Chapter 1 Marketing in Today's Economy

MULTIPLE CHOICE

1. Among the fundamental changes to marketing and business practice in today's economy is the dramatic increase in the availability of information. This increase in information has created a shift in the balance of power in the supply chain. Who now holds most of the power in today's economy?
   a. retailers
   b. wholesalers
   c. customers
   d. manufacturers
   e. market research firms

   ANS: C DIF: Difficulty: Easy NAT: BUSPROG: Analytic
   STA: DISC: Strategy
   TOP: A-Head: The Challenges and Opportunities of Marketing in Today's Economy
   KEY: Bloom's: Knowledge

2. __________ is the curse of mature markets whereby products lack any real means of differentiation and customers see competing products as offering roughly the same benefits.
   a. Specialization
   b. Commoditization
   c. Maturation
   d. Price devaluation
   e. Market homogeneity

   ANS: B DIF: Difficulty: Easy NAT: BUSPROG: Analytic
   STA: DISC: Strategy
   TOP: A-Head: Introduction | A-Head: Beyond the Pages 1.1 KEY: Bloom's: Knowledge

3. Which of the following changes occurring in today's economy has **NOT** been caused by the growth of the Internet?
   a. increase in product selection
   b. shifting demand patterns
   c. privacy and security concerns
   d. rising prices for most products
   e. audience and media fragmentation

   ANS: D DIF: Difficulty: Moderate NAT: BUSPROG: Analytic
   STA: DISC: Strategy
   TOP: A-Head: The Challenges and Opportunities of Marketing in Today's Economy
   KEY: Bloom's: Analysis

4. Although mass media audiences are becoming increasingly fragmented, media fragmentation does have a major advantage. What is this advantage?
   a. It now costs less to reach a mass audience.
   b. It is much easier to measure feedback from mass media audiences.
   c. It is now easier to reach small, highly targeted audiences.
   d. Consumers are now much more receptive to television advertising.
   e. Consumers are now highly susceptible to online advertising.

   ANS: C DIF: Difficulty: Moderate NAT: BUSPROG: Analytic
   STA: DISC: Promotion
   TOP: A-Head: The Challenges and Opportunities of Marketing in Today's Economy
   KEY: Bloom's: Comprehension

5. Changing value propositions in today's economy—such as changes caused by the growth in e-commerce—have forced marketers to learn a tough lesson about customers. What is that lesson?
   a. Customers will always seek the best value regardless of quality.
   b. Customers will always turn to the most recognized brand.

c. Customers would rather perform service for themselves to save money.
d. Customers will turn to the most convenient, least expensive alternative in situations where they see goods and services as commodities.
e. Customers will always seek the best quality regardless of price.

ANS: D DIF: Difficulty: Challenging NAT: BUSPROG: Analytic
STA: DISC: Customer
TOP: A-Head: The Challenges and Opportunities of Marketing in Today's Economy
KEY: Bloom's: Synthesis

6. One of the major difficulties of conducting business in today's economy concerns the unclear legal jurisdiction surrounding many business transactions. The issue is especially keen for marketers who do business in:

a. international markets.
b. domestic, interstate markets.
c. business-to-business markets.
d. metamarkets.
e. peer-to-peer transactions.

ANS: A DIF: Difficulty: Easy NAT: BUSPROG: Analytic
STA: DISC: International Perspective
TOP: A-Head: The Challenges and Opportunities of Marketing in Today's Economy
KEY: Bloom's: Comprehension

7. In 2005, the American Marketing Association changed the definition of marketing that had stood for 20 years. The major changes in the definition included a shift from delivering the 4 Ps (product, price, place, promotion) to delivering __________ and a shift from creating exchanges to creating __________.

a. satisfaction; customer relationships
b. value; customer relationships
c. quality; transactions
d. value; satisfaction
e. quality; value

ANS: B DIF: Difficulty: Moderate NAT: BUSPROG: Analytic
STA: DISC: Strategy TOP: A-Head: Basic Marketing Concepts
KEY: Bloom's: Analysis

8. A cluster of closely related goods and services that center around a specific consumption activity is referred to as a:

a. marketspace.
b. market.
c. metamediary.
d. marketing channel.
e. metamarket.

