

Multiple choice questions for  
“MARKETING”

Developed form the book of  
“PHILIP KOTLER”

PROVIDED BY- DIWAKAR EDUCATION HUB

PREPERED BY- DIWAKAR RAJPUT

## MULTIPLE-CHOICE QUESTIONS – MARKETING

1. Which of the following information forms available to the marketing manager can usually be accessed more quickly and cheaply than other information sources?
  - a. Marketing intelligence
  - b. Marketing research
  - c. Customer profiles
  - d. Internal databases
  
2. All of the following are considered to be drawbacks of local marketing EXCEPT:
  - a. it can drive up manufacturing and marketing costs by reducing economies of scale.
  - b. it can create logistical problems when the company tries to meet varied requirements.
  - c. it can attract unwanted competition.
  - d. it can dilute the brand's overall image.
  
3. Cognitive dissonance occurs in which stage of the buyer decision process model?
  - a. Need recognition
  - b. Information search
  - c. Evaluation of alternatives
  - d. Post purchase behavior
  
4. That the company that overlooks new and better ways to do things will eventually lose customers to another company that has found a better way of serving customer needs is a major tenet of:
  - a. innovative marketing.
  - b. consumer-oriented marketing.
  - c. value marketing.

- d. sense-of-mission marketing.
5. The biggest or greatest amount of involvement in a foreign market comes through which of the following?
- a. Exporting
  - b. Joint venturing
  - c. Licensing
  - d. Direct investment
6. A \_\_\_\_\_ is a good offered either free or at low cost as an incentive to buy a product.
- a. patronage reward
  - b. spiff
  - c. price pack
  - d. premium
7. Setting call objectives is done during which of the following stages of the selling process?
- a. Prospecting
  - b. Pre approach
  - c. Approach
  - d. Handling objections
8. Pricing to cover variable costs and some fixed costs, as in the case of some automobile distributorships that sell below total costs, is typical of which of the following pricing objectives?
- a. Current profit maximization
  - b. Product quality leadership
  - c. Market share leadership
  - d. Survival

9. In determining sales force size, when a company groups accounts into different size classes and then determines the number of salespeople needed to call on them the desired number of times, it is called the:
- key-size approach.
  - work-load approach.
  - product-need approach.
  - call-service approach.
10. \_\_\_\_\_ is products bought by individuals and organizations for further processing or for use in conducting a business.
- Consumer products
  - Services
  - Industrial products
  - Specialty products
11. All of the following would be ways to segment within the category of psychographic segmentation EXCEPT:
- social class.
  - occupation.
  - lifestyle.
  - personality.
12. The \_\_\_\_\_ is a person within a reference group who, because of special skills, knowledge, personality, or other characteristics, exerts influence on others.
- facilitator
  - referent actor
  - opinion leader
  - social role player
13. \_\_\_\_\_ describes changes in an individual's behavior arising from experience.

- a. Modeling
  - b. Motivation
  - c. Perception
  - d. Learning
14. Concerns that the manufacturers of harmful products such as tobacco have influence on lawmakers to the detriment of the public interest is used as evidence of which criticism of marketing?
- a. Too much advertising.
  - b. Too few social goods.
  - c. Cultural pollution.
  - d. Too much political power.
15. The Internet evolved from a network created by \_\_\_\_\_ during the 1960s.
- a. the Commerce Department
  - b. the Massachusetts Institute of Technology (MIT)
  - c. Northwestern University
  - d. the Defense Department
16. In terms of execution styles, a family seated at the dinner table enjoying the advertised product would be an example of which of the following types of advertising?
- a. Slice of life
  - b. Lifestyle
  - c. Mood or imagery
  - d. Personality symbol
17. A child in the United States is normally exposed to all of the following values EXCEPT:
- a. achievement and success.
  - b. activity and involvement.
  - c. material comfort.

- d. collectivism.
18. \_\_\_\_\_ has contractual authority to sell a manufacturer's entire output.
- a. Selling agents
  - b. Rack jobbers
  - c. Manufacturer's agents
  - d. Purchasing agents
19. Sellers that handle their own exports are engaged in:
- a. direct exporting.
  - b. indirect exporting.
  - c. licensing.
  - d. contract manufacturing.
20. More and more salespeople are being evaluated and compensated based on different measures than in the past. All of the following are illustrations of those measures\_ EXCEPT:
- a. long-term customer satisfaction.
  - b. competitive predatory pricing performance.
  - c. full customer service.
  - d. retention rates.
21. \_\_\_\_\_ includes practices such as overstating the product's features or performance, luring the customer to the store for a bargain that is out of stock, or running rigged contests.
- a. Deceptive promotion
  - b. Deceptive packaging
  - c. Deceptive pricing
  - d. Deceptive cost structure
22. The orange juice manufacturers know that orange juice is most often consumed in the mornings. However, they would like to change this and make the drink acceptable

during other time periods during the day. Which form of segmentation would they need to work with and establish strategy reflective of their desires?

- a. gender segmentation
  - b. benefit segmentation
  - c. occasion segmentation
  - d. age and life-cycle segmentation
23. The typical method of retail operation used by supermarkets and catalog showrooms is called:
- a. self-service retailing.
  - b. limited-service retailing.
  - c. full-service retailing.
  - d. service-merchandiser.
24. A(n) \_\_\_\_\_ are computerized collections of information obtained from data sources within the company.
- a. retrieval systems
  - b. marketing research reports
  - c. flow diagrams and PERT charts
  - d. internal databases
25. The total number of items that the company carries within its product lines refers to the \_\_\_\_\_ of the product mix.
- a. width
  - b. depth
  - c. length
  - d. consistency
26. The use of price points for reference to different levels of quality for a company's related products is typical of which product-mix pricing strategy?
- a. Optional-product pricing

- b. Captive-product pricing
  - c. By-product pricing
  - d. Product line pricing
27. If a company's objective were to reach masses of buyers that were geographically dispersed at a low cost per exposure, the company would likely choose which of the following promotion forms?
- a. Advertising
  - b. Personal selling
  - c. Public relations
  - d. Sales promotion
28. Using a successful brand name to introduce additional items in a given product category under the same brand name (such as new flavors, forms, colors, added ingredients, or package sizes) is called a(n):
- a. line extension.
  - b. brand extension.
  - c. multi branding.
  - d. new brands.
29. Successful service companies focus their attention on both their customers and their employees. They understand \_\_\_\_\_, which links service firm profits with employee and customer satisfaction.
- a. internal marketing
  - b. service-profit chains
  - c. interactive marketing
  - d. service differentiation
30. \_\_\_\_\_ is quoted as saying that "everyone lives by selling something."
- a. Bill Gates
  - b. Robert Louis Stevenson

- c. Arthur Miller
  - d. Henry Ford
31. Anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need is called a(n):
- a. idea.
  - b. demand.
  - c. product.
  - d. service.
32. The type of sales presentation approach that requires good listening and problem-solving skills is the:
- a. canned approach.
  - b. formula approach.
  - c. need-satisfaction approach.
  - d. critical-thinking approach.
33. Yahoo, Info seek, and Excite are all called:
- a. browsers.
  - b. Webcasters.
  - c. search engines.
  - d. software.
34. Successful \_\_\_\_\_ depends on how well a company blends its people, organizational structure, decision and reward systems, and company culture into a cohesive program that supports its strategies.
- a. marketing strategy
  - b. marketing control
  - c. marketing analysis

- d. marketing implementation
35. Wal-Mart owned Sam's club is an example of a retail form called a(n):
- a. factory outlet.
  - b. super specialty store.
  - c. seconds store.
  - d. warehouse club.
36. \_\_\_\_\_ is the general term for a buying and selling process that is supported by electronic means.
- a. Internet commerce
  - b. Web commerce
  - c. Computer commerce
  - d. Electronic commerce
37. When a company enters a new product category for which its current brand names are not appropriate, it will likely follow which of the following brand strategies?
- a. Product extensions
  - b. Line extensions
  - c. Brand extensions
  - d. New brands
38. \_\_\_\_\_ consists of dividing a market into distinct groups of buyers on the basis of needs, characteristics, or behavior who might require separate products or marketing mixes.
- a. Product differentiation
  - b. Market segmentation
  - c. Market targeting
  - d. Market positioning

39. \_\_\_\_\_ are ads that appear while subscribers are surfing online services or Web sites, including banners, pop-up windows, "tickers," and "roadblocks."
- Online infomercials
  - Online ads
  - Online broadcasts
  - Online bullets
40. In terms of special product life cycles, a \_\_\_\_\_ is a basic and distinctive mode of expression.
- genre
  - style
  - fashion
  - fad
41. \_\_\_\_\_ is a principle of enlightened marketing that requires that a company seek real product and marketing improvements.
- Innovative marketing
  - Consumer-oriented marketing
  - Value marketing
  - Sense-of-mission marketing
42. Many U.S. firms have sought relief from foreign competition by demanding protectionism policies by the U.S. government. A better way for companies to compete is to expand into foreign markets and:
- lower prices.
  - increase promotion both at home and abroad.
  - continuously improve their products at home.
  - join into cartels at home.
43. \_\_\_\_\_ is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter.

- a. Mass marketing
  - b. Market segmentation
  - c. Market targeting
  - d. Market positioning
44. It is a fact that there are 24 million left-handed people in the United States, however, most marketers do not attempt to appeal to or design products for this group because there is little in the way of census data about this group. Therefore, this group fails in one of the requirements for effective segmentation. Which of the following is most likely to apply in this case?
- a. actionable
  - b. substantial
  - c. differentiable
  - d. measurable
45. The fact that services are sold, produced, and consumed at the same time refers to which of the following service characteristics?
- a. Intangibility
  - b. Inseparability
  - c. Variability
  - d. Perishability
46. \_\_\_\_\_ factors are the most popular bases for segmenting customer groups.
- a. Geographic
  - b. Demographic
  - c. Psychographic
  - d. Behavioral
47. A manufacturer has four sponsorship options. A \_\_\_\_\_ is a brand created and owned by a reseller of a product or service.
- a. licensed brand

- b. manufacturer's brand
  - c. private brand
  - d. co-brand
48. When Michael Jordan and Tiger Woods use marketing to promote their careers and improve their impact and incomes, they are using:
- a. cause-related marketing.
  - b. idea marketing.
  - c. nonprofit marketing.
  - d. person marketing.
49. 3M runs a Pollution Prevention Pays program that has led to a substantial reduction in pollution and costs. This would be an example of responding to which of the following?
- a. Nader's raiders.
  - b. The "green movement."
  - c. Governmental regulation.
  - d. International competition.
50. When an international seller sells a plant, equipment, or technology to another country and agrees to take payment in the resulting products, it is called:
- a. barter.
  - b. buy-back.
  - c. counter purchase.
  - d. like-value exchange.
51. The stage in the product life cycle that focuses on expanding market and creating product awareness and trial is the:
- a. decline stage.
  - b. introduction stage.
  - c. growth stage.

d. maturity stage.

52. Which of the following promotional budget methods wrongly views sales as the cause of promotion rather than as the result?

- a. Affordable method
- b. Percentage-of-Sales method
- c. Competitive-parity method
- d. Objective-and-task method

53. If the field sales force has been supplied with new leads (via the telephone) that have been qualified, they have probably been assisted by:

- a. master salespersons.
- b. sales assistants.
- c. technical support persons.
- d. telemarketers.

54. \_\_\_\_\_ is setting the price steps between various products in a product line based on cost differences between the products, customer evaluations of different features, and competitors' prices.

- a. Optional-product pricing
- b. Captive-product pricing
- c. Product line pricing
- d. By-product pricing

55. Rolls Royce uses which of the following distribution formats?

- a. Intensive distribution
- b. Exclusive distribution
- c. Selective distribution
- d. Open distribution

56. Drop shippers perform which of the following functions?
- Assumes title and ships coal, lumber, or heavy equipment to a buyer.
  - Stocks the bread rack in a grocery store.
  - Maintains, owns, and stocks a CD display in a grocery store.
  - Sells jewelry out of a catalog.
57. A set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user is called a(n):
- retailer.
  - wholesaler.
  - distribution channel.
  - logistics.
58. \_\_\_\_\_ beliefs and values are open to some degree of change.
- Crucial
  - Core
  - Primary
  - Secondary
59. According to Engel's law, as income rises:
- the percentage spent on food rises.
  - the percentage spent on housing increases.
  - the percentage spent on other categories increases.
  - the percentage spent on savings remains constant.
60. The Wheeler-Lea Act gives the Federal Trade Commission the power to regulate:
- interstate commerce.

- b. marketing ethics.
  - c. unfair and deceptive acts or practices.
  - d. competitive advertising of objective product benefits.
61. In evaluating messages for advertising, telling how the product is better than the competing brands aims at making the ad:
- a. meaningful.
  - b. distinctive.
  - c. believable.
  - d. remembered.
62. When an importing country sets limits on the amount of goods it will accept in certain product categories it is called a(n):
- a. quota.
  - b. barrier.
  - c. tariff.
  - d. embargo.
63. According to the price/quality strategy matrix, when a company overprices its product in relation to its quality it is considered to be using which type of strategy?
- a. Good-value strategy.
  - b. Premium strategy.
  - c. Overcharging strategy.
  - d. Snob strategy.
64. \_\_\_\_\_ is the practice of adopting policies and developing strategies that both sustain the environment and produce profits for the company.
- a. Environmentalism
  - b. Environmental sustainability
  - c. Consumerism

d. Consumer accountability

65. A \_\_\_\_\_ is a promotion strategy that calls for using the sales force and trade promotion to move the product through channels.
- a. push strategy
  - b. pull strategy
  - c. blocking strategy
  - d. integrated strategy
66. Consumer goods with unique characteristics or brand identification often requiring a special purchase effort are called:
- a. custom products.
  - b. specialty products.
  - c. convenience products.
  - d. shopping products.
67. Even though buying roles in the family change constantly, the \_\_\_\_\_ has traditionally been the main purchasing agent for the family.
- a. wife
  - b. husband
  - c. teenage children
  - d. grandparent
68. A(n) \_\_\_\_\_ is a retail store that carries a narrow product line with a deep assortment within that line.
- a. shopping goods store
  - b. convenience store
  - c. specialty store
  - d. department store

69. The purpose of strategic planning is to find ways in which the company can best:
- overcome losses.
  - use its strengths to take advantage of attractive opportunities in the environment.
  - avoid paying taxes.
  - avoid the expense of costly research and development while still getting the benefits.
70. Which of the following is NOT one of the five stages of the buyer decision process?
- need recognition
  - brand identification
  - information search
  - purchase decision
71. A \_\_\_\_\_ is a need that is sufficiently pressing to direct the person to seek satisfaction.
- motive
  - want
  - demand
  - requirement
72. If a firm were to bid to do a "turnkey" operation where they would choose a building site, designing a cement factory to build the plant, hire construction crews, assemble materials and equipment to run the new factory, and turn over the finished factory ready to operate to the owners, the firm would be using which of the following?
- Core process products selling
  - Design products selling
  - Reciprocal selling
  - Systems selling
73. According to the text, the most dramatic of the environments that affect marketing and

appears to be now shaping our world is the\_\_\_\_\_environment.

- a. natural
  - b. demographic
  - c. economic
  - d. technological
74. The "in" suppliers are most likely to get nervous and feel pressure to put their best foot forward in which of the following types of buying situations?
- a. modified rebuy
  - b. new task buying
  - c. straight rebuy
  - d. indirect rebuy
75. All of the following are ways that marketing plays a key role in the company's strategic planning EXCEPT:
- a. marketing provides a guiding philosophy.
  - b. marketing is the only discipline that can provide a formal structure for the planning effort.
  - c. marketing provides inputs to strategic planners by helping to identify attractive market opportunities.
  - d. within individual business units, marketing designs strategies for reaching the unit's objectives.
76. Which of the following is foreign owned (even though it is traditionally thought of as a U.S. company)?
- a. IBM
  - b. Xerox
  - c. Kodak
  - d. Universal Studios
77. In an example discussed in your text, Johnson & Johnson's recall of their Tylenol

product following the discovery that several bottles of Tylenol had been laced with cyanide is consistent with which business philosophy?

- a. The marketing concept.
- b. The product concept.
- c. The selling concept.
- d. The societal marketing concept.

78. \_\_\_\_\_ is the step in the selling process in which the salesperson learns as much as possible about a prospective customer before making a sales call.

- a. Prospecting
- b. Pre approach
- c. Approach
- d. Handling objections

79. A company's compensation plan should reflect its overall marketing strategy. For example, if the overall strategy is to grow rapidly and gain market share, the compensation plan should reward:

- a. loyalty and perseverance.
- b. spot selling and old product rejuvenation.
- c. high sales performance and encourage capturing new accounts.
- d. high pressure situations and competitive reaction.

80. Traditionally, companies have defined their businesses in product terms or in technological terms. However, mission statements should be all of the following. EXCEPT:

- a. market oriented.
- b. a statement of religion.
- c. motivating.
- d. based on distinctive competencies.

81. A price reduction to buyers who buy in large volumes is called a(n):

- a. quantity discount.
  - b. cash discount.
  - c. seasonal discount.
  - d. trade discount.
82. R&D and engineering first produce the product concept into a physical product during which of the following stages of the new product development process?
- a. Concept development and testing
  - b. Marketing strategy
  - c. Business analysis
  - d. Product development
83. All of the following are criticisms leveled against marketing by critics EXCEPT:
- a. harming consumers through high prices.
  - b. harming consumers through deceptive practices.
  - c. harming consumers through high-pressure selling.
  - d. harming consumers through too many product choices.
84. If Toyota describes one of its cars of the future as being "a moderately priced subcompact designed as a second family car to be used around town; the car is ideal for running errands and visiting friends," then the company has just stated a potential new product in terms of a(n):
- a. product idea
  - b. product image
  - c. product concept
  - d. product feature
85. The primary reason that many companies work to become the "low-cost producers" in their industry is because:
- a. they can generate more advertising.
  - b. they can please top management.

- c. they can gain tax advantages.
  - d. they can set lower prices that result in greater sales and profits.
86. Conflicts between different levels of the same channel of distribution are referred to as:
- a. horizontal conflicts.
  - b. vertical conflicts.
  - c. layer-based conflicts.
  - d. parallel conflicts.
87. \_\_\_\_\_ is a philosophy holding that a company's marketing should support the best long-run performance of the marketing system.
- a. Enlightened marketing
  - b. Myopic marketing
  - c. Fundamental marketing
  - d. Conceptual marketing
88. A company is practicing \_\_\_\_\_ if it focuses on subsegments with distinctive traits that may seek a special combination of benefits.
- a. micromarketing
  - b. niche marketing
  - c. mass marketing
  - d. segment marketing
89. If a consumer describes a car as being the "most economical car on the market," then this descriptor is a:
- a. rule.
  - b. attitude.
  - c. belief.
  - d. cue.

90. All of the following are commonly recognized promotion budget formats EXCEPT:
- the affordable method.
  - the LIFO method.
  - the percentage-of-sales method.
  - the objective-and-task method.
91. When a company reviews sales, costs, and profit projections for a new product to find out whether these factors satisfy the company's objectives, they are in which of the following new process development stages?
- Concept development and testing.
  - Commercialization.
  - Business analysis.
  - Marketing strategy development.
92. \_\_\_\_\_ is a strategy of using a successful brand name to launch a new or modified product in a new category.
- Duo branding
  - Line extension
  - Brand extension
  - Multi branding
93. The fact that services cannot be stored for later use or sale is evidence of their:
- intangibility.
  - inseparability.
  - variability.
  - perishability.
94. \_\_\_\_\_ is the concept under which a company carefully integrates and coordinates its many communications channels to deliver a clear, consistent, and compelling message about the organization and its products.
- The promotion mix
  - Integrated international affairs

- c. Integrated marketing communications
  - d. Integrated demand characteristics
95. Catalog marketing is big business in the United States. The average household receives \_\_\_\_\_ catalogs per year.
- a. 25
  - b. 50
  - c. 75
  - d. 100
96. A company faces several major decisions in international marketing. The first of these decisions is often:
- a. deciding whether to go international.
  - b. looking at the global marketing environment.
  - c. deciding which markets to enter.
  - d. deciding how to enter markets.
97. A \_\_\_\_\_ is the way consumers perceive an actual or potential product.
- a. product idea
  - b. product image
  - c. product concept
  - d. product feature
98. The American Marketing Association suggests a list of code of ethics. All of the following are ethics suggested in the area of distribution EXCEPT:
- a. not manipulating the availability of a product for purpose of exploitation.
  - b. not using coercion in the marketing channel.
  - c. using gray marketers whenever possible to save the consumer money.
  - d. not exerting undue influence over the reseller's choice to handle a product.

99. Given recent information about growth trends and growth potential of ethnic populations within the U.S. market, which of the following ethnic groups would be a best bet to double during the next half century and become one of the U.S. market's most viable segments?
- a. Hispanics and Asians
  - b. African Americans
  - c. Western Europeans
  - d. Middle Eastern
100. All of the following are methods by which a company can divide up its sales responsibilities EXCEPT:
- a. territorial sales force structure.
  - b. psychographic trait sales force structure.
  - c. product sales force structure.
  - d. customer sales force structure.
101. If your company were to make a product such as a suit of clothes and sold that product to a retailer, your company would have sold to the \_\_\_\_\_ market.
- a. reseller
  - b. business
  - c. government
  - d. service
102. The course of a product's sales and profits over its lifetime is called:
- a. the sales chart.
  - b. the dynamic growth curve.
  - c. the adoption cycle.
  - d. the product life cycle.
103. The type of trade-promotion discount in which manufacturers agree to reduce the price to the retailer in exchange for the retailer's agreement to feature the manufacturer's

products in some way is called a(n):

- a. discount.
- b. allowance.
- c. premium.
- d. rebate.

104. The most logical budget setting method is found in the list below. Which is it?

- a. Affordable method
- b. Percentage-of-Sales method
- c. Competitive-parity method
- d. Objective-and-task method

105. The place in the business buying behavior model where interpersonal and individual influences might interact is called the:

- a. environment.
- b. response.
- c. stimuli.
- d. buying center.

106. When producers, wholesalers, and retailers act as a unified system, they comprise a:

- a. conventional marketing system.
- b. power-based marketing system.
- c. horizontal marketing system.
- d. vertical marketing system.

107. One common misuse of marketing research findings in contemporary business is the tendency for marketing research to:

- a. become a vehicle for pitching the sponsor's products.
- b. become a vehicle for discriminating in the marketplace.
- c. become a means for raising prices.

- d. become a means for unfair competition.
108. \_\_\_\_\_ is a person's distinguishing psychological characteristics that lead to relatively consistent and lasting responses to his or her own environment.
- a. Psychographics
  - b. Personality
  - c. Demographics
  - d. Lifestyle
109. \_\_\_\_\_ has the advantage of being high in selectivity; low cost; immediacy; and interactive capabilities.
- a. Direct Mail
  - b. Outdoor
  - c. Online
  - d. Radio
110. The choice between high markups and high volume is part of which of the following retailer marketing decisions?
- a. Target market decisions
  - b. Product assortment and services decisions
  - c. Pricing decisions
  - d. Promotion decisions
111. If an advertiser wants flexibility, timeliness, good local market coverage, broad acceptability, and high believability, the advertiser will probably choose which of the following mass media types?
- a. Newspapers
  - b. Television
  - c. Direct Mail
  - d. Radio

112. If your company were to make light bulbs to be used in photocopiers, you would most likely be selling to a \_\_\_\_\_ market.
- reseller
  - business
  - government
  - service
113. If a government uses barriers to foreign products such as biases against a foreign company's bids, or product standards that go against a foreign company's product features, the government is using:
- protectionism.
  - exchange controls.
  - exchange facilitators.
  - nontariff trade barriers.
114. A(n) \_\_\_\_\_ is a name, term, sign, symbol, or design, or a combination of these that identifies the maker or seller of a product or service.
- product feature
  - sponsorship
  - brand
  - logo
115. All of the following factors can affect the attractiveness of a market segment EXCEPT:
- the presence of many strong and aggressive competitors.
  - the likelihood of government monitoring.
  - actual or potential substitute products.
  - the power of buyers in the segment.
116. A \_\_\_\_\_ is any activity or benefit offered for sale that is essentially intangible and does not result in the ownership of anything.
- demand

- b. basic staple
  - c. product
  - d. service
117. If Mark Mars pays Hershey Foods Corporation for the right to use their name on his line of T-shirts, then Mr. Mars is using which type of branding?
- a. Licensed brand
  - b. Manufacturer's brand
  - c. Private brand
  - d. Co-brand
118. When personal interviewing involves inviting six to ten people to gather for a few hours with a trained interviewer to talk about a product, service, or organization, the method is called:
- a. selective sponsorship.
  - b. probing.
  - c. focus group interviewing.
  - d. the Delphi method.
119. The\_\_\_\_\_holds that consumers will favor products that are available and highly affordable (therefore, work on improving production and distribution efficiency).
- a. product concept
  - b. production concept
  - c. production cost expansion concept
  - d. marketing concept
120. If advertising constantly sends out messages about materialism, sex, power, and status, which of the following categories of social criticism most closely matches this problem?
- a. Too much advertising.
  - b. Too few social goods.

- c. Cultural pollution.
  - d. Too much political power.
121. A company is in the \_\_\_\_\_ stage of the new product development process when the company develops the product concept into a physical product in order to assure that the product idea can be turned into a workable product.
- a. product development
  - b. commercialization
  - c. marketing strategy
  - d. business analysis
122. The shrinking of distances due to technological advances such as computer and fax connections by telephone, are one characteristic of what new challenge to marketing?
- a. Rapid globalization.
  - b. The changing world economy.
  - c. The call for more socially responsible marketing.
  - d. The micro-chip revolution.
123. Joining with foreign companies to produce or market products and services is called:
- a. direct exporting.
  - b. indirect exporting.
  - c. licensing.
  - d. joint venturing.
124. The major advantage of survey research is its:
- a. simplicity.
  - b. structure.
  - c. organization.
  - d. flexibility.

125. The type of salesforce structure in which the salesforce sells along product lines is called a:
- a. territorial salesforce.
  - b. product salesforce.
  - c. customer salesforce.
  - d. retail salesforce.
126. A "three-day cooling off period" in which buyers can cancel a contract after re-thinking it is to protect the consumer from:
- a. creative selling
  - b. high pressure selling
  - c. detail selling
  - d. hard core selling
127. The practice of going after a large share of a smaller market or subsets of a few markets is called:
- a. undifferentiated marketing.
  - b. differentiated marketing.
  - c. concentrated marketing.
  - d. turbo marketing.
128. When Coca-Cola and Nestle formed a joint venture to market a ready-to-drink coffee and tea worldwide, the type of marketing system that was formed would best be described as being a(n):
- a. vertical marketing system
  - b. parallel marketing system
  - c. diversified marketing system
  - d. horizontal marketing system

129. \_\_\_\_\_ is screening new-product ideas in order to spot good ideas and drop poor ones as soon as possible.
- Idea generation
  - Concept development and testing
  - Idea screening
  - Brainstorming
130. When a marketing research organization chooses a segment of the population that represents the population as a whole, they have chosen a\_\_\_\_\_.
- group
  - bi-variant population
  - sample
  - market target
131. The goal of the marketing logistics system should be to provide:
- a targeted level of promotional support.
  - a targeted level of customer service at the least cost.
  - a targeted level of transportation expense ratio.
  - a targeted level of field support.
132. Setting the promotion budget so as to match the budgets of the competition is characteristic of which of the following budget methods?
- Affordable method
  - Percentage-of-Sales method
  - Competitive-parity method
  - Objective-and-task method
133. If a company (considering its options on the product/market expansion grid) chooses to move into different unrelated fields (from what it has ever done before) with new products as a means to stimulate growth, the company would be following which of the

following general strategies?

- a. market penetration
- b. market development
- c. product development
- d. diversification

134. Technological advances, shifts in consumer tastes, and increased competition, all of which reduce demand for a product are typical of which stage in the PLC?

- a. decline stage
- b. introduction stage
- c. growth stage
- d. maturity stage

135. If Honda uses its company name to cover such different products as its automobiles, lawn mowers, and motorcycles, it is practicing which of the following strategies?

- a. new brand strategy
- b. line extension strategy
- c. multibrand strategy
- d. brand extension strategy

136. The process that turns marketing strategies and plans into marketing actions in order to accomplish strategic marketing objectives is called:

- a. Marketing strategy.
- b. Marketing control.
- c. Marketing analysis.
- d. Marketing implementation.

137. Each salesperson is assigned to an exclusive area in which to sell the company's full line of products or services in which type of salesforce structure?

- a. Territorial sales force.
- b. Product sales force.
- c. Customer sales force.
- d. Hybrid sales force.

138. The last stage in the selling process is the\_\_\_\_\_stage.

- a. approach
- b. handling objections
- c. closing
- d. follow-up

139. In 1985, the Coca-Cola Company made a classic marketing blunder with its deletion of its popular Coca-Cola product and introduction of what it called New Coke. Analysts now believe that most of the company's problems resulted from poor marketing research. As the public demanded their "old Coke" back, the company relented and reintroduced Coca-Cola Classic (which has regained and surpassed its former position) while New Coke owns only 0.1 percent of the market. Which of the following marketing research mistakes did Coca-Cola make?

- a. They did not investigate pricing correctly and priced the product too high.
- b. They did not investigate dealer reaction and had inadequate distribution.
- c. They defined their marketing research problem too narrowly.
- d. They failed to account for the Pepsi Challenge taste test in their marketing efforts.

140. Costs that do not vary with production or sales levels are called:

- a. fixed costs.
- b. variable costs.
- c. standard costs.
- d. independent costs.

141. All of the following are thought to be sources of new product ideas EXCEPT:

- a. internal sources.

- b. customers.
- c. competitors.
- d. the local library.

142. Today, advertising captures about \_\_\_\_\_ percent of total promotion spending.

- a. 15
- b. 23
- c. 29
- d. 33

143. The first modern environmental movement in the United States began in the:

- a. 1940s.
- b. 1950s.
- c. 1960s and 1970s.
- d. mid-1980s.

144. One of the most common problems with using internal database information is that:

- a. since it was probably collected for some other purpose, it may be incomplete or wrong.
- b. it is usually expensive to retrieve.
- c. top executives are usually unwilling to relinquish data, therefore, the data has limits.
- d. the data is almost always unsecured and, therefore, suspect as to reliability.

145. Regulations that arise to ensure that firms take responsibility for the social costs of their products or production processes stem from which reason for government legislation of business?

- a. To protect companies from each other.
- b. To protect consumers from unfair business practices.
- c. To protect the interests of society.

- d. To protect businesses from unfair consumer demands.
146. The advantages of audience selectivity, no ad competition and personalization apply to which type of media?
- a. Newspapers
  - b. Television
  - c. Direct Mail
  - d. Radio
147. One of the most promising developments in multivariable segmentation is called \_\_\_\_\_ where a host of demographic and socioeconomic factors are used.
- a. terragraphic segmentation
  - b. fermagraphic segmentation
  - c. geothermy segmentation
  - d. geodemographic segmentation
148. When companies make marketing decisions by considering consumers' wants and the long-run interests of the company, consumer, and the general population, they are practicing which of the following principles?
- a. Innovative marketing
  - b. Consumer-oriented marketing
  - c. Value marketing
  - d. Societal marketing
149. The study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics is called:
- a. Geothermy.
  - b. Demography.
  - c. Ethnography.
  - d. Hemos-popography.

150. Marketers are sometimes accused of deceptive practices that lead consumers to believe they will get more value than they actually do. \_\_\_\_\_ includes practices such as falsely advertising "factory" or "wholesale" prices or a large price reduction from a phony high retail price.
- a. Deceptive promotion
  - b. Deceptive packaging
  - c. Deceptive pricing
  - d. Deceptive cost structure

## Answer Key – Marketing Sample Questions

1. d
2. c
3. d
4. a
5. d
6. d
7. b
8. d
9. b
10. c
11. b
12. c
13. d
14. d
15. d
16. a
17. d
18. a
19. a
20. b
21. a
22. c
23. a
24. d
25. c
26. d
27. a
28. a

29. b
30. b
31. c
32. c
33. c
34. d
35. d
36. d
37. d
38. b
39. b
40. b
41. a
42. c
43. c
44. d
45. b
46. b
47. c
48. d
49. b
50. b
51. b
52. b
53. d
54. c
55. b
56. a
57. c

- 58. d
- 59. c
- 60. c
- 61. b
- 62. a
- 63. c
- 64. b
- 65. a
- 66. b
- 67. a
- 68. c
- 69. b
- 70. b
- 71. a
- 72. d
- 73. d
- 74. a
- 75. b
- 76. d
- 77. d
- 78. b
- 79. c
- 80. b
- 81. a
- 82. d
- 83. d
- 84. c
- 85. d
- 86. b

- 87. a
- 88. b
- 89. c
- 90. b
- 91. c
- 92. c
- 93. d
- 94. c
- 95. b
- 96. b
- 97. b
- 98. c
- 99. a
- 100. b
- 101. a
- 102. d
- 103. b
- 104. d
- 105. d
- 106. d
- 107. a
- 108. b
- 109. c
- 110. c
- 111. a
- 112. b
- 113. d
- 114. c
- 115. b

- 116. d
- 117. a
- 118. c
- 119. b
- 120. c
- 121. a
- 122. a
- 123. d
- 124. d
- 125. b
- 126. b
- 127. c
- 128. d
- 129. c
- 130. c
- 131. b
- 132. c
- 133. d
- 134. a
- 135. d
- 136. d
- 137. a
- 138. d
- 139. c
- 140. a
- 141. d
- 142. b
- 143. c
- 144. a

145. c

146. c

147. d

148. d

149. b

150. c

## MULTIPLE CHOICE

1. Brinker International operates restaurants in several different segments of the casual dining market. This is
  - a. a relatively high level of diversification.
  - b. an example of product diversification.
  - c. unlikely to reduce variability in the firm's profitability since the restaurants are all in the casual dining category.
  - d. an example of related linked diversification.

