

Chapter 2 - Consumer Segmentation and Positioning

TRUE/FALSE

1. Market aggregation is the process of dividing the large and diverse market into subsets of consumers who share common needs, characteristics, or behaviors.

ANS: F PTS: 1 DIF: Easy OBJ: 2-1
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan
2. Dividing groups of products into subgroups of products is the best way to segment a market.

ANS: F PTS: 1 DIF: Moderate OBJ: 2-1
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan
3. Market segmentation allows a company to efficiently focus resources and efforts by avoiding those parts of the market it cannot satisfy well, thereby avoiding unwieldy competition.

ANS: T PTS: 1 DIF: Moderate OBJ: 2-1
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan
4. The ultimate goal of market segmentation is better serving the consumer while improving profitability.

ANS: T PTS: 1 DIF: Easy OBJ: 2-1
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan
5. One key assumption that underlies market segmentation is consumer preference homogeneity.

ANS: F PTS: 1 DIF: Moderate OBJ: 2-1
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Product
6. If all humans were the same in their preferences and behaviors, market segmentation would not be needed.

ANS: T PTS: 1 DIF: Moderate OBJ: 2-1
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer
7. A target market is simply the segment(s) toward which a firm's marketing efforts are directed.

ANS: T PTS: 1 DIF: Easy OBJ: 2-1
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Promotion
8. Targeting is the process of communicating with our market segments through the use of marketing mix variables in such a way as to help consumers differentiate our product from our competition.

ANS: F PTS: 1 DIF: Easy OBJ: 2-1
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Promotion

9. The four elements of the marketing mix are product, price, position, and place.

ANS: F PTS: 1 DIF: Easy OBJ: 2-1
TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Promotion | CB&C Model Product

10. One unfortunate consequence of market segmentation is that consumers spend more time in search, evaluation, and purchase activities.

ANS: F PTS: 1 DIF: Moderate OBJ: 2-2
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

11. Market segmentation benefits consumers and has increased society's standard of living.

ANS: T PTS: 1 DIF: Moderate OBJ: 2-2
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

12. Market aggregation is the opposite of market segmentation.

ANS: T PTS: 1 DIF: Easy OBJ: 2-3
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

13. Market aggregation strategies ignore differences among different groups of consumers.

ANS: T PTS: 1 DIF: Easy OBJ: 2-3
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

14. Jungle Jim's International Market, featured in your readings, uses a market aggregation strategy.

ANS: F PTS: 1 DIF: Moderate OBJ: 2-3
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

15. A market segment must have more than one person.

ANS: F PTS: 1 DIF: Hard OBJ: 2-3
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

16. The opposite of micromarketing is mass customization.

ANS: F PTS: 1 DIF: Moderate OBJ: 2-3
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

17. Mass customization is the targeting of large segments, or traditionally mass markets, with highly customized products.

ANS: T PTS: 1 DIF: Easy OBJ: 2-3
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

18. Henry Ford, founder of the Ford Motor Co., is generally considered the first mass marketer.

ANS: T PTS: 1 DIF: Moderate OBJ: 2-3

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Promotion

19. The four main factors influencing market segmentation strategy are customer preference heterogeneity, the sales-cost trade-off, the majority fallacy, and psychographics.

ANS: F PTS: 1 DIF: Hard OBJ: 2-3

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Product

20. Because it is logical to assume that size of a potential market segment is positively correlated to profit, pursuing the largest market segment makes sound business sense.

ANS: F PTS: 1 DIF: Hard OBJ: 2-3

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

21. Cannibalization is the phenomenon that as market segmentation increases, sales increase; but as market segmentation increases, costs also increase.

ANS: F PTS: 1 DIF: Moderate OBJ: 2-3

TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

22. Market size is a key factor that is overlooked when a manager commits the majority fallacy.

ANS: F PTS: 1 DIF: Hard OBJ: 2-3

TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Product

23. The majority fallacy suggests that consumers' tastes are normally distributed.

ANS: T PTS: 1 DIF: Moderate OBJ: 2-3

TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Product

24. Demographic segmentation involves segmenting on the basis of cultural differences among consumers living in different cities, states, regions, or countries.

