

Marketing: Real People, Real Choices, 7e (Solomon / Marshall / Stuart)

Chapter 3 Thrive in the Marketing Environment: The World Is Flat

1) _____ refers to the total value of all the exports and imports of the world's nations.

- A) Countertrade
- B) International marketing
- C) Gross national product
- D) Gross domestic product
- E) World trade

Answer: E

Diff: 1 Page Ref: 69

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-1 Understand the big picture of international marketing

2) Trading firms that work out elaborate deals in which they trade or barter their products with one another or even supply goods in return for tax breaks from the local government are using _____.

- A) protectionism
- B) competitive intelligence
- C) gray marketing
- D) countertrade
- E) inflation

Answer: D

Diff: 1 Page Ref: 69

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-1 Understand the big picture of international marketing

3) Which of the following is the first step a firm should take when deciding whether or not to go global?

- A) Develop marketing mix strategies for foreign markets.
- B) Analyze whether it is in the firm's best interest to focus on the domestic market or to expand to international markets.
- C) Identify the most attractive global markets for the firm's products.
- D) Select a market-entry strategy that fits the firm's desired level of commitment.
- E) Identify potential partners in international markets.

Answer: B

Diff: 2 Page Ref: 70

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-1 Understand the big picture of international marketing

4) Coca-Cola sold its drinks in Russia for years in exchange for vodka. This is an example of a(n) _____.

- A) joint venture
- B) direct investment
- C) countertrade
- D) import quota
- E) licensing agreement

Answer: C

Diff: 2 Page Ref: 69

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-1 Understand the big picture of international marketing

5) The General Agreement on Tariffs and Trades (GATT) _____.

- A) is composed of ten developed nations who make trade decisions for all other countries
- B) was created by the United States shortly after World War II
- C) is an example of a regional economic community
- D) led to the creation of the WTO
- E) sets international import quotas

Answer: D

Diff: 1 Page Ref: 72

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

6) Which of the following statements about the World Trade Organization (WTO) is true?

- A) The WTO is a branch of the U.S. government.
- B) Only countries that belong to established economic communities are granted membership in the WTO.
- C) Only developed nations are granted membership to the WTO.
- D) The WTO's main function is to help least developed countries grow their economies.
- E) The WTO is the only international organization that deals with the global rules of trade between nations.

Answer: E

Diff: 2 Page Ref: 72

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

7) About three-fourths of the membership of the WTO comes from _____.

- A) the world's poorer countries
- B) the world's most developed countries
- C) EU countries
- D) NAFTA countries
- E) MERCOSUR countries

Answer: A

Diff: 2 Page Ref: 72

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

8) When a government adopts a policy of _____, it enforces rules on foreign firms in order to give home companies an advantage.

- A) gray marketing
- B) countertrade
- C) monopolistic competition
- D) economic sanctions
- E) protectionism

Answer: E

Diff: 1 Page Ref: 72

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

9) A(n) _____ is an extreme quota that completely prohibits commerce and trade with a specific country.

- A) tariff
- B) embargo
- C) protectionist quota
- D) perfect monopoly
- E) expropriation

Answer: B

Diff: 1 Page Ref: 72

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

10) The purpose of a government-imposed _____ is to give domestic competitors an advantage in the marketplace by making foreign competitors' goods more expensive than domestic goods.

- A) monopoly
- B) quota
- C) tariff
- D) oligopoly
- E) embargo

Answer: C

Diff: 1 Page Ref: 72

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

11) A(n) _____ is a group of countries that have agreed to coordinate trade policies and ease restrictions on the flow of products and capital across members' borders.

- A) monopoly
- B) free trade zone
- C) economic community
- D) oligopoly
- E) economic infrastructure

Answer: C

Diff: 1 Page Ref: 72

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

12) Which of the following countries is NOT a member of MERCOSUR?

- A) Brazil
- B) Paraguay
- C) Bolivia
- D) Uruguay
- E) Venezuela

Answer: C

Diff: 2 Page Ref: 73

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

13) Malaysia, Indonesia, Singapore, Thailand, and Cambodia all are members of _____.

- A) the Andean Group
- B) ASEAN
- C) MERCOSUR
- D) NAFTA
- E) APEC

Answer: B

Diff: 2 Page Ref: 73

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

14) NAFTA is a(n) _____.

- A) South American economic community
- B) common market for eastern and southern Africa
- C) economic community that includes Peru, Brazil, and China
- D) trade agreement that includes Canada, Mexico, and the United States
- E) eastern European economic community that competes with the EU

Answer: D

Diff: 2 Page Ref: 72-73

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

15) The Euro is the currency used by _____.

- A) NAFTA
- B) MERCOSUR
- C) the EU
- D) the WTO
- E) GATT

Answer: C

Diff: 2 Page Ref: 73

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

16) Marketers need to understand the _____ environment of a country from two perspectives: the overall level of development of a country and the current stage of its business cycle.

- A) political and legal
- B) sociocultural
- C) economic
- D) technological
- E) natural

Answer: C

Diff: 1 Page Ref: 74

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

17) The most commonly used measure of economic health of a country is the country's _____.

- A) gross domestic product (GDP)
- B) gross national product (GNP)
- C) exchange rate
- D) cost of living
- E) Big Mac Index

Answer: A

Diff: 2 Page Ref: 74

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

18) _____ measures the value of all goods and services produced by a country's individuals or organizations, whether within the country's borders or not.

- A) Gross national product (GNP)
- B) The inflation rate
- C) Gross domestic product (GDP)
- D) The business cycle
- E) Economic infrastructure

Answer: A

Diff: 1 Page Ref: 74

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

19) Which of the following measures is often a good indicator of a country's economic health because it is adjusted for the population size of each country?

- A) per capita GDP (gross domestic product)
- B) GNP (gross national product)
- C) the Big Mac Index
- D) standard of living
- E) economic infrastructure

Answer: A

Diff: 2 Page Ref: 74

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

20) Which of the following countries has the largest total GDP?

- A) China
- B) Japan
- C) the United States
- D) Spain
- E) Hungary

Answer: C

Diff: 2 Page Ref: 75

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

21) The measurable quality of a country's distribution, financial, and communication systems is referred to as the country's _____.

