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Name:_____ Class:_____ Date:_____

Chapter 01: A Business Marketing Perspective

1. The intended use of the product and the intended consumer distinguishes business marketing from consumer-goods marketing.
   a. True
   b. False

ANSWER: False

2. A direct link in demand for industrial products is derived from the ultimate demand for consumer products.
   a. True
   b. False

ANSWER: True

3. A close examination of a market-driven firm will reveal two important capabilities: market sensing and customer linking.
   a. True
   b. False

ANSWER: True

4. Firms operating in the business market must respond not to a single consumer but to a much wider group of buying influentials, all of whom may bring different criteria to bear on the purchase decision.
   a. True
   b. False

ANSWER: True

5. Planning in the business marketing setting requires more functional interdependence and a closer relationship to total corporate strategy than does planning in the consumer goods sector.
   a. True
   b. False

ANSWER: True

6. A particular industrial customer might be properly classified as a user by some business marketers and an original equipment manufacturer by other business marketers.
   a. True
   b. False

ANSWER: True

7. Industrial goods are classified on the basis of how organizational buyers purchase particular products and services.
   a. True
   b. False

ANSWER: False

8. In contrast to raw materials, manufactured materials and parts would be classified as capital items.
   a. True
   b. False

ANSWER: False

9. As foundation goods are used up or worn out, a portion of their original cost is assigned to the production process as a

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depreciation expense.

a. True

b. False

ANSWER: True

10. Personal computers and light factory equipment such as portable drills provide examples of industrial goods that would be classified as accessory equipment.

a. True

b. False

ANSWER: True

11. A marketing strategy that works well for selling entering goods should be equally successful for facilitating goods.

a. True

b. False

ANSWER: False

12. Price may be critical in the marketing strategy for supplies because many supply items are undifferentiated.

a. True

b. False

ANSWER: True

13. Other functional areas affect all business marketing decisions, either directly or indirectly.

a. True

b. False

ANSWER: True

14. The "compatibility" of a cross-functional working relationship can be defined as the common ground or shared goals that can unite managers who represent different functional areas.

a. True

b. False

ANSWER: True

15. During economic uncertainties, demand for many consumer products tends to fluctuate more than the demand for industrial products.

a. True

b. False

ANSWER: False

16. None of the products purchased by customers in the business market are the same as those purchased by ultimate consumers.

a. True

b. False

ANSWER: False

17. Types of business market customers can be broadly classified into three categories: (1) commercial enterprises; (2) governments; and (3) institutions.

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a. True
b. False

ANSWER: True

18. Supply chain management requires information sharing, shared technologies, and shared benefits.
a. True
b. False

ANSWER: True

19. Personal selling is less relevant for supplies than it is for other categories of goods, such as installations.
a. True
b. False

ANSWER: True

20. Relationships between business marketers tend to be close and enduring.
a. True
b. False

ANSWER: True

21. A public university is an example of an institution market.
a. True
b. False

ANSWER: True

22. The commonality of intended usage purpose makes it difficult to distinguish between business and consumer markets.
a. True
b. False

ANSWER: False

23. Market sensitivity and building relationships cannot stimulate demand for the products of the business marketer since organizations make decisions for all classifications of products based only on price.
a. True
b. False

ANSWER: False

24. If there is a derived demand for a product which ABC Company sells to XYZ company, ABC's success is very much tied to XYZ's success.
a. True
b. False

ANSWER: True

25. The business market consists of the following three components:
a. households, resellers, and government.
b. manufacturers, institutions, and defense.
c. manufacturers, service organizations, and government.

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d. commercial enterprises, institutions, and government.

ANSWER: d

26. Concerning manufacturing customers, the business market is:

a. concentrated by size.

b. geographically concentrated.

c. experiencing declining growth in many large metropolitan areas.

d. concentrated both by size and geography.

