

Chapter 2 - The Structure of the Advertising and Promotion Industry: Advertisers, Agencies, Media, and Support Organizations

TRUE/FALSE

1. Overall, media fragmentation is a big plus for consumers but a big headache for advertisers and agencies.

ANS: T DIF: Easy REF: p. 45 OBJ: 2-Intro
NAT: AACSB Reflective Thinking | CB&C Model Promotion TYP: Comprehension

2. One or more of the major business and societal forces—technological advances, economic conditions, cultures, lifestyles, business philosophies, etc.—are always affecting advertising and promotion efforts.

ANS: T DIF: Easy REF: p. 46 OBJ: 2-Intro
NAT: AACSB Reflective Thinking | CB&C Model Promotion TYP: Comprehension

3. Social media come in highly accessible forms, allowing individuals and groups to share almost unlimited textual and visual information.

ANS: T DIF: Easy REF: p. 47 OBJ: 2-1
NAT: AACSB Communication | CB&C Model Customer TYP: Comprehension

4. Once considered amateurish and unsophisticated, blogs have begun to gain respect, now numbering about 133 million, with almost 350 million people around the world visiting them.

ANS: T DIF: Moderate REF: p. 47 OBJ: 2-1
NAT: AACSB Communication | CB&C Model Customer TYP: Comprehension

5. Now more than ever, advertisers are in greater control of the information they disseminate, and the way it is delivered, regarding product categories and the brands within those categories.

ANS: F DIF: Easy REF: p. 48 OBJ: 2-1
NAT: AACSB Communication | CB&C Model Customer TYP: Comprehension

6. Despite the explosion of new media in recent years—cable television stations, direct marketing technologies, Web options, digital and mobile alternatives—today's media options are actually reduced from those of past decades.

ANS: F DIF: Moderate REF: p. 48 OBJ: 2-1
NAT: AACSB Technology | CB&C Model Online/Computer TYP: Comprehension

7. Even in the face of new communication formats such as online, branded, and sponsorship options, today's companies are putting more faith and energy back into traditional advertising formats placed in mainstream media.

ANS: F DIF: Moderate REF: p. 48-49 OBJ: 2-1
NAT: AACSB Communication | CB&C Model Strategy TYP: Comprehension

8. The industry's media and agencies seem to be consolidating into fewer and fewer large firms, thus, there are fewer media options.

ANS: F DIF: Difficult REF: p. 49 OBJ: 2-1
NAT: AACSB Reflective Thinking | CB&C Model Strategy TYP: Comprehension

9. Given the backlash against advertising that clutter can cause, advertisers and their agencies are integrating more tools within the overall promotional effort to try and reach more consumers in different ways.

ANS: T DIF: Moderate REF: p. 49 OBJ: 2-1
NAT: AACSB Communication | CB&C Model Creativity TYP: Comprehension

10. Spending on all forms of integrated brand promotion, including advertising, now exceeds a trillion dollars a year.

ANS: T DIF: Moderate REF: p. 52 OBJ: 2-2
NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge

11. Among the twenty largest advertisers in the United States in 2008, eleven actually showed a decrease in overall advertising spending.

ANS: T DIF: Moderate REF: p. 52 OBJ: 2-2
NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge

12. In 2009, spending on integrated brand promotion tools other than advertising totaled nearly \$100 billion annually across all forms of promotion.

ANS: T DIF: Moderate REF: p. 52-53 OBJ: 2-2
NAT: AACSB Communication | CB&C Model Promotion TYP: Comprehension

13. Just about all types of organizations, regardless of industry, product, service, or message, tend to use advertising and promotion in the same ways.

ANS: F DIF: Moderate REF: p. 54 OBJ: 2-2
NAT: AACSB Communication | CB&C Model Promotion TYP: Comprehension

14. Scott and Mark hear a local radio spot for McDonald's as they begin driving on an interstate highway one morning. Later they see a billboard for McDonald's, so they pull over at the next exit and have lunch there. In these ways, McDonald's acts as a large local reseller that uses various promotion efforts to communicate with customers on a local basis.

ANS: F DIF: Moderate REF: p. 56 OBJ: 2-2
NAT: AACSB Reflective Thinking | CB&C Model Promotion TYP: Application

15. The majority of service firms, governments, social organizations, and agencies cannot afford to participate in today's advertising process.

ANS: F DIF: Moderate REF: p. 56-57 OBJ: 2-2
NAT: AACSB Diversity | CB&C Model Promotion TYP: Comprehension

16. It is common for social organizations to advertise at the national, state, and local levels.

ANS: T DIF: Moderate REF: p. 57 OBJ: 2-2
NAT: AACSB Communication | CB&C Model Promotion TYP: Comprehension

17. While many full-service agencies have depended on giant accounts, some have managed to build a stable base of international clients by acquiring and grooming one smaller or midsize account at a time.
- ANS: T DIF: Moderate REF: p. 59 OBJ: 2-3
NAT: AACSB Communication | CB&C Model International Perspective
TYP: Comprehension
18. Creative boutiques are often referred to as “idea factories.”
- ANS: T DIF: Moderate REF: p. 60 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Promotion TYP: Application
19. Digital/interactive agencies are those that have expertise in preparing communications for new media, such as the Internet, mobile marketing, and interactive television.
- ANS: T DIF: Easy REF: p. 60 OBJ: 2-3
NAT: AACSB Technology | CB&C Model Online/Computer TYP: Knowledge
20. The reason prominent advertisers like Benetton, Calvin Klein, and Revlon do most of their work in-house is to maintain control over marketing activities such as product development and distribution tactics.
- ANS: T DIF: Moderate REF: p. 61 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Product/Distribution
TYP: Application
21. Media specialists can typically acquire media time and space at lower costs than an agency can.
- ANS: T DIF: Moderate REF: p. 62 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Pricing TYP: Comprehension
22. A marketer for a large corporation often turns to a media specialist, especially when time is short. This is because media specialists often have time and space in inventory and can offer last-minute placement to advertisers.
- ANS: T DIF: Difficult REF: p. 62 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Strategy TYP: Application
23. Firms that maintain and manage large databases of mailing lists as one of their services are alternatively referred to as direct marketing agencies, database agencies, or direct response agencies.
- ANS: T DIF: Moderate REF: p. 62 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge
24. A graphic mark that identifies a company, and often a brand, is called a logo.
- ANS: T DIF: Easy REF: p. 63 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge
25. Today’s media planners and buyers often examine an enormous number of options to put together an effective media plan within a client’s budget.
- ANS: T DIF: Moderate REF: p. 66 OBJ: 2-3

NAT: AACSB Communication | CB&C Model Strategy TYP: Comprehension

26. Most large agencies, such as Omnicom, Chiat/Day, and Fallon McElligott, set up digital/interactive media groups only recently in response to the sudden surge of client demands that Internet and mobile media options be included in nearly every IBP plan.

ANS: F DIF: Difficult REF: p. 66-67 OBJ: 2-3
NAT: AACSB Technology | CB&C Model Strategy TYP: Application

27. The four most prevalent agency compensation methods are commission, consultant, external facilitator, and production facilitator plans.

ANS: F DIF: Moderate REF: p. 67 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Pricing TYP: Knowledge

28. Changes in consumer media use over the past two decades, and particularly in the past five years, have made both advertisers and agencies question the wisdom of using the commission system.

ANS: T DIF: Difficult REF: p. 67-68 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Pricing TYP: Comprehension

29. Procter and Gamble's global marketing officer identified the basis for compensation change when he declared that the media-based model dependent on the 30-second TV spot was "broken."

ANS: T DIF: Difficult REF: p. 68 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Pricing TYP: Comprehension

30. A fee system is much like that used by consultants or attorneys, whereby the advertiser and the agency agree on an hourly rate for different services provided.

ANS: T DIF: Easy REF: p. 68 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Pricing TYP: Knowledge

31. The most popular form of agency compensation used today is the markup charge.

ANS: F DIF: Easy REF: p. 68 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Pricing TYP: Knowledge

MULTIPLE CHOICE

1. Collectively, millions of individuals are continually creating and sharing content through blogs, social media, wikis, and video sites. What is the term for this phenomenon?
- Internet facilitation
 - crowdsourcing
 - Web 2.0
 - digital/interactive production

ANS: C DIF: Moderate REF: p. 47 OBJ: 2-1
NAT: AACSB Technology | CB&C Model Online/Computer TYP: Comprehension

2. What type of digital media has emerged as the most significant form of consumer control over information creation and communication?
- Web advertising

- b. social media
- c. interactive television
- d. mobile marketing

ANS: B DIF: Moderate REF: p. 47 OBJ: 2-1
 NAT: AACSB Technology | CB&C Model Online/Computer TYP: Comprehension

3. Websites frequented by individuals with common interests where they can post facts, opinions, and personal experiences have emerged as sophisticated sources of product and brand information. This definition refers to
- a. spam.
 - b. blogs.
 - c. phishing.
 - d. chat rooms.

ANS: B DIF: Moderate REF: p. 47 OBJ: 2-1
 NAT: AACSB Technology | CB&C Model Online/Computer TYP: Knowledge

4. Research shows that compared to traditional marketing efforts, ____ communication between consumers is more meaningful and results in longer lasting impressions that affect buying behavior.
- a. word-of-mouth
 - b. social network
 - c. online
 - d. mobile

ANS: A DIF: Moderate REF: p. 47 OBJ: 2-1
 NAT: AACSB Technology | CB&C Model Online/Computer TYP: Knowledge

5. Which company has become a media conglomerate on the Web, amassing its own digital empire of diverse Internet sites?
- a. ABC Broadcasting Network
 - b. Facebook
 - c. Dell
 - d. InterActiveCorp

ANS: D DIF: Difficult REF: p. 48 OBJ: 2-1
 NAT: AACSB Technology | CB&C Model Online/Computer TYP: Knowledge

6. With media clutter and fragmentation, there are
- a. many more options and players in the industry.
 - b. more receptive consumers than ever before.
 - c. less and less media choices available to advertisers.
 - d. opportunities for accreditation of advertising agency principals.

ANS: A DIF: Difficult REF: p. 49 OBJ: 2-1
 NAT: AACSB Communication | CB&C Model Promotion TYP: Comprehension

7. What contemporary technique is used by organizations specifically to get consumers involved with and committed to brands, much more than passive advertising every could?
- a. Web 2.0
 - b. trade reselling
 - c. crowdsourcing
 - d. event planning

ANS: C DIF: Moderate REF: p. 50 OBJ: 2-1
 NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge

8. Yearly spending on all forms of integrated brand promotion, including advertising, now exceeds
- \$25 billion.
 - \$50 billion.
 - \$200 billion.
 - \$1 trillion.

ANS: D DIF: Moderate REF: p. 50 OBJ: 2-2
NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge

9. Advertising is a major business in the United States. One indication of this is the fact that
- the United States spends more than \$300 billion a year on advertising.
 - advertising in the United States is subject to the fewest government restrictions of any country in the world.
 - advertising agencies do not have to actively compete to get business.
 - only agencies in the United States are financially capable of offering a complete range of advertising services.

ANS: A DIF: Moderate REF: p. 52 OBJ: 2-2
NAT: AACSB Reflective Thinking | CB&C Model Promotion TYP: Comprehension

10. There are many types of advertisers in the marketplace today. But which of the following would *not* be classified as an advertiser?
- the U.S. Army
 - the city of Las Vegas
 - the American Cancer Society
 - the IRS Audit Department

ANS: D DIF: Moderate REF: p. 54 OBJ: 2-2
NAT: AACSB Communication | CB&C Model Promotion TYP: Application

11. The largest manufacturers of consumer products and services in the United States have one thing in common. They all
- use advertising better than small manufacturers.
 - are resellers of products.
 - engage in global advertising.
 - are the most prominent users of advertising and promotion.

ANS: D DIF: Moderate REF: p. 54-55 OBJ: 2-2
NAT: AACSB Communication | CB&C Model Promotion TYP: Comprehension

12. Who are today's most visible reseller advertisers and promoters?
- wholesalers that deal with household goods
 - retailers that sell in national or global markets
 - transportation companies that work internationally
 - industrial organizations that supply the construction industry

ANS: B DIF: Moderate REF: p. 56 OBJ: 2-2
NAT: AACSB Communication | CB&C Model Promotion TYP: Comprehension

13. The United States federal government spends more than \$2 billion annually on advertising and promotion. Most of that money is spent in what two areas?
- lottery advertising and armed forces recruitment
 - campaign advertising and armed forces recruitment
 - armed forces recruiting and social issues

d. social issue advertising and political campaign advertising

ANS: C DIF: Moderate REF: p. 56-57 OBJ: 2-2
NAT: AACSB Communication | CB&C Model Promotion TYP: Comprehension

14. In order to meet all the promotional needs of its clients, the owners of Barlow & Baley advertising agency have decided to add public relations and media buying to the creative services it offers clients. What kind of agency will it become?
- a. full-service
 - b. large
 - c. creative boutique
 - d. promotion

ANS: A DIF: Moderate REF: p. 59 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Promotion TYP: Application

15. The owners of Bud's Greenery, a small local chain of five garden and floral supply stores, handle most of their own marketing and promotion services. All they want from an outside agency is a lot of ideas to choose from, not a lot of services that they can handle themselves. Therefore, they are in need of a
- a. consultation firm.
 - b. creative boutique.
 - c. digital/interactive agency.
 - d. full-service agency.

ANS: B DIF: Moderate REF: p. 59-60 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Promotion TYP: Application

16. There are many types of external facilitators in the advertising community. ____ help advertisers prepare communications for new media such as the Internet, mobile marketing and interactive television.
- a. Digital/interactive agencies
 - b. Production facilitators
 - c. Advertising research firms
 - d. Communication organizations

ANS: A DIF: Moderate REF: p. 60 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Promotion TYP: Comprehension

17. What is often called the advertising department within the firm?
- a. the creative boutique
 - b. the digital/interactive firm
 - c. the media-buying department
 - d. the in-house agency

ANS: D DIF: Easy REF: p. 61 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge

18. Which entity acts as support for direct marketing agencies and follow-up for the delivery of their direct mail?
- a. creative boutiques
 - b. in-house agencies
 - c. pay-for-results systems
 - d. fulfillment centers

ANS: D DIF: Easy REF: p. 62 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge

19. What is the world's largest list management and list brokerage firm?

- a. Starcom MediaVest Group
- b. Direct Media, Inc.
- c. Leo Burnett
- d. TheFutureBuzz.com

ANS: B

DIF: Moderate

REF: p. 62

OBJ: 2-3

NAT: AACSB Communication | CB&C Model Promotion

TYP: Knowledge

20. Which company is involved with listing and cataloguing producers of infomercials from around the world?

- a. InterActiveCorp
- b. Omnicom
- c. BBDO Worldwide
- d. AdProducers.com

ANS: D

DIF: Moderate

REF: p. 62

OBJ: 2-3

NAT: AACSB Communication | CB&C Model Promotion

TYP: Knowledge

21. Agencies that specialize in ____ are experts in designing incentive programs, trade shows, sale forces contests, and in-store merchandising.

- a. direct marketing
- b. trade-market sales promotions
- c. direct response advertising
- d. consumer sales promotions

ANS: B

DIF: Moderate

REF: p. 62-63

OBJ: 2-3

NAT: AACSB Communication | CB&C Model Promotion

TYP: Knowledge

22. What kind of firm acts as an expert in finding locations, securing dates, scheduling activities, and pulling together teams of facilities managers, caterers, security people, entertainers, and celebrities?

- a. an event-planning agency
- b. a sales promotion agency
- c. a direct marketing agency
- d. a design firm

ANS: A

DIF: Easy

REF: p. 63

OBJ: 2-3

NAT: AACSB Communication | CB&C Model Promotion

TYP: Knowledge

23. According to the text, which marketing professionals don't get enough credit for their part in today's advertising and promotion process?

- a. agency owners and consultants
- b. media planners and account services executives
- c. designers and graphics specialists
- d. e-commerce experts and Web masters

ANS: C

DIF: Moderate

REF: p. 63

OBJ: 2-3

NAT: AACSB Communication | CB&C Model Promotion

TYP: Knowledge

24. Why has TBWA of the Omnicom Group created a new position called Chief Compensation Officer?

- a. because so many of its clients are facing bankruptcy
- b. because its traditional commission is not being paid
- c. because financial talks between clients and agency aren't working
- d. because TBWA is facing bankruptcy

ANS: C DIF: Difficult REF: p. 65 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Promotion TYP: Comprehension

25. One advertiser needs to get its message out to a number of diverse communities within the U.S. Another advertiser wants to reach populations in diverse nations across the three continents where its product is sold. Which person in the advertising agency will work with both of these clients to translate cultural and consumer values into advertising messages?
- a. media services director
 - b. director of production
 - c. account services manager
 - d. administrative executive

ANS: C DIF: Moderate REF: p. 65 OBJ: 2-3
NAT: AACSB Communication | CB&C Model International Perspective
TYP: Knowledge

26. Which person in a marketing research group coordinates the research effort, and is on par with an account executive?
- a. graphics designer
 - b. event planner
 - c. account planner
 - d. media buyer

ANS: C DIF: Moderate REF: p. 65 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge

27. What kind of groups are responsible for coming up with the concepts that express the benefits of a brand?
- a. creative and production services
 - b. direct-marketing departments
 - c. account services
 - d. marketing research departments

ANS: A DIF: Easy REF: p. 66 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge

28. The ____ services department of an advertising agency typically houses its art directors, illustrators, and copywriters.
- a. creative
 - b. account
 - c. marketing
 - d. production

ANS: A DIF: Easy REF: p. 66 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge

29. What type of firm or group takes creative ideas and turns them into actual ads?
- a. marketing research services
 - b. creative services
 - c. account services
 - d. production services

ANS: D DIF: Easy REF: p. 66 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge

30. Though many agencies no longer use the traditional commission system for compensation, Starr Agency does. Using the standard percentage rate, how much would Starr Agency receive from billing \$500,000 of television airtime?
- a. \$150,00
 - b. \$125,000
 - c. \$100,000
 - d. \$75,000

ANS: D DIF: Moderate REF: p. 67 OBJ: 2-3
NAT: AACSB Analytic | CB&C Model Pricing TYP: Application

31. One method of agency compensation has been accused of encouraging advertising agencies to recommend only the most costly media vehicles available. This method is the _____ system.
- a. commission
 - b. fee
 - c. retainer
 - d. markup charge

ANS: A DIF: Moderate REF: p. 67-68 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Pricing TYP: Comprehension

32. A Los Angeles agency uses a compensation system much like that used by consultants or attorneys to bill clients. This agency is using a _____ system.
- a. fee
 - b. commission
 - c. markup charge
 - d. media commission

ANS: A DIF: Easy REF: p. 68 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Pricing TYP: Application

33. Which type of compensation system became popular in the advertising industry due to all the outside facilitators that were being used?
- a. markup
 - b. fee
 - c. pay-for-results
 - d. commission

ANS: A DIF: Easy REF: p. 68 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Pricing TYP: Knowledge

34. Harper, Kane, and Charles advertising agency sets an hourly rate for its services, based on the average salary of all the members of a particular department. Harper, Kane, and Charles uses the _____ system.
- a. commission
 - b. fixed-fee
 - c. markup charge
 - d. fee

ANS: D DIF: Moderate REF: p. 68 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Pricing TYP: Application

35. A small Midwest agency agrees to a fixed fee, or contract, with a new client. What is the downside for an agency like this when it uses the fixed-fee system?
- a. Most clients do not want to pay a flat 15 percent rate for all ads placed.
 - b. Standard percentage rates to be charged keep dropping.

- c. Client and agency rarely agree on a fee without hard feelings or conflicts.
- d. More work may be needed than is originally predicted.

ANS: D DIF: Moderate REF: p. 68 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Pricing TYP: Application

36. Ad agencies have recently developed compensation programs that are based upon achievement of specific objectives for the client. These programs are known as ____ compensation.
- a. pay-for-results
 - b. markup
 - c. commission
 - d. fee-based

ANS: A DIF: Moderate REF: p. 68-69 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Pricing TYP: Comprehension

37. Kowalski and Associates has been a successful mid-sized, full-service advertising agency for more than two decades. In an attempt to serve its clients more efficiently in a competitive marketplace, the agency has changed its compensation package to include payment based on results. If the client agrees, Kowalski and Associates will likely be evaluated on increases in
- a. sales as well as brand awareness and identification.
 - b. market share.
 - c. positive consumer attitudes toward brand.
 - d. fees following market performance measures.

ANS: A DIF: Moderate REF: p. 68-69 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Pricing TYP: Application

38. McMann and Young advertising agency has been hired by Broadway Bicycles, Inc. to assist with advertising and promotions for a chain of bicycle stores in Vermont. The agency has agreed that a certain level of awareness and interest in Broadway Bicycles will be generated in order to gain the sales results the company desires, and they have agreed to be paid accordingly. This is called
- a. amortization.
 - b. a retainer.
 - c. cost plus.
 - d. pay-for-results compensation.

ANS: D DIF: Difficult REF: p. 68-69 OBJ: 2-3
NAT: AACSB Analytic | CB&C Model Pricing TYP: Application

39. A regional fast food chain called Platters is interested in opening a new type of casual dining facility in a new market, called Diners. What type of firm might collect the data needed to expand into the new market?
- a. a marketing or advertising research firm because it acts as a facilitator
 - b. an advertising agency because it is imaginative
 - c. the advertiser because they know the product best
 - d. media organizations because they have large datasets available

ANS: A DIF: Moderate REF: p. 69-70 OBJ: 2-4
NAT: AACSB Analytic | CB&C Model Research TYP: Application

40. A large agency in Minneapolis hires a number of external facilitators to complete specific aspects of its projects. Which of the following is *not* an external facilitator in the structure of the advertising industry?
- a. television network

- b. advertising research firm
- c. production facilitator
- d. software firm

ANS: A DIF: Moderate REF: p. 69-71 OBJ: 2-4
 NAT: AACSB Communication | CB&C Model Promotion TYP: Application

41. An advertising agency hires Starch INRA Hooper to act as an external facilitator. Most likely, Starch INRA Hooper will be asked to
- a. run recognition tests on print advertising.
 - b. aid the agency in the production process.
 - c. examine the agency's billing structure for inefficiencies.
 - d. oversee the agency's IBP efforts.

ANS: A DIF: Difficult REF: p. 70 OBJ: 2-4
 NAT: AACSB Analytic | CB&C Model Strategy TYP: Application

42. Ocean Waves Resorts wants to purchase land and construct a resort hotel on the shorefront in San Clemente next to the Nixon retreat. Ocean Waves would also like to construct a golf course on the property and needs help with understanding local regulations, zoning restrictions, and especially political relationships. What kind of company should Ocean Waves hire to assist with the project?
- a. a consulting firm
 - b. a creative boutique
 - c. a sports marketing company
 - d. a wholesale company

ANS: A DIF: Moderate REF: p. 70 OBJ: 2-4
 NAT: AACSB Analytic | CB&C Model Strategy TYP: Application

43. What is a new type of consultant who gathers and analyzes information, cross-references and merges it, working with both advertisers and agencies to develop effective communications?
- a. database consultant
 - b. financial consultant
 - c. brand consultant
 - d. Web developer and consultant

ANS: A DIF: Moderate REF: p. 70 OBJ: 2-4
 NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge

44. In which area do both advertisers and their agencies rely the most on external facilitators?
- a. consumer research
 - b. media buying
 - c. software incorporation
 - d. production processes

ANS: D DIF: Moderate REF: p. 71 OBJ: 2-4
 NAT: AACSB Communication | CB&C Model Promotion TYP: Comprehension

45. For what type of tasks do today's advertisers and agencies rely on external facilitators the most?
- a. production
 - b. research
 - c. management
 - d. accounting

ANS: A DIF: Moderate REF: p. 71 OBJ: 2-4
 NAT: AACSB Communication | CB&C Model Promotion TYP: Knowledge

46. The high-speed technology that allows consumers to customize programming from various providers over the Internet and target very specific audiences
- is an example of scattering.
 - is an example of the halo effort.
 - is known as broadband.
 - forbids localization of a master network.

ANS: C DIF: Easy REF: p. 73 OBJ: 2-5
NAT: AACSB Technology | CB&C Model Online/Computer TYP: Knowledge

47. Which of the following is an interactive broadband television news network that allows Web users to customize their news broadcasts to their personal preference?
- BurkeandSimmons
 - BusinessObjects
 - The FeedRoom
 - SRI

ANS: C DIF: Difficult REF: p. 73 OBJ: 2-5
NAT: AACSB Technology | CB&C Customer TYP: Knowledge

48. What corporation is one of the world's largest media conglomerates, one that offers broadcasting, film, music, cable, print, publishing, and a large Internet presence?
- News Corp
 - Fox
 - Sony
 - Time Warner

ANS: D DIF: Difficult REF: p. 73 OBJ: 2-5
NAT: AACSB Technology | CB&C Model Promotion TYP: Knowledge

49. Often referred to as out-of-home media, support media organizations do *not* include
- bus and taxi boards.
 - databases.
 - performance arenas for sponsorships.
 - specialized directory companies.

ANS: B DIF: Moderate REF: p. 73 OBJ: 2-5
NAT: AACSB Communication | CB&C Model Promotion TYP: Comprehension

50. Which of the following is true of organizations whose audiences are primarily non-consumer business and government audiences?
- Many use a variety of advertising and IBP tools.
 - Few rely on public relations to maintain their brand images.
 - They do not use personal selling to further their business goals.
 - They rely primarily on business journals written for their industries.

ANS: A DIF: Moderate REF: p. 73 OBJ: 2-5
NAT: AACSB Communication | CB&C Model Customer TYP: Comprehension

51. A local group called Gimme Shelter erects a billboard urging people to assist in the group's struggle to find shelter for the homeless. The same day, a producer of women's sportswear called GameOn launches a multi-million dollar ad campaign announcing that it will be sponsoring women's international soccer events held in North America, South America, and Europe. Which statement regarding these two efforts is true?

- a. Gimme Shelter must be concerned with media clutter, but GameOn need not worry about it.
- b. GameOn is running corporate advertising, while Gimme Shelter is running brand advertising.
- c. Both groups are using out-of-home media, the first on a local level and the second on a global level.
- d. Both groups have narrowly defined target audiences.

ANS: C

DIF: Difficult

REF: p. 73

OBJ: 2-5

NAT: AACSB Communication | CB&C Model Promotion

TYP: Application

Scenario 2-1

As one of the world's largest computer and technology developers, Dell, Inc. has never been a stranger to advertising. However, due to a consistent decline in market share, the Texas-based company is looking to overhaul its advertising efforts for the first time in years. In the past, Dell found success promoting its products as some of the top "inexpensive" computer products on the market. However, the company's new ad campaign, which will be targeted towards more high-end users, will make no mention of product price. The company is looking to reinvent its image, and believes the first step in doing so is to revamp its outdated advertising campaign.

52. (Scenario 2-1) Dell decides not to use a full-service advertising agency because it would like its own employees to take responsibility for the new ad campaign. Still, full-service agencies do provide a number of advantages—one of these advantages is
- a. full-service agencies are often expensive, and spending a lot of money on advertising impresses consumers.
 - b. full-service agencies are very large, so there are lots of people to help design ad campaign.
 - c. full-service agencies often have an array of talented professionals to meet all the needs of a client.
 - d. full-service agencies are the only way to create an ad campaign that implements integrated brand promotion.

ANS: C

DIF: Moderate

REF: p. 59

OBJ: 2-3

NAT: AACSB Reflective Thinking | CB&C Model Strategy

TYP: Application

53. (Scenario 2-1) In order to reinvent the company's image, Dell formulates a team in its marketing department that will be responsible for every aspect of the advertising campaign. The company decides that using company employees will allow it to maximize the profits generated from the new campaign. This team will be an example of
- a. an interactive agency.
 - b. a full service advertising agency.
 - c. a public relations firm.
 - d. an in-house agency.

ANS: D

DIF: Difficult

REF: p. 61

OBJ: 2-3

NAT: AACSB Reflective Thinking | CB&C Model Strategy

TYP: Application

54. (Scenario 2-1) In recent years, Dell has struggled to compete with companies such as HP and Apple. To generate interest in its new line of computers, Dell hires a company to design a number of contests and incentive programs that will help build excitement for the new line. This company is likely an example of a(n)
- a. direct marketing agency.
 - b. e-commerce agency.
 - c. sales promotion agency.
 - d. marketing research firm.

ANS: C DIF: Moderate REF: p. 62 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Strategy TYP: Application

55. (Scenario 2-1) Dell realizes that changing its company image will be a difficult task. To help the process along, the company realizes it will need to begin reaching out to consumers more, and will also need to improve its relationships with the media and various competitors. The type of agency that will be responsible for improving these relationships will *most* likely be a
- public relations firm.
 - digital/interactive agency.
 - creative boutique.
 - database agency.

ANS: A DIF: Difficult REF: p. 63 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Strategy TYP: Application

Scenario 2-2

Brush Strokes is an art supply store located in a town with a population of about 100,000 people. The town is also home to a major state university. Brush Strokes gets a majority of its business from the student population. It has used the services of a local full-service advertising agency in the past. A great majority of its marketing budget has gone toward running small advertisements in the local and school newspapers at the beginning of each term. The advertising agency is now recommending that Brush Strokes devote a majority of its budget to running television spots during broadcasts of the university's football and basketball games. While the owners of Brush Strokes agree that they could be doing a better job of reaching a larger portion of the student population, they have not come to any conclusions about the best way to accomplish this.

56. (Scenario 2-2) In all likelihood, with which one of the following would Brush Strokes's full-service agency be *least* qualified to handle?
- interpreting research on the student market
 - creating a 30-second television commercial
 - forecasting dividend earnings of stockholders
 - creating a competitive position against other art supply stores

ANS: C DIF: Easy REF: p. 58-62 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Strategy TYP: Application

57. (Scenario 2-2) The owners of Brush Strokes have called a meeting with their agency to determine how Brush Strokes can benefit best from its advertising. The one agency department that must be represented at this meeting to help identify the benefits of the brand, its target audience, the best competitive positioning and then develop a complete plan is
- media-planning.
 - research.
 - account services.
 - creative services.

ANS: C DIF: Moderate REF: p. 65 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Marketing Plan
TYP: Application

58. (Scenario 2-2) The owners of Brush Strokes are concerned that their agency may be recommending television advertising because it would be profitable for the agency. To protect against this, Brush Strokes wants to switch to an incentive-based compensation plan. To do so, Brush Strokes suggests that compensation for the agency should be
- set at a 15 percent commission with no additional charges.
 - changed from a commission system to a fee system.

- c. changed to a pay-for-results basis for compensation.
- d. based on services plus markup.

ANS: C DIF: Moderate REF: p. 68-69 OBJ: 2-3
 NAT: AACSB Reflective Thinking | CB&C Model Pricing TYP: Application

59. (Scenario 2-2) The agency has informed Brush Strokes that if they agree to its recommendation for television advertising, the agency will have to rely on outside sources for some of the work. In all likelihood, the agency will seek the most help with
- a. producing the spots.
 - b. creating the ideas for the spots.
 - c. developing the strategy behind the spots
 - d. assessing the effectiveness of the spots.

ANS: A DIF: Moderate REF: p. 71 OBJ: 2-4
 NAT: AACSB Reflective Thinking | CB&C Model Promotion TYP: Application

Scenario 2-3

After it drew a record-low 9.8 million viewers in 2004, *ABC* dropped the rights to air the Miss America pageant. Six years later, in 2010, *ABC* once again agreed to air the event after cable network *TLC* declined to pick up the pageant for a fourth year. Although *ABC* decided to pick up the pageant for a second time in the last twelve years, the terms of the agreement are far more favorable for the large cable network. Similar to its first stint with the network, the pageant will be shown on Saturday nights (television's lowest viewing night of the week). The difference this time comes in the price *ABC* had to pay to acquire rights to the event—because of the recent decline in the event's popularity, the network had to pay very little, and ultimately deemed the deal to be a “no-lose” situation.

60. (Scenario 2-3) One of the problems the Miss America Pageant has encountered has been an indifference or sometimes negative response to beauty pageants in general. Many viewers are critical of the swimsuit competition which awards points for physical characteristics. The pageant feels this part of the competition is integral to the overall program and wants to educate the public about why the swimsuit competition is included and how it contributes to a well-rounded program. To achieve its goals in this area, the pageant might employ the services of a(n)
- a. media buying service.
 - b. public relations specialist.
 - c. sales promotion agency.
 - d. in-house agency.

ANS: B DIF: Difficult REF: p. 63 OBJ: 2-2
 NAT: AACSB Reflective Thinking | CB&C Model Strategy TYP: Application

61. (Scenario 2-3) Obviously, the Miss America pageant will need to achieve more success if it is to remain on the ABC network. One aspect of this will hinge on whether or not the pageant can provide a clean, mistake-free program to all of its viewers. In order to ensure a smooth-running event, the pageant should hire a(n)
- a. design firm.
 - b. production facilitator.
 - c. market research firm.
 - d. event planning agency.

ANS: D DIF: Moderate REF: p. 63 OBJ: 2-3
 NAT: AACSB Reflective Thinking | CB&C Model Strategy TYP: Application

62. (Scenario 2-3) One of the difficulties facing the pageant's board of directors is appealing to a younger target audience. The board decides that utilizing social networks such as Facebook and Twitter is crucial, and feels it needs to do something exciting and memorable in order to attract viewers. What type of group would be effective in making this happen?
- a. production services group
 - b. creative services group
 - c. market research group
 - d. buying services group

ANS: B DIF: Moderate REF: p. 66 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Strategy TYP: Application

63. (Scenario 2-3) The pageant's board of directors realizes that holding the event on a Saturday night is detrimental to its success. To supplement the television broadcast, the board contemplates setting up a pageant website and simulcasting the event live over the Internet. What kind of organization or expert might be helpful in planning the webcast?
- a. a specialized consultant
 - b. an advertising agency
 - c. a media buying agency
 - d. a creative boutique

ANS: A DIF: Difficult REF: p. 70 OBJ: 2-4
NAT: AACSB Technology | CB&C Model Online/Computer TYP: Application

Scenario 2-4

Advertising is a \$300-billion-per-year business in the United States. Understandably, competition for clients is fierce among advertising agencies. There are many different reasons why a client may choose to move its business to a new agency, but there is one constant. The agency that wins the business is celebrated by the press; the agency that loses the business, however, is typically forgotten fairly soon.

64. (Scenario 2-4) What type of agency would Subway *most likely* select to promote its new line of sandwiches and bread to a national television audience?
- a. an Internet publisher
 - b. an in-house advertising agency
 - c. a creative boutique
 - d. a full-service advertising agency

ANS: D DIF: Easy REF: p. 59 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Promotion TYP: Application

65. (Scenario 2-4) A client is unhappy because the work that its agency is turning out is constantly behind schedule and over budget. This client is likely to look for a new agency with a stronger ____ department.
- a. media planning
 - b. creative
 - c. account services
 - d. trade-market services

ANS: C DIF: Moderate REF: p. 65 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Strategy TYP: Application

Scenario 2-5

In 2008, Chicago native Andrew Mason launched Groupon, a website that offered Chicago consumers various “deals of the day.” At the time, Groupon had a unique business model—each day, one “groupon” would be offered in a particular city. If a certain number of people signed up for the offer, then the deal became available to all. Now, only two years later, the business continues to grow, and the service is being offered in several more U.S. cities. Google made a multi-billion dollar offer for the company that Mason turned down in December of 2010. Continuing the company’s rapid rise to success will be a challenging task for CEO Andrew Mason and his team because they will be the first to attempt to advertise the unique services. Groupon needs to find ways to attract new users, and looking into new forms of advertising will be essential to the company’s success.

66. (Scenario 2-5) Because Groupon’s services differ depending on the city in which it is offered, its CEO decides each variation needs to have a catchy slogan that relates to that particular market. Which of the following types of advertising agencies would likely be the *best* choice to accomplish this specific goal?
- a. an interactive agency
 - b. a full-service agency
 - c. a creative boutique
 - d. a in-house agency

ANS: C DIF: Moderate REF: p. 59-60 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Promotion TYP: Application

67. (Scenario 2-5) Groupon’s management has budgeted \$20,000 for social media advertising for the coming year. How much can their advertising agency expect to earn from this commitment using a *traditional* commission system compensation plan?
- a. \$2,000
 - b. \$3,000
 - c. \$5,000
 - d. \$8,000

ANS: B DIF: Difficult REF: p. 67 OBJ: 2-3
NAT: AACSB Analytic | CB&C Model Pricing TYP: Application

68. (Scenario 2-5) Groupon decides to hire a full-service advertising agency to create a new campaign for the company. The ad agency agrees to be compensated through an incentive based program that will measure increased brand awareness and brand identification. This type of compensation program is called a
- a. fee system.
 - b. commission system.
 - c. pay-for-results system.
 - d. mark-up charge system.

ANS: C DIF: Easy REF: p. 68-69 OBJ: 2-3
NAT: AACSB Communication | CB&C Model Creativity TYP: Knowledge

69. (Scenario 2-5) Because Groupon does not do an extensive amount of advertising, it decides to look outside the company for help in guiding its efforts. The company called upon to aid Groupon would be referred to as a(n)
- a. client.
 - b. market research firm.
 - c. advertiser.
 - d. external facilitator.

ANS: D DIF: Moderate REF: p. 69 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Research TYP: Application

Scenario 2-6

SC Johnson & Son produces a wide variety of very popular consumer products such as Shout®, Windex®, Mr. Muscle®, Ziploc®, Edge®, Glade®, Vanish®, Raid®, OFF!®, Pledge®, and Scrubbing Bubbles® Bathroom Cleaner. These products are in highly competitive markets and require substantial investments in consumer promotion to maintain market share.

70. (Scenario 2-6) SC Johnson is *not* interested in doing any of the duties associated with advertising research, creative development, or media placement. Which of the following types of organizations would likely be the *best* match for their needs?
- a. a media buying service
 - b. a creative boutique
 - c. a research firm
 - d. a full-service agency

ANS: D DIF: Moderate REF: p. 59 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Strategy TYP: Application

71. (Scenario 2-6) SC Johnson has recently hired an advertising agency to help promote their products. Several of SC Johnson's senior managers have indicated that they are uncertain as to the specific benefits of advertising their consumer products or how to best position their products in the competitive market. Which of the following departments of their advertising agency should be involved in giving this information to this client?
- a. administrative services
 - b. creative services
 - c. account services
 - d. marketing research services

ANS: C DIF: Moderate REF: p. 65 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Strategy TYP: Application

72. (Scenario 2-6) SC Johnson's managers have agreed that their advertising agency will be compensated based on measures of audience awareness of their consumer products. This indicates that they have chosen a ____ compensation program for their agency.
- a. commission
 - b. pay-for-results
 - c. markup
 - d. fee

ANS: B DIF: Moderate REF: p. 69 OBJ: 2-3
NAT: AACSB Reflective Thinking | CB&C Model Pricing TYP: Comprehension

73. (Scenario 2-6) SC Johnson has decided that additional data are necessary to determine specific messages that should be directed towards consumers. Which of the following departments in their ad agency will *most* likely be responsible for conducting this work?
- a. media services
 - b. creative services
 - c. account services
 - d. marketing research services

ANS: D DIF: Easy REF: p. 69-70 OBJ: 2-4
NAT: AACSB Reflective Thinking | CB&C Model Research TYP: Comprehension

ESSAY

1. The advertising industry seems to be in constant transition nowadays. The text offers five broad issues that are affecting the structure of the advertising industry. Name at least three of these trends and explain why they are having such a great impact.

ANS:

Consumer control. Today's consumers get on the Internet and choose the sites they want to visit, browsing and shopping where they wish, and viewing the items they feel like viewing. Social media sites offer highly accessible, continually updated personal information shared among unlimited numbers of participants. Blogs have overcome their early setbacks, with many now recognized as trusted sources of news and specialized information. DVRs like TiVo and controllers like Slingbox offer consumers control over programming choices and reduced viewership of ads.

Media proliferation, consolidation, and "multiplatform" organizations. Cable channels, direct marketing technology, Web options, and alternative media like mobile marketing have led to a proliferation of media options. Both media and agency organizations are consolidating into fewer and fewer large firms. And giant media companies are branching into more and more new properties—often owning interests in television news, newspapers, magazines, cable, and satellite, cable—thereby creating multiplatform media organizations. And the Web is now seeing its own media conglomerates.

Media clutter and fragmentation. There are more ways to try to reach consumers than ever before. Today, the average household has over 100 television channels. Ads are everywhere—on virtual billboards, on Internet banners, in podcast messages, on mobile devices. Consumers are bombarded by ad messages, and advertisers are continually finding ways to deal with the backlash against too much advertising.

Crowdsourcing. This involves the online distribution of certain tasks to groups, or crowds, of experts, specialists, aficionados, and other consumers so they can become involved and committed to the brand while helping to build the brand with their advice and recommendations.

Mobile marketing and mobile media. Of all the new media trends affecting advertising, mobile marketing may turn out to be the most relevant game-changer, depending on how consumers react, and the role these devices will play. Today's ever-changing mobile devices (smartphones, tablets, personal navigation devices) offer wireless capability and new channels for advertising messages.

DIF: Difficult REF: p. 46-51 OBJ: 2-1

NAT: AACSB Reflective Thinking | CB&C Model Promotion TYP: Comprehension

2. Briefly summarize the structure of the advertising industry today by naming the key players and tracing their potential relationships and connections. Your answer does not have to be detailed—just a basic sketch of this structure is sufficient.

ANS:

The structure of the advertising industry today involves many talented and specialized professionals performing a wide range of tasks needed to initiate, prepare, plan, and place advertising.

Overall, advertisers (also called clients) can employ the services of advertising agencies and/or promotion agencies, which may in turn contract out specialized services from external facilitators, which may then use the help of various media organizations or target audiences to create and deliver the message. Of course, advertisers do not always hire agencies, and agencies do not always use external facilitators, etc.

Today's advertisers are the businesses, not-for-profits, and government agencies that want to get their message to certain audiences. Manufacturers and service firms are the large national producers of consumer goods and services. Trade resellers are all organizations that buy and resell goods within the distribution channels, including retailers, wholesalers, and distributors. Federal, state, and local governments are the civic bodies that use advertising, promotion, recruiting, and personal selling to deliver their messages. Social organizations and not-for-profit organizations use ads and promotional efforts not to sell anything but to promote their causes and services, stimulate demand, disseminate information, and solicit donations and volunteers.

DIF: Moderate REF: p. 52-57 OBJ: 2-2

NAT: AACSB Analytic | CB&C Model Strategy

TYP: Comprehension

3. What are the six broad