ANS: B

2. On the most basic level, corporate-level strategy is concerned with \_\_\_\_\_ and how to manage these businesses.
  - a. whether the firm should invest in global or domestic businesses
  - b. what product markets and businesses the firm should be in
  - c. whether the portfolio of businesses should generate immediate above-average returns or should be troubled businesses which will create above-average returns only after restructuring
  - d. whether to integrate backward or forward.

ANS: B

3. The ultimate test of the value of a corporate-level strategy is whether the
  - a. corporation earns a great deal of money.
  - b. top management team is satisfied with the corporation's performance.
  - c. businesses in the portfolio are worth more under the management of the company in question than they would be under any other ownership.
  - d. businesses in the portfolio increase the firm's financial returns.

ANS: C

4. The more "constrained" the relatedness of diversification,
  - a. the less likely the firm's portfolio of businesses will reduce the firm's variability in profitability.
  - b. the wider the variation in the portfolio of businesses owned by the firm.
  - c. the more links there are among the businesses owned by an organization.
  - d. lower the proportion of total organizational revenue derived from the dominant-business.

ANS: C

5. Wm. Wrigley Jr. Company bought Life Savers and Altoids from Kraft. Thus, Wrigley
  - a. is moving away from its traditional dominant-business strategy.
  - b. has become a conglomerate since Life Savers and Altoids are unrelated businesses.
  - c. is integrating vertically.
  - d. probably plans to restructure these companies and sell them off.

ANS: A

6. A firm that earns less than 70% of revenue from its dominant business and has direct connections between its businesses is engaging in\_\_\_\_\_diversification.
- unrelated
  - related constrained
  - related linked
  - dominant-business

ANS: B

7. Which acquisition would be considered the LEAST related?
- a candy manufacturer purchases a chemical laboratory specializing in food flavorings.
  - a chain of garden centers acquires a landscape architecture firm.
  - a hospital acquires a long-term care nursing home.
  - an upscale “white-tablecloth” restaurant chain acquires a travel agency.

ANS: D                      PTS: 1                      DIF: Easy                      REF: 171  
OBJ: 06-02 TYPE: application

8. The lowest level of diversification is the\_\_\_\_\_level.
- single business
  - dominant-business
  - related constrained
  - unrelated

ANS: A                      PTS: 1                      DIF: Easy                      REF: 170-171 (Table 6.1)  
OBJ: 06-02 TYPE: knowledge

9. Usually a company is classified as a single business firm when revenues generated by the dominant business are greater than\_\_\_\_\_percent.
- 99
  - 95
  - 90
  - 70

ANS: B                      PTS: 1                      DIF: Medium                      REF: 171  
OBJ: 06-02 TYPE: knowledge

10. The more direct connections among businesses, the more\_\_\_\_\_is the relatedness of the diversification.
- linked
  - constrained
  - integrated
  - intense

ANS: B

The main difference between the related constrained level of diversification and the related linked level of diversification is

- a. the percentage of total organizational revenue that comes from the dominant business.
- b. the level of sharing of resources and activities among the businesses.
- c. whether the diversification is vertical or horizontal.
- d. whether the diversification is value-creating or value-neutral.

ANS: B

11. Conglomerates follow the \_\_\_\_\_ diversification strategy:
  - a. unrelated
  - b. related constrained
  - c. related linked
  - d. global

ANS: A

EXPLANATION-- **Conglomerate diversification** is growth strategy that involves adding new products or services that are significantly different from the organization's present products or services.

Conglomerat **diversification** occurs when the firm diversifies into an area(s) totally unrelated to the organization current business.

12. GE has recently reorganized from eleven businesses down to six core businesses. The purpose of this reorganization is to transfer core competencies in different types of technologies among GE's businesses. This is an example of
  - a. increasing market power through vertical integration.
  - b. efficient internal capital allocation.
  - c. a focus on financial economies.
  - d. increasing corporate relatedness.

ANS: D

EXPLANATION-- **relatedness** can be exploited to achieve a competitive advantage of the "diversified related business **company**" over single business competitors (be they independent single business companies or the individual businesses operating as part of - unrelated - conglomerates).

13. Which of the following reasons for diversification is most likely to increase the firm's value?
  - a. increasing managerial compensation
  - b. reducing costs through business restructuring
  - c. taking advantage of changes in tax laws
  - d. conforming to antitrust regulation

ANS: B

14. Which of the following is a value-reducing reason for diversification?
  - a. enhancing the strategic competitiveness of the entire company
  - b. expanding the business portfolio in order to reduce managerial employment risk
  - c. gaining market power relative to competitors

d. conforming to antitrust regulation

ANS: B

15. An office management firm has developed a system for efficiently organizing small medical and dental practices both through proprietary software and through unique training programs for staff. It has recently acquired a firm specializing in providing management services for veterinary practices. The office management firm is hoping to:
- achieve economies of scope.
  - implement vertical integration.
  - achieve financial economies through an unrelated acquisition.
  - acquire specialized talent from the veterinary management company.

ANS: A

16. Firms that have selected a related diversification corporate-level strategy seek to exploit
- control shared among business-unit managers.
  - economies of scope between business units.
  - the favorable demand of buyers.
  - market power.

ANS: B

17. Firms seek to create value from economies of scope through all of the following EXCEPT
- activity sharing.
  - skill transfers.
  - transfers of corporate core competencies.
  - de-integration.

ANS: D

18. The basic types of operational economies through which firms seek value from economies of scope are
- synergies between internal and external capital markets.
  - the leveraging of tangible resources.
  - the sharing of primary and support activities.
  - joint ventures and outsourcing.

ANS: C

19. The acquisition of Gillette Co. by Procter & Gamble will probably result in activity sharing because P&G has a reputation for technology transfer: the ability to take technology used in one brand and apply it to another brand. This is an example of

- a. operational relatedness.
- b. corporate relatedness.
- c. vertical integration.
- d. virtual integration.

ANS: A

20. Which of the following is TRUE?
- a. Conglomerates are a fading presence on the U.S. business scene, but are common in emerging markets.
  - b. Unrelated diversified firms seek to create value through economies of scope.
  - c. The sharing of intangible resources, such as know-how, between firms is a type of operational sharing in related diversifications.
  - d. Related linked firms share more tangible resources and activities between businesses than do related constrained firms.

ANS: D

21. Research has shown that horizontal acquisitions
- a. tend to have disappointing financial results in the long run.
  - b. are being replaced by virtual acquisitions.
  - c. are riskier than vertical acquisitions.
  - d. are able to use activity sharing to successfully create economies of scope

ANS: D

22. A noted professional art academy has founded an "artists and friends" travel company specializing in tours for artists to scenic locales, using its faculty as traveling teachers. In addition, the art academy has purchased a framing company to both make frames for academy art works, but also to sell museum-quality framing services to the public. The art academy is engaging in diversification based on \_\_\_\_\_ relatedness.
- a. Organizational
  - b. Corporate
  - c. Intellectual
  - d. Constrained

ANS: A

23. Dragonfly Publishers of children's books has purchased White Rabbit, another publisher of children's books. Both companies' books are sold to the same retail stores and schools. Their content is different, since Dragonfly produces children's literature, whereas White Rabbit focuses on child-level scientific and nature topics. Which of the following statements is probably TRUE about this acquisition?
- a. This is a horizontal acquisition.
  - b. This is an example of virtual integration.
  - c. Dragonfly is beginning to build a conglomerate.

d. Economies of scope are unlikely to result from this acquisition.

ANS: A

The purchasing of firms in the same industry is called:

- a. unrelated diversification.
- b. vertical integration.
- c. networking the organization.
- d. horizontal acquisition.

ANS: D

24. In related linked diversified firms, \_\_\_\_\_ are a complex set of resources that link the different businesses through managerial and technological knowledge, experience, and expertise.
- a. corporate core competencies
  - b. strategies
  - c. support activities
  - d. intangible assets

ANS: A

25. Multipoint competition occurs when
- a. firms have multiple retail outlets.
  - b. firms have multiple products in their primary industry.
  - c. diversified firms compete against each other in several markets.
  - d. firms have diversified portfolios of companies.

ANS: C

26. The drawbacks to transferring competencies by moving key people into new management positions include all EXCEPT
- a. the people involved may not want to move.
  - b. managerial competencies are not easily transferable to different organizational cultures.
  - c. managers with these skills are expensive.
  - d. top-level managers may resist having these key people transferred.

ANS: B

27. One method of facilitating the transfer of competencies between firms is to
- a. virtually integrate the two firms.
  - b. transfer key people into new management positions.
  - c. share support activities, such as purchasing practices.

d. restructure the weaker firm to mirror the structure of the more successful firm.

ANS: B

28. Xanadu, a U.S. manufacturer of pharmaceuticals, has acquired a firm in the same industry in Ireland. It plans to transfer one of its key managers from its plant in St. Louis to Ireland. What is the major threat to Xanadu's plant to transfer competencies from itself to the Irish firm?
- The St. Louis manager may quit Xanadu in order to remain in St. Louis.
  - American pharmaceutical manufacturing techniques may not transfer to Ireland.
  - Irish managers will refuse to take direction from a foreign executive.
  - The cost of transferring U.S. managers overseas is usually not cost-effective.

ANS: A

29. Acquisitions to increase market power require that the firm have a \_\_\_\_\_ diversification strategy.
- unrelated
  - related
  - dominant-business
  - single business

ANS: B

When diversification results in two companies, such as UPS and FedEx simultaneously competing in numerous markets, this is called \_\_\_\_\_ competition.

- head-to-head
- cross-domain
- multipoint
- horizontal

ANS: C

30. Cendant Corporation owns real estate brokerages, relocation services, lodging franchises and online travel services. It follows a \_\_\_\_\_ corporate strategy.
- dominant-business
  - related constrained diversification
  - related linked diversification
  - unrelated diversification

ANS: C

31. Whirlpool and Maytag have similar product lines. Whirlpool's increase in market power if it acquires Maytag would result from

- a. multipoint competition.
- b. an increase in scale.
- c. vertical integration.
- d. virtual integration.

ANS: B

32. Backward integration occurs when a company
- a. produces its own inputs.
  - b. owns its own source of distribution of outputs.
  - c. is concentrated in a single industry.
  - d. is divesting unrelated businesses.

ANS: A

33. PorkPride Foods produces hams and other meat products. It owns hog raising operations. This is an example of a \_\_\_\_\_ business.
- a. de-integrated
  - b. vertically integrated
  - c. totally integrated
  - d. horizontally integrated

ANS: B

34. A company pursuing vertical integration can gain market power over its competitors through all of the following EXCEPT
- a. improved process innovation.
  - b. savings on operations costs.
  - c. improved product quality.
  - d. avoidance of market costs.

ANS: A

35. Which of the following is NOT a limit to vertical integration?
- a. bureaucratic costs
  - b. the loss of flexibility through investment in specific technologies
  - c. capacity balance and coordination problems from changes in demand
  - d. imitation of core technology by potential competitors

ANS: D

36. Specialty Steel, Inc., needs a particular type of brick to line its kilns in order to safely achieve the high temperatures needed for the unusually strong steel it produces. The clay to make this brick is very rare and only two brick plants in the U.S. make this type of brick. Specialty Steel has decided to buy one of these brick plants. This is an example of
- backward integration.
  - forward integration.
  - horizontal integration.
  - virtual integration.

ANS: A

37. Specialty Steel, Inc., needs a particular type of brick to line its kilns in order to safely achieve the high temperatures needed for the unusually strong steel it produces. The clay to make this brick is very rare and only two brick plants in the U.S. make this type of brick. Specialty Steel owns one of these brick plants and buys all of its production. The other brick manufacturer has recently developed an inexpensive new technology whereby ordinary clay can be used to make this fire brick. This significantly reduces the production cost of this type of brick.
- Specialty Steel has less flexibility now than if it were not vertically integrated.
  - This is an example of a capacity balance problem.
  - This is a result of conflicts of interest between the managers of the brick plant and the executives of Specialty Steel.
  - The market power of Specialty Steel has been de-integrated.

ANS: A

38. Which of the following is TRUE?
- In response to global trends, most U.S. companies are becoming vertically integrated.
  - In Latin America and other emerging economies, dominant-business firms continue to characterize the private sector.
  - The enthusiasm of the U.S. capital markets for conglomerates has resulted in sustained unrelated diversification in the U.S. economy.
  - U.S. firms are moving away from unrelated diversification.

ANS: D

39. Disney has been successful both in the sharing of activities among divisions and in the transfer of knowledge among divisions. Disney can be said to have created
- dynamic stability.
  - inimitable competencies.
  - cross-fertilization.
  - synthesis.

ANS: B

40. The use of e-commerce to allow firms to reduce the costs of processing transactions while improving their supply-chain management skills and tightening the control of their inventories is beginning to replace
- outsourcing.
  - unrelated diversification.
  - de-integration.
  - vertical integration.

ANS: D

41. When a firm simultaneously practices operational relatedness and corporate relatedness
- it is difficult for investors to observe the value created by the firm.
  - the firm is likely to be overvalued by investors.
  - the firm will suffer from diseconomies of scope which outweigh cost savings generated.
  - the firm is seeking to create value through financial economies.

ANS: A

42. Which type of diversification is most likely to create value through financial economies?
- related constrained
  - operational and corporate relatedness
  - Unrelated
  - related linked.

ANS: C

Firms following an unrelated diversification strategy can reduce their overall risk when:

- resources are allocated among many businesses with different risk profiles.
- they limit their growth to acquiring only successful companies.
- synergies are developed among the business units.
- management refuses to purchase businesses outside their sphere of expertise or knowledge.

ANS: A

Firms with internal capital markets have the following informational advantage(s):

- sharing information only with stockholders and no other outside stakeholders.
- excluding negative information in reports to capital markets.
- not sharing information about management compensation and providing limited financial information to stakeholders.
- the legal ability to keep all financial information private.

ANS: B

43. Feline Follies, Inc., a distributor of cat-fancier products (such as food, cages, toys, feeders, and medications) is planning to buy a small, poor-performing manufacturer of concrete lawn statuary. This is Feline Follie's first venture into unrelated diversification. Feline Follies probably intends to create value from this diversification through
- efficient internal capital allocation.
  - economies of scale.
  - restructuring the manufacturer and selling it.
  - economies of scope.

ANS: C

44. Firms practicing unrelated diversification can make better capital allocations to its subsidiary businesses than the external capital market can for all the following reasons EXCEPT
- corporate headquarters can change managerial incentives.
  - corporate headquarters has more complete information about the subsidiary businesses than the external capital market.
  - the firm can acquire other firms with innovative products instead of allocating capital to research and development.
  - the firm can make strategic changes in its subsidiary businesses.

ANS: C

45. Stock markets apply a "conglomerate discount" of 20% on unrelated diversified firms. This means that investors
- understand that the financial efficiencies of this strategy automatically make these stocks worth 20% more than their current market valuation.
  - believe that the value of conglomerates is 20% less than the value of the sum of their parts.
  - discount the expected future earnings of conglomerates by 20%.
  - have found that over time, conglomerates earn 20% more than the component companies would have earned independently.

ANS: B

46. Successful unrelated diversification through restructuring is typically accomplished by
- focusing on mature, low-technology businesses.
  - a "random walk" of good luck in picking firms to buy.
  - seeking out high technology firms in high growth industries.
  - a top management team that is not constrained by pre-established ideas of how the firm's portfolio should be developed.

ANS: A

47. Conglomerates tend to be profitable in emerging economies, more so than in developed economies, because

- a. the risk of doing business in emerging economies is spread across a diverse portfolio of businesses.
- b. the absence of a “soft” infrastructure of the countries supports the use of unrelated diversification.
- c. the conglomerate structure is more easily adapted to global competition.
- d. there are few competing investment opportunities for free cash flows generated by the firm.

ANS: B

48. The risk for firms that follow the unrelated diversification strategy in developed economies is that
- a. external investors tend to dump the stocks of conglomerates during economic downturns.
  - b. conglomerates are typically owned by one powerful entrepreneur and do not survive his/her retirement or death.
  - c. government regulations, especially in Europe, have periodically forced the dissolution of conglomerates.
  - d. competitors can imitate financial economies more easily than they imitate economies of scope.

ANS: D

49. What is the similarity between high-technology firms and service-based firms that makes them risky as restructuring candidates?
- a. They are human-resource dependent.
  - b. They have few tangible assets.
  - c. Both types of firm rely on financial economies.
  - d. The demand for their products is highly sensitive to economic downturns.

ANS: C

50. External incentives to diversify include
- a. the fact that other firms in an industry are diversifying.
  - b. pressure from stockholders who are demanding that the firm diversify.
  - c. changes in antitrust regulations and tax laws.

d. a firm's low performance.

ANS: C

51. All of the following are internal firm incentives to diversify EXCEPT
- overall firm risk reduction.
  - uncertain future cash flows.
  - reinterpretation of antitrust laws.
  - low performance.

ANS: C

52. Deregulation of previously government-regulated industries, such as banking, electric utilities, and telecommunications, has resulted in \_\_\_\_\_ in the deregulated industry.
- increased merger activity
  - spin-offs of unprofitable businesses
  - a decrease in the rate of acquisitions
  - over-diversification

ANS: A

53. Because of the tax laws of the 1960s and 1970s, when dividends were taxed more heavily than capital gains, shareholders preferred that corporations
- pay dividends annually.
  - keep free cash flows for investment in acquisitions.
  - distribute capital gains regularly.
  - increase managerial salaries.

ANS: B

54. Free cash flows are
- liquid financial assets for which investments in current businesses are no longer economically viable.
  - liquid financial assets which for tax purposes must be reinvested in the firm if not distributed as dividends to shareholders.
  - the profits resulting after a restructured firm has been sold.
  - dividends that have been distributed to shareholders which are taxed as capital gains.

ANS: A

55. The \_\_\_\_\_ reduces some of the incentives to make acquisitions in high technology industries.
- elimination of the tax write-off for research and development in process

- b. 1986 Tax Reform Act
- c. FASB changes in accounting treatment of free cash flows
- d. reinvigorated enforcement of federal antitrust laws

ANS: A

56. The curvilinear relationship of corporate performance and diversification indicates that
- a. dominant-business corporate strategies tend to be higher performing than related constrained or unrelated business strategies.
  - b. the highest performing business strategy is related constrained diversification.
  - c. the less related the businesses acquired, the higher performing the organization.
  - d. none of the strategies consistently outperforms the others.

ANS: B

57. One of the major incentives that has encouraged Sears to diversify by buying Land's End and K-Mart is/are
- a. the excess of free cash flows available for investment.
  - b. changes in antitrust legislation.
  - c. Sear's long period of poor performance.
  - d. the desire of Sear's top executives for increased compensation and job security.

ANS: C

58. Which of the following firms would be most likely to diversify as a defensive strategy?
- a. the most profitable law firm in Texas.
  - b. the dominant grower of landscape plants in the U.S.
  - c. a large manufacturer of digital cameras.
  - d. a small manufacturer of decorative molding for picture frames.

ANS: D

Synergy exists when

- a. cost savings are realized through improved allocations of financial resources based on investments inside or outside the firm.
- b. two units create value by utilizing market power in their respective industries.
- c. firms utilize constrained related diversification to build an attractive portfolio of businesses.
- d. the value created by business units working together exceeds the value the units create when working independently.

ANS: D

EXPLNATION--- **Synergy in marketing** is when two **marketing** initiatives create a response greater than the sum of the combined response the two would have elicited alone. For small businesses, which often lack the funds for an aggressive **marketing** budget, the key to achieving **marketing synergy** is in multiple, low-cost initiatives.

59. As the threat of corporate failure increases due to relatedness between a firm's business units, firms may decide to
- increase the firm's level of retained resources.
  - operate in less risky environments.
  - reduce the level of diversity in its investments.
  - pursue unproven product lines.

ANS: B

60. The Cherrywood Fine Furniture Company finds itself with excess capacity in its plant and equipment for furniture manufacturing. This excess capacity will be useful in
- unrelated diversification.
  - related diversification projects.
  - corporate restructuring.
  - multipoint competition

ANS: B

61. Intangible resources
- allow greater synergy for firms than do tangible assets.
  - are more flexible than tangible assets.
  - are value-neutral assets.
  - discourage diversification.

ANS: B

62. Personal motives for managers to seek diversification include a desire to
- improve their marketability to other firms.
  - effectively use corporate resources.
  - provide higher returns to corporate stakeholders.
  - increase their compensation.

ANS: D

63. Isidore Crocker, CEO of Gotham Engines, is strongly in favor of acquiring Carolina Textiles, a firm in an unrelated industry. Some members of the board of directors are questioning Crocker's motives for the acquisition. They argue that it is not uncommon for CEOs to push for acquisitions because
- a successful acquisition will increase the CEO's power over the board of directors.
  - making an acquisition is an easier route to increased firm value than is improving the firm's core competencies.
  - higher CEO pay is related to larger organization size.
  - CEO's nearing retirement seek to create empires to continue their legacy.

ANS: C

64. During the 1990's top executives of Titanic, Inc., followed a pattern of aggressive acquisitions and diversification. Now, Titanic is performing poorly and earning below average returns. Lusitania, a large conglomerate firm, is in the final stages of purchasing Titanic. Lusitania has announced that it will fire Titanic's current top executives. The Titanic executives are not worried about their impending job loss because they
- plan to take poison pills.
  - have golden parachutes.
  - have silver handcuffs.
  - have ironclad contracts.

ANS: B

65. Which of the following is NOT a governance mechanism that may limit managerial tendencies to over-diversify?
- the market for corporate control
  - the Board of Directors
  - surveillance technologies
  - monitoring by owners

ANS: C

66. Which of a firm's resources is the most flexible and should have the strongest relationship to the extent of diversification?
- Financial
  - Human
  - Intangible
  - property, plant and equipment

ANS: A

67. The trend in diversification is a(an)
- increase in related diversification.
  - decrease in restructuring.
  - increase in unrelated diversification.
  - increase in firms using a dominant-business strategy.

ANS: A

68. The downside of synergy in a diversified firm is
- increasing independence of businesses.
  - the reduction of activity sharing.





10. Market power is derived primarily from the
- core competencies of the firm.
  - size of a firm and its resources and capabilities.
  - quality of a firm's top management team.
  - depth of a firm's strategy.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 201  
OBJ: 07-02 TYPE: comprehension

11. A primary reason for a firm to pursue an acquisition is to
- avoid increased government regulation.
  - achieve greater market power.
  - exit a hyper-competitive market.
  - achieve greater financial returns in the short run.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 201  
OBJ: 07-02 TYPE: comprehension

12. When a firm acquires its supplier, it is engaging in a(an)
- merger.
  - unrelated acquisition.
  - hostile takeover.
  - vertical acquisition.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 202  
OBJ: 07-02 TYPE: knowledge

13. Related acquisitions to build market power
- are likely to undergo regulatory review.
  - are rarely permitted to occur across international borders.
  - typically involve a firm purchasing one of its suppliers or distributors.
  - concentrate on capturing value at more than one stage in the value chain.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 202  
OBJ: 07-02 TYPE: comprehension

14. Baby Doe's, a designer and manufacturer of children's clothing, has decided to purchase a retail chain specializing in children's clothing. This purchase is a(an)
- merger.
  - unrelated acquisition.
  - horizontal acquisition.
  - vertical acquisition.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 202  
OBJ: 07-02 TYPE: application

15. Cross-border acquisitions are typically made to

- a. increase a firm's market power.
- b. reduce the cost of new product development.
- c. take advantage of higher education levels of labor in developed countries.
- d. circumvent barriers to entry in another country.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 203  
OBJ: 07-02 TYPE: comprehension

16. The presence of barriers to entry in a particular market will generally make acquisitions \_\_\_\_\_ as an entry strategy.
- a. less likely
  - b. more likely
  - c. Prohibitive
  - d. Illegal

ANS: B                      PTS: 1                      DIF: Easy                      REF: 203  
OBJ: 07-02 TYPE: comprehension

17. SpeakEasy, a U.S. software company that specializes in voice-recognition software, wishes to rapidly enter the growing technical translation software market. This market is dominated by firms making highly differentiated products. To enter this market SpeakEasy should consider a/an
- a. vertical acquisition of a firm that uses technical translation products.
  - b. acquisition of a highly related firm in the technical translation market.
  - c. cross-border merger, preferably with an Indian or Chinese company.
  - d. strategy of internally developing the technical translation products needed to compete in this market.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 203  
OBJ: 07-02 TYPE: application

18. Cross-border acquisitions are critical to U.S. firms competing internationally
- a. if they are to develop differentiated products for markets served.
  - b. when market share growth is the focus.
  - c. where consolidated operations are beneficial.
  - d. if they wish to overcome entry barriers to international markets.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 203  
OBJ: 07-02 TYPE: comprehension

19. Mittal Steels' acquisition of ISG, a U.S.-owned steel company, is an example of both a cross-border acquisition and a
- a. backward vertical acquisition.
  - b. forward vertical acquisition.
  - c. horizontal acquisition.
  - d. merger of equals.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 204

OBJ: 07-02 TYPE: application

20. The flurry of cross-border acquisitions in the steel industry by Mittal Steel and by Arcelor SA is
- an example of consolidation in the industry.
  - the result of overcapacity in the steel industry causing low steel prices.
  - a move by both firms to diversify.
  - allowing steel manufacturing to flourish in high-wage nations such as the U.S. and Europe.

ANS: A PTS: 1 DIF: Medium REF: 204-205

OBJ: 07-02 TYPE: application

21. EverBond, a firm specializing in adhesives and glues has invented a new type of strong adhesive that can be applied and then removed by a special process without damage to even delicate materials. Once EverBond obtains the patent on this process, there is a 60% chance that its invention will be effectively imitated within \_\_\_\_ years.
- One
  - Three
  - Four
  - Six

ANS: C PTS: 1 DIF: Medium REF: 205-206

OBJ: 07-02 TYPE: application

22. Which of the following is NOT one of the primary reasons many pharmaceutical firms use acquisitions?
- entering markets quickly
  - overcoming the high costs of internal product development
  - improving predictability of returns on investment.
  - extending patent rights on developed pharmaceuticals

ANS: D PTS: 1 DIF: Medium REF: 206

OBJ: 07-02 TYPE: comprehension

23. Internal product development is often viewed as
- carrying a high risk of failure.
  - the only reliable method of generating new products for the firm.
  - a quicker method of product launch than acquisition of another firm.
  - critical to the success of biotech and pharmaceutical firms.

ANS: A PTS: 1 DIF: Medium REF: 206

OBJ: 07-02 TYPE: comprehension

24. Entering new markets through acquisitions of companies with new products is not risk-free, especially if acquisition becomes a substitute for
- market discipline.
  - innovation.
  - risk analysis.
  - international diversification.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 206  
OBJ: 07-02 TYPE: comprehension

25. Compared to internal product development, acquisitions allow
- immediate access to innovations in mature product markets.
  - more predictable returns on investment.
  - slower market entry.
  - more effective use of company core competencies.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 206  
OBJ: 07-02 TYPE: comprehension

26. Research has shown that the more \_\_\_\_\_ the greater is the probability that an acquisition will be successful.
- related the acquired and acquiring firms are
  - diverse the resulting portfolio of competencies
  - disparate the corporate cultures
  - involved investment banking firms are in the due diligence process

ANS: A                      PTS: 1                      DIF: Medium                      REF: 207  
OBJ: 07-02 TYPE: knowledge

27. When a firm is overly dependent on one or more products or markets, and the intensity of rivalry in that market is intense, the firm may wish to \_\_\_\_\_ by making an acquisition.
- increase new product speed to market
  - broaden its competitive scope
  - increase its economies of scale
  - overcome entry barriers

ANS: B                      PTS: 1                      DIF: Medium                      REF: 207  
OBJ: 07-02 TYPE: comprehension

28. The fastest and easiest way for a firm to diversity its portfolio of businesses is through acquisition because
- of barriers to entry in many industries.
  - it is difficult for companies to develop products that differ from their current product line
  - innovation in both the acquired and the acquiring firm is enhanced by the exchange of competencies resulting from acquisition
  - unrelated acquisitions are usually uncomplicated because the acquired firm is allowed to continue to function independently as it did before acquisition.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 207  
OBJ: 07-02 TYPE: comprehension

29. Sales of watches among teenagers and 20-somethings are declining rapidly as this age group uses cellphones, iPods, and other devices to tell time. A company that specializes in selling inexpensive watches to this age group would do well to consider \_\_\_\_\_ in order to develop new products other than watches.
- unrelated diversification.

- b. backward integration.
- c. forward integration.
- d. horizontal acquisitions.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 207  
OBJ: 07-02 TYPE: application

30. JLB, Inc., manufacturers components for use in farm equipment. JLB sells its parts to U.S. farm equipment manufacturers. The market for tractors and farm implements needed in the U.S. is declining and there is increasing competition by foreign manufacturers of farm equipment. JLB should consider an acquisition because
- a. it is suffering from a lack of internal product development.
  - b. it is overly dependent on one product market.
  - c. it needs to acquire one of its foreign competitors so that it can conquer the entry barriers to the international market.
  - d. it requires greater economies of scale.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 207-208  
OBJ: 07-02 TYPE: application

31. Nirvana-Bound Vacations is a travel company that specializes in luxury vacations for mature travelers to India and Thailand. Nirvana-Bound has experienced little growth in its business, and its management has decided that the company needs to gain access to new knowledge, increase its capabilities, break its inertia, and become more agile by acquiring another company. The most suitable acquisition for this specific purpose would be
- a. a competing firm specializing in senior travel in Asia.
  - b. a firm specializing in land-based travel for seniors in the U.S.
  - c. a firm specializing in cruise vacations for mature travelers.
  - d. an Indian firm specializing in cosmetic surgery vacations for Americans.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 208  
OBJ: 07-02 TYPE: application

32. Research shows that about \_\_\_\_\_ percent of mergers and acquisitions are successful.
- a. 20
  - b. 40
  - c. 60
  - d. 80

ANS: A                      PTS: 1                      DIF: Medium                      REF: 208  
OBJ: 07-03 TYPE: knowledge

33. Each of the following is a rationale for acquisitions EXCEPT
- a. achieving greater market power.
  - b. overcoming significant barriers to entry.
  - c. increasing speed of market entry.
  - d. positioning the firm for a tactical competitive move.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 209 (Figure 7.1)  
OBJ: 07-02 TYPE: knowledge

34. Problems associated with acquisitions include all of the following EXCEPT
- excess managerial focus on acquisitions.
  - difficulties integrating the two firms.
  - the high costs of financing the acquisition.
  - excessive time spent on the due diligence process.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 209 (Figure 7.1)  
OBJ: 07-03 TYPE: comprehension

35. The factors that lead to poor long-term performance by acquisitions include all of the following EXCEPT firms
- insufficient diversification.
  - having too much debt.
  - being unable to achieve synergy.
  - growing too large.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 209 (Figure 7.1)  
OBJ: 07-03 TYPE: comprehension

36. According to a researcher cited in the text, the successful completion of the \_\_\_\_\_ phase is probably the single most important determinant of shareholder value creation in mergers and acquisitions.
- pre-acquisition negotiations
  - pre-acquisition due diligence
  - post-acquisition integration
  - post-acquisition restructuring

ANS: C                      PTS: 1                      DIF: Medium                      REF: 210  
OBJ: 07-03 TYPE: knowledge

37. Without effective due diligence the
- acquiring firm is likely to overpay for an acquisition.
  - firm may miss its opportunity to buy a well-matched company.
  - acquisition may deteriorate into a hostile takeover, reducing the value creating potential of the action.
  - may be unable to act quickly and decisively in purchasing the target firm.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 210  
OBJ: 07-03 TYPE: comprehension

38. Due diligence includes all of the following activities EXCEPT assessing
- differences in firm cultures.
  - tax consequences of the acquisition.
  - the level of private synergy between the two firms.
  - the appropriate purchase price.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 210  
OBJ: 07-03 TYPE: comprehension

39. The use of high levels of debt in acquisitions has contributed to
- the increase in above-average returns earned by acquiring firms.
  - an increased risk of bankruptcy for acquiring firms.
  - the confidence of the stock market in firms issuing junk bonds.
  - an increase in investments that have long-term payoffs.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 211  
OBJ: 07-03 TYPE: comprehension

40. High levels of debt can be a positive force because it allows firms to
- take advantage of expansion opportunities.
  - postpone unnecessary investments.
  - invest in tax avoiding ventures.
  - discipline their managers.

ANS: A                      PTS: 1                      DIF: Hard                      REF: 211  
OBJ: 07-03 TYPE: comprehension

41. \_\_\_\_\_ are unsecured obligations that are not tied to specific assets for collateral.
- Bearer bonds
  - No-load stocks
  - Penny stocks
  - Junk bonds

ANS: D                      PTS: 1                      DIF: Easy                      REF: 211  
OBJ: 07-03 TYPE: knowledge

42. Which of the following statements is FALSE?
- Synergy resulting from an acquisition generates gains in shareholder wealth beyond what they could achieve through diversification of their own portfolios.
  - Private synergy results when the combination of two firms yields competencies and capabilities that could not be achieved by combining with any other firm.
  - Although private synergy is easy to analyze, it is difficult to create.
  - Private synergy is more likely when the two firms in an acquisition have complementary assets.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 211  
OBJ: 07-03 TYPE: comprehension

43. Private synergy
- occurs in most related acquisitions and allows firms to see increased returns.
  - is frequently achieved in conglomerates.
  - is not easy to understand and imitate.

d. is assessed by managers during the due diligence process.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 212  
OBJ: 07-03 TYPE: comprehension

44. The expenses incurred by firms trying to create synergy through acquisition are called \_\_\_\_\_ costs
- Acquisition
  - participation
  - Transaction
  - Interaction

ANS: C                      PTS: 1                      DIF: Easy                      REF: 212  
OBJ: 07-03 TYPE: knowledge

45. Transaction costs include all of the following EXCEPT
- charges from investment bankers who complete due diligence for the acquiring firm.
  - the loss of key employees following the acquisition.
  - managers' time spent evaluating target firms.
  - managers' time spent planning the diversification strategy of the firm.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 212  
OBJ: 07-03 TYPE: knowledge

46. Which of the following is NOT a result of over-diversification?
- Executives do not have a rich understanding of all of the firm's business units.
  - Managers emphasize strategic controls rather than financial controls.
  - Firms use acquisition as a substitute for innovation.
  - Managers become short-term in their orientation.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 212  
OBJ: 07-03 TYPE: comprehension

47. Evidence suggests that firms using acquisitions as a substitute for internally developed innovations
- are able to offset the loss of research and development competencies by competencies in other areas.
  - extend their time-to-market for new product launches.
  - eventually encounter performance problems.
  - can leverage their core competencies across a broader range of products.