ANS: F PTS: 1 DIF: Moderate OBJ: 2-4

TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Product

25. Demographic bases for segmenting consumer markets include customers' vital population statistics, such as age, gender, income, and education.

ANS: T PTS: 1 DIF: Easy OBJ: 2-4

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

26. Demographic based segmentation is the most popular segmentation base.

ANS: T PTS: 1 DIF: Easy OBJ: 2-4

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

27. Geographic bases for segmenting consumer markets are based on a consumer's physical location.

ANS: T PTS: 1 DIF: Moderate OBJ: 2-4

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

28. Home Depot, a home-improvement retail chain, sells scorpion traps in its stores in New Mexico, Texas, Arizona, and California. This is an example of geographic segmentation.

ANS: T PTS: 1 DIF: Hard OBJ: 2-4

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Promotion

29. An underlying assumption when using geographic-based segmentation is that consumers located in geographic proximity share similar product and service needs and preferences.

ANS: T PTS: 1 DIF: Moderate OBJ: 2-4

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

30. In the United States, as well as world-wide, people no longer want to live in cities and are moving away from urban areas.

ANS: F PTS: 1 DIF: Hard OBJ: 2-4

TOP: AACSB Multicultural and Diversity Understanding | AACSB Reflective Thinking Skills | CB&C Model Customer

31. Geo-demographic segmentation is sometimes called zip-code marketing.

ANS: T PTS: 1 DIF: Easy OBJ: 2-4

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

32. PRIZM is a segmentation tool that uses psychographics.

ANS: F PTS: 1 DIF: Moderate OBJ: 2-4

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

33. Retail operations, such as Pottery Barn Outlet Store, Williams-Sonoma Outlet Store, Designer's Store Warehouse, and Overstock.com, that aim at appealing to the "value segment" are segmenting the market based on price.

ANS: T PTS: 1 DIF: Hard OBJ: 2-4

TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

34. Procter and Gamble offers a \$1.00 coupon when consumers purchase three bottles of Pantene brand shampoo. This strategy represents segments based on geo-demographics.

ANS: F PTS: 1 DIF: Hard OBJ: 2-4

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

35. People that live near one another often become more alike over time.

ANS: T PTS: 1 DIF: Moderate OBJ: 2-4

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer

36. The VALS System is a segmentation tool that uses behavioral-based segmentation.

ANS: F PTS: 1 DIF: Moderate OBJ: 2-4
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

37. Within the VALS System, Strivers have the fewest resources, often feel powerless, and are primarily concerned with safety and security.

ANS: F PTS: 1 DIF: Hard OBJ: 2-4
TOP: AACSB Multicultural and Diversity Understanding | AACSB Reflective Thinking Skills | CB&C Model Customer

38. In the price segmentation model presented in your readings, the “convenience segment” is less concerned with price and wants to have a high level of value and/or product differentiation.

ANS: F PTS: 1 DIF: Moderate OBJ: 2-4
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

39. Delta Airlines now offers a preferred seating section on many flights (usually the front part of the coach section of the airplane) to appeal to and reward members of its frequent flyer club. This is an application of product usage segmentation.

ANS: T PTS: 1 DIF: Hard OBJ: 2-4
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

40. Most pioneer brands position themselves as “standards of comparison.”

ANS: T PTS: 1 DIF: Moderate OBJ: 2-5
TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Promotion

41. One strategy for positioning a follower brand is to separate the brand from the market leader by creating what appears to the customer as a new product category.

ANS: T PTS: 1 DIF: Moderate OBJ: 2-5
TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Promotion

42. According to your readings, 7Up Soda has successfully competed in the soft drink product category by pursuing a “turn a disadvantage into an advantage” positioning strategy.

ANS: F PTS: 1 DIF: Moderate OBJ: 2-5
TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Promotion

43. The slogan, “Close-Up Toothpaste – Kissably Fresh Breath!” is an example of positioning by product user.

ANS: F PTS: 1 DIF: Hard OBJ: 2-5
TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

44. The slogan, “Subway is fresh!” is an example of positioning by core benefit.

ANS: T PTS: 1 DIF: Hard OBJ: 2-5

TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

45. Perceptual maps show how a company's products and competitors' products are clustered by market share.

ANS: F PTS: 1 DIF: Moderate OBJ: 2-5

TOP: AACSB Reflective Thinking Skills | AACSB Use of Information Technology | CB&C Model Customer | CB&C Model Product

46. Premium pricing, which is sometimes called prestige pricing, is pricing a brand at the top end of a product category's price range.

