Bonus Chapter 2
Managing Marketing's Link with Other Functional Areas
Answer Key

True / False Questions

1. A marketing strategy that is focused on a real breakthrough opportunity will usually be successful even if there are obstacles in getting help from other functional areas in the firm.

FALSE

Feedback: When a potential strategy involves a more significant change—like the introduction of a totally new product idea—understanding the links between the different functional areas is usually much more critical.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-1
Level of Difficulty: 1 Easy
Topic: Marketing in the Broader Context

2. Cross-functional links rarely affect strategy planning.

FALSE

Feedback: Cross-functional links impact one's ability to develop marketing strategies and plans that really work.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-1
Level of Difficulty: 1 Easy
Topic: Marketing in the Broader Context

3. Turning a strategy into a profitable business usually requires money, people, and other resources, such as production capacity, as well as a marketing plan.

TRUE

Feedback: Implementing a marketing plan usually requires a financial investment. Available production capacity, production flexibility, and operating issues impact marketing planning.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-1

Level of Difficulty: 1 Easy
Topic: Marketing in the Broader Context

4. Coordinating the linkages between different functional areas is likely to be easier when a new strategy involves only a minor modification to a plan that the firm is already implementing.

   TRUE

   Feedback: When a new strategy involves only minor changes to a plan that the firm is already implementing, the specialists usually have a pretty good idea of how their activities link to other areas.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-1
Level of Difficulty: 1 Easy
Topic: Marketing in the Broader Context

5. Coordinating the linkages between different functional areas is likely to be more difficult and critical when a strategy involves development of a totally new product idea rather than a minor change to an existing plan.

   TRUE

   Feedback: When a potential strategy involves a more significant change—like the introduction of a totally new product idea—understanding the links between the different functional areas is usually much more critical.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-1
Level of Difficulty: 1 Easy
Topic: Marketing in the Broader Context

6. Cross-functional challenges are greater for minor changes to a strategy than for a completely new strategy.

   FALSE

   Feedback: When a new strategy involves only minor changes to a plan that the firm is already implementing, the specialists usually have a pretty good idea of how their activities link to other areas.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-1
Level of Difficulty: 2 Medium
Topic: Marketing in the Broader Context

7. The introduction of a totally new product idea would present a greater challenge in coordinating the activities of the different functional areas of a company than would a modification of an existing product.

TRUE

Feedback: When a potential strategy involves a more significant change—like the introduction of a totally new product idea—understanding the links between the different functional areas is usually much more critical.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-1
Level of Difficulty: 1 Easy
Topic: Marketing in the Broader Context

8. Coordinating the linkages between marketing and other functional areas is likely to be easier when a strategy involves developing a totally new product idea rather than just modifying an existing plan and established ways of doing things.

FALSE

Feedback: When a potential strategy involves a more significant change—like the introduction of a totally new product idea—understanding the links between the different functional areas is usually much more critical.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-1
Level of Difficulty: 1 Easy
Topic: Marketing in the Broader Context

9. Capital is the financial term for the amount of money invested in a firm.

TRUE

Feedback: Finding and allocating capital—the money invested in a firm—is usually handled by a firm's chief financial officer.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

10. Capital is the financial term for the amount of cash that a firm has in a bank checking account or other readily available form.

FALSE

Feedback: Finding and allocating capital—the money invested in a firm—is usually handled by a firm's chief financial officer.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

11. Capital is the money needed to pay the personnel expenses required during the period of a marketing plan.

FALSE

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

12. Finding and allocating capital is usually the responsibility handled by a firm's chief financial officer.

TRUE

Feedback: Finding and allocating capital—the money invested in a firm—is usually handled by a firm's chief financial officer.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

13. A marketing manager usually has responsibility for finding and allocating a firm's capital.

FALSE

Feedback: Finding and allocating capital—the money invested in a firm—is usually handled by a firm's chief financial officer.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

14. When evaluating possible strategies, a marketing manager shouldn't have to worry about screening based on financial criteria because the finance area's main job is to get the capital needed to implement the firm's marketing plan.

FALSE

Feedback: In most firms, different possible opportunities compete for capital. There's usually not enough money to do everything, so strategies that are inconsistent with the firm's financial objectives and resources are not likely to be funded. That's why marketing managers use relevant financial measures as quantitative screening criteria when evaluating various alternatives in the first place.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

15. A marketing plan is more likely to be funded if the marketing manager has included financial measures as quantitative criteria when screening possible opportunities.

TRUE

Feedback: In most firms, different possible opportunities compete for capital. There is usually not enough money to do everything, so strategies that are inconsistent with the firm's financial objectives and resources are not likely to be funded. That is why marketing managers use relevant financial measures as quantitative screening criteria when evaluating various alternatives in the first place.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

16. Funded marketing plans have no budget constraints.

FALSE

Feedback: Marketing plans that are funded usually must work within a budget constraint.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 2 Medium
Topic: The Finance Function: Money to Implement Marketing Plans

17. "Working capital" is the money needed to pay for short term expenses--such as employee salaries, advertising, and marketing research--as they occur.

TRUE

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

18. "Working capital" is the money needed to pay for investments in facilities, equipment and other "fixed assets" needed to do the firm's basic work.

FALSE

Feedback: Financial managers usually think about two different uses of capital. First, capital may be required to pay for investments in facilities, equipment, computer networks, and other "fixed assets." These installations are usually purchased and then used, and depreciated, over a number of years.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

19. It would probably be a bad idea to go to work as a salaried salesperson selling installations for a firm that didn't have any working capital.

TRUE

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers. A firm usually must pay for these ongoing expenses as they occur.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

20. A firm's working capital may come from either internal sources—such as company bonds—or external sources—such as money paid by customers.

FALSE

Feedback: There are a number of different possible sources of capital. However, it is useful to boil them down to two categories: external sources, such as loans or sales of stocks or bonds, and internal sources, such as cash accumulated from the firm's profits.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

21. A firm's working capital may come from either internal sources—such as sales revenue and profits—or external sources—such as money from sales of stocks or bonds.

TRUE

Feedback: There are a number of different possible sources of capital. However, it is useful to boil them down to two categories: external sources, such as loans or sales of stocks or bonds, and internal sources, such as cash accumulated from the firm's profits.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

22. Capital comes from external sources and working capital comes from internal sources.

FALSE

Feedback: There are a number of different possible sources of capital. However, it is useful to boil them down to two categories: external sources, such as loans or sales of stocks or bonds, and internal sources, such as cash accumulated from the firm's profits.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

23. Internal sources for capital include loans, stocks, and bonds.

FALSE

Feedback: There are a number of different possible sources of capital. However, it is useful to boil them down to two categories: external sources, such as loans or sales of stocks or bonds, and internal sources, such as cash accumulated from the firm's profits.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

24. A strategy that's expected to "pay its own way" must be based on a plan that generates the working capital needed to implement the plan.

TRUE

Feedback: A firm usually seeks outside funding before it is needed to invest in a new strategy. Internally generated profits may be accumulated and used in the same way, but often internal money is used as it becomes available. In other words, with internally generated funding a firm's marketing program may be expected to "pay its own way."

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

25. With externally generated funding a firm's marketing program may be expected to "pay its own way."

FALSE

Feedback: A firm usually seeks outside funding before it is needed to invest in a new strategy. Internally generated profits may be accumulated and used in the same way, but often internal money is used as it becomes available. In other words, with internally generated funding a firm's marketing program may be expected to "pay its own way."

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

26. It's not sensible for a firm to implement a marketing plan if the plan doesn't generate at least enough initial revenue to cover working capital needs.

FALSE

Feedback: While a firm might like to fund its marketing program from rapid growth in its own profits, that is not always possible. New companies often don't have enough money to start that way. An established company may not have enough capital to make long-term investments and still pay for routine expenses.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

27. Selling stock is a common way to raise money for capital and involves selling shares in the ownership of the company.

TRUE

Feedback: A firm may be able to raise money by selling stock—a share in the ownership of the company. Stock sales may be public or private, and the buyers may be individuals, including a firm's own employees, or institutional investors (such as a pension fund or venture capital firm).

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

28. The value of a firm's stock is more likely to increase when its profits are growing.

TRUE

Feedback: The value of a firm's stock typically doesn't increase unless its profits are growing. This is one reason that marketing managers are always looking for profitable new growth opportunities.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

29. A firm with a great strategy will always attract investors.

FALSE

Feedback: It is a sad reality that a firm with a great strategy can't always attract investors. In a weak economy, many investors just have a wait-and-see attitude and won't invest in anything until overall business conditions seem more favorable.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-2
Level of Difficulty: 2 Medium
Topic: The Finance Function: Money to Implement Marketing Plans

30. Compared to most U.S. firms, Japanese firms have a reputation for expecting a marketing plan to be profitable in a much shorter period of time.

FALSE

Feedback: How quickly investors expect profit and growth is very important to the marketing manager. If investors are patient, a marketing manager may have the luxury of developing a plan that will be very profitable in the long run even if it racks up short-term losses. Many Japanese firms take this approach.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

31. There's more risk for financial investors when the potential profits from a marketing plan are off in the future rather than immediate.

TRUE

Feedback: Most marketing managers face intense pressure to develop plans that will generate profits quickly; there's more risk for investors if potential profits are off in the future.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

32. When a firm uses debt financing, the organization providing financing receives an ownership share in the company.

FALSE

Feedback: Rather than sell stock, some firms prefer debt financing—borrowing money based on a promise to repay the loan, usually within a fixed time period and with a specific interest charge. People or institutions that loan the money typically do not get an ownership share in the company, and they are usually even less willing to take a risk than are investors who buy stock.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-2
Level of Difficulty: 2 Medium
Topic: The Finance Function: Money to Implement Marketing Plans

33. If a company borrows money via debt financing, the people or institutions that loan the money get an ownership share in the company.

FALSE

Feedback: Rather than sell stock, some firms prefer debt financing—borrowing money based on a promise to repay the loan, usually within a fixed time period and with a specific interest charge. People or institutions that loan the money typically do not get an ownership share in the company, and they are usually even less willing to take a risk than are investors who buy stock.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

34. A bank (or other institution) that provides debt financing to fund a marketing plan is usually more willing to take risks than are investors who buy stock.

FALSE

Feedback: Rather than sell stock, some firms prefer debt financing—borrowing money based on a promise to repay the loan, usually within a fixed time period and with a specific interest charge. People or institutions that loan the money typically do not get an ownership share in the company, and they are usually even less willing to take a risk than are investors who buy stock.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

35. Some banks work aggressively to attract business customers who want loans, but most commercial lenders like to avoid risk and making loans that are not secured with assets.

TRUE

Feedback: Most commercial banks are conservative. They usually won't loan money to a firm that doesn't have some valuable asset to put up as a guarantee that the lender will get its money.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

36. In general, the greater the risk that the lender takes on to provide the loan, the greater the interest rate charge will be.

TRUE

Feedback: In general, the greater the risk that the lender takes on to provide the loan, the greater the interest rate charge will be.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

37. Before profits accumulate, a firm's selling price must cover all of the costs of doing business, including the interest charge on borrowed money.

TRUE

Feedback: Just as a firm's selling price must cover all of the marketing expenses and the other costs of doing business before profits begin to accumulate, it must also cover the interest charge on borrowed money. The impact of interest charges on prices can be significant.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

38. When the cost of borrowing is high, firms should wait before implementing a marketing plan.

FALSE

Feedback: While the cost of borrowing money can be high, it may still make sense if the money is used to implement a marketing plan that earns an even greater return.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 2 Medium
Topic: The Finance Function: Money to Implement Marketing Plans

39. A company with a successful marketing strategy has its own internal source of funds—profits.

TRUE

Feedback: A company with a successful marketing strategy has its own internal funds—profits that become cash in the bank!

