

Chapter 14

Student: _____

1. Procter and Gamble was able to get Joy into Japanese homes through all of the following except
 - A. product formula targeted at the unmet needs of the consumers.
 - B. significantly low price to drive the competitors out.
 - C. compelling advertising campaigns.
 - D. packaging that appealed to retailers.
 - E. None of these answers is correct
2. A(n) _____ marketing strategy that views the world's consumers as similar in their tastes and preferences is consistent with the mass production of a standardized output.
 - A. domestic
 - B. multinational
 - C. indigenous
 - D. national
 - E. global
3. A critical aspect of the _____ function is identifying gaps in the market so that new products can be developed to fill those gaps.
 - A. materials management
 - B. finance
 - C. operations
 - D. marketing
 - E. R&D
4. Only _____ can tell R&D whether to produce globally standardized or locally customized products.
 - A. finance
 - B. materials management
 - C. marketing
 - D. operations
 - E. segmentation analysis
5. Research has long maintained that a major factor of success for new products is the closeness of the relationship between
 - A. finance and marketing.
 - B. marketing and R&D.
 - C. finance and materials management.
 - D. operations and R&D.
 - E. sales and R&D
6. The _____ is the set of choices the firm offers to its targeted market.
 - A. production mix
 - B. marketing mix
 - C. products and services mix
 - D. materials mix
 - E. promotional mix
7. The four elements that constitute a firm's marketing mix include
 - A. product attributes, distribution strategy, communication strategy, and pricing strategy.
 - B. transportation strategy, warehousing strategy, availability of financing, and pricing strategy.
 - C. promotions strategy, pricing strategy, availability of financing, and distribution strategy.
 - D. product attributes, promotions strategy, communication strategy, and transportation strategy.
 - E. logistics mix, product and packaging mix, promotional mix, and sales and pricing mix

8. _____ is a powerful force that drives the world toward a converging commonality.
- A. Technology
 - B. Production
 - C. Culture
 - D. Distribution
 - E. Globalization
9. Levitt has argued that, due to the advent of modern communications and transport technology, consumer tastes and preferences are becoming _____, which is creating global markets for standardized consumer products.
- A. individualistic
 - B. localized
 - C. cross-regional
 - D. global
 - E. uniform
10. In his 1983 Harvard Business Review article, Theodore Levitt argued that due to the advent of modern communications and transport technology, consumer tastes and preferences are becoming more global, which is creating global markets for standardized consumer products. In regard to these arguments, the current consensus among academics seems to be that Levitt
- A. was exactly right.
 - B. understated his case
 - C. was way off
 - D. overstated his case
 - E. has become outdated since the introduction of the Internet
11. The continuing persistence of _____ differences between nations acts as a major brake on any trend toward global consumer tastes and preferences.
- A. technological and communication
 - B. product standard
 - C. cultural and economic
 - D. production and distribution
 - E. language and historical
12. When markets are divided up by sex, age, income, race, or education, they are segmented by
- A. geography.
 - B. economic factors.
 - C. psychological factors.
 - D. demography.
 - E. socioeconomic
13. If Sara decided the best way to divide her market is by lifestyle choices, she is using _____ segmentation.
- A. demographic
 - B. psychological
 - C. social-cultural
 - D. geographic
 - E. behavioural
14. Automobile companies tend to use _____ segmentation.
- A. socioeconomic
 - B. geographic
 - C. personality
 - D. educational
 - E. demographic

15. _____ refers to the process of identifying distinct groups of consumers whose purchasing behaviour differs from others in important ways.
- A. Target marketing
 - B. Consumer differentiation
 - C. Demographic profiling
 - D. Customer analysis
 - E. Market segmentation
16. When managers in an international business consider market segmentation in foreign countries, they need to be aware of two main issues. These are
- A the differences between countries in the structure of marketing segments, and the existence of segments . that transcend national borders.
 - B.the differences between countries in terms of tariff rates, and the differences between the countries in terms of exchange rates.
 - C.the differences between countries in terms of barriers to entry, and the differences between countries in terms of economic stability.
 - D.the differences between countries in terms of culture, and the differences between countries in terms of exchange rates.
 - E the difference between countries in terms of product standards, and the difference between countries in . terms of consumer preferences.
17. Segments that transcend national borders exist in certain _____ markets, but are rare in _____ markets.
- A. consumer; industrial
 - B. industrial; consumer
 - C. service; industrial
 - D. consumer; service
 - E. youth; adult
18. After Jean Coutu's purchase of the Eckerd pharmacy chain, the Canadian owners decided to enhance Eckerd's private label brands. This is an example of which element of the marketing mix?
- A. sales
 - B. product
 - C. promotional
 - D. price
 - E. place
19. A product can be viewed as a bundle of
- A. attributes.
 - B. wants.
 - C. needs.
 - D. profits.
 - E. benefits
20. Consumer needs vary between countries due to cultural differences and
- A. geographic location.
 - B. level of technological development.
 - C. demography.
 - D. level of economic development.
 - E. religious differences
21. According to the textbook, the most important aspect of a country's cultural differences is the impact of
- A. language.
 - B. tradition.
 - C. geographic location.
 - D. the availability of natural resources.
 - E. religion

