

**Final Exam**

**Course:** Principles of Marketing

**Section:MKT** 201

**Term:** Spring 2016

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Good Luck!

1. All of the following are unique characteristics that distinguish services from goods EXCEPT:
   1. intangible.
   2. inseparable.
   3. searchable.
   4. heterogeneous.
   5. perishable.

*ANSWER:* c

*RATIONALE:* Services are intangible, inseparable, heterogeneous, and perishable.

*POINTS:* 1

1. Which unique characteristic of services means that consumers must be present during the production?
   1. Intangibility
   2. Inseparability
   3. Heterogeneity
   4. Perishability
   5. Connectivity

*ANSWER:* b

*RATIONALE:* Inseparability is the inability of the production and consumption of a service to be separated.

*POINTS:* 1

1. Which unique characteristic of services is the variability of the inputs and outputs of services, which causes services to tend to be less standardized and less uniform than goods?
   1. Intangibility
   2. Inseparability
   3. Heterogeneity
   4. Perishability
   5. Flexibility

*ANSWER:* c

*RATIONALE:* Because services have greater heterogeneity, or variability of inputs and outputs, they tend to be less standardized.

*POINTS:* 1

1. One of the reasons consumers can purchase cheap flights or hotel rooms on Web sites such as Expedia.com and Hotels.com is due to the fact that airlines cannot sell the seat on a specific flight after the plane takes off and hotels cannot recoup the revenue from that room for that night once the night passes. Which unique characteristic of services does this illustrate?
   1. Intangibility
   2. Inseparability
   3. Perishability
   4. Simultaneous production and consumption
   5. Variability

*ANSWER:* c

*RATIONALE:* Services cannot be stored, inventoried, or warehoused.

*POINTS:* 1

1. Which component of a service is the ability to perform the service dependably, accurately, and consistently?
   1. Responsiveness
   2. Reliability
   3. Assurance
   4. Empathy
   5. Tangibles

*ANSWER:* b

*RATIONALE:* Reliability is performing the service right the first time.

*POINTS:* 1

1. Which component of service quality represents the ability to provide prompt service?
   1. Reliability
   2. Responsiveness
   3. Assurance
   4. Empathy
   5. Tangibles

*ANSWER:* b

*RATIONALE:* This describes responsiveness.

*POINTS:* 1

1. If a customer expects to wait three hours for an auto repair but the repair is finished just one hour later, the customer’s evaluation of service quality will be high. However, a two day wait would result in a lower evaluation. The two day wait would illustrate a gap between:
   1. service quality specifications and the service that is actually provided.
   2. the service customers receive and the service they want.
   3. what the company provides and what the customer is told it provides.
   4. what customers want and what management thinks customers want.
   5. what management thinks customers want and the quality specifications management develops to provide it.

*ANSWER:* b

*RATIONALE:* Gap 5 is the gap between the service that customers receive and the service they want.

*POINTS:* 1

1. At the My M&M’s Web site, customers can design their own versions of the famous candy. Customers choose from 25 M&M'S colors; write a message, add clip-art, or even a face to each M&M, and select specific packaging. This is an example of:
   1. a cooperative service.
   2. mass customization.
   3. aggregated standardization.
   4. a market development strategy.
   5. mental stimulus processing.

*ANSWER:* b

*RATIONALE:* Mass customization is a strategy that uses technology to deliver customized service on a mass basis.

*POINTS:* 1

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1. Marketing channels make distribution simpler by reducing the number of transactions required to get products from manufacturers to consumers. This is called:
   1. forward integration
   2. contact efficiency
   3. elimination of temporal discrepancies
   4. sorting
   5. reciprocity

*ANSWER:* b

*RATIONALE:* Marketing channels provide contact efficiencies by reducing the number of stores customers must shop in to complete their purchases.

*POINTS:* 1

1. The only way that Jim Keeler in New Mexico can get a box of Carolyn Popwell’s Festive Holiday Truffles from

Washington is to order it through the mail. Popwell, who makes the candy by hand, uses a(n)\_\_\_\_\_\_ exclusively.

* 1. exclusive distribution system
  2. conventional channel
  3. vertical marketing system
  4. reciprocal channel
  5. direct channel

*ANSWER:* e

*RATIONALE:* The manufacturer sells directly to the consumer.

*POINTS:* 1

1. Customers can purchase Hewlett-Packard computers from retail stores like Best Buy and Office Depot, online directly from HP, and through various catalogs. HP is using a(n) distribution arrangement.
   1. intensive
   2. multiple
   3. exclusive
   4. cumulative
   5. aggregated

*ANSWER:* b

*RATIONALE:* Multiple distribution occurs when a producer selects two or more different channels to distribute the same products to target markets.

*POINTS:* 1

1. Caterpillar, the manufacturer of tractors and other earthmoving equipment, has an extremely high market share, which means customers seek the dealers out regardless of where they are. There are approximately 50 Caterpillar dealers in the United States––one in each state. From this information, you can surmise that Caterpillar uses \_\_\_\_ distribution.
   1. Dual
   2. premium
   3. intensive
   4. exclusive
   5. inclusive

*ANSWER:* d

*RATIONALE:* Exclusive distribution, the most restrictive form of distribution, entails establishing one or a few dealers within a given geographic area. Because buyers need to be willing to search or travel to acquire the product, this form of distribution is limited to consumer specialty goods, a few shopping goods, and major industrial equipment.

*POINTS:* 1

1. Which type of retail ownership is owned and operated by an individual but is licensed by a larger supporting organization?
   1. Independent retailer
   2. Chain store
   3. Franchise
   4. Cooperative
   5. Secondary retailer

*ANSWER:* c

*RATIONALE:* This describes a franchise.

*POINTS:* 1

*L*

1. When Irvin went into Lowe’s to buy his wife a small tool set she said she wanted, the sales clerk suggested a larger set with a tool kit on wheels that included a router and circular saw. In this example, the sales clerk engaged in:
   1. trading up.
   2. suggestion selling.
   3. bait and switch.
   4. customer relationship retailing.
   5. service-disguised selling.

*ANSWER:* a

*RATIONALE:* Trading up means persuading customers to buy a higher-priced item than the one they intended to buy.

*POINTS:* 1

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1. A is defined as a unique aspect of an organization that causes target consumers to patronize that firm rather than competitors.
   1. comparative differentiation
   2. competitive advantage
   3. marketing mix
   4. special benefit
   5. promotional plan

*ANSWER:* b

*RATIONALE:* This is the definition of competitive advantage.

*POINTS:* 1

1. Usborne Books consultants sell books directly to customers via presentations in customers’ homes, at book fairs

and community events, and at craft shows. Usborne consultants are engaged in:

* 1. telemarketing.
  2. interpersonal communication.
  3. publicity.
  4. mass communication.
  5. crowd selling.

*ANSWER:* b

*RATIONALE:* Interpersonal communication is direct, face-to-face communication between two or more people.

1. Communication to large audiences, usually through a medium such as television or a newspaper, is called communication.
   1. mass
   2. feedback-proof
   3. referential
   4. interpersonal
   5. public

*ANSWER:* a

*RATIONALE:* This describes mass communication.

*POINTS:* 1

1. The maker of Frank’s RedHot pepper sauce spent $25,000 to create an ad that was targeted to consumers in the southwestern U.S. market. Because it created the ad itself and did not use an ad agency, Frank’s RedHot sauce engaged in:
   1. channeling.
   2. creating noise.
   3. receiving.
   4. decoding.
   5. encoding.

*ANSWER:* e

*RATIONALE:* Encoding is the conversion of a sender’s ideas and thoughts into a message, usually in the

form of words or signs.

1. is the interpretation of the language and symbols sent by a source through a channel.
   1. Development
   2. Envelopment
   3. Processing
   4. Decoding
   5. Encoding

*ANSWER:* d

*RATIONALE:* This defines Decoding.

*POINTS:* 1

1. When Castrol Syntec, a premium motor oil, sought a new way to reach its young, car-passionate audience, the brand found its mark with video games. In its first-ever attempt at in-game advertising, Castrol Syntec found a way to show consumers (in a virtual world) the brand’s power and performance. In the communication process, the game served as a(n) for transmitting the message.
   1. sender
   2. decoder
   3. encoder
   4. channel
   5. receiver

*ANSWER:* d

*RATIONALE:* A channel is the transmitter of the message such as a voice, gesture, radio, newspaper, or any other communication medium.

*POINTS:* 1

1. Because marketers do not control consumers’ comments on social media sites such as Twitter and Facebook:
   1. there is a chance that comments and postings will be negative.
   2. any comments consumers leave are virtually useless to marketers.
   3. filtered feedback channel has been created.
   4. most consumers do not trust the comments they read there.
   5. any feedback marketers receive there will be impersonal.

*ANSWER:* a

*RATIONALE:* Because there is no control over social media, there is chance that comments and postings will be negative.

*POINTS:* 1

1. What are the four basic tasks of promotion?
   1. Informing, persuading, instituting and convincing
   2. Persuading, convincing, remixing, and reminding
   3. Informing, providing, convincing, and reminding
   4. Informing, persuading, reminding, and connecting
   5. Persuading, implementing, comparing, and reminding

*ANSWER:* d

*RATIONALE:* Promotion can perform one or more of four tasks: inform the target audience, persuade the target audience, remind the target audience, or connect with the target audience.

*POINTS:* 1

1. Informative promotion is generally used:
   1. when memory stimulus is needed.
   2. when the brand name is well-known to consumers.
   3. during the early stages of the product life cycle.
   4. during an attempt to gain the immediate action of a consumer.
   5. when advertising a simple, nontechnical, mature product.

*ANSWER:* c

*RATIONALE:* Informative promotion is generally more prevalent during the early stages of the product life cycle.

1. For many years Jell­O gelatin has run advertisements that tell consumers there is “always room for Jell­O.” This is

an example of promotion.

* 1. influence
  2. amusement
  3. informative
  4. prevalent
  5. reminder

*ANSWER:* e

*RATIONALE:* Reminder promotion is used to keep a familiar brand name in the public’s mind and is

prevalent during the maturity stage of the product life cycle.

1. The five major promotional tools (advertising, personal selling, sales promotion, social media, and public relations) are known collectively as the:
   1. communication model.
   2. advertising campaign.
   3. marketing mix.
   4. publicity four.
   5. promotional mix.

*ANSWER:* e

*RATIONALE:* The promotional mix includes the five major promotional tools of advertising, personal selling, sales promotion, public relations, and social media.

1. consists of all marketing activities that stimulate consumer purchasing such as coupons, contests, free samples, and trade shows.
   1. Sales promotion
   2. Publicity
   3. Personal selling
   4. Advertising
   5. Sponsorship

*ANSWER:* a

*RATIONALE:* Sales promotions include free samples, contests, premiums, trade shows, vacation giveaways, and coupons.

1. During a recent summer, Volvo Cars of North America drove traffic to its dealerships via a sweepstakes tied to

Walt Disney’s summer blockbuster *Pirates of the Caribbean: Dead Man’s Chest.* This was an example of:

* 1. a sales promotion.
  2. publicity.
  3. advertising.
  4. implicit communications.
  5. a personal sales presentation.

*ANSWER:* a

*RATIONALE:* A sales promotion is a marketing activity that stimulates consumer buying and dealer effectiveness.

1. According to the AIDA concept, the first step an advertiser must take is to gain the consumers’:
   1. attention.
   2. attitude alignment.
   3. action.
   4. adaptation.
   5. adoption.

*ANSWER:* a

*RATIONALE:* The advertiser must first gain the attention of the target market.

1. Which of the following elements of the promotional mix would be most effective for helping highly involved consumers make complex buying decisions?
   1. Personal selling
   2. Reminder advertising
   3. Sales promotion
   4. Public relations
   5. Informative advertising

*ANSWER:* a

*RATIONALE:* Consumers making complex buying decisions are more extensively involved. Personal selling is most effective in helping these consumers decide.

1. Petra McCoy has developed a product for cleaning grout called Grout-Chee. Everyone who has tried the product really appreciates how quickly it works, but McCoy is having trouble getting retail stores to carry the product. She has decided to send retailers free samples and use other trade promotions to encourage stores to carry her product. McCoy is using a(n) promotional strategy.
   1. kinetic
   2. inert
   3. push
   4. advertorial
   5. pull

*ANSWER:* c

*RATIONALE:* This describes a push promotional strategy.

1. The American Plastics Council wants to stimulate more consumer demand for products that are packaged in plastic. The ads will be run in consumer magazines and will hopefully cause customers to ask retailers to carry more products packaged in plastic. The American Plastics Council is planning to use a(n) strategy.
   1. kinetic
   2. pull
   3. inertia
   4. advertorial
   5. push

*ANSWER:* b

*RATIONALE:* A pull strategy is a marketing strategy that stimulates consumer demand to obtain product distribution.

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1. Why do many brands with a large market share spend proportionally less on advertising compared to brands with small market share?
   1. Beyond a certain volume of promotion, diminishing returns set in.
   2. Certain industries have a practice of spending a low amount of dollars, relative to sales, on advertising.
   3. There is no minimum level of exposure for advertising to have an effect on sales.
   4. Advertising will not stimulate economic growth for the industry.
   5. The firms with large market share do not have to advertise anymore.

*ANSWER:* a

*RATIONALE:* Sales and market share improvements slow down and eventually decrease no matter how much is spent on advertising and sales promotion.

1. advertising is designed to enhance a company’s image rather than promote a particular product.
   1. Publicity
   2. Institutional
   3. Pioneering
   4. Selective
   5. Image

*ANSWER:* b

*RATIONALE:* This is the definition of institutional advertising.

1. An ad in which Dunkin’ Donuts tells consumers that more “hard­working” people prefer their coffee than the high­ priced, “elitist” coffee sold at Starbucks is an example of advertising.
   1. competitive
   2. institutional
   3. comparative
   4. image
   5. pioneering

*ANSWER:* c

*RATIONALE:* This comparative advertising names Dunkin Donut’s competitor, Starbucks, and

distinguishes the differences in the network coverage.

*POINTS:* 1

1. Before any creative work can begin on an advertising campaign, it is important to:
   1. determine what goals or objectives the advertising should achieve.
   2. set the marketing budget.
   3. decide what executional style to use in the ads.
   4. see if sales promotion is more important.
   5. hire a spokesperson.

*ANSWER:* a

*RATIONALE:* The first step in any advertising campaign is to set advertising objectives.

1. In advertising, the goal is to sell the , not the of a product.
   1. benefits; attributes
   2. characteristics; appeals
   3. values; traits
   4. competitive edge; virtues
   5. differential advantage; properties

*ANSWER:* a

*RATIONALE:* A well­known rule of thumb in advertising is “Sell the sizzle, not the steak.”

1. Television is an example of an advertising:
   1. medium.
   2. network.
   3. attribute.
   4. appeal.
   5. execution.

*ANSWER:* a

*RATIONALE:* A medium is the channel used to convey a message to a target market.

1. An ad for the new Magnifique perfume by Lancome shows that it can be purchased at Macy’s. This ad is most

likely an example of advertising.

* 1. comparative
  2. institutional
  3. cooperative
  4. advocacy
  5. strategic

*ANSWER:* c

*RATIONALE:* Cooperative advertising is an arrangement in which the manufacturer and the retailer split

the costs of advertising the manufacturer’s brand.

1. measures the number of target consumers exposed to a commercial at least once during a specific period, usually four weeks.
   1. Noise level
   2. Frequency
   3. Reach
   4. Synchronization
   5. Cost per contact

*ANSWER:* c

*RATIONALE:* This is the definition of reach.

1. Products such as snowblowers, chocolate Easter eggs, mittens, and sunscreen lotion are most likely to be advertised with a media schedule.
   1. flighted
   2. pulsing
   3. seasonal
   4. continuous
   5. consecutive

*ANSWER:* c

*RATIONALE:* Products that are used more during certain times of the year tend to follow a seasonal strategy.

1. Which of the following is a public relations strategy that involves getting a product, service, or company name to appear in a movie or television show?
   1. Press release
   2. Product placement
   3. Product publicity
   4. Consumer education
   5. Integrated marketing communications

*ANSWER:* b

*RATIONALE:* This is product placement, which also involves getting a product to appear in other venues such as radio programs, magazines, newspapers, and video games, among others.

1. What are the two types of sales promotion?
   1. Consumer and trade
   2. Informative and reminder
   3. Start-up and continual
   4. Adoptive and diffusive
   5. Personal and impersonal

*ANSWER:* a

*RATIONALE:* Sales promotion is usually targeted toward two distinctly different markets: consumers and the trade.

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*ANSWER:* a

*RATIONALE:* Sales promotion is usually targeted toward two distinctly different markets: consumers and the trade.

1. Revenue:
   1. equals quantity sold times profit margin
   2. equals price minus costs
   3. equals return on investment
   4. is synonymous with profit
   5. equals price of goods times quantity sold

*ANSWER:* e

*RATIONALE:* Revenue is the price charged to customers multiplied by the number of units sold.

1. When the local Shell station raises or lowers its prices on its gasoline, the Marathon station across the street makes the same changes in its pricing. This is an example of pricing.
   1. status quo
   2. target return
   3. market share
   4. predatory
   5. cost-plus

*ANSWER:* a

*RATIONALE:* Status quo pricing is best described as meeting the competition.

1. At the end of the summer, the Bloomin’ Garden Center reduced the price on all of its plants, fertilizer, and potting

soil by 50 percent in order to liquidate this inventory. What type of pricing strategy is being used in this example?

* 1. Supply oriented
  2. Sales maximization
  3. Target return on investment
  4. Satisfactory profit
  5. Profit maximization

*ANSWER:* b

*RATIONALE:* Sales maximization ignores profit and competition for the purpose of raising cash.

1. When the price of a product is set at a level where demand and supply are the same, price has been achieved.
   1. equilibrium
   2. stability
   3. leverage
   4. symmetry
   5. status quo

*ANSWER:* a

*RATIONALE:* Price equilibrium is the price at which demand and supply are equal.

1. When consumers are sensitive to price changes, occurs.
   1. inelastic demand
   2. elastic supply
   3. elastic demand
   4. inelastic supply
   5. unitary elasticity

*ANSWER:* c

*RATIONALE:* This is the definition of elastic demand.

1. occurs when an increase in sales exactly offsets a decrease in price so that total revenue remains exactly the same.
   1. Inelastic demand
   2. Functional elasticity of demand
   3. Unitary elasticity
   4. Highly elastic demand
   5. Fixed elasticity

*ANSWER:* c

*RATIONALE:* Unitary elasticity is a situation in which total revenue remains the same when prices change.

1. Demand for which of the following products or services is most likely inelastic?
   1. Fishing boats
   2. Wheat bread
   3. Pedicures
   4. Filet mignon steaks
   5. Digital cameras

*ANSWER:* b

*RATIONALE:* If there is a crop shortage, prices escalate, but consumers still maintain the same level of

demand because food—particularly bread—is a necessity.

1. Chad has calculated the sales volume at which his lemonade stand’s costs equal revenue. Over dinner, he announced to his family that he only needed to sell 50 glasses of lemonade at $5 per glass to cover all his costs (such as lumber and nails for the stand, lemons, and sugar). Which important factor has Chad excluded from his analysis?
   1. Fixed and variable cost determination
   2. Consumer demand
   3. Target return pricing
   4. Break-even analysis
   5. Market share

*ANSWER:* b

*RATIONALE:* Chad’s analysis only includes company costs and does not consider consumer demand.

1. Which of the following is most likely to be a variable cost for an Internet retailer that sells spices, herbs, and seasonings to consumers?
   1. Annual lease on mixer used to blend seasonings
   2. Executive salaries
   3. Rent for building where spices and herbs are repackaged for consumers
   4. Workers’ insurance
   5. Postage for shipping spices and herbs

*ANSWER:* e

*RATIONALE:* Postage is the only item that varies depending upon the amount of units sold.

1. The Nest is a retail store owned and operated by an interior designer. The markup on all items in the store is 100 percent over cost (or double the cost). In this case, we would say the designer uses:
   1. keystoning.
   2. target ROI pricing.
   3. break-even pricing.
   4. marginalizing.
   5. double sourcing.

*ANSWER:* a

*RATIONALE:* Keystoning is the practice of marking up prices by 100 percent (or doubling the cost to set the selling price).

1. Cowboy Malone’s Electric City pays a wholesaler $700 for a television and sells it to a customer for $1,500. The markup on the television is:

a. $240

b. $160

c. $700

d. $800

e. $1,500

*ANSWER:* d

*RATIONALE:* Markup is selling price minus cost: $1,500 – $700 = $800.

1. Kroger supermarkets will place well-known brands on the shelves at high prices while offering their own Kroger brand at lower prices. This practice is an example of:
   1. illegal pricing.
   2. selling against the brand.
   3. price pressurization.
   4. brand cutting.
   5. private label cannibalization.

*ANSWER:* b

*RATIONALE:* Selling against the brand with private labels causes sales of the higher-priced brands to decline.

1. Marketing managers who attempt to raise the quality image of their product by selling it at high prices are following a(n) \_\_\_\_\_ strategy.
   1. profit maximization
   2. market share
   3. maintained markup pricing
   4. prestige pricing
   5. investment asset

*ANSWER:* d

*RATIONALE:* Prestige pricing strategy sets high prices to connote high product quality.