

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) What are the two ways that a company can obtain new products? 1) _____
A) line extension and brand management
B) internal development and brand management
C) market mix modification and research and development
D) new-product development and acquisition
E) service development and product extension
- 2) Product improvements, product modifications, and original products can all be classified as _____ 2) _____
A) pioneer products
B) new products
C) product ideas
D) test products
E) product concepts
- 3) Which of the following is NOT a potential reason for a new product to fail? 3) _____
A) an incorrectly positioned product
B) an underestimated market size
C) a poorly designed product
D) higher than anticipated costs of product development
E) ineffective advertising
- 4) Which of the following is NOT a challenge presented by the product life cycle that a firm must face? 4) _____
A) It is difficult to plot the stages as a product goes through them.
B) A firm must be good at developing new products to replace aging ones.
C) A firm must be good at adapting its marketing strategies.
D) All products eventually decline.
E) Changing tastes, technologies, and competition affect the marketing of the product as it passes through lifecycle stages.
- 5) The creation of a successful new product depends on a company's understanding of its _____ and its ability to deliver _____ to customers. 5) _____
A) product life cycle, legal responsibilities, and social responsibilities; innovations
B) competitors, distributors, and employees; new styles
C) product, marketing mix, and marketing strategy; functional features
D) customers, competitors, and markets; superior value
E) customers, brands, products; product images
- 6) New product development starts with _____. 6) _____
A) idea screening
B) concept testing
C) concept development
D) idea generation
E) test marketing

- 7) Executives, manufacturing employees, and salespeople are all examples of _____. 7) _____
- A) core members of innovation management systems
 - B) internal sources for new-product ideas
 - C) research and development team members
 - D) new-product committee members
 - E) external sources for new-product ideas
- 8) Your company decides to use internal sources for developing new product ideas. Which of the following would NOT be consulted? 8) _____
- A) company records and data
 - B) executives and professionals
 - C) suppliers
 - D) salespeople
 - E) intrapreneurial programs
- 9) Which of the following is perhaps the most important external source of new-product ideas? 9) _____
- A) distributors and suppliers
 - B) engineers
 - C) competitors
 - D) customers
 - E) trade magazines, shows, and seminars
- 10) Which of the following is NOT a recommended method for companies to tap into their customers as sources for new-product ideas? 10) _____
- A) turning customers into cocreators
 - B) putting customer-created products on the market
 - C) working alongside customers to get ideas and suggestions
 - D) relying heavily on customers to know what types of technical products they need
 - E) analyzing customer complaints and questions
- 11) Your firm asks you to consult external sources for new product ideas. All of the following are common external sources EXCEPT _____. 11) _____
- A) the firm's executives
 - B) trade shows and magazines
 - C) competitors
 - D) suppliers
 - E) customers
- 12) The purpose of idea generation is to create a _____ number of ideas. The purpose of succeeding stages is to _____ that number. 12) _____
- A) large number; increase
 - B) limited number; sustain
 - C) small number; reduce
 - D) large number; reduce
 - E) small number; increase

- 13) GrayBerry Gifts has just brainstormed a large number of ideas for adding new products and services after visiting several buying fairs. The owners will begin the first idea-reducing stage, called _____, to arrive at a realistic number to adopt. 13) _____
- A) idea screening
 - B) concept development
 - C) concept testing
 - D) idea generation
 - E) business analysis
- 14) Which of the following is most likely to be included in an executive's write up of a new-product idea to be presented to a new-product committee? 14) _____
- A) the planned market rollout
 - B) the proposed customer value proposition
 - C) the marketing strategy
 - D) the product image
 - E) the business analysis
- 15) A detailed version of a new idea stated in meaningful customer terms is called a _____. 15) _____
- A) product proposal
 - B) product image
 - C) product movement
 - D) product idea
 - E) product concept
- 16) A _____ is the way consumers perceive an actual or potential product. 16) _____
- A) concept test
 - B) product image
 - C) test market
 - D) product concept
 - E) product idea
- 17) An attractive idea must be developed into a _____. 17) _____
- A) product concept
 - B) product strategy
 - C) product idea
 - D) test market
 - E) product image
- 18) _____ calls for testing new-product concepts with groups of target consumers. 18) _____
- A) Idea generation
 - B) Test marketing
 - C) Concept testing
 - D) Idea screening
 - E) Concept development

- 19) In the concept testing stage of new-product development, a product concept in _____ form is presented to groups of target consumers. 19) _____
- A) commercial
 - B) prototype
 - C) final
 - D) physical or symbolic
 - E) market-tested
- 20) With what groups do firms conduct concept testing for new products? 20) _____
- A) competitors
 - B) manufacturers
 - C) suppliers
 - D) employees
 - E) target customers
- 21) For some _____, a simple description consisting of a word or picture might be sufficient. 21) _____
- A) marketing strategies
 - B) business analyses
 - C) product developments
 - D) product concepts
 - E) concept tests
- 22) After concept testing, a firm would engage in which stage in developing and marketing a new product? 22) _____
- A) business analysis
 - B) product development
 - C) marketing strategy development
 - D) test marketing
 - E) idea screening
- 23) The first part of the marketing strategy statement describes the target market; the planned product positioning; and goals for sales, profits, and _____. 23) _____
- A) market share
 - B) competition's anticipated reaction
 - C) secondary market
 - D) competition
 - E) life-cycle duration
- 24) The second part of the marketing strategy statement outlines the product's planned price, distribution, and _____ for the first year. 24) _____
- A) promotion
 - B) marketing budget
 - C) positioning
 - D) target market
 - E) advertising

