Global Marketing 9th edition Keegan Test Bank

SKU: 9780134129945-TEST-BANK

Global Marketing, 9e **(Keegan)**
Chapter 2 The Global Economic Environment

1) During the past two decades, the world economic environment has become increasingly dynamic. To achieve success, executives and marketers must take into account all of the following realities *except:*
A) capital movements have replaced trade as the driving force of the world economy.
B) production has become "uncoupled" from employment.
C) the world economy dominates the scene.
D) the struggle between capitalism and socialism continues.
E) the growth of e-commerce diminishes the importance of national barriers.
Answer: D
Difficulty: 2: Moderate
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

2) The Gross Domestic Product (GDP), a measure of a nation's economic activity, is calculated by all of the following factors *except:*
A) consumer spending.
B) investment spending.
C) government purchases
D) industry purchases.
E) net exports.
Answer: D
Difficulty: 3: Challenging
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

3) The demise of communism as an economic and political system can be explained by all of the following facts *except:*
A) communism is not an effective economic system.
B) relatively superior performance of the world's market economies.
C) communism works when the currency exchange rate is weak.
D) difficult to manage national economies with a single central plan.
E) increased public participation in matters of state.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

4) Economic integration was at 10 percent at the beginning of the twentieth century; today, it is approximately 50 percent.
Answer: TRUE
Difficulty: 1: Easy
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

5) The world economy has changed profoundly as evident by the fact that the global competitors have steadily displaced or absorbed local competitors.
Answer: TRUE
Difficulty: 1: Easy
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

6) In recent times, trade has replaced capital movements as the driving force of the world economy.
Answer: TRUE
Difficulty: 1: Easy
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

7) The struggle between capitalism and socialism that began in 1917 is over.
Answer: TRUE
Difficulty: 1: Easy
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

8) The lack of employment as seen in the recent times is indicative of the fact that manufacturing is in decline.
Answer: FALSE
Difficulty: 1: Easy
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

9) The world economic environment is changing very rapidly and has become increasingly competitive. In order to achieve success, based on author William Greider's analysis, what are the realities that executives and marketers should take into account in such a dynamic environment?
Answer: (a) Capital movements have replaced trade as the driving force of the world economy; (b) Production has become "uncoupled" from employment; (c) The world economy dominates the scene; individual country economies play a subordinate role; (d) The struggle between capitalism and socialism is largely over; and (e) The growth of e-commerce diminishes the importance of national barriers and forces companies to reevaluate their business models.
Difficulty: 2: Moderate
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Analytical thinking

10) Traditionally economists identified four main types of economic systems. However, due to globalization it is harder to categorize the systems this narrowly. What will be more robust descriptive criteria that can be used for classification?
Answer: (a) Type of economy; (b) Type of government; (c) Trade and capital flows; (d) The commanding heights; (e) Services provided by the state and funded through taxes; (f) Institutions; and (g) Markets.
Difficulty: 2: Moderate
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Analytical thinking

11) Traditionally economists identified main types of economic systems, which include all of the following *except:*
A) market capitalism.
B) market socialism.
C) centrally planned socialism.
D) centrally planned capitalism.
E) centrally planned nationalism.
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

12) Market capitalism is an economic system in which:
A) individuals and firms allocate resources that are privately owned.
B) the state has broad powers to serve the public interest as it sees fit.
C) market resource allocation is commanded by both private and state ownership.
D) there is no correlation between economic freedom and a nation's economy.
E) market-oriented economies function in an identical manner.
Answer: A
Difficulty: 3: Challenging
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

13) Key characteristics of the Anglo Saxon model market system consists of private ownership and:
A) "social partners" orientation.
B) inflexible employment policies.
C) free enterprise economy.
D) mix of state ownership.
E) generous social safety net.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

14) For decades, the economies of China, the former Soviet Union, and India functioned according to the tenets of:
A) market capitalism.
B) market socialism.
C) centrally planned socialism.
D) centrally planned capitalism.
E) market capitalism and socialistic capitalism.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

15) The Swedish government has significant holdings in key business sectors and has a hybrid economic system that incorporates:
A) market capitalism and centrally planned socialism.
B) centrally planned socialism and market socialism.
C) centrally planned socialism and capitalism.
D) market socialism and market capitalism.
E) market capitalism and socialistic capitalism.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

