

Chapter 2A: The Environment of Marketing in the Twenty-First Century

TRUE/FALSE

1. The microenvironment of a firm includes the company, its consumers, suppliers, distributors, other facilitators of the marketing function, and competition.

ANS: T

The elements of the microenvironment are consumers, suppliers, middlemen and other facilitators of marketing functions, and competition.

PTS: 1 DIF: Moderate REF: Section 2-1

2. On the average, most firms spend around 30% of their sales revenue on the marketing function.

ANS: F

Most firms spend around 10% of their sales revenue on the marketing function, on average.

PTS: 1 DIF: Difficult REF: Section 2-2a

3. Firms that rate highly on interdepartmental connectedness through sharing information with all other departments in the company are more successful in reaching overall organizational sales and profit objectives.

ANS: T

Firms characterized by high interdepartmental connectedness share information with all other departments in the company and are more successful in reaching overall organizational sales and profit objectives.

PTS: 1 DIF: Moderate REF: Section 2-2a

4. Distributors are middlemen whose task is to ensure the convenient, timely, and safe distribution of products to consumers.

ANS: T

Distributors are defined as middlemen in the distribution channel. Their task is to ensure the convenient, timely, and safe distribution of products to consumers.

PTS: 1 DIF: Easy REF: Section 2-2b

5. While it is the responsibility of the purchasing department to deal with suppliers, a rise in the cost of raw materials is also of concern to the marketing department because it is the marketing department that sets the prices of the products being sold.

ANS: T

A rise in the cost of raw materials is not only the concern of the purchasing department; it also concerns the marketing department because it is the marketing department that sets the prices of the products being sold.

PTS: 1 DIF: Moderate REF: Section 2-2b

6. The key to understanding the impact of competition on marketing is to examine it from the firm's point of view.

ANS: F

The key to understanding the impact of competition on marketing is to examine it from the consumer's point of view. As a consumer, you are hungry. For Burger King to be considered as an option, you would think about it in terms of the competition. Do I want to eat at Burger King, McDonald's, Hardee's, or another fast-food outlet that sells hamburgers? Is there one close to me?

PTS: 1 DIF: Moderate REF: Section 2-2d

7. In developing a marketing plan, a business such as Taco Bell would have to consider all of the layers of competition, not just the primary competitors at the first level.

ANS: T

In developing a marketing plan, a business such as Taco Bell would have to consider all of the layers of competition—not just the primary competitors at the first level, but also second-level layer fast-food restaurants, and third-level competitors, such as dine-in restaurants.

PTS: 1 DIF: Easy REF: Section 2-2d

8. In the layered approach to understanding a firm's competitors, the inner circle would be the firm's customers.

ANS: F

The inner circle consists of the firm's most direct competitors in the layered approach to understanding a firm's competitors.

PTS: 1 DIF: Easy REF: Section 2-2d

9. Marketing managers have no control over the macroenvironment, but must continuously monitor it to identify changing threats and opportunities that may affect the firm.

ANS: T

While they have no control over the macroenvironment, marketing managers must continuously monitor it to identify changing threats and opportunities that may affect the firm.

PTS: 1 DIF: Moderate REF: Section 2-3

10. Demographic trends that will impact marketing in the future include a slower population growth rate, a younger population, and a more diverse population.

ANS: F

Demographic trends that will impact marketing in the future include a slower population growth rate, an aging population, and a more diverse population.

PTS: 1 DIF: Moderate REF: Section 2-3a

11. Because individuals are getting married at a younger age and are having larger families than in the past, the U.S. population is expected to grow faster during the 21st century than it did during the 20th century.

ANS: F

Because individuals are waiting longer to get married and having smaller families than in the past, the U.S. population is not expected to grow as fast during the twenty-first century as it did during the twentieth century.

PTS: 1 DIF: Moderate REF: Section 2-3a

12. The average age of the American population is expected to increase during the 21st century.

ANS: T

While the growth is slower, the average age of the American population will increase. This is primarily due to advances in medical knowledge.

PTS: 1 DIF: Moderate REF: Section 2-3a

13. Of the various demographic groups, the Younger Boomers are the largest, with 23.9 million households, and have the highest number of people per household, at 3.3.

ANS: F

The Older Boomers are the second largest of all the demographic groups, with 21.9 million households, and have 2.7 people per household.

PTS: 1 DIF: Difficult REF: Section 2-3a

14. Generation X are individuals born between 1965 and 1977.

ANS: T

Generation X are individuals born between 1965 and 1977 and contribute 18 percent of the total spending power of consumers in the United States.

PTS: 1 DIF: Moderate REF: Section 2-3b

15. Generation Y are individuals born between 1988 and 2007.

ANS: F

While there is debate about the composition of this group, this text takes the position they are individuals born between 1978 and 2002.

PTS: 1 DIF: Moderate REF: Section 2-3b

16. The big ticket items for Generation Y are clothes, automobiles, and college.

ANS: T

Clothes, automobiles, and college are the big-ticket items for this group, which spends 3.3 times more on education than the average person and 1.5 times more on vehicles and apparel than the average person.

PTS: 1 DIF: Difficult REF: Section 2-3b

17. Food, housing, transportation, and personal services are the important categories for the Generation X consumers.

ANS: T

Food, housing, transportation, and personal services are the important categories for this market segment.

