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QUESTION NO: 1

Marielle Farm sells bakery and dairy products in the U.S. It sells three varieties of cheese, six types of breads, four types of jams, five types of cookies, and eight different varieties of croissants. What is the breadth of Marielle's product mix in this scenario?

A. 3

B. 4

C. 5

D. 6

E. 8

ANSWER: C

Explanation:

The correct answer is **5**. Product-mix breadth, also called product-line width, is the number of distinct product lines a company offers. Marielle Farm has five product lines: cheese, breads, jams, cookies, and croissants. The stated counts within each line—such as three cheese varieties or eight croissant varieties—describe the number of items within that particular line, often called product-line length or product-mix depth. They do not alter the breadth calculation. Therefore, counting the five separate categories of products gives a product-mix breadth of five. This distinction is important in product strategy because breadth indicates how many different categories a marketer serves, while depth indicates the variety available within each category. A broader mix can help a business meet needs across more categories, whereas greater depth gives customers more choices in a specific category. The American Marketing Association's dictionary defines a product mix as the full set of product lines offered by an organization; this scenario identifies five such lines. See the AMA Dictionary definition of product mix and OpenStax's discussion of product lines and product mix.

QUESTION NO: 2

Which of the following is true of a strategic alliance?

A. It involves investing in the partner firm.

B. It involves sharing financial burdens.

C. It enables a partner firm to use the brand image of another.

D. It involves only B2B selling.

E. The firms involved do not engage in equity partnerships.

ANSWER: B

Explanation:

"It involves sharing financial burdens." is true because a strategic alliance is a cooperative arrangement in which independent organizations work toward mutually beneficial objectives while contributing complementary resources and capabilities. A central practical benefit is that the participants can distribute the costs, risks, and resource commitments associated with an initiative that might be too expensive, uncertain, or difficult for one organization to undertake alone. For example, alliance partners may jointly fund product development, market-entry activities, technology development, distribution infrastructure, or a promotional program. The specific allocation of costs is established in the alliance agreement and should align with each participant's expected contribution, responsibilities, governance rights, and anticipated value from the relationship. This cost-sharing feature supports strategic flexibility: each firm remains legally independent while gaining access to resources, expertise, market reach, or technology that it does not possess internally. Strategic alliances may take several structural forms, so their defining marketing and management logic is collaborative resource and risk sharing rather than one mandatory ownership structure. See the overview of strategic alliances from Corporate Finance Institute and OpenStax's discussion of collaborative international business arrangements in Principles of Marketing.

QUESTION NO: 3

The ethical value of respect in the the AMA Statement of Ethics implies that marketers should:

A. avoid using coercion with all stakeholders.

B. consider environmental stewardship in their decision-making.

C. offer products of value that do what they claim in their communications.

D. acknowledge the social obligations to stakeholders that come with increased marketing and economic power.

E. avoid stereotyping customers or depicting demographic groups in a negative or dehumanizing way.

ANSWER: E

Explanation:

The correct answer is **"avoid stereotyping customers or depicting demographic groups in a negative or dehumanizing way."** The American Marketing Association's Statement of Ethics identifies respect as a core ethical value and explains that marketers should recognize the basic human dignity of all stakeholders. Respect requires marketers to appreciate individual differences and avoid communications, targeting practices, imagery, or representations that reduce people to stereotypes or portray demographic groups in degrading, harmful, or dehumanizing terms.

This principle applies across marketing activities, including advertising creative, audience segmentation, product positioning, influencer content, customer research, and the use of consumer data. In practice, a respectful marketer considers whether a message fairly represents people and whether it could reinforce damaging assumptions about a group. This is not merely a matter of brand tone; it reflects an obligation to treat consumers and other stakeholders as people with dignity rather than as categories to be exploited. The AMA frames ethical marketing as conduct that creates trust in the marketing system, and honoring respect helps sustain that trust through inclusive, humane communication. See the AMA's Statement of Ethics and its Codes of Conduct.

QUESTION NO: 4

Spark, a manufacturer of consumer electronics, makes TVs, home theater systems, refrigerators, ACs, and microwave ovens. Spark's surround-sound system, Quadro, was a market leader a few years ago, before the market for large sound systems began to shrink. Despite its dip in market share and minimal profitability, Spark continues to produce Quadro. Spark offers Quadro for a highly discounted price when customers purchase its high-end LCD, LED, plasma, and 3D TV sets. Although the customers would not purchase Quadro as a standalone product at the same price, the combined offer increases the sales of both Quadro, and the other TV sets. In this scenario, Quadro is a _____.

A. dog

B. cash cow

C. star

D. question mark

E. market leader

ANSWER: A

Explanation:

dog is correct because Quadro operates in a declining market, has lost market share, and produces minimal profit. These are the defining strategic conditions of a dog in the BCG growth-share portfolio matrix: a product with relatively low market share in a low-growth market. A product's earlier leadership does not determine its current classification; the relevant assessment is its present market position and the market's growth outlook. Quadro's continued production is still commercially rational because Spark uses it as a discounted bundle component that helps sell higher-end television products. This is a portfolio and bundling decision, not evidence that Quadro has become high-growth or highly profitable on its own. In practice, firms may retain a dog when it supports sales of other offerings, serves a specific customer segment, or contributes to the overall value of a product bundle. The classification therefore reflects Quadro's standalone market and profitability position, while the promotion explains why Spark has elected not to discontinue it. The BCG matrix is a commonly taught framework for evaluating product portfolios and resource-allocation choices; see OpenStax's overview of the BCG matrix and the American Marketing Association's Professional Certified Marketer program.

QUESTION NO: 5

Which of the following represents an ethical problem?

