

Learning Aid

for use with

Essentials of Marketing

A Global Managerial Approach 8/e

William D. Perreault, Jr. E. Jerome McCarthy





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for use with
Essentials of Marketing
A Global Managerial Approach

Eighth Edition

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Learning Aid for use with
ESSENTIALS OF MARKETING: A GLOBAL MANAGERIAL APPROACH

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Introduction

This *Learning Aid* is designed to help you organize and learn all of the material that is presented in *Essentials of Marketing*, 8th edition. Feedback from marketing instructors--and students--indicates that students who use the *Learning Aid* regularly do tend to learn the material better--and also tend to do better on examinations.

Please note, however, that the *Learning Aid* is intended to be used along with *Essentials of Marketing*. *It is not a substitute for reading and carefully studying the text!*

How the Learning Aid Is Organized

The *Learning Aid* is divided into 18 chapters--one chapter for each corresponding chapter in *Essentials of Marketing*. These are followed by separate chapters for Appendix A: Economics Fundamentals and Appendix B: Marketing Arithmetic.

Each chapter in the *Learning Aid* contains the following five sections:

- A. What this chapter is about
- B. Important terms
- C. True-false questions
- D. Multiple-choice questions
- E. Application exercises

The purpose of each of these sections is explained below. Please note that some sections are designed to be used *before* you read each chapter in *Essentials of Marketing*.

What This Chapter Is About

This section provides a brief introduction to each chapter in *Essentials of Marketing*. It should be read *before* you read the text--to help you focus on the important points in each chapter.

Important Terms

This section lists the important new terms introduced in each chapter of *Essentials of Marketing*--and the page on which each term first appears. (These terms are shown in red in the text to help you find them.)

You should look over the list of important terms *before* reading each chapter--to help you focus on the key points in the chapter. *After* reading each chapter, you should review the list of important terms to make sure you understand each term. If you have any doubts about what a particular term means, use the indicated page number to find and restudy its definition in the text--or look up the term's definition in the Glossary at the end of the text. Some students even write out the definitions of each important term on 3 x 5 cards--to help them study for exams.

True-False Questions

This section provides a series of *self-testing* true-false questions--to test your understanding of the material presented in *Essentials of Marketing*. The correct answer for each question is given at the end of the test--along with a page number showing where the correct answer can be found in the text.

After reading each chapter in the text and reviewing the important terms, try to answer all of the true-false questions *before* looking at the correct answers. Then check your answers--and for each question that you answered wrong, review the related text material to find out *why* your answer is wrong. This is an important step! Simply memorizing the correct answers is *not* likely to improve your exam performance!

Multiple-Choice Questions

This section contains a series of *self-testing* multiple-choice questions--to further test your understanding and comprehension of the material presented in *Essentials of Marketing*. Again, the correct answer for each question is given at the end of the questions--along with a page number showing where the correct answer can be found in the text.

Ideally, you should take the multiple-choice tests only *after* you have read the text, reviewed the important terms, and tried the true-false questions. Again, you should try to answer all of the questions *before* looking at the correct answers--and make sure you review the text material to learn *why* your wrong answers were wrong!

Finally, keep in mind that the self-testing true-false and multiple-choice questions are just a *sample* of what you might expect on an exam. They do not cover every single concept discussed in the text--nor do they cover every possible type of question that might be asked. In other words, *simply answering these self-testing questions is not adequate preparation for exams*. You must also read and study the text!

Application Exercises

This section includes two or more exercises for each of the chapters in *Essentials of Marketing* (not including the appendices). One of the exercises for each of the first 17 chapters is based on the *Computer-Aided Problem* found at the end of the corresponding chapter in the text. Each exercise is designed to illustrate and apply some of the more important concepts and analytical approaches introduced in the text.

Although these exercises are designed mainly to be discussed in class and/or assigned as homework--*you can still benefit from doing them even if your instructor does not assign them*. Many students find the "Introductions" to each exercise quite helpful in understanding the related text material. And many of the exercises contain short "caselets" which show how concepts discussed in the text can be applied in the "real world." Doing these exercises will not only improve your understanding of the text material--but will also better prepare you for more advanced marketing and business case courses.

Note: Your instructor has been supplied with suggested answers for each of the application exercises--and with software that can be used to work the computer-aided exercises. So even if the exercises are not formally assigned, you can still do them--and ask your instructor to show you the suggested answers so you can check your answers. Your instructor will surely be impressed by your dedication to learning!