- 25) Which of the following is described in the third part of the marketing strategy statement? 25) _____
- A) marketing budget
 - B) planned value proposition
 - C) planned long-run sales
 - D) the target market
 - E) profit goals
- 26) A review of the sales, costs, and profit projections for a new product to find out whether they satisfy the company's objectives is called a _____. 26) _____
- A) business feasibility plan
 - B) proposal
 - C) business analysis
 - D) product acceptance
 - E) marketing strategy development
- 27) During which stage of new-product development will management most likely estimate minimum and maximum sales to assess the range of risk in launching a new product? 27) _____
- A) marketing strategy development
 - B) test marketing
 - C) product development
 - D) concept testing
 - E) business analysis
- 28) Once managers of The Grecian Urn have decided on their product concept and marketing strategy, they can evaluate the business attractiveness of the proposal in the _____ stage of the new-product development process. 28) _____
- A) product acceptance
 - B) concept testing
 - C) business analysis
 - D) business feasibility
 - E) feasibility study
- 29) New World Releases is conducting a business analysis to determine which of the many new songs available to management should be released. Sales must be estimated before costs can be estimated. Which of the following did your text recommend for forecasting sales? 29) _____
- A) conducting surveys of competitors
 - B) considering the sales history of similar products and conducting surveys of market opinions
 - C) test marketing and commercialization
 - D) applying the PLC concept
 - E) considering the history of market opinions
- 30) Once the product or service passes the business analysis test, it moves into what stage? 30) _____
- A) product development
 - B) market testing
 - C) strategy development
 - D) concept development
 - E) product proposal

- 31) In the _____ stage of new-product development, products undergo rigorous tests to make sure that they perform safely and effectively or that consumers will find value in them. 31) _____
- A) product development
 - B) idea generation
 - C) concept development and testing
 - D) business analysis
 - E) marketing mix
- 32) Once the prototype of Wainwright Industries' new riding lawnmower, made especially for women, passes product tests, the next step is _____. 32) _____
- A) test marketing
 - B) post-testing
 - C) commercialization
 - D) focus group surveys
 - E) business analysis
- 33) Bonneville Communications is concerned about test marketing its new device. Which of the following is NOT a disadvantage of test marketing that would likely concern Bonneville Communications? 33) _____
- A) Test marketing costs can be high.
 - B) Test marketing allows time for competitors to spy and gain advantages.
 - C) It can take a lot of time to test market.
 - D) People who are surveyed tend to tell less than the truth.
 - E) Test marketing does not guarantee success.
- 34) Under what circumstances might it be wise for a company to do little or no test marketing? 34) _____
- A) when the costs of developing and introducing the product are low
 - B) when the product has no substitutes and is new in its category
 - C) when a new product requires a major investment
 - D) when management is not sure of the marketing program
 - E) when management is not sure of the product
- 35) Although test marketing costs can be high, they are often small when compared with _____. 35) _____
- A) the costs of a major mistake
 - B) management's approval and acceptance
 - C) the final results
 - D) stockholders' confidence
 - E) research and development costs
- 36) Many marketers are now using new interactive technologies, such as Frito-Lay's online virtual convenience store, to reduce the cost of _____. 36) _____
- A) concept testing
 - B) test marketing
 - C) product development
 - D) marketing strategy development
 - E) concept development

- 37) The major purpose of test marketing is to provide management with the information needed to make a final decision about _____. 37) _____
- A) whether to launch the new product
 - B) which market to compete in
 - C) how to develop a market strategy
 - D) how to compete in the market
 - E) how long to compete in the market
- 38) Introducing a new product into the market is called _____. 38) _____
- A) marketing development
 - B) new product development
 - C) experimenting
 - D) test marketing
 - E) commercialization
- 39) Which of the following costs is most likely associated with the commercialization stage of new-product development? 39) _____
- A) building or renting a manufacturing facility
 - B) determining the product's planned price, distribution, and marketing budget
 - C) paying groups of target customers for product feedback
 - D) developing a prototype of the product
 - E) identifying target markets
- 40) A company getting ready to launch a new product must make several decisions. The company must first decide on _____. 40) _____
- A) when to develop a planned market rollout
 - B) whether to launch the product into full national distribution
 - C) when to time the new product introduction
 - D) whether to launch the product in a single location
 - E) whether to launch the product in a region
- 41) Following the decision to "time" the introduction of the new product, a company must decide _____ to launch the new product. 41) _____
- A) to what degree
 - B) when
 - C) where
 - D) why
 - E) how
- 42) Which of the following is necessary for successful new-product development? 42) _____
- A) a market pioneer mindset and a holistic approach
 - B) a customer-centred, team-based, systematic approach
 - C) an innovation management system and sequential product development
 - D) a team-based, innovation-management approach
 - E) a holistic and sequential product development approach

- 43) Which stage of the new-product development process focuses on finding new ways to solve customer problems and create more customer-satisfying experiences? 43) _____
- A) sequential product development
 - B) new-product development
 - C) customer-centered new-product development
 - D) team-based new-product development
 - E) concept testing
- 44) _____ is a new-product development approach in which one company department works to complete its stage of the process before passing the new product along to the next department and stage. 44) _____
- A) Team-based product development
 - B) Micromarketing
 - C) Simultaneous product development
 - D) Product life-cycle analysis
 - E) Sequential product development
- 45) In order to get their new products to market more quickly, many companies are adopting a faster, team-oriented approach called _____. 45) _____
- A) market development
 - B) simulated new-product development
 - C) sequential product development
 - D) phased-in new-product development
 - E) team-based new-product development
- 46) The team-based new-product development approach is faster because departments work closely together through _____. 46) _____
- A) cross-functional teams
 - B) the help of a consultant
 - C) a step-by-step process
 - D) departmentalization
 - E) team efforts
- 47) The team-based new-product development approach uses cross-functional teams that overlap the steps in the process to achieve which of the following goals? 47) _____
- A) save time and reduce errors
 - B) increase effectiveness and employee satisfaction
 - C) speed product to market and reduce costs
 - D) buy-in from individual departments
 - E) save time and increase effectiveness
- 48) Which of the following is a disadvantage of a team-based approach to new-product development? 48) _____
- A) Organizational confusion and tension can affect the process.
 - B) It takes longer to get the right products to market.
 - C) The process does not work with the shorter life cycles of many of today's products.
 - D) Levels of risk can be more easily controlled.
 - E) The development effort is not as effective because of team members' lack of expertise.

