Test Bank for Advertising and Promotion CDN 7th Guolla

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Chapter 02
Organizing for IMC: Role of Agencies

Multiple Choice Questions

1. An advertising agency that is set up, owned, and operated by the advertiser is called a(n):
A. client management firm
B. in-house agency
C. centralized system
D. full-service agency

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-02 Advertising Agency Decision

2. Two major reason for a client using a(n) _____ include reducing advertising and promotion costs and saving time.
A. self-sufficient agency
B. client management system
C. in-house agency
D. full-service system

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
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3. Companies who use a combination of in-house and outside agencies tend to use the external firms mostly for:
A. sales presentations
B. social media content
C. direct mail pieces
D. creative and media services

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-02 Advertising Agency Decision

4. A major reason why some companies choose to use an in-house agency is to:
A. maintain creative freshness
B. reduce advertising and promotions costs
C. stay better aligned with their brand
D. win advertising awards that will enhance the image of their brands

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
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5. Lack of sufficient internal expertise and personnel growing stale while working on the same product might be reasons why a company might move away from:
A. a brand marketing system
B. an in-house agency
C. the use of full-service advertising agencies
D. the use of creative boutiques

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Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
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6. Leo Burnett recorded people's reaction to the phrase "run like a girl" when they were developing creative for what brand?
A. Always
B. Dove
C. Nivea
D. Nike

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-02 Advertising Agency Decision

7. Target's internal creative department handles the design of each of these elements EXCEPT:
A. direct-mail pieces
B. branding initiatives
C. weekly circulars
D. in-store displays

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-02 Advertising Agency Decision

8. Which of the following is assigned to Target's outside agencies?
A. weekly circulars and in-store displays
B. branding and image-oriented communication
C. direct-mail pieces
D. Video based promotions

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
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9. Which of the following statements explains why an organization would want to use an outside advertising agency?
A. An outside advertising agency saves money for the client.
B. An outside advertising agency always helps the client gain more prestige and a better image.
C. An outside advertising agency has more knowledge of the brand's identity and its previous promotional activities.
D. An outside advertising agency provides the client with the services of highly skilled individuals who are experts in a number of areas including creative, media, and research.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-02 Advertising Agency Decision

10. When a client works for many years with a primary agency whose focus is on building the client's brand, it is known as a(n):
A. full-service relationship
B. principle agency
C. agency-of-record (AOR)0029
D. primary service provider

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-02 Advertising Agency Decision

11. Which of the following best describes an Agency-of-Record (AOR)?
A. the previous agency who was recorded working for a particular client
B. an agency that performs work on a project-by-project basis
C. an agency that is subcontracted by the client directly for a particular assignment
D. the primary agency whose foremost interest is in building the client's brand

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-02 Advertising Agency Decision

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12. Which of the following statements about advertising agencies is true?
A. Agencies must be used since companies do not have the capabilities of developing their own advertising.
B. Agencies are often used because of the skill, expertise, and experience they can offer in the advertising and brand building area.
C. Most large, national advertisers use in-house agencies.
D. Most large agencies offer only creative services to their clients, they don't get involved in production.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-02 Advertising Agency Decision

13. International multi service agencies were formed by mergers and acquisitions of mid-sized agencies in order to:
A. facilitate global campaigns
B. provide integrated marketing communications services worldwide
C. eliminate the need for domestic agencies
D. forge stronger alliances between agencies and their clients

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-03 Advertising Agency Industry

14. Major agencies that offer an ever-broadening range of IMC services would be more appropriately called:
A. advertising agencies
B. full-service partners
C. marketing communication agencies
D. multinational creative boutiques

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-03 Advertising Agency Industry

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15. Which type of ad agency is most likely to assist the client in areas such as marketing strategy and research, campaign planning and execution, and media planning and buying?
A. a creative boutique
B. a full-service agency
C. a media buying service
D. a collateral agency