How to Study for Examinations

While no study routine works best for everyone, the following suggestions are based on proven learning principles and should be of benefit to most students. *For every chapter your instructor assigns in Essentials of Marketing:*

1. Read the *what this chapter is about* section in the *Learning Aid*.
2. Look over the *important terms* section in the *Learning Aid*.
3. Read the learning objectives listed at the beginning of the chapter.
4. Read the chapter from beginning to end without any interruptions--and *without doing any underlining or note-taking*. (Underlining key points while you read interrupts your flow of thought and tends to reduce reading comprehension.)
5. Read the chapter again--this time underlining key points and/or writing notes in the page margins. Look at the exhibits and illustrations, and think about how they relate to the text material.
6. Review the *important terms* section in the *Learning Aid* to make sure you can define each term.
7. Take the self-testing true-false test in the *Learning Aid*--and go back to the text to study any questions you answered wrong.
8. Take the self-testing multiple-choice test in the *Learning Aid*--and go back to the text to study any questions you answered wrong.
9. Take detailed classroom lecture notes--and review them *immediately after class* to make sure that they are complete and that you understand everything your instructor said.
10. Do any *application exercises* that your instructor assigns.
11. *Optional:* Do the *application exercises* that were not assigned.
12. Just before the examination--review:
 - a. the points you underlined in the text and/or your notes in the page margins.
 - b. the *important terms* in the *Learning Aid*.
 - c. the self-testing true-false and multiple-choice questions in the *Learning Aid*--especially the questions you answered wrong the first time.
 - d. any *application exercises* that were assigned.
 - e. your lecture notes.

Good luck!

Acknowledgment

Professor Andrew Brogowicz of Western Michigan University contributed many creative ideas to earlier editions of this *Learning Aid*. His contributions have continued to influence many of the new, revised, and/or updated exercises that appear in this edition.

We also deeply appreciate the ongoing contributions of Ms. Linda G. Davis. Through several editions she has made valuable contributions in all aspects of preparing this manual. In addition, she independently did all of the desktop publishing work to prepare the manuscript in final form ready to be duplicated by the printer.

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Chapter 1

Marketing's role in the global economy

What This Chapter Is About

Chapter 1 introduces the concept of marketing. First, we show how marketing relates to production--and why it is important to you and to the global economy. Then the text shows that there are two kinds of marketing--micro-marketing and macro-marketing. The importance of a macro-marketing system in any kind of economic system is emphasized. Six stages of economic development are discussed--to suggest the varying marketing opportunities in different economies.

The vital role of marketing functions is discussed. It is emphasized that producers, consumers, *and* marketing specialists perform marketing functions. You will learn that responsibility for performing the marketing functions can be shifted and shared in a variety of ways, but that from a macro viewpoint all of the functions must be performed by someone. No function can be completely eliminated.

The main focus of *this chapter* is on macro-marketing--to give you a broad introduction. But the focus of *this text* is on management-oriented micro-marketing--beginning in Chapter 2.

Important Terms

production, p. 4	intermediary, p. 13
customer satisfaction, p. 5	tariffs, p. 16
utility, p. 5	quotas, p. 17
form utility, p. 5	countertrade, p. 17
task utility, p. 5	World Trade Organization (WTO), p. 17
time utility, p. 5	economies of scale, p. 18
place utility, p. 5	universal functions of marketing, p. 19
possession utility, p. 6	buying function, p. 19
micro-marketing, p. 7	selling function, p. 19
macro-marketing, p. 9	transporting function, p. 19
economic system, p. 9	storing function, p. 19
planned economic system, p. 10	standardization and grading, p. 19
market-directed economic system, p. 10	financing, p. 19
micro-macro dilemma, p. 11	risk taking, p. 19
pure subsistence economy, p. 12	market information function, p. 19
market, p. 12	facilitators, p. 20
central markets, p. 12	innovation, p. 21
middleman, p. 13	marketing ethics, p. 22

