billing, inventory control, and forecasting. These computerized, automated, and Web-based systems help wholesalers contain the costs of ordering, shipping, and inventory holding.
Diff: 2 Page Ref: 393
AACSB: Use of IT
Skill: Application
Objective: 13-4

136) What types of products do specialty stores carry? Give an example of a specialty store.
Answer: Specialty stores carry narrow product lines with deep assortments within those lines. Examples will vary.
Diff: 1 Page Ref: 372
AACSB: Analytic Skills
Skill: Application
Objective: 13-1

137) How have department stores responded to increased competition by specialty stores?
Answer: Many department stores have added promotional pricing to meet the threat; in addition, they have stepped up the use of store brands and single-brand "designer shops" to compete with specialty stores. Department stores are also trying mail-order, telephone, and Web selling.
Diff: 2 Page Ref: 372
AACSB: Analytic Skills
Skill: Application
Objective: 13-1
138) What types of products may be sold through category killers?
Answer: Category killers are prevalent in a wide range of categories, including books, baby
gear, toys, electronics, home improvement products, linens and towels, party goods, sporting
goods, and pet supplies.
Diff: 2 Page Ref: 374
AACSB: Reflective Thinking
Skill: Application
Objective: 13-1

139) How can discount stores sell merchandise at lower prices?
Answer: Discount stores sell merchandise at lower prices by accepting lower margins and
selling higher volumes.
Diff: 2 Page Ref: 374
AACSB: Analytic Skills
Skill: Application
Objective: 13-1

140) What are three advantages a chain has over an independent retailer?
Answer: A chain may benefit from a regionally or nationally known name, as well as an
established promotional campaign. In addition, because a chain is held together by a centralized
purchasing or administrative center, there is much bargaining power with suppliers.
Diff: 2 Page Ref: 376
AACSB: Analytic Skills
Skill: Application
Objective: 13-1

141) How does a retailer cooperative function?
Answer: A retailer cooperative is a group of retailers that come together to set up a jointly
owned, central wholesale operation, and conduct joint merchandising and promotion efforts.
Through a retailer cooperative, independents can match the buying and promotion economies of
corporate chains.
Diff: 2 Page Ref: 376
AACSB: Analytic Skills
Skill: Application
Objective: 13-1

142) How is a merchandising conglomerate different from a chain store?
Answer: Merchandising conglomerates are corporations that combine several different retailing
forms under central ownership, while chain stores are commonly owned outlets of the same retail
form.
Diff: 3 Page Ref: 377
AACSB: Analytic Skills
Skill: Application
Objective: 13-1
143) What elements comprise a store's atmosphere?
Answer: A store's atmosphere includes the sights, sounds, and smells that customers typically associate with the store.
Diff: 1     Page Ref: 381
AACSB: Analytic Skills
Skill: Application
Objective: 13-2

144) How do the practices of "high-low" pricing and everyday low pricing differ?
Answer: With "high-low" pricing, a retailer charges higher prices on an everyday basis but also has frequent sales and other price promotions; with everyday low pricing, a retailer for the most part avoids sales and instead delivers constant, everyday low prices.
Diff: 2     Page Ref: 381
AACSB: Analytic Skills
Skill: Application
Objective: 13-2

145) How have shopping centers changed in the past few decades?
Answer: Central business districts located in downtown areas were the wave in the 1950s; such areas included department stores, specialty stores, banks, and movie theaters. With the move of people to the suburbs came branches of some of the downtown merchants in suburban shopping centers. In recent years, many cities have joined with merchants to try to revive downtown shopping areas by building malls and providing underground parking.
Diff: 3     Page Ref: 382
AACSB: Analytic Skills
Skill: Application
Objective: 13-2

146) What attracts shoppers to a power center?
Answer: Power centers are unenclosed shopping centers that consist of a long strip of retail stores, each store with its own entrance with parking directly in front for shoppers who wish to visit only one store. A power center offers convenience and variety for shoppers.
Diff: 1     Page Ref: 384
AACSB: Analytic Skills
Skill: Application
Objective: 13-2

147) Briefly explain the wheel-of-retailing concept.
Answer: According to this concept, many new types of retailing forms begin as low-margin, low-price, low-status operations. Over time, the retailers' success leads them to upgrade their facilities and offer more services; consequently, their costs increase, forcing them to increase their prices. Eventually, these retailers become prey to the new retailers entering the marketplace.
Diff: 3     Page Ref: 384
AACSB: Analytic Skills
Skill: Application
Objective: 13-3
148) What constitutes retail convergence?
Answer: Retail convergence is the coming together of shoppers, goods, and prices. Customers of all income levels are shopping at the same stores, often for the same goods. Distinctions such as discount store, specialty store, and department store are losing significance.
Diff: 2    Page Ref: 386
AACSB: Analytic Skills
Skill: Application
Objective: 13-3

149) How do merchant wholesalers and agents/brokers differ?
Answer: Merchant wholesalers "take title to" (or own) what it is they sell; agents/brokers merely serve as liaisons, bringing buyers and sellers together.
Diff: 2    Page Ref: 390
AACSB: Analytic Skills
Skill: Application
Objective: 13-4

150) How can wholesalers improve their use of promotions?
Answer: Many wholesalers do not view promotion as a team effort to sell, build, and service major accounts; to address this issue, wholesalers should adopt some of the promotion techniques used by retailers, such as developing an overall promotion strategy and making greater use of supplier promotion materials and programs.
Diff: 3    Page Ref: 393
AACSB: Communication
Skill: Application
Objective: 13-4

Chapter 14 Communicating Customer Value: Integrated Marketing Communication Strategy

1) A company's total marketing communications mix consists of a special blend of advertising, sales promotion, public relations, personal selling, and direct-marketing tools that the company uses to communicate customer value and build customer relationships. This is also called

A) direct marketing
B) integrated marketing
C) the promotion mix
D) competitive marketing
E) target marketing

Answer: C
Diff: 1 Page Ref: 402
AACSB: Communication
Skill: Concept
Objective: 14-1

2) The use of short-term incentives to encourage the purchase or sale of a product or service is called ________.
A) direct marketing
B) sales promotions
C) personal selling
D) public relations
E) publicity
Answer: B
Diff: 2 Page Ref: 402
AACSB: Communication
Skill: Concept
Objective: 14-1

3) Any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor is called _______.
A) sales promotion
B) advertising
C) direct marketing
D) personal selling
E) public relations
Answer: B
Diff: 1 Page Ref: 402
AACSB: Communication
Skill: Concept
Objective: 14-1
4) Which of the five major promotion tools includes building up a positive corporate image and handling unfavorable stories and events?
A) sales promotion
B) personal selling
C) direct marketing
D) public relations
E) advertising
Answer: D
Diff: 2 Page Ref: 402
AACSB: Communication
Skill: Concept
Objective: 14-1

5) Which of the following is NOT a major category in a company's promotion mix?
A) sales promotion
B) strategic positioning
C) direct marketing
D) public relations
E) advertising
Answer: B
Diff: 2 Page Ref: 402
AACSB: Communication
Skill: Concept
Objective: 14-1

6) Which major promotion category makes use of catalogs, telephone marketing, kiosks, and the Internet?
A) sales promotion
B) direct marketing
C) publicity
D) public relations
E) advertising
Answer: B
Diff: 2 Page Ref: 402
AACSB: Communication
Skill: Concept
Objective: 14-1
7) Which major promotion category makes use of displays, discounts, coupons, and demonstrations?
A) sales promotion
B) direct marketing
C) publicity
D) public relations
E) advertising
Answer: A
Diff: 2 Page Ref: 403
AACSB: Communication
Skill: Concept
Objective: 14-1

8) The promotion mix is the company's primary communication activity; the marketing mix must be coordinated for the greatest communication impact. What is NOT included in the entire marketing mix?
A) product
B) competitor
C) price
D) place
E) promotion
Answer: B
Diff: 2 Page Ref: 403
Skill: Concept
Objective: 14-1

9) Mass-media advertising routinely involves a company investing millions or even billions of dollars to reach tens of ________ of customers with a single ad.
A) billions
B) thousands
C) millions
D) hundreds
E) tens
Answer: C
Diff: 1 Page Ref: 403
AACSB: Communication
Skill: Concept
Objective: 14-2
10) Today's consumers do not need to rely on marketer-supplied information about products and services because they can use ________ to seek out a wealth of information.
   A) public relations
   B) direct marketing
   C) the Internet and other technologies
   D) mass market media
   E) informative advertising
   Answer: C
   Diff: 1 Page Ref: 403
   AACSB: Use of IT
   Skill: Concept
   Objective: 14-2

11) Which of the following is NOT a factor in the changes occurring in today's marketing communications?
   A) Mass markets have fragmented, and marketers are shifting away from mass marketing.
   B) Improvements in communication technologies are changing how companies and customers communicate with each other.
   C) Companies routinely invest millions of dollars in the mass media.
   D) Mass media no longer capture the majority of promotional budgets.
   E) Today's consumers are better informed about products and services.
   Answer: D
   Diff: 3 Page Ref: 403
   AACSB: Communication
   Skill: Concept
   Objective: 14-2

12) Moving away from ________, marketers have been shifting toward highly focused marketing, spawning a new generation of more specialized and highly targeted communications efforts.
   A) mass marketing
   B) advertising
   C) direct marketing
   D) pull strategies
   E) push strategies
   Answer: A
   Diff: 2 Page Ref: 403
   AACSB: Communication
   Skill: Concept
   Objective: 14-2
13) Which of the following is NOT an example of a specialized and highly-targeted media that an advertiser might use to reach smaller customer segments?
A) cable television channels
B) e-mail
C) podcasts
D) network television
E) online social networks
Answer: D
Diff: 2 Page Ref: 404
AACSB: Use of IT
Skill: Concept
Objective: 14-2

14) Companies are doing less _______ and more _______ as a result of an explosion of more focused media that better match today's targeting strategies.
A) marketing; media
B) media; sales
C) narrowcasting; broadcasting
D) broadcasting; narrowcasting
E) advertising; word-of-mouth
Answer: D
Diff: 2 Page Ref: 404
AACSB: Communication
Skill: Concept
Objective: 14-2

15) In the "chaos scenario" predicted by some advertising industry experts, the old mass-media communications model will be abandoned in favor of ________.
A) public relations
B) direct marketing
C) push and pull strategies
D) the possibilities of new digital technologies
E) buzz marketing
Answer: D
Diff: 2 Page Ref: 404
AACSB: Use of IT
Skill: Concept
Objective: 14-2
16) All of the following are reasons that marketers are losing confidence in television advertising EXCEPT which one?
A) TV ad spending is rising at a slower rate than online ad spending.
B) TV and other mass media still capture the lion share of promotional budgets.
C) Many viewers are using video on demand and TiVo-like systems.
D) Younger consumers are using different media.
E) TV audience size is on the decline.
Answer: B
Diff: 3 Page Ref: 404
AACSB: Communication
Skill: Concept
Objective: 14-2

17) Companies often fail to integrate their various communications to consumers because
________.
A) historically, consumers have been able to distinguish between message sources
B) advertising departments are reluctant to work with public relations professionals
C) communications often come from different parts of the company
D) personal selling and sales promotion are in direct conflict
E) they have failed to understand the concept of brand contact
Answer: C
Diff: 2 Page Ref: 405
AACSB: Communication
Skill: Concept
Objective: 14-2

18) All too often companies today have failed to ________ their various communications channels, resulting in a hodgepodge of communications to consumers.
A) promote
B) rechannel
C) integrate
D) open
E) verify
Answer: C
Diff: 1 Page Ref: 405
AACSB: Communication
Skill: Concept
Objective: 14-2
19) Consumers today receive commercial messages from a broad range of sources. However, consumers ________ the way marketers do.
A) don’t distinguish between message sources
B) are able to differentiate among message sources
C) don’t care about buzz marketing
D) are not able to block out messages
E) block them all out
Answer: A
Diff: 2 Page Ref: 405
AACSB: Communication
Skill: Concept
Objective: 14-2

20) More companies are adopting the concept of ________, which carefully integrates and coordinates the company’s many communication channels to deliver a clear, consistent, and compelling message about the organization and its brands.
A) integrated marketing communications
B) integrated personal selling
C) integrated competitive methods
D) nonpersonal communication channels
E) buzz marketing
Answer: A
Diff: 3 Page Ref: 405
AACSB: Communication
Skill: Concept
Objective: 14-2

21) Advertising, sales promotion, personal selling, public relations, and direct marketing are all ________.
A) communications channels that should be integrated under the concept of integrated marketing communications
B) communications channels focused more on narrowcasting than broadcasting
C) promotional tools used for push strategies but not pull strategies
D) promotional tools used for pull strategies but not push strategies
E) promotional tools adapted for use in mass marketing
Answer: A
Diff: 2 Page Ref: 405
AACSB: Communication
Skill: Concept
Objective: 14-2
22) Integrated marketing communications require a company's mass-market advertisements, Web site, e-mail, and personal selling communications to all have ________.
A) equal portions of the advertising budget  
B) independent communications directors  
C) separate marketing objectives  
D) the same target audience  
E) the same message, look, and feel  
Answer: E  
Diff: 2 Page Ref: 406  
AACSB: Communication  
Skill: Concept  
Objective: 14-2

23) To produce better communications consistency, a unified company image, and greater sales impact, some companies employ a(n) ________.
A) advertising agency  
B) marketing communications director  
C) public relations specialist  
D) personal sales force  
E) media planner  
Answer: B  
Diff: 2 Page Ref: 407  
AACSB: Communication  
Skill: Concept  
Objective: 14-2

24) Integrated marketing communications produces better communications ________ and greater ________ impact.
A) consistency; sales  
B) sales; consistency  
C) marketing; sales  
D) variety; production  
E) branding; quality  
Answer: A  
Diff: 2 Page Ref: 407  
AACSB: Communication  
Skill: Concept  
Objective: 14-2
25) Today, marketers are moving toward viewing communications as managing the _______ over time.
   A) advertising agency
   B) nonpersonal communication channels
   C) word-of-mouth influence
   D) customer relationship
   E) product life cycle
   Answer: D
   Diff: 2 Page Ref: 407
   AACSB: Communication
   Skill: Concept
   Objective: 14-3

26) Integrated marketing communications involves identifying the target audience and shaping a well-coordinated ________ to elicit the desired audience response.
   A) pull strategy
   B) push strategy
   C) promotional program
   D) opinion leader
   E) target market
   Answer: C
   Diff: 2 Page Ref: 407
   AACSB: Communication
   Skill: Concept
   Objective: 14-3

27) Using integrated marketing communications, the communications process should start with ________.
   A) advertising strategy
   B) the competitive-parity method
   C) public relations
   D) an audit of all the potential customer touch points
   E) publicity
   Answer: D
   Diff: 3 Page Ref: 408
   AACSB: Communication
   Skill: Concept
   Objective: 14-3
28) Which of the following is NOT one of the four major communication functions?
A) feedback
B) encoding
C) noise
D) response
E) decoding
Answer: C
Diff: 2 Page Ref: 408
AACSB: Communication
Skill: Concept
Objective: 14-3

29) The communication channel a company uses to move its advertising messages from sender to receiver is called the ________.
A) message
B) media
C) encoder
D) communicator
E) feedback loop
Answer: B
Diff: 2 Page Ref: 408
AACSB: Communication
Skill: Concept
Objective: 14-3

30) The receiver assigns meaning to the symbols encoded by a company in its advertisements through a process known as ________.
A) disencoding
B) feedback
C) acknowledgement
D) decoding
E) response
Answer: D
Diff: 2 Page Ref: 408
AACSB: Communication
Skill: Concept
Objective: 14-3
31) In the communication process, the reaction of the receiver after being exposed to a message is called the ________.
A) response  
B) answer  
C) noise  
D) feedback  
E) decoding  
Answer: A
Diff: 1 Page Ref: 409
AACSB: Communication  
Skill: Concept  
Objective: 14-3

32) When a customer lets a producer know something about its products or advertising, the customer is providing ________.
A) decoding  
B) noise  
C) feedback  
D) encoding  
E) reverse marketing  
Answer: C  
Diff: 2 Page Ref: 409  
AACSB: Communication  
Skill: Concept  
Objective: 14-3

33) A consumer is reading a magazine with an advertisement, but is distracted from reading the advertisement or its key points. This unplanned static or distortion during the communication process is called ________.
A) noise  
B) distraction  
C) feedback  
D) response  
E) decoding  
Answer: A  
Diff: 2 Page Ref: 409  
AACSB: Communication  
Skill: Concept  
Objective: 14-3
34) In the communication process, the more the sender's field of experience ________ that of the receiver, the more ________ the message is likely to be.
A) varies from; distinguishable  
B) overlaps with; effective  
C) connects with; ineffective  
D) coincides with; creative  
E) departs from; direct  
Answer: B  
Diff: 3 Page Ref: 409  
AACSB: Communication  
Skill: Concept  
Objective: 14-3

35) To communicate effectively, a marketing communicator must ________ the consumer's field of experience.  
A) compete with  
B) share  
C) understand  
D) create  
E) reference  
Answer: C  
Diff: 2 Page Ref: 409  
AACSB: Communication  
Skill: Concept  
Objective: 14-3

36) Marketing communicators must be good at ________ messages that take into account how the target audience ________ them.  
A) delivering; encodes  
B) sending; encodes  
C) encoding; decodes  
D) retrieving; perceives  
E) decoding; receives  
Answer: C  
Diff: 3 Page Ref: 409  
AACSB: Communication  
Skill: Concept  
Objective: 14-3
37) Marketing communicators must do all of the following EXCEPT ________.
A) identify the target audience
B) deliver products to the customer
C) determine the communication objectives
D) collect feedback
E) choose the media through which to send a message
Answer: B
Diff: 2 Page Ref: 409
AACSB: Communication
Skill: Concept
Objective: 14-3

38) The six ________ stages that consumers normally pass through on their way to making a purchase include awareness, knowledge, liking, preference, conviction, and purchase.
A) personal readiness
B) buyer-readiness
C) objective readiness
D) purchase direct readiness
E) supplier readiness
Answer: B
Diff: 2 Page Ref: 409
Skill: Concept
Objective: 14-3

39) The six buyer-readiness stages include all of the following EXCEPT ________.
A) awareness
B) knowledge
C) power
D) liking
E) hesitation
Answer: E
Diff: 2 Page Ref: 409
Skill: Concept
Objective: 14-3

40) In the model of buyer-readiness stages, the first stage is ________.
A) preference
B) knowledge
C) liking
D) awareness
E) insistence
Answer: D
Diff: 1 Page Ref: 409
Skill: Concept
Objective: 14-3
41) All of the following are strategies a marketer would use to lead consumers into making the final step toward a purchase EXCEPT which one?
A) offer special promotional prices
B) offer add-on features
C) offer premiums
D) use extensive "teaser" advertising
E) C or D
Answer: D
Diff: 3 Page Ref: 410
AACSB: Communication
Skill: Concept
Objective: 14-3

42) A message showing a product's quality, economy, value, or performance is called a(n) ________ appeal.
A) structural
B) rational
C) emotional
D) moral
E) standard
Answer: B
Diff: 2 Page Ref: 411
AACSB: Communication
Skill: Concept
Objective: 14-3

43) Marketers using humor in their messages claim that they attract more attention and create more loyalty and belief in the brand. This type of message is called a(n) ________ appeal.
A) rational
B) structural
C) emotional
D) moral
E) standard
Answer: C
Diff: 2 Page Ref: 411
AACSB: Communication
Skill: Concept
Objective: 14-3
44) Though a popular appeal, when used poorly ________ can detract from comprehension, quickly wear out its welcome, overshadow the product, or even irritate consumers.
A) humor
B) nonpersonal communication
C) direct marketing
D) integrated marketing
E) noise
Answer: A
Diff: 3 Page Ref: 411
AACSB: Communication
Skill: Concept
Objective: 14-3

45) Moral appeals are directed to the audience's sense of what is "right" and ________.
A) proper
B) affordable
C) traditional
D) positive
E) emotional
Answer: A
Diff: 2 Page Ref: 411
AACSB: Communication
Skill: Concept
Objective: 14-3