22. Across the world, consumer tastes and preferences are becoming more
- A. ethnocentric.
 - B. parochial.
 - C. indigenous.
 - D. cosmopolitan.
 - E. egalitarian
23. _____ may be a more important attribute in less developed nations for major purchases such as a car.
- A. Product reliability
 - B. Extra features
 - C. Style
 - D. Customization
 - E. Price
24. Contrary to Levitt's suggestions, consumers in the most developed countries are often
- A. willing to sacrifice their preferred attributes for lower prices.
 - B. willing to accept a global product if it is accepted by consumers in underdeveloped countries.
 - C. not willing to sacrifice their preferred attributes for lower prices.
 - D. willing to sacrifice their preferred attributes regardless of the impact on price.
 - E. willing to accept a multi domestic product if reliability is improved
25. Mass production and marketing of a standardized product can be ruled out by differing _____ product standards.
- A. government-mandated
 - B. consumer-mandated
 - C. market and
 - D. distribution of
 - E. consumer driven
26. What can the differences in technical standards constrain?
- A. The segmentation of markets
 - B. The localization of markets
 - C. The development of markets
 - D. The globalization of standards
 - E. The globalization of markets
27. What mistake did RCA make when distributing its U.S. made televisions in Asia?
- A. included too many product attributes and did not invest enough in product reliability
 - B. did not adapt its promotional mix to Asian preferences
 - C. used the same segmentation strategy as in the U.S.
 - D. priced their product too high to effectively compete with local manufacturers
 - E. did not take into account different technical standards
28. A critical element of a firm's marketing mix is its _____ strategy, which is the means it chooses for delivering the product to the consumer.
- A. materials management
 - B. communications
 - C. logistics
 - D. distribution
 - E. retail
29. In terms of their distribution strategies, countries differ along three main dimensions. These are
- A. end-user identification, channel integration, and transportation strategy.
 - B. customer concentration, channel breadth, and warehousing strategy.
 - C. wholesale concentration, channel depth, and transportation strategy.
 - D. retail concentration, channel length, and channel exclusivity.
 - E. retail levels, channel organization, and channel quality

30. In a(n) _____ retail system, a few retailers supply most of the market.
- A. fragmented
 - B. dispersed
 - C. focused
 - D. concentrated
 - E. selective
31. A _____ retail system is one in which there are many retailers, no one of which has a major share of the market.
- A. concentrated
 - B. consolidated
 - C. focused
 - D. fragmented
 - E. diverse
32. Most of the differences in the retail concentrations of different countries are rooted in
- A. current events and trade status.
 - B. economic stature and religious beliefs.
 - C. history and tradition.
 - D. geographic location and language.
 - E. urban and rural divisions
33. In terms of retail concentration, developed countries tend to have a higher degree of concentration than developing countries for all of the following reasons except
- A. increases in car ownership.
 - B. a tradition of established local neighbourhoods in which people walk to stores.
 - C. number of households with refrigerators
 - D. number of two-income households
 - E. number of households with freezers
34. In the last decade the global retail industry has become more _____.
- A. fragmented because of diverse consumer tastes
 - B. multi-level because of the growth of the Internet
 - C. similar because of the influence of western cultural programming
 - D. diverse because of moves towards cultural autonomy
 - E. concentrated because of the growth of retailers like Carrefours
35. The number of intermediaries between the product (or manufacturer) and the consumer is referred to as
- A. channel length.
 - B. channel distance.
 - C. channel exclusivity.
 - D. channel reach.
 - E. channel levels
36. If the producer sells directly to the consumer, the channel is _____. If the producer sells through an import agent, a wholesaler, and a retailer, a _____ channel exists.
- A. short; intermediate
 - B. long; very short
 - C. intermediate; long
 - D. short; long
 - E. direct; multi-level

37. The degree to which a retail system is _____ is the most important determinant of channel length.
- A. concentrated
 - B. fragmented
 - C. decentralized
 - D. globalized
 - E. developed
38. Which of the following countries is characterized by fragmented retail systems with long channels of distribution?
- A. Japan
 - B. Germany
 - C. United States
 - D. France
 - E. Britain
39. A(n) _____ distribution channel is one that is difficult for outsiders to access.
- A. long
 - B. exclusive
 - C. short
 - D. inclusive
 - E. selective
40. Derik, a grocery store owner, has been dealing with Cheryl's Cheesecake Distributors for 20 years. Michael wants to create a contract with Derik so Derik will carry his cheesecakes. Michael will find this a difficult task because of the _____ distribution channel Derik has with Cheryl's Cheesecakes.
- A. fragmented
 - B. concentrated
 - C. short
 - D. exclusive
 - E. managed
41. A choice of _____ strategy determines which channel the firm will use to reach potential consumers.
- A. logistics
 - B. transportation
 - C. communications
 - D. operations
 - E. distribution
42. Direct selling, sales promotion, direct marketing, and advertising are all apart of a firm's _____ strategy.
- A. communications
 - B. distribution
 - C. product
 - D. operations
 - E. mass media
43. The best way for a firm to overcome cultural barriers is to do what?
- A. increase the advertising budget
 - B. adjust the product mix
 - C. build a communications strategy
 - D. adjust prices
 - E. develop cross-cultural literacy

