

Exam Questions: MC, TF, SA, Essay

Chapter 1—A Business Marketing Perspective

MULTIPLE CHOICE

1. The business market consists of the following three components:
 - a. commercial enterprises, resellers, and government.
 - b. manufacturers, institutions, and defense.
 - c. manufacturers, service organizations, and government.
 - d. commercial enterprises, service organizations, and government.
 - e. commercial enterprises, institutions, and government.

ANS: E PTS: 1

2. Concerning manufacturing customers, the business market is:
 - a. concentrated by size.
 - b. geographically concentrated.
 - c. experiencing declining growth in many large metropolitan areas.
 - d. all of the above.
 - e. (a) and (b) only.

ANS: E PTS: 1

3. Based on the volume of their purchases, _____ are the most important commercial customers in the business or industrial market.
 - a. construction companies
 - b. manufacturers
 - c. transportation companies
 - d. service firms (e.g., hotels)
 - e. health care facilities

ANS: B PTS: 1

4. Market-driven firms demonstrate:
 - a. the coordinated use of interfunctional resources (for example, research and development, manufacturing).
 - b. a set of values and beliefs among employees that places the customer's interests first.
 - c. the ability to generate, disseminate, and productively use superior information about customers and competitors.
 - d. all of the above.
 - e. (b) and (c) only.

ANS: D PTS: 1

5. Market-driven firms spot market changes and react well in advance of their competitors. This illustrates:

- a. the customer-linking capability of market-driven firms.
- b. the value proposition of market-driven firms.
- c. the market-sensing capability of market-driven firms.
- d. the value of using direct channels of distribution in the business market.
- e. both (b) and (c).

ANS: C PTS: 1

6. The particular skills, abilities, and processes that an organization has developed to manage close customer relationships are referred to as:
- a. the customer-linking capability.
 - b. channel management.
 - c. derived demand.
 - d. the market-sensing capability.
 - e. the extended enterprise.

ANS: A PTS: 1

7. The ability of an organization to quickly recognize changes in its market and to anticipate customer responses to marketing programs is referred to as:
- a. market research capability.
 - b. customer-linking capability.
 - c. competitive intelligence.
 - d. market-sensing capability.
 - e. derived demand.

ANS: D PTS: 1

8. Motorola reduced the price of the electronic engine control that it sells to Ford by 10 percent and experienced a 15 percent increase in quantity demanded. This suggests that Ford's price elasticity of demand is:
- a. elastic.
 - b. inelastic.
 - c. neither elastic nor inelastic.
 - d. insensitive to price changes.
 - e. none of the above.

ANS: A PTS: 1

9. Dayco increased the price of the drive belts that it sells to General Motors by 5 percent and sales of the item grew by 9 percent. Price elasticity of demand for drive belts appears to be:
- a. elastic.
 - b. inelastic.
 - c. neither elastic nor inelastic.
 - d. sensitive to price changes.
 - e. none of the above.

ANS: B PTS: 1

10. A diverse array of organizations make up the business market. These organizations can be broadly classified as:
- a. commercial enterprises, governmental organizations, and institutions.
 - b. commercial enterprises, users, and governmental units.

- c. commercial enterprises, users, and original equipment manufacturers.
- d. producers and resellers of industrial products or services.
- e. upstream suppliers, users, and governmental units.

ANS: A PTS: 1

11. When purchasing a high speed packaging machine, General Foods would be classified as:
- a. an original equipment manufacturer.
 - b. a user.
 - c. a distributor.
 - d. a dealer.
 - e. an institutional buyer.

ANS: B PTS: 1

12. Concerning the chain of suppliers involved in the creation of a Honda automobile, which of the following fall within the business marketing domain?
- a. Honda purchasing power steering components from direct suppliers.
 - b. Direct suppliers of power steering systems purchasing sheet metal from upstream suppliers.
 - c. Organizations purchasing Honda automobiles for their fleets.
 - d. all of the above.
 - e. (a) and (b) only.

ANS: D PTS: 1

13. Which of the following transactions fall into the business marketing domain?
- a. Ford purchasing machine tools for their plants from Cincinnati Milacron.
 - b. Ford selling their automobiles to the fleet manager at Cincinnati Milacron for use by the sales force.
 - c. Ford purchasing power-steering systems from Motorola for use in a particular model.
 - d. all of the above.
 - e. (a) and (c) only.

ANS: D PTS: 1

14. When purchasing machine tools for their plants, American Honda is:
- a. an original equipment manufacturer.
 - b. a user.
 - c. a distributor.
 - d. an institutional buyer.
 - e. an upstream supplier.

ANS: B PTS: 1

15. Concerning the classification of customers in the business market, General Motors is a(n) ____ when purchasing a mainframe computer system from IBM, but is a(n) ____ when purchasing tires from Goodyear.
- a. user; original equipment manufacturer (OEM)
 - b. user; distributor
 - c. original equipment manufacturer (OEM); user
 - d. user; upstream supplier
 - e. original equipment manufacturer (OEM); downstream supplier

ANS: A PTS: 1

16. As an industrial customer, Ford Motor Company would be classified as:
- a user.
 - an original equipment manufacturer (OEM).
 - a user in purchasing some products, an OEM in purchasing other products.
 - a producer of facilitating goods.