ANS: C                      PTS: 1                      DIF: Hard                      REF: 212  
OBJ: 07-03 TYPE: comprehension

48. When managers become overly focused on making acquisitions, it is
- because the skills of top executives are better used in making acquisitions than they are in daily organization operations.
  - because it is more fun to do deals than to run the company.
  - due to pressure from major stakeholders to diversify the firm.

d. because acquisitions are a quick way to improve the financial standing of the firm.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 213  
OBJ: 07-03 TYPE: comprehension

49. Acquisitions can become a time sink for top level managers for all the following reasons EXCEPT
- the integration process after acquisition requires managerial attention.
  - they must prepare for acquisition negotiations.
  - managers are involved in the search for viable acquisition candidates.
  - only top managers can perform the required due diligence.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 213  
OBJ: 07-03 TYPE: comprehension

50. After Hewlett-Packard bought Compaq Computer, expert opinion was that “HP’s shareholders paid \$24 billion in stock to buy Compaq and in exchange got relatively little value.” One could predict that, as in other failed acquisitions and mergers, HP would engage in one or more of the following EXCEPT
- Downsizing
  - Downscoping
  - enhanced due diligence.
  - creating spin-offs.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 213-214 | 216-217  
OBJ: 07-05 TYPE: application

51. One problem with becoming too large is that large firms
- become excessively diverse and have difficulty focusing on strategic goals.
  - tend to have inadequate financial controls.
  - become attractive takeover targets.
  - usually increase bureaucratic controls.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 214  
OBJ: 07-03 TYPE: comprehension

52. Thomas is an upper-middle level manager for a firm that has been actively involved in acquisitions over the last 10 years. The firm has grown much larger as a result. Thomas has been dismayed to find that recently the managerial culture of the firm has been turning more and more to\_\_\_\_\_controls.
- Bureaucratic
  - Strategic
  - Tactical
  - Organic

ANS: A                      PTS: 1                      DIF: Hard                      REF: 214  
OBJ: 07-03 TYPE: application

53. A friendly acquisition
- raises the price that has to be paid for a firm.

- b. enhances the complementarity of the two firms' assets.
- c. facilitates the integration of the acquired and acquiring firms.
- d. allows joint ventures to be developed.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 215  
OBJ: 07-04 TYPE: comprehension

54. \_\_\_\_ allows the acquiring firm to keep valuable human resources in the acquired firm from leaving.
- a. Financial slack
  - b. Private synergy
  - c. Effective integration
  - d. High compensation

ANS: C                      PTS: 1                      DIF: Medium                      REF: 215  
OBJ: 07-04 TYPE: knowledge

55. Which of the following is NOT an attribute of a successful acquisition?
- a. The acquiring firm has a large amount of financial slack.
  - b. The acquired and acquiring firms have complementary assets and/or resources.
  - c. Innovation and R&D investments continue as part of the firm's strategy.
  - d. Investments in advertising and image building are made quickly.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 216 (Table 7.1)  
OBJ: 07-04 TYPE: comprehension

56. Typically, in a failed acquisition, the organization will
- a. restructure.
  - b. go into bankruptcy.
  - c. focus on building private synergy.
  - d. increase integration.

ANS: A                      PTS: 1                      DIF: Easy                      REF: 217  
OBJ: 07-05 TYPE: comprehension

57. Ambrose is a scientist working for a pharmaceutical company. His company was acquired by a rival pharmaceutical company, and now it is involved in downsizing and downscoping. Ambrose is concerned about his job security, since he is actively involved in amateur sports in his community and does not wish to disrupt his current lifestyle. Ambrose's job will be most likely to be secure if
- a. Ambrose's research is in a non-core activity.
  - b. the acquisition has been financed by junk bonds.
  - c. Ambrose is in a position to take a poison pill.
  - d. Ambrose is a key employee in the firm's primary business.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 217  
OBJ: 07-04 TYPE: application



63. A leveraged buyout refers to
- a firm restructuring itself by selling off unrelated units of the company's portfolio.
  - a firm pursuing its core competencies by seeking to build a top management team that comes from a similar background.
  - a restructuring action whereby a party buys all of the assets of a business, financed largely with debt, and takes the firm private.
  - an action where the management of the firm and/or an external party buy all of the assets of a business financed largely with equity.

ANS: C                      PTS: 1                      DIF: Hard                      REF: 220  
OBJ: 07-05 TYPE: knowledge

64. The term "leverage" in leveraged buyouts refers to the
- firm's increased concentration on the firm's core competencies.
  - amount of new debt incurred in buying the firm.
  - fact that the employees are purchasing the firm for which they work.
  - process of removing the firm's stock from public trading.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 220  
OBJ: 07-06 TYPE: knowledge

65. After a leveraged buyout, \_\_\_\_\_ typically occur(s).
- selling off of assets
  - further rounds of acquisitions
  - due diligence
  - private synergy

ANS: A                      PTS: 1                      DIF: Easy                      REF: 220  
OBJ: 07-05 TYPE: comprehension

66. Downsizing usually results in
- higher firm performance.
  - improved reputation of the firm.
  - an increase in human capital per employee.
  - an entrepreneurship boom.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 220  
OBJ: 07-06 TYPE: comprehension

67. Firms use downsizing as a restructuring strategy for different reasons, but the major tactical reason is
- poor unit performance from decreasing industry attractiveness.
  - decreasing market share from increasing industry competition.
  - shifting industry characteristics.
  - the desire to lower labor costs.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 220-221 (Figure 7.2)  
OBJ: 07-05 TYPE: comprehension

68. Which of the following is NOT one of the three main restructuring strategies?
- Realigning
  - Downsizing
  - Downscoping
  - leveraged buyouts

ANS: A                      PTS: 1                      DIF: Easy                      REF: 221 (Figure 7.2)  
OBJ: 07-05 TYPE: knowledge

69. An investor is analyzing two firms in the same industry. She is looking for long term performance from her investment. Both firms are basically identical except one firm is involved in substantial downsizing and the other firm is undertaking aggressive downscoping. The investor should invest in the:
- downscoping firm because the higher debt load will discipline managers to act in shareholders' best interests.
  - downscoping firm because it will be focusing on the firm's core businesses.
  - downsizing firm because it will be making decisions based on tactical strategies.
  - downsizing firm because it is eliminating employees who are essentially "dead weight" and are dragging down the firm's profitability.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 221  
OBJ: 07-06 TYPE: application

70. Whole-firm LBOs tend to result in all the following negative outcomes EXCEPT
- increased risk of bankruptcy.
  - failure to invest in R&D.
  - risk-averse management.
  - inefficient operations.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 221  
OBJ: 07-06 TYPE: comprehension

71. Compared with downsizing, \_\_\_\_\_ has (have) a more positive effect on firm performance.
- Reconfiguring
  - Downscoping
  - leveraged buyouts
  - Acquisitions

ANS: B                      PTS: 1                      DIF: Easy                      REF: 221  
OBJ: 07-06 TYPE: comprehension

72. Downsizing may be of more \_\_\_\_\_ value than \_\_\_\_\_ value.
- strategic, financial
  - political, financial
  - short-term, long-term
  - strategic, tactical

ANS: C                      PTS: 1                      DIF: Medium                      REF: 221  
OBJ: 07-06 TYPE: comprehension

### MULTIPLE CHOICE

1. The major reason that Chinese firms can invest in buying U.S., European, and South American firms is
- government policies in these regions that encourage foreign direct investment.
  - its vast foreign-exchange reserves from its trade surplus.
  - increasing anxiousness of owners in developed countries to “cash-out” and take profits rather than continue to operate businesses.
  - the economic downturn in these regions which has made the purchase price for firms relatively cheap.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 229  
OBJ: 08-01 TYPE: application

2. The impact of China on the world economy is due to
- the size of its domestic market.
  - the movement away from Communism by the Chinese government.
  - its highly-competitive state-owned firms.
  - the lack of protection for intellectual property rights.

ANS: A                      PTS: 1                      DIF: Easy                      REF: 230  
OBJ: 08-01 TYPE: knowledge

3. In order for firms to successfully exploit international markets, managers must have
- a strong national identity.
  - cross-functional integration skills.
  - command of foreign languages.
  - a global mindset.

ANS: D                      PTS: 1                      DIF: Easy                      REF: 231  
OBJ: 08-01 TYPE: comprehension

4. International strategy refers to a(an)
- action plan pursued by American companies to compete against foreign companies operating in the United States.
  - strategy through which the firm sells products in markets outside the firm's domestic market.
  - political and economic action plan developed by businesses and governments to cope with global competition.
  - strategy American firms use to dominate international markets.

ANS: B                      PTS: 1                      DIF: Easy                      REF: 232  
OBJ: 08-01 TYPE: knowledge

5. Raymond Vernon states that the classic rationale for international diversification is to
- pre-emptively dominate world markets before foreign companies can establish dominance.

- b. avoid domestic governmental regulation.
- c. extend the product's life cycle.
- d. expand the sales of the firm domestically.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 232

OBJ: 08-01 TYPE: knowledge

6. Which of the following is NOT a motive for firms to become multinational?
- a. to take advantage of potential opportunities to expand the market for the firm's products.
  - b. to secure needed resources.
  - c. to avoid high domestic taxation on corporate income.
  - d. increasing universal product demand.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 232

OBJ: 08-01 TYPE: comprehension

7. The increased pressures for global integration of operations have been driven mostly by
- a. new low cost entrants.
  - b. universal product demand.
  - c. increased levels of joint ventures.
  - d. the rise of governmental regulation.

ANS: B                      PTS: 1                      DIF: Easy                      REF: 232

OBJ: 08-01 TYPE: comprehension

8. U.S. companies moving into the international market need to be sensitive to the need for local country or regional responsiveness due to
- a. increasing rejection of American culture across much of the world.
  - b. the sophistication of the international consumer due to the Internet.
  - c. customization required by cultural differences.
  - d. the increasing loss of economies of scale.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 233

OBJ: 08-01 TYPE: comprehension

9. Which of the following is NOT a factor pressuring companies for local responsiveness?
- a. the need for local repair and service to customers
  - b. customization due to cultural differences
  - c. government pressure for firms to use local sources for procurement
  - d. availability of low labor costs

ANS: D                      PTS: 1                      DIF: Hard                      REF: 233

OBJ: 08-01 TYPE: comprehension

10. The motivations for expanding into international markets include each of the following opportunities EXCEPT
- a. increasing the size of the firm's potential markets.

- b. gaining economies of scale.
- c. gaining a competitive advantage through location.
- d. favorable tax concessions and economic incentives by home-country governments.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 233  
OBJ: 08-01 TYPE: comprehension

11. Beer companies entered the global market because of
- a. fully-exploited domestic markets for beer.
  - b. lower labor costs in the emerging markets.
  - c. economies of scale offset research and development costs.
  - d. growing consumer preference in the developed world for beer over wine.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 233  
OBJ: 08-02 TYPE: application

12. Moving into international markets is a particularly attractive strategy to firms whose domestic markets
- a. demand a differentiation strategy for success.
  - b. are limited in opportunities for growth.
  - c. have developed unfriendly business attitudes toward the industry.
  - d. have too much regulation.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 233  
OBJ: 08-02 TYPE: comprehension

13. Most R&D intensive industries are international because
- a. of the need to make use of scientific talent in many nations.
  - b. large markets are necessary for earning above-average returns on investments.
  - c. of mandatory requirements by emerging economies that firms take part in joint ventures or direct investment in the country in order to sell their products in that country.
  - d. intellectual property is copied so rapidly that firms must move products into the international market immediately.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 234  
OBJ: 08-02 TYPE: comprehension

14. Optimal economies of scale in the international market for a standardized product derive from
- a. the ability to use similar production facilities.
  - b. effective investment in research and development.
  - c. access to a low-cost labor force.
  - d. rapid advances in new technology.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 234-235  
OBJ: 08-02 TYPE: comprehension

15. Firms with core competencies that can be exploited across international markets are able to
- a. achieve synergies and produce high quality goods at lower costs.

- b. enter new markets more quickly.
- c. enhance their market image and brand loyalty among local consumers.
- d. meet local government requirements more quickly than their international competitors.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 235  
OBJ: 08-02 TYPE: comprehension

16. The location advantages associated with locating facilities in other countries can include all of the following EXCEPT
- a. lower cost labor.
  - b. access to critical supplies.
  - c. access to customers.
  - d. evasion of host country governmental regulations.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 235  
OBJ: 08-02 TYPE: comprehension

17. Factors of production in Porter's model of international competitive advantage include all of the following EXCEPT
- a. labor.
  - b. capital.
  - c. infrastructure.
  - d. technology.

ANS: D                      PTS: 1                      DIF: Easy                      REF: 236  
OBJ: 08-03 TYPE: knowledge

18. In Porter's model, a specialized factor of production would include
- a. abundant natural resources.
  - b. a large workforce.
  - c. an extensive highway transportation system.
  - d. workers with advanced engineering skills.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 236  
OBJ: 08-03 TYPE: comprehension

19. South Korea is a successful international competitor
- a. even though it is deficient in all four factors of production in Porter's model.
  - b. in part because it has extensive expertise in manufacturing.
  - c. in part because it has a large, docile, unskilled workforce.
  - d. it has an abundance of natural resources.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 236  
OBJ: 08-03 TYPE: knowledge

20. All of the following are international corporate-level strategies EXCEPT the \_\_\_\_\_ strategy.
- a. Multidomestic

- b. Universal
- c. Global
- d. Transnational

ANS: B                      PTS: 1                      DIF: Easy                      REF: 236  
OBJ: 08-03 TYPE: knowledge

21. A fundamental reason for a country's development of advanced and specialized factors of production is often its
- a. lack of basic resources.
  - b. monetary wealth.
  - c. small workforce.
  - d. protective tariffs.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 236  
OBJ: 08-03 TYPE: comprehension

22. The four aspects of Porter's model of international competitive advantage include all of the following EXCEPT
- a. factors of production.
  - b. demand conditions.
  - c. political and economic institutions.
  - d. related and supporting industries.

ANS: C                      PTS: 1                      DIF: Hard                      REF: 237 (Figure 8.2)  
OBJ: 08-03 TYPE: knowledge

23. In France, fine dressmaking and tailoring have been a tradition predating Queen Marie Antoinette. Cloth manufacturers, design schools, craft apprenticeship programs, modeling agencies, and so forth, all exist to supply the clothing industry. This is an example of the \_\_\_\_\_ in Porter's model.
- a. strategy, structure and rivalry among firms
  - b. related and supporting industries
  - c. demand conditions
  - d. factors of production

ANS: B                      PTS: 1                      DIF: Medium                      REF: 237  
OBJ: 08-03 TYPE: application

24. A large domestic market can provide the country's industries a chance at dominating the world market because
- a. they have been able to develop economies of scale at home.
  - b. they have access to abundant and inexpensive factors of production.
  - c. the related and supporting industries will have been developed.
  - d. the nation's culture and educational system will be adapted to producing the labor force needed for the industry.

ANS: A                      PTS: 1                      DIF: Hard                      REF: 237-238

OBJ: 08-03 TYPE: comprehension

25. In addition to the four basic dimensions of Porter's "diamond" model, \_\_\_\_\_ may also contribute to the success or failure of firms.
- national work ethic
  - educational requirements
  - government policy
  - national pride

ANS: C                      PTS: 1                      DIF: Medium                      REF: 238  
OBJ: 08-03 TYPE: comprehension

26. A multidomestic corporate-level strategy is one in which
- a corporation chooses not to compete internationally but where there are a number of international competitors in the firm's local marketplace.
  - the firm produces a standardized product, but markets it differently in each country in which it competes.
  - the firm customizes the product for each country in which it competes.
  - the firm competes in a number of countries, but it is centrally coordinated by the home office.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 239  
OBJ: 08-03 TYPE: knowledge

27. A global corporate-level strategy emphasizes
- differentiated products.
  - economies of scale.
  - sensitivity to local product preferences.
  - decentralizing control and limited monitoring.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 239  
OBJ: 08-03 TYPE: comprehension

28. A global corporate-level strategy differs from a multidomestic corporate-level strategy in that in a global strategy
- competitive strategy is dictated by the home office.
  - competitive strategy is decentralized and controlled by individual strategic business units.
  - products are customized to meet the individual needs of each country.
  - the firm sells in multiple countries.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 239-240  
OBJ: 08-03 TYPE: comprehension

29. A global strategy
- is easy to manage because of common operating decisions across borders.
  - achieves efficient operations without sharing resources across country boundaries.
  - increases risk because decision-making is centralized at the home office.
  - lacks responsiveness to local markets.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 240  
OBJ: 08-03 TYPE: comprehension

30. International corporate-level strategy focuses on
- the scope of operations through both product and geographic diversification.
  - competition within each country.
  - economies of scale.
  - sophistication of monitoring and controlling systems.

ANS: A                      PTS: 1                      DIF: Easy                      REF: 240  
OBJ: 08-03 TYPE: knowledge

31. A global corporate-level strategy assumes
- efficiency and customization can be achieved simultaneously.
  - a rise in income levels across the world.
  - increasing levels of cultural differences among nations.
  - more standardization of products across country markets.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 240  
OBJ: 08-03 TYPE: comprehension

32. A transnational corporate-level strategy seeks to achieve
- customization for the local market.
  - economies of scale and centralized strategic control.
  - global efficiency and local responsiveness.
  - standardization of products across countries.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 241  
OBJ: 08-03 TYPE: knowledge

33. Increasingly, customers worldwide are demanding emphasis on local requirements and companies are needing efficiency as global competition increases. This has triggered an increase in the number of firms using the \_\_\_\_strategy.
- Multidomestic
  - Transnational
  - Universal
  - Global

ANS: B                      PTS: 1                      DIF: Medium                      REF: 241  
OBJ: 08-04 TYPE: comprehension

34. Terrorist attacks
- encourage firms to take truly global corporate strategies in order to offset losses in one region with gains in another.
  - are considered a “cost of doing business” by international firms.
  - have not decreased the level of international investment in any region except those



39. A firm may narrow its focus to a specific region of the world
- because that market is most different from its domestic market and so represents an unexploited “greenfield opportunity” for its products.
  - in order to obtain greater economies of scale.
  - because of political and economic agreements such as the European Union and the North American Free Trade Association.
  - to take advantage of limited protections of intellectual property so that it can manufacture innovative products without restrictions.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 245  
OBJ: 08-04 TYPE: comprehension

40. Most firms enter international markets sequentially, introducing their\_\_\_\_\_first.
- most innovative products
  - largest and strongest lines of business
  - most generic products, which will be more likely to generate universal product demand,
  - products customized to the region

ANS: B                      PTS: 1                      DIF: Hard                      REF: 245  
OBJ: 08-04 TYPE: comprehension

41. A U.S. manufacturer of adaptive devices for persons with disabilities is considering expanding internationally. It is a fairly small company, but it is looking for growth opportunities. This company should primarily consider the option of
- licensing.
  - exporting.
  - a strategic alliance.
  - a greenfield venture.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 245  
OBJ: 08-05 TYPE: application

42. The choices that a firm has for entering the international market include all of the following EXCEPT
- exporting.
  - licensing.
  - leasing.
  - acquisition.

ANS: C                      PTS: 1                      DIF: Easy                      REF: 245 (Table 8.1)  
OBJ: 08-05 TYPE: comprehension

43. The problems associated with exporting include
- merging corporate cultures.
  - a partner's incompatibility.
  - difficulty in negotiating relationships.
  - high transportation costs.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 246  
OBJ: 08-05 TYPE: comprehension

44. Lands' End is an example of a
- company that could expand globally after acquisition by a large, international firm (Sears) provided the resources.
  - firm that has entered international markets by acquiring local retailers who know the host countries' markets.
  - smaller firm that can sell products globally without large facilities overseas.
  - company using a web-based marketing and distribution process was not able to break into the international market due to lack of customization.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 245-246  
OBJ: 08-04 TYPE: application

45. Which of the following is NOT a disadvantage associated with exporting?
- potential loss of proprietary technologies
  - high transportation costs
  - loss of control over distribution activities
  - tariffs imposed by local governments

ANS: A                      PTS: 1                      DIF: Hard                      REF: 246  
OBJ: 08-05 TYPE: comprehension

46. A licensing agreement
- results in two firms agreeing to share the risks and the resources of a new venture.
  - is best way to protect proprietary technology from future competitor.
  - allows a foreign firm to purchase the rights to manufacture and sell a firm's products within a host country.
  - can be greatly impacted by currency exchange rate fluctuations.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 246  
OBJ: 08-05 TYPE: knowledge

47. Which of the following is NOT a typical disadvantage of licensing?
- little control over the marketing of the products
  - licensees may develop a competitive product after the license expires
  - lower potential returns than the use of exporting or strategic alliances
  - incompatibility of the licensing partners

ANS: D                      PTS: 1                      DIF: Medium                      REF: 246-247  
OBJ: 08-05 TYPE: comprehension

48. Host countries with emerging economies may encourage local firms to engage in strategic alliances with firms from developing countries because
- assets from the investing foreign company can be nationalized later.
  - disruption to the host-country's economy will be minimal
  - there will be less cultural conflict than in licensing arrangements.

d. the host-country firm gains access to the foreign firm's technology.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 247  
OBJ: 08-05 TYPE: comprehension

49. One of the primary reasons for failure of cross-border strategic alliances is
- the incompatibility of the partners.
  - conflict between legal and business systems.
  - security concerns and terrorism.
  - high debt financing.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 248  
OBJ: 08-05 TYPE: comprehension

50. In situations where there is high uncertainty, where cooperation is needed, and where strategic flexibility is important, \_\_\_\_\_ are most likely to succeed.
- licensing strategies
  - strategic alliances
  - Acquisitions
  - new wholly owned subsidiaries

ANS: B                      PTS: 1                      DIF: Hard                      REF: 248  
OBJ: 08-05 TYPE: comprehension

51. Which of the following is NOT a disadvantage of international acquisitions?
- They are very expensive and often require debt financing.
  - The acquiring firm has to deal with the regulatory requirements of a host country.
  - Merging the acquired and acquiring firm is difficult.
  - It is the slowest way to enter a new market.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 248-249  
OBJ: 08-05 TYPE: comprehension

52. The means of entry into international markets that offers the greatest control is
- licensing.
  - acquisitions.
  - joint ventures.
  - greenfield ventures.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 249  
OBJ: 08-05 TYPE: comprehension

53. Which of the following is an advantage associated with greenfield ventures?
- governmental support and subsidies in the host country
  - the lower cost of this type of venture
  - the level of control over the firm's technology, marketing and distribution
  - the lower level of risks involved

ANS: C                      PTS: 1                      DIF: Medium                      REF: 249  
OBJ: 08-05 TYPE: comprehension

54. If intellectual property rights in an emerging economy are not well-protected, the number of firms in the industry is rapidly growing, and the need for global integration is high, \_\_\_\_\_ is the preferred entry mode.
- Exporting
  - strategic alliance
  - wholly-owned subsidiary
  - Licensing

ANS: C                      PTS: 1                      DIF: Medium                      REF: 250  
OBJ: 08-05 TYPE: comprehension

55. The decision of what entry mode to use is primarily based on all of the following factors EXCEPT
- the industry's competitive conditions.
  - the country's situation and government policies.
  - the worldwide economic situation.
  - the firm's unique set of resources, capabilities, and core competencies.

ANS: C                      PTS: 1                      DIF: Hard                      REF: 250  
OBJ: 08-05 TYPE: comprehension

56. Some large diversified business groups in emerging economies, such as Korean *chaebols*, have specialized management abilities that allow them to successfully \_\_\_\_\_ in emerging economies.
- make acquisitions
  - coordinate international joint ventures
  - establish greenfield ventures
  - set up licensing arrangements

ANS: A                      PTS: 1                      DIF: Medium                      REF: 250  
OBJ: 08-05 TYPE: knowledge

57. When a firm initially becomes internationally diversified, its returns
- remain stable.
  - decrease.
  - become more variable.
  - increase.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 251  
OBJ: 08-06 TYPE: knowledge

58. Which of the following is NOT one of the advantages associated with international diversification?
- reduction of overall risk
  - ease of coordination
  - economies of scale
  - stabilization of returns

ANS: B                      PTS: 1                      DIF: Medium                      REF: 251  
OBJ: 08-06 TYPE: comprehension

59. A nation's competitiveness depends on the capacity of its industry to \_\_\_\_\_ and thereby maintain its competitive advantage.
- diversify internationally
  - have access to critical resources
  - protect its proprietary capabilities
  - Innovate

ANS: D                      PTS: 1                      DIF: Medium                      REF: 252  
OBJ: 08-06 TYPE: comprehension

60. Internationally diversified firms
- earn greater returns on innovation than firms operating only in domestic markets.
  - are more likely to produce below-average returns for investors in the long run.
  - may need to decrease international activities when domestic profits are poor.
  - are generally unable to achieve high levels of synergy because of differences in cultures.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 252  
OBJ: 08-06 TYPE: comprehension

61. A product-diversified firm in Kenya has been approached by several large U.S. firms looking for prospective partners. From the perspective of the Kenyan firm, the best partner would be:
- an internationally-diversified U.S.-headquartered firm that is not product-diversified.
  - a U.S. firm that is making its first venture into international diversification.
  - a U.S. firm that is both internationally and product diversified.
  - No U.S. firm will be a good partner for the Kenyan firm because of the cultural differences.

ANS: A                      PTS: 1                      DIF: Hard                      REF: 252  
OBJ: 08-06 TYPE: application

62. Instability in a national government creates all the following problems EXCEPT
- corruption.
  - economic risks and uncertainty created by government regulation.
  - theft of intellectual property.
  - conflicting legal authorities.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 253-254  
OBJ: 08-07 TYPE: comprehension

63. Bunyan Heavy Equipment, a U.S. firm, is investigating expanding into Russia using a greenfield venture. The committee researching this project has delivered a negative report. The main concern of the committee is probably
- loss of intellectual property due to Russian piracy.

- b. the fluctuation in the value of the ruble.
- c. the numerous and conflicting legal authorities in Russia.
- d. Russia's recent actions to gain state control of private firms' assets.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 253-256  
OBJ: 08-07 TYPE: application

64. Terrorism creates an economic risk for firms which
- a. reduces the amount of investment foreign companies will make in a country perceived to be terror-prone.
  - b. is created by governmental bans on doing business with terrorist regimes.
  - c. is offset by the above-average returns for firms which have learned how to operate in such an environment.
  - d. is absorbed by firms which are highly geographically diversified and which operate in both secure and insecure locations.

ANS: A                      PTS: 1                      DIF: Easy                      REF: 254 | 256  
OBJ: 08-07 TYPE: comprehension

65. Why do the Chinese violate Western companies' intellectual property rights?
- a. The rapid pace of new technology creation in China renders patents obsolete.
  - b. The collective nature of Chinese society does not promote individualistic rights.
  - c. Western companies are viewed as enemies whose intellectual property should be exploited.
  - d. The Chinese government actively promotes copyright and patent piracy.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 255  
OBJ: 08-07 TYPE: comprehension

66. A U.S. company that has developed a novel approach to curing a common eye disease is considering opening operations in India, a country in which there is a great need for this treatment. The treatment uses a proprietary combination of readily-available drugs and the price is moderate, but not low. The company can expect
- a. to earn above-average returns in India because of the high need for the treatment.
  - b. to have a difficult time earning above-average returns because Indian firms will probably copy the proprietary formula and sell the treatment at a lower price.
  - c. to earn above-average returns because India is increasingly enforcing intellectual property rights for foreign firms, especially in the medical field where the country has great need.
  - d. to earn below-average returns because India regulates the prices that can be charged for medical treatments and drugs so that these can be widely available to its population.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 255  
OBJ: 08-07 TYPE: application

67. The positive results associated with increasing international diversification have been shown to
- a. continue as the level of international diversification increases.
  - b. level off and become negative as diversification increases past some point.
  - c. become negative quickly.
  - d. be centered in only one or two industries.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 256-257  
OBJ: 08-08 TYPE: comprehension

68. Overseas Personal Security Services (OPSS) provides security and employee-tracking services for firms whose employees are traveling in or working in other countries. These services include bodyguards, chauffeurs trained in evasive maneuvers, and ransom insurance in countries with high levels of kidnapping. OPSS has grown rapidly and is highly profitable. OPSS is taking advantage of the:
- inherent economic risks of international operations.
  - inevitable culture clash between members of developed and emerging economies.
  - lack of related and supporting industries in many emerging economies.
  - threat of international terrorism.

ANS: D                      PTS: 1                      DIF: Easy                      REF: 255 | 256  
OBJ: 08-07 TYPE: application

69. Intellectual property rights will be respected in China when
- significant jail time is added to Chinese penalties for piracy.
  - Western firms pirate Chinese intellectual property.
  - Western companies aggressively sue Chinese pirates in Chinese courts.
  - the Chinese see themselves as creators of intellectual property and understand the importance of protections.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 255-257  
OBJ: 08-07 TYPE: comprehension

70. Arkadelphia Polymers, Inc., earns 60% of its revenue from exports to Europe and Asia. The CEO of the company would be
- concerned if the value of the dollar strengthened
  - pleased if the value of the dollar strengthened.
  - unconcerned about the fluctuation in the value of the dollar because the company is widely diversified geographically.
  - likely to consider moving to international strategic alliances or acquisitions if the value of the dollar fell and remained low.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 256  
OBJ: 08-07 TYPE: application

71. All of the following complicate the implementation of an international diversification strategy EXCEPT
- widespread multilingualism.
  - increased costs of coordination between business units.
  - cultural diversity.
  - logistical costs.

ANS: A                      PTS: 1                      DIF: Easy                      REF: 257  
OBJ: 08-08 TYPE: comprehension

72. Nature Dog, a California manufacturer of expensive organic dog foods and canine nutritional supplements is looking to expand internationally. It plans to use exporting as the first step into testing the international market for its products. The company would be best advised to target
- the Chinese market because it is so large.
  - the European market because it is culturally similar to the U.S.
  - the Mexican market because it is so close.
  - no international market. This is an example of a culturally-unique product.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 257  
OBJ: 08-08 TYPE: application

73. Rose Petal Cosmetics, a manufacturer of cosmetics and skin care products for women of color in the U.S., wishes to expand to markets in Asia and the Mid-East, as well as areas of Europe with many African and Mid-Eastern immigrants. A major competence of Rose Petal is effective marketing to American women-of-color. Rose Petal's main barrier to success in its target markets will probably be
- technological.
  - political.
  - cultural.
  - logistical.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 257  
OBJ: 08-08 TYPE: application

## MULTIPLE CHOICE

1. The code-sharing arrangement between Northwest Airlines and KLM was a cooperative alliance between airlines that involved no investment in a separate entity. This is an example of a(an)
- equity-based vertical complementary alliance.
  - equity-based horizontal complementary alliance
  - nonequity-based vertical complementary alliance.
  - nonequity-based horizontal complementary alliance.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 267-268 | 270  
OBJ: 09-01 | 09-02 TYPE: application

2. Fujitsu has had alliances with numerous firms over the years including Siemens, Dell, EDS, Intel, and Microsoft. According to the information in the textbook's scenario, each of these alliances focuses on a different product or service. This is an example of
- alliance versus alliance competition.
  - a stable alliance.
  - serial alliances.
  - alliances in a fast-cycle industry.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 267 | 272-273  
OBJ: 09-02 TYPE: application



8. Moon Flower cosmetics company executives are aware that their Asian customer base is interested in advanced skin care treatments beyond Moon Flower's traditional herbal and organic compounds. Moon Flower and a large American chemical company are in discussions to create a 50-50 partnership in a new firm which would create skin care treatments based on innovative chemical formulations which would be marketed both in Asia and in the U.S. Beyond being a cross-border alliance, this partnership can be called a(an)
- nonequity strategic alliance.
  - joint venture.
  - horizontal complementary alliance.
  - equity strategic alliance.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 269  
OBJ: 09-02 TYPE: application

9. A strategic alliance in which the partners own different percentages of the new company they have formed is called a(an)
- equity strategic alliance.
  - joint venture.
  - nonequity strategic alliance.
  - cooperative arrangement.

