Test Bank for Marketing Management 3rd Marshall

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Marketing Management, 3e **(Marshall)**
Chapter 2 Marketing Foundations: Global, Ethical, Sustainable

1) Businesses are not confined to a local market due to improved distribution, sophisticated communication tools, product standardization, and the Internet.

2) Small companies have to invest a lot of money to go global.

3) When companies sell in other countries through limited direct contact or indirect intermediaries, they always consider themselves to be involved in foreign marketing.

4) A company can do business with an international customer and still not engage in direct foreign marketing.

5) The most significant difference between international and global marketing organizations is management philosophy and corporate planning.

6) The first step in moving into global markets is to evaluate the market opportunities.

7) Global marketing research focuses on just three types of basic information: economic, cultural, and political/legal.

8) Countries create regional market zones for mutual economic benefit through reduced trade barriers and lower tariffs.

9) The European Union is the most successful regional market zone.

10) The economic output of the European Union (EU) is larger than that of the United States.

11) The most common foreign market entry strategy is licensing.

12) Licensing is a useful form of market entry when companies lack the resources to establish independent operations in foreign markets.

13) Franchisees have a great deal of control in how they manage their businesses.

14) Direct foreign investment is the market entry strategy with the greatest long-term implications.

15) Mr. Coffee had a good understanding of the Japanese culture when it introduced coffeemakers that fit well in Japanese kitchens.

16) Nestlé embraces a local branding strategy globally while other companies like Coca-Cola and Kellogg use a global branding strategy.

17) The country-of-origin effect is always positive in a customer's perception.

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18) The strategic objective of channel strategy known as "coverage" relates to how much the global market distribution systems cost.

19) The global market advertising approach in which distinct ads are built around several marketing messages, and local marketers select the ads that best fit their specific market situation, is known as global marketing with local content.

20) Farah's Fabrics Inc. prices its products for the global market by using cost plus markup to arrive at a final price. This is known as cost-based pricing.

21) Engaging in ethical business practices generally has little impact on marketing strategy and implementation.

22) Ethical issues related to product strategy begin with determining what markets should be targeted.

23) The concept of sustainability includes all business practices that seek to balance business success and societal success over the long term.

24) The triple bottom line metric is used for measuring the financial results of the company, but does not take into account equity, economic or environmental considerations.

25) An understanding of marketing beyond home markets develops over time as a company gets more international business experience. This process is referred to as the _____.
A) global acceptance curve
B) global learning continuum
C) international experience learning curve
D) global experience learning curve
E) international experience continuum

26) Firms that manufacture in a foreign market and maintain an extensive sales organization and distribution network but have a "domestic first" mind-set are probably engaged in _____ marketing.
A) organic
B) buzz
C) international
D) viral
E) local

27) _____ is one of the most widely used measures of economic growth.
A) Return on investment
B) Break-even point
C) Gross domestic product
D) Six Sigma
E) Stock market index

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28) Techel Electronics, a multinational company, manufactures its products in its home market, but treats the world as a single market with many segments in it. It sold televisions worth $47 million in 2017 in international markets, which was more than half of its total revenue. In the context of stages of global experience learning curve, the company is engaged in _____.
A) global marketing
B) no direct foreign marketing
C) global partnerships
D) foreign marketing
E) international marketing

29) Sam is flying to Rio de Janeiro, Brazil, to meet with a prospective customer. He wants to learn the ethical standards, degree of formality, and gender biases of the country. Which of the following types of information will help Sam to accomplish his task?
A) economic
B) demographic
C) business environment
D) political and legal
E) geography

30) John, the CEO of Tresnel Inc., learns that the government of one of his company's foreign markets has enacted a new law that limits the amount of profit it can make. He projects that this will result in future losses. If John researches the _____ environment, he can plan a strategy to deal with this situation.
A) economic
B) cultural and societal
C) business
D) political and legal
E) geographical

31) In Serovia, most people eat dinner after 10:00 p.m. This would be identified in the _____ section of a global market research report.
A) economic
B) cultural, societal
C) business environment
D) political, legal
E) history, geography

32) The color red means different things in different parts of the world. For example, in China, a bride traditionally would wear red but not white. White is a symbol of death. This would be identified in the _____ section of a global market research report.
A) economic
B) cultural, societal trends
C) business environment
D) political, legal
E) history, geography

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33) Many countries base their court systems on those of former rulers. For example, the Spanish ruled many South American countries; therefore, the court system is based on code or civil law. This would be identified in the _____ section of a global market research report.
A) economic
B) cultural, societal
C) business environment
D) political, legal
E) history, geography

34) Data on consumer spending per capita or industrial purchasing trends would be identified in the _____ section of a global market research report.
A) economic
B) cultural, societal
C) business environment
D) political, legal
E) history, geography

35) Cho, the international sales manager at a fashion house, is concerned that the euro is stronger than the U.S. dollar. This would be identified in the _____ section of a global market research report.
A) economic
B) cultural, societal
C) business environment
D) political, legal
E) history, geography

36) Phillippe needs to fire a manager of a French subsidiary of his company. He recently found that French law makes it difficult to terminate employees. This would be identified in the _____ section of a global market research report.
A) economic
B) cultural, societal
C) business environment
D) political, legal
E) history, geography

37) _____ percent of the world's economic growth in the next 20 years is predicted to come from emerging markets, such as China and India.
A) 10
B) 35
C) 52
D) 75
E) 90

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38) The fastest-growing economy in the world in 2017 was _____.
A) Sierra Leone
B) Afghanistan
C) Macau
D) China
E) Libya

39) Which of the following is NOT one of the forces that drives countries to form regional market zones?
A) religious values
B) geographic proximity
C) economic
D) cultural similarities
E) political

40) MERCOSUR is a regional market zone in _____.
A) Asia
B) Africa
C) North America
D) The Mideast
E) South America

41) NAFTA is a market zone that eliminates tariffs between the United States and _____.
A) Canada, Mexico, and Costa Rica
B) Canada and Mexico
C) Mexico, Honduras, Nicaragua, Costa Rica, and Panama
D) Canada, Mexico, Costa Rica, and Panama
E) Canada, Costa Rica, and Panama

42) _____ is the most common method for entering foreign markets.
A) Direct foreign investment
B) Licensing
C) Franchising
D) Exporting
E) Joint ventures

43) _____ represent an exporting firm in a foreign market. They become the face of a company through servicing customers, selling products, and receiving payment. They often take title to the goods and resell them.
A) Brokers
B) Export agents
C) Distributors
D) Direct sales forces
E) Freight forwarders

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44) A technology or high-end industrial product company is most likely to use a(n) _____ in foreign markets because customers expect the expertise of highly-trained, accessible personnel.
A) broker
B) export agent
C) distributor
D) direct sales force
E) freight forwarder

45) Advantages to licensing as a market entry strategy include all of the following EXCEPT_____.
A) limited financial risk in the short run
B) easy availability of raw materials
C) services such as local distribution
D) decrease in operational costs
E) complete control of the patent

46) Which of the following is NOT an advantage of franchising as a market entry strategy?
A) local market knowledge
B) product consistency and easing of legal requirements
C) local management expertise
D) quality control is at the point of customer contact
E) economies of scale exist

47) The _____ industry best illustrates the power of strategic alliances.
A) automobile
B) telecommunications
C) airline
D) computer
E) video gaming

48) Herbie recently read that Crane Airways of Japan, Kestrel Airlines of Germany, Heron Air of Australia, and Egret Airways of India have code sharing partnership, which allows passengers to fly on any of the airlines, share frequent flyer miles, and give each other logistical support. Herbie had just learned in his Global Marketing class that this arrangement is known as a(n) _____.
A) franchising
B) strategic alliance
C) green field project
D) acquisition
E) licensing

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49) Arthur's Auto Parts Inc. wants to enter the Russian market. Russian law prevents foreign entities from owning a majority position in a company there. The best method of entry for Arthur's is most likely _____.
A) merger
B) joint venture
C) acquisition
D) franchising
E) direct foreign investment

