



Faculty of Commerce
Business Administration Dept.

Applications Questions on Fundamentals of Marketing

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2020-2021

CHAPTER 1

AN OVERVIEW OF MARKETING

Review Questions

True and False Questions :

- 1. An organization that emphasizes marketing uses short-term planning, stresses the needs of the seller, and concentrates on the product instead of the customers' wants.**
- 2. Manufactures in the sales-orientation stage typically focus on sales promotions to sell their ever-increasing output.**
- 3. During the production-orientation stage, selling-related activities and sales executives began to gain respect and responsibilities from company management.**
- 4. Assume that a Shoe manufacture when asked, "What business are you in?" responded, "We cradle our customers feet in luxury and comfort". This response indicates a marketing orientation.**

Multiple-Choice Questions :

- 1. Because you want to lose weight and tone your muscles, you pay \$200 for a six-month membership in a local gymnasium. You now have the right to exercise and use the gym equipment anytime the facilities in open. This transaction is an example of a (n):**
 - (a) exchange.**
 - (b) Resourceless transaction.**
 - (c) Self-sufficient transaction.**
 - (d) Coercive transaction.**

2. Which of the following is Not a necessary condition for a marketing exchange to take place ?
- (a) Two or more social units must be involved.
 - (b) Each party to the exchange must have wants to be satisfied.
 - (c) The parties to the exchange must be able to communicate with each other.
 - (d) One of the parties to the exchange must benefit more than the others.
3. The purchasing agent who purchases computer disks requested by employees to use in their office computers in an example of a (n):
- (a) customer.
 - (b) Market.
 - (c) exchange facilitator.
 - d) producer.
4. "A total system of business activities designed to plan, price, promote, and distribute want-satisfying products to target markets to achieve organizational objectives" is the text's definition of :
- (a) the marketing concept.
 - (b) a market
 - (c) strategic utility.
 - (d) marketing.
5. The text defines marketing as:
- (a) the means for identifying a person or group with whom an individual or organization may have an exchange relationship.
 - (b) the attribute of an item that makes it capable of satisfying human wants.
 - (c) a total system of business activities designed to plan, price, promote, and distribute want-satisfying products to target markets to achieve organizational objectives.
 - (d) the process of planning, implementing, and evaluating the efforts of a group of people working toward a common goal.

6. Manufactures in the _____ stage typically focus on increasing output while assuming that customers will seek out and buy reasonably priced, well-made products.
- (a) production-orientation.
 - (b) sales-orientation.
 - (c) production-orientation.
 - (d) exchange-orientation.
 - (e) marketing-orientation.
7. A firm in the sales-orientation stage of its marketing evolution would be most likely to:
- (a) engage in substantial promotional activities.
 - (b) rely on its reputation to generate sales.
 - (c) support governmental attempts to improve the quality of the Environment.
 - (d) focus on cost control.
8. Maximum Cars sells pre-owned cars. Its salespeople are expected to do whatever is necessary to reach their sales quotes. Aggressive selling is required for success, and unethical sales tactics, such as selling features that customers do not really need, are tolerated. Maximum Car is being operated as if it is at the _____ stage of the evolutionary process.
- (a) sales-orientation
 - (b) product-orientation.
 - (c) production-orientation.
 - (d) exchange-orientation.
9. An organization in the marketing-orientation stage of its marketing evolution would be most likely to believe that:
- (a) consumption levels must equal production levels.
 - (b) customer wants must be recognized and satisfied effectively.
 - (c) customer wants will be satisfied only when those wants coincide with predetermined production objectives.
 - (d) resource availability determined production levels.

10. While some companies realize the importance of a marketing orientation, not all companies are able to implement it because :

- (a) many managers do not understand marketing.**
- (b) many companies need a guarantee of long-term profits to survive.**
- (c) costs of implementing a marketing orientation are prohibitive.**
- (d) it is a time-consuming process.**

11. A key feature of the is an understanding that customers direct the organization.

- (a) a production-orientation stage.**
- (b) marketing-orientation stage.**
- (c) sales-orientation stage.**
- (d) needs hierarchy.**

12. Which of the following answers to the question, "What business are you in ?" best reflects a production orientation?

- (a) We care for your pets as if they were are our own.**
- (b) We offer you a reliable delivery service.**
- (c) We are proud of the way we care for your home.**
- (d) We make computer diskettes.**

13. A business that emphasizes marketing (rather than selling):

- (a) uses short-term planning.**
- (b) is sales volume-oriented.**
- (c) stresses the wants of the buyer.**
- (d) is more concerned with the product than with the customer.**

14. A business that emphasizes selling (rather than marketing):

- (a) uses long-term planning.**
- (b) is externally focused.**
- (C) has a service-oriented management.**
- (d) stresses the needs of the seller.**

15. According to the marketing concept:

- (a) all planning within an organization should be customer-oriented.**
- (b) an organization's performance objectives can be achieved through production efficiency.**
- (c) all departments engaged in marketing activities should compete with each other.**
- (d) all organizations should be profit-oriented.**

16. Explicit in the marketing concept is the idea that management in a firm should :

- (a) continue to increase sales volume.**
- (b) reduce prices for its products.**
- (c) rely heavily on sales promotions.**
- (d) have clear performance objectives.**

17. With _____ a company is hoping to establish a feeling of goodwill with its customers, suppliers, employees, and competitors as well as a sense that the firm cares about more than making a sale.

- (a) relationship marketing.**
- (b) mass customization.**
- (c) societal marketing.**
- (d) total quality management.**

18. Marriott has a frequent stayer program that gives guests access to easier check-ins, free stays at its resort hotels, and discounts on various Marriott services. The purpose of this type of _____ is to build long-term bonds with its customers.

- (a) relationship marketing.**
- (b) mass customization.**
- (c) societal marketing.**
- (d) total quality management.**

CHAPTER 2

THE MARKETING ENVIRONMENT

Review Questions

True and False Questions :

1. **Organization operates within an external environment that they generally can control.**
2. **Demographics refers to the characteristics of human population, including such factors as size, distribution, and growth.**

Multiple-Choice Questions :

- 1- _____ is the process of gathering information about a company's external environment, analyzing it, and forecasting the impact of whatever trends the analysis suggests.
 - (a) **Macroenviromental auditing**
 - (b) **Environmental monitoring,**
 - (c) **An organizational assessment.**
 - (d) **An organizational/ environment match.**

2. **The two types of external environmental forces are:**
 - (a) **Controlled and uncontrollea.**
 - (b) **centralized and decentralized.**
 - (c) **micro and macro.**
 - (d) **direct and indirect.**

3. **Which of the following could never be a macroenvironmental influence on an organization's marketing system?**
 - (a) **the way the company purchases its raw materials.**
 - (b) **an electrical blackout.**
 - (c) **terrorist killings in London.**
 - (d) **a reduction in the gasoline tax.**

- 4. Which of the following could be a macroenvironmental influence on an organization' marketing system?**
- (a) an increase in the prime interest rate.**
 - (b) a decrease in the number of single-parent families.**
 - (c) the growing popularity of cellular phones.**
 - (d) all of the above.**
- 5. refers to the characteristics of human populations, including such factors as size, distribution, and growth.**
- (a) Target marketing.**
 - (b) Demographics.**
 - (c) Ecology.**
 - (d) Typography.**
- 6. Customers today are more concerned about the quality of life than the quantity of products they can purchase. This change in viewpoint illustrates how _____ forces affect marketing.**
- (a) technological**
 - (b) Legal.**
 - (c) economic.**
 - (d) social and cultural.**
- 7. Which of the following is NOT one of the social and cultural forces in the external macroenvironment?**
- (a) the erosion of stereotypes regarding men-women roles.**
 - (b) the rapid growth of minority markets.**
 - (c) the increased interest in health and physical fitness.**
 - (d) the growing demand for convenience.**
- 8. Which of the following describes a social and cultural change that has affected marketing by fast-food restaurants ?**
- (a) the decline in the number of teenager.**
 - (b) high interest rates, which encourage more eating at home.**
 - (c) a growing concern with health and physical fitness.**

(d) a growing Hispanic minority.

9. Which of the following does NOT describe a political and legal force in the macroenvironment ?

(a) tax legislation.

(b) fiscal and monetary policies.

(c) government deregulation of various industries.

(d) companies negotiating to form a trade association that would promote the industry's product.

10. Government legislation falls into two basic groups; one is designed to protect consumers, and the other is intended to:

(a) guarantee taxes are paid.

(b) prevent deception of consumers.

(c) regulate and maintain competition.

(d) control marketing programs.

11. As the radio grew in popularity in the early part of the twentieth century, the popularity of the player piano decreased. This product replacement illustrates the power of forces in the macroenvironment on manufacturers of player pianos and the radios.

