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1 CHAPTER TWO

Advertising's role in marketing

MULTIPLE-CHOICE QUESTIONS

1. An organisational function and set of processes for creating, communicating and delivering value to customers, and for managing customer relationships in ways that benefit the organisation is known as _____.
- advertising
 - promotion
 - marketing
 - management
 - production

Answer: c

Level of Difficulty: 1

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Reflective thinking

2. All of the following are critical marketing concepts that influence advertising EXCEPT:
- exchange
 - adding value
 - cultivating relationships
 - building brands
 - manufacturing

Answer: e

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Analytical thinking

3. In the world of exchange there is a unique type of advertising known as _____, which is the antithesis of display advertising.
- classified advertising
 - television advertising
 - website advertising
 - newspaper advertising
 - billboard advertising

Answer: a

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Analytical thinking

4. Which of these is the main reason a marketer might use sales promotion rather than display advertising?
- Build the brand image
 - Generate immediate sales
 - Create new customers
 - Raise product awareness
 - Change people's perceptions

Answer: b

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Reflective thinking

5. Which key concept suggests that a business should focus first on identifying the needs and wants of the customer?
- Customer concept
 - Marketing concept
 - Product concept
 - Exchange
 - Production concept

Answer: b

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: The marketing process

AACSB: Analytical thinking

6. A particular form of advertising that only aims to facilitate exchange between sellers and buyers is known as _____ advertising.
- classified
 - branding
 - display
 - colour
 - black and white

Answer: a

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Analytical thinking

7. Which of the following does NOT add value to a product?
- Advertising
 - Convenience
 - Useful features
 - Branding
 - All of the above can add value to a product.

Answer: e

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Analytical thinking

8. Both David Jones and Myer department stores use celebrities, such as Megan Gale and Jennifer Hawkins. By advertising their merchandise with women who represent contemporary style and glamour, they are intending that their target audience find their products more desirable. Which key concept of marketing and advertising does this illustrate?
- Exchange
 - Added value
 - Promotion
 - Marketing concept
 - Distribution

Answer: b

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Diverse and multicultural work environments

9. _____ is a process that identifies customers and potential customers and attempts to calculate their lifetime value to the business.

- a. Target marketing
- b. Viral marketing
- c. Corporate marketing
- d. Relationship marketing
- e. None of the above

Answer: d

Level of Difficulty: 1

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Analytical thinking

10. Many businesses have invested in customer _____ to drive communication with customers and keep track of their interactions with the company.

- a. relationship management
- b. inquiry management
- c. value management
- d. complaint management
- e. regional management

Answer: a

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Information technology

11. _____ is the process of creating a special meaning for a product, one that makes it distinctive in the marketplace and in its product category.

- a. Advertising
- b. Branding
- c. Exchange
- d. Marketing
- e. Adding value

Answer: b

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Analytical thinking

12. _____ is the reputation, meaning and value that the brand name or symbol has acquired over time.

- a. Trademark
- b. Copyright
- c. Brand image
- d. Brand identity
- e. Brand equity

Answer: e

Level of Difficulty: 3

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Application of knowledge

13. Which method of adding value to a product is purely psychological?
- Branding
 - Reliability
 - Features
 - Availability
 - Durability

Answer: a

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Application of knowledge

14. Thomas saw two boxes of breakfast cereal in the supermarket, with identical ingredients and nutritional profiles. One was in a plain pack with the supermarket name on it; one was from a well-known cereal maker. He knew that his kids were fussy with the cereal they ate, so he bought the well-known cereal, despite the cost being higher. Which key concept of marketing does this illustrate?
- Exchange
 - Branding
 - Added value
 - Marketing
 - Distribution

Answer: b

Level of Difficulty: 3

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Application of knowledge

15. The percentage of the total market in a product category that buys a particular brand is known as _____.
- share of voice
 - market segment
 - consumer market
 - share of market
 - industrial market

Answer: d

Level of Difficulty: 2

LO: 2.2 Describe the different markets in which marketers may compete

Topic: Types of markets

AACSB: Analytical thinking

16. The Hercules glue manufacturer distributes their goods locally through a wholesaler, who provides the product to resellers. They sell their products internationally through a distributor. Which of these is NOT an intermediary?
- Wholesaler
 - Reseller
 - Manufacturer
 - Distributor
 - All of the above are considered intermediaries.