PTS: 1 DIF: Difficult REF: Section 2-3b

18. Baby boomers represent 42% of the population in the United States, but account for only 35% of the total spending.

ANS: F

Baby boomers represent 42 percent of the population in the United States, but account for 50 percent of the total spending.

PTS: 1 DIF: Difficult REF: Section 2-3b

19. For many marketers, age is an important characteristic in examining the United States' population because spending habits, media preferences, and interests vary among the different age categories.

ANS: T

For many marketers, age is an important characteristic in examining the U.S. population. Spending habits, media preferences, and interests vary among the different age categories.

PTS: 1 DIF: Easy REF: Section 2-3b

20. For the younger boomers (born between 1954 and 1964), a considerable portion of their income is spent on home mortgage expenses, home furnishings, and home renovations. The remainder of their disposable income is spent on family purchases such as pets, toys, playground equipment, and large recreational items such as boats and four-wheelers.

ANS: T

The home and family are the focus of younger boomers' spending. The majority, 60 percent, own their own home; consequently, a considerable amount of their income is allocated to mortgage expenditures and home furnishings and renovation. The remaining disposable income is spent on family purchases such as pets, toys, playground equipment, and large recreational items such as a boat or four-wheel-drive vehicle.

PTS: 1 DIF: Difficult REF: Section 2-3b

21. Older boomers, born between 1942 and 1953, spend more on insurance and investments as they think about retirement. With fewer responsibilities at home, they also spend considerably more on vacations and recreation than the other demographic groups.

ANS: T

Among priorities of this demographic group are upgrading their homes, ensuring education and independence of their children, obtaining luxury items like boats, and going on vacation. In spite of the higher cost of children's education, this group can afford to remodel their home, purchase better furniture, and buy higher-quality clothing for themselves. Insurance and investments are high-ticket items as they begin to think about their later years and retirement. With fewer responsibilities at home, older boomers spend considerably more on vacation and recreation than any of the other demographic groups

PTS: 1 DIF: Difficult REF: Section 2-3b

22. Almost 80% of older boomers own their home and many have already paid off the mortgage.

ANS: F

Since older boomers are upgrading their homes, mortgages for this group are still quite high. This is a characteristic of empty nesters.

PTS: 1 DIF: Difficult REF: Section 2-3b

23. Zoomers are a special subcategory of empty nesters whose lifestyles resemble those of individuals who are 20 years younger, and who plan to continue living this way.

ANS: F

The zoomers are part of the older boomer generation, not empty nesters.

PTS: 1 DIF: Difficult REF: Section 2-3b

24. For seniors, individuals 65 and over, the top three spending categories are drugs, health insurance, and health care.

ANS: T

For seniors, fixed incomes mean tighter budgets, so household income and spending decline sharply. Health care becomes the number one priority, as well as drugs, health insurance, and health.

PTS: 1 DIF: Moderate REF: Section 2-3b

25. Culture is defined as the rituals, norms and traditions of the various ethnic groups that make up a society.

ANS: F

Culture is a society's personality; it is defined as a continuously evolving totality of learned and shared meanings, rituals, norms, and traditions among the members of an organization or society.

PTS: 1 DIF: Moderate REF: Section 2-3c

26. Norms are derived from a culture's values and are rules that dictate what is right or wrong, acceptable and unacceptable.

ANS: T

Norms are defined as rules that dictate what is right or wrong, acceptable and unacceptable.

PTS: 1 DIF: Moderate REF: Section 2-3c

27. The economic environment encompasses all the factors in the environment that affect the use of resources, including the limited natural resources, the production of goods and services, and their allocation to individual and organizational consumers.

ANS: T

The economic environment encompasses all the factors in the environment that affect the use of resources, including the limited natural resources, the production of goods and services, and their allocation to individual and organizational consumers.

PTS: 1 DIF: Moderate REF: Section 2-4

28. Developed, highly-income countries account for close to 50% of the world's GNP, but have less than 15% of the world's population.

ANS: F

With regard to the GNP distribution worldwide, developed, highly industrialized, high-income countries account for close to 80 percent of the world's GNP, while only accounting for less than 15 percent of the population.

PTS: 1 DIF: Difficult REF: Section 2-4a

29. Big emerging markets (BEMs) represent the greatest potential for international trade and expansion.

ANS: T

Markets that present the greatest potential for international trade and expansion are Big Emerging Markets (BEMs).

PTS: 1 DIF: Difficult REF: Section 2-4a

30. Middle-income countries are markets that are developing rapidly and have great potential.

ANS: T

Middle-income countries are markets that are developing rapidly and have great potential. They are typically in a transition to a market economy.

PTS: 1 DIF: Moderate REF: Section 2-4a

31. According to the World Bank's classification, high-income countries are countries that are developing rapidly and have great potential.

ANS: F

High-income countries are highly industrialized countries that have well-developed industrial and service sectors.

PTS: 1 DIF: Moderate REF: Section 2-4a

32. Big emerging markets (BEMs) are a subcategory of middle-income countries with emerging markets and represent countries with the greatest potential for international trade and expansion.

ANS: T

Big emerging markets (BEMs) are a subcategory of middle-income countries with emerging markets and represent countries with the greatest potential for international trade and expansion. They tend to be large and have a strong regional influence.

PTS: 1 DIF: Moderate REF: Section 2-4a

33. According to the Rostow model, transitional society is characterized by increased productivity in agriculture and an emergence of modern manufacturing.