(a) demographic.

(b) political and legal.

(c) technological

(d) social and cultural.

(e) economic.

12. A firm's market, its producer-suppliers, and its marketing intermediaries are generally classified as _____ forces.

(a) external microenvironmental.

(b) stagnant microenvironmental.

(c) indirect microenvironmental.

(d) internal microenvironmental.

13. In times of product shortages, which element of the external microenvironment most likely to increase in importance in a company's marketing system?

- (a) government regulatory agencies.**
- (b) the company's suppliers.**
- (c) the company's sales force.**
- (d) cultural changes.**

14. One of the external microenvironmental forces that affects a company's market system is :

- (a) government regulatory agencies.**
- (b) changes in the economic growth rate.**
- (c) its marketing intermediaries.**
- (d) declining birthrates.**

15. _____ are independent business organizations that directly aid in the flow of products between a marketing organization and its markets.

- (a) Customers.**
- (b) Markets.**
- (c) Macroenvironmental forces.**
- (d) Marketing intermediaries.**

CHAPTER 3
PLANNING IMPLEMENTING, &
CONTROLLOING MARKETING
STRATEIES

Review Questions

True and False Questions :

1. In strategic planning, managers match an organization's resources with its market opportunities over the long run.
2. "We clean clothes" would be an example of a consumer-oriented mission statement for a dry-cleaning firm.
3. A company that designs a computer with two central processing units and two memories for systems that can never afford to lose their data bases is seeking a differential advantage.
4. The annual marketing plan is the "how-to-do-it" document that guides executives and other employees involved in marketing.
5. Radio Shack, a division of Tandy, has a high market share in a mature market, and would, therefore, be classified as a cash cow.

Multiple-Choice Questions :

1. ____ is the process of planning, implementation, and evaluating the efforts of a group of people working toward a common goal.
 - (a) Commonality.
 - (b) Management.
 - (c) Synchronization.
 - (d) Controlling.
2. The ____ stage of the management process reflects the interrelated, continuing nature of management.
 - (a) planning
 - (b) motivation.
 - (c) evaluation.

(d) implementation.

3. _____ is the managerial process of matching an organization's resources with its market opportunities over the long run.

- (a) Strategic planning.**
- (b) Implementation.**
- (c) Tactical planning.**
- (d) Situation analysis.**

4. Strategic planning:

- (a) Usually involves activities of less than one year into the future.**
- (b) is a desired short-range outcome.**
- (c) makes a long-range match of an organization's resources with its market opportunities.**
- (d) identifies potential and actual sales in each target market.**

5. If the owner of a children's day-care center were to answer the question, "What business are you in?" with the statement, "We nurture children and provide them with a homelike environment that keeps their separation anxieties to a minimum, 'it would be an example of a _____ mission statement.

- (a) consumer-oriented.**
- (b) marketing-oriented.**
- (c) market-oriented.**
- (d) production-oriented.**

6.If the owner of a children's day-care center were to answer the question, "What business are you in?" with the statement, "We nurture children and provide them with a homelike environment that keeps their separation anxieties to a minimum, "it would be an example of a _____ mission statement.

- (a) sales-oriented.**
- (b) customer-oriented.**
- (c) marketing-oriented**

7. Barbara received an e-mail from her supervisor this morning. The message told her that her department was “to decrease order-fulfillment errors by 3 percent during the next 6 months”. Her e-mail message was most likely a(n):

- (a) strategic plan.**
- (b) mission statement**
- (c) organizational objective.**
- (d) tactical plan.**

8. Which of the following objectives is most satisfactory according to the attributes listed in the textbook:

- (a) to decrease the number of overtime hours worked by the maintenance staff.**
- (b) to reduce sales force costs to 15 percent of net sales during the next 18 months**
- (c) to reduce employee anxiety by sending 10 employees to seminars on how to deal with stress.**
- (d) to decrease shoplifting by 10 percent.**

9. In business, a _____ is a broad plan of action by which an organization intends to reach its objectives.

- (a) tactic.**
- (b) strategy.**
- (c) policy**
- (d) procedure.**

10. Strategic planning:

- (a) usually covers 1 year or less.**
- (b) is the responsibility of middle-and lower-level managers.**
- (c) should never involve the use of a planning staff.**
- (d) is not described by any of the above.**

11. The first step in strategic company planning is to :

- (a) select strategies.**
- (b) define the organizational mission.**

- (c) assess the company mission statement.
- (d) set organizational objectives.

12. A strategic marketing plan involves doing all of the following EXCEPT:

- (a) conducting a situation analysis.
- (b) organize the staff.
- (c) designing a strategic marketing mix.
- (d) determine marketing objectives.

13. According to the text, the first of five steps in strategic marketing planning is to :

- (a) design a strategic marketing mix.
- (b) determine marketing objectives.
- (c) select target markets.
- (d) conduct a situation analysis.

14. A(n)_____ involves an analysis of where the company's marketing program has been, how it has been doing, and what it is likely to face in years ahead.

- (a) social audit.
- (b) situation analysis.
- (c) organizational portfolio analysis.
- (d) market-factor analysis.

15. A situation analysis:

- (a) normally includes an analysis of external environment forces.
- (b) is a review of a company's existing marketing program.
- (c) helps management determine where the marketing program should go in the future.
- (d) reviews in detail the company's present marketing mix.

16. A product's _____ is the image it projects in relation to competitive products

- (a) positioning.**
- (b) status.**
- (c) marketing mix.**
- (d) equity.**

17. A product's positioning :

- (a) is how the product is perceived by its competitors.**
- (b) is the image it projects in relation to competitive products as well as to other products marketed by the same company.**
- (c) describes its physical characteristics.**
- (d) is the image projected by the product, exclusive of its features.**

18. A _____ refers to any feature of an organization or brand perceived by customers to be desirable and different from those of the competition .

- (a) cooperative edge.**
- (b) sales orientation.**
- (c) differential advantage.**
- (d) customer orientation.**

19. A target market is :

- (a) anyone who sees the good or service being marketed,**
- (b) anyone who might buy the seller's goods or services.**
- (c) anyone who will be affected by the product's production and/or sales.**
- (d) a group of customers at whom the seller directs a marketing program.**

20. A _____ consists of a group of customers at whom the seller directs a marketing program.

- (a) consumer base**
- (b) target market**

(c) product audience.

(d) consumer mix.

21. The _____ to whom Amtrak could direct its marketing program include families on vacations, foreigners who want to see America, and students going to and from school.

(a) strategic groups.

(b) marketing mixes.

(c) target markets.

(d) technical targets.

22. The marketing mix :

(a) shows how marketing utilities are combined to make a product

(b) defines the usage of resources.

(c) is the term used to describe multiple target markets.

(d) is the combination of the four primary elements that are intended to satisfy a target market.

23. The _____ is the combination of the four primary elements that are intended: to satisfy a target market.

(a) marketing mix.

(b) perfect strategy.

(c) organizational strategy.

(d) strategic objective.

24. An annual marketing plan typically contains all of the following EXCEPT:

(a) an executive summary.

(b) evaluation procedures.

(c) a statement of objectives.

(d) the mission statement.

25. The Boston Consulting Group (BCG) matrix classifies a strategic business unit according to its market share relative to its competitors and :

- (a) its profitability levels.**
- (b) its gross sales.**
- (c) the growth rate of the industry in which it operates.**
- (d) the degree of difficulty involved in entering the industry in which it is competing.**

26. According to Boston Consulting Group (BCG) matrix, a strategic business unit (SBU) with a high market share in an industry with a high growth rate is classified as a (n) :

- (a) question mark.**
- (b) star.**
- (c) cash cow.**
- (d) problem child.**

27. According to the Boston Consulting Group (BCG) matrix, a strategic business unit (SBU) with a high market share in an industry with a low growth rate is classified as a :

- (a) question mark.**
- (b) star.**
- (c) cash cow.**
- (d) problem child.**

28. According to the Boston Consulting Group (BCG) matrix, a strategic business unit (SBU) with a low market share in an industry with a low growth rate is classified as a(n):

- (a) question mark.**
- (b) star.**
- (c) cash cow.**
- (d) exclamation point.**

29. According to the Boston Consulting Group (BCG) matrix, a strategic business unit (SBU) with a low market share in an industry with a high growth rate is classified as a:

- (a) question mark.**
- (b) star.**
- (c) cash cow.**
- (d) money machine.**

30. Procter & Gamble once marketed a coated aspirin called Cincaprin. The product never received acceptance in the slow-growth market for coated aspirin. According to the Boston Consulting Group (BCG) matrix, Cincaprin was a(n) :

- (a) question mark.**
- (b) star.**
- (c) cash cow.**
- (d) dog.**

31. Which of the following strategies is most likely to be used with an SBU that would have been classified as a dog according to the BCG matrix ?