ANS: A                      PTS: 1                      DIF: Easy                      REF: 270  
OBJ: 09-02 TYPE: knowledge

10. China allows U.S. companies to ally with Chinese firms by purchasing minority ownership positions in the Chinese firms. These relationships are called
- joint ventures
  - network strategies
  - equity strategic alliances
  - nonequity strategic alliances

ANS: C                      PTS: 1                      DIF: Medium                      REF: 270  
OBJ: 09-02 TYPE: application

11. A nonequity strategic alliance exists when
- two firms join together to create a new company.
  - two or more firms have a contractual relationship to share resources and capabilities.
  - two partners in an alliance own unequal shares in the combined entity.
  - the partners agree to sell bonds instead of stock in order to finance a new venture.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 270  
OBJ: 09-02 TYPE: knowledge

12. Firms participate in strategic alliances for all the following reasons EXCEPT to
- enter markets more quickly.
  - acquire technology.
  - create values they could not develop acting independently.
  - retain tight control over intangible core competencies.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 271-273 (Table 9.1)  
OBJ: 09-02 TYPE: comprehension

13. The global airline industry is one in which
- national political interests prevent airlines from making international alliances.
  - the fast-cycle nature of the industry mandates heavy use of alliances.
  - most alliances tend to be vertical complementary.
  - alliance versus alliance competition dominates firm versus firm competition.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 273 | 284 | 286  
OBJ: 09-02 TYPE: application

14. Which of the following firms would be most likely to enter an alliance in order to maintain market stability?
- large home appliance manufacturing
  - electronic consumer goods manufacturing
  - natural gas utility
  - clothing retailing

ANS: C                      PTS: 1                      DIF: Medium                      REF: 272 (Table 9.1)  
OBJ: 09-02 TYPE: application

15. A relatively young firm has developed a method of transferring photographic images of surface textures onto any type of hard surface. This potentially has a huge market in the home-decorating field as well as any hard surface that is typically painted, such as car bodies. The type of alliance partner this firm would be searching for would be one with
- low-cost labor production facilities in another country.
  - similar products who could help the firm establish economies of scale.
  - access to franchises in new markets.
  - excess resources for investing.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 273-274 (Table 9.1)  
OBJ: 09-02 TYPE: application

16. Firms in a standard-cycle market may form alliances in order to
- take advantage of opportunities in emerging market countries.
  - more quickly distribute new products.
  - capture economies of scale.
  - share risky R&D investments.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 273  
OBJ: 09-02 TYPE: knowledge

17. A state-wide alliance of independent hospitals has formed in order to do group purchasing of medical supplies. Group purchasing allows the hospital alliance to negotiate lower prices with suppliers because of the large quantity of materials ordered. This is an example of the advantage of \_\_\_\_\_ resulting from an alliance.
- explicit collusion.
  - economies of scale.

- c. opportunistic behavior.
- d. distribution opportunities.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 273  
OBJ: 09-02 TYPE: application

18. Firms in \_\_\_\_\_ markets cooperate to pool resources and gain market power.
- a. slow-cycle
  - b. standard-cycle
  - c. fast-cycle
  - d. hyper-cycle

ANS: B                      PTS: 1                      DIF: Medium                      REF: 273-274  
OBJ: 09-02 TYPE: knowledge

19. The two types of complementary strategic alliances are
- a. vertical and horizontal.
  - b. macro and micro.
  - c. outsourcing and insourcing.
  - d. network and complementary

ANS: A                      PTS: 1                      DIF: Easy                      REF: 274  
OBJ: 09-03 TYPE: knowledge

20. All of the following are business-level cooperative strategic alliances EXCEPT
- a. synergistic strategic alliances.
  - b. uncertainty reduction strategic alliances.
  - c. complementary strategic alliances.
  - d. competition response strategic alliances.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 274 (Figure 9.1)  
OBJ: 09-03 TYPE: knowledge

21. A manufacturer of specialty jams and jellies has decided to ally itself with an orchard and vineyard growing rare strains of fruit. This is a(an) \_\_\_\_\_ strategy.
- a. vertical complementary
  - b. horizontal complementary
  - c. uncertainty reduction
  - d. network

ANS: A                      PTS: 1                      DIF: Medium                      REF: 274  
OBJ: 09-03 TYPE: application

22. \_\_\_\_\_ are LEAST likely to involve potential or current competitors.
- a. Mutual forbearance strategies
  - b. Tacit collusion strategies
  - c. Horizontal complementary strategic alliances

d. Vertical complementary strategic alliances

ANS: D                      PTS: 1                      DIF: Hard                      REF: 274-278  
OBJ: 09-03 TYPE: comprehension

23. Smith Commercial Lighting, Inc., which sells lighting for factories and businesses has entered an alliance with Revelation Lighting, Inc., a retailer of home decor lighting in order to expand into the trend of using industrial-type lighting in non-traditional style homes. Smith has invested 40% and Revelation has invested 60% into the new operation. This is an example of a(an)
- joint venture.
  - nonequity alliance.
  - horizontal complementary strategic alliance.
  - vertical complementary strategic alliance.

ANS: C                      PTS: 1                      DIF: Hard                      REF: 275-276  
OBJ: 09-03 TYPE: application

24. Partners in a horizontal alliance can expect
- benefits proportional to their investments.
  - similar opportunities as a result of the alliance.
  - common management issues.
  - different outcomes.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 276  
OBJ: 09-03 TYPE: comprehension

25. Reduction of competition can be accomplished through all of the following EXCEPT
- predatory alliances.
  - explicit collusion.
  - tacit collusion.
  - mutual forbearance.

ANS: A                      PTS: 1                      DIF: Easy                      REF: 277  
OBJ: 09-03 TYPE: comprehension

26. The three main luxury hotels in a major tourist destination keep very close track of their competitors' room pricing, restaurant offerings, tour packages, and special services such as airport transportation and spa privileges. When one hotel makes adjustments in prices or offerings, the other hotels follow suit. It is possible that these hotels are
- engaging in tacit collusion.
  - following uncertainty reducing strategies.
  - monitoring business competitors for opportunistic behaviors.
  - following a competitive response strategy.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 277  
OBJ: 09-03 TYPE: application

27. Mutual forbearance is
- illegal in the U.S.
  - a type of competition reducing strategy.
  - a variety of risk-sharing by firms in highly fragmented industries.
  - exercised when alliance partners refrain from opportunistic behaviors.

ANS: B                      PTS: 1                      DIF: Easy                      REF: 277  
OBJ: 09-03 TYPE: comprehension

28. The fact that the prices consumers pay for branded breakfast cereals are above the prices that would exist if there were true competition suggests that the cereal manufacturers are engaging in
- excessive cooperation.
  - joint ventures.
  - tacit collusion.
  - horizontal strategic alliances.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 277  
OBJ: 09-03 TYPE: application

29. In the U.S., cooperative strategies to reduce competition may result in\_\_\_\_\_if they are explicit.
- increased tax liabilities
  - litigation
  - government takeover of the firms
  - dissolution of the firm

ANS: B                      PTS: 1                      DIF: Medium                      REF: 277  
OBJ: 09-03 TYPE: comprehension

30. In free market economies\_\_\_\_\_must decide how rivals can collaborate with their competitors without violating established regulations.
- the invisible hand
  - the government
  - consumers
  - the business community

ANS: B                      PTS: 1                      DIF: Medium                      REF: 278  
OBJ: 09-03 TYPE: comprehension

31. Why are alliances in the airline industry unstable?
- Unstable industries make for unstable alliances.
  - The potential for firms to take opportunistic actions is too widespread.
  - The industry is declining and profits are not sufficient to divide among alliance partners.
  - There is high rivalry among firms.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 278  
OBJ: 09-03 TYPE: application

32. Of the various business-level strategic alliances, \_\_\_\_\_ alliances have the most probability of creating sustainable competitive advantage, and \_\_\_\_\_ have the lowest.
- horizontal complementary, vertical complementary
  - vertical complementary, competition reducing
  - competition reducing, horizontal complementary
  - uncertainty reducing, competition reducing

ANS: B                      PTS: 1                      DIF: Hard                      REF: 278-279  
OBJ: 09-03 TYPE: comprehension

33. \_\_\_\_\_ strategic alliances have stronger focus on creation of value than do \_\_\_\_\_ strategic alliances.
- competition reducing, complementary
  - complementary, competition reducing
  - uncertainty reducing, complementary
  - collusive, uncertainty reducing

ANS: B                      PTS: 1                      DIF: Medium                      REF: 279  
OBJ: 09-03 TYPE: comprehension

34. For the purpose of diversification, a corporate-level cooperative strategy may be preferable to a merger or acquisition for all the following reasons EXCEPT
- a host nation may forbid a merger or acquisition.
  - opportunistic behaviors are less likely.
  - cooperative strategies require fewer resources.
  - cooperative strategies allow greater flexibility.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 280  
OBJ: 09-04 TYPE: comprehension

35. CNOOC (China National Offshore Oil Corporation) has been focusing on alliances that are “upstream” from its core business. This type of alliance is classified as a(an) \_\_\_\_\_ strategic alliance.
- synergistic
  - opportunistic
  - horizontal
  - diversifying

ANS: D                      PTS: 1                      DIF: Hard                      REF: 280  
OBJ: 09-04 TYPE: application

36. Firms entering into synergistic strategic alliances expect to attain
- technological complexity.
  - economies of scope.
  - monopolistic market power.
  - learning curve efficiencies.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 280  
OBJ: 09-04 TYPE: comprehension

37. \_\_\_\_\_ are sometimes used to consolidate and spin off poor performing businesses and to allow a company to focus on its core businesses, thus lowering the firm's level of diversification.
- Joint ventures
  - Synergistic alliances
  - Horizontal complementary alliances
  - Dynamic alliance networks

ANS: A                      PTS: 1                      DIF: Medium                      REF: 280  
OBJ: 09-04 TYPE: knowledge

38. The main goal of franchising for the franchisor, such as Wendy's or Dunkin Donut, is
- use of the brand name.
  - as a test for potential future acquisitions.
  - growth.
  - access to technology.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 280-282  
OBJ: 09-04 TYPE: comprehension

39. Which of the following statement is FALSE?
- Franchising is most appropriate in fragmented industries.
  - Franchising provides corporate growth with less risk than do mergers and acquisitions.
  - Successful franchising allows transfer of knowledge and skills from the franchisor to the franchisee.
  - Franchising agreements require more trust between firms than do other cooperative strategies.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 282  
OBJ: 09-04 TYPE: comprehension

40. In the franchising strategy, the most important competitive advantage for the franchisee is the franchisor's
- brand name.
  - capital resources.
  - access to a consolidated market.
  - geographic locations.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 282  
OBJ: 09-04 TYPE: comprehension

41. A businessperson in Atlanta who wishes to develop a luxury pet kennel approaches the owner of the highly successful Pet Resort and Day Spa in Houston to see if the owner is interesting in franchising the Pet Resort brand. The Atlanta businessperson's goal is to
- get venture capital from Pet Resort.
  - gain access to Pet Resort's tacit knowledge.
  - collude with Pet Resort to diminish competition in the kennel industry in Atlanta.
  - join in a vertical complementary alliance with Pet Resort.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 282  
OBJ: 09-04 TYPE: application

42. McDonald's, Hilton International, and Krispy Kreme all heavily rely on the \_\_\_\_\_ strategy.
- transnational
  - network cooperative
  - cross-border alliances
  - franchising cooperative

ANS: D                      PTS: 1                      DIF: Easy                      REF: 282  
OBJ: 09-04 TYPE: application

43. FrameCo, a maker of commercial greenhouses, has just extricated itself from a failing cooperative alliance with another firm. The expected synergies never were achieved, and FrameCo lost most of its investment. The top management of FrameCo should
- avoid future cooperative alliances because they lack the skills needed to manage them successfully.
  - should enter into future cooperative alliances only if the alliance is closely monitored by a third party to prevent opportunistic behavior by the alliance partner.
  - realize that most cooperative alliances fail and that it should ally itself only with an experienced alliance partner in the future.
  - internalize the knowledge about the successes and failures of this alliance so FrameCo can learn from the experience.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 282  
OBJ: 09-04 TYPE: application

44. If GM and Ferrari were to combine some of their automobile manufacturing operations to make a new line of cars under a new brand name, this would be characterized as a(an)
- collusive tactic.
  - merger.
  - cross-border strategic alliance.
  - international acquisition.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 283  
OBJ: 09-05 TYPE: application

45. Legitimately, a firm may pursue an international strategic alliance for all of the following reasons EXCEPT
- to enhance the compensation packages of top managers.
  - to leverage core competencies in new markets.
  - to operate within government restrictions in the local country.
  - to escape limited domestic growth opportunities.

ANS: A                      PTS: 1                      DIF: Easy                      REF: 283  
OBJ: 09-05 TYPE: comprehension

46. In some countries, the only legal way for foreign firms to invest in the country is through

- a. silent partner agreements.
- b. franchising.
- c. wholly-owned subsidiaries.
- d. partnership with a local firm.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 283  
OBJ: 09-05 TYPE: knowledge

47. In a cross-border alliance, the local partner is often a useful source of information about
- a. sources of capital.
  - b. the strengths of the foreign firm's technology.
  - c. market synergies.
  - d. long-term planning.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 283  
OBJ: 09-05 TYPE: comprehension

48. In general, cross-border alliances are more \_\_\_\_\_ and \_\_\_\_\_ than domestic alliances.
- a. uncertainty reducing, diversifying
  - b. complex, risky
  - c. highly leveraged, tightly monitored
  - d. flexible, trust-based

ANS: B                      PTS: 1                      DIF: Medium                      REF: 284  
OBJ: 09-05 TYPE: comprehension

49. A \_\_\_\_\_ cooperative strategy helps the firm diversify in terms of products offered, markets served, or both.
- a. corporate-level
  - b. business-level
  - c. national-level
  - d. industry-level

ANS: A                      PTS: 1                      DIF: Easy                      REF: 284  
OBJ: 09-04 TYPE: knowledge

50. The main reason that IBM is involved in multiple alliances is to
- a. consolidate a fragmented industry and thus gain market power.
  - b. stay on the cutting edge of technology.
  - c. capture the intangible resources of competitors in order to gain a competitive advantage against them in the future.
  - d. avoid government anti-trust regulations which would apply if IBM were to acquire the firms it allies itself with.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 285  
OBJ: 09-04 TYPE: application

51. Dynamic alliance networks work best in industries

- a. where technological innovations are introduced frequently.
- b. that are mature and stable in nature.
- c. where the coordination of product and global diversity is critical.
- d. that are characterized by predictable market cycles and demand.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 286  
OBJ: 09-04 TYPE: comprehension

52. Stable alliance networks will most often
- a. be used to enhance a firm's internal operations.
  - b. appear in mature industries with predictable market cycles.
  - c. emerge in industries with short product life cycles.
  - d. emerge in declining industries as a way to increase process innovations.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 286-288  
OBJ: 09-04 TYPE: comprehension

53. Which of the following statements is TRUE?
- a. Most cooperative strategies are successful if the basic agreements are well written and include appropriate monitoring strategies.
  - b. The large majority of cooperative strategies fail despite potential synergies.
  - c. Opportunistic behaviors are usually focused on gaining the use of the partner's manufacturing and financial resources.
  - d. Problems with international cooperative strategies usually concern financial-system differences between the partners.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 287  
OBJ: 09-06 TYPE: comprehension

54. Which of the following is NOT a risk for firms engaged in cooperative strategies?
- a. misrepresentation of a partner's competencies
  - b. false perception of partner trustworthiness
  - c. insufficient variation in firms' core competencies.
  - d. failure of partners to make complementary resources available to the partnership

ANS: C                      PTS: 1                      DIF: Hard                      REF: 287-288  
OBJ: 09-06 TYPE: comprehension

55. Greentech, Inc., is a bioengineering firm specializing in food crops. It is considering a cooperative alliance with an Asian agribusiness firm, AsiaFoods, to jointly produce improved crops for the Asian market. The risks that Greentech should consider before entering this alliance include all of the following EXCEPT
- a. Has AsiaFoods accurately represented its competencies?
  - b. Will AsiaFoods make alliance-specific investments?
  - c. Can Greentech expect opportunistic behavior from AsiaFoods?
  - d. Will Greentech be able to use a cost-minimization management strategy in the AsiaFoods alliance?



60. One disadvantage of developing effective monitoring systems to manage a strategic alliance is that
- firms will have to accept greater risks.
  - trust will be eroded.
  - spontaneous opportunities are minimized.
  - power coalitions will still develop.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 289  
OBJ: 09-07 TYPE: comprehension

61. In managing cooperative strategies, research indicates that \_\_\_\_\_ can be a capability that is valuable, rare, imperfectly imitable, and often nonsubstitutable giving these firms a competitive advantage.
- extensive capitalization
  - stability
  - trustworthiness
  - Internet competency

ANS: C                      PTS: 1                      DIF: Medium                      REF: 289  
OBJ: 09-07 TYPE: comprehension

62. The opportunity maximization approach is more difficult to establish in international relationships than in domestic relationships because of differences in all EXCEPT
- laws.
  - culture.
  - trade policies.
  - technology.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 289  
OBJ: 09-07 TYPE: comprehension

## MULTIPLE CHOICE

1. The use of excessively-generous stock options for executive compensation has been slowed in the past couple years for all of the following reasons EXCEPT
- criticism from corporate-governance activists.
  - the Sarbanes-Oxley Act.
  - a ruling by the Financial Accounting Standards Board.
  - widespread shareholder resistance.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 299  
OBJ: 10-05 TYPE: knowledge

2. Archibald Smith has moved from an upper-middle management job at Chromatic Array, Inc., to a similar position with Pixilair Corporation. The gap between CEO pay and the pay of other top executives at Chromatic was significantly larger than at Pixilair. What difference can Archibald expect?
- The working relationships among the top management team will be more collaborative at Pixilair than at Chromatic.
  - The focus of Chromatic's board of directors will have been more on the creation of

shareholder wealth than Pixilair's focus.

- c. The rating of Pixilair by Institutional Shareholders Services will be less favorable than Chromatic's rating.
- d. Pixilair will be more vulnerable to hostile takeover than Chromatic.

ANS: A                      PTS: 1                      DIF: Hard                      REF: 300  
OBJ: 10-01 TYPE: application

3. Research suggests that firms with \_\_\_\_\_ perform better, especially when collaboration among top management team members is important.
- a. greater emphasis on stock options
  - b. larger proportion of insiders on the board of directors
  - c. smaller pay gap between the CEO and other top executives
  - d. where benchmarking is used for top executive pay

ANS: C                      PTS: 1                      DIF: Medium                      REF: 300  
OBJ: 10-05 TYPE: comprehension

4. A primary objective of corporate governance is to
- a. determine and control the strategic direction of an organization, so that the top executives are focused on maximizing corporate profits.
  - b. ensure that the interests of top-level managers are aligned with the interests of shareholders.
  - c. lobby legislators to pass laws that are aligned with the organization's interests.
  - d. resolve conflicts among corporate employees.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 300-301  
OBJ: 10-01 TYPE: comprehension

5. Which of the following is a FALSE statement about corporate governance?
- a. Governance is used to establish order between parties whose interests may be in conflict.
  - b. Corporate governance mechanisms sometimes fail to monitor and control top managers' decisions.
  - c. Corporate governance mechanisms can be in conflict with one another.
  - d. If properly established, the board of directors will remain effective as a governance mechanism for many years.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 301-302  
OBJ: 10-01 TYPE: comprehension

6. In the U.S. the fundamental goal of business is to
- a. ensure customer satisfaction.
  - b. maximize shareholder wealth.
  - c. provide job security.
  - d. generate profits.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 301

OBJ: 10-01 TYPE: comprehension

7. In the U.S., a firm's key stakeholder(s) is(are) the
- government.
  - executives.
  - shareholders.
  - customers.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 301  
OBJ: 10-01 TYPE: comprehension

8. Which of the following is NOT an internal governance mechanism?
- the board of directors
  - ownership concentration
  - executive compensation
  - the market for corporate control

ANS: D                      PTS: 1                      DIF: Easy                      REF: 301  
OBJ: 10-01 TYPE: comprehension

9. Amos Ball, Inc., is a printing company in Iowa that has been family owned and managed for three generations. Which of the following statements is most likely to be TRUE?
- Agency costs at Amos Ball are high.
  - If research findings are valid, Amos Ball, Inc., will perform better if a family member is CEO than if an outsider is CEO.
  - At Amos Ball, the opportunity for managerial opportunism is high.
  - The functions of risk-bearing and decision-making are separate at Amos Ball.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 302-306  
OBJ: 10-02 TYPE: application

10. The separation between firm ownership and management creates a(n)\_\_\_\_\_relationship.
- governance
  - control
  - agency
  - dependent

ANS: C                      PTS: 1                      DIF: Easy                      REF: 303  
OBJ: 10-02 TYPE: comprehension

11. Shareholder value is
- the firm's free cash flow.
  - the total revenue of the firm.
  - determined by the size of the firm.
  - reflected in the price of the stock.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 303

OBJ: 10-02 TYPE: comprehension

12. An agency relationship exists when one party delegates
- decision making responsibility to a second party.
  - financial responsibility to employees.
  - strategy implementation actions to functional managers.
  - ownership of a company to a second party.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 303  
OBJ: 10-03 TYPE: knowledge

13. Managerial employment risk is the
- risk that managers will behave opportunistically.
  - risk undertaken by managers to earn stock options.
  - managers' risk of job loss, loss of compensation, and/or loss of reputation.
  - risk managers will not find a new top management position if they should be dismissed.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 304  
OBJ: 10-03 TYPE: knowledge

14. Product diversification provides two benefits to managers that do not accrue to shareholders: \_\_\_\_\_ and \_\_\_\_\_.
- greater experience in a wider range of industries, lessening of managerial employment risk
  - the manager frequently invests in the acquired firm which allows them extensive profits, the manager can frequently buy excess assets divested by the acquired firm
  - the manager's supervisory needs are lowered, the manager is allowed greater time to oversee a wider range of activities
  - the opportunity for higher compensation through firm growth, a reduction in managerial employment risk

ANS: D                      PTS: 1                      DIF: Hard                      REF: 304  
OBJ: 10-03 TYPE: comprehension

15. The top management team at Sierra Infusion is concerned about the declining performance of firms in their industry. The team members are becoming concerned about the security of their jobs at Sierra Infusion. At a meeting over dinner, the top management team agrees to go to the board of directors with a proposal for
- increased diversification of Sierra Infusion.
  - the addition of outside directors to the board.
  - increased shareholder participation in decision making.
  - greater concentration on Sierra's core industry.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 304  
OBJ: 10-03 TYPE: application

16. In contrast to managers' desires, shareholders usually prefer that free cash flows be
- used to diversify the firm.
  - returned to them as dividends.
  - used to reduce corporate debt.
  - re-invested in additional corporate assets.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 305  
OBJ: 10-03 TYPE: comprehension

17. A major conflict of interest between top executives and owners, is that top executives wish to diversify the firm in order to\_\_\_\_\_, while owners wish to diversify the firm to\_\_\_\_\_.
- generate free cash flows, reduce the risk of total firm failure
  - increase the price of the firm's stock, increase the dividends paid out from free cash flows
  - reduce the risk of total firm failure, reduce their total portfolio risk
  - reduce their employment risk, increase the company's value

ANS: D                      PTS: 1                      DIF: Hard                      REF: 305  
OBJ: 10-03 TYPE: comprehension

18. Agency costs reflect all of the following EXCEPT\_\_\_\_\_costs.
- monitoring
  - enforcement
  - opportunity
  - incentive

ANS: C                      PTS: 1                      DIF: Medium                      REF: 306  
OBJ: 10-03 TYPE: knowledge

19. All of the following are unintended consequences of the Sarbanes-Oxley Act EXCEPT
- some foreign firms have delisted on U.S. stock exchanges.
  - a number of publicly-traded companies have decided to privatize.
  - an increased number of IPOs (initial public offerings) are expected.
  - internal auditing costs have increased by about one-third.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 307-308  
OBJ: 10-03 TYPE: comprehension

20. The Sarbanes-Oxley Act requires all of the following EXCEPT
- installation of an outsider as the lead director on the Board of Directors.
  - accounting firms are forbidden from providing both auditing and consulting services to clients.
  - CEOs and CFOs must personally certify the company's financial reports.
  - independence of the committees on the firm's Board of Directors.

ANS: A                      PTS: 1                      DIF: Hard                      REF: 307  
OBJ: 10-04 TYPE: knowledge

21. Compared to managers, shareholders prefer
- safer strategies with greater diversification for the firm.
  - riskier strategies with more focused diversification for the firm.
  - safer strategies with more focused diversification for the firm.
  - riskier strategies with greater diversification for the firm.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 308  
OBJ: 10-03 TYPE: comprehension

22. Usually, large block shareholders are considered to be those shareholders with at least \_\_\_\_\_ percent of the firm's stock.
- 5
  - 25
  - 50
  - 75

ANS: A                      PTS: 1                      DIF: Medium                      REF: 309  
OBJ: 10-04 TYPE: knowledge

23. Recent research evidence shows that ownership concentration is associated with
- increases in executive compensation.
  - greater managerial autonomy.
  - lower levels of product diversification.
  - companies in mature, slow-cycle industries.

ANS: C                      PTS: 1                      DIF: Hard                      REF: 309  
OBJ: 10-04 TYPE: comprehension

24. As ownership of the corporation is diffused, shareholders' ability to monitor managerial decisions
- increases.
  - decreases.
  - remains constant.
  - is eliminated.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 309  
OBJ: 10-04 TYPE: comprehension

25. Institutional owners are
- shareholders in the large institutional firms listed on the New York Stock Exchange.
  - banks and other lending institutions that have provided major financing to the firm.
  - large block shareholders such as mutual funds and pension funds.
  - prevented by the Sarbanes-Oxley Act from owning more than 50% of the stock of any one firm.

ANS: C                      PTS: 1                      DIF: Easy                      REF: 310  
OBJ: 10-04 TYPE: knowledge

26. The ownership of major blocks of stock by institutional investors have resulted in all of the following EXCEPT
- making CEOs more accountable for their performance.
  - increasing the concentration of ownership of large U.S. firms.
  - focusing attention on ineffective boards of directors.



31. A virtually exclusive reliance on financial controls may occur when outsider-dominated boards exist. This may lead to all EXCEPT
- high executive turnover.
  - increased diversification of the firm.
  - excessive management compensation.
  - reduction in R&D expenditure.

ANS: A                      PTS: 1                      DIF: Hard                      REF: 312  
OBJ: 10-04 TYPE: comprehension

32. The New York Stock Exchange requires that the audit committee be
- available to comment to external analysts.
  - composed solely of outside directors.
  - liable for any illegal actions by the top management team.
  - made up of CPAs with auditing experience.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 312  
OBJ: 10-04 TYPE: knowledge

33. Simon Leagreet, the Chairperson and CEO of L-EVA Industries, Inc., has long been the major power at L-EVA. A majority of the directors are concerned that while Mr. Leagreet has been responsible for the firm's earning above-average returns, that he has been displaying a tendency toward personal extravagance at the firm's expense. In order to limit Mr. Leagreet's power, Board of Directors plans to
- elect an insider as the lead director.
  - appoint another individual as chairperson of the Board of Directors.
  - require Mr. Leagreet to personally certify the firm's financial reports.
  - reduce the size of the stock option package provided to Mr. Leagreet.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 312  
OBJ: 10-04 TYPE: application

34. Several members of the board of directors of American Textile Products (ATP) have proposed creating the position of lead director. What circumstances would most likely have initiated this proposal?
- ATP has been the initiator of several hostile takeovers in the last two years.
  - The board has been successful in reducing the percentage of CEO pay that is composed of stock options.
  - The CEO/Chairperson of the Board has been suspected of opportunistic behavior.
  - The firm is traded on the New York Stock Exchange and must change its corporate governance to comply with the NYSE's new rules.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 313  
OBJ: 10-04 TYPE: application

35. The argument for having one individual serve as CEO and chairperson of the Board of Directors is that this
- provides unified leadership and direction for the firm.
  - strengthens the governance processes of the firm.
  - gives the Board of Directors more power.

d. is less expensive than maintaining two top executives.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 313  
OBJ: 10-04 TYPE: knowledge

36. Given the demands for greater accountability and improved performance, which of the following is NOT a voluntary change many boards of directors have initiated?
- moving toward having directors from different backgrounds
  - strengthening the internal management and accounting control systems
  - compensating directors with stock options rather than with fixed remuneration.
  - establishing and using formal processes to evaluate the board's performance

ANS: C                      PTS: 1                      DIF: Hard                      REF: 314  
OBJ: 10-04 TYPE: comprehension

37. Boards of directors are now becoming more involved in
- the strategic decision making process.
  - selecting new CEOs.
  - the firm's tax issues.
  - governmental relations.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 314  
OBJ: 10-04 TYPE: comprehension

38. Research suggests that boards of directors perform better if
- the CEO is also the chairperson of the board of directors.
  - the board includes employees as voting members.
  - the board is homogenous in composition.
  - outside directors own significant equity in the organization.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 314  
OBJ: 10-04 TYPE: comprehension

39. One means that is considered to improve the effectiveness of outside directors is
- mandating that all outside directors be drawn from government or academia rather than industry.
  - requiring that outside directors be former executives of the firm.
  - requiring outside directors to own significant equity stakes in the firm.
  - requiring that outside directors be truly objective by having no ownership interest in the firm.

ANS: C                      PTS: 1                      DIF: Hard                      REF: 314  
OBJ: 10-04 TYPE: comprehension

40. Executive compensation is a governance mechanism that seeks to align managers' and owners' interests through all of the following EXCEPT
- bonuses.

- b. long-term incentives such as stock options.
- c. salary.
- d. penalties for inadequate firm performance.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 315  
OBJ: 10-04 TYPE: knowledge

41. The interests of multinational corporations' shareholders may be best served when there is
- a. a uniform compensation plan for all corporate executives, U.S. and foreign alike.
  - b. executive compensation that is primarily based on long-term performance.
  - c. elevation of foreign executive compensation to U.S. levels.
  - d. a variety of compensation plans for executives of foreign subsidiaries.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 315  
OBJ: 10-04 TYPE: comprehension

42. Managers in the U.S. receive \_\_\_\_\_ compensation than managers in the rest of the world.
- a. equivalent
  - b. higher
  - c. lower
  - d. more variable

ANS: B                      PTS: 1                      DIF: Medium                      REF: 315  
OBJ: 10-04 TYPE: knowledge

43. Top executives resist tying their compensation to long-term performance of the firm mainly because
- a. this delays their compensation for present actions to future years.
  - b. long-term firm performance is more easily manipulated by the board of directors through financial and accounting methods than are shorter-term measures of firm performance.
  - c. uncontrollable events may affect the long-term performance of the firm.
  - d. CEOs and other top executives tend to hold their jobs for five years or less, meaning they are not employed by the firm for the appropriate period of time.

ANS: C                      PTS: 1                      DIF: Hard                      REF: 316  
OBJ: 10-04 TYPE: comprehension

44. There is some evidence that performance bonuses for executives based on annual results are \_\_\_\_\_ investments in R&D where the firm was highly diversified.
- a. negatively related to
  - b. positively related to
  - c. not correlated with
  - d. curvilinearly related to

ANS: A                      PTS: 1                      DIF: Medium                      REF: 316  
OBJ: 10-04 TYPE: comprehension

45. The longer the focus of managerial incentive compensation, the greater the \_\_\_\_\_ top-level managers.

- a. earnings potential for
- b. risks borne by
- c. incentives for
- d. potential tax burden for

ANS: B                      PTS: 1                      DIF: Medium                      REF: 316  
OBJ: 10-05 TYPE: comprehension

46. Which of the following reasons would NOT explain the difficulty of determining appropriate executive compensation?
- a. The decisions made by top-level managers are typically complex and nonroutine.
  - b. An executive's decisions often affect firm performance only over the long run.
  - c. A number of factors intervene between top-level management decisions and firm performance.
  - d. The compensation committee may not have comprehensive firm performance data.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 316  
OBJ: 10-04 TYPE: comprehension

47. The major determinant of CEO pay is(are)
- a. organizational performance.
  - b. organizational size.
  - c. the qualifications and experience of the CEO.
  - d. the proportion of insiders on the board of directors.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 316  
OBJ: 10-04 TYPE: knowledge

48. The board of directors of CamCell, Inc., wishes to design a CEO compensation plan that will align the personal interests of the CEO with the interests of the shareholders in long-term firm performance. The board wishes the CEO to take more short-term risks in order to achieve potentially higher long-term returns. Consequently, the board has decided on an incentive plan that involves payout based on the firm's performance five years in the future. CamCell is presently searching for a new CEO. Which of the following statements is true?
- a. This plan will be very attractive in luring candidates for the CEO position.
  - b. CamCell may have to over-compensate its CEO in order to offset the personal risk a CEO would undertake under this plan.
  - c. Institutional investors disapprove of long-term executive incentive plans and they may sell their blocks of stock in CamCell.
  - d. This type of plan is likely to cause the CEO to underinvest in R&D in order to boost CamCell's long-term profitability.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 316  
OBJ: 10-05 TYPE: application

49. The market for corporate control serves as a means of governance when
- a. the firm is overpriced in the market.
  - b. internal controls have failed.

- c. the corporation has greatly exceeded performance expectations.
- d. the top management team's interests and the owners' interests are aligned.

ANS: B                      PTS: 1                      DIF: Easy                      REF: 317  
OBJ: 10-06 TYPE: comprehension

50. There is some evidence that those firms targeted for takeover by active corporate raiders are
- a. usually on the verge of bankruptcy.
  - b. typically under-performing their industry.
  - c. often performing above their industry averages.
  - d. always outperforming their industry.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 317  
OBJ: 10-06 TYPE: comprehension

51. If the market for corporate control were efficient as a governance device, then only \_\_\_\_\_ would be targets for takeovers.
- a. firms with unethical top executives
  - b. firms earning above-average returns
  - c. poorly-performing firms
  - d. over-valued firms

ANS: C                      PTS: 1                      DIF: Medium                      REF: 317  
OBJ: 10-06 TYPE: comprehension

52. The board of directors of CyberScope, Inc., is designing a stock option plan for its CEO that will motivate the CEO to increase the market value of the firm. Consequently, the board is
- a. setting the option strike price substantially higher than the current stock price.
  - b. insuring that the strike price value of the options can be lowered if the organizational environment becomes more risky.
  - c. having the stock option plan designed by insiders on the board of directors who are familiar with day-to-day operations of the firm.
  - d. consulting accounting advisors to make sure that the plan transfers wealth to the CEO without immediately appearing on the balance sheet of CyberScope.