ANSWER: d

27. Based on the volume of their purchases, _____ are the most important commercial customers in the business or industrial market.

a. construction companies

b. manufacturers

c. transportation companies

d. service firms (e.g., hotels)

ANSWER: b

28. Market-driven firms have which of the following capabilities:

a. interfunctional capability and market-sensing capability.

b. customer-linking capability and interfunctional capability.

c. market-sensing capability, interfunctional, and customer-linking capability.

d. Market-sensing capability and customer-linking capability.

ANSWER: d

29. Market-driven firms spot market changes and react well in advance of their competitors. This illustrates:

a. the customer-linking capability of market-driven firms.

b. the value proposition of market-driven firms.

c. the market-sensing capability of market-driven firms.

d. the value of using direct channels of distribution in the business market.

ANSWER: c

30. The particular skills, abilities, and processes that an organization has developed to manage close customer relationships are referred to as:

a. the customer-linking capability.

b. channel management.

c. derived demand.

d. the market-sensing capability.

ANSWER: a

31. The ability of an organization to quickly recognize changes in its market and to anticipate customer responses to marketing programs is referred to as:

a. market research capability.

b. customer-linking capability.

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c. competitive intelligence.
d. market-sensing capability.

ANSWER: d

32. Motorola reduced the price of the electronic engine control that it sells to Ford by 10 percent and experienced a 15 percent increase in quantity demanded. This suggests that Ford's price elasticity of demand is:
a. elastic.
b. inelastic.
c. neither elastic nor inelastic.
d. insensitive to price changes.

ANSWER: a

33. Dayco decreased the price of the drive belts that it sells to General Motors by 5 percent and sales of the item grew by 3 percent. Price elasticity of demand for drive belts appears to be:
a. elastic.
b. inelastic.
c. neither elastic nor inelastic.
d. sensitive to price changes.

ANSWER: b

34. A diverse array of organizations make up the business market. These organizations can be broadly classified as:
a. Commercial enterprises, governmental organizations, and institutions
b. Commercial enterprises, users, and governmental units
c. Commercial enterprises, users, and original equipment manufacturers
d. Producers and resellers of industrial products or services

ANSWER: a

35. When purchasing a high-speed packaging machine, General Foods would be classified as:
a. an original equipment manufacturer.
b. a user.
c. a distributor.
d. a dealer.

ANSWER: b

36. Concerning the chain of upstream suppliers involved in the creation and production of a Honda automobile, which of the following fall only within the business marketing domain?
a. Honda purchasing power-steering components from direct suppliers.
b. Honda purchasing raw materials for lawn mower engines.
c. A rental company purchasing Honda automobiles for their fleets.
d. A logistics company distributing Honda automobiles to dealerships.

ANSWER: a

37. The following transactions fall into the business marketing domain, except:
a. Ford purchasing machine tools for their plants from Cincinnati Milacron.

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b. Ford selling their automobiles to the fleet manager at Cincinnati Milacron for use by the sales force.
c. Ford purchasing power-steering systems from Motorola for use in a particular model.
d. Ford selling their automobiles to individual employees of Cincinnati Milacron for personal use.

ANSWER: d

38. When purchasing machine tools for their plants, American Honda is:
a. an original equipment manufacturer.
b. a user.
c. a distributor.
d. an institutional buyer.

ANSWER: b

39. Concerning the classification of customers in the business market, General Motors is a(n) _____ when purchasing a mainframe computer system from IBM, but is a(n) _____ when purchasing tires from Goodyear.
a. user; original equipment manufacturer (OEM)
b. user; distributor
c. original equipment manufacturer (OEM); user
d. user; upstream supplier

ANSWER: a

40. As an industrial customer, Ford Motor Company would be classified as:
a. a user.
b. an original equipment manufacturer (OEM).
c. a user in purchasing some products, an OEM in purchasing other products.
d. a producer of facilitating goods.

ANSWER: c

41. When purchasing microprocessors from Intel Corporation to be incorporated into Dell's line of personal computers, IBM would be classified as:
a. a user.
b. an original equipment manufacturer (OEM).
c. an institutional buyer.
d. a dealer.