A. A manager refusing to grant leave to a subordinate who wants to watch a baseball game

B. A manager underselling his team's abilities to keep the client's expectations reasonable

C. A manager exaggerating current sales figures slightly to earn a bonus and promotion

D. A manager accepting responsibility for the mistakes made by his team

E. A manager admonishing an employee for making a mistake that jeopardized a project

ANSWER: C

Explanation:

A manager exaggerating current sales figures slightly to earn a bonus and promotion represents an ethical problem because it deliberately misstates material business information for personal gain. Sales figures influence compensation decisions, performance evaluations, forecasts, resource allocation, and leadership's assessment of organizational health. Even a small intentional exaggeration compromises the reliability of those decisions and violates the manager's duty to provide truthful, transparent reporting.

The American Marketing Association's ethical principles emphasize honesty, responsibility, fairness, and transparency. Honest marketing and business conduct requires communicating information truthfully and avoiding deceptive or misleading representations. A manager who inflates results to obtain a bonus or promotion places personal interests ahead of the organization, colleagues, clients, and other stakeholders who rely on accurate performance data. This is not merely an error in judgment or an optimistic projection; the scenario describes intentional distortion of current figures, which makes it an integrity issue.

Ethical leadership requires accurate reporting, accountability for outcomes, and disclosure of information that decision-makers need to evaluate performance fairly. For further guidance, see the AMA's Statement of Ethics and its Codes of Conduct.

QUESTION NO: 6

A(n) _____ designates the maximum quantity of a product that may be brought into a country during a specified time period.

A. exchange control

B. embargo

C. tariff

D. quota

E. trade agreement

ANSWER: D

Explanation:

quota is correct because an import quota is a government-imposed quantitative restriction that sets the maximum amount of a particular product permitted to enter a country during a defined period, such as a calendar year. The limit may be expressed in physical units, weight, volume, or sometimes by value. Once imports reach the allowed quantity, additional imports may be prohibited or may become subject to a different regulatory treatment, depending on the quota program. Quotas are a type of trade barrier used to manage the volume of imports, often to support domestic producers, administer trade-policy commitments, or address specific market conditions. The World Trade Organization describes quantitative restrictions as measures that limit the quantity or value of goods that can be imported or exported, and the U.S. International Trade Administration explains that quota arrangements restrict the quantity of a product that may be imported. See the WTO overview of quantitative restrictions and the U.S. International Trade Administration's quota guidance.

QUESTION NO: 7

CL Corp. buys stationery supplies from Sharpe Inc. on a large scale and sells smaller quantities to several stationery stores around the country. In this scenario, CL Corp. is an example of a _____.

A. manufacturer

B. retailer

C. wholesaler

D. promoter

E. consumer

ANSWER: C

Explanation:

The correct answer is **wholesaler**. A wholesaler is an intermediary in a distribution channel that purchases goods in relatively large quantities from producers or other suppliers and resells them, usually in smaller quantities, to business customers such as retailers. Here, CL Corp. acquires stationery supplies on a large scale from Sharpe Inc. and then distributes smaller quantities to stationery stores. This is the central wholesale function: bridging the gap between upstream suppliers that prefer large-volume transactions and downstream retailers that need manageable inventory quantities for resale to end users.

Wholesalers also commonly create value through activities such as bulk breaking, inventory storage, assortment building, transportation, and making products available to a broad network of retail customers. CL Corp.'s nationwide sales to several stationery stores illustrate its role as a business-to-business channel member rather than a seller directly serving final consumers. This arrangement helps retailers obtain the products they need without each store having to purchase large supplier-sized lots. The American Marketing Association's Dictionary defines a wholesaler as an organization that sells goods or services to business customers for resale or business use. See the AMA Dictionary definition of wholesaler and the U.S. Census Bureau's overview of wholesale trade.

QUESTION NO: 8

A local Target retailer carries a variety of different items. A customer can find anything ranging from socks, DVD's, and sports gear to groceries. This is an example of the __________ carried by Target.

A. breadth of product mix

B. depth of product line

C. breadth of product line

D. versatility of product line

E. depth of the product mix

ANSWER: A

Explanation:

breadth of product mix is correct because the example describes the number of distinct product categories Target offers. Socks, DVDs, sports gear, and groceries represent separate product lines or categories within one retailer's total assortment. Product-mix breadth, also called product-mix width, measures how many different product lines a company carries. A broad mix allows a retailer such as Target to meet multiple customer needs in one shopping trip and to appeal to customers seeking convenience across a wide range of merchandise categories.

In marketing terminology, a product mix is the complete collection of products a business offers. Its breadth concerns the variety of lines in that collection, rather than the number of individual variations within a particular line. Target's combination of apparel-related goods, entertainment products, sporting goods, and food therefore demonstrates a broad product mix. This assortment strategy supports Target's positioning as a general-merchandise retailer with offerings that extend across many consumer needs. For further discussion of product assortment and product-line decisions, see OpenStax Principles of Marketing and the Marketing Dictionary definition of product mix.

QUESTION NO: 9

On August 1, 2013, sellerspace.com was visited by 150,000 users. The number of users who interacted with at least one page on the website was 150,000, the number who interacted with at least two pages was 120,000, at least three pages was 75,000, and four or more pages was 20,000. What was the bounce rate of the website on August 1, 2013?

A. 10%

B. 20%

C. 30%

D. 40%

E. 50%

ANSWER: B

Explanation:

20% is correct. In the web-analytics usage applicable to this historical question, a bounce is a visit in which the visitor views only one page and does not continue to a second page. The site received 150,000 visits in total, while 120,000 visitors interacted with at least two pages. Therefore, 30,000 visitors viewed exactly one page: 150,000 minus 120,000. Dividing those one-page visits by all visits gives the bounce rate: 30,000 ÷ 150,000 = 0.20, or 20%.