- (a) diversity.**
- (b) divest.**
- (c) harvest.**
- (d) invest.**

32. With the product-market growth strategy of _____, a company tries to sell more of its present product to its present market.

- (a) market penetration.**
- (b) divestment**
- (c) loading.**
- (d) diversification.**

33. By offering cash bonuses, prizes, and free vacations to travelers, Holiday Inn, Ramada Inn, and Hilton are trying to increase sales in their present markets. Which of the following strategic alternatives did the hotel chains use?

- (a) market penetration.**
- (b) divestment.**
- (c) milking.**
- d) diversification.**

34. With the product-market growth strategy of ____ a firm continues to sell its present products, but to a new market.

- (a) product development.**
- (b) divestment**
- (c) market development.**
- (d) diversification.**

35. The product-market growth strategy of ____ calls for a company to develop new products to sell to its existing markets.

- (a) product development.**
- (b) market penetration.**
- (c) market development.**
- (d) diversification.**

36. An organization that uses the strategy of ____ develops new products to sell to new markets.

- (a) product development.**
- (b) market penetration.**
- (c) market development.**
- (d) divestment**

CHAPTER 4
MARKETING RESEARCH
& INFORMATION

Review Questions

True and False Questions :

- 1. Marketing research does not play a major role in the management processes of planning, implementation, and evaluation.**
- 2. The marketing information system (MIS) provides a continuous, scheduled flow of standardized reports to managers.**
- 3. The first step in the marketing research process is to conduct a situation analysis.**
- 4. Researchers should check the source of secondary data, why they were gathered, and the definitions of key terms used in the gathering process before relying on secondary data.**
- 5. To do the best job of gathering primary data, a marketing researcher should gather data using the survey, the observation, and the experimentation methods.**
- 6. If speed is important when conducting a survey, the telephone survey is the most appropriate method to use.**
- 7. One of the major advantages of using the mail survey is its lack of interviewer bias.**
- 8. The observation method of gathering research would be most appropriate if the purpose of the research is to determine consumer reaction to two different commercials for the same product.**
- 9. Because test marketing is expensive and time-consuming, many marketing researchers are now using simulated test marketing.**

Multiple-Choice Questions :

1. Why do marketers need to engage in marketing research today more than ever?

- (a) The failure of a product can cause tremendous damage to a company.**
- (b) to remain competitive, new products must be developed and marketed more quickly than ever.**
- (c) The lack of timely, adequate information about customers can result in lost business.**
- (d) All of the above are reasons why marketers need to engage in marketing research.**

2. _____ is the development, interpretation, and communication of decision-oriented information to be used in the strategic marketing process.

- (a) Computerized data storage.**
- (b) A management information system.**
- (c) Marketing research.**
- (d) A marketing information system.**

3. All of the following are used by marketing managers as major information sources EXCEPT:

- (a) decision support systems.**
- (b) hypothesis testing.**
- (c) a nonrecurring, proprietary marketing research project.**
- (d) a marketing information system.**

4. The first step in the marketing research procedure is to:

- (a) gather primary data.**
- (b) define the objective.**
- (c) conduct an informal investigation.**
- (d) perform a situation analysis.**

5. A(n)_____ involves obtaining information about a company and its business environment by means of library research and extensive interviewing of company officials.

- (a) situation analysis.
- (b) socioeconomic audit.
- (c) marketing audit.
- (d) environmental audit.

6. A(n) _____ is a tentative supposition about or a possible solution to a problem.

- (a) situation analysis.
- (b) research hypothesis.
- (c) test proposition
- (d) scientific method

7. In the marketing research procedure, the situation analysis ordinarily does NOT include:

- (a) interviews with company officials
- (b) a review of company records.
- (c) library research on current technological advancements.
- (d) interviews with people outside the firm.

8. A(n) _____ consists of gathering information from people outside the company, such as middlemen, competitors, and advertising agencies.

- (a) Research hypothesis.
- (b) test proposition.
- (c) scientific method.
- (d) informal investigation.

9. _____ are original data gathered specifically for the project at hand.

- (a) Formal data.
- (b) Primary data.

(c) Research hypotheses

(d) Secondary data.

10. Which of the following would be a source of secondary data in a marketing research study being done by a producer of bottled water?

(a) a safety report prepared by the FDA on the bacteria content of drinking water.

(b) interviews with people who commonly use bottled water.

(c) observational research on how people act around a water cooler.

(d) a telephone survey to athletes who typically consume a lot of water.

11. One of the biggest mistakes made in marketing research is to:

(a) use a mail survey without first doing focus group interviews.

(b) hire an outside agency to gather information.

(c) collect primary data before exhausting the information available from secondary sources.

(d) begin the search for primary data after all secondary data have been gathered.

12. Ordinarily, secondary data can be gathered ____ than primary data.

(a) must faster but more expensively.

(b) more efficiently but at a greater cost.

(c) less quickly and less expensively.

(d) much faster and less expensively.

13. A market researcher would not use _____ as a source when gathering primary data for a marketing research project.

(a) telephone interviews

(b) observation data.

(c) laboratory data

(d) government reports.

- 14. Marketing researchers who rely on secondary data risk:**
- (a) wasting a great deal of time directing how the secondary data should be gathered.**
 - (b) jeopardizing the whole project because secondary data are so expensive.**
 - (c) the potential of errors in the gathering of secondary data.**
 - (d) having no control over how, when, by whom, or why the data were collected.**
- 15. Why would a marketing researcher use a survey rather than some other tool to gather research data?**
- (a) It is easy to construct questionnaires.**
 - (b) It is typically a fast way to gather information.**
 - (c) It is generally a less expensive way to gather information than searching through secondary data.**
 - (d) It is a good way to gather information firsthand.**
- 16. One reason that a researcher might become dissatisfied with the survey method of gathering data is:**
- (a) the potential for errors in questionnaires and interviews.**
 - (b) the difficulty involved in defining the key terms used in the survey.**
 - (c) the need to get responses from everyone who has an opinion on the marketing research topic.**
 - (d) the lead time required to get the necessary permits.**
- 17. In which of the following ways is the telephone survey method superior to other survey methods for gathering data?**
- (a) the ability to ask as many questions as you want to.**
 - (b) its low potential for sampling error.**
 - (c) the rapidity with which it can be conducted.**
 - (d) the highest cooperation rate of all the survey methods.**

18. One of the major problems associated with telephone surveys that is usually not troublesome with other survey methods of gathering information is:

- (a) administration difficulties.**
- (b) costs.**
- (c) the inability to do long interviews.**
- (d) the time lag between the occurrence of the event studied and the survey.**

19. What type of survey should be used when it is important that respondents answer frankly and honestly?

- (a) mail survey**
- (b) telephone survey.**
- (c) focus group.**
- (d) shopping mall intercept.**

20. Which of the following is a cause of reliability problems in mail surveys?

- (a) interview bias.**
- (b) governmental regulations.**
- (c) high response rates.**
- (d) surveys completed by someone other than the intended respondent.**

21. For which of the following situations is the observation method of gathering research data best suited?

- (a) learning how much time people spend selecting bread in the store.**
- (b) finding out what people who spend their vacations at home do with their time.**
- (c) estimating the effect of a product modification on sales.**
- (d) all of the above.**

22. A department store manager who wants to do market research on where the majority of customers go when they first enter and what route they take would most likely use:

- (a) secondary data.**
- (b) the experimental method.**
- (c) the telephone survey.**
- (d) the observation method.**

23. The observation method of gathering research is most effective for :

- (a) deciding whether to package dog food in a green or a brown bag.**
- (b) providing that the ad copy for a all-natural baby food communicated effectively with its target market.**
- (c) identifying the target markets for an air refresher.**
- (d) determining how people act while waiting in a bank line.**

24. How would the observation method of gathering marketing research data benefit a decision maker?

- (a) by providing accurate information.**
- (b) by being an excellent source of secondary data.**
- (C) by its ability to explain why certain actions occur.**
- (d) by the speed with which the data can be gathered.**

25. The method of gathering primary data that simulates an actual marketing situation is the ____ method.

- (a) observation.**
- (b) experimental.**
- (C) survey.**
- (d) mail questionnaire.**

26. _____ is a good example of a field experiment.

- (a) A focus group.**
- (b) A laboratory test**

- (c) Test marketing.
- (d) A mall intercept.

27. In _____ before committing to a major marketing effort, the researcher duplicates real market conditions in a small geographic area to measure consumers' response to a strategy.

- (a) the survey method.
- (b) focus group research.
- (c) laboratory settings.
- (d) test marketing.