ANS: C PTS: 1

17. When purchasing microprocessors from Intel Corporation to be incorporated into Dell's line of personal computers, IBM would be classified as:
- a user.
 - an original equipment manufacturer (OEM).
 - an institutional buyer.
 - a dealer.
 - a distributor.

ANS: B PTS: 1

18. When purchasing manufacturing equipment from General Electric, Chrysler would be classified as:
- a user.
 - an original equipment manufacturer (OEM).
 - an institutional buyer.
 - a dealer.
 - a distributor.

ANS: A PTS: 1

19. When Armco Steel realizes a drop in the demand for steel as a result of a decline in ultimate consumer demand for automobiles, this illustrates the concept of:
- derived demand.
 - connector demand.
 - linked demand.
 - reflection demand.
 - evoked demand.

ANS: A PTS: 1

20. The method of classifying industrial goods into meaningful categories in the business market centers on this question:
- How does the industrial good enter the production process and the cost structure of the firm?
 - How much effort are organizational buyers willing to exert in purchasing this industrial good?
 - Will organizational buyers purchase this industrial good from a distributor or directly from a manufacturer?
 - What is the weight and unit value of the industrial good?
 - How many product alternatives are organizational buyers willing to consider before making a choice?

ANS: A PTS: 1

21. Industrial products and services can be broadly classified as:

- a. upstream, downstream, and direct goods.
- b. entering, manufactured, and fabricated goods.
- c. entering, accessory, and manufactured goods.
- d. entering, foundation, and facilitating goods.
- e. foundation, accessory, and component goods.

ANS: D PTS: 1

22. The cost of raw materials such as sheet steel is treated as:

- a. an expense item which is depreciated over time.
- b. a capital item which is depreciated over time.
- c. a fixed cost.
- d. an expense item which is assigned to the manufacturing process.
- e. none of the above.

ANS: D PTS: 1

23. Some industrial products have been processed before reaching the industrial customer, but are processed further by this customer before becoming part of the finished product that you buy. These items are called:

- a. component parts.
- b. facilitating parts.
- c. accessory materials.
- d. component materials.
- e. accessory parts.

ANS: D PTS: 1

24. Which of the following is(are) characteristic of the marketing strategy that would be appropriate for a firm like Otis Elevator, which sells installations in the business market?

- a. Personal selling is the dominant promotional tool.
- b. Trade advertising and direct-mail advertising reinforce personal selling.
- c. Price is the central force in marketing strategy.
- d. All of the above.
- e. (a) and (b) only.

ANS: E PTS: 1

25. Mead Paper Company recently purchased a new high-speed paper machine for one of their plants. The new machine is used in manufacturing a special grade of paper at a rate of over 1500 feet per minute. This product would be classified as:

- a. a facilitating good.
- b. an entering good.
- c. accessory equipment.
- d. an installation.
- e. none of the above.

ANS: D PTS: 1

26. The distinguishing characteristic(s) of foundation goods is(are) that they:

- a. are capital items.

- b. are expense items.
- c. become part of the finished product.
- d. Both (a) and (c) are true.
- e. All of the above are true.

ANS: A PTS: 1

27. With little or no additional processing, ____ can be installed directly into another product.
- a. component parts
 - b. component materials
 - c. operating equipment
 - d. light factory equipment
 - e. all of the above

ANS: A PTS: 1

28. Bond Office Products manufactures a diverse array of office supplies and serves the business market. Which of the following characteristics is (are) associated with the marketing strategy for this category of goods?
- a. Personal selling is less important for supplies than it is for other categories of goods having a higher unit value, such as installations.
 - b. the company requires a wide variety of marketing middlemen to cover the broad and diverse market adequately.
 - c. Price may be critical in the marketing strategy because many office supply items are undifferentiated.
 - d. All of the above are true.
 - e. (a) and (c) only

ANS: D PTS: 1

29. When companies want to sell products to consumer and business markets, they have to:
- a. produce products that are not identical.
 - b. reorient their business strategies.
 - c. link customer capabilities.
 - d. none of the above

ANS: B PTS: 1

30. Marketers who want to serve both consumer and business market sectors should:
- a. develop a market oriented organizational plan.
 - b. become proficient in understanding customers.
 - c. become proficient in satisfying customers.
 - d. all of the above.
 - e. (a) and (b) only.

ANS: D PTS: 1

31. Companies can demonstrate market-sensing and customer-linking capabilities by:
- a. sharing product movement information.
 - b. jointly planning promotional activities with other channel members.
 - c. jointly planning product changes with other channel members.
 - d. all of the above.
 - e. (a) and (b) only.

ANS: D PTS: 1

32. A business marketer becomes a preferred supplier to major customers by:
- a. developing intimate knowledge of the customers operations.
 - b. developing a market orientation organization plan.
 - c. contributing unique value to a customer's business.
 - d. all of the above.
 - e. (a) and (c) only.

ANS: E PTS: 1

33. Business marketing strategy must be based on an assessment of the:
- a. customer.
 - b. competitor.
 - c. company.
 - d. all of the above.
 - e. (b) and (c) only.

ANS: D PTS: 1

34. Functional areas other than marketing directly or indirectly affect which of the following?
- a. Product marketing decisions
 - b. Price marketing decisions
 - c. Promotion marketing decisions
 - d. Distribution marketing decisions
 - e. All of the above are affected

ANS: E PTS: 1

35. Which type of goods are treated as an expense item because they do not enter the production process or become part of the finished product?
- a. Facilitating Goods
 - b. Foundation Goods
 - c. Entering Goods
 - d. None of the above are correct.