This calculation relies on the fundamental bounce-rate formula: single-page sessions divided by total sessions. The counts for visitors who reached at least three pages and four or more pages are not needed once the number reaching a second page is known; every visitor who continued beyond the first page is excluded from the one-page-visit total. Google's documentation describes bounce rate as the proportion of sessions that were not engaged, while the historical Universal Analytics convention used in questions from this period commonly operationalized a bounce as a single-page session. See Google Analytics Help: Bounce rate and Google Analytics Help: About sessions.

QUESTION NO: 10

Which of the following combinations is used to determine the equity of a brand?

A. Brand awareness, perceived quality, brand associations, and brand loyalty

B. Brand extension, depth, breadth, and product mix

C. Co-branding, customer value, and product line

D. Brand dilution, marketing strategy, labeling strategy, and branding strategy

E. Brand association, packaging, line extension, and associated services

ANSWER: A

Explanation:

Brand awareness, perceived quality, brand associations, and brand loyalty are the core dimensions commonly used to assess brand equity in David Aaker's customer-based brand-equity framework. Together, these dimensions describe the value that a brand name and its related assets add to a product or service. Awareness indicates whether buyers can recognize or recall the brand when making a purchase decision. Perceived quality captures customers' overall judgment of a brand's quality or superiority relative to alternatives, which can support preference and price premiums. Brand associations are the ideas, attributes, feelings, and meanings linked to the brand in customers' memories; strong, favorable, and distinctive associations help differentiate the offering. Brand loyalty reflects customers' commitment to repurchase or continue choosing the brand, providing more stable demand and reducing vulnerability to competitors. These assets are interrelated, but each provides a distinct lens for evaluating the strength and marketplace value of a brand. The American Marketing Association's branding resources discuss how brands create value through customer perceptions and relationships, while Aaker's work established these dimensions as a foundational approach to brand-equity measurement. See the American Marketing Association's branding resources and Aaker's brand-equity framework.

QUESTION NO: 11

Within the buying center, deciders are people who

A. handle the paperwork of the actual purchase.

B. control the flow of information in the buying center.

C. ultimately determine any part of or the entire buying decision.

D. influence other members of the buying center in making the final decision.

E. actually use and evaluate the product or service.

ANSWER: C

Explanation:

"Ultimately determine any part of or the entire buying decision." is correct because a decider holds the authority to choose, approve, or make the final call on one or more elements of an organizational purchase. In business-to-business marketing, buying decisions commonly involve several people performing distinct roles rather than a single individual acting alone. The decider's authority may cover the overall supplier selection or a specific dimension of the purchase, such as technical specifications, budget approval, quantity, or contract terms. This means the decision-making role can be distributed: one person may decide which solution meets operational requirements while another has final authority over funding. Marketers need to identify deciders because their evaluation criteria and approval power directly shape the purchasing outcome. Effective account and buying-center analysis therefore maps both the formal decision authority and the criteria used to make the choice, then communicates the offering's value in terms relevant to that authority. This definition is consistent with standard business marketing descriptions of buying-center roles, which distinguish decision authority from use, purchasing administration, information control, and influence. See Pearson's overview of organizational buying behavior in Principles of Marketing and the organizational buying discussion from OpenStax Principles of Marketing.

QUESTION NO: 12

What should a firm do to create a sustainable advantage based on product excellence?

A. Maintain strong relationships with suppliers and retailers

B. Undertake advertising and brand-building campaigns to reinforce brand positioning

C. Situate stores in all busy shopping areas and malls in a city

D. Develop a script for customer service so that all customers have a consistent experience

E. Introduce customer loyalty programs to retain existing customers

ANSWER: B

Explanation:

Undertake advertising and brand-building campaigns to reinforce brand positioning is correct because product excellence creates value through a distinctive offering, such as superior quality, design, performance, innovation, or features. To make that advantage sustainable, the firm must ensure that target customers consistently recognize, understand, and prefer those product benefits. Brand-building translates genuine product superiority into a clear, memorable market position and builds the associations that make the offering easier to identify and harder for competitors to displace. Advertising can repeatedly communicate the product's differentiating promise, provide evidence of its benefits, and reinforce why the brand is the appropriate choice for the need it serves. This supports both customer preference and the firm's ability to maintain value over time. The American Marketing Association defines a brand as a feature that distinguishes one seller's goods or services from those of other sellers, emphasizing the role of branding in differentiation. Its marketing definition also highlights creating, communicating, delivering, and exchanging offerings that have value. A sustained product-excellence strategy therefore requires not only delivering an excellent product but also establishing a strong brand position around that excellence. See the American Marketing Association's branding resources and its definition of marketing.

QUESTION NO: 13

Which of the following is the first step in planning and executing an advertising campaign?

A. Creating advertisement

B. Conveying the message

C. Evaluating and selecting media

D. Determine the budget

E. Identifying the target audience

ANSWER: E

Explanation:

Identifying the target audience is the correct first step because an advertising campaign must begin with a clear understanding of the specific people the organization intends to influence. Marketers define the audience using relevant characteristics such as needs, behaviors, demographics, location, purchase stage, and media habits. This audience definition gives the campaign a strategic foundation: it shapes the communication objective, the customer insight to address, the value proposition, the tone and content of the message, and the channels most likely to reach prospective customers effectively. It also enables meaningful campaign measurement, since performance can be assessed against the intended segment rather than a broad, undefined population. The American Marketing Association describes market segmentation as dividing a market into distinct groups with common needs or characteristics, a process that supports selecting and serving an appropriate target market. See the AMA's marketing strategy resources. Audience research is also central to campaign planning because it connects advertising decisions to customer understanding and business objectives before creative and media execution begin. The AMA definition of marketing emphasizes creating, communicating, delivering, and exchanging value for customers and society, which requires knowing the customer group for whom that value is being created.