- A) level of economic development
- B) standard of living
- C) gross domestic product (GDP)
- D) economic infrastructure
- E) business cycle

Answer: D

Diff: 1 Page Ref: 75

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

22) A country's _____ indicates the average quality and quantity of goods and services consumed within the country.

- A) economic infrastructure
- B) standard of living
- C) gross domestic product (GDP)
- D) gross national product (GNP)
- E) business cycle

Answer: B

Diff: 1 Page Ref: 75

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

23) In most cases, which of the following is true about a least developed country (LDC)?

- A) It has an economy based on agriculture.
- B) It is by definition landlocked.
- C) It has a viable middle class.
- D) It has high literacy levels.
- E) It has an advanced economic infrastructure.

Answer: A

Diff: 2 Page Ref: 75

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

24) Which of the following is most characteristic of a developing country?

- A) The country is moving away from an economy based on industry.
- B) The market for consumer goods present little growth potential.
- C) The nation has an economy based on agriculture.
- D) The country has a significant middle class.
- E) The country has an economy based on exporting services.

Answer: D

Diff: 2 Page Ref: 76

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

25) Which of the following is NOT among the largest of the world's developing countries?

- A) Brazil
- B) Russia
- C) India
- D) Canada
- E) China

Answer: D

Diff: 2 Page Ref: 76

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

- 26) Which of the following best explains why marketers are attracted to the BRIC countries?
- A) These countries have long-established upper classes that form a strong market for luxury goods.
 - B) These countries are quickly moving from being least developed to developing countries.
 - C) These countries have masses of consumers who are not yet wealthy but are quickly moving to economic prosperity.
 - D) These countries offer large markets with no language or cultural barriers.
 - E) These countries wield the most power in the Group of Eight.

Answer: C

Diff: 2 Page Ref: 76

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

- 27) France, Italy, and Germany boast sophisticated marketing systems and are three good examples of _____.

- A) preindustrial countries
- B) least developed countries (LDCs)
- C) developing countries
- D) developed countries
- E) BRIC countries

Answer: D

Diff: 2 Page Ref: 76

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

- 28) The United States, the United Kingdom, Australia, Canada, France, Italy, Germany, and Japan are all members of _____.

- A) the BRIC countries
- B) the Group of Eight
- C) the EU
- D) NAFTA
- E) APEC

Answer: B

Diff: 2 Page Ref: 76

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

29) A severe recession is a depression, a period in which prices fall but there is little demand because few people have money to spend and many are out of work. This condition is part of _____.

- A) the competitive environment
- B) the business cycle
- C) the technological environment
- D) demographics
- E) social norms

Answer: B

Diff: 2 Page Ref: 76

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

30) Which of the following occurs when prices and the cost of living rise while money loses its purchasing power?

- A) prosperity
- B) recovery
- C) inflation
- D) deflation
- E) a depression

Answer: C

Diff: 2 Page Ref: 77

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

31) Through _____ activities, a firm gathers and analyzes publicly available information about rivals.

- A) economic infrastructure
- B) competitive intelligence
- C) demographic
- D) perfect competition
- E) business cycle

Answer: B

Diff: 1 Page Ref: 77

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

32) _____ income is the amount of money an individual has left to spend after paying for necessities such as housing, utilities, food, and clothing.

- A) Discretionary
- B) Gross product
- C) Standard of living
- D) Inflationary
- E) Competitive

Answer: A

Diff: 2 Page Ref: 78

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

33) Through _____ competition, competitors offer different products, attempting to satisfy the same consumers' needs and wants.

- A) discretionary income
- B) product
- C) brand
- D) monopolistic
- E) oligopolistic

Answer: B

Diff: 1 Page Ref: 78

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

34) The YMCA and Gold's gym engage in _____ competition when they both try to attract customers to buy their fitness center services.

- A) discretionary income
- B) product
- C) brand
- D) monopolistic
- E) oligopolistic

Answer: C

Diff: 2 Page Ref: 78

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

35) In a(n) _____ structure, one seller controls a market.

- A) monopoly
- B) oligopoly
- C) monopolistic competition
- D) perfect competition
- E) natural competition

Answer: A

Diff: 1 Page Ref: 78

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

36) In a(n) _____ structure, there are a relatively small number of sellers, each holding substantial market share, in a market with many buyers.

- A) monopoly
- B) oligopoly
- C) monopolistic competition
- D) perfect competition
- E) natural competition

Answer: B

Diff: 1 Page Ref: 79

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

37) In a(n) _____ structure, there are many sellers, each having slightly different products and each having only a small share of the market.

- A) monopoly
- B) oligopoly
- C) monopolistic competition
- D) perfect competition
- E) natural competition

Answer: C

Diff: 2 Page Ref: 79

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

38) In a(n) _____ structure, there are many small sellers, each having similar products, and each unable to have a significant impact on the quality, price, or supply of a product.

- A) monopoly
- B) oligopoly
- C) monopolistic competition
- D) perfect competition
- E) natural competition

Answer: D

Diff: 1 Page Ref: 79

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

39) Firms are constantly scanning the _____ environment in search of ideas and trends that can spark their own research efforts. Sometimes an idea can transform an industry, such as transistors revolutionizing the field of consumer electronics.

- A) political and legal
- B) sociocultural
- C) economic
- D) technological
- E) natural

Answer: D

Diff: 2 Page Ref: 79

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

40) The _____ environment refers to the local, state, national, and global laws and regulations that affect businesses.

- A) political and legal
- B) sociocultural
- C) economic
- D) technological
- E) natural

Answer: A

Diff: 1 Page Ref: 80

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

41) Expropriation occurs when a government _____.

- A) reimburses a foreign company for its assets after taking over the company
- B) reimburses a foreign company that has lost facilities due to natural causes
- C) refuses to allow its businesses to engage in exporting
- D) takes over a foreign operation and provides the seized operation with no reimbursement
- E) imports more than it exports

Answer: D

Diff: 1 Page Ref: 82

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

42) Nationalization occurs when a government _____.

- A) reimburses a foreign company for its assets after taking over the company
- B) reimburses a foreign company that has lost facilities due to natural causes
- C) refuses to allow its businesses to engage in exporting
- D) takes over a foreign operation and provides the seized operation with no reimbursement
- E) imports more than it exports

Answer: A

Diff: 1 Page Ref: 82

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

43) The _____ was developed to eliminate monopolies and to guarantee free competition.