ANS: A PTS: 1

36. The buying motives for major installations center on:
- a. emotional factors.
 - b. purely economic or rational considerations.
 - c. a blend of rational and emotional factors.
 - d. the initial price and cost.
 - e. projected maintenance and operating costs.

ANS: C PTS: 1

37. An implication of relationship marketing is:
- a. that sellers do not require an intimate knowledge of a customer's operations.
 - b. that a sale signals the beginning of a relationship, rather constituting the end result.
 - c. the building of one-to-one relationships.
 - d. all of the above.

e. (b) and (c) only.

ANS: E PTS: 1

38. The factors that distinguish business marketing from consumer marketing include:

- a. the importance of promotion.
- b. the intended use of the product.
- c. the nature of the customer.
- d. all of the above.
- e. (b) and (c) only.

ANS: E PTS: 1

39. Which of the following characteristics of business customers is true?

- a. A single purchase by a business customer is typically larger than that of an individual consumer.
- b. Demand for industrial products is derived from ultimate demand for consumer products.
- c. Relationships between business marketers tend to be close and enduring.
- d. All of the above characteristics are true.
- e. Only (a) and (b) are true.

ANS: D PTS: 1

40. The skills required to identify, initiate, develop, and maintain profitable customer relationships describes:

- a. customer management relationship capabilities.
- b. market-sensing capabilities.
- c. derived demand.
- d. supply chain management.
- e. the extended enterprise.

ANS: A PTS: 1

41. If consumers are not price sensitive in purchasing a consumer product such as Smucker's Jams, a 10% increase in the retail price of strawberry jam because of a 10% increase in the cost of strawberries from farmers will not affect demand for jam. Thus, the derived demand indicates that the demand for strawberries is:

- a. Elastic
- b. Inelastic
- c. unpredictable
- d. Unknown
- e. none of the above

ANS: B PTS: 1

42. Which of the following would be classified as foundation goods?

- a. fixed equipment
- b. operating supplies
- c. buildings and land rights
- d. maintenance and repair services
- e. both (a) and (c)

ANS: E PTS: 1

43. The use of a goods classification system can be extremely valuable to business marketers because:
- a. a marketing strategy appropriate for one category of goods may be entirely unsuitable for another.
 - b. a marketing strategy that works for consumer products will often work for products sold in business markets.
 - c. the physical nature of the industrial good and its intended use by the organizational customer affects the marketing program's requirements.
 - d. all of the above are true.
 - e. only (a) and (c) are true.

ANS: E PTS: 1

44. Market-driven firms attempt to match their resources, skills, and capabilities with:
- a. competitive intelligence.
 - b. customers needs that are not currently being served adequately.
 - c. derived demand.
 - d. the needs of upstream suppliers.

ANS: B PTS: 1

45. Which of the following statements about major installations is true?
- a. Personal selling or account management is the dominant promotional tool.
 - b. Initial price, distribution, and advertising play lesser roles.
 - c. Only economic factors matter as buying motives.
 - d. All of the above are true.
 - e. Only (a) and (b) are true.

ANS: B PTS: 1

46. Business marketers that define their business markets with a horizon that stretches beyond the boundaries of their own country to include foreign markets for industrial goods and services employ:
- a. a global market perspective.
 - b. a target market perspective.
 - c. a market orientation perspective.
 - d. an ethnocentric perspective.

ANS: A PTS: 1

47. Marketing activities directed toward establishing, developing, and maintaining successful exchanges with customers is:
- a. relationship marketing.
 - b. global marketing.
 - c. cross-functional marketing.
 - d. supply chain management.

ANS: A PTS: 1

48. The technique for linking a manufacturer's operations with those of all its strategic suppliers and its key intermediaries and customers to enhance efficiency and effectiveness is called:
- a. relationship marketing.
 - b. supply chain management.
 - c. global marketing.
 - d. consumer marketing.

ANS: B PTS: 1

49. Achieving the goals of supply chain management requires:
- a. information sharing.
 - b. joint planning.
 - c. shared technology.
 - d. shared benefits.
 - e. all of the above.

ANS: E PTS: 1

50. Which of the following would qualify as facilitating goods?
- a. Fixed equipment.
 - b. Component materials.
 - c. Raw materials.
 - d. Operating supplies.
 - e. Office equipment.

ANS: D PTS: 1

51. The use of law firms or advertising agencies by business marketers constitutes what type of industrial good?
- a. Facilitating goods.
 - b. Entering goods.
 - c. Foundation goods.
 - d. Installations.

ANS: A PTS: 1

52. Markets for products and services, local to international, bought by businesses, government bodies, and institutions for consumption, for use or for resale are:
- a. consumer markets.
 - b. business markets.
 - c. global markets.
 - d. target markets.

ANS: B PTS: 1

53. Developing a marketing program that reaches the ultimate consumer directly for a product that incorporates your product, such as DuPont advertising to consumers to increase the sales of carpeting which incorporates their product is known as:
- a. demand elasticity.
 - b. stimulating demand.
 - c. fluctuating demand.
 - d. price sensitivity.