- 49) The innovation management system approach yields two favourable outcomes: it helps create an innovation-oriented company culture, and it _____. 49) _____
- A) yields a larger number of new-product ideas
 - B) clearly assigns responsibility for the process
 - C) frees up senior management time
 - D) guarantees successful products
 - E) requires less budget support
- 50) The search for new-product ideas should be _____ rather than haphazard. 50) _____
- A) rare
 - B) intermittent
 - C) segmented
 - D) strategically planned
 - E) systematic
- 51) _____ is the product life cycle period when sales fall off and profits drop. 51) _____
- A) Development
 - B) Decline
 - C) Growth
 - D) Introduction
 - E) Maturity
- 52) Increasing profits will most likely occur at which stage of the PLC? 52) _____
- A) product development
 - B) introduction
 - C) growth
 - D) maturity
 - E) decline
- 53) Which stage in the PLC is characterized by rapid market acceptance and increasing sales? 53) _____
- A) maturity
 - B) growth
 - C) introduction
 - D) development
 - E) decline
- 54) Some products that have entered the decline stage have been cycled back to the growth stage through _____. 54) _____
- A) business analysis
 - B) concept testing
 - C) customer-centered product development
 - D) promotion or repositioning
 - E) innovation management
- 55) All of the following are stages in the PLC EXCEPT _____. 55) _____
- A) decline
 - B) growth
 - C) adoption
 - D) introduction
 - E) maturity

- 56) Which stage of the typical consumer product life cycle is out of order below? 56) _____
A) decline
B) growth
C) introduction
D) maturity
E) product development
- 57) Which of the following CANNOT be described using the PLC concept? 57) _____
A) product image
B) brand
C) styles
D) product form
E) product class
- 58) The PLC concept can be applied by marketers as a useful framework for describing how _____. 58) _____
A) product ideas are developed
B) brand equity is measured
C) products and markets work
D) to forecast product performance
E) concept testing is conducted
- 59) Using the PLC concept to develop marketing strategy can be difficult because strategy is both a _____ and a(n) _____ of the product's life cycle. 59) _____
A) mirror image; cause
B) result; mirror image
C) cause; result
D) purpose; effect
E) beginning; end
- 60) In which stage of the PLC will promotional expenditures be especially high in an attempt to create consumer awareness? 60) _____
A) growth
B) maturity
C) product development
D) adoption
E) introduction
- 61) In the _____ stage, the firm faces a trade-off between high market share and high current profit. 61) _____
A) decline
B) growth
C) adoption
D) introduction
E) maturity
- 62) In which stage of the PLC will promotional expenditures be high in an attempt to respond to increasing competition? 62) _____
A) decline
B) product development
C) growth
D) maturity
E) adoption

- 63) Which stage in the PLC normally lasts longer and poses strong challenges to the marketing managers? 63) _____
A) phase-in B) decline C) adoption D) maturity E) growth
- 64) Which of the following would lead to greater competition in the maturity stage of the PLC? 64) _____
A) market pioneers
B) inadequate promotion
C) diminishing budgets
D) poor management
E) overcapacity
- 65) Most products in the marketplace are in the _____ stage of the product life cycle. 65) _____
A) introduction
B) growth
C) maturity
D) decline
E) development
- 66) When a product enters the maturity stage, the company should consider _____. 66) _____
A) dropping the product
B) maintaining the product
C) divesting the product
D) harvesting the product
E) modifying the product, market, or marketing mix
- 67) Sales decrease in the decline stage of the PLC because of technological advances, increased competition, and _____. 67) _____
A) shifts in consumer tastes and preferences
B) shifts in unemployment
C) inventory costs
D) shifts in the economy
E) new market pioneers
- 68) Which of the following best represents the options a company has when a product is declining? 68) _____
A) maintain, harvest, or drop the product
B) harvest or drop the product
C) maintain or pioneer the product
D) pioneer, harvest, or maintain the product
E) maintain or harvest the product
- 69) A manufacturer with a product in the decline stage of the product life cycle might decide to _____ if it has reason to hope that competitors will leave the industry. 69) _____
A) maintain the product without change
B) harvest the product
C) drop the product
D) delay planning
E) search for replacements

- 70) Manufacturers must comply with specific laws regarding _____. 70) _____
- A) product life cycles
 - B) distribution channels
 - C) product quality and safety
 - D) price structures
 - E) product placement
- 71) Because of _____, a company cannot make its product illegally similar to a competitor's already established product. 71) _____
- A) product liability
 - B) patent laws
 - C) anti-monopoly laws
 - D) the Consumer Product Safety Act
 - E) product warranties
- 72) Which of the following best describes the role of a product steward? 72) _____
- A) to protect the company from liability by identifying and solving potential product problems
 - B) to develop a new-product concept into a physical product
 - C) to protect the product image
 - D) to form and lead product development teams
 - E) to evaluate new-product ideas against a set of general criteria
- 73) The advantages of standardizing an international product include all of the following EXCEPT _____. 73) _____
- A) lower product design costs
 - B) the development of a consistent image
 - C) decreased manufacturing costs
 - D) lower marketing costs
 - E) the adaptation of products to different markets
- 74) Because names, labels, and colours may not easily translate from one country to another, international marketers must carefully assess _____. 74) _____
- A) the product life cycle
 - B) product standardization
 - C) styles
 - D) market rollout
 - E) packaging
- 75) Your firm added three new products earlier this year to increase variety for customers. Two of them failed to reach even minimal sales. Which of the following is LEAST likely to have been the cause of their failure? 75) _____
- A) The products were advertised incorrectly.
 - B) The product launch was ill-timed.
 - C) Competitors fought back harder than expected.
 - D) The products were priced too high.
 - E) Research was too extensive.