QUESTION NO: 14

Quano Inc. decides to produce a 3D-display phone, Chel, which is a much-anticipated release. Raymond and Jenny are among thousands of buyers who queue up outside a retail store to buy Chel on the day of its release. Most buyers are disappointed within a week because of heating issues. Quano announces immediately that it would replace the defective phones with a rectified model. Raymond and Jenny's replacement phones arrive after three months. The new Chel has a few issues that are taken care of by a software upgrade. This prompts a flood of sales. Trevor is one of Quano's regular customers who buys Chel after the software upgrade. In this scenario, Trevor is one among the _____.

A. early adopters

B. innovators

C. early majority

D. late majority

E. laggards

ANSWER: C

Explanation:

early majority is correct because Trevor purchases Chel only after the product's initial technical problems have been addressed and market acceptance has begun to build. In the diffusion-of-innovations model, the early majority represents pragmatic customers who generally adopt an innovation before the average person but prefer evidence that it is reliable, useful, and accepted by others. They are not typically the first people to take on the uncertainty of an unproven launch. Trevor's status as a regular Quano customer may make him positively disposed toward the brand, but his timing is the key evidence: he waits until the heating defects have been remedied, the replacement model has been introduced, and remaining issues have been resolved through a software upgrade. The resulting flood of sales signals that the offering has crossed from initial trial by the most venturesome buyers toward broader market adoption. This customer behavior fits the early-majority segment's reliance on reduced perceived risk and demonstrated product performance. The adoption and diffusion framework is a core marketing concept for understanding how acceptance spreads through a market over time; see OpenStax, Adoption and Diffusion of Innovation and the American Marketing Association Professional Certified Marketer program overview.

QUESTION NO: 15

_____ risks are those risks associated with the way people will feel if the product or service does not convey the right image.

A. Safety

B. Performance

C. Physiological

D. Social

E. Psychological

ANSWER: E

Explanation:

Psychological is correct because psychological risk concerns the potential effect of a purchase, brand, or service choice on an individual's self-concept, confidence, and sense of identity. Buyers often use products and services to express who they are or want to be. When they worry that a choice will not project the desired image, they may anticipate feeling dissatisfied, self-conscious, regretful, or less confident after purchasing or using it. That anticipated internal emotional consequence is the essence of psychological risk. Marketers can reduce this risk by clearly communicating brand meaning and product fit, using imagery that supports customers' desired identities, providing credible reviews and testimonials, and offering reassurance through guarantees or easy returns. Consumer behavior recognizes that purchase decisions are influenced not only by functional outcomes but also by personal motives, attitudes, self-image, and emotions. These influences are particularly important for visible, identity-relevant offerings, but can arise whenever a choice feels personally meaningful. See the American Marketing Association's consumer-behavior resources at https://www.ama.org/topics/consumer-behavior/ and OpenStax's discussion of psychological factors in consumer buying behavior at https://openstax.org/books/principles-marketing/pages/3-2-factors-that-influence-consumer-buying-behavior.

QUESTION NO: 16

_____ involves a process of defining the 4P variables so that target customers have a clear, distinctive, desirable understanding of what the product does or represents in comparison with competing products.

A. Value proposition

B. Relative positioning

C. Competitive positioning

D. Market positioning

E. Selective perception

ANSWER: D

Explanation:

Market positioning is correct because it is the strategic process of creating a clear, distinctive, and desirable place for an offering in the target customer's mind relative to competing offerings. It translates the selected target-market strategy into an integrated marketing-mix decision: product attributes and benefits, price level or value signal, distribution availability, and promotional messages should consistently communicate the intended market position. The reference to comparison with competing products is especially important. Positioning is not merely describing what a product is; it establishes the meaningful point of difference and frame of reference customers use when evaluating alternatives. Effective market positioning therefore helps customers quickly understand what the offering represents, whom it is for, and why its value is distinctive. This directly supports coherent decisions across the 4Ps and enables the brand to occupy the intended place in the market. The AMA's marketing resources identify positioning as a foundational branding and strategy concept, while standard marketing texts describe positioning as establishing an offering's place relative to competitors. See the American Marketing Association's branding resources and OpenStax's discussion of positioning and repositioning offerings.

QUESTION NO: 17

Which of the following is true of private-label brands?

A. These brands help manufacturer develop a consistent quality across retailers.

B. These brands help the manufacturers position, segment, and build a brand.

C. These brands, also known as manufacturer brands, provide greater control over marketing strategies.

D. These are products that are distributed to and sold by many retailers.

E. These are products based on designs and specifications provided by retailers.

ANSWER: E

Explanation:

"These are products based on designs and specifications provided by retailers." is true of private-label brands. A private-label brand is owned by a retailer or other reseller rather than by the manufacturer that physically produces the item. The retailer identifies the product opportunity, establishes the desired features, quality level, packaging, branding, and often the price positioning, then contracts with a manufacturer to make the product to those requirements. The goods are sold under the retailer's proprietary brand, giving the retailer meaningful control over how that brand is positioned within its assortment and presented to customers.

This arrangement allows retailers to create offerings tailored to their target market, differentiate their merchandise, and manage brand standards across their channels. The manufacturer's role is principally production according to the retailer's agreed design and specifications; ownership of the brand and the associated customer-facing strategy remains with the retailer. This is the defining distinction reflected in marketing terminology for private brands. The American Marketing Association's marketing dictionary defines a private brand as one owned by a reseller, and the definition also recognizes that such products may be manufactured to the reseller's specifications. See the AMA Marketing Dictionary entry for private brand and the American Marketing Association's marketing resources.

QUESTION NO: 18

A(n) _____ is a broad description of a firm's objectives and the scope of activities it plans to undertake, and attempts to answer two main questions: What type of business are we? What do we need to do to accomplish our goals and objectives?