ANS: B PTS: 1

TRUE/FALSE

1. The intended use of the product and the intended consumer distinguishes business marketing from consumer-goods marketing.

ANS: T PTS: 1

2. The demand for industrial products is derived from the ultimate demand for consumer products.

ANS: T PTS: 1

3. A close examination of a market-driven firm will reveal two important capabilities: market sensing and customer linking.

ANS: T PTS: 1

4. Firms operating in the business market must respond not to a single consumer but to a much wider group of buying influentials, all of whom may bring different criteria to bear on the purchase decision.

ANS: T PTS: 1

5. Planning in the business marketing setting requires more functional interdependence and a closer relationship to total corporate strategy than does planning in the consumer goods sector.

ANS: T PTS: 1

6. A particular industrial customer might be properly classified as a user by some business marketers and an original equipment manufacturer by other business marketers.

ANS: T PTS: 1

7. Industrial goods are classified on the basis of how organizational buyers shop for particular products and services.

ANS: F PTS: 1

8. In contrast to raw materials, manufactured materials and parts would be classified as capital items.

ANS: F PTS: 1

9. As foundation goods are used up or worn out, a portion of their original cost is assigned to the production process as a depreciation expense.

ANS: T PTS: 1

10. Personal computers and light factory equipment such as portable drills provide examples of industrial goods that would be classified as accessory equipment.

ANS: T PTS: 1

11. A marketing strategy that works well for selling entering goods should be equally successful for facilitating goods.

ANS: F PTS: 1

12. Price may be critical in the marketing strategy for supplies because many supply items are undifferentiated.

ANS: T PTS: 1

13. Other functional areas affect all business marketing decisions, either directly or indirectly.

ANS: T PTS: 1

14. The "compatibility" of a cross-functional working relationship can be defined as the common ground or shared goals that can unite managers who represent different functional areas.

ANS: T PTS: 1

15. Due to downturns in the economy, the demand for many consumer products tends to fluctuate more than the demand for industrial products.

ANS: F PTS: 1

16. None of the products purchased by customers in the business market are the same as those purchased by ultimate consumers.

ANS: F PTS: 1

17. Customers in the business market can be broadly classified into three categories: (1) commercial enterprises; (2) government; and (3) institutions.

ANS: T PTS: 1

18. Supply chain management requires Information sharing, shared technologies, and shared benefits.

ANS: T PTS: 1

19. Personal selling is less important for supplies than it is for other categories of goods, such as installations.

ANS: T PTS: 1

20. Relationships between business marketers tend to be close and enduring.

ANS: T PTS: 1

SHORT ANSWER

1. Business market customers can be broadly classified into these three categories:

ANS:

1. Business commercial enterprises
2. Institutions
3. Government

PTS: 1

2. The value elements that contain essentially the same performance characteristics as the next best alternative and the value elements that render the supplier's offering either superior or inferior to the next best alternative are known respectively as:

ANS:

Points of parity and points of difference

PTS: 1

3. Because demand in business markets is derived from consumer markets, business must carefully monitor demand patterns and changing consumer buying preferences. Because of these changes, the demand for many industrial products can be described as:

ANS:

Fluctuating demand

PTS: 1

4. Those that have the power in the business buying process are referred to as:

ANS:

Key buying influentials

PTS: 1

5. This type of equipment is generally less expensive and is short-lived compared with installations, and is not considered part of the fixed plant:

ANS:

Accessory equipment

PTS: 1

6. Like supplies, business services are considered expense items. Business services can be classified as:

ANS:

Maintenance and repair support and advisory support

PTS: 1

ESSAY

1. Using a product of your choice, illustrate the concept of the supply chain and indicate which elements or exchange relationships fall into the business versus the consumer-goods marketing domain.

ANS:

n/a

PTS: 1

2. Carefully compare and contrast the marketing strategy patterns and buying considerations for a \$3 million air conditioning system to be used in a large factory versus photocopying paper for use in an office.

ANS:

n/a

PTS: 1

3. Conrad Spring produces manufactured materials and parts for diverse customer groups in the business market, ranging from automobile manufacturers and household appliance producers to toy makers and medical equipment specialists. Describe the nature of marketing strategy for industrial goods of this type.

ANS:

n/a

PTS: 1

4. Dell Computer has excelled with a fast-paced build-to-order approach that involves taking customer orders online, orchestrating production tailored to each customer, and forging a one-to-one relationship with the customer after the sale. Some auto industry executives have turned to Michael Dell, the company founder, for advice concerning how to make their businesses look like his. Senior executives at Ford, for example, envision a future where customers will order online and factories will build to order, eliminating billions of dollars of inventory costs (for example, large stocks of vehicles on hand). All of those mass produced cars sitting for weeks on dealer lots represent a massive investment that yields no return until a buyer comes along.
 - a. Evaluate the feasibility of a build-to-order system for an automaker like Ford and outline the key requirements that Ford must meet to make the strategy work for a potential customer like you.
 - b. How would a build-to-order system alter the way in which suppliers (business marketers) would serve Ford as a customer?

ANS:

n/a

PTS: 1

5. Consider some leading-edge consumer product manufacturers like Procter & Gamble, Gillette, or Coca Cola. What major differences would you expect to find in comparing the marketing strategy patterns employed by these consumer-products companies to those of leading business marketing firms such as Intel, 3M, or Dow Chemical? Next, describe the similarities and differences that emerge when comparing the distinctive attributes of a leading-edge consumer products marketer to a firm that demonstrates superb skills serving customers in the business market.