46) The communicator must decide how to handle message structure issues. One issue is whether to ________ or not.
A) draw a conclusion
B) make a moral appeal
C) use the pull strategy
D) use the push strategy
E) avoid competitors
Answer: A
Diff: 3 Page Ref: 411
AACSB: Communication
Skill: Concept
Objective: 14-3
47) A(n) ________ argument is only likely to be effective when the audience is highly educated or likely to hear opposing claims, or when the communicator has a negative association to overcome.
A) two-sided  
B) one-sided  
C) moral  
D) emotional  
E) scientific  
Answer: A  
Diff: 3 Page Ref: 412  
AACSB: Communication  
Skill: Concept  
Objective: 14-3

48) In designing the message structure, marketers must decide whether to present the ________ arguments first or last in a message.
A) emotional  
B) structural  
C) moral  
D) strongest  
E) scientific  
Answer: D  
Diff: 2 Page Ref: 411  
AACSB: Communication  
Skill: Concept  
Objective: 14-3

49) The two broad types of ________ channels are personal and nonpersonal.
A) marketing  
B) competitive  
C) communication  
D) buyer  
E) seller  
Answer: C  
Diff: 1 Page Ref: 412  
AACSB: Communication  
Skill: Concept  
Objective: 14-3
50) Communication through the mail is categorized as a(n) ________ communication channel.
   A) nonpersonal  
   B) word-of-mouth  
   C) personal  
   D) objective  
   E) inefficient  
   Answer:  C  
   Diff: 2  Page Ref: 412  
   AACSB:  Communication  
   Skill:  Concept  
   Objective:  14-3  

51) Creating word-of-mouth campaigns by cultivating opinion leaders and getting them to spread information about a product or service to others in their communities is known as ________.
   A) sales promotion  
   B) indirect marketing  
   C) buzz marketing  
   D) stealth marketing  
   E) public relations  
   Answer:  C  
   Diff: 1  Page Ref: 413  
   AACSB:  Communication  
   Skill:  Concept  
   Objective:  14-3  

52) Nonpersonal communication channels include major media, ________, and events.
   A) sales calls  
   B) buzz marketing  
   C) atmospheres  
   D) word of mouth  
   E) e-mail  
   Answer:  C  
   Diff: 2  Page Ref: 413  
   AACSB:  Communication  
   Skill:  Concept  
   Objective:  14-3
53) Vast numbers of consumers are aware of your product. It is now your goal to enhance preference for your product. You plan to use nonpersonal communications through print media. This will include all of the following EXCEPT _______.
A) newspapers
B) magazines
C) Internet "chats"
D) direct mail
E) catalogs
Answer: C
Diff: 1 Page Ref: 413
AACSB: Communication
Skill: Concept
Objective: 14-3

54) To ________, a marketer can ask target audience members whether they remember the message, how many times they saw it, and what points they remember.
A) select a message source
B) collect feedback
C) select a message channel
D) plan a media purchase
E) design a marketing appeal
Answer: B
Diff: 2 Page Ref: 414
AACSB: Communication
Skill: Concept
Objective: 14-3

55) ________ from marketing communications may suggest changes in the promotion program or in the product offer itself.
A) Encoding
B) Decoding
C) Feedback
D) Noise
E) Shelter
Answer: C
Diff: 2 Page Ref: 414
AACSB: Communication
Skill: Concept
Objective: 14-3
56) Companies use all of the following methods to set their advertising budget EXCEPT the ________.
A) objective-and-task method
B) integrated method
C) competitive-parity method
D) percentage-of-sales method
E) affordable method
Answer: B
Diff: 1 Page Ref: 415
Skill: Concept
Objective: 14-4

57) Using the ________ method for setting an advertising budget, the company starts with total revenues, deducts operating expenses and capital outlays, and then devotes some portion of the remaining funds to advertising.
A) integrated
B) moving-average
C) competitive-parity
D) percentage-of-sales
E) affordable
Answer: E
Diff: 2 Page Ref: 415
Skill: Concept
Objective: 14-4

58) Though the ________ method of setting an advertising budget is simple to use and helps management think about the relationships among promotion spending, selling price, and profit per unit, it wrongly views sales as the cause of promotion rather than the result.
A) percentage-of-sales
B) affordable
C) competitive-parity
D) objective-and-task
E) regression
Answer: A
Diff: 2 Page Ref: 415
Skill: Concept
Objective: 14-4
59) Which method of setting an advertising budget is based on analyzing competitors' spending?
A) percentage-of-sales method
B) affordable method
C) competitive-parity method
D) objective-and-task method
E) regression method
Answer: C
Diff: 2 Page Ref: 416
Skill: Concept
Objective: 14-4

60) Perhaps the most logical budget-setting method is the ________ method because it is based on spending necessary to accomplishing specific promotion goals.
A) percentage-of-sales
B) affordable
C) competitive-parity
D) objective-and-task
E) exponential smoothing
Answer: D
Diff: 2 Page Ref: 416
Skill: Concept
Objective: 14-4

61) Advertising has some shortcomings. What is NOT one of them?
A) It is impersonal.
B) It can be very costly.
C) It slowly reaches many people.
D) It carries on one-way communication with the audience.
E) It does not make audience members feel the need to respond.
Answer: C
Diff: 3 Page Ref: 417
AACSB: Communication
Skill: Concept
Objective: 14-4

62) ________ is the company's most expensive promotion tool.
A) Advertising
B) Personal selling
C) Mass media
D) Public relations
E) Publicity
Answer: B
Diff: 3 Page Ref: 417
Skill: Concept
Objective: 14-4
63) Which promotional tool is most effective in building up buyers' preferences, convictions, and, most importantly, actions?
A) mass-market advertising
B) personal selling
C) segmented advertising
D) sales promotion
E) public relations
Answer: B
Diff: 2 Page Ref: 417
AACSB: Communication
Skill: Concept
Objective: 14-4

64) Sales promotion features a wide assortment of tools. Which of the following is NOT one of these tools?
A) contests
B) premiums
C) catalogs
D) coupons
E) cents-off deals
Answer: C
Diff: 2 Page Ref: 417
AACSB: Communication
Skill: Concept
Objective: 14-4

65) "Buy it now" is the message of ________.
A) personal selling
B) advertising
C) a nonpersonal communication channel
D) sales promotion
E) publicity
Answer: D
Diff: 2 Page Ref: 417
AACSB: Communication
Skill: Concept
Objective: 14-4
66) ________ consists of strong short-term incentives that invite and reward quick responses from customers.
A) A patronage reward
B) A segmented promotion
C) Advertising
D) Sales promotion
E) Publicity
Answer: D
Diff: 1 Page Ref: 417
AACSB: Communication
Skill: Concept
Objective: 14-4

67) ________ is very believable because news stories, features, sponsorships, and events seem more real and believable to readers than ads do.
A) The competitive-parity method
B) Public relations
C) Personal communication
D) Nonpersonal communication
E) Personal selling
Answer: B
Diff: 2 Page Ref: 417
AACSB: Communication
Skill: Concept
Objective: 14-4

68) Which promotional tool is described as nonpublic, immediate, customized, and interactive?
A) segmented advertising
B) sales promotion
C) direct marketing
D) brand contacts
E) public relations
Answer: C
Diff: 2 Page Ref: 418
AACSB: Communication
Skill: Concept
Objective: 14-4
69) Which promotional mix strategy directs marketing efforts toward final consumers?
A) pull
B) blitz
C) push
D) buzz
E) pulse
Answer: A
Diff: 1 Page Ref: 418
AACSB: Communication
Skill: Concept
Objective: 14-4

70) Which promotional mix strategy directs marketing efforts toward market channel members?
A) pull
B) blitz
C) push
D) buzz
E) pulse
Answer: C
Diff: 1 Page Ref: 418
AACSB: Communication
Skill: Concept
Objective: 14-4

71) Business-to-consumer companies are more likely to emphasize a ________ promotion strategy, while business-to-business companies are more likely to emphasize a ________ promotion strategy.
A) pull; push
B) push; pull
C) pulse; pull
D) continuity; pulse
E) pulse; continuity
Answer: A
Diff: 1 Page Ref: 418
AACSB: Communication
Skill: Concept
Objective: 14-4
72) Which of the following is LEAST important for integrating a firm’s marketing communications?
A) analyze internal and external trends
B) audit the pockets of communications spending throughout the organization
C) identify all customer touch points for the company and its brands
D) study the competitor’s communications and promotions
E) create performance measures for all communications elements
Answer: D
Diff: 3 Page Ref: 420-421
AACSB: Communication
Skill: Concept
Objective: 14-4

73) Bait-and-switch advertising _______.
A) attracts buyers under false pretenses
B) is unethical
C) is illegal
D) is deceptive
E) all of the above
Answer: E
Diff: 1 Page Ref: 421
AACSB: Ethical Reasoning
Skill: Concept
Objective: 14-4

74) Which of the following would be classified as bait-and-switch advertising?
A) advertising a cheaper brand but only making a more expensive one available to customers
B) raising a product’s prices
C) attempting to charge less for a brand than for manufacturers’ brands
D) advertising service packages that cannot actually be provided
E) favoring certain customers over others through trade promotions
Answer: A
Diff: 2 Page Ref: 421
AACSB: Ethical Reasoning
Skill: Concept
Objective: 14-4
75) A company's salespeople should always follow the rules of ________.
A) high-pressure selling  
B) societal marketing  
C) competition  
D) fair competition  
E) cooling-off  
Answer: D  
Diff: 2 Page Ref: 422  
AACSB: Ethical Reasoning  
Skill: Concept  
Objective: 14-4

76) A.Y. McDonald, a manufacturer of pumps and plumbing valves, employs regional salespeople to sell its products to wholesalers and cities. This is an example of ________.
A) sales promotion  
B) personal selling  
C) public relations  
D) direct marketing  
E) advertising  
Answer: B  
Diff: 1 Page Ref: 402  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 14-1

77) Tara Keegan owns Live Well, a small chain of health stores offering a variety of natural health products and related services. In order to implement integrated marketing communications, Tara has hired a marketing communications director, whose job it will be to ensure that each ________ will deliver a consistent and positive message about the company.
A) public relations message  
B) brand contact  
C) advertisement  
D) logo  
E) media vehicle  
Answer: B  
Diff: 2 Page Ref: 406  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 14-1
78) Harpo Enterprises maintains the Oprah Winfrey show, a Web site, and O magazine. Because Harpo Enterprises practices integrated marketing communications, these different brand contacts all maintain ________ in design and tone.
A) variety
B) contact
C) consistency
D) creativity
E) convenience
Answer: C
Diff: 1 Page Ref: 405
AACSB: Reflective Thinking
Skill: Application
Objective: 14-2

79) Delia's is a clothing retailer that targets teenage girls. It runs coordinated promotions for its catalogs, Web site, and retail outlets. It uses the same models in its catalog and in its print ads as well as on its Web site. Delia's works to make sure its public relations activities as well as its sales promotions harmonize with its advertising in all venues. From this information, you can infer that Delia's is using ________.
A) buzz marketing
B) experiential marketing
C) integrated marketing communication
D) word of mouth marketing
E) database marketing
Answer: C
Diff: 1 Page Ref: 406
AACSB: Reflective Thinking
Skill: Application
Objective: 14-2

80) HP's advertising agency assembles words and illustrations into an advertisement that will convey the company's intended brand message. In the communication process, HP is ________.
A) messaging
B) encoding
C) sending
D) decoding
E) responding
Answer: B
Diff: 1 Page Ref: 408
AACSB: Communication
Skill: Application
Objective: 14-3
81) The decision to use a cleaning genie to communicate the strength and power of Mr. Clean cleaning liquid is representative of the _______ process of the communication model.
A) sourcing
B) encoding
C) signifying
D) decoding
E) messaging
Answer: B
Diff: 2 Page Ref: 408
AACSB: Communication
Skill: Application
Objective: 14-3

82) In the communication process, an actual HP printer/fax machine advertisement is called _______.
A) encoding
B) decoding
C) noise
D) the message
E) the medium
Answer: D
Diff: 2 Page Ref: 408
AACSB: Communication
Skill: Application
Objective: 14-3

83) An ad for Maybelline age-minimizing makeup in Ladies' Home Journal magazine featured actress Melina Kanakaredes and offered readers a $1-off coupon when they try the new makeup. In terms of the communication model, the sender of this message is _______.
A) Melina Kanakaredes
B) Ladies' Home Journal
C) readers who redeem the $1-off coupon
D) Maybelline
E) the target market to whom Melina Kanakaredes appeals
Answer: D
Diff: 2 Page Ref: 408
AACSB: Reflective Thinking
Skill: Application
Objective: 14-3
84) An ad for Maybelline age-minimizing makeup in *Ladies' Home Journal* magazine featured actress Melina Kanakaredes and offered readers a $1-off coupon when they try the new makeup. In terms of the communication model, the medium of this ad is ________.
A) Melina Kanakaredes
B) *Ladies' Home Journal*
C) readers who redeem the $1-off coupon
D) Maybelline
E) the target market to whom Melina Kanakaredes appeals
Answer: B
Diff: 1 Page Ref: 408
AACSB: Reflective Thinking
Skill: Application
Objective: 14-3

85) An ad for Maybelline age-minimizing makeup in *Ladies' Home Journal* magazine featured actress Melina Kanakaredes and offered readers a $1-off coupon when they try the new makeup. In terms of the communication model, which of the following would be the best way for the source to measure feedback?
A) the number of subscribers to *Ladies' Home Journal*
B) the number of people make up the target market
C) the number of people who redeem the coupon
D) the number of people who were exposed to the ad
E) the number of people to whom Melina Kanakaredes is an appealing spokesperson
Answer: C
Diff: 2 Page Ref: 409
AACSB: Analytic Skills
Skill: Application
Objective: 14-3

86) Mercy University's initial ads for the school's new MBA program are most likely intended to create ________.
A) liking
B) awareness
C) preference
D) insistence
E) conviction
Answer: B
Diff: 2 Page Ref: 409
AACSB: Communication
Skill: Application
Objective: 14-3
87) When a car-maker wants to introduce a new model, it is most likely to begin with an extensive _______ advertising campaign to create name familiarity and interest.
A) sales promotion  
B) competitive  
C) teaser  
D) moral appeal  
E) two-sided
Answer: C 
Diff: 3 Page Ref: 409
AACSB: Communication 
Skill: Application 
Objective: 14-3

88) An example of a(n) _______ appeal is the Salvation Army appeal, "While you were trying to figure out what to get the man who has everything, don't forget the man who has nothing."
A) emotional  
B) awareness  
C) rational  
D) moral  
E) standard
Answer: D 
Diff: 2 Page Ref: 411
AACSB: Reflective Thinking  
Skill: Application 
Objective: 14-3

89) Which of the following represent(s) a two-sided message?
A) Listerine tastes bad twice a day.  
B) Heinz Ketchup is slow good.  
C) Etonic athletic shoes are built so you can last.  
D) A and B  
E) none of the above
Answer: D 
Diff: 1 Page Ref: 412
AACSB: Reflective Thinking  
Skill: Application 
Objective: 14-3
90) A manufacturer of a variety of technological devices asked its marketing department to develop inexpensive methods of building and maintaining brand awareness and excitement. The marketing department then recruited consumers who were early adopters of technological devices to spread the word about the company's new products. This is an example of ________.  
A) public service activities  
B) nonpersonal marketing  
C) buzz marketing  
D) sales promotion  
E) direct marketing  
Answer: C  
Diff: 3 Page Ref: 413  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 14-3

91) Toward the end of the fiscal year, the owner of a small company came back from lunch concerned because he had learned that a business targeted to the same customers as his was planning on spending $150,000 on promotion. As soon as he arrived at the office, he called his financial manager and said, "I want to budget $150,000 for next year's promotion." Which method of promotional budgeting did the owner want to use?  
A) the objective-task method  
B) the percentage-of-sales method  
C) the competitive-parity method  
D) the bottom-up method  
E) the pull-push method  
Answer: C  
Diff: 2 Page Ref: 416  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 14-4

92) An e-mail from Amazon.com offers free shipping on your next purchase of more than $35. This is an example of ________.  
A) sales promotion  
B) personal selling  
C) public relations  
D) an advertising objective  
E) a push strategy  
Answer: A  
Diff: 2 Page Ref: 417  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 14-4
93) Mariah Goldberg, a marketing manager for a manufacturer of children's toys, is looking for ways to reach potential customers who typically avoid salespeople and advertisements. Which of the following would be the most economical promotional tool for Mariah to use?
A) sales promotion
B) personal selling
C) public relations
D) direct marketing
E) brand contacts
Answer: C
Diff: 3 Page Ref: 417
AACSB: Reflective Thinking
Skill: Application
Objective: 14-4

94) A newspaper article announced that VoiceStream Wireless, the nation's sixth-largest wireless carrier, was changing its name to T-Mobile and that to begin the makeover process it had replaced spokesperson Jamie Lee Curtis with Catherine Zeta-Jones. Of which element of the promotion mix is this an example?
A) sales promotion
B) advertising
C) public relations
D) personal selling
E) product
Answer: C
Diff: 2 Page Ref: 417
AACSB: Reflective Thinking
Skill: Application
Objective: 14-4

95) Clean and Clear, a large producer of all-natural hair care and beauty products, is most likely to use which of the promotion mix strategies to gain increased shelf space in stores and to gain increased customer sales?
A) push
B) pull
C) push and pull
D) pulse
E) continuity
Answer: C
Diff: 2 Page Ref: 418
AACSB: Reflective Thinking
Skill: Application
Objective: 14-4
96) An ad in a professional journal targeted to an audience of dentists asked dentists to recommend Crest toothpaste to their patients. It offered toothpaste samples that dentists could buy at cost to give to their patients to encourage patients to take better care of their teeth. The manufacturer of Crest toothpaste was using ________.
A) personal selling  
B) direct marketing  
C) a push strategy  
D) a pull strategy  
E) public relations  
Answer: C  
Diff: 2 Page Ref: 418  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 14-4

97) Glasis is a type of paint made specifically for use on cars. An ad in *Motor Trend* magazine advising consumers to request their body shops use Glasis paint is an example of how a company uses ________.
A) word of mouth influence  
B) public relations  
C) buzz marketing  
D) a push strategy  
E) a pull strategy  
Answer: E  
Diff: 2 Page Ref: 418  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 14-4

98) A maker of vitamin drinks wants to compete with the leading brands in the category and has decided to use a heavy push strategy, putting most of the brand's marketing budget into trade and consumer sales promotion. Which of the following is a potential disadvantage of this approach?
A) A new marketing communications model is quickly replacing mass marketing.  
B) Mass media campaigns are increasingly more expensive.  
C) It may be difficult to identify meaningful product differences in advertising.  
D) Retail giants may be reluctant to respond to the strategy.  
E) The strategy may spark a spiral of price-slashing that will undercut the brand's future for short-term gains.  
Answer: E  
Diff: 3 Page Ref: 419  
AACSB: Analytic Skills  
Skill: Application  
Objective: 14-4
Refer to the scenario below to answer the following questions.

John Mayes opened Sparkle Janitorial in 1999. John began by acquiring two contracts for office cleaning services from two local manufacturing facilities. For two years, John and his wife, Barb, performed the cleaning services alone. After acquiring three additional cleaning contracts in 2001, John hired two employees.

"Up to that point, we had room to grow but we really had no advertising plan," John stated. "We were relying mostly on word-of-mouth."

By 2003, Barb hired another two full-time employees to begin Sparkle's new endeavor: carpet cleaning in homes and offices. "Competition was getting tough for both of our services at that point," Barb added. "We ran a local radio spot three times each week. Then we had an advertiser print coupons on placemats. That gave us a little more exposure."

John and Barb Mayes admit that they never realized the value of a sound promotional plan before now. "We wish we would have put together something catchy with a jingle way before now," they said.