- A) Sherman Antitrust Act
- B) Clayton Act
- C) Robinson-Patman Act
- D) Wheeler-Lea Act
- E) Lanham Trademark Act

Answer: A

Diff: 2 Page Ref: 81

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

44) The _____ Act (1914) created the regulatory body that enforces laws against deceptive advertising and product labeling regulations.

- A) Federal Trade Commission
- B) Lanham Trademark
- C) Fair Packaging and Labeling
- D) Consumer Products Safety Commission
- E) Robinson-Patman

Answer: A

Diff: 2 Page Ref: 81

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

45) The _____ Act (1946) protects and regulates brand names.

- A) Federal Trade Commission
- B) Lanham Trademark
- C) Fair Packaging and Labeling
- D) Consumer Products Safety Commission
- E) Robinson-Patman

Answer: B

Diff: 2 Page Ref: 81

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

46) The _____ Act (1968) requires full disclosure of loan terms and rates for borrowers.

- A) Federal Trade Commission
- B) Lanham Trademark
- C) Fair Packaging and Labeling
- D) Consumer Credit Protection
- E) Robinson-Patman

Answer: D

Diff: 2 Page Ref: 81

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

47) The _____ (2003) was established by the Federal Trade Commission to allow consumers to limit the number of telemarketing calls they receive.

- A) National Do Not Call Registry
- B) Child Protection Act
- C) Federal Communications Commission
- D) Consumer Products Safety Commission Act
- E) Robinson-Patman Act

Answer: A

Diff: 2 Page Ref: 81

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

48) The _____, a United States regulatory agency, protects the public from potentially hazardous products.

- A) Consumer Product Safety Commission
- B) Environmental Protection Agency
- C) Federal Communications Commission
- D) Federal Trade Commission
- E) Interstate Commerce Commission

Answer: A

Diff: 2 Page Ref: 81

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

49) The _____, a United States regulatory agency, regulates telephone, radio, and television. This affects all firms that use broadcast media.

- A) Consumer Product Safety Commission
- B) Environmental Protection Agency
- C) Federal Communications Commission
- D) Federal Trade Commission
- E) Interstate Commerce Commission

Answer: C

Diff: 2 Page Ref: 82

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

50) The _____, a United States regulatory agency, enforces laws and regulations on foods, drugs, cosmetics, and veterinary products. Marketers of pharmaceuticals must get approval from this agency before introducing products to the market.

- A) Food and Drug Administration
- B) Environmental Protection Agency
- C) Federal Communications Commission
- D) Federal Trade Commission
- E) Consumer Product Safety Commission

Answer: A

Diff: 2 Page Ref: 82

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

51) Which of the following is a form of protectionism?

- A) joint ventures
- B) bribery
- C) extortion
- D) collectivism
- E) local content rules

Answer: E

Diff: 2 Page Ref: 83

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

52) Through the U.S. Generalized System of Preferences (GSP), developing countries may export goods duty-free to the United States if they _____.

- A) demonstrate progress toward protecting the natural environment
- B) demonstrate progress toward improving the rights of their workers
- C) agree to exempt U.S. imports from local content rules
- D) belong to the World Trade Organization (WTO)
- E) participate in a reciprocal free trade zone

Answer: B

Diff: 2 Page Ref: 83

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

53) The _____ environment refers to the characteristics of a society, the people who live in the society, and the culture that reflects the values and beliefs of the society.

- A) political and legal
- B) sociocultural
- C) economic
- D) technological
- E) natural

Answer: B

Diff: 1 Page Ref: 83

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

54) _____ are statistics that measure aspects of population, such as size, age, and gender.

- A) Demographics
- B) Norms
- C) Cultural dimensions
- D) Standards
- E) Mores

Answer: A

Diff: 1 Page Ref: 83

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

55) Every society has a set of deeply held beliefs about right and wrong ways to live, which are referred to as _____.

- A) demographics
- B) social norms
- C) cultural dimensions
- D) cultural values
- E) customs

Answer: D

Diff: 1 Page Ref: 84

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

56) In a(n) _____ culture, people tend to subordinate their personal goals to those of a stable community.

- A) collectivist
- B) individualist
- C) democratic
- D) demographic
- E) ethnocentric

Answer: A

Diff: 1 Page Ref: 84

AACSB: Multicultural and diversity understanding

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

57) In a(n) _____ culture, people tend to attach more importance to personal goals than to the needs of the larger community.

- A) collectivist
- B) individualist
- C) democratic
- D) demographic
- E) sociocultural

Answer: B

Diff: 1 Page Ref: 84-5

AACSB: Multicultural and diversity understanding

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

58) Specific rules that dictate what is acceptable or unacceptable within a society are referred to as _____.

- A) demographics
- B) cultural values
- C) cultural dimensions
- D) social norms
- E) ethnocentric standards

Answer: D

Diff: 1 Page Ref: 84

AACSB: Multicultural and diversity understanding

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

59) _____ is the belief that one's own norms and the products made in one's own country are superior.

- A) Nationalization
- B) Ethnocentrism
- C) Domestication
- D) Expropriation
- E) Democratization

Answer: B

Diff: 1 Page Ref: 85

AACSB: Multicultural and diversity understanding

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

60) _____ occurs when someone voluntarily offers payment to get an illegal advantage.

- A) Nationalization
- B) An economic sanction
- C) Bribery
- D) Expropriation
- E) Extortion

Answer: C

Diff: 1 Page Ref: 86

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

61) _____ occurs when someone in authority extracts payment under duress.

- A) Nationalization
- B) An economic sanction
- C) Bribery
- D) Expropriation
- E) Extortion

Answer: E

Diff: 1 Page Ref: 86

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

62) According to Transparency International, firms from which of the following countries are LEAST likely to pay bribes?

- A) Germany
- B) the United Kingdom
- C) China
- D) Mexico
- E) Canada

Answer: E

Diff: 3 Page Ref: 86

AACSB: Multicultural and diversity understanding

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

63) Small firms that wish to export their products may choose to use _____ who understand the local market and will find buyers and negotiate terms on the firm's behalf.

- A) direct investors
- B) franchisees
- C) export merchants
- D) franchisors
- E) free traders

Answer: C

Diff: 1 Page Ref: 88

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

64) All of the following are barriers to successful exporting EXCEPT _____.