ANS: T

Transitional society is characterized by increased productivity in agriculture and an emergence of modern manufacturing, according to Rostow.

PTS: 1 DIF: Difficult REF: Section 2-4b

34. According to the Rostow Model, the United States would be classified as being in the "drive-to-maturity" stage.

ANS: F

According to the Rostow Model, the United States would be classified as being in the high mass consumption stage.

PTS: 1 DIF: Moderate REF: Section 2-4b

35. According to the Rostow model of economic development, in the take-off stage, modern technology is fully adopted in all economic activity and new leading sectors have emerged.

ANS: T

In the take-off stage of Rostow's model, modern technology is fully adopted in all economic activity and new leading sectors have emerged.

PTS: 1 DIF: Difficult REF: Section 2-4b

36. Lower-class consumers are the most likely to be affected by economic slowdowns since part-time and lower-level jobs are the most likely to be cut.

ANS: T

The lower-class consumers are most likely to be affected by economic slowdown because part-time jobs and/or jobs requiring a lower skill level are likely to be cut.

PTS: 1 DIF: Easy REF: Section 2-4c

37. The greatest expense for all income households, except high-income households, is transportation.

ANS: F

Housing is the greatest expense for all income levels.

PTS: 1 DIF: Easy REF: Section 2-4c

38. Expenses for necessities, such as food and personal care products and services, remains constant as a proportion of income as household income increases.

ANS: F

These expenses tend to decrease as a proportion of income as household income rises, allowing higher-income individuals to spend more on other things.

PTS: 1 DIF: Moderate REF: Section 2-4c

39. Topography is important in terms of international trade and commerce because it determines access to the market and affects distribution decisions.

ANS: T

Topography is essential for international trade and marketing because it determines access to the market and affects distribution decisions.

PTS: 1 DIF: Moderate REF: Section 2-4d

40. Hydrology is important in terms of international trade and commerce because it impacts a country's level of economic development.

ANS: T

Hydrology is important in terms of international trade and commerce because it impacts a country's level of economic development: it determines access to markets. Landlocked countries have greater development impediments than countries that have water access.

PTS: 1 DIF: Difficult REF: Section 2-4d

41. The primary driver of change in today's society is advances in technology.

ANS: T

Technology is an important driver of change in society.

PTS: 1 DIF: Moderate REF: Section 2-5

42. In the United States, the federal government spends the most on research and development.

ANS: F

The federal government spent \$133.78 billion in 2006, compared to over \$200 billion spent by industry.

PTS: 1 DIF: Moderate REF: Section 2-5

43. A poor economic performance and forecasts of poor economic performance are likely to lead to a greater level of risk for companies because of lower rates of inflation and lower unemployment rates.

ANS: F

A poor economic performance and forecast are likely to lead to greater levels of risk for companies. Of particular concern are high inflationary rates and high unemployment rates, both of which could lead to higher taxes, regulatory restrictions, an increasingly active labor movement, and even political instability.

PTS: 1 DIF: Easy REF: Section 2-6a

44. A poor economic performance is likely to lead to higher inflation and higher unemployment, which in turn can lead to higher taxes, regulatory restrictions, an increasingly active labor movement, and even political instability.

ANS: T

If economic performance is poor, of particular concern are high inflationary rates and high unemployment rates, both of which could lead to higher taxes, regulatory restrictions, an increasingly active labor movement, and even political instability.

PTS: 1 DIF: Difficult REF: Section 2-6a

45. Changes in the governing party of a national government creates risks for companies because this change will usually trigger a change in policies relating to taxes and industry regulations.

ANS: T

Companies have great concerns when there are changes in the governing party of a national government, as they are likely to face increased risk: this change will usually trigger a change in policies relating to taxes and industry regulations.

PTS: 1 DIF: Moderate REF: Section 2-6b

MULTIPLE CHOICE

1. The environment of the firm, which includes the company, its consumers, suppliers, distributors, and other facilitators of the marketing function and competition is the
 - a. microenvironment
 - b. macroenvironment
 - c. Rostow model of economic development
 - d. transitional society

ANS: A

The elements of the microenvironment are consumers, suppliers, middlemen and other facilitators of marketing functions, and competition.

PTS: 1 DIF: Easy REF: Section 2-1

2. The environment of the firm, which includes the socio-demographic and cultural environment, the economic and natural environment, the political environment, and the technological environment is the
 - a. microenvironment
 - b. macroenvironment
 - c. Rostow model of economic development
 - d. transitional society

ANS: B

The macroenvironment includes the socio-demographic and cultural environment, the economic and natural environment, the political environment, and the technological environment.

PTS: 1 DIF: Easy REF: Section 2-1

3. The microenvironment consists of all of the following except
 - a. suppliers
 - b. customers
 - c. competition
 - d. natural resources

ANS: D

The microenvironment does not include natural resources; that is part of the macroenvironment.

PTS: 1 DIF: Moderate REF: Section 2-2

4. Within the company itself, the marketing manager or marketing department will be involved in all of the following arenas except
 - a. battle for limited financial resources
 - b. battle for natural resources
 - c. seeking a voice in company strategies
 - d. developing a marketing mindset within the company

ANS: B

Within the company itself, the marketing manager or marketing department will be involved in the battle for limited financial resources, in seeking a voice in company strategies, in developing a marketing mindset within the company. The marketing manager/department will not be involved in the battle for natural resources.