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

40. A company with a successful marketing strategy has its own external source of funds—profits.

FALSE

Feedback: A company with a successful marketing strategy has its own internal funds—profits that become cash in the bank!

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

41. A company with a profitable strategy has its own internal source of funds.

FALSE

Feedback: A company with a successful marketing strategy has its own internal funds—profits that become cash in the bank!

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

42. Apple is a good example of a company that uses its own internal funds to research, develop, and bring to market new products like the iPad, iPhone, and iPod.

TRUE

Feedback: A company with a successful marketing strategy has its own internal funds—profits that become cash in the bank! For example, Apple reported a profit of about $2.45 billion on sales of about $19.3 billion in 2006.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

43. Paying for growth by reinvesting cash generated from operations is usually less expensive than borrowing money because no interest expense is involved.

TRUE

Feedback: Reinvesting cash generated from operations is usually less expensive than borrowing money because no interest expense is involved. So internal financing often helps a firm earn more profit than a competitor that is operating on borrowed money—even if the internally financed company is selling at a lower price.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

44. A cash flow statement is a financial report that forecasts how much cash will be available after paying expenses.

TRUE

Feedback: A cash flow statement is a financial report that forecasts how much cash will be available after paying expenses. The amount that's available isn't always just the bottom line or net profit figure shown on the firm's operating statement.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

45. Forecasting the amount of cash that will be available after paying expenses is straightforward because it's always equal to the firm's "bottom line"—the net profit figure shown on the operating statement.

FALSE

Feedback: A cash flow statement is a financial report that forecasts how much cash will be available after paying expenses. The amount that's available isn't always just the bottom line or net profit figure shown on the firm's operating statement.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

46. When finances are tight, it's sensible to look for strategy alternatives that get a better return on money that is already invested.

TRUE

Feedback: When finances are tight, it's sensible to look for strategy alternatives that help get a better return on money that's already invested.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

47. When a marketing strategy increases profit contribution without increasing capital invested, the firm's return on investment also increases.

TRUE

Feedback: Any increase in profit contribution that the strategy generates—without increasing capital invested—increases the firm's return on investment.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

48. Indirect distribution usually requires less investment capital than direct approaches.

TRUE

Feedback: Indirect distribution usually requires less investment capital than direct approaches.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

49. Capital requirements are likely to be less when intermediaries take on much of the responsibility for promotion in the channel.

TRUE

Feedback: Indirect distribution usually requires less investment capital than direct approaches. Intermediaries who pay for products when they purchase them and pay the costs of carrying inventory help a producer's cash flow.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

50. Production capacity is the ability to produce a certain quantity and quality of specific goods or services.

TRUE

Feedback: If a firm is going to pursue an opportunity, there needs to be effective coordination between marketing planning and production capacity—the ability to produce a certain quantity and quality of specific goods or services.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

51. Concerns about production capacity apply to physical goods but they are not relevant when the product is a service.

FALSE

Feedback: If a firm is going to pursue an opportunity, there needs to be effective coordination between marketing planning and production capacity—the ability to produce a certain quantity and quality of specific goods or services.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

52. While excess capacity can be costly, it can be a part of a sensible plan for preventing lost sales if demand suddenly picks up.

TRUE

Feedback: Excess capacity can be a safety net if demand suddenly picks up.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

53. Excess capacity can be a safety net if demand suddenly picks up.

TRUE

Feedback: Excess capacity can be a safety net if demand suddenly picks up.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

54. Kikkoman is a good example of a company that took advantage of both production capacity and production flexibility to introduce a new line of specialized condiments to appeal to additional market segments.

TRUE

Feedback: Kikkoman was able to take advantage of both production capacity and production flexibility to introduce a new line of specialized condiments to appeal to additional market segments.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

55. If demand is irregular, a firm's production flexibility is likely to influence the severity of stock-out problems in the channel of distribution.

TRUE

Feedback: An aspect of flexibility concerns how quickly and easily a firm can adjust the quantity of a product it produces. This can be especially important when demand is uncertain. If a new marketing mix is more successful than expected, demand can quickly outstrip supply.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

56. Promotion spending is wasted if a new marketing mix is more successful than expected and demand quickly outstrips supply.

TRUE

Feedback: If a new marketing mix is more successful than expected, demand can quickly outstrip supply. Promotion spending is wasted when this happens.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

57. When Frito-Lay introduced Tostitos Gold, demand quickly outstripped supply resulting in lost sales and wasted promotion spending.

TRUE

Feedback: The Tostitos ads did a better job than expected in stirring interest, and chip lovers were so enthusiastic about Tostitos Gold that the chips were quickly out-of-stock at most supermarkets because the factory couldn't keep up with incoming orders. The stock-outs resulted in lost sales of about $500,000 a week.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

58. Problems of matching supply and demand often occur when a marketing plan calls for quick expansion into many different types of channels.

TRUE

Feedback: Problems of matching supply and demand often occur when a marketing plan calls for expansion into many market areas all at once. That's one reason a marketing manager may plan a regional rollout of a new product.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

59. Problems of matching supply and demand for a new product often occur when a marketing plan calls for quick expansion into many different types of channels at the same time.

TRUE

Feedback: Problems of matching supply and demand often occur when a marketing plan calls for expansion into many market areas all at once. That's one reason a marketing manager may plan a regional rollout of a new product.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

60. Problems of matching supply and demand often occur when a marketing plan calls for a regional roll out rather than a national roll out.

FALSE

Feedback: Problems of matching supply and demand often occur when a marketing plan calls for expansion into many market areas all at once. That's one reason a marketing manager may plan a regional rollout of a new product.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

61. Production capacity is more easily matched to the distribution of a new product if that distribution is staged.

<u>TRUE</u>

Feedback: Staged distribution may match capacity. Problems of matching supply and demand often occur when a marketing plan calls for expansion into many market areas all at once. That's one reason a marketing manager may plan a regional rollout of a new product.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

62. A virtual corporation may not make anything at all.

<u>TRUE</u>

Feedback: Many firms now outsource manufacturing and basically act like a virtual corporation, where the firm is primarily a coordinator, with a good marketing concept.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

63. A virtual corporation is likely to look for a capable supplier to produce a product that meets the specs laid out in the firm's marketing plan.

<u>TRUE</u>

Feedback: Many firms are finding that they can satisfy customers and build profits without doing any production in house. Instead, they look for capable suppliers to produce a product that meets the specs laid out in the firm's marketing plan.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

64. A virtual corporation is one that achieves great flexibility in production by using computer-controlled manufacturing equipment.

FALSE

Feedback: Many firms now outsource manufacturing and basically act like a virtual corporation, where the firm is primarily a coordinator, with a good marketing concept.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

65. A virtual corporation is one where the firm is primarily a coordinator—with a good marketing concept.

TRUE

Feedback: Many firms now outsource manufacturing and basically act like a virtual corporation, where the firm is primarily a coordinator, with a good marketing concept.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

66. When a firm is a virtual corporation, it acts primarily as a producer—and leaves it to another firm to coordinate functions such as marketing, finance, and human resources.

FALSE

Feedback: Many firms now outsource manufacturing and basically act like a virtual corporation, where the firm is primarily a coordinator, with a good marketing concept.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

67. Outsourcing production may increase a firm's flexibility in some ways, but it may also make production costs higher and quality control more difficult.

TRUE

Feedback: Outsourcing production can reduce costs and increase flexibility. However, it sometimes introduces problems. The reputation of a firm's brand often depends on the quality of the manufacturing behind it. Some firms find it difficult to control quality with outsourcing.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

68. A virtual corporation may enjoy flexibility in operations, but often at higher cost or with less control of quality and schedules.

TRUE

Feedback: Outsourcing production can reduce costs and increase flexibility. However, it sometimes introduces problems. The reputation of a firm's brand often depends on the quality of the manufacturing behind it. Some firms find it difficult to control quality with outsourcing.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

69. Outsourcing reduces coordination and logistics problems if several firms are involved in different parts of production.

FALSE

Feedback: Outsourcing can increase coordination and logistics problems.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

70. It makes sense for a firm to produce where it can produce most economically—if the cost of transporting and storing products to match demand doesn't offset the production savings.

TRUE

Feedback: It may make sense for a firm to produce where it can produce most economically, if the cost of transporting and storing products to match demand doesn't offset the savings. On the other hand, production in areas distant from customers can make the distribution job much more complicated.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

71. Task transfer is using telecommunications to move service operations to places where there are pools of skilled workers.

TRUE

Feedback: Service firms are finding ways to reduce the cost of some of their production work with task transfer—using telecommunications to move service operations to places where there are pools of skilled workers.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

72. Just as a firm has a social responsibility in the country where it sells products, it also has a social responsibility to the people who produce its products.

TRUE

Feedback: Just as a firm has a social responsibility in the country where it sells products, it also has a social responsibility to the people who produce its products. However, pay or safety standards that seem low in developed nations may make it possible for workers in an undeveloped nation to have a better, healthier life.

AACSB: Ethics
Blooms: Understand
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

73. Production flexibility allows a firm to provide business customers with the just-in-time delivery service or rapid-response replenishment of inventories that they expect.

TRUE

Feedback: Production flexibility can give a firm a competitive advantage in meeting a target market's needs better or faster. Without flexible operations, it can be difficult to provide business customers with just-in-time delivery or rapid response to orders placed by EDI or some other type of e-commerce reorder system.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

74. Production flexibility allows a firm to make better use of EDI or some other type of computerized reorder system—because the firm can respond to customer needs more quickly.

TRUE

Feedback: Production flexibility can give a firm a competitive advantage in meeting a target market's needs better or faster. Without flexible operations, it can be difficult to provide business customers with just-in-time delivery or rapid response to orders placed by EDI or some other type of e-commerce reorder system.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

75. Mass customization means using the principles of mass production to appeal to the unique needs of individual customers and smaller segments of the market.

TRUE

Feedback: A wide variety of companies are now looking for innovative ways to serve smaller segments of customers by using mass customization—tailoring the principles of mass production to meet the unique needs of individual customers.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

76. Mass customization applies the principles of mass production to the challenge of meeting the unique needs of individual customers.

TRUE

Feedback: A wide variety of companies are now looking for innovative ways to serve smaller segments of customers by using mass customization—tailoring the principles of mass production to meet the unique needs of individual customers.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

77. Mass customization serves individual needs.

TRUE

Feedback: A wide variety of companies are now looking for innovative ways to serve smaller segments of customers by using mass customization—tailoring the principles of mass production to meet the unique needs of individual customers.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

78. The mass-customization approach is not useful if a firm wants to focus on a particular market segment.

FALSE

Feedback: With the mass-customization approach, a firm may still focus on certain market segments within a broad product-market. However, in serving individuals within those target segments it tries to get a competitive advantage by finding a low-cost way to give each customer more or better choices.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

79. With the mass-customization approach, a firm tries to find a low-cost way to give individual customers more or better choices.

TRUE

Feedback: With the mass-customization approach, a firm may still focus on certain market segments within a broad product-market. However, in serving individuals within those target segments it tries to get a competitive advantage by finding a low-cost way to give each customer more or better choices.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

80. A firm that relies on mass customization tries to get a competitive advantage by finding a low-cost way to give each customer in its target market more or better choices.