99) Which of the following would be the LEAST effective way for John and Barb to reach new potential customers?
A) word-of-mouth influence
B) buzz marketing
C) public relations
D) network television advertising
E) direct marketing
Answer: D
Diff: 2 Page Ref: 417
AACSB: Analytic Skills
Skill: Application
Objective: 14-4

100) In a recent radio spot, John and Barb gave a quick explanation of Sparkle's cleaning process and a description of the value consumers receive for their money. This is an example of a(n)
   __________.
A) emotional appeal
B) standard appeal
C) rational appeal
D) moral appeal
E) social appeal
Answer: C
Diff: 2 Page Ref: 411
AACSB: Reflective Thinking
Skill: Application
Objective: 14-3
101) A company's marketing communications mix is also called its promotion mix.  
Answer: TRUE  
Diff: 1 Page Ref: 402  
AACSB: Communication  
Skill: Concept  
Objective: 14-1

102) Sales promotion makes use of press releases and special events.  
Answer: FALSE  
Diff: 2 Page Ref: 403  
AACSB: Communication  
Skill: Concept  
Objective: 14-1

103) Though mass marketing was effective in past decades, large companies no longer routinely invest large chunks of their advertising budgets in mass-media outlets such as television and magazines.  
Answer: FALSE  
Diff: 2 Page Ref: 403  
AACSB: Communication  
Skill: Concept  
Objective: 14-2

104) Mass markets have fragmented; thus, marketers are shifting away from mass marketing.  
Answer: TRUE  
Diff: 1 Page Ref: 403  
AACSB: Communication  
Skill: Application  
Objective: 14-2

105) Vast improvements in information technology are speeding the movement toward segmented marketing.  
Answer: TRUE  
Diff: 3 Page Ref: 403  
AACSB: Use of IT  
Skill: Concept  
Objective: 14-2

106) New communications technologies such as cell phones and the Internet give companies new media for interacting with targeted consumers, but these new technologies also give consumers more control of the advertising messages they receive.  
Answer: FALSE  
Diff: 2 Page Ref: 403  
AACSB: Use of IT  
Skill: Concept  
Objective: 14-2
107) Mass marketers can expect consumers to distinguish between commercial message sources to maintain a clear image of a company and its brands.
Answer: FALSE
Diff: 2 Page Ref: 405
AACSB: Communication
Skill: Concept
Objective: 14-2

108) The integrated marketing concept ties together all of the company's messages and images.
Answer: TRUE
Diff: 1 Page Ref: 405
AACSB: Communication
Skill: Concept
Objective: 14-2

109) Integrated marketing communications allows brand messages to be developed by different departments within an organization.
Answer: FALSE
Diff: 2 Page Ref: 406
AACSB: Communication
Skill: Concept
Objective: 14-2

110) A marketing communications director has overall responsibility for the company's communications efforts.
Answer: TRUE
Diff: 2 Page Ref: 407
AACSB: Communication
Skill: Concept
Objective: 14-2

111) The communications process should start with mass media advertising to reach many consumers.
Answer: FALSE
Diff: 2 Page Ref: 408
AACSB: Communication
Skill: Concept
Objective: 14-3

112) The four major communication functions are encoding, decoding, response, and noise.
Answer: FALSE
Diff: 2 Page Ref: 408
AACSB: Communication
Skill: Concept
Objective: 14-3
113) Encoding is the process by which the receiver assigns meaning to symbols.
Answer: FALSE
Diff: 2 Page Ref: 408
AACSB: Communication
Skill: Concept
Objective: 14-3

114) Decoding is the process of putting thought into symbolic form.
Answer: FALSE
Diff: 2 Page Ref: 408
AACSB: Communication
Skill: Concept
Objective: 14-3

115) Awareness, knowledge, and preparation are buyer-readiness stages.
Answer: FALSE
Diff: 2 Page Ref: 409
Skill: Concept
Objective: 14-3

116) "Teaser" advertising is most closely associated with the buyer-readiness stage of liking a product.
Answer: FALSE
Diff: 3 Page Ref: 409
Skill: Application
Objective: 14-3

117) There are three types of appeal from which marketers may choose as they design their message content. These types are rational, emotional, and moral appeals.
Answer: TRUE
Diff: 2 Page Ref: 411
AACSB: Communication
Skill: Concept
Objective: 14-3

118) The "Stop. Think. Tylenol." ad is an example of a moral appeal.
Answer: FALSE
Diff: 2 Page Ref: 411
AACSB: Reflective Thinking
Skill: Application
Objective: 14-3
119) Advertisements for prescription drugs often feature potential benefits and negative side effects that consumers may experience with use of the medication. These ads present two-sided arguments.
Answer: TRUE
Diff: 1 Page Ref: 411
AACSB: Communication
Skill: Application
Objective: 14-3

120) Buzz marketing involves cultivating opinion leaders and getting them to spread information about a product or service to others in their communities.
Answer: TRUE
Diff: 1 Page Ref: 413
AACSB: Communication
Skill: Concept
Objective: 14-3

121) The percentage-of-sales method wrongly views sales as the cause of promotion rather than the result.
Answer: TRUE
Diff: 2 Page Ref: 415
Skill: Concept
Objective: 14-4

122) The affordable method sets promotion budgets to match competitors' outlays.
Answer: FALSE
Diff: 2 Page Ref: 415
Skill: Concept
Objective: 14-4

123) Large-scale advertising conveys a positive message about the seller's size, popularity, and success.
Answer: TRUE
Diff: 2 Page Ref: 417
AACSB: Communication
Skill: Concept
Objective: 14-4

124) If the pull strategy is effective, consumers will then demand the product from channel members, who will in turn demand it from producers.
Answer: TRUE
Diff: 2 Page Ref: 418
Skill: Concept
Objective: 14-4
125) A recent trend toward more push than pull in the mixes of consumer-goods companies may achieve short-run sales at the expense of brand equity.  
Answer: TRUE  
Diff: 3 Page Ref: 418  
AACSB: Analytic Skills  
Skill: Application  
Objective: 14-4

126) A company's marketing communications mix also called its promotion mix blends five different parts. Name and define these parts.  
Answer: Advertising is any paid-for or nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor. Sales promotion includes short-term incentives to encourage the purchase or sale of a product or service. Public relations includes building good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, or events. Personal selling includes a personal presentation by the firm's sales force for the purpose of making sales and building customer relationships. Direct marketing includes direct connections with carefully targeted individual consumers to obtain an immediate response and cultivate lasting customer relationships the uses of telephone, mail, the Internet, and other tools to communicate directly with specific customers.  
Diff: 2 Page Ref: 402  
AACSB: Communication  
Skill: Concept  
Objective: 14-1

127) Why are profound changes in marketing communications creating both exciting and scary times for marketing communicators?  
Answer: In the past, marketers relied heavily on mass marketing. Today, however, mass markets have fragmented, consumers are better informed and sweeping changes in technology have changed how companies and consumers communicate with each other. These three factors have led to a new marketing communications model that is specialized to reach smaller customer segments with messages that are more personalized. Mass marketing can no longer be solely relied upon to deliver a marketer's message. Although these changes may frighten marketing communicators, these changes afford tremendous opportunities to reach new customers and strengthen relationships with existing customers.  
Diff: 3 Page Ref: 403  
AACSB: Analytic Skills  
Skill: Application  
Objective: 14-2
128) Explain the concept of integrated marketing communications (IMC).
Answer: IMC calls for recognizing all contact points where the customer may encounter the company and its brands. A company wants to deliver a consistent and positive message with each contact. IMC ties together all of the company's messages and images, avoiding the confusion that can arise from customers receiving varied messages from a variety of media.
Diff: 1 Page Ref: 405
AACSB: Communication
Skill: Application
Objective: 14-2

129) Name and define the four major communication functions.
Answer: Encoding is the process of putting thought into symbolic form. Decoding is the process by which the receiver assigns meaning to the symbols encoded by the sender. In addition, response refers to the reactions of the receiver after being exposed to the message. Feedback is the part of the receiver's response communicated back to the sender.
Diff: 2 Page Ref: 408
AACSB: Communication
Skill: Application
Objective: 14-3

130) The background for a Benadryl allergy medication ad appearing in the magazine Better Homes and Gardens shows green grass and lovely flowers. The headline states "Benadryl is 54 percent more effective than the leading prescription." At the bottom of the ad, in small print, is an explanation of how the effectiveness of Benadryl was determined. The ad also shows a package of Benadryl so consumers can easily recognize it at the store. Identify the different components of the communication model for this advertisement.
Answer: The marketers of Benadryl are the sender. These marketers encoded their ideas into the actual message, which includes the images and text of the advertisement. The medium for this communication is the page in Better Homes and Gardens. The receiver is anyone reading the magazine who sees this page of advertising; the receiver may or may not decode the message in the way the marketers intended. Noise could pop up at any stage of the communication process.
Diff: 1 Page Ref: 408
AACSB: Communication
Skill: Application
Objective: 14-3
131) Outline the steps in developing effective marketing communications.
Answer: In preparing marketing communications, the marketer's first task is to identify the target audience and its characteristics. Next, the market has to determine the communication objectives and define the response sought, whether it is awareness, knowledge, liking, preference, conviction, or purchase. Then a message should be constructed with an effective content and structure. Media must be selected, both for personal and nonpersonal communication. The marketer should find highly credible sources to deliver messages. Finally, the communicator must collect feedback by watching how much of the market becomes aware, tries the product, and is satisfied in the process.
Diff: 3 Page Ref: 409
AACSB: Communication
Skill: Application
Objective: 14-3

132) Describe the six buyer-readiness stages along with marketing strategies that may be used at each stage.
Answer: The six buyer-readiness stages are awareness, knowledge, liking, preference, conviction, and purchase. A marketer might use "teaser" ads to create interest and curiosity at the awareness stage. Next, marketers want to inform potential buyers of the product's high quality and its many features. Beyond knowledge, marketers want to move consumers to have stronger feelings about the product, going from liking to preference to conviction, or believing that a product is the best for them. A combination of promotion tools can be used to create positive feelings and a customer connection with the brand. The final stage is purchase, which marketers may influence through the use of premiums, add-ons, or rebates.
Diff: 3 Page Ref: 409
AACSB: Analytic Skills
Skill: Application
Objective: 14-3

133) Describe four common methods used to set the total budget for advertising.
Answer: Using the affordable method, a company sets a promotion budget at the level it thinks it can afford. Using the percentage-of-sales method, a company sets a promotion budget at a certain percentage of current or forecasted sales. Using the competitive-parity method, a company sets a promotion budget based on competitors' outlays. Using an objective-and-task method, a company sets a promotion budget based on what it wants to accomplish with promotion.
Diff: 2 Page Ref: 415-416
AACSB: Analytic Skills
Skill: Application
Objective: 14-4
134) Marketers can choose from two basic promotion mix strategies—push promotion or pull promotion. Compare these two strategies.
Answer: Using the pull strategy, the producer directs its marketing activities toward final consumers to induce them to buy the product; if the pull strategy is effective, consumers will then demand the product from channel members who will in turn demand it from producers. Using a push strategy, the producer focuses instead on the channel members, persuading them to carry the product and promote it to final consumers.
Diff: 2 Page Ref: 418
AACSB: Analytic Skills
Skill: Application
Objective: 14-4

135) Explain how advertising may change as a product moves from the introductory stage to the growth stage of the product life cycle.
Answer: Because there may be little awareness or little information generated about products in the introductory stage of the life cycle, marketers may spend large amounts of promotional dollars toward creating awareness. As the product moves into the growth stage, many competitors may enter the market in an attempt to move the product out of the way; in such cases, marketers may continue spending large amounts of promotional dollars for advertising. However, at this point, the marketer may decide to attempt to persuade consumers to buy based on specific product or company attributes, or to compare their product with competing products in an attempt to convince consumers that their product is superior. At the decline stage, advertising is kept at a reminder level.
Diff: 3 Page Ref: 420
AACSB: Analytic Skills
Skill: Application
Objective: 14-4

136) How are advertising and direct marketing different?
Answer: Advertising is the nonpersonal promotion of ideas, goods, or services, while direct marketing is the promotion of ideas, goods, or services to carefully targeted individuals.
Diff: 2 Page Ref: 402
AACSB: Analytic Skills
Skill: Application
Objective: 14-1

137) How can marketers benefit from media fragmentation?
Answer: Media fragmentation is represented through an explosion of more focused media that better match today's targeting strategies; media fragmentation allows the marketer to better reach the targeted consumers through more specific media options.
Diff: 2 Page Ref: 403
AACSB: Analytic Skills
Skill: Application
Objective: 14-2
138) Why do some marketers predict a marketing "chaos scenario"?
Answer: Some experts believe that the traditional mass-media communications will cease to exist and will be entirely replaced by new digital technologies that permit more targeted and personalized marketing.
Diff: 2 Page Ref: 404
AACSB: Analytic Skills
Skill: Application
Objective: 14-2

139) Why should a company be concerned about integrating communications from different sources within the company?
Answer: Customers won't separate conflicting or varying messages from different sources within a company, so failing to integrate communications could lead to blurred consumer brand perceptions.
Diff: 2 Page Ref: 405
AACSB: Analytic Skills
Skill: Application
Objective: 14-2

140) How do integrated marketing communications (IMC) build brand identity?
Answer: IMC builds brand identity and strong customer relationships by tying together all of the company's messages and images.
Diff: 2 Page Ref: 406
AACSB: Communication
Skill: Application
Objective: 14-2

141) Why is the consumer's field of experience of interest to a marketer?
Answer: The marketing communicator must understand the consumer's field of experience in order to create promotional messages that will be decoded as the sender intends them to be understood.
Diff: 3 Page Ref: 409
AACSB: Communication
Skill: Concept
Objective: 14-3

142) In the communication process, what is noise and why is it important?
Answer: Noise is the unplanned static or distortion during the communication process, which results in the receiver getting a different message than the one the sender sent. The consumer is distracted and misses the key point.
Diff: 1 Page Ref: 409
AACSB: Communication
Skill: Application
Objective: 14-3
143) Describe the three types of appeals marketers use.
Answer: Rational appeals relate to the consumer's self-interest; emotional appeals attempt to stir up either positive or negative emotions; moral appeals are directed to the consumer's sense of what is "right" and "proper."
Diff: 3 Page Ref: 411
AACSB: Communication
Skill: Application
Objective: 14-3

144) What role does message format play in print advertisements?
Answer: In a print ad, for example, the headline, copy, illustrations, and color are critical. To attract attention, the advertiser may use novelty, contrasts, or eye-catching headlines.
Diff: 1 Page Ref: 412
AACSB: Communication
Skill: Application
Objective: 14-3

145) Why do marketers value opinion leaders?
Answer: Opinion leaders are people whose opinions are sought by others. Marketers rely on opinion leaders to positively influence the spread of product or service acceptance through a market.
Diff: 1 Page Ref: 413
AACSB: Communication
Skill: Application
Objective: 14-3

146) Explain how the message source affects consumers' perceptions of the message.
Answer: The message source will affect how the consumer perceives the message. For example, highly credible sources such as certain newspapers will be more persuasive. In some cases, the use of celebrity testimonials works well to persuade consumers to make the purchase.
Diff: 2 Page Ref: 414
AACSB: Communication
Skill: Application
Objective: 14-3

147) When is it most advisable to predominantly use advertising in a promotion mix?
Answer: Advertising works well when the marketer's goal is to reach geographically dispersed groups of consumers. In addition, advertising works well when the marketer wants to control the intended message geared toward a specific group of consumers. Advertising also allows the marketer to repeat a message many times.
Diff: 2 Page Ref: 416-417
AACSB: Communication
Skill: Application
Objective: 14-4
148) When is it advisable to predominantly use personal selling in a promotion mix?
Answer: Personal selling works well when the marketer's goal is to build up buyers' preferences, convictions, and actions. Personal selling allows marketers to build personal relationships with the prospective buyers and allows marketers to provide demonstrations directly to an intended audience. Many industrial companies prefer personal selling to other promotional tools.
Diff: 2 Page Ref: 417
AACSB: Communication
Skill: Application
Objective: 14-4

149) When is it advisable to predominantly use sales promotions in a promotion mix?
Answer: Sales promotions are used to invite and reward quick response. Sales promotions are short-lived; therefore, sales promotions are used when the marketer intends to make a quick, dramatic impact on an intended audience with the use of coupons, samples, contest, etc.
Diff: 2 Page Ref: 417
AACSB: Communication
Skill: Application
Objective: 14-4

150) Describe the FTC three-day cooling off rule.
Answer: The three-day cooling-off rule gives special protection to customers who are not seeking products. Under this rule, customers who agree in their own homes to buy something costing more than $25 have 72 hours in which to cancel a contract or return merchandise and get their money back, no questions asked.
Diff: 3 Page Ref: 422
AACSB: Ethical Reasoning
Skill: Application
Objective: 14-4

Chapter 15  Advertising and Public Relations

1) Any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor is called ________.
A) sales promotion
B) direct marketing
C) advertising
D) personal selling
E) public relations
Answer: C
Diff: 2 Page Ref: 430
Skill: Concept
Objective: 15-1

2) A company's total marketing communications package consists of a special blend of advertising, sales promotion, public relations, personal selling, and direct-marketing tools that the company uses to communicate customer value and build customer relationships. This is also called ________.
A) the communications method  
B) integrated marketing  
C) the promotion mix  
D) competitive marketing  
E) target marketing  
Answer: C  
Diff: 1  
Page Ref: 428  
Skill: Concept  
Objective: 15-1

3) According to the opening scenario, GEICO has become the fourth-largest insurance company by _______.  
A) integrating humor and creativity into its minicampaigns  
B) targeting a niche market of people with exceptional driving records  
C) offering cost savings directly to customers without sales personnel  
D) marketing its product through creative print ads in major magazines  
E) creating a website that is appealing to both young and old drivers  
Answer: A  
Diff: 3  
Page Ref: 428  
Skill: Concept  
Objective: 15-1
4) All of the following are important decisions during the process of developing an advertising program EXCEPT ________.
A) setting advertising objectives
B) setting the advertising budget
C) developing advertising strategy
D) selecting a target market
E) evaluating advertising campaigns
Answer:  D
Diff: 2  Page Ref: 430-431
Skill:  Concept
Objective:  15-2

5) Advertising ________ define the task that advertising must accomplish with a specific target audience during a specific period of time.
A) objectives
B) budgets
C) strategies
D) campaigns
E) evaluations
Answer:  A
Diff: 1  Page Ref: 431
Skill:  Concept
Objective:  15-2

6) An advertising objective is classified by its primary purpose, which is to inform, persuade, or ________.
A) convince
B) compete
C) remind
D) explain
E) encourage
Answer:  C
Diff: 1  Page Ref: 431
Skill:  Concept
Objective:  15-2

7) Which of the following is an objective of informative advertising?
A) build brand preference
B) change customer perceptions of brand value
C) encourage customers to switch brands
D) suggest new uses for a product
E) keep brand in customer minds during off-seasons
Answer:  D
Diff: 1  Page Ref: 431
Skill:  Concept
Objective:  15-2
8) What is one of the primary goals of reminder advertising?
A) maintain customer relationships
B) build brand preference
C) correct false impressions
D) inform the market of a price change
E) restore company image
Answer: A
Diff: 1     Page Ref: 431
Skill: Concept
Objective: 15-2

9) When the advertising objective is to build primary demand for a new product category, ________ advertising will most likely be used.
A) persuasive
B) informative
C) comparative
D) patronage
E) institutional
Answer: B
Diff: 2     Page Ref: 431
Skill: Concept
Objective: 15-2

10) ________ advertising becomes more important as competition increases. The company's objective is to build selective demand.
A) Reminder-oriented
B) Informative
C) POP promotion
D) Patronage
E) Persuasive
Answer: E
Diff: 2     Page Ref: 431-432
Skill: Concept
Objective: 15-2

11) Persuasive advertising becomes ________ advertising when a company directly or indirectly compares its brand with one or more other brands.
A) informative
B) reminder
C) comparative
D) POP promotion
E) institutional
Answer: C
Diff: 1     Page Ref: 432
Skill: Concept
Objective: 15-2
12) What is a potential problem associated with comparative advertising?
A) Consumers confuse the positive and negative aspects of the brands involved in the ad war.
B) Competitors develop new and improved products in an attempt to win the advertising contest.
C) Consumers are bombarded with competing ads, which causes them to leave the market completely.
D) Competitors respond with their own ads, which often results in negative publicity for both brands.
E) Consumers alternate between competing products and never develop brand loyalties.
Answer:  D
Diff: 3 Page Ref: 432
AACSB: Reflective Thinking
Skill: Concept
Objective: 15-2