PTS: 1 DIF: Moderate REF: Section 2-2a

5. On the average, most firms spend around _____ of their sales revenue on the marketing function.
 - a. 5%
 - b. 10%
 - c. 15%
 - d. 20%

ANS: B

On the average, most firms spend around 10 % of their sales revenue on the marketing function.

PTS: 1

DIF: Difficult

REF: Section 2-2a

6. Distributors are middlemen whose task is to
- finance, price, and market the finished product to consumers
 - ensure a steady supply of raw materials and supplies
 - ensure the convenient, timely, and safe distribution of the product to consumers
 - ship finished products to retail stores

ANS: C

Distributors ensure the convenient, timely, and safe distribution of the product to consumers.

PTS: 1

DIF: Moderate

REF: Section 2-2b

7. For a dine-in restaurant such as Applebee's, a primary competitor that would be placed in the inner circle of a layered diagram would be
- TGI Friday's
 - Subway
 - Arby's
 - grocery stores

ANS: A

A primary competitor of Applebee's, one that would be placed in the inner circle of a layered diagram would be TGI Friday's.

PTS: 1

DIF: Moderate

REF: Section 2-2d

8. The macroenvironment consists of all of the following except
- socio-demographic environment
 - cultural environment
 - technical environment
 - competitive environment

ANS: D

The macroenvironment consists of the socio-demographic, cultural, and technical environments, but not of the competitive environment.

PTS: 1

DIF: Moderate

REF: Section 2-3

9. A consumer's background, values, attitudes, interests and behaviors would be part of the
- socio-demographic and cultural environment
 - economic and natural environment
 - firm's microenvironment
 - competitive environment

ANS: A

A consumer's background, values, attitudes, interests and behaviors would be part of the socio-demographic and cultural environment.

PTS: 1

DIF: Moderate

REF: Section 2-3a

10. Demographic trends in the United States that will impact marketing in the future include all of the following except
- slower population growth rate
 - an aging population
 - a more diverse population
 - a larger male population

ANS: D

Demographic trends in the United States that will impact marketing in the future include a slower population growth rate, an aging population, and a more diverse population, but not a larger male population.

PTS: 1 DIF: Difficult REF: Section 2-3a

11. Statistics that describe a population's gender, age, ethnicity, education, and income are
- a. a population's culture
 - b. demographics
 - c. psychographics
 - d. the natural environment

ANS: B

Demographics are statistics that describe a population, such as gender, age, race, ethnicity, education, and income.

PTS: 1 DIF: Easy REF: Section 2-3a

12. The highest annual average spending per household is by
- a. Generation Y
 - b. Generation X
 - c. Younger boomers
 - d. Older boomers

ANS: D

Older boomers have the highest household spending.

PTS: 1 DIF: Difficult REF: Section 2-3a

13. Clothes, automobiles, and college are the big spending items for this demographic group. They also spend substantial amounts on television sets and stereo systems.
- a. Generation Y
 - b. Generation X
 - c. Younger Boomers
 - d. Older Boomers

ANS: A

Generation Y spends substantially on clothes, automobiles, and college; they also spend substantial amounts on television sets and stereo systems.

PTS: 1 DIF: Difficult REF: Section 2-3b

14. This generation group adheres to a speak-your-mind philosophy. They are smart, brash, wear flip-flops to the office, have been pampered, nurtured, and programmed with many activities since childhood, and are both high-performance and high-maintenance.
- a. Generation Y
 - b. Generation X
 - c. Younger Boomers
 - d. Older Boomers

ANS: A

These are characteristics of Generation Y individuals.

PTS: 1 DIF: Difficult REF: Section 2-3b

15. Food, housing, transportation, and personal services are big spending items for this demographic group. Their focus is on the family and children.
- a. Generation Y
 - b. Generation X
 - c. Younger Boomers
 - d. Older Boomers

ANS: B

Generation X spends substantially on food, housing, transportation, and personal services. Their focus is on the family and children.

PTS: 1 DIF: Difficult REF: Section 2-3b

16. Baby boomers represent 42 percent of the population in the United States, but account for _____ percent of the total spending.
- a. 30
 - b. 40
 - c. 50
 - d. 60

ANS: C

Baby boomers account for 50 percent of the total spending.

PTS: 1 DIF: Difficult REF: Section 2-3b

17. The home and family are the focus of this demographic group, but, since 60 percent own their home, a considerable amount of their income is spent on mortgage expenditures, home furnishings, and renovations.
- a. Generation Y
 - b. Generation X
 - c. Younger Boomers
 - d. Older Boomers

ANS: C

Younger boomers focus on the home and family, but, since 60 percent own their home, a considerable amount of their income is spent on mortgage expenditures, home furnishings, and renovations.

PTS: 1 DIF: Difficult REF: Section 2-3b

18. Upgrading their homes, ensuring education and independence of their children, luxury items like boats, and going on vacations are the spending priorities for the
- a. Younger Boomer
 - b. Older Boomer
 - c. Empty Nester
 - d. Senior

ANS: B

For Older Boomers, upgrading their homes, ensuring education and independence of their children, luxury items like boats, and going on vacations are the spending priorities.