- A) tariffs
- B) local content laws
- C) import quotas
- D) export merchants
- E) economic sanctions

Answer: D

Diff: 2 Page Ref: 88

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

65) After exporting, the next level of commitment a firm can make to a foreign market is a contractual agreement. Two of the most common types of such agreements are _____.

- A) contract manufacturing and contract marketing
- B) contract manufacturing and strategic alliances
- C) joint ventures and franchising
- D) warehousing and financing
- E) licensing and franchising

Answer: E

Diff: 2 Page Ref: 89

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

66) In a _____, a firm gives another firm the right to produce and market its product in a specific country or region in return for royalties on goods sold.

- A) licensing agreement
- B) strategic alliance
- C) joint venture
- D) marketing mix alliance
- E) direct investment

Answer: A

Diff: 1 Page Ref: 89

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

67) Franchising is a form of _____.

- A) importing
- B) tactical alliance
- C) licensing
- D) joint venture
- E) direct investment

Answer: C

Diff: 1 Page Ref: 89

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

68) Which of the following often take the form of a joint venture?

- A) licensing agreements
- B) franchising agreements
- C) export-import alliances
- D) strategic alliances
- E) expropriation agreements

Answer: D

Diff: 1 Page Ref: 89

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

- 69) Which of the following is true about the market entry strategy of direct investment?
- A) It allows a foreign firm to take advantage of a domestic company's political savvy and market position.
 - B) It relies on export merchants to analyze the local market.
 - C) It provides the lowest level of risk for a firm.
 - D) It relies on intermediaries to represent the company in a target country.
 - E) It provides the lowest level of control for a firm.

Answer: A

Diff: 2 Page Ref: 89

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

- 70) When considering the Four Ps in international marketing, advocates of _____ focus on the similarities among cultures and argue that basic needs and wants are the same everywhere.

- A) nationalization
- B) standardization
- C) localization
- D) expropriation
- E) ethnocentrism

Answer: B

Diff: 2 Page Ref: 90

AACSB: Multicultural and diversity understanding

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

- 71) When considering the Four Ps in international marketing, advocates of _____ focus on the unique characteristics of cultures and argue for products and promotional messages tailored to each culture.

- A) nationalization
- B) standardization
- C) localization
- D) expropriation
- E) ethnocentrism

Answer: C

Diff: 2 Page Ref: 90

AACSB: Multicultural and diversity understanding

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

72) A firm's _____ decisions when selling in a foreign market are straight extension, adaptation, and invention.

- A) advertising
- B) product
- C) brand
- D) marketing mix
- E) distribution

Answer: B

Diff: 1 Page Ref: 91

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

73) A firm would be most likely to use backward invention in which of the following situations?

- A) when it needs to offer a less complex product in a foreign market than it sells elsewhere
- B) when it has decided to rely on a straight extension strategy
- C) when it first markets a product internationally
- D) when it participates in a free trade zone
- E) when it relies on the practice of dumping

Answer: A

Diff: 2 Page Ref: 91

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

74) A _____ exists when an unauthorized party imports products and then sells them for a fraction of the price of authorized products.

- A) gray market
- B) dual distribution system
- C) disintermediation system
- D) black market
- E) dumping ground

Answer: A

Diff: 1 Page Ref: 92

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

75) Many countries outlaw _____, a practice in which a company prices its products lower than they are priced at home.

- A) gray marketing
- B) parallel importing
- C) black marketing
- D) dumping
- E) countertrading

Answer: D

Diff: 1 Page Ref: 92

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

76) Azerbaijan imported wheat from Romania in exchange for crude oil and Vietnam exchanged rice for Philippine fertilizer and coconuts. Both scenarios are examples of which of the following?

- A) convertible trade
- B) tariffs
- C) quotas
- D) protectionism
- E) countertrade

Answer: E

Diff: 2 Page Ref: 69

AACSB: Analytic skills

Skill: Application

Objective: 3-1 Understand the big picture of international marketing

77) Members of management at Growing Green, a company that markets organic and environmentally friendly gardening and landscaping supplies and equipment, are evaluating the benefits and disadvantages of indirect exporting, direct exporting, and licensing. In which stage of the international marketing process is Growing Green?

- A) deciding whether to go global
- B) deciding which global markets are most attractive
- C) deciding which market-entry strategy is best
- D) deciding on the marketing mix strategies for foreign markets
- E) deciding on the global marketing organization

Answer: C

Diff: 2 Page Ref: 70

AACSB: Analytic skills

Skill: Application

Objective: 3-1 Understand the big picture of international marketing

78) U.S. sugar import quotas have existed for more than fifty years and preserve about half of the U.S. sugar market for domestic producers. These quotas are examples of _____.

- A) embargoes
- B) nationalization
- C) protectionism
- D) expropriation
- E) disintermediation

Answer: C

Diff: 2 Page Ref: 72

AACSB: Analytic skills

Skill: Application

Objective: 3-2 Explain how international organizations affect globalization

79) U.S. sugar import quotas have existed for more than fifty years and preserve about half of the U.S. sugar market for domestic producers. Why does the United States continue to have these quotas?

- A) to reduce competition for its domestic sugar industry
- B) to increase the cost of sugar
- C) to control the supply and demand for sugar
- D) to support a mass market for sugar
- E) to improve the promotion of sugar

Answer: A

Diff: 2 Page Ref: 72

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-2 Explain how international organizations affect globalization

80) In February 2000, the United States imposed a tax on imported steel in an effort to protect about 5,000 U.S. jobs. Another name for this levied tax is a(n) _____.

- A) embargo
- B) gray tax
- C) tariff
- D) import quota
- E) boycott

Answer: C

Diff: 2 Page Ref: 72

AACSB: Analytic skills

Skill: Application

Objective: 3-2 Explain how international organizations affect globalization

81) Trusted Wholesalers is a company that purchases products produced in Mexico and sells them to companies based in the United States and Canada. Management at Trusted Wholesalers would most likely be interested in becoming experts in the agreements made by _____.

- A) the EU
- B) NAFTA
- C) CAFTA
- D) APEC
- E) MERCOSUR

Answer: B

Diff: 2 Page Ref: 72-73

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-2 Explain how international organizations affect globalization

82) The management team at Home Help, a consumer products manufacturer, is considering entering several different foreign markets and is in the process of analyzing each potential market's economic environment. Which of the following measures would best help the management team understand the comparative cost of consumer products in each market?