16) The Washington, D.C.-based Heritage Foundation survey consists of over 178 countries ranked by degree of economic freedom. The key economic variables considered for this ranking include all of the following *except:*
A) taxation policy.
B) government consumption of economic output.
C) percent foreign ownership.
D) banking policy.
E) wage and price control.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

17) The only two countries where Coca-Cola is not available through authorized channels are:
A) India and China.
B) North Korea and South Korea.
C) Cuba and North Korea.
D) Cuba and Venezuela.
E) Singapore and Indonesia.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

18) Singapore banned the import, manufacture, and sales of chewing gum in the country since wads of gum were making a mess on sidewalks, buses, and subway trains. Violators are subject to severe penalties, and before buying a pack consumers must register their names and addresses. This, according to author William Greider, demonstrates that Singapore's government:
A) is harshly autocratic.
B) administers a paranoid control over Singaporeans.
C) administers a paranoid control over press and politics.
D) runs an effective welfare state.
E) all of the above
Answer: E
Difficulty: 3: Challenging
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

19) Today, market capitalism is widely practiced around the world, most notably in North America and the European Union.
Answer: TRUE
Difficulty: 1: Easy
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

20) In centrally planned socialism economic systems, the state allocates resources, whereas production resources are privately owned.
Answer: FALSE
Difficulty: 1: Easy
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

21) In Sweden, where the government controls two-thirds of all expenditures, resource allocation is more "market" oriented than "command" oriented.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

22) According to the 2015 Index of Economic Freedom compiled by the Heritage Foundation, Hong Kong is ranked as having the highest degree of economic freedom.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

23) As per the listings of the 2015 Index of Economic Freedom by the Heritage Foundation, there is a high correlation between the degree of economic freedom and the extent to which a nation's mixed economy is market-oriented.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

24) In reality, market capitalism and centrally planned socialism do not exist in "pure" form.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

25) In Singapore, gum is available at pharmacies; before buying a pack, however, consumers must register their names and addresses.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

26) What are the distinguishing features between Centrally Planned Socialism and Centrally Planned Capitalism? Give examples of two or more countries which follow these systems.
Answer: In Centrally Planned Socialism, the state has broad powers to serve the public interest as it sees fit. Ownership of entire industries as well as individual enterprises belongs to the government. The elements of the marketing mix are not used as strategic variables. In Centrally Planned Capitalism, economic system command resource allocation is utilized extensively in an overall environment of private resource ownership. In Sweden, the government controls two-thirds of all expenditures, and the resource allocation is more "command" oriented than "market" oriented. This would be an example of centrally planned socialism although it can have elements of capitalism. China is an example of centrally planned socialism.
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Analytical thinking

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

27) The *big emerging markets* (BEMs), include
A) Indonesia, South Korea, & Brazil Mexico.
B) Argentina, South Africa, and Turkey.
C) China, India, and South Korea.
D) Brazil, South Africa, and Turkey.
E) Brazil, Russia, and China.
Answer: E
Difficulty: 1: Easy
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

28) Low-income countries have a GNI per capita of $1,045 or less. The general characteristics shared by countries at this income level include all of the following *except:*
A) high literacy rates.
B) high birth rates.
C) heavy reliance on foreign aid.
D) political unrest.
E) high agricultural population.
Answer: A
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

29) Myanmar is considered as one of the emerging markets open for business. All of the following facts pertain to Myanmar *except*:
A) Myanmar is a low-income country in Southeast Asia.
B) Myanmar has a population of 65 million people.
C) Myanmar is one of the countries considered as "Stans."
D) Myanmar's citizens elected a president.
E) Only one quarter of Myanmar's population has access to electricity.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

30) The majority of the world's population is included in the following economic category:
A) high-income countries.
B) upper-middle-income countries.
C) lower-middle-income countries.
D) low-income countries.
E) lower-upper-income countries.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

31) With a 2013 GNI per capital of $1,570, India has transitioned out from the former category and now is classified as a(n):
A) low-income country.
B) upper-middle-income country.
C) lower-middle-income country.
D) upper-income country.
E) lower-upper-income country.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

32) Upper-middle-income countries, also known as industrializing or developing countries are those with GNI per capita ranging from:
A) $996 to $ 4,125.
B) $4,126 to $12,475.
C) $12,475 or higher.
D) less than $995.
E) none of the above
Answer: B
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