50) Many countries restrict marketing to children more severely than in the United States. A firm considering direct foreign investment would report this finding under the heading of _____.
A) technology transfer
B) legal issues
C) transaction costs
D) marketing communication barriers
E) product differentiation

51) The value of the Japanese yen has fluctuated widely during the 2000s compared to the U.S. dollar. A firm considering direct foreign investment would report this finding under the heading of _____.
A) timing
B) legal issues
C) transaction costs
D) marketing communication barriers
E) product differentiation

52) NaviCal Inc., a personal navigation system company, has contracted its manufacturing to a firm in Malaysia for five years. NaviCal had high financial growth, and it wants to purchase the manufacturing facility. This market entry method is called _____.
A) franchising
B) strategic alliance
C) joint venture
D) direct foreign investment
E) licensing

53) The primary organizational patterns employed by organizations around the world are _____.
A) highly decentralized, decentralized, and centralized
B) highly centralized, centralized, and decentralized
C) regionalized, highly regionalized, and centralized
D) decentralized, centralized, and regionalized
E) regionalized, moderately decentralized, and centralized

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54) When local government relationships are critical to the success of international operations, the best organizational structure for a firm would be _____.
A) targeted organization
B) global product lines
C) geographic regions
D) hybrid or matrix
E) multinationals

55) In the context of organizational structures, most companies today use some form of _____ structure that encourages regional autonomy while building product competence in key areas around the world.
A) targeted organization
B) global product lines
C) geographic region
D) matrix
E) multinational

56) Coca-Cola changes the taste of its soft drinks to meet local market preferences. This is an example of _____.
A) direct product extension
B) product adaptation
C) backward product invention
D) product invention
E) hybrid products

57) Bistrone corn canned soup was made expressly for the Japanese market by Coca-Cola Japan. This is an example of _____.
A) direct product extension
B) product adaptation
C) backward product adaptation
D) product invention
E) hybrid products

58) Outdated cell phones used in Europe or Asia have been introduced into the Latin American markets that don't have more updated models. This is an example of _____.
A) forward extension
B) product adaptation
C) backward invention
D) product extension
E) hybrid products

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59) In the context of identifying specific consumer trends, _____ is not a product issue for international consumer marketers.
A) brand strategy
B) country-of-origin effect
C) quality
D) fitting the product to the culture
E) manufacturing

60) Coca-Cola introduced a new product called Diet Coke in Japan. Sales of this product were low in the initial stages because Japanese women associated the word diet with weakness; however, changing the name of the product from Diet Coke to Coke Light proved effective. Which of the following product issues affected the sales of Diet Coke in this scenario?
A) brand strategy
B) country-of-origin effect
C) quality
D) fitting the product to the culture
E) manufacturing

61) Ford Motor Co. introduced its automobile called Nova in Mexico. It faced difficulty in selling the car because "Nova" in Spanish means "It doesn't go." This illustrates a problem with _____.
A) brand strategy
B) country-of-origin effect
C) quality
D) fitting the product to the culture
E) manufacturing

62) People around the world prefer Swiss watches over watches manufactured in other countries. In the context of product issues, which of the following best describes the customer's perception?
A) brand strategy
B) country-of-origin effect
C) quality
D) fitting the product to the culture
E) manufacturing

63) Steve wants to gift a box of chocolates to his best friend. He walks into a store and buys Belgian chocolates because his friend once mentioned that they are the best in the world. This is an example of how consumers respond to _____.
A) brand strategy
B) country-of-origin effect
C) quality
D) fitting the product to the culture
E) price

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64) In the context of market channels, the use of local distribution networks to reach target customers is identified in the _____ channel factor.
A) cost
B) coverage
C) character
D) continuity
E) control

65) Which of the following channel strategies helps in increasing the efficiency of local distribution systems by eliminating unnecessary middlemen?
A) cost
B) coverage
C) character
D) continuity
E) control

66) Well-established distributors in a marketing channel often have relationships with competitors. In the context of market channels, which of the following channel strategies corresponds to this issue?
A) capital
B) coverage
C) character
D) continuity
E) control

67) Aligning the firm's philosophy with that of a potential channel partner would be identified in the channel strategy of _____.
A) cost
B) coverage
C) character
D) continuity
E) control

68) Most global marketers rely on local distribution networks in foreign markets. This is because it is very expensive to build a company's own distribution network in a foreign market. This issue can be identified in the channel strategy of _____.
A) change
B) coverage
C) character
D) continuity
E) control

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69) PepsiCo and Coca-Cola sponsor traveling carnivals in rural Latin America to encourage product trial. This element of marketing communications is called _____.
A) advertising
B) personal selling
C) sales promotion
D) public relations
E) direct marketing

70) The task of handling crises and giving the company's perspective to news organizations belongs in the _____ element of marketing communications.
A) advertising
B) personal selling
C) sales promotion
D) public relations
E) direct marketing

71) Jason went to an automobile dealership to buy a car, and he spent two hours talking to an employee about options. This element of marketing communications is called _____.
A) advertising
B) personal selling
C) promotion
D) public relations
E) direct marketing

72) Delxen Inc., a multinational company, uses the same prices for all its products globally. This type of pricing is called _____.
A) going-rate price
B) one world price
C) local market condition price
D) transfer price
E) cost-based price

73) Prices of products are often higher in a foreign country than the home country due to transportation charges, taxes, tariffs, and exchange rate fluctuations. This change in price from home country to foreign country is referred to as _____.
A) price escalation
B) price scaling
C) cost-plus pricing
D) cost-based pricing
E) market price

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74) Charging a price that is lower than actual costs or less than the company charges in its home market is called _____.
A) gray marketing
B) price fixing
C) dumping
D) compensation trading
E) offset pricing

75) When distributors do not have authorization from manufacturers but divert products from low-price markets and sell them in high-price markets, they are practicing _____.
A) gray market distribution
B) price fixing
C) dumping
D) compensation trading
E) offset pricing

76) _____ encompasses a societal and professional standard of right and fair practices that are expected of marketing managers in their oversight of strategy formulation, implementation, and control.
A) Marketing ethics
B) Price fixing
C) Social responsibility
D) Accreditation
E) Personal selling

77) _____ is the net benefits (or costs) associated with a product or service, and it is affected by the buyer's trust that the company will keep its promises.
A) Value
B) Outlay
C) Exchange
D) Accreditation
E) Gain

78) Perdue found that one of its chicken products may have been contaminated with bacteria, so it pulled it off the shelves and instituted a recall. This potential ethical issue was associated with which element of the marketing mix?
A) product
B) price
C) distribution
D) marketing communications
E) promotion

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79) Latosha was thrilled when she found a low-cost airfare to Moscow, but she was not happy when she bought the tickets and realized there were hundreds of dollars in added fees. Which element of the marketing mix was impacted?
A) product
B) price
C) distribution
D) marketing communications
E) promotion

80) What area in marketing presents the most ethical challenges?
A) product
B) price
C) distribution
D) marketing communications
E) promotion

81) The American Marketing Association's code of ethics speaks to six primary ethical values: honesty, responsibility, fairness, respect, transparency, and _____.
A) social conscience
B) loyalty
C) consumer-orientation
D) sustainability
E) citizenship

82) In the 1930s, companies and consumers began to realize that utilizing resources efficiently and effectively was good for society and beneficial to business. This grew into the _____ movement.
A) direct investment
B) profitability
C) consumer-orientation
D) green
E) active citizen

83) The text discusses the triple bottom line metric, and outlines an approach to consider the impact of TBL in marketing management. This includes people, planet, and _____.
A) community
B) environment
C) product
D) profit
E) promotion

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84) Starbucks has been successful in developing "ethically sourced" coffee that is socially responsible and environmentally safe. This demonstrates which element of TBL?
A) people
B) planet
C) product
D) profit
E) promotion

85) Explain the difference between foreign marketing, international marketing, and global marketing.

86) Describe the following key regional market zones: European Union, MERCOSUR, NAFTA, and ASEAN. What countries do they include, what benefits do they have, and have they been successful?