44. _____ communications occurs whenever a firm uses a marketing message to sell its products in another country.
- A. Diversified
 - B. International
 - C. Multi-domestic
 - D. Functional
 - E. Cross-cultural
45. The effectiveness of a firm's international communication can be jeopardized by three potentially critical variables. These are
- A. technological barriers, geographic barriers, and political barriers.
 - B. economic factors, political-legal barriers, and noise levels.
 - C. technological factors, source effects, and noise levels.
 - D. cultural barriers, source effects, and noise levels.
 - E. language barriers, noise levels, and religious beliefs
46. Country of origin effects are:
- A. always negative
 - B. the same as source effects
 - C. a subset of source effects
 - D. affected by predatory pricing
 - E. affected by channel length
47. If a firm chooses to use direct selling, instead of advertising to communicate its message, it should develop a(n) _____ sales force whenever possible.
- A. global
 - B. international
 - C. national
 - D. local
 - E. multicultural
48. _____ occur when the receiver of the message (i.e. the potential customer) evaluates the message based on the status or image of the sender.
- A. Synergistic effects
 - B. Temporal effects
 - C. Source effects
 - D. Direct effects
 - E. Noise effects
49. _____ refers to the extent to which the place of manufacturing influences product evaluations.
- A. Home country effects
 - B. Country of origin effects
 - C. Social effects
 - D. Host country effects
 - E. Export country effects
50. In the context to barriers to international communication, _____ refer(s) to the number of other messages competing for a potential consumer's attention.
- A. alternative signals
 - B. source effects
 - C. noise
 - D. channels effects
 - E. ad effects

51. In highly developed countries like Canada, noise from firms competing for the attention of target consumers is
- A. extremely high.
 - B. extremely low.
 - C. moderate.
 - D. not a factor in communication.
 - E. reasonable
52. The main decision with regard to communications strategy is the choice between a(n)
- A. external strategy and an internal strategy.
 - B. aggressive strategy and a conservative strategy.
 - C. noisy strategy and a quiet strategy.
 - D. push strategy and a pull strategy.
 - E. direct strategy or indirect strategy
53. In regard to communication strategy, a _____ strategy emphasizes personal selling rather than mass media advertising in the promotional mix.
- A. reverse
 - B. push
 - C. forward
 - D. pull
 - E. direct
54. Which of the following communications strategies relies primarily on mass media advertising rather than personal selling?
- A. Forward
 - B. Pull
 - C. Push
 - D. Reverse
 - E. Indirect
55. The three main factors that determine the relative attractiveness of push and pull strategies include
- A. advertising cost, product type relative to consumer sophistication, and channel exclusivity.
 - B. geographic dispersion of buyers, channel length, and channel exclusivity.
 - C. product type relative to consumer sophistication, channel length, and media availability.
 - D. channel exclusivity, advertising cost, and cultural diversity of buyers.
 - E. industrial or consumer products, concentrated or fragmented retail systems, noise levels
56. A pull strategy is generally favoured by
- A. firms in durable goods industries that are trying to sell to a small segment of the markets.
 - B. firms in consumer goods industries that are trying to sell to a large segment of the market.
 - C. firms in commodities industries that are trying to sell to foreign governments.
 - D. firms in service industries that are trying to sell to a large segment of the market.
 - E. firms using E-commerce to sell to niche markets
57. A push strategy is favoured by firms that sell
- A. services.
 - B. commodities.
 - C. consumer products or other standardized products.
 - D. industrial products or other complex products.
 - E. through distributors

58. In the context of communications strategy, push strategies tend to be emphasized
- A. for industrial products and/or complex new products, when distribution channels are short, and when . few print or electronic media are available.
 - B. for commodities, when distribution channels are short, and when international markets are attractive for the product.
 - C. for consumer goods, when distribution channels are long, and when sufficient print and electronic . media are available to carry the marketing message.
 - D. for services, when distribution channels are long, and when international markets are attractive for the product.
 - E. for consumer products, when distribution channels are exclusive and there is a high level of literacy
59. In the context of communications strategy, pull strategies tend to be emphasized
- A. for commodities, when distribution channels are short, and when international markets are available for the product.
 - B. for consumer goods, when distribution channels are long, and when sufficient print and electronic . media are available to carry the marketing message.
 - C. for services, when distribution channels are long, and when international markets are available for the product.
 - D. for industrial products and/or complex new products, when distribution channels are short, and when . few print or electronic media are available.
 - E. for industrial services, when distribution channels are direct and when there is a low degree of literacy
60. Push strategies tend to be emphasized for industrial products and/or complex new products, when distribution channels are short, and when _____.
- A. few print or electronic media are available
 - B. international markets are available for the product
 - C. sufficient print and electronic media are available
 - D. distribution channels are difficult to access
 - E. cultural differences and source effects diminish the effectiveness of advertising
61. Pull strategies tend to be emphasized for _____.
- A. commodities
 - B. consumer goods
 - C. industrial goods
 - D. services
 - E. cultural goods
62. According to the text, one of the most successful standardized campaigns in history was the promotion of
- A. Joy dish detergent.
 - B. Marlboro cigarettes.
 - C. Levi Jeans.
 - D. Coca-Cola.
 - E. Toyota
63. Which of the following is not a justification for global advertising?
- A. It has significant economic advantages
 - B. Because creative talent is scarce, one large effort to develop a campaign will produce better results than 40 or 50 smaller efforts
 - C. Many brands are global
 - D. Cultural differences among nations are such that a message that works in one nation can fail in another
 - E. None of these answers is correct