ANS:

n/a

PTS: 1

6. Hayes enjoys a well-established position as a supplier to the automobile industry. The firm supplied wheels to the Model T Ford. Today, Hayes is betting on a new product, fabricated aluminum wheels, which weigh up to 20 percent less than cast aluminum wheels and 40 percent less than steel ones. Hayes has signed contracts worth \$50 million for the new wheels—mostly for use in spare tires—with DaimlerChrysler, Ford, General Motors, and BMW. Drawing on the industrial goods classification scheme, how would you classify the aluminum wheels? Sketch out the critical buying motives that organizations like DaimlerChrysler would emphasize in evaluating the wheels and explore Hayes' associated marketing strategy implications.

ANS:

n/a

PTS: 1

7. Smucker's sells products to both business and consumer markets. Compare and contrast the marketing strategies that Smucker's will use when selling their products to each type of market.

ANS:

n/a

PTS: 1

8. Please explain the following statement and how it affects business marketers.

"All business marketing decisions - product, price, promotion, and distribution - are affected, directly or indirectly, by other functional areas. In turn, marketing considerations influence business decisions in R&D and in manufacturing and procurement, as well as adjustments in the overall corporate strategy."

ANS:

n/a

PTS: 1

Chapter 2—Organizational Buying Behavior

MULTIPLE CHOICE

1. The organizational buying process, which ultimately may lead to the purchase of a new computer, could be set into action by:
- a. the existing computer breaking down.
 - b. a new cost accounting system.
 - c. an IBM sales presentation.
 - d. (a) and (b) only.
 - e. any of the above.

ANS: E PTS: 1

2. Concerning the eight-stage model of the organizational buying process, research suggests that:
- a. the process may be reoriented at any point by a redefinition of the basic problem.
 - b. the process may be discontinued by a change in the external environment.
 - c. certain stages may be completed concurrently.
 - d. many small or incremental decisions are made during the procurement process that ultimately translate into the final selection of a supplier.
 - e. all of the above

ANS: E PTS: 1

3. The purchase of an expensive piece of material handling equipment would be classified as:
- a. a new task buying situation.
 - b. a modified rebuy.
 - c. a straight rebuy.
 - d. any of the above.
 - e. none of the above.

ANS: D PTS: 1

4. Mary Bronson, purchasing manager for the Los Angeles Tool Company, placed her quarterly order for supplies from the Gibson Paper Company. Mary has been dealing with Gibson for many years. What type of problem solving would Mary employ in this purchase decision?
- a. routine problem solving
 - b. casual problem solving
 - c. limited problem solving
 - d. extended problem solving
 - e. specialized problem solving

ANS: A PTS: 1

5. As a result of poor delivery performance by a supplier of high quality metal components, Jim Houser, purchasing agent at Milton Toy Company, plans to consider a possible change in suppliers. This provides an illustration of:
- a. the backlash effect.
 - b. routinized problem solving.
 - c. a modified rebuy.
 - d. a straight rebuy.
 - e. selective perception.

ANS: C PTS: 1

6. The problem solving approach followed by an organizational buyer in a new task buying situation is:
- a. selective.

- b. extensive.
- c. Cerebral
- d. systematic.
- e. none of the above

ANS: B PTS: 1

7. The problem solving approach followed by an organizational buyer in a modified rebuy situation is:
- a. limited.
 - b. selective.
 - c. routinized.
 - d. extended.
 - e. cerebral

ANS: A PTS: 1

8. When buying influentials and decision makers lack well-defined criteria for comparing alternative products and suppliers and they also lack strong predispositions toward a particular solution, they are operating in a stage of _____ problem solving.
- a. Cerebral
 - b. Limited
 - c. Selective
 - d. Routinized
 - e. Extensive

ANS: E PTS: 1

9. When organizational buyers have well developed choice criteria to apply to the purchase decision, they are operating in a stage of problem solving known as:
- a. cerebral response behavior.
 - b. limited response behavior.
 - c. selective response behavior.
 - d. routine response behavior.
 - e. extended response behavior.

ANS: D PTS: 1

10. When organizational buyers have well-defined criteria to apply to the purchase decision, but are uncertain about which suppliers can best fit their needs, they are operating in a stage of _____ problem solving.
- a. Cerebral
 - b. Limited
 - c. Selective
 - d. Routinized
 - e. Extended

ANS: B PTS: 1

11. Because of the technical complexity of the product, the difficulty of evaluating alternatives, or the unpredictable aspects of dealing with a new supplier, this type of buying decision involves the greatest level of uncertainty.
- a. complex modified rebuy decision
 - b. strategic modified rebuy decision

- c. judgmental new task decision
- d. strategic new task decision
- e. lost-for-good decision

ANS: C PTS: 1

12. Those buying decisions that are of extreme importance to the firm strategically and financially are referred to as:
- a. strategic new task buying decisions
 - b. strategic modified rebuy decisions
 - c. judgmental new task decisions
 - d. lost-for-good decisions
 - e. complex modified rebuy decisions

ANS: A PTS: 1

13. In choosing a new piece of manufacturing equipment, the buying organization is uncertain of the model or brand to choose, the suitable level of quality, and the appropriate price to pay. This represents which type of buying situation?
- a. complex modified rebuy decision
 - b. strategic modified rebuy decision
 - c. judgmental new task decision
 - d. strategic new task decision
 - e. lost-for-good decision

ANS: C PTS: 1

14. Those buying decisions that involve a narrow set of choice alternatives, encompass a moderate amount of both information search and analysis, and concentrate on the long-term relationship potential of suppliers are called:
- a. simple modified rebuy.
 - b. complex modified rebuy.
 - c. casual purchases.
 - d. routine low priority purchases.
 - e. specialty purchases.