87) Compare and contrast the various strategies for entering new global markets: exporting, licensing, franchising, strategic alliances, and direct foreign investment. Give examples of when each strategy would be best utilized.

88) Define the terms direct product extension, product adaptation, and product invention. Give an example of each.

89) What are the Six Cs of channel strategy? Give examples showing how each of these can impact channel partner decisions.

90) Explain the concept of the triple bottom line. How is this relevant to marketing?

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Marketing Management, 3e **(Marshall)**
Chapter 2 Marketing Foundations: Global, Ethical, Sustainable

1) Businesses are not confined to a local market due to improved distribution, sophisticated communication tools, product standardization, and the Internet.

Answer: TRUE
Explanation: From large multinationals to small start-up companies, business is no longer confined to a company's local market. Worldwide distribution networks, sophisticated communication tools, greater product standardization, and the Internet have opened world markets.
Difficulty: 1 Easy
Topic: Understanding Global Markets
Learning Objective: 02-01 Identify the various levels in the Global Marketing Experience Curve.
Bloom's: Remember
AACSB: Technology
Accessibility: Keyboard Navigation

2) Small companies have to invest a lot of money to go global.

Answer: FALSE
Explanation: Large companies such as Nestlé, P&G, Amazon, and General Electric leverage their considerable assets to build global companies that do business anywhere in the world. At the same time, with relatively minimal investment, small companies access international markets with only a website and an international shipping company.
Difficulty: 2 Medium
Topic: Understanding Global Markets
Learning Objective: 02-01 Identify the various levels in the Global Marketing Experience Curve.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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3) When companies sell in other countries through limited direct contact or indirect intermediaries, they always consider themselves to be involved in foreign marketing.

Answer: FALSE
Explanation: Many companies with no direct foreign marketing still do business with international customers through intermediaries or limited direct contact. In these cases, however, there is no formal international channel relationship or global marketing strategy targeted at international customers. Of course, any company with a website is now a global company as someone can visit the site from anywhere in the world, but companies with no foreign marketing consider any sales to an international customer as incidental.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-01 Identify the various levels in the Global Marketing Experience Curve.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

4) A company can do business with an international customer and still not engage in direct foreign marketing.

Answer: TRUE
Explanation: Many companies with no direct foreign marketing still do business with international customers through intermediaries or limited direct contact. In these cases, however, there is no formal international channel relationship or global marketing strategy targeted at international customers. Of course, any company with a website is now a global company as someone can visit the site from anywhere in the world, but companies with no foreign marketing consider any sales to an international customer as incidental.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-01 Identify the various levels in the Global Marketing Experience Curve.
Bloom's: Understand
AACSB: Analytical Thinking
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5) The most significant difference between international and global marketing organizations is management philosophy and corporate planning.

Answer: TRUE
Explanation: The most significant difference between international and global marketing organizations is management philosophy and corporate planning. Global marketers treat the world as a single, unified market with many different segments that may or may not fall along country political boundaries. International marketers, on the other hand, define markets along traditional political boundaries and most often, assign unique status to their domestic market.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-01 Identify the various levels in the Global Marketing Experience Curve.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

6) The first step in moving into global markets is to evaluate the market opportunities.

Answer: TRUE
Explanation: The first step in moving into global markets is to evaluate the market opportunities. Since a company's management team is usually less familiar with foreign markets, research helps fill in the blanks, providing critical information for decision makers.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-01 Identify the various levels in the Global Marketing Experience Curve.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

7) Global marketing research focuses on just three types of basic information: economic, cultural, and political/legal.

Answer: FALSE
Explanation: Global market research focuses on five basic types of information: economic, culture/societal, business environment, political/legal, and specific market conditions.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-02 Learn the essential information components for assessing a global marketing opportunity.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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8) Countries create regional market zones for mutual economic benefit through reduced trade barriers and lower tariffs.

Answer: TRUE
Explanation: The single most significant global economic trend over the past 15 years is the emergence of regional market zones around the world. Regional market zones consist of a group of countries that create formal relationships for mutual economic benefit through lower tariffs and reduced trade barriers.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-03 Define the key regional market zones and their marketing challenges.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

9) The European Union is the most successful regional market zone.

Answer: TRUE
Explanation: The European Union is the most successful regional market zone and it is also one of the oldest. Founded more than 50 years ago by six countries (Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany) with the Treaty of Rome, the EU now includes 28 countries spanning all of Europe.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-03 Define the key regional market zones and their marketing challenges.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

10) The economic output of the European Union (EU) is larger than that of the United States.

Answer: FALSE
Explanation: The EU has become one of the most dominant economic entities in the world, with economic output approximately equal to the United States, and its currency, the euro, is one of the leading world currencies.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-03 Define the key regional market zones and their marketing challenges.
Bloom's: Remember
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11) The most common foreign market entry strategy is licensing.

Answer: FALSE
Explanation: Exporting is the most common method for entering foreign markets and accounts for 10 percent of all global economic activity.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

12) Licensing is a useful form of market entry when companies lack the resources to establish independent operations in foreign markets.

Answer: TRUE
Explanation: Companies seeking to establish greater presence in a market without committing significant resources can choose to license their key asset (patent, trademark) to another company, effectively giving the company the right to use that asset in that market.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

13) Franchisees have a great deal of control in how they manage their businesses.

Answer: FALSE
Explanation: Franchisers exert a great deal of control with extensive franchise agreements that dictate how the franchisee will operate the business.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
Bloom's: Understand
AACSB: Analytical Thinking
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14) Direct foreign investment is the market entry strategy with the greatest long-term implications.

Answer: TRUE
Explanation: The market entry strategy with the greatest long-term implications is direct foreign investment.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

15) Mr. Coffee had a good understanding of the Japanese culture when it introduced coffeemakers that fit well in Japanese kitchens.

Answer: FALSE
Explanation: Manufacturers of kitchen products have found the Japanese market difficult to penetrate. Mr. Coffee and Philips Electronics NV found their coffeemakers did not sell well in Japan because Asian kitchens in general are much smaller than Western kitchens.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

16) Nestlé embraces a local branding strategy globally while other companies like Coca-Cola and Kellogg use a global branding strategy.

Answer: TRUE
Explanation: Local brands offer companies distinct awareness and built-in market loyalty. Nestlé, for example, follows a local branding strategy for individual products (the company carries more than 7,000 brands) but also promotes the Nestlé corporate brand globally. It believes that local branding helps differentiate its products.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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17) The country-of-origin effect is always positive in a customer's perception.

Answer: FALSE
Explanation: The country-of-origin effect is the influence of the country of manufacture, assembly, or design on a customer's positive or negative perception of a product.
Difficulty: 2 Medium
Topic: Global Product Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

18) The strategic objective of channel strategy known as "coverage" relates to how much the global market distribution systems cost.

Answer: FALSE
Explanation: Both cost and capital relate to channels costs. Coverage relates to determining which distribution network has the widest distribution.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Understand
AACSB: Analytical Thinking
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19) The global market advertising approach in which distinct ads are built around several marketing messages, and local marketers select the ads that best fit their specific market situation, is known as global marketing with local content.

Answer: FALSE
Explanation: With the approach that is called *a basket of global advertising themes*, related but distinct ads built around several marketing messages are generated, often by the company's lead advertising agency, and local marketers select the ads that best fit their specific market situation.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
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20) Farah's Fabrics Inc. prices its products for the global market by using cost plus markup to arrive at a final price. This is known as cost-based pricing.

Answer: TRUE
Explanation: Cost-based pricing considers cost plus markup to arrive at a final price. While the focus on costs precludes charging an unprofitable price, it does not consider actual market conditions. If costs are high as a result of tariffs or transportation, the final price may be too high for the market.
Difficulty: 2 Medium
Topic: Global Product Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

21) Engaging in ethical business practices generally has little impact on marketing strategy and implementation.

Answer: FALSE
Explanation: Ethics plays a role in every aspect of marketing, from the value proposition through all the critical elements in the marketing mix, and even in marketing strategy and implementation.
Difficulty: 1 Easy
Topic: Ethics
Learning Objective: 02-06 Learn the importance of ethics in marketing strategy, the value proposition, and the elements of the marketing mix.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

22) Ethical issues related to product strategy begin with determining what markets should be targeted.