- A) gross national product (GNP)
- B) the Big Mac Index
- C) the per capita gross domestic product (GDP)
- D) the standard of living
- E) gross domestic product (GDP)

Answer: B

Diff: 2 Page Ref: 75

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

83) The population of Djibouti is approximately 460,700. To serve the communication needs of this nation, there is one Internet service provider, two AM radio stations, two FM radio stations, and one television station. There are only 8,000 telephone lines in the whole country. This is a partial description of Djibouti's _____.

- A) gross national product (GNP)
- B) business cycle
- C) economic infrastructure
- D) standard of living
- E) gross domestic product (GDP)

Answer: C

Diff: 2 Page Ref: 75

AACSB: Analytic skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

84) Kyrgyzstan is a small, poor, mountainous country with a predominantly agricultural economy. Cotton, wool, and meat are the main agricultural products and exports. Fifty-one percent of the population lives in poverty. Kyrgyzstan is an example of a(n) _____.

- A) BRIC country
- B) least developed country (LDC)
- C) industrializing country
- D) developed country
- E) G-8 country

Answer: B

Diff: 2 Page Ref: 75-75

AACSB: Analytic skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

85) In Vin del Mar, Chile, there are a dozen stores specializing in selling the same quality of seafood products on one street. An individual store dare not charge more than the going price without the risk of losing business to the other stores that are selling the fish at a common price. This is an example of what type of market?

- A) perfect competition
- B) monopolistic competition
- C) oligopolistic competition
- D) a monopoly
- E) an oligopoly

Answer: A

Diff: 2 Page Ref: 79

AACSB: Analytic skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

86) Since the introduction of the iPhone, a booming market for smartphone applications has emerged. It is most accurate to say that this new opportunity was created through changes in the _____ environment.

- A) political and legal
- B) technological
- C) sociocultural
- D) economic
- E) competitive

Answer: B

Diff: 2 Page Ref: 79

AACSB: Analytic skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

87) Which of the following is the best example of a cultural value?

- A) Marriage is important.
- B) Americans should display their patriotism on the Fourth of July.
- C) People who are not close friends or family should be addressed formally.
- D) Extended warranties are never worth the money consumers pay for them.
- E) Professionals should wear business clothes to work.

Answer: A

Diff: 2 Page Ref: 84

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

88) According to one international advertising agency representative, "You can't show a goldfish in a goldfish bowl in Germany because of the national support of animal rights." The agency representative is referring to a(n) _____.

- A) collectivist norm
- B) individualist norm
- C) cultural value
- D) domestic barrier
- E) ethnocentric attitude

Answer: C

Diff: 2 Page Ref: 84

AACSB: Analytic skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

89) Japanese who give currency as gifts will typically wash the money before making the presentation. This is a(n) _____ in a nation of people who place high importance on cleanliness.

- A) custom
- B) demographic
- C) cultural value
- D) ethnocentric attitude
- E) extortion

Answer: A

Diff: 2 Page Ref: 84-85

AACSB: Multicultural and diversity understanding

Skill: Application

Objective: 3-3 Analyze the global marketing environment

90) U.S. marketing campaigns that stress the desirability of "Made in America" products are most likely to appeal to _____ U.S. consumers.

- A) ethnocentric
- B) individualist
- C) collectivist
- D) normed
- E) naturalized

Answer: A

Diff: 2 Page Ref: 85

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

91) The ViVi brand is a line of designer clothing for pregnant businesswomen. If its owner believes that professional women in other countries have a need for conservative maternity wear, the owner of the small company would most likely hire a(n) _____ to locate and negotiate with buyers in other countries.

- A) franchisee
- B) franchisor
- C) export merchant
- D) strategic ally
- E) joint venture partner

Answer: C

Diff: 2 Page Ref: 88

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

92) In the British Isles, Guinness brewery was given the right to produce and market Budweiser beer by Anheuser-Busch, its U.S. brand owner. Because Guinness pays Anheuser-Busch royalties for the use of its brand, this is an example of a(n) _____.

- A) licensing agreement
- B) export merchant
- C) joint venture
- D) marketing mix alliance
- E) direct investment by Anheuser-Busch

Answer: A

Diff: 2 Page Ref: 89

AACSB: Analytic skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

93) The Tim Hortons chain accounts for more than half of all the donut and coffee stores in Canada. The chain's red-and-white store banners are fixtures in many Canadian communities. In 2001, the first Tim Hortons appeared in the United States through a contractual agreement allowing an independent operation to adopt Tim Hortons' entire way of doing business. This agreement is an example of a(n)_____.

- A) direct investment
- B) franchise
- C) export merchant
- D) strategic alliance
- E) joint venture

Answer: B

Diff: 2 Page Ref: 89

AACSB: Analytic skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

94) To enter the European market, Starbucks joined in a cooperative venture with Bon Appetit Group A.G. in Switzerland. Bon Appetit has the recognized brand name, and Starbucks has the product and the expertise to run coffeehouses. This is an example of a(n) _____.

- A) direct investment
- B) franchise agreement
- C) backward invention
- D) strategic alliance
- E) expropriation agreement

Answer: D

Diff: 2 Page Ref: 89

AACSB: Analytic skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

95) Capital Radio PLC, the UK's biggest commercial radio firm, announced in 2002 that it would partner with Walt Disney Company to create a radio network for English-speaking children under the age of sixteen. The new company created by this agreement is an example of a(n) _____.

- A) joint venture
- B) tactical alliance
- C) direct investment
- D) straight extension
- E) backward invention

Answer: A

Diff: 2 Page Ref: 89

AACSB: Analytic skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

96) Wrigley's chewing gum is the same product whether you buy it in Japan, Great Britain, Brazil, or the United States. Wrigley's sells the same products around the world. It has adopted a(n) _____ strategy.

- A) product adaptation
- B) localization
- C) straight extension
- D) product invention
- E) ethnocentric

Answer: C

Diff: 2 Page Ref: 91

AACSB: Analytic skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

97) To successfully market the Corvette to the European market, General Motors had to make the automobile shorter and narrower. GM chose to use a _____ strategy with the Corvette.