28. Why don't all marketing researchers use test marketing?

- (a) Its expensive.
- (b) The researcher is unable to control the situation.
- (c) It is time-intensive.
- (d) it is impossible to keep the test a secret from competitors.
- (e) All of the above describe limitations of test marketing.

29. One of the major benefits of using simulated test marketing to gather marketing research data is:

- (a) the ability to test changes in marketing variables due to the length of the test.
- (b) the ease with which competitive reactions can be predicted.
- (c) the unquestionable accuracy it provides.
- (d) the ability to keep the test secret.

30. Which of the following describes one of the reasons why a decision maker would choose not to use simulated test marketing?

- (a) He would not be able to test changes in marketing variables due to the length of the test.
- (b) He would be unable to keep the test secret.
- (c) There would be questionable accuracy for unique, new products.
- (d) It takes 8 weeks or more to get any results from simulated test marketing.

CHAPTER 5

CONSUMER BEHAVIOR

Review Questions

True and False Questions :

- 1. A florist who is buying bulbs for his garden at home is a good example of an ultimate consumer.**
- 2. Demographic variables include education, occupation, family life cycle, age and gender.**
- 3. The first stage in the buying-decision process involves the choice of an involvement level.**
- 4. Consumers can do nothing to reduce the cognitive dissonance they feel immediately following a purchase.**
- 5. The broadest classification of motives is based on the sources from which a need arises.**
- 6. Perception is the process of receiving, organizing, and assigning meaning to information or stimuli detected only if it is perceived visually.**
- 7. Learning only plays a role in the need recognition and the purchase stages of the buying-decision process.**
- 8. Personality traits do not appear to influence consumers' perceptions and buying behavior.**
- 9. The ideal self-concept is the same as the actual self-concept.**
- 10. Attitudes cannot be learned.**
- 11. Situational influences tend to be more significant when the consumer is very loyal to a brand and when the consumer is highly involved in the purchase.**

12. The social surroundings in a retail situation include the background music, the number of people in the store, and the actions of other people in the store.

13. The consumer's mood when a purchase is being considered is a type of situational influence.

Multiple-Choice Questions :

1. _____ buy goods or services for their own personal or household use.

- (a) Ultimate consumers.**
- (b) Business users.**
- (c) Mass markets.**
- (d) organizational.**

2. Ultimate consumers:

- (a) buy goods or services for their own personal or household use.**
- (b) are the most desirable (i.e., most profitable) buyers.**
- (c) are a homogeneous market.**
- (d) are the first buyers of a product.**

3. Which of the following are NOT examples of commonly used demographic variables?

- (a) family life cycle, gender, and age.**
- (b) religion, income, and social class.**
- (c) income and education.**
- (d) personality, occupation, and life-style.**

4. To deal with the marketing environment and make purchases, consumers engage in a buying-decision process. The first step in that decision process is to:

- (a) identify alternatives.**

- (b) choose an involvement level.**
- (c) recall experiences.**
- (d) recognize an unsatisfied need.**

5. The buying-decision process consists of several stages. Which of the following is NOT one of those stages?

- (a) identification of alternatives.**
- (b) prepurchase patronage.**
- (C) recognition of an unsatisfied need.**
- (d) evaluation of alternatives.**

6. ___ is a state of anxiety that occurs in the postpurchase stage of the buying decision process.

- (a) Perceptual cuing.**
- (b) Cognitive dissonance.**
- (d) (c) Negative reinforcement.**
- (d) Selective distortion.**

7. Postpurchase cognitive dissonance is:

- (a) a state of anxiety brought on by the difficulty of choosing from among several alternatives.**
- (b) a level of motivation.**
- (c) a type of cue.**
- (d) a form of alienation observed only among low-income consumers.**

8. _____ is a complex of symbols and artifacts created by a given society and handed down from generation to generation as determinants and regulators of human behavior.

- (a) Power.**
- (b) Authority**
- (c) Motivation.**
- (d) Culture.**

9. A _____ is made up of people who influence one's attitudes, values, and behavior.

- (a) Social class.
- (b) culture.
- (c) unclear family.
- (d) reference group.

10. A group becomes a reference group for you:

- (a) only if your friends approve of the group.
- (b) when that group influences your values or behavior.
- (c) when you are offered membership in the group.
- (d) only if the group is part of your social class.

11. The process of receiving, organizing, and assigning meaning to information or stimuli detected by our five senses is called:

- (a) motivation
- (b) perception
- (c) rationalization
- (d) learning.

12. Perception plays a major role in the _____ stage of the buying-decision process.

- (a) alternative substitution.
- (b) alternative identification.
- (c) prepurchase patronage.
- (d) need simulation.

13. Which of the following is an example of one of the processes of selectivity that * continuously limit our perceptions?

- (a) selective retention.
- (b) selective action.
- (c) selective diffusion.
- (d) selective memorization.

14. A change in a consumer's behavior resulting from previous experiences is called:

- (a) personality.**
- b) adoption**
- c) perception.**
- (d) learning.**

15. _____ is broadly defined as an individual's pattern of traits that influence behavioral responses.

- (a) Culture.**
- (b) Learning.**
- (c) Perception.**
- (d) Personality.**

16. A person's self-concept is influenced by :

- (a) learned physiological needs.**
- (b) economic factors.**
- (c) demographic factors.**
- (d) learned psychological needs.**
- (e) all of the above.**

17. An attitude is :

- (a) a strong drive that leads to goal achievement.**
- (b) an inherited influence on behavior.**
- (c) a learned predisposition to respond in a particular way.**
- (d) easily changed by effective advertising.**

18. In consumer buying behavior, attitudes :

- (a) can always be used to predict purchase behavior.**
- (b) play a major role in the evaluation of alternatives during the buying-decision process.**
- (c) are most difficult to change when they are of weak intensity**
- (d) about products or stores can easily be changed with a benefit-oriented ad.**

19. Situational influences :

- (a) act as balances between our id and our ego.**
- (b) are factors in the immediate purchase environment that affect our behavior.**
- (c) are unaffected by individual perceptual variances.**
- (d) lead to habitual buying and brand loyalty.**

CHAPTER 6
TAREGT MARTKEING:
SEGMENTATION AND
EVALUATION

Review Questions

True and False Questions :

- 1. By tailoring marketing programs to individual market segments, management can make more efficient use of its marketing resources.**
- 2. Because some of the variables on which markets can be segmented are intangible, it is not necessary for a marketer to be able to measure how many customers are in a market segment for it to be a legitimate segment.**
- 3. Demographic variables include education, occupation, life-style, personality, age, and gender.**
- 4. When marketers use life-style segmentation, they are looking at consumers' attitudes, interests, and opinions.**
- 5. A market aggregation strategy is also known as a mass-market strategy or an undifferentiated-market strategy.**

Multiple-Choice Questions :

- 1. ___ is a process of dividing the total market for a good or service into several smaller groups such that the members of each group are similar with respect to the factors that influence demand.**
 - (a) Market segmentation.**
 - (b) Market aggregation.**
 - (c) Diversification.**
 - (d) Market development.**

2. Market segmentation :

- (a) identifies and describes target markets.**
- (b) often results in firms aiming at smaller and less profitable markets.**
- (c) makes it possible for a company to use one marketing mix to reach its total market**
- (d) implies that each individual should be treated as a separate market**

Segment.

3. One purpose of market segmentation is to :

- (a) make it possible for the firm to benefit from economies of scale in production.**
- (b) develop specific marketing programs that are tailor-made for one or more target markets.**
- (c) reduce the costs of marketing.**
- (d) complicate demand forecasting.**

4. Which of the following statements does NOT describe one of the benefits gained through the use of market segmentation?

- (a) Products may be designed which really match market demands.**
- (b) Advertising may be channeled to its potentially most profitable markets.**
- (c) Companies can maximize economies of scale in production markets.**
- (d) Firm can make more effective use of their marketing resources.**

5. Suppose a chain of hair salons which target children decides to locate its stores only in the suburbs. This would be an example of ____ segmentation.

- (a) demographic.**
- (b) behavioral.**
- (c) usage-rate.**
- (d) geographic.**

6. Since California has legislated that the state's drivers must begin using alternative fuel vehicles, Ford Motor Company's has introduced just for the state a full-size truck that runs on natural gas. This is an example of ____ segmentation.

- (a) demographic**
- (b) behavioral**
- (c) usage-rate**
- (d) geographic.**

7. The French prefer to buy top-loading clothes washers. The rest of Europe uses front-loaders. In developing its strategy for marketing to these nations, Whirlpool had to use _____ segmentation to make sure that its washers suited the tastes of the consumers in each of the European countries.