Answer: TRUE
Explanation: There are a number of ethical issues related to product strategy. It begins with what markets should be targeted.
Difficulty: 2 Medium
Topic: Ethics
Learning Objective: 02-06 Learn the importance of ethics in marketing strategy, the value proposition, and the elements of the marketing mix.
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23) The concept of sustainability includes all business practices that seek to balance business success and societal success over the long term.

Answer: TRUE
Explanation: Business and societal success over the long term are important goals in sustainability.
Difficulty: 1 Easy
Topic: Socially Responsible Marketing
Learning Objective: 02-07 Recognize the significance of sustainability as part of marketing strategy and the use of the triple bottom line as a metric for evaluating corporate performance.
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24) The triple bottom line metric is used for measuring the financial results of the company, but does not take into account equity, economic or environmental considerations.

Answer: FALSE
Explanation: The triple bottom line (TBL) is a metric for evaluating not only the financial results of the company but the broader social equity, economic, and environmental considerations as well.
Difficulty: 1 Easy
Topic: Socially Responsible Marketing
Learning Objective: 02-07 Recognize the significance of sustainability as part of marketing strategy and the use of the triple bottom line as a metric for evaluating corporate performance.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

25) An understanding of marketing beyond home markets develops over time as a company gets more international business experience. This process is referred to as the _____.
A) global acceptance curve
B) global learning continuum
C) international experience learning curve
D) global experience learning curve
E) international experience continuum

Answer: D
Explanation: This describes the global experience learning curve.
Difficulty: 1 Easy
Topic: Understanding Global Markets
Learning Objective: 02-01 Identify the various levels in the Global Marketing Experience Curve.
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26) Firms that manufacture in a foreign market and maintain an extensive sales organization and distribution network but have a "domestic first" mind-set are probably engaged in _____ marketing.
A) organic
B) buzz
C) international
D) viral
E) local

Answer: C
Explanation: International marketing aligns the company's assets and resources with global markets, but, in the vast majority of companies, management still takes a "domestic first" approach to the business. As a result, the corporate structure still divides international and domestic markets.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-01 Identify the various levels in the Global Marketing Experience Curve.
Bloom's: Understand
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Accessibility: Keyboard Navigation

27) _____ is one of the most widely used measures of economic growth.
A) Return on investment
B) Break-even point
C) Gross domestic product
D) Six Sigma
E) Stock market index

Answer: C
Explanation: Gross domestic product (GDP), which is the total market value of all final goods and services produced in a country in a given year, is one of the most widely used measures of economic growth.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-02 Learn the essential information components for assessing a global marketing opportunity.
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28) Techel Electronics, a multinational company, manufactures its products in its home market, but treats the world as a single market with many segments in it. It sold televisions worth $47 million in 2017 in international markets, which was more than half of its total revenue. In the context of stages of global experience learning curve, the company is engaged in _____.
A) global marketing
B) no direct foreign marketing
C) global partnerships
D) foreign marketing
E) international marketing

Answer: A
Explanation: A global marketing company realizes that all world markets (including the company's own domestic market) are, in reality, a single market with many different segments. This frequently happens when a company generates more than half its revenue in international markets
Difficulty: 3 Hard
Topic: Global Market Strategies
Learning Objective: 02-01 Identify the various levels in the Global Marketing Experience Curve.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

29) Sam is flying to Rio de Janeiro, Brazil, to meet with a prospective customer. He wants to learn the ethical standards, degree of formality, and gender biases of the country. Which of the following types of information will help Sam to accomplish his task?
A) economic
B) demographic
C) business environment
D) political and legal
E) geography

Answer: C
Explanation: Ethical standards, management styles, degree of formality, and gender or other biases are all critical factors that management needs to know before entering a new market. Failure to understand the business environment can lead to misunderstanding and lost relationships as the company enters a new market.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-02 Learn the essential information components for assessing a global marketing opportunity.
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30) John, the CEO of Tresnel Inc., learns that the government of one of his company's foreign markets has enacted a new law that limits the amount of profit it can make. He projects that this will result in future losses. If John researches the _____ environment, he can plan a strategy to deal with this situation.
A) economic
B) cultural and societal
C) business
D) political and legal
E) geographical

Answer: D
Explanation: Local political changes can create significant uncertainties for a business. As witnessed in Bolivia and other countries, new governments sometimes alter the relationship of government to industry by exerting greater control and even nationalizing some industries.
Difficulty: 3 Hard
Topic: Global Market Strategies
Learning Objective: 02-02 Learn the essential information components for assessing a global marketing opportunity.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

31) In Serovia, most people eat dinner after 10:00 p.m. This would be identified in the _____ section of a global market research report.
A) economic
B) cultural, societal
C) business environment
D) political, legal
E) history, geography

Answer: B
Explanation: Understanding a global market's culture and social trends is fundamental for consumer products and helpful for business-to-business marketers. Cultural values, symbols and rituals, and cultural differences affect people's perception of products while B2B companies must learn local cultural practices to recruit employees and establish good business relationships.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-02 Learn the essential information components for assessing a global marketing opportunity.
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32) The color red means different things in different parts of the world. For example, in China, a bride traditionally would wear red but not white. White is a symbol of death. This would be identified in the _____ section of a global market research report.
A) economic
B) cultural, societal trends
C) business environment
D) political, legal
E) history, geography

Answer: B
Explanation: Understanding a global market's culture and social trends is fundamental for consumer products and helpful for business-to-business marketers. Cultural values, symbols and rituals, and cultural differences affect people's perception of products while B2B companies must learn local cultural practices to recruit employees and establish good business relationships.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-02 Learn the essential information components for assessing a global marketing opportunity.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

33) Many countries base their court systems on those of former rulers. For example, the Spanish ruled many South American countries; therefore, the court system is based on code or civil law. This would be identified in the _____ section of a global market research report.
A) economic
B) cultural, societal
C) business environment
D) political, legal
E) history, geography

Answer: D
Explanation: Learning the legal landscape is fundamental before committing resources in a foreign market.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-02 Learn the essential information components for assessing a global marketing opportunity.
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34) Data on consumer spending per capita or industrial purchasing trends would be identified in the _____ section of a global market research report.
A) economic
B) cultural, societal
C) business environment
D) political, legal
E) history, geography

Answer: A
Explanation: An accurate understanding of the current economic environment, such as gross domestic product (GDP) growth, inflation, strength of the currency, and business cycle trends, is essential.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-02 Learn the essential information components for assessing a global marketing opportunity.
Bloom's: Understand
AACSB: Analytical Thinking
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35) Cho, the international sales manager at a fashion house, is concerned that the euro is stronger than the U.S. dollar. This would be identified in the _____ section of a global market research report.
A) economic
B) cultural, societal
C) business environment
D) political, legal
E) history, geography

Answer: A
Explanation: An accurate understanding of the current economic environment, such as gross domestic product growth, inflation, strength of the currency, and business cycle trends, is essential.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-02 Learn the essential information components for assessing a global marketing opportunity.
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36) Phillippe needs to fire a manager of a French subsidiary of his company. He recently found that French law makes it difficult to terminate employees. This would be identified in the _____ section of a global market research report.
A) economic
B) cultural, societal
C) business environment
D) political, legal
E) history, geography

Answer: D
Explanation: Labor laws vary widely around the world. Germany and France, for example, make it difficult to terminate someone once that person has been hired, while Great Britain's termination policies are more consistent with those of the United States.
Difficulty: 3 Hard
Topic: Global Market Strategies
Learning Objective: 02-02 Learn the essential information components for assessing a global marketing opportunity.
Bloom's: Apply
AACSB: Knowledge Application
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37) _____ percent of the world's economic growth in the next 20 years is predicted to come from emerging markets, such as China and India.
A) 10
B) 35
C) 52
D) 75
E) 90