TRUE

Feedback: With the mass-customization approach, a firm may still focus on certain market segments within a broad product-market. However, in serving individuals within those target segments it tries to get a competitive advantage by finding a low-cost way to give each customer more or better choices.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

81. Mass customization is based on the idea that all of the people in a particular market have the same needs.

FALSE

Feedback: Mass customization refers to tailoring the principles of mass production to meet the unique needs of individual customers.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

82. Mykleenextissue.com, where customers can personalize a box design with their own color photos, is a good example of mass customization.

TRUE

Feedback: Mass customization refers to tailoring the principles of mass production to meet the unique needs of individual customers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

83. Nikeid.com, where customers can design a shoe to their own preferences, is a good example of mass customization.

TRUE

Feedback: Mass customization refers to tailoring the principles of mass production to meet the unique needs of individual customers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

84. Cost advantages that are gained from economies of scale in production may later be lost to inventory carrying costs.

TRUE

Feedback: Cost advantages that are gained from economies of scale in production may later be lost to inventory carrying costs.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

85. Marketing managers should strive to cut production costs that don't add value for customers.

TRUE

Feedback: A well-informed marketing manager can play an important role in working with production people to decide which costs are necessary to add value that meets customer needs and which are just added expense with little real benefit.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

86. Accounting statements that are prepared for tax purposes and for outside investors often aren't helpful for managers who need to make decisions about marketing strategy.

TRUE

Feedback: Summary accounting statements that are prepared for tax purposes and for outside investors often aren't helpful for managers who need to make decisions about marketing strategy.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

87. It's often hard for a marketing manager to be familiar with all of the costs associated with a product (or customer) without help from the firm's accountants.

TRUE

Feedback: Marketing managers and accountants can work together to allocate costs to products or customers. In recent years, accountants have devoted more attention to this problem and given it the name "activity-based accounting."

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

88. Marketing cost analysis usually requires a new way of classifying accounting data.

TRUE

Feedback: Marketing cost analysis usually requires a new way of classifying accounting data. Instead of using the type of accounts typically used for financial analysis, we have to use functional accounts.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

89. Marketing cost analysis usually requires a new way of classifying accounting data based on functional accounts rather than the natural accounts typically used for financial analysis.

TRUE

Feedback: Marketing cost analysis usually requires a new way of classifying accounting data. Instead of using the type of accounts typically used for financial analysis, we have to use functional accounts.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

90. Marketing cost analysis usually requires a new way of classifying accounting data based on natural accounts rather than the functional accounts that are typically used for financial analysis.

FALSE

Feedback: Marketing cost analysis usually requires a new way of classifying accounting data. Instead of using the type of accounts typically used for financial analysis, we have to use functional accounts.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

91. Natural accounts are called so because they have the names of their expense categories.

TRUE

Feedback: Natural accounts are the categories to which various costs are charged in the normal financial accounting cycle. These accounts are called natural because they have the names of their expense categories.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 2 Medium
Topic: Accounting Data Can Help in Understanding Costs and Profit

92. Natural accounts show the purpose for which expenditures are made.

FALSE

Feedback: In the factory, functional accounts show the purpose for which expenditures are made.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

93. Functional accounts show the purpose for which expenditures are made.

TRUE

Feedback: In the factory, functional accounts show the purpose for which expenditures are made.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

94. The titles of functional cost accounts show the purpose for which expenditures are made.

TRUE

Feedback: In the factory, functional accounts show the purpose for which expenditures are made.

AACSB: Reflective Thinking

Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

95. Examples of functional accounts include taxes, supplies, and wages.

FALSE

Feedback: In the factory, functional accounts show the purpose for which expenditures are made. Factory functional accounts include milling, grinding, maintenance, and so on.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

96. The first step in marketing cost analysis is to reclassify all the dollar cost entries in the natural accounts into functional cost accounts.

TRUE

Feedback: The first step in marketing cost analysis is to reclassify all the dollar cost entries in the natural accounts into functional cost accounts.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

97. The first step in marketing cost analysis is to reclassify all of the costs in functional accounts into natural accounts.

FALSE

Feedback: The first step in marketing cost analysis is to reclassify all the dollar cost entries in the natural accounts into functional cost accounts.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

98. For marketing cost analysis, it's often useful to reallocate costs in various natural accounts to specific products or customers.

TRUE

Feedback: The costs allocated to the functional accounts equal, in total, those in the natural accounts. But instead of being used only to show total company profits, the costs can now be used to calculate the profitability of territories, products, customers, sales people, price classes, order sizes, distribution methods, sales methods, or any other break down desired. Each unit can be treated as a profit center.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

99. Advertising costs can often be allocated to specific products, just as the cost of labor in the factory can be allocated to specific products.

TRUE

Feedback: The costs allocated to the functional accounts equal, in total, those in the natural accounts. But instead of being used only to show total company profits, the costs can now be used to calculate the profitability of territories, products, customers, sales people, price classes, order sizes, distribution methods, sales methods, or any other break down desired. Each unit can be treated as a profit center.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

100. Most small organizations have a separate information technology management group.

FALSE

Feedback: Most medium-size or larger organizations have a separate information technology management group. This group enables many activities in the marketing strategy process planning model.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Enabling Marketing Strategy with Information Technology

101. As marketing managers do more promotion and selling over the Internet, it is critical that information technology systems be robust from a security standpoint.

TRUE

Feedback: As marketing managers do more promotion and selling over the Internet, it is critical that information technology systems be robust from a security standpoint.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Enabling Marketing Strategy with Information Technology

102. All large organizations have secure information technology security systems that prevent them from being hacked.

FALSE

Feedback: As marketing managers do more promotion and selling over the Internet, it is critical that information technology systems be robust from a security standpoint. Companies such as Sony, LinkedIn, Citigroup, Best Buy, and Walgreens are just a few of the companies whose customer data has been compromised by hackers.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Enabling Marketing Strategy with Information Technology

103. Enterprise resource planning systems are used to integrate internal and external information management across the entire organization.

TRUE

Feedback: Enterprise resource planning systems are used to integrate internal and external information management across the entire organization. Such a system connects the rest of the firm with the marketing information system.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Enabling Marketing Strategy with Information Technology

104. Human resource issues include recruiting and hiring new employees, deciding how people will be compensated, and what to do when a job is not being performed well or is no longer necessary.

TRUE

Feedback: A small firm may not have a separate department—but somebody (perhaps the owner or other managers) must deal with people-management matters, like recruiting and hiring new employees, deciding how people will be compensated, and what to do when a job is not being performed well or is no longer necessary.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

105. A new marketing strategy often upsets established ways of doing things in the organization.

TRUE

Feedback: New strategies often require changes that upset the status quo and vested interests.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

106. Human resource issues can be especially important when there is a need to implement a new marketing plan that involves major changes in the organization.

TRUE

Feedback: Human resource issues can be important both in a marketing manager's choice among different possible marketing opportunities and in the actual implementation of marketing plans—especially new plans that involve major change.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

107. Many of the people affected by a new strategy may not be under the control of the marketing manager.

TRUE

Feedback: People affected by a new strategy may not be under the control of the marketing manager. And the marketing manager may not be able to change everyone into enthusiastic supporters of the plan.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

108. It is the marketing manager's job to communicate with others in the organization and explain the new strategy, what needs to happen, and why.

TRUE

Feedback: Good communication is crucial. The marketing manager must find ways to explain the new strategy, what needs to happen, and why.

AACSB: Communication
AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

109. It is the chief executive's job to communicate with others in the organization and explain the new marketing strategy, what needs to happen, and why.

FALSE

Feedback: Good communication is crucial. The marketing manager must find ways to explain the new strategy, what needs to happen, and why.

AACSB: Communication
AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

110. The marketing manager needs to work with the human resources manager—or with other managers—who will participate in preparing the firm's personnel for changes required by a new marketing strategy.

TRUE

Feedback: Good communication is crucial. at a minimum, the marketing manager needs to have clear communication with other managers who will participate in preparing the firm's personnel for a change.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

111. Rapid growth strains human resources because it's a challenge getting enough qualified people.

TRUE

Feedback: The success of a marketing plan often depends on how quickly the firm's personnel can get geared up for what needs to be done. Firms that grow rapidly may face challenges finding enough qualified people.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

112. Training is especially important during rapid growth of a company because it takes time to hire people and get them up to speed.

TRUE

Feedback: Training takes time. A marketing manager who wants to reorganize the firm's sales force so that salespeople are assigned to specific customers rather than by product line may have a great idea, but it can't be implemented overnight.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

113. A marketing plan for a new strategy needs to take into consideration the time—and effort—that will be required to get people up to speed on the new jobs they will be expected to do.

TRUE

Feedback: Marketing plans need to take into consideration the time and effort that will be required to get people up to speed on the new jobs they will be expected to do.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

114. In planning a new strategy or reorganization, it's important to keep in mind that each change may require several other changes, and each change may take time.

TRUE

Feedback: Each change may require several others and that each change may take time.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

115. Marketing managers should plan time for strategy changes and not put undue pressure on the people in their organization to perform heroic efforts.

TRUE

Feedback: A marketing manager who ignores the ripple effects of a change in strategy may later expect everyone to meet a schedule that won't work. Certainly there are cases of heroic efforts by people in organizations to turn someone's vision into a reality. Yet it's more typical for such a plan to fall behind schedule, to run up unnecessary costs, or to just plain fail.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

116. While there are real human resources challenges in dealing with rapidly expanding marketing efforts, there are also challenges in dealing with decisions to drop products, channels of distribution, or even certain types of customers.

TRUE

Feedback: Decisions to drop products, channels of distribution, or customers can be traumatic, especially if jobs will be cut. To the extent possible, it's important to plan a phase-out period so that people can make other plans.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

117. It is the responsibility of the chief executive—not the marketing manager—to make the strategic planning decisions that concern how a firm is going to use its overall resources—from marketing, production, finance and other areas.

TRUE

Feedback: Making the strategic planning decisions that concern how a firm is going to use its overall resources—from marketing, production, finance, and other areas—is the responsibility of the chief executive officer, not the marketing manager.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

118. It is the responsibility of the marketing manager to make the strategic planning decisions that concern how a firm is going to use its overall resources—from marketing, production, finance and other areas.

FALSE

Feedback: Making the strategic planning decisions that concern how a firm is going to use its overall resources—from marketing, production, finance, and other areas—is the responsibility of the chief executive officer, not the marketing manager.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

119. Marketing strategies and plans that the marketing manager recommends are more likely to be accepted—and then successfully implemented—if the links between marketing and other functional areas have been carefully considered from the outset.

TRUE

Feedback: Marketing strategies and plans that the marketing manager recommends are more likely to be accepted, and then successfully implemented, if the links between marketing and other functional areas have been carefully considered from the outset.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

Multiple Choice Questions

120. According to the text, one of the main reasons that IKEA has been able to grow rapidly without greater capital investments is that

A. it operates in tax havens.
B. most of its production is outsourced to other firms.
C. it is a privately held company.
D. it has relied more on local production.
E. it sells at the lowest cost price in the market.

Feedback: One reason that IKEA has been able to grow so rapidly—without greater capital investments—is that it carefully manages its costs.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-1
Level of Difficulty: 2 Medium
Topic: Introduction

121. In which of the following situations is the cross-functional challenge likely to be the greatest?

A. A firm selecting employees for Six Sigma quality Training
B. An advertising campaign that has been developed based on another successful advertising campaign and is targeting a similar audience
C. A quality control department that has been formed by selecting the most experienced employees of a division
D. A company's plan to diversify operations by entering a new industry
E. A firm's decision to obtain its raw materials from a new supplier

Feedback: When a new strategy involves only minor changes to a plan that the firm is already implementing, the specialists usually have a pretty good idea of how their activities link to other areas. However, when a potential strategy involves a more significant change—like the introduction of a totally new product idea—understanding the links between the different functional areas is usually much more critical.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-1
Level of Difficulty: 2 Medium
Topic: Marketing in the Broader Context

122. Cross-functional challenges are greatest

A. when minor changes are made to an existing strategy.
B. in routine established operations.
C. to a plan that the firm is already implementing.
D. when developing completely new marketing strategies.
E. when competition is nonexistent.