13) A product in the maturity stage will often require ________ advertising.
A) informative
B) comparative
C) persuasive
D) reminder
E) cooperative
Answer:  D
Diff: 1 Page Ref: 432
Skill: Concept
Objective: 15-2

14) Familiar products such as Coca-Cola are more likely to use ________.
A) informative advertising
B) comparative advertising
C) persuasive advertising
D) reminder advertising
E) institutional advertising
Answer:  D
Diff: 3 Page Ref: 432
AACSB: Communication
Skill: Concept
Objective: 15-2
15) After determining its advertising objectives, the company's next step in developing an advertising program is to ________.
A) set its advertising budget
B) determine the media vehicle
C) use cash refund offers
D) plan its advertising campaign
E) develop its message strategy
Answer: A
Diff: 2   Page Ref: 432
Skill: Concept
Objective: 15-2

16) All of the following require high advertising budgets EXCEPT ________.
A) products in competitive markets
B) undifferentiated brands
C) new products
D) low-share brands
E) mature brands
Answer: E
Diff: 3   Page Ref: 432
Skill: Concept
Objective: 15-2

17) Which of the following may require heavy advertising in order to be set apart from similar products?
A) undifferentiated brands
B) specialty brands
C) international brands
D) mature brands
E) flanker brands
Answer: A
Diff: 1   Page Ref: 433
Skill: Concept
Objective: 15-2

18) Some large corporations have developed ________ to help determine the optimal investment across various media; such tools are useful when determining the relationship between promotional spending and brand sales.
A) impact studies
B) sales techniques
C) statistical models
D) advertising budgets
E) advertising strategies
Answer: C
Diff: 1   Page Ref: 433
Skill: Concept
Objective: 15-2
19) Which of the following is an element of developing an advertising strategy?
A) selecting advertising media
B) using sophisticated statistical models
C) setting advertising objectives
D) evaluating advertising campaigns
E) setting the advertising budget
Answer: A
Diff: 1 Page Ref: 433
Skill: Concept
Objective: 15-2

20) Soaring media costs, focused target marketing strategies, and the growing array of new media have increased the importance of ________.
A) advertising budget objectives
B) competitive parity
C) humor in advertisements
D) branded entertainment
E) media planning
Answer: E
Diff: 2 Page Ref: 433
AACSB: Use of IT
Skill: Concept
Objective: 15-2

21) The success of the MINI Let's Motor campaign exemplifies the partnership between which two elements?
A) advertising and Internet
B) message and media
C) image and strategy
D) technology and creativity
E) brand and objective
Answer: B
Diff: 3 Page Ref: 433
Skill: Concept
Objective: 15-2

22) To be successful, an advertisement must ________.
A) guarantee the highest quality product
B) offer the highest quality service
C) reach consumers frequently
D) promise the lowest market price
E) gain the attention of consumers
Answer: E
Diff: 2 Page Ref: 434
Skill: Concept
Objective: 15-2
23) The Internet, video on demand, and DVRs (digital video recorders) present which of the following problems for marketers?
A) Consumers are watching less television.
B) Consumers cannot focus on specific messages due to advertising clutter.
C) Audiences are less interested in media consumption.
D) Consumers have more choices about what to watch or not watch.
E) Television advertising is becoming more expensive.
Answer: D
Diff: 3 Page Ref: 434-435
AACSB: Use of IT
Skill: Concept
Objective: 15-2

24) Which of the following represents the merge between advertising and entertainment?
A) Madison & Vine
B) Wall St. & Fifth Ave
C) Buzz marketing
D) product placement
E) webisodes
Answer: A
Diff: 1 Page Ref: 435
Skill: Concept
Objective: 15-2

25) What is the term used to describe the idea that will be communicated to consumers through an advertisement?
A) advertising appeal
B) message strategy
C) consumer-generated message
D) creative concept
E) message execution
Answer: B
Diff: 2 Page Ref: 435
Skill: Concept
Objective: 15-2

26) Developing an effective message strategy begins with identifying _______ that can be used as advertising appeals.
A) consumer trends
B) competitor's weaknesses
C) competitor's strengths
D) customer benefits
E) consumer emotions
Answer: D
Diff: 2 Page Ref: 435
Skill: Concept
Objective: 15-2
27) _______ tend to be straightforward outlines of benefits and positioning points that the advertiser wants to stress.
A) Promotion mix plans
B) Message strategy statements
C) Creative concept strategies
D) Big idea statements
E) Branded entertainment plans
Answer: B
Diff: 2 Page Ref: 435
Skill: Concept
Objective: 15-2

28) After creating message strategy statements, the advertiser must develop a compelling _______ that will bring the message strategy to life in a distinctive and memorable way.
A) creative concept
B) customer strategy
C) customer benefit
D) execution style
E) media vehicle
Answer: A
Diff: 2 Page Ref: 435
Skill: Concept
Objective: 15-2

29) The big idea or the creative concept may emerge as a(n) _______, a phrase, or a combination of the two.
A) appeal
B) visualization
C) differentiation
D) strategy
E) evaluation
Answer: B
Diff: 2 Page Ref: 435
Skill: Concept
Objective: 15-2

30) Which of the following are the three characteristics of an advertising appeal?
A) engaging, informative, and stylish
B) trendy, compelling, and appealing
C) meaningful, believable, and distinctive
D) unique, emotional, and entertaining
E) humorous, memorable, and interesting
Answer: C
Diff: 3 Page Ref: 435
Skill: Concept
Objective: 15-2
31) The goal of ________ is to make an advertisement so useful that people want to watch it.
   A) branded entertainment
   B) advertainment
   C) audience engagement
   D) continuity scheduling
   E) pulse scheduling
   Answer: B
   Diff: 2 Page Ref: 436
   Skill: Concept
   Objective: 15-2

32) American Eagle Outfitters has increased interest in its clothing products using which of the
   following advertising forms?
   A) text messaging
   B) brand integrations
   C) product placement
   D) webisodes
   E) memorable print ads
   Answer: D
   Diff: 2 Page Ref: 436
   AACSB: Use of IT
   Skill: Concept
   Objective: 15-2

33) Product placement in television programs and movies is an example of ________.
   A) branded entertainment
   B) advertainment
   C) brand contact
   D) message execution
   E) pulsing
   Answer: A
   Diff: 2 Page Ref: 436
   Skill: Concept
   Objective: 15-2

34) According to experts, what is the biggest potential problem facing advertainment?
   A) The cost of creating clever advertisements will become too steep.
   B) The marketplace will become cluttered with ads that lack helpful information.
   C) Consumers will remember the advertisement but forget the brand.
   D) Local networks will oppose running potentially offensive advertisements.
   E) Consumer demand for entertaining advertising will become difficult to match.
   Answer: C
   Diff: 3 Page Ref: 437
   AACSB: Reflective Thinking
   Skill: Concept
   Objective: 15-2
35) Which message execution style depicts average people using a product in an everyday setting?
   A) lifestyle
   B) scientific evidence
   C) slice of life
   D) personality symbol
   E) testimonial evidence
   Answer: C
   Diff: 1  Page Ref: 436
   Skill: Concept
   Objective: 15-2

36) Advertisements built around dream themes are using which type of execution style?
   A) mood or image
   B) musical
   C) fantasy
   D) lifestyle
   E) personality symbol
   Answer: C
   Diff: 1  Page Ref: 437
   Skill: Concept
   Objective: 15-2

37) The AFLAC duck and Tony the Tiger are examples of ________ used in successful advertising campaigns.
   A) character creations
   B) creative endorsements
   C) fantasy figures
   D) celebrity spokespeople
   E) personality symbols
   Answer: E
   Diff: 2  Page Ref: 438
   AACSB: Analytic Skills
   Skill: Concept
   Objective: 15-2

38) What is the first element that a reader notices in a print ad?
   A) copy
   B) illustration
   C) headline
   D) slogan
   E) color
   Answer: B
   Diff: 2  Page Ref: 438
   Skill: Concept
   Objective: 15-2
39) An amateur video showing the result of mixing Diet Coke with Mentos candies exemplifies which growing trend in advertising?
A) YouTube webisodes
B) consumer-generated messages
C) multiple minicampaigns
D) consumer-driven promotions
E) competitive consumer messages
Answer: B
Diff: 3 Page Ref: 439
Skill: Concept
Objective: 15-2

40) How can consumer-generated ads benefit companies and their products?
A) Consumers trust the opinions of people similar to themselves.
B) Viewers find user-generated advertisements more humorous than professional ads.
C) Consumer criticism of a competitor's product is believable and valuable.
D) Viewers enjoy participating in product contests and being in commercials.
E) Consumers become engaged in the product and consider its value in their lives.
Answer: E
Diff: 3 Page Ref: 439
Skill: Concept
Objective: 15-2

41) All of the following are major steps in advertising media selection EXCEPT ________.
A) deciding on reach, frequency, and impact
B) choosing among major media types
C) selecting specific media vehicles
D) deciding on format elements
E) deciding on media timing
Answer: D
Diff: 2 Page Ref: 439
Skill: Concept
Objective: 15-2

42) What was one of the results of the "Quiznos vs. Subway TV Ad Challenge"?
A) Quiznos developed an advertising contest asking its customers to counter the Subway claims.
B) Most of the submitted ads included negative health information about eating fast food.
C) Quiznos filed a lawsuit against the winner of the Subway contest who created the winning ad.
D) Consumer-generated ads are now rarely used by companies concerned about legal issues.
E) Subway filed a lawsuit asserting that Quiznos ads made false claims about Subway.
Answer: E
Diff: 3 Page Ref: 439
Skill: Concept
Objective: 15-2
43) ________ is a measure of the percentage of people in the target market who are exposed to the ad campaign during a given period of time.  
A) Reach  
B) Qualitative value  
C) Format  
D) Premium  
E) Frequency  
Answer: A  
Diff: 2  
Page Ref: 440  
Skill: Concept  
Objective: 15-2

44) The number of times an average person in the target market is exposed to an ad is known as the ________.  
A) impact  
B) reach  
C) frequency  
D) exposure  
E) engagement  
Answer: C  
Diff: 2  
Page Ref: 440  
Skill: Concept  
Objective: 15-2

45) The advertiser must decide on the ________, or desired media impact, of a message in a specific medium.  
A) reach  
B) illustration  
C) qualitative value  
D) exposure costs  
E) frequency  
Answer: C  
Diff: 2  
Page Ref: 440  
Skill: Concept  
Objective: 15-2

46) For many years, ________ have dominated the media mix used by national advertisers.  
A) radio and television  
B) television and magazines  
C) direct mail and billboards  
D) radio and digital media  
E) newspapers and direct mail  
Answer: B  
Diff: 2  
Page Ref: 440  
Skill: Concept  
Objective: 15-2
47) Advertisers are increasingly shifting larger portions of their budgets to media that cost less and target more effectively. Which of the following is harmed the MOST by such a shift?
A) radio  
B) cable television  
C) network television  
D) satellite television systems  
E) Internet
Answer: C
Diff: 1        Page Ref: 440
Skill: Concept
Objective: 15-2

48) All of the following are examples of specialized and highly-targeted media that an advertiser might use to reach smaller customer segments EXCEPT ________.
A) cable television channels  
B) e-mail  
C) podcasts  
D) magazines  
E) product placement in video games
Answer: D
Diff: 2        Page Ref: 440
AACSB: Use of IT
Skill: Concept
Objective: 15-2

49) The Internet, direct mail, magazines, and radio all offer advertisers which of the following advantages?
A) audience selectivity  
B) low costs  
C) timeliness  
D) flexibility  
E) credibility
Answer: A
Diff: 3        Page Ref: 441
Skill: Concept
Objective: 15-2
50) Companies are doing less _______ and more _______ as a result of an explosion of more focused media that better match today's targeting strategies.
A) marketing; personal selling
B) advertising; public relations
C) narrowcasting; broadcasting
D) broadcasting; narrowcasting
E) public relations; advertising
Answer: D
Diff: 3  Page Ref: 440
AACSB: Communication
Skill: Concept
Objective: 15-2

51) *30 Rock* and *Newsweek* are both examples of ________, specific media within each general media type.
A) alternative media
B) major media
C) media vehicles
D) media multitaskers
E) micromedia
Answer: C
Diff: 2  Page Ref: 442
AACSB: Analytic Skills
Skill: Concept
Objective: 15-2

52) The media planner looks both at the total cost of using a medium and at the ________.
A) cost per thousand persons reached
B) cost of premium offers
C) cost of the magazine it is using
D) opportunity cost
E) continuity cost
Answer: A
Diff: 2  Page Ref: 442
Skill: Concept
Objective: 15-2
53) When a media planner determines whether an advertisement for dishwashing soap should be placed in *Sports Illustrated* or *Good Housekeeping*, the planner is evaluating the media vehicle's ________.

A) audience engagement  
B) editorial quality  
C) market coverage  
D) audience quality  
E) cost per exposure  

Answer: D  
Diff: 2  
Page Ref: 442  
AACSB: Analytic Skills  
Skill: Concept  
Objective: 15-2

54) ________ means scheduling ads evenly within a given period. ________ means scheduling ads unevenly over a given time period.

A) Pulsing; Continuity  
B) Continuity; Hard hitting  
C) Continuity; Pulsing  
D) Pulsing; Hard hitting  
E) Sequencing; Routing  

Answer: C  
Diff: 2  
Page Ref: 443  
Skill: Concept  
Objective: 15-2

55) Scheduling ads unevenly, which is called ________, builds awareness that is intended to be carried over to the next advertising period.

A) continuity  
B) pulsing  
C) shuffling  
D) sequencing  
E) segmenting  

Answer: B  
Diff: 2  
Page Ref: 443  
Skill: Concept  
Objective: 15-2
56) According to the Association of National Advertisers, what is the most important issue for today's advertisers?
A) determining the favorite media for all demographics
B) measuring advertising's efficiency and effectiveness
C) estimating the overall costs of an advertising campaign
D) managing advertising campaigns on tight budgets
E) calculating the communication effects of an ad campaign
Answer:  B
Diff: 2  Page Ref: 443
Skill: Concept
Objective: 15-2

57) Sales and profit effects of advertising are difficult to measure because of factors outside of the ad campaign such as ________.
A) price and availability
B) seasons and attitude changes
C) knowledge and product features
D) budgets and communication tools
E) brand loyalty and media vehicles
Answer:  A
Diff: 2  Page Ref: 443
Skill: Concept
Objective: 15-2

58) One way to measure the ________ effects of advertising is to ________ past sales and past advertising expenditures.
A) communication; average
B) promotion; analyze
C) communication; identify
D) sales; compare
E) sales; combine
Answer:  D
Diff: 2  Page Ref: 443
Skill: Concept
Objective: 15-2

59) All of the following are benefits of standardized global advertising EXCEPT ________.
A) lower advertising costs
B) greater global advertising coordination
C) higher appeal to varying demographics
D) more consistent worldwide image
E) greater consistency among international Web sites
Answer:  C
Diff: 2  Page Ref: 446
Skill: Concept
Objective: 15-2
60) Most international advertisers develop global ________ for the sake of efficiency, but they adapt their advertising ________ to make them responsive to local market needs and expectations.

A) programs; strategies  
B) campaigns; objectives  
C) strategies; programs  
D) objectives; programs  
E) strategies; objectives

Answer: C  
Diff: 3  Page Ref: 446-447  
Skill: Concept  
Objective: 15-2

61) Apple has modified its "I'm a Mac; I'm a PC" ad campaign in Japan for which of the following reasons?

A) The Japanese government opposes direct-comparison advertisements.  
B) Japanese culture frowns upon humorous advertisements on television.  
C) Most Japanese would not notice the differences in style between the two men in the ad.  
D) Most Japanese computer users prefer PCs to Apples.  
E) The Japanese culture views bragging as rude.

Answer: E  
Diff: 3  Page Ref: 447  
AACSB: Communication  
Skill: Concept  
Objective: 15-2

62) What is the primary question that must be asked by an advertiser before deciding to run a commercial during the Super Bowl?

A) Will the commercial deliver a high return on advertising investment?  
B) What will be the reach of the commercial?  
C) What will be the production costs of the commercial?  
D) Does our product match the demographics of the viewing audience?  
E) Will the commercial generate enough buzz to justify the cost?

Answer: A  
Diff: 3  Page Ref: 445  
Skill: Concept  
Objective: 15-2
63) Unilever decided not to purchase advertising during the Super Bowl a second time because the maker of Dove _______.
A) received little buzz after running its commercial during the game
B) earned a better response for less money through an outdoor campaign
C) discovered that most of the audience did not watch the sentimental commercial
D) spent too much money on one commercial that received low consumer ratings
E) received negative publicity for running a beauty ad during a sporting event
Answer: B
Diff: 3    Page Ref: 445
Skill: Concept
Objective: 15-2

64) Which of the five major promotion tools includes building up a positive corporate image and handling unfavorable stories and events?
A) sales promotion
B) personal selling
C) direct marketing
D) public relations
E) direct marketing
Answer: D
Diff: 2    Page Ref: 448
Skill: Concept
Objective: 15-3

65) Lobbying, or building and maintaining relations with legislators and government officials to influence legislation and regulation, is part of _______.
A) outdated business ethics
B) press relations
C) press agencies
D) public relations
E) a mass market strategy
Answer: D
Diff: 2    Page Ref: 448
Skill: Concept
Objective: 15-3

66) Which of the following functions is LEAST likely to be performed by a public relations department?
A) product publicity
B) development
C) public affairs
D) investor relations
E) media vehicle selection
Answer: E
Diff: 2    Page Ref: 448
Skill: Concept
Objective: 15-3
67) When nonprofit organizations need financial or volunteer support they often turn to public relations experts to help them in the area of ________.
A) public affairs
B) press relations
C) investor relations
D) development
E) lobbying
Answer: D
Diff: 2 Page Ref: 448
Skill: Concept
Objective: 15-3

68) Trade associations have used ________ to rebuild interest in declining commodities such as eggs, pork, and milk.
A) lobbying
B) press relations
C) development
D) public relations
E) mass marketing
Answer: D
Diff: 2 Page Ref: 448
Skill: Concept
Objective: 15-3

69) Why was the introduction of Nintendo's Wii game console especially successful?
A) The company's public relations department held preview parties and encouraged people to blog about the system.
B) The company paid for demonstrations on morning news and talk shows to develop interest.
C) The company spent millions of dollars on Internet ads and website development.
D) The company's public relations department wrote press releases and blogs to create buzz.
E) The company's marketing department used product placement to generate excitement about the system before it was released to the public.
Answer: A
Diff: 3 Page Ref: 449
AACSB: Reflective Thinking
Skill: Concept
Objective: 15-3
70) Why is public relations often overlooked as a tool for supporting product marketing objectives?
A) Public relations departments are typically small divisions within corporations.
B) The time and costs associated with public relations can be prohibitive.
C) Public relations specialists lack the skills necessary to work with marketing experts.
D) Many public relations professionals see their jobs as simply communicating, not necessarily brand building.
E) The public relations department only wants to handle stockholders, employees, and government officials.
Answer: D
Diff: 3 Page Ref: 449
Skill: Concept
Objective: 15-3

71) The authors of the book *The Fall of Advertising and the Rise of PR* state that all of the following firms found success with very little advertising EXCEPT ________.
A) Starbucks Coffee
B) Body Shop
C) Wal-Mart
D) Amazon
E) Nike
Answer: E
Diff: 2 Page Ref: 449-450
Skill: Concept
Objective: 15-3

72) ________ use several tools, including the news, speeches, corporate identity materials, and special events.
A) Advertising agencies
B) Advertising specialists
C) Public relations professionals
D) Computer programmers
E) Media planners
Answer: C
Diff: 2 Page Ref: 450
Skill: Concept
Objective: 15-4
73) Logos, uniforms, brochures, and company trucks are all examples of _______ that can be
used to help a company create a visual image for the public.
A) direct marketing
B) social marketing
C) public service activities
D) corporate identity materials
E) buzz marketing materials
Answer: D
Diff: 1 Page Ref: 450
Skill: Concept
Objective: 15-4