Answer: D
Explanation: Seventy-five percent of world economic growth over the next 20 years is projected to come from a new group of powerful economies, most notably China and India.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-02 Learn the essential information components for assessing a global marketing opportunity.
Bloom's: Remember
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38) The fastest-growing economy in the world in 2017 was _____.
A) Sierra Leone
B) Afghanistan
C) Macau
D) China
E) Libya

Answer: E
Explanation: The fastest-growing economy in the world in 2017 was Libya.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-02 Learn the essential information components for assessing a global marketing opportunity.
Bloom's: Remember
AACSB: Analytical Thinking
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39) Which of the following is NOT one of the forces that drives countries to form regional market zones?
A) religious values
B) geographic proximity
C) economic
D) cultural similarities
E) political

Answer: A
Explanation: Regional market zones generally form as a result of four forces. The first and most fundamental factor is economic. Second, research suggests geographic proximity to other alliance partners is advantageous in the development of a market zone. The third factor is political. Culture similarities, such as having a shared language, among alliance partners also facilitate markets zones as shared cultural experiences encourage greater cooperation and minimize possible conflicts from cultural disparities.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-03 Define the key regional market zones and their marketing challenges.
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40) MERCOSUR is a regional market zone in _____.
A) Asia
B) Africa
C) North America
D) The Mideast
E) South America

Answer: E
Explanation: MERCOSUR, the most powerful market zone in South America, was inaugurated in 1995 and includes the economies of South America: Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-03 Define the key regional market zones and their marketing challenges.
Bloom's: Remember
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41) NAFTA is a market zone that eliminates tariffs between the United States and _____.
A) Canada, Mexico, and Costa Rica
B) Canada and Mexico
C) Mexico, Honduras, Nicaragua, Costa Rica, and Panama
D) Canada, Mexico, Costa Rica, and Panama
E) Canada, Costa Rica, and Panama

Answer: B
Explanation: NAFTA (North American Free Trade Agreement) is the alliance of United States, Canada, and Mexico. It eliminates tariffs between these three countries.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-03 Define the key regional market zones and their marketing challenges.
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42) _____ is the most common method for entering foreign markets.
A) Direct foreign investment
B) Licensing
C) Franchising
D) Exporting
E) Joint ventures

Answer: D
Explanation: Exporting is the most common method for entering foreign markets and accounts for 10 percent of all global economic activity.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
Bloom's: Remember
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43) _____ represent an exporting firm in a foreign market. They become the face of a company through servicing customers, selling products, and receiving payment. They often take title to the goods and resell them.
A) Brokers
B) Export agents
C) Distributors
D) Direct sales forces
E) Freight forwarders

Answer: C
Explanation: Distributors represent the company and often many others in foreign markets. These organizations become the face of the company in that country, servicing customers, selling products, and receiving payments. In many cases, they take title to the goods and then resell them.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
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44) A technology or high-end industrial product company is most likely to use a(n) _____ in foreign markets because customers expect the expertise of highly-trained, accessible personnel.
A) broker
B) export agent
C) distributor
D) direct sales force
E) freight forwarder

Answer: D
Explanation: For some industries, creating a direct sales force is required because customers will demand that company salespeople be in the country. This is often the case in the technology and high-end industrial product industries.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
Bloom's: Understand
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45) Advantages to licensing as a market entry strategy include all of the following EXCEPT_____.
A) limited financial risk in the short run
B) easy availability of raw materials
C) services such as local distribution
D) decrease in operational costs
E) complete control of the patent

Answer: E
Explanation: Licensing is a contractual agreement which transmits something of value such as technology, a trademark, a patent, or a unique manufacturing process in return for financial compensation in the form of a licensing fee or percentage of sales. In licensing, companies can choose to license their key asset to another company, effectively giving the company the right to use that asset in that market.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
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46) Which of the following is NOT an advantage of franchising as a market entry strategy?
A) local market knowledge
B) product consistency and easing of legal requirements
C) local management expertise
D) quality control is at the point of customer contact
E) economies of scale exist

Answer: B
Explanation: Combining low capital investments, rapid expansion opportunities, and local market expertise, franchising offers many advantages as a market entry strategy. However, there are also challenges. Worldwide, consumer tastes vary significantly and franchisers need sufficient resources to create products that will meet demands of global customers while maintaining quality control.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
Bloom's: Understand
AACSB: Analytical Thinking
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47) The _____ industry best illustrates the power of strategic alliances.
A) automobile
B) telecommunications
C) airline
D) computer
E) video gaming

Answer: C
Explanation: In some industries, strategic alliances now dominate the competitive landscape. Nowhere is this more noticeable than the airline industry.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
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48) Herbie recently read that Crane Airways of Japan, Kestrel Airlines of Germany, Heron Air of Australia, and Egret Airways of India have code sharing partnership, which allows passengers to fly on any of the airlines, share frequent flyer miles, and give each other logistical support. Herbie had just learned in his Global Marketing class that this arrangement is known as a(n) _____.
A) franchising
B) strategic alliance
C) green field project
D) acquisition
E) licensing

Answer: B
Explanation: A number of airlines have created a worldwide network of airline partnerships that include code-sharing, frequent flyer mileage partnerships, and some logistical support, demonstrating a strategic alliance.
Difficulty: 3 Hard
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

49) Arthur's Auto Parts Inc. wants to enter the Russian market. Russian law prevents foreign entities from owning a majority position in a company there. The best method of entry for Arthur's is most likely _____.
A) merger
B) joint venture
C) acquisition
D) franchising
E) direct foreign investment

Answer: B
Explanation: A specific type of strategic alliance called joint venture enables many companies to enter a market that would otherwise be closed because of legal restrictions or cultural barriers. Additionally, like all strategic alliances, it reduces risk by spreading risk to other partners.
Difficulty: 3 Hard
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
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50) Many countries restrict marketing to children more severely than in the United States. A firm considering direct foreign investment would report this finding under the heading of _____.
A) technology transfer
B) legal issues
C) transaction costs
D) marketing communication barriers
E) product differentiation

Answer: D
Explanation: In direct foreign investment, risks go up substantially. A company must consider marketing communication barriers because local market practices vary a great deal.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
Bloom's: Understand
AACSB: Analytical Thinking
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51) The value of the Japanese yen has fluctuated widely during the 2000s compared to the U.S. dollar. A firm considering direct foreign investment would report this finding under the heading of _____.
A) timing
B) legal issues
C) transaction costs
D) marketing communication barriers
E) product differentiation

Answer: C
Explanation: Transaction costs are production and other costs stated in various currencies.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
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52) NaviCal Inc., a personal navigation system company, has contracted its manufacturing to a firm in Malaysia for five years. NaviCal had high financial growth, and it wants to purchase the manufacturing facility. This market entry method is called _____.
A) franchising
B) strategic alliance
C) joint venture
D) direct foreign investment
E) licensing

Answer: D
Explanation: Purchasing a manufacturing facility in another country is direct foreign investment.
Difficulty: 3 Hard
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

53) The primary organizational patterns employed by organizations around the world are _____.
A) highly decentralized, decentralized, and centralized
B) highly centralized, centralized, and decentralized
C) regionalized, highly regionalized, and centralized
D) decentralized, centralized, and regionalized
E) regionalized, moderately decentralized, and centralized

Answer: D
Explanation: The degree of centralization is a second critical decision since it affects resource allocation and personnel. Three primary organizational patterns employed by organizations around the world are centralized, decentralized, and regionalized.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
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54) When local government relationships are critical to the success of international operations, the best organizational structure for a firm would be _____.
A) targeted organization
B) global product lines
C) geographic regions
D) hybrid or matrix
E) multinationals

Answer: C
Explanation: Geographic regions divide international markets by geography, building autonomous regional organizations that perform business functions in the geographic area. This model works particularly well when local government relationships are critical to the success of international operations as it affords company management a closer connection to local customers.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

55) In the context of organizational structures, most companies today use some form of _____ structure that encourages regional autonomy while building product competence in key areas around the world.
A) targeted organization
B) global product lines
C) geographic region
D) matrix
E) multinational