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

16. A full-service agency offers its clients all of the following EXCEPT:
A. full range of marketing, communication, and promotion services
B. research and creative development
C. human resources management
D. public relations expertise

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

17. The agency Zulu Alpha Kilo is unique in their approach to soliciting new business – how so?
A. They don't bid on RFPs.
B. The focus only on branding.
C. They are only open to new business at certain times of the year.
D. They prefer to respond to bids.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

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18. An ad agency that offers its clients a complete range of marketing, communication, and promotion services is known as a(n):
A. comprehensive marketing organization
B. media buying service
C. in-house agency
D. full-service agency

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

19. The communications link between the ad agency and its clients is the department known as:
A. account services
B. marketing services
C. media
D. creative services

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

20. The _____ is responsible for understanding the advertiser's marketing and promotional needs and clearly communicating them to agency personnel.
A. account executive
B. marketing specialist
C. media specialist
D. copywriter

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

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21. The agency person who is the focal point of the agency-client relationship is the:
A. media buyer
B. product manager
C. account executive
D. brand manager

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

22. The function of gathering, analyzing, and interpreting information that will be useful in developing advertising content is the responsibility of the agency's _____ department.
A. production
B. traffic
C. research
D. account management

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

23. Which of the following functions is NOT performed by the agency's research department?
A. interpreting information to assist in advertising decision-making
B. planning the creative and media strategies for the advertising campaign
C. designing, executing, and interpreting primary research studies
D. disseminating information to agency account planners

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

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24. The _____ in an agency interacts with personnel from all disciplines and provides insights into consumers and how to communicate with them.
A. media director
B. traffic manager
C. account planner
D. account executive

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

25. Advertising ideas and concepts are derived from the creative brief, which includes information about consumers, competitors, and the market. This is the responsibility of the:
A. account executive
B. account planner
C. creative director
D. media director

Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

26. The department in an advertising agency that is responsible for analyzing, selecting, and contracting for ad space or time that will be used to deliver its client's advertising message is the _____ department.
A. public relations
B. account services
C. marketing research
D. Media services

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

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27. The _____ department is becoming an increasingly important part of the agency business as many large advertisers consolidate their media buying with one or a few agencies to save money and improve media efficiency.
A. traffic
B. media
C. production
D. product management

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

28. Since most of the client's ad budget is spent on media time and/or space, it is important that the media department:
A. coordinates with the creative department to ensure that concepts are not too complex
B. focuses on purchasing commercial time on the most popular shows
C. develops a plan that communicates to the right audience in a cost-efficient manner
D. creates a plan that utilizes the least expensive media vehicles

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

29. The _____ are the individuals who conceive the ideas for the ads and write the advertising message.
A. copywriters
B. art directors
C. media buyers
D. account executives

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

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30. The _____ is responsible for creating the visual portion of an ad such as layouts and the commercial storyboards.
A. account executive
B. product management department
C. art director, graphic designer, or studio artist
D. copywriter

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

31. After the creative brief is reviewed and the overall concept has been developed, the _____ is responsible for developing how the ad will look.
A. account director
B. product management department
C. copywriter
D. art director or the art department

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

32. A _____ shows what a print ad will look like, while a _____ depicts the sequence of frames for a commercial or video format.
A. layout; storyboard
B. concept; trailer
C. sketch; storyboard
D. storyboard; layout

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Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

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33. Setting the creative philosophy of the agency and overseeing the work of the writers and artists are the responsibilities of the:
A. agency president
B. director of account service
C. master artist
D. creative director

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

34. The growth of the Internet as a media vehicle has led to the need for all of the following, EXCEPT:
A. a digital creative services department
B. A complete retreat from using traditional media
C. the purchase of interactive firms by full-service agencies
D. the coordination of digital and mass media advertising components

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

35. _____ take(s) the creative work done in mass media and add(s) interactive functionality to be used in various digital executions.
A. A digital creative services department
B. Small, boutique firms
C. The production manager
D. Computerized adaptation programmers

