Contemporary Advertising and Integrated Marketing Communications 15th edition Arens Test Bank

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Chapter 02

The Big Picture: The Evolution of Advertising and IMC

True / False Questions

1. Economics has created the need for advertising and has made it a staple of the free enterprise system.

   True False

2. A market economy is characterized by two assumptions: the interest of the community and the presence of externalities.

   True False

3. Open competition between self-interested sellers advertising to self-interested buyers leads to greater product availability at more competitive prices.

   True False

4. The sale or consumption of products rarely benefits or harms other people who are not involved in the transaction and who did not pay for the product.

   True False

5. The assumptions characterizing a market economy describe an ideal economy, not one that actually exists.

   True False

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6. The most significant function of advertising is to lower the overall cost of sales.

   True False

7. In a free-market economy, when one company starts making significant profits, other companies immediately jump in to compete.

   True False

8. Messages aimed to encourage trade were unheard of in pre-industrial societies.

   True False

9. Benjamin Franklin was the first American known to use illustrations in ads.

   True False

10. The emergence of urban markets following the Industrial Revolution hindered the growth of advertising.

    True False

11. The advertising industry existed before the industrial age.

    True False

12. The American profession of advertising began when Volney B. Palmer set up business in Philadelphia in 1841.

    True False

13. A. C. Nielsen produced the earliest catalogs, bringing a wide variety of products to new, rural markets.

    True False

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14. A vodka company using the slogan "Spirit for the Spirited" in order to enhance the appeal of its brand is using product differentiation.

True False

15. A product's unique selling point is a feature that differentiates it from competitive products.

True False

16. Market segmentation is a process by which manufacturers seek to portray their brands as different from and better than the competition by offering consumers quality, variety, and convenience.

True False

17. Demarketing is used by marketers primarily to identify unique groups of people whose needs can be addressed through more specialized products.

True False

18. A megamerger occurs when big multinational companies buy other big companies in order to expand globally.

True False

19. Beginning around 1980, the postindustrial age has been a period of relative stability.

True False

20. The marketing world of the postindustrial age was characterized by competition intensified by lower trade barriers and growing international trade.

True False

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21. Larry Page and Sergey Brin developed AdWords, an advertising program, that eventually generated billions in profits.

    True False

22. The importance of advertising in individual countries depends on the country's level of development and national attitude toward promotion.

    True False

23. Small companies and product marketers that appeal to a limited clientele use TV to reach audiences with unique interests.

    True False

24. Advertising has been a major factor in improving the standard of living in the United States and around the world.

    True False

25. Advertising helps create personalities for products in the market.

    True False

Multiple Choice Questions

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26. Which of the following is an assumption that characterizes a free-market economy?

A. Presence of externalities
B. Few buyers and sellers
C. Self-interest
D. Greater involvement of the government
E. Emphasis on communal goals

27. Which of the following is true of a market economy?

A. The government determines what and how much is produced and consumed.
B. Firms and households rarely interact in the marketplace.
C. Open competition between self-interested sellers advertising to self-interested buyers adversely affects product availability.
D. The role of information is negligible with regard to buying decisions.
E. People and firms pursue their own goals.

28. Which of the following refers to an externality associated with the purchase of firearms?

A. An increase in the rate of crime
B. An increase in the popularity of shooting sports
C. Easy availability of cheap, after-sales service of firearms
D. Enhanced personal security
E. An increase in exports of firearms

29. Which of the following functions does advertising serve as a marketing tool?

A. Withhold information about products and the place of sale
B. Discourage reuse of products
C. Increase the overall cost of sales
D. Increase the use of products
E. Create and sustain market monopolies

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30. Which of the following is a basic function of branding?

A. To ensure that all products are offered at everyday low prices
B. To identify products and differentiate them from others
C. To dampen the demand for unwanted products
D. To search for unique groups of people with special product needs
E. To impede the distribution of products

31. Which of the following is a benefit provided to a company by strong brands?

A. They tend to trigger price wars.
B. They eliminate the chance of failure for new products completely.
C. They garner consumer loyalty.
D. They encourage customers to choose products from different companies.
E. They ensure uniform pricing versus competitors.

32. During the _____, the Chinese invented paper and Gutenberg invented the printing press in Germany.

A. preindustrial age
B. Industrial Revolution
C. information revolution
D. industrial age
E. postindustrial age

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33. Until the advent of public schooling in America, many advertisements took the form of signs with symbols, such as a beer tankard indicating a tavern, because:

A. most people were illiterate and could not read.
B. the advertisers could not afford to produce sophisticated advertisements.
C. there were laws prohibiting advertising in newspapers and handbills.
D. the Church would not approve of any other form of advertising.
E. such advertisements promoted puffery.

34. Which famous English literary figure's observation that advertisements were so numerous that they were "negligently perused" and that it had become necessary to gain attention "by magnificence of promise", led to the beginning of puffery in advertising?

A. Samuel Pepys
B. Nicholas Rowe
C. William Congreve
D. John Dennis
E. Samuel Johnson

35. Which of the following products was advertised in the first ad in English that appeared in 1472?

A. A plow
B. A farm animal
C. A prayer book
D. A religious service
E. A country tavern

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36. In the context of early advertising, the invention of the _____ made advertising via posters, handbills, and signs possible.

A. quill pen
B. printing press
C. silk screen
D. lead molding machine
E. steam engine

37. In the industrial age, fresh mass markets developed for new and inexpensive brands of luxury and convenience goods called _____.

A. pure public goods
B. business goods
C. consumer packaged goods
D. intermediate goods
E. common goods

38. Who among the following is regarded as the father of advertising art and was the first American known to use illustrations in ads?

A. Benjamin Franklin
B. Johannes Gutenberg
C. Samuel Johnson
D. Samuel Pepys
E. Marcel Bleustein-Blanchet

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39. An ad in a fitness magazine offered a 30-day, free, at-home trial of an exercise bicycle with free shipping, and the option of returning the bicycle if the customer was not satisfied with it. The primary function of the ad was to:

A. control competitive pricing practices.
B. establish exclusive distribution rights for the bicycle.
C. communicate the company's quality mission.
D. induce consumers to try the bicycle.
E. communicate information about the bicycle's after-sale service.

40. The industrial age started during:

A. the second half of the 16th century.
B. the second half of the 15th century.
C. the second half of the 19th century.
D. the second half of the 20th century.
E. the second half of the 17th century.

41. Which of the following statements most accurately describes the role of manufacturers during the 1800s?

A. Manufacturers were responsible for marketing their products.
B. Manufacturers stimulated consumer demand through mass media advertising.
C. Manufacturers were primarily responsible for keeping retailers informed about the sources of supply and shipping schedules for commodities.
D. Manufacturers were principally concerned with production.
E. Manufacturers were principally concerned with segmenting markets for their products.

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42. During the 1800s, wholesalers placed ads in publications called _____ that informed retailers about the sources of supply and shipping schedules for commodities.

A. supply currents
B. demand currents
C. price currents
D. puff pieces
E. sales pitches

43. Which American hired the first full-time agency copywriter in the industrial age?

A. Claude Hopkins
B. Francis Ayer
C. A. C. Nielsen
D. Albert Lasker
E. Volney B. Palmer

44. During the Great Depression in America, each brand sought to convince the public of its own special qualities. What is this marketing strategy known as?

A. Production focus
B. Demarketing
C. Product differentiation
D. Puffery
E. Market segmentation

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45. Which of the following historical events in the first half of the 20th century caused advertising expenditures to plummet in America?

A. Germany's defeat in World War I
B. The Fairbanks Gold Rush
C. The stock market crash on October 29, 1929
D. The Bolshevik Revolution
E. The introduction of a new system of consumer credit

46. Scientific Advertising, the bible of the era of salesmanship in the 1920s, was written by _____.

A. Johannes Gutenberg
B. Benjamin Franklin
C. Claude Hopkins
D. Volney B. Palmer
E. Francis Ayer

47. During the 19th century, manufacturers changed their focus to _____ in order to wrest back control from wholesalers.

A. production orientation
B. marketing orientation
C. labor orientation
D. cost orientation
E. process orientation

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48. Which of the following is an example of product differentiation?