Feedback: When a potential strategy involves a more significant change—like the introduction of a totally new product idea—understanding the links between the different functional areas is usually much more critical.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-1
Level of Difficulty: 2 Medium
Topic: Marketing in the Broader Context

123. The department within a company that is typically concerned with providing money to invest in marketing plans and meet ongoing expenses is the:

A. Marketing department.
B. Production department.
C. Finance department.
D. Accounting department.
E. Human resources department.

Feedback: Bright marketing ideas for new ways to satisfy customer needs don't go very far if there isn't enough money to put a plan into operation. Finding and allocating capital—the money invested in a firm—is usually handled by a firm's chief financial officer.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-1
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

124. _____ refers to the money invested in a firm.

A. Dividend
B. Debt
C. Cash flow
D. Capital
E. Overhead

Feedback: Bright marketing ideas for new ways to satisfy customer needs don't go very far if there isn't enough money to put a plan into operation. Finding and allocating capital—the money invested in a firm—is usually handled by a firm's chief financial officer.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

125. A firm's _____ is usually responsible for finding and allocating capital.

A. chief financial officer
B. chief operating officer
C. chief technology officer
D. chief executive officer
E. chief marketing officer

Feedback: Bright marketing ideas for new ways to satisfy customer needs don't go very far if there isn't enough money to put a plan into operation. Finding and allocating capital—the money invested in a firm—is usually handled by a firm's chief financial officer.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

126. Which of the following expenses involves the working capital a company needs for operation?

A. The money required to purchase land in order to set up a plant
B. The money required to purchase equipment necessary to begin operations
C. The money required to pay the salary of employees
D. The money required to acquire a competing firm
E. The money required to set up the power grid for a new manufacturing plant

Feedback: Working capital is money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-2
Level of Difficulty: 2 Medium
Topic: The Finance Function: Money to Implement Marketing Plans

127. Regarding capital:

A. Few firms have a separate financial manager who works with top management on major financial decisions.
B. In most firms, different possible opportunities compete for capital.
C. The marketing manager should leave all decisions about a marketing plan's budget to the firm's financial manager.
D. Marketing managers do not consider financial measures as screening criteria when evaluating opportunities.
E. None of these.

Feedback: In most firms, different possible opportunities compete for capital. There's usually not enough money to do everything, so strategies that are inconsistent with the firm's financial objectives and resources are not likely to be funded.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

128. Which of the following observations is true?

A. In an organization, opportunities rarely compete for capital.
B. A dividend refers to the money invested in a firm.
C. The chief operations officer usually handles money matters in a firm.
D. Marketing plans that are funded usually must work within a budget constraint.
E. There's no reason for a firm's marketing manager and financial manager to work together since they are in different functional areas.

Feedback: Marketing plans that are funded usually must work within a budget constraint. Ideally, the marketing manager should have some inputs on what that budget is—to get the marketing tasks done.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 3 Hard
Topic: The Finance Function: Money to Implement Marketing Plans

129. A firm needs _____ to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

A. debt financing
B. current asset
C. prepaid expense
D. working capital
E. overhead

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-2
Level of Difficulty: 2 Medium
Topic: The Finance Function: Money to Implement Marketing Plans

130. Working capital may be used to pay for:

A. advertising
B. what a firm owes suppliers
C. employee salaries
D. marketing research
E. All of these.

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

131. Working capital may be used to pay for:

A. advertising
B. storing
C. employee salaries
D. what a firm owes suppliers
E. All of these.

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

132. Working capital may be used to pay for:

A. what a firm owes suppliers.
B. what it costs to store inventory.
C. employee salaries.
D. marketing research.
E. All of these.

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

133. Working capital may be used to pay for:

A. what it costs to store inventory.
B. marketing research.
C. advertising.
D. what a firm owes suppliers.
E. All of these.

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

134. Working capital would be used to pay for:

A. employee salaries.
B. marketing research.
C. advertising.
D. storing.
E. All of these.

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

135. Working capital would not be used to pay for:

A. advertising expense.
B. what it costs to store inventory.
C. what a firm owes suppliers.
D. employee salaries.
E. the cost of new facilities.

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

136. Which of the following would NOT be paid for using working capital?

A. Employee salaries
B. What it costs to store inventory
C. What a firm owes suppliers
D. Marketing research costs
E. The cost of new production equipment

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

137. Which of the following typically would NOT be paid for using working capital?

A. Purchase of new facilities
B. What it costs to store inventory
C. What a firm owes suppliers
D. Employee salaries
E. Marketing research costs

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

138. Which of the following would NOT be paid for using working capital?

A. Employee salaries
B. What it costs to store inventory
C. What a firm owes suppliers
D. Purchase of new facilities
E. Advertising expense

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

139. Working capital:

A. Pays for long-term investments in fixed assets.
B. May be used to pay for new production facilities.
C. Pays for short-term expenses.
D. Is not needed on an ongoing basis.
E. None of these.

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

140. A restaurant chain wants to improve its marketing information function by doing regular customer surveys using a random sample of consumers, and by placing comment cards on the tables in all of its locations. This effort would likely be financed with:

A. Marketing capital.
B. Working capital.
C. Research capital.
D. Long-term capital.
E. None of these.

Feedback: A firm needs working capital—money to pay for short-term expenses such as employee salaries, advertising, marketing research, inventory storing costs, and what the firm owes suppliers.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

141. Capital sources include:

A. bonds
B. profits
C. loans
D. stocks
E. All of these.

Feedback: There are a number of different possible sources of capital. However, it's useful to boil them down to two categories: external sources, such as loans or sales of stocks or bonds, and internal sources, such as cash accumulated from the firm's profits.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

142. Working capital might come from:

A. sale of bonds
B. a previous period's profits
C. loans
D. sale of stocks
E. any of these

Feedback: There are a number of different possible sources of capital. However, it's useful to boil them down to two categories: external sources, such as loans or sales of stocks or bonds, and internal sources, such as cash accumulated from the firm's profits.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

143. ____ are an internal source of capital.

A. Loans
B. Sale of stocks
C. Retained earnings
D. Sale of bonds
E. Private equity

Feedback: There are a number of different possible sources of capital. However, it's useful to boil them down to two categories: external sources, such as loans or sales of stocks or bonds, and internal sources, such as cash accumulated from the firm's profits.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

144. There are a number of different possible sources of capital, but:

A. the sale of stock or bonds is considered to be an internal source of capital.
B. debt financing is now illegal in the U.S.
C. they are all likely to have the same effect when it comes to the time horizon within which a marketing manager's plan is expected to be profitable.
D. a firm that is not yet profitable is likely to need to use external sources.
E. a firm isn't likely to be able to sell stock unless its marketing plan is a sure thing.

Feedback: A firm usually seeks outside funding before it is needed to invest in a new strategy. Internally generated profits may be accumulated and used in the same way, but often internal money is used as it becomes available.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

145. ____ refers to a share in the ownership of a company.

A. Dividend
B. Stock
C. Overhead
D. Debt
E. Working capital

Feedback: A firm may be able to raise money by selling stock—a share in the ownership of the company.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

146. A firm may raise money by selling shares of ownership in the company called:

A. Bonds.
B. Working capital.
C. Capital.
D. Stock.
E. None of these.

Feedback: A firm may be able to raise money by selling stock—a share in the ownership of the company.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

147. Which of the following statements about the behavior of investors is True?

A. A company with a good strategy will attract investors in spite of any other conditions in the economic environment.
B. Investors may have expectations for short-term profits, long-term profitability, or both when considering companies in which they might invest.
C. Investors are not usually interested in detailed information about a firm's plans before they invest.
D. Financial performance estimates that are provided to investors have no relationship to estimates of demand, revenue, and expenses from the marketing manager.
E. None of these.

Feedback: If investors are patient, a marketing manager may have the luxury of developing a plan that will be very profitable in the long run even if it racks up short-term losses. However, most marketing managers face intense pressure to develop plans that will generate profits quickly; there's more risk for investors if potential profits are off in the future.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

148. _____ involves borrowing money based on a promise to repay the loan.

A. Plough-back
B. Profit reinvestment
C. Sale of stock
D. Debt financing
E. Stock buyback

Feedback: Rather than sell stock, some firms prefer debt financing—borrowing money based on a promise to repay the loan, usually within a fixed time period and with a specific interest charge.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

149. Which of the following is associated with debt financing?

A. Dividends
B. Stock appreciation
C. Interest cost
D. Bonus shares
E. Stock split

Feedback: Rather than sell stock, some firms prefer debt financing—borrowing money based on a promise to repay the loan, usually within a fixed time period and with a specific interest charge. Debt financing involves an interest cost.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 2 Medium
Topic: The Finance Function: Money to Implement Marketing Plans

150. Generating capital by means of debt financing:

A. Involves borrowing money, either from a bank loan or from the use of corporate bonds.
B. Means that the firm borrowing the money will have to pay interest charges.
C. May be worth it if the borrowed money is used to implement a marketing plan that earns a return greater than the cost of borrowing the money.
D. Means that the firm will have to put up some of its assets as a loan guarantee.
E. All of these.

Feedback: Rather than sell stock, some firms prefer debt financing—borrowing money based on a promise to repay the loan, usually within a fixed time period and with a specific interest charge. This might involve a loan from a commercial bank or the use of corporate bonds.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

151. If a marketing plan requires that the firm obtain additional capital, a manager should remember that:

A. Interest expense on a loan may impact prices and profits.
B. A company with a successful marketing strategy has its own internal source of funds—profits.
C. Institutions that loan money are usually even less willing to take a risk than are investors who buy stock.
D. The firm may be able to sell stock to its own employees.
E. All of these are true.

Feedback: Rather than sell stock, some firms prefer debt financing—borrowing money based on a promise to repay the loan, usually within a fixed time period and with a specific interest charge. This might involve a loan from a commercial bank or the use of corporate bonds. Entrepreneurs often borrow money from family and friends. People or institutions that loan the money typically do not get an ownership share in the company, and they are usually even less willing to take a risk than are investors who buy stock.

AACSB: Analytical Thinking
Blooms: Understand
Learning Objective: BC2-2
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

152. Which of the following statements is FALSE in regard to borrowing money?

A. Interest expense on a loan may impact prices and profits.
B. A company with a successful marketing strategy has its own internal source of fund—profits.
C. Institutions that loan money are usually more willing to take a risk than are investors who buy stock.
D. The firm may be able to sell stock to its own employees.
E. None of these is false.

Feedback: Rather than sell stock, some firms prefer debt financing—borrowing money based on a promise to repay the loan, usually within a fixed time period and with a specific interest charge. This might involve a loan from a commercial bank or the use of corporate bonds. Entrepreneurs often borrow money from family and friends. People or institutions that loan the money typically do not get an ownership share in the company, and they are usually even less willing to take a risk than are investors who buy stock.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-2
Level of Difficulty: 2 Medium

Topic: The Finance Function: Money to Implement Marketing Plans

153. Which of the following observations concerning debt financing is NOT TRUE?

A. The cost of borrowing money can be a real financial burden.
B. The impact of interest charges on prices is negligible.
C. Most commercial banks are conservative.
D. The greater the risk that the lender takes on, the greater the interest rate charge will be.
E. It might involve a loan from a commercial bank or the use of corporate bonds.