Answer: D
Explanation: Matrix organizational structure is a hybrid of global product lines and geographic regions structures. Not surprisingly, most companies today use some form of matrix structure that encourages regional autonomy while building product competence in key areas around world.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
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56) Coca-Cola changes the taste of its soft drinks to meet local market preferences. This is an example of _____.
A) direct product extension
B) product adaptation
C) backward product invention
D) product invention
E) hybrid products

Answer: B
Explanation: Product adaptation means altering an existing product to fit local needs and legal requirements. Adaptation can range from regional levels all the way down to city-level differences.
Difficulty: 2 Medium
Topic: Global Product Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Understand
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57) Bistrone corn canned soup was made expressly for the Japanese market by Coca-Cola Japan. This is an example of _____.
A) direct product extension
B) product adaptation
C) backward product adaptation
D) product invention
E) hybrid products

Answer: D
Explanation: Product invention means creating a new product specifically for an international market.
Difficulty: 2 Medium
Topic: Global Product Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
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58) Outdated cell phones used in Europe or Asia have been introduced into the Latin American markets that don't have more updated models. This is an example of _____.
A) forward extension
B) product adaptation
C) backward invention
D) product extension
E) hybrid products

Answer: C
Explanation: Sometimes old products discontinued in one market can be reintroduced in a new market, a process known as backward invention. Cell phone manufacturers have adopted this strategy, taking phones that have been replaced in European or Asian markets and introducing them in Latin America.
Difficulty: 2 Medium
Topic: Global Product Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

59) In the context of identifying specific consumer trends, _____ is not a product issue for international consumer marketers.
A) brand strategy
B) country-of-origin effect
C) quality
D) fitting the product to the culture
E) manufacturing

Answer: E
Explanation: Four specific product issues face international consumer marketers—quality, fitting the product to the culture, brand strategy, and country of origin.
Difficulty: 1 Easy
Topic: Global Product Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
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60) Coca-Cola introduced a new product called Diet Coke in Japan. Sales of this product were low in the initial stages because Japanese women associated the word diet with weakness; however, changing the name of the product from Diet Coke to Coke Light proved effective. Which of the following product issues affected the sales of Diet Coke in this scenario?
A) brand strategy
B) country-of-origin effect
C) quality
D) fitting the product to the culture
E) manufacturing

Answer: D
Explanation: When Coca-Cola introduced Diet Coke in Japan, initial sales were disappointing until the company realized that Japanese women do not like the concept of dieting and the Japanese culture relates dieting to sickness (not a desired connection with a product). The company changed the name to Coke Light, which has been much more effective around the world.
Difficulty: 2 Medium
Topic: Global Product Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

61) Ford Motor Co. introduced its automobile called Nova in Mexico. It faced difficulty in selling the car because "Nova" in Spanish means "It doesn't go." This illustrates a problem with _____.
A) brand strategy
B) country-of-origin effect
C) quality
D) fitting the product to the culture
E) manufacturing

Answer: D
Explanation: Cultural differences exert tremendous influence on consumer product choices and are critical in international markets. Brand names as well as product colors and features are heavily influenced by the culture in local foreign markets.
Difficulty: 2 Medium
Topic: Global Product Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Understand
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62) People around the world prefer Swiss watches over watches manufactured in other countries. In the context of product issues, which of the following best describes the customer's perception?
A) brand strategy
B) country-of-origin effect
C) quality
D) fitting the product to the culture
E) manufacturing

Answer: B
Explanation: Increasingly, customers apply what is known as the country-of-origin effect in their purchase decisions. The country-of-origin effect is the influence of the country of manufacture, assembly, or design on a customer's positive or negative perception of a product.
Difficulty: 2 Medium
Topic: Global Product Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

63) Steve wants to gift a box of chocolates to his best friend. He walks into a store and buys Belgian chocolates because his friend once mentioned that they are the best in the world. This is an example of how consumers respond to _____.
A) brand strategy
B) country-of-origin effect
C) quality
D) fitting the product to the culture
E) price

Answer: B
Explanation: Increasingly, customers apply what is known as the country-of-origin effect in their purchase decisions. The country-of-origin effect is the influence of the country of manufacture, assembly, or design on a customer's positive or negative perception of a product.
Difficulty: 2 Medium
Topic: Global Product Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
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64) In the context of market channels, the use of local distribution networks to reach target customers is identified in the _____ channel factor.
A) cost
B) coverage
C) character
D) continuity
E) control

Answer: B
Explanation: Local distribution networks around the world may lack full exposure to a given market. Even in the United States, for example, complete coverage of a consumer market necessitates multiple distribution channels. As a result, it is necessary to evaluate which distribution network best reaches the target customers, which may not necessarily be the network with the widest distribution.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

65) Which of the following channel strategies helps in increasing the efficiency of local distribution systems by eliminating unnecessary middlemen?
A) cost
B) coverage
C) character
D) continuity
E) control

Answer: A
Explanation: Estimating channel costs includes (1) the initial investment in creating the channel and (2) the cost of maintaining the channel. As companies expand into new markets, many search for ways to increase the efficiency of local distribution systems by eliminating unnecessary middlemen, thereby shortening the channel to the customer.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Remember
AACSB: Analytical Thinking
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66) Well-established distributors in a marketing channel often have relationships with competitors. In the context of market channels, which of the following channel strategies corresponds to this issue?
A) capital
B) coverage
C) character
D) continuity
E) control

Answer: D
Explanation: Changing a distribution system creates anxiety among customers and gives competitors an opportunity to take advantage of inevitable inefficiencies and disruption of service. Identifying channel partners with a long-standing presence in the market provides some security; however, the best local partners are also the most difficult to establish a relationship with as they frequently already have established involvement with competitors.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

67) Aligning the firm's philosophy with that of a potential channel partner would be identified in the channel strategy of _____.
A) cost
B) coverage
C) character
D) continuity
E) control

Answer: C
Explanation: The long-term nature of channel decisions makes character an issue in selecting the best channel partner. The capabilities, reputation, and skills of the local channel partner should match the company's characteristics.
Difficulty: 1 Easy
Topic: Global Market Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
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68) Most global marketers rely on local distribution networks in foreign markets. This is because it is very expensive to build a company's own distribution network in a foreign market. This issue can be identified in the channel strategy of _____.
A) change
B) coverage
C) character
D) continuity
E) control

Answer: E
Explanation: The more control the company wants in the channel, the more expensive it is to maintain. As a result, companies generally look for a balance between channel control and cost. The complexity of global supply chains coupled with lack of local market knowledge make the task of creating a distribution system so expensive that all but the most accomplished global marketers rely on local distribution networks in foreign markets.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

69) PepsiCo and Coca-Cola sponsor traveling carnivals in rural Latin America to encourage product trial. This element of marketing communications is called _____.
A) advertising
B) personal selling
C) sales promotion
D) public relations
E) direct marketing

Answer: C
Explanation: A relatively small part of U.S. marketing communication budgets is allocated to sales promotion; however, this can be a significant component of marketing communication strategy in global markets. The need to stimulate consumer trial and purchase can be greater. Both PepsiCo and Coca-Cola sponsor traveling carnivals to outlying villages in Latin America with the purpose of encouraging product trial.
Difficulty: 2 Medium
Topic: Sales Promotion
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Understand
AACSB: Communication
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70) The task of handling crises and giving the company's perspective to news organizations belongs in the _____ element of marketing communications.
A) advertising
B) personal selling
C) sales promotion
D) public relations
E) direct marketing

Answer: D
Explanation: The expansion of global communications has greatly increased the importance of international public relations. Companies realize that dealing with crises must be done quickly and effectively as global news organizations move instantly on stories around the world.
Difficulty: 2 Medium
Topic: Public Relations
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Understand
AACSB: Communication
Accessibility: Keyboard Navigation

71) Jason went to an automobile dealership to buy a car, and he spent two hours talking to an employee about options. This element of marketing communications is called _____.
A) advertising
B) personal selling
C) promotion
D) public relations
E) direct marketing