64. There are two main arguments against global advertising. These are
- A. many brands are global; country differences in advertising regulations may block implementation of global messages.
 - B. because creative talent is scarce, one large effort to develop a campaign will produce better results than 40 or 50 smaller efforts; it has significant economic advantages.
 - C. cultural differences among nations are such that a message that works in one nation can fail in another; country differences in advertising regulations may block implementation of global messages.
 - D. many brands are global;
 - E. it has significant economic advantages.
65. Which of the following is not an aspect of international pricing strategy?
- A. Competitive advertising
 - B. Price discrimination
 - C. Strategic pricing
 - D. Regulatory factors
 - E. Antidumping regulations
66. In an international context, _____ exists whenever consumers in different countries are charged different prices for the same product.
- A. price discrimination
 - B. global pricing
 - C. predatory pricing
 - D. standardized pricing
 - E. country specific pricing
67. If a consumer in Italy paid \$45,000 for a BMW and a consumer in Great Britain paid \$60,000 for the identical vehicle that would be an example of
- A. standardized pricing.
 - B. price discrimination.
 - C. global pricing.
 - D. predatory pricing.
 - E. country specific pricing
68. Two conditions are necessary for profitable price discrimination. These are
- A. the firm must sell a standardized product; and the firm must be able to keep its national markets separate.
 - B. the firm must be able to keep its national markets separate; and the existence of different price elasticities of demand in different countries must exist.
 - C. the firm must rely upon substantial economies of scale; and the firm cannot be a member of a major trade block.
 - D. the firm must sell highly differentiated products; and the existence of different price elasticities of demand in different countries must exist.
 - E. there must be no tariff differences between the countries and there must be a fragmented retail system
69. Demand is said to be _____ when a small change in price produces a large change in demand, while it is said to be _____ when a large change in price produces only a small change in demand.
- A. inelastic; elastic
 - B. small; large
 - C. large; small
 - D. elastic; inelastic
 - E. changeable; resistant

70. According to the textbook, the elasticity of demand for a product in a given country is determined at least in part by the following two important factors
- A. geographic location and economic stability.
 - B. currency rates and interest rates.
 - C. income level and competitive conditions.
 - D. tax rates and standard of living.
 - E. perception of what is a luxury and what is a necessity
71. Many competitors cause _____ elasticity of demand.
- A. low
 - B. neutral
 - C. mid
 - D. high
 - E. controlled
72. To maximize profits, the firm must produce at the output where
- A. $D_j = MR$.
 - B. $MR = MC$.
 - C. $D_j = MC$.
 - D. $D_u = MR$.
 - E. $D_u = MC$
73. Which of the following is not an aspect of strategic pricing?
- A. Experience curve pricing
 - B. Predatory pricing
 - C. Skim pricing
 - D. Multipoint pricing
 - E. None of these answers is correct
74. The use of price as a competitive weapon to drive weaker competitors out of a national market is called
- A. pillage pricing.
 - B. predatory pricing.
 - C. forward pricing.
 - D. competitive pricing.
 - E. war pricing
75. The fact a firm's pricing strategy in one market may have an impact on its rivals' pricing strategy in another market refers to
- A. dumping.
 - B. predatory pricing.
 - C. experience pricing.
 - D. multipoint pricing.
 - E. transfer pricing
76. When Kleenex cuts its prices in Germany, it caused Puffs to lose profits there. In return, Puffs cut prices in Canada, causing Kleenex to lose profits. This is an example of
- A. dumping.
 - B. multipoint pricing.
 - C. predatory pricing.
 - D. competitive pricing.
 - E. war pricing.
77. As a firm builds, it increases production volume over time, unit costs fall due to what?
- A. Experience effects
 - B. Decrease in demand
 - C. Lower price of raw materials
 - D. Predatory pricing
 - E. Learning effects

78. In the context of strategic pricing, _____ occurs whenever a firm sells a product for a price that is less than the cost of producing it.
- A. insourcing
 - B. dumping
 - C. price reengineering
 - D. outsourcing
 - E. predatory pricing
79. A country is allowed to bring antidumping actions against an importer under Article 6 of GATT as long as two criteria are met. These are
- A. sales are made at less than fair market value; and when material injury is done to a domestic industry.
 - B. the importer is not participant in the GATT Agreement; and when no advance notice of the dumping action was provided.
 - C. when material injury is done to a domestic industry; and the alleged dumping has taken place for more than six months.
 - D. sales are made at less than fair market value; and the importer is a participant in the GATT Agreement.
 - E. sales are made at less than fair market value; and when the two countries are members of a regional economic agreement
80. Carol wants to decide what she should customize and what she should standardize. What should she carefully examine to make this decision?
- A. The features and benefits of her products.
 - B. The cost and benefits of each element in the marketing mix.
 - C. The supply and demand of the products.
 - D. The government regulations on advertising and economic conditions of the country.
 - E. The consumer preferences and the cultural differences
81. Technological innovation has _____ product life cycles.
- A. created difficulty in
 - B. created less costly
 - C. lengthened
 - D. shortened
 - E. multiple
82. Learning effects and economies of scale underlie the
- A. experience curve.
 - B. tactical range.
 - C. strategic trajectory.
 - D. operational plane.
 - E. competitive advantage
83. Which of the following is a characteristic of countries where new-product development is strong?
- A. Competition is weak
 - B. Demand is strong
 - C. Consumers are having little to say
 - D. Little money is spent on basic and applied research and development
 - E. Markets are regulated
84. Countries where new-product development is strong have all of the following characteristics except
- A. competition is intense.
 - B. more money is spent on basic and applied research and development than in countries where new-product development is weak.
 - C. consumers are affluent.
 - D. demand is strong.
 - E. trade barriers are moderate