ANS: T PTS: 1 DIF: Easy OBJ: 2-5

TOP: AACSB Reflective Thinking Skills | CB&C Model Product | CB&C Model Pricing | CB&C Model Promotion

47. Premium pricing, which is sometimes called prestige pricing, is pricing a brand at the top end of a product category's price range.

ANS: T PTS: 1 DIF: Easy OBJ: 2-5

TOP: AACSB Reflective Thinking Skills | CB&C Model Product | CB&C Model Pricing | CB&C Model Promotion

48. Consumers tend to use price as a gauge of quality. This phenomenon is called the price-quality heuristic.

ANS: T PTS: 1 DIF: Easy OBJ: 2-5

TOP: AACSB Reflective Thinking Skills | CB&C Model Product | CB&C Model Pricing | CB&C Model Promotion

MULTIPLE CHOICE

1. _____ is the process of dividing the large and diverse market into subsets of consumer who share common needs, characteristics, or behaviors.

- a. Market segmentation
- b. Market aggregation
- c. Branding
- d. Advertising
- e. Positioning

ANS: A PTS: 2 DIF: Easy OBJ: 2-1

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

2. _____ is the segment(s) toward which a firm's marketing efforts are directed.

- a. Micromarket
- b. Niche market
- c. Target market
- d. Marketing Mix
- e. None of the above is correct.

ANS: C PTS: 2 DIF: Easy OBJ: 2-1

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

3. The four elements of the marketing mix are:
- product, price, place, and position
 - price, position, place, and promotion
 - place, product, price, and promotion
 - promotion, place, prestige, and product
 - position, price, product, and promotion

ANS: C PTS: 2 DIF: Easy OBJ: 2-1

TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

4. What marketing practice benefits the consumer and the marketer alike by encouraging the efficient use of marketing resources and information, thus improving society's standard of living?
- Segmentation
 - Word-of-mouth marketing
 - Branding
 - Advertising
 - Positioning

ANS: A PTS: 2 DIF: Moderate OBJ: 2-2

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

5. _____ occurs when an organization chooses to aggregate the market and offer the same product or service and marketing mix to all consumers.
- Niche marketing
 - Mass marketing
 - Market consolidation
 - Micromarketing
 - Mass customization

ANS: B PTS: 2 DIF: Easy OBJ: 2-3

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

6. What phenomenon recognizes that as market segmentation increases, sales increase; but as market segmentation increases, costs also increase?
- Cannibalization
 - Sales-cost trade-off
 - Customer preference heterogeneity
 - Majority fallacy
 - Expenses to sales ratio

ANS: B PTS: 2 DIF: Easy OBJ: 2-3

TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Strategy

7. _____ is the tendency for a company to focus exclusively on large, average market segments and neglect small, less typical segments.
- Repositioning
 - False thinking
 - Market neglect
 - Majority fallacy

e. Market aggregation

ANS: D PTS: 2 DIF: Easy OBJ: 2-3
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Strategy

8. What key factor is overlooked when a manager commits the majority fallacy?
- Competition
 - Market size
 - Geography
 - Advertising
 - Customer attitudes

ANS: A PTS: 2 DIF: Hard OBJ: 2-3
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer

9. The fact that some people prefer mint flavored-toothpaste, while others prefer cinnamon-flavored is known as:
- psychographics
 - stereotyping
 - cannibalization
 - the majority fallacy
 - customer preference heterogeneity

ANS: E PTS: 2 DIF: Moderate OBJ: 2-3
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer

10. What factor is not a relevant influence when choosing between aggregation versus segmentation strategies?
- The intuition trap
 - Customer preference heterogeneity
 - Sales-cost trade-off
 - Majority fallacy
 - All of the above are relevant influences.