Answer: B
Explanation: The salesperson–customer relationship is dramatically different around the world. This one-to-one style of selling is called personal selling.
Difficulty: 2 Medium
Topic: Personal Selling and ic
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Apply
AACSB: Knowledge Application
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72) Delxen Inc., a multinational company, uses the same prices for all its products globally. This type of pricing is called _____.
A) going-rate price
B) one world price
C) local market condition price
D) transfer price
E) cost-based price

Answer: B
Explanation: The company assigns one price for its products in every global market. In theory, this approach enables a company to standardize other elements in the marketing mix and simplifies financial forecasting. In reality, this strategy is not followed very often.
Difficulty: 2 Medium
Topic: Pricing Tactics and Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

73) Prices of products are often higher in a foreign country than the home country due to transportation charges, taxes, tariffs, and exchange rate fluctuations. This change in price from home country to foreign country is referred to as _____.
A) price escalation
B) price scaling
C) cost-plus pricing
D) cost-based pricing
E) market price

Answer: A
Explanation: A considerable quandary for companies in global marketing is that the costs of doing business globally are often higher than in their home market. This is called price escalation.
Difficulty: 2 Medium
Topic: Pricing Tactics and Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
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74) Charging a price that is lower than actual costs or less than the company charges in its home market is called _____.
A) gray marketing
B) price fixing
C) dumping
D) compensation trading
E) offset pricing

Answer: C
Explanation: Dumping refers to the practice of charging less than actual costs or less than the product price in the company's home markets.
Difficulty: 1 Easy
Topic: Pricing Tactics and Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

75) When distributors do not have authorization from manufacturers but divert products from low-price markets and sell them in high-price markets, they are practicing _____.
A) gray market distribution
B) price fixing
C) dumping
D) compensation trading
E) offset pricing

Answer: A
Explanation: The gray market involves the unauthorized diversion of branded products into global markets. Gray market distributors (who are often authorized distributors) divert products from low-price to high-price markets. Companies should carefully watch unusual order patterns among their distributors because that can signal a gray market problem.
Difficulty: 2 Medium
Topic: Pricing Tactics and Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
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76) _____ encompasses a societal and professional standard of right and fair practices that are expected of marketing managers in their oversight of strategy formulation, implementation, and control.
A) Marketing ethics
B) Price fixing
C) Social responsibility
D) Accreditation
E) Personal selling

Answer: A
Explanation: Following the law does not mean the company is doing all it can do or even should do in its marketing efforts. Marketing ethics encompasses a societal and professional standard of right and fair practices that are expected of marketing managers in their oversight of strategy.
Difficulty: 1 Easy
Topic: Ethics
Learning Objective: 02-06 Learn the importance of ethics in marketing strategy, the value proposition, and the elements of the marketing mix.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

77) _____ is the net benefits (or costs) associated with a product or service, and it is affected by the buyer's trust that the company will keep its promises.
A) Value
B) Outlay
C) Exchange
D) Accreditation
E) Gain

Answer: A
Explanation: Value is the net benefits (or costs) associated with a product or service. The buyer considers all the benefits, then subtracts all the costs, and arrives at a value for the product. One of the key considerations is the buyer's trust or belief that the company will keep its promises with regard to the product experience, warranty, service, and a host of other interactions.
Difficulty: 1 Easy
Topic: Ethics
Learning Objective: 02-06 Learn the importance of ethics in marketing strategy, the value proposition, and the elements of the marketing mix.
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78) Perdue found that one of its chicken products may have been contaminated with bacteria, so it pulled it off the shelves and instituted a recall. This potential ethical issue was associated with which element of the marketing mix?
A) product
B) price
C) distribution
D) marketing communications
E) promotion

Answer: A
Explanation: This relates to product strategy. Food manufacturers need to be concerned about the quality and amounts of ingredients, as well as other decisions that directly impact the quality of the product.
Difficulty: 2 Medium
Topic: Ethics
Learning Objective: 02-06 Learn the importance of ethics in marketing strategy, the value proposition, and the elements of the marketing mix.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

79) Latosha was thrilled when she found a low-cost airfare to Moscow, but she was not happy when she bought the tickets and realized there were hundreds of dollars in added fees. Which element of the marketing mix was impacted?
A) product
B) price
C) distribution
D) marketing communications
E) promotion

Answer: B
Explanation: Sometimes companies charge a low price but then add on fees and other charges to substantially raise the actual price to the customer. Consider the purchase of airline tickets; while the fare may be low, many airlines charge you to check your luggage or book a certain type of seat.
Difficulty: 2 Medium
Topic: Ethics
Learning Objective: 02-06 Learn the importance of ethics in marketing strategy, the value proposition, and the elements of the marketing mix.
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80) What area in marketing presents the most ethical challenges?
A) product
B) price
C) distribution
D) marketing communications
E) promotion

Answer: E
Explanation: No area in marketing presents more ethical challenges than promotion. A persuasive, effective marketing message is an important element in any successful marketing strategy. However, marketing managers must be careful to avoid deceptive or false claims.
Difficulty: 2 Medium
Topic: Ethics
Learning Objective: 02-06 Learn the importance of ethics in marketing strategy, the value proposition, and the elements of the marketing mix.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

81) The American Marketing Association's code of ethics speaks to six primary ethical values: honesty, responsibility, fairness, respect, transparency, and _____.
A) social conscience
B) loyalty
C) consumer-orientation
D) sustainability
E) citizenship

Answer: E
Explanation: The American Marketing Association, the premier organization of marketing professionals in the world, has a code of ethics which defines the norms and values for marketers. The code speaks to six primary ethical values: honesty, responsibility, fairness, respect, transparency, and citizenship.
Difficulty: 1 Easy
Topic: Ethics
Learning Objective: 02-06 Learn the importance of ethics in marketing strategy, the value proposition, and the elements of the marketing mix.
Bloom's: Remember
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82) In the 1930s, companies and consumers began to realize that utilizing resources efficiently and effectively was good for society and beneficial to business. This grew into the _____ movement.
A) direct investment
B) profitability
C) consumer-orientation
D) green
E) active citizen

Answer: D
Explanation: A number of U.S. environmental laws grew out of the need to better manage resources such as water, air, and even farmland as a result of the Great Depression in the 1930s. This awareness was built on the realization that utilizing resources efficiently and effectively was good for society but also beneficial to business. The "green" movement was founded on the environmental concerns and resource utilization issues that have come to be known as sustainability.
Difficulty: 2 Medium
Topic: Socially Responsible Marketing
Learning Objective: 02-07 Recognize the significance of sustainability as part of marketing strategy and the use of the triple bottom line as a metric for evaluating corporate performance.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

83) The text discusses the triple bottom line metric, and outlines an approach to consider the impact of TBL in marketing management. This includes people, planet, and _____.
A) community
B) environment
C) product
D) profit
E) promotion

Answer: D
Explanation: The triple bottom line (TBL) is a metric for evaluating not only the financial results of the company but the broader social equity, economic, and environmental considerations as well. The text considers the impact of the TBL in marketing management using the people, planet, and profit approach.
Difficulty: 2 Medium
Topic: Socially Responsible Marketing
Learning Objective: 02-07 Recognize the significance of sustainability as part of marketing strategy and the use of the triple bottom line as a metric for evaluating corporate performance.
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84) Starbucks has been successful in developing "ethically sourced" coffee that is socially responsible and environmentally safe. This demonstrates which element of TBL?
A) people
B) planet
C) product
D) profit
E) promotion

Answer: B
Explanation: One TBL metric is the planet, and marketers are very involved in decisions that impact the planet. From sustainable sourcing of materials to efficient, environmentally sensitive supply chains, marketers are evaluating critical processes to maximize the environmental impact while meeting corporate objectives related to cost and product quality. Over time, companies like Starbucks have been successful in developing "ethically sourced" coffee that is socially responsible and environmentally safe.
Difficulty: 2 Medium
Topic: Socially Responsible Marketing
Learning Objective: 02-07 Recognize the significance of sustainability as part of marketing strategy and the use of the triple bottom line as a metric for evaluating corporate performance.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

85) Explain the difference between foreign marketing, international marketing, and global marketing.