Feedback: The cost of borrowing money can be a real financial burden. Just as a firm's selling price must cover all of the marketing expenses and the other costs of doing business before profits begin to accumulate, it must also cover the interest charge on borrowed money. The impact of interest charges on prices can be significant.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-2
Level of Difficulty: 2 Medium
Topic: The Finance Function: Money to Implement Marketing Plans

154. Which of the following statements is FALSE in regard to borrowing money?

A. In general, the greater the risk associated with a loan the greater the interest rate charge will be.
B. Interest expense on a loan may impact prices and profits.
C. Borrowing money is usually less expensive than reinvesting cash generated from operations.
D. A company with a successful marketing strategy has its own internal source of funds—profits.
E. None of these is false.

Feedback: Reinvesting cash generated from operations is usually less expensive than borrowing money because no interest expense is involved. So internal financing often helps a firm earn more profit than a competitor that is operating on borrowed money—even if the internally financed company is selling at a lower price.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-2
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

155. When a new marketing plan is more successful than expected,

A. scarce supply may result in a waste of marketing resources, especially promotion spending.
B. the firm may face problems finding enough well-trained people to handle the growth that occurs.
C. the firm is more likely to be able to fund expansion through its own cash flow.
D. All of these are correct.
E. None of these is correct.

Feedback: If a new marketing mix is more successful than expected, demand can quickly outstrip supply. Promotion spending is wasted when this happens.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-3
Learning Objective: BC2-4
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

156. A financial report that forecasts how much money will be available after paying expenses is a(n):

A. Income statement.
B. Balance sheet.
C. Cash flow statement.
D. Capital report.
E. None of these.

Feedback: A cash flow statement is a financial report that forecasts how much cash will be available after paying expenses. The amount that's available isn't always just the bottom line or net profit figure shown on the firm's operating statement.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

157. Which of the following is the reason why an internally financed company selling its products at a lower price can earn more profit than a competitor who is operating on borrowed money?

A. Investors are more likely to purchase a company's stock if it is internally financed.
B. It is less expensive since no interest expense is involved.
C. The value of stock of an internally financed company is easier to predict.
D. Market forecast is more difficult if a company is operating on borrowed money.
E. Commercial banks do not allow a company to borrow money unless it can provide collateral security.

Feedback: Reinvesting cash generated from operations is usually less expensive than borrowing money because no interest expense is involved. So internal financing often helps a firm earn more profit than a competitor that is operating on borrowed money—even if the internally financed company is selling at a lower price.

AACSB: Analytical Thinking
Blooms: Understand
Learning Objective: BC2-3
Level of Difficulty: 2 Medium
Topic: The Finance Function: Money to Implement Marketing Plans

158. A _____ is a financial report that forecasts how much cash will be available after paying expenses.

A. cash flow statement
B. reconciliation statement
C. workflow analysis
D. balance sheet
E. capital expenditure report

Feedback: A cash flow statement is a financial report that forecasts how much cash will be available after paying expenses. The amount that's available isn't always just the bottom line or net profit figure shown on the firm's operating statement.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

159. _____ looks at when money will be available.

A. Cash flow
B. Profit and loss
C. Balance sheet
D. Net profit
E. Gross margin

Feedback: A cash flow statement is a financial report that forecasts how much cash will be available after paying expenses. The amount that's available isn't always just the bottom line or net profit figure shown on the firm's operating statement.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 2 Medium
Topic: The Finance Function: Money to Implement Marketing Plans

160. In determining cash flow, managers often look at a company's

A. net profit figure shown on the firm's operating statement.
B. earnings before subtracting out noncash expenses.
C. earnings after subtracting noncash expenses.
D. revenue after subtracting depreciation of facilities.
E. historical net profit numbers.

Feedback: A cash flow statement is a financial report that forecasts how much cash will be available after paying expenses. The amount that's available isn't always just the bottom line or net profit figure shown on the firm's operating statement. Some expenses, like depreciation of facilities, are subtracted from revenue for tax and accounting purposes but do not actually involve writing a check. In determining cash flow, managers often look at a company's earnings before subtracting out these noncash expenses.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-3
Level of Difficulty: 2 Medium
Topic: The Finance Function: Money to Implement Marketing Plans

161. Regarding the use of funds generated within the firm:

A. Reinvesting cash generated from operations is usually more expensive than borrowing money.
B. A company with a product that has significant growth potential should invest the earnings from that product to salvage declining products.
C. Indirect distribution usually requires more investment capital for a producer than does direct distribution.
D. When finances are tight, companies should look for strategy alternatives that help get a better return on money already invested.
E. All of these.

Feedback: When finances are tight, it's sensible to look for strategy alternatives that help get a better return on money that's already invested.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

162. Any increase in profit contribution that a strategy generates, without increasing capital invested,

A. is an impossible task.
B. increases the firm's return on investment.
C. reduces shareholder value.
D. increases the debt to equity ratio.
E. increases the risk associated with that strategy.

Feedback: A firm that has a successful domestic product might look for new international markets. Any increase in profit contribution that the strategy generates—without increasing capital invested—increases the firm's return on investment.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-3
Level of Difficulty: 2 Medium
Topic: The Finance Function: Money to Implement Marketing Plans

163. Indirect distribution usually

A. requires less investment capital than direct approaches.
B. increases the initial cash outlay.
C. has no effect on capital investment when compared to direct approaches.
D. drastically increases the time required to bring a product to market.
E. is always the most effective distribution method.

Feedback: Indirect distribution usually requires less investment capital than direct approaches. Intermediaries who pay for products when they purchase them and pay the costs of carrying inventory help a producer's cash flow.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-3
Level of Difficulty: 3 Hard
Topic: The Finance Function: Money to Implement Marketing Plans

164. Indirect distribution typically requires less capital than direct distribution because:

A. agent wholesalers may take on much of the selling effort and not expect any compensation until the revenue is in on what they've sold.
B. intermediaries may provide the capital required for logistics facilities.
C. merchant wholesalers and retailers usually pay for products when they purchase them and then take over the costs of carrying inventory.
D. All of these.
E. None of these—indirect distribution usually requires more capital.

Feedback: Indirect distribution usually requires less investment capital than direct approaches. Intermediaries who pay for products when they purchase them and pay the costs of carrying inventory help a producer's cash flow.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-3
Level of Difficulty: 1 Easy
Topic: The Finance Function: Money to Implement Marketing Plans

165. Which of the following statements is true?

A. Direct distribution approaches usually require less investment capital than indirect approaches.
B. Intermediaries that pay for products when they purchase them and pay the costs of carrying inventory help a producer's cash flow.
C. Public warehouses and transportation firms increase the capital needed for logistics facilities.
D. More capital is needed when intermediaries take on responsibility for promotion.
E. Control is higher if indirect distribution is used.

Feedback: Indirect distribution usually requires less investment capital than direct approaches. Intermediaries who pay for products when they purchase them and pay the costs of carrying inventory help a producer's cash flow.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-3
Level of Difficulty: 2 Medium
Topic: The Finance Function: Money to Implement Marketing Plans

166. _____ is the ability to produce a certain quantity and quality of specific goods or services.

A. Economies of scope
B. Production capacity
C. Production possibility curve
D. Economies of scale
E. Marketing capability

Feedback: If a firm is going to pursue an opportunity, there needs to be effective coordination between marketing planning and production capacity—the ability to produce a certain quantity and quality of specific goods or services.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

167. An automobile plant is capable of manufacturing 40 sport utility vehicles in 24 hours. This details the manufacturing plant's _____.

A. task transfers
B. production capacity
C. mass customization strategy
D. working capital
E. natural accounts

Feedback: The production capacity is the ability of a firm to produce a certain quantity and quality of specific goods or services. Different aspects of production capacity have different impacts on marketing planning.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

168. Which of the following statements is true regarding excess capacity?

A. Firms usually have excess capacity when the demand for the product is very high.
B. Excess capacity exists because the product is extremely useful and cheap but has no competitors.
C. If the demand of a product falls, excess capacity declines.
D. If the demand for a firm's product is stable, then excess capacity is likely to increase.
E. Excess capacity can be a safety net if demand suddenly picks up.

Feedback: Excess capacity can be a safety net if demand suddenly picks up because it allows firms to benefit from the sudden increase in demand by increasing production.

AACSB: Analytical Thinking
Blooms: Understand
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

169. Which of the following is an example of a task transfer?

A. An employee who has been shifted to a different department with different responsibilities and duties
B. A firm that bases its toll-free customer care service for technical problems in a different country because it offers cheap, skilled labor
C. A project whose objectives have been broken down to grouped tasks to be handled by specific departments
D. A firm that has eliminated its customer-service department and has made its sales representatives responsible for resolving customer queries
E. A flexible manufacturing unit that is required to manufacture another product because of a sudden spike in the product's demand in the market

Feedback: A task transfer uses telecommunications to move service operations to places where there are pools of skilled workers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-4
Level of Difficulty: 3 Hard
Topic: Production Must be Coordinated with the Marketing Plan

170. Many universities have begun conducting a variety of academic and athletic summer camp programs for elementary school, middle school, and high school students. These programs utilize the space in classrooms, dormitories, and other facilities that would otherwise be unused during the summer months. In addition, the programs generate revenue for the universities and promote them to prospective students. These new opportunities are possible because during the summer, the universities have excess:

A. Capital.
B. Capacity.
C. Cash flow.
D. Inventory.
E. None of these.

Feedback: If a firm has unused capacity, a marketing manager can try to identify new markets or new products that make more effective use of that investment.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

171. Which of the following aspects of production capacity should be considered in marketing planning?

A. A firm can produce only limited quantities of its current product without a major investment in new facilities.
B. Other firms are available to handle production on a contract or supplier basis.
C. A firm's production capacity allows it to produce some products quickly but not others.
D. A firm has more production capacity than it can use.
E. All of these.

Feedback: If a firm has unused capacity, a marketing manager can try to identify new markets or new products that make more effective use of that investment. Expanded production might result in lower costs because of economies of scale. Profit contribution from the new products could improve the return on investment the firm has already made. If a firm's production capacity is flexible, many different marketing opportunities might be possible.

AACSB: Reflective Thinking
Blooms: Create
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

172. If a firm has excess production capacity, it

A. can serve as a safety net if demand suddenly picks up.
B. may be a sign that there's too much competition.
C. may make sense for the marketing manager to try to find new markets for current products.
D. can be costly.
E. All of these.

Feedback: Excess capacity can be a safety net if demand suddenly picks up. Excess capacity may exist because there is little demand for what a firm can produce or there's too much competition. In these situations, rather than struggling to improve capacity use, it might be better for the marketing manager to lead the firm toward other, more profitable alternatives.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

173. Excess capacity may exist because there is _____ demand for what a firm can produce or there's _____ competition.

A. high; too much
B. little; too little
C. high; no
D. little; too much
E. no; too little

Feedback: Excess capacity can be a safety net if demand suddenly picks up. Excess capacity may exist because there is little demand for what a firm can produce or there's too much competition. In these situations, rather than struggling to improve capacity use, it might be better for the marketing manager to lead the firm toward other, more profitable alternatives.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

174. The challenges of matching supply and demand often occur when a marketing plan calls for:

A. an international roll out instead of a regional roll out.
B. quick expansion into many different types of channels.
C. simultaneously expanding into many different market areas rather than expanding into one market after another.
D. Any of these would increase the challenge of matching supply and demand.
E. None of these.