ANS: E DIF: Difficulty: Easy NAT: BUSPROG: Analytic
STA: DISC: Strategy TOP: A-Head: Basic Marketing Concepts
KEY: Bloom's: Knowledge

9. Edmunds.com provides a collection of online services and information pertaining to the automotive market. Edmunds offers reviews, free pricing reports, discussion boards, and links to a variety of car manufacturers, dealers, insurance companies, and finance companies. What role does Edmunds.com play in today's economy?

a. distributor
b. marketspace
c. metamediary
d. metamarket
e. electronic broker

ANS: C DIF: Difficulty: Moderate NAT: BUSPROG: Analytic
STA: DISC: Strategy TOP: A-Head: Basic Marketing Concepts
KEY: Bloom's: Application

10. Which of the following **IS NOT** one of the five conditions of exchange in marketing?
    a. There must be at least two parties to the exchange.
    b. Each party has something of value to offer the other party.
    c. Each party must be free to accept or reject the exchange.
    d. Each party must be capable of immediate delivery.
    e. Each party believes that it is desirable to exchange with the other party.

    ANS: D DIF: Difficulty: Moderate NAT: BUSPROG: Analytic
    STA: DISC: Strategy TOP: A-Head: Basic Marketing Concepts
    KEY: Bloom's: Analysis

11. A customer's decision to purchase one product or group of products over another is primarily a function of:
    a. the convenience of acquiring the product or group of products.
    b. how well that choice will fulfill that person's needs and satisfy his or her wants.
    c. the product's features relative to competing products.
    d. the product's price.
    e. the availability of the product or group of products.

    ANS: B DIF: Difficulty: Challenging NAT: BUSPROG: Analytic
    STA: DISC: Customer TOP: A-Head: Basic Marketing Concepts
    KEY: Bloom's: Evaluation

12. A product that provides the utmost in convenience is said to offer exceptional:
    a. time and place utility.
    b. place and possession utility.
    c. time and possession utility.
    d. form and time utility.
    e. form and place utility.

    ANS: A DIF: Difficulty: Moderate NAT: BUSPROG: Analytic
    STA: DISC: Strategy TOP: A-Head: Basic Marketing Concepts
    KEY: Bloom's: Synthesis

13. Furniture Mart offers services such as financing and home delivery to its customers. What type of utility is Furniture Mart trying to increase?
    a. time utility
    b. place utility
    c. possession utility
    d. form utility
    e. psychological utility

    ANS: C DIF: Difficulty: Easy NAT: BUSPROG: Analytic
    STA: DISC: Strategy TOP: A-Head: Basic Marketing Concepts
    KEY: Bloom's: Application

14. What type of planning deals with specific markets or market segments and the development of marketing programs that will fulfill the needs of customers in those markets?
    a. market planning
    b. strategic planning
    c. local planning
    d. lower-level planning
    e. tactical planning

    ANS: E DIF: Difficulty: Moderate NAT: BUSPROG: Analytic
    STA: DISC: Strategy
    TOP: A-Head: Major Marketing Activities and Decisions KEY: Bloom's: Comprehension

15. __________ involves the analysis of economic, political, legal, technological, and cultural events and trends that may affect the future of the organization and its marketing efforts.

a. Competitive intelligence
b. Environmental scanning
c. Tactical planning
d. Marketing research
e. External analysis

ANS: B DIF: Difficulty: Moderate NAT: BUSPROG: Analytic
STA: DISC: Research
TOP: A-Head: Major Marketing Activities and Decisions KEY: Bloom's: Comprehension

16. Many firms attempt to distinguish or differentiate their product offerings through the use of __________ strategies. This involves establishing a mental image of the product offering relative to competing offerings in the minds of target buyers.
a. product positioning
b. branding
c. perceptual marketing
d. image marketing
e. comparative

ANS: A DIF: Difficulty: Moderate NAT: BUSPROG: Analytic
STA: DISC: Promotion
TOP: A-Head: Major Marketing Activities and Decisions KEY: Bloom's: Comprehension

17. Which of the following statements about pricing decisions in the marketing program is **TRUE**?
a. Price is one of two elements of the marketing mix that leads to revenue.
b. Price has a direct connection with customer demand.
c. Pricing is the least manipulated element of the marketing mix.
d. Pricing is the most difficult element of the marketing mix to change.
e. Customers will always equate higher prices with higher quality products.