- A) product adaptation
- B) standardization
- C) straight extension
- D) product invention
- E) backward invention

Answer: A

Diff: 2 Page Ref: 91

AACSB: Analytic skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

98) A maker of cash registers had to develop hand-crank-operated cash registers to sell to Latin American and African countries where electricity is a luxury. The company used a _____ strategy to enter those global markets.

- A) product adaptation
- B) standardization
- C) straight extension
- D) backward invention
- E) nationalization

Answer: D

Diff: 2 Page Ref: 91

AACSB: Analytic skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

99) Sony found that Japanese commuters had difficulty using standard laptops on crowded rush-hour trains since standing commuters have no laps. So it created the U as a "standing computer." The U includes a touch screen and small keyboard that can be used while standing or on the move. This is an example of _____.

- A) straight product extension
- B) product invention
- C) product adaptation
- D) dual adaptation
- E) standardization

Answer: B

Diff: 2 Page Ref: 91

AACSB: Analytic skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

100) A group of eBay employees developed an online marketplace to help small producers gain access to global customers. To start up the new concept, eBay considered the options of customizing the existing eBay shopping experience, creating a completely separate branded market place, or creating a hybrid model that combined the first two options. For eBay this is a _____ strategy decision.

- A) product
- B) pricing
- C) promotion
- D) social

Answer: A

Diff: 2 Page Ref: 91

AACSB: Analytic skills

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

101) The global economic crisis of 2008 had little effect on the volume of world trade that year.

Answer: FALSE

Diff: 2 Page Ref: 69

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-1 Understand the big picture of international marketing

102) The World Trade Organization (WTO) does not deal with issues concerning the protection of copyright and patent rights.

Answer: FALSE

Diff: 2 Page Ref: 72

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

103) The main pursuit of the World Trade Organization (WTO) is to guarantee basic human rights in all markets.

Answer: FALSE

Diff: 2 Page Ref: 72

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

104) Governments use tariffs to give domestic competitors an advantage in the marketplace by making foreign competitors' goods more expensive.

Answer: TRUE

Diff: 2 Page Ref: 72

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

105) Each industry sets import quotas for its products to determine yearly production volume.

Answer: FALSE

Diff: 2 Page Ref: 72

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

106) The only member countries of the North American Free Trade Agreement (NAFTA) are the United States, Canada, and Mexico.

Answer: TRUE

Diff: 2 Page Ref: 72-73

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-2 Explain how international organizations affect globalization

107) Gross national product (GNP) is used more frequently than gross domestic product (GDP) as a measure of a country's economic health.

Answer: FALSE

Diff: 2 Page Ref: 74

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

108) Per capita gross domestic product (GDP) may be a deceiving economic measure because the wealth of a country may be concentrated in the hands of a few.

Answer: TRUE

Diff: 2 Page Ref: 74

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

109) A country that is shifting from an agricultural based economy to an industrial based economy is known as a developing country.

Answer: TRUE

Diff: 2 Page Ref: 76

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

110) The gross domestic product (GDP) is the overall pattern of changes or fluctuations of an economy, such as prosperity, recession, and recovery.

Answer: FALSE

Diff: 2 Page Ref: 76

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

111) Consumers pay for necessities out of their discretionary income.

Answer: TRUE

Diff: 2 Page Ref: 78

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

112) Oligopolies most often exist in industries that require little investment in equipment, technology, or materials to produce a product.

Answer: FALSE

Diff: 3 Page Ref: 79

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

113) In a monopolistic competition market structure, each seller is very conscious of other sellers' actions, since there is a small number of sellers in the industry.

Answer: FALSE

Diff: 2 Page Ref: 79

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

114) One of the two purposes of laws governing businesses in the United States is to make sure that businesses compete fairly with each other.

Answer: TRUE

Diff: 2 Page Ref: 80

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

115) In the United States, it is illegal for a manufacturer to offer different prices to competing wholesalers or retailers unless the difference is cost-justified.

Answer: TRUE

Diff: 2 Page Ref: 81

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

116) The United States and Cuba are using economic sanctions when Cuban cigars are sold in the United States.

Answer: FALSE

Diff: 2 Page Ref: 82

AACSB: Dynamics of the global economy

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

117) In Thailand and Turkey, most people subordinate their personal goals to those of a stable community. These countries are examples of collectivist cultures.

Answer: TRUE

Diff: 2 Page Ref: 84

AACSB: Multicultural and diversity understanding

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

118) Social norms indicate how to dress, how to speak, what to eat, how to eat, and how to behave.

Answer: TRUE

Diff: 2 Page Ref: 84

AACSB: Multicultural and diversity understanding

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

119) In marketing, the tendency to prefer products or people of one's own culture over those from other countries is called nationalism.

Answer: FALSE

Diff: 1 Page Ref: 85

AACSB: Multicultural and diversity understanding

Skill: Concept

Objective: 3-3 Analyze the global marketing environment

120) Two or more firms pooling their resources for common goals have established a joint venture.

Answer: TRUE

Diff: 1 Page Ref: 89

Skill: Concept

Objective: 3-4 Explain how a firm enters global markets

121) A country that barter for imported products rather than paying in cash likely does so because its currency is convertible.

Answer: FALSE

Diff: 2 Page Ref: 69

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-1 Understand the big picture of international marketing

122) Costa Rica, the Dominican Republic, El Salvador, and several other Central American countries formed the CAFTA economic community. This is an example of a policy of protectionism.

Answer: FALSE

Diff: 2 Page Ref: 72

AACSB: Analytic skills

Skill: Application

Objective: 3-2 Explain how international organizations affect globalization

123) Poland has a growing middle class and boasts a large skilled labor force. Poland is most likely categorized as a developing country.

Answer: TRUE

Diff: 2 Page Ref: 76

AACSB: Analytic skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

124) On the Upper West Side of Manhattan, there are hundreds of independent restaurants offering different specialties, services, and prices. The market for restaurants in this neighborhood is in a state of monopolistic competition.

Answer: TRUE

Diff: 2 Page Ref: 79

AACSB: Analytic skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

125) SeaFood Family markets its frozen seafood products to the domestic United States market and to several Central American countries. SeaFood Family recently had a surplus of products. Management decided to maintain prices in the U.S. market but drastically cut prices in the Central American markets in order to reduce excess supply. SeaFood Family would most likely be accused of pirating.