Answer: c

Level of Difficulty: 2

LO: 2.2 Describe the different markets in which marketers may compete

Topic: Types of markets

AACSB: Application of knowledge

17. The Alchemy brand of disinfectants sell their products to a range of hospitals. This is an example of a(n) _____ market.

- a. consumer
- b. business-to-business (industrial)
- c. reseller
- d. institutional
- e. direct

Answer: d

Level of Difficulty: 1

LO: 2.2 Describe the different markets in which marketers may compete

Topic: Types of markets

AACSB: Analytical thinking

18. The major types of markets include all of the following EXCEPT _____.

- a. consumer markets
- b. business markets
- c. institutional markets
- d. intermediary markets
- e. internal markets

Answer: e

Level of Difficulty: 2

LO: 2.2 Describe the different markets in which marketers may compete

Topic: Types of markets

AACSB: Analytical thinking

19. Profit-making and non-profit making organisations like hospitals, government agencies and schools are all examples of this type of market:

- a. consumer markets
- b. business markets
- c. internet markets
- d. institutional markets
- e. intermediary markets

Answer: e

Level of Difficulty: 1

LO: 2.2 Describe the different markets in which marketers may compete

Topic: Types of markets

AACSB: Analytical thinking

20. Marketing research, which is original research undertaken to answer specific questions, is known as _____ research.

- a. primary
- b. secondary
- c. non-original
- d. objective
- e. subjective

Answer: a

Level of Difficulty: 2

LO: 2.3 Identify and explain the seven steps of the marketing process

Topic: The marketing process

AACSB: Analytical thinking

21. Howard's Shirt Shop decides to analyse the internal business factors that are strengths for the company and the things they do not do well. They also decide to analyse external factors and identify the opportunities and threats that are present. This is called a _____ analysis.

- a. SWOT
- b. market
- c. situation
- d. corporate
- e. product

Answer: a

Level of Difficulty: 2

LO: 2.3 Identify and explain the seven steps of the marketing process

Topic: The marketing process

AACSB: Application of knowledge

22. The process of identifying groups within the market whose needs and wants intersect with the product and its features is known as _____.

- a. setting objectives
- b. research
- c. differentiation
- d. positioning
- e. segmentation

Answer: e

Level of Difficulty: 1

LO: 2.3 Identify and explain the seven steps of the marketing process

Topic: The marketing process

AACSB: Analytical thinking

23. Consumers see Parfum, a perfume maker, as an exclusive high-end brand, compared with other brands in the perfume category. This is an example of _____.

- a. segmentation
- b. targeting
- c. evaluation
- d. positioning
- e. comparing

Answer: d

Level of Difficulty: 2

LO: 2.3 Identify and explain the seven steps of the marketing process

Topic: The marketing process

AACSB: Application of knowledge

24. A common approach to segmenting markets by recognising differences and adjusting to them accordingly is called a(n) _____ approach.

- a. heterogeneous
- b. differences
- c. alien
- d. niche
- e. none of the above

Answer: a

Level of Difficulty: 2

LO: 2.3 Identify and explain the seven steps of the marketing process

Topic: The marketing process

AACSB: Application of knowledge

25. What is the final step of the marketing process?
- Differentiating
 - Implementing
 - Evaluating
 - Targeting
 - Segmenting

Answer: c

Level of Difficulty: 1

LO: 2.3 Identify and explain the seven steps of the marketing process

Topic: The marketing process

AACSB: Analytical thinking

26. The Moo Milk Company decides to sell a new type of milk, enriched with vitamins. They design and develop the new milk, brand it Moo Milk Plus and design a milk carton with a jumping cow on the front. Which marketing element do these activities represent?
- Packaging
 - Pricing
 - Product
 - Place
 - Promotion

Answer: c

Level of Difficulty: 2

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: The marketing mix: the four Ps (or Cs) of marketing

AACSB: Reflective thinking

27. The four Ps—product, price, place and promotion—are often labelled as the four Cs. In this sense, product can also be referred to as _____.
- communication
 - channels
 - customer value
 - customer satisfaction
 - computer costs

Answer: c

Level of Difficulty: 2

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: The marketing mix: the four Ps (or Cs) of marketing