85. One study cited in the textbook of product development in 16 companies in the chemical, drug, petroleum, and electronics industries suggested that only about _____ of R&D projects ultimately result in commercially successful products or processes.
- A. 10 percent
 - B. 20 percent
 - C. 25 percent
 - D. 30 percent
 - E. 35 percent
86. A recent study found that _____ percent of new products did not meet their profitability goals.
- A. 17
 - B. 63
 - C. 45
 - D. 90
 - E. 28
87. Which of the following is not an objective of tight cross-functional integration between R&D, production, and marketing?
- A. Product development projects are driven by customer needs
 - B. New products are designed for ease of manufacturer
 - C. Development costs are kept in check
 - D. Time to market is minimized
 - E. None of these answers is correct
88. Close integration by R&D and _____ is required to ensure that product development projects are driven by the needs of customers.
- A. marketing
 - B. human resources management
 - C. production
 - D. materials management
 - E. market research
89. Members of a cross-functional team should have
- A. low standing within their function.
 - B. an ability to put functional and national advocacy first.
 - C. an ability to contribute functional expertise.
 - D. a willingness to give management responsibility for team results.
 - E. close physical proximity
90. Which of the following is not an attribute that is important for a product development team to function effectively and meet all its development milestones?
- A. It should be led by a "heavyweight" project manager.
 - B. It should have competitors' plans and goals.
 - C. It should have preset processes for communication and conflict resolution that are developed by top management.
 - D. It should have at least one member from each key function included.
 - E. It should be physically co-located to create a sense of camaraderie
91. Basic research centres have all of the following characteristics except
- A. fundamental research is conducted.
 - B. are typically located in remote locations apart from conventional research talent.
 - C. are the innovative engines of the firm.
 - D. attempt to develop the basic technologies that become new products.
 - E. None of these answers is correct

92. Centres for fundamental research located in regions or cities where valuable scientific knowledge is being created, and where there is a pool of skilled research talent, are referred to as
- applied research centres.
 - commercial research centres.
 - multidisciplinary research centres.
 - basic research centres.
 - industrial research centres
93. _____ are the innovation engines of the firm.
- Basic research centres
 - Applied commercialization centres
 - Strategic development centres
 - Tactical progress centres
 - Investment and people
94. Integrating R&D, marketing, and production in an international business may require what?
- excess funds
 - price advantages because of currency fluctuations to stabilize global prices
 - retail fragmentation within the country
 - complementarity of the R&D function
- ER&D centres that are linked by formal and informal mechanisms with marketing operations in various countries and with various manufacturing facilities
95. A number of major setbacks in Japan, in the 1970s, showed Protector and Gamble that its policy of developing new products and marketing strategies in the U.S. and transferring them to other countries was no longer effective.
- True False
96. A global marketing strategy, which views the world's consumers as similar in their tastes and preferences, is inconsistent with the mass production of a standardized output.
- True False
97. Academic research has long maintained that a major factor of success for new-product introductions is the closeness of the relationship between finance and R&D.
- True False
98. The four elements of a firm's marketing mix include product attributes, distribution strategy, communication strategy, and legal strategy.
- True False
99. Marketing is the force that drives the world toward a converging commonalty.
- True False
100. The current consensus among academics, in regard to Theodore Levitt's arguments on the globalization of markets, is that Levitt overstates his case.
- True False
101. Research finds that different marketing segments usually have the same purchasing behaviour; therefore, firms keep the same marketing mix for all segments.
- True False
102. Segments that transcend national borders are more common in consumer markets than industrial markets.
- True False
103. For historical and idiosyncratic reasons, a range of cultural differences exists between countries.
- True False
104. Developed countries tend to have less retail concentration than developing countries.
- True False