33) Among the upper-middle-income countries, also known as industrializing or developing countries, the following aspects are observed *except*:
A) the CNI capita ranges from $4,126 to $12,475.
B) the percentage of the population engaged in agriculture drops sharply.
C) people move to the industrial sector.
D) the degree of urbanization increases.
E) none of the above
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

34) The general characteristics shared by low-income countries *do not* include:
A) high birth rates.
B) low literacy rates.
C) concentration in Africa south of the Sahara.
D) heavy reliance on foreign aid.
E) lack of genuine market opportunities.
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

35) All of the following facts pertain to Brazil *except*:
A) It is the largest country in Latin America.
B) It boasts the richest reserves of natural resources in the hemisphere.
C) It's top trading partner is China.
D) It's GNI has grown at an average annual rate of 4 percent over the past 8 years.
E) It lacks logistics software, horse-drawn carts are still a common sight on many roads.
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

36) All of the following facts pertain to China *except*:
A) China is in the upper-middle-income category.
B) China is the largest single destination for foreign investment in the developing world.
C) China is a member of the World Trade Organization.
D) China has sprawling bureaucracy.
E) China has intellectual property rights.
Answer: E
Difficulty: 1: Easy
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

37) Prahalad and Hammond have identified several assumptions and misconceptions about the "bottom of the pyramid" (BOP) that need to be corrected. All of the following mistaken assumptions are correct *except*:
A) The poor are too concerned with fulfilling basic needs to "waste" money on nonessential goods.
B) The goods sold in developing markets are so expensive that there is no room for a new market entrant to make a profit.
C) The poor have no money.
D) People in BOP markets cannot use advanced technology.
E) Global companies that target BOP markets will be criticized for exploiting the poor.
Answer: B
Difficulty: 3: Challenging
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

38) Global marketers should take note of the fact that almost half of the world's population is located in:
A) low-income countries.
B) lower-middle-income countries.
C) upper-middle-income countries.
D) high-income countries.
E) higher-middle-income countries.
Answer: B
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

39) The United Nations designates 50 countries in the bottom ranks of the low-income category named as:
A) Low-income countries.
B) Lower-middle-income countries.
C) BRIC countries.
D) Developing countries.
E) LDCs (least-developed countries).
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

40) Upper-middle-income countries are also known as:
A) Industrializing countries.
B) BRIC countries.
C) Stabilized countries.
D) Manufacturing countries.
E) Agricultural countries.
Answer: A
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

41) Upper-middle-income countries that achieve the highest rates of economic growth are sometimes referred to collectively as:
A) LDCs.
B) BEMs.
C) BRICs.
D) NIEs.
E) BOPs.
Answer: D
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

42) Which one of the following nations fall in the lower-middle-income category?
A) Burundi
B) Bangladesh
C) Egypt
D) Venezuela
E) none of the above
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

43) Nike produces only a small portion of its output in China, but when the firm refers to China as a "two-billion-foot market," it is referring to the fact that:
A) the Chinese do not wear shoes.
B) the Chinese shoe market is very competitive.
C) China can develop its own shoe market.
D) it will take a long time for China to develop future market.
E) China is a potential future market.
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

44) According to the authors of the *Harvard Business Review* article, "Serving the World's Poor, Profitably," which of the following is a mistaken assumption that global companies might have about the BOP (bottom of the pyramid)?
A) The poor have no money.
B) The poor are too concerned with fulfilling basic needs to "waste" money on nonessential goods.
C) People in BOP markets will be criticized for exploiting the poor.
D) People in BOP markets cannot use advanced technology.
E) All of the above are mistaken assumptions discussed by the authors.
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

45) Pursuing alternative sources of energy, such as wind and solar power, is important due to the fact that:
A) people in developing countries are more conscious about the environment.
B) global marketers are more interested in publicizing environmental issues.
C) it is easy to develop solar power in many parts of the world.
D) heavy reliance on fossil fuels contributes to global warming.
E) people worldwide can afford to buy power generated from wind and solar.
Answer: D
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

46) Which two companies are sourcing product components from small-scale enterprises, which in turn are helping preserve old-growth forests as well as economic opportunities in Brazil?
A) Ford Motor Company and Armani
B) Daimler AG and Hermes
C) General Motors and Hugo Boss
D) Volkswagen and Coach
E) Coca-Cola and Nestlé
Answer: B
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