ANS: A                      PTS: 1                      DIF: Hard                      REF: 317  
OBJ: 10-05 TYPE: application

53. When executives have ownership positions or stock options with their employing firm, they are
- a. going to actively defend their firm from takeover attempts.
  - b. likely to gain financially if their employing firm is taken over by another.
  - c. pressure the board of directors to reprice their stock options.
  - d. likely to be terminated by the acquiring firm even in a friendly takeover.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 317-318  
OBJ: 10-06 TYPE: comprehension

54. Agricultural Chemicals, Inc., was the target of a hostile takeover six months ago. The CEO and the top executives successfully fended off the takeover and are concentrating on strategies to improve the performance of the firm. Which of the following is most likely to be TRUE?
- Hostile takeover attempts are so common that they do not reflect negatively on the firm's performance. They are more a function of general market conditions.
  - The fact that a hostile takeover has occurred is proof that the firm was under-performing.
  - Research shows that once a hostile takeover has been defeated, the firm is safe from other hostile takeover attempts for many years.
  - The CEO and top executives should not consider their jobs secure.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 319  
OBJ: 10-06 TYPE: application

55. All of the following statements are TRUE about the use of defense tactics by the target firm during a hostile takeover EXCEPT
- defense tactics are usually beneficial for the executives of the target firm.
  - defense tactics are opposed by institutional investors.
  - defense tactics are typically ineffective in deterring the takeover.
  - defense tactics make the costs of a takeover lower.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 319  
OBJ: 10-06 TYPE: knowledge

56. Ambrose Bierce, the CEO of DictionAry, has been paid a lump sum amounting to three years' salary because DictionAry has been bought in a hostile takeover by its main competitor. Ambrose received
- a golden parachute.
  - a poison pill.
  - greenmail.
  - a silver handshake.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 320 (Table 10.2)  
OBJ: 10-06 TYPE: application

57. The repurchase at a premium of shares of stock that have been acquired by the aggressor firm in a hostile takeover in exchange for an agreement that the aggressor will no longer target the company for takeover is called
- greenmail.
  - a standstill agreement.
  - crossing the palm with silver.
  - a poison pill.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 320 (Table 10.2)  
OBJ: 10-06 TYPE: knowledge

58. Historically, \_\_\_\_\_ have been at the center of the German corporate governance structure.
- banks
  - institutional shareholders
  - public pension funds

d. government agencies

ANS: A                      PTS: 1                      DIF: Easy                      REF: 321  
OBJ: 10-07 TYPE: knowledge

59. James Abercrombie has a thriving consulting firm specializing in training boards of directors in decision-making skills. Mr. Abercrombie has had striking success in reducing conflict and hostility among directors and allowing boards to develop more cohesiveness. Mr. Abercrombie is considering expanding his consulting practice overseas. Which of the following statements is most likely to be TRUE?
- Mr. Abercrombie will have a large market in Japan because the culture highly values consensus decision making.
  - Japanese firms will have little interest in Mr. Abercrombie's specialty because these skills are already practiced at a high level.
  - German firms will not be interested in Mr. Abercrombie's services because the German system of decision-making is based on authority and few conflicts emerge.
  - Mr. Abercrombie should find significant need for his services in companies in transitional economies.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 321  
OBJ: 10-07 TYPE: application

60. German executives are not dedicated to the maximization of shareholder value largely because
- the roles of CEO and chairperson of the board of directors are usually combined.
  - large institutional investors control large blocks of stock.
  - private shareholders rarely have large ownership positions in the firm.
  - of the focus on stewardship-management in German firms rather than the financial performance focus of U.S. firms.

ANS: C                      PTS: 1                      DIF: Hard                      REF: 321  
OBJ: 10-07 TYPE: knowledge

61. Which of the following statements is FALSE?
- The Vorstand of a German corporation makes decisions about organization direction and management.
  - The Vorstand is elected by the firm's employees.
  - Membership of U.S. boards of directors is less directly influenced by the company's employees than is the membership of German Aufsichtsrat.
  - Banks have less influence on the governance of German corporations than they do on U.S. corporations.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 321  
OBJ: 10-07 TYPE: knowledge

62. Japanese keiretsu are
- management structures related to total quality management systems.
  - company unions which are a type of governance system.
  - the banks owing the largest shares of stock in the firm.
  - a system of cross-shareholding among firms.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 322  
OBJ: 10-07 TYPE: knowledge

63. In Japan, the principal source of the active monitoring of large companies comes from
- boards of directors.
  - stock brokerage companies.
  - the government.
  - banks.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 322  
OBJ: 10-07 TYPE: knowledge

64. \_\_\_\_\_ is an important influence in Japanese corporate governance structures.
- Innovation
  - Consensus
  - Competition
  - Individualism

ANS: B                      PTS: 1                      DIF: Easy                      REF: 322  
OBJ: 10-07 TYPE: knowledge

65. Which of the following is TRUE of trends in Japan's corporate governance structure?
- Some major Japanese firms are bringing in more outsiders onto their boards of directors.
  - The market for corporate control has collapsed with the economic crises in Japan.
  - Banks' influence over corporations is increasing.
  - Traditionally privately-owned Japanese firms are going public.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 322-323  
OBJ: 10-07 TYPE: knowledge

66. The CEO of Skyco, a publicly-traded company that has been earning below-average returns, has been publicly criticized by shareholders for persuading the board of directors to give her interest-free loans, for having the company purchase and furnish a lavish apartment in Paris for her personal use on her twice-yearly trips there, and for excessive stock options. The CEO's behavior may be indication of
- reasonably compensating a CEO.
  - a weak board of directors.
  - the laxity of institutional investors.
  - the difference in risk propensity between owners and managers.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 324  
OBJ: 10-08 TYPE: application

67. The governance mechanism most closely connected with deterring unethical behaviors by holding top management accountable for the corporate culture is
- ownership concentration.
  - the market for corporate control.

- c. executive compensation systems.
- d. the board of directors.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 324  
OBJ: 10-08 TYPE: comprehension

68. International Food Services (IFS) has a contract with the Marines to supply meals for its troops in Iraq and other foreign assignments. As a means of increasing profits, IFS has used substandard ingredients in these meals and has consistently lied about this practice during quality investigations by the Marines. Who is ultimately responsible for the corporate climate that resulted in this wrongdoing?
- a. the director of food service for IFS
  - b. the board of directors of IFS
  - c. the employees directly involved in the wrongdoing
  - d. the head of contract services for the Marines

ANS: B                      PTS: 1                      DIF: Medium                      REF: 324  
OBJ: 10-08 TYPE: application

## MULTIPLE CHOICE

1. In the past, Sony's decentralized product divisions have
- a. encouraged competition and innovation through an entrepreneurial spirit.
  - b. have fostered innovation through cooperation among divisions.
  - c. motivated its divisions to share core competencies with one another.
  - d. historically made heavy use of integrative devices.

ANS: A                      PTS: 1                      DIF: Hard                      REF: 333  
OBJ: 11-01 TYPE: application

2. The Connect service was created by Sony to coordinate all of the Sony businesses. This is an example of a(n) \_\_\_\_\_ designed to overcome some of the deficiencies of its SBU multidivisional structure.
- a. strategic control
  - b. integrative device
  - c. accountability change
  - d. matrix technique

ANS: B                      PTS: 1                      DIF: Medium                      REF: 333 | 347  
OBJ: 11-04 TYPE: application

3. Which of the following is TRUE?
- a. Organizations tend to change structure too frequently which erodes their competitive advantage.
  - b. Large organizations can retain a simple structure as long as they have a focus strategy.
  - c. Flexibility in structure is more important than stability.
  - d. Strategy has a more important influence on structure, than structure has on strategy.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 334  
OBJ: 11-02 TYPE: comprehension

4. The Amos Ball Printing Company was established in 1866. Currently, Amos Ball V is the CEO and chairman of the board. The company has traditionally used a functional structure. Five years ago, the company branched into online publishing and small-batch printing in addition to its regular large-batch operations. Both new businesses are significantly different in technology and marketing from each other and from Ball's traditional business. Despite the hiring of experienced professionals in these new endeavors, performance continues to be poor and it is affecting Ball's overall performance. Which of the following statements is TRUE?
- Organizational inertia may be inhibiting structural change.
  - Mr. Ball has insufficient power to change the structure of the organization.
  - Restructuring must only be done from a position of strength, so it is necessary to wait until the company's overall performance improves before making radical changes.
  - These businesses are too disparate to coordinate within one corporate structure.

ANS: A                      PTS: 1                      DIF: Hard                      REF: 335  
OBJ: 11-01 TYPE: application

5. A firm's \_\_\_\_\_ specifies the work to be done and how to do it.
- structure
  - controls
  - culture
  - strategy

ANS: A                      PTS: 1                      DIF: Easy                      REF: 335  
OBJ: 11-01 TYPE: knowledge

6. Structural stability affects the organization's ability to:
- resist organizational inertia.
  - cope with uncertainty about cause-and-effect relationships in the global economy.
  - develop new competitive advantages.
  - predictably manage its daily work routines.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 335  
OBJ: 11-01 TYPE: knowledge

7. Selecting the organizational structure and controls that effectively implement the chosen strategy is a challenge for managers because:
- firms must be flexible while retaining a degree of stability.
  - managers are never able to obtain all the information necessary to make the best selection.
  - the structure of a firm should not duplicate the structures of its competitors.
  - the environment changes too rapidly for corporations to maintain a consistent corporate structure.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 335  
OBJ: 11-02 TYPE: comprehension

8. To a great extent, organizational inertia which inhibits efforts to change structure, exists because



13. Alfred Chandler found that firms grow in a predictable pattern; that the firm's growth patterns determine its structural form. Which form corresponds to the FINAL stage in Chandler's theory?
- functional
  - simple
  - vertically integrated
  - multidivisional

ANS: D                      PTS: 1                      DIF: Medium                      REF: 339-340 (Figure 11.1)  
OBJ: 11-02 TYPE: knowledge

14. Andermeyer Jewelers has been in existence since the 1870s. It specializes in high-end jewelry using both colored precious stones and diamonds. Generations of wealthy families have patronized Andermeyer. Andermeyer has been owned and managed by the Andermeyer family since its founding, and has never had more than 20 designers and jewelers in its shop. Andermeyer Jewelers should use the \_\_\_\_\_ structure.
- simple
  - functional
  - matrix
  - network

ANS: A                      PTS: 1                      DIF: Easy                      REF: 339-340  
OBJ: 11-02 TYPE: application

15. Typically, an organization using a simple structure would be
- large.
  - small.
  - of any size if the firm is privately held.
  - a family-owned-and-managed firm of any size.

ANS: B                      PTS: 1                      DIF: Easy                      REF: 340  
OBJ: 11-02 TYPE: comprehension

16. In most cases, the focus strategy is best managed using a \_\_\_\_\_ structure.
- simple
  - functional
  - multidivisional
  - vertical

ANS: A                      PTS: 1                      DIF: Medium                      REF: 340  
OBJ: 11-02 TYPE: comprehension

17. The benefits of a simple structure include all of the following EXCEPT
- ease of coordination within the organization.
  - no need for sophisticated information systems.
  - active involvement by the owner-manager.
  - specialists can develop deep expertise.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 340

OBJ: 11-02 TYPE: comprehension

18. Functional structures work best for firms with
- diverse product lines.
  - a single product line in a single geographic market.
  - single or dominant business strategies.
  - conglomerate strategies.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 341  
OBJ: 11-02 TYPE: comprehension

19. Leslie is a newly-graduated certified public accountant with a specialty in corporate tax. She wishes to join an organization which will allow her to concentrate on corporate tax and become deeply proficient in this area. Leslie should look for a position in a firm with a \_\_\_\_\_ structure.
- simple
  - functional
  - multidivisional
  - network

ANS: B                      PTS: 1                      DIF: Hard                      REF: 341  
OBJ: 11-02 TYPE: application

20. One disadvantage of the functional structure is that
- career paths and professional development are limited.
  - dual reporting relationships blur lines of authority.
  - the CEO cannot coordinate and control the efforts of functional level employees.
  - communication is difficult among organizational functions.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 341  
OBJ: 11-03 TYPE: comprehension

21. Which of the following does NOT cause a firm to move from a functional structure to a multidivisional structure?
- increasing diversification
  - coordination and control issues
  - need for knowledge-sharing among specialists
  - greater amounts of data and information to process

ANS: C                      PTS: 1                      DIF: Hard                      REF: 341  
OBJ: 11-03 TYPE: comprehension

22. The multidivisional structure was initially designed to produce three major benefits over the functional form. Which of the following is NOT one of the three benefits?
- aligning the corporate structure with the demands of global expansion
  - more accurate monitoring of the performance of each business
  - facilitation of comparison between divisions
  - stimulating managers of poorly performing divisions to look for ways of improving performance

ANS: A                      PTS: 1                      DIF: Easy                      REF: 341  
OBJ: 11-04 TYPE: comprehension

23. Jumbo Industrial Supply has grown from a one-location firm with a restricted product line, to a multi-state organization with numerous product lines and a large sales staff. Sales have doubled every year for the last three years. It currently has a simple structure with Jared Smith, the owner-manager, making all major decisions. Jumbo is probably now experiencing or will soon experience
- coordination and control problems.
  - bureaucratic inefficiencies.
  - excessive competition among division managers.
  - limited communication among functional specialists.

ANS: A                      PTS: 1                      DIF: Hard                      REF: 341  
OBJ: 11-02 TYPE: application

24. The noted business historian Alfred Chandler viewed the multidivisional structure as an innovative response to
- an emerging professional management philosophy.
  - the increasing demand by consumers for both quality and low-price.
  - coordination and control problems.
  - a shift toward the global economy.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 342  
OBJ: 11-04 TYPE: knowledge

25. Some experts consider the \_\_\_\_\_ structure to be one of the 20<sup>th</sup> century's most significant organizational innovations because of its value to diversified firms.
- network
  - cooperative
  - multidivisional
  - functional

ANS: C                      PTS: 1                      DIF: Easy                      REF: 342  
OBJ: 11-04 TYPE: knowledge

26. To successfully implement a cost leadership strategy, there is a need for
- freedom from constraining rules.
  - centralization of authority.
  - communication between functional silos.
  - sharing of competencies among divisions.

ANS: B                      PTS: 1                      DIF: Easy                      REF: 342  
OBJ: 11-03 TYPE: comprehension

27. Which of the following is NOT associated with an organizational structure that supports a cost leadership strategy?

- a. centralization
- b. specialization
- c. formalization
- d. integration

ANS: D                      PTS: 1                      DIF: Easy                      REF: 342  
OBJ: 11-03 TYPE: comprehension

28. \_\_\_\_ is the degree to which rules and procedures govern work.
- a. Formalization
  - b. Centralization
  - c. Specialization
  - d. Unification

ANS: A                      PTS: 1                      DIF: Easy                      REF: 342  
OBJ: 11-03 TYPE: knowledge

29. Agatha Adams has founded Insurance Specialists to process medical claims for physicians' practices. She plans to compete on the basis of cost, offering the lowest processing cost per claim in her market area. Ms Adams' company should
- a. be the strategic center firm in a network structure.
  - b. have a specialized multidivisional structure.
  - c. develop alliances with firms with complementary competencies.
  - d. have a highly centralized, functional structure.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 342-343  
OBJ: 11-03 TYPE: application

30. Firms seeking to differentiate particularly need support from the \_\_\_\_ and \_\_\_\_ functions.
- a. finance, accounting
  - b. engineering, operations
  - c. product R&D, marketing
  - d. management information, finance

ANS: C                      PTS: 1                      DIF: Easy                      REF: 343  
OBJ: 11-03 TYPE: comprehension

31. Wal-Mart's effective strategy/structure configuration is
- a. cost leadership/functional.
  - b. differentiation/functional.
  - c. related-constrained/multidivisional.
  - d. related-linked/multidivisional.

ANS: A                      PTS: 1                      DIF: Easy                      REF: 343  
OBJ: 11-02 TYPE: application

32. Typically, a successful firm pursuing a differentiation strategy will

- a. have a very hierarchical structure.
- b. require a structure which is very formal.
- c. use cross-functional development teams.
- d. develop free-standing business units.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 343  
OBJ: 11-03 TYPE: comprehension

33. Which of the following is a TRUE statement about organizational structures for implementing business-level strategies?
- a. A cost leadership strategy requires a simple structure emphasizing high specialization, centralization, and structured job roles.
  - b. A differentiation strategy requires a functional structure with limited formalization, broad job descriptions, and an emphasis on the R&D and marketing functions.
  - c. An integrated cost leadership/differentiation strategy requires a multidivisional structure using high formalization, decentralized decision-making, and vertical coordination.
  - d. A focused strategy requires a functional structure featuring high levels of both specialization and formalization.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 343-344  
OBJ: 11-03 TYPE: comprehension

34. The integrated cost leadership/differentiation strategy is difficult to implement mostly because
- a. the primary and support activities required to implement the cost leadership and differentiation strategies conflict.
  - b. this strategic approach demands more flexibility than most firms can manage.
  - c. the dual reporting relationships required for this strategy slows organizational decision-making.
  - d. the cost leadership strategy requires less structured job roles than does the differentiation strategy.

ANS: A                      PTS: 1                      DIF: Hard                      REF: 344-345  
OBJ: 11-03 TYPE: comprehension

35. Successful implementation of the differentiation strategy requires a structure that
- a. has specialized jobs.
  - b. decentralizes decision-making.
  - c. focuses on the finance function.
  - d. is dominated by the operations function.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 343-344  
OBJ: 11-03 TYPE: comprehension

36. The\_\_\_\_\_structure is the most appropriate structure for implementing the integrated cost leadership /differentiation strategy.
- a. simple
  - b. functional
  - c. multidivisional

d. strategic business unit

ANS: B PTS: 1 DIF: Medium REF: 345  
OBJ: 11-03 TYPE: comprehension

37. Increasingly diversified firms that have decided to shift to a related-constrained strategy should change their organizational structure to the \_\_\_\_\_ structure.
- combination
  - functional
  - network
  - multidivisional

ANS: D PTS: 1 DIF: Hard REF: 345  
OBJ: 11-04 TYPE: comprehension

38. Which of the following is NOT a variation of the multidivisional structure?
- competitive form
  - regional form
  - cooperative form
  - strategic business unit form

ANS: B PTS: 1 DIF: Easy REF: 345 (Figure 11.4)  
OBJ: 11-04 TYPE: knowledge

39. The cooperative multidivisional firm
- establishes profit centers based on products or markets.
  - has a flat organizational structure which broadens jobs and empowers workers.
  - is a structure organized around both functional specialization and business projects.
  - is a structure requiring heavy use of horizontal integrative devices.

ANS: D PTS: 1 DIF: Medium REF: 345  
OBJ: 11-04 TYPE: knowledge

40. Which of the following is a TRUE statement about implementing corporate-level strategies and effective organizational structures?
- Firms pursuing a related-linked strategy should implement a competitive structure with a competitive culture and centralized strategic planning activities.
  - Firms pursuing an unrelated diversification strategy should use an SBU structure with a small corporate staff, emphasize the R&D function, and integrate divisions to achieve synergies.
  - Firms pursuing a related-linked strategy should use an SBU structure, emphasize interdependence among divisions, and manage the strategic planning function from the central office.
  - Firms pursuing a related-constrained strategy should implement a cooperative structure, use integrative devices to link divisions, centralize the R&D function, and emphasize sharing.

ANS: D                      PTS: 1                      DIF: Hard                      REF: 345-346  
OBJ: 11-04 TYPE: comprehension

41. The \_\_\_\_\_ structure is an organizational structure that combines both functional specialization and business product or project specialization.
- functional
  - worldwide geographic area
  - network
  - matrix

ANS: D                      PTS: 1                      DIF: Easy                      REF: 347  
OBJ: 11-04 TYPE: knowledge

42. The heavy use of integrative mechanisms in the cooperative multidivisional organizational structure is intended to achieve
- economies of scope.
  - cost efficiencies.
  - sensitivity to cultural diversity.
  - quick response to local customer needs.

ANS: A                      PTS: 1                      DIF: Hard                      REF: 347  
OBJ: 11-04 TYPE: comprehension

43. When a corporation pursues a related-constrained diversification strategy, financial controls may not add value to strategy implementation efforts since it is difficult to
- use them without reducing cooperation among divisional managers.
  - transfer capital between units.
  - maintain an arms-length relationship between headquarters and the divisions.
  - identify which objective criteria to monitor.

ANS: A                      PTS: 1                      DIF: Hard                      REF: 347-348  
OBJ: 11-04 TYPE: comprehension

44. A firm pursuing a related-constrained diversification strategy would typically need all of the following EXCEPT
- centralization of some organizational functions for the sake of coordination.
  - frequent, direct contact between division managers.
  - division managers' rewards based on division financial performance.
  - temporary teams or task forces formed around specific projects.

ANS: C                      PTS: 1                      DIF: Hard                      REF: 347-348  
OBJ: 11-04 TYPE: comprehension

45. Which of the following multidivisional structures is CORRECTLY paired with the appropriate corporate-level strategy?
- competitive form with related constrained strategy
  - cooperative form with unrelated strategy
  - SBU form with related linked strategy

d. competitive form with related linked strategy

ANS: C                      PTS: 1                      DIF: Hard                      REF: 348  
OBJ: 11-04 TYPE: knowledge

46. Icarus Aviation, Athena Instrumentation, and Hercules Miniaturization are strategic business units of Olympia Industries. One can expect that Icarus, Athena, and Hercules
- use integrative mechanisms to share core competencies among themselves.
  - compete with one another in Olympia's internal capital markets.
  - are not necessarily related to one another in terms of products or markets.
  - are network member firms while Olympia is the strategic center firms.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 348-350  
OBJ: 11-04 TYPE: application

47. A private university is made up of various "schools," such as the School of Journalism, the School of Business, the School of Law, the School of Arts and Sciences, and so forth. The university is experiencing some financial problems and the top administration has decided to implement a policy of "each tub on its own bottom," a colorful phrase that indicates that each school of the university is to become a profit center. This scheme is somewhat parallel to the organizational \_\_\_\_\_ structure.
- network
  - strategic business unit multidivisional
  - functional
  - matrix

ANS: B                      PTS: 1                      DIF: Medium                      REF: 349  
OBJ: 11-04 TYPE: application

48. In an SBU structure, \_\_\_\_\_ is/are evaluated using strategic controls, whereas \_\_\_\_\_ is/are evaluated using financial controls.
- each SBU, divisions within the SBUs
  - divisions within the SBUs, each SBU
  - managers of the SBUs, headquarters staff
  - headquarters staff, managers of the SBUs

ANS: A                      PTS: 1                      DIF: Medium                      REF: 349  
OBJ: 11-04 TYPE: comprehension

49. In the strategic business unit structure hierarchy, division managers look primarily to \_\_\_\_\_ for strategic guidance.
- headquarters personnel
  - the board of directors
  - stakeholders
  - the heads of their particular SBU

ANS: D                      PTS: 1                      DIF: Hard                      REF: 349  
OBJ: 11-04 TYPE: comprehension

50. In the \_\_\_\_\_ multidivisional structure there is complete independence among the firm's divisions.
- cooperative
  - matrix
  - competitive
  - SBU

ANS: C                      PTS: 1                      DIF: Medium                      REF: 350  
OBJ: 11-04 TYPE: comprehension

51. A firm pursuing an unrelated diversification strategy will utilize a \_\_\_\_\_ structure.
- network
  - cooperative form multidivisional
  - competitive form multidivisional
  - functional

ANS: C                      PTS: 1                      DIF: Medium                      REF: 350  
OBJ: 11-04 TYPE: comprehension

52. The fewest integrative devices are used in the \_\_\_\_\_ structure.
- simple
  - competitive multidivisional
  - SBU
  - network

ANS: B                      PTS: 1                      DIF: Medium                      REF: 350  
OBJ: 11-04 TYPE: comprehension

53. A firm that frequently acquires and divests other firms is most likely to use the \_\_\_\_\_ structure.
- matrix
  - competitive multidivisional
  - hybrid combination
  - horizontal complementary strategic alliance

ANS: B                      PTS: 1                      DIF: Hard                      REF: 350-351  
OBJ: 11-04 TYPE: comprehension

54. The CEO of Transector, Inc., set a 6.5 percent rate-of-return target for all divisions for the past year. Now, at the end of the year, three of the Transector's seven divisions have not met this rate-of-return goal. The division managers of these three under-performing divisions have all secretly contacted executive placement firms to investigate openings at other firms, because they know their future at Transector is in jeopardy as financial performance is all-important at Transector. Transector probably uses the \_\_\_\_\_ structure.
- competitive form of the multidivisional
  - SBU form of the multidivisional
  - worldwide geographic area
  - distributed strategic network

ANS: A                      PTS: 1                      DIF: Medium                      REF: 351  
OBJ: 11-04 TYPE: application

55. Megaline, Inc., follows the competitive form of the multidivisional structure. It has five divisions. One division has not met the rate-of-return goals for the past year. One division has exceeded the rate-of-return goals. The other three divisions met the rate-of-return goals. The headquarters office is making decisions about where to allocate capital in the next year.
- The poorest performing division will get the highest capital allocation so that it can fix its problems and achieve the rate-of-return goal next year.
  - The highest performing division will get the highest capital allocation because it has the best prospects for creating more wealth for the shareholders next year.
  - The average performing divisions which met the rate-of-return goals will receive the highest allocation because their performance exactly matched corporate requirements.
  - All divisions will receive the same capital allocation for the next year because this organizational structure rewards divisional managers based on achievement of strategic goals.

ANS: B                      PTS: 1                      DIF: Hard                      REF: 351  
OBJ: 11-04 TYPE: application

56. The most centralized and most costly form of the multidivisional structure is the
- integrated.
  - competitive.
  - SBU.
  - cooperative.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 351  
OBJ: 11-04 TYPE: knowledge

57. In the competitive form of the multidivisional structure, the focus of headquarters is on all the following EXCEPT
- integration.
  - performance appraisal.
  - resource allocation.
  - long range planning.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 351  
OBJ: 11-04 TYPE: comprehension

58. Implementing the multidomestic strategy requires decentralization
- to facilitate the tailoring of products to the demand in local markets.
  - to develop economies of scale.
  - in order to achieve economies of scope.
  - to reduce bureaucracy and speed up decision-making.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 352  
OBJ: 11-05 TYPE: comprehension

59. A worldwide geographic area structure is an organizational form in which
- multiple alliances across the globe link complementary businesses.
  - standardized products are offered across country markets.
  - national interests dominate and management adapts to local or cultural differences.
  - responsiveness to local demand is combined with economies of scale.

ANS: C                      PTS: 1                      DIF: Hard                      REF: 352  
OBJ: 11-05 TYPE: knowledge

60. A multidomestic strategy would be associated with
- high levels of coordination.
  - low levels of formalization.
  - many integrative mechanisms.
  - interdependent divisions.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 352  
OBJ: 11-05 TYPE: comprehension

61. Galatea Foods was founded in Greece by Galatea Chronos in 1978, and the company spread rapidly through Western Europe. Ms. Chronos retains the office of CEO. The Spanish division is headed by her oldest son. The North European division is headed by her only daughter, and the French-Italian division is headed by Ms. Chronos' brother. This company probably uses the \_\_\_\_\_ strategy.
- network
  - multidomestic
  - global
  - transnational

ANS: B                      PTS: 1                      DIF: Medium                      REF: 353  
OBJ: 11-05 TYPE: application

62. The primary disadvantage of the multidomestic strategy and worldwide geographic area structure relates to limited
- centralization.
  - coordination across divisions.
  - ability to meet local market needs.
  - potential for global efficiency.

ANS: D                      PTS: 1                      DIF: Medium                      REF: 354  
OBJ: 11-05 TYPE: comprehension

63. One of the primary disadvantages of the global strategy and worldwide product divisional structure is that
- it is difficult to achieve economies of scale.
  - the firm must develop centers to offer after-sales service to customers.
  - it is difficult to respond effectively to local market needs and preferences.
  - achieving economies of scale with this strategy/structure combination is nearly impossible.

ANS: C                      PTS: 1                      DIF: Medium                      REF: 355

OBJ: 11-05 TYPE: comprehension

64. Ichabod Industries has a Latin American Division, a European Division, an Industrial Lubricants Division, and a Food Service Division. Ichabod Industries probably uses the \_\_\_\_\_ organizational structure.
- horizontal complementary strategic alliance
  - competitive multidivisional
  - strategic business unit multidivisional
  - hybrid combination

ANS: D                      PTS: 1                      DIF: Hard                      REF: 355-356  
OBJ: 11-05 TYPE: application

65. The need for organizational employees to be able to function effectively in a culturally-diverse environment is most critical in a \_\_\_\_\_ strategy.
- multidomestic
  - transnational
  - global
  - focus

ANS: B                      PTS: 1                      DIF: Medium                      REF: 356  
OBJ: 11-05 TYPE: knowledge

66. Unilever is changing from a multidomestic strategy to a transnational strategy. In order to implement this change, Unilever must move to the \_\_\_\_\_ organizational structure.
- combination
  - worldwide product divisional
  - worldwide geographic area
  - strategic business unit multidivisional

ANS: A                      PTS: 1                      DIF: Medium                      REF: 357  
OBJ: 11-05 TYPE: application

67. Which of the following is NOT a preliminary task of the strategic center firm in a strategic network?
- strategic outsourcing
  - encouraging friendly rivalry among network members
  - allocating internal capital
  - supporting development of new core competencies

ANS: C                      PTS: 1                      DIF: Medium                      REF: 358-359  
OBJ: 11-06 TYPE: comprehension

68. It is easy to identify the company that functions as the strategic center firm in
- horizontal complementary strategic alliances.
  - vertical complementary strategic alliances.
  - corporate-level cooperative partnerships.
  - international cooperative partnerships.

ANS: B                      PTS: 1                      DIF: Medium                      REF: 360  
OBJ: 11-06 TYPE: comprehension

69. Airlines have forged a number of complementary strategic alliances, in part because many airlines are not profitable. Some airlines participate in several alliances simultaneously. This tends to
- make the partners' true loyalties and intentions unclear.
  - make the role of the strategic center firms more critical to alliance success.
  - distribute the alliances along several segments of the airline industry value chain.
  - be most effective when the alliances are with airlines headquartered in different nations.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 360  
OBJ: 11-06 TYPE: application

70. Toyota heavily uses a strategic network of vertical relationships. Toyota enables engineers in supplier firms to communicate easily with companies with whom Toyota has contracts for services. This results in the suppliers and the Toyota (the strategic center firm) being more
- interdependent.
  - rivalrous.
  - creative.
  - complementary.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 360  
OBJ: 11-06 TYPE: application

71. After years of negotiating short-term contracts with its suppliers, Icon Images has decided to agree to longer-term contracts. In doing this, Icon Images is hoping to
- reduce transaction costs.
  - increase negotiating leverage with suppliers.
  - become less dependent on its suppliers.
  - move toward horizontal alliances with its suppliers.

ANS: A                      PTS: 1                      DIF: Medium                      REF: 360  
OBJ: 11-06 TYPE: application

72. McDonald's operates through a franchising system wherein the headquarters office uses strategic and financial controls to ensure that the franchisees are creating the greatest possible value. This is an example of a(an):
- worldwide product divisional structure.
  - strategic network.
  - SBU multidivisional structure.
  - simple structure.

ANS: B

# Marketing Management Multiple Choice Questions

## PART-I

1. The holistic marketing framework is designed to address three key management questions. Which of the following is one of those questions?
- a. Value Proposition - how can value propositions be made profitable?
  - b. Value chain - are there weak links in the company's value chain?
  - c. Value network - how can a company effectively network?
  - d. Value exploration - how can a company identify new value opportunities?

ans. (d)

2. The marketing environment is the actors and forces outside marketing that affect marketing management's ability to:
- a. Ward off government intervention.
  - b. Develop and maintain successful transactions with its target customers.
  - c. Make money.
  - d. Increase shareholder wealth.

ans. (b)

3. Which of the following is central to any definition of marketing?
- a. Demand management
  - b. Making a Profit
  - c. Customer relationships
  - d. Making a sale

ans. (c)

4. The four Ps represent the sellers' view of the marketing tools available for influencing buyers. From a buyer's point of view, each marketing tool is designed to deliver a customer benefit. Robert Lauterborn suggested that the sellers' four Ps correspond to the customers' four Cs. The four Cs are----- --.
- a. customer focus, cost, convenience, and communication
  - b. customer solution, customer cost, convenience, and communication
  - c. convenience, control, competition, and cost
  - d. competition, cost, convenience, and communication

ans. (b)

5. According to the simple five-step model of the marketing process, a company needs to ----- before designing a customer-driven marketing strategy.
- a. Build profitable relationships with customers
  - b. Use customer relationship management to create full partnerships with key customers

- c. Construct key components of a marketing program
- d. Understand the marketplace and customer needs and wants

ans. (d)

6. Which of the following represents the most dramatic force shaping a modern marketer's destiny?
- a. Political environment
  - b. Technological environment
  - c. Natural environment
  - d. Partnership marketing

ans. (b)

7. When backed by buying power, wants become -----.
- a. Demands
  - b. Social Needs
  - c. Exchanges
  - d. Self-Esteem needs

ans. (a)

8. If a product has an inelastic demand and the manufacturer raises its prices, -----.
- a. Total revenue will increase
  - b. Quantity demanded will increase
  - c. The demand schedule will shift
  - d. The demand will become more inelastic

ans. (a)

9. When marketers set low expectations for a market offering, they run the risk of-----.
- a. Incorrectly identifying a target market
  - b. Decreasing customer satisfaction
  - c. Failing to understand their customers' needs
  - d. Failing to attract enough customers

ans. (d)

10. All of the following would be forces that might be contained in a company's microenvironment EXCEPT:
- a. Economic forces.
  - b. The company itself.
  - c. Marketing channel firms.
  - d. Suppliers.