A. A marketer searching for unique groups of people whose needs could be addressed through more specialized products
B. Manufacturers of electric heating appliances using advertising to slow the demand for their products
C. Marketers engaged in manipulating the supply of consumer goods to create artificial demand
D. An automobile manufacturer trying to lower the cost of production by manufacturing a small number of cars during lean periods
E. A manufacturer of cosmetics trying to portray that its brands are not only different from its competitors but also superior in terms of quality and variety

49. The American profession of advertising began when _____ set up business in Philadelphia in 1841.

A. Claude Hopkins
B. Volney B. Palmer
C. Benjamin Franklin
D. Samuel Johnson
E. Francis Ayer

50. Which of the following can be attributed to the ad agency, N. W. Ayer & Sons, set up by Francis Ayer in 1869?

A. It pioneered the use illustrations in ads.
B. It introduced the use of large headlines and considerable white space in ads.
C. It was the first ad agency to charge a commission based on the "net cost of space."
D. It introduced full color printings in magazines.
E. It published the first printed ad in English.

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51. Who among the following introduced the idea that every ad must point out the product's USP?

A. Rosser Reeves
B. Leo Burnett
C. David Ogilvy
D. Bill Bernbach
E. Claude Hopkins

52. A feature that differentiates a coffee-maker from other similar products in the market is its _____.

A. trademark
B. share of wallet
C. Q score
D. brand value
E. unique selling proposition

53. _____ refers to a process by which marketers search for unique groups of people whose needs can be addressed through more specialized products.

A. Relationship marketing
B. Demarketing
C. Action advertising
D. Branding
E. Market segmentation

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54. Which of the following strategies best describes a company's efforts to slow the demand for cigarettes through public service messages?

A. Macromarketing
B. Product positioning
C. Corrective advertising
D. Demarketing
E. Image advertising

55. A publishing company prints three monthly magazines—one each for horse breeders, adventure sports enthusiasts, and care givers—to cater to different groups of readers with varying interests. This is an instance of _____.

A. multi-level marketing
B. market segmentation
C. product differentiation
D. unique selling proposition
E. production focus

56. Which of the following is the primary objective of demarketing?

A. To separate a particular brand from its competitors by associating that brand with a particular set of customer needs that ranked high on the consumer's priority list
B. To cater to unique groups of people whose needs could be addressed through more specialized products
C. To stimulate demand for a product artificially by manipulating supply
D. To dampen demand for products, especially those that create unwanted costs for society
E. To encourage consumers to reuse products

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57. In the context of advertising, market segmentation is the process of:

A. portraying one's brands as different and better than competitors by offering quality, variety, and convenience.
B. increasing profitability through a greater sales volume obtained from new products.
C. depressing the demand for products that create unwanted costs for the society.
D. searching for unique groups of people whose needs could be addressed through more specialized products.
E. stimulating demand artificially by manipulating the supply chain.

58. A product's unique selling proposition refers to:

A. the brand loyalty it enjoys.
B. a feature that differentiates it from competitive products.
C. the unique pricing strategy used to determine the market price of the product.
D. the degree of consumer commitment toward the product and its brand.
E. the rate of usage of the product.

59. _____ is an effective way to separate a particular brand from its competitors by associating that brand with a particular set of customer needs that rank high on the consumer's priority list.

A. Visual merchandising
B. Mobile marketing
C. Positioning strategy
D. Market aggregation strategy
E. Demarketing

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60. When a soft drink company introduced a new peach-flavored drink in a market saturated with colas, it immediately found favor with health-conscious consumers. In this example, the soft drink company effectively uses _____ by associating its brand with the consumers' focus on healthy living.

A. demarketing
B. relationship marketing
C. positioning strategy
D. direct marketing
E. mobile marketing

61. Gold Sheen, a cosmetic company, introduced a new range of herbal cosmetics in a market largely dominated by non-herbal products. Aware of the growing customer concern surrounding the overuse of chemicals in beauty products, Gold Sheen's strategy was to associate its brand with long-term safety that ranked high on consumers' priority list. Which of the following strategies does Gold Sheen use in this instance?

A. Vertical integration strategy
B. Diversification strategy
C. Positioning strategy
D. Horizontal integration strategy
E. Product placement strategy

62. Which of the following is true of the postindustrial age?

A. The postindustrial age was a period of relative stability.
B. Ads asked people to use electrical appliances mostly during the day.
C. Producers of energy and energy-consuming goods used advertising to slow the demand for their products.
D. The production of energy peaked during 1970s and 1980s.
E. Demarketing lost favor as a marketing tool.

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63. Canada is a popular tourist destination. Many tourists visit the country because of its scenic beauty. This spate of visitors every year has led to the possibility of ecological disasters in the area. In response, government officials and environment protection groups are currently trying to check the number of tourists visiting the country. They could use a(n) _____ strategy to accomplish this objective.

A. diversification
B. eco marketing
C. market segmentation
D. demarketing
E. relationship marketing

64. An ad for a beer company that asks consumers to enjoy beer in moderation and not drink irresponsibly is most likely using _____.

A. conservation marketing
B. demarketing
C. trade advertising
D. green marketing
E. relationship marketing

65. After the end of the Cold War, big multinational companies and their advertising agencies went on a binge, buying other big companies. Which of the following terms describes this occurrence?

A. Divestment
B. Vertical integration
C. Horizontal integration
D. Megamerger
E. Acquisition

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66. Two related economic factors characterized the marketing world of the 1980s in the United States. One of those factors was:

A. an aging higher management, which led to a lack of innovation.
B. the growing burden of financial debt, forcing governments to return to aggressive high tax policies.
C. the implementation of affirmative action policies.
D. the aging of traditional products, with a corresponding growth in competition.
E. the rise of trade barriers such as import tariffs.

67. During the postindustrial age, a growing affluence and sophistication of the consuming public characterized the marketing world of that time period in America. This trend was led by the _____.

A. baby boomer generation
B. Generation X
C. Generation Y
D. immigrants from Latin America
E. millennials

68. Which of the following characterizes the marketing world of the postindustrial age?

A. Higher trade barriers
B. Intense competition and growing international trade
C. The decline of European ad agencies
D. An increased demand for traditional products
E. Less choices for consumers

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69. _____ created a social media company called Facebook.

A. Larry Page
B. Mark Zuckerberg
C. Charles Saatchi
D. Tom Cuniff
E. Sergey Brin

70. Who among the following developed AdWords, an advertising program for Google?

A. Saatchi and Saatchi
B. Page and Brin
C. Bates and Fitzgerald
D. Zuckerberg and Sample
E. Lasker and Hopkins

71. Which of the following statements is true of the traditional advertising industry in America in the beginning of the 1990s?

A. The traditional advertising industry suffered from overpopulation.
B. Clients were satisfied with the results from their promotional dollars.
C. The traditional advertising industry found it easiest to reach affluent consumers.
D. The traditional advertising industry was deregulated, which led to international growth.
E. The traditional advertising industry faced the greatest level of prosperity in its history during the postindustrial age.

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72. The record decline in advertising activity in America in 2001 resulted from:

A. the lack of creative thinking in advertising.
B. the declining popularity of television as a medium for the mass market.
C. a mild recession, a weak stock market, and the burst of the dot-com.
D. rapid deregulation.
E. the increasing use of the Internet as an advertising medium.

73. Typically, advertising expenditures are higher in countries with higher _____.

A. budget deficits
B. personal incomes
C. commodity prices
D. media regulations
E. inflation rates

74. Which of the following has become a recent competitor to cable and broadcast television?

A. Hulu
B. off-premise media
C. Showtime
D. Apple Watch
E. Internet of things

75. Which of the following terms accurately describes the television industry's model following the advent of numerous cable and online viewing options?

