

Name _____

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

- 1) An advertising agency that is set up, owned, and operated by the advertiser is called a(n): 1) _____
A) full-service agency B) centralized system
C) in-house agency D) client management firm
- 2) A major reason for a client using a(n) _____ is to reduce advertising and promotion costs. 2) _____
A) full-service system B) client management system
C) self-sufficient agency D) in-house agency
- 3) Companies who use a combination of in-house and outside agencies tend to use the external firms mostly for: 3) _____
A) direct mail pieces B) creative and media services
C) weekly circulars D) sales presentations
- 4) A major reason why some companies choose to use an in-house agency is to: 4) _____
A) reduce advertising and promotions costs
B) win advertising awards that will enhance the image of their brands
C) better understand how advertising works
D) maintain creative freshness
- 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: 5) _____
A) a brand marketing system
B) an in-house agency
C) the use of creative boutiques
D) the use of full-service advertising agencies
- 6) Joe Fresh moved its creativity in-house from an agency in order to: 6) _____
A) better understand how advertising works
B) encourage its staff to think about the brand
C) employ creatives from Target, who might have expertise in the U.S. market
D) provide full service at a lower cost
- 7) Target's internal creative department handles the design of each of these elements EXCEPT: 7) _____
A) direct-mail pieces B) in-store displays
C) branding initiatives D) weekly circulars

- 8) Which of the following is assigned to Target's outside agencies? 8) _____
- A) direct-mail pieces
 - B) branding and image-oriented communication
 - C) weekly circulars and in-store displays
 - D) promotions
- 9) Which of the following statements explains why an organization would want to use an outside advertising agency? 9) _____
- A) An outside advertising agency saves money for the client.
 - B) An outside advertising agency has more knowledge of the brand's identity and its previous promotional activities.
 - C) An outside advertising agency helps the client gain more prestige and a better image.
 - 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.
- 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): 10) _____
- A) primary service provider
 - B) full-service relationship
 - C) principle agency
 - D) agency-of-record (AOR)
- 11) Which of the following best describes an Agency-of-Record (AOR)? 11) _____
- A) the previous agency who did work for a particular client
 - B) an agency that is subcontracted by the client directly for a particular assignment
 - C) the primary agency whose foremost interest is in building the client's brand
 - D) an agency that performs work on a project-by-project basis
- 12) Which of the following statements about advertising agencies is true? 12) _____
- A) Agencies are often used because of the skill, expertise, and experience they can offer in the advertising area.
 - B) Most large, national advertisers use in-house agencies.
 - C) Agencies must be used since companies do not have the capabilities of developing their own advertising.
 - D) Most large agencies offer only creative services to their clients.
- 13) International multiservice agencies were formed by mergers and acquisitions of mid-sized agencies in order to: 13) _____
- A) forge stronger alliances between agencies and their clients
 - B) market their services more broadly
 - C) provide integrated marketing communications services worldwide
 - D) eliminate the need for domestic agencies

- 14) Major agencies that offer an ever-broadening range of IMC services would be more appropriately called: 14) _____
A) marketing communication agencies B) full-service partners
C) multinational creative boutiques D) advertising agencies
- 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? 15) _____
A) a collateral agency B) a creative boutique
C) a full-service agency D) a media buying service
- 16) A full-service agency offers its clients all of the following EXCEPT: 16) _____
A) public relations expertise
B) research and creative development
C) full range of marketing, communication, and promotion services
D) human resources management
- 17) An ad agency that offers its clients a complete range of marketing, communication, and promotion services is known as a(n): 17) _____
A) full-service agency
B) in-house agency
C) comprehensive marketing organization
D) media buying service
- 18) The communications link between the ad agency and its clients is: 18) _____
A) media B) account services
C) creative services D) marketing services
- 19) The _____ is responsible for understanding the advertiser's marketing and promotional needs and interpreting them to agency personnel. 19) _____
A) marketing specialist B) media specialist
C) copywriter D) account executive
- 20) The agency person who is the focal point of the agency-client relationship is the: 20) _____
A) media buyer B) product manager
C) brand manager D) account executive
- 21) The function of gathering, analyzing, and interpreting information that will be useful in developing advertising is the responsibility of the agency's _____ department. 21) _____
A) research B) account management
C) traffic D) production