- (a) demographic**
- (b) behavioral**
- (c) usage-rate.**
- (d) geographic.**

8. What is the most widely used basis for segmenting consumer markets?

- (a) demographic**
- (b) behavioral**
- (c) psychographic.**
- (d) geographic.**

9. Which of the following is an indicator of an individual's social class?

- (a) ethnic background and educational level attained.**
- (b) attitudes, interests, and opinions.**
- (c) religion, ethnic background, and income**
- (d) type of occupation and type of neighborhood lived in.**

10 _____ segmentation involves examining attributes such as personality and life-style.

- (a) Demographic.**
- (b) Psychological .**
- (c) Behavioral**
- (d) Psychographic.**

11. Segmenting consumer markets on the basis of people's activities, interests, and opinions is an example of _____ segmentation.

- (a) Social class.**
- (b) demographic.**
- (c) attitudinal.**
- (d) life-style**

12. The growth of the number of 30-to-40 year old parentss with children who want resort vacations with round-the-clock childcare has led to Club Med opening more than 40 family resorts. This is an example of _____ segmentation.

- (a) product-use.**
- (b) behavioral.**
- (c) life-style.**
- (d) demographic.**

13. From a customer-oriented perspectives, the ideal method for segmenting a market is on the basis of:

- (a) customer usage levels.**
- (b) customer's desired benefits.**
- (c) customer type.**
- (d) demographics.**

14. Some people use mouthwash to help prevent colds. Others use it to make their breath smell pleasant. Still others use it to help clean their teeth. Knowing this, the advertisers of mouthwash might most effectively use which of the following methods of segmentation ?

- (a) demographic nba baadhi tanto saving not o**
- (b) age**
- (c) personality.**
- (d) benefits desired.**

15. The three target-market strategies are:

- (a) market aggregation, undifferentiated, and concentration.**
- (b) market aggregation, single-segment, and multiple-segment.**
- (c) concentration, undifferentiated, and product differentiation.**
- (d) product differentiation, market aggregation, and single-segment concentration.**

16. Which of the following describes a guideline that can be used to determine which segments should be target markets?

- (a) The company must be willing to change its organizational goals whenever it finds a new target market.**
- (b) The company should enter a market where sales volume is guaranteed.**
- (c) The company should seek a market where there are already several competitors who have reduced customer resistance.**
- (d) The company should match the market opportunity offered by the target market with its resources.**

17. Market aggregation :

- (a) is a strategy in which a company treats its total market as one unit.**
- (b) groups together people with similar market characteristics.**
- (c) implies that each individual should be treated as a separate market segment.**
- (d) usually results in firms aiming at smaller and less profitable markets.**

18.If it adopts a strategy of ____, a firm will use only one combination of marketing mix variables.

- (a) market development**
- (b) multiple segmentation.**
- (c) target marketing.**
- (d) market aggregation.**

19.A company is most likely to use a market aggregation strategy when :

- (a) market potential is declining.**
- (b) the company is operating in a highly competitive market.**
- (c) the product is highly differentiated.**
- (d)the company wants to reduce production and marketing expenses.**

20. The primary benefit inherent in a market aggregation strategy is:

- (a) its ability to cope with seasonal demand.**
- (b) its ability to allow extensive market penetration into one segment.**
- (c) the reduced need for innovation.**
- (d) its cost minimization.**

21. A strategy of _____ involves selecting as the target market one homogeneous segment from within the total market.

- (a) undifferentiated marketing**
- (b) multiple-segment positioning.**
- (c) single-segment concentration.**
- (d) mass marketing.**

22. An office cleaning service that did not want to compete with many firms in a broad market could adopt a strategy of:

- (a) diversification**
- (b) mass marketing.**

- (c) demographic segmentation.**
- (d) single-segment concentration.**

23. What is the major reason why many marketers do not use a single-segment strategy?

- (a) the potential for economic loss if that single segment declines in market potential.**
- (b) the inability to use such a strategy with products that have only seasonal**
- (c) the inability to enjoy economics of scale.**
- (d) the need for a higher sales volume with this approach than when using a multiple-segment approach.**

24. In the strategy of _____, two or more different groups of potential customers are identified and a separate marketing mix is developed to reach each segment:

- (a) undifferentiated marketing.**
- (b) multiple-segment target marketing.**
- (c) mass marketing.**
- (d) market aggregation.**

25. Marketers of office furniture have developed different marketing strategies to reach home office owners, small business owners, large corporations, and professional people such as lawyers and physicians. What kind of a strategy is being used by these companies ?

- (a) market augmentation**
- (b) multiple-segment**
- (c) single-segment**
- (d) product development.**

26. A company that implements a multiple-segment strategy can anticipate :

- (a) total inventory costs decreasing.**
- (b) advertising costs going down.**
- (c) reduced distribution costs.**
- (d) lower general administrative cost.**
- (e) none of the above.**

CHAPTER 7
PRODUCT PLANNING
DEVELOPMENT

Review Questions

True and False Questions :

- 1. According to the textbook's definition of a product, Mazola cooking oil and Wesson cooking oil are not separate products even though they are different brands.**
- 2. Any product that supplies a benefit must be tangible.**
- 3. The member of a distribution channel that has possession of a product has no bearing on its classification.**
- 4. To be classified as a new product, a product must be truly unique from anything else currently on the market.**
- 5. The resources analysis stage of the new-product development process is more expensive than prototype development.**

Multiple-Choice Questions :

- 1. The basic factor separating consumer products and business products is :**
 - (a) whether or not the product will be used in the manufacture of another product.**
 - (b) whether the product is sold by a wholesaler or a retailer.**
 - (c) whether the product is sold in a direct or an indirect channel of distribution.**
 - (d) the ultimate use intended for the product in its preset form.**
- 2. The subdivision of consumer goods into various categories is based on:**
 - (a) price.**
 - (b) types of products.**
 - (c) how the goods were manufactured.**

(d) consumer buying behavior.

3. Which of the following statements about convenience goods is true?

- (a) Convenience products typically have a low unit price.**
- (b) By definition, convenience goods are purchased infrequently.**
- (c) Convenience products typically are large and bulky.**
- (d) Retailers do most of the promotion for convenience goods.**

4. Convenience goods:

- (a) are promoted by both the manufacturer and the retailer.**
- (b) are purchased infrequently.**
- (c) are typically sold without any packaging.**
- (d) have a low gross margin.**

5. As a result of the way in which convenience products must be marketed, their manufacturers:

- (a) rarely advertise because of the expense involved.**
- (b) seldom employ wholesalers in the distribution of their products.**
- (c) find it too expensive to sell direct to consumers.**
- (d) are interested in selling their products in a limited number of retail outlets.**

6. In comparison to shopping goods, convenience goods usually:

- (a) use point-of-purchase displays.**
- (b) sell at higher unit prices.**
- (c) have a higher gross margin.**
- (d) are purchased less frequently.**

7. The promotion of convenience goods is:

- (a) mostly done by their manufacturers.**
- (b) always done by their individual retailers.**
- (c) done by middlemen.**
- (d) never done by their manufacturers.**

8. Shopping goods :

- (a) are typically purchased infrequently.**
- (b) are only promoted by the manufacturer.**
- (c) have a rapid stock turnover.**
- (d) have a low gross margin.**

9. Specially goods :

- (a) have a high stock turnover.**
- (b) have a high gross margin.**
- (c) usually require the buyer to engage in some comparison shopping.**
- (d) often use point-of-purchase displays.**

10. Which of the following statements about shopping goods in true?

- (a) Individual retailers typically carry one and only one brand of a shopping good.**
- (b) Shopping goods typically have a low unit prices**
- (c) Consumers use comparison shopping when purchasing a shopping good.**
- (d) Shopping goods are not greatly affected by changes in fashion and fad.**

11. Consumer brand preferences are strongest for:

- (a) convenience goods.**
- (b) shopping goods.**
- (c) specially goods.**
- (d) impulse goods.**

12. In the marketing of specially goods, :

- (a) retailers absorb all advertising costs.**
- (b) wholesalers are always important.**
- (c) few retail outlets are used.**

(d) retailers have competed control over how the advertising for the good is handled.

13. During the business analysis stage of the new-product development process, the management of a company will :

- (a) evaluate consumer responses to test models of the new product**
- (b) recommit the company to the marketing concept.**
- (c) identify features of the proposed product.**
- (d) perform an environment analysis.**

14. During the commercialization stage of the new-product development process,

- (a) packaging and branding decisions are made.**
- (b) The product is test marketed.**
- (c) cost estimates for the new product are developed.**
- (d) the product is put into full-scale production and marketing.**

15. Which of the six stages of the new-product development process is most often omitted when a company is in a hurry to get a new product to market?