Ans. (a)

11. According to Theodore Levitt, who drew a perceptive contrast between the selling and marketing concepts, ----- is preoccupied with the need to convert products into cash.

- a. Marketing
- b. Selling
- c. Direct Marketing

- d. Holistic Marketing
- ans. (b)

12. A trend is -----.

- a. Predictable, short-lived, and without social, economic and political significance
  - b. Unpredictable, short-lived, and without social, economic and political significance
  - c. A direction or sequence of events that has some momentum and durability
  - d. A Direction or sequence of events that has no momentum and durability
- Ans. (c)

13. In the case of excess demand,-----may be required to reduce the number of customers or to shift demand temporarily or permanently

- a. Surplusing
  - b. Demarketing
  - c. Marketing
  - d. Negotiating
- Ans. (b)

14. Minimizing pollution form production and all environmental impacts throughout the full product life cycle is called-----.

- a. Design for environment (DFE)
  - b. Green Marketing
  - c. Environmental Sustainability
  - d. Product Stewardship
- Ans. (b)

15 -----is the set of benefits a company promises to deliver its consumers to satisfy their needs.

- a. A money-back guarantee
  - b. An attribute
  - c. A value proposition
  - d. Good customer service
- Ans. (c)

16. Which of the following would be considered to be external to a company's internal environment?

- a. Marketing
  - b. Intermediaries
  - c. Manufacturing
  - d. Accounting
- Ans. (d)

17. Which of the following marketing management concepts is most likely to lead to marketing myopia?

- a. Customer-driving marketing
  - b. Selling
  - c. Societal marketing
  - d. Production
- Ans. (d)

18. Which of the following is a disadvantage of primary market research?

- a. Up to date

- b. Expensive to collect
- c. Focused
- d. Exclusive

Ans. (b)

19. The product concept says that a company should -----.

- a. Devote its energy to making continuous product improvements
- b. Make promoting products the top priority
- c. Market only those products with high customer appeal
- d. Focus on the target market and make products that meet those customers' demands

Ans. (a)

20. Marketing research firms, advertising agencies, and media firms would all be examples of which of the following marketing intermediaries?

- a. Financial intermediaries.
- b. Physical distribution firms.
- c. Marketing service agencies.
- d. Resellers.

Ans. (c)

21. The ----- concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfaction better than competitors do.

- a. Production
- b. Product
- c. Marketing
- d. Selling

Ans. (c)

22. One of the most common problems with using internal database information is that :

- a. Since it was probably collected for some other purpose, it may be incomplete or wrong.
- b. It is usually expensive to retrieve.
- c. Top executives are usually unwilling to relinquish data, therefore the data has limits.
- d. The data is almost always unsecured and, therefore, suspect as to reliability.

Ans. (a)

23. Which of the following reflects the marketing concept philosophy?

- a. "We build them so you can buy them."
- b. "We're in the business of making and selling superior products."
- c. "You won't find a better deal anywhere."
- d. "We don't have a marketing department, we have a customer department."

Ans. (d)

24. Which of the following publics would MOST LIKELY include managers, volunteers, and the board of directors?

- a. Financial public
- b. Internal public
- c. General public
- d. Local public.

Ans. (b)

25. The ----- concept holds that firms must strive to deliver value to customers in a

way that maintains or improves both the consumer's and society's well being.

- a. Societal marketing
- b. Product
- c. Marketing
- d. Selling

Ans. (a)

26 ----- is a philosophy holding that a company's marketing should support the best long-run performance of the marketing system.

- a. Enlightened marketing
- b. Myopic marketing
- c. Fundamental marketing
- d. Conceptual marketing

Ans. (b)

27. Relationship marketing is focused upon the development of robust links between the company and its customers. Which of the following are value building approaches to customer relationship marketing?

- a. Structural, political and economic benefits
- b. Social, political and financial benefits
- c. Financial, political and economic benefits.
- d. Financial, social and structural benefits.

Ans. (d)

28. Customers buy from stores and firms that offer the highest -----.

- a. Customer perceived value
- b. Concern from society's interests
- c. Company image
- d. Level of customer satisfaction

Ans. (a)

29. Which of the following environments is primary in its effect on consumer buying power and spending patterns?

- a. Technological environment.
- b. Demographic environment.
- c. Economic environment.
- d. Cultural environment.

Ans. (c)

30. Through -----, many companies today are strengthening their connections to all partners, from providers of raw materials to components to final products that are carried to final buyers.

- a. Partnership relationship marketing
- b. Customized marketing
- c. Direct marketing
- d. Deviated marketing

Ans. (b)

31. In 1985, the Coca-Cola Company made a classic marketing blunder with its deletion of its popular Coca-Cola product and introduction of what it called New Coke. Analysts now believe that most of the company's problems resulted from poor marketing research. As the public demanded their "old Coke" back, the company relented and reintroduced Coca-Cola Classic (which has regained and surpassed its former position) while New Coke owns only 0.1 percent of the market. Which of the following marketing

research mistakes did Coca-Cola make?

- a. They did not investigate pricing correctly and priced and product too high.
- b. They did not investigate dealer reaction and had inadequate distribution.
- c. They defined their marketing research problem too narrowly.
- d. They failed to account for the Pepsi Challenge taste test in their marketing efforts.

Ans. (c)

32. When an airline goes after a “share of travel” from its customers, it is attempting to increase-----.

- a. Customer ownership
- b. Total customer spending
- c. Customer lifetime value
- d. Share of customer

Ans. (d)

33. Which of the following is not part of an organization’s macro-environment?

- a. Political environment
- b. Social environment
- c. Internal environment
- d. Physical environment

Ans. (d)

34. In a market where demand from customers is strong, but the organization faces acute shortages of staff, which element of its marketing environment is likely to be most important in corporate planning?

- a. Internal environment
- b. Regulatory environment
- c. Micro-economic environment
- d. Physical environment

Ans. (a)

35. Marketing seeks to create and manage profitable customer relationships by delivering ----- to customers.

- a. Competitive prices
- b. Superior value
- c. Superior service
- d. Superior promotion

Ans. (b)

36. Which of the following environments examines institutions and other forces that affect society’s basic values, perceptions, preferences, and behaviors?

- a. Legal environment
- b. Cultural environment.
- c. Psychological environment.
- d. Demographic environment.

Ans. (b)

37. Railroads were once operated based on the thinking that users wanted trains rather than transportation, overlooking the challenge of other modes of transportation. This reflects the -----.

- a. Production concept
- b. Marketing concept

- c. Product concept
- d. Societal marketing concept

Ans. (c)

38. You have just taken a new position in an organization and you're learning about the job functions of your new colleagues. You observe that your marketing manager is heavily involved in the process of building and maintaining profitable customer relationships. Your marketing manager frequently speaks about the need to deliver superior customer value and satisfaction. Your marketing is concerned with which one of the following?

- a. Customer relationship management
- b. Societal marketing concept
- c. Web site hits
- d. Donor marketing

Ans. (a)

39. At work, customers decide to satisfy needs and wants through exchange. What occurs at this point?

- a. Selling
- b. Customer service
- c. Marketing
- d. Transaction marketing

Ans. (d)

40. Which of the following is not part of an organization's intermediate-environment?

- a. Channel Intermediaries
- b. Customers
- c. Statute legislation
- d. Suppliers

Ans. (c)

41. One of the following is the call of the Information Age where the customer asks:

- a. "This is what I want, will you make it safer?"
- b. "This is what I want, won't you please make it?"
- c. "Can you make it safer and sell it cheaper?"
- d. "This is what I want, can you provide more option?"

Ans. (b)

42. A tremendous advantage of modern communication and advertising tools is that marketers can zero in on selected customers with carefully -----.

- a. Selected customer profiles
- b. Customized products
- c. Flexible pricing ranges
- d. Selected targeted messages

Ans. (d)

43. Disney has been successful in selecting an overall company strategy for long-run survival and growth called -----.

- a. Tactical planning
- b. Strategic planning
- c. Futuristic planning
- d. Relationship marketing

Ans. (b)

44. Which of the following is not true of changes in a firm's technological environment?

DIWAKAR EDUCATION HUB

- a. New technology allows for new ways of communicating with a firm's customers.
- b. New technology always leads to benefits for firms.
- c. New technology can allow new goods and services to be developed.
- d. New technology lowers the production learning curve.

Ans. (b)

45. Local community groups, road safety campaigning organizations and government agencies are necessarily ----- a car manufacturer.

- a. Pressure groups on
- b. Regulators of
- c. Intermediaries for
- d. Shareholders of

Ans. (a)

46. Paul Pierce is busy working with other managers evaluating the products and businesses making up their company. Paul is engaged in-----.

- a. Strategic business unit analysis
- b. Preparing a business portfolio
- c. Portfolio analysis
- d. Marketing planning

Ans. (a)

47. The most commercially influential demographic group in history is -----.

- a. Generation X
- b. Baby boomers
- c. Generation Y
- d. Seniors

Ans. (b)

48. A company's marketing environment includes various -----, which consists of any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives.

- a. Teams
- b. Audiences
- c. Markets
- d. Publics

Ans. (d)

49. Firms that take an environmental management perspective will hire ----- to influence legislation affecting their industries to their advantage.

- a. Mediators
- b. Lobbyists
- c. Negotiators
- d. Politicians

Ans. (a)

50. What went wrong with Coke in 1985?

- a. Management defined its marketing research problem too narrowly.
- b. The research looked only at taste and not feeling about dropping the old Coke.
- c. No account of intangibles was taken.
- d. All of the above

ans. (d)

51. Patti Lovelace is making presentation to the owners of her company. She is rying to

convince them to conduct some current marketing research. Which of the following would she not emphasize as a benefit or selling point?

- a. Assess market potential and market share
- b. Understand customer satisfaction and purchase behavior
- c. Measure the effectiveness of pricing the accounting
- d. Measure the effectiveness of distribution and promotion activities

Ans. (a)

52. Survey research, called the backbone of primary research, is the most widely used method for primary data collection and is best suited for gathering----- information.

- a. Personal
- b. Preference
- c. Attitude
- d. Descriptive

Ans. (d)

53. Small organization can obtain most of this type of data available to large businesses with minimal effort. What type is it?

- a. Census
- b. Internet
- c. Secondary
- d. Primary

Ans. (c)

54. Recognizing that surveys can be abused, several research associations have developed -----and -----.

- a. Research conduct; standards of ethics
- b. Research ethics; standards of conduct
- c. Safeguards; public policy
- d. Research ethics; safeguards

Ans.(b)

55. Which of the following element of marketing mix customer analyzes at the last, Taking a decision of buying a particular product?

- a. Promotion
- b. Place
- c. Price
- d. Product

Ans.(a)

56. Which of the following statements is correct?

- a. Marketing is the term used to refer only to the sales function within a firm
- b. Marketing managers usually don't get involved in production or distribution decisions
- c. Marketing is an activity that considers only the needs of the organization, not the needs of society as a whole
- d. Marketing is the activity, set of institution, and processes for creating, communicating delivering, and exchanging offerings that have value of customers, clients, partners, and society at large

Ans. (d)

57. A marketing philosophy summarized by the phrase “a good product will sell itself” is characteristic of the-----period
- Production
  - Sales
  - Marketing
  - Relationship
- Ans.(c)
58. Within the micro-environment a channel of distribution can BEST be described as:
- All of the retailers in a country who stock a particular type of product.
  - All of those people and organizations involved in the process of transferring a product form the producer to the consumer
  - A route plan for as company’s fleet of delivery trucks, designed to minimize the cost per delivery.
  - A route plan for as company’s fleet of delivery trucks, designed to maximize the speed of delivery.
- Ans.(b)
59. The term marketing refers to:
- New product concepts and improvements
  - Advertising and promotion activities
  - A philosophy that stresses customer value and satisfaction
  - Planning sales campaigns
- Ans. (c)
60. Which of the following factors contributed to the transition from the production period to the sales period?
- Increased consumer demand
  - More sophisticated production techniques
  - Increase in urbanization
  - The Great Depression
- Ans.(b)
61. Which of the following is not a benefit for conducting environmental analysis?
- An increase in an organization’s exposure to politically unstable markets
  - Aid to decision making
  - Choice of market and marketing mix
  - Prioritize and manage risk factors
- Ans. (a)
62. The ultimate aim of customer relationship management is to produce -----.
- Sales volume
  - Customer equity
  - A reliable database
  - Profits
- Ans.(b)
63. Which of the following information forms available to the marketing manager can usually be accessed more quickly and cheaply than other information sources?
- Marketing intelligence
  - Marketing research
  - Customer profiles
  - Internal databases

Ans. (d)

64. All of the following are considered to be drawbacks of local marketing except:
- It can drive up manufacturing and marketing costs by reducing economies of scale.
  - It can create logistical problems when the company tries to meet varied requirements
  - It can attract unwanted competition
  - It can dilute the brand's overall image.

Ans. (c)

65. The company that overlooks new and better ways to do things will eventually lose customers to another company that has found a better way of serving customer needs is a major tenet of:

- Innovative marketing.
- Consumer-oriented marketing.
- Value marketing.
- Sense-of-mission marketing.

Ans. (a)

66. A (n) ----- are computerized collections of information obtained from data sources within the company.

- Retrieval systems
- Marketing research reports
- Flow diagrams and PERT charts
- Internal databases

Ans. (d)

67. When Michal Jordan and Tiger Woods use marketing to promote their careers and improve their impact and incomes, they are using:

- Cause-Related Marketing
- Idea Marketing
- Nonprofit Marketing
- Person Marketing

Ans. (d)

68. According to the text, the most dramatic of the environments that affect marketing and appears to be now shaping our world is the----- environment.

- Natural
- Demographic
- Economic
- Technological

Ans. (d)

69. In an example discussed in your text, Johnson & Johnson's recall of their Tylenol product following the discovery that several bottles of Tylenol had been laced with which business philosophy?

- The marketing concept.
- The product concept
- The selling concept

d. The societal marketing concept.

Ans. (d)

70. All of the following are criticisms leveled against marketing by critics except :

- a. Harming consumers through high prices
- b. Harming consumers through deceptive practices.
- c. Harming consumers through high-pressure selling.
- d. Harming consumers through too many product choices.

Ans. (d)

71. The major advantage of survey research is its :

- a. Simplicity
- b. Structure
- c. Organization
- d. Flexibility.

Ans. (d)

72. When personal interviewing involves inviting six to ten people to gather for a few hours with a trained interviewer to talk about a product, service, or organization, the method is called :

- a. Selective sponsorship
- b. Probing
- c. Focus group interviewing
- d. Delphi method

Ans. (c)

73. The -----holds that consumers will favor products that are available and highly affordable (therefore, work on improving production and distribution efficiency).

- a. Product Concept
- b. Production Concept
- c. Production Cost Expansion Concept
- d. Marketing Concept

Ans. (b)

74. One common misuse of marketing research findings in contemporary business is the tendency for marketing research to:

- a. Become a vehicle for pitching the sponsor's products.
- b. Become a vehicle for discriminating in the marketplace
- c. Become a means for raising prices
- d. Become a means for unfair competition

Ans. (a)

75. Good marketing is no accident, but a result of careful planning and -----.

- a. Execution
- b. Selling
- c. Strategies
- d. Tactics

Ans. (a)

76. Marketing is both an "art" and a "science" -- there is constant tension between the formulated side of marketing and the ----- side.

- a. Creative
- b. Selling
- c. Management

d. forecasting

Ans. (a)

77. The most formal definition of marketing is -----.

- a. Meeting needs profitably
- b. Identifying and meeting human and social needs
- c. The 4Ps (Product, Price, Place, Promotion)
- d. An organizational function and a set of processes for creating, communicating, and delivering, value to customers, and for managing customer relationships in ways that benefit the organization and its stake holders.

Ans. (d)

78. Marketing management is-----

- a. Managing the marketing process
- b. Monitoring the profitability of the company's products and services
- c. Developing marketing strategies to move the company forward
- d. The art and science of choosing target markets and getting, keeping and growing customers through creating, delivering, and communicating superior customer value

Ans. (d)

79. A transaction involves -----.

- a. At least two parties
- b. Each party has something that might be of value to the other party
- c. Each party is capable of communication and delivery
- d. All of the above

Ans. (d)

80. Goods constitute the bulk of most countries production and marketing efforts.

- a. Durable
- b. Impulse
- c. Physical
- d. Service

Ans. (c)

81. \_\_\_\_\_ can be produced and marketed as a product.

- a. Information
- b. Celebrities
- c. Durable goods
- d. Organizations

Ans. (a)

82. A \_\_\_\_\_ is someone seeking a response (attention, a purchase, a vote, a donation) from another party, called the \_\_\_\_\_.

- a. Salesperson, customer
- b. Fund raiser, contributor
- c. Politician, voter
- d. Marketer, prospect

Ans. (d)

83. In \_\_\_\_\_ consumers may share a strong need that cannot be satisfied by an existing product.

- a. Negative demand
- b. Latent demand

- c. Declining demand
- d. Irregular demand

Ans. (b)

84. Marketers often use the term----- to cover various groupings of customers.

- a. People
- b. Buying power
- c. Demographic segment
- d. Market

Ans. (d)

85. In----- more customers would like to buy the product than can be satisfied.

- a. Latent demand
- b. Irregular demand
- c. Overfull demand
- d. Excessive
- e. Negative demand

Ans. (c)

86. Companies selling mass consumer goods and services such as soft drinks, cosmetics, air travel, and athletic shoes and equipment spend a great deal of time trying to establish a superior brand image in markets called-----.

- a. Business markets
- b. Global markets
- c. Consumer markets
- d. Nonprofit and governmental markets

Ans. (c)

87. In business markets, advertising can play a role, but a stronger role may be played by the sales force, -----, and the company's reputation for reliability and quality.

- a. Brand image
- b. Distribution
- c. Promotion
- d. Price

Ans. (d)

88. Mohan Sawhney has proposed the concept of ----- to describe a cluster of complementary products and services that are closely related in the minds of consumers but are spread across a diverse set of industries.

- a. Metamarket
- b. Vertical integration
- c. Horizontal integration
- d. Betamarket

Ans. (a)

89. Many countries have ----- industries to create greater competition and growth opportunities.

- a. Open-market
- b. Deregulated
- c. Regulated
- d. Scientifically segmented

Ans. (b)

90. Customers are showing greater price sensitivity in their search for -----.

- a. The right product

- b. The right service
- c. The right store
- d. Value

Ans. (d)

91. Industry boundaries are blurring at an incredible rate as companies are recognizing that new opportunities lie at the intersection of two or more industries this is called -----.

- a. Globalization
- b. Customization
- c. Industry convergence
- d. Heightened competition

Ans. (c)

92. The ----- is practiced most aggressively with unsought goods, goods that buyers normally do not think of buying, such as insurance, encyclopedias, and funeral plots.

- a. Marketing concept
- b. Selling concept
- c. Production concept
- d. Product concept

Ans. (b)

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

- a. Product
- b. Marketing
- c. Production
- d. Selling

Ans. (b)

94. The ----- concept holds that consumers and businesses, if left alone, will ordinarily not buy enough of the organization's products.

- a. Production
- b. Selling
- c. Marketing
- d. Product

Ans. (b)

95. Several scholars have found that companies who embrace the marketing concept achieve superior performance. This was first demonstrated for companies practicing a----- understanding and meeting customers' expressed needs.

- a. Reactive market orientation
- b. Proactive marketing orientation
- c. Total market orientation
- d. Impulsive market orientation

Ans. (a)

96. In the course of converting to a marketing orientation, a company faces three hurdles -----.

- a. Organized resistance, slow learning, and fast forgetting
- b. Management, customer reaction, competitive response
- c. Decreased profits, increased R&D, additional distribution
- d. Customer focus, profitability, slow learning

Ans. (a)

97. Companies that practice both a reactive and proactive marketing orientation are implementing a ----- and are likely to be the most successful.
- Total market orientation
  - External focus
  - Customer focus
  - Competitive, customer focus
- Ans. (a)
98. Marketers argue for a ----- in which all functions work together to respond to, serve, and satisfy the customer.
- Cross-functional team orientation
  - Collaboration model
  - Customer focus
  - Competitive, customer focus
- Ans. (c)
99. ----- can be seen as the development, design, and implementation of marketing programs, processes, and activities that recognizes the breadth and interdependencies of their effects.
- Niche marketing
  - Holistic marketing
  - Relationship marketing
  - Supply-chain marketing
- Ans. (b)
100. marketing has the aim of building mutually satisfying long-term relations with key parties such as customers, suppliers, distributors, and other marketing partners in order to earn and retain their business
- Holistic
  - Demand-based
  - Direct
  - Relationship
- Ans. (d)
101. Companies who form ----- collect information on each customer's past transactions, demographics, psychographics, and media and distribution preferences.
- Sales network
  - Holistic union
  - Marketing network
  - Supply-chain network
- Ans. (c)
102. The ability of a company to deal with customers one at a time has become practical as a result of advances in -----, computers, the Internet, and database marketing software.
- Improved communication flow
  - Information technology
  - Just-in-time manufacturing
  - Factory customization
- Ans. (d)
103. One traditional depiction of marketing activities is in terms of the marketing mix or four Ps. The four Ps are characterized as being -- --.
- Product, positioning, place, and price

- b. Product, production, price, and place
- c. Promotion, place, positioning, and price
- d. Product, price, promotion, and place

Ans. (d)

104. The four Ps represent the sellers' view of the marketing tools available for influencing buyers. From a buyer's point of view, each marketing tool is designed to deliver a customer benefit. Robert Lauterborn suggested that the sellers' four Ps correspond to the customers' four Cs. The four Cs are ----- .

- a. Customer focus, cost, convenience, and communication
- b. Customer solution, customer cost, convenience, and communication
- c. Convenience, control, competition, and cost
- d. Competition, cost, convenience, and communication

Ans. (b)

105. Holistic marketing incorporates ----- ,ensuring that everyone in the organization embraces appropriate marketing principles, especially senior management.

- a. Profit objectives
- b. Share of customer
- c. Internal marketing
- d. The marketing mix

Ans. (c)

106. Marketing is not a department so much as a-----.

- a. Company orientation
- b. Philosophy
- c. Function
- d. Branch of management

Ans. (a)

107. Holistic marketing incorporates ----- and understanding broader concerns and the ethical, environmental, legal, and social context of marketing activities and programs.

- a. Safe product design
- b. Cultural marketing
- c. Social responsibility marketing
- d. Cross-functional teams

Ans. (c)

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

- a. Customer-centered business
- b. Focused business model
- c. Societal marketing concept
- d. Ethically responsible marketing manager

Ans. (c)

109. Companies see ----- as an opportunity to enhance their corporate reputation, raise brand awareness, increase customer loyalty, build sales, and increase press coverage.

- a. Cause-related marketing

- b. Brand marketing
- c. Equity marketing
- d. Direct marketing

Ans. (a)

110. When a customer has a(n) -----need he/she wants a car whose operating cost, not its initial price, is low

- a. Stated
- b. Real
- c. Unstated
- d. Delight

Ans. (b)

111. When a customer has a(n) need the customer wants to be seen by friends as a savvy consumer.

- a. Real
- b. Unstated
- c. Delight
- d. Secret

Ans. (d)

112. reflects the perceived tangible and intangible benefits and costs to customers.

- a. Loyalty
- b. Satisfaction
- c. Value
- d. Expectations

Ans. (c)

113. includes all the actual and potential rival offerings and substitutes that a buyer might consider.

- a. Competition
- b. The product offering
- c. A value proposition
- d. The supply chain

Ans. (a)

114. The -----includes the immediate actors involved in producing, distributing, and promoting the offering. The main actors are the company, suppliers, distributors, dealers, and the target customers.

- a. Operations environment
- b. Management environment
- c. Strategic environment
- d. Task environment

Ans. (d)

115. The -----process consists of analyzing marketing opportunities; selecting target markets; designing marketing strategies; developing marketing programs; and managing the marketing effort.

- a. Marketing planning
- b. Strategic planning
- c. Market research
- d. Opportunity analysis

Ans. (a)

116. Some companies are now switching from being solely product-centered (with product managers and product divisions to manage them) to being more----- centered.
- a. Competency
  - b. Strategy
  - c. Marketing
  - d. Customer-segment

Ans. (d)

117. Companies are recognizing that much of their market value comes form----- , particularly their brands, customer base, employees, distributor and supplier relations, and intellectual capital.
- a. Variable assets
  - b. The value proposition
  - c. Intangible assets
  - d. Tangible assets

Ans. (c)

118. Top management is going beyond sales revenue alone to examine the marketing scorecard to interpret what is happening to----- --.
- a. Market share
  - b. Customer satisfaction
  - c. Product quality
  - d. All of theabove

Ans. (d)

119. A key ingredient of the marketing management process is insightful, ----- marketing strategies and plans that can guide marketing activities.
- a. Creative
  - b. Measurable
  - c. Macro
  - d. Micro

Ans. (a)

120. The task of any business is to deliver -----at a profit.
- a. Customer needs
  - b. Products
  - c. Customer value
  - d. Products andservices

Ans. (c)

121. The traditional view of marketing is that the firm makes something and then it.
- a. Markets
  - b. Sells
  - c. Distributes
  - d. Prices

Ans. (b)

122. Today, the “mass-marker” is actually splintering into numerous-----, each with its own wants, perceptions, preference, and buying criteria.
- a. Micro markets
  - b. Market targets

- c. Macro markets
- d. Customer cliques

Ans. (a)

123. The first phase of the value creation and delivery sequence is---- that represents the “homework” marketing must do before any product exists.

- a. Choosing the value
- b. Market research
- c. Target marketing
- d. Service consideration

Ans. (a)

124. The last step in the value creation and delivery sequence is ----- the value where the sales force, sales promotion, advertising, and other communication tools announce and promote the product.

- a. Developing
- b. Distributing
- c. Communicating
- d. Reversing

Ans. (c)

125. The Japanese have refined the value delivery process to include a component that emphasizes -----.

- a. Zero servicing
- b. Zero customer feedback time
- c. Zero promotion
- d. Zero dependency on intermediaries

Ans. (b)

126. The ----- is a tool for identifying ways to create more customer value.

- a. Value chain
- b. Customer survey
- c. Brand loyalty index
- d. Promotion channel

Ans. (a)

127. The ----- identifies nine strategically relevant activities that create value and cost in a specific business.

- a. Value proposition
- b. Value chain
- c. Mission statement
- d. Annual report

Ans. (b)

128. The ----- in the value chain cover the sequence of bringing materials into the business (inbound logistics), converting them into final products (operation), shipping out final products (outbound logistics), marketing them (marketing and sales), and servicing them (service).

- a. Operations process
- b. Manufacturing process
- c. Primary activities
- d. Secondary activities

Ans. (c)

129. Procurement, technology development, human resource management, and firm

infrastructure are handled in certain specialized departments and are called -----.

- a. Materials handling
- b. Support activities
- c. Inventory activities
- d. Primary activities

Ans. (b)

130. The firm should estimate its competitors' costs and performances as----- against which to compare its own costs and performance.

- a. Competition
- b. Standards
- c. Challenges
- d. Benchmarks

Ans. (d)

131. The firm's success depends not only on how well each department performs its work, but also on how well the various departmental activities are coordinated to conduct -----.

- a. Core strategies
- b. Satellite businesses
- c. Core values
- d. Core business processes

Ans. (d)

132. With respect to core business processes, all the activities involved in gathering market intelligence, disseminating it within the organization, and acting on the information is referred to as the -----.

- a. Market sensing process
- b. Market research process
- c. Target marketing process
- d. Market pulse process

Ans. (a)

133. A good way to describe the ----- would be discussing all the activities involved in building deeper understanding, relationships, and offerings to individual customers.

- a. Customer acquisition process
- b. Customer relationship management process
- c. Customer prospecting process
- d. Customer fulfillment management process

Ans. (b)

134. Another way to describe a value delivery network (partnering with specific suppliers and distributors) is to call it a -----.

- a. Teamwork group
- b. Cabal
- c. Domestic power center
- d. Supply chain

Ans. (d)

135. One conception of holistic marketing views it as "integrating the value exploration, ----- . And value delivery activities with the purpose of building long-term, mutually satisfying relationships and co-prosperity among key stakeholders."

- a. Value creation

- b. Value proposition
- c. Value management
- d. Value research

Ans. (a)

136. Holistic marketers achieve profitable growth by expanding customer share, -----, and capturing customer lifetime value.

- a. Undermining competitive competencies
- b. Building customer loyalty
- c. Milking the market for product desires
- d. Renewing a customer base

Ans. (b)

137. The customer's ----- reflects existing and latent needs and includes dimensions such as the need for participation, stability, freedom, and change.

- a. Competence space
- b. Resource space
- c. Emotional space
- d. Cognitive space

Ans. (d)

138. allows the company to discover who its customers are, how they behave, and what they need or want. It also enables the company to respond appropriately, coherently, and quickly to different customer opportunities.

- a. Network management
- b. Strategic management
- c. Marketing management
- d. Customer relationship management

Ans. (d)

139. To respond effectively and provide value delivery, the company requires----- to integrate major business processes (e.g., order processing, general ledger, payroll, and production) within a single family of software modules.

- a. Human resource management
- b. Internal auditing management
- c. Internal resource management
- d. Strategic management

Ans. (c)

140. With respect to value delivery, ----- allows the company to handle complex relationships with its trading partners to source, process, and deliver products.

- a. A value matrix
- b. A global distribution policy
- c. A business development strategy
- d. Business partnership management

Ans. (d)

141. Successful marketing requires having capabilities such as understanding-----, creating customer value, delivering customer value, capturing customer value, and sustaining customer value.

- a. Customer loyalty
- b. Customer perks
- c. Customer retention
- d. Customer value

Ans. (d)

142. According to a Mc Kinsey research study, which of the following is one of the main challenges that marketing must face in the twenty-first century?

- a. The threat of ethics-based lawsuits.
- b. Doing more with less.
- c. Hostile takeover attempts.
- d. Increasing control by big governments

Ans. (b)

143. Most large companies consist of four organizational levels: the -----, the division level, the business unit level, and the product level.

- a. Board of director level
- b. Major stakeholder level
- c. Management team level
- d. Corporate level

Ans. (d)

144. is the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company.

- a. Marketing intelligence
- b. MIS ( marketing information system)
- c. Marketing research
- d. Demographics

Ans. (c)

145. The marketing manager needs to know the cost of the research project before approving it. During which of the following stages of the marketing research process would such a consideration most likely take place?

- a. Step 1- defining the problems.
- b. Step 1- creating decision alternatives.
- c. Step 1- drafting the research objectives.
- d. Step 2- develop the research plan

Ans. (d)

146. Designing a research plan calls for decision on all of the following EXCEPT -----.

- a. Drafting research objectives
- b. Data source
- c. Research approaches
- d. Research instruments
- e. Sampling plans

Ans. (a)

147. are data that were collected for another purpose and already exist somewhere.

- a. Primary data
- b. Secondary data
- c. Tertiary data
- d. Inordinate
- e. Ordinate

Ans. (b)

148. Primary data can be collected in several ways. Which of the following primary data collections methods would be exemplified by constructing see-through mirrors in

a retail store whereby consumers' actions could be recorded?

- a. Focus groups
- b. Surveys
- c. Observation
- d. Behavioral data

Ans. (c)

149. A -----is a gathering of six to ten people who are carefully selected based on certain demographic, psychographic, or other considerations and brought together to discuss at length various topics of interest.

- a. Market maven
- b. Virtual research market
- c. Consumer dyad
- d. Focus group

Ans. (d)

150. consists of measuring and evaluating actual sales in relation to goals.

- a. ROI analysis
- b. Demand
- c. Sales analysis
- d. Performance reviews

Ans. (c)

151. A ----- can be used to track period-to-period fluctuations in each ratio (e.g., marketing expense-to-sales ratio) used assist in annual plan control.

Ans. (c)

## PART-2

1. When a company identifies the parts of the market it can serve best and most profitable, it is practicing-----.

- a. Concentrated marketing
- b. Mass marketing
- c. Targeted marketing
- d. Segmenting

Ans. (d)

2. Which one of the listed choices of positioning tasks is incorrect?

- a. Identify a set of possible competitive advantages to build a position.
- b. Survey frequent uses of the product.
- c. Select an overall positioning strategy.
- d. Effectively communicate and deliver the chosen position to the market.

Ans. (b)

3. A company or store gains a(n) ----- by understanding customer needs better than competitors do and delivering more value.

- a. Competitive advantage
- b. Positioning advantage
- c. Cost advantage
- d. Efficiency advantage

Ans. (a)

4. Which of the following could be said to be targeting a “niche” market segment?
- a. Renault Clio
  - b. Vauxhall Astra
  - c. Ford Mondeo
  - d. Lotus Esprit

Ans. (d)

5. Which of the following products is the best example of product of be sold to “mass market” segment?
- a. Mercedes S Class Saloon
  - b. Andrex Toilet Tissue
  - c. Cartier Watch
  - d. Organix (Organic) Baby Food

Ans. (b)

6. The set of consumers who are buying the company’s product is the -----.
- a. Available market
  - b. Target market
  - c. Penetrated market
  - d. Total market

Ans. (c)

7. Mr. Azad and his staff have decided to use target marketing to reach their sales goals. Which are their three steps (in order) to target marketing?
- a. Market segmentation, market positioning, and target marketing.
  - b. Target market, market positioning, and market segmentation.
  - c. Market segmentation, target marketing, and market positioning.
  - d. Market alignment, market segmentation, and market positioning.