Answer: Foreign marketing involves developing local distribution and service representation in a foreign market in one of two ways. One method is to identify local intermediaries in appropriate international markets and create a formal relationship. The second approach is for the company to establish its own direct sales force in major markets, thereby expanding the company's direct market reach.

When a firm makes the commitment to manufacture products outside its domestic market, it is engaged in international marketing. International marketing aligns the company's assets and resources with global markets, but, in the vast majority of companies, management still takes a "domestic first" approach to the business.

A global marketing company realizes that all world markets (including the company's own domestic market) are, in reality, a single market with many different segments. This frequently happens when a company generates more than half its revenue in international markets.
Difficulty: 2 Medium
Topic: Understanding Global Markets
Learning Objective: 02-01 Identify the various levels in the Global Marketing Experience Curve.
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86) Describe the following key regional market zones: European Union, MERCOSUR, NAFTA, and ASEAN. What countries do they include, what benefits do they have, and have they been successful?

Answer: The **European Union** is the most successful regional market zone and it is also one of the oldest. Founded more than 50 years ago by six countries (Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany) with the Treaty of Rome, the EU now includes 28 countries spanning all of Europe. The EU is one of the most dominant economic entities in the world, with economic output approximately equal to that of the United States, but it is not without challenges. Its currency, the euro, has been considered one of the strongest in the world. Despite the challenges it faces, the EU maintains a great deal of power over member states, with the ability to enact laws, impose taxes, and exert tremendous social influence in the lives of citizens.

MERCOSUR, the most powerful market zone in South America, was inaugurated in 1995 and includes Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay. With over 200 million people and a combined GDP of more than $1 trillion, it is currently the third-largest free trade area in the world.9 One of the drawbacks has been a limited transnational transportation network, which restricts the movement of goods between member countries. However, MERCOSUR has overcome this problem by successfully leveraging the combined economic power of the individual member countries and creating additional economic benefits for its members.

The most significant market zone in the Americas is the alliance of the United States, Canada, and Mexico, which is commonly referred to by the treaty that created the alliance, **NAFTA (North American Free Trade Agreement)**. NAFTA created the single largest economic alliance and has eliminated tariffs between the member countries for more than 19 years. Many industries, such as automaking, have manufacturing plants in Mexico to supply the U.S. market. Retailers have also benefited; Gigante, a large Mexican supermarket chain, operates in the United States while Walmart, a U.S. company, has over 800 stores in Mexico.

The most important Asian market zone is **ASEAN**, which was founded in 1967 and comprises 10 countries in the Pacific Rim (Brunei Darussalam, Indonesia, Malaysia, Philippines, Cambodia, Laos, Myanmar, Singapore, Thailand, and Vietnam). After the 1997–1998 Asian financial crisis, the group added China, Japan, and South Korea. While the relationships with these "plus 3" countries are less developed than among the full member countries, the combined economic activity of all participants makes ASEAN a powerful global economic force. ASEAN is currently leading talks to create an Asian free-trade area that would encompass "30 percent of the world's total export volume." The Regional Comprehensive Economic Partnership would be second only to the WTO in size.
Difficulty: 3 Hard
Topic: Global Market Strategies
Learning Objective: 02-03 Define the key regional market zones and their marketing challenges.
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87) Compare and contrast the various strategies for entering new global markets: exporting, licensing, franchising, strategic alliances, and direct foreign investment. Give examples of when each strategy would be best utilized.

Answer: **Exporting** is the most common method for entering foreign markets and accounts for 10 percent of all global economic activity. Primary advantages include the ability to penetrate foreign markets with minimal investment and very little risk. Most people consider exporting an initial entry strategy and not a long-term approach to global marketing.

Companies choose **licensing** when local partnerships are required by law, legal restrictions prohibit direct importing of the product, or the company's limited financial resources limit more active foreign participation. Companies seeking to establish greater presence in a market without committing significant resources can choose to license their key asset (patent, trademark) to another company, effectively giving that company the right to use that asset in that market.

Franchising has been growing over the last decade; it enables companies to gain access to a foreign market with local ownership. The franchisor, usually a company seeking to enter a foreign market, agrees to supply a bundle of products, systems, services, and management expertise to the franchisee in return for local market knowledge, financial consideration (franchisee fee, percentage of sales, required purchasing of certain products from franchisor), and local management experience. Franchisors exert a great deal of control with extensive franchise agreements that dictate how the franchisee will operate the business.15 In this way, the franchisor is able to maintain some level of quality control at the point of customer contact.

As a market entry strategy, **strategic alliances** have grown in importance over the past 20 years in an effort to spread risk to other partners. In some industries, strategic alliances now dominate the competitive landscape.

The market entry strategy with the greatest long-term implications is **direct foreign investment**. Risks go up substantially when a company moves manufacturing into a foreign market. Although this is the riskiest market entry strategy, future market potential can position it for long-term growth.
Difficulty: 3 Hard
Topic: Global Market Strategies
Learning Objective: 02-04 Describe the strategies for entering new global markets.
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88) Define the terms direct product extension, product adaptation, and product invention. Give an example of each.

Answer: **Direct product extension:** Introduce a product produced in the company's home market into an international market with no product changes. Advantages include no additional R&D or manufacturing costs. Disadvantages are that the product may not fit local needs or tastes.

Product adaptation: Alter an existing product to fit local needs and legal requirements. Adaptation can range from regional levels all the way down to city-level differences.

Product invention: Create a new product specifically for an international market. Sometimes old products discontinued in one market can be reintroduced in a new market, a process known as backward invention. Cell phone manufacturers have adopted this strategy, taking phones that have been replaced in European or Asian markets and introducing them in Latin America. Another strategy is forward invention, or creating new products to meet demand in a specific country or region.
Difficulty: 2 Medium
Topic: Global Market Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
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89) What are the Six Cs of channel strategy? Give examples showing how each of these can impact channel partner decisions.

Answer: **Cost** Estimating channel costs includes (1) the initial investment in creating the channel and (2) the cost of maintaining the channel. As companies expand into new markets, many search for ways to increase the efficiency of local distribution systems by eliminating unnecessary middlemen, thereby shortening the channel to the customer.

Capital An inadequate global market distribution system is expensive in terms of both adding cost to the product and creating long-term damage to the brand and the company's reputation. If a channel network is already in place, the investment is low; however, if the company needs to develop or greatly improve an existing system, the cost can be very high.

Control The more control the company wants in the channel, the more expensive it is to maintain. As a result, companies generally look for a balance between channel control and cost. The complexity of global supply chains coupled with lack of local market knowledge make the task of creating a distribution system so expensive that all but the most accomplished global marketers rely on local distribution networks in foreign markets.

Coverage Local distribution networks around the world may lack full exposure to a given market. Even in the United States, for example, complete coverage of a consumer market necessitates multiple distribution channels. As a result, it is necessary to evaluate which distribution network best reaches the target customers, which may not necessarily be the network with the widest distribution.

Character The long-term nature of channel decisions makes character an issue in selecting the best channel partner. The capabilities, reputation, and skills of the local channel partner should match the company's characteristics. A service-oriented company should look for local channel partners with a reputation for excellent service and high customer satisfaction.

Continuity Changing a distribution system creates anxiety among customers and gives competitors an opportunity to take advantage of inevitable inefficiencies and disruption of service. Identifying channel partners with a long-standing presence in the market provides some security; however, the best local partners are also the most difficult to establish a relationship with as they frequently already have established involvement with competitors.
Difficulty: 3 Hard
Topic: Global Market Strategies
Learning Objective: 02-05 Recognize key factors in creating a global product strategy.
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90) Explain the concept of the triple bottom line. How is this relevant to marketing?

Answer: The triple bottom line (TBL) is a metric for evaluating not only the financial results of the company but the broader social equity, economic, and environmental considerations as well.

Student answers regarding relevancy will vary.
Difficulty: 3 Hard
Topic: Global Market Strategies
Learning Objective: 02-07 Recognize the significance of sustainability as part of marketing strategy and the use of the triple bottom line as a metric for evaluating corporate performance.
Bloom's: Understand
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