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

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36. Which department within an advertising agency would assume the responsibility for hiring outside persons such as printers, engravers, photographers, or other vendors to turn a layout into a finished product?
A. media department
B. art department
C. production department
D. traffic department

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

37. The _____ department coordinates all phases of production to see that the ads are completed on time.
A. media
B. production
C. art
D. traffic

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

38. A _____ is an agency organizational structure in which each functional area is set up as a separate department. This structure is called on as needed to perform its specialty and serve all of the agency's clients.
A. departmental system
B. group system
C. tiered system
D. matrix system

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

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39. The Bright Ideas advertising agency handles each of its clients by assigning individuals from various departments to work together as a team on their accounts. The agency is using which organizational structure?
A. departmental system
B. group system
C. matrix system
D. dedicated system

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

40. For keeping continuity with a client and preserving client knowledge, what system is best?
A. Group system
B. Creative boutique
C. Departmental system
D. In-house agency

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

41. Which of the following might NOT be a reason why an advertising agency would use a group system organizational structure? It would:
A. allow agency personnel to become very knowledgeable about a particular client's market and business
B. ensure continuity in servicing a particular account
C. provide better pricing to a key client
D. provide superior service for its accounts

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Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 Identify the role of the advertising agency and the services it provides.
Topic: 02-04 Full-Service Agency

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42. The traditional method of compensating ad agencies is with:
A. the commission system
B. hourly billings
C. the fee system
D. the straight salary method

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

43. Agency compensation under the commission system is based on:
A. the total number of hours worked
B. a percentage of a client's marketing budget
C. a specified percentage of the costs for advertising time or space the agency purchases for its client
D. a percentage of advertising production costs

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

44. Opponents of the agency commission system would argue that this system is not effective because a commission:
A. keeps the emphasis on creative skills -not on the bottom-line.
B. encourages agencies to recommend high media expenditures to increase their commission level.
C. encourages agencies to limit their client's advertising expenditures.
D. does not tie agency compensation to media costs.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

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45. The standard agency commission is:
A. 15% of media time and space costs
B. 15% added on to media time and space costs
C. added on to the agency's media costs and personnel time
D. a complex formula based on the type of media purchased

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

46. A major argument put forth by defenders of the commission system is that a commission:
A. keeps the agencies from placing advertising in expensive media
B. ties agency compensation to the inflation in media costs
C. encourages agencies to use non-commissionable media such as direct mail
D. when choosing agencies keeps emphasis on non-price factors like advertising quality

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

47. Critics argue that the use of _____ ties agency compensation to media costs.
A. the objective-and-task compensation system
B. the fixed fee arrangement
C. the cost-plus agreement
D. the commission system

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

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48. Which of the following is NOT a valid criticism of the commission compensation system for an ad agency?
A. It is difficult to administer.
B. In periods of media cost inflation, the agency is disproportionately rewarded.
C. There is an incentive to avoid non-commissionable media.
D. Media costs do not relate directly to effort or expertise expended by agencies.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

49. Under which type of compensation system might an agency be more inclined to recommend expensive media such as network television and national magazines to its clients?
A. commission system
B. fee arrangement system
C. cost-plus system
D. incentive-based compensation system

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

50. An agency books television media space at a cost of $1,000,000. The standard agency commission on this buy is:
A. $15,000
B. $150,000
C. dependent upon the time of day the commercials run
D. dependent upon the actual shows in which the commercials run

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

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51. An agency books television media space at a cost of $1,000,000. If cash discounts do not apply, what price does the agency pay to the media company?
A. $985,000
B. $1,150,000
C. $850,000
D. $1,000,000 and the client pays the agency commission

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

52. Why are negotiated commission structures becoming more common?
A. to ensure that agencies do not make too much money
B. to consider the needs of clients as well as the amount of time and effort the agency spends on an account
C. to encourage agencies to cut back on buying network TV advertising for their clients
D. to support the creation of a transactional relationship between agency and client