Feedback: Problems of matching supply and demand often occur when a marketing plan calls for expansion into many market areas all at once. That's one reason a marketing manager may plan a regional rollout of a new product.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

175. The problems of matching supply and demand occur less frequently when a marketing plan calls for:

A. rapid penetration into many different types of channels.
B. the staged distribution of a new product.
C. quick expansion into many different market areas at once.
D. a national roll out instead of a regional roll out.

Feedback: Problems of matching supply and demand often occur when a marketing plan calls for expansion into many market areas all at once. That's one reason a marketing manager may plan a regional rollout of a new product. Staged distribution may match capacity.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

176. Virtual corporations

A. may not make anything at all.
B. look for capable suppliers to produce the actual products.
C. act primarily as coordinators.
D. try to come up with good marketing plans.
E. All of these.

Feedback: Many firms now outsource manufacturing and basically act like a virtual corporation, where the firm is primarily a coordinator, with a good marketing concept.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

177. A virtual corporation:

A. does all of its production "in house".
B. looks for capable suppliers who can meet the specs it lays out.
C. acts primarily as a producer.
D. needs to have a good marketing plan.
E. looks for capable suppliers who can meet the specs it lays out and needs to have a good marketing plan only.

Feedback: Many firms now outsource manufacturing and basically act like a virtual corporation, where the firm is primarily a coordinator, with a good marketing concept.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

178. A virtual corporation:

A. acts primarily as a coordinator.
B. has no need for suppliers because it produces everything it needs or sells.
C. does none of its production "in house".
D. All of these.
E. Acts primarily as a coordinator and does none of its production "in house" only.

Feedback: Many firms now outsource manufacturing and basically act like a virtual corporation, where the firm is primarily a coordinator, with a good marketing concept.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

179. A virtual corporation:

A. has strong capital, but it can only survive if it develops a close relationship (i.e., a partnership) with another firm that has developed a good marketing plan.
B. looks for capable suppliers who can meet the specs it lays out.
C. handles all of its sales using the Internet.
D. All of these.
E. None of these.

Feedback: Many firms now outsource manufacturing and basically act like a virtual corporation, where the firm is primarily a coordinator, with a good marketing concept.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

180. Managed Care Concepts facilitates the processing of medical claims for organizations, such as government agencies, whose employees are injured while performing their jobs. The company does not actually process the claims. Instead, it coordinates the work of customer service personnel, nurses, physicians, case managers, and pharmacists who work for other companies and have some role to play in the processing of an injured worker's claim. Managed Care Concepts relieves its clients of the burden of processing their own injured worker claims and can usually save the organizations a significant amount of money. Managed Care Concepts operates like a:

A. Merchant wholesaler.
B. Manufacturer's agent.
C. Virtual Corporation.
D. Manufacturer.
E. None of these.

Feedback: Many firms now outsource manufacturing and basically act like a virtual corporation, where the firm is primarily a coordinator, with a good marketing concept.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

181. When an American accounting firm sends some of its tax work to India to take advantage of lower wages, this is called _____.

A. skill transfer
B. task transfer
C. knowledge transfer
D. tax movement
E. source relaying

Feedback: Service firms are finding ways to reduce the cost of some of their production work with task transfer—using telecommunications to move service operations to places where there are pools of skilled workers.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

182. Service firms are finding ways to reduce the cost of some of their production work with _____, using telecommunications to move service operations to places where there are pools of skilled workers.

A. skill transfer
B. task transfer
C. knowledge transfer
D. turnkey projects
E. mobile environments

Feedback: Service firms are finding ways to reduce the cost of some of their production work with task transfer—using telecommunications to move service operations to places where there are pools of skilled workers.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

183. ConnectSys is a California-based manufacturer of computer networking equipment for home and small business users. When people call the company's toll-free customer support telephone number, they are connected to a customer service representative in India. ConnectSys uses this arrangement because the wages for customer service representatives are lower in India than in the United States. This is an example of:

A. A virtual corporation.
B. Exporting telecommunications.
C. An indirect distribution channel.
D. A task transfer service.
E. None of these.

Feedback: Service firms are finding ways to reduce the cost of some of their production work with task transfer—using telecommunications to move service operations to places where there are pools of skilled workers.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

184. Overseas production:

A. generally makes distribution more complicated.
B. may be very economical.
C. sometimes brings concerns about nationalism to the forefront.
D. can apply to services as well as physical goods.
E. All of these.

Feedback: The trend toward outsourcing to where labor costs are low is resulting in the loss of thousands of manufacturing jobs in the United States. It's also sparking economic growth in some of the less-developed areas of the world and changing the balance of trade among nations.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

185. Production flexibility should help a supplier support its business customers with:

A. just-in-time delivery
B. EDI.
C. rapid response replenishment of inventories.
D. computerized reorder capabilities.
E. Any of these.

Feedback: Production flexibility can give a firm a competitive advantage in meeting a target market's needs better or faster. Without flexible operations, it can be difficult to provide business customers with just-in-time delivery or rapid response to orders placed by EDI or some other type of e-commerce reorder system.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

186. Firms that use mass customization

A. may target either business customers or final consumers.
B. may be able to take advantage of the Internet for orders.
C. may be able to give their customers more or better choices.
D. are likely to have higher costs than do firms who produce more standardized products, but may earn better profit margins.
E. All of these

Feedback: A wide variety of companies are now looking for innovative ways to serve smaller segments of customers by using mass customization—tailoring the principles of mass production to meet the unique needs of individual customers. With the mass-customization approach, a firm may still focus on certain market segments within a broad product-market. However, in serving individuals within those target segments it tries to get a competitive advantage by finding a low-cost way to give each customer more or better choices.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

187. With the mass customization approach, a firm

A. tailors the principles of mass production to meet the unique needs of individual customers in its target market.
B. tries to justify high prices by customizing its offering for everyone in a mass market.
C. gives up segmenting to go after the mass market.
D. All of these.
E. None of these.

Feedback: A wide variety of companies are now looking for innovative ways to serve smaller segments of customers by using mass customization—tailoring the principles of mass production to meet the unique needs of individual customers. With the mass-customization approach, a firm may still focus on certain market segments within a broad product-market. However, in serving individuals within those target segments it tries to get a competitive advantage by finding a low-cost way to give each customer more or better choices.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

188. ____ involves tailoring the principles of mass production to meet the unique needs of individual customers.

A. Personal selling
B. Mass customization
C. Traditional manufacturing
D. Standardization
E. Outsourcing

Feedback: A wide variety of companies are now looking for innovative ways to serve smaller segments of customers by using mass customization—tailoring the principles of mass production to meet the unique needs of individual customers. With the mass-customization approach, a firm may still focus on certain market segments within a broad product-market. However, in serving individuals within those target segments it tries to get a competitive advantage by finding a low-cost way to give each customer more or better choices.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

189. In serving individuals within target segments, _____ tries to get a competitive advantage by finding a low-cost way to give each customer more or better choices.

A. mass marketing
B. standardization
C. traditional manufacturing
D. outsourcing
E. mass customization

Feedback: A wide variety of companies are now looking for innovative ways to serve smaller segments of customers by using mass customization—tailoring the principles of mass production to meet the unique needs of individual customers. With the mass-customization approach, a firm may still focus on certain market segments within a broad product-market. However, in serving individuals within those target segments it tries to get a competitive advantage by finding a low-cost way to give each customer more or better choices.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

190. A widespread shift to mass customization has not occurred because firms found that

A. production costs were still high.
B. the Internet offered a low-cost way to get a lot of orders.
C. mass production is always better.
D. economies of scale provides a better alternative.
E. technology introduces a new set of problems.

Feedback: The widespread shift to mass customization has not occurred, mainly because many firms that experimented with it found that production costs were still high even if the Internet offered a low-cost way to get a lot of orders.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

191. Which of the following statements about mass customization is True?

A. There has been a widespread shift to mass customization by thousands of companies.
B. The biggest successes in mass customization have all been in consumer markets as opposed to business markets.
C. If a company is to succeed with a mass customization strategy, it must be able to find a low-cost way to produce the products.
D. All of these.
E. None of these.

Feedback: The widespread shift to mass customization has not occurred, mainly because many firms that experimented with it found that production costs were still high even if the Internet offered a low-cost way to get a lot of orders.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

192. Which of the following statements about mass customization is true?

A. Anderson's windows, which an architect can order in just about any combination of size, 3 Hardware, and style, is a good example of mass customization for business markets.
B. Mass customization avoids the need for working capital.
C. Mass customization requires a firm to give up segmentation thinking to pursue larger, more heterogeneous markets.
D. The mass-customization approach applies only to services, and they often must be custom produced anyway.
E. Mass customization reduces production costs but it's less likely to meet a customer's needs.

Feedback: Some of the biggest successes in mass customization have been in business markets. For example, Andersen gives builders and architects software that they use to design custom windows by combining different types of glass, different sizes of frames, and a variety of 3 Hardware styles that Andersen already manufactures.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-4
Level of Difficulty: 1 Easy
Topic: Production Must be Coordinated with the Marketing Plan

193. Which of the following statements about mass customization is true?

A. Mass customization means that a firm is targeting the mass market but that it tries to customize the design of a product so it is different from what a competitor offers.
B. Mass customization requires a firm to give up segmentation thinking to pursue larger, more heterogeneous markets.
C. The mass-customization approach applies only to services, and they often must be custom produced anyway.
D. ChemStation's industrial detergents, which a business customer can order to fit any special cleaning need, is a good example of mass customization.
E. None of these is true.

Feedback: Some of the biggest successes in mass customization have been in business markets. Sales reps for ChemStation, a firm that produces industrial detergents, work closely with customers to understand their special cleaning needs—a car wash wants something very different from a metal-working plant. Then scientists at ChemStation develop just the right product, with the correct amount of foam, grease cutting, grit, and the like.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

194. Starbucks ran a full-page ad in THE WALL STREET JOURNAL proclaiming that its baristas can make more than 87,000 possible combinations of an espresso coffee drink. This is an example of:

A. Combined target market approach.
B. Mass customization.
C. Task transfer.
D. Diversification strategy.
E. Single target market approach.

Feedback: A wide variety of companies are looking for innovative ways to serve smaller segments of customers by using mass customization—tailoring the principles of mass production to meet the unique needs of individual customers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

195. At Dell's Web site, a student can order a laptop computer with the exact memory capability and software that she wants, and have it shipped to her dorm room within 48 hours. This is an example of:

A. Combined target market approach.
B. Task transfer.
C. Mass customization.
D. Diversification strategy.
E. Single target market approach.

Feedback: A wide variety of companies are looking for innovative ways to serve smaller segments of customers by using mass customization—tailoring the principles of mass production to meet the unique needs of individual customers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

196. At the Comfort Inn Web site, a customer can create an account with his preferences for a smoking or non-smoking room, the type of pillows he likes, early or late check-in and check-out, and his room location. The hotel keeps track of this information and uses it whenever this customer reserves a room in the future. This is an example of:

A. Combined target market approach.
B. Diversification.
C. Task transfer.
D. Mass customization.
E. Single target market approach.

Feedback: A wide variety of companies are looking for innovative ways to serve smaller segments of customers by using mass customization—tailoring the principles of mass production to meet the unique needs of individual customers.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Production Must be Coordinated with the Marketing Plan

197. Regarding marketing cost analysis:

A. there is only one right way to allocate functional costs.
B. traditional accounting analysis doesn't analyze the purpose of marketing costs.
C. marketing costs usually should be allocated to general overhead.
D. functional accounts and natural accounts usually have the same names.
E. All of these are true.