ANS: B DIF: Difficulty: Challenging NAT: BUSPROG: Analytic
STA: DISC: Pricing
TOP: A-Head: Major Marketing Activities and Decisions KEY: Bloom's: Analysis

18. In the traditional transactional marketing approach, the ultimate goal of marketing is to:
a. serve customers' needs and wants.
b. develop long-term customer relationships.
c. create value in the buyer-seller relationship.
d. acquire new customers and complete a large number of exchanges.
e. All of the above are goals of transactional marketing

ANS: D DIF: Difficulty: Moderate NAT: BUSPROG: Analytic
STA: DISC: Strategy
TOP: A-Head: Major Marketing Activities and Decisions KEY: Bloom's: Comprehension

19. All of the following are reasons for the general decline in customer satisfaction over the past 20 years **EXCEPT**:
a. Customers are much less brand loyal than in the past.
b. Today's customers are very price sensitive.
c. Today's customers are exceptionally demanding.
d. Product quality is much lower now than at any time in the past.
e. Customers are more cynical, have more information, and have more attitude than ever before.

ANS: D DIF: Difficulty: Challenging NAT: BUSPROG: Analytic
STA: DISC: Customer
TOP: A-Head: Taking on the Challenges of Marketing Strategy
KEY: Bloom's: Evaluation

20. In the airline industry, companies like American, Delta, and US Air have a difficult time competing because their industry has become commoditized. What does this mean for firms in the airline industry?
    a. Airline firms compete in a declining industry.
    b. Airline customers have become increasingly demanding.
    c. There is very little differentiation among product offerings in the industry.
    d. The industry experiences very little change over time.
    e. Airlines have been forced to develop partnerships to remain competitive.

    ANS: C DIF: Difficulty: Moderate NAT: BUSPROG: Analytic
    STA: DISC: Strategy
    TOP: A-Head: Taking on the Challenges of Marketing Strategy
    KEY: Bloom's: Application

ESSAY

1. The text discusses seven challenges and opportunities associated with marketing in today's economy. Identify these issues and discuss how they are related. What is the common thread that ties all seven issues together?

    ANS:
    The seven issues are:

    1. Power Shift to Customers
    2. Massive Increase in Product Selection
    3. Audience and Media Fragmentation
    4. Changing Value Propositions
    5. Shifting Demand Patterns
    6. Privacy, Security, and Ethical Concerns
    7. Unclear Legal Jurisdiction

    The common thread that ties these issues together is the increase in information and choices made available by the Internet.

    DIF: Difficulty: Moderate NAT: BUSPROG: Analytic
    STA: DISC: Strategy
    TOP: A-Head: The Challenges and Opportunities of Marketing in Today's Economy
    KEY: Bloom's: Analysis

2. Discuss the different views or interpretations of marketing as a function of business, including the AMA's 2007 change in the definition of marketing. Why do you think the AMA changed the definition?

    ANS:
    Many people, especially those not employed in marketing, see marketing as a function of business. As a business function, the goal of marketing is to connect the organization to its customers. Other individuals, particularly those working in marketing jobs, tend to see marketing as a process of managing the flow of products from the point of conception to the point of consumption. A final way to think about marketing relates to meeting human and social needs. This broad view links marketing with our standard of living, not only in terms of enhanced consumption and prosperity but also in terms of society's well-being.

The AMA changed the definition of marketing to better reflect the realities of competing in today's marketplace. The new definition stresses two critical success factors in marketing today: value and customer relationships. Whereas the former definition of marketing had a decidedly transactional focus, the new definition emphasizes long-term relationships that provide value for both customers and the firm.