47) Product and market opportunities in a postindustrial society are more heavily dependent upon new products and innovations than in industrial societies. An example of this would be:
A) Nestlé marketing Bono brand cookies in Brazil.
B) Coca-Cola Company developing a beverage Vintago in low-income countries.
C) New e-commerce markets for interactive forms of electronic communication.
D) Hermes creating handbags called Amazonia.
E) India's Suzlon Energy using wind-driven turbines.
Answer: C
Difficulty: 3: Challenging
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

48) Which country was upgraded from "emerging" to "developed" status by the Financial Times Stock Exchange (FTSE) in 2009?
A) United States
B) South Korea
C) Britain
D) Italy
E) Malaysia
Answer: B
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

49) The Organization for Economic Cooperation and Development (OECD) is comprised of:
A) the 34 high-income countries.
B) countries that believe in market-allocation economic systems.
C) pluralistic democracies.
D) countries that demonstrate progress toward economic reform.
E) All of the above statements are applicable.
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

50) The term "Expanded Triad" includes all of the following countries or regions *except*:
A) Japan.
B) United States.
C) Canada.
D) Mexico.
E) Russia.
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

51) The Organization for Economic Cooperation and Development (OECD) has become more focused on global issues, social policy, and labor market regulations as seen by:
A) addressing the vexing problem of bribery.
B) requiring members to cooperate when pursuing bribery allegations.
C) helping members candidly assess their own economic policies.
D) member nations working together in committees to review social policies.
E) all of the above
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

52) Which of the following is true about the Triad?
A) Triad countries account for approximately one-third of world income and one-third of world population.
B) Triad countries account for approximately 75% of world income as measured by GNP.
C) Triad countries are those in which consumer products, industrial products, and the services sector each contribute one-third to GDP.
D) Triad countries account for approximately 25% of world income as measured by GNP.
E) Triad countries account for approximately 50% of world income as measured by the World Bank.
Answer: B
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

53) Which of the following statements is not accurate?
A) India's teledensity–a measure of ownership of private telephones–is only 20% of population.
B) In China, saturation levels of private motor vehicles and personal computers (PCs) are quite low.
C) In 2001, EU had 49 cars per 100 people.
D) In Russia, 200 people out of 1,000 own cars.
E) In India, 150 people out of 1,000 own cars.
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

54) The World Bank has developed a four-category classification system for stages of marketing development which uses per capita gross national income (GNI) as a base.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

55) About 25% of the world population is included in the low-income economic countries category as per the World Bank classification system.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

56) Although Bangladesh is categorized in the low-income countries, the country has opportunities, particularly in the garment industry.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Diverse and multicultural work environment

57) Myanmar, a low-income country in Southeast Asia with a population of 65 million people, can be considered as an emerging markets.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Diverse and multicultural work environment

58) Myanmar people are very similar to Japanese in some ways.
Answer: TRUE
Difficulty: 1: Easy
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Diverse and multicultural work environment

59) With a 2013 GNI per capita of $1,570, India has transitioned out of the low-income category and is now classified as an upper-middle-income country, also known as an industrializing or developing country.
Answer: FALSE
Difficulty: 1: Easy
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

60) Grocery distribution companies in Brazil use logistics software to route their trucks; meanwhile, horse-drawn carts are still a common sight on many roads.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

61) China is the first BRICS nation in the upper-middle-income category with a GNI per capita income of $6,560 in 2013.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

62) Brazil, China, and India are classified as upper-middle income countries, also known as industrialized or developing countries.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

63) The 34 nations that belong to the OECD, who believe in market-allocation economic systems and pluralistic democracy, are also addressed as "economic think tank" or the "rich man's club."
Answer: FALSE
Difficulty: 3: Challenging
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

64) The CEO of Otis Elevators says they measure elevator populations in countries as units installed per thousand people. According to this, China is about one-half an elevator per thousand people.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

65) A decade ago, a number of countries in Central Europe, Latin America, and Asia were expected to experience rapid economic growth. Today much attention is focused on opportunities in Brazil, Russia, India, and China. Give reasons for this shift using an example of a manufacturer.
Answer: These four countries are collectively known as BRIC. Microsoft's experience illustrates the nature of the market opportunity in these countries: In fiscal 2008, the software giant's collective revenues from BRIC grew 54%, compared with overall global revenue growth of 18%. Experts predict that the BRIC nations will be key players in global trade even as their track records on human rights, environmental protection, and other issues come under closer scrutiny by their trading partners. The BRIC government leaders will also come under pressure at home as their developing market economies create greater income disparity.
Difficulty: 3: Challenging
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Analytical thinking