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

53. Which of the following statements about agency commissions is true?
A. Some leading agencies now receive average commissions of 8 to 10 percent.
B. Nearly all of the leading agencies still earn a 15 percent commission.
C. Most agencies are earning more of their income from fixed commissions as clients expand their IMC programs to include other forms of promotion.
D. Most agencies are unwilling to negotiate their commission rates.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

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54. What form of compensation is used to pay the advertising agency when the client's advertising program does not involve a large amount of media billings?
A. a share of the profits
B. a negotiated commission
C. a rebate from the media
D. a 17.65 percent markup on costs

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

55. Negotiated commission rates for advertising agencies:
A. are designed primarily to benefit agencies
B. are rarely used by consumer-products advertisers
C. are becoming less common
D. are becoming more commonplace

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-06 Commissions From Media

56. Which of the following statements about changes in the way advertising agencies are being compensated is true?
A. Many agencies and their clients have developed some type of fee arrangement or cost-plus agreement for agency compensation.
B. With the move toward integrated marketing services, it is likely that there will be a return to the commission system of compensation.
C. From the viewpoints of both the client and the agency, the traditional commission system is much superior to negotiated commissions.
D. Since most clients want their agencies to be in total charge of the integrated marketing communications process, they are willing to compensate them based on media commissions.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-07 Fee Arrangement

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57. A _____ is a type of compensation arrangement where an agency charges a client a fixed monthly amount of money for all of its services and credits media commissions against this monthly rate.
A. fixed fee agreement
B. negotiated commission
C. cost-plus agreement
D. fee-commission combination

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-07 Fee Arrangement

58. Under the _____, the client agrees to pay the agency a fee based on the cost of its work plus some agreed-on profit margin.
A. cost-plus arrangement
B. media commission system
C. incentive-based system
D. fee-combination arrangement

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-08 Cost-Plus Agreement

59. Under the cost-plus compensation method, all of the following costs might be included in the calculation, EXCEPT:
A. production costs
B. out-of-pocket expenses
C. media costs
D. agency self-promotion costs

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-08 Cost-Plus Agreement

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60. Agencies that are reluctant to let clients see their internal cost figures are less likely to accept a:
A. fixed-fee arrangement
B. cost-plus agreement
C. commission-based arrangement
D. incentive-based compensation agreement

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-08 Cost-Plus Agreement

61. Which of the following compensation methods should an advertiser adopt if its primary goal is to try to maximize agency efficiency and accountability?
A. fixed-fee arrangement
B. fee-combination arrangement
C. commission-based arrangement
D. incentive-based compensation agreement

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-09 Incentive-Based Compensation

62. The Red River Valley advertising agency receives compensation from its clients based on how well it meets predetermined performance goals. Indicate the compensation method that they are using
A. fixed-fee
B. fee-commission
C. incentive-based
D. cost-plus system

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-09 Incentive-Based Compensation

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63. Why would General Motors switch to an incentive-based compensation system with several of its agencies?
A. to encourage their agencies to use more mass media advertising
B. to encourage their agencies to stop using network TV advertising
C. to save money on advertising and divert it to other business departments
D. to encourage its agencies to look beyond traditional mass media advertising and develop other ways of reaching consumers

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-09 Incentive-Based Compensation

64. The advertising remuneration process which rewards the agency based on the achievement of mutually agreed upon objectives is called:
A. the cost-based system
B. the Performance by Results (PBR) system
C. the fee-combination method
D. the advertising reward method

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-09 Incentive-Based Compensation

65. The Performance by Results system reflects three groups of performance measures. Which of the following is NOT one of those measures?
A. comparison to previous year's communication budget
B. marketing communication effectiveness
C. overall business performance
D. agency process evaluation

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-09 Incentive-Based Compensation