74) News conferences, press tours, and grand openings are examples of _______ , one of the
tools commonly used by public relations professionals.
A) public service activities
B) special events
C) social networking
D) development
E) investor relations
Answer: B
Diff: 1 Page Ref: 450
Skill: Concept
Objective: 15-4

75) Johnson & Johnson used _______ when it launched its Aveeno Positively Ageless product
line through a YouTube video of an artist's chalk drawing; consumers spread the word about the
video, which was viewed by nearly one million people.
A) social networking
B) public service ads
C) endorsements
D) advertainment
E) product publicity
Answer: A
Diff: 2 Page Ref: 450
Skill: Concept
Objective: 15-4

76) A company's total marketing communications mix is also called its promotion mix.
Answer: TRUE
Diff: 1 Page Ref: 428
Skill: Concept
Objective: 15-1
77) Advertising is used mostly by not-for-profit organizations, professionals, and social agencies to promote their various causes to target publics.
Answer: FALSE
Diff: 2  Page Ref: 430
Skill: Concept
Objective: 15-2

78) A specific communication task to be accomplished with a specific target audience during a specific period of time is called an advertising objective.
Answer: TRUE
Diff: 1  Page Ref: 431
Skill: Concept
Objective: 15-2

79) Informative ads are used primarily in the growth stage of the product life cycle.
Answer: FALSE
Diff: 2  Page Ref: 431
Skill: Concept
Objective: 15-2

80) Professional athletes such as Tiger Woods, Peyton Manning, and Maria Sharapova are featured in advertisements for Gatorade. Gatorade is utilizing persuasive advertising.
Answer: TRUE
Diff: 3  Page Ref: 431-432
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

81) Weekend advertisements for Home Depot encourage consumers to visit the store immediately. Home Depot is practicing reminder advertising.
Answer: FALSE
Diff: 3  Page Ref: 432
AACSB: Reflective Thinking
Skill: Application
Objective: 15-2

82) In advertising strategy, the creative department first creates good advertisements, and then the media department selects the best media, a system that almost always works very well.
Answer: FALSE
Diff: 2  Page Ref: 433
AACSB: Communication
Skill: Concept
Objective: 15-2
83) A simple message idea can become a great ad campaign when a copywriter and an art director team up to develop creative concepts.
Answer: TRUE
Diff: 1 Page Ref: 435
Skill: Concept
Objective: 15-2

84) Participants of the reality show *Survivor* win a team contest and receive a gift basket of Crest toothpaste, Ivory soap, and Charmin toilet paper. Proctor and Gamble, the maker of these products, has just participated in advertainment.
Answer: FALSE
Diff: 3 Page Ref: 436
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

85) Slice of life, lifestyle, and personality symbol are all execution styles used in public relations.
Answer: FALSE
Diff: 2 Page Ref: 436
Skill: Concept
Objective: 15-2

86) Technical expertise, scientific evidence, and testimonial evidence are all examples of the execution styles that creative teams use in advertising products.
Answer: TRUE
Diff: 2 Page Ref: 438
Skill: Concept
Objective: 15-2

87) Scientific evidence is the execution style used when Subway advertises six subs for under six fat grams.
Answer: TRUE
Diff: 2 Page Ref: 438
Skill: Application
Objective: 15-2

88) As described in the opening scenario, GEICO uses both a gecko and a caveman in its advertisements. GEICO combines humor and testimonial evidence in its message execution.
Answer: FALSE
Diff: 2 Page Ref: 428
Skill: Application
Objective: 15-2
89) Reach is a measure of how many times the average person in the target market is exposed to the message.
Answer: FALSE
Diff: 2 Page Ref: 440
Skill: Concept
Objective: 15-2

90) Although television advertising is expensive for corporations, the cost per exposure is relatively low.
Answer: TRUE
Diff: 2 Page Ref: 441
Skill: Concept
Objective: 15-2

91) Direct mail is one of the least expensive media on a per exposure basis.
Answer: FALSE
Diff: 2 Page Ref: 441
Skill: Concept
Objective: 15-2

92) The communication effects of advertisements and ad campaigns are more difficult to measure than the sales and profit effects.
Answer: FALSE
Diff: 2 Page Ref: 443
Skill: Concept
Objective: 15-2

93) In small and large companies, advertising is typically handled by an individual or team in the sales department.
Answer: FALSE
Diff: 2 Page Ref: 444
Skill: Concept
Objective: 15-2

94) Today's advertising agencies are staffed with specialists who can often perform advertising tasks better than a producer or retailer's own employees can.
Answer: TRUE
Diff: 2 Page Ref: 444
Skill: Concept
Objective: 15-2
95) Recently, the increased use of online social networks and video sharing has reduced the need for advertising standardization for global brands.
Answer: FALSE
Diff: 3 Page Ref: 446
AACSB: Use of IT
Skill: Concept
Objective: 15-2

96) Since China has lifted many of its international trade restrictions, corporations such as McDonalds and Coca-Cola now have only limited censorship rules governing their TV and radio advertising.
Answer: FALSE
Diff: 2 Page Ref: 447
Skill: Concept
Objective: 15-2

97) In an attempt to change the perception that milk was unhealthy, the National Fluid Milk Processors Education Program established an advertising campaign featuring celebrities with milk mustaches and the tag line "Got Milk?"
Answer: FALSE
Diff: 2 Page Ref: 448
Skill: Concept
Objective: 15-3

98) A company typically spends comparable budgets on public relations and advertising.
Answer: FALSE
Diff: 2 Page Ref: 449
Skill: Concept
Objective: 15-3

99) A company's Web site can be an important public relations vehicle.
Answer: TRUE
Diff: 2 Page Ref: 451
AACSB: Use of IT
Skill: Concept
Objective: 15-4

100) The Butterball Turkey Talk-Line answers over 100,000 questions during November and December. The toll-free help line supplements the company's Web site and is a valuable public relations vehicle for Butterball.
Answer: TRUE
Diff: 1 Page Ref: 451
AACSB: Use of IT
Skill: Concept
Objective: 15-4
101) Marketing management must make four important decisions when developing an advertising program. Name and describe these four decisions.
Answer: a. Set advertising objectives, which can be classified by primary purpose: whether the aim is to inform, persuade, or remind.
b. Set the advertising budget: often depends on its stage in the product life cycle.
c. Develop advertising strategy: consists of creating an advertising message and selecting advertising media.
d. Evaluate advertising campaigns: monitor how well the advertising worked.
Diff: 2  Page Ref: 430-431
Skill: Application
Objective: 15-2

102) What are the three characteristics of advertising appeals?
Answer: Advertising appeals should be meaningful, believable, and distinctive. Meaningful appeals point out benefits that make the product more desirable or interesting to consumers. Believable appeals lead consumers to believe that the product or service will deliver the promised benefits. Finally, distinctive appeals should tell how the product is better than the competing brands.
Diff: 3  Page Ref: 435
Skill: Application
Objective: 15-2

103) The creative team must find the best way to execute an advertising message. Name and describe three of these styles of execution.
Answer: a. Slice of life: shows one or more typical people using the product in a normal setting.
b. Lifestyle: shows how a product fits in with a particular lifestyle.
c. Fantasy: creates a fantasy around the product or its use.
d. Mood or image: builds a mood or image around the product or service.
e. Musical: shows people or cartoon characters singing about the product.
f. Personality symbol: creates a character to represent the product.
g. Technical expertise: depicts the company's expertise in making the product or delivering the service.
h. Scientific evidence: presents survey or scientific evidence that the brand is better than other brands.
i. Testimonial evidence/endorsement: features a highly believable or likable source endorsing the product.
Diff: 2  Page Ref: 436-438
Skill: Application
Objective: 15-2
104) How are companies taking advantage of interactive technologies to tap consumers for message ideas and actual ads? What are the benefits and disadvantages of consumer-generated advertising?
Answer: Companies can now search existing video sites such as YouTube, set up their own Web sites, create accounts on social networks such as MySpace, and sponsor ad-creation contests. Several companies, such as Coca-Cola, MasterCard, and Frito-Lay, have used consumer-generated ads in national promotions. Consumer-generated advertising offers companies a way to gather new perspectives on their products and develop insights into how their products are used and seen by actual consumers. Also, consumer-generated advertising is very inexpensive. On the other hand, companies do not control consumer-generated material, which can lead to conflicting, or even negative, messages about a brand.

Diff: 3    Page Ref: 438-439
AACSB: Use of IT
Skill: Application
Objective: 15-2

105) Name and describe the four major steps in media selection.
Answer: a. Decide on reach, frequency, and impact. Reach is a measure of the percentage of people that are exposed to the advertisement; frequency is the measure of how many times the average person is exposed to the message; impact is how people feel about the advertisement. 
b. Choose among major media types: television, newspapers, magazines, direct mail, radio, outdoor, and Internet. 
c. Select specific media vehicles, such as choosing TV shows that the target would watch so he or she will see the commercial. 
d. Decide on media timing. Determine how to schedule the advertising over the course of a year.

Diff: 2    Page Ref: 439-443
Skill: Application
Objective: 15-2
106) Identify four of the major media types and identify some of the strengths and weaknesses of each type.

Answer: a. Television: Advantages are good mass-marketing coverage, low cost per exposure, and appeals to the senses; weaknesses are high total costs and high clutter.

b. Newspapers: Strengths are timeliness, good local market coverage, and high believability; weaknesses are short life and poor reproduction quality.

c. Direct mail: Strengths are flexibility and capacity for personalization; weaknesses are relatively high cost per exposure and “junk mail” image.

d. Magazines: Strengths are high audience selectivity, credibility, and good pass-along readership; weaknesses are high costs and long lead times.

e. Radio: Strengths are good local acceptance and low cost; weaknesses are low attention and fleeting exposure to messages.

f. Outdoor: Strengths are flexibility, low cost, and low message competition; weaknesses are low audience selectivity and creative limitations.

g. Internet: Strengths include high selectivity, low cost, and interactive capabilities; weaknesses are audience control of exposure and relatively low impact.

Diff: 3  Page Ref: 441
AACSB: Reflective Thinking
Skill: Application
Objective: 15-2

107) For the sake of accountability, advertisers must evaluate two types of advertising results: the communication effects and the sales and profit effects. How are these two results measured?

Answer: Measuring the communication effects of an ad or ad campaign tells whether the ads and media are communicating the ad message well. Individual ads can be tested before or after they are run. Before an ad is placed, the advertiser can show it to consumers, ask how they like it, and measure message recall or attitude changes resulting from it. After an ad is run, the advertiser can measure how the ad affected consumer recall or product awareness, knowledge, and preference. Pre- and post-evaluations of communication effects can be made for entire advertising campaigns as well.

Advertisers have gotten pretty good at measuring the communication effects of their ads and ad campaigns. However, sales and profit effects of advertising are often much harder to measure. Sales and profits are affected by many factors other than advertising such as product features, price, and availability. One way to measure the sales and profit effects of advertising is to compare past sales and profits with past advertising expenditures. Another way is through experiments. For example, to test the effects of different advertising spending levels, Coca-Cola could vary the amount it spends on advertising in different market areas and measure the differences in the resulting sales and profit levels. More complex experiments could be designed to include other variables, such as differences in the ads or media used.

Diff: 3  Page Ref: 443
AACSB: Analytic Skills
Skill: Application
Objective: 15-2
108) Describe public relations and three of its main functions.
Answer: Public relations departments build good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events. Functions include:
   a. Product publicity: publicizing specific products
   b. Public affairs: building and maintaining national or local community relations
   c. Lobbying: building and maintaining relations with legislators and government officials to influence legislation and regulation
   d. Press relations: creating and placing newsworthy information in the new media to attract attention to a person, product, or service associated with the company
   e. Investor relations: maintaining relationships with shareholders

Diff: 3 Page Ref: 448
Skill: Application
Objective: 15-3

109) In a short essay, explain why a public relations campaign can be a more cost-effective option for corporations than an advertising campaign. Provide examples of companies that have achieved success by focusing on public relations rather than advertising.
Answer: Public relations can have a strong impact on public awareness at a much lower cost than advertising can. The company does not pay for the space or time in the media. Rather, it pays for a staff to develop and circulate information and to manage events. If the company develops an interesting story or event, it could be picked up by several different media, having the same effect as advertising that would cost millions of dollars. And it would have more credibility than advertising.

Starbucks, Amazon, Body Shop, and Nintendo's Wii have all achieved success through public relations campaigns rather than huge advertising campaigns.

Diff: 3 Page Ref: 448-450
AACSB: Reflective Thinking
Skill: Application
Objective: 15-4
110) Public relations specialists have several tools that they use. Identify three of these tools and describe how they can be used to help a company communicate with the public.

Answer: a. PR professionals find or create favorable news about the company and its products or people. Sometimes news stories occur naturally, and sometimes the PR person can suggest events or activities that would create news.

b. Speeches can also create product and company publicity. Increasingly, company executives must field questions from the media or give talks at trade associations or sales meetings, and these events can either build or hurt the company's image.

c. Another common PR tool is special events, ranging from news conferences, press tours, grand openings, and fireworks displays to laser shows, hot air balloon releases, multimedia presentations, or educational programs designed to reach and interest target publics.

d. Public relations people also prepare written materials to reach and influence their target markets. These materials include annual reports, brochures, articles, and company newsletters and magazines.

e. Audiovisual materials, such as slide-and-sound programs, DVDs, and online videos are being used increasingly as communication tools.

f. Corporate identity materials can also help create a corporate identity that the public immediately recognizes. Logos, stationery, brochures, signs, business forms, business cards, buildings, uniforms, and company cars and trucks all become marketing tools when they are attractive, distinctive, and memorable.

g. Companies can improve public goodwill by contributing money and time to public service activities.

h. Many marketers are now also designing buzz marketing campaigns to generate excitement and favorable word of mouth for their brands. Buzz marketing takes advantage of social networking processes by getting consumers themselves to spread information about a product or service to others in their communities.

Diff: 2 Page Ref: 450
Skill: Application
Objective: 15-4

111) U-Frame-It is a small company that has hired a local ad agency to put together an advertising campaign. Which of the following questions should be answered first?

A) What percentage of the budget should be for U-Frame-It radio ads?
B) Which type of media vehicle is most appropriate for U-Frame-It ads?
C) What are the communication and sales objectives of U-Frame-It?
D) How does U-Frame-It's competition advertise?
E) What is the demographic of U-Frame-It's customer base?

Answer: C
Diff: 3 Page Ref: 431
AACSBI: Analytic Skills
Skill: Application
Objective: 15-2
112) Quaker Oats has been selling oatmeal for many years and is a trusted leader in the oatmeal market. What will be the most likely objective of advertisements for a new flavor of oatmeal being introduced by Quaker Oats?
A) build a company image  
B) encourage customers to switch brands  
C) correct false impressions  
D) maintain customer relationships  
E) change customer perceptions  
Answer: D  
Diff: 2  
Page Ref: 432  
AACSB: Analytic Skills  
Skill: Application  
Objective: 15-2

113) Suave ran ads featuring a woman with beautiful hair questioning "Suave or Matrix? Can You Tell?" This is an example of ________.
A) informative advertising  
B) reminder advertising  
C) comparative advertising  
D) persuasive advertising  
E) buzz marketing  
Answer: C  
Diff: 2  
Page Ref: 432  
AACSB: Analytic Skills  
Skill: Application  
Objective: 15-2

114) When Proctor & Gamble developed the Mr. Clean Magic Eraser, the company needed to explain how the product cleans grime from walls without removing paint. What type of campaign was most likely used by Proctor & Gamble for the Mr. Clean Magic Eraser?
A) informative advertising  
B) persuasive advertising  
C) reminder advertising  
D) developmental advertising  
E) comparative advertising  
Answer: A  
Diff: 2  
Page Ref: 431  
AACSB: Analytic Skills  
Skill: Application  
Objective: 15-2
115) Apex detergent is relatively undifferentiated from two other detergent brands: Acme and Brighton detergent; therefore, Apex may require ________.
A) a different target market
B) a new package
C) heavy advertising to set it apart from others
D) a higher price
E) none of the above
Answer: C
Diff: 2 Page Ref: 443
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

116) In its advertisements, Timex promotes its affordable and sturdy watches. Fossil emphasizes style and fashion in its advertisements, while Rolex stresses luxury and status. These are all examples of ________ appeals.
A) creative
B) meaningful
C) believable
D) entertainment
E) distinctive
Answer: E
Diff: 2 Page Ref: 435
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

117) An ad for a new convection oven shows a busy professional woman serving dinner to her family. The convection oven is seen in the background, and the headline reads, "The latest development in time travel." This is an example of what type of execution style?
A) slice of life
B) lifestyle
C) fantasy
D) scientific evidence
E) mood or image
Answer: B
Diff: 2 Page Ref: 436
AACSB: Analytic Skills
Skill: Application
Objective: 15-2
118) When AFLAC uses a duck to represent its product, which type of execution style is being employed?
A) mood or image
B) fantasy
C) personality symbol
D) technical expertise
E) musical
Answer: C
Diff: 1 Page Ref: 438
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

119) When a pharmaceutical ad includes a world-renowned heart surgeon describing the benefits of the medication, which type of execution style is being used?
A) mood or image
B) fantasy
C) personality symbol
D) musical
E) technical expertise
Answer: E
Diff: 2 Page Ref: 438
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

120) Mike's Bike Shop's has a new print advertisement appearing in the local newspaper. What will be the first element readers will notice in the advertisement?
A) headline
B) illustration
C) copy
D) subheadlines
E) color
Answer: B
Diff: 2 Page Ref: 438
AACSB: Analytic Skills
Skill: Application
Objective: 15-2
121) You receive a report that 68% of your target market has been exposed to your ad campaign during a given period of time. The information in the report relates to ________.
A) reach  
B) frequency  
C) impact  
D) engagement  
E) qualitative value  
Answer: A  
Diff: 1  Page Ref: 440  
AACSB: Analytic Skills  
Skill: Application  
Objective: 15-2

122) You are looking to advertise your new product, and you want good mass-marketing coverage and low cost per exposure. You should choose ________ as your advertising media.  
A) newspaper  
B) radio  
C) outdoor  
D) television  
E) direct mail  
Answer: D  
Diff: 3  Page Ref: 441  
AACSB: Analytic Skills  
Skill: Application  
Objective: 15-2

123) Franklin & Marshall College wishes to contact high school seniors at independent schools in Pennsylvania. Which of the following media would be most effective and efficient?  
A) an e-mail reaching out to students through the Internet  
B) local newspapers ads throughout the state  
C) radio ads throughout the state  
D) a direct mail piece sent to the schools  
E) billboards throughout the state  
Answer: D  
Diff: 3  Page Ref: 441  
AACSB: Reflective Thinking  
Skill: Application  
Objective: 15-2
124) Capture Cameras is launching a new advertising campaign to demonstrate the quality of their digital cameras. Which media option will attract the most demographically skewed audience with relatively low impact?
A) the Internet  
B) newspaper  
C) TV  
D) radio  
E) billboard
Answer: A
Diff: 3  
Page Ref: 441
AACSB: Analytic Skills  
Skill: Application  
Objective: 15-2

125) IAMS Pet Food runs a commercial on the Animal Planet cable channel during an episode of *The Dog Whisperer.* The advertising agency for IAMS is taking advantage of which of the following?
A) prime time  
B) broadcasting  
C) narrowcasting  
D) audience engagement  
E) frequency and reach
Answer: C
Diff: 2  
Page Ref: 440
AACSB: Analytic Skills  
Skill: Application  
Objective: 15-2

126) ABC Advertising Agency was recently hired to create an advertising campaign for a local water park. Since the park is only open during the spring and summer months, ________ plays a major role in the firm's decision about scheduling advertisements.
A) media vehicles  
B) continuity  
C) audience quality  
D) audience engagement  
E) media timing
Answer: E
Diff: 1  
Page Ref: 443
AACSB: Analytic Skills  
Skill: Application  
Objective: 15-2
127) The advertising agency hired by Mrs. Brown's Cookie Company has developed a series of commercials about the new cookie flavors created by the company. The head of the marketing department thinks that pulsing would be the most appropriate way to schedule the commercials. What is the potential benefit of pulsing the cookie ads?
A) The ads would achieve maximum awareness.
B) The costs of advertising would be low.
C) Audience quality can be evaluated.
D) Ads can be modified for different demographics.
E) Ad schedules can be adapted based on sales.
Answer: B
Diff: 3 Page Ref: 443
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

128) Fence Patrol is considering an international advertising campaign. The company may face any or all of the following problems EXCEPT ________.
A) media costs may vary
B) media availability may vary
C) regulation of advertising may vary
D) some products may be barred or illegal
E) all of the above
Answer: E
Diff: 2 Page Ref: 447
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

129) Kathy Champe, a public relations specialist for a regional chain of pharmacies, regularly contacts members of the local and state-wide media with information about community events and charity fundraisers sponsored by her company. This is an example of the ________ function of public relations.
A) press relations
B) product publicity
C) public affairs
D) lobbying
E) development
Answer: A
Diff: 1 Page Ref: 448
AACSB: Analytic Skills
Skill: Application
Objective: 15-3
130) The National Pork Board developed its very successful "Pork, The Other White Meat" campaign. The campaign provided nutritional information and pork recipes in an attempt to encourage consumers to view pork as a tasty alternative to poultry and fish. Which of the following functions was the goal of this public relations campaign?
A) influence government regulations on pork
B) gain financial support for pork producers
C) create newsworthy information about pork
D) maintain relationships with pork producers
E) build up a positive image for pork
Answer: E
Diff: 1 Page Ref: 448
AACSB: Analytic Skills
Skill: Application
Objective: 15-3

131) In an attempt to set the company apart from its competitors, United Parcel Service has its employees wear brown uniforms and drive brown trucks. What type of public relations tool is UPS using?
A) buzz marketing
B) corporate logos
C) corporate identity materials
D) product publicity
E) public service materials
Answer: C
Diff: 2 Page Ref: 450
Skill: Application
Objective: 15-4

132) The public relations department at a manufacturer of a variety of technological devices has been charged with developing inexpensive methods of building and maintaining brand awareness and excitement. To begin with, the public relations department has recruited consumers who are early adopters of technological devices to spread the word about the company's new products. This is an example of the public relations tool of ________.
A) public service activities
B) special events
C) audiovisual materials
D) corporate identity marketing
E) buzz marketing
Answer: E
Diff: 1 Page Ref: 450
AACSB: Reflective Thinking
Skill: Application
Objective: 15-4
Refer to the scenario below to answer the following questions.