True-False Questions

- F 1. According to the text, marketing means "selling" or "advertising."
- F 2. Actually making goods or performing services is called marketing.
- T 3. Marketing plays an essential role in creating customer satisfaction.
- F 4. Production is a more important economic activity than marketing.
- T 5. Form and task utility are provided by production with the guidance of marketing.
- T 6. Marketing provides time, place, and possession utility.
- T 7. It is estimated that marketing costs about 50 percent of each consumer's dollar.
- T 8. Marketing is both a set of activities performed by organizations and a social process.
- T 9. Micro-marketing is the performance of activities that seek to accomplish an organization's objectives by anticipating customer or client needs and directing a flow of need-satisfying goods and services from producer to customer or client.
- F 10. Micro-marketing activities should be of no interest to a nonprofit organization.
- F 11. Macro-marketing is a set of activities that direct an economy's flow of goods and services from producers to consumers in a way which effectively matches supply and demand and accomplishes the objectives of society.
- T 12. Macro-marketing emphasizes how the whole system works, rather than the activities of individual organizations.
- F 13. Only market-directed societies need an economic system.
- F 14. In a market-directed economy, government planners decide what and how much is to be produced and distributed by whom, when, to whom, and why.
- T 15. In a market-directed economy, the prices of consumer goods and services serve roughly as a measure of their social importance.
- T 16. Sometimes micro-macro dilemmas arise because what is "good" for some producers and consumers may not be "good" for society as a whole.
- F 17. The American economy is entirely market-directed.
- T 18. A pure subsistence economy is an economy in which each family unit produces everything it consumes.
- F 19. Marketing takes place whenever a person needs something of value.

38. In a market-directed economy, marketing functions are performed by producers, consumers, and a variety of marketing specialists.
39. Marketing facilitators are any firms which provide the marketing functions of buying and selling.
40. Responsibility for performing the marketing functions can be shifted and shared in a variety of ways, but no function can be completely eliminated.
41. Our market-directed macro-marketing system discourages the development and spread of new ideas and products.
42. The moral standards that guide marketing decisions and actions are called marketing ethics.

Answers to True-False Questions

- | | | |
|--------------|--------------|--------------|
| 1. F, p. 4 | 15. T, p. 10 | 29. T, p. 15 |
| 2. F, p. 4 | 16. T, p. 11 | 30. T, p. 16 |
| 3. T, p. 5 | 17. F, p. 11 | 31. F, p. 16 |
| 4. F, p. 5 | 18. T, p. 12 | 32. T, p. 17 |
| 5. T, p. 5 | 19. F, p. 12 | 33. T, p. 17 |
| 6. T, p. 6 | 20. T, p. 12 | 34. F, p. 17 |
| 7. T, p. 6 | 21. F, p. 13 | 35. T, p. 18 |
| 8. T, p. 7 | 22. F, p. 13 | 36. F, p. 18 |
| 9. T, p. 7 | 23. F, p. 14 | 37. F, p. 19 |
| 10. F, p. 8 | 24. T, p. 14 | 38. T, p. 19 |
| 11. F, p. 9 | 25. T, p. 15 | 39. F, p. 20 |
| 12. T, p. 9 | 26. F, p. 15 | 40. T, p. 21 |
| 13. F, p. 9 | 27. F, p. 15 | 41. F, p. 21 |
| 14. F, p. 10 | 28. F, p. 15 | 42. T, p. 22 |

Multiple-Choice Questions (Circle the correct response)

- According to the text:
 - marketing is much more than selling or advertising.
 - the cost of marketing is about 25 percent of the consumer's dollar.
 - production is a more essential economic activity than marketing.
 - only marketing creates economic utility.
 - all of the above are true statements.
- When a "fruit peddler" drives his truck through residential neighborhoods and sells fruits and vegetables grown by farmers, he is creating:
 - form utility.
 - time and place utility.
 - possession utility.
 - all of the above.
 - all of the above, *except a.*