ANS: A PTS: 2 DIF: Moderate OBJ: 2-3
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan

11. _____ is when products offered by the same firm are so similar they compete among themselves.
- The majority fallacy
 - Cannibalization
 - The sales-cost trade-off
 - Mass customization
 - Market aggregation

ANS: B PTS: 2 DIF: Easy OBJ: 2-3
TOP: AACSB Reflective Thinking Skills | CB&C Model Strategy | CB&C Model Product

12. Procter and Gamble offers over 10 different diaper products. Unfortunately, many of these products are similar and compete with each other. What is this consequence of segmentation?
- The majority fallacy
 - Cannibalization
 - The sales-cost trade-off
 - Mass customization

e. None of the above is correct.

ANS: B PTS: 2 DIF: Moderate OBJ: 2-3
TOP: AACSB Reflective Thinking Skills | CB&C Model Strategy | CB&C Model Product

13. Which of the following statements demonstrates the formation of a segment based on demographics?
- a. A local restaurant is open for breakfast and lunch, and then closes at 3:00 PM.
 - b. GE has developed a microwave that can run on batteries.
 - c. "University Park" is a new set of student apartments rented exclusively to graduate students.
 - d. Procter & Gamble offers a \$1.00 coupon when consumers purchase three bottles of Pert Shampoo.
 - e. Cengage Publishing Company publishes a magazine called "Taste of Living" specifically for audiences who enjoy cooking and trying new recipes.

ANS: C PTS: 2 DIF: Hard OBJ: 2-4
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Product | CB&C Model Promotion

14. Which of the following is not a demographic characteristic?
- a. Population age distributions
 - b. American family composition
 - c. Changing likes and dislikes of Americans
 - d. Average income of single Americans
 - e. All of the above are demographic characteristics.

ANS: C PTS: 2 DIF: Moderate OBJ: 2-4
TOP: AACSB Multicultural and Diversity Understanding | AACSB Reflective Thinking Skills | CB&C Model Customer

15. Penturbia refers to:
- a. remote suburbs
 - b. large towns/cities that have decreased in population by 10% in one year
 - c. remote suburbs that have decreased in population by 10% in one year
 - d. clusters of suburbs encircling cities
 - e. None of the above is correct.

ANS: E PTS: 2 DIF: Moderate OBJ: 2-4
TOP: AACSB Multicultural and Diversity Understanding | AACSB Reflective Thinking Skills | CB&C Model Customer

16. An exurb refers to:
- a. remote suburbs
 - b. large towns/cities that have decreased in population by 10% in one year
 - c. small towns that have decreased in population by 10% in one year
 - d. clusters of small towns encircling cities
 - e. None of the above is correct.

ANS: A PTS: 2 DIF: Moderate OBJ: 2-4
TOP: AACSB Multicultural and Diversity Understanding | AACSB Reflective Thinking Skills | CB&C Model Customer

17. The price segmentation model divides customers into four broad categories based on the customer's "perceived pain" of paying a high price and the "perceived value" of product differentiation. A customer who is in a "Value Segment" is best characterized by which of the following?
- This customer wants the lowest price and will not make trade-offs for value-added product benefits. Getting the lowest price is the priority.
 - This customer wants both the lowest price possible and the largest combination of value-added product benefits. This person "wants it all" and will search for the best combination.
 - This customer is less concerned with price and wants to have a high level of product differentiation.
 - This customer is not overly concerned with price or value-added product benefits, but is mainly concerned with minimizing product search and evaluation.
 - This customer is highly brand loyal, perceiving value in his/her favorite brand, and will pay any price for that favored brand.

ANS: B PTS: 2 DIF: Hard OBJ: 2-4
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer

18. According to the price segmentation model in your readings, which segment represents a combination of low "perceived pain" and high "perceived value" and is a highly desirable segment to marketers?
- The price segment
 - The loyal segment
 - The value segment
 - The convenience segment
 - The brand segment

ANS: B PTS: 2 DIF: Moderate OBJ: 2-4
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer

19. _____ is the measurement of lifestyle, typically defined in terms of activities, interests, and opinions.
- Demographics
 - Ethnographics
 - Psychographics
 - Polygraphics
 - Geo-demographics

ANS: C PTS: 2 DIF: Easy OBJ: 2-4
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer

20. _____ is segmentation based on consumer preference for specific product attributes or benefits, usage occasion, user status, rate of product usage, or loyalty.
- Demographic-based segmentation
 - Ethnographic-based segmentation
 - Psychographic-based segmentation
 - Geo-demographic based segmentation
 - None of the above is correct.