AACSB: Reflective thinking

28. A _____ strategy directs marketing efforts at resellers, and success depends on the ability of these intermediaries to market the product, which they often do with advertising.
- push
 - pull
 - coverage
 - direct
 - pulley

Answer: a

Level of Difficulty: 2

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: The marketing mix: the four Ps (or Cs) of marketing

AACSB: Reflective thinking

29. The promotion 'P' of marketing is also known as _____.

- a. product
- b. distribution
- c. price
- d. marketing communication
- e. differentiation

Answer: d

Level of Difficulty: 1

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: The marketing mix: the four Ps (or Cs) of marketing

AACSB: Reflective thinking

30. The AtoB Transport and Logistics Company use a face-to-face contact strategy between their marketers and businesses that may be prospective customers. This is an example of

_____.

- a. advertising
- b. sales promotion
- c. public relations
- d. personal selling
- e. customary marketing

Answer: d

Level of Difficulty: 1

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: The marketing mix: the four Ps (or Cs) of marketing

AACSB: Reflective thinking

31. Which pricing strategy uses advertising to manipulate the customer's judgement of value?

- a. Psychological pricing
- b. Deceptive pricing
- c. Relative pricing
- d. Comparative pricing
- e. Customary pricing

Answer: a

Level of Difficulty: 2

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: The marketing mix: the four Ps (or Cs) of marketing

AACSB: Reflective thinking

32. When Tylenol pain tablets were tampered with in the 1980s in the US, causing some customers to be hospitalised, the manufacturer Johnson & Johnson pulled all of its products from store shelves, redesigned packaging to resist tampering, and ran advertising to explain what steps it was taking over a period of many weeks. This was very expensive, but the organisation was cognisant that its brand equity—the reputation, meaning and value that the brand name had acquired over time—was intrinsic to the financial value of the company. Johnson & Johnson was applauded by the public for its actions, and Tylenol become more profitable than ever. In terms of sustainable marketing, which factor most likely influenced Johnson & Johnson's decision to pull its products?

- a. Concern for consumer safety
- b. Trademark infringement worries
- c. Adverse accounting practices
- d. Added value
- e. Brand externalities

Answer: e

Level of Difficulty: 2

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: Marketing for a sustainable future

AACSB: Application of knowledge

33. According to Frank-Martin Belz, a sustainable marketing orientation is one that encompasses all of these principles EXCEPT:

- a. ecological
- b. viable
- c. ethical
- d. relationship-based
- e. ethnocentric

Answer: e

Level of Difficulty: 2

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: Marketing for a sustainable future

AACSB: Reflective thinking

34. In addition to the traditional four P's of market, the sustainable marketing approach adds the new 'three Ps' of 'people, plant, and _____'.

- a. peace
- b. place
- c. power
- d. profit
- e. population

Answer: d

Level of Difficulty: 1

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: Marketing for a sustainable future

AACSB: Reflective thinking

35. The sustainable marketing principle of planet includes all of these EXCEPT:

- a. life-cycle assessment
- b. externalities
- c. input materials
- d. rejuvenation
- e. repatriation

Answer: e

Level of Difficulty: 2

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: Marketing for a sustainable future

AACSB: Reflective thinking

36. Shell advertises its alternative energy experiments in order to:

- a. demonstrate the company's response to climate change
- b. encourage consumers to avoid purchasing petroleum
- c. discourage development of solar energy
- d. promote use of public transportation
- e. prevent a sustainable future

Answer: a

Level of Difficulty: 2

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: Marketing for a sustainable future

AACSB: Reflective thinking

37. According to Frank-Martin Belz, a sustainable marketing orientation encompasses four principles. The principle of viability is evaluated from the _____ and _____ perspectives:

- a. political/legal
- b. technical/economic
- c. financial/business
- d. cultural/linguistic
- e. fairness/safety

Answer: b

Level of Difficulty: 2

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: Marketing for a sustainable future

AACSB: Reflective thinking

38. An advertising agency that is formed for a particular client project and dispersed on completion is called a _____.

- a. temporary agency
- b. virtual agency
- c. limited agency
- d. disposable agency
- e. collapsible agency

Answer: b

Level of Difficulty: 1

LO: 2.5 Give an account of types of agencies, their organisation and client–agency relationships

Topic: Client–agency relationships

AACSB: Written and oral communication

39. Which of the following is NOT one of the four major staff functions in a full-service advertising agency?

- a. Marketing research
- b. Account management
- c. Creative services
- d. Media planning
- e. Account planning

Answer: a

Level of Difficulty: 1

LO: 2.5 Give an account of types of agencies, their organisation and client–agency relationships

Topic: How agency work is organised

AACSB: Written and oral communication

40. A creative _____ is typically a small ad agency that concentrates entirely on preparing the creative execution of the idea or the creative product.