ANS: A PTS: 1

15. The simple modified rebuy:
- a. involves a narrow set of choice alternatives.
 - b. centers on a product of minor importance to the firm.
 - c. encompasses little or no information search or analysis.
 - d. all of the above.
 - e. (b) and (c) only.

ANS: A PTS: 1

16. Upon meeting with a General Electric buyer, a salesperson learned that the G.E. purchasing function is unhappy with the supplier's performance and is openly considering new options. This provides an illustration of:
- a. a new task buying situation.
 - b. a straight rebuy.
 - c. a modified rebuy.

- d. extended problem solving.
- e. value analysis.

ANS: C PTS: 1

17. Strategies that would be appropriate for an "out" supplier to follow when confronting a modified rebuy situation include:
- a. offering performance guarantees.
 - b. encouraging the organization to sample the firm's offering.
 - c. defining and responding to the organization's problem with the existing supplier.
 - d. all of the above
 - e. (b) and (c) only

ANS: D PTS: 1

18. Strategies that would be appropriate for an "out" supplier to follow in dealing with a well-satisfied customer in a straight rebuy situation include:
- a. attempting to gain a position on the organization's preferred list of suppliers.
 - b. demonstrating to the organization that the potential benefits of reexamining requirements and suppliers exceed the costs of doing so.
 - c. convincing organizational buyers that their purchasing requirements have changed or that the requirements should be interpreted differently.
 - d. all of the above
 - e. (b) and (c) only

ANS: D PTS: 1

19. Jim Parker, Purchasing Manager for the Boston Motor Works, is involved in many organizational buying decisions each year. The forces that influence Jim's organizational buying decisions might be broadly classified as:
- a. economic, organizational, group, and legal.
 - b. group, environmental, individual, and organizational.
 - c. organizational, cultural, environmental, and economic.
 - d. legal, political, organizational, and group.
 - e. organizational, domestic, legal, and international.

ANS: B PTS: 1

20. The environmental forces that influence organizational buying behavior include:
- a. economic factors.
 - b. political and legal factors.
 - c. technological factors.
 - d. all of the above.
 - e. (a) and (b) only.

ANS: D PTS: 1

21. Within the buying center, individuals who actually make the organizational buying decision, whether or not they have formal authority to do so, are performing the role of:
- a. a user.
 - b. a gatekeeper.
 - c. an influencer.
 - d. a decider.

e. a buyer.

ANS: D PTS: 1

22. Within the buying center, an individual who has formal authority for selecting a supplier and implementing all procedures connected with securing the product is performing the role of:

- a. a user.
- b. a gatekeeper.
- c. an implementer.
- d. a decider.
- e. a buyer.

ANS: E PTS: 1

23. Individuals who control the flow of information into the buying center are performing the role of:

- a. a user.
- b. a gatekeeper.
- c. an implementer.
- d. a decider.
- e. a buyer.

ANS: B PTS: 1

24. The composition of the buying center:

- a. evolves during the purchasing process.
- b. varies from one purchasing situation to another.
- c. varies from firm to firm.
- d. All of the above are true.
- e. (a) and (b) only.

ANS: D PTS: 1

25. A common identifiable element in buying centers in all sectors of the industrial market is:

- a. the chief executive officer.
- b. the accounting function.
- c. the purchasing function.
- d. the production function.
- e. the engineering function.

ANS: C PTS: 1

26. In the purchase of a new papermaking machine, what role would the firm's manufacturing superintendent assume in the buying center?

- a. Influencer
- b. Decider
- c. gatekeeper
- d. any or all of the above.

ANS: D PTS: 1

27. The evaluative criteria that engineers apply to a purchasing decision may be quite different from those used by purchasing managers because engineers:

- a. are exposed to different journals or publications.
- b. possess different professional goals and values.
- c. have a different educational background.
- d. attend different conferences.
- e. all of the above.

ANS: E PTS: 1

28. When organizational buyers modify a salesperson's message to make it more consistent with their predispositions toward the company, this provides an illustration of:
- a. selective exposure.
 - b. selective attention.
 - c. selective perception.
 - d. selective retention.
 - e. selective memory.

ANS: C PTS: 1

29. The formation of organizational preferences and ultimately the organization's buying choice is determined by the _____ of the members of the buying center.
- a. interaction structure
 - b. operating resources
 - c. relevant set
 - d. primary set
 - e. none of the above.

ANS: A PTS: 1

30. As the risk associated with an organizational purchase decision increases:
- a. buying center participants will be motivated to invest greater effort throughout the purchase process.
 - b. product quality becomes more important than price.
 - c. after-sale service becomes more important than price.
 - d. all of the above.
 - e. (a) and (b) only.