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66. Which of the following, though important, is NOT a direct measure of marketing communication effectiveness?
A. brand awareness
B. retail sales results
C. brand image ratings
D. advertising likability

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-09 Incentive-Based Compensation

67. The four behavioural objectives that are measures of marketing communication effectiveness are intent to purchase, trial, repeat purchase, and _____.
A. viral media
B. brand understanding
C. brand loyalty
D. positioning

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-09 Incentive-Based Compensation

68. Jenna sees a commercial for a new brand of toothpaste. She decides to consider it the next time she goes to the drug store. This is an example of which behavioural objective?
A. retrial
B. sampling
C. brand awareness
D. intent to purchase

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-09 Incentive-Based Compensation

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69. Which of the following is a business measure under the Performance by Results system?
A. market share
B. intent to purchase
C. brand awareness
D. productivity

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-09 Incentive-Based Compensation

70. A _____ audit of an agency focuses on factors such as costs, expenses, and payments to outside suppliers while a _____ audit focuses on factors such as the agency's efforts in planning, development, and implementing the advertising program.
A. financial/qualitative
B. results/process
C. financial/creative
D. qualitative/quantitative

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-10 Evaluation of Agencies

71. Which of the following should a client its advertising agency's performance NOT take into account when doing an agency evaluation?
A. performance of account representatives.
B. qualitative considerations, such as the quality of the agency's efforts in creative, media, etc.
C. pay levels of agency's CEO.
D. market performance measures, such as sales and market share.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-10 Evaluation of Agencies

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72. Personality conflicts, unrealistic demands by clients, and personnel changes are all reasons why:
A. it is difficult to measure the effectiveness of advertising campaigns
B. ad agencies lose clients
C. clients need to use more than one agency
D. planning and budgeting communication initiatives is difficult

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-10 Evaluation of Agencies

73. Which of the following would NOT be a valid reason for switching advertising agencies?
A. dissatisfaction over the quality of the advertising produced by the agency
B. conflicts over compensation policies
C. a change in research methodology
D. no sales growth or a decline in sales of the product

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-02 Describe methods for compensating and evaluating advertising agencies.
Topic: 02-10 Evaluation of Agencies

74. Many full-service agencies include sales promotion, merchandising, direct marketing, PR and/or other _____.
A. specialized services
B. niche opportunities
C. consumer needs
D. organizational structures

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-11 Specialized Services

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75. Creative boutiques handle _____ only as companies want to _____.
A. creative services; manage other functions internally
B. artistic decisions; have full serve organizations do the rest
C. retail operations; save money
D. analytical services; outsource other functions

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-12 Creative Boutiques

76. Which of the following is NOT true about creative boutiques?
A. Creative boutiques work directly with clients.
B. Clients do not directly hire creative boutiques, but work with them through their Agency-of-Record.
C. Creative boutiques are subcontracted by full-service agencies.
D. Members of creative departments of larger firms sometimes leave to create smaller creative boutiques.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-12 Creative Boutiques

77. Independent companies that specialize in the purchase of radio and television time are known as:
A. media measurement bureaus
B. mid-sized agencies
C. full-service agencies
D. media buying services

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-13 Media Buying Services

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78. Because _____ purchase such large amounts of time and space, they receive large discounts.
A. creative boutiques
B. full-service agencies
C. in-house agencies
D. media buying services

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-13 Media Buying Services

79. Independent media buying services evolved for each of the following reasons EXCEPT:
A. media strategy development and planning needs to be separate from the buying function
B. the proliferation of specialized media has increased the complexity of purchasing advertising media
C. media buying services concentrate on the analysis and purchase of advertising time and space
D. advertisers attempt to consolidate their media spending in order to achieve volume efficiencies

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-13 Media Buying Services

80. _____ specialize in offering services, such as database management, direct mail and creative and production capabilities.
A. Creative boutiques
B. Sales promotion agencies
C. Direct-response agencies
D. Public relations firms