A. time shifting
B. advertainment
C. narrowcasting
D. file sharing
E. channel surfing

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76. Which of the following is the marketing imperative for the 21st century?

A. Diversification
B. Divestment
C. Customer relationship
D. Direct selling
E. Demarketing

77. In keeping with its commitment to green technology, a reputed automobile company introduced a line of luxury hybrid cars in the market. By being consistent in both what it says and does, this company is engaged in _____.

A. transactional marketing
B. direct-response marketing
C. relationship marketing
D. promotional marketing
E. social media marketing

78. By publicizing the material, social, and cultural opportunities of a free enterprise society, advertising in the United States has:

A. encouraged increased productivity.
B. encouraged demarketing.
C. discouraged relationship marketing.
D. discouraged reuse of products.
E. encouraged divestment.

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79. Which of the following is true about the impact of advertising on the society and the economy?

A. Advertising has been a major factor in eliminating price wars between global brands.
B. Advertising has been a major factor in eliminating economic inequities in the society.
C. Advertising has been a major factor in establishing cultural diversity.
D. Advertising has been a major factor in improving the standard of living in the United States and around the world.
E. Advertising has been a major factor in creating and sustaining trade monopolies in the United States and around the world.

80. In the 1970s, a new American consumer movement grew out of the widespread disillusionment following:

A. the Great Depression.
B. the Civil Rights Movement.
C. the Cold War.
D. the fall of the Berlin Wall.
E. the Vietnam War.

Short Answer Questions

81. What is the significance of information in the context of a market economy?

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82. Which is the first U.S. publication for ad profession?

83. Name the first "typefounder" who perfected a roman typeface that bears his name and is still used today.

84. In the context of early advertising, what were the benefits of the introduction of printing?

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85. How did Benjamin Franklin make ads more readable?

86. What are consumer packaged goods?

87. What was the role of Francis Ayer in the evolution of advertising in America?

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88. During the "Golden Age" of advertising, the introduction of which advertising medium helped make the advertising industry a focus of great attention?

89. What is the objective of market segmentation?

90. What marketing strategy is a company using when it tries to separate its brand of cereal breakfast by associating it with healthy living, a need that is ranked high on the consumer's priority list?

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91. Why was demarketing introduced during the postindustrial age?

Essay Questions

92. Describe the four fundamental assumptions of free-market economics.

93. List the functions and effects of advertising as a marketing tool.

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94. Write a short note on the significant events of the preindustrial age that contributed to the development of modern advertising.

95. Describe how wholesalers used advertising in the industrial age.

96. In the context of the evolution of advertising in America, describe the significant events of the industrial age.

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97. Write a short note on the nature of the market in the industrial age in the United States.

98. What is meant by the USP of a product? Why did American advertisers introduce the idea during the "Golden Age" of advertising?

99. List the two economic factors that best characterize the marketing world during the postindustrial age.

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100. Explain the following statement: "As a social force, advertising has been a major factor in improving the standard of living in the United States."

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Chapter 02 The Big Picture: The Evolution of Advertising and IMC

Answer Key

True / False Questions

1. Economics has created the need for advertising and has made it a staple of the free enterprise system.

   TRUE

   Economics has created the need for advertising and has made it a staple of the free enterprise system.

   AACSB: Analytical Thinking
   Accessibility: Keyboard Navigation
   Blooms: Remember
   Difficulty: 1 Easy
   Learning Objective: 02-01 Explain the role of competition in free-market economics.
   Topic: Advertising in a Capitalistic Society

2. A market economy is characterized by two assumptions: the interest of the community and the presence of externalities.

   FALSE

   A market economy is characterized by four assumptions: self-interest, complete information, many buyers and sellers, and absence of externalities (social costs).

   AACSB: Analytical Thinking
   Accessibility: Keyboard Navigation
   Blooms: Remember
   Difficulty: 1 Easy
   Learning Objective: 02-01 Explain the role of competition in free-market economics.
   Topic: Advertising in a Capitalistic Society

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3. Open competition between self-interested sellers advertising to self-interested buyers leads to greater product availability at more competitive prices.

TRUE

Open competition between self-interested sellers advertising to self-interested buyers naturally leads to greater product availability at more competitive prices.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Explain the role of competition in free-market economics.
Topic: Advertising in a Capitalistic Society

4. The sale or consumption of products rarely benefits or harms other people who are not involved in the transaction and who did not pay for the product.

FALSE

Sometimes the sale or consumption of products may benefit or harm other people who are not involved in the transaction and did not pay for the product.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Explain the role of competition in free-market economics.
Topic: Advertising in a Capitalistic Society

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5. The assumptions characterizing a market economy describe an ideal economy, not one that actually exists.

TRUE

The four assumptions of self-interest, complete information, many buyers and sellers, and absence of externalities, that characterize a market economy describe an ideal economy, not one that actually exists.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Explain the role of competition in free-market economics.
Topic: Advertising in a Capitalistic Society

6. The most significant function of advertising is to lower the overall cost of sales.

TRUE

The most significant function of advertising is to lower the overall cost of sales.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Discuss the functions advertising performs in a free market.
Topic: Advertising in a Capitalistic Society

7. In a free-market economy, when one company starts making significant profits, other companies immediately jump in to compete.

TRUE

In a free-market economy, when one company starts to make significant profits, other companies immediately jump in to compete.

AACSB: Analytical Thinking

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Discuss the functions advertising performs in a free market.
Topic: Advertising in a Capitalistic Society

8. Messages aimed to encourage trade were unheard of in pre-industrial societies.

FALSE

Thousands of years ago, most human effort was devoted to meeting basic survival needs: food, clothing, and shelter. There were no mass media available for possible advertisers to use. Nevertheless, archaeologists have found evidence of messages meant to encourage trade among the Babylonians dating back as far as 3000 BC.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

9. Benjamin Franklin was the first American known to use illustrations in ads.

TRUE

Benjamin Franklin was the first American known to use illustrations in ads.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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10. The emergence of urban markets following the Industrial Revolution hindered the growth of advertising.

FALSE

In the mid-1700s, the Industrial Revolution began in England, and by the early 1800s it had reached North America. As people left the farm to work in the city, mass urban markets began to emerge, further fueling market development and the growth of advertising.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

11. The advertising industry existed before the industrial age.

FALSE

Ads were created prior to the industrial age, but it was not until this period that it can be said that an advertising industry existed anywhere in the world.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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12. The American profession of advertising began when Volney B. Palmer set up business in Philadelphia in 1841.

TRUE

The American profession of advertising began when Volney B. Palmer set up business in Philadelphia in 1841.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

13. A. C. Nielsen produced the earliest catalogs, bringing a wide variety of products to new, rural markets.

FALSE

Montgomery Ward and Sears Roebuck produced the earliest catalogs, bringing a wide variety of products to new, rural markets.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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14. A vodka company using the slogan "Spirit for the Spirited" in order to enhance the appeal of its brand is using product differentiation.

TRUE

Manufacturers follow the strategy of product differentiation, seeking to portray their brands as different from and better than the competition by offering consumers quality, variety, and convenience.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

15. A product's unique selling point is a feature that differentiates it from competitive products.

TRUE

Rosser Reeves of the Ted Bates Agency introduced the idea that every ad must point out the product's USP (unique selling proposition) — features that differentiate it from competitive products.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

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16. Market segmentation is a process by which manufacturers seek to portray their brands as different from and better than the competition by offering consumers quality, variety, and convenience.

FALSE

Market segmentation is a process by which marketers searched for unique groups of people whose needs could be addressed through more specialized products.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

17. Demarketing is used by marketers primarily to identify unique groups of people whose needs can be addressed through more specialized products.

FALSE

Demarketing is used to dampen demand for products, especially those that create unwanted costs for society.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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18. A megamerger occurs when big multinational companies buy other big companies in order to expand globally.