Answer: FALSE

Diff: 2 Page Ref: 92

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

126) Describe the four steps a firm should take when it is considering going global.

Answer: Management first needs to examine whether it is in the firm's best interest to focus exclusively on the home market or to move out into foreign markets. This is a "go" or "no go" decision. The second step, if the decision is "go," is to determine which global markets are most attractive for the firms. Some countries will hold greater opportunities than others. After attractive markets are identified, the third step is to determine which market-entry strategy, and thus which level of commitment, is best for the firm. Finally, management must consider marketing mix strategies for foreign markets, determining what mixture of standardization and localization will most benefit the firm.

Diff: 2 Page Ref: 70

AACSB: Analytic skills

Skill: Application

Objective: 3-1 Understand the big picture of international marketing

127) Describe the function of the World Trade Organization (WTO) and explain how it originated.

Answer: The objective of the WTO is to help world trade flow as smoothly, freely, and predictably as possible. It accounts for over 97% of world trade and has moved toward creating a single open world market. Many negotiations in recent years have focused on issues related to economic development. It was created in 1984 during the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), which was established in the aftermath of World War II.

Diff: 3 Page Ref: 72

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-2 Explain how international organizations affect globalization

128) What is protectionism and why might a government adopt it as a policy? Explain how three examples of protectionism function.

Answer: A country that has a policy of protectionism enforces rules on foreign firms in order to give home companies an advantage. Examples of protectionism include tariffs, embargoes, import quotas, and local content rules. Import quotas are set on foreign goods in order to reduce competition for domestic industries. This can make goods more expensive within a country because the absence of cheaper foreign goods reduces pressure on domestic firms to lower prices. An embargo is an extreme quota that completely prohibits trade with a specified country. Tariffs are taxes on imported goods, making foreign goods more expensive and giving domestic goods a price advantage. Local content rules mandate the use of components supplied by domestic industries in imported products.

Diff: 2 Page Ref: 72

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-2 Explain how international organizations affect globalization

129) Describe the function of an economic community and explain how its policies can be advantageous to marketers. Give two examples of important economic communities.

Answer: When countries band together to promote trade among themselves and make it easier for member nations to compete elsewhere, they form an economic community. These communities of countries coordinate trade policies and ease restrictions on the flow of products and capital across their borders. Economic communities are important to marketers because they set policies in such areas as product, package labeling, and advertising regulations that influence strategic decisions for marketers in these regions. The European Union (EU) and the North American Free Trade Agreement (NAFTA) are two of the most powerful economic communities.

Diff: 2 Page Ref: 72-73

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-2 Explain how international organizations affect globalization

130) Tupperware uses a business model that relies on women running their own businesses as agents of Tupperware. Tupperware successfully exports to China and India. Explain why these countries provide attractive markets for Tupperware.

Answer: China and India are developing countries moving to higher standards of living and education levels. These countries have growing middle classes composed of consumers who are not yet wealthy but who are moving toward economic prosperity. They represent a huge future market for consumer goods such as Tupperware. Like most developing countries, China and India likely have a middle class that includes many entrepreneurs interested in running their own businesses. Tupperware's business model fits nicely with this structure.

Diff: 2 Page Ref: 76

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

131) Describe and compare the three basic levels of economic development.

Answer: A country's level of economic development is a broad picture that looks past GDP to include an assessment of the country's standard of living and the steps the country is taking to improve its economic health. A least developed country (LDC) in most cases has an agricultural-based economy. People grow what they need and barter for the rest. These countries are attractive markets for staples and inexpensive items. Developing countries usually have a viable middle class that is growing. Developing countries are moving away from an emphasis on agriculture to an emphasis on industry, and standards of living, education, and the use of technology are on the rise. These countries are the future market for consumer goods. Developed countries have sophisticated marketing systems, strong private enterprises, and bountiful market potential for many goods and services. Such countries are economically advanced and offer a wide range of opportunities for international marketers.

Diff: 3 Page Ref: 75-76

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

132) Marketers monitor the technological environment. How can changes in technology impact marketing communication strategy? Provide at least two examples.

Answer: Technological developments in media and communications affect the methods marketers may use to deliver the brand message. Continuing innovations in Internet applications represent huge technological change in marketing. Consumer can shop online for just about any product from just about anywhere at just about any time. Consumers and marketers can use social media such as Facebook and Twitter to communicate about products. One-to-one marketing has been made easier through the use of massive customer databases. While in the past marketers may have needed to rely on mass media such as television commercials and newspaper advertisements, today's marketers can use technology to make personalized brand connections with customers.

Diff: 2 Page Ref: 79

AACSB: Use of information technology

Skill: Application

Objective: 3-3 Analyze the global marketing environment

133) What are the two purposes of the laws governing American business? Describe how at least two regulatory agencies fulfill these purposes.

Answer: Business laws in the United States have two purposes. The first purpose is to make sure that businesses compete fairly with each other. The second purpose is to make sure that businesses don't take advantage of consumers. The Consumer Product Safety Commission serves to protect consumers from businesses by regulating and testing potentially hazardous products. The Environmental Protection Agency also protects consumers by developing and enforcing regulations that protect the natural environment from production activities. The Federal Trade Commission protects consumers against deceptive advertising and product labeling. It also protects businesses against unfair advantages competitors could gain through deceptive advertising. The Food and Drug Administration protects consumers from dangerous ingredients in foods, drugs, and cosmetics.

Diff: 3 Page Ref: 79-81

AACSB: Ethical understanding and reasoning abilities

Skill: Application

Objective: 3-3 Analyze the global marketing environment

134) Companies need to understand the differences in the cultures in which they operate. Explain the terms cultural values and social norms, giving an example of each.

Answer: Cultural values are general but deeply held beliefs about good and bad behaviors, such as the importance of cleanliness or protecting the environment. A social norm dictates specific behavior such as division of labor in a household, how holidays are celebrated, and how animals are treated.

Diff: 2 Page Ref: 84-85

AACSB: Multicultural and diversity understanding

Skill: Application

Objective: 3-3 Analyze the global marketing environment

135) Compare the three product strategy choices a firm like General Electric has when selling in foreign markets.

Answer: The three choices are a straight extension strategy, a product adaptation strategy, and a product invention strategy. The straight extension strategy retains the same product for domestic and foreign markets. In other words, the product is standardized. The product adaptation strategy recognizes that in many cases people in different cultures do have strong and different product preferences. Therefore, the product is modified--in small or significant ways--for each market. The product invention strategy means the company develops a new product to fit the specific needs of new foreign markets. This is a policy of localization.