PTS: 1 DIF: Difficult REF: Section 2-3b

19. Refusing to retire, _____ want to continue to look good, therefore, they spend heavily on cosmetic surgery, clothes, and sports cars.
- a. zoomers
 - b. younger boomers
 - c. empty nesters
 - d. seniors

ANS: A

Zoomers are a subcategory of older boomers and spend a lot of money trying to look and act younger, through cosmetic surgery, clothes, and sports cars.

PTS: 1 DIF: Difficult REF: Section 2-3b

20. Home mortgages, new furniture, new automobiles, personal indulgence items, investments, and insurance represent priorities for the
- a. Younger Boomer
 - b. Older Boomer
 - c. Empty Nesters
 - d. Seniors

ANS: C

Empty nesters spend substantially on home mortgages, new furniture, new automobiles, personal indulgence items, investments, and insurance.

PTS: 1 DIF: Difficult REF: Section 2-3b

21. Health care, health insurance, and drugs are the top three spending categories for the
- a. Younger Boomer
 - b. Older Boomer
 - c. Empty Nester
 - d. Senior

ANS: D

Health care, health insurance, and drugs are the top three spending categories for the Senior category.

PTS: 1 DIF: Moderate REF: Section 2-3b

22. Beliefs about a specific mode of conduct or desirable end-state that guides the selection or evaluation of behavior represent
- a. culture
 - b. the elements of culture
 - c. cultural values
 - d. norms

ANS: C

Cultural values are beliefs about a specific mode of conduct or desirable end-state that guides the selection or evaluation of behavior.

PTS: 1 DIF: Moderate REF: Section 2-3c

23. The _____ is a society's personality.
- a. culture
 - b. socio-demographic environment
 - c. natural environment
 - d. political environment

ANS: A

Culture is defined as society's personality.

PTS: 1 DIF: Easy REF: Section 2-3c

24. Individualism and materialism were dominant values in the United States until the terrorist attacks of September 11, 2001, when many turned their attention more to family and nurturing relationships. This is an example of
- a. the socio-demographic environment
 - b. the political environment
 - c. norms
 - d. culture

ANS: D

Individualism and materialism were dominant values in the United States until the terrorist attacks of September 11, 2001, when many turned their attention more to family and nurturing relationships. This is an example of culture, specifically, cultural change.

PTS: 1 DIF: Moderate REF: Section 2-3c

25. The element of the macroenvironment which encompasses developing a marketing plan targeted towards the Hispanic population would be the
- a. socio-demographic and cultural environment
 - b. economic and natural environment
 - c. technological environment
 - d. political environment

ANS: A

The element of the macroenvironment which encompasses developing a marketing plan targeted towards the Hispanic population would be the socio-demographic and cultural environment.

PTS: 1 DIF: Moderate REF: Section 2-3c

26. An informal and frequently used classification of countries has referred to developing countries as the third world. In this classification, second world countries would be
- a. highly industrialized countries
 - b. socialist countries
 - c. developing countries
 - d. emerging countries

ANS: B

In this classification, second world countries would be socialist countries.

PTS: 1 DIF: Moderate REF: Section 2-4a

27. According to the World Bank country classification system, newly industrialized nations would include
- a. Taiwan and South Korea
 - b. Brazil, Argentina, Chile, and Peru
 - c. the United States
 - d. many of the countries in Africa

ANS: A

Taiwan and South Korea are examples of newly industrialized countries (NIC's).

PTS: 1 DIF: Difficult REF: Section 2-4a

28. The World Bank classifies countries using all of the following categories except
- a. high-income countries
 - b. middle-income countries
 - c. low-income countries
 - d. moderate-income countries

ANS: D

The only category not used by the World Bank is moderate-income countries.

PTS: 1 DIF: Easy REF: Section 2-4a

29. According to the World Bank classification of countries, China would be classified as a
- a. high-income country
 - b. middle-income country
 - c. low-income country

ANS: C

China is a middle-income country and due to its potential is considered a Big Emerging Market (BEM).

PTS: 1 DIF: Moderate REF: Section 2-4a

30. According to the Rostow model of economic development, the second step in modernization is
- a. traditional society
 - b. transitional society
 - c. take-off
 - d. the drive to maturity

ANS: B

The second step in modernization in the Rostow model is the transitional society.

PTS: 1 DIF: Moderate REF: Section 2-4b

31. According to the Rostow model of economic development, countries in the traditional society stage are characterized by
- a. an economic structure that is dominated by agriculture
 - b. growth, improvements in production, and the rise of entrepreneurs

- c. increased productivity in agriculture and the rise of modern manufacturing
- d. an adoption of modern technology in all sectors of the economy

ANS: A

Traditional societies are dominated by agriculture.

PTS: 1 DIF: Difficult REF: Section 2-4b

32. According to the Rostow model of economic development, countries in the transitional society stage are characterized by
- a. an economic structure that is dominated by agriculture
 - b. growth, improvements in production, and the rise of entrepreneurs
 - c. increased productivity in agriculture and the rise of modern manufacturing
 - d. an adoption of modern technology in all sectors of the economy

ANS: C

Countries in the transitional society stage are characterized by increased productivity in agriculture and the rise of modern manufacturing.

PTS: 1 DIF: Difficult REF: Section 2-4b

33. According to the Rostow model of economic development, in the _____ stage, modern technology is fully adopted in all economic activity, and new leading sectors emerge.
- a. traditional society
 - b. transitional society
 - c. take-off
 - d. drive to maturity

ANS: D

The Rostow model of economic development describes the drive-to-maturity stage as characterized by the adoption of modern technology in all economic activity, and new leading sectors emerging.