ANS: E PTS: 2 DIF: Hard OBJ: 2-4
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer

21. Air Walk is a brand of athletic shoes that is marketed to appeal to individuals who engage in skateboarding. This is an example of what kind of segmentation strategy?
- Benefits sought

- b. Price
- c. Psychographic
- d. Demographic
- e. Geo-demographic

ANS: C PTS: 2 DIF: Hard OBJ: 2-4
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Promotion

22. Volvo manufactures a station wagon to meet all of the government's strictest safety ratings, and Volvo emphasizes this in its advertising, claiming to be, "the safest car on the road." From this information, it appears that Volvo may be engaging in what type of segmentation strategy?
- a. Geographic
 - b. Price
 - c. Psychographic
 - d. Demographic
 - e. Benefits sought

ANS: E PTS: 2 DIF: Hard OBJ: 2-4
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Promotion

23. Which of the following statements demonstrates the formation of a segment based on benefits sought?
- a. Campbell's Soup makes a spicier chili for its market in Texas than it does in Maine.
 - b. GE built a downsized microwave oven to hang under kitchen cabinets.
 - c. Kings Island Park offers a special discount to senior citizens.
 - d. Procter and Gamble offers a \$1.00 coupon when consumers purchase three bottles of Pert Shampoo.
 - e. Cengage Publishing Company publishes a magazine called "Underground" specifically for audiences who enjoy punk and alternative forms of rock music.

ANS: B PTS: 2 DIF: Hard OBJ: 2-4
TOP: AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Promotion

24. "Movers and Shakers," "City Roots," and "Domestic Duos" are:
- a. psychographic profiles of urban consumers
 - b. groups in the PRIZM system
 - c. segments in the VALS system
 - d. types of positioning strategies
 - e. None of the above are correct.

ANS: B PTS: 2 DIF: Moderate OBJ: 2-4
TOP: AACSB Multicultural and Diversity Understanding | AACSB Reflective Thinking Skills | CB&C Model Customer

25. The PRIZM segmentation model discussed in your readings is based in what market segmentation strategy?
- a. Demographic segmentation
 - b. Geo-demographic segmentation
 - c. Psychographic segmentation
 - d. Behavioral-based segmentation
 - e. Price segmentation

ANS: B PTS: 2 DIF: Moderate OBJ: 2-4
TOP: AACSB Multicultural and Diversity Understanding | AACSB Reflective Thinking Skills |

CB&C Model Customer

26. Cindy, Bob, and Tina are all college students.

Cindy is a music major. While she enjoys composing and playing her own music, she doesn't have strong ambitions toward having a career. Ideally, she would like to find a nice guy (but not a business major), get married, move out to the country so she can have a garden and maybe even a horse, and teach piano lessons out of her home.

Bob is currently a finance major, after recently changing from management. (He has also been a political science major and an engineering major – they all seem cool, but none of the majors seem to be able to hold his interest.) Besides changing majors, Bob loves to play club sports, really enjoys going to bars and socializing with his fraternity brothers, and considers himself to be fairly “hip” and “cool.”

Tina is an education major. Like Cindy, she eventually wants to settle down, get married, and have children, although she wants to work with children as a school teacher. Ideally, she would like to move back to her small-town home, where the rest of her family lives. She often goes home on the weekends because her strong Christian religion doesn't condone drinking and “partying.”

Based on the descriptions provided above and according to the VALS System, which student most likely belongs to the “makers” segment?

- a. Cindy
- b. Bob
- c. Tina
- d. None of them belong to the makers segment.
- e. All of them belong to the makers segment.