- (a) idea screening**
- (b) business analysis**
- (c) idea generation**
- (d) market tests.**

16. The first question a manufacturer who is considering adding a new product to its current assortment should ask is :

- (a) "What kind of selling effort is required for the new product?",**
- (b) "Does the product fit the company's current marketing structure?"**
- (c) "Do enough people really want this product?"**
- (d) "is adequate financing available?"**

CHAPTER 8

PRODUCT-MIX STRATEGIES

Review Questions

True and False Questions :

1. The addition of a line of chocolate syrups to the Smackers product lines of jams and jellies is an example of an increase in product-mix breadth.
2. Cooking oils such as Mazola, that are low in fat, use a positioning strategy s based on a product attribute.
3. The effects of trading down can be achieved through advertising, without introducing new, lower-priced products.
4. Neither trading up nor trading down is an especially risky strategy because they are simply modifications of the common line-extension strategy.
5. A product life cycle. consists of the aggregate demand over an extended period of time for all brands comprising a generic product category.
6. The growth stage (sometimes called the pioneering stage) is the most risky and most expensive stage of the product life cycle.
7. The overall marketing strategy during the introduction stage of the product life cycle hinges on product differentiation.
8. The distribution strategy used for a product in the decline stage of its product life cycle is typically very intensive, which means that many outlets are used.
9. The total length of the product life cycle varies from one product category to another.

Multiple-Choice Questions :

1. The set of all products offered for sale by a company is called its :

- (a) product breadth.**
- (b) product mix.**
- (c) marketing mix.**
- (d) product line.**

2. A product mix is :

- (a) the list of tangible goods and intangible services provided by a combination of several different retail outlets.**
- (b) a combination of all goods created by the production process and all services provided by members of the channel at all levels.**
- (c) The combination of goods, services, price, promotion, and distribution in a company.**
- (d) the full set of all products sold by a company.**

3. The breadth of a company's product mix refers to :

- (a) The assortment of sizes and colors within each product line.**
- (b) how the firm's product lines are differentiated from each other.**
- (c) the number of different models available in a given product line.**
- (d) the number of product lines carried.**

4. The assortment of sizes, colors, and models offered within each product line is a measure of the

- (a) depth of a product mix.**
- (b) intensity of product line competition.**
- (c) estimated sales volume.**
- (d) width of a product mix.**

5. A product line is :

- (a) not applicable to a company that sells only one product**
- (b) the full list of all tangible and intangible goods provided by a retail outlet.**

- (c) the full list of all products sold by a company.
- (d) a broad group of products that have essentially the same use of possess reasonably similar physical characteristics.
6. A product's _____ is the image its projects in relation to competitive products as well as to other products marketed by the same company.
- (a) positioning
- (b) status
- (c) perception
- (d) marketing mix.
7. A product's positioning :
- (a) is the image projected by the product, exclusive of its price.
- (b) is the image it projects in relation to competitive products as well as to other products marketed by the same company.
- (c) is its physical characteristics.
- (d) is how the product is perceived by its competitors.
8. Marketers can position their products in relation to :
- (a) a competitor.
- (b) a product attribute.
- (c) a product class.
- (d) price and quality.
- (e) all of the above .
9. The main reason for using a line-extension strategy is to :
- (a) reflect changes in organizational goals.
- (b) increase a product's breadth.
- (c) modify a product line's life cycle.
- (d) appeal to more market segments.

10. Often the strategy of altering an existing product :

- (a) is more risky than developing a new product.**
- (b) is more expensive than developing a new product.**
- (c) does not allow a company to engage in market segmentation.**
- (d) prevents a company from positioning a product.**
- (e) is more profitable than developing a new product. also a**

11. _____ means adding a higher-priced, prestige product to a line to attract a higher-income market.

- (a) Trading up.**
- (b) Revamping.**
- (c) Product line augmentation.**
- (d) Repositioning.**

12. Trading up means:

- (a) Serving the upper and upper-middle classes exclusively.**
- (b) raising the price of every product in the product line.**
- (c) consumers stop buying lower-priced products and buy higher priced ones.**
- (d) adding a higher-priced, prestige product to a line to attract a higher-income market.**

13. Trading down means :

- (a) the process in which consumers stop buying overpriced products and become more price conscious.**
- (b) serving the lower and lower-middle classes exclusively.**
- (c) adding a lower-priced item to a line of products.**
- (d) lowering the price of every product in the product line.**

14. A company is said to be _____ when it adds a lower-priced item to its line of products.

- (a) trading up.**
- (b) revamping.**
- (c) repositioning.**

(d) trading down.

15. Which of the following statements about trading down is true?

- (a) When trading down is used, the new product may permanently hurt a firm's reputation.**
- (b) Essentially trading down involves product innovation.**
- (c) Trading down is a much safer strategy to employ than trading up.**
- (d) The only element of the marketing mix affected by a strategy of trading down is distribution.**

16. The seller's potential problem with a strategy of trading down is:

- (a) packaging.**
- (b) determining competitors' reactions.**
- (c) deciding how to test market the new product.**
- (d) the injury to the company's reputation that a lower-quality product might cause .**

17. The seller's major problem with a strategy of trading up is :

- (a) pricing.**
- (b) product innovation.**
- (c) predicting the reaction of competitors.**
- (d) how to change the firm's image enough so that new customers will accept the higher-priced products.**

18. As described by the product life cycle, the profit curve for most new products :

- (a) is unaffected by the product life cycle.**
- (b) is negative through most (perhaps all) of the introductory stage of the bus product life cycle.**
- (c) has exactly the same shape as the sales volume curve.**
- (d) will not vary from product to product.**

- 19. Which of the following is NOT normally considered a stage in the product life cycle?**
- (a) introduction.**
 - (b) adoption.**
 - (c) decline.**
 - (d) maturity.**
- 20. Which of the stage of the product life cycle is the most risky and expensive ?**
- (a) introduction.**
 - (b) abandonment.**
 - (c) decline.**
 - (d) maturity**
- 21. During which stage of the product life cycle are marketing costs typically the lowest ?**
- (a) introduction.**
 - (b) acceleration.**
 - (c) decline.**
 - (d) early adopters.**
- 22. During the _____ stage of the product life cycle, both sales and profits rise, numerous competitors enter the market, and sellers use promotional programs to stimulate demand for their brands.**
- (a) stability.**
 - (b) adoption.**
 - (c) pioneering.**
 - (d) growth.**
- 23. During the ___ stage of the product life cycle, sales continue to increase but at a decreasing rate, marginal competitors are forced to drop out of the market, and trade-in sales become significant.**
- (a) introduction.**
 - (b) market-acceptance.**

- (c) decline.**
- (d) maturity.**

24. When a product is in the maturity stage of the product life cycle,:

- (a) marginal producers are still making profits.**
- (b) trade-in sales become less significant.**
- (c) profits of both manufacturers and retailers start to decline.**
- (d) price competition decreases.**

25. When a product is in the decline and possible abandonment stage of the product life cycle :

- (a) demand increases.**
- (b) marginal producers are making a profit.**
- (c) economics of scale are always achievable.**
- (d) none of the above happens.**

26. Because most people prefer color television, there is little demand for black and-white TVs. The black-and-white television is probably in the stage of its product life cycle.

- (a) laggards.**
- (b) acceleration.**
- (c) decline.**
- (d) maturity.**

CHAPTER 9
PRICE DETERMINATION
PRICING STRATEGIES

Review Questions

True and False Questions :

- 1. The pricing goal of increasing sales volume is typically adopted to maintain the firm's profit levels while increasing its sales.**
- 2. Status quo-oriented pricing goals are the most aggressive of all pricing objectives.**
- 3. Price stabilization goals are most commonly found in highly innovative industries such as electronics and pharmaceuticals.**
- 4. A product's price is influenced by the product itself, its distribution channels, and its promotional objectives.**
- 5. Cost-plus pricing is the most widely used of all pricing tools.**
- 6. Consumers may view products priced below the competition undifferentiated commodities.**
- 7. Pricing above the competition works only when the product is distinctive or when the seller has acquired prestige in its field.**
- 8. Value pricing is a form of nonprice competition in which benefits are emphasized instead of price.**
- 9. In nonprice competition, sellers attempt to move up or down their individual demand curves by changing prices.**
- 10. According to the text, the two primary forms of nonprice competition are product differentiation and market augmentation.**
- 11. Market-skimming pricing is suitable when a large mass market exists for the new product and the demand for the product is highly elastic.**

12. Market-skimming pricing is most often used in product categories in the . maturity stage of the product life cycle, such as dessert mixes, deodorants, and dog food.

Multiple-Choice Questions :

1. According to economic theory, _____ is the attribute of an item that makes it capable of satisfying wants.

- (a) value .**
- (b) price.**
- (c) utility.**
- (d) supply.**

2. The amount of money (plus possibly other items with utility) needed to acquire a product is called the _____ of that product.