A. marketing toolbox

B. operational plan

C. mission statement

D. marketing plan

E. code of conduct

ANSWER: C

Explanation:

mission statement is correct because it provides the organization's high-level purpose, identity, and intended scope of activity. It expresses what business the firm is in, whom it seeks to serve, and the broad direction that should guide decisions and goal setting. In marketing planning, this organizational-level statement is important because marketing objectives and strategies need to support the firm's overall purpose rather than operate as isolated activities. Asking "What type of business are we?" focuses on the organization's fundamental reason for existing and its market domain. Asking what must be done to accomplish goals and objectives links that purpose to the broad direction the organization will take. A well-defined mission therefore gives managers a durable framework for evaluating opportunities, allocating resources, and ensuring that plans remain aligned with the company's core intent. The American Marketing Association's marketing-planning resources describe how organizational mission and objectives provide the foundation for subsequent marketing decisions, while the U.S. Small Business Administration describes a mission statement as a concise expression of a company's purpose and goals. See the American Marketing Association's marketing-plan guidance and the U.S. Small Business Administration business-plan guide.

QUESTION NO: 19

If the GRP of an advertisement is 60 percent and its reach is 6 percent, what is the frequency of the ad?

A. 6

B. 54

C. 66

D. 10

E. 360

ANSWER: D

Explanation:

10 is correct because gross rating points, reach, and average frequency use the standard media-planning relationship: GRPs = reach × frequency. GRPs represent the total number of audience exposures expressed as a percentage of the target population, while reach is the percentage of unique people exposed at least once. Frequency is therefore calculated by dividing GRPs by reach when both metrics use the same percentage base.

Here, the calculation is 60 ÷ 6 = 10. This means that, on average, each person reached by the advertisement was exposed to it 10 times. The result is an average frequency, not a count of unique audience members or a percentage. Media planners use this relationship to assess the delivery weight of a campaign and to balance the number of people reached with the number of times those people are likely to encounter the message. For further definitions and context on GRPs, reach, and frequency, see Nielsen's overview of reach, frequency, and GRPs and Qualtrics' gross rating point guide.

QUESTION NO: 20

If a customer spends $40 on purchasing a company's product and spends $80 on other companies' products in the same product category, what is the company's share of customer wallet?

A. 11.12%

B. 22.46%

C. 29.77%

D. 33.33%

E. 41.13%

ANSWER: D

Explanation:

33.33% is the company's share of customer wallet. Share of wallet measures the proportion of a customer's total spending within a particular product category that is captured by one company or brand. The relevant total category spending is therefore the customer's $40 spent on the company's product plus the $80 spent on competing companies' products, for a total of $120. The calculation is: company spending divided by total category spending, multiplied by 100. Thus, $40 ÷ $120 × 100 = 33.333...%, which rounds to 33.33%.

This metric is customer-specific: it does not measure the company's overall market share, revenue share across all customers, or the percentage of the customer's entire household budget. It focuses narrowly on the portion of this customer's spending in the stated product category that goes to the company. Monitoring share of wallet helps marketers assess customer relationship depth and identify potential opportunities to increase repeat purchasing, cross-selling, or retention. See the American Marketing Association's marketing resources and Qualtrics' overview of share of wallet.

QUESTION NO: 21

The second stage of the AIDA model is _____.

A. Intention

B. Interest

C. Introduction

D. IMC

E. Insistence

ANSWER: B

Explanation:

Interest is the second stage of the AIDA model, a classic hierarchy-of-effects framework used to describe how marketing communications can move an audience toward action. AIDA stands for Attention, Interest, Desire, and Action. After a message first gains the audience's attention, it must develop interest by making the content relevant, engaging, and valuable to the audience's needs or circumstances. At this point, marketers commonly use informative copy, compelling benefits, relatable situations, demonstrations, or useful details to encourage the audience to continue engaging with the message. Building interest is essential because attention alone may be brief; interest creates the motivation for a prospective customer to learn more, leading naturally to desire for the offering and eventually an action such as making a purchase, requesting information, subscribing, or contacting a business. The AMA's marketing dictionary describes AIDA as a model of stages through which advertising affects consumers, including attention and interest. See the AMA Dictionary definition of the AIDA model and the Britannica overview of AIDA.

QUESTION NO: 22

_____ is a communication used to create and build brand awareness, with the ultimate goal of moving the consumer through the buying cycle to a purchase.

A. Product advertising

B. Reminder advertising

C. Personalized advertising

D. Persuasive advertising

E. Informative advertising

ANSWER: E

Explanation:

Informative advertising is correct because its primary communication role is to introduce or clarify a brand's offering, helping prospective customers recognize a need, understand relevant product attributes, and become aware of the brand. Awareness is an essential early stage in the customer decision journey: consumers cannot meaningfully evaluate or select a brand until they know it exists and have enough information to connect its value to their needs. By communicating factual product, service, category, availability, or benefit information, informative advertising establishes the knowledge base that supports progression toward consideration and, ultimately, purchase. This is especially important for new offerings, unfamiliar categories, or situations in which customers need education before they can make a confident purchase decision. The American Marketing Association describes advertising as sponsored, persuasive communication, while informative advertising represents the awareness- and knowledge-building application of that broader promotional tool. OpenStax's marketing text likewise identifies informative advertising as communication intended to build awareness and convey information to consumers. See the American Marketing Association's advertising resources and OpenStax's discussion of the promotion mix.