66) The newly independent countries of the former Soviet Union present an interesting situation: income is declining, and there is considerable economic hardship. The potential for disruption is certainly high. Are these disruptions problem cases, or are they attractive opportunities with good potential for moving out of the low-income category?
Answer: These countries are good example of risk-reward trade-off. Many companies have taken the plunge, but many others are still assessing whether to take risk. Belarus and Turkmenistan are rated quite low in the rankings in terms of economic freedom. Russia itself has slipped within the upper-middle-income category. However, there are still some former Soviet-dominated countries which have opportunities for economic growth. It much depends on the actions taken by the Soviet republic. For example, the launching of a military action in Georgia creates a ripple effect and causes economic and political instability.
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Analytical thinking

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

67) Authors Prahalad and Hammond have identified several assumptions and misconceptions about the "bottom of the pyramid" (BOP). Explain these assumptions, giving examples.
Answer: (1) The poor have no money. In Bangladesh villagers spend considerable sums to use village phones operated by local entrepreneurs; (2) the poor are too concerned with fulfilling basic needs to "waste" money on nonessential goods. Consumers who are too poor to purchase a house do buy luxury goods such as televisions and cell phones; (3) the goods sold in developing markets are so inexpensive that there is no room for a new market entrant to make a profit. Since the poor often pay higher prices for many goods, there is an opportunity for efficient competitors to realize attractive margins by offering quality and low prices; (4) people in BOP markets cannot use advanced technology. Residents of rural areas can and do quickly learn to use cell phones and PCs; and (5) global companies that target BOP markets will be criticized for exploiting the poor. A global company offering basic goods and services that improve a country's standard of living can earn a reasonable return while benefiting society.
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Analytical thinking

68) What are some of the challenges faced by marketers in relation to the newly formed smaller countries? Explain giving examples.
Answer: There are several challenges faced by marketers in newly formed countries. For example, some of the smaller countries from the former Soviet Union, including Tajikistan and Uzbekistan, fall into the low- and lower-middle income categories. Sometimes referred to collectively as "the Stans," they present marketers with an interesting challenge. Incomes are low, there is considerable economic hardship, and the potential for disruption is certainly high. Are they problem cases, or are they attractive opportunities with good potential for economic growth? These countries present an interesting risk—reward trade-off; some companies have taken the plunge, but many others are still assessing whether to take the risk.
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Analytical thinking

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

69) Some people believe that marketing is relevant only in affluent, industrialized countries, whereas others believe that the role of marketing is to identify people's needs and wants worldwide, irrespective of the economy. Giving examples of companies involved in energy conservation and technology, support the latter argument.
Answer: People everywhere need affordable and safe drinking water. Recognizing this fact, Nestlé launched Pure Life bottled water in Pakistan. The Coca-Cola Company recently began to address dietary and health needs of low-income countries by developing a beverage, Vitango, which has several nutritional and health benefits. Technology is another area which can benefit countries all over the world. Intel's World Ahead is developing a $550 computer that is powered by a car battery. Hewlett-Packard engineers are working to develop solar-powered communication devices that can link remote areas to the Internet.
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank and identify the key emerging country markets at each stage of development.
AACSB: Analytical thinking

70) The "balance of payments" is a record of all economic transactions between the residents of a country and the rest of the world. It is divided into the current and capital accounts. Current accounts include all of the following *except:*
A) balance on goods.
B) portfolio investments.
C) balance on services.
D) goods imports.
E) goods exports.
Answer: B
Difficulty: 2: Moderate
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Application of knowledge

71) Measuring elevator populations in countries measured as units installed per thousand people gives an estimate of the market for elevators. That China has about one-half an elevator per thousand people is indicative of:
A) low product saturation level.
B) high product saturation level.
C) high population level.
D) high technological level.
E) low technological level.
Answer: A
Difficulty: 2: Moderate
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

72) The United States' growing trade deficit reflects a number of factors which exclude:
A) increased imports from China.
B) a seemingly insatiable consumer demand for imported goods.
C) the enormous cost of military operations in the Middle East.
D) the services trade surplus.
E) record goods sales to developing countries.
Answer: D
Difficulty: 2: Moderate
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Application of knowledge

73) The "balance of payments" is a record of all economic transactions between the residents of a country and the developed countries of the world.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Analytical thinking