TRUE

To expand globally, big multinational companies and their advertising agencies went on a binge during the postindustrial age, buying other big companies and creating a new word in the financial lexicon: megamerger.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

19. Beginning around 1980, the postindustrial age has been a period of relative stability.

FALSE

Beginning around 1980, the postindustrial age has been a period of cataclysmic change.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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20. The marketing world of the postindustrial age was characterized by competition intensified by lower trade barriers and growing international trade.

TRUE

The most important economic factor that characterized the marketing world of the postindustrial age was competition, intensified by lower trade barriers and growing international trade.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

21. Larry Page and Sergey Brin developed AdWords, an advertising program, that eventually generated billions in profits.

TRUE

Larry Page and Sergey Brin, two Stanford grad students, developed AdWords, an advertising program for their search engine, Google, that eventually generated billions in profits.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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22. The importance of advertising in individual countries depends on the country's level of development and national attitude toward promotion.

TRUE

The importance of advertising in individual countries depends on the country's level of development and national attitude toward promotion. Typically, advertising expenditures are higher in countries with higher personal incomes.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Discuss how the role of advertising has changed in recent years.
Topic: History of Advertising

23. Small companies and product marketers that appeal to a limited clientele use TV to reach audiences with unique interests.

TRUE

Small companies and product marketers that appeal to a limited clientele use TV to reach audiences with unique interests.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Discuss how the role of advertising has changed in recent years.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

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24. Advertising has been a major factor in improving the standard of living in the United States and around the world.

TRUE

Advertising has been a major factor in improving the standard of living in the United States and around the world.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Explore the impact of advertising on society yesterday, today, and tomorrow.
Topic: Advertising in a Capitalistic Society

25. Advertising helps create personalities for products in the market.

TRUE

You can also make a statement about yourself as an individual with the vehicle you purchase. As with many products, advertising has created a personality for each automobile model on the market.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Explore the impact of advertising on society yesterday, today, and tomorrow.
Topic: Advertising in a Capitalistic Society

Multiple Choice Questions

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26. Which of the following is an assumption that characterizes a free-market economy?

A. Presence of externalities
B. Few buyers and sellers
C. Self-interest
D. Greater involvement of the government
E. Emphasis on communal goals

A market economy is characterized by four assumptions: self-interest, complete information, many buyers and sellers, and absence of externalities (social costs).

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Explain the role of competition in free-market economics.
Topic: Advertising in a Capitalistic Society

27. Which of the following is true of a market economy?

A. The government determines what and how much is produced and consumed.
B. Firms and households rarely interact in the marketplace.
C. Open competition between self-interested sellers advertising to self-interested buyers adversely affects product availability.
D. The role of information is negligible with regard to buying decisions.
E. People and firms pursue their own goals.

People and firms pursue their own goals. By nature, people are acquisitive. They always want more—for less. Open competition between self-interested sellers marketing to self-interested buyers naturally leads to greater product availability at more competitive prices.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Explain the role of competition in free-market economics.

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Topic: Advertising in a Capitalistic Society

28. Which of the following refers to an externality associated with the purchase of firearms?

A. An increase in the rate of crime
B. An increase in the popularity of shooting sports
C. Easy availability of cheap, after-sales service of firearms
D. Enhanced personal security
E. An increase in exports of firearms

Externalities are social costs that are the result of a purchase. Sometimes the sale or consumption products may benefit or harm other people who are not involved in the transaction and didn't pay for the product.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Explain the role of competition in free-market economics.
Topic: Advertising in a Capitalistic Society

29. Which of the following functions does advertising serve as a marketing tool?

A. Withhold information about products and the place of sale
B. Discourage reuse of products
C. Increase the overall cost of sales
D. Increase the use of products
E. Create and sustain market monopolies

The functions and effects of advertising as a marketing tool are: to identify products and differentiate them from others, to communicate information about the product, its features, and its place of sale, to induce consumers to try new products and to suggest reuse, to stimulate the distribution of a product, to increase product use, to build value, brand preference, and loyalty, and to lower the overall cost of sales.

AACSB: Analytical Thinking

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Discuss the functions advertising performs in a free market.
Topic: Advertising in a Capitalistic Society

30. Which of the following is a basic function of branding?

A. To ensure that all products are offered at everyday low prices
B. To identify products and differentiate them from others
C. To dampen the demand for unwanted products
D. To search for unique groups of people with special product needs
E. To impede the distribution of products

The most basic function of branding as well as advertising is to identify products and their source and to differentiate them from others.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Discuss the functions advertising performs in a free market.
Topic: Advertising in a Capitalistic Society

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31. Which of the following is a benefit provided to a company by strong brands?

A. They tend to trigger price wars.
B. They eliminate the chance of failure for new products completely.
C. They garner consumer loyalty.
D. They encourage customers to choose products from different companies.
E. They ensure uniform pricing versus competitors.

The benefits provided to a company by strong brands are these: they allow for premium pricing versus competitors, they afford protection against price wars, they allow for a greater chance a new product will succeed, they afford leverage in negotiating with channel partners, they make companies more attractive to co-branding partners, they help companies more effectively deal with a brand crisis, they help companies recruit top talent, and they garner consumer loyalty.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Understand the importance of branding, including the benefits that strong brands offer companies.
Topic: Positive Outcomes from Enhancing Brand Equity

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32. During the _____, the Chinese invented paper and Gutenberg invented the printing press in Germany.

A. preindustrial age
B. Industrial Revolution
C. information revolution
D. industrial age
E. postindustrial age

During the preindustrial age, several important events contributed to the eventual development of modern advertising. The Chinese invented paper and Europe had its first paper mill by 1275. Around 1439, Johannes Gutenberg invented the printing press in Germany.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

33. Until the advent of public schooling in America, many advertisements took the form of signs with symbols, such as a beer tankard indicating a tavern, because:

A. most people were illiterate and could not read.
B. the advertisers could not afford to produce sophisticated advertisements.
C. there were laws prohibiting advertising in newspapers and handbills.
D. the Church would not approve of any other form of advertising.
E. such advertisements promoted puffery.

Until the advent of public schooling, most people couldn't read—so signs featured symbols of the goods or services for sale.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

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Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

34. Which famous English literary figure's observation that advertisements were so numerous that they were "negligently perused" and that it had become necessary to gain attention "by magnificence of promise", led to the beginning of puffery in advertising?

A. Samuel Pepys
B. Nicholas Rowe
C. William Congreve
D. John Dennis
E. Samuel Johnson

Samuel Johnson, a famous English literary figure, observed in 1758 that advertisements were now so numerous that they were "negligently perused" and that it had become necessary to gain attention "by magnificence of promise." This was the beginning of puffery in advertising.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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35. Which of the following products was advertised in the first ad in English that appeared in 1472?

A. A plow
B. A farm animal
C. A prayer book
D. A religious service
E. A country tavern

In 1472, the first ad in English appeared: a handbill tacked on church doors in London announcing a prayer book for sale.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

36. In the context of early advertising, the invention of the _____ made advertising via posters, handbills, and signs possible.

A. quill pen
B. printing press
C. silk screen
D. lead molding machine
E. steam engine

The printing press made possible the early instances of advertising—posters, handbills, and signs—and, eventually, the first mass medium—the newspaper.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.

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Topic: History of Advertising

37. In the industrial age, fresh mass markets developed for new and inexpensive brands of luxury and convenience goods called _____.

A. pure public goods
B. business goods
C. consumer packaged goods
D. intermediate goods
E. common goods

As the U.S. industry met the basic needs of most of the population, commodity markets became saturated. Fresh mass markets then developed for the new, inexpensive brands of consumer luxury and convenience goods called consumer packaged goods.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

38. Who among the following is regarded as the father of advertising art and was the first American known to use illustrations in ads?