- 76) Which of the following is the most likely reason that employees at your firm regularly attend trade shows and seminars? 76) _____
- A) to test market new products
 - B) to test new-product concepts
 - C) to get new-product ideas
 - D) to implement a team-based new-product development approach
 - E) to analyze the product life cycle
- 77) Which of the following statements best explains why idea screening may be the most important step of new product development? 77) _____
- A) Some ideas that will become market disasters may be originally viewed favourably by the idea screeners.
 - B) It increases the number of ideas generated.
 - C) It saves the company money in product development costs by giving the green light to only the product ideas that are likely to be profitable.
 - D) It gives research and development team members an opportunity to gather consumer feedback.
 - E) Some potentially profitable ideas may be ill perceived by the idea screeners.
- 78) JoAnn Fabrics, Inc., has just created a new combination of colours and fabric types. The firm wants to be sure of the way consumers perceive its new product. The firm is concerned with the product _____. 78) _____
- A) idea
 - B) presentation
 - C) proposal
 - D) image
 - E) concept
- 79) Which of the following is a product concept? 79) _____
- A) a high-tech, stylish running shoe with built-in sensors to record the distance the wearer has walked or run
 - B) an energy efficient humidifier
 - C) a thin, lightweight laptop with extended battery life appealing to students and young professionals who want access to their computer anywhere, anytime
 - D) a battery-powered all-electric car
 - E) a pocket-size digital music player
- 80) Wainwright Industries will build a new prototype riding lawnmower especially for women. In the product development stage, Joe Wainwright and his staff will incorporate the functional features and convey the _____. 80) _____
- A) visual characteristics
 - B) advertising
 - C) brand image
 - D) intended psychological characteristics
 - E) safety features

- 81) Skippy Peanut Butter has a new peanut butter and bacon product and finds a small number of representative test cities. They plan to use the results to forecast national sales and profits. Skippy is using _____. 81) _____
- A) simulated test markets
 - B) standard test markets
 - C) controlled test markets
 - D) random test markets
 - E) single-city test markets
- 82) Anita's DayCare plans to offer third-shift childcare, based upon the opening of two new manufacturing plants in her area. Together the plants will hire 423 employees and run all three shifts. Initial test marketing results look promising. In considering launching this new service, Anita must first decide on _____. 82) _____
- A) timing
 - B) checking local and state regulations
 - C) expansion costs
 - D) hiring suitable employees
 - E) food costs
- 83) Atlas Steel Corporation lacks the confidence, capital, and capacity to launch its new steel product into full national or international distribution. Even though test market results look promising, what will be management's next step? 83) _____
- A) seek the help of a nationally known consultant
 - B) develop a planned market rollout over time
 - C) secure a loan to provide confidence, capital, and capacity
 - D) develop a prototype
 - E) retest the product in additional markets
- 84) At Fantastic Flavors, a large regional chain of candy stores, employees from marketing, design, production, and finance work in a cross-functional group to save time and money in the new-product development process. Fantastic Flavors uses a(n) _____ approach. 84) _____
- A) innovation management system
 - B) consumer composite
 - C) customer-centered new-product development
 - D) team-based new-product development
 - E) sequential new-product development
- 85) Google is known for its product innovation. A company, like Google, has likely installed an _____ to collect, review, evaluate, and manage new-product ideas. 85) _____
- A) test market
 - B) innovation management system
 - C) customer-centred new-product department
 - D) product concept
 - E) PLC market strategy

- 86) Big Moose Toys is a market pioneer introducing a modern version of Bullwinkle the Moose, a character from an animated television series originally broadcast in the 50s and 60s. Their version of Rocky the Flying Squirrel, another character from the show, targeted to baby boomers was a strong success. They need to make the new launch strategy for Bullwinkle consistent with the intended _____. 86) _____
- A) company image
 - B) use
 - C) promotion campaign
 - D) target market
 - E) product positioning
- 87) Apple's iPod has been called "one of the greatest consumer electronics hits of all time." More than 120 million iPods have been sold, and the iPod captures more than 70 percent of the music player market. This success has attracted many large, resourceful competitors. The iPod is in the _____ stage of the product life cycle. 87) _____
- A) introduction
 - B) adoption
 - C) product development
 - D) decline
 - E) maturity
- 88) Mattel's Barbie is an example of an age-defying product. Barbie, simultaneously timeless and trendy, is in the _____ stage of the PLC. 88) _____
- A) growth
 - B) adoption
 - C) introduction
 - D) decline
 - E) maturity
- 89) Over the past 100 years or so, Binney and Smith's Crayola crayons have become a household staple in more than 80 countries around the world. Crayola crayons are in the _____ stage of the PLC. 89) _____
- A) maturity
 - B) introduction
 - C) incubation
 - D) decline
 - E) growth
- 90) When Heinz introduced EZ Squirt packaging and new colours such as Blastin' Green and Awesome Orange to revitalize consumer buying, the company was _____. 90) _____
- A) modifying the distribution
 - B) dropping the product
 - C) modifying the pricing strategy
 - D) modifying the market
 - E) modifying the product