105. A country that is characterized by a high percentage of car ownership, a high percentage of households with refrigerators and freezers, and a high percentage of two-income households, will most likely have a low level of retail concentration.
True False
106. The most important determinant of channel length is the degree to which the retail system is fragmented.
True False
107. Countries with fragmented retail systems also tend to have short channels of distribution.
True False
108. Since each intermediary in a channel adds its own markup to the products, there is generally a critical link between channel length and the firm's profit margin.
True False
109. International communication occurs whenever a firm uses a marketing message to sell its product in another country.
True False
110. A pull strategy emphasized personal selling rather than mass media advertising in the promotional mix.
True False
111. A push strategy is generally favoured by firms in consumer goods industries that are trying to sell to a large segment of the market.
True False
112. Pull strategies tend to be emphasized for industrial products and/or complex new products.
True False
113. The shorter the distribution channel, the more intermediaries there are that must be persuaded to carry the product for it to reach the consumer.
True False
114. In an international context, predatory pricing exists whenever consumers in different countries are charged different prices for the same product.
True False
115. Predatory pricing, if successful, drives some of a company's competitors out of business.
True False
116. The elasticity of demand for a product in a given country is determined by a number of factors, of which income level and competitive conditions are perhaps the two most important.
True False
117. Strategic pricing has three aspects: predatory pricing, multipoint pricing, and segment curve pricing.
True False
118. Dumping occurs whenever a firm sells a product for a price that is less than the cost of producing it.
True False
119. Other things being equal, the rate of new-product development seems to be greater in countries where demand is strong, consumers are affluent, and competition is weak.
True False
120. Because leading-edge research is now carried out in many locations, the argument for centralizing R&D activity in Canada is now much weaker.
True False

121. Today, the United States still spends a greater proportion of its GDP on nondefense related R&D than both Japan and Germany combined
True False
122. Describe what is meant by the term "marketing mix." What factors cause a firm to vary its marketing mix across markets?
123. What are the factors that influence a firm's ability to sell the same product worldwide? Ideally, is it better for a firm to sell the same product worldwide or would a firm rather customize its products for each individual market?
124. How do economic differences between countries affect the importance of different product attributes?
125. Explain what is meant by distribution strategy. What are the main differences among countries' distribution systems? Ultimately, how does a firm determine its distribution strategy in individual foreign markets?
126. Describe the concept of channel length? How does a firm determine its channel length?

127. In regard to communication strategy, what is the difference between a push versus a pull strategy? Provide an example of an appropriate application of a push strategy and an example of an appropriate application of a pull strategy.
128. In the context of international communication, describe the concept of "noise." Is the noise level higher in developed or developing countries? Why?
129. Discuss the concept of predatory pricing. Is predatory pricing ethical? What, if anything, should governments do to limit the influence predatory pricing by importers on domestic industries? Explain your answer.
130. Pricing in a foreign market is determined by many different environmental factors, including competition, internal company objectives, and legal restrictions. Your company has just developed a new production method, for window air conditioning units that are 35% cheaper than your closest competitors. The owners of your company want to recover the investment made in developing this new production process and they also want to increase their market share. The company has the opportunity to enter the Italian, French and Spanish markets. What pricing strategy would you use in these markets and why?
131. Medtronic is the world's leading medical technology company and sells products to alleviate heart arrhythmia and neurological disorders, such as heart pacemakers, defibrillators, and angioplasty balloon catheters. But in the early 1990s Medtronic sold only a few pacemakers in China, a country of 1.3 billion people. What promotional strategy should Medtronic use in China?

132. Is channel length a choice that a company can control or is it an external environmental condition that is outside the control of the company? What influences the ideal channel length for a consumer goods company that sells laundry detergent in a developing economy such as Kenya?

Chapter 14 Key

1. (p. 449) B
2. (p. 450, 451) E
3. (p. 451) D
4. (p. 451) C
5. (p. 451) B
6. (p. 451) B
7. (p. 451) A
8. (p. 452) A
9. (p. 452) D
10. (p. 452) D
11. (p. 453) C
12. (p. 453) D
13. (p. 453) C
14. (p. 453) A
15. (p. 453) E
16. (p. 453) A
17. (p. 455) B
18. (p. 454) B
19. (p. 455) A
20. (p. 456) D
21. (p. 455) B
22. (p. 456) D
23. (p. 456) A
24. (p. 456) C
25. (p. 457) A
26. (p. 457) E
27. (p. 457) E
28. (p. 457) D
29. (p. 457) D
30. (p. 458) D
31. (p. 458) D
32. (p. 458) C
33. (p. 458) B
34. (p. 458) E
35. (p. 459) A
36. (p. 459) D

37. (p. 459) B
38. (p. 459) A
39. (p. 459) B
40. (p. 459) D
41. (p. 460) E
42. (p. 461) A
43. (p. 461) E
44. (p. 461) B
45. (p. 461) D
46. (p. 462) C
47. (p. 462) D
48. (p. 462) C
49. (p. 462) B
50. (p. 463) C
51. (p. 463) A
52. (p. 463) D
53. (p. 463) B
54. (p. 463) B
55. (p. 463) C
56. (p. 463) B
57. (p. 463) D
58. (p. 463) A
59. (p. 463) B
60. (p. 463) A
61. (p. 463) B
62. (p. 466) B
63. (p. 466, 467) D
64. (p. 467) C
65. (p. 467, 468) A
66. (p. 468) A
67. (p. 468) B
68. (p. 468) B
69. (p. 468) D
70. (p. 469) C
71. (p. 469) D
72. (p. 470) B
73. (p. 470) C
74. (p. 470) B