Most of the clientele at Second Avenue have learned about the store through word-of-mouth communication. This small retailer of quality second-hand children's clothing thrives on the sale of a vast inventory of children's clothing placed there on consignment. "Because small children grow so quickly," Second Avenue's owner commented, "they often outgrow many of their clothes before they've hardly been worn!" Second Avenue provides a way for people to sell their children's clothing, earn a few dollars, and buy the next larger size. "We're extremely picky about the condition of the clothing we stock," the owner stated, "but we sell most items at a 60 percent discount."

133) Which of the following media options would MOST benefit Second Avenue's promotional efforts given the store's limited budget?
A) periodic advertising in a local newspaper
B) daily advertisements on a local radio station
C) weekly commercials during the local evening news
D) a billboard placed on the interstate
E) a link on the city's Chamber of Commerce Web site
Answer: A
Diff: 3 Page Ref: 441
AACSB: Analytic Ref: 441
Skill: Application
Objective: 15-2

134) Second Avenue wants to create a postcard to be sent to local families with young children. The postcard will include information about the store's typical inventory, store hours, and directions. Which of the following format elements can make the biggest difference in the success or failure of the direct mailing?
A) copy
B) headline
C) illustration
D) font
E) color
Answer: C
Diff: 1 Page Ref: 438
Skill: Application
Objective: 15-2
135) The owner of Second Avenue wants to establish a community clothing drive to collect clothes for a local children's shelter. The owner will set up collection barrels outside Second Avenue. Which of the following public relations tools is the owner using?
A) press relations
B) product publicity
C) lobbying
D) development
E) public affairs
Answer: E
Diff: 2 Page Ref: 448
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

136) What are the three primary purposes of advertising objectives?
Answer: Advertising objectives can be classified by primary purpose whether the aim is to inform, persuade, or remind.
Diff: 2 Page Ref: 431
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

137) When does a marketer use informative ads?
Answer: Informative ads are used heavily when introducing new products or new product categories.
Diff: 2 Page Ref: 431
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

138) When does a marketer use a comparative ad?
Answer: Comparative ads are a type of persuasive ads in which a company directly or indirectly compares its brand with one or more other brands.
Diff: 2 Page Ref: 432
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

139) When does a marketer use reminder ads?
Answer: Reminder ads are important for mature products; they keep consumers thinking about the product.
Diff: 2 Page Ref: 432
AACSB: Analytic Skills
Skill: Application
Objective: 15-2
140) How has clutter in television and other advertising media created an increasingly hostile advertising environment?
Answer: The majority of Americans believe there are too many television commercials, and they are faced with almost 20 minutes of commercials for each hour of prime-time television; viewers are increasingly using technologies to skip past commercials.
Diff: 2 Page Ref: 434
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

141) Explain how a marketer could create a message strategy when marketing a product toward children.
Answer: When directing marketing efforts toward children, the marketer will want to create a message that is most appealing to children. The market will likely relate to specific situations in which children usually find themselves or the marketer may use a personality symbol with which the children can relate.
Diff: 3 Page Ref: 435 and 438
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

142) Give a hypothetical example of a slice-of-life message execution style.
Answer: Possible examples are endless. Slice-of-life examples show one or more typical people using a product in a normal setting.
Diff: 2 Page Ref: 436
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

143) How does a personality symbol impact a brand?
Answer: A personality symbol is a character that represents the product and with which the consumer can relate; the personality symbol helps a consumer connect with the product.
Diff: 2 Page Ref: 438
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

144) Give a hypothetical example of testimonial evidence.
Answer: Possible examples are endless. Testimonial evidence features a highly believable or likable source endorsing the product.
Diff: 2 Page Ref: 438
AACSB: Analytic Skills
Skill: Application
Objective: 15-2
145) What does "reach" tell a marketer?
Answer: Reach is a measurement of the percentage of people in the target market who are exposed to the ad campaign during a given period of time.
Diff: 2    Page Ref: 440
Skill: Application
Objective: 15-2

146) Explain how different types of messages may require different media.
Answer: For example, a message announcing a major sale tomorrow will require radio or newspapers; a message with a lot of technical data might require magazines, direct mailings, or an online ad.
Diff: 3    Page Ref: 440-441
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

147) Explain how seasonality impacts media timing.
Answer: Seasonality will impact how often an advertisement is aired or printed. Usually during the Christmas season, ads from numerous marketers of various products are seen more frequently. During other seasons, the pattern of ads (frequency) will change greatly.
Diff: 3    Page Ref: 443
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

148) Give an example of how a company might run an experiment to measure the sales and profit effects of its advertising.
Answer: Answers will vary. Nabisco could vary the amount it spends on advertising a new food product in different market areas and compare the resulting sales and profit levels.
Diff: 2    Page Ref: 443-444
AACSB: Analytic Skills
Skill: Application
Objective: 15-2

149) Explain why an ad would need to be modified from one country to the next.
Answer: Differences in perceptions of time, color, and imagery will impact how effective or acceptable an advertisement will be in other countries. In addition, changes in the use of language may be required to avoid being offensive to the foreign culture. Also, countries have varying laws regulating advertising.
Diff: 3    Page Ref: 446-447
AACSB: Analytic Skills
Skill: Application
Objective: 15-2
150) Why can public relations efforts have a strong impact on public awareness at a substantially lower cost than advertising?
Answer: With public relations, the company is paying for a staff to develop and circulate information and plan events instead of paying for space or time in the media.
Diff: 2 Page Ref: 448
AACSB: Analytic Skills
Skill: Application
Objective: 15-3

Chapter 16 Personal Selling and Sales Promotion

1) Which of the following elements of the promotion mix involves making personal connections with customers for the purpose of making sales?
A) personal selling
B) advertising
C) e-commerce
D) publicity
E) public relations
Answer: A
Diff: 1 Page Ref: 458
Skill: Concept
Objective: 16-1

2) A ________ is an individual acting on behalf of a company who performs one or more of the following activities: prospecting, communicating, servicing, and information gathering.
A) press agent
B) sales assistant
C) marketing director
D) salesperson
E) publicist
Answer: D
Diff: 1 Page Ref: 459
Skill: Concept
Objective: 16-1

3) ________ involves two-way, personal communication between salespeople and individual customers, either in person, by telephone, or through Web conferences.
A) Advertising
B) Public relations
C) Personal selling
D) Telemarketing
E) Integrated marketing communication
Answer: C
Diff: 1 Page Ref: 459
AACSB: Communication
Skill: Concept
Objective: 16-1
4) What is the role of a chief revenue, or chief customer, officer?
A) to oversee sales
B) to oversee marketing
C) to oversee both marketing and sales
D) to represent customers to the company
E) to represent the company to customers
Answer: C
Diff: 2 Page Ref: 460-461
Skill: Concept
Objective: 16-1

5) A company can unite its marketing and sales functions through all of the following activities EXCEPT ________.
A) assigning a telemarketer the task of visiting a customer
B) arranging joint meetings to clarify all aspects of communication
C) appointing a chief customer officer to oversee both departments
D) having a salesperson preview ads and sales-promotion campaigns
E) sending brand managers on sales calls with a salesperson
Answer: A
Diff: 3 Page Ref: 460-461
AACSB: Analytic Skills
Skill: Concept
Objective: 16-1

6) When a company sets out to analyze, plan, implement, and control sales force activities, the company is undertaking ________.
A) sales design
B) sales force management
C) group sales efforts
D) co-op selling and advertising
E) promotional objectives
Answer: B
Diff: 1 Page Ref: 461
Skill: Concept
Objective: 16-2
7) Of the three typical types of sales force structures, which one is often supported by many levels of sales management positions in specific geographical areas?
A) territorial
B) product
C) customer
D) complex systems
E) A and B
Answer: A
Diff: 2 Page Ref: 461
Skill: Concept
Objective: 16-2

8) All of the following are considered advantages of a territorial sales force structure EXCEPT
A) travel expenses can be minimized
B) each salesperson's job is clearly defined
C) accountability is clearly defined for each salesperson
D) salespeople develop in-depth knowledge of a product line
E) salespeople have the opportunity and incentive to build strong relationships with customers
Answer: D
Diff: 2 Page Ref: 461
AACSB: Reflective Thinking
Skill: Concept
Objective: 16-2

9) Which of the following is NOT a disadvantage of a product sales force structure?
A) extra selling costs involved with multiple sales visits from separate divisions
B) overlapping use of resources with big customers
C) salespeople spending time to see the same customer's purchasing agents
D) increased customer delivery time
E) B and C
Answer: D
Diff: 3 Page Ref: 462
AACSB: Reflective Thinking
Skill: Concept
Objective: 16-2

10) Companies that use a customer sales force structure organize their salespeople by ________.
A) product
B) territory
C) industry
D) demand
E) hierarchy
Answer: C
Diff: 2 Page Ref: 462
Skill: Concept
Objective: 16-2
11) Hewlett-Packard's Customer Sales Group (CSG) caused frustration among customers and salespeople. What was the primary problem with the sales force structure of CSG?
A) The marketing and sales divisions had overlapping responsibilities, which caused friction.
B) Salespeople developed expertise in only one product area, which limited their sales commissions.
C) Salespeople specialized in selling only to specific customers and specific industries.
D) Salespeople were responsible for selling all H-P products instead of specializing in a few products.
E) The sales department was divided by product lines, which complicated customer service issues.
Answer: D
Diff: 3 Page Ref: 463
AACSB: Analytic Skills
Skill: Concept
Objective: 16-2

12) What do many companies use to determine sales force size?
A) the workload approach
B) product availability
C) demographic characteristics of the sales force
D) the outside sales force method
E) profit margin
Answer: A
Diff: 2 Page Ref: 464
Skill: Concept
Objective: 16-2

13) What is the term used to identify the individuals in a company who travel to call on customers in the field?
A) product sales force
B) outside sales force
C) inside sales force
D) complex sales force
E) customer sales force
Answer: B
Diff: 1 Page Ref: 464
Skill: Concept
Objective: 16-2
14) Members of a company's ________ conduct business from their offices using telephones, e-mails, or visits from prospective buyers to generate sales.
A) outside sales force
B) inside sales force
C) complex sales force
D) customer sales force
E) product sales force
Answer: B
Diff: 1 Page Ref: 464
Skill: Concept
Objective: 16-2

15) To reduce time demands on their outside sales forces, many companies have increased the size of their inside sales forces, which include technical support people, sales assistants, and ________.
A) retail supervisors
B) sales managers
C) telemarketers
D) accountants
E) programmers
Answer: C
Diff: 1 Page Ref: 465
AACSBB: Use of IT
Skill: Concept
Objective: 16-2

16) A sales assistant working for an outside sales force will most likely have all of the following duties EXCEPT ________.
A) answering customer's questions when a salesperson is unavailable
B) providing administrative backup
C) confirming appointments
D) following up on deliveries
E) determining price points
Answer: E
Diff: 2 Page Ref: 465
Skill: Concept
Objective: 16-2
17) According to the opening scenario, the success of CDW Corporation is the direct result of its salespeople ________.
A) working closely with the marketing department to manage accounts
B) receiving bonuses based on customer satisfaction surveys
C) receiving extensive training on complex computer systems
D) developing close, personal relationships with customers
E) using Web conferencing and e-mail to assist customers
Answer: D
Diff: 3 Page Ref: 465-466
AACSB: Analytic Skills
Skill: Concept
Objective: 16-2

18) The growing trend of using a group of people from sales, marketing, engineering, finance, technical support, and even upper management to service large, complex accounts is known as ________ selling.
A) department
B) multiple
C) team
D) personal
E) simultaneous
Answer: C
Diff: 1 Page Ref: 466
Skill: Concept
Objective: 16-2

19) Which of the following most likely explains why companies are adopting the team selling approach to service large, complex accounts?
A) Products have become too complicated for one salesperson to support.
B) Customers prefer dealing with many salespeople rather than one sales representative.
C) Salespeople prefer working in groups because of the opportunity for flex hours and job sharing.
D) A group of salespeople assigned to one account is cost effective for corporations.
E) Fewer skilled salespeople are working in the high-tech industry.
Answer: A
Diff: 3 Page Ref: 466
Skill: Concept
Objective: 16-2
20) All of the following are disadvantages of the team selling approach EXCEPT ________.
A) Selling teams can overwhelm customers.
B) Many salespeople are unaccustomed to working with others.
C) Selling teams increase costs and are time consuming.
D) Individual contributions and compensations can be difficult to assess.
E) Most salespeople are trained to excel in individual performance.
Answer: C
Diff: 3       Page Ref: 466
AACSB: Reflective Thinking
Skill: Concept
Objective: 16-2

21) All of the following are problems associated with the poor selection of salespeople EXCEPT ________.
A) lower sales
B) costly turnover
C) less productivity
D) less office support
E) disrupted customer relationships
Answer: D
Diff: 2       Page Ref: 466
Skill: Concept
Objective: 16-2

22) According to research, which of the following is one of the four key talents a successful salesperson must possess?
A) managerial skills
B) disciplined work style
C) aggressive personality
D) technological know-how
E) fluency in a second language
Answer: B
Diff: 2       Page Ref: 467
Skill: Concept
Objective: 16-2

23) During the hiring process, companies that test sales applicants typically measure all of the following abilities EXCEPT ________.
A) sales aptitude
B) organizational skills
C) accounting skills
D) analytical skills
E) personality traits
Answer: C
Diff: 2       Page Ref: 467
Skill: Concept
Objective: 16-2
24) The purpose of a training program for salespeople is to teach them about all of the following EXCEPT ________.
A) customers' buying habits
B) customers' buying motives
C) the company's main competitors
D) the company retirement benefits
E) the company's organizational structure
Answer: D
Diff: 2 Page Ref: 467
Skill: Concept
Objective: 16-2

25) What is the primary reason that companies use e-learning to conduct sales training programs?
A) Customer needs and habits are easily conveyed through e-learning.
B) Customers appreciate the flexibility of e-learning.
C) E-learning allows for more employee feedback.
D) E-learning is the best way to simulate sales calls.
E) E-learning cuts training costs.
Answer: E
Diff: 2 Page Ref: 467
AACSB: Use of IT
Skill: Concept
Objective: 16-2

26) How do e-learning centers, such as the one developed by International Rectifier, help salespeople make sales?
A) Salespeople can refresh their knowledge about company products prior to making sales calls.
B) Salespeople can attend training sessions from their home offices, which saves time and money.
C) E-learning centers enable salespeople and customers to interact through Web conferencing.
D) Evaluation diagnostic tools in e-learning centers help managers monitor sales personnel.
E) E-learning centers provide product information to current customers.
Answer: A
Diff: 3 Page Ref: 468
AACSB: Use of IT
Skill: Concept
Objective: 16-2
27) Commissions or bonuses that a salesperson receives from a company are categorized as the _______.
A) base salary
B) fixed amount
C) variable amount
D) fringe benefit
E) pension plan
Answer: C
Diff: 2 Page Ref: 468
Skill: Concept
Objective: 16-2

28) All of the following are a basic type of compensation plan for salespeople EXCEPT _______.
A) straight commission
B) straight salary
C) salary and commission
D) commission plus bonus
E) salary plus bonus
Answer: D
Diff: 2 Page Ref: 468
Skill: Concept
Objective: 16-2

29) Companies are increasingly moving away from high commission compensation plans because such plans often lead to salespeople _______.
A) undermining the work of the inside sales team
B) ignoring management and marketing objectives
C) being too pushy and ruining customer relationships
D) working multiple sales jobs to maximize their income
E) spend too much time traveling between customers
Answer: C
Diff: 3 Page Ref: 469
Skill: Concept
Objective: 16-2

30) Which sales management tool helps a salesperson know which customers to visit and which activities to carry out during a week?
A) time-and-duty analysis
B) sales force automation systems
C) call plan
D) sales quota plan
E) positive incentives plan
Answer: C
Diff: 2 Page Ref: 469
Skill: Concept
Objective: 16-2
31) Companies are always looking for ways to increase face-to-face selling time. All of the following are ways to accomplish this goal EXCEPT ________.
A) using phones and video conferencing instead of traveling
B) simplifying record keeping and other administrative tasks
C) developing better sales-call and routing plans
D) reducing the number of customers each sales rep must visit
E) supplying more and better customer information
Answer: D
Diff: 3 Page Ref: 469
AACSB: Analytic Skills
Skill: Concept
Objective: 16-2

32) Which of the following is an advantage created by the use of a sales force automation system?
A) lower costs for training sales personnel
B) increased motivation to acquire new customers
C) decreased need for an inside sales force
D) stronger organizational climate developed by the sales team
E) more efficient scheduling of sales calls and sales presentations
Answer: E
Diff: 3 Page Ref: 470
AACSB: Use of IT
Skill: Concept
Objective: 16-2

33) Firms that have adopted sales force automation systems most likely use all of the following tools EXCEPT ________.
A) customer-contact and relationship management software
B) time-and-duty analysis software
C) smart phones
D) laptop computers
E) Webcams for videoconferencing
Answer: B
Diff: 2 Page Ref: 470
AACSB: Use of IT
Skill: Concept
Objective: 16-2
34) The process of receiving drug marketing information through product Web sites is known as ________.
A) e-detailing  
B) e-learning  
C) Web conferencing  
D) Web interfacing  
E) automated selling  
Answer: A  
Diff: 2      Page Ref: 470  
AACSB: Use of IT  
Skill: Concept  
Objective: 16-2

35) Which of the following is a potential drawback of using Web-based technologies for making sales presentations and servicing accounts?
A) Salespeople have to invest more time in preparing for this type of interaction with customers.  
B) The cost of the technology outweighs any savings gained by eliminating the need for travel.  
C) The systems can intimidate salespeople who are unfamiliar with the technology.  
D) Customers are less likely to buy the product when a Web conference is used.  
E) Customers lack the technology required to participate in a Web conference.  
Answer: C  
Diff: 3      Page Ref: 471  
AACSB: Use of IT  
Skill: Concept  
Objective: 16-2