- 22) Which of the following functions is NOT performed by the agency's research department? 22) _____
- A) designing, executing, and interpreting primary research studies
 - B) disseminating information to agency account planners
 - C) interpreting information to assist in advertising decision-making
 - D) planning the creative and media strategies for the advertising campaign
- 23) The _____ in an agency interacts with personnel from all disciplines and provides insights into consumers and how to communicate with them. 23) _____
- A) media director
 - B) account planner
 - C) account executive
 - D) traffic manager
- 24) 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: 24) _____
- A) media director
 - B) account planner
 - C) creative director
 - D) account executive
- 25) 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. 25) _____
- A) account services
 - B) marketing research
 - C) media
 - D) public relations
- 26) 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. 26) _____
- A) media
 - B) production
 - C) product management
 - D) traffic
- 27) Since most of the client's ad budget is spent on media time and/or space, it is important that the media department: 27) _____
- A) develops a plan that communicates to the right audience in a cost-efficient manner
 - B) focuses on purchasing commercial time on the most popular shows
 - C) creates a plan that utilizes the least expensive media vehicles
 - D) coordinates with the creative department to ensure that concepts are not too complex
- 28) The _____ are the individuals who conceive the ideas for the ads and write the advertising message. 28) _____
- A) copywriters
 - B) traffic coordinators
 - C) account executives
 - D) art directors

- 29) The _____ is responsible for creating the visual portion of an ad such as layouts and the commercial storyboards. 29) _____
A) copywriter
B) product management department
C) art director, graphic designer, or studio artist
D) account executive
- 30) After the creative brief is reviewed and the overall concept has been developed, the _____ is responsible for developing how the ad will look. 30) _____
A) art director or the art department
B) copywriter
C) account director
D) product management department
- 31) A _____ shows what a print ad will look like, while a _____ depicts the sequence of frames for a commercial or video format. 31) _____
A) layout; storyboard
B) storyboard; layout
C) concept; trailer
D) sketch; video reel
- 32) Setting the creative philosophy of the agency and overseeing the work of the writers and artists are the responsibilities of the: 32) _____
A) creative director
B) agency president
C) director of account service
D) master artist
- 33) The growth of the Internet as a media vehicle has led to the need for all of the following, EXCEPT: 33) _____
A) a digital creative services department
B) a renewed focus on traditional media
C) the coordination of digital and mass media advertising components
D) the purchase of interactive firms by full-service agencies
- 34) _____ take(s) the creative work done in mass media and add(s) interactive functionality to be used in Internet and mobile media executions. 34) _____
A) The production manager
B) Small, boutique firms
C) A digital creative services department
D) Computerized adaptation programmers
- 35) 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? 35) _____
A) media department
B) traffic department
C) art department
D) production department

- 36) The _____ department coordinates all phases of production to see that the ads are completed on time. 36) _____
A) production B) art C) media D) traffic
- 37) 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. 37) _____
A) departmental system B) creative boutique
C) matrix system D) group system
- 38) 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? 38) _____
A) dedicated system B) departmental system
C) group system D) matrix system
- 39) An advertising agency that wants its employees to develop expertise in servicing a variety of accounts should use a(n) _____ structure. 39) _____
A) group system B) departmental system
C) creative boutique D) in-house agency
- 40) Which of the following might NOT be a reason why an advertising agency would use a group system organizational structure? It would: 40) _____
A) allow agency personnel to become very knowledgeable about a particular client's market and business
B) provide superior service for its accounts
C) provide better pricing to a key client
D) ensure continuity in servicing a particular account
- 41) The traditional method of compensating ad agencies is with: 41) _____
A) the hourly billings B) the straight salary method
C) the fee system D) the commission system
- 42) Agency compensation under the commission system is based on: 42) _____
A) a percentage of a client's marketing budget
B) a percentage of advertising production costs
C) a specified percentage of any advertising time or space the agency purchases for its client
D) the total number of hours worked