3. Tam Furniture Stores recently purchased several rail carloads of dining room tables. The tables were distributed to retail outlets in the Northeast, where they sold rapidly to customers. In this situation, Tam Furniture Stores created:
- a. both task and possession utility.
 - b. both place and time utility.
 - c. place, time, and possession utility.
 - d. only place utility.
 - e. both form and place utility.
4. The text stresses that:
- a. advertising and selling are not really part of marketing.
 - b. marketing is nothing more than a set of business activities performed by individual firms.
 - c. marketing techniques have no application for nonprofit organizations.
 - d. marketing is a social process and a set of activities performed by organizations.
 - e. a good product usually sells itself.
5. *Micro-marketing*:
- a. is concerned with need-satisfying goods, but not with services.
 - b. involves an attempt to anticipate customer or client needs.
 - c. is primarily concerned with efficient use of resources and fair allocation of output.
 - d. includes activities such as accounting, production, and financial management.
 - e. is the process of selling and distributing manufactured goods.
6. *Macro-marketing*:
- a. is not concerned with the flow of goods and services from producers to consumers.
 - b. seeks to match homogeneous supply capabilities with homogeneous demands for goods and services.
 - c. refers to a set of activities performed by both profit and nonprofit organizations.
 - d. focuses on the objectives of society.
 - e. All of the above are true statements.
7. Which of the following statements about economic decision making is *true*?
- a. In a market-directed system, the micro-level decisions of individual producers and consumers determine the macro-level decisions.
 - b. Government planning usually works best when economies become more complex and the variety of goods and services produced is fairly large.
 - c. The United States may be considered a pure market-directed economy.
 - d. Planned economic systems usually rely on market forces to determine prices.
 - e. All of the above are true statements.
8. Which of the following is NOT an example of the micro-macro dilemma?
- a. Having a dog or cat can teach a child responsibility, but add expenses to the family budget.
 - b. Some people like to smoke cigarettes, but the smell annoys many others.
 - c. Aluminum soft-drink cans are convenient, but expensive to pick up along the highway.
 - d. Nuclear power may reduce your fuel bill, but worry others.
 - e. Driving fast can be fun, but is hazardous to other people.

9. Marketing cannot occur unless:
- an economy is market-directed rather than planned.
 - producers and consumers can enter into face-to-face negotiations at some physical location.
 - an economy has a money system.
 - ☒ there are two or more parties who each have something of value they want to exchange for something else.
 - middlemen are present to facilitate exchange.
10. The development of marketing middlemen:
- tends to make the exchange process more complicated, more costly, and harder to carry out.
 - ☒ usually reduces the total number of transactions necessary to carry out exchange.
 - tends to increase place utility but decrease time utility.
 - becomes less advantageous as the number of producers and consumers, their distance apart, and the number and variety of products increase.
 - All of the above are true statements.
11. In the "primary manufacturing" stage of economic development,
- almost all the people are above the "subsistence" level.
 - there is strong demand to keep local manufacturers in business.
 - the country no longer imports capital products and consumer durable products.
 - the country begins to export manufactured products.
 - ☒ there is some processing of raw materials that once were shipped out of the country in raw form.
12. What stage of economic development is a country in when small local manufacturing of products such as textiles has begun and the dependence on imports for nondurable products is declining?
- Capital equipment and consumer durable products manufacturing stage
 - Exporting manufactured products stage
 - ☒ Nondurable and semidurable consumer products manufacturing stage
 - Commercial stage
 - Primary manufacturing stage
13. A multinational manufacturer will usually find the biggest and most profitable foreign markets for its products in countries that are in which of the following stages of economic development?
- Primary manufacturing
 - Capital equipment and consumer durable products manufacturing
 - Preindustrial or commercial
 - Nondurable and semidurable consumer products manufacturing
 - ☒ Exporting manufactured products
14. In advanced economies:
- mass production capability is a necessary and sufficient condition for satisfying consumer needs.
 - exchange is simplified by discrepancies of quantity and assortment.
 - the creation of time, place, and possession utilities tends to be easy.
 - both supply and demand tend to be homogeneous in nature.
 - ☒ producers and consumers experience a separation of values.

15. Which of the following is *not* one of the "universal functions of marketing"?
- a. Production
 - b. Standardization
 - c. Financing
 - d. Buying
 - e. Transporting
16. Which of the following is a *true* statement?
- a. Since marketing is concerned with many thousands of different products, there is no one set of marketing functions that applies to all products.
 - b. Responsibility for performing marketing functions can be shifted and shared, but no function can be completely eliminated.
 - c. From a micro viewpoint, every firm must perform all of the marketing functions.
 - d. Marketing functions should be performed only by marketing middlemen or facilitators.
 - e. Many marketing functions are not necessary in planned economies.

Answers to Multiple-Choice Questions

- | | | |
|--------------|--------------|--------------|
| 1. a, p. 4 | 7. a, p. 10 | 13. e, p. 16 |
| 2. e, p. 5-6 | 8. a, p. 11 | 14. e, p. 18 |
| 3. c, p. 5-6 | 9. d, p. 12 | 15. a, p. 19 |
| 4. d, p. 7 | 10. b, p. 13 | 16. b, p. 21 |
| 5. b, p. 8 | 11. e, p. 15 | |
| 6. d, p. 9 | 12. c, p. 15 | |