ANS: D PTS: 1

31. Buying decisions that are somewhat important to the firm and involve a moderate amount of analysis are:
- a. casual purchases.
 - b. routine low priority purchases.
 - c. straight rebuy purchases.
 - d. extensive problem-solving purchases.

ANS: B PTS: 1

32. Those buying decisions that involve a large set of choice alternatives and pose little uncertainty, and involve buyers actively searching for information, applying sophisticated analysis techniques, and careful consideration of long-term needs are called:
- a. simple modified rebuy.
 - b. complex modified rebuy.
 - c. casual purchases.

- d. routine low priority purchases.
- e. specialty purchases.

ANS: B PTS: 1

33. In a modified rebuy situation, the “in” supplier should do which of the following?
- a. Make every effort to understand and satisfy the procurement need.
 - b. Try to move decision makers into straight rebuy.
 - c. Both (a) and (b).
 - d. Neither (a) nor (b).

ANS: C PTS: 1

34. In a modified rebuy situation, the “out” supplier should do which of the following?
- a. Try to move decisions makers into straight rebuy.
 - b. Hold the buying organization in modified rebuy status long enough to consider new alternatives.
 - c. Both (a) and (b).
 - d. Neither (a) nor (b).

ANS: B PTS: 1

35. A significant increase in the price of gasoline that leads to a decrease in the purchases of new automobiles is an example of the impact of which environmental force?
- a. economic factors.
 - b. political and legal factors.
 - c. technological factors.
 - d. all of the above.
 - e. (a) and (c) only.

ANS: A PTS: 1

36. Which of the following are ambitious strategic priorities being pursued by many chief procurement officers?
- a. Becoming business partners, not just buyers.
 - b. Developing fewer and deeper relationships with strategic suppliers.
 - c. Emphasizing more than just price, including a focus on business outcomes, total cost of ownership, and the development of long-term value creation.
 - d. All of the above.
 - e. Only (a) and (c).

ANS: D PTS: 1

37. Individuals actually making the buying decision, whether or not they have the formal authority to do so, are performing the role of:
- a. a user.
 - b. a gatekeeper.
 - c. an influencer.
 - d. a decider.
 - e. a buyer.

ANS: D PTS: 1

38. Individuals affecting the purchasing decision by supplying information for the evaluation of alternatives or by setting buying specifications is performing the role of:
- a. a gatekeeper.
 - b. a user.
 - c. an influencer.
 - d. a decider.
 - e. a buyer.

ANS: C PTS: 1

39. For a salesperson trying to determine the impact of group forces on the organizational buying process, which of the following questions are appropriate?
- a. Which organizational members take part in the buying process?
 - b. What is each member's relative influence in the decision?
 - c. What criteria are important to each member in evaluating prospective suppliers?
 - d. All of the above questions are appropriate.
 - e. Only (a) and (b) are appropriate.

ANS: D PTS: 1

40. A _____ consists of individuals who participate in the purchasing decision and share the goals and risks arising from the decision.
- a. buying center
 - b. target market
 - c. sales force
 - d. strategic task force

ANS: A PTS: 1

41. Which of the following statements about buying centers is true?
- a. The composition can change from one buying situation to another.
 - b. Different individuals are important to the process at different times.
 - c. Buying centers vary from firm to firm.
 - d. All of the above are true.
 - e. Only (a) and (c) are true.

ANS: D PTS: 1

42. Which of the following represent clues or techniques for identifying powerful buying center members?
- a. Isolating the personal stakeholders.
 - b. Following the information flows.
 - c. Identifying the experts.
 - d. All of the above.
 - e. None of the above.

ANS: D PTS: 1

43. Selective _____ is the tendency to accept communication messages consistent with existing attitudes and beliefs.
- a. Exposure
 - b. Attention
 - c. Perception

- d. Retention
- e. Memory

ANS: A PTS: 1

44. As the risk associated with an organizational purchase decision increases, which of the following occur?
- a. The buying center becomes smaller.
 - b. The information search is a active and a wide variety of information sources are consulted.
 - c. Buying center participants invest greater effort.
 - d. All of the above occur.
 - e. Only (b) and (c) occur.

ANS: E PTS: 1

45. Which of the following statements are true of reverse auctions?
- a. They are most appropriate for commodity-type items.
 - b. They involve one buyer who invites bids from several pre-qualified suppliers.
 - c. Both a and b are true.
 - d. Neither a or b is true.

ANS: C PTS: 1

46. The Total Cost of Ownership
- a. Includes all costs associated with the product and its delivery
 - b. Is used by buyers to determine what they should spend on an item
 - c. Considers the full range of costs associated with the purchase and use of a product or service over its complete life cycle
 - d. Is an accounting concept that buyer's use to compare the value of competing offerings
 - e. None of the above.

ANS: C PTS: 1

TRUE/FALSE

1. The decision to purchase a fork-lift truck may be a new task buying situation in one organization and a modified or straight rebuy in another.

ANS: T PTS: 1

2. Many small or incremental decisions are made during the procurement process that ultimately translate into the final selection of a supplier.

ANS: T PTS: 1

3. The information requirements of organizational buyers are highest in modified rebuy situations.

ANS: F PTS: 1

4. Technical and engineering personnel tend to be more important to the organizational buying process where the rate of technological change is great.