- a. department
- b. holding company
- c. network
- d. account
- e. boutique

Answer: e

Level of Difficulty: 1

LO: 2.5 Give an account of types of agencies, their organisation and client–agency relationships

Topic: Client–agency relationships

AACSB: Written and oral communication

41. In an advertising agency, which of the following is responsible for internal tracking of completion of projects?

- a. The research and development department
- b. The production department
- c. The traffic department
- d. The creative department
- e. The copywriter

Answer: c

Level of Difficulty: 1

LO: 2.5 Give an account of types of agencies, their organisation and client–agency relationships

Topic: Client–agency relationships

AACSB: Written and oral communication

42. Bill works in an ad agency. His job is to recommend how the advertising should work to satisfy the consumers' wants and needs. His insights into the consumer and role as the voice of the consumer define his position. What is his job title likely to be?

- a. Account manager
- b. Copywriter
- c. Account planner
- d. Management supervisor
- e. Account coordinator

Answer: c

Level of Difficulty: 2

LO: 2.5 Give an account of types of agencies, their organisation and client–agency relationships

Topic: How agency work is organised

AACSB: Application of knowledge

43. The primary members of the media department or media agency are _____.

- a. media researchers
- b. planners
- c. buyers
- d. all of the above

Answer: d

Level of Difficulty: 1

LO: 2.5 Give an account of types of agencies, their organisation and client–agency relationships

Topic: How agency work is organised

AACSB: Application of knowledge

44. Which of the following positions in an advertising agency is most closely involved with creative development?

- a. Account executive
- b. Account planner
- c. Media buyer
- d. Copywriter
- e. Management supervisor

Answer: d

Level of Difficulty: 2

LO: 2.5 Give an account of types of agencies, their organisation and client–agency relationships

Topic: How agency work is organised

AACSB: Application of knowledge

45. Which of the following departments in an advertising agency fulfils the three functions of research, planning and buying?
- Account planning department
 - Art department
 - Traffic department
 - Print production department
 - Media department

Answer: e

Level of Difficulty: 2

LO: 2.5 Give an account of types of agencies, their organisation and client–agency relationships

Topic: How agency work is organised

AACSB: Application of knowledge

TRUE/FALSE QUESTIONS

1. A company that operates with a marketing concept philosophy focuses on satisfying its customers' needs and wants.

Answer: True

Level of Difficulty: 1

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Analytical thinking

2. Advertising always adds value to a brand.

Answer: False

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Analytical thinking

3. A process of identifying customers and potential customers and attempting to calculate their lifetime value is called direct marketing.

Answer: False

Level of Difficulty: 1

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Analytical thinking

4. Prospect marketing is the practice of inviting prospective customers to sign up or self-select into a brand's target market.

Answer: False

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Analytical thinking

5. Brand equity is the reputation, meaning and value that the brand name or symbol has acquired over time and measures the financial value the brand contributes to the company.

Answer: True

Level of Difficulty: 1

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?
AACSB: Analytical thinking

6. A brand is what distinguishes one product from another from the audience's point of view.

Answer: True
Level of Difficulty: 1
LO: 2.1 Explain how the four functions of marketing give direction to advertising
Topic: The marketing process
AACSB: Analytical thinking

7. When marketing strategists speak of markets, they generally refer to groups of people or organisations.

Answer: True
Level of Difficulty: 2
LO: 2.1 Explain how the four functions of marketing give direction to advertising
Topic: The marketing process
AACSB: Analytical thinking

8. Consumer markets consist of people who buy products and services for personal or household use.

Answer: True
Level of Difficulty: 1
LO: 2.2 Describe the different markets in which marketers may compete
Topic: Types of markets
AACSB: Reflective thinking

9. Business markets are places where businesses meet to exchange goods or services.

Answer: False
Level of Difficulty: 1
LO: 2.2 Describe the different markets in which marketers may compete
Topic: Types of markets
AACSB: Analytical thinking

10. Intermediaries form the links in the distribution chain between sellers and buyers.

Answer: True
Level of Difficulty: 1
LO: 2.2 Describe the different markets in which marketers may compete
Topic: Types of markets
AACSB: Application of knowledge

11. The marketing process begins with research into markets, consumers and an understanding of the competitive situation.