ANSWER: b

42. When purchasing manufacturing equipment from General Electric, Chrysler would be classified as:
a. a user.
b. a reseller.
c. an institutional buyer.
d. a dealer.

ANSWER: a

43. When AK Steel (formerly Armco Steel) realizes a drop in the demand for steel as a result of a decline in ultimate consumer demand for automobiles, this illustrates the concept of:

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a. derived demand.
b. connector demand.
c. linked demand.
d. reflection demand.

ANSWER: a

44. The method of classifying industrial goods into meaningful categories in the business market centers on this question:
a. How does the industrial good enter the production process and the cost structure of the firm?
b. How much effort are organizational buyers willing to exert in purchasing this industrial good?
c. Will organizational buyers purchase this industrial good from a distributor or directly from a manufacturer?
d. What is the weight and unit value of the industrial good?

ANSWER: a

45. Industrial products and services can be broadly classified as:
a. upstream, downstream, and direct goods.
b. entering, manufactured, and fabricated goods.
c. entering, accessory, and manufactured goods.
d. entering, foundation, and facilitating goods.

ANSWER: d

46. The cost of raw materials such as sheet steel is treated as:
a. an expense item which is depreciated over time.
b. a capital item which is depreciated over time.
c. a fixed cost.
d. an expense item which is assigned to the manufacturing process.

ANSWER: d

47. Some industrial products have been processed before reaching the industrial customer and are then processed further by this customer before becoming part of their finished product inventory. These items are called:
a. component parts.
b. facilitating parts.
c. accessory materials.
d. component materials.

ANSWER: d

48. Which of the following is (are) characteristic of the marketing strategy that would be appropriate for a firm like Otis Elevator, which sells installations of fixed equipment in the business market?
a. Personal selling is the dominant promotional tool.
b. Trade advertising and direct-mail advertising reinforce personal selling.
c. Installations are typically purchased in larger quantities on a contractual basis.
d. Both personal selling and trade advertising.

ANSWER: c

49. Acco Brands (formerly Mead Paper Company) recently purchased a new high-speed paper machine for one of their

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plants. The new machine is used in manufacturing a special grade of paper at a rate of over 1,500 feet per minute. This product would be classified as:

a. a facilitating good.
b. an entering good.
c. accessory equipment.
d. an installation.

ANSWER: d

50. The distinguishing characteristic(s) of foundation goods is(are) that they:

a. are capital items.
b. are expense items.
c. become part of the finished product.
d. capital items and become part of the finished product.

ANSWER: a

51. With little or no additional processing, _____ can be installed directly into another product.

a. component parts
b. component materials
c. operating equipment
d. light factory equipment

ANSWER: a

52. Bond Office Products manufactures a diverse array of office supplies and serves the business market. All of the following characteristics is (are) associated with the marketing strategy for this category of goods except:

a. Personal selling is less important for supplies than it is for other categories of goods having a higher unit value, such as installations.
b. The company requires a wide variety of marketing middlemen to cover the broad and diverse market adequately.
c. Price may be critical in the marketing strategy because many office supply items are undifferentiated.
d. Most supply items reach a concentrated, narrow market of business customers.

ANSWER: d

53. When companies want to sell products to both consumer and business markets, they must:

a. produce products that are not identical.
b. reorient their business strategies.
c. link customer capabilities.
d. produce products that are identical

ANSWER: b

54. Market-driven firms that want to serve both consumer and business market sectors should:

a. develop a set of values and beliefs that place companies' interests first.
b. become proficient in understanding and satisfying customers.
c. root their organizational plan in a product orientation.
d. separate financial performance strategy from sales strategy.

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ANSWER: b

55. To demonstrate market-sensing and customer-linking capabilities, companies engage in all of the following except:
    a. sharing product movement information.
    b. jointly planning promotional activities with other channel members.
    c. jointly planning product changes with other channel members.
    d. isolating marketing planning within a functional area.

