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MKTG 301 - Final Exam – Answer Key

1. D; Pure competition; In this model we are not really looking at the costs of R&D; Pure competition in pricing is typically seen in agricultural businesses (i.e. wheat or corn)
2. D; Price elasticity refers to how price is sensitive to product demand; An example here would be hotel rates increasing during special events in the area (i.e. game weekends at PSU)
3. A; Apple uses market skimming, also called price skimming; with this strategy, the company makes fewer sales but has a higher profit margin on those sales.
4. E; Break-even pricing, also called target-return pricing
5. A; Product-line pricing; Apple does this by showing its Mac models with the prices increasing left to right on its website; under each price point, Apple shows you the features you would get
6. D; The Civil Rights Act of 1964 relates to legal protections for individuals in protected classes; it is unrelated to pricing and monopolies
7. A; When a market is dominated by one seller, we call it a pure monopoly; This would be true in geographical areas where you have only one phone, cable, or electricity provider
8. C; Promotion mix; The promotion mix involves, advertising, PR, direct marketing, sales promotion and personal selling
9. B: A fixed-price policy sets one price for all customers
10. A; The two factors you must consider are price floor and price ceiling; There are no profits below the price floor and there is no customer demand above the price ceiling
11. B: Personal selling
12. A; This is called integrated marketing communications; An example of a company using IMC is Warner Lambert, owner of Benadryl
13. E; In this case, Apple, is employing optional-product pricing
14. B: Organizational marketing; this is a concept covered in previous exams, and related to the concepts in the final exam as well. There is often a component of organizational marketing going on when you are selling/promoting your products and services
15. E; Comparative advertising, also called *attack advertising*; with this approach, you have to be careful not to provoke a negative response from competitors because you can end up in a fight you can't win
16. B: You are using the percentage-of-sales method; This is not likely to be your best option because you are looking at availability of funds instead of what you really need to market your product effectively

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17. B; In this example, Comcast is using product-bundle pricing; Customers end up with products/services they otherwise wouldn't have purchased; Another example would be McDonald's value meals, which give you a lower price for the meal than you would pay for the individual items
18. A: You are using the affordable method to set your advertising budget; The disadvantage to this method is that it ignores the impact of promotions on your sales numbers
19. B: Amazon is using competition-based pricing
20. C: When Apple places its products in Modern Family episodes, we call it Madison and Vine
21. C; Informative advertising; you use this method when you are releasing a new product and want to educate your customers about it
22. B: Advotainment; You also frequently see these kinds of ads during the Super Bowl
23. A; Consumer promotions; These promotions also enhance customer brand involvement
24. C; Advertising appeals should NOT be typical; They SHOULD be believable, meaningful and distinctive
25. E; All of the above are public relations tools
26. E; Personal selling is NOT primarily conducted online
27. C: This is transaction-focused selling; in the current marketing climate, this method is being used less often.
28. A; You want to remember that direct marketing is focusing its efforts and it message more narrowly, and at specific customers or groups of customers. Mass marketing targets large groups and will necessarily have a broader focus and be less personalized. Direct marketing is currently the fastest growing form of marketing.
29. D; Business to consumer (B2C); B2C is how businesses sell products directly to consumers online. Examples would be Amazon.com or Walmart.com.
30. D; Email marketing is personalized and is NOT the same as SPAM *because* it is highly targeted and not a mass communication; We know that advertisers see a return of $42 for every dollar spent.
31. D; The use of the promotion mix is NOT a recent change in marketing communications
32. E; Push money is money that is given in return for promoting a product; Push money is a trade promotion tool targeted at retailers or wholesalers
33. D; This is value-added pricing; Remember that this differs from *value-based pricing*, in which a company Is trying to offer the right combination of quality and good service at a fair price.
34. C; Inside sales force, which also provides support to the outside sales force
35. B; with this approach, you are offering a less expensive model that has features similar to the name brand product
36. A; Producer => Wholesaler => Retailer => Consumer
37. C; In a corporate vertical marketing system, the corporation owns production and distribution, coordination and conflict through regular organizational channels