ANS: A PTS: 2 DIF: Hard OBJ: 2-4
TOP: AACSB Multicultural and Diversity Understanding | AACSB Reflective Thinking Skills |
CB&C Model Customer | CB&C Model Promotion

27. Abby is an education major in college. Abby eventually wants to settle down, get married, and have children, although she wants to work with children as a school teacher. Ideally, she would like to move back to her small-town home, where the rest of her family lives. She often goes home on the weekends because her strong Christian religion doesn't condone drinking and “partying.” According to the VALS System segmentation model, to what segmentation group does Cindy most likely belong?
- a. Makers
 - b. Survivors
 - c. Believers
 - d. Experiencers
 - e. Striver

ANS: C PTS: 2 DIF: Hard OBJ: 2-4
TOP: AACSB Multicultural and Diversity Understanding | AACSB Reflective Thinking Skills |
CB&C Model Customer | CB&C Model Promotion

28. According to marketing experts, positioning is not something you do to a product, it's something you do:
- a. to your competitors
 - b. in the mind of the potential customer
 - c. to your organization and products

- d. to your competitor's product
- e. All of the above are correct.

ANS: B

PTS: 2

DIF: Moderate

OBJ: 2-5

TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Promotion

29. Which of the following related to positioning is true?
- a. The first brand to enter and define a market is known as a pioneering brand.
 - b. According to Reis and Trout, positioning is something you do to your product and your competitors' products.
 - c. "Tylenol – The *first* word in relief" is an example of positioning by usage occasion.
 - d. Perceptual maps show how our products and our competitors' product are clustered by market share.
 - e. All of the above are true.

ANS: A

PTS: 2

DIF: Hard

OBJ: 2-5

TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Promotion | CB&C Model Product

30. Which of the following about positioning is false?
- a. When product benefits are difficult to communicate, positioning on price may be a good choice.
 - b. Characters like the "Betty Crocker" help companies position by user.
 - c. All marketing activities influence positioning and vice versa.
 - d. Positioning on price is usually only used for luxury items.
 - e. One advantage of using price to position is that consumers often use price to gauge quality.

ANS: D

PTS: 2

DIF: Hard

OBJ: 2-5

TOP: AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Promotion | CB&C Model Product

31. The first brand to enter a new market often enjoys a long-term consumer preference advantage over follower brands. This phenomenon is known as what?
- a. Diversification effect
 - b. Repositioning
 - c. Majority fallacy
 - d. Cannibalization
 - e. Pioneering advantage

ANS: E

PTS: 2

DIF: Easy

OBJ: 2-5

TOP: AACSB Reflective Thinking Skills | CB&C Model Promotion | CB&C Model Product

32. For years, Secret brand deodorant has run the slogan, "Strong enough for a man but made for a woman." This is an example of what type of positioning?
- a. Positioning by doing the opposite
 - b. Positioning by turning a disadvantage into an advantage
 - c. Positioning as a leader
 - d. Positioning with respect to use or application
 - e. None of the above is correct.

ANS: E

PTS: 2

DIF: Hard

OBJ: 2-5

TOP: AACSB Reflective Thinking Skills | CB&C Model Product | CB&C Model Promotion

33. For years, Campbell's Soup ran ad campaigns showing chilly kids and parents coming home for lunch to a steaming bowl of soup. This is an example of what type of positioning?
- Positioning by doing the opposite
 - Positioning by turning a disadvantage into an advantage
 - Positioning as a leader
 - Positioning with respect to usage situation
 - Positioning by user

ANS: D

PTS: 2

DIF: Hard

OBJ: 2-5

TOP: AACSB Reflective Thinking Skills | CB&C Model Product | CB&C Model Promotion

34. Politicians often market themselves by emphasizing situations in which their opponents exercised poor judgment in an attempt to get voters to change how the opponent is judged. This is an example of what type of positioning?
- User
 - Attribute/benefit
 - Usage Situation
 - Positioning a leader
 - Repositioning the competition

ANS: E

PTS: 2

DIF: Hard

OBJ: 2-5

TOP: AACSB Reflective Thinking Skills | CB&C Model Promotion

35. Marketers use perceptual maps as a means to display or graph the location of products or brands:
- with respect to the geographic areas where they are manufactured
 - as they are clustered by retailer, normally in major metropolitan areas
 - within distribution channels
 - in the minds of consumers
 - in terms of the utility created by each product attribute

ANS: D

PTS: 2

DIF: Moderate

OBJ: 2-5

TOP: AACSB Use of Information Technology | AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Promotion

ESSAY

1. Define segmentation, target market, and positioning.

ANS:

Market Segmentation is the process of dividing the large and diverse mass market into subsets of consumers who share common needs, characteristics, or behaviors, and then targeting one or more of those segments with a distinct marketing mix.