DIF: Difficulty: Challenging
NAT: BUSPROG: Analytic
STA: DISC: Strategy
TOP: A-Head: Basic Marketing Concepts
KEY: Bloom's: Evaluation

3. Briefly explain and discuss the five types of utility. Which type(s) of utility is(are) the most important and why?

ANS:
The five types of utility are:

1. Form Utility—Products high in form utility have attributes or features that set them apart from the competition.
2. Time Utility—Products high in time utility are available when customers want them.
3. Place Utility—Products high in place utility are available where customers want them, which is typically wherever the customer happens to be at that moment or where the product needs to be at that moment.
4. Possession Utility—Possession utility deals with the transfer of ownership or title from marketer to customer. Products higher in possession utility are more satisfying because marketers make them easier to acquire.
5. Psychological Utility—Products high in psychological utility deliver positive experiential or psychological attributes that customers find satisfying. Conversely, a product might offer exceptional psychological utility because it lacks negative experiential or psychological attributes.

One type of utility is not necessarily more important than the others. In reality, all five types are complementary and overlap to a great degree. One could argue that form utility is the most important, however, because customers tend to choose products that offer certain features. For routinely purchased products (gasoline, bread), time and place utility are likely to be more important. For unique types of products (vacations, luxury goods), psychological utility might be relatively more important.

DIF: Difficulty: Challenging
NAT: BUSPROG: Analytic
STA: DISC: Strategy
TOP: A-Head: Basic Marketing Concepts
KEY: Bloom's: Evaluation

4. With respect to the strategic planning process, why has social responsibility and marketing ethics become important today? Is it really necessary to consider these issues in strategic planning? How can a firm plan to be socially responsible?

ANS:

Our society still reverberates from the effects of corporate scandals at Enron, WorldCom, and ImClone, among others. Although these scandals make for interesting reading, many innocent individuals have suffered the consequences from these companies' unethical behavior. Social responsibility refers to an organization's obligation to maximize its positive impact on society while minimizing its negative impact. In terms of marketing strategy, social responsibility addresses the total effect of an organization's marketing activities on society. A major part of this responsibility is marketing ethics, or the principles and standards that define acceptable conduct in marketing activities. Ethical marketing can build trust and commitment and is a crucial ingredient in building long-term relationships with all stakeholders. Another major component of any firm's impact on society is the degree to which it engages in philanthropic activities. Many firms now make philanthropy a key strategic activity.

Because efforts to be socially responsible involve the allocation of human and financial resources, these activities must be planned just like traditional marketing activities.

DIF: Difficulty: Moderate NAT: BUSPROG: Ethics
STA: DISC: Strategy
TOP: A-Head: Major Marketing Activities and Decisions KEY: Bloom's: Analysis

5. Discuss the challenges and opportunities associated with planning and developing marketing strategy in today's economy. Why is marketing strategy both exciting and challenging?

ANS:
One of the greatest frustrations and opportunities in marketing is change—customers change, competitors change, and even the marketing organization changes. Strategies that are highly successful today will not work tomorrow. Customers will buy products today that they will have no interest in tomorrow. These are truisms in marketing. Although frustrating, challenges like these also make marketing extremely interesting and rewarding. Another fact about marketing strategy is that it is inherently people driven. Marketing strategy is about people (inside an organization) trying to find ways to deliver exceptional value by fulfilling the needs and wants of other people (customers, shareholders, business partners, society at large), as well as the needs of the organization itself.

The combination of continual change and the people-driven nature of marketing makes developing and implementing marketing strategy a challenging task. A perfect strategy that is executed perfectly can still fail. This happens because there are very few rules for how to do marketing in specific situations. In other words, it is impossible to say that given "this customer need" and these "competitors" and this "level of government regulation" that Product A, Price B, Promotion C, and Distribution D should be used. Marketing simply doesn't work that way. The lack of rules and the ever-changing economic, sociocultural, competitive, technological, and political/legal landscapes make marketing strategy a terribly fascinating subject.

DIF: Difficulty: Moderate NAT: BUSPROG: Reflective Thinking
STA: DISC: Strategy
TOP: A-Head: Taking on the Challenges of Marketing Strategy
KEY: Bloom's: Synthesis