A. Benjamin Franklin
B. Johannes Gutenberg
C. Samuel Johnson
D. Samuel Pepys
E. Marcel Bleustein-Blanchet

Benjamin Franklin, the father of advertising art, made ads more readable by using large headlines and considerable white space. In fact, Franklin was the first American known to use illustrations in ads.

AACSB: Analytical Thinking

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

39. An ad in a fitness magazine offered a 30-day, free, at-home trial of an exercise bicycle with free shipping, and the option of returning the bicycle if the customer was not satisfied with it. The primary function of the ad was to:

A. control competitive pricing practices.
B. establish exclusive distribution rights for the bicycle.
C. communicate the company's quality mission.
D. induce consumers to try the bicycle.
E. communicate information about the bicycle's after-sale service.

One of the functions and effects of using advertising as a marketing tool is to induce customers to try new products and to suggest reuse.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Discuss the functions advertising performs in a free market.
Topic: Advertising in a Capitalistic Society

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40. The industrial age started during:

A. the second half of the 16th century.
B. the second half of the 15th century.
C. the second half of the 19th century.
D. the second half of the 20th century.
E. the second half of the 17th century.

The industrial age started during the second half of the 19th century and lasted well into the 20th century.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

41. Which of the following statements most accurately describes the role of manufacturers during the 1800s?

A. Manufacturers were responsible for marketing their products.
B. Manufacturers stimulated consumer demand through mass media advertising.
C. Manufacturers were primarily responsible for keeping retailers informed about the sources of supply and shipping schedules for commodities.
D. Manufacturers were principally concerned with production.
E. Manufacturers were principally concerned with segmenting markets for their products.

During the 1800s, manufacturers were principally concerned with production. The burden of marketing fell on wholesalers, who used advertising primarily as an information vehicle. Ads appeared in publications called price currents that informed retailers about the sources of supply and shipping schedules for commodities.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember

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Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

42. During the 1800s, wholesalers placed ads in publications called _____ that informed retailers about the sources of supply and shipping schedules for commodities.

A. supply currents
B. demand currents
C. price currents
D. puff pieces
E. sales pitches

During the 1800s, manufacturers were principally concerned with production. The burden of marketing fell on wholesalers, who used advertising primarily as an information vehicle. Ads appeared in publications called price currents that informed retailers about the sources of supply and shipping schedules for commodities.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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43. Which American hired the first full-time agency copywriter in the industrial age?

A. Claude Hopkins
B. Francis Ayer
C. A. C. Nielsen
D. Albert Lasker
E. Volney B. Palmer

In 1869, Francis Ayer formed an ad agency in Philadelphia and named it after his father. In 1892, Ayer set up a copy department and hired the first full-time agency copywriter.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

44. During the Great Depression in America, each brand sought to convince the public of its own special qualities. What is this marketing strategy known as?

A. Production focus
B. Demarketing
C. Product differentiation
D. Puffery
E. Market segmentation

During the Great Depression in America, each brand sought to convince the public of its own special qualities. Manufacturers followed this strategy of product differentiation vigorously, seeking to portray their brands as different from and better than the competition by offering consumers quality, variety, and convenience.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

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Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

45. Which of the following historical events in the first half of the 20th century caused advertising expenditures to plummet in America?

A. Germany's defeat in World War I
B. The Fairbanks Gold Rush
C. The stock market crash on October 29, 1929
D. The Bolshevik Revolution
E. The introduction of a new system of consumer credit

On October 29, 1929, the stock market crashed, the Great Depression began, and advertising expenditures plummeted. In the face of declining sales and corporate budget cutting, the advertising industry needed to improve its effectiveness.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

46. Scientific Advertising, the bible of the era of salesmanship in the 1920s, was written by _____.

A. Johannes Gutenberg
B. Benjamin Franklin
C. Claude Hopkins
D. Volney B. Palmer
E. Francis Ayer

In the 1920s, the era of salesmanship had arrived and its bible was Scientific Advertising, written by the legendary copywriter Claude Hopkins at Albert Lasker's agency, Lord & Thomas.

AACSB: Analytical Thinking

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

47. During the 19th century, manufacturers changed their focus to _____ in order to wrest back control from wholesalers.

A. production orientation
B. marketing orientation
C. labor orientation
D. cost orientation
E. process orientation

During the 19th century, wholesalers controlled the marketing process because they distributed the manufacturers' unbranded commodity products. When those markets became saturated, though, the wholesalers started playing one manufacturer off against another. This hurt manufacturers' profits dramatically, so they started looking for ways to wrest back control. The manufacturers changed their focus from a production orientation to a marketing orientation. They dedicated themselves to new product development, strengthened their own sales forces, packaged and branded their products, and engaged in heavy national brand advertising.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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48. Which of the following is an example of product differentiation?

A. A marketer searching for unique groups of people whose needs could be addressed through more specialized products
B. Manufacturers of electric heating appliances using advertising to slow the demand for their products
C. Marketers engaged in manipulating the supply of consumer goods to create artificial demand
D. An automobile manufacturer trying to lower the cost of production by manufacturing a small number of cars during lean periods
E. A manufacturer of cosmetics trying to portray that its brands are not only different from its competitors but also superior in terms of quality and variety

By following the strategy of product differentiation, manufacturers seek to portray their brands as different from and better than the competition by offering consumers quality, variety, and convenience.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

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49. The American profession of advertising began when _____ set up business in Philadelphia in 1841.

A. Claude Hopkins
B. Volney B. Palmer
C. Benjamin Franklin
D. Samuel Johnson
E. Francis Ayer

The American profession of advertising began when Volney B. Palmer set up business in Philadelphia in 1841.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

50. Which of the following can be attributed to the ad agency, N. W. Ayer & Sons, set up by Francis Ayer in 1869?

A. It pioneered the use illustrations in ads.
B. It introduced the use of large headlines and considerable white space in ads.
C. It was the first ad agency to charge a commission based on the "net cost of space."
D. It introduced full color printings in magazines.
E. It published the first printed ad in English.

In 1869, Francis Ayer formed an ad agency in Philadelphia and named it after his father. N. W. Ayer & Sons was the first agency to charge a commission based on the "net cost of space" and the first to conduct a formal market survey.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

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Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

51. Who among the following introduced the idea that every ad must point out the product's USP?

A. Rosser Reeves
B. Leo Burnett
C. David Ogilvy
D. Bill Bernbach
E. Claude Hopkins

Rosser Reeves of the Ted Bates Agency introduced the idea that every ad must point out the product's USP (unique selling proposition)—features that differentiate it from competitive products.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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52. A feature that differentiates a coffee-maker from other similar products in the market is its _____.

A. trademark
B. share of wallet
C. Q score
D. brand value
E. unique selling proposition

Rosser Reeves of the Ted Bates Agency introduced the idea that every ad must point out the product's USP (unique selling proposition)—features that differentiate it from competitive products. The USP was a logical extension of the Lasker and Hopkins "reason why" credo.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

53. _____ refers to a process by which marketers search for unique groups of people whose needs can be addressed through more specialized products.

A. Relationship marketing
B. Demarketing
C. Action advertising
D. Branding
E. Market segmentation

Market segmentation refers to a process by which marketers search for unique groups of people whose needs can be addressed through more specialized products.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember

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Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

54. Which of the following strategies best describes a company's efforts to slow the demand for cigarettes through public service messages?

A. Macromarketing
B. Product positioning
C. Corrective advertising
D. Demarketing
E. Image advertising

Demarketing is used to dampen demand for products, especially those that create unwanted costs for society.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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55. A publishing company prints three monthly magazines—one each for horse breeders, adventure sports enthusiasts, and care givers—to cater to different groups of readers with varying interests. This is an instance of _____.

A. multi-level marketing
B. market segmentation
C. product differentiation
D. unique selling proposition
E. production focus

Market segmentation is a process by which marketers search for unique groups of people whose needs could be addressed through more specialized products.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

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56. Which of the following is the primary objective of demarketing?