- (a) price.**
- (b) income.**
- (c) market.**
- (d) utility.**

3. Which of the following is NOT one of the factors of production ?

- (a) labor.**
- (b) product.**
- (c) capital.**
- (d) land.**

4. If Rolex were to market a watch that sold for \$10.95, sales of the watch would probably be slow because of the perceived relationship between price and :

- (a) source credibility.**
- (b) supplier.**
- (c) promotion.**
- (d) product quality.**

5. _____ is the ratio of perceived benefits to price and any other incurred cost.
- (a) Utility.
 - (b) Supply.
 - (c) Demand.
 - (d) Value.
6. The first step in the procedure for determining the price of a product should be to:
- (a) set pricing objectives.
 - (b) decide what share of the markets wanted.
 - (c) establish a channel of distribution.
 - (d) estimate the "expected price of the product.
7. Which of the following is NOT a commonly used pricing objective?
- (a) to maintain market share.
 - (b) to achieve a target return.
 - (c) to stabilize prices.
 - (d) to meet competition.
8. Which of the following is a status-quo-oriented pricing objective?
- (a) to achieve a target return.
 - (b) to meet competition
 - (c) to increase sales volume.
 - (d) to maximize profit.
9. Which of the following is an example of a sales-oriented pricing objective?
- (a) to achieve a target return.
 - (b) to meet competition.
 - (c) to maximize profit.
 - (d) to increase sales volume.

10. Of the managerial goals listed below, which is most compatible with a pricing objective of achieving a target return for a store that specializes in computer's

- (a) To only sell the most current software.**
- (b) To reach 20 percent of the people who own a computer.**
- (c) To earn a net profit of 8 percent on net sales before taxes in 1997.**
- (d) To offer rebates wherever appropriate.**

11. Because industry leaders can set their pricing goals more independently of competition than can smaller firms in the industry, they are more likely to set a pricing goal that:

- (a) maintains a slow, steady level of growth.**
- (b) achieves a target return on investment.**
- (c) discourages potential competitors from entering a market.**
- (d) increases demand for a product category.**

12. A pricing goal of increasing sales volume is typically adopted to:

- (a) increase demand for a product category.**
- (b) maintain market share.**
- (c) maintain a slow, steady level of growth.**
- (d) discourage potential competitors from entering a market.**

13. During the afternoons, many theaters charge less for a movie ticket that they do for an evening show. The theaters offer these special reduced rates in order to achieve a _____ objective.

- (a) promotion-oriented.**
- (b) sales-oriented.**
- (c) customer-oriented.**
- (d) status quo-oriented.**

14. A major reason for using price stabilization as a pricing goal is to :

- (a) make as much profit as possible.**
- (b) give management more flexibility in price determination.**
- (c) encourage aggressive, dynamic pricing.**
- (d) avoid price competition.**

15. The price of one unit of product at its point of production or resale is its _____ price.

- (a) marginal.**
- (b) base.**
- (c) break-even.**
- (d) markdown.**

16. Under the cost-plus method of price determination, the base price of one unit of a product is :

- (a) equal to unit's total cost plus the desired amount of profit per unit.**
- (b) cost plus the target return on net sales.**
- (c) whatever the industry leader is charging.**
- (d) the price at the intersection of the marginal cost and marginal revenue curves.**

17. Which of the following describes a limitation often associated with cost-plus pricing?

- (a) The method relies too heavily on competitive pricing activities.**
- (b) Costs are disregarded in pricing.**
- (c) The method ignores market demand.**
- (d) Only variable fixed costs are considered in price determination.**

18. A(n) _____ is that quantity of output at which total revenue equals total costs, assuming a certain selling price.

- (a) equilibrium price**
- (b) break-even point**

- (c) expected output
- (d) average revenue.

19. A(n) _____ is a broad plan of action by which an organization intends to reach its goal:

- (a) tactic.
- (B) policy.
- (c) objective.
- (d) strategy.

20 _____ is a form of price competition aimed at improving the ratio of a product's benefits to its price and related costs.

- (a) Psychological pricing.
- (b) Cost-plus pricing.
- (c) Penetration pricing.
- (d) Value pricing.

21. When a seller attempts to shift the demand curve for its product to the right, such efforts represent:

- (a) price competition.
- (b) 'economic diversification.
- (c) market control.
- (d) non price competition.

22. The strategy of market-skimming pricing is especially suited for new products because:

- (a) markets cannot be effectively segmented on an income basis.
- (b) price competition is typically most important in the introductory stage of the product life cycle.
- (c) high initial prices can keep demand from exceeding supply.
- (d) profits are more important than recouping costs.

23. The strategy of market-skimming pricing is especially suited for new products because:

- (a) high prices can be used to connote quality.**
- (b) it is an excellent way to recoup research and development costs.**
- (c) high initial prices can keep demand from outdistancing supply.**
- (d) all of the above are true.**

24. An organization should use a market-skimming strategy for a new product if:

- (a) competitors have free access to the product's raw materials.**
- (b) demand for the product is very elastic.**
- (c) the product is not unique enough to be patented.**
- (d) the new product is distinctive.**

25. In _____ pricing, a relatively low initial price is set in order to sell to the mass market immediately.

- (a) market-skimming.**
- (b) market-absorption.**
- (c) market-penetration.**
- (d) cost-plus.**

26. Market-penetration pricing for a new product is most likely to be used when:

- (a) high initial prices can keep demand within the limits of a company's productive capacities.**
- (b) economies of scale are impossible to achieve.**
- (c) the product has a highly elastic demand.**
- (d) the product is unlikely to face much competition until the growth stage of its product life cycle.**

27. Which of the following situations is the most compelling case for market penetration pricing?

- (a) Economies of scale cannot be achieved.**
- (b) A large mass market exists for the product.**

- (c) The product has a highly inelastic demand.**
- (d) No competition currently exists.**

28. Retailers the use a - strategy typically purchase close-out and discontinued products as well as production overruns from a variety of sources at a fraction of their original cost.

- (a) single-price.**
- (b) odd pricing.**
- (c) cash-discount.**
- (d) list pricing.**

29 _____ is used extensively by retailers of all types of apparel and involves the selection of a limited number of prices at which a store will sell its merchandise.

- (a) Price lining.**
- (b) Limited unit pricing.**
- (C) List pricing.**
- (d) Off-pricing.**

CHAPTER 10

CHANNELS OF DISTRIBUTION

Review Questions

True and False Questions :

- 1. You cannot eliminate middlemen from channels of distribution,**
- 2. Insurance companies, finance firms, and trucking companies are not formally included in the distribution channel.**
- 3. The last decision in designing a distribution channel is the selection of the specific channel members.**
- 4. Ultimate consumers and business users are typically reached through similar distribution channels.**
- 5. All services (because they are intangible) are sold through a direct distribution channel.**

Multiple-Choice Questions :

- 1. According to the text, middlemen are most meaningfully classified on the basis of :**
 - (a) prices charged to their customers.**
 - (b) geographic area served.**
 - (c) whether they take title to the products they handle.**
 - (d) number of different customers served.**
- 2. A _____ consists of the set of people and firms involved in the transfer of title to a product as it moves from producer to ultimate consumer or business user.**
 - (a) Logistics network**
 - (b) production channel**
 - (c) distribution channel**
 - (d) middlemen hierarchy.**

3. Middlemen acting in the role of purchasing agent for their customers would :

- (a) perform a decision-making function for customers.**
- (b) provide market information**
- (c) guarantee products.**
- (d) interpret consumers' wants.**

4. Intensity of distribution refers to :

- (a) which element of the marketing mix is emphasized.**
- (b) the number of middlemen used at the wholesale and retail levels in a particular territory.**
- (c) whether a direct or indirect channel is used.**
- (d) which forms of transportation will be used to distribute the product.**

5. What is the final decision a producer must make in order to design a suitable distribution channel for its product?

- (a) Choose specific channel members.**
- (b) Select the type of distribution channel.**
- (c) Determine the intensity of distribution.**
- (d) Evaluate conflict and control within the channel.**

6. When Kara purchased a gallon of cucumbers from her neighbor who gardens, _____ distribution occurred .

- (a) flexible**
- (b) inflexible**
- (c) intensive**
- (d) direct**

7. The distribution channel used when the manufacturer of art supplies sells its products direct to customers through mail orders is:

- (a) producer to consumer .**
- (b) producer to retailer to consumer.**
- (C) producer to wholesaler to retailer to consumer.**

(d) producer to agent to retailer to consumer.

8. Which of the following channels of distribution accounts for the greatest dollar sales volume of business products ?

(a) from producer to user .

(b) from producer to agent to user .

(c) from producer to industrial distribution to user

(d) from agent to industrial distribution to user.