ANS: T PTS: 1

5. A purchasing manager could assume the roles of buyer, gatekeeper, and influencer in the buying center.

ANS: T PTS: 1

6. Members of the buying center are generally in agreement concerning the criteria that should be used in evaluating the merits of alternative suppliers.

ANS: F PTS: 1

7. Purchasing managers assume a dominant role in repetitive buying situations.

ANS: T PTS: 1

8. Those individuals who have an important personal stake in the decision will exert more influence than other members of the buying center.

ANS: T PTS: 1

9. Well-known companies, recognized as credible sources, tend to be favored by organizational buyers facing high-risk decisions.

ANS: T PTS: 1

10. The higher the level of perceived risk in a buying situation, the lower the probability that the organizational buying decision will be made by a group.

ANS: F PTS: 1

11. For "risky" purchase decisions, the buying center will become larger and will be comprised of members with higher levels of organizational status and authority.

ANS: T PTS: 1

12. Influencers control information to be reviewed by other members of the buying center.

ANS: F PTS: 1

13. The greatest level of uncertainty confronts firms in judgmental new task situations because of the technical complexity of the product and the difficulty of evaluating the alternatives.

ANS: T PTS: 1

14. The buying center becomes larger and comprises members with higher levels of organizational status and authority as perceived risk increases.

ANS: T PTS: 1

15. A business marketer confronting a new-task buying situation can gain a differential advantage by participating actively in the initial stages of the procurement process.
- ANS: T PTS: 1
16. The four groups of forces that have an impact on organizational buying behavior are environmental, organizational, strategic, and individual.
- ANS: F PTS: 1
17. Because globalization is upsetting traditional patterns of competition, the rise of material costs, and customer resistance to price increases, the influence of the procurement function is increasing in most organizations.
- ANS: T PTS: 1

SHORT ANSWER

1. The first stage of the Organizational Buying Process involves:

ANS:
Problem Recognition

PTS: 1

2. Alternative proposals are evaluated by a purchasing manager and a number of members of the production department in which stage of the Organizational Buying Process?

ANS:
Acquisition and Analysis of Proposals

PTS: 1

COMPLETION

1. _____ forces involve job function, past experience, and buying motives of individual decision participants

ANS: Individual

PTS: 1

2. Collectively, uncertainty about the outcome of a decision and the magnitude of consequences from making the wrong choice comprise _____.

ANS: Perceived risk

PTS: 1

3. Key influencers are frequently located outside of the _____ department.

ANS: Purchasing

PTS: 1

ESSAY

1. Mary Bronson recently completed the sales training program at Dow Chemical and has spent the past few months in San Diego, her assigned territory. Today she plans to call on two accounts and then complete a sales forecast for next quarter.

The first account is a small, high-tech firm that potentially could use a Dow product directly in a production process. This production process is new and the purchasing manager indicated that several substitute products will likely receive consideration. What strategy should Mary follow in dealing with this customer?

The second account has been buying their chemical products from Allied for the past three years. Of course, Mary would like them to change to Dow but the purchasing manager at this firm seems preoccupied with other matters. What strategy should Mary follow here? She wonders if it's even worth stopping by because she could spend the time talking to an existing customer.

ANS:

n/a

PTS: 1

2. Using an illustration of your choice, describe the factors that might move a purchasing manager to shift from a straight rebuy to a modified rebuy. Next, describe the steps that should be taken by both the “in” supplier and “out” supplier as a modified rebuy situation develops.

ANS:

n/a

PTS: 1

3. To remain competitive, Johnston Equipment has decided to adopt more sophisticated manufacturing technology. The eight members of the firm who have been actively involved in defining specifications and in evaluating suppliers are evenly split over “which way to go.” Four members are strong advocates for Supplier A; four are committed to Supplier B. Describe the factors that motivate individual decision makers during the organizational buying process and explain why product perceptions and evaluation criteria often differ among organizational decision makers.

ANS:

n/a

PTS: 1

4. Boeing, AT&T, and 3M are among the corporations that have adopted centralized procurement. Other large corporations may find that a decentralized procurement structure constitutes a better fit for their operations. First, which factors are conducive to the development of a centralized procurement function? Second, what adjustments must be made in business marketing strategy to reach the centralized purchasing unit?

ANS:

n/a

PTS: 1

5. Texas Instruments has a major manufacturing plant that falls within your new sales territory. On your initial visit to this plant, you learn from a receptionist that the purchasing department is in the very preliminary stages of making a major purchase of the type of production equipment that you sell. First, how would you predict the likely composition of the buying center for this particular purchase? Second, what questions could you ask to determine the relative influence that different organizational members might exert on the buying decision?

ANS:

n/a

PTS: 1

6. Members of the buying center assume different roles throughout the procurement or organizational buying process. Discuss the nature of the five roles that a buying center member may assume. Provide an example of each role in the organizational buying context.

ANS:

n/a

PTS: 1

7. There are four categories of forces that influence organizational buying behavior. Please identify and briefly describe the four categories of forces. Assume that you are a salesperson in any industry you choose, provide one specific example in each category of how these forces affect organizational buying behavior in the industry you have chosen.

ANS:

n/a

PTS: 1

8. What are the two components that determine perceived risk in purchase decisions? Please describe some of the characteristics of the buying center and decision-making process when perceived risk is high. What actions should a salesperson take when selling to an organization when perceived risk is high?

ANS:

n/a

PTS: 1