QUESTION NO: 23

In an administered vertical marketing system,:

A. there are contractual relationships between all parties.

B. there is common ownership of goods.

C. one member can direct the actions of another member.

D. there are franchise relationships between channel members.

E. there is no dominant member; all members have equal power.

ANSWER: C

Explanation:

One member can direct the actions of another member. is correct because an administered vertical marketing system coordinates the activities of producers, wholesalers, and retailers through the influence and market power of one channel participant. This leadership is not necessarily based on a formal ownership arrangement or a written agreement. Instead, a powerful member—often a major manufacturer with a highly valued brand or a large retailer with substantial buying power—can establish channel expectations, influence merchandising and inventory practices, coordinate promotional activity, and encourage other members to follow common goals. The defining feature is administration through power, expertise, reputation, or economic leverage. Vertical marketing systems are designed to manage the channel as a coordinated whole, improving efficiency and helping channel members deliver value consistently to customers. OpenStax describes administered vertical marketing systems as systems in which channel leadership arises from the size and power of one or more dominant members, rather than from ownership. This reflects the standard marketing-channel distinction among corporate, contractual, and administered systems. See OpenStax, The Marketing Channel and American Marketing Association, Marketing Channels.

QUESTION NO: 24

Which of the following is true of distribution centers?

A. Distribution centers rely on pull, rather than push strategies to determine their inventory levels.

B. Greater backup inventory is needed to prevent stockouts.

C. Space in a distribution center is usually more expensive than space in retail stores.

D. Distribution centers work best when retailers have only a few outlets that are far apart geographically.

E. Distribution centers enable the retailer to carry less merchandise in the individual stores, which results in lower inventory investments systemwide.

ANSWER: E

Explanation:

Distribution centers enable the retailer to carry less merchandise in the individual stores, which results in lower inventory investments systemwide. A distribution center consolidates inventory that would otherwise need to be duplicated across numerous retail locations. Because demand variability is aggregated across the network, a retailer can use centralized replenishment to maintain appropriate availability while generally needing less total safety stock than if every store independently held substantial reserve inventory. This inventory-pooling effect is especially valuable for retailers with many locations, variable demand, broad assortments, or products that sell more slowly at individual stores.

Distribution centers also support frequent, planned store replenishment and can receive, sort, store, and allocate merchandise efficiently before delivery to stores. As a result, stores can devote more of their limited space and capital to customer-facing assortment rather than backroom stock, while the retailer gains better visibility and control over inventory across the network. The U.S. Department of Transportation describes distribution centers as facilities that receive, store, and distribute goods within supply chains, and inventory-pooling research explains the risk-pooling benefit of aggregation. See the Federal Highway Administration overview of freight distribution and ScienceDirect's overview of risk pooling.

QUESTION NO: 25

Which of the following is true of demographic segmentation?

A. Demographic variables have no influence on consumer needs and wants.

B. Demographic variables such as education, religion, race, generation, and nationality are easy to measure.

C. Using demographic variables required dividing the market based on consumers' agreement or disagreement opinions and statements.

D. It involves the analysis of consumer lifestyles to create a detailed customer profile.

E. Keeping demographic characteristics separate from psychographics ensures a more 'lifelike' portrait of the targeted consumer segment.

ANSWER: B

Explanation:

Demographic variables such as education, religion, race, generation, and nationality are easy to measure. Demographic segmentation organizes a broad market into groups using observable, population-based characteristics, commonly including age, income, education, occupation, gender, family status, ethnicity, religion, and nationality. These characteristics are generally available through customer records, surveys, registration data, census information, and reputable third-party research. Their relative accessibility makes demographic data a practical starting point for defining target markets, estimating segment size, selecting media, and tailoring marketing programs.

In practice, marketers use demographic variables because they offer a consistent way to describe who is in a potential market and because many demographic measures can be quantified and compared across groups. The AMA describes market segmentation as dividing a market into distinct groups of buyers with different needs, characteristics, or behaviors that may require separate marketing strategies or mixes. Demographic data helps make those groups identifiable and measurable, supporting decisions about targeting and positioning. Marketers can then combine demographic insights with behavioral, geographic, or psychographic research when a richer understanding of customer motivations is needed. See the American Marketing Association's market-segmentation resources and OpenStax's discussion of demographic segmentation.

QUESTION NO: 26

Talyn Cosmetics sells high-end cosmetics that are coveted by women, but are priced out of the budgets of most average buyers. Talyn wants to enter the Arian market and is conducting market research to identify the market segment on which it should focus its strategy. Researchers send out a questionnaire to a vast pool of potential customers in Aria and analyze the results. Which of the following questions should research analysts focus on to identify the target segment?

A. Would you choose Talyn Cosmetics over other cosmetics brands in the market? Why?

B. Would you be interested in buying Talyn Cosmetics? What is the most you would be willing to spend on a brand of cosmetics?

C. What is your preferred mode of purchase of cosmetics—retail stores or online?

D. List your favorite brands of cosmetics.

E. How old were you when you began using cosmetics?

ANSWER: B

Explanation:

"Would you be interested in buying Talyn Cosmetics? What is the most you would be willing to spend on a brand of cosmetics?" is the most useful question because it measures the two factors most directly tied to Talyn's segmentation decision: prospective demand for the brand and the customer's capacity or willingness to pay at a premium price point. Talyn already knows that its products are high-end and that price excludes many average buyers. To identify a viable target segment in a new market, researchers therefore need to find respondents who both express purchase interest and report a spending threshold compatible with Talyn's pricing. Combining these responses enables the company to estimate the size and attractiveness of a premium-oriented segment and build a strategy around people whose needs and purchasing power align with the offering. This is consistent with market-segmentation practice: firms divide a broad market into groups with meaningful similarities and select segments that can be served effectively and profitably. Price sensitivity and willingness to pay are particularly relevant behavioral and economic variables for a luxury cosmetics brand. The resulting data can also guide positioning, product assortment, and communications for the selected Arian audience. See the American Marketing Association's market segmentation resources and Qualtrics' overview of market segmentation.