PTS: 1 DIF: Moderate REF: Section 2-4b

34. According to the Rostow model of economic development, countries in the _____ stage experience a rise in income across the board with the emergence of a new class, the entrepreneurs.
- a. transitional society
 - b. take-off
 - c. drive to maturity
 - d. high mass consumption

ANS: B

Countries in the take-off stage of the Rostow model experience a rise in income across the board with the emergence of a new class, the entrepreneurs.

PTS: 1 DIF: Difficult REF: Section 2-4b

35. According to the Rostow model of economic development, the most advanced stage of development is the
- a. transitional society
 - b. take-off
 - c. drive to maturity
 - d. high mass consumption

ANS: D

According to the Rostow model of economic development, the most advanced stage of development is the high mass consumption society.

PTS: 1 DIF: Easy REF: Section 2-4b

36. In the United States and most other industrialized, high-income countries, the focus of the economy is shifting toward
- a. manufacturing
 - b. exporting
 - c. information
 - d. services

ANS: D

Services now account for most of the output of industrialized, high-income countries, such as the United States.

PTS: 1 DIF: Moderate REF: Section 2-4b

37. The income class that would most likely be impacted by a slow economy would be
- a. upper-class
 - b. middle-class
 - c. lower-class
 - d. all would be impacted equally

ANS: C

The income class that would most likely be impacted by a slow economy would be the lower-class because jobs requiring lower skill level are more likely to be cut.

PTS: 1 DIF: Easy REF: Section 2-4c

38. The element(s) in the macroenvironment that would be most concerned about research for alternative fuels to power automobiles, such as ethanol, would be the
- a. socio-demographic and cultural environment
 - b. economic and the natural environment
 - c. technological environment
 - d. political environment

ANS: B

The elements in the macroenvironment that would be most concerned about research for alternative fuels to power automobiles, such as ethanol, would be the economic and the natural environment.

PTS: 1 DIF: Difficult REF: Section 2-4d

39. Arid lands, such as the desert in the Southwestern United States, are inhabited only at a very high cost. This illustrates the impact of _____ on economic development.
- a. topography
 - b. hydrology
 - c. climate
 - d. environmental quality

ANS: C

Arid lands inhabited at a very high cost illustrate the impact of climate on economic development.

PTS: 1 DIF: Difficult REF: Section 2-4d

40. The population growth rate is the highest for
- a. East Asia and the Pacific-rim area
 - b. Europe and Central Asia
 - c. Latin America and the Caribbean
 - d. South Asia and Sub-Saharan Africa

ANS: D

The population growth rate is the highest for South Asia and Sub-Saharan Africa.

PTS: 1 DIF: Difficult REF: Section 2-4d

41. The primary driver of change in today's society is
- a. advances in technology
 - c. changing cultural and social values

- b. limited natural resources d. the fall of communism

ANS: A

Technology is the primary driver of change in today's society.

PTS: 1 DIF: Moderate REF: Section 2-5

42. In terms of research and development expenditures by corporations, spending has
- a. grown
 - b. declined
 - c. remained about the same
 - d. shifted to more environmentally-safe products

ANS: B

Spending on research and development by corporations has recently declined.

PTS: 1 DIF: Moderate REF: Section 2-5

43. The country that spends the most on research and development is
- | | |
|----------|----------------------|
| a. Japan | c. Germany |
| b. China | d. the United States |

ANS: D

The United States spends the most on research and development.

PTS: 1 DIF: Easy REF: Section 2-5

44. The _____ industry had the highest share of research and development expenditures in 2007.
- | | |
|--|----------------------------------|
| a. computer and equipment | c. electronic equipment |
| b. biological products (diagnostics, etc.) | d. chemicals and allied products |

ANS: B

The biological products industry accounted for the highest share of research and development expenditures, at \$7.728 billion.

PTS: 1 DIF: Difficult REF: Section 2-5

45. In the United States the highest level of spending on research and development, over \$200 billion, is attributed to:
- a. the federal government
 - b. industry
 - c. universities and research centers
 - d. private research organizations

ANS: B

The highest level of spending on research and development, over \$200 billion, is attributed to industry.

PTS: 1 DIF: Moderate REF: Section 2-5

46. Political risks that currently confront businesses are all of the following except
- | | |
|------------------------------|---------------------------------|
| a. economic performance | c. government economic policies |
| b. limited natural resources | d. terrorists |

ANS: B

Examples of political risks that currently confront businesses are economic performance, government economic policies, and terrorism. Limited natural resources are not examples of political risk.

PTS: 1 DIF: Easy REF: Section 2-6

47. A boycott of a business because of charges of discrimination would be an example of the _____ within a firm's macroenvironment.
- a. technology environment
 - b. political environment
 - c. socio-demographic environment
 - d. economic and natural environment

ANS: B

A boycott of a business due to charges of discrimination is a political environment phenomenon.

PTS: 1 DIF: Moderate REF: Section 2-6c

48. Labor and political action groups would be considered as part of the
- a. economic environment
 - b. political environment
 - c. competitive environment
 - d. technological environment

ANS: B

Labor and political action groups would be considered as part of the political environment.