75. (p. 471) D
76. (p. 471) B
77. (p. 471, 472) A
78. (p. 472) B
79. (p. 472) A
80. (p. 473) B
81. (p. 474) D
82. (p. 471) A
83. (p. 473, 474) B
84. (p. 474, 475) E
85. (p. 475) B
86. (p. 476) C
87. (p. 476, 477) E
88. (p. 477) A
89. (p. 477) C
90. (p. 477) C
91. (p. 477) B
92. (p. 477) D
93. (p. 477) A
94. (p. 477) E
95. (p. 448, 449) TRUE
96. (p. 450, 451) FALSE
97. (p. 451) FALSE
98. (p. 451) FALSE
99. (p. 452) FALSE
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101. (p. 453) FALSE
102. (p. 455) FALSE
103. (p. 455) TRUE
104. (p. 458) FALSE
105. (p. 458) FALSE
106. (p. 459) TRUE
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108. (p. 459) TRUE
109. (p. 461) TRUE
110. (p. 463) FALSE
111. (p. 463) FALSE
112. (p. 463) FALSE

113. (p. 463) FALSE

114. (p. 470) FALSE

115. (p. 470) TRUE

116. (p. 468-469) TRUE

117. (p. 470) FALSE

118. (p. 472) TRUE

119. (p. 473, 474) FALSE

120. (p. 474, 475) TRUE

121. (p. 475) FALSE

122. (p. 451) Marketing mix is a term that describes the set of choices that a firm offers to its customers. The four elements that constitute a firm's marketing mix are product attributes, distribution strategy, communication strategy, and pricing strategy. Many international businesses vary their marketing mix from country to country to take into account local differences. The potential differences between countries cover a wide range of factors, including culture, economic development, competitive conditions, product and technical standards, distribution systems, government regulations, and the like. According to the author of the textbook, as a result of the cumulative effects of these differences, it is rare to find a firm operating in an industry where it can adopt the same marketing mix worldwide.

Whether firms prefer product standardization or customization is a difficult question. It is easy to quickly jump to the conclusion that a standardized product would be preferable, because it lends itself to economies of scale across the marketing mix. However, products that must be customized for individual markets have the benefit of representing a "best fit" between the consumer and the product. This may enable a firm to charge a higher price, and recapture some of the economies of scale advantages of a standardized product.

Product and Technical Standards Differences Across Markets: Differing product standards mandated by governments can rule out mass production and marketing of a standardized product in many settings. For instance, many appliances that are made for North American consumers cannot be plugged into the wall and run in Europe because of differing voltage requirements. Hundreds of these types of examples exist, which require exporters to customize their products to be suitable for individual foreign markets.

Economic Differences Across Markets: Just as important as differences in culture are differences in the level of economic development across markets. Firms based in highly developed countries such as Canada tend to build a lot of extra performance attributes into their products because their customers want them. Conversely, consumers in developing countries (who have much less buying power) are typically content with much plainer products. This factor makes it difficult to sell the same product worldwide.

Cultural Differences Across Markets: In regard to cultural differences across markets, countries vary along a wide range of dimensions. These dimensions include social structure, language, religion, tradition, education, physical stature, and forms of recreation. As a result, consumers in different countries have different tastes and preferences. For example, Japanese people tend to be smaller in stature than Canadians. Consequently, Canadian apparel manufacturers must be sensitive to that when exporting clothing products to Japan. On the other hand, there is some evidence that tastes are converging worldwide, on a number of levels. For instance, Coca-Cola is a near global product, and its taste varies little worldwide. McDonalds Hamburgers are very similar worldwide, as are Levi Jeans and other apparel products. These examples, however, are the exception rather than the rule. In general, cultural differences across markets make it difficult to sell the same product worldwide.

123. (p. 455-457) The three main factors that limit the ability of a firm to sell the same product to all of overseas markets are cultural differences across markets, economic differences across markets, and product and technical standards that differ from country to country.

124. (p. 456, 457) As a general rule, consumer behaviour is influenced by the level of economic development of a country. Firms based in highly developed countries tend to build a lot of extra performance attributes into their products. Consumers in less developed nations do not usually demand these extra attributes, where the preference is for more stripped down products. In fact, consumers in the most advanced countries often do not want globally standardized products that have been developed with the lowest common denominator in mind. Consumers in these countries are prepared to pay more for products that have added features and whose attributes are customized to their own tastes and preferences.

Ultimately, a firm's choice of distribution strategy in its international markets is influenced by which channels are available (i.e. channel exclusivity may eliminate some choices) and by the relative costs and benefits of each remaining alternative. The relative costs of each remaining alternative are affected by the three factors discussed above. For instance, if a food products company entered a foreign market that has very long, exclusive channels (which is often the case when the market is fragmented), selling to wholesalers might make the most economic sense. It would be difficult (if not impossible) for the importer to obtain shelf space in local supermarkets without the help of local wholesalers. Conversely, if the channels were short (which is often the case in highly concentrated markets), the importer may be able to sell directly to the retailer.