- 91) It's What's Hip, a chain of 18 music and CD stores, has discovered that carrying a weak product during the decline stage of the PLC can be very costly to a firm, and not just in profit terms. Which one of these is one of those additional costs? 91) _____
- A) product development costs
 - B) product testing costs
 - C) shipping and handling costs
 - D) customer inquiry costs
 - E) requires advertising and sales force attention
- 92) Superior Luggage Company has undertaken the task of identifying its products in the decline stage of the PLC. Which of the following should be done in the identification process? 92) _____
- A) regularly reviewing management's pet projects
 - B) regularly reducing the promotional budget
 - C) regularly replacing brand managers
 - D) regularly conducting focus groups
 - E) regularly reviewing market share
- 93) Proctor & Gamble has sold off a number of lesser or declining brands such as Oxydol detergent and Jif peanut butter. In these examples, management decided to _____ the products. 93) _____
- A) drop
 - B) ignore the test market results of
 - C) further test
 - D) harvest
 - E) maintain
- 94) When Kraft focused on cost-cutting with its older and established brands, leaving them to wither without much investment or modification, Kraft had decided to _____ the older products. 94) _____
- A) extend
 - B) maintain
 - C) review
 - D) harvest
 - E) drop
- 95) CellTones, a new company selling several lines of cellular phones, has closely modeled its products after successful products that are already in the marketplace. As it prepares to enter the market with its new products and services, which of the following should concern CellTones the most? 95) _____
- A) limited warranties
 - B) legal obligations to suppliers and dealers
 - C) patent laws
 - D) the Federal Food, Drug, and Cosmetic Act
 - E) product liability suits

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 96) A firm can obtain new products in two ways: acquisition or new-product development. 96) _____
- 97) Up to 90 percent of all new consumer products fail. 97) _____
- 98) New product development begins with a systematic search for new product ideas through idea generation. 98) _____
- 99) Malibu Beach Parties finds that the tastes and preferences of its customers change more rapidly than in the past. The manager should constantly look for external ideas from customers, suppliers, and the competition. 99) _____

- 100) Companies rarely solicit ideas from customers during the idea generation stage of product development. 100) _____
- 101) Blair Housewares wants to add new lines of products to its 46-store chain. Managers are correct in believing that the purpose of idea generation is to create a few ideas, and the purpose of succeeding stages is to increase that number. 101) _____
- 102) A product idea is an idea for a possible product a company can offer the market, while a product concept is a detailed version of the idea stated in meaningful consumer terms. 102) _____
- 103) Concept testing works best with people who are familiar with the new idea and the new product's purpose. This generally includes top management, the sales force, and research and development. 103) _____
- 104) GreenTree Lawn and Garden Products is engaged in marketing strategy development. Management should first create a statement outlining the product's planned price, distribution, and marketing budget for the first year. 104) _____
- 105) GreenTree Lawn and Garden Products is engaged in a review of the sales, costs, and profit projections for some new products to find out whether they satisfy the company's objectives. This activity is called business product development. 105) _____
- 106) The business analysis stage represents the first large jump in financial investment in the new-product development process. 106) _____
- 107) The stage at which new product and marketing programs are introduced into realistic market settings is called concept testing. 107) _____
- 108) Controlled test markets are still the most widely used approach for major in-market testing. 108) _____
- 109) Many marketers are now using new simulated test marketing technologies to reduce the costs of test marketing and to speed up the process. 109) _____
- 110) A company launching a new product into the market must first decide on when to launch the product. 110) _____
- 111) JumBo Games is launching a new set of game toys in the commercialization stage. The first decision to make is introduction timing and the second is where to launch the new product. 111) _____
- 112) Sequential product development has the advantage of not only being a team-oriented approach, but it is also faster in bringing products to market. 112) _____
- 113) IDEO doesn't just design products, it designs customer product experiences. 113) _____
- 114) To avoid too few new product ideas and the failure of many good ideas, management should install an innovation management system that collects, reviews, evaluates, and manages new-product ideas. 114) _____
- 115) Each product will have a life cycle — its exact shape and length are known in advance. 115) _____

- 116) Product classes have the longest life cycles—the sales of many product classes stay in the mature stage for a long time. 116) _____
- 117) Until just recently, Kraft has done a poor job of managing the product life cycle. 117) _____
- 118) Profits rise during the growth stage of the PLC because promotion costs are spread over a large volume and unit manufacturing costs fall. 118) _____
- 119) Although products that remain in the maturity stage of the PLC seem unchanged, the most successful ones actually evolve to meet changing consumer needs. 119) _____
- 120) When sales of a product falter during the PLC, a company can take several approaches. The more common ones are to modify the marketing mix, modify the product, or modify the market. 120) _____
- 121) Sales for the time-tried household cleansers made by Brite and New, Inc., have been declining for some time. If these products are typical, sales are declining because of technological advances, shifts in consumer tastes, and lack of raw materials from foreign suppliers. 121) _____
- 122) Companies need to pay attention to their aging products. Management should regularly review sales, market shares, costs, and profit trends, and then decide whether to maintain, harvest, or drop these declining products. 122) _____
- 123) When a company decides to maintain a product in the decline stage, it will reduce costs and hope that sales hold up to increase the profits in the short run. 123) _____
- 124) The federal government may prevent a company from adding products through acquisitions if acquisition threatens to lessen competition. 124) _____
- 125) The international growth of many professional and business services such as accounting, consulting, and advertising led to the globalization of the client companies they serve. 125) _____

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 126) Explain why so many new products fail and how a company can improve its odds of new product success.
- 127) Briefly describe the steps in the new-product development process.
- 128) Provide the major sources of external new product ideas and explain why these sources offer advantages over internal sources.
- 129) Distinguish among a product idea, a product concept, and a product image.
- 130) Explain concept testing.
- 131) What is the most widely used approach for major in-market testing? What disadvantages to this method may be causing many companies to shift toward quicker and cheaper test marketing methods?
- 132) Define commercialization. Explain the two important issues on which the company must decide during this stage.

- 133) What are the two advantages of an innovation management system for developing new products? Provide four ideas for a company to use to establish a successful system.
- 134) Each product will have a life cycle, although its exact shape and length is not known in advance. Briefly explain each step in the PLC.
- 135) PLC can be applied to more than just brands. Your assignment is to prepare a presentation about the application of the PLC to as many of your company's operations as possible. What would you include?
- 136) Describe three public policy issues or regulations that marketers should carefully consider as they make decisions about adding or dropping products.