PTS: 1 DIF: Easy REF: Section 2-6c

COMPLETION

1. The environment of a firm that includes the company, its customers, suppliers, distributors, other facilitators of the marketing function, and the competition is the _____.

ANS: microenvironment

PTS: 1 DIF: Easy REF: Section 2-1

2. The environment of a firm that includes the socio-demographic and cultural environment, the economic and natural environment, the political environment, and the technological environment is the _____.

ANS: macroenvironment

PTS: 1 DIF: Easy REF: Section 2-1

3. _____ are middlemen whose task is to ensure the convenience, timely, and safe distribution of products from producers to consumers.

ANS: Distributors

PTS: 1 DIF: Easy REF: Section 2-2b

4. Statistics that describe a population such as age, gender, education, occupation, and income are called _____.

ANS: demographics

PTS: 1 DIF: Easy REF: Section 2-3a

5. _____ is the demographic segment of the population born between 1978 and 2002 and spends substantially on clothing, automobiles, and college education.

ANS: Generation Y

PTS: 1 DIF: Moderate REF: Section 2-3b

6. _____ is the demographic segment of the population born between 1965 and 1977 whose focus is on family and children, striving to balance family with work responsibilities.

ANS: Generation X

PTS: 1 DIF: Moderate REF: Section 2-3b

7. _____ is the demographic segment of the population born between 1954 and 1964 whose focus is on the family and home and who pays a large proportion of their income on mortgages, furnishings, pets, and children's toys.

ANS: Younger boomers

PTS: 1 DIF: Moderate REF: Section 2-3b

8. _____ is the demographic segment of the population born between 1942 and 1953 that spends money on upgrading the family home, on vacation, and on ensuring their children's education and independence.

ANS: Older boomers

PTS: 1 DIF: Moderate REF: Section 2-3b

9. _____ is the demographic segment of the population between the ages of 55-64 with a large disposable income and who spends heavily on fancy automobiles, new furniture and new appliances.

ANS: Empty nesters

PTS: 1 DIF: Moderate REF: Section 2-3b

10. _____ is the demographic segment of the population that is 65 or older and who live on a fixed income, spending a large percentage of their income on home related expenses and groceries.

ANS: Seniors

PTS: 1 DIF: Moderate REF: Section 2-3b

11. _____ is defined as the continuously evolving totality of learned and shared meanings, rituals, norms, and traditions among the members of an organization or society.

ANS: Culture

PTS: 1 DIF: Easy REF: Section 2-3c

12. Rules that dictate what is right and wrong and what is acceptable and unacceptable are _____.

ANS: norms

PTS: 1 DIF: Moderate REF: Section 2-3c

13. In terms of economic development, _____ are markets that present the greatest potential for international trade and expansion.

ANS:
big emerging markets
BEMs

PTS: 1 DIF: Difficult REF: Section 2-4a

14. According to the Rostow model of economic development, the _____ is the second level of economic development, characterized by increased productivity in agriculture and an emerging manufacturing sector.

ANS: transitional society

PTS: 1 DIF: Difficult REF: Section 2-4b

15. According to the Rostow model of economic development, the _____ is the third stage of economic development, where growth becomes the norm, incomes rise, and leading service sectors emerge.

ANS:
take-off
take off

PTS: 1 DIF: Difficult REF: Section 2-4b

16. According to the Rostow model of economic development, the _____ is the fourth stage of development characterized by modern technology that is applied to all areas of the economy.

ANS: drive to maturity

PTS: 1 DIF: Difficult REF: Section 2-4b

17. According to the Rostow model of economic development, the _____ stage of economic development is where sectors shift toward durable goods and an increased allocation of resources to social welfare programs.

ANS: high mass consumption

PTS: 1 DIF: Difficult REF: Section 2-4b

18. Research and development expenditures are the highest for the _____ industry.

ANS: biological products

PTS: 1 DIF: Difficult REF: Section 2-5

SHORT ANSWER

1. What are the elements of the microenvironment?

ANS:

The microenvironment consists of company, consumers, suppliers, middlemen, and other facilitators of the marketing function, and the competition.

PTS: 1 DIF: Moderate REF: Section 2-1

2. What are the elements of the macroenvironment?

ANS:

The microenvironment consists of the socio-demographic and cultural environment, the economic and natural environment, the technological environment, and the political environment.

PTS: 1 DIF: Moderate REF: Section 2-1

3. What are the elements of culture?

ANS:

The elements of culture are language, religion, cultural values, and norms.

PTS: 1 DIF: Moderate REF: Section 2-3c

4. What are emerging markets?

ANS:

Markets that are developing rapidly and have great potential.

PTS: 1 DIF: Moderate REF: Section 2-4a

5. According to the Rostow model of economic development, how is a traditional society defined?

ANS:

The traditional society is at the lowest level of economic development and has an economy dominated by agriculture with minimal productivity and low growth in per capita output.

PTS: 1 DIF: Difficult REF: Section 2-4b

ESSAY

1. Discuss the marketing microenvironment and all of its components.

ANS:

The microenvironment consists of the company, its suppliers, distributors, and other channel facilitators, customers, and the competition. Each must be understood in terms of its impact on the marketing function. Strengths and weaknesses in internal company dynamics, current and potential customers, suppliers and competing firms can influence how successful the marketing function is performed. It is the responsibility of the marketing department to manage these various components of the microenvironment, addressing their weaknesses, and focusing on their strengths, in a manner that is congruent with the company's marketing and organizational goals.

