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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

**TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.**

1) Improved distribution, sophisticated communication tools, product standardization, and the Internet have resulted in businesses not being confined to a local market.
   - ◎ true
   - ◎ false

2) Small companies have to invest a lot of money to go global.
   - ◎ true
   - ◎ false

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

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

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

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

7) Global marketing research focuses on three types of basic information: economic, technology, and political/legal.
   - ◎ true
   - ◎ false

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



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9) The European Union has been the most successful regional market zone.
- ◎ true
- ◎ false

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

11) The most common foreign market entry strategy is licensing.
- ◎ true
- ◎ false

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

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

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

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

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

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

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18) The strategic objective of channel strategy known as “coverage” relates to how much the global market distribution systems cost.
- ◎ true
- ◎ false

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.
- ◎ true
- ◎ false

20) A fabrics company 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.
- ◎ true
- ◎ false

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

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

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

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.
- ◎ true
- ◎ false

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**MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.**

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" approach 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
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B) Break-even point
C) Gross domestic product
D) Six Sigma
E) Stock market index

28) A multinational electronics company manufactures its products in its domestic market, but treats the world as a single market with many segments in it. More than half of its total revenue was derived from foreign countries. 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.

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

30) In an Eastern European country, 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

31) 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

32) 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



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33) 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

34) 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

35) Darrell 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
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B) cultural, societal
C) business environment
D) political, legal
E) history, geography

36) What is least likely to be a force that drives countries to form regional market zones?
A) religious values
B) geographic proximity
C) economic factors
D) cultural similarities
E) political factors

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



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38) USMCA 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.

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

40) _____ 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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41) 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

42) Licensing as a market entry strategy is least likely to include
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.

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43) Howie recently read that Crane Airways of Japan, Kestrel Airlines of Germany, Heron Air of Australia, and Egret Airways of India have a code-sharing partnership, which allows passengers to fly on any of the airlines, share frequent flyer miles, and give each other logistical support. Howie 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.

44) An auto parts company 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 the company is most likely
A) merger.
B) joint venture.
C) acquisition.
D) franchising.
E) direct foreign investment.

45) 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.

46) 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.

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47) Navigone, a personal navigation system company, contracted its manufacturing to a firm in Malaysia for five years. Navigone had high financial growth so it decided 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.

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

49) 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.

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50) In the context of organizational structures, most companies today use a hybrid of global product lines and geographic regions structures, or a_____ 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

51) 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.



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52) 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.

53) 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.

54) 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

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55) 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 product issue 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



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56) 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.

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

58) Marguerite wants to gift a box of chocolates to her best friend. She walks into a store and buys Belgian chocolates because her 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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59) 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

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60) Which channel strategy is helped by increasing the efficiency of local distribution systems by eliminating unnecessary middlemen?
A) cost
B) coverage
C) character
D) continuity
E) control

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

62) Aligning the firm's philosophy and ethics 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.

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63) 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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64) Company XYZ created an ad that it intended to run in all markets, domestic and foreign. But in India, the ad was considered offensive, so the company created another ad with the same marketing theme, but adapted it to fit the market in India. This communication strategy is called
A) local market ad generation.
B) local marketing with global content.
C) global marketing with local content.
D) personal advertising.
E) global customization.

65) 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.

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

67) 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.

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68) A multinational company uses the same prices for all its products globally. This type of pricing is called
A) going-rate price.
B) one global price.
C) local market condition price.
D) transfer price.
E) cost-based price.

69) 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.

70) Companies sometimes charge internally to move products between subsidiaries or divisions, causing the local subsidiary to add a markup to the final price. This is called
A) transfer pricing.
B) price scaling.
C) cost-plus pricing.
D) cost-based pricing.
E) market price.

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71) 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.

72) 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.



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73) _____ 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

74) _____ 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

75) 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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76) Lokesh was thrilled when she found a low-cost airfare to Paris, 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

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77) Marik was surprised when a powerful channel member asked for an expensive "gift" to help secure contracts. Which marketing mix element does this impact?
A) product
B) price
C) distribution
D) marketing communications
E) promotion

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

79) 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.

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80) In addition to a code of ethics, many companies also create a(n)_____ that seeks to operationalize the company's value by defining appropriate behaviors and decisions.
A) expectation of behavior
B) code of conduct
C) decision tree
D) employee orientation
E) organizational bylaws document

81) Following the Great Depression, 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



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82) 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.