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

- 137) How might a firm benefit from implementing an "intrapreneurial" program? 137) _____
- 138) How might competitors be a good external idea source? 138) _____
- 139) How does Bioniche, a Canadian biotech company, source its external ideas? 139) _____
- 140) Samsung has developed a successful "intrapreneurial" program that encourages its employees to think up and develop new-product ideas. Will these ideas be reduced or increased during the next stage — idea screening? 140) _____
- 141) Explain the differences between product idea, product concept, and product image. 141) _____
- 142) The potential market strengths and weaknesses are being determined for a new-product idea at Art for Kids. In what stage of the new-product development process does this occur? 142) _____
- 143) What may be learned in a test market? 143) _____
- 144) Why did KFC do a lot of testing before it introduced a major new product—Kentucky Grilled Chicken— to Canadian consumers? 144) _____
- 145) How does the use of controlled test markets differ from the use of standard test markets? 145) _____
- 146) How did Frito Lay use new simulated test marketing technologies to reduce the costs of test marketing and to speed up the process. 146) _____
- 147) Why might a company choose to develop a planned market rollout? 147) _____
- 148) Why might individual departments prefer sequential product development? 148) _____
- 149) IDEO brings new meaning to customer-centred product development. How is this so? 149) _____
- 150) Explain how the PLC applies differently to a product class than to a product form. 150) _____

- 151) How did Kraft Canada modify its Delissio pizza product and why? 151) _____
- 152) Why might ad expenditures be high for products in the introduction stage of the PLC? 152) _____
- 153) Why might ad expenditures remain high in the growth stage of the PLC? 153) _____
- 154) Marketers can prolong the lives of many products in the maturity or decline stages of the PLC, sometimes even moving these products back into the growth stage. How can this happen? 154) _____
- 155) Why has the cost of product liability insurance risen so dramatically? 155) _____
- 156) How does packaging present new challenges for international marketers? 156) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

Refer to the scenario below to answer the following questions.

Most people laughed when Evelyn Ringler explained her product idea: a solar-powered vacuum cleaner. But the concept was practical and the technology used in the vacuum was the same as that used in many children's toys. After setting up a demonstration booth in a mall in a Chicago suburb, Evelyn felt more assured than ever that her idea would be a hit. Consumers seemed receptive and offered helpful pieces of advice, such as how much they would pay for the vacuum, what colours they would prefer, and why they would not buy the vacuum.

The vacuum itself was dome-shaped, something like a small saucer, with a filter bag on top and sensory nodes along the edges. After being charged in the sunlight, the vacuum could run for 10 hours, covering a floor area of 600 square feet. As the apparatus lightly bumped into table legs, chairs, and so on, the sensory nodes allowed the vacuum to move around the objects in various directions. This is the same type of technology used in the manufacture of children's race cars and walking dolls.

Evelyn knew that the solar-powered vacuum would be especially helpful to both elderly consumers, who may have a more difficult time with vacuuming, and on-the-go consumers who lead busy lives. The price would be above average but would likely reduce after Evelyn recouped some of her costs.

After a 500-unit production run and a substantial financial investment, Evelyn Ringler set up a multiple-city test market, in a Chicago mall and in an appliance store in New Jersey. "It's such a novel idea," Evelyn added. "People will notice it, even if they don't buy it right away."

- 157) Evelyn's _____ is the practical use of solar power in a vacuum cleaner that is designed to effortlessly sweep the floors of on-the-go and elderly consumers. 157) _____
- A) product image
 - B) product idea
 - C) promotional product
 - D) product concept
 - E) prototype
- 158) When Evelyn set up a demonstration booth to learn about consumers' feelings toward her vacuum cleaner, she was doing which of the following? 158) _____
- A) concept testing
 - B) marketing strategy development
 - C) test marketing
 - D) idea screening
 - E) product development

- 159) Suppose that Evelyn finds that consumers feel very positive about her vacuum cleaner concept. The next step is _____, designing an initial marketing strategy for introducing this car to the market. 159) _____
- A) idea screening
 - B) new product development
 - C) test marketing
 - D) commercialization
 - E) marketing strategy development
- 160) If Evelyn's product concept for a new vacuum cleaner passes the business test, it moves into product development. What happens in this stage? 160) _____
- A) R&D or engineering develops the product concept into a physical product.
 - B) An initial marketing strategy for introducing this car to the market is designed.
 - C) Evelyn conducts a review of the sales, costs, and profit projections for a new product.
 - D) New-product concepts are tested with groups of target consumers.
 - E) The product and marketing program are introduced into realistic market settings.
- 161) Evelyn found a small number of representative test cities, conducted a full marketing campaign in those cities, and used store audits, consumer and distributor surveys, and other measures to gauge product performance. This is known as using _____. 161) _____
- A) simulated test markets
 - B) rollout test markets
 - C) controlled test markets
 - D) commercial test markets
 - E) standard test markets
- 162) Conversely, Evelyn could consider _____ which usually cost much less, can be run in eight weeks, and keep the new product out of competitors' view. 162) _____
- A) standard test markets
 - B) controlled test markets
 - C) simulated test markets
 - D) commercial test markets
 - E) rollout test markets
- 163) Evelyn must decide on the timing of her product introduction. Which of the factors below would suggest that Evelyn should launch her vacuum cleaner sooner than later? 163) _____
- A) if more money must be raised for promotion
 - B) if the economy is down
 - C) if competitors are ready to introduce their own solar-powered models
 - D) if the vacuum cleaner can be improved further
 - E) if consumers are curbing their spending
- 164) Evelyn's solar-powered vacuum cleaner is clearly differentiated, solves major customer problems, and offers a compelling customer value proposition. One could say it is an example of _____ product development. 164) _____
- A) team-based
 - B) customer-centred
 - C) value-driven
 - D) systematic
 - E) competitive