PTS: 1 DIF: Moderate REF: Section 2-2

2. Discuss the internal factors within a company that impact the marketing function.

ANS:

Internal factors that marketers must address include limited resources, gaining a share of the voice in developing corporate strategies, developing a marketing mindset, and sharing information among functional areas. Because of limited resources, marketers must aggressively pursue their share of resources, both money and people. During downturns in the economy, this is especially important. To effectively market their products, it is important for marketing to have a voice in the corporation and help guide corporate strategies. In addition, it is important that everyone in the company have a marketing mindset

PTS: 1 DIF: Difficult REF: Section 2-2a

3. Discuss the various elements of the socio-demographic and cultural environment as it relates to the marketing function.

ANS:

The socio-demographic and cultural environment comprises elements such as demographics (statistics that describe the population, such as gender, age, ethnicity, income, education), subcultures and cultural values, and all other elements in the environment related to consumers' backgrounds, values, attitudes, interests, and behaviors. Socio-demographic trends that will impact marketing in the future include a slower population growth rate, an aging population and a more diverse population. Because individuals are waiting longer to get married and are having smaller families than in the past, the U.S. population is not expected to grow as fast during the 21st century as it did during the 20th century. While the growth is slower, the average age of the American population will increase. This is primarily due to advances in medical knowledge. In addition, the diversity of the U.S. population will increase due primarily to higher birth rates among minorities than among the Caucasian population. Continuing immigration is also a factor in this increase in diversity.

PTS: 1 DIF: Moderate REF: Section 2-3

4. Identify the six age categories of consumers and the primary purchases of each category.

ANS:

The six categories are Generation Y, Generation X, Younger Baby Boomers, Older Baby Boomers, Empty Nesters, and Seniors. Generation Y, born between 1978 and 2002, spend largely on clothes, automobiles, college, televisions, and stereos. Generation X, born between 1965-1977, spend heavily on housing, transportation, their family, and personal services. Younger baby boomers, born between 1954 and 1964, spend on home mortgages, home furnishings, renovations, and their family. Older baby boomers, born between 1942 and 1953, spend money on upgrading their homes, ensuring education and independence of their children, luxury items, and vacations. Empty nesters are 55 to 64 and spend money on home mortgages, new furniture, new automobiles, and personal indulgences. Seniors are 65 and over and spend most on medically related items like health care and drugs.

PTS: 1 DIF: Difficult REF: Section 2-3b

5. Discuss the economic and natural environment component of the macroenvironment and its relationship to marketing.

ANS:

The economic environment encompasses all the factors in the environment that affect the use of resources, including the limited natural resources, the production of goods and services and the allocation of goods and services to individual and organizational consumers. Marketing is an important driver of the economy; in turn, the economy has a profound impact on marketing decisions and on consumers, determining consumer income and spending, borrowing decisions, savings—which, in turn, affect the economy. There is a large degree of interdependence between the economies of the world, regardless of whether they are high-income, middle-income, or low-income countries. Economic development is a function of productivity, economic exchange, technological improvements, and income, and, according to the Rostow modernization model, societies must go through different phases to achieve a developed state. These phases are: traditional society, transitional society, take-off, drive to maturity, and high mass consumption.

PTS: 1 DIF: Moderate REF: Section 2-4

6. Discuss the technological component of the macroenvironment and how it relates to marketing.

ANS:

Technology is the primary driver of change in the environment. Companies are under constant pressure to develop new and better products, with new technologies, to gain advantage over competitors, or simply to keep up. The continued growth of research and development spending is largely attributed to industry's realization that the structural and operational changes are not the only road to profitability. The United States spends more on research and development than any other country in the world. In the year 2006, federal spending was estimated to be \$133.78 billion and industry spending was over \$200 billion.

PTS: 1 DIF: Moderate REF: Section 2-5

7. Identify the six stages of modernization of the Rostow model of economic development and discuss the primary characteristics of each stage.

ANS:

The six stages of the Rostow model of economic development are traditional society, transitional society, take-off, the drive to maturity, and high mass consumption. In the first stage, traditional society, the country is characterized by an economic structure that is dominated by agriculture. In the next stage, transitional society, the country increases its productivity in agriculture and begins developing a manufacturing sector. In the take-off stage there is growth and improvements in production that lead to the emergence of leading sectors. Income rises for everyone and a new class of entrepreneurs emerge. In the fourth stage, the drive to maturity, modern technology is adopted in all economic activities. The last stage, high mass consumption, experiences a surge in per capita income and increased allocations to social welfare programs. The masses can now afford goods beyond basic food and shelter items.

PTS: 1 DIF: Difficult REF: Section 2-4b

8. Discuss the political dimension of the macroenvironment that a firm must consider?

ANS:

Business must constantly scrutinize the political environment, which includes federal and local government policies and labor and political action groups that could have an impact on their operations. Economic performance, government policies towards economic policy, political action groups, labor unions, and terrorism all impact the marketing of goods and services. Changes in government leadership may trigger a change in policies relating to businesses. Economic cycles will impact what goods and services consumers purchase. Terrorist activities must be monitored and a firm must take proactive measures to protect their facilities and their employees.

PTS: 1

DIF: Moderate

REF: Section 2-6