Diff: 2 Page Ref: 91

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

136) Why would almost all Americans be considered participants in the global marketplace?

Answer: Almost all Americans regularly consume products imported from other countries--from produce, to furniture to automobiles--or produced domestically by international companies.

Diff: 2 Page Ref: 69

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-2 Explain how international organizations affect globalization

137) Russia implemented a policy of protectionism that limited the importing of meats. Explain why Russia might have implemented such a policy.

Answer: Russia set import quotas on imported meat products to reduce competition for domestic meat producers, who were struggling to increase their capacity at a fast enough rate to match the Russian population's increased demand for meat.

Diff: 2 Page Ref: 72

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-2 Explain how international organizations affect globalization

138) The U.S. government proposed a tariff against some Chinese textiles and clothing when the trade deficit with China reached \$103 billion. Explain what the United States was trying to achieve through this action.

Answer: Governments use tariffs on imported goods to give domestic competitors an advantage in the marketplace by making foreign competitors' goods more expensive than their own goods. By placing a tariff on certain items imported from China, the U.S. government was trying to provide U.S. consumers a financial incentive for buying products made within the United States.

Diff: 3 Page Ref: 72

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-2 Explain how international organizations affect globalization

139) What is the difference between gross domestic product (GDP) and gross national product (GNP)?

Answer: Gross domestic product (GDP) is the total value of goods and services a country produces within its borders in one year. Gross national product (GNP) is a broader measure, taking into account the value of all goods and services produced by a country's individuals or organizations whether located within the country's border or not. GDP is used more frequently than GNP.

Diff: 2 Page Ref: 74

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

140) The telephone system in Argentina is antiquated and is just starting to work properly after years of neglect by the government. What does this tell a marketer about Argentina, and why would a marketer need to know this?

Answer: A country's communication system is part of its economic infrastructure. Marketers should assess the economic infrastructure of a country when deciding whether a country's economic environment makes for an attractive market.

Diff: 2 Page Ref: 75

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

141) How has the Group of Eight recently expanded the issues it discusses in its annual summits?

Answer: The Group of Eight (G8) discusses topics concerning world trade and the world economy, but it has also recently focused on issues that indirectly affect world trade, such as energy, terrorism, the information highway, arms control, and the environment.

Diff: 3 Page Ref: 76

AACSB: Dynamics of the global economy

Skill: Application

Objective: 3-3 Analyze the global marketing environment

142) The Federal Trade Commission (FTC) ordered KFC to stop running ads with false claims that its fried chicken is compatible with certain weight loss programs. What law gives the FTC the authority to stop KFC's marketing program and what law was KFC violating?

Answer: The FTC gets its authority from the Federal Trade Commission Act (1914). KFC was violating the Wheeler-Lea Amendment to FTC Act (1938) that prohibits deceptive and misleading advertising as illegal.

Diff: 3 Page Ref: 80-81

AACSB: Ethical understanding and reasoning abilities

Skill: Application

Objective: 3-3 Analyze the global marketing environment

143) What is the difference between nationalization and expropriation?

Answer: Expropriation occurs when a domestic government seizes a foreign company's assets without compensating the company. Nationalization, on the other hand, involves a domestic company seizing a foreign company's assets but reimbursing the company for those assets (typically not at full value).

Diff: 2 Page Ref: 82

AACSB: Dynamics of the global economy

Skill: Application

Objective: 3-3 Analyze the global marketing environment

144) Toyota has opened manufacturing plants in the United States and hires local workers to run these locations. Explain what the local content rules have to do with Toyota increasing its presence in the United States.

Answer: Local content rules are a form of protectionism stipulating that a certain proportion of a product must consist of components supplied by industries in the host country or economic community. Toyota wants to be able to market its products within the boundaries of NAFTA, which it can achieve by opening manufacturing facilities in the United States and hiring local residents.

Diff: 3 Page Ref: 83

AACSB: Dynamics of the global economy

Skill: Application

Objective: 3-3 Analyze the global marketing environment

145) Give an example of a cultural value and a social norm.

Answer: Answers will vary, but should indicate knowledge of the difference between a value and a norm: a value is a deeply held belief about right and wrong ways to live, while a norm is a more specific rule that guides behavior.

Diff: 2 Page Ref: 84

AACSB: Analytic skills

Skill: Application

Objective: 3-3 Analyze the global marketing environment

146) What is the relationship between the level of control and the level of risk in each type of market entry strategy?

Answer: The market entry strategy with the lowest level of control--exporting--presents the lowest level of risk. The market entry strategy with the greatest level of control--direct investment--presents the greatest amount of risk.

Diff: 2 Page Ref: 87-88

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

147) Why would a company choose to use an export merchant?

Answer: A company might use an export merchant because it lacks knowledge of local markets in a new foreign market or because it does not have the resources to develop relationships with foreign buyers and negotiate terms with them.

Diff: 2 Page Ref: 88

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

148) Why are companies often eager to form joint ventures?

Answer: Joint ventures are entities owned by two or more firms. They allow partners to pool their resources for common goals and provide companies with easy access to new markets, especially because these partnerships often bring with them preferential treatment in the partner's home country.

Diff: 2 Page Ref: 89

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

149) How do standardization and localization strategies differ?

Answer: A standardization strategy focuses on the similarities among countries and involves marketing essentially the same product to domestic and foreign markets. On the other side of the continuum, a localization strategy focuses on the differences between cultures and involves marketing products uniquely tailored to meet the needs of each market.

Diff: 2 Page Ref: 90

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets

150) Eastman Kodak accused Japanese rival Fujifilm of selling color photographic paper in the United States for as little as a quarter of what it charges in Japan. What unethical and often illegal practice was Kodak accusing Fujifilm of implementing? Explain your answer.

Answer: Eastman Kodak was accusing Fujifilm of the practice known as dumping, in which a company prices its products lower in the international markets than in its home country. The rationale for this practice is to remove excess supplies of the product from the home market to help keep prices high there.

Diff: 2 Page Ref: 92

AACSB: Reflective thinking skills

Skill: Application

Objective: 3-4 Explain how a firm enters global markets