- 43) Opponents of the agency commission system would argue that this system is NOT effective because a commission: 43) _____
- A) encourages agencies to recommend high media expenditures to increase their commission level.
 - B) does not tie agency compensation to media costs.
 - C) encourages agencies to limit their client's advertising expenditures.
 - D) keeps the emphasis on creative skills not the bottom-line.
- 44) The standard agency commission is: 44) _____
- A) 15% added on to media time and space costs
 - B) 15% of 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
- 45) A major argument put forth by defenders of the commission system is that a commission: 45) _____
- A) keeps the agencies from placing advertising in expensive media
 - B) keeps emphasis when choosing agencies on non-price factors like advertising quality
 - C) encourages agencies to use non-commissionable media such as direct mail
 - D) ties agency compensation to the inflation in media costs
- 46) Critics argue that the use of _____ ties agency compensation to media costs. 46) _____
- A) the cost-plus agreement
 - B) the fixed fee arrangement
 - C) the commission system
 - D) the objective-and-task compensation system
- 47) Which of the following is NOT a valid criticism of the commission compensation system for an ad agency? 47) _____
- A) There is an incentive to avoid non-commissionable media.
 - B) Media costs do not relate directly to effort or expertise expended by agencies.
 - C) It is difficult to administer.
 - D) In periods of media cost inflation, the agency is disproportionately rewarded.
- 48) 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? 48) _____
- A) commission system
 - B) cost-plus system
 - C) fee arrangement system
 - D) incentive-based compensation system

- 49) An agency books television media space at a cost of \$1,000,000. The standard agency commission on this buy is: 49) _____
- A) dependent upon the time of day the commercials run
 - B) \$15,000
 - C) dependent upon the actual shows in which the commercials run
 - D) \$150,000
- 50) 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? 50) _____
- A) \$850,000
 - B) \$985,000
 - C) \$1,150,000
 - D) \$1,000,000 and the client pays the agency commission
- 51) Why are negotiated commission structures becoming more common? 51) _____
- A) to consider the needs of clients as well as the amount of time and effort the agency spends on an account
 - B) to ensure that agencies do not make too much money
 - C) to support the creation of a transactional relationship between agency and client
 - D) to encourage agencies to cut back on buying network TV advertising for their clients
- 52) Which of the following statements about agency commissions is true? 52) _____
- A) Some leading agencies now receive average commissions of 8 to 10 percent.
 - B) Most agencies are unwilling to negotiate their commission rates.
 - C) Nearly all of the leading agencies still earn a 15 percent commission.
 - D) Most agencies are earning more of their income from fixed commissions as clients expand their IMC programs to include other forms of promotion.
- 53) 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? 53) _____
- A) a 17.65 percent markup on costs
 - B) a rebate from the media
 - C) a share of the profits
 - D) a negotiated commission
- 54) Negotiated commission rates for advertising agencies: 54) _____
- A) are designed primarily to benefit agencies
 - B) are becoming more commonplace
 - C) are becoming less common
 - D) are rarely used by consumer-products advertisers

- 55) Which of the following statements about changes in the way advertising agencies are being compensated is true? 55) _____
- A) From the viewpoints of both the client and the agency, the traditional commission system is much superior to negotiated commissions.
 - B) Many agencies and their clients have developed some type of fee arrangement or cost-plus agreement for agency compensation.
 - C) 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.
 - D) With the move toward integrated marketing services, it is likely that there will be a return to the commission system of compensation.
- 56) 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. 56) _____
- A) fee-commission combination
 - B) cost-plus agreement
 - C) fixed fee agreement
 - D) negotiated commission
- 57) Under the _____, the client agrees to pay the agency a fee based on the cost of its work plus some agreed-on profit margin. 57) _____
- A) incentive-based system
 - B) fee-combination arrangement
 - C) cost-plus arrangement
 - D) media commission system
- 58) Under the cost-plus compensation method, all of the following costs might be included in the calculation, EXCEPT: 58) _____
- A) out-of-pocket expenses
 - B) profit margin
 - C) agency self-promotion costs
 - D) media costs
- 59) Agencies that are reluctant to let clients see their internal cost figures are less likely to accept a(n): 59) _____
- A) commission-based arrangement
 - B) incentive-based compensation agreement
 - C) cost-plus agreement
 - D) fixed-fee arrangement
- 60) Which of the following compensation methods should an advertiser adopt if its primary goal is to achieve efficiency and accountability? 60) _____
- A) incentive-based compensation agreement
 - B) fee-combination arrangement
 - C) commission-based arrangement
 - D) fixed-fee arrangement