74) A country with a positive current account balance has a trade deficit; that is, the outflow of money to pay for imports exceeds the inflow of money for sales of exports.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Analytical thinking

75) The important fact to recognize about the overall balance of payments is that it is always in balance, although imbalances do occur in subsets of the overall balance.
Answer: TRUE
Difficulty: 3: Challenging
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Analytical thinking

76) The foreign exchange market consists literally of a buyer's and a seller's market where currencies are traded for both spot and future delivery on a continuous basis. The *forward* market is for immediate delivery and the *spot* market is for future delivery.
Answer: FALSE
Difficulty: 3: Challenging
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Analytical thinking

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

77) When a company conducts business across boundaries in countries with different currencies, it is thrust into the turbulent world of exchange risk.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Application of knowledge

78) The fastest-growing sector of world trade includes:
A) travel and entertainment.
B) accounting and legal services.
C) royalties and license fees.
D) engineering services.
E) all of the above
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.5: Identify the countries that are the world's leading exporters.
AACSB: Analytical thinking

79) One of the major issues in trade relations between the high- and lower-income countries is trade in:
A) automobiles.
B) computers.
C) textiles.
D) services.
E) shoes.
Answer: D
Difficulty: 2: Moderate
Chapter LO: 2.5: Identify the countries that are the world's leading exporters.
AACSB: Analytical thinking

80) To the extent that a country sells more goods and services abroad than it buys, there will be:
A) a greater demand for its currency.
B) a surplus production of goods and services.
C) a scarcity of goods and services within the country.
D) a need for revaluation of its currency.
E) time for fluctuating its currency.
Answer: A
Difficulty: 2: Moderate
Chapter LO: 2.5: Identify the countries that are the world's leading exporters.
AACSB: Analytical thinking

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

81) The top global merchandise exporter is:
A) China.
B) Germany.
C) the United States.
D) Japan.
E) Korea.
Answer: A
Difficulty: 1: Easy
Chapter LO: 2.5: Identify the countries that are the world's leading exporters.
AACSB: Analytical thinking

82) The Big Mac Index shows that the price of the Big Mac in China converted from the local currency, the yuan, to be $2.18, whereas its price in the United States is $3.73. This shows that:
A) the Big Mac is more popular in China than in the United States.
B) the Big Mac is less expensive in the United States than in China.
C) the Chinese yuan is overvalued when compared to US $.
D) the Chinese yuan is undervalued against the US $.
E) beef is less expensive in China than in the United States.
Answer: D
Difficulty: 2: Moderate
Chapter LO: 2.6: Briefly explain how exchange rates impact a company's opportunities in different parts of the world.
AACSB: Analytical thinking

83) One Friday a few years ago, the Big Mac Index suggested that the yen was overvalued relative to the dollar by 70%. When currency markets opened on the following Monday, anyone using the Big Mac Index would conclude that the yen was only 20% overvalued relative to the dollar. What is the most likely explanation for this?
A) Japan's Central Bank acted to prop up the yen.
B) Inflation in Japan suddenly spiked upward.
C) McDonald's headquarters stopped hedging.
D) McDonald's Japan reduced the yen price of a Big Mac.
E) McDonald's Japan increased the yen price of a Big Mac.
Answer: D
Difficulty: 2: Moderate
Chapter LO: 2.6: Briefly explain how exchange rates impact a company's opportunities in different parts of the world.
AACSB: Analytical thinking

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

84) If an American tourist in Tokyo pays more in dollars for the same amount of yen that she bought last week, then:
A) a Japanese tourist in San Francisco pays more in yen for the same amount of dollars that she bought the week before.
B) the dollar has depreciated relative to the yen.
C) the yen has depreciated relative to the dollar.
D) the dollar has appreciated relative to the yen.
E) the dollar and yen both remained same in value.
Answer: B
Difficulty: 3: Challenging
Chapter LO: 2.6: Briefly explain how exchange rates impact a company's opportunities in different parts of the world.
AACSB: Analytical thinking

85) Porsche relies on currency hedging rather than price increases in order to:
A) boost pretax profits on sales of its automobiles.
B) balance the relative value of the dollar compared to the euro.
C) protect all earnings from foreign-exchange movements.
D) generate about 45% of its sales in the United States.
E) A, B, and C
Answer: E
Difficulty: 3: Challenging
Chapter LO: 2.6: Briefly explain how exchange rates impact a company's opportunities in different parts of the world.
AACSB: Analytical thinking