Target market is simply the segment(s) toward which a firm's marketing efforts are directed.

Positioning is the process of communicating with our target market(s) through the use of marketing mix variables—a specific product, price, distribution channel, and promotional appeal—in such a way as to help consumers differentiate a product from competitors and understand how a particular product best satisfies their needs.

PTS: 10

DIF: Easy

OBJ: 2-1

TOP: AACSB Communication Abilities | AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

2. Define the steps in the “divide and conquer” process described in your readings.

ANS:

- Match strengths with opportunities
- Segment the market
- Determine target(s)
- Differentiate via positioning strategy
- Design and execute the marketing mix

PTS: 10 DIF: Moderate OBJ: 2-1

TOP: AACSB Communication Abilities | AACSB Reflective Thinking Skills | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

3. What is the goal in analyzing and engaging in the development of market segments?

ANS:

By analyzing and engaging in the development of market segments, a marketer can develop products and services specifically tailored to that group’s needs that also closely match the capabilities of the organization, thus maximizing the chances of profit and success. Thus, segments offer marketers the ability to target more effectively and/or efficiently. Ultimately, the goal is to increase the firm's profitability.

PTS: 10 DIF: Hard OBJ: 2-1

TOP: AACSB Communication Abilities | AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

4. What are the key assumptions that underlie market segmentation?

ANS:

Two key assumptions underlie market segmentation. First, consumer preferences vary. Some consumers prefer a car that gets good gas mileage, whereas others are more concerned about cargo space and towing features. Although this may seem obvious, if all consumer preferences were universal, there would be few advantages to market segmentation. Second, by tailoring a product or service to a segment’s specific needs, marketers can make the offering so appealing that the members of the segment are willing to pay a price that offsets the costs associated with catering to the specialized needs of the segment.

PTS: 10 DIF: Hard OBJ: 2-1

TOP: AACSB Communication Abilities | AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

5. What are the factors that influence, and how do they influence, market segmentation strategy?

ANS:

There are four main factors that influence market segmentation strategy:

(1) **Customer preference heterogeneity** which is the extent to which tastes and preferences differ among consumers. As preference heterogeneity increases, the case for segmentation increases. Moreover, the greater the variability, the more potential profits provided by individual segments. When consumers' preferences vary, it is important to analyze how these preferences are distributed.

(2) **Majority Fallacy** which is the tendency to assume that size of the potential market segment and focus exclusively on large average segments, where the majority of customer preferences lie, and neglect smaller less typical segments. The largest segment, where competition tends to be most intense, is not always the most profitable. Smaller segments can actually be more profitable when there is less competition.

(3) **The Sales-cost trade-off** which recognizes that, as market segmentation increases, sales increase because a firm's offerings align more closely to consumers' preferences. But at the same time, costs also increase because a multi-product strategy costs more to implement than a one-product strategy.

(4) Risk of **Cannibalization** which occurs when products offered by the same firm are so similar that they compete among themselves, thus creating a case of oversegmentation. Sharing manufacturing and marketing costs across product offerings is important when cannibalization is a potential issue. Thus, a company must strike a delicate balance between effective market coverage and too many offerings.

PTS: 10 DIF: Hard OBJ: 2-3

TOP: AACSB Communication Abilities | AACSB Reflective Thinking Skills | CB&C Model Strategy | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Product

6. Identify and describe 3 examples of segmentation based on demographics.

ANS:

Student answers here will vary. However, for example,

(1) The *AARP Magazine* segments the market on age and targets seniors over 50 years of age.

(2) The Gillette brand is segmented on gender, offering the Fusion razor for men and the Venus razor for women.

(3) Hallmark offers a line of cards targeted to African Americans with their Mahogany line.