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38. A; This is cost-based pricing; in contrast, competition-based pricing is when the company based prices on the competitors' prices
39. C; Most salespeople maintain long term customer relationships
40. C; Distribution is NOT part of the promotion mix
41. E; All of these are instances where market penetration pricing is used
42. D; This is by-product pricing; another example would be selling fertilizer, which of course is just processed animal excrement
43. C; A loss leader is a product that stores use to get customers into the store. Stores don't profit from this item, but they expect customers will stick around to spend money on other products
44. B; Relationship-focused selling focuses on longer-term thing and collaboration with customers; This kind of selling places a priority on customer relationships over making sales; You need a customer-oriented salesperson to do this well
45. C; Consumer value-based pricing considers buyers' perceptions of value; in this model you are not looking at the company's costs
46. C; Competitive-parity method of setting the advertising budget looks at what competitors are spending on advertising
47. B; Producer/Wholesaler/Retailer => Consumer
48. B; You calculate total marketing budget by adding fixed and variable cost.

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MKTG 301 - Final Exam – Check Your Understanding Solutions

Check Your Understanding – Chapter 12

1. D; PR is building publicity and relationships.
2. B; When you are releasing a new product, you would want to use informative advertising. You want to educate your potential customers about this new product and make them want to buy it.
3. C; Creative concept is the BIG IDEA that advertisers want to get across.
4. C; The Shamwow ad is a Slice of Life execution.
5. C; An ad showing Beyonce drinking Pepsi is an endorsement because Beyonce is a celebrity who appears to be telling customers to buy the product. This is different from a Personality Symbol ad because Beyonce was not created specifically to advertise the product. The characters in the old Apple "Mac and PC" commercials were personality symbols. Flo from Progressive is a personality symbol.
6. D; See comparison in Question 5 above.

Check Your Understanding – Chapter 13

1. The need-benefit approach and the presentation approach both assume that the customer has certain needs. The processes are both similar; however, in the need-benefit approach the salesperson offers the customer the opportunity to accept or object to the salesperson's proposal throughout the presentation. The presentation approach only offers the customer the opportunity to accept or object at the END of the presentation.
2. A; Transaction-focused selling ignores customer equity.
3. E; A salesperson would not be responsible for developing promotional budgets. He or she would, however, be involved in the other options listed.

Check Your Understanding – Chapter 14

1. **Shared** marketing is when someone retweets or republishes you; **Owned** marketing is when you use your own pages, like a FB page or an IG account, and **Earned** marketing is when you get 3rd party mentions. There is also **Paid** marketing, when you literally pay all the costs for your marketing effort

2. **A B2B organization** is a business selling to another business; a **B2C organization** is a business selling to consumers. An example of a B2B company would be Cisco selling to other corporations or businesses listing their products on Amazon.com or Walmart.com's Marketplace. An example of a **C2C** would be users selling to each other through ebay.com. If users set up a small business out of their home to sell on ebay, that could arguably be considered B2C. Most businesses are B2C.
3. The advantages of **Print Catalogs** include the inspirational benefits of customers being able to pick them up and look through them as well as the opportunity for a deeper emotional connection and the pass-along readership benefit. Disadvantages include costs and the passive quality of the advertising.

   The advantages of **online/emailed catalogs** include cost savings, the amount of merchandise you can include, the ability for customers to look at them at home, and the opportunity to include interactive features (i.e. Ikea's web catalogs). Disadvantages would include the lack of emotional/pass-along opportunities

4. Direct marketing is direct contact with carefully targeted individual customers. It includes catalogs, direct-response TV, kiosks, mobile marketing, mailed sales circulars directed to a special customer. It is the fastest-growing form of marketing.

Check Your Understanding – Chapter 9

1. B; Segmented pricing is used when you charge different customer groups different prices for game tickets. This example would be customer-segment pricing.

   Offering less expensive admission at specific times is an example of location/time segment pricing.

2. A; In this example, Walmart employed predatory pricing strategies. Predatory pricing is illegal.
3. Price discrimination is LEGAL when companies DO NOT consider age, sex, location, or other similar characteristics in their pricing decisions.

   As long as companies are not being discriminatory in their pricing practices, it is acceptable to offer deals like special pricing for buying in bulk or coupons.

   Price discrimination is ILLEGAL if a company DOES consider age, sex, location or other similar characteristics in pricing decisions.

Check Your Understanding – Chapter 10

1. E; Pricing is not part of the supply chain. The other options listed ARE parts of the supply chain. You will learn more about this in SCM301.
2. B; Price fixing is NOT part of an exclusive distribution deal.
3. A; The conventional marketing channel is:

   Producer => Wholesaler => Retailer => Consumer