- 165) Evelyn hopes her product will have a long and happy life but is aware that it is subject to the stages of the product life cycle. In which stage should Evelyn prepare for profits levelling off or declining because of increased marketing outlays to defend the product against competition. 165) _____
- A) maturity
 - B) product development
 - C) introduction
 - D) decline
 - E) growth
- 166) Evelyn's vacuum is at the _____ stage of the product life cycle. 166) _____
- A) product development
 - B) growth
 - C) incubation
 - D) introduction
 - E) adoption

Answer Key

Testname: UNTITLED10

- 1) D
- 2) B
- 3) B
- 4) A
- 5) D
- 6) D
- 7) B
- 8) C
- 9) D
- 10) D
- 11) A
- 12) D
- 13) A
- 14) B
- 15) E
- 16) B
- 17) A
- 18) C
- 19) D
- 20) E
- 21) E
- 22) C
- 23) A
- 24) B
- 25) C
- 26) C
- 27) E
- 28) C
- 29) B
- 30) A
- 31) A
- 32) A
- 33) D
- 34) A
- 35) A
- 36) B
- 37) A
- 38) E
- 39) A
- 40) C
- 41) C
- 42) B
- 43) C
- 44) E
- 45) E
- 46) A
- 47) E
- 48) A
- 49) A
- 50) E

Answer Key

Testname: UNTITLED10

- 51) B
- 52) C
- 53) B
- 54) D
- 55) C
- 56) D
- 57) A
- 58) C
- 59) C
- 60) E
- 61) B
- 62) C
- 63) D
- 64) E
- 65) C
- 66) E
- 67) A
- 68) A
- 69) A
- 70) C
- 71) B
- 72) A
- 73) E
- 74) E
- 75) E
- 76) C
- 77) C
- 78) D
- 79) C
- 80) D
- 81) B
- 82) A
- 83) B
- 84) D
- 85) B
- 86) E
- 87) E
- 88) E
- 89) A
- 90) E
- 91) E
- 92) E
- 93) A
- 94) D
- 95) C
- 96) TRUE
- 97) TRUE
- 98) TRUE
- 99) TRUE
- 100) FALSE

Answer Key

Testname: UNTITLED10

- 101) FALSE
- 102) TRUE
- 103) FALSE
- 104) FALSE
- 105) FALSE
- 106) FALSE
- 107) FALSE
- 108) FALSE
- 109) TRUE
- 110) TRUE
- 111) TRUE
- 112) FALSE
- 113) TRUE
- 114) TRUE
- 115) FALSE
- 116) TRUE
- 117) TRUE
- 118) TRUE
- 119) TRUE
- 120) TRUE
- 121) FALSE
- 122) TRUE
- 123) FALSE
- 124) TRUE
- 125) FALSE
- 126) Although an idea may be good, the market size may have been overestimated. Other possible reasons for failure include the following: the actual product was not designed as well as it should have been; the product may have been incorrectly positioned in the market, priced too high, or advertised poorly; a high-level executive might have pushed a favourite idea despite poor marketing research findings; the costs of product development were higher than expected; or competitors fought back harder than expected. One way to improve the odds is to identify successful new products and find out what they have in common. Another is to study new product features to see what lessons can be learned. A company must understand its customers, markets, and competitors and deliver superior value to customers.
- 127) New-product development starts with idea generation from internal and/or external sources. Next, the ideas must be reduced through idea screening. Once the new ideas are decided upon, the product concept must be developed and tested. A marketing strategy must be developed to introduce the product to the market. Once the product concept and marketing strategy are chosen, a business analysis is conducted to review the sales, costs, and profit projections to see if they will satisfy the company's objectives. A prototype will next be created in the product development stage. Test marketing will follow, introducing the new product and its marketing program into more realistic market settings. The last step is to launch or not launch the new product. If the company decides to launch the product, it will go ahead with the commercialization stage and later test its sales and profit results.
- 128) The major sources of new product ideas from external sources include customers, suppliers/distributors, competitors, and research firms. These sources are close to the market and tend to reflect current tastes and preferences. Firms can better match their product offerings to customer needs and wants. Consumers may also create new products and services on their own.
- 129) A product idea is an idea for a product that a company can imagine itself offering to the market. A product concept takes the idea several steps further, with a detailed version of the idea stated in meaningful consumer terms. Finally, a product image is the way consumers perceive an actual or potential product.