PTS: 10 DIF: Hard OBJ: 2-4

TOP: AACSB Communication Abilities | AACSB Multicultural and Diversity Understanding | AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

7. Cindy, Bob, and Tina are all college students.

Cindy is a music major. While she enjoys composing and playing her own music, she doesn't have strong ambitions toward having a career. Ideally, she would like to find a nice guy (but not a business major), get married, move out to the country so she can have a garden and maybe even a horse, and teach piano lessons out of her home.

Bob is currently a finance major, after recently changing from management. (He has also been a political science major and an engineering major – they all seem cool, but none of the majors seem to be able to hold his interest.) Besides changing majors, Bob loves to play club sports, really enjoys going to bars and socializing with his fraternity brothers, and considers himself to be fairly “hip” and “cool.”

Tina is an education major. Like Cindy, she eventually wants to settle down, get married, and have children, although she wants to work with children as a school teacher. Ideally, she would like to move back to her small-town home, where the rest of her family lives. She often goes home on the weekends because her strong Christian religion doesn’t condone drinking and “partying.”

Based on the descriptions provided above and according to the VALS segments, which student most likely belongs to the “makers” segment?

ANS:

Cindy is most likely the maker because she is motivated by self-expression. She clearly likes hands-on constructive activities. Makers are also more likely to have gardens and pets.

PTS: 10 DIF: Hard OBJ: 2-4

TOP: AACSB Communication Abilities | AACSB Multicultural and Diversity Understanding | AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Promotion

8. What is psychographics and how are markets segmented using psychographics?

ANS:

Psychographics is lifestyle, often combined with measures of attitudes, beliefs, and personalities. Psychographic segmentation focuses on why people buy based on lifestyle. Lifestyle, which is simply how we live, is traditionally defined in terms of a person’s activities (how they spend their time doing things such as volunteer work, vacationing, and exercising), interests (what they consider important or value in life such as home, recreation, and family), and opinions (how they feel about the world around them such political, religious, and social beliefs).

PTS: 10 DIF: Moderate OBJ: 2-4

TOP: AACSB Communication Abilities | AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

9. Describe what gaps in a perceptual map might represent.

ANS:

Gaps typically indicate:

(1) A true opportunity in the market that a company might be able to pursue.

(2) A combination of attributes that nobody actually needs or wants, which is why there is no competitor there.

(3) A combination of attributes that is impossible to deliver to the consumer without the development of new technology.

PTS: 10 DIF: Moderate | Hard OBJ: 2-5

TOP: AACSB Communication Abilities | AACSB Reflective Thinking Skills | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Product | CB&C Model Promotion

10. Imagine you work for Jonesville, Inc., a mid-sized company specializing in the manufacturing and marketing of high-end, high-performance mountain bikes. Jonesville, Inc. recently hired an outside market research firm to assess its positioning strategy and make recommendations about future positioning strategies. The research firm submitted a perceptual map. The map's x-axis (abscissa) reflects higher quality when moving to the right, and the y-axis (ordinate) reflects higher price when moving up and positioned Jonesville in the upper right-hand quadrant. The research firm recommends that Jonesville position another line of high-end mountain bikes in the lower right hand quadrant where there are no competitors and there appears to be a gap in the market.
- Your boss doesn't really understand the map. Explain to your boss what the map means.
 - Evaluate the research firm's logic for the new positioning location (i.e., identify the logic's flaw).

ANS:

- The map shows how consumer's position a given brand, in the consumers' mind relative to the competition, along known brand attributes, in this case quality and price, and whether or not we are meeting our goals in terms of this positioning strategy. The map also shows market gaps.
- Although the research firm accurately identified a gap in the market, the flaw in the logic is that the gap is created by the combination of attributes of high quality/low price. This recommendation is not realistic since it calls for high quality at a low price. Odds are we could not make a profit with this combination. The recommendation should be rejected.

PTS: 10

DIF: Hard

OBJ: 2-5

TOP: AACSB Communication Abilities | AACSB Reflective Thinking Skills | AACSB Use of Information Technology | CB&C Model Customer | CB&C Model Marketing Plan | CB&C Model Promotion | CB&C Model Strategy