Ans. (c)

8. “We are what we have” would be associated with which of the following concepts?
- a. A person’s self-concept
  - b. Personality.
  - c. Attitudes.
  - d. Beliefs

Ans. (d)

9. Even though several options are available at any one time, there is ----- to segment a market.
- a. One single best way
  - b. No single way
  - c. The most effective way
  - d. The least-cost way

Ans. (b)

10. The-----is a useful tool which allows you to take advantage of the buyer’s comparisons, while avoiding danger involved in ‘knocking’ the competition.
- a. Comparison statement
  - b. Potential benefit

- c. Confirmed benefit
- d. Feature

Ans. (a)

11. Which of the following would correctly be labelled as a cultural factor that would influence consumer behaviour?

- a. Family
- b. Social class
- c. Lifestyle
- d. Reference group

Ans. (b)

12. 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

Ans. (a)

13. Pendergraff Pet Supplies divides the pet market according to the owners' race, occupation, income, and family life cycle. What type of segmentation does Pendergraff use?

- a. VALS
- b. Benefit
- c. End-use
- d. Demographic

Ans. (d)

14. Which of the following is not a useful base for segmenting organizational characteristics?

- a. By turnover.
- b. By geographical location.
- c. By organizational size
- d. By industry type

Ans. (c)

15. Mattel's Barbie is an example of an age-defying product. Barbie, simultaneously timeless and trendy, is in the ----- stage of the PLC.

- a. Decline
- b. Adoption
- c. Maturity
- d. Growth

Ans. (c)

16. When Burger King targets different groups from children and teens to adults and seniors-with different ads and media, it is practicing-----segmentation.

- a. Demographic
- b. Age and life cycle
- c. Psychographic
- d. Behavioral

Ans. (b)

17. The practice of going after a large share of a smaller market or subsets of a few markets is called:

- a. Undifferentiated marketing.
- b. Differentiated marketing.
- c. Concentrated marketing.
- d. Turbo marketing

Ans. (c)

18. When Positive Image, Inc., caters to clothing, cosmetics, and toiletries markets, it is probably using this type of segmentation. Which type of segmentation is it?

- a. Age and life cycle
- b. Gender
- c. Behavior
- d. Psychographic.

Ans. (b)

19. Cognitive dissonance occurs in which stage of the buyer decision process model?

- a. Need recognition
- b. Information search
- c. Evaluation of alternatives
- d. Postpurchase behavior

Ans. (d)

20. All of following would be ways to segment within the category of psychographic segmentation EXCEPT;

- a. Social class
- b. Occupation
- c. Lifestyle
- d. Personality.

Ans. (b)

21. Consumers can show their allegiance to brands, stores, or companies. Marketers can use this information to segment consumers by-----.

- a. User status
- b. Loyalty
- c. Store type
- d. Brand preference

Ans. (b)

22. The-----is a person within a reference group who, because of special skills, knowledge, personality, or other characteristics, exerts influence on others.

- a. Facilitator
- b. Referent actor
- c. Opinion leader
- d. Social roleplayer

Ans. (c)

23. -----describes changes in an individual's behavior arising from experience.

- a. Modeling
- b. Motivation
- c. Perception
- d. Learning

Ans. (d)

24. Firms gain this type of advantage through the way they design their distribution coverage, expertise, and performance. Which differentiation is it?

- a. Services differentiation.

- b. Channel differentiation.
- c. People differentiation.
- d. Product differentiation.

Ans. (c)

25. When firms use symbols, colors, or characters to convey their personalities, they are using----- differentiation.

- a. Image
- b. People
- c. Company
- d. Reputation

Ans. (a)

26. The orange juice manufacturers know that orange juice is most often consumed in the mornings. However, they would like to change this and make the drink acceptable during other time periods during the day. Which form of segmentation would they need to work with and establish strategy reflective of their desires?

- a. Gender segmentation
- b. Benefit segmentation
- c. Occasion segmentation
- d. Age and life-cycle segmentation

Ans. (c)

27 ----- consists of dividing a market into distinct groups of buyers on the basis of needs, characteristics, or behavior who might require separate products or marketing mixes.

- a. Product differentiation
- b. Market segmentation
- c. Market targeting
- d. Market positioning

Ans. (b)

28. Consumer and business marketers use many of the same variables to segment markets. In addition, business marketers use all of the following except one. Which one?

- a. Operating characteristics.
- b. Purchasing deadlines.
- c. Situational factors.
- d. Personal characteristics.

Ans. (b)

29. In terms of special product life cycles, a-----is a basic and distinctive mode of expression.

- a. Genre
- b. Style
- c. Fashion
- d. Fad

Ans. (b)

30-----is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter.

- a. Mass marketing
- b. Market segmentation
- c. Market targeting

d. Market positioning

Ans. (c)

31. The stage in the product life cycle that focuses on expanding market and creating product awareness and trial is the:

- a. Decline stage
- b. Introduction stage
- c. Growth stage
- d. Maturity stage.

Ans. (b)

32. -----factors are the most popular bases for segmenting customer groups

- a. Geographic
- b. Demographic
- c. Psychographic
- d. Behavioral

Ans. (b)

33. It is now time to evaluate the different market segments your company is serving. You would look at all of those factors except one. Which one?

- a. Segment size.
- b. Segment growth
- c. Structural attractiveness
- d. Company values and mission

Ans. (d)

34. Even though buying roles in the family change constantly, the----- has traditionally been the main purchasing agent for the family.

- a. Wife
- b. Husband
- c. Teenage children
- d. Grandparent

Ans. (a)

35. When competitors cannot easily copy this difference to promote, we say we have a(n)----- difference.

- a. Distinctive
- b. Profitable
- c. Preemptive
- d. Superior

Ans. (c)

36. You have just created the “perfect” ad. It communicates the full mix of benefits upon which the brand is positioned. This full positioning is called -----.

- a. Value proposition
- b. AIDA
- c. Capturing the consumers’ attention
- d. Value profiling

Ans. (a)

37. Which of the following is NOT one of the five stages of the buyer decision process?

- a. Need recognition
- b. Brand identification
- c. Information search
- d. Purchase decision

Ans. (b)

38. Developing a stronger position within several segments creates more total sales than ----- marketing across all segments.
- a. Undifferentiated
  - b. Differentiated
  - c. Mass
  - d. Target

Ans. (a)

39. A----- is a need that is sufficiently pressing to direct the person to seek satisfaction.
- a. Motive
  - b. Want
  - c. Demand
  - d. Requirement

Ans. (a)

40. A company is practicing----- if it focuses on sub segments with distinctive traits that may seek a special combination of benefits.
- a. Micromarketing
  - b. Niche marketing
  - c. Mass marketing
  - d. Segment marketing

Ans. (b)

41. If a consumer describes a car as being the “most economical car on the market, ”then this descriptor is a:
- a. Rule
  - b. Attitude
  - c. Belief
  - d. Cue.

Ans. (c)

42. Once it has chosen a position, a company must take strong steps to deliver and communicate the desired position to target consumers. Which step is not correct?
- a. The company’s marketing mix efforts must support the positioning strategy.
  - b. Positioning the company calls for concrete action, not just talk.
  - c. Designing the marketing mix involves working out the strategic details of the positioning strategy.
  - d. Its service personnel, retailers, and advertising messages must match correctly.

Ans. (d)

43. Technological advances, shifts in consumer tastes, and increased competition, all of which reduce demand for a product are typical of which stage in the PLC?
- a. Decline stage
  - b. Introduction stage
  - c. Growth stage
  - d. Maturity stage

Ans. (a)

- 44-----is the narrowest marketing strategy.
- a. Segmented strategy
  - b. Local marketing
  - c. Differentiated marketing

d. Mass marketing

Ans. (b)

45. 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. Micro

c. Differentiated

d. Mass

Ans. (b)

46. All of the following factors can affect the attractiveness of a market segment EXCEPT:

a. The presence of many strong and aggressive competitors.

b. The likelihood of government monitoring.

c. Actual or potential substitute products.

d. The power of buyers in the segment.

Ans. (b)

47 ----- is a person's distinguishing psychological characteristics that lead to relatively consistent and lasting responses to his or her own environment.

a. Psychographics

b. Personality

c. Demographics

d. Lifestyle

Ans. (b)

48. The course of a product's sales and profits over its lifetime is called:

a. The sales chart.

b. The dynamic growth curve

c. The adoption cycle

d. The product life cycle

Ans. (d)

49. When competitor's use differentiated or concentrated marketing, ----- can be suicidal.

a. Differentiated

b. Undifferentiated

c. Concentrated

d. Customized

Ans. (b)

50. As marketing manager of Swiss Chalets, a mountain and lakeside resort, you discover that consumers position products and services -----.

a. After marketers put marketing mixes in place

b. Generally after consulting friends who use

c. With or without the help of marketers

d. Rather reluctantly

Ans. (c)

51. A product's position is based on important attributes as perceived by ----- --.

a. Suppliers

b. Competitors

c. Market conditions

d. Consumers

Ans. (d)

52. With 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

Ans. (c)

53. 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

Ans. (b)

54 ----- is (are) the most basic cause of a person's wants and behavior.

- a. Culture
- b. Brand personality
- c. Cognitive dissonance
- d. New product

Ans. (a)

55. Ad man Rosser Reeves believes that firms should develop a USP for each brand and stick to it. What does USP stand?

- a. Unique selling product
- b. Unique services practices
- c. Unique sales pitch
- d. Unique selling proposition

Ans. (d)

56. 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

Ans. (b)

57. Cigarette, beer, and fast-food marketers have generated much controversy on recent years by their attempts to target-----.

- a. Teens
- b. The poor
- c. Inner-city minorities
- d. The poor in foreign markets

Ans. (c)

58. You have discovered that effective programs can be designed for attracting and serving your chosen segments. This segmenting requirement is called -----.

- a. Alternative evaluations

- b. Cognitive dissonances
- c. Subcultures
- d. Motives

Ans. (c)

59. Considering a product form the time it is conceived to the time it is abandoned, the -----phase is characterized by zero sales and a place where the company's investment costs amount.

- a. Introduction
- b. Maturity
- c. Decline
- d. Product development

Ans. (d)

**Part-3**

1. Which of the following is not a component of the visual expression of a brand?

- a. Typography
- b. Tone of Voice
- c. Design element
- d. Logo

Ans. (b)

2. Introducing new products to existing markets is an example of :

- a. Vertical diversification
- b. Conglomerate diversification
- c. Concentric diversification
- d. Horizontal diversification

Ans. (d)

3. If a marketer decides to use ware house, transportation companies, banks and insurance companies to facilitate transactions with potential buyers, the marketer is using what is called a ----- --.

- a. Service channel
- b. Distribution channel
- c. Relationship channel
- d. Intermediary channel

Ans. (a)

4. If planters is concerned that acquiring a taste for its new product, honey-roasted macadamia nuts, takes time, it should use----- packaging.
- a. Family
  - b. Multiple
  - c. Tamper-resistant
  - d. Unlabeled
- Ans. (b)
5. A sales representative for Coca-Cola travels to various shops and restaurants to determine how much bottles the customer needs for the coming period. The sales representative would be classified as which one of the following types of sales
- a. Order getter
  - b. Inside order taker
  - c. Field order taker
  - d. Trade salesperson
- Ans. (c)
6. A carton of orange juice has no brand name on the package, only the name of the product 'orange juice'. This is an example of-
- a. A manufacturer's brand
  - b. An own label brand
  - c. A no-frills brand
  - d. A generic brand
- Ans. (d)
7. Businesses that set their prices at around the normal market level(i.e. the same as most competitors) are said to be:
- a. Price takers
  - b. Mee-too-Brands
  - c. Price Copiers
  - d. Discount merchants
- Ans. (a)
8. Products that are inventions are known as -----.
- a. New category entry

- b.** An addition to product line
- c.** New-to-the-world products
- d.** A product improvement

Ans. (d)

**9.** A growth direction through the increase in market share for present product markets denotes which of the following?

- a.** Market penetration
- b.** Marketing mix
- c.** Market development
- d.** Product development

Ans. (b)

**10.** Companies should state their channel objectives in terms of targeted levels of --.

- a.** Co-op advertising
- b.** Fair prices
- c.** Efficiency and reduced conflict
- d.** Customer service

Ans. (d)

**11.** The goal of the marketing logistics system should be to provide:

- a.** A targeted level of promotional support.
- b.** A targeted level of customer services at the least cost
- c.** A targeted level of transportation expense ratio.
- d.** A targeted level of field support

Ans. (b)

**12.** When Coca-Cola and Nestle formed a joint venture to market a ready-to-drink coffee and tea worldwide, the type of marketing system that was formed would best be described as being:

- a.** Vertical marketing system
- b.** Parallel marketing system
- c.** Diversified marketing system
- d.** Horizontal marketing system

Ans. (d)

**13.** If Toyota described one of its cars of the future as being "a moderately priced subcompact designed as a second family car to be used around town" the car is ideal for running errands and visiting friends," then the company has just stated a potential new product in terms of a(n):

- a. Product idea
- b. Product image
- c. Product concept
- d. Product feature

Ans. (c)

**14.** If Honda uses its company name to cover such different products as its automobiles, lawn mowers, and motorcycles, it is practicing which of the following strategies?

- a. New brand strategy
- b. Line extension strategy
- c. Multibrand strategy
- d. Brand extension strategy

Ans. (d)

**15.** One approach to branding is to use the same brand name for everything a company produces. However there are several drawbacks to this approach. Which of the following is not an identified drawback to this approach?

- a. It is more expensive as the company has to spend money promoting all its product and also itself.
- b. It can confuse the values of the brand where products within the branded range are too diverse.
- c. One poorly performing product can tarnish all products carrying the name.
- d. It can make it difficult for a company to dispose of a division or product line as the main value of a product is often the brand name.

Ans. (a)

**16.** The major disadvantage of a multichannel system is that it is harder to control and it can generate -----.

- a. Fewer domestic sales
- b. Less net profit

- C. Inefficiency
  - d. Greater conflict
- Ans. (d)

17. Which of the following descriptions best describe the role of a supply chain?

- a. The logistics of an organization's distribution strategy.
- b. Physical distribution and payment collection.
- c. The role varies base on the nature of the environment, but can include physical ownership, payment collection, and the inclusion of after-sales service, but never involves risk or responsibility for the product.
- d. The role varies based on the nature of the environment, but can include sourcing production, marketing, sales, after-sales service, and the acceptance of risk and responsibility for the product.

Ans. (c)

18. Many organizations new to exporting will use----- method which is based on adding up all the costs of production and marketing (direct and indirect costs) and includes shipping and nay other charges plus a profit percentage.

- a. Marginal cost pricing
- b. Cost plus pricing
- c. Competitive pricing
- d. Market oriented pricing

Ans. (b)

19. Transfer pricing is dueto:

- a. The operations of parallel or 'grey' marketers.
- b. Countertrading by countries.
- c. A way for International marketers to avoid paying tax.
- d. International marketers transferring goods and services in their organization between different countries.

Ans. (d)

20. Which of the following costs is most likely associated with the commercialization stage of new product development?

- a. Paying groups of target consumers for product feedback
- b. Building or renting a manufacturing facility

- C. Determining the product's planned price distribution, and marketing budget
  - d. Developing a prototype of the product
- Ans. (b)

21. The goal of the marketing logistics system should be to provide:

- a. A Targeted level of promotional support.
  - b. A targeted level of transportation expense ratio.
  - C. A targeted level of field support.
- Ans. (b)

22. According to the price/quality strategy matrix, when a company overprices its product in relation to its quality it is considered to be using which type of strategy?

- a. Good-value strategy.
- b. Premium strategy.
- C. Overcharging strategy.
- d. Snob strategy.

Ans. (c)

23. is a good offered either free or at low cost as an incentive to buy a product.

- a. Patronage reward
- b. Spiff
- C. Price pack
- d. Premium

Ans. (d)

24. Pricing to cover variable costs and some fixed costs, as in the case of some automobile distributorships that sell below total costs, is typical of which of the following pricing objectives?

- a. Current profit maximization
- b. Product quality leadership
- C. Market share leadership
- d. Survival

Ans. (d)

**25.**are [products bought by individuals and organizations for further processing or for use in conducting a business.

- a.** Consumer products
  - b.** Services
  - c.** Industrial products
  - d.** Specialty products
- Ans. (c)

**26.**have contractual authority to sell a manufacturer's entire output.

- a.** Selling agents
  - b.** Rack jobbers
  - c.** Manufacturer's agents
  - d.** Purchasing agents
- Ans. (a)

**27.** The typical method of retail operation used by supermarkets and catalog showrooms is called:

- a.** Self-service retailing.
  - b.** Limited-service retailing
  - c.** Full service retailing
  - d.** Service merchandiser
- Ans. (a)

**28.** The total number of items that the company carries within its product lines refers to the ----- of the product mix.

- a.** Width
  - b.** Depth
  - c.** Length
  - d.** Consistency
- Ans. (c)

**29.** The use of price points for reference to different levels of quality for a company's related products is typical of which product-mix pricing strategy?

- a.** Optional-product pricing
- b.** Captive-product pricing

- C. By-product pricing
  - d. Product line pricing
- Ans. (d)

**30.** Using a successful brand name to introduce additional items in a given product category under the same brand name (such as new flavors, forms, colors, added ingredients, or package sizes) is called a(n):

- a. Line extension
  - b. Brand extension
  - C. Multibranding
  - d. New brands
- Ans. (a)

**31.** Anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need is called a(n):

- a. Idea
  - b. Demand
  - C. Product
  - d. Service
- Ans. (c)

**32.** Wal-Mart owned Sam's club is an example of a retail form called a(n):

- a. Factory outlet.
  - b. Super specialty store.
  - c. Seconds store.
  - d. Warehouse club.
- Ans. (d)

**33.** When a company enters a new product category for which its current brand names are not appropriate, it will likely follow which of the following brand strategies?

- a. Product extensions
  - b. Line extensions
  - c. Brand extensions
  - d. New brands
- Ans. (d)

**34.** A manufacturer has four sponsorship options. A----- is a brand created and owned by a reseller of product or service.

- a. Licensed brand

- b. Manufacturer's brand
  - c. Private brand
  - d. Co-brand
- Ans. (c)

**35.** is setting the price steps between various products in a product line based on cost differences between the products, customer evaluations of different features, and competitors prices.

- a. Optional-product pricing
  - b. Captive-product pricing
  - c. Product line pricing
  - d. By-product pricing
- Ans. (c)

**36.** Rolls Royce uses which of the followings distribution formats?

- a. Intensive distribution
  - b. Exclusive distribution
  - c. Selective distribution
  - d. Open distribution
- Ans. (b)

**37.** Drop shippers perform which of the followings functions?

- a. Assumes title and ships coal lumber or heavy equipment to a buyer.
  - b. Stocks the bread rack in a grocery store.
  - c. Maintains, owns and stocks a Cd display in a grocery store.
  - d. Sells jewelry out of a catalog.
- Ans. (a)

**38.** A set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user is called a(n):

- a. Retailer.
  - b. Wholesaler.
  - c. Distribution channel
  - d. Logistics.
- Ans. (c)

**39.** According to the price/quality strategy matrix, when a company overprices its product in relation to its quality it is considered to be using which type of strategy?

- a. Good-value strategy
  - b. Premium strategy
  - c. Overcharging strategy
  - d. Snob strategy
- Ans. (c)

40. Consumer goods with unique characteristics or brand identification often requiring a special purchase effort are called;
- Custom products
  - Specialty products
  - Convenience products
  - Shopping products
- Ans. (b)
41. A (n) ----- is a retail store that carries a narrow product line with a deep assortment within that line.
- Shopping goods store
  - Convenience store
  - Specialty store
  - Department store
- Ans. (c)
42. A price reduction to buyers who buy in large volumes is called a(n):
- Quantity discount.
  - Cash discount
  - Seasonal discount
  - Trade discount
- Ans. (a)
43. R&D and engineering first produce the product concept into a physical product during which of the following stages of the new product development process?
- Concept development and testing
  - Marketing strategy
  - Business analysis
  - Product development
- Ans. (d)
44. Conflicts between different levels of the same channel of distribution are referred to as;
- Horizontal conflicts.
  - Vertical conflicts
  - Layer-based conflicts
  - Parallel conflicts
- Ans. (b)
45. Costs that do not vary with production or sales levels are called:
- Fixed costs
  - Variable costs
  - Standard costs
  - Independent costs
- Ans. (a)

**46.** All of the following the thought to be sources of new product ideas EXCEPT:

- a. Internal sources.
- b. Customers
- c. Competitors
- d. The local library

Ans. (d)

**47.** If a company (considering its options on the product/market expansion grid) chooses to move into different unrelated fields (from what it has ever done before) with new products as a means to stimulate growth, the company would be following which of the following general strategies?

- a. Market penetration
- b. Market development
- c. Product development
- d. Diversification

Ans. (d)

**48.** is screening new-product ideas in order to spot good ideas and drop poor ones as soon as possible.

- a. Idea generation
- b. Concept development and testing
- c. Idea screening
- d. Brainstorming

Ans. (c)

**49.** The choice between high markups and high volume is part of which of the following retailer marketing decision?

- a. Target ,market decisions
- b. Product assortment and services decisions pricing decisions
- c. Pricing decisions
- d. Promotion decisions

Ans. (c)

**50.** When producers, wholesalers, and retailers act as a unified system, they comprise a:

- a. Conventional marketing system
- b. Power based marketing system
- c. Horizontal marketing system
- d. Vertical marketing system

Ans. (d)

**51.** The type of trade- promotion discount in which manufactures agree to reduce the price to the retailer in exchange for the retailer's agreement to feature the manufacturer's products in some way is called a(n)

- a. Discount
- b. Allowance

- c. Premium
  - d. Rebate.
- Ans. (b)

**52.** The American Marketing Association suggests a list of code of ethics. All of the following are ethics suggested in the area of distribution EXCEPT:

- a. Not manipulating the availability of a product for purpose of exploitation.
- b. Not using coercion in the marketing channel.
- c. Using gray marketers whenever possible to save the consumer money.
- d. Not exerting undue influence over the reseller's choice to handle a product.

Ans. (c)

**53.** A -----is the way consumers perceive an actual or potential product.

- a. Product idea
- b. Product image
- c. Product concept
- d. Product feature

Ans. (b)

**54.** When a company reviews sales, costs, and profit projections for a new product to find out whether these factors satisfy the company's objectives, they are in which of the following new process development stages?

- a. Concept development and testing
- b. Commercialization
- c. Business analysis
- d. Marketing strategy development

Ans. (c)

**55.** Why does Procter & Gamble offer products that compete with one another on the same supermarket shelves?

- a. Different people want a greater selection
- b. Different people want different mixes of benefits from the products they buy.
- c. Procter & gamble has little competition
- d. Retailers request it

Ans. (b)

**56.** If Mark Mars pays Hershey Foods Corporation for the right to use their name on his line of T-shirts, then Mr. Mars is using which type of branding?

- a. Licensed brand
- b. Manufacture's brand
- c. Private brand
- d. Co-brand

Ans. (a)

**57.** A (n) ----- is a name, term, sign, symbol, or design, or a combination of these that identifies the maker or seller of a product or service.

- a. Product feature
- b. Sponsorship
- c. Brand
- d. Logo

Ans. (c)

**58.** is a strategy of using a successful brand name to launch a new or modified product in a new category.

- a. Duobranding
- b. Line extension
- c. Brand extension
- d. Multibranding

Ans. (c)

**59.** One source estimates that 80 percent of new consumer packaged goods products fail. Which of the following categories accounts for most of those failures?

- a. Positioning or repositioning of new products.
- b. Line extensions
- c. Cost reductions
- d. Brand extensions

Ans. (b)

**60.** The first step in the new-product development process is thought to be:

- a. Idea screening
- b. Idea generation
- c. Concept development and testing
- d. Product development

Ans. (b)

**61.** Major sources of new-product ideas include all of the following EXCEPT:

- a. Internal sources
- b. Customers
- c. Competitors
- d. Government

Ans. (b)

**62.** The way consumers perceive an actual or potential product is called the:

- a. Product idea.
- b. Product form
- c. Product concept
- d. Product images

Ans. (d)

**63.** Which of the following would be considered to be among the issues that would be covered in the first part of a marketing strategy statement?

- a. Packaging strategy
- b. Target market strategy or description
- c. dealer strategy
- d. Advertising strategy

Ans. (b)

**64.** A consumer takes a tour of a new proposed store via his or her computer screen. The consumer can make suggestions as to design themes that would be attractive and he or she can also suggest merchandise options from a list provided by the Web site. Which of the following would be the form of testing that has just been described?

- a. Store-based testing.
- b. Producer sponsored testing
- c. Virtual reality test marketing
- d. Focal test marketing

Ans. (c)

**65.** Which of the following factors is spurring a new movement in pricing toward dynamic pricing?

- a. The federal government
- b. Strong retailers
- c. The internet
- d. Strong wholesalers

Ans. (b)

**66.** The four key logistics costs in a supply chain include transportation, warehousing and materials handling, inventory management and:

- a. Order processing
- b. Communication between buyer and seller.
- c. Order cycle time.
- d. Effective handling of problems.

Ans. (a)

**67.** is the practice of charging different prices depending on individual customers and situations.

- a. Fixed-pricing
- b. Standard-pricing
- c. Barter-pricing
- d. Dynamic pricing

Ans. (d)

**68.** All of the following are among the internal factors that affect pricing EXCEPT (Pick the LEAST LIKELY.)

- a. Globalization
- b. The company's marketing objectives.

- c. Marketing mix strategy.
  - d. The organization.
- Ans. (a)

- 69.** The objectives of logistics management in a supply chain are to deliver maximum customer service and to:
- a. Minimize relevant logistics costs
  - b. Minimize employee productivity
  - c. Minimize shareholder's return on investment
  - d. Minimize employee layoffs.
- Ans. (a)

- 70.** Before setting price, the company must decide on its strategy for:
- a. Distribution
  - b. Promotion
  - c. The environment
  - d. The product
- Ans. (d)

- 71.** Conflict occurring between intermediaries at the same level in a marketing channel, such as between two or more retailers that handle the same manufacturer's brands is called ----- conflict.
- a. Corporate
  - b. Horizontal
  - c. Vertical
  - d. Administered
- Ans. (b)

- 72.** The type of market that consists of a few sellers who are highly sensitive to each other's pricing and marketing strategies is called:
- a. Pure competition
  - b. Monopolistic competition
  - c. Oligopolistic competition
  - d. Pure monopoly
  - e. Pure monopoly
- Ans. (c)

- 73.** The ----- is a curve that shows the number of units the market will buy in a given time period, at different prices that might be charged.
- a. Price curve
  - b. Cost curve
  - c. Supply curve
  - d. Demand curve
- Ans. (d)

- 74.** If demand is elastic rather than inelastic, sellers will consider:
- Lowering their price
  - Raising their price
  - Acquiring competitors as a means of avoiding price competition
  - Maintaining the status quo

Ans. (a)

- 75.** Which of the following types of vertical marketing systems is likely to experience the least channel conflict?
- Corporate vertical marketing system
  - Wholesaler-sponsored voluntary chain
  - Retailer-sponsored cooperative
  - Franchise system

Ans. (a)

- 76.** Setting prices to break even on the costs of making and marketing a product or make the target profit it is seeking is called:

- Cost-plus pricing
- Perceived value pricing
- Break even pricing
- Going rate pricing

Ans. (c)

- 77.** Which type of market coverage is usually associated with shopping goods?

- Intensive distribution
- Extensive distribution
- selective distribution
- Exclusive distribution

Ans. (c)

- 78.** Which of the following would be considered to be one of the major faults of break-even analysis and target profit pricing?

- They do not take into account the price-demand relationship
- They are very complicated to calculate.
- There are serious time lags in the calculation
- Most managers do not have confidence in the methods.

Ans. (a)

- 79.** Which of the following pricing methods uses the idea that pricing begins with analyzing consumer needs and value perceptions, and price is set to match consumer's perceived value?

- Cost-based pricing
- Service-based pricing
- Psychology-based pricing
- Value-based pricing

Ans. (d)

**80.** Companies bringing out a new product face the challenge of setting prices for the first time. They can choose between two broad strategies what are these two broad strategies?

- a. Product mix strategies and pricing mix strategies
- b. Product line pricing and captive-product pricing
- c. Market-skimming pricing and market-penetration pricing
- d. Market-expansion pricing and market harvesting pricing

Ans. (c)

**81.** The process of setting a high price for a new product to gain maximum revenues layer by layer from the segments willing to pay the high price is called:

- a. Market – penetration pricing
- b. Market – layer pricing
- c. Market – skimming pricing
- d. Market – saturation pricing

Ans. (c)

**82.** When a seller selects a given city as the source from which to charge all customers freight costs from that location, they are practicing which of the following?

- a. FOB-origin pricing
- b. Uniform-delivered pricing
- c. Zone pricing
- d. Basing-point pricing

Ans. (d)

**83.** A contractual arrangement between a parent company and an individual or firm that allows the individual or firm to operate a certain type of business under an established name and according to specific rules is called:

- a. A corporate vertical marketing system.
- b. A wholesaler sponsored voluntary chain
- c. A retailer sponsored cooperative
- d. Franchising

Ans. (d)

**84.** A functional discount is also called a----- discount.

- a. Segmented
- b. Quantity
- c. Trade
- d. Service

Ans. (c)

**85.** A(n) ----- is any intermediary who sells to other intermediaries. Usually to retailers, and usually in consumer markets.

- a. Dealer

- b. Agent or broker
- c. Retailer
- d. Wholesaler

Ans. (d)

**86.** Intermediaries performing a transactional function in distribution are engaged in buying, selling, and:

- a. Channeling strategizing
- b. Liaising
- c. Strategizing
- d. Risk taking

Ans. (d)

**87.** Transactional function activities involve:

- a. Buying, selling, and risk taking
- b. Assorting sorting and storing
- c. Financing and grading
- d. Transportation

Ans. (a)

**88.** is a measure of the sensitivity of demand to changes in price

- a. price sensitivity
- b. Price comparability
- c. Price elasticity
- d. Price response

Ans. (c)

**89.** A company can add new products through acquisition or development. The acquisition route can take three forms. The company can buy other companies, it can acquire patents form other companies, or it can buy a-----or-----from another company.

- a. License/franchise
- b. License/receive permission
- c. Franchise/co-brand
- d. Franchise/acquire rights

Ans. (a)

**90.** The development route for new products takes two forms. These two forms are -----or it can -----.

- a. New products in its own labs/contract with
- b. New products in its own labs/acquire new products from existing companies
- c. Contract out for new products/acquire new products from existing companies
- d. New products in its own labs/introduce existing products as “new”

Ans. (a)

91. New-to-the- world products are ----- --.
- a. New products that create an entirely new market
  - b. New products that allow a company to enter an established market for the first time
  - c. New products that supplement established product lines(package sizes, flavors, and so on)
  - d. New products that provide improved performance or greater perceived value and replace existing products
- Ans. (a)

92. New product lines are ----- --.
- a. New products that create an entirely new market
  - b. New products that allow a company to enter an established market for the first time
  - c. New products that supplement established product lines (package sizes, flavors, and so on).
  - d. New products that provide improved performance or greater perceived value and replace existing products
- Ans. (b)

93. Additions to existing product lines are----- --.
- a. New products that create an entirely new market
  - b. New products that allow a company to enter an established market for the first time
  - c. New products that supplement established product lines (package sizes, flavors, and so on)
  - d. New products that provide improved performance or greater perceived value and replace existing products
- Ans. (c)

94. Improvements and revisions of existing products are----- --.
- a. New products that create an entirely new market
  - b. New products that allow a company to enter an established market for the first time
  - c. New products that supplement established product lines (package sizes, flavors, and so on)
  - d. New products that provide improved performance or greater perceived value and replace existing products
- Ans. (d)

95. Repositioning are ----- --.
- a. New products that create an entirely new market
  - b. New products that allow a company to enter n established market for the first time
  - c. New products that supplement established product lines (packages sizes, flavors, and so on)
  - d. Existing products that are targeted to new markets or market segments
- Ans. (d)

96. Cost reductions are ----- --.
- New products that create an entirely new market
  - New products that provide similar performance at lower costs
  - New products that supplement established product lines ( package sizes, flavors, and so on)
  - New products that provide improved performance or greater perceived value and replace existing products
- Ans. (b)

97. Less than----- of all new products are truly innovative and new to the world.
- 15 percent
  - 20 percent
  - 10percent
  - 25 percent
  - 40percent
- Ans. (c)

98. Most new-product activity si devoted to ----- existing products.
- Improving
  - Coordinating
  - Distributing
  - Pricing
- Ans. (a)

99. In an economy of rapid change, continuous innovation is necessary. Most companies ----- , innovate some innovate occasionally, and few innovate, continuously.
- Rarely
  - Often
  - As needed
  - When competition introduces a new improved product
- Ans. (a)

100. Most established companies focus on ----- when it comes to innovation.
- Incremental innovation
  - Continuous innovation
  - Everyday innovation
  - Demand innovation
- Ans. (a)

101. New companies create ----- that are cheaper and more likely to alter the competitive space. Established companies can be slow to react or invest in these technologies because they threaten their investment.
- New products

- b. Newer markets
- c. Newer channels of distribution
- d. Disruptive technologies

Ans. (d)

**102.** New products continue to fail at a disturbing rate. Recent studies put the rate at -----in the United States.

- a. 105 percent
- b. 95percent
- c. 85percent
- d. 90percent

Ans. (b)

**103.** One of the reasons new products can fail is ----- --.

- a. Lack of marketing expertise
- b. Government regulations
- c. Poor packaging
- d. Ignoring or misinterpreting market research

Ans. (d)

**104.** Besides the lack of marketing expertise, another reason why new products fail is due to----- --.

- a. Lack of marketing expertise
- b. High development costs
- c. Poor packaging
- d. Government regulations

Ans. (b)

**105.** Another reason why new products fail at such a high rate is-----

- a. Incorrect positioning
- b. Lack of marketing expertise
- c. Poor packaging
- d. Government regulations

Ans. (a)

**106.** New products fail for many reasons. One to the causes of new product failure is -----.

- a. Lack of marketing expertise
- b. Ineffective advertising or wrong price
- c. Poor packaging
- d. Government regulations.