A. To separate a particular brand from its competitors by associating that brand with a particular set of customer needs that ranked high on the consumer's priority list
B. To cater to unique groups of people whose needs could be addressed through more specialized products
C. To stimulate demand for a product artificially by manipulating supply
D. To dampen demand for products, especially those that create unwanted costs for society
E. To encourage consumers to reuse products

Demarketing is used to dampen demand for products, especially those that create unwanted costs for society. This public service message uses the metaphor of a fish hook to convey the dangerous addictive qualities of alcohol.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

57. In the context of advertising, market segmentation is the process of:

A. portraying one's brands as different and better than competitors by offering quality, variety, and convenience.
B. increasing profitability through a greater sales volume obtained from new products.
C. depressing the demand for products that create unwanted costs for the society.
D. searching for unique groups of people whose needs could be addressed through more specialized products.
E. stimulating demand artificially by manipulating the supply chain.

In the context of advertising, market segmentation is the process of searching for unique groups of people whose needs could be addressed through more specialized products.

AACSB: Analytical Thinking

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Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

58. A product's unique selling proposition refers to:

A. the brand loyalty it enjoys.
B. a feature that differentiates it from competitive products.
C. the unique pricing strategy used to determine the market price of the product.
D. the degree of consumer commitment toward the product and its brand.
E. the rate of usage of the product.

Rosser Reeves of the Ted Bates Agency introduced the idea that every ad must point out the product's USP (unique selling proposition) — features that differentiate it from competitive products.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

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59. _____ is an effective way to separate a particular brand from its competitors by associating that brand with a particular set of customer needs that rank high on the consumer's priority list.

A. Visual merchandising
B. Mobile marketing
C. Positioning strategy
D. Market aggregation strategy
E. Demarketing

Positioning strategy has proved to be an effective way to separate a particular brand from its competitors by associating that brand with a particular set of customer needs that ranked high on the consumer's priority list.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

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60. When a soft drink company introduced a new peach-flavored drink in a market saturated with colas, it immediately found favor with health-conscious consumers. In this example, the soft drink company effectively uses _____ by associating its brand with the consumers' focus on healthy living.

A. demarketing
B. relationship marketing
C. positioning strategy
D. direct marketing
E. mobile marketing

A positioning strategy is an effective way to separate a particular brand from its competitors by associating that brand with a particular set of customer needs that rank high on the consumer's priority list.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

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61. Gold Sheen, a cosmetic company, introduced a new range of herbal cosmetics in a market largely dominated by non-herbal products. Aware of the growing customer concern surrounding the overuse of chemicals in beauty products, Gold Sheen's strategy was to associate its brand with long-term safety that ranked high on consumers' priority list. Which of the following strategies does Gold Sheen use in this instance?

A. Vertical integration strategy
B. Diversification strategy
C. Positioning strategy
D. Horizontal integration strategy
E. Product placement strategy

Positioning strategy is an effective way to separate a particular brand from its competitors by associating that brand with a particular set of customer needs that ranked high on the consumer's priority list.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

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62. Which of the following is true of the postindustrial age?

A. The postindustrial age was a period of relative stability.
B. Ads asked people to use electrical appliances mostly during the day.
C. Producers of energy and energy-consuming goods used advertising to slow the demand for their products.
D. The production of energy peaked during 1970s and 1980s.
E. Demarketing lost favor as a marketing tool.

Beginning around 1980, the postindustrial age has been a period of cataclysmic change. Citizens became increasingly aware of the sensitive environment in which we live and alarmed by our dependence on vital natural resources. Acute energy shortages of the 1970s and 1980s introduced a new marketing term, demarketing. Producers of energy and energy-consuming goods used advertising to slow the demand for their products. Ads asked people to refrain from operating washers and dryers during the day when the demand for electricity peaked.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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63. Canada is a popular tourist destination. Many tourists visit the country because of its scenic beauty. This spate of visitors every year has led to the possibility of ecological disasters in the area. In response, government officials and environment protection groups are currently trying to check the number of tourists visiting the country. They could use a(n) _____ strategy to accomplish this objective.

A. diversification
B. eco marketing
C. market segmentation
D. demarketing
E. relationship marketing

Demarketing is used to slow down the demand for certain products, especially those that create unwanted costs for society.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

64. An ad for a beer company that asks consumers to enjoy beer in moderation and not drink irresponsibly is most likely using _____.

A. conservation marketing
B. demarketing
C. trade advertising
D. green marketing
E. relationship marketing

Demarketing is a type of marketing used to slow the demand for products, especially those that create unwanted costs for society.

AACSB: Reflective Thinking

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Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

65. After the end of the Cold War, big multinational companies and their advertising agencies went on a binge, buying other big companies. Which of the following terms describes this occurrence?

A. Divestment
B. Vertical integration
C. Horizontal integration
D. Megamerger
E. Acquisition

To expand globally, big multinational companies and their advertising agencies went on a binge, buying other big companies and creating a new word in the financial lexicon: megamerger.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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66. Two related economic factors characterized the marketing world of the 1980s in the United States. One of those factors was:

A. an aging higher management, which led to a lack of innovation.
B. the growing burden of financial debt, forcing governments to return to aggressive high tax policies.
C. the implementation of affirmative action policies.
D. the aging of traditional products, with a corresponding growth in competition.
E. the rise of trade barriers such as import tariffs.

Two related economic factors characterized the marketing world of the postindustrial age: (1) the aging of traditional products, with a corresponding growth in competition, and (2) the growing affluence and sophistication of the consuming public, led by the huge baby boomer generation.

AACSB: Analytical Thinking
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Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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67. During the postindustrial age, a growing affluence and sophistication of the consuming public characterized the marketing world of that time period in America. This trend was led by the _____.

A. baby boomer generation
B. Generation X
C. Generation Y
D. immigrants from Latin America
E. millennials

Two related economic factors characterized the marketing world of the postindustrial age: (1) the aging of traditional products, with a corresponding growth in competition, and (2) the growing affluence and sophistication of the consuming public, led by the huge baby boomer generation.

AACSB: Analytical Thinking
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Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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68. Which of the following characterizes the marketing world of the postindustrial age?

A. Higher trade barriers
B. Intense competition and growing international trade
C. The decline of European ad agencies
D. An increased demand for traditional products
E. Less choices for consumers

Two related economic factors characterized the marketing world of the postindustrial age are: (1) the aging of traditional products, with a corresponding growth in competition, and (2) the growing affluence and sophistication of the consuming public, led by the huge baby boomer generation.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

69. _____ created a social media company called Facebook.

A. Larry Page
B. Mark Zuckerberg
C. Charles Saatchi
D. Tom Cuniff
E. Sergey Brin

Mark Zuckerberg dropped out of Harvard, headed west, and named his new social media company Facebook.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.

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Topic: History of Advertising

70. Who among the following developed AdWords, an advertising program for Google?

A. Saatchi and Saatchi
B. Page and Brin
C. Bates and Fitzgerald
D. Zuckerberg and Sample
E. Lasker and Hopkins

Larry Page and Sergey Brin, two Stanford grad students, developed AdWords, an advertising program for their search engine, Google, that eventually generated billions in profits.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

71. Which of the following statements is true of the traditional advertising industry in America in the beginning of the 1990s?

A. The traditional advertising industry suffered from overpopulation.
B. Clients were satisfied with the results from their promotional dollars.
C. The traditional advertising industry found it easiest to reach affluent consumers.
D. The traditional advertising industry was deregulated, which led to international growth.
E. The traditional advertising industry faced the greatest level of prosperity in its history during the postindustrial age.

As the 1990s unfolded, the traditional advertising industry found itself threatened on all sides and suffering from overpopulation.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember

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Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

72. The record decline in advertising activity in America in 2001 resulted from:

A. the lack of creative thinking in advertising.
B. the declining popularity of television as a medium for the mass market.
C. a mild recession, a weak stock market, and the burst of the dot-com.
D. rapid deregulation.
E. the increasing use of the Internet as an advertising medium.