Answer: True
Level of Difficulty: 1
LO: 2.3 Identify and explain the seven steps of the marketing process
Topic: The marketing process
AACSB: Application of knowledge

12. The process of assessing whether there are identifiable groups within the market whose needs and wants intersect with the product and its features is known as targeting.

Answer: False

Level of Difficulty: 2

LO: 2.3 Identify and explain the seven steps of the marketing process

Topic: The marketing process

AACSB: Application of knowledge

13. The first step in the marketing process is to write a marketing plan.

Answer: False

Level of Difficulty: 3

LO: 2.3 Identify and explain the seven steps of the marketing process

Topic: The marketing process

AACSB: Application of knowledge

14. Positioning refers to how brands view and compare competitive brands or types of products—how they see a brand relative to other brands in the category.

Answer: False

Level of Difficulty: 2

LO: 2.3 Identify and explain the seven steps of the marketing process

Topic: The marketing process

AACSB: Application of knowledge

15. Customary pricing is also called expected pricing.

Answer: True

Level of Difficulty: 1

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: The marketing mix: the four Ps (or Cs) of marketing

AACSB: Analytical thinking

16. Sales promotion is aimed at developing long-term relationships with customers.

Answer: False

Level of Difficulty: 1

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: The marketing mix: the four Ps (or Cs) of marketing

AACSB: Analytical thinking

17. The traffic department in a full-service advertising agency acts as a liaison between the client and the agency.

Answer: False

Level of Difficulty: 2

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: The marketing mix: the four Ps (or Cs) of marketing

AACSB: Analytical thinking

18. The ecological principle of satisfying consumer needs without compromising the health and regeneration of ecosystems is integral to the sustainable marketing orientation.

Answer: True

Level of Difficulty: 1

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: Marketing for a sustainable future

AACSB: Reflective thinking

19. According to an *Adweek*-sponsored survey of 105 clients in the United States, less than

50% of the respondents indicated that advertising was the 'most important communication tool' in the marketing mix.

Answer: False

Level of Difficulty: 1

LO: 2.5 Give an account of types of agencies, their organisation and client–agency relationships

Topic: Client–agency relationships

AACSB: Analytical thinking

20. The account management department does not liaise between the agency and the client.

Answer: False

Level of Difficulty: 1

LO: 2.5 Give an account of types of agencies, their organisation and client–agency relationships

Topic: How agency work is organised

AACSB: Application of knowledge

SHORT-ANSWER QUESTIONS

1. Explain the differences between classified advertising and display advertising.

Answer:

Classified advertising works on the premise that the audience is actively searching for a solution to a problem, and advertisements form a part of that search, so all ads for a category such as recruitment are clustered together for easy access. Display advertising, on the other hand, assumes that consumers are couch potatoes waiting for advertisements to find them. Consequently, display advertisers intentionally place their advertising as far away from their competitors as possible.

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Application of knowledge

2. Explain the concept of integrated marketing communications.

Answer:

IMC calls for recognising all contact points where the customer may encounter the company and its brands. A company wants to deliver a consistent and positive message with each contact. IMC ties together all of the company's messages and images, avoiding the confusion that can arise from customers receiving varied messages from a variety of media.

Level of Difficulty: 1

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Communication

3. Explain why someone would rather have a Rolex watch than a Timex watch, which is as reliable as a Rolex but considerably less expensive.

Answer:

Although both are well-known brands, Rolex has built its brand image on quality and luxury. It's a status symbol to own a Rolex, and the watch is perceived more as a piece

of jewellery than merely a timepiece. Timex is known as an inexpensive, reliable timepiece. Through effective branding, Rolex has transformed this product by creating a special meaning for it, and the meaning of the brand also tells something about the person wearing that brand.