Ans. (b)

**107.** One of the reasons new products fail at a 95 percent rate is due to -----.

- a. Lack of marketing expertise

- b. Poor packaging
- c. Insufficient distribution support
- d. Government regulations.

Ans. (c)

**108.** Several factors hinder new-product development include-----.

- a. Cost of development
- b. Fragmented markets
- c. Shortage of important ideas in certain areas
- d. All of the above

Ans. (d)

**109.** Two factors that contribute to a successful new product are -----and -----.

- a. A unique superior product/well-defined product concept
- b. Marketing departments that have expertise in new products/well-defined product concept
- c. A firm with “deep pockets” /average product
- d. A firm with “deep pockets”/strong marketing term

Ans. (a)

**110.** Once a company has carefully segmented the market, chosen its target customers, identified their needs, and determined its market positioning it is better able to develop new products. Many companies today use ----- to design new products.

- a. Customer-driven engineering
- b. Reverse engineering
- c. Corporate-competency engineering
- d. Trial and error

Ans. (a)

**111.** Many companies assign responsibility for new- product ideas to-----.

- a. Vice presidents
- b. Product managers
- c. Functional experts
- d. R&D personnel

Ans. (b)

**112.** is (are) a cross-functional group charged with developing a specific product or business.

- a. Contract manufacturing
- b. A venture team
- c. New product managers
- d. Product managers

Ans. (b)

113. To bring new products to market, some companies have assigned responsibility to new-product managers, new-product departments, and high-level management committees. These would all be examples of -----.

- a. Product organizations within firms
- b. Marketing organizations
- c. Existing-product marketing organizations
- d. New-product development organizations within firms

Ans. (d)

114. 3M, Hewlett-Packard, Lego, and other companies use the ----- to manage the innovation process.

- a. Stage-gate system
- b. Joint-venture system
- c. newproduct "team"
- d. Venture team

Ans. (a)

115. The new-product development process starts with the search for-----.

- a. New concepts
- b. Products that can be improved upon
- c. Overseas products
- d. Ideas

Ans. (d)

116. New product ideas can come from interacting with various groups and from using --.

- a. Marketing resources
- b. Financial resources
- c. Groups
- d. Creativity-generating techniques

Ans. (d)

117. Ideas for new products can come from many sources, such as customers, scientists, competitors, employees, channel members, and -----.

- a. Consumers
- b. Brand management
- c. Top management
- d. Current users of the company's products

Ans. (c)

118. One-on-one interviews and ----- discussions can explore product needs and reactions.

- a. Focus group
- b. Strategic group
- c. Customer relationship group

d. Management

Ans. (a)

119. Technical companies can learn a great deal by studying customers how make the most advanced use of the company's products and who recognize the need for----- before other customers do.

a. Changes

b. Improvements

c. Deletions

d. Management interaction

Ans. (b)

120. Employees can be a source of ideas for improving----- , products and services. Toyota claims its employees submit 2 million ideas annually over 85 percent of which are implemented.

a. Production

b. Marketing

c. Advertising

d. Revenue

Ans. (a)

121. Company ----- and intermediaries are a particular good source of ideas. These groups have firsthand exposures to customers and area often the first to learn about competitive developments.

a. Marketing departments

b. Competitors

c. Sales representatives

d. Top management

Ans. (c)

122. A company should motivate its employees to submit new ideas to a(n)----- whose name and phone number are widely circulated.

a. Idea manager

b. Senior product manager

c. Creative manager

d. Advertising manager

Ans. (a)

123. A -----occurs when the company dismisses an otherwise good idea.

a. Product failure

b. Brand failure

c. Dual error

d. DROP-error

Ans. (d)

- 124.** A ----- occurs when the company permits a poor idea to move into development and commercialization.
- Dual error
  - Brand failure
  - GO-error
  - DROP-error
- Ans. (c)
- 125.** A (n) ----- failure loses money when its sales do not cover variable costs.
- Strategic product
  - Market product
  - Absolute product
  - Relative product
- Ans. (c)
- 126.** A ----- loses money, but its sales cover all its variable costs and some of the fixed costs.
- Strategic product failure
  - Market product failure
  - Partial product failure
  - Relative product failure
- Ans. (c)
- 127.** A ----- yields a profit that is less than the company's target rate of return.
- Strategic product failure
  - Market product failure
  - Absolute product failure
  - Relative product failure
- Ans. (d)
- 128.** Attractive ideas must be refined into testable product concepts. A----- is a possible product the company might offer to the market.
- Test brand
  - "alpha" product
  - "beta" version
  - Product idea
- Ans. (d)
- 129.** A ----- is an elaborated version of the idea expressed in consumer terms.
- Test brand
  - "alpha" product
  - "beta" version
  - Product concept
- Ans. (d)

**130.** Consumer preferences for alternative product concepts can be measured through -----, a method for deriving the utility values that consumers attach to varying levels of a product's attributes.

- a. Marketing strategy
- b. Marketing research
- c. Gap level
- d. Conjoint analysis

Ans. (d)

**131.** In the past, creating physical prototypes was costly and time-consuming, but computer-aided design and manufacturing programs have changed that. Today firms can use-----to design products on a computer, and then produce plastic models of each.

- a. Computer aided design
- b. Rapid prototyping
- c. Model making
- d. Perceived reality
- e. None of the above

Ans. (b)

**132.** Total estimated sales are the sum of estimated first-time sales, replacement sales, and----- for the new product.

- a. Repeat sales
- b. One-time purchases
- c. Infrequently purchased items
- d. Consumer products

Ans. (a)

**133.** In estimating sales, the manager's first task is to estimate first-time purchases of the new product in each period. To estimate replacement sales, management has to research the product's -----that is, the number of units that fail in year one, two, three, and so on. The low end of the distribution indicates when the first replacement sales will take place.

- a. Survival-age distribution
- b. Distribution
- c. Obsolescence
- d. Product failure

Ans. (a)

**134.** Companies use financial measures to evaluate the merit of a new-product proposal. The simplest to use is called-----, in which management estimates how many units of the product the company would have to sell to break even with the given price and cost structure.

- a. Conjoint analysis
- b. Risk analysis
- c. Regression analysis

d. Breakeven analysis

Ans. (d)

**135.** The job of translating target customer requirements into a working prototype is helped by a set of methods known as -----.

a. Quality function deployment (QFD)

b. Quality control processes (QFP)

c. R&D

d. Marketing control

Ans. (a)

**136.** The methodology of quality function deployment takes the list of desired ----- generated by market research and turns them into a list of ----- that the engineers can use.

a. Customer attributes/engineers can use

b. Consumer attributes/environmental attributes

c. Customer attributes/engineering attributes

d. Consumer attributes/ engineering specifications

Ans. (b)

**137.** When prototypes are ready, they must be put through rigorous functional tests and --.

a. Consumer behavior

b. Customer tests

c. Internal tests

d. Marketing department testing

Ans. (b)

**138.** The ----- method asks the consumer to rank three items in order of preference.

a. Rank-order

b. Paired-comparisons

c. Monadic-rating

d. Alpha-ranking

Ans. (a)

**139.** The ----- method calls for presenting pairs of items and asking the consumer which one is preferred in each pair. People find it easy to state their preferences between two items, and this method allows the consumer to focus on the two items, noting their differences and similarities.

a. Rank-order

b. Paired-comparisons

c. Monadic-rating

d. Alpha-ranking

Ans. (b)

- 140.** The -----method asks the consumer to rate liking to each product on a scale. By using this method, we can derive the individual's preference order and even know the qualitative levels of the person's preference for each and the rough distance between preferences.
- Paired-comparison
  - Rank-order
  - Monadic-rating
  - Alpha-testing
- Ans. (c)
- 141.** In consumer-goods market testing, the company seeks to estimate four variables. These four variables are; trial, first repeat, adoption, and ----- --.
- Money back guarantee
  - Price
  - Purchase frequency
  - Usage
- Ans. (c)
- 142.** A (n) -----is any good, service, or idea that is perceived by someone as new. The idea may have a long history, but it is new to the person who sees it as such.
- Product
  - Innovation
  - New idea
  - Creative product
- Ans. (b)
- 143.** A dopters of new products move through five stages. These stages begin with stage one ----- , and follow with interest, evaluation, trial, and adoption.
- Awareness
  - Adoption
  - Innovation
  - Diffusion process
- Ans. (a)
- 144.** The innovation diffusion process has been defined by Rogers as" the spread of a new idea from its source of invention or creation to its ultimate. Users or adopters." The consumer -adoption process focuses on the ----- process through whichan individual passes form first hearing about an innovation to final adoption.
- Mental physical
  - Evaluation
  - Physical
  - Critical path
- Ans. (a)
- 145.** Five characteristics that influence the rate of adoption of an innovation. The

first one is -----.

- a. Marketing expertise
- b. Relative advantage
- c. Packaging
- d. Government regulations

Ans. (b)

**146.** is the effect one person has on another's attitude or purchase probability.

- a. Effective influence
- b. Direct influence
- c. Market influence
- d. Personal influence

Ans. (d)

**147.** The degree to which the beneficial results of an innovations use are observable or describable to other is called-----.

- a. Divisibility
- b. Communicability
- c. Compatibility
- d. Relative advantage

Ans. (b)

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

- a. Experience
- b. Customer value
- c. Customer delight
- d. Total servicesolution

Ans. (a)

**149.** In response to threats from such companies as AOL, Amazon, Yahoo, eBay, E'TRADE, and dozens of others, established manufactures and retailers became "brick-and-click" oriented by adding online services to their existing offerings. This process became known as -----.

- a. Reintermediation
- b. Disintermediation
- c. E-commerce
- d. E-collaboration

Ans. (a)

**150.** If a marketer decides to use warehouses, transportation companies, banks and insurance companies to facilitate transactions with potential buyers, the marketer is using what is called a ----- --.

- a. Service channel

- b. Distribution channel
- c. Brand channel
- d. Relationship channel

Ans. (a)

151. At the heart of any marketing program is the ----- the firm's tangible offering to the market.

- a. Service offer
- b. Product
- c. Sales support team
- d. Packaging

Ans. (b)

152. With respect to the core business processes, all the activities involved in researching, developing, and launching new high-quality offerings quickly and within budget are referred to as the -----.

- a. New product process
- b. New offering realization process
- c. Product development process
- d. Product launch process.

PART-4

1. Advertising appropriations are largest for which type of product:

- a. Industrial products
- b. Convenience goods
- c. High-priced product
- d. Specialty goods

Ans. (b)

2. In many instances the MOST appropriate way to cope with a negative event that may lead to negative publicity is to ---- --.

- a. Discourage news coverage of the event
- b. Deny that the event occurred
- c. Facilitate news coverage
- d. Hire a public relations firm

Ans. (c)

3. Charles Revson of Revlon observed: “In the factory, we make cosmetics: in the store, -----.”
- a. We make profits
  - b. We challenge competitors
  - c. We sell hope
  - d. We sell quality

Ans. (c)

4. Which of the following is the most important consideration when choosing an event to sponsor?
- a. Consistency in the association between the event and the company’s product
  - b. The length of the event
  - c. When the event occurs
  - d. The specific name of the event

Ans.(a)

5. Which of the following is a NOT type of sales?
- a. Direct sales
  - b. Aggressive sales
  - c. Consultative sales
  - d. Complex sales

Ans. (b)

6. A vertical marketing system in which independent firms at different levels of production and distribution join together through contracts to obtain more economies or sales impact than they could achieve alone is referred as:
- a. Corporate VMS
  - b. Conventional VMS

- c. Administerd VMS
- d. Contractual VMS

Ans. (a)

7. Minimizing pollution from production and all environmental impacts througout the full product life cycle is called----- --.
- a. Design for environment(DFE)
  - b. Green marketing
  - c. Environmental sustainability
  - d. Productstewardship

Ans. (b)

8. All of the following are reasons that marketers are losing confidence in television advertising except ----- --.
- a. Mass media cost continue to increase
  - b. Many viewers are using video on demand and TiVo-like systems
  - c. Younger consumers are using different media
  - d. Television offers a high cost per exposure

Ans. (d)

9. represent honest points of difference between the customer and the salesperson.
- a. Objections
  - b. Comparison statement
  - c. Weaknesses
  - d. Threats

Ans. (a)

10. Soaring media costs, focused target marketing strategies, and the growing array of new media have increased the importance of ----- --.

- a. Using humor to capture audience attention and interest
- b. Implementing branded entertainment
- c. Media planning
- d. The affordable method of setting promotion budget

Ans. (c)

11. The advantages of audience selectivity, no ad competition and personalization apply to which type of media?

- a. Newspapers
- b. Television
- c. Direct Mail
- d. Radio

Ans. (c)

12. What is an outcome of communication and co-operation between sales personnel?

- a. More productivity
- b. Successful selling
- c. More market growth
- d. Successful team selling

Ans. (d)

13. All of the following are methods by which a company can divide up its sales responsibilities EXCEPT:

- a. Territorial sales force structure,
- b. Psychographic trait sales force structure
- c. Product sales force structure
- d. Customer sales force structure

Ans. (b)

14. A “three-day cooling off period” in which buyers can cancel a contract after re-thinking it is to protect the consumer from:

- a. Creative selling’
- b. High pressure selling
- c. Detail selling
- d. Hard core selling

Ans. (b)

15. Each salesperson is assigned to an exclusive are in which he is to sell the company’s full line of products or services. Which is this type of sales force structure?

- a. Territorial sales force.
- b. Product sales force
- c. Customer sales force
- d. Hybrid sales force.

Ans. (a)

16. As an organization develops international sourcing experience, according to Monczka and Trent(1991:3-4), it typically progresses through four phases of the internationalization of the procurement process. They are:

- a. Domestic sourcing, internal sourcing international sourcing and global sourcing
- b. Internal sourcing domestic sourcing international sourcing and global sourcing
- c. Domestic sourcing basic international sourcing, international sourcing and global sourcing
- d. Internal sourcing domestic sourcing international sourcing and global sourcing

Ans. ©

17. A commercial company that explicitly takes into consideration the social consequences of its actions is most likely to be;

- a. Putting the needs of consumers before the company’s need for profit
- b. Acting philanthropically to their customers

- c. Seeking to combine social benefits with business profitability
- d. Acting like a public sector organization

Ans. ©

18. Concerns that the manufactures of harmful products such as tobacco have influence on lawmakers to the detriment of the public interest is used as evidence of which criticism of marketing?

- a. Too much advertising
- b. Too few social goods
- c. Cultural pollution
- d. Too much political power.

Ans. (d)

19. Regulations that arise to ensure that firms take responsibility for the social costs of their products or production processes stem form which reason for government legislation of business?

- a. To protect companies form each other
- b. To protect consumers from unfair business practices
- c. To protect the interests of society
- d. To protect businesses form unfair consumer demands.

Ans. ©

20. The biggest or greatest amount of involvement in a foreign market comes through which of the following?

- a. Exporting
- b. Joint venturing
- c. Licensing
- d. Direct investment

Ans. (d)

21. Setting call objectives is done during which of the following stages of the selling process?

- a. Prospecting
- b. Preapproach
- c. Approach
- d. Handling objections

Ans. (b)

22. In determining sales force size, when a company groups accounts into different size classes and then determines the number of salespeople needed to call on them the desired number of times, it is called the:

- a. Key-size approach
- b. Work-load approach
- c. Product-need approach
- d. Call service approach

Ans. (b)

23. The Internet evolved from a network created by ----- during the 1960s.

- a. The commerce department
- b. The massachusetts institute of technology (MIT)
- c. Northwestern university
- d. The defense department

Ans. (d)

24. Sellers that handles their own exports are engages in:

- a. Direct exporting
- b. Indirect exporting
- c. Licensing
- d. Contract manufacturing

Ans. (a)

25. More and more salespeople are being evaluated and compensated based on different measures than in the past. All of the following are illustrations of those measures EXCEPT:

- a. Long term customer satisfaction
- b. Competitive predatory pricing performance
- c. Full customer service
- d. Retention rates.

Ans. (b)

26 ----- includes practices such as over stating the product's features or performance, luring the customer to the store for a bargain that is out of stock, or running rigged contests.

- a. Deceptive promotion
- b. Deceptive packaging
- c. Deceptive pricing
- d. Deceptive cost structure

Ans. (a)

27. If a company's objective were to reach masses of buyers that were geographically dispersed at a low cost per exposure, the company would likely choose which of the following promotion forms?

- a. Advertising
- b. Personal selling
- c. Public relations
- d. Sales promotion

Ans.(a)

28. Type of sales presentation approach that requires good listening and problem-solving skills is the;

- a. canned approach

- b. Formula approach
- c. Need-satisfaction approach
- d. Critical-thinking approach

Ans. ©

29. Yahoo, Infoseek, and Excite are all called:

- a. Browsers
- b. Webcasters
- c. Search engines
- d. Software

Ans. ©

30 is the general term for a buying and selling process that is supported by electronic means.

- a. Internet commerce
- b. Web commerce
- c. Computer commerce
- d. Electronic commerce

Ans.(d)

31 are ads that appear while subscribers are surfing online services or Web sites, including banners, pop-up windows, "tickers, and "roadblocks."

- a. Online infomercials
- b. Online ads
- c. Online broadcasts
- d. Online bullets

Ans. (b)

32. 3M runs a Pollution Prevention Pays program that has led to a substantial reduction in pollution and costs. This would be example of responding to which of the following?

- a. Nader's raiders
- b. The "green movement."
- c. Governmental regulation
- d. International competition

ans.(b)

33. When an international seller sells a plant, equipment, or technology to another country and agrees to take payment in resulting products, it called.

- a. Barter
- b. Buy back
- c. Counter purchase
- d. Like-value exchange

Ans. (b)

34. Which of the following promotional budget methods wrongly views sales as the cause of promotion rather than as the result?

- a. Affordable method
- b. Percentage-of-sales method
- c. Competitive-parity method
- d. Objective-and-task method

Ans. (b)

35. If the field sales force has been supplied with new leads (via the telephone ) that have been qualified, they have probably been assisted by:

- a. Master salespersons
- b. Sales assistants
- c. Technical support persons
- d. Telemarketers.

Ans. (d)

36. In evaluating messages for advertising, telling how the product is better than the competing brands aims at making the ad:

- a. Meaningful
- b. Distinctive
- c. Believable
- d. Remembered

Ans. (b)

37. When an importing country sets limits on the amount of goods it will accept in certain product categories it is called a(n):

- a. Quota
- b. Barrier
- c. Tariff
- d. Embargo

Ans.(a)

38-----is the practice of adopting policies and developing strategies that both sustain the environment and produce profits for the company.

- a. Environmentalism
- b. Environmental sustainability
- c. Consumerism
- d. Consumer accountability

Ans. (b)

39. A ----- is a promotion strategy that calls for using the sales force and trade promotion to move the product through channels.

- a. Puch strategy

- b. Pull strategy
- c. Blocking strategy
- d. Integrated strategy

Ans. (a)

40. If a firm were to bid to do a “turnkey” operation where they would choose a building site, designing a cement factory to build the plant, hire construction crews, assemble materials and equipment to run the new factory, and turn over the finished factory ready to operate to the owners, the firm would be using which of the following?

- a. Core process products selling
- b. Design products selling
- c. Reciprocal selling
- d. Systems selling

Ans. (d)

41. ----- is the step in the selling process in which the salesperson learns as much as possible about a prospective customer before making a sales call.

- a. Prospecting
- b. Preapproach
- c. Approach
- d. Handling objections

Ans. (b)

42. A company’s compensation plan should reflect its overall marketing strategy. For example, if the overall strategy is to grow rapidly and gain market share, the compensation plan should reward:

- a. Loyalty and perseverance
- b. Spot selling and old product rejuvenation
- c. High sales performance and encourage capturing new accounts
- d. High pressure situations and competitive reaction

Ans. ©

43. All of the following are commonly recognized promotion budget formats EXCEPT:

- a. The affordable method
- b. The LIFO method
- c. The percentage-of-sales method
- d. The objective-and-task method.

Ans. (b)

44. Today, advertising captures about ----- percent of total promotion spending.

- a. 15
- b. 23
- c. 29
- d. 33

Ans.(b)

45. The last stage in the selling process is the-----stage.

- a. Approach
- b. Handling objections
- c. Closing
- d. Follow-up

Ans.(d)

46. The type of sales force structure in which the sales force sells along product lines is called a:

- a. Territorial sales force
- b. Product sale force
- c. Customer sales force

d. Retail sales force

Ans. (b)

47. The shrinking of distances due to technological advances such as computer and fax connections by telephone, are one characteristic of what new challenge to marketing?

- a. Rapid globalization
- b. The changing world economy
- c. The call for more socially responsible marketing
- d. The micro-chip revolution

Ans.(a)

48. Joining with foreign companies to produce or market products and services is called:

- a. Direct exporting
- b. Indirect exporting
- c. Licensing
- d. Joint venturing

Ans.(d)

49. If advertising constantly sends out messages about materialism, sex, power, and status, which of the following categories of social criticism most closely matches this problem?

- a. Too much advertising
- b. Too few social goods
- c. Cultural pollution
- d. Too much political power

Ans.(c)

50. If a government uses barriers to foreign products such as biases against a foreign company's bids, or product standards that go against a foreign company's product features, the government is using:

- a. Protectionism
- b. Exchange controls
- c. Exchange facilitators
- d. Nontariff trade barriers

Ans.(d)

51. If an advertiser wants flexibility, timeliness, goods local market coverage, broad acceptability, and high believability, the advertiser will probably choose which of the following mass media types?

- a. Newspapers
- b. Television
- c. Direct Mail
- d. Radio

Ans. (a)

52. If your company were to make light bulbs to be used in photocopiers, you would most likely be selling to a ----- market.

- a. Reseller
- b. Business
- c. Government
- d. Service

Ans. (b)

53-----has the advantage of being high in selectivity; low cost; immediacy; and interactive capabilities.

- a. Direct mail
- b. Outdoor
- c. Online
- d. Radio

Ans. ©

54. The most logical budget setting method is found in the list below. Which is it?

- a. Affordable method
- b. Percentage-of-sales method
- c. Competitive-parity method
- d. Objective-and –task method

Ans. (d)

55. A company faces several major decisions in international marketing. The first of these decisions is often:

- a. Deciding whether to go international
- b. Looking at the global marketing environment
- c. Deciding which markets to enter
- d. Deciding how to enter markets

Ans.(b)

56 involves targeting specific areas where potential customers are likely to be using public information lists to help identify prospective clients.

- a. Direct mail
- b. Radio
- c. Point of sales display
- d. Community directories

Ans. (a)

57 provide an opportunity to demonstrate the features and benefits of a product/service directly to the customers who may be in a position to make an immediate purchase.

- a. Direct mail

- b. Radio
- c. Point of sales display
- d. Community directories

Ans. ©

58. What does AIDA stand for?

- a. Advertisement, Interest, Demand, Acquire
- b. Advertisement, Interest, Desire, Attention
- c. Attention, Interest, Desire, Action
- d. Action, Interest, Demand, Attention

Ans. ©

59 is the material supplied to the magazine or newspaper to use in the production of the advertisement

- a. Data
- b. Artwork
- c. Copy
- d. Text

Ans. (b)

60 refers to all the features, behaviors and information which facilitate a customer's appreciation of the benefits and value of a particular business and its products/services.

- a. Customer relations
- b. Customer service
- c. Retailing
- d. Benefits

Ans.(b)

61 category comprises of individuals who have indicated that they are interested in you product/services.

- a. Suspects
- b. Prospects
- c. Customers
- d. Advocates

Ans.(b)

62 customers, make a point of explaining the reasons for their dissatisfaction, and perhaps even suggest possible ways in which to remedy the situation.

- a. Aggressive
- b. Passive
- c. Constructive
- d. Potential

Ans.(c)

63 method of setting promotional budgets is when you spend what you can afford.

- a. Competitive
- b. Percentage of sales
- c. Objective and tasks
- d. Arbitrary

Ans.(d)

64 refers to the screening of the potential customers identified, to determine which of these are most likely to buy.

- a. Prospecting
- b. Qualifying
- c. Approach

d. The close

Ans.(b)

approach involves carefully listening to the buyer's needs and then clearly explaining how the product can satisfy them.

a. AIDA principle

b. Presentation

c. Need-satisfaction

d. Vanity

Ans.(c)

]

1. Which one is wrong ?

- \* 1. Customer is the center of all Marketing activities.
- \* 2. Marketing focuses on the needs and wants of customers.
- \* 3. Marketing is all about selling goods and services
- \* 4. It is concerned about satisfying customers through supply of goods and services

3.

\* Phillip Kotler( The Millennium Edition –2000) “

\* Marketing is a..... by which individuals and groups obtain what they want through creating, offering and freely exchanging ..... of value with others”

4. Marketing is

- \* 1. Only a function of management
- \* 2. Function of management as well as a business philosophy
- \* 3. It is only a business philosophy
- \* 4. Selling goods and services

5. Production Concept says:

- \* 1. Consumers will prefer products that are widely available and inexpensive
- \* 2. Consumers will prefer better products
- \* 3. Consumers will prefer lower prices
- \* 4. Having the goods produced in a large scale factory with assembly lines.

6. Product Concept

- \* 1. Make more and more products available for customers
- \* 2. let customers select products that they want and then produce them

- \* 3. Products will not be purchased by the consumers if they are not advertised

- \* 4. Consumers will favor those products that offer most quality, performance or innovative features

#### 7. Selling Concept

- \* 1. Selling is the most important part in marketing

- \* 2. If consumers are left alone, they will ordinarily not buy enough of the organisation's products.

- \* 3. Sales people should be trained to sell the products well.

- \* 4. Offering the best product at the best price

#### 8. Key Components of Marketing concept are

- \* 1. Product concept, Production concept, Selling Concept and Societal Concept

- \* 2. Product, Price, Place and Promotion

- \* 3. Customer Orientation, Integrated effort and Goal Achievement

- \* 4. Suppliers, Customers, Competitors and Intermediaries

#### 9. Societal Marketing Concept

- \* 1. Supply the best products wanted by all the people in the society

- \* 2. Make sure that you meet the needs of the society as a whole whilst satisfying the needs and wants of the customers

- \* 3. Customers will think more about the society when they buy products

- \* 4. Marketers should pay taxes to look after the well being of the society

#### 10. Green Marketing

- \* 1. Making environment friendly products

- \* 2. Making more products with natural ingredients

- \* 3. Make use of more green colors in packages

- \* 4. Educate marketers about the importance of natural environment

#### 11. Marketing Ethics are

- \* 1. The rules as to behavior of the personnel in the Marketing Department of a firm

- \* 2. Moral principles that define right and wrong behavior in marketing
- \* 3. Upholding teachings of major religions
- \* 4. to preserve the culture of a society when marketing products

12. “ Scantily clad women should not be used in advertising”

- \* 1. Is a cultural statement
- \* 2. Is advocated in Ethical Marketing
- \* 3. Is stated in advertising standards
- \* 4. Is not of concerned to marketers

13. Selling Vs. Marketing Fill the blanks

- \* Starting Point- focus- Means- End

Factory ..... .. Promotion Profits through sales volume ..... .. Customer needs..... Profit through.....

14. Relationship Marketing is

- \* 1. The process of creating, building and managing long term relationship with customers, distributors and suppliers.
- \* 2. Developing good relationships with other departments of the company
- \* 3. Concerned with the developing exchanges with customers.
- \* 4. The emphasis is to develop products that will satisfy customers and focus was basically on (single) transaction.

15. The first step in planning a marketing research project is:

- \* 1) conducting a cost/benefit analysis
- \* 2) searching the environment
- \* 3) defining and locating problems
- \* 4) assessing organisation resources

16. Types and Levels of Relationship

- \* Transactional approach-. Transaction based marketing is on individual transaction and it is an end of a .....

\* Relationship approach- The concluded transaction is not the end of a....., but .....relationship with the customer.

17. Transaction Focus and Relationship Focus – Fill in the blanks Characteristics Transactional Relationship Focus Single Sale ..... Orientation ..... Product benefits Timescale Short ..... .. Customer Service ..... High emphasis Customer Commitment Limited ..... .. Customer Contact ..... High Quality Concern of production department .....

18.

\* 6) When Cargils were planning to establish a Food City in Homagama they used Central Bank reports to get information about population in the area. It was using\_\_\_\_\_data.

- \* A) casual
- \* B) exploratory
- \* C) primary
- \* D) secondary

19. Secondary data CANNOT be obtained from

- \* 1) Trade journals
- \* 2) Government reports
- \* 3) Yellow Pages
- \* 4) Surveys

20. 8) Hemas purchases information regarding soap sales from a firm that tracks the information for a fee, it is using:

- \* 1) Data services of an agency
- \* 2) Primary data generation
- \* 3) Field experiments
- \* 4) Survey

21. Select the FALSE statement

- \* 1) Primary data are observed and recorded directly from respondents
- \* 2) An example of secondary data is a Research Report on consumer purchasing
- \* 3) Secondary data are not readily available to most organisations

\* 4) Obtaining Primary data is cheaper than obtaining Secondary Data

22.

\* 12) Marketers at Uni Lever want to determine the effects of a price increase on sales of Fair and Lovely. What would be best method of conducting the study

\* 1) Behavioral Method

\* 2) Experimental Method

\* 3) Survey Method

\* 4) Focus Group Method

23. Which sampling design gives every member of the population an equal chance of appearing in the sample?

\* 1) area sampling

\* 2) random sampling

\* 3) quota sampling

\* 4) stratified sampling

\* 5) total population sampling

24. 16) When a population is divided into distinct groups based on some particular characteristic and a probability sample is taken from each group, this exemplifies

\* 1) quota sampling

\* 2) stratified sampling

\* 3) cluster sampling

\* 4) simple random sampling

25. 16) When a population is divided into distinct groups based on different areas of a town and a probability sample is taken from each group, this exemplifies

\* 1) quota sampling

\* 2) stratified sampling

\* 3) cluster sampling

\* 4) simple random sampling

26. The major DISADVANTAGE of a mail survey versus a telephone or personal interview survey is:

- \* 1) having to offer incentives
- \* 2) the low response rate
- \* 3) the elimination of interview bias
- \* 4) the lack of open-ended questions

27. 19) Keels plans to get together a small group of Supermarket buyers to talk about their buying patterns and interests. Keels is planning

- \* 1) an experiment
- \* 2) a mall intercept survey
- \* 3) personal interviews
- \* 4) a questionnaire
- \* 5) a focus group

28. Which one of the following is a dichotomous question?

- \* 1) What is your opinion of the new Lux?
- \* B) Rate the new Lux on a scale of 1 to 5
- \* C) How often do you buy soap?
- \* D) Do you use a lux ? Yes \_\_\_ No \_\_\_
- \* E) How you rate the fragrance ?
- \* Good \_\_\_ Fair \_\_\_ Bad \_\_\_

29. If marketing research shows that a group of people do not desire a particular product, the people in that group

- \* 1) are a market for the product
- \* 2) do not have the ability to purchase the product
- \* 3) do not have the authority to purchase the product
- \* 4) are not a market for the product

30. Which one of the following is an example of a customer in an organisational market?

- \* A) a housewife who buys detergent
- \* B) a consumer who hires a Lawyer
- \* C) A garment factory which buys buttons for their garments
- \* D) a factory manager who buys petrol for her personal car

31. 4) Toyota knows that some people want sports cars, others want vans, estate cars, or economy cars. In this case Toyota has found its markets to be:

- \* 1) heterogeneous
- \* 2) undifferentiated
- \* 3) focused
- \* 4) homogeneous

32. The process of dividing a total market into market groups so that persons within each group have relatively similar product needs is called:

- \* 1) segmenting
- \* 2) differentiating
- \* 3) target marketing
- \* 4) concentrating

33. By offering Signal for Kids (attractive taste for children), Regular Signal for cavity control, and Tartar Control Signal toothpastes, Unilever is segmenting the market based on:

- \* 1) benefits
- \* 2) psychographics
- \* 3) lifestyle
- \* 4) demographics
- \* 5) attitudes

34. To ensure the effectiveness of segmentation, the segments should be measurable, substantial, accessible, actionable and:

- \* A) Differentiable
- \* B) Stable

\* C) Economic

\* D) Reachable

35. Hemas has launched a series of ads in which it attempts to demonstrate its' products superiority on selected attributes relative to competitive brands. It is attempting to \_\_\_\_\_ its product.

\* 1) segment

\* 2) profile

\* 3) promote

\* 4) position

36.

\* National security situation will be considered in the macro economic environment as

\* A) Political Factor

\* B) Social factor

\* C) Military factor

\* D) Economic factor

37.

\* Key steps in consumer buyer behavior are

\* A) Purchase, information search, Problem recognition, Evaluation and Post purchase evaluation

\* B) Problem recognition, information search, evaluation of alternatives, Purchase decision, Post purchase evaluation

\* C) Purchase, Problem recognition, Complaining, getting a replacement

\* D) Evaluation of alternatives, Purchase, Problem recognition, Information search, Post purchase evaluation

38.

\* Market Targeting is a process of

\* A) Subdividing the customers in the market to groups having simillar needs

\* B) Placing the product in the collective mind set of the customers

\* C) Choosing the market segments that the firm hopes to offer its products or services

\* D) Offering one product to all the markets

39.

\* Which of the following refers to process element of the marketing mix

\* A) Training and development of the staff

\* B) Making the sales outlet look attractive

\* C) Deciding the Capacity of customers that one sales person can handle

\* D) Giving rewards for good members of the staff

40.

\* The ideal suggested pricing strategy for a new brand of Tomato sauce would be

\* A) Skimming pricing strategy

\* B) Skimming or penetrative pricing strategy

\* C) Competitive or penetrative pricing strategy

\* D) Competitive or skimming pricing strategy

41.

\* Distribution in a service may refer to

\* A) storage, handling and movement of goods from manufacturer to consumer

\* B) Point at which the service is delivered

\* C) Point at which service is promoted and communicated

\* D) None of the above