In 2001, the combination of a mild recession, a stock market decline, and the bust of the dot-coms contributed to a record decline in advertising activity.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

73. Typically, advertising expenditures are higher in countries with higher _____.

A. budget deficits
B. personal incomes
C. commodity prices
D. media regulations
E. inflation rates

Typically, advertising expenditures are higher in countries with higher personal incomes.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Discuss how the role of advertising has changed in recent years.

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Topic: History of Advertising

74. Which of the following has become a recent competitor to cable and broadcast television?

A. Hulu
B. off-premise media
C. Showtime
D. Apple Watch
E. Internet of things

Consumers are cutting their cables to watch TV via the Web on such popular services as Netflix, Hulu, and Amazon Prime. This trend has proven so strong that as of 2015, both HBO and Showtime, which have operated as premium cable channels since their inceptions, have made their services available outside of cable to Internet viewers.

AACSB: Technology
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Discuss how the role of advertising has changed in recent years.
Topic: History of Advertising

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75. Which of the following terms accurately describes the television industry's model following the advent of numerous cable and online viewing options?

A. time shifting
B. advertainment
C. narrowcasting
D. file sharing
E. channel surfing

Widespread availability of cable TV and satellite receivers allows viewers to watch channels devoted to single types of programming, such as straight news, home shopping, sports, or comedy. This shift transformed television from the most widespread of mass media to a more specialized, "narrowcasting" medium. Small companies and product marketers that appeal to a limited clientele use TV to reach audiences with unique interests.

AACSB: Technology
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Discuss how the role of advertising has changed in recent years.
Topic: History of Advertising

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76. Which of the following is the marketing imperative for the 21st century?

A. Diversification
B. Divestment
C. Customer relationship
D. Direct selling
E. Demarketing

In the global marketplace, the most important asset of companies is their customer and the relationship they have with that person or organization. Protecting that asset is the marketing imperative for the 21st century. In an effort to do a better job of relationship marketing, companies understand that they must be consistent in both what they say and what they do.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Discuss how the role of advertising has changed in recent years.
Topic: History of Advertising

77. In keeping with its commitment to green technology, a reputed automobile company introduced a line of luxury hybrid cars in the market. By being consistent in both what it says and does, this company is engaged in _____.

A. transactional marketing
B. direct-response marketing
C. relationship marketing
D. promotional marketing
E. social media marketing

In relationship marketing, companies understand that they must be consistent in both what they say and what they do.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply

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Difficulty: 2 Medium
Learning Objective: 02-05 Discuss how the role of advertising has changed in recent years.
Topic: History of Advertising

78. By publicizing the material, social, and cultural opportunities of a free enterprise society, advertising in the United States has:

A. encouraged increased productivity.
B. encouraged demarketing.
C. discouraged relationship marketing.
D. discouraged reuse of products.
E. encouraged divestment.

Advertising has been a major factor in improving the standard of living in the United States and around the world. By publicizing the material, social, and cultural opportunities of a free enterprise society, advertising has encouraged increased productivity by both management and labor.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Explore the impact of advertising on society yesterday, today, and tomorrow.
Topic: Advertising in a Capitalistic Society

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79. Which of the following is true about the impact of advertising on the society and the economy?

A. Advertising has been a major factor in eliminating price wars between global brands.
B. Advertising has been a major factor in eliminating economic inequities in the society.
C. Advertising has been a major factor in establishing cultural diversity.
D. Advertising has been a major factor in improving the standard of living in the United States and around the world.
E. Advertising has been a major factor in creating and sustaining trade monopolies in the United States and around the world.

Advertising has been a major factor in improving the standard of living in the United States and around the world.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Explore the impact of advertising on society yesterday, today, and tomorrow.
Topic: Advertising in a Capitalistic Society

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80. In the 1970s, a new American consumer movement grew out of the widespread disillusionment following:

A. the Great Depression.
B. the Civil Rights Movement.
C. the Cold War.
D. the fall of the Berlin Wall.
E. the Vietnam War.

In the 1970s, a new American consumer movement grew out of the widespread disillusionment following the Kennedy assassination, the Vietnam War, the Watergate scandals, and the sudden shortage of vital natural resources—all communicated instantly to the world via new satellite technology.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Explore the impact of advertising on society yesterday, today, and tomorrow.
Topic: Advertising in a Capitalistic Society

Short Answer Questions

81. What is the significance of information in the context of a market economy?

Buyers make better decisions when they have more information about the products they can choose from. Sellers can also more efficiently find consumers of their goods by providing information about what they sell.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy

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Learning Objective: 02-01 Explain the role of competition in free-market economics.
Topic: Advertising in a Capitalistic Society

82. Which is the first U.S. publication for ad profession?

Printers' Ink is the first U.S. publication for ad profession.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

83. Name the first "typefounder" who perfected a roman typeface that bears his name and is still used today.

The first "typefounder" who perfected a roman typeface that bears his name and is still used today is Claude Garamond.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

84. In the context of early advertising, what were the benefits of the introduction of printing?

The introduction of printing allowed facts to be established, substantiated, recorded, and transported. Movable letters provided the flexibility to print in local dialects. This new technology made possible the early instances of advertising—posters, handbills, and signs—and, eventually, the first mass medium—the newspaper.

AACSB: Analytical Thinking

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Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

85. How did Benjamin Franklin make ads more readable?

Benjamin Franklin, the father of advertising art, made ads more readable by using large headlines and considerable white space.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

86. What are consumer packaged goods?

The industrial age started during the second half of the 19th century and lasted well into the 20th. As the U.S. industry met the basic needs of much of the population, commodity markets became saturated. Fresh mass markets then developed for the new, inexpensive brands of consumer luxury and convenience goods called consumer packaged goods.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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87. What was the role of Francis Ayer in the evolution of advertising in America?

In 1869, Francis Ayer formed an ad agency in Philadelphia and named it after his father. N. W. Ayer & Sons was the first agency to charge a commission based on the "net cost of space" and the first to conduct a formal market survey. Ayer became the first ad agency to operate as agencies do today—planning, creating, and executing complete ad campaigns in exchange for media-paid commissions or fees from advertisers. In 1892, Ayer set up a copy department and hired the first full-time agency copywriter.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

88. During the "Golden Age" of advertising, the introduction of which advertising medium helped make the advertising industry a focus of great attention?

During the golden age of advertising, the introduction of television helped make the advertising industry a focus of great attention, which led to both acclaim and criticism.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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Contemporary Advertising and Integrated Marketing Communications 15th edition Arens Test Bank

89. What is the objective of market segmentation?

The objective of market segmentation is to address the needs of unique groups of people through more specialized products.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

90. What marketing strategy is a company using when it tries to separate its brand of cereal breakfast by associating it with healthy living, a need that is ranked high on the consumer's priority list?

The company is using positioning strategy by associating its brand with benefits that are important to consumers.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: The Role of Target Marketing, Market Segmentation, and Positioning in an Integrated Marketing Communications Program

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91. Why was demarketing introduced during the postindustrial age?

Beginning around 1980, the postindustrial age has been a period of cataclysmic change. Citizens became increasingly aware of the sensitive environment in which we live and alarmed by our dependence on vital natural resources. Acute energy shortages of the 1970s and 1980s introduced a new marketing term, demarketing. Producers of energy and energy-consuming goods used advertising to slow the demand for their products. Ads asked people to refrain from operating washers and dryers during the day when the demand for electricity peaked.

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

Essay Questions

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92. Describe the four fundamental assumptions of free-market economics.