QUESTION NO: 27

_____ occurs when the brand extension adversely affects consumer perceptions about the attributes the core brand is believed to hold.

A. Brand dilution

B. Line extension

C. Rebranding

D. Co-branding

E. Brand association

ANSWER: A

Explanation:

Brand dilution occurs when a brand extension weakens, blurs, or otherwise harms the established meaning of the core brand in consumers' minds. Strong brands build equity through clear, favorable, and distinctive associations—such as quality, prestige, expertise, or a particular product category. When an extension is a poor fit with those associations, consumers may reassess whether the parent brand genuinely possesses the attributes they previously credited to it. This adverse spillover effect is brand dilution.

For example, a highly specialized or prestige-oriented brand can lose clarity or credibility if it is extended into offerings that seem inconsistent with its identity. The key feature is not merely introducing another product under an existing name; it is the resulting negative effect on perceptions of the parent brand's established attributes and equity. AMA's Dictionary defines brand equity in terms of the value associated with a brand name, while brand-management practice recognizes that extensions must fit the parent brand's positioning to protect that value. See the American Marketing Association's branding resources and AMA's marketing definitions and resources.

QUESTION NO: 28

Carnival Cruise Lines increased the price of its seven-day cruise package by 20 percent recently. If demand for its cruises is negatively elastic, which of the following is the likely outcome of the increase in price?

A. The company will see an increase in customer bookings.

B. The company's profit will decrease though its revenue will increase.

C. The company will see a decrease in total revenue.

D. There will be no change in the number of cruises booked.

E. The company's total revenue will increase.

ANSWER: C

Explanation:

"The company will see a decrease in total revenue." is correct because the question uses "negatively elastic" to describe price-elastic demand: the percentage reduction in quantity demanded is greater than the percentage increase in price. Demand ordinarily has a negative price elasticity because consumers tend to purchase fewer units as price rises; when demand is elastic in magnitude, that quantity response is sufficiently large to reduce total revenue.

For Carnival, a 20 percent price increase would therefore cause bookings to fall by more than 20 percent. Total revenue equals price multiplied by the number of cruise packages booked. Although Carnival receives more per package from the customers who still book, the larger loss of bookings outweighs the higher per-package price, producing lower overall revenue. This relationship is a core implication of the total-revenue test for elastic demand and is particularly relevant for discretionary travel purchases, for which customers may defer travel, choose shorter trips, or select competing vacation options. See OpenStax's discussion of price elasticity of demand and its explanation of the relationship between elasticity and total revenue.

QUESTION NO: 29

A seller's costs are usually determined during or after a product is made, with a specified percentage or dollar amount added to the cost to establish a price. In this case, the organization is using _____ pricing.

A. skimming

B. demand-based

C. differential

D. cost-plus

E. expense-based

ANSWER: D

Explanation:

cost-plus pricing is correct because it starts with the seller's calculated cost of producing or acquiring an offering and then adds a predetermined markup, expressed either as a percentage of cost or as a fixed dollar amount, to arrive at the selling price. For example, if an item costs $100 to make and the organization applies a 25% markup, its cost-plus price is $125. This approach gives marketers and managers a straightforward way to establish prices that are intended to cover costs while providing a planned margin. The question specifically describes determining costs during or after production and adding a specified amount to those costs; that is the defining process of cost-plus pricing. In marketing practice, the cost base can include direct costs such as materials and labor and, depending on the organization's accounting method, an allocated share of overhead. The markup should be selected with the organization's financial objectives, competitive context, and expected sales volume in mind. The American Marketing Association's Dictionary identifies cost-plus pricing as setting a price by adding a markup to cost. See the AMA Dictionary definition of cost-plus pricing and the OpenStax overview of cost-based pricing.

QUESTION NO: 30

Stavely Publishing is conducting a SWOT analysis of its marketing environment. In this analysis, the company will identify its strengths and weaknesses from _____.

A. its customer base

B. government regulations impacting its products

C. its production department

D. changes in the country's economic environment

E. its competitors' marketing strategies

ANSWER: C

Explanation:

"its production department" is correct because strengths and weaknesses in a SWOT analysis arise from conditions internal to the organization. A production department is an internal functional area whose capabilities can directly affect marketing performance and the firm's ability to deliver customer value. For example, its capacity, production quality, operational efficiency, technology, reliability, cost structure, and ability to respond to demand are organizational resources or limitations that the company can evaluate and, in many cases, manage or improve. These internal characteristics may create a strength, such as efficient high-quality production, or reveal a weakness, such as insufficient capacity or inconsistent quality. In a marketing-environment analysis, evaluating internal departments helps marketers determine whether the organization has the resources and competencies needed to execute its marketing strategy and fulfill market promises. SWOT specifically separates these internally controlled organizational factors from external environmental conditions, allowing the business to align its strategy with what it can realistically do well and where it needs improvement. The American Marketing Association describes SWOT as an assessment of internal strengths and weaknesses together with external opportunities and threats. See the American Marketing Association's marketing strategy resources and OpenStax's discussion of the marketing environment.

QUESTION NO: 31

The customers at Marielle's coffee shop want to grab a quick cup of coffee before boarding the commuter train into the city. The sign in the window promises ""Quick, In-and-Out Service,"" and usually Marielle's keeps that promise. But one morning, customers were frustrated when the staff behind the counter was more interested in gossiping about their social lives than in waiting on customers. Marielle's shop is suffering from a _____.

A. knowledge gap.

B. standards gap.

C. social expectations gap.

D. delivery gap.

E. communications gap.

ANSWER: D

Explanation:

delivery gap. is correct because the failure occurs at the point where employees actually deliver the service to customers. Marielle's has made a clear service promise—quick, in-and-out service—and the shop generally has the ability and procedures to fulfill it. On this occasion, however, employees did not perform in a manner consistent with that promise: they prioritized personal conversation over serving customers who were time-constrained and expecting prompt attention. The resulting difference between the established service standard or promise and customers' real experience is a delivery gap.

