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

1) An advertising agency that is set up, owned, and operated by the advertiser is called a(n):
A) client management firm
B) in-house agency
C) full-service agency
D) centralized system
Answer: B

2) A major reason for a client using a(n) _____ is to reduce advertising and promotion costs.
A) client management system
B) full-service system
C) self-sufficient agency
D) in-house agency
Answer: D

3) Companies who use a combination of in-house and outside agencies tend to use the external firms mostly for:
A) sales presentations
B) creative and media services
C) direct mail pieces
D) weekly circulars
Answer: B

4) A major reason why some companies choose to use an in-house agency is to:
A) maintain creative freshness
B) win advertising awards that will enhance the image of their brands
C) better understand how advertising works
D) reduce advertising and promotions costs
Answer: D

5) Lack of sufficient internal expertise and personnel growing stale while working on the same product might be reasons why a company might move away from:
A) the use of full-service advertising agencies
B) a brand marketing system
C) an in-house agency
D) the use of creative boutiques
Answer: C

6) Joe Fresh moved its creativity in-house from an agency in order to:
A) better understand how advertising works
B) encourage its staff to think about the brand
C) provide full service at a lower cost
D) employ creatives from Target, who might have expertise in the U.S. market
Answer: B

7) Target's internal creative department handles the design of each of these elements EXCEPT:
A) weekly circulars
B) branding initiatives
C) in-store displays
D) direct-mail pieces
Answer: B

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8) Which of the following is assigned to Target's outside agencies?
A) direct-mail pieces
B) branding and image-oriented communication
C) weekly circulars and in-store displays
D) promotions
Answer: B

9) Which of the following statements explains why an organization would want to use an outside advertising agency?
A) An outside advertising agency has more knowledge of the brand's identity and its previous promotional activities.
B) An outside advertising agency helps the client gain more prestige and a better image.
C) An outside advertising agency provides the client with the services of highly skilled individuals who are experts in a number of areas including creative, media, and research.
D) An outside advertising agency saves money for the client.
Answer: C

10) When a client works for many years with a primary agency whose focus is on building the client's brand, it is known as a(n):
A) agency-of-record (AOR)
B) full-service relationship
C) principle agency
D) primary service provider
Answer: A

11) Which of the following best describes an Agency-of-Record (AOR)?
A) the primary agency whose foremost interest is in building the client's brand
B) an agency that performs work on a project-by-project basis
C) an agency that is subcontracted by the client directly for a particular assignment
D) the previous agency who did work for a particular client
Answer: A

12) Which of the following statements about advertising agencies is true?
A) Agencies must be used since companies do not have the capabilities of developing their own advertising.
B) Most large agencies offer only creative services to their clients.
C) Most large, national advertisers use in-house agencies.
D) Agencies are often used because of the skill, expertise, and experience they can offer in the advertising area.
Answer: D

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13) International multiservice agencies were formed by mergers and acquisitions of mid-sized agencies in order to:
A) forge stronger alliances between agencies and their clients
B) eliminate the need for domestic agencies
C) provide integrated marketing communications services worldwide
D) market their services more broadly
Answer: D

14) Major agencies that offer an ever-broadening range of IMC services would be more appropriately called:
A) multinational creative boutiques
B) advertising agencies
C) marketing communication agencies
D) full-service partners
Answer: C

15) Which type of ad agency is most likely to assist the client in areas such as marketing strategy and research, campaign planning and execution, and media planning and buying?
A) a media buying service
B) a creative boutique
C) a full-service agency
D) a collateral agency
Answer: C

16) A full-service agency offers its clients all of the following EXCEPT:
A) human resources management
B) public relations expertise
C) full range of marketing, communication, and promotion services
D) research and creative development
Answer: A

17) An ad agency that offers its clients a complete range of marketing, communication, and promotion services is known as a(n):
A) comprehensive marketing organization
B) in-house agency
C) full-service agency
D) media buying service
Answer: C

18) The communications link between the ad agency and its clients is:
A) creative services
B) media
C) marketing services
D) account services
Answer: D

19) The _____ is responsible for understanding the advertiser's marketing and promotional needs and interpreting them to agency personnel.
A) marketing specialist
B) media specialist
C) account executive
D) copywriter
Answer: C

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20) The agency person who is the focal point of the agency-client relationship is the:
A) product manager
B) brand manager
C) account executive
D) media buyer
Answer: C

21) The function of gathering, analyzing, and interpreting information that will be useful in developing advertising is the responsibility of the agency's _____ department.
A) research
B) production
C) account management
D) traffic
Answer: A

22) Which of the following functions is NOT performed by the agency's research department?
A) interpreting information to assist in advertising decision-making
B) disseminating information to agency account planners
C) designing, executing, and interpreting primary research studies
D) planning the creative and media strategies for the advertising campaign
Answer: D

23) The _____ in an agency interacts with personnel from all disciplines and provides insights into consumers and how to communicate with them.
A) account planner
B) traffic manager
C) account executive
D) media director
Answer: A

24) Advertising ideas and concepts are derived from the creative brief, which includes information about consumers, competitors, and the market. This is the responsibility of the:
A) media director
B) account planner
C) account executive
D) creative director
Answer: B

25) The department in an advertising agency that is responsible for analyzing, selecting, and contracting for ad space or time that will be used to deliver its client's advertising message is the _____ department.
A) marketing research
B) account services
C) public relations
D) media
Answer: D

26) The _____ department is becoming an increasingly important part of the agency business as many large advertisers consolidate their media buying with one or a few agencies to save money and improve media efficiency.
A) traffic
B) media
C) product management
D) production
Answer: B

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27) Since most of the client's ad budget is spent on media time and/or space, it is important that the media department:
A) develops a plan that communicates to the right audience in a cost-efficient manner
B) focuses on purchasing commercial time on the most popular shows
C) coordinates with the creative department to ensure that concepts are not too complex
D) creates a plan that utilizes the least expensive media vehicles
Answer: A

28) The _____ are the individuals who conceive the ideas for the ads and write the advertising message.
A) account executives
B) traffic coordinators
C) copywriters
D) art directors
Answer: C

29) The _____ is responsible for creating the visual portion of an ad such as layouts and the commercial storyboards.
A) art director, graphic designer, or studio artist
B) copywriter
C) product management department
D) account executive
Answer: A

30) After the creative brief is reviewed and the overall concept has been developed, the _____ is responsible for developing how the ad will look.
A) account director
B) art director or the art department
C) copywriter
D) product management department
Answer: B

31) A _____ shows what a print ad will look like, while a _____ depicts the sequence of frames for a commercial or video format.
A) concept; trailer
B) layout; storyboard
C) sketch; video reel
D) storyboard; layout
Answer: B

32) Setting the creative philosophy of the agency and overseeing the work of the writers and artists are the responsibilities of the:
A) master artist
B) creative director
C) director of account service
D) agency president
Answer: B

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33) The growth of the Internet as a media vehicle has led to the need for all of the following, EXCEPT:
A) a renewed focus on traditional media
B) a digital creative services department
C) the coordination of digital and mass media advertising components
D) the purchase of interactive firms by full-service agencies
Answer: A

34) _____ take(s) the creative work done in mass media and add(s) interactive functionality to be used in Internet and mobile media executions.
A) Computerized adaptation programmers
B) Small, boutique firms
C) A digital creative services department
D) The production manager
Answer: C

35) Which department within an advertising agency would assume the responsibility for hiring outside persons such as printers, engravers, photographers, or other vendors to turn a layout into a finished product?
A) production department
B) art department
C) traffic department
D) media department
Answer: A

36) The _____ department coordinates all phases of production to see that the ads are completed on time.
A) media
B) traffic
C) art
D) production
Answer: B

37) A _____ is an agency organizational structure in which each functional area is set up as a separate department. This structure is called on as needed to perform its specialty and serve all of the agency's clients.
A) departmental system
B) group system
C) matrix system
D) creative boutique
Answer: A

38) The Bright Ideas advertising agency handles each of its clients by assigning individuals from various departments to work together as a team on their accounts. The agency is using which organizational structure?
A) dedicated system
B) departmental system
C) matrix system
D) group system
Answer: D

39) An advertising agency that wants its employees to develop expertise in servicing a variety of accounts should use a(n) _____ structure.
A) group system
B) creative boutique
C) in-house agency
D) departmental system
Answer: D

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40) Which of the following might NOT be a reason why an advertising agency would use a group system organizational structure? It would:
A) provide better pricing to a key client
B) allow agency personnel to become very knowledgeable about a particular client's market and business
C) ensure continuity in servicing a particular account
D) provide superior service for its accounts
Answer: A

41) The traditional method of compensating ad agencies is with:
A) the commission system
B) the fee system
C) the hourly billings
D) the straight salary method
Answer: A

42) Agency compensation under the commission system is based on:
A) a specified percentage of any advertising time or space the agency purchases for its client
B) the total number of hours worked
C) a percentage of advertising production costs
D) a percentage of a client's marketing budget
Answer: A

43) Opponents of the agency commission system would argue that this system is NOT effective because a commission:
A) does not tie agency compensation to media costs.
B) encourages agencies to limit their client's advertising expenditures.
C) keeps the emphasis on creative skills not the bottom-line.
D) encourages agencies to recommend high media expenditures to increase their commission level.
Answer: D

44) The standard agency commission is:
A) 15% added on to media time and space costs
B) a complex formula based on the type of media purchased
C) added on to the agency's media costs and personnel time
D) 15% of media time and space costs
Answer: D

45) A major argument put forth by defenders of the commission system is that a commission:
A) keeps emphasis when choosing agencies on non-price factors like advertising quality
B) ties agency compensation to the inflation in media costs
C) encourages agencies to use non-commissionable media such as direct mail
D) keeps the agencies from placing advertising in expensive media
Answer: A

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46) Critics argue that the use of _____ ties agency compensation to media costs.
A) the commission system
B) the objective-and-task compensation system
C) the cost-plus agreement
D) the fixed fee arrangement
Answer: A

47) Which of the following is NOT a valid criticism of the commission compensation system for an ad agency?
A) It is difficult to administer.
B) In periods of media cost inflation, the agency is disproportionately rewarded.
C) Media costs do not relate directly to effort or expertise expended by agencies.
D) There is an incentive to avoid non-commissionable media.
Answer: A

48) Under which type of compensation system might an agency be more inclined to recommend expensive media such as network television and national magazines to its clients?
A) commission system
B) incentive-based compensation system
C) fee arrangement system
D) cost-plus system
Answer: A

49) An agency books television media space at a cost of $1,000,000. The standard agency commission on this buy is:
A) dependent upon the actual shows in which the commercials run
B) $150,000
C) dependent upon the time of day the commercials run
D) $15,000
Answer: B

50) An agency books television media space at a cost of $1,000,000. If cash discounts do not apply, what price does the agency pay to the media company?
A) $850,000
B) $985,000
C) $1,150,000
D) $1,000,000 and the client pays the agency commission
Answer: A

51) Why are negotiated commission structures becoming more common?
A) to support the creation of a transactional relationship between agency and client
B) to encourage agencies to cut back on buying network TV advertising for their clients
C) to consider the needs of clients as well as the amount of time and effort the agency spends on an account
D) to ensure that agencies do not make too much money
Answer: C

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52) Which of the following statements about agency commissions is true?
A) Most agencies are unwilling to negotiate their commission rates.
B) Nearly all of the leading agencies still earn a 15 percent commission.
C) Most agencies are earning more of their income from fixed commissions as clients expand their IMC programs to include other forms of promotion.
D) Some leading agencies now receive average commissions of 8 to 10 percent.
Answer: D

53) What form of compensation is used to pay the advertising agency when the client's advertising program does not involve a large amount of media billings?
A) a share of the profits
B) a 17.65 percent markup on costs
C) a negotiated commission
D) a rebate from the media
Answer: C

54) Negotiated commission rates for advertising agencies:
A) are becoming less common
B) are becoming more commonplace
C) are designed primarily to benefit agencies
D) are rarely used by consumer-products advertisers
Answer: B

55) Which of the following statements about changes in the way advertising agencies are being compensated is true?
A) With the move toward integrated marketing services, it is likely that there will be a return to the commission system of compensation.
B) Many agencies and their clients have developed some type of fee arrangement or cost-plus agreement for agency compensation.
C) Since most clients want their agencies to be in total charge of the integrated marketing communications process, they are willing to compensate them based on media commissions.
D) From the viewpoints of both the client and the agency, the traditional commission system is much superior to negotiated commissions.
Answer: B

56) A _____ is a type of compensation arrangement where an agency charges a client a fixed monthly amount of money for all of its services and credits media commissions against this monthly rate.
A) negotiated commission
B) fixed fee agreement
C) fee-commission combination
D) cost-plus agreement
Answer: C

57) Under the _____, the client agrees to pay the agency a fee based on the cost of its work plus some agreed-on profit margin.
A) fee-combination arrangement
B) cost-plus arrangement
C) incentive-based system
D) media commission system
Answer: B

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58) Under the cost-plus compensation method, all of the following costs might be included in the calculation, EXCEPT:
A) agency self-promotion costs
B) out-of-pocket expenses
C) media costs
D) profit margin
Answer: A

59) Agencies that are reluctant to let clients see their internal cost figures are less likely to accept a(n):
A) commission-based arrangement
B) fixed-fee arrangement
C) cost-plus agreement
D) incentive-based compensation agreement
Answer: C

60) Which of the following compensation methods should an advertiser adopt if its primary goal is to achieve efficiency and accountability?
A) fixed-fee arrangement
B) incentive-based compensation agreement
C) fee-combination arrangement
D) commission-based arrangement
Answer: B

61) The Red River Valley advertising agency receives compensation from its clients based on how well it meets predetermined performance goals. Indicate the compensation method that best corresponds to this situation.
A) fee-commission
B) incentive-based
C) fixed-fee
D) cost-plus system
Answer: B

62) Why would General Motors switch to an incentive-based compensation system with several of its agencies?
A) to encourage their agencies to use more mass media advertising
B) to encourage its agencies to look beyond traditional mass media advertising and develop other ways of reaching consumers
C) to save money on advertising and divert it to other business departments
D) to encourage their agencies to stop using network TV advertising
Answer: B

63) The advertising remuneration process which rewards the agency based on the achievement of mutually agreed upon objectives is called:
A) the fee-combination method
B) the Performance by Results system
C) the advertising reward method
D) the cost-based system
Answer: B

64) The Performance by Results system reflects three groups of performance measures. Which of the following is NOT one of those measures?
A) marketing communication effectiveness
B) comparison to previous year's communication budget
C) agency process evaluation
D) overall business performance
Answer: B

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65) Which of the following is NOT a measure of marketing communication effectiveness?
A) brand image ratings
B) advertising likeability
C) brand awareness
D) retail sales results
Answer: D

66) The four behavioural objectives that are measures of marketing communication effectiveness are intent to purchase, trial, repeat purchase, and _____.
A) brand loyalty
B) positioning
C) viral media
D) brand understanding
Answer: A

67) Jenna sees a commercial for a new brand of toothpaste. She decides to consider it the next time she goes to the drug store. This is an example of which behavioural objective?
A) retrial
B) brand awareness
C) sampling
D) intent to purchase
Answer: D

68) Which of the following is a business measure under the Performance by Results system?
A) market share
B) productivity
C) intent to purchase
D) brand awareness
Answer: A

69) A _____ audit of an agency focuses on factors such as costs, expenses, and payments to outside suppliers while a _____ audit focuses on factors such as the agency's efforts in planning, development, and implementing the advertising program.
A) financial/qualitative
B) financial/creative
C) qualitative/quantitative
D) results/process
Answer: A

70) Which of the following should a client's evaluation of its advertising agency's performance NOT take into account?
A) market performance measures, such as sales and market share
B) financial status of the agency
C) performance of account representatives
D) qualitative considerations, such as the quality of the agency's efforts in creative, media, etc.
Answer: B

71) Personality conflicts, unrealistic demands by clients, and personnel changes are all reasons why:
A) ad agencies lose clients
B) it is difficult to measure the effectiveness of advertising campaigns
C) planning and budgeting communication initiatives is difficult
D) clients need to use more than one agency
Answer: A

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72) Which of the following would NOT be a valid reason for switching advertising agencies?
A) a stagnation or decline in sales of the product
B) dissatisfaction over the quality of the advertising produced by the agency
C) a change in research methodology
D) conflicts over compensation policies
Answer: C

73) Many full-service agencies include sales promotion, merchandising, direct marketing, PR and/or other _____.
A) specialized services
B) consumer needs
C) organizational structures
D) niche opportunities
Answer: A

74) Creative boutiques are agencies that:
A) limit their client service to creative planning and execution
B) have resulted from advertisers wanting to save money in buying media space
C) are used only when research is not important to marketing success
D) can perform the same functions as full-service agencies for their clients
Answer: A

75) Which of the following is NOT true about creative boutiques?
A) Members of creative departments of larger firms sometimes leave to create smaller creative boutiques.
B) Creative boutiques are subcontracted by full-service agencies.
C) Creative boutiques work directly with clients.
D) Clients do not directly hire creative boutiques, but work with them through their Agency-of-Record.
Answer: D

76) Independent companies that specialize in the purchase of radio and television time are known as:
A) mid-sized agencies
B) media measurement bureaus
C) full-service agencies
D) media buying services
Answer: D

77) Because _____ purchase such large amounts of time and space, they receive large discounts.
A) full-service agencies
B) creative boutiques
C) media buying services
D) in-house agencies
Answer: C

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78) Independent media buying services evolved for each of the following reasons EXCEPT:
A) media strategy development and planning needs to be separate from the buying function
B) advertisers attempt to consolidate their media spending in order to achieve volume efficiencies
C) the proliferation of specialized media has increased the complexity of purchasing advertising media
D) media buying services concentrate on the analysis and purchase of advertising time and space
Answer: A

79) _____ specialize in offering services, such as database management, direct mail and creative and production capabilities.
A) Sales promotion agencies
B) Creative boutiques
C) Direct-response agencies
D) Public relations firms
Answer: C

80) _____ specialize in the development and management of sweepstakes, refund and rebate offers, and incentive programs.
A) Creative boutiques
B) Interactive agencies
C) Direct response agencies
D) Sales promotion agencies
Answer: D

81) Cheerios has a sweepstakes on their boxes where consumers can win a family trip to Disney World. They hired a _____ to develop the creative, negotiate the trip costs, and administer the prizes.
A) mid-range agency
B) sales promotion agency
C) direct-response agency
D) creative boutique
Answer: B

82) A(n) _____ is the type of firm an organization would hire to develop and implement programs to manage the organization's publicity, image, and affairs with consumers and other relevant publics.
A) public relations firm
B) direct-response agency
C) media mix organization
D) advertising agency
Answer: A

83) Marketers willing to increase message credibility and save media costs are more likely to use the services of a(n):
A) advertising agency
B) direct-response agency
C) public relations firm
D) sales promotion agency
Answer: C

84) A typical direct-response agency is divided into three main departments:
A) creative, media, and research
B) account management, creative, and media
C) account management, media, and research
D) creative, media, and production
Answer: B

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85) The brand manager for Carnation Evaporated Milk wishes to run a holiday cookie contest to find consumers' best recipes. The creator of the best recipe will win a trip to Paris, France. Most likely, Carnation will hire a(n) _____ to plan and execute the campaign.

A) public relations firm
B) sales promotion agency
C) contest house
D) advertising agency

Answer: B

86) Which of the following statements about the development of interactive media is NOT true?

A) Many marketers are using specialized interactive agencies to develop their interactive media.
B) Traditional advertising agencies tend not to develop interactive media capabilities.
C) Full-service interactive agencies provide various services including strategic consulting regarding the use of the Internet and online branding, technical knowledge, systems integration, and the development of e-commerce capabilities.
D) Interactive agencies range from smaller companies that specialize in website design and creation to full-service interactive agencies.

Answer: B

87) Many agencies are moving toward offering more integrated marketing communication (IMC) services:

A) because they want to maintain control of the entire promotional process because it leads to more synergy among the various communication elements
B) although effecting economies of scale and synergy is difficult, especially on large budget campaigns
C) because an agency with integrated marketing communication capabilities can create a number of different images of the product to appeal to all relevant publics
D) even though it is less convenient for a client to coordinate all of its promotional efforts with one agency

Answer: A

88) Which of the following is NOT a benefit of integrated IMC services?

A) Agency personnel have expertise in particular aspects of the process and therefore are inclined to consider all variables in the planning decision.
B) It is more convenient to coordinate all of its marketing efforts through one agency.
C) An integrated approach creates one single image and voice to address all audiences.
D) Clients maintain control of the entire promotional process, and achieve greater synergy among each of the program elements.

Answer: A

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89) Which of the following results were found in a U.S. survey on agency-client relationships?

A) Stronger results were more often delivered in dynamic, short-term situations than in long-term relationships.

B) Agencies and clients tend not to trust one another, as profits seem to guide promotional planning.

C) Clients should not be overly focused on creative strength when making an agency selection.

D) Results would be improved through better briefings from clients and a more thorough agency understanding of the client's business and situation.

Answer: D

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

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51) C
52) D
53) C
54) B
55) B
56) C
57) B
58) A
59) C
60) B
61) B
62) B
63) B
64) B
65) D
66) A
67) D
68) A
69) A
70) B
71) A
72) C
73) A
74) A
75) D
76) D
77) C
78) A
79) C
80) D
81) B
82) A
83) C
84) B
85) B
86) B
87) A
88) A
89) D

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