83) Peets 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

84) Which TBL metric is being addressed by the National Labor Relations Board when it imposes rules for overtime pay?
A) people
B) planet
C) product
D) profit
E) promotion

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**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

85) Compare and contrast foreign marketing, international marketing, and global marketing.

86) Choose two of the key regional market zones: European Union, MERCOSUR, NAFTA/USMCA, and ASEAN. What countries do they include, what benefits do they have, and have they been successful?



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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.

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.

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

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## Answer Key

Test name: Chapter 02

1) TRUE
2) FALSE
3) FALSE
4) TRUE
5) TRUE
6) TRUE
7) FALSE
8) TRUE
9) TRUE
10) FALSE
11) FALSE
12) TRUE
13) FALSE
14) TRUE
15) FALSE
16) TRUE
17) FALSE
18) FALSE
19) FALSE
20) TRUE
21) FALSE
22) TRUE
23) TRUE
24) FALSE
25) D
This describes the global experience learning curve.

26) C
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.

27) C
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.

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28) A
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.

29) D
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.

30) B
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.

31) B
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.

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32) D
Learning the legal landscape is fundamental before committing resources in a foreign market.

33) A
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.

34) A
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.

35) D
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.

36) A



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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.

37) E
MERCOSUR, the most powerful market zone in South America, was inaugurated in 1995 and includes the economies of South America: Argentina, Brazil, Chile, Paraguay, and Uruguay.

38) B
The USMCA is the alliance of United States, Canada, and Mexico. It replaced the NAFTA trade agreement.

39) D
Exporting is the most common method for entering foreign markets and accounts for 10 percent of all global economic activity.

40) C
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.

41) D
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.

42) E
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.

43) B



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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.

44) B
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.

45) D
In direct foreign investment, risks go up substantially. A company must consider marketing communication barriers because local market practices vary a great deal.

46) C
Transaction costs are production and other costs stated in various currencies.

47) D
Purchasing a manufacturing facility in another country is direct foreign investment.

48) D
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.

49) C
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.

50) D
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.

51) B
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.

52) D



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Product invention means creating a new product specifically for an international market.

53) C
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.

54) E
Four specific product issues face international consumer marketers—quality, fitting the product to the culture, brand strategy, and country of origin.

55) D
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.

56) D
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.

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57) B
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.

58) B
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.

59) B
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.



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60) A
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.

61) D
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.

62) C
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.

63) E
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.

64) C
Global market advertising follows one of four basic approaches that vary by degree of adaptation. The first strategy creates global marketing themes, adjusting only the color and language to local market conditions. The basic ad template remains unchanged throughout the world. A second strategy, global marketing with local content **,** keeps the same global marketing theme as the home market but adapts it with local content.

65) C
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.

66) D



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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.

67) B
The salesperson–customer relationship is dramatically different around the world. This one-to-one style of selling is called personal selling.

68) B
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.

69) A
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.

70) A
A key internal cost issue is transfer pricing, or the cost companies charge internally to move products between subsidiaries or divisions. If companies charge too high a price internally, it can make the final product price uncompetitive because the local subsidiary must add a markup to arrive at a final price.

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71) C
Dumping refers to the practice of charging less than actual costs or less than the product price in the company's home markets.

72) A
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.

73) A
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.

74) A



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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.

75) A
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.

76) B
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.

77) C
Among the ethical challenges in distribution is the ability of key channel members to exert undue influence on the channel. This can manifest itself in the demand for special terms or deals with other channel members. In some cases, powerful channel members will ask for "gifts," usually money, to help secure contracts or to carry a certain product.

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78) E
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.

79) E
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.

80) B
The vast majority of companies today create a code of ethics that defines the company's values. Often, a second document called a code of conduct seeks to operationalize the company's value by defining appropriate behaviors and decisions.

81) D



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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.

82) D
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.

83) B
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.

84) A
Many, if not most, organizations still focus exclusively on profit as the sole metric of success. However, companies are increasingly realizing that success needs to include other metrics, like people. Labor relations fall under the metric of people.

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85) Short 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.

86) Short Answer



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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.

87) Short Answer

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**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.

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88) Short 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.

89) Short Answer



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**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.

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90) Short 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.



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