In service-quality management, reliable delivery depends on frontline employees consistently executing the service process, especially during high-value moments of customer interaction. For a commuter-oriented coffee shop, speed, attentiveness, and queue management directly shape perceived service quality. When staff behavior interrupts those operational expectations, customers experience a service performance shortfall even though the business understands customer needs and has communicated an appropriate promise. This distinction is central to managing service quality and customer satisfaction. See the American Marketing Association's definition of marketing for marketing's emphasis on creating value, and the OpenStax discussion of the service-quality gap model for the delivery-gap concept.

QUESTION NO: 32

A manufacturer introduces a new line of smart home thermostats. It sets an introductory price below that of established competitors in order to attract a large number of buyers quickly and discourage new competitors from entering the market. Which pricing strategy is the manufacturer using?

A. Price skimming

B. Penetration pricing

C. Prestige pricing

D. Captive-product pricing

E. Reference pricing

ANSWER: B

Explanation:

Penetration pricing is correct because the manufacturer is deliberately setting a relatively low introductory price to build sales volume and market share rapidly. The low price gives customers a strong reason to try the new thermostat instead of an established competing brand and may make the market less attractive to potential entrants.

Unlike price skimming, which begins with a high price to capture revenue from less price-sensitive early buyers, penetration pricing seeks broad adoption early in the product life cycle. It is most appropriate when demand is price sensitive, the market is large, and increased volume can help the firm achieve cost efficiencies or strengthen its competitive position. See OpenStax: Pricing Strategies and Tactics and the American Marketing Association's pricing resources.

QUESTION NO: 33

Newtown-based athletic shoe manufacturer Alpha Shoes sells different types of shoes for kids, and focuses its marketing activities in the Newtown region. To increase sales of its products, Alpha begins an intensive promotional campaign in Newtown's schools. Which of the following market strategies is the company using?

A. diversification

B. market penetration

C. horizontal integration

D. market development

E. vertical integration

ANSWER: B

Explanation:

Market penetration is correct because Alpha Shoes is seeking to increase sales of its existing shoe products within its existing geographic market, Newtown. The intensive school-based promotional campaign is designed to encourage more purchases among customers the company already targets—children and their families in the local area—rather than introducing a new product line or entering a new geographic or customer market. This is the central purpose of a market-penetration strategy: growing share or sales in a current market through tactics such as stronger promotion, advertising, pricing activity, distribution improvements, or increased usage and repeat purchasing. In the Ansoff product-market growth matrix, market penetration combines existing products with existing markets. Alpha's campaign fits that combination precisely: its children's athletic shoes are already sold in Newtown, and the schools are a highly relevant local channel for reaching the current target audience. The campaign therefore aims to deepen demand and improve the company's position among existing prospective buyers, not change the fundamental product-market scope. See the American Marketing Association's overview of marketing activities and the Ansoff Matrix explanation from Corporate Finance Institute.

QUESTION NO: 34

In conducting a SWOT analysis, Blue Sun Corp. notes that its production process is much more advanced than those of competitors. This will be considered one of the company's _____ in the SWOT analysis.

A. weaknesses

B. opportunities

C. strengths

D. threats

E. selling points

ANSWER: C

Explanation:

strengths is correct because SWOT categorizes favorable attributes that originate within the organization as strengths. Blue Sun Corp.'s production process is an internal capability, and being substantially more advanced than competitors gives the company a potentially valuable advantage in such areas as product quality, production efficiency, speed to market, cost control, innovation capacity, or consistency. The comparison with competitors establishes that this capability is not merely routine; it is a relative advantage that can support the company's marketing and business strategy. In a SWOT assessment, the organization should identify these internal advantages and consider how to use them to create customer value, strengthen its market position, and pursue strategic objectives. The AMA describes SWOT as a planning framework used to assess strengths, weaknesses, opportunities, and threats, helping marketers understand internal and external factors affecting a business. Advanced production capability fits the internal, favorable part of that framework. See the American Marketing Association's overview of SWOT analysis and the U.S. Small Business Administration's marketing-planning guidance.

QUESTION NO: 35

Which of the following is an example of impulse buying?

A. Ryan purchased a suit for his wedding after consulting a tailor.

B. While grocery shopping Sean picked up a pack of bubble-gum from the checkout counter.

C. Jim conducted a thorough Internet search before buying a new car.

D. Lily picked up a burger from a drive in restaurant on the way home.

E. Jordan purchased a mobile phone after being convinced by a sales presentation.

ANSWER: B

Explanation:

“While grocery shopping Sean picked up a pack of bubble-gum from the checkout counter.” is an example of impulse buying because it describes an unplanned, spontaneous purchase made at the point of sale. Sean is already completing a routine shopping trip when the checkout display prompts an immediate, low-effort addition to the basket. This setting is deliberately designed to encourage impulse purchases: small, inexpensive, easily consumable products are placed where customers wait to pay, making them highly visible and convenient to buy without prior research or deliberation.

In consumer-behavior terms, impulse buying is typically characterized by a sudden urge to purchase, minimal advance planning, and little extended decision-making. Point-of-purchase merchandising, including checkout-counter displays, uses product placement and convenience to trigger that response. The purchase of bubble gum in this situation fits the core marketing meaning of an impulse purchase because the buying decision occurs in the moment rather than arising from a previously identified need and an intentional evaluation process. For an overview of consumer purchase decision-making and unplanned purchasing behavior, see OpenStax Principles of Marketing and Encyclopaedia Britannica’s impulse-buying definition.