Feedback: Accounting data that help managers track where costs and profit are coming from is an important aid for strategy decisions. Unfortunately, summary accounting statements that are prepared for tax purposes and for outside investors often aren't helpful for managers who need to make decisions about marketing strategy.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-4
Level of Difficulty: 2 Medium
Topic: Accounting Data Can Help in Understanding Costs and Profit

198. Which of the following is a part of the functional account category of a factory?

A. Salaries
B. Supplies
C. Raw materials
D. Advertising
E. Maintenance

Feedback: In the factory, functional accounts show the purpose for which expenditures are made. Factory functional accounts include milling, grinding, maintenance, and so on.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

199. Marketing cost analysis:

A. just uses the same "natural" accounting categories commonly used for financial analysis.
B. allocates costs to products or customers to focus on the purpose for which marketing money is spent.
C. is not very accurate, since it is almost impossible to link marketing costs to specific sales.
D. is done more frequently than analysis of manufacturing costs.
E. None of these is true.

Feedback: Marketing managers often need to assign costs to specific products or customers to be able to understand the profitability of different possible strategies.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

200. A major purpose of marketing cost analysis is to:

A. determine which costs are fixed and which are variable.
B. avoid the pitfalls of the full-cost approach to allocating costs.
C. divide costs into natural accounts.
D. show the marketing manager where costs occur in relation to serving particular customers.
E. avoid the pitfalls of the contribution-margin approach to allocating costs.

Feedback: Marketing managers and accountants can work together to allocate costs to products or customers. In recent years, accountants have devoted more attention to this problem and given it the name "activity-based accounting.

AACSB: Analytical Thinking
Blooms: Understand
Learning Objective: BC2-5
Level of Difficulty: 2 Medium
Topic: Accounting Data Can Help in Understanding Costs and Profit

201. Marketing cost analysis starts with the assumption that:

A. "natural accounts" are more useful than "functional accounts."
<u>B.</u> marketing expenditures are made for a specific purpose—and so it makes sense to allocate costs to different market segments, customers, or products.
C. all marketing expenditures should be treated as overhead expenses.
D. overall profit is what counts—so it isn't critical if some market segments, products, or customers are unprofitable.
E. All of these.

Feedback: Understanding profitability depends on being able to identify the specific costs of different goods and services. Marketing managers and accountants can work together to allocate costs to products or customers. In recent years, accountants have devoted more attention to this problem and given it the name "activity-based accounting."

AACSB: Analytical Thinking
Blooms: Understand
Learning Objective: BC2-5
Level of Difficulty: 2 Medium
Topic: Accounting Data Can Help in Understanding Costs and Profit

202. Which of the following statements regarding marketing cost analysis is FALSE?

<u>A.</u> Functional accounts include items such as salaries, wages, supplies, raw materials, and advertising.
B. The costs allocated to the functional accounts will be equal in total to those in the natural accounts.
C. Functional accounts can be used to show the profitability of territories, products, customers, sales representatives, and so on.
D. Cost analysis is not performance analysis.
E. Traditional accounting methods do not show the purpose for which marketing expenditures are made.

Feedback: Factory functional accounts include milling, grinding, maintenance, and so on. Factory cost accounting records are organized so that managers can determine the cost of particular products or jobs.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

203. _____ are the categories to which various costs are charged in the normal financial accounting cycle.

A. Natural accounts
B. Live accounts
C. Functional accounts
D. Defined accounts
E. Normal accounts

Feedback: Natural accounts are the categories to which various costs are charged in the normal financial accounting cycle. These accounts include salaries, wages, supplies, raw materials, advertising, and others.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

204. The categories to which various costs are charged in the normal financial accounting cycle are:

A. Natural accounts.
B. Functional accounts.
C. Cash accounts.
D. Expense accounts.
E. None of these.

Feedback: Natural accounts are the categories to which various costs are charged in the normal financial accounting cycle. These accounts include salaries, wages, supplies, raw materials, advertising, and others.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

205. "Natural accounts" are:

A. usually allocated to functional accounts by the MIS method.
B. accounts to which various costs are charged in the normal accounting cycle.
C. misleading for calculating a firm's total profitability.
D. usually named to show the purpose for which expenditures are made.
E. All of these.

Feedback: Natural accounts are the categories to which various costs are charged in the normal financial accounting cycle. These accounts include salaries, wages, supplies, raw materials, advertising, and others.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

206. In marketing cost analysis, all of the following are considered natural accounts EXCEPT:

A. salaries.
B. raw materials.
C. wages.
D. office supplies.
E. packing and shipping.

Feedback: Natural accounts are the categories to which various costs are charged in the normal financial accounting cycle. These accounts include salaries, wages, supplies, raw materials, advertising, and others.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 2 Medium
Topic: Accounting Data Can Help in Understanding Costs and Profit

207. Accounts such as rent, salaries, taxes and auto expenses are called ______________ accounts.

A. functional
B. general business
C. cost analysis
D. distribution
E. natural

Feedback: Natural accounts are the categories to which various costs are charged in the normal financial accounting cycle. These accounts include salaries, wages, supplies, raw materials, advertising, and others.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

208. In the factory, _____ show the purpose for which expenditures are made.

A. natural accounts
B. live accounts
C. functional accounts
D. defined accounts
E. deferred accounts

Feedback: In the factory, functional accounts show the purpose for which expenditures are made. Factory functional accounts include milling, grinding, maintenance, and so on.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

209. As compared to natural accounts, FUNCTIONAL ACCOUNTS:

A. are the accounts to which various costs are charged in the normal accounting cycle.
B. show the purpose for which expenditures are made.
C. include items such as storing, salaries, and taxes.
D. All of these.
E. Both are the accounts to which various costs are charged in the normal accounting cycle; and include items such as storing, salaries, and taxes.

Feedback: In the factory, functional accounts show the purpose for which expenditures are made. Factory functional accounts include milling, grinding, maintenance, and so on.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 2 Medium
Topic: Accounting Data Can Help in Understanding Costs and Profit

210. Classifying marketing costs in terms of their purpose—why the money was spent—requires the use of:

A. iceberg accounts.
B. marketing audit accounts.
C. expense accounts.
D. functional accounts.
E. natural accounts.

Feedback: In the factory, functional accounts show the purpose for which expenditures are made. Factory functional accounts include milling, grinding, maintenance, and so on.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

211. In marketing cost analysis, all of the following are considered functional accounts EXCEPT:

A. rent.
B. billing.
C. order assembly.
D. storing.
E. transporting.

Feedback: In the factory, functional accounts show the purpose for which expenditures are made. Factory functional accounts include milling, grinding, maintenance, and so on.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 2 Medium
Topic: Accounting Data Can Help in Understanding Costs and Profit

212. Which of the following is an example of a FUNCTIONAL cost account?

A. Auto repairs
B. Advertising
C. Taxes
D. Social Security
E. Any of these—because functional accounts include any costs which are used in the normal preparation of a company's operating statement.

Feedback: In the factory, functional accounts show the purpose for which expenditures are made. Factory functional accounts include milling, grinding, maintenance, and so on.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-5
Level of Difficulty: 2 Medium
Topic: Accounting Data Can Help in Understanding Costs and Profit

213. Which of the following is NOT a FUNCTIONAL cost account?

A. Packaging
B. Selling
C. Order entry
D. Rent
E. Billing

Feedback: In the factory, functional accounts show the purpose for which expenditures are made. Factory functional accounts include milling, grinding, maintenance, and so on.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

214. The first step in marketing cost analysis is to:

A. Reclassify the dollar cost entries in the functional accounts into natural cost accounts.
B. Use the entries in the functional accounts to evaluate the profitability of profit centers.
C. Allocate the entries in the functional accounts to specific customers.
D. Reclassify the dollar cost entries in the natural accounts into functional cost accounts.
E. None of these.

Feedback: The first step in marketing cost analysis is to reclassify all the dollar cost entries in the natural accounts into functional cost accounts. For example, the many cost items in the natural salary account may be allocated to functional accounts.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

215. What is the first step in marketing cost analysis?

A. Allocating functional cost to customers.
B. Reallocating costs to evaluate profitability of profit centers.
C. Analyzing the results.
D. Reclassifying dollar cost entries into functional cost accounts.
E. Initiating a follow-up.

Feedback: The first step in marketing cost analysis is to reclassify all the dollar cost entries in the natural accounts into functional cost accounts. For example, the many cost items in the natural salary account may be allocated to functional accounts.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-5
Level of Difficulty: 3 Hard
Topic: Accounting Data Can Help in Understanding Costs and Profit

216. Regarding marketing cost analysis, which of the following statements is TRUE?

A. Natural accounts are set up to indicate the purpose for which the expenditures were made.
B. The contribution-margin approach focuses attention on all costs equally.
C. The first step is to reclassify all costs in the natural accounts into functional accounts.
D. The total of costs in the natural accounts will often differ from the total of those in the functional accounts.
E. All of these are true.

Feedback: The first step in marketing cost analysis is to reclassify all the dollar cost entries in the natural accounts into functional cost accounts. For example, the many cost items in the natural salary account may be allocated to functional accounts.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 2 Medium
Topic: Accounting Data Can Help in Understanding Costs and Profit

217. A marketing manager who wants to calculate the cost of marketing several products to several target markets will probably have to:

A. read all requisitions very carefully.
B. allocate advertising expense to general overhead.
C. reorganize some of the company`s functional cost accounts to natural accounts.
D. reclassify all natural accounts into functional accounts.
E. None of these—it is impossible to link the costs of marketing to target markets.

Feedback: The first step in marketing cost analysis is to reclassify all the dollar cost entries in the natural accounts into functional cost accounts. For example, the many cost items in the natural salary account may be allocated to functional accounts.

AACSB: Analytical Thinking
Blooms: Apply
Learning Objective: BC2-5
Level of Difficulty: 2 Medium
Topic: Accounting Data Can Help in Understanding Costs and Profit

218. A major difference between functional accounts and natural accounts is that functional accounts

A. are based on the contribution-margin approach and natural accounts are based on the full cost approach.
B. always total to a lower overall expense than the total of the natural accounts.
C. might be used to compare the costs of serving different customers—but natural accounts are not suited to that purpose.
D. are the basis for most accounting systems, but natural accounts are more useful for marketing managers.
E. do not consider fixed costs, but natural accounts do.

Feedback: The costs allocated to the functional accounts equal, in total, those in the natural accounts. But instead of being used only to show total company profits, the costs can now be used to calculate the profitability of territories, products, customers, sales people, price classes, order sizes, distribution methods, sales methods, or any other break down desired.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-5
Level of Difficulty: 3 Hard
Topic: Accounting Data Can Help in Understanding Costs and Profit

219. A good marketing manager knows that:

A. the costs allocated to functional accounts during a marketing cost analysis should equal—in total—those in the natural accounts.
B. functional accounts usually are needed for determining the profitability of customers.
C. functional accounts usually are needed for determining the profitability of products.
D. All of these are true.
E. Only functional accounts usually are needed for determining the profitability of customers; and functional accounts usually are needed for determining the profitability of products; are true.

Feedback: The costs allocated to the functional accounts equal, in total, those in the natural accounts. But instead of being used only to show total company profits, the costs can now be used to calculate the profitability of territories, products, customers, sales people, price classes, order sizes, distribution methods, sales methods, or any other break down desired.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

220. Marketing cost analysis can:

A. Determine if a change in the marketing mix will improve profit.
B. Assign costs to product lines and customers.
C. Prepare a profit and loss statement for each customer.
D. Show which customers contribute the most to the firm's profitability.
E. All of these.