86) When countries or regions experience currency and/or economic stress, all of the following events can take place *except:*
A) increased exposure to certain risks.
B) new profit opportunities.
C) lower local currency financing costs.
D) bad debts occur.
E) cancellation of aircraft equipment sales.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.6: Briefly explain how exchange rates impact a company's opportunities in different parts of the world.
AACSB: Analytical thinking

87) A country's currency would be overvalued if the Big Mac price (converted to dollars) is lower than the U.S. price.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.6: Briefly explain how exchange rates impact a company's opportunities in different parts of the world.
AACSB: Application of knowledge

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

88) Hedging exchange rate exposure involves establishing an offsetting currency position such that the loss of one currency position is offset by a corresponding gain in some other currency.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.6: Briefly explain how exchange rates impact a company's opportunities in different parts of the world.
AACSB: Application of knowledge

89) The table below is taken from the Big Mac Index. After reviewing it, answer the questions listed below.

Country	Big Mac Prices in U.S. dollars or local currency	Official Exchange Rate	(-)/(+) Under/Over Valuation against $, %
United States	$3.73		
China	Yuan 14.5	6.65/$1	
Norway	Kroner 45	6.25/$1	
Thailand	Baht 70	32.3/$1	
Mexico	Peso 32	12.8/$1	

What is meant by PPP? According to this table, which is the most overvalued and undervalued currency? Fill the last column showing under or over valuation of local currencies. Give reasons for your answer. What is the primary drawback of this index? How can this be used?
Answer: PPP stands for purchasing power parity, and this concept is used in adjusting national income data to improve comparability. The table shows by how much, in Big Mac PP terms, selected currencies were over- or undervalued at that time. The most overvalued currency is Norway. On the other hand the most undervalued currency is Thailand, followed by China and Mexico. It should be noted that the PPP-theory-based Big Mac index is too simplistic. Exchange rates are affected by different factors such as interest rate and monetary policies, not by price alone.

Country	Big Mac Prices in U.S. dollars or local currency	Official Exchange Rate	(-)/(+) Under/Over Valuation against $, %
United States	$3.73		
China	Yuan 14.5	6.65/$1	Under valued
Norway	Kroner 45	6.25/$1	Over valued
Thailand	Baht 70	32.3/$1	Under valued
Mexico	Peso 32	12.8/$1	Under valued

Difficulty: 3: Challenging
Chapter LO: 2.6: Briefly explain how exchange rates impact a company's opportunities in different parts of the world.
AACSB: Analytical thinking

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank

90) What is "Economic exposure," and how does it impact companies like Nestlé, Daimler AG, Royal Dutch Shell, and Astra Zeneca? Assess the impact of a weaker dollar on the financial performance of these corporations.
Answer: Economic exposure refers to the impact of currency fluctuations on the present value of a company's expected future cash flows. Economic exposure is directly proportional to the amount of business a company conducts outside its home market. Nestlé, for example, has 98% of annual sales taking place outside of Switzerland and therefore faces critical economic or currency exposure. Similarly, Daimler AG, Royal Dutch Shell and Astra Zeneca generate over one-third of their sales from the United States. They are all in the Eurozone. If the dollar becomes weak relative to the euro, all of these companies will face economic exposure. On the other hand, U.S. companies will be less exposed compared to these companies.
Difficulty: 2: Moderate
Chapter LO: 2.6: Briefly explain how exchange rates impact a company's opportunities in different parts of the world.
AACSB: Analytical thinking

91) Porsche relies on currency hedging rather than price increases to boost pretax profits on sales of its automobiles. What is the advantage of doing this, and how does hedging work?
Answer: Hedging exchange rate exposure involves establishing an offsetting currency position such that the loss or gain of one currency position is offset by a corresponding gain or loss in some other currency. Porsche manufactures all of its cars in Europe but generates about 45% of its sales in the United States. It therefore faces economic exposure stemming from the relative value of the dollar compared to the euro. Thus, Porsche is considered to be fully hedged, which means it takes currency positions to protect all earnings from foreign-exchange movements.
Difficulty: 2: Moderate
Chapter LO: 2.6: Briefly explain how exchange rates impact a company's opportunities in different parts of the world.
AACSB: Analytical thinking

Copyright © 2017 Pearson Education, Inc.

Global Marketing 9th edition Keegan Test Bank