125. (p. 457-461) A firm's distribution strategy is the way that it gets its product in the hands of consumers. Wholesale, retail, and direct sales are examples of distribution strategies. An international firm's distribution strategy is limited by the nature of the distribution systems that are available in its host countries. The main differences among countries' distribution systems are threefold: retail concentration, channel length, and channel exclusivity. Retail concentration refers to the number of retailers that supply a particular market. In some countries the retail system is very concentrated, and in other countries it is very fragmented. In a concentrated system, a few retailers supply most of the market. In a fragmented system, no one retailer has a major market share. In Germany, for example, four retail chains control 65 percent of the market for food products. This is an example of a very concentrated system. Channel length refers to the number of intermediaries between the producer and the consumer. If the producer sells directly to the consumer, the channel is very short. If the producer sells through several agents and wholesalers, the channel is very long. The most important determinant of channel length is the degree to which the retail system is fragmented. Fragmented retail systems tend to promote the growth of wholesales to serve retailers, which lengthens channels. Finally, channel exclusivity refers to how difficult the channel is to penetrate. For example, it is often difficult for a new firm to get access to shelf space in Canadian grocery stores because retailers tend to prefer to carry the products of long-established manufacturers like Procter & Gamble and General Mills. Channel exclusivity is very high in Japan, which makes the Japanese market so difficult to penetrate effectively. In Japan, relationships between manufacturers, wholesalers, and retailers often go back decades. Many of these relationships are based on the understanding that distributors will not carry the products of competing firms.

126. (p. 459) Channel length refers to the number of intermediaries between the producer (or manufacturer) and the consumer. If the producer sells directly to the consumer, the channel is very short. If the producer sells through an import agent, a wholesaler, and a retailer, the channel is long. The choice of a short or long channel is primarily a strategic decision for the producing firm. However, some countries have longer distribution channels than others. The most important determinant of channel length is the degree to which the retail system is fragmented. Fragmented retail systems tend to promote the growth of wholesalers to serve retailers, which lengthens channels.

A pull strategy is generally favoured by firms in consumer goods industries that are trying to sell to a large segment of the market. For such firms, mass communication has cost advantages, and direct selling is rarely used. Pull strategies are also used when distribution channels are long. In most cases, using direct selling to push a product through many layers of a distribution channel would be impractical. As a result, a pull strategy, which makes use of print or electronic media to get its message across, is much more practical. An example of when a pull strategy would be appropriate is a soft drink company marketing its product in a new country that has fairly long distribution channels but sufficient media available. Firms that sell industrial products or other complex products favour a push strategy. One of the strengths of direct selling is that it allows the firm to educate potential customers about the features of the product. Push strategies also tend to be emphasized (somewhat by default) when distribution channels are short and when few print or electronic media are available. An example of when a push strategy would be appropriate is a machine tool company that is selling a new manufacturing robotics product. The direct selling nature of the push strategy would provide the firm a forum to educate their potential customers relative to the merits of the new product.

127. (p. 461-463) The main decision with regard to communications strategy is the choice between a push and a pull strategy. A push strategy emphasizes personal selling rather than mass media advertising in the promotional mix. A pull strategy depends more on mass media advertising to communicate the marketing message to potential customers.

128. (p. 463) Noise tends to reduce the probability of effective communication. Noise refers to the amount of other messages competing for a potential consumer's attention, and this too varies across countries. In highly developed countries such as the U.S., noise is extremely high. Fewer firms vie for the attention of prospective customers in developing countries, and the noise level is lower.

Predatory pricing can run afoul of antidumping regulations. Technically, dumping occurs when a firm sells a product for a price that is less than the cost of producing it. Dumping can result in retaliatory tariffs. For instance, in 2001 the Bush administration placed countervailing duties on the imports of Canadian softwood lumber into the U.S. Should other measures be used to protect domestic industries from predatory pricing by foreign importers. This question may provide an interesting forum for classroom discussion.

129. (p. 470-472) This question is designed to stimulate classroom discussion and/or encourage students to "think" about the ethics of predatory pricing. Predatory pricing is the use of price as a competitive weapon to drive weaker competitors out of a national market. Once the competitors have left the market, the firm can raise prices and enjoy high profits. For such a pricing strategy to work, the firm must normally have a profitable position in another national market, which it can use to subsidize aggressive pricing in the market it is trying to monopolize. Many Japanese firms have been accused of pursuing this strategy, along with firms from other countries.

130. (p. 470-472) The student may suggest predatory pricing because of the cost advantage that the new production process offers them, but they should be aware that in many markets including the EU this is illegal. They also have to be aware that if there is a substantial discount on the prices the firm may be accused of dumping under the clause of doing damage to a domestic industry. It would also be difficult to practice price discrimination in the 3 markets because each uses the Euro and all are members of the EU with the same trade policies in place. Another choice would be to use experience curve pricing to increase the volume as quickly as possible to enjoy the learning effects and economies of scale. A final comment should reflect on the transience of pricing as a dominant strategy, because eventually someone will match your price or beat it.

131. (p. 466-467) The product is highly complex and expensive, and this would suggest that there needs to be more push than pull. This also leads to the need for more direct selling especially by very qualified and respected agents, such as medical doctors or engineers. Promotional strategies that could be used include: direct selling to doctors, a website with extensive information on the products (student should know of the very high growth in Internet usage among Chinese); very little mass advertising.

132. (p. 459) External factors that affect channel length are: Retail fragmentation or retail concentration have an impact on the channel length. The more fragmented the retail system the more likely the channel length will be long. In the case of Kenya, which is a developing nation the retail system will probably be highly fragmented. Most stores will be small because people do not have a lot of money to spend and stores cannot keep large inventories. This will mean there are a lot of steps between the manufacturer/importer and the consumer.

Chapter 14 Summary

<u>Category</u>	<u># of Questions</u>
Difficulty: Easy	30
Difficulty: Hard	22
Difficulty: Medium	80
Hill - Chapter 14	132