Feedback: The costs allocated to the functional accounts equal, in total, those in the natural accounts. But instead of being used only to show total company profits, the costs can now be used to calculate the profitability of territories, products, customers, sales people, price classes, order sizes, distribution methods, sales methods, or any other break down desired.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

221. A firm is doing a marketing cost analysis involving two products, three target markets, and $6 million in advertising costs. The firm should:

A. allocate $2 million of the advertising costs to each target market.
B. allocate these costs to general overhead.
C. determine the purpose of the advertising and allocate costs to products and target markets accordingly.
D. allocate these costs to each product and target market on the basis of their percentage of total sales.
E. allocate $3 million of the advertising costs to each product.

Feedback: The costs allocated to the functional accounts equal, in total, those in the natural accounts. But instead of being used only to show total company profits, the costs can now be used to calculate the profitability of territories, products, customers, sales people, price classes, order sizes, distribution methods, sales methods, or any other break down desired.

AACSB: Analytical Thinking
Blooms: Apply
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

222. Each month the sales staff of Capital Plumbing Supplies, Inc., makes an average of 125 sales calls on prospective customers at a cost of about $3,500 (salary plus expenses). What is the average cost of a sales call (to the nearest dollar amount)?

A. $22
B. $25
C. $28
D. $31
E. $34

Feedback: The costs allocated to the functional accounts equal, in total, those in the natural accounts. But instead of being used only to show total company profits, the costs can now be used to calculate the profitability of territories, products, customers, sales people, price classes, order sizes, distribution methods, sales methods, or any other break down desired.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

223. Each month the sales staff of TechPro Products makes an average of 209 sales calls on prospective customers at a cost of about $4,600 (salary plus expenses). What is the average cost of a sales call (to the nearest dollar amount)?

A. $22
B. $25
C. $28
D. $31
E. $34

Feedback: The costs allocated to the functional accounts equal, in total, those in the natural accounts. But instead of being used only to show total company profits, the costs can now be used to calculate the profitability of territories, products, customers, sales people, price classes, order sizes, distribution methods, sales methods, or any other break down desired.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

224. Each month the billing department of Phoenix Enterprises processes an average of 51 orders from customers at a cost of about $612 (in salaries and supplies). What is the average cost per order for this department (to the nearest dollar amount)?

A. $4
B. $6
C. $8
D. $10
E. $12

Feedback: The costs allocated to the functional accounts equal, in total, those in the natural accounts. But instead of being used only to show total company profits, the costs can now be used to calculate the profitability of territories, products, customers, sales people, price classes, order sizes, distribution methods, sales methods, or any other break down desired.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

225. Each month the billing department of Lone Star Drilling, Inc., processes an average of 102 orders from customers at a cost of about $1,734 (in salaries and supplies). What is the average cost per order for this department (to the nearest dollar amount)?

A. $14
B. $17
C. $20
D. $22
E. $25

Feedback: The costs allocated to the functional accounts equal, in total, those in the natural accounts. But instead of being used only to show total company profits, the costs can now be used to calculate the profitability of territories, products, customers, sales people, price classes, order sizes, distribution methods, sales methods, or any other break down desired.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

226. A company has three products (X, Y, and Z) that it sells, packs, and ships to its customers. Because the products have different sizes they also have different packing and shipping costs so we will use a new measure—a packing/shipping unit. Because Product Y is the smallest of the three products, we will assign it a value of 1 packing/shipping unit. Product X is twice as big as Product Y and Product Z is four times as big as Product Y. If, on a monthly basis, this company sells an average of 1,500 units of Product X, 800 units of Product Y, and 60 units of Product Z, how many packing/shipping units should it allocate to Product Z per month (to the nearest whole number)?

A. 240
B. 424
C. 620
D. 800
E. 3,000

Feedback: The costs allocated to the functional accounts equal, in total, those in the natural accounts. But instead of being used only to show total company profits, the costs can now be used to calculate the profitability of territories, products, customers, sales people, price classes, order sizes, distribution methods, sales methods, or any other break down desired.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-5
Level of Difficulty: 3 Hard

Topic: Accounting Data Can Help in Understanding Costs and Profit

227. A company has three products (X, Y, and Z) that it sells, packs, and ships to its customers. Because the products have different sizes they also have different packing and shipping costs so we will use a new measure—a packing/shipping unit. Because Product Y is the smallest of the three products, we will assign it a value of 1 packing/shipping unit. Product X is twice as big as Product Y and Product Z is four times as big as Product Y. On a monthly basis, this company sells an average of 1,500 units of Product X, 800 units of Product Y, and 60 units of Product Z. If the company spends on average of $3,720 each month on total packing/shipping costs, what amount should it allocate to Product X per month (to the nearest dollar amount)?

A. $736
B. $1,380
C. $1,836
D. $2,500
E. $2,760

Feedback: The costs allocated to the functional accounts equal, in total, those in the natural accounts. But instead of being used only to show total company profits, the costs can now be used to calculate the profitability of territories, products, customers, sales people, price classes, order sizes, distribution methods, sales methods, or any other break down desired.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-5
Level of Difficulty: 3 Hard
Topic: Accounting Data Can Help in Understanding Costs and Profit

228. A company has three products (X, Y, and Z) that it sells, packs, and ships to its customers. Because the products have different sizes they also have different packing and shipping costs so we will use a new measure—a packing/shipping unit. Because Product Y is the smallest of the three products, we will assign it a value of 1 packing/shipping unit. Product X is twice as big as Product Y and Product Z is four times as big as Product Y. On a monthly basis, this company sells an average of 1,500 units of Product X, 800 units of Product Y, and 60 units of Product Z. If the company spends on average of $3,720 each month on total packing/shipping costs, what amount should it allocate to Product Z per month (to the nearest dollar amount)?

A. $101
B. $169
C. $221
D. $498
E. $736

Feedback: The costs allocated to the functional accounts equal, in total, those in the natural accounts. But instead of being used only to show total company profits, the costs can now be used to calculate the profitability of territories, products, customers, sales people, price classes, order sizes, distribution methods, sales methods, or any other break down desired.

AACSB: Reflective Thinking
Blooms: Apply
Learning Objective: BC2-5
Level of Difficulty: 1 Easy
Topic: Accounting Data Can Help in Understanding Costs and Profit

229. Marketing managers should insist that IT systems used be robust from a security standpoint. Which of the following is likely to be a reason for this requirement?

A. Marketing managers are storing more personal customer data in CRM systems.
B. Cybercrime has been on the decline over the last few years.
C. Maintaining robust IT systems usually involves high maintenance costs.
D. Organizations with highly secure IT systems offer better products and services than others.
E. Customers are willing to pay more for products when organizations have secure IT systems.

Feedback: As marketing managers make greater use of CRM systems with customer personal, it is critical that IT systems be robust from a security standpoint.

AACSB: Analytical Thinking
Blooms: Understand
Learning Objective: BC2-6
Level of Difficulty: 2 Medium
Topic: Enabling Marketing Strategy with Information Technology

230. Which of the following best explains the function of a CRM database?

A. It is used to improve the security of IT systems employed for marketing.
B. It is used to keep track of orders from suppliers and related cost fluctuations.
C. It is used to gather, store, and maintain personal information about customers.
D. It is used to estimate changes in currency values in the international market.
E. It is used to evaluate employee performances.

Feedback: CRM databases are used to gather, store, and maintain personal information about customers.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Enabling Marketing Strategy with Information Technology

231. An electronic goods manufacturer launched a promotional campaign which involved a flat twenty percent discount on all purchases made on the manufacturer's website. This campaign became very popular. However, the large number of simultaneous purchases on the website caused it to crash. Which of the following statements can definitely be concluded from this information?

A. The company's website was not secure, which made hacking easy.
B. The online sales resulting from this promotional campaign generated more revenue than its retail outlets during the same period.
C. Promotional campaigns involving a discount generally result in a loss rather than an increase in profit.
D. The company's website did not have the capacity to handle such a high load.
E. Sales at the manufacturer's retail stores were at an all-time low prior to the promotional campaign.

Feedback: Companies should ensure that online systems have the capacity to handle customer demands. This is especially valid when a company implements a strategy that will result in higher customer interaction with its online systems. The information given in the question makes it clear that the company's website did not have the capacity to handle such a high load.

AACSB: Analytical Thinking
Blooms: Apply
Learning Objective: BC2-6
Level of Difficulty: 3 Hard
Topic: Enabling Marketing Strategy with Information Technology

232. Many companies today choose to use ERP systems to manage information. ERP here stands for:

A. entrepreneurship research program.
B. enterprise resource planning.
C. efficient resource production.
D. economic rate planning.
E. ergonomics research program.

Feedback: ERP stands for enterprise resource planning.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Enabling Marketing Strategy with Information Technology

233. Which of the following is commonly used to integrate internal and external information management across an entire organization?

A. Enterprise resource planning system
B. Customer relationship management system
C. Human resource planning system
D. Enterprise performance management system
E. Corporate decision support system

Feedback: Enterprise resource planning (ERP) systems are used to integrate internal and external information management across the entire organization.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Enabling Marketing Strategy with Information Technology

234. Which of the following is true of an ERP system?

A. It can only be used to store data about a company's resources.
B. Its usage makes hacking difficult and therefore enhances security.
C. It facilitates the flow of information among all the business functions within an organization.
D. Its usage is mandatory for ensuring the protection of customer data.
E. It does not facilitate the flow of information between a company and its suppliers.

Feedback: Enterprise resource planning (ERP) systems are used to integrate internal and external information management across an entire organization. They facilitate the flow of information among all the business functions within the organization.

AACSB: Analytical Thinking
Blooms: Remember
Learning Objective: BC2-6
Level of Difficulty: 1 Easy
Topic: Enabling Marketing Strategy with Information Technology

235. Human resource issues include:

A. retraining employees for other jobs within the company.
B. deciding what to do when a job is not being performed well.
C. recruiting and hiring new employees.
D. deciding how people will be compensated.
E. All of these.

Feedback: Large firms usually have a separate human resources department staffed by specialists who work with others in the firm to ensure that good people are available to do jobs that need to be done.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

236. Which of the following statements concerning human resources is NOT true?

A. Most of the people affected by a new strategy are under the control of a marketing manager.
B. Communication is very important because you can't expect people to pull together in an organization-wide effort if they don't know what's going on.
C. People are one of a company's most important resources.
D. It is the marketing manager's job to communicate with others in the organization and explain the new strategy, what needs to happen, and why.
E. All of these are true.

Feedback: People affected by a new strategy may not be under the control of the marketing manager. And the marketing manager may not be able to change everyone into enthusiastic supporters of the plan.

AACSB: Reflective Thinking
Blooms: Understand
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action

237. Regarding human resources, a good marketing manager knows that:

A. All the people affected by a new marketing strategy are under the marketing manager's direct control.
B. It is the marketing manager's job to explain a new marketing strategy, what needs to happen, and why.
C. Sometimes training must be sacrificed in order to meet objectives for rapid growth.
D. There are no human resource challenges involved in the decision to drop a product, a channel of distribution, or a customer.
E. All of these are true.

Feedback: Good communication is crucial. The marketing manager must find ways to explain the new strategy, what needs to happen, and why. You can't expect people to pull together in a companywide effort if they don't know what's going on.

AACSB: Reflective Thinking
Blooms: Remember
Learning Objective: BC2-7
Level of Difficulty: 1 Easy
Topic: People Put Plans into Action