Level of Difficulty: 2

LO: 2.1 Explain how the four functions of marketing give direction to advertising

Topic: What is marketing?

AACSB: Reflective thinking

4. Describe the different markets in which marketers may compete.

Answer:

Today, marketers and advertising practitioners refer to markets as either the region where goods are sold, or a particular type or group of buyers—consumer, business, institutional or intermediary markets.

Consumer markets consist of people who buy products and services for personal or household use. Business markets consist of companies that buy products or services to use themselves or in making other products. This includes the purchase of commodities, components, heavy equipment and services. Institutional markets include a wide variety of profit-making and not-for-profit organisations—hospitals, government agencies, schools—that provide goods and services for the benefit of society. Intermediaries form the links in the distribution chain between sellers and buyers. Every seller needs to decide whether it will sell directly to the consumer or through someone else. The chain can include wholesalers, distributors and retailers, who might buy finished or semi-finished products and resell them for a profit.

Level of Difficulty: 2

LO: 2.2 Describe the different markets in which marketers may compete

Topic: Types of markets

AACSB: Application of knowledge

5. Compare and contrast the four main types of markets, and the types of entities that are served by these markets.

Answer:

Business markets consist of companies that buy products or services to use themselves or in the making of other products. These may include commodities, components, heavy equipment or services like telecommunications. In consumer markets, purchasers are individuals or households who will consume the products and services for themselves. In institutional markets, purchasers of goods and services include a variety of profit-making and not-for-profit organisations including government agencies, hospitals and universities. Intermediary markets consist of the companies that form the links in the chain between sellers and buyers. Firms in this market may buy finished or unfinished goods for later resale.

Level of Difficulty: 3

LO: 2.2 Describe the different markets in which marketers may compete

Topic: Types of markets

AACSB: Application of knowledge

6. Name and briefly describe the four Ps (or Cs) of the marketing mix.

Answer:

Product (customer value), place (convenience), price (cost) and promotion (communication). Product (customer value) is the tangible good or intangible service or idea offered. Place (convenience) is the location or distribution channel in which the seller delivers and services its products to its customers. Price (cost) is what the seller sets for its product based not just on the cost of making and marketing the product but also on the seller's expected profit level. Promotion (communication) or marketing communication refers to the various methods by which the seller communicates with the buyer.

Level of Difficulty: 2

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: The marketing mix: the four Ps (or Cs) of marketing

AACSB: Application of knowledge

7. Name the new three Ps of sustainable marketing and give a brief interpretation of their meaning.

Answer:

People, planet and profits have been added to the original four Ps of marketing to reflect the new wave of thinking about sustainability. People reflects the desire that issues of social justice and equity should be considered in the production, distribution and marketing of goods and services. Planet refers to the idea of creating products that are ecologically sustainable, which satisfy consumer needs without compromising the health and regeneration of the ecosystems. Profit represents newer concepts of viewing the bottom line from a more holistic accounting perspective.

Level of Difficulty: 2

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: Marketing for a sustainable future

AACSB: Application of knowledge

8. Describe five types of specialist advertising agencies.

Answer:

- (1) *Industry focus*: This is an agency that has a particular understanding of a sector or industry; its constraints, its legal or regulatory parameters, as well as its audiences.
- (2) *Audience focus*: With increased diversity of audiences, agencies have emerged that focus on a particular group, following the realisation by marketers that their preferences and buying patterns differ from those of the general market. These agencies specialise in reaching out to a specific target market, such as baby boomers.
- (3) *Boutique agencies*: These agencies are usually small, with anywhere from two to ten people. They tend to concentrate either on planning or preparing the creative aspects of a campaign. Mostly, their focus is entirely on the idea, whether strategic, creative or media.
- (4) *Media-buying shops*: Agencies that specialise in the purchase of media for clients are called media-buying shops.
- (5) *Virtual agencies*: These agencies are formed for a particular client project and dispersed on completion. This type of agency does not exhibit a conventional agency structure.

Level of Difficulty: 2

LO: 2.5 Give an account of types of agencies, their organisation and client–agency relationships

Topic: Client–agency relationships

AACSB: Application of knowledge

9. Describe the role of an account planner in an advertising agency.

Answer:

An account planner is someone who gathers all available intelligence on the market and consumers and acts as the voice of the consumer. Account planners are strategic specialists who prepare comprehensive recommendations about the consumer's wants, needs and relationship to the client's brand. They provide advice to colleagues and the client about how the advertising should work to satisfy those elements, based on insights they derive from consumer research.