Answer Key

Testname: UNTITLED10

- 130) Concept testing calls for testing new product concepts with groups of target consumers. The concepts may be presented physically or symbolically. A more concrete and physical presentation, however, will increase the reliability of the concept test. After being exposed to the concept, consumers are asked questions about it; their answers reveal to the marketer whether the concept needs to be altered in any way.
- 131) Standard test markets is the most widely used approach. They have some drawbacks. They can be very costly and they may take a long time. Moreover, competitors can monitor test market results or interfere with them by cutting their prices in test cities, by increasing their promotion, or even by buying up the product being tested. Finally, test markets give competitors a look at the company's new product well before it is introduced nationally. Thus, competitors may have time to develop defensive strategies, and may even beat the company's product to the market.
- 132) Introducing a new product into the market is called commercialization. The company launching a new product must first decide on introduction timing. Next, the company must decide where to launch the new product—in a single location, a region, the national market, or the international market. Confidence, capital, and capacity are required to launch new products on a large-scale basis. Hence, firms plan a market rollout over time.
- 133) The first advantage of an innovation management system is that it helps create an innovation-oriented company culture. It shows that top management supports, encourages, and rewards innovation. The second advantage is that it will yield a larger number of ideas, among which will be found some especially good ones. As the system matures, ideas will flow more freely. To establish a successful system a company can do the following: (1) Appoint a respected senior person to be the company's idea manager; (2) create a cross-functional innovation management committee with people from each department; (3) set up a Web site for anyone who wants to become involved in finding and developing new products; (4) encourage all company stakeholders to send their ideas to the idea manager; and (5) set up formal recognition programs to reward those who contribute the best new ideas.
- 134) Product development begins when the company finds and develops a new product idea. Sales are zero and the company's investment costs mount. Introduction is a period of slow sales growth as the product is introduced in the market. Profits are nonexistent in this stage because of the heavy expenses of product introduction. Growth is a period of rapid market acceptance and increasing profits. Maturity is a period of slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits level off or decline because of increased marketing outlays to defend the product against competition. Decline is the period when sales fall off and profits drop. A company may seek to reinvigorate a product in decline or maintain it hoping competition will diminish or harvest it or drop it.
- 135) The PLC can be applied to new product and services. It can also be applied to product class, a product form, or a brand. The PLC concept lends itself to styles, fashions, and fads. The concept can be used as a useful framework for describing how products and markets work, as well as developing marketing strategy for each stage of the product life cycle. Managers may have difficulties using the PLC concept to forecast product performance or develop general marketing strategies.
- 136) The government may prevent companies from adding products through acquisitions if the effect threatens to lessen competition. On the other hand, companies dropping products must be aware that they have legal obligations to their suppliers, dealers, and customers who have a stake in the dropped product. Companies must also obey patent laws when developing new products, meaning that a company cannot make its product illegally similar to another company's established product. Manufacturers must also comply with specific laws regarding product quality and safety. Various acts provide for the inspection of sanitary conditions in the meat- and poultry-processing industries. Safety legislation has been passed to regulate fabrics, chemical substances, automobiles, toys, and drugs and poisons.
- 137) Such programs encourage employees to be innovative and to develop new-product ideas.
- 138) Marketers can pay particular attention to competitors' ads to get clues about their new products. In addition, salespeople in the field can learn about competitors' plans if prospects purposefully, or even inadvertently, reveal them.
- 139) Bioniche sponsors research by university professors to help it generate ideas for new drugs and cancer treatments.
- 140) The purpose of the succeeding stages is to *reduce* the number of ideas. The first idea-reducing stage is idea screening, which helps spot good ideas and drop poor ones as soon as possible. Product-development costs rise greatly in later stages, so the company wants to go ahead only with the product ideas that will turn into profitable products.

Answer Key

Testname: UNTITLED10

- 141) A *product idea* is an idea for a possible product that the company can see itself offering to the market. A *product concept* is a detailed version of the idea stated in meaningful consumer terms. A *product image* is the way consumers perceive an actual or potential product.
- 142) It occurs in the business analysis stage of the new product development process.
- 143) Test marketing lets a company assess customer response to its product and the effectiveness of its positioning strategy, advertising, distribution, pricing, branding, and packaging.
- 144) When introducing a new product requires a big investment, when the risks are high, or when management is not sure of the product or marketing program, a company may do a lot of test marketing. Given the importance of the decision, KFC conducted more than three years of product and market testing before rolling Kentucky Grilled Chicken out. Test marketing in Quebec and Ontario began in the summer of 2009, and the product rolled out across the country later that year.
- 145) Controlled test markets, such as behaviourScan, usually cost less than standard test markets. Also, because retail distribution is “forced” in the first week of the test, controlled test markets can be completed much more quickly than standard test markets. As in standard test markets, controlled test markets allow competitors to get a look at the company’s new product. And some companies are concerned that the limited number of controlled test markets used by the research services may not be representative of their products’ markets or target consumers.
- 146) Frito Lay worked with research firm Decision Insight to create an online virtual convenience store in which to test new products and marketing ideas. Decision Insight’s SimuShop online shopping environment lets Frito Lay’s marketers test shopper reactions to different extensions, shelf placements, pricing, and packaging of its brands in a variety of store setups without investing huge amounts of time and money on actual in-store research in different locations.
- 147) A company without the confidence, capacity, or capital to introduce its product in several regions or the full national market may find it less risky and more manageable to enter attractive cities or regions one at a time, using success in regional markets to build up to a larger market rollout.
- 148) This process allows individual departments to work individually with a new idea, completing its stage of development before passing the product on; other departments are less likely to interfere.
- 149) Customer-centred new-product development focuses on finding new ways to solve customer problems and create more customer-satisfying experiences. In designing new products, IDEO doesn’t start with engineers working in design labs. It starts with customers. And it doesn’t just design products, it designs customer product experiences.
- 150) Product classes have longer life cycles, while product forms tend to have the standard PLC shape.
- 151) In a product’s maturity stage, a company might try *modifying the product*—changing characteristics such as quality, features, style, or packaging to attract new users and to inspire more usage. Kraft introduced Delissio Ultimate, its best-yet alternative to delivery pizza, featuring premium vine-ripened tomatoes, whole-milk mozzarella cheese, specialty meats, and julienne vegetables.
- 152) Consumers have very little awareness about such products; promotional spending can enhance customer awareness.
- 153) Though sales are increasing for such products, competition becomes fierce as competitors attempt to enter the market; therefore, ad dollars remain high in an effort to offset competitive threats.
- 154) Marketers can change any element of the marketing mix, change the number of uses or the number of users, or even change the frequency of product use.
- 155) Consumers who have been injured by a product with a defective design can sue manufacturers or dealers of the product. A recent survey of manufacturing companies found that product liability was the second-largest litigation concern, behind only labour and employment matters. Product liability suits in the United States are now occurring in federal courts at the rate of almost 24 000 per year.
- 156) Packaging issues can be subtle. For example, names, labels, and colours may not translate easily from one country to another. Although product and package standardization can produce benefits, companies must usually adapt their offerings to the unique needs of specific international markets.
- 157) D
- 158) A

Answer Key

Testname: UNTITLED10

159) E

160) A

161) E

162) C

163) C

164) B

165) A

166) A