9. Which distribution channel is the manufacturer of small safes for businesses most likely to use?

(a) from producer to user.

(b) from producer to industrial distributor to user

(c) from producer to agent to user.

(d) from agent to industrial distribution to user.

10. Midnight Physicians provides medical treatment for patients who are unable to see a doctor during the hours that doctor's offices are usually open. Midnight Physicians uses a (n) _____ channel of distribution.

(a) flexible.

(b) direct.

(c) hierarchical.

(d) administered.

11. _____ can have a significant influence on the selection of distribution channels.

(a) Geographic concentration of the market.

(b) Order size.

(c) Type of market.

(d) Number of potential customers.

(e) All of the above

- 12. Which of the following is LEAST likely to have a significant influence on the selection of distribution channels?**
- (a) technical installation and servicing needed for the product u of**
 - (b) perish ability of the product.**
 - (c) processes required in the product's manufacture**
 - (d) financial strength of producer.**
- 13. Which of the following products is most likely to have a direct or short channel of distribution?**
- (a) video tapes.**
 - (b) sporting goods.**
 - (c) CD players.**
 - (d) Fresh Orchids.**
- 14. Before choosing a distribution channel for a product, acompany should consider :**
- (a) what services it will need to provide for its buyers.**
 - (b) if it wants to control the channel.**
 - (c) if it has the marketing know-how to distribute the product itself.**
 - (d) if it has the financial resources to use a direct channel .**
- 15. Which of the following statements about the intensity of distribution is true?**
- (a) The degrees of intensity span an entire continuum.**
 - (b) Intensive distribution is not possible at the wholesale level.**
 - (c) A firm should use the same degree of intensity at each successive level of distribution**
 - (d) The intensity of distribution refers to whether a pull strategy will be used.**
- 16. A manufacturer that uses a (n) _____strategy of distribution wants to sell its product through every outlet in a market where a consumer might reasonably look for it.**
- (a) exclusive**
 - (b) intensive**

- (c) direct.
- (d) selective.

17. A manufacturer that uses selective distribution:

- (a) limits the number of outlets for its product in each market .
- (b) probably does not sell items classified s shopping goods.
- (c) in unable to use vertical marketing systems.
- (d) has only one outlet in each market.

18. In _____ distribution, a producer sells its products though multiple, but not all possible, wholesalers and/or retailers in a market where a consumer might. reasonably look for it.

- (a) exclusive.
- (b) intensive.
- (c) direct.
- (d) selective.

19. A firm that wants to _____ may decide to use a selective distribution strategy.

- (a) become a channel leader.
- (b) provide fewer customer services.
- (c) enhance the image of its products.
- (d) create a differential advantage which its competition cannot imitate

20. Under a(n) _____ distribution strategy, the supplier agrees to sell its products only to a single wholesaling middleman and/or retailer in a given market :

- (a) exclusive.
- (b) intensive.
- (c) direct.
- (d) selective.

21. For which of the following products will its manufacturer most likely choose exclusive distribution?

- (a) mystery novels.**
- (b) charcoal.**
- (c) newspaper printing presses.**
- (d) knee pads.**

22. The phrase "to have all your eggs in one basket" relates most directly to

- (a) exclusive.**
- (b) selective.**
- (c) indirect.**
- (d) multiple.**

CHAPTER 11
INTEGRETED MARKEITNG
COMMUNICATIONS

Review Questions

True and False Questions :

- 1. Across all businesses, more money is spent on personal selling than on any other form of promotion.**
- 2. Publicity is a special form of public relations.**
- 3. How a message is decoded depends upon the capability and interests of the message recipient.**
- 4. An advertiser hopes its promotion will make the demand for its products more elastic when the price increases.**
- 5. Promotion can be used to inform, persuade, and remind.**
- 6. To be effective, promotional activities must be coordinated with the other elements of the marketing mix-product planning, pricing, and distribution.**
- 7. An organization's promotional mix refers to how it selects and uses sales promotion activities.**
- 8. The best method for establishing a promotional budget is the task or objective method.**

Multiple-Choice Questions :

- 1. As an element in an organization's marketing mix, promotion can be designed to do all but _____ prospects**
 - (a) force.**
 - (b) persuade.**
 - (c) remind.**
 - (d) inform.**

- 2. The promotional mix is a combination of:**
- (a) advertising, personal selling, public relations, and publicity.**
 - (b) personal selling, advertising, sales promotion, publicity, and public relations.**
 - (c) promotional planning, promotional budgeting, promotional implementation, and promotional control.**
 - (d) personal selling, advertising, publicity, public relations, and price discounts.**
- 3. Across all businesses, more money is spent on _____ than on any other form of promotion.**
- (a) publicity.**
 - (b) personal selling.**
 - (c) sales promotion.**
 - (d) public relations.**
- 4. _____ is a paid-for type of impersonal mass communication in which the sponsor is clearly identified.**
- (a) Personal selling.**
 - (b) Sales promotion.**
 - (c) Public relations.**
 - (d) Advertising.**
- 5. A 50-cents-off coupon for Cocoa Puffs cereal is an example of the _____ elements of the promotional mix.**
- (a) advertising.**
 - (b) sales promotion**
 - (c) publicity.**
 - (d) mass communication.**

- 6. Which of the following is LEAST likely to be a consideration when determining the appropriate promotional mix for a company?**
- (a) A nature of the product.**
 - (b) the amount of money available for promotion.**
 - (c) the availability of human resources.**
 - (d) the nature of the market.**
- 7. When selecting a promotional method for a particular market, _____ will affect which method is chosen.**
- (a) concentration in the market.**
 - (b) geographic scope of the market.**
 - (c) type of customer.**
 - (d) readiness to buy.**
- 8. Because of the type of customer as well as the geographic scope of the market, a manufacturer of slate mining equipment will most likely rely on as the primary ingredient in its promotional mix.**
- (a) publicity.**
 - (b) personal selling.**
 - (c) sales promotion.**
 - (d) public relations.**
- 9. What is the ultimate determinant of the promotional mix?**
- (a) the size of the marketing department.**
 - (b) the funds available for promotion.**
 - (c) the nature of the product to be promoted.**
 - (d) the length of the distribution channel.**
- 10. What kind of the promotional activities will management tend to use for a product in the introductory stage of its life cycle?**
- (a) It would make little use of trade shows or exhibits.**
 - (b) It would stress the stimulation of primary demand.**
 - (c) It would stress the stimulation of selective demand.**

(d) It would promote the advantages of its brand over other competitive brands.

11. Which promotion strategy is most often used in the maturity stage of the product life cycle?

(a) stimulate primary demand.

(b) concentrate on publicity because it's free.

(c) cut back all promotional efforts except when attempting to revitalize the product.

(d) use advertising as a tool to persuade rather than to disseminate information.

12. A push strategy is :

(a) often used to promote convenience goods.

(b) a promotional strategy that is limited to aggregated markets.

(c) aimed at retailers and/or wholesalers.

(d) used to shorten the channel of distribution.

13. Promotion aimed at end users is called a _____ strategy

(a) push.

(b) terminal.

(c) direct.

(d) pull.. .

14. A pull strategy is :

(a) A promotional strategy that is limited to aggregated markets.

(b) aimed at end users.

(c) aimed at retailers and wholesalers.

(d) often used by agent middlemen.

15. Which of the following statements about push strategies is true?.

- (a) A manufacturer who uses a push strategy would direct promotional efforts toward middlemen.**
- (b) A small manufacturer who could not afford to advertise extensively would avoid a push strategy.**
- (c) Producers' push strategies are aimed at end users.**
- (d) Consumer-products firms avoid push strategies.**

16. Which of the following statements about pull strategies is true?

- (a) A pull strategy usually includes a lot of personal selling.**
- (b) Pull strategies are frequently used by manufacturers of consumer convenience goods.**
- (c) Pull strategies are aimed at retailers and wholesalers.**
- (d) Pull strategies should not be used in conjunction with push strategies.**

17. A promotional _____ is a coordinated series of promotional efforts built around a single theme and designed to reach a specific goal in a defined period of time.

- (a) mission.**
- (b) campaign.**
- (c) effort.**
- (d) objective.**

18. Which of the following methods of determining the promotional budget is probably the most widely used?

- (a) take or objective.**
- (b) percentage of sales.**
- (c) use all available funds.**
- (d) building method.**

19. There are four methods of determining the promotional budget. Of these, which is unsound and illogical because it assumes promotion is a result of sales and not the reverse ?

- (a) task or objective.**
- (b) percentage of sales.**
- (c) use all available funds**
- (d) building method.**

20. The method is the soundest basis for establishing a promotional budget.

- (a) task or objective.**
- (b) percentage of sales.**
- (c) use all available funds.**
- (d) trading down.**

Good Luck