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-16 Direct-Response Agencies

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81. _____ specialize in the development and management of sweepstakes, refund and rebate offers, and incentive programs.
A. Sales promotion agencies
B. Direct response agencies
C. Lottery corporations
D. Interactive agencies

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-14 Sales Promotion Agencies

82. Cheerios has a sweepstakes on their boxes where consumers can win a family trip to Disney World. They hired a _____ to develop the creative, negotiate the trip costs, and administer the prizes.
A. creative boutique
B. mid-range agency
C. sales promotion agency
D. direct-response agency

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-14 Sales Promotion Agencies

83. A(n) _____ is the type of firm an organization would hire to develop and implement programs to manage the organization's publicity, image, and affairs with consumers and other relevant publics.
A. public relations firm
B. advertising agency
C. media mix organization
D. direct-response agency

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-15 Public Relations Firms

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84. Publicity seeks to gain positive _____.
A. profit margins
B. brand recall
C. media mentions
D. sales returns

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-15 Public Relations Firms

85. A typical direct-response agency is divided into three main departments:
A. creative, media, and research
B. account management, media, and research
C. account management, creative, and media
D. creative, media, and production

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-16 Direct-Response Agencies

86. The brand manager for Carnation Evaporated Milk wishes to run a holiday cookie contest to find consumers' best recipes. The creator of the best recipe will win a trip to Paris, France. Most likely, Carnation will hire a(n) _____ to plan and execute the campaign.
A. public relations firm
B. advertising agency
C. sales promotion agency
D. contest house

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-14 Sales Promotion Agencies

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87. Which of the following statements about the development of interactive media is NOT true?
A. Traditional advertising agencies tend not to develop interactive media capabilities.
B. Many marketers are using specialized interactive agencies to develop their interactive media.
C. Interactive agencies range from smaller companies that specialize in website design and creation to full-service interactive agencies.
D. Full-service interactive agencies provide various services including strategic consulting regarding the use of the Internet and online branding, technical knowledge, systems integration, and the development of e-commerce capabilities.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 Review the functions of specialized marketing communication organizations.
Topic: 02-17 Digital/Interactive Agencies

88. Many agencies are moving toward offering more integrated marketing communication (IMC) services:
A. because they want to maintain control of the entire promotional process because it leads to more synergy among the various communication elements
B. even though it is less convenient for a client to coordinate all of its promotional efforts with one agency
C. because an agency with integrated marketing communication capabilities can create a number of different images of the product to appeal to all relevant publics
D. although effecting economies of scale and synergy is difficult, especially on large budget campaigns

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-04 Evaluate the perspectives on the use of integrated services across agencies or within one agency, and agency-client responsibilities and partnerships.
Topic: 02-19 Integrated IMC Services

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89. Which of the following is NOT a benefit of integrated IMC services?
A. Clients maintain control of the entire promotional process and achieve greater synergy among each of the program elements.
B. It is more convenient to coordinate all of its marketing efforts through one agency.
C. An integrated approach creates one voice or a broad theme to address all audiences.
D. Agency personnel have expertise in particular aspects of the process and therefore are inclined to consider all variables in the planning decision.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-04 Evaluate the perspectives on the use of integrated services across agencies or within one agency, and agency-client responsibilities and partnerships.
Topic: 02-19 Integrated IMC Services

90. Which of the following results were found in a U.S. survey on agency-client relationships?
A. Agencies and clients tend not to trust one another, as profits seem to guide promotional planning.
B. Results would be improved through better briefings from clients and a more thorough agency understanding of the client's business and situation.
C. Clients should not be overly focused on creative strength when making an agency selection.
D. Stronger results were more often delivered in dynamic, short-term situations than in long-term relationships.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Hard
Learning Objective: 02-04 Evaluate the perspectives on the use of integrated services across agencies or within one agency, and agency-client responsibilities and partnerships.
Topic: 02-21 Agency-Client Relationships

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