ANSWER: d

56. A business marketer becomes a preferred supplier to major customers by:
    a. developing intimate knowledge of the customers operations.
    b. developing a market orientation organization plan.
    c. contributing r risk to a customer's business.
    d. both developing intimate knowledge of the customers' operations and contributing unique value to a customer's business.

ANSWER: d

57. Business marketing strategy must be based on an assessment of the customers, competitors, and:
    a. compatibility.
    b. coordination.
    c. the company.
    d. channels.

ANSWER: c

58. Functional areas other than marketing directly or indirectly affect which of the following?
    a. Product and price marketing decisions
    b. Distribution and promotion marketing decisions
    c. Promotion, price, and distribution marketing decisions
    d. Promotion, distribution, product, and price marketing decisions

ANSWER: d

59. Which type of goods are treated as an expense item because they do not enter the production process or become part of the finished product?
    a. Facilitating goods
    b. Foundation goods
    c. Entering goods
    d. Exiting goods

ANSWER: a

60. The buying motives for major installations center on:
    a. emotional factors.
    b. purely economic or rational considerations.
    c. a blend of rational and emotional factors.
    d. the initial price and cost.

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ANSWER: c

61. An implication of relationship marketing is:
    a. that sellers do not require an intimate knowledge of a customer's operations.
    b. that a sale signals the beginning of a relationship, rather constituting the end result.
    c. the building of one-to-one relationships.
    d. both that a sale signals the beginning of a relationship, rather constituting the end result and the building of one-to-one relationships.

ANSWER: d

62. The factors that distinguish business marketing from consumer marketing include:
    a. the importance of promotion.
    b. the intended use of the product.
    c. the nature of the customer.
    d. both the intended use of the product and the nature of the customer.

ANSWER: d

63. Which of the following characteristics of business customers is false?
    a. A single purchase by a business customer is typically larger than that of an individual consumer.
    b. Demand for industrial products is derived from ultimate demand for consumer products.
    c. Relationships between business marketers tend to be close and enduring.
    d. Business customers are more emotional than rational in buying decisions.

ANSWER: d

64. The skills required to identify, initiate, develop, and maintain profitable customer relationships describes:
    a. customer management relationship capabilities.
    b. product-linking capabilities.
    c. derived demand.
    d. supply chain management.

ANSWER: a

65. If consumers are not price sensitive in purchasing a consumer product such as Smucker's Jams, a 10% increase in the retail price of strawberry jam because of a 10% increase in the cost of strawberries from farmers will not affect quantities demanded for jam. Thus, the derived demand indicates that the demand for strawberries is:
    a. elastic.
    b. inelastic.
    c. unpredictable.
    d. unknown.

ANSWER: b

66. Which of the following would be classified as foundation goods?
    a. Fixed equipment
    b. Computing goods
    c. Purchased parts

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d. Maintenance and repair services

ANSWER: a

67. The use of a goods classification system can be extremely valuable to business marketers because:
a. A marketing strategy appropriate for one category of goods may be entirely unsuitable for another.
b. A marketing strategy that works for consumer products will often work for products sold in business markets.
c. The physical nature of the industrial good and its intended use by the organizational customer affects the marketing program's requirements.
d. Both a marketing strategy appropriate for one category of goods may be entirely unsuitable for another and the physical nature of the industrial good and its intended use by the organizational customer affects the marketing program's requirements are true.

ANSWER: d

68. Market-driven firms attempt to match their resources, skills, and capabilities with:
a. competitive intelligence.
b. customers' needs that are not currently being served adequately.
c. derived demand.
d. the needs of upstream suppliers.

ANSWER: b

69. Which of the following statements about major installations is true?
a. YouTube and the digital decision journey are the dominant promotional tools.
b. Initial price, distribution, and advertising play lesser roles.
c. A wide variety of channel partners are required.
d. The goal is to secure an e-procurement linkage.

ANSWER: b

70. Business marketers that define their business markets with a horizon that stretches beyond the boundaries of the United States to include foreign markets for industrial goods and services employ:
a. a global market perspective.
b. a target market perspective.
c. a market orientation perspective.
d. an ethnocentric perspective.

ANSWER: a

71. Marketing activities directed toward establishing, developing, and maintaining successful exchanges with customers is:
a. relationship marketing.
b. cross-functional marketing.
c. global marketing.
d. supply chain management.

ANSWER: a

72. The technique for linking a manufacturer's operations with those of all its strategic suppliers and its key intermediaries and customers to enhance efficiency and effectiveness is called:

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a. relationship marketing.
b. global marketing.
c. supply chain management.
d. consumer marketing.

ANSWER: c

73. When it comes to classifying the commercial customers that constitute the business market, commercial enterprises can be divided into what three categories:
a. users, institutions, and dealers and distributors.
b. users, commercial enterprises, and governmental organizations.
c. users, original equipment manufacturers, and dealers and distributors.
d. commercial enterprises, governmental organizations, and institutions.

ANSWER: c

74. Which of the following would qualify as facilitating goods?
a. Fixed equipment
b. Component materials
c. Raw materials
d. Operating supplies

ANSWER: d

75. The use of law firms or advertising agencies by business marketers constitutes what type of industrial good?
a. Business services
b. Foundation goods
c. Installations
d. Entering goods

ANSWER: a

76. Markets for products and services, local to international, bought by businesses, government bodies, and institutions for consumption, for use or for resale are:
a. consumer markets.
b. global markets.
c. business markets.
d. target markets.

ANSWER: c

77. Developing a marketing program that reaches the ultimate consumer directly for a product that incorporates your product, such as DuPont advertising to consumers to increase the sales of carpeting which incorporates their product is known as:
a. demand elasticity.
b. fluctuating demand.
c. stimulating demand.
d. price sensitivity.

ANSWER: c

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78. At GE, this role involves scanning the entire business landscape for marketing ideas as opposed to thinking exclusively about current products and markets:

a. innovator.
b. implementer.
c. instigator.
d. integrator.

ANSWER: c

79. Business market customers can be broadly classified into three categories:

a. True
b. False

ANSWER: True

80. Institutions are considered to be part of the government market.

a. True
b. False

ANSWER: False

81. Because demand in business markets is derived from consumer markets, business must carefully monitor demand patterns and changing consumer buying preferences. Because of these changes, the demand for many industrial products can be described as:

ANSWER: Fluctuating demand

82. Those that have the power in the business buying process are referred to as:

ANSWER: Key buying influentials

83. This type of equipment is generally less expensive and is short-lived compared with installations, and is not considered part of the fixed plant:

ANSWER: Accessory equipment

84. Like supplies, business services are considered expense items. Business services can be classified as:

ANSWER: Maintenance and repair support and advisory support

85. Explain the bullwhip effect in supply chains.

ANSWER: Bullwhip effects are the wild swings in demand that business marketers can experience such as were vividly on display during the pandemic.

86. Define a business market.

ANSWER: Business markets are markets for products and services, local to international, bought by businesses, government bodies, and institutions (such as hospitals) for incorporation (for example, ingredient materials or components), for consumption (for example, process materials, office supplies, and consulting services), for use (for example, installations or equipment), or for resale. . . . The only markets not of direct interest are those dealing with products or services that are principally directed at personal use or consumption such as packaged grocery products, home appliances, or consumer banking.

87. Conrad Spring produces manufactured materials and parts for diverse customer groups in the business market, ranging from automobile manufacturers and household appliance producers to toy makers and medical equipment specialists.

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Describe the nature of marketing strategy for industrial goods of this type.

ANSWER: Answers will vary since the question requires the student to bring together various concepts covered in the chapter. In doing so, the student will wish to especially consider what was covered in the portion dealing with the types of customers. Given that the demand for some of these products could be derived and require relationships, the student should find it useful to scan through portions of the chapter dealing with those topics.

88. Dell Computer has excelled with a fast-paced build-to-order approach that involves taking customer orders online, orchestrating production tailored to each customer, and forging a one-to-one relationship with the customer after the sale. Some auto industry executives have turned to Michael Dell, the company founder, for advice concerning how to make their businesses look like his. Senior executives at Ford, for example, envision a future where customers will order online and factories will build to order, eliminating billions of dollars of inventory costs (for example, large stocks of vehicles on hand). All of those mass produced cars sitting for weeks on dealer lots represent a massive investment that yields no return until a buyer comes along.
a. Evaluate the feasibility of a build-to-order system for an automaker like Ford and outline the key requirements that Ford must meet to make the strategy work for a potential customer like you.
b. How would a build-to-order system alter the way in which suppliers (business marketers) would serve Ford as a customer?

ANSWER: Answers will vary since the question requires the student to bring together various concepts covered in the chapter. In doing so, the student will wish to especially consider what was covered in the segment pertaining to supply chains. In addition, segments dealing with derived demand and the classifications of products can be useful. Dell's derived demand is not in the sense that its products will be a component of each car but it is derived in the sense that if it can help in developing a new way of ordering and building automobiles (improving an auto company's supply chain) it will also be increasing the demand for its goods and services.

89. Consider some leading-edge consumer product manufacturers like Procter & Gamble, Gillette, or Coca Cola. What major differences would you expect to find in comparing the marketing strategy patterns employed by these consumer-products companies to those of leading business marketing firms such as Intel, 3M, or Dow Chemical? Next, describe the similarities and differences that emerge when comparing the distinctive attributes of a leading-edge consumer products marketer to a firm that demonstrates superb skills serving customers in the business market.

ANSWER: Answers will vary since the question requires the student to bring together various concepts covered in the chapter. In doing so, the student will wish to especially consider what was covered in the portion dealing with the business marketing environment and the basic similarities and differences between consumer-goods and business marketing. Also, the segments dealing with types of customers and classifying products and services can be useful.

90. Hayes enjoys a well-established position as a supplier to the automobile industry. The firm supplied wheels to the Model T Ford. Today, Hayes is betting on a new product, fabricated aluminum wheels, which weigh up to 20 percent less than cast aluminum wheels and 40 percent less than steel ones. Hayes has signed contracts worth $50 million for the new wheels—mostly for use in spare tires—with DaimlerChrysler, Ford, General Motors, and BMW. Drawing on the industrial goods classification scheme, how would you classify the aluminum wheels? Sketch out the critical buying motives that organizations like DaimlerChrysler would emphasize in evaluating the wheels and explore Hayes' associated marketing strategy implications.

ANSWER: Answers will vary since the question requires the student to bring together various concepts covered in the chapter. In doing so, the student will wish to especially consider what was covered in the portion dealing with derived demand. Also, the segments pertaining to types of customers and supply chains could be useful.

91. Smucker's sells products to both business and consumer markets. Compare and contrast the marketing strategies that Smucker's will use when selling their products to each type of market.

ANSWER: Answers will vary since the question requires the student to bring together various concepts covered in the chapter. In doing so, the student will wish to especially consider what was covered in the portion dealing with

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the business marketing environment and the basic similarities and differences between consumer-goods and business marketing.

92. Explain the different business markets (commercial, institutional, and governmental) and provide examples for each.

ANSWER: Commercial- entities that include manufactures, construction companies, service firms' transportation companies, selected professional groups, and resellers. Manufacturing is the largest sector
Institutional – 3rd largest sector of the business market and are made up of schools and health-care organizations. Examples include colleges, universities, libraries, foundations, art galleries, and clinics.
Governmental- Government agencies purchase a wide variety of office supplies. Examples include Federal government, state government, local governments like counties and townships.

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