Level of Difficulty: 2

LO: 2.5 Give an account of types of agencies, their organisation and client–agency relationships

Topic: How agency work is organised

AACSB: Application of knowledge

10. You work for an advertising agency and you go to visit a prospective client. They aren't sure why they need an advertising agency in the first place and what a full-service agency does. What would you tell them?

Answer:

A company might use an advertising agency because an agency provides specialised services in creative, objective advice, experienced staffing, and tailored management of all advertising activities and personnel. Ultimately, the primary benefit of hiring an ad agency is that it can offer a fresh perspective on how to communicate a product, service or idea to the consumer in the best possible light, thus implementing the creative vision of the client and helping it reach its advertising goals.

A full-service agency is one that includes the four major staff functions—account management, creative services, media planning and buying, and account planning, which includes consumer research. A full-service agency will also have its own accounting department, a traffic department to handle internal tracking on completion of projects, a department for broadcast and print production (usually organised within the creative department) and a human resources department.

Level of Difficulty: 1

LO: 2.5 Give an account of types of agencies, their organisation and client–agency relationships

Topic: Client–agency relationships

AACSB: Reflective thinking

ESSAY QUESTIONS

1. Name and describe the seven steps of the marketing process.

Answer:

- (1) *Researching*: The process starts with researching the needs and wants relative to competitive offerings, and developing a situation analysis to clarify the status of the market.
- (2) *Segmenting*: Because potential customers in the market are seldom uniform, marketers need to decide how to segment the market into groups of likely prospects.
- (3) *Targeting*: Marketers need to understand segment characteristics in order to target those that are likely to be the most profitable customers. This is essential to tailoring the marketing mix and efficiently targeting advertising messages and media placement to those groups who are to be the focus of the communication efforts.
- (4) *Differentiating*: By differentiating, marketers can tailor their products specifically to the needs and wants of their target market.
- (5) *Positioning*: This refers to how consumers view and compare competitive brands or types of products—how they see the brand relative to others in the category. Positioning a product simply means identifying it in a consumer's mind.
- (6) *Implementing*: The implementation phase involves what is referred to as the marketing mix—the four Ps or four Cs. Each element of the marketing mix is designed to integrate everything that has been learned in a form that results in the product becoming the first choice of some people rather than everybody's second choice.
- (7) *Evaluating*: Once the planning period has been completed, marketers must make an effort to evaluate the plan to see how well it met its objectives.

Level of Difficulty: 2

LO: 2.3 Identify and explain the seven steps of the marketing process

Topic: The marketing process

AACSB: Application of knowledge

2. Toyota Motor featured a print advertisement for its hybrid car with the phrase 'You're the kind of person who knows when to save energy'.

In the ad, the innovative Japanese car company emphasises its continuous innovation in fuel efficiency, not just in its improved hybrid engines, but also in its improved energy-efficient manufacturing plants. Half the power for these plants comes from solar energy.

In terms of sustainable marketing, discuss whether this advertising approach would be effective in the Australian market.

Answer:

Toyota's advertisement successfully combines all four traditional Ps: product (customer value), place (convenience), price (cost) and promotion (communication) with the newer three Ps of people, planet and profits. This approach would be effective in Australia.

The traditional four Ps are described in the product's features, availability, costs and benefits of the actual car. The four principles of sustainable marketing as described by Frank-Martin Belz are illustrated by Toyota's description of its operations.

Toyota's concerns about planet and price are reflected in the descriptions of solar energy in the car manufacturing plants. This use of an alternative energy source illustrates that the Toyota hybrid is ecologically sound and viable from a technical and economic perspective. The concept of people is also well represented, as issues of social justice and ethical wellbeing are implied by the product's description and the company's dedication to innovation. The advertisement is most definitely relationship based because it features not just the product, but also the company's sense of social responsibility, and identifies the potential consumer as a person who shares similar values in desiring to save energy.

Level of Difficulty: 3

LO: 2.4 Discuss the marketing mix and the principles of a sustainable orientation

Topic: Types of markets

AACSB: Reflective thinking