36) A company that treats its salespeople as valuable contributors with unlimited income opportunities has developed a(n) ________ that will have fewer turnovers and higher sales force performance.
A) sales force system  
B) organizational climate  
C) compensation package  
D) sales structure  
E) workload  
Answer: B  
Diff: 2      Page Ref: 471  
Skill: Concept  
Objective: 16-2
37) A sales _______ is the standard that establishes the amount each salesperson should sell and how sales should be divided among the company's products.
   A) goal
   B) task
   C) quota
   D) incentive
   E) contest
   Answer: C
   Diff: 2 Page Ref: 471
   Skill: Concept
   Objective: 16-2

38) Sales _______ encourage a sales force to make a selling effort that is above and beyond the normal expectation.
   A) contests
   B) quotas
   C) meetings
   D) reports
   E) plans
   Answer: A
   Diff: 1 Page Ref: 471
   Skill: Concept
   Objective: 16-2

39) A salesperson's _______ is often related to how well he or she meets a sales quota.
   A) profit-sharing plan
   B) compensation
   C) call report
   D) sales report
   E) expense report
   Answer: B
   Diff: 1 Page Ref: 471
   Skill: Concept
   Objective: 16-2

40) A(n) _______ is a salesperson's write-up of his or her completed sales activities.
   A) call plan
   B) call report
   C) sales report
   D) expense report
   E) time-and-duty analysis
   Answer: B
   Diff: 2 Page Ref: 471
   Skill: Concept
   Objective: 16-2
41) Which of the following questions would provide management with the LEAST beneficial information regarding the performance of its sales force?
A) Is the sales force meeting its profit objectives?
B) Is the sales force working well with the marketing team?
C) Are sales force costs in line with sales force outcomes?
D) Is the sales force accomplishing its customer relationship objectives?
E) Does the sales force complete its sales reports and expense reports in a timely manner?
Answer: E
Diff: 3 Page Ref: 472
AACSB: Reflective Thinking
Skill: Concept
Objective: 16-2

42) Prospecting is the step in the selling process in which the salesperson ________.
A) gathers information about a prospective customer before making a sales call
B) meets the customer for the first time
C) identifies qualified potential customers
D) tells the product's "value story" to the customer
E) clarifies and overcomes customer objections to buying
Answer: C
Diff: 2 Page Ref: 472
AACSB: Communication
Skill: Concept
Objective: 16-3

43) A salesperson in the prospecting stage most likely identifies potential customers through all of the following methods EXCEPT ________.
A) referrals from competing salespeople
B) referrals from current customers
C) referrals from dealers
D) referrals from suppliers
E) cold calling
Answer: A
Diff: 2 Page Ref: 472
Skill: Concept
Objective: 16-3
44) Which of the following is the LEAST relevant characteristic that a salesperson should consider when qualifying a prospect?
A) financial ability  
B) longevity in the market  
C) special needs  
D) location  
E) volume of business  
Answer: B  
Diff: 3 Page Ref: 472  
AACSB: Analytic Skills  
Skill: Concept  
Objective: 16-3

45) During the prospecting stage, a salesperson needs to discriminate between good leads and poor leads, which is known as _______.  
A) closing  
B) referring  
C) presenting  
D) qualifying  
E) approaching  
Answer: D  
Diff: 2 Page Ref: 472  
Skill: Concept  
Objective: 16-3

46) A salesperson who researches a company's buying styles and product line is most likely in the _______ stage of the selling process.  
A) prospecting  
B) preapproach  
C) approach  
D) presentation  
E) closing  
Answer: B  
Diff: 1 Page Ref: 473  
Skill: Concept  
Objective: 16-3
47) The salesperson meets the customer for the first time in the ________ step of the selling process.
A) prospecting
B) qualifying
C) preapproach
D) approach
E) presentation
Answer: D
Diff: 1 Page Ref: 473
Skill: Concept
Objective: 16-3

48) Technologies such as CDs, DVDs, handheld computers, interactive white boards, and laptop computers enable salespeople to enhance the ________ stage of the selling process.
A) prospecting and qualifying
B) preapproach
C) presentation and demonstration
D) closing
E) follow-up
Answer: C
Diff: 2 Page Ref: 474
AACSB: Use of IT
Skill: Concept
Objective: 16-3

49) Which type of sales approach is best for today's customers who expect answers, results, and useful products?
A) hard-sell
B) customer-solution
C) razzle-dazzle
D) sales development
E) personal relationship
Answer: B
Diff: 2 Page Ref: 473
Skill: Concept
Objective: 16-3
50) According to a survey of purchasers, ________ and ________ skills are the most important qualities for a salesperson.
A) listening; problem-solving
B) presentation; listening
C) candor; problem-solving
D) concern; interpersonal
E) presentation; problem-solving
Answer: A
Diff: 2 Page Ref: 474
AACSB: Communication
Skill: Concept
Objective: 16-3

51) A salesperson should seek out, clarify, and overcome any customer objections during the sales presentation in order to ________.
A) offer the buyer a discount for placing an order
B) minimize the buyer's concerns about the product
C) compliment the buyer for mentioning the objections
D) turn the objections into reasons for buying
E) turn the objections into an opportunity for humor
Answer: D
Diff: 3 Page Ref: 474
AACSB: Communication
Skill: Concept
Objective: 16-3

52) The step of ________ is difficult for some salespeople because they lack confidence, feel guilty about asking for an order, or may not recognize the right time to ask for an order.
A) approaching the prospect
B) making a presentation
C) handling objections
D) closing the sale
E) following up
Answer: D
Diff: 2 Page Ref: 474
Skill: Concept
Objective: 16-3
53) Salespeople should be trained to recognize ________ signals from the buyer, which can include physical actions such as leaning forward and nodding or asking questions about prices and credit terms.
   A) qualifying
   B) approach
   C) objection
   D) closing
   E) follow-up
   Answer: D
   Diff: 1   Page Ref: 474-475
   AACSB: Communication
   Skill: Concept
   Objective: 16-3

54) Which step in the sales process is necessary to ensure customer satisfaction and repeat business?
   A) proper approach
   B) professional presentation
   C) handling objections
   D) qualifying prospects
   E) follow-up
   Answer: E
   Diff: 1   Page Ref: 475
   Skill: Concept
   Objective: 16-3

55) The sales force of CDW Corporation, as described in the opening scenario, develops strong relationships with customers as part of the ________ stage of the selling process.
   A) prospecting
   B) approach
   C) demonstration
   D) closing
   E) follow-up
   Answer: E
   Diff: 2   Page Ref: 475
   Skill: Concept
   Objective: 16-2
56) A _______ consists of short-term incentives to encourage the immediate purchase of a product or service.
A) patronage reward
B) segmented promotion
C) sales incentive
D) sales promotion
E) publicity stunt
Answer: D
Diff: 2 Page Ref: 475
Skill: Concept
Objective: 16-4

57) Value merchant salespeople document and demonstrate the superior value of their products and services in hopes of _______.
A) earning business from customers based on low prices
B) gaining long-term business from customers
C) closing deals quickly to meet team sales quotas
D) gaining short-term sales that increase annual sales volume
E) challenging customers to find better deals for products and services
Answer: B
Diff: 3 Page Ref: 476
Skill: Concept
Objective: 16-4

58) A salesperson who would be categorized as a value spendthrift has which of the following behaviors?
A) believes management pursues a value-driven strategy
B) regularly gains more business at the same price
C) concedes on price in order to quickly close sales deals
D) documents claims to customers about superior monetary value
E) explains to the firm that it needs more evidence of excellent value
Answer: C
Diff: 3 Page Ref: 476
Skill: Concept
Objective: 16-4

59) Value merchant salespeople possess which of the following characteristics?
A) They give away services for free in order to close sales deals.
B) They tell the company that customers are only concerned with price.
C) They focus on revenue and volume components of their compensation plan.
D) They give price concessions without making changes in the market offering.
E) They make sales based on cost of ownership comparisons against competitors.
Answer: E
Diff: 3 Page Ref: 476
Skill: Concept
Objective: 16-4
60) Sales promotions are targeted toward all of the following EXCEPT ________.
A) retailers
B) investors
C) final buyers
D) business customers
E) members of the sales force
Answer: B
Diff: 2 Page Ref: 477
Skill: Concept
Objective: 16-4

61) The rapid growth of sales promotions in consumer markets is most likely the result of all of the following factors EXCEPT ________.
A) consumers and large retailers becoming more deal oriented
B) product managers facing pressure to increase current sales
C) competing brands attempting to differentiate from each other
D) consumers using the Internet to search for deals and save money
E) advertising efficiency on the decline because of rising costs and media clutter
Answer: D
Diff: 3 Page Ref: 477-478
Skill: Concept
Objective: 16-4

62) Consumers are increasingly ignoring promotions and not making immediate purchases because of ________.
A) advertising specialization
B) promotion clutter
C) promotional marketing
D) advertising clutter
E) promotion fatigue
Answer: B
Diff: 1 Page Ref: 478
Skill: Concept
Objective: 16-4

63) Sellers use trade promotions for all of the following reasons EXCEPT to ________.
A) encourage retailers to carry more inventory
B) convince retailers to advertise the product
C) gain more shelf space for the product
D) encourage salespeople to sign up new accounts
E) persuade retailers to buy products in advance
Answer: D
Diff: 2 Page Ref: 478
Skill: Concept
Objective: 16-4
64) Instead of creating only short-term sales or temporary brand switching, ________ should reinforce a product's position and build long-term customer relationships.
A) sales promotions
B) promotion clutter
C) public relations
D) trade promotions
E) advertising
Answer: A

65) Of the main consumer promotion tools, which is the MOST effective for introducing a new product or creating excitement for an existing one?
A) coupons
B) samples
C) cash refunds
D) price packs
E) contests
Answer: B

66) Which of the following consumer promotion tools is the MOST costly for companies?
A) samples
B) coupons
C) premiums
D) cash refunds
E) price packs
Answer: A

67) Which consumer promotion tool requires consumers to send a proof of purchase to the manufacturer?
A) cents-off deals
B) coupons
C) samples
D) cash refunds
E) promotional products
Answer: D
68) Which of the following involves marking a reduced price directly on a product's packaging and often results in the stimulation of short-term sales?
A) promotional products
B) patronage rewards
C) price packs
D) samples
E) rebates
Answer: C
Diff: 2 Page Ref: 480
Skill: Concept
Objective: 16-4

69) ________ are goods offered either free or at low cost as an incentive to buy a product.
A) Coupons
B) Premiums
C) Price packs
D) Cash refund offers
E) Point-of-purchase promotions
Answer: B
Diff: 2 Page Ref: 480
Skill: Concept
Objective: 16-4

70) A ________ has the advertiser's name on it and is given as a gift to consumers.
A) sample
B) price pack
C) cents-off deal
D) promotional product
E) corporate identity material
Answer: D
Diff: 1 Page Ref: 480
Skill: Concept
Objective: 16-4

71) Which consumer promotion offers consumers the chance to win something by presenting them with an item such as a scratch-off card or a bingo number?
A) game
B) contest
C) price pack
D) sweepstakes
E) point-of-purchase promotion
Answer: A
Diff: 1 Page Ref: 480
Skill: Concept
Objective: 16-4
72) Marathons, concerts, and festivals with corporate sponsors are examples of ________.
A) point-of-purchase promotions
B) business promotions
C) trade promotions
D) event marketing
E) personal selling
Answer: D

73) Business promotion tools are used for all of the following reasons EXCEPT to ________.
A) generate business leads
B) stimulate purchases
C) reward customers
D) motivate salespeople
E) increase manufacturing
Answer: E

74) Trade shows offer manufacturers the opportunity to do all of the following EXCEPT ________.
A) establish a sales contest
B) find new sales leads
C) contact customers
D) introduce new products
E) educate customers
Answer: A

75) Which of the following questions would be the best one to help a marketer evaluate the return on a sales promotion investment?
A) Did the promotion run too long or too short?
B) Did customers enjoy the events associated with the promotion?
C) Did customers search the promotion's Web site for additional product information?
D) Did the promotion increase purchases from current customers or attract new customers?
E) Did the distribution of the promotional information match consumer expectations and needs?
Answer: D
76) Today, most salespeople are well-educated, well-trained professionals who work to build and maintain long-term customer relationships by listening to their customers, assessing their needs, and organizing the company's efforts to solve customer problems.
Answer: TRUE
Diff: 3      Page Ref: 458
Skill: Concept
Objective: 16-1

77) Personal selling is the interpersonal component of the promotion mix.
Answer: TRUE
Diff: 2      Page Ref: 459
AACSB: Communication
Skill: Concept
Objective: 16-1

78) Some corporations have no sales force, while others utilize sales agents, brokers, or manufacturer's reps.
Answer: TRUE
Diff: 2      Page Ref: 459
Skill: Concept
Objective: 16-1

79) Developing sales force strategy and structure is a minor element of sales force management and is an aspect that most companies fail to spend much time considering.
Answer: FALSE
Diff: 1      Page Ref: 461
Skill: Concept
Objective: 16-2

80) Of all the ways to structure a sales force, product sales force structure is most effective in helping the company to become more customer focused and build closer relationships with important customers.
Answer: FALSE
Diff: 2      Page Ref: 461
Skill: Concept
Objective: 16-2

81) The growth of product management has contributed to the increasing adoption of customer sales force structures.
Answer: FALSE
Diff: 2      Page Ref: 461
Skill: Concept
Objective: 16-2
82) Ken Klein is a Superior Frozen Foods salesman responsible for customers in the southwest region of Texas. Superior Frozen Foods most likely uses a territorial sales force structure.
Answer: TRUE
Diff: 3 Page Ref: 461
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

83) Blackstone Tools manufactures screwdrivers, wrenches, and pliers, which are sold at large hardware stores. John Garcia handles the Home Depot account, while Melinda West manages the Lowe's account. Blackstone Tools most likely uses a product sales force structure.
Answer: FALSE
Diff: 3 Page Ref: 461-462
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

84) Complex sales force structures include specialization by customer and territory, by product and territory, by product and customer, and by territory, product, and customer.
Answer: TRUE
Diff: 2 Page Ref: 462
Skill: Concept
Objective: 16-2

85) Hewlett-Packard salespeople spend more time with customers now that their administrative requirements have been decreased.
Answer: TRUE
Diff: 2 Page Ref: 463
Skill: Concept
Objective: 16-2

86) The workload approach to set sales force size is outdated.
Answer: FALSE
Diff: 2 Page Ref: 464
Skill: Concept
Objective: 16-2

87) Blue Star Supply Company wants its outside salespeople to spend more time with customers. One way for Blue Star to accomplish this goal would be for the company to hire additional technical support people and sales assistants.
Answer: TRUE
Diff: 3 Page Ref: 464-465
AACSB: Analytic Skills
Skill: Application
Objective: 16-2
88) As a result of the federal government's Do Not Call Registry, telemarketing is now rarely used.
Answer: FALSE
Diff: 2 Page Ref: 465
AACSB: Communication
Skill: Concept
Objective: 16-2

89) Team selling is ideal when customer problems become more complex and customers become larger and more demanding. Sales teams have the advantage of uncovering problems that an individual would not, and sales teams can develop new opportunities as well.
Answer: TRUE
Diff: 2 Page Ref: 466
AACSB: Communication
Skill: Concept
Objective: 16-2

90) A-1 Pharmaceuticals requires new salespeople to receive training through seminars, sales meetings, and e-learning sessions before they meeting customers. The program used by A-1 is typical for U.S. companies that rely on skilled and knowledgeable salespeople.
Answer: TRUE
Diff: 2 Page Ref: 467
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

91) To discourage a salesperson from ruining a customer relationship by pushing too hard to close a deal in order to earn a commission, companies are designing compensation plans that reward salespeople for building customer relationships and growing the long-run value of each customer.
Answer: TRUE
Diff: 3 Page Ref: 469
AACSB: Communication
Skill: Concept
Objective: 16-2

92) Sales force automation systems have been developed for improving how salespeople feel about their opportunities and value.
Answer: FALSE
Diff: 1 Page Ref: 470
Skill: Concept
Objective: 16-2
93) If Johnny Page's company is like most consumer goods companies today, he can boost sales force morale and performance through his organizational climate, sales quotas, and positive incentives.
Answer: TRUE
Diff: 2 Page Ref: 471
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

94) Formal sales force evaluations require management to develop and communicate clear standards for judging performance, and they provide salespeople with constructive feedback and motivation to perform well.
Answer: TRUE
Diff: 1 Page Ref: 471
AACSB: Communication
Skill: Concept
Objective: 16-2

95) During the presentation step of the selling process, the salesperson tells the customer the "value story" of the product.
Answer: TRUE
Diff: 1 Page Ref: 473
AACSB: Communication
Skill: Concept
Objective: 16-3

96) Because customers almost always have objections during the presentation or closing step of the selling process, all salespeople need special training in how to deal with customer objections.
Answer: TRUE
Diff: 2 Page Ref: 474
Skill: Concept
Objective: 16-3

97) Sales promotion consists of long-term incentives to encourage purchases or sales of a product or service.
Answer: FALSE
Diff: 1 Page Ref: 475
Skill: Concept
Objective: 16-4

98) A product demonstration that occurs in a grocery store or a department store is an example of a point-of-purchase promotion.
Answer: TRUE
Diff: 1 Page Ref: 480
Skill: Concept
Objective: 16-4
99) Manufacturers direct more sales promotion dollars toward final consumers than toward retailers.
Answer: FALSE
Diff: 2 Page Ref: 481
Skill: Concept
Objective: 16-4

100) Manufacturers may offer an allowance in return for the retailer's agreement to feature the manufacturer's products in some way.
Answer: TRUE
Diff: 2 Page Ref: 481
Skill: Concept
Objective: 16-4

101) In a short essay, describe the nature of personal selling and the role of the sales force.
Answer: Today, most salespeople are well-educated and well-trained professionals who work to build and maintain long-term customer relationships by listening to their customers, assessing customer needs, and organizing the company's efforts to solve customer problems. Salespeople act as order takers, order getters, and creative sellers. Personal selling is the interpersonal arm of the promotion mix. The sales force acts as a critical link between a company and its customers. Salespeople represent the company to the customer and the customer to the company to produce customer satisfaction and company profit.
Diff: 2 Page Ref: 458-460
Skill: Application
Objective: 16-1

102) Discuss the differences between the three major sales force structures. What are the potential benefits of each structure?
Answer: In the territorial sales force structure, each salesperson is assigned to an exclusive geographic area and sells the company's full line of products or services to all customers in that territory. This organization clearly defines each person's job, fixes accountability, and increases the person's desire to build local business relationships that improve selling effectiveness. The product sales force structure allows the sales force to sell along product lines; the seller becomes very knowledgeable about products. This method can cause duplication of efforts and several salespersons calling on the same accounts. The customer sales force structure organizes along customer or industry lines; this can help a company to become more customer focused and build closer relationships with important customers.
Diff: 3 Page Ref: 461-462
AACSB: Reflective Thinking
Skill: Application
Objective: 16-2
103) Why are more companies using team selling? What are its pros and cons?
Answer: Team selling is useful to service large, complex accounts. Sales teams can uncover problems, solutions, and sales opportunities that no individual salesperson could. The move to team selling is in part a reaction to similar changes within customers' buying organizations; selling teams now call on buying teams. Some pitfalls exist in the team approach. Selling teams can confuse or overwhelm customers who are used to working with only one salesperson. Some salespersons have trouble working with others. Finally, difficulties in evaluating individual contributions to the team selling effort can create some sticky compensation issues.

Diff: 2 Page Ref: 466
AACSB: Reflective Thinking
Skill: Application
Objective: 16-2

104) How do successful companies recruit and train their salespeople? What are the objectives of most sales force training programs?
Answer: During the recruitment step, a company should assess the sales job itself and the characteristics of its most successful salespeople to determine the traits needed by a successful salesperson in that industry. Some companies give sales applicants formal tests, while others only interview applicants. Following selection, orientation and training must be conducted based upon the knowledge and skill levels of the recruits. Most companies train their new salespeople through seminars, sales meetings, and e-learning sessions. Training programs should teach salespeople about customers, about selling effectively, and about the company's products.

Diff: 3 Page Ref: 466-468
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

105) Describe some of the methods used to supervise salespeople and help them work more efficiently.
Answer: Through supervision, or helping salespeople "work smart," management can help salespeople do the right things in the right way. This includes helping salespeople identify target customers and manage their time. A weekly, monthly, or annual call plan is used in many companies to show salespeople which customers and potential customers to call on within a given time period. And because companies are always looking for ways to make their employees more efficient, they often use a time-and-duty-analysis to identify how salespeople spend their time and how they can spend more time actively selling. To increase efficiency, many companies use sales force automation systems—including laptops, smart phones, videoconferencing, and relationship management software—so that their sales force can work anywhere, anytime.

Diff: 2 Page Ref: 469-470
AACSB: Use of IT
Skill: Application
Objective: 16-2
106) In a brief essay, explain methods of evaluating the performance of a sales force. Why is it important for a sales force to be evaluated?

Answer: To evaluate its sales force, management needs to get regular information about the performance of its salespeople. Sales reports, including weekly or monthly work plans and longer-term marketing plans, are the most important source. Management also uses salespeople's expense reports and call reports to gauge sales call volume and success rates. In addition, management can use sales and profit performance data in each salesperson's territory, along with personal observation and customer surveys, to identify strengths and weaknesses in the sales force. Taking information gathered from these sources into consideration, management should provide salespeople with constructive feedback aimed at helping each salesperson succeed. Evaluating a sales force is important because that is how a company can measure its return on sales investment.

Diff: 2     Page Ref: 471-472
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

107) Provide the seven steps in the selling process. What would be the two most difficult steps for most salespeople and why?

Answer: Prospecting and qualifying begin the process, followed by the preapproach. Next, the salesperson makes an approach to make a presentation or demonstration. Handling objections follows, leading into closing the sale. Each sale requires a follow up to make it complete. For most salespeople, especially new ones, the prospecting and closing steps are the most difficult and require much skill. For a salesperson unfamiliar with how to identify good leads with bad ones, prospecting can be difficult. Closing can be difficult because salespeople may lack the confidence to ask for an order, or they may not recognize the appropriate moment to close a sale.

Diff: 2     Page Ref: 472-475
AACSB: Reflective Thinking
Skill: Application
Objective: 16-3

108) What is the follow-up step of the selling process? Why is it important?

Answer: The follow-up step is important if the salesperson wants to ensure customer satisfaction and repeat business. Right after closing, the salesperson should complete any details on delivery time, purchase terms, and other matters. The salesperson then should schedule a follow-up call when the initial order is received, to make sure there is proper installation, instruction, and servicing. This visit would reveal any problems, assure the buyer of the salesperson's interest, and reduce any buyer concerns that might have arisen since the sale.

Diff: 2     Page Ref: 475
AACSB: Reflective Thinking
Skill: Application
Objective: 16-3
109) What is the relationship between the personal selling process and the management of customer relationships?
Answer: The selling process should be understood in the context of building and maintaining profitable customer relationships, as companies are interested in more than simply securing a one-time sale. Instead, they are interested in winning and keeping major customers, creating ongoing, mutually beneficial relationships. Because they have significant contact with customers, salespeople play an important role in building and managing profitable customer relationships. Salespeople need to think of the first sale as the beginning of a relationship that will involve listening to customers, understanding their needs, and helping to coordinate the company's efforts to create customer value.
Diff: 2 Page Ref: 475
AACSB: Analytic Skills
Skill: Application
Objective: 16-4

110) In a short essay, explain how sales promotion campaigns are developed and implemented.
Answer: Sales promotion campaigns first call for setting sales promotions objectives and selecting consumer, trade, business, and/or sales force promotion tools to achieve those objectives. Other necessary decisions include the size of the incentive, the conditions for participation, how to promote and distribute the promotion package, and the length of the promotion. After the campaign has been implemented, the company evaluates the results.
Diff: 2 Page Ref: 482
Skill: Application
Objective: 16-4

111) Happy Pet is a large petfood company that sells its petfood to retail pet supply stores as well as wholesalers. The sales force at Happy Pet is LEAST likely to do which of the following?
A) work directly with final customers
B) build relationships with wholesalers
C) help retailers effectively sell the company's products
D) communicate regularly with business customers
E) represent wholesalers and retailers to the company
Answer: A
Diff: 2 Page Ref: 459
AACSB: Analytic Skills
Skill: Application
Objective: 16-1
112) At Finley's Fine Goods, members of the sales force and marketing department tend to have disagreements when things go wrong with a customer. The marketers blame the salespeople for poorly executing their strategies, while the salespeople blame the marketers for being out of touch with the customer. Which of the following steps should upper-level management at Finley's Fine Goods take to help bring the sales and marketing functions closer together?
A) establish a customer sales force structure
B) establish a complex sales force structure
C) appoint a new sales force manager
D) adopt a sales force automation system
E) appoint a chief revenue officer
Answer: E
Diff: 2 Page Ref: 460-461
AACSB: Reflective Thinking
Skill: Application
Objective: 16-1

113) Ultra-Tech, Inc. has decided to switch to a customer sales force structure. Which of the following advantages is the company now LEAST likely to enjoy?
A) The company can become more customer-focused.
B) The company can better serve different industries.
C) The company can build closer relationships with important customers.
D) The company can better serve current customers and find new customers.
E) The company can expect salespeople to develop in-depth knowledge of numerous and complex product lines.
Answer: E
Diff: 3 Page Ref: 462
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

114) Johnson Business Solutions, Inc., maintains one sales force for its copy machines and a separate sales force for its computer systems. Johnson Business Solutions utilizes a ________ structure.
A) product sales force
B) customer sales force
C) territorial sales force
D) a combination of B and C
E) complex sales force
Answer: A
Diff: 2 Page Ref: 461
AACSB: Analytic Skills
Skill: Application
Objective: 16-2
115) Morrill Motors splits the United States into 10 sales regions. Within each of those regions, the company maintains two sales teams—one for existing customers and one for prospects. What type of sales force structure does Morrill Motors use?
A) territorial
B) product
C) customer
D) complex
E) workload
Answer: D
Diff: 2 Page Ref: 462
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

116) J &M Manufacturing has 2,000 Type-A accounts, each requiring 35 calls per year, and 1,000 Type-B accounts, each requiring 15 calls per year. What is the sales force's workload?
A) 15,000 calls
B) 35,000 calls
C) 70,000 calls
D) 85,000 calls
E) 95,000 calls
Answer: D
Diff: 3 Page Ref: 464
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

117) Stahl, Inc., has 1,000 Type-A accounts, each requiring 28 calls per year, and 2,200 Type-B accounts, each requiring 15 calls per year. If each salesperson at Stahl, Inc., can make 1,500 sales calls per year, approximately how many salespeople will be needed?
A) 31
B) 35
C) 41
D) 45
E) 48
Answer: C
Diff: 3 Page Ref: 464
AACSB: Analytic Skills
Skill: Application
Objective: 16-2
118) East Bay Communications has increased its inside sales force. This will help East Bay in all EXCEPT which one of the following ways?
A) East Bay salespeople will have more time to sell to major accounts.
B) East Bay salespeople will have more time to find major new prospects.
C) East Bay salespeople will have more time to provide after-the-sale customer service.
D) East Bay customers will have questions answered in a timely manner.
E) East Bay customers will have full access to sales automation technology.
Answer: E
Diff: 2 Page Ref: 464-465
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

119) You are applying for a position with the inside sales force at Carson Medical Sales. If you earn the job, you will most likely be expected to perform all of the following tasks EXCEPT

A) confirm appointments for outside salespeople
B) use the Internet to qualify prospects
C) use the telephone to find new leads
D) follow up on product deliveries
E) travel to visit customers
Answer: E
Diff: 2 Page Ref: 464-465
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

120) The sales force at Messimer Computing recently began telemarketing and Web selling. How will telemarketing and Web selling most likely benefit Messimer Computing?
A) The inside sales force of Messimer will receive better compensation than the outside sales force.
B) Messimer sales reps will need to spend less face-to-face time with large, high-value customers.
C) Messimer sales reps will be able to service hard-to-reach customers more effectively.
D) Messimer sales reps will be able to work from home offices more regularly.
E) The outside sales force of Messimer will be freed up to work more with the marketing department.
Answer: C
Diff: 3 Page Ref: 465
Skill: Application
Objective: 16-2
121) An IBM sales representative is giving a product demonstration to a Best Buy representative. Assisting with the demonstration are an engineer, a financial analyst, and an information systems specialist. If IBM wins the Best Buy account, then all four IBM representatives will service the Best Buy account. This is an example of ________.
A) team selling
B) territorial selling
C) inside selling
D) prospecting
E) sales promoting
Answer:  A
Diff:  1    Page Ref: 466
AACSB:  Analytic Skills
Skill:  Application
Objective:  16-2

122) Sales have been slow recently at B & B Materials, so management has organized a training program to improve the performance of its sales force. Which of the following would most likely lead to improved sales for B & B Materials?
A) tests to measure the analytic and organizational skills of the sales force
B) information about the marketing strategies used by competitors
C) tests to identify the personality traits of sales force members
D) a time-and-duty analysis for each salesperson
E) instructions on completing expense reports
Answer:  B
Diff:  2    Page Ref: 467
AACSB:  Analytic Skills
Skill:  Application
Objective:  16-2

123) The CEO of Comfy Carpet, Rick Hadley, was skeptical about Web-based training until his sales manager explained that online training is  ________.
A) time consuming and difficult to use
B) used by all small companies
C) dynamic and interactive
D) cost competitive and efficient
E) useful to customers
Answer:  D
Diff:  1    Page Ref: 467
Skill:  Application
Objective:  16-2
124) At Deck Decor, a manufacturer of outdoor furniture and accessories, the marketing and sales force objectives are to grow relationships with existing customers and to acquire new business. Which of the following compensation plans should management establish to encourage the sales force to pursue both of these objectives?  
A) straight salary  
B) straight commission  
C) salary plus bonus for new accounts  
D) commission plus bonus for new accounts  
E) salary plus commission plus bonus for new accounts  
Answer: E  
Diff: 3 Page Ref: 468-469  
AACSB: Analytic Skills  
Skill: Application  
Objective: 16-2

125) Mary Conti is sales manager for National Computer Training. She wants to evaluate the performance of her sales force that is responsible for the New England territory. Mary will most likely review all of the following in her evaluation EXCEPT ________.  
A) call plans  
B) sales reports  
C) call reports  
D) expense reports  
E) territorial sales and profit reports  
Answer: A  
Diff: 2 Page Ref: 471  
AACSB: Analytic Skills  
Skill: Application  
Objective: 16-2

126) The sales force of Conway Pools has qualified a number of leads. Which of the following will most likely occur next?  
A) The outside sales force will call on all prospects.  
B) The outside sales force will close the deal with one of the prospects.  
C) The outside sales force will learn as much as possible about the prospects.  
D) The inside sales force will attend meetings with qualified prospects.  
E) The inside sales force will put together a presentation for the prospects.  
Answer: C  
Diff: 3 Page Ref: 473  
AACSB: Analytic Skills  
Skill: Application  
Objective: 16-3
127) Marlene Arau is a member of the sales force at Urban Fashions, a clothing manufacturer. Marlene is preparing for a first meeting with a wholesaler who is a potential customer. Marlene is learning as much as she can about the wholesaler's organization. Marlene is in the ________ step of the personal selling process.
A) prospecting
B) qualifying
C) preapproach
D) approach
E) handling objections
Answer:  C
Diff: 2 Page Ref: 473
AACSB: Analytic Skills
Skill: Application
Objective: 16-3

128) An insert in a Land's End catalog offers free shipping on your next purchase. This is an example of a ________.
A) sales promotion
B) POP promotion
C) trade promotion
D) price pack
E) premium
Answer:  A
Diff: 2 Page Ref: 475 and 477
AACSB: Analytic Skills
Skill: Application
Objective: 16-4

129) Monty Boyd travels frequently on West Coast Airlines for his job as an account manager. Monty earns points for every mile he flies, and he will soon have enough points to receive a free airline ticket. West Coast Airlines is building a customer relationship with Monty using which of the following?
A) publicity
B) POP reward
C) premium reward
D) sweepstakes program
E) frequency marketing program
Answer:  E
Diff: 1 Page Ref: 478
AACSB: Analytic Skills
Skill: Application
Objective: 16-4
130) Toro ran a clever preseason promotion on some of its snow blower models, offering some money back if the snowfall in the buyer's market area turned out to be below average. This is an example of a(n) ________.
A) advertising specialty
B) premium pack
C) sweepstakes
D) price pack
E) rebate
Answer: E
Diff: 2  Page Ref: 480
AACSB: Analytic Skills
Skill: Application
Objective: 16-4

131) An example of a(n) ________ is a five-foot-high cardboard display of Tony the Tiger next to Frosted Flakes cereal boxes.
A) sample
B) POP promotion
C) POP pack
D) advertising promotion
E) premium
Answer: B
Diff: 2  Page Ref: 480
AACSB: Analytic Skills
Skill: Application
Objective: 16-4

132) Kirk Wilkins renewed his cell phone contract with Zip Wireless and purchased a new cell phone through the Zip Web site. If Kirk mails Zip his phone receipt, proof of purchase, and a completed form, he will receive $50 in the mail. What type of sales promotion is being used by Zip?
A) point of purchase
B) advertising specialty
C) premium
D) price pack
E) rebate
Answer: E
Diff: 1  Page Ref: 480
AACSB: Analytic Skills
Skill: Application
Objective: 16-4
Refer to the scenario below to answer the following questions.

Reliable Tool Company is a manufacturer of hubs and axles for the trailer and heavy truck industry. Although Reliable Tool only has fifteen customers, the company is the sole supplier of hub and axle components to those customers. Monthly sales at Reliable Tool are approximately $1 million. "You might say we have all of our eggs in one basket," says owner Arthur Deetz. Therefore, it is critical that a competent sales force be maintained in order to nurture those few but large accounts. Ninety-five percent of Reliable Tool’s customers are located in Michigan, Ohio, and Indiana, which means that travel time to all customers is relatively short. However, given the nature of the industry, time spent with each customer is essential.

133) How would a customer sales force structure benefit Reliable Tool?
A) It would decrease the amount of travel required of each Reliable Tool salesperson.
B) It would enable Reliable Tool salespeople to build close relationships with clients.
C) It would help Reliable Tool salespeople become experts on the specific parts they sell.
D) It would allow Reliable Tool management to better supervise and evaluate its salespeople.
E) It would eliminate the need for telemarketers and sales assistants at Reliable Tool.
Answer: B
Diff: 1 Page Ref: 462
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

134) Reliable Tool management is in the process of evaluating its salespeople to make sure they are value merchants instead of value spendthrifts. Which of the following describes a Reliable Tool salesperson who is a value merchant?
A) The salesperson gives products away for free in order to close a deal.
B) The salesperson sells primarily on price comparisons with competitors.
C) The salesperson routinely gains more business at the same price.
D) The salesperson informs management that customers only care about price.
E) The salesperson regularly trades more business for lower prices.
Answer: C
Diff: 2 Page Ref: 476
AACSB: Analytic Skills
Skill: Application
Objective: 16-4
135) Which of the following promotions would be most appropriate for Reliable Tool to use in its attempt to promote its products and generate new business leads?
A) rebates
B) premiums
C) specialty advertising items
D) point-of-purchase promotions
E) conventions and trade shows
Answer: E
Diff: 1 Page Ref: 482
AACSB: Analytic Skills
Skill: Application
Objective: 16-4

136) What type of company would be likely to use the territorial sales force structure?
Answer: A company with only one product line to one industry with customers in many locations would most likely use a territorial sales force structure.
Diff: 2 Page Ref: 461
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

137) What type of company would be likely to use a product sales force structure?
Answer: A product sales force structure will most likely be used by companies that carry extensive product lines with the need to separate customers according to the products they buy.
Diff: 2 Page Ref: 461-462
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

138) Explain how the workload approach helps companies set sales force size.
Answer: Using this approach, the company first groups accounts into different classes according to size, account status, or other factors related to the amount of effort required to maintain them. The company can then determine the number of salespeople needed to call on each class of accounts the desired number of times.
Diff: 2 Page Ref: 464
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

139) Why might a company need to hire both an inside and an outside sales force?
Answer: Larger accounts may require special nurturing and face-to-face interaction, so an outside sales force can call on those customers. Smaller accounts and harder-to-reach customers may be able to be taken care of by an inside sales force.
Diff: 3 Page Ref: 464-465
AACSB: Analytic Skills
Skill: Application
Objective: 16-2
140) Why do many companies invest in ongoing training for their salespeople?
Answer: Though training is expensive, it can be very effective in helping salespeople learn about the needs and motives of their customers, techniques for effectively selling, the company's objectives, and the strategies of major competitors. With this training, salespeople are able to better do their jobs, resulting in more revenue for the company.
Diff: 2 Page Ref: 468
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

141) Compare the four types of compensation plans available to salespeople.
Answer: A straight salary is a fixed amount that is not dependent on sales performance, while a straight commission is entirely based on sales performance. The two other types, salary plus bonus and salary plus commission, make a portion of the compensation fixed and a portion based on sales performance.
Diff: 3 Page Ref: 468-469
AACSB: Reflective Thinking
Skill: Application
Objective: 16-2

142) Why do sales supervisors provide their salespeople with annual call plans?
Answer: The annual call plan shows which customers and prospects to call on in which months and which activities to carry out, giving supervisors more control over the activities of their salespeople.
Diff: 2 Page Ref: 469
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

143) What does a time-and-duty analysis reveal?
Answer: This tool, which can be used to help sales management determine how to increase selling time, indicates a salesperson's time spent selling, traveling, waiting, eating, taking breaks, and doing administrative chores.
Diff: 2 Page Ref: 469
AACSB: Analytic Skills
Skill: Application
Objective: 16-2

144) Why have firms adopted sales force automation systems?
Answer: Many firms have adopted sales force automation systems to help their salespeople better manage their time, improve customer service, lower sales costs, and increase sales performance.
Diff: 2 Page Ref: 470
AACSB: Analytic Skills
Skill: Application
Objective: 16-2
145) Why is a firm's organizational climate an important part of building a successful sales staff?
Answer: How salespeople feel about their opportunities, value, and rewards for a good performance affects how well salespeople will perform; when salespeople are treated as special contributors and have great opportunities for income and promotion, their sales performance is higher.
Diff: 2 Page Ref: 471
Skill: Application
Objective: 16-2

146) Why does a firm's number of prospects always equal or exceed its number of qualified customers?
Answer: Prospecting identifies the total number of potential customers in an area; qualifying breaks that number of prospects down into the actual group that it is worthwhile for the salesperson to target.
Diff: 2 Page Ref: 472
AACSB: Analytic Skills
Skill: Application
Objective: 16-3

147) Why does a salesperson set call objectives?
Answer: Call objectives might include qualifying the prospect, gathering more or better information, and/or making an immediate sale. With a call objective, a salesperson can be more focused on how to prepare for the sale.
Diff: 3 Page Ref: 473
Skill: Application
Objective: 16-3

148) In what situation would a demonstration be especially critical during a salesperson's presentation?
Answer: A demonstration may be important if the product's use or value can be better understood with a visual demonstration. For example, if comparing Brand A brass cleaner with another leading brand, a demonstration of how much more quickly Brand A works may be more convincing for the prospective buyer.
Diff: 3 Page Ref: 474
AACSB: Reflective Thinking
Skill: Application
Objective: 16-3

149) How does mobile couponing benefit both consumers and marketers?
Answer: Consumers don't have to find and clip coupons. Mobile coupons allow marketers to carefully target customers and eliminate the costs associated with printing and distributing paper coupons.
Diff: 2 Page Ref: 479-480
AACSB: Reflective Thinking
Skill: Application
Objective: 16-4
150) What type of sales promotion would benefit a political candidate the most?
Answer: A political candidate would likely benefit most from using specialty advertising items such as pencils or pens with the candidate's name or T-shirts with the candidate's name and/or photograph.
Diff: 3 Page Ref: 480
AACSB: Reflective Thinking
Skill: Application
Objective: 16-4