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Principles of Marketing
Quiz No. 2
April 3, 2000

ANSWER SHEET
Version 1

NAME _____

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Version 1

True/False

1. In the growth stage of the PLC, cost-plus pricing is used.
2. The augmented product includes such variables as packaging, the brand name, and the quality level of the product.
3. Market-penetration pricing helps to generate profits quickly.
4. If a company chooses to produce a high-quality product and charges a very high price, it is using what is called a "good-value" pricing strategy.
5. One of the most common mistakes made by companies with respect to pricing is that their pricing is too cost oriented.

Multiple Choice

6. A firm can obtain new products in two ways. First, it can develop them by using its own research and development department. Second, it can:
 - a. steal them.
 - b. get them through acquisition.
 - c. transfer them between divisions.
 - d. copy them.
7. The stage in the product life cycle where the strategic focus is on maximizing profit while defending market share and pricing to match or best the competition is called the:
 - a. decline stage.
 - b. introduction stage.
 - c. growth stage.
 - d. maturity stage.
8. The strategy whereby a company stocks its products in as many outlets as possible is called:
 - a. intensive distribution.
 - b. exclusive distribution.
 - c. selective distribution.
 - d. closed distribution.
9. Selling season tickets for less than the cost of the tickets if bought separately for each game is a form of:
 - a. product-bundle pricing.
 - b. optimal-product pricing.
 - c. captive-product pricing.
 - d. by-product pricing.
10. All of the following are considered to be levels of products and services EXCEPT:
 - a. the core product or service.
 - b. the actual product or service.
 - c. the refined product or service.
 - d. the augmented product or service.

11. Rent, heating and air-conditioning, interest, and executive salaries would all be examples of:
 - a. fixed costs.
 - b. variable costs.
 - c. standard costs.
 - d. independent costs.

12. With respect to the product life cycle, the _____ is a period of rapid market acceptance and increasing profits.
 - a. product development stage
 - b. introduction stage
 - c. growth stage
 - d. maturity stage

13. Pricing to cover variable costs and some fixed costs, as in the case of some automobile distributorships that sell below total costs, is typical of which of the following pricing objectives?
 - a. Current profit maximization.
 - b. Product quality leadership.
 - c. Market share leadership.
 - d. Survival.

14. If the demand hardly changes with a small change in price, we can say that the demand is classified as being:
 - a. neutral.
 - b. elastic.
 - c. kinked.
 - d. inelastic.

15. A set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user is called a(n):
 - a. retailer.
 - b. wholesaler.
 - c. distribution channel.
 - d. logistics.

16. The number of different versions offered of each product in the product line is called its:
 - a. width.
 - b. depth.
 - c. length.
 - d. consistency.

17. Market-penetration pricing refers to the practice of:
- setting a high initial price and then penetrating the market with successive prices for each price sensitive layer.
 - setting a low initial price to penetrate the market quickly and attract a large number of buyers to win a large market share.
 - pricing to attract low volume in many segments so as to gradually penetrate the market as a whole.
 - pricing products very high to penetrate deeply and quickly into large profits for the company.
18. _____ is setting a price for products that must be used along with a main product, such as blades for a razor.
- Optimal-product pricing
 - Captive-product pricing
 - By-product pricing
 - Product line pricing
19. Avon, Amway, and Tupperware use which of the following forms of channels of distribution?
- Direct marketing channel.
 - Indirect marketing channel.
 - Forward channel.
 - Fashion channel.
20. A(n) _____ is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything.
- service
 - demand
 - need
 - physical object
21. If Pizza Inn franchisees' complain that other Pizza Inn franchisees are cheating on ingredients, giving poor service, and are hurting the overall Pizza Inn image, a _____ would be occurring within a channel of distribution.
- parallel conflict
 - system conflict
 - horizontal conflict
 - vertical conflict
22. According to the four price-quality strategies described in the chapter, Rolex watches would be an illustration of which of the following strategies?
- Good-value strategy.
 - Premium strategy.
 - Overcharging strategy.
 - Snob strategy.

23. _____ is the sum of the values that consumers exchange for the benefits of having or using the product or service.
- Price
 - Elasticity
 - Demand
 - Value estimate
24. The course of a product's sales and profits over its lifetime is called:
- the sales chart.
 - the dynamic growth curve.
 - the adoption cycle.
 - the product life cycle.
25. Kellogg and IBM sell their output under their own names. This is an illustration of which of the following branding options?
- Licensed brand.
 - Manufacturer's brand.
 - Private brand.
 - Co-brand.

Identify and define: (Answer any five, 2 points each—additional for extra credit)

- Augmented product
- Variable costs
- Brand equity
- PLC
- Value based pricing
- By-product pricing
- Exclusive distribution

Essays: (Answer one — 5 points)

1. Why do most new products fail?
2. How are services different than products? What unique marketing challenges are associated with services?