A market economy is characterized by four assumptions: (1) Self-interest: People and firms pursue their own goals. By nature, people are acquisitive. They always want more—for less. Open competition between self-interested sellers advertising to self-interested buyers naturally leads to greater product availability at more competitive prices. (2) Complete information: Buyers make better decisions when they have more information about the products they can choose from. Sellers can also more efficiently find consumers of their goods by providing information about what they sell. (3) Many buyers and sellers: Having many sellers ensures that if one does not meet customer needs, another will capitalize on the situation by producing a better product. Similarly, a wide range of buyers ensures that sellers can find customers interested in the unique products they are able to produce at a fair price. (4) Absence of externalities (social costs): Sometimes the sale or consumption products may benefit or harm other people who are not involved in the transaction and didn't pay for the product. In these cases, government may use taxation and/or regulation to compensate for or eliminate the externalities.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Explain the role of competition in free-market economics.
Topic: Advertising in a Capitalistic Society

93. List the functions and effects of advertising as a marketing tool.

The functions and effects of advertising as a marketing tool are: (1) to identify products and differentiate them from others, (2) to communicate information about the product, its features, and its location of sale, (3) to induce consumers to try new products and to suggest reuse, (4) to stimulate the distribution of a product, (5) to increase product use, (6) to build value, brand preference, and loyalty, and (7) to lower the overall cost of sales.

AACSB: Analytical Thinking
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Difficulty: 1 Easy

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Learning Objective: 02-02 Discuss the functions advertising performs in a free market.
Topic: Advertising in a Capitalistic Society

94. Write a short note on the significant events of the preindustrial age that contributed to the development of modern advertising.

During the preindustrial age, several important events contributed to the eventual development of modern advertising. The Chinese invented paper and Europe had its first paper mill by 1275. Around 1439, Johannes Gutenberg invented the printing press in Germany.
Some entrepreneurs bought printing presses, mounted them in wagons, and traveled from town to town selling printing. This new technology made possible the early instances of advertising—posters, handbills, and signs—and, eventually, the first mass medium—the newspaper.
In 1472, the first ad in English appeared: a handbill tacked on church doors in London announcing a prayer book for sale. Two hundred years later the first newspaper ad was published, offering a reward for the return of 12 stolen horses. Soon newspapers carried ads for coffee, chocolate, tea, real estate, medicines, and even personal ads. These early ads were still directed to a very limited number of people: the customers of the coffeehouses where most newspapers were read.
Samuel Johnson, a famous English literary figure, observed in 1758 that advertisements were now so numerous that they were "negligently perused" and that it had become necessary to gain attention "by magnificence of promise." This was the beginning of puffery in advertising.
In the colonies, the Boston Newsletter began carrying ads in 1704. About 25 years later, Benjamin Franklin, the father of advertising art, made ads more readable by using large headlines and considerable white space. In fact, Franklin was the first American known to use illustrations in ads.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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95. Describe how wholesalers used advertising in the industrial age.

During the 1800s, manufacturers were principally concerned with production. The burden of marketing fell on wholesalers, who used advertising primarily as an information vehicle. Ads appeared in publications called price currents that informed retailers about the sources of supply and shipping schedules for commodities. Montgomery Ward and Sears Roebuck produced the earliest catalogs, bringing a wide variety of products to new, rural markets. Only a few innovative manufacturers (mostly of patent medicines, soaps, tobacco products, and canned foods) foresaw the usefulness of mass media advertising to stimulate consumer demand.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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96. In the context of the evolution of advertising in America, describe the significant events of the industrial age.

The industrial age started during the second half of the 19th century and lasted well into the 20th. Ads were created prior to the industrial age, but it was not until this period that it can be said that an advertising industry existed anywhere in the world. It was a period marked by tremendous growth and maturation of the country's industrial base.

During the 1800s, manufacturers were principally concerned with production. The burden of marketing fell on wholesalers, who used advertising primarily as an information vehicle. Ads appeared in publications called price currents that informed retailers about the sources of supply and shipping schedules for commodities.

The American profession of advertising began when Volney B. Palmer set up business in Philadelphia in 1841.

In 1869, Francis Ayer formed an ad agency in Philadelphia and named it after his father. N. W. Ayer & Sons was the first agency to charge a commission based on the "net cost of space" and the first to conduct a formal market survey.

The telegraph, telephone, typewriter, phonograph, and, later, motion pictures all let people communicate as never before.

With the advent of public schooling, the nation reached an unparalleled 90 percent literacy rate. Manufacturers gained a large reading public that could understand print ads. The United States thus entered the 20th century as a great industrial state with a national marketing system propelled by advertising. With the end of World War I, the modern period in advertising emerged.

The manufacturers changed their focus from a production orientation to a marketing orientation. They dedicated themselves to new product development, strengthened their own sales forces, packaged and branded their products, and engaged in heavy national brand advertising.

In the 1920s, the era of salesmanship had arrived and its bible was Scientific Advertising, written by the legendary copywriter Claude Hopkins at Albert Lasker's agency, Lord & Thomas. Radio was born at about the same time and rapidly became a powerful new advertising medium.

On October 29, 1929, the stock market crashed, the Great Depression began, and advertising expenditures plummeted. In the face of declining sales and corporate budget cutting, the advertising industry needed to improve its effectiveness. It turned to research. Daniel Starch, A. C. Nielsen, and George Gallup founded research groups to study consumer attitudes and

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preferences. By providing information on public opinion, the performance of ad messages, and sales of advertised products, these companies started the marketing research industry. Manufacturers followed this strategy of product differentiation vigorously, seeking to portray their brands as different from and better than the competition by offering consumers quality, variety, and convenience.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

97. Write a short note on the nature of the market in the industrial age in the United States.

The industrial age started during the second half of the 19th century and lasted well into the 20th. Although ads were created prior to the industrial age, it was not until this period that it can be said that an advertising industry existed anywhere in the world. It was a period marked by tremendous growth and maturation of the country's industrial base. As U.S. industry met the basic needs of most of the population, commodity markets became saturated. Fresh mass markets then developed for the new, inexpensive brands of consumer luxury and convenience goods called consumer packaged goods.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

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98. What is meant by the USP of a product? Why did American advertisers introduce the idea during the "Golden Age" of advertising?

Rosser Reeves of the Ted Bates Agency introduced the idea that every ad must point out the product's USP (unique selling proposition). The USP refers to product features that differentiate it from competitive products. It was an extension of the product differentiation strategy. The USP was a logical extension of the Lasker and Hopkins "reason why" credo.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.
Topic: History of Advertising

99. List the two economic factors that best characterize the marketing world during the postindustrial age.

The two factors that best characterize the marketing world during the postindustrial age are: (1) the aging of traditional products, with a corresponding growth in competition, and (2) the growing affluence and sophistication of the consuming public, led by the huge baby boomer generation.
The most important factor was competition, intensified by lower trade barriers and growing international trade. As high profits lured imitators into the marketplace, each offering the most attractive product features at lower cost, consumers benefited from more choices, higher quality, and lower prices.
On the demand side, newly affluent consumers concerned themselves more with the quality of their lives. With their basic commodity needs already met, baby boomers were interested in saving time and money to spend on leisure-time activities or on products, services, and social causes that represented their aspirations.

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Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Identify important milestones in the history of advertising.

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Topic: History of Advertising

100. Explain the following statement: "As a social force, advertising has been a major factor in improving the standard of living in the United States."

By publicizing the material, social, and cultural opportunities of a free enterprise society, advertising has increased productivity in both management and labor.
Advertising serves other social needs besides simply stimulating sales. Free media are not really "free"; newspapers must pay for paper, ink, and energy, and radio stations require equipment, buildings, and towers. All media organizations must pay salaries and benefits for reporters, engineers, and management. Newspapers, magazines, radio, television, and many Web sites all receive their primary income from advertising. This facilitates freedom of the press and promotes more complete information.
Some advertising organizations also foster growth and understanding of important social issues and causes through public service. The Red Cross, United Way, and other noncommercial organizations receive continuous financial support and volunteer assistance due in large part to the power of advertising.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Explore the impact of advertising on society yesterday, today, and tomorrow.
Topic: Advertising in a Capitalistic Society

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