- 61) 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 best corresponds to this situation. 61) _____
A) cost-plus system B) incentive-based
C) fee-commission D) fixed-fee
- 62) Why would General Motors switch to an incentive-based compensation system with several of its agencies? 62) _____
A) to encourage their agencies to use more mass media advertising
B) to save money on advertising and divert it to other business departments
C) to encourage their agencies to stop using network TV advertising
D) to encourage its agencies to look beyond traditional mass media advertising and develop other ways of reaching consumers
- 63) The advertising remuneration process which rewards the agency based on the achievement of mutually agreed upon objectives is called: 63) _____
A) the cost-based system B) the advertising reward method
C) the Performance by Results system D) the fee-combination method
- 64) The Performance by Results system reflects three groups of performance measures. Which of the following is NOT one of those measures? 64) _____
A) overall business performance
B) comparison to previous year's communication budget
C) marketing communication effectiveness
D) agency process evaluation
- 65) Which of the following is NOT a measure of marketing communication effectiveness? 65) _____
A) brand awareness B) advertising likeability
C) retail sales results D) brand image ratings
- 66) The four behavioural objectives that are measures of marketing communication effectiveness are intent to purchase, trial, repeat purchase, and _____. 66) _____
A) brand loyalty B) brand understanding
C) positioning D) viral media
- 67) 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? 67) _____
A) sampling B) retrial
C) brand awareness D) intent to purchase
- 68) Which of the following is a business measure under the Performance by Results system? 68) _____
A) intent to purchase B) productivity
C) market share D) brand awareness

- 69) 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. 69) _____
- A) qualitative/quantitative B) results/process
C) financial/creative D) financial/qualitative
- 70) Which of the following should a client's evaluation of its advertising agency's performance NOT take into account? 70) _____
- A) market performance measures, such as sales and market share
B) qualitative considerations, such as the quality of the agency's efforts in creative, media, etc.
C) financial status of the agency
D) performance of account representatives
- 71) Personality conflicts, unrealistic demands by clients, and personnel changes are all reasons why: 71) _____
- A) it is difficult to measure the effectiveness of advertising campaigns
B) clients need to use more than one agency
C) ad agencies lose clients
D) planning and budgeting communication initiatives is difficult
- 72) Which of the following would NOT be a valid reason for switching advertising agencies? 72) _____
- A) a change in research methodology
B) conflicts over compensation policies
C) a stagnation or decline in sales of the product
D) dissatisfaction over the quality of the advertising produced by the agency
- 73) Many full-service agencies include sales promotion, merchandising, direct marketing, PR and/or other _____. 73) _____
- A) organizational structures B) niche opportunities
C) specialized services D) consumer needs
- 74) Creative boutiques are agencies that: 74) _____
- A) limit their client service to creative planning and execution
B) can perform the same functions as full-service agencies for their clients
C) have resulted from advertisers wanting to save money in buying media space
D) are used only when research is not important to marketing success

- 75) Which of the following is NOT true about creative boutiques? 75) _____
- A) Members of creative departments of larger firms sometimes leave to create smaller creative boutiques.
 - B) Creative boutiques work directly with clients.
 - C) Clients do not directly hire creative boutiques, but work with them through their Agency-of-Record.
 - D) Creative boutiques are subcontracted by full-service agencies.
- 76) Independent companies that specialize in the purchase of radio and television time are known as: 76) _____
- A) media measurement bureaus
 - B) full-service agencies
 - C) mid-sized agencies
 - D) media buying services
- 77) Because _____ purchase such large amounts of time and space, they receive large discounts. 77) _____
- A) full-service agencies
 - B) creative boutiques
 - C) media buying services
 - D) in-house agencies
- 78) Independent media buying services evolved for each of the following reasons EXCEPT: 78) _____
- A) the proliferation of specialized media has increased the complexity of purchasing advertising media
 - B) media buying services concentrate on the analysis and purchase of advertising time and space
 - C) media strategy development and planning needs to be separate from the buying function
 - D) advertisers attempt to consolidate their media spending in order to achieve volume efficiencies
- 79) _____ specialize in offering services, such as database management, direct mail and creative and production capabilities. 79) _____
- A) Public relations firms
 - B) Direct-response agencies
 - C) Creative boutiques
 - D) Sales promotion agencies
- 80) _____ specialize in the development and management of sweepstakes, refund and rebate offers, and incentive programs. 80) _____
- A) Interactive agencies
 - B) Creative boutiques
 - C) Direct response agencies
 - D) Sales promotion agencies
- 81) 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. 81) _____
- A) sales promotion agency
 - B) creative boutique
 - C) mid-range agency
 - D) direct-response agency

- 82) 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. 82) _____
- A) direct-response agency B) media mix organization
C) advertising agency D) public relations firm
- 83) Marketers willing to increase message credibility and save media costs are more likely to use the services of a(n): 83) _____
- A) advertising agency B) sales promotion agency
C) public relations firm D) direct-response agency
- 84) A typical direct-response agency is divided into three main departments: 84) _____
- A) account management, creative, and media
B) creative, media, and research
C) account management, media, and research
D) creative, media, and production
- 85) 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. 85) _____
- A) contest house B) advertising agency
C) sales promotion agency D) public relations firm
- 86) Which of the following statements about the development of interactive media is NOT true? 86) _____
- A) Interactive agencies range from smaller companies that specialize in website design and creation to full-service interactive agencies.
B) Many marketers are using specialized interactive agencies to develop their interactive media.
C) 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.
D) Traditional advertising agencies tend not to develop interactive media capabilities.

- 87) Many agencies are moving toward offering more integrated marketing communication (IMC) services: 87) _____
- A) although effecting economies of scale and synergy is difficult, especially on large budget campaigns
 - B) because they want to maintain control of the entire promotional process because it leads to more synergy among the various communication elements
 - C) even though it is less convenient for a client to coordinate all of its promotional efforts with one agency
 - D) because an agency with integrated marketing communication capabilities can create a number of different images of the product to appeal to all relevant publics
- 88) Which of the following is NOT a benefit of integrated IMC services? 88) _____
- A) An integrated approach creates one single image and voice to address all audiences.
 - B) Clients maintain control of the entire promotional process, and achieve greater synergy among each of the program elements.
 - C) It is more convenient to coordinate all of its marketing efforts through one agency.
 - D) Agency personnel have expertise in particular aspects of the process and therefore are inclined to consider all variables in the planning decision.
- 89) Which of the following results were found in a U.S. survey on agency-client relationships? 89) _____
- A) Results would be improved through better briefings from clients and a more thorough agency understanding of the client's business and situation.
 - B) Clients should not be overly focused on creative strength when making an agency selection.
 - C) Stronger results were more often delivered in dynamic, short-term situations than in long-term relationships.
 - D) Agencies and clients tend not to trust one another, as profits seem to guide promotional planning.

Answer Key

Testname: UNTITLED2

- 1) C
- 2) D
- 3) B
- 4) A
- 5) B
- 6) B
- 7) C
- 8) B
- 9) D
- 10) D
- 11) C
- 12) A
- 13) B
- 14) A
- 15) C
- 16) D
- 17) A
- 18) B
- 19) D
- 20) D
- 21) A
- 22) D
- 23) B
- 24) B
- 25) C
- 26) A
- 27) A
- 28) A
- 29) C
- 30) A
- 31) A
- 32) A
- 33) B
- 34) C
- 35) D
- 36) D
- 37) A
- 38) C
- 39) B
- 40) C
- 41) D
- 42) C
- 43) A
- 44) B
- 45) B
- 46) C
- 47) C
- 48) A
- 49) D
- 50) A

Answer Key

Testname: UNTITLED2

- 51) A
- 52) A
- 53) D
- 54) B
- 55) B
- 56) A
- 57) C
- 58) C
- 59) C
- 60) A
- 61) B
- 62) D
- 63) C
- 64) B
- 65) C
- 66) A
- 67) D
- 68) C
- 69) D
- 70) C
- 71) C
- 72) A
- 73) C
- 74) A
- 75) C
- 76) D
- 77) C
- 78) C
- 79) B
- 80) D
- 81) A
- 82) D
- 83) C
- 84) A
- 85) C
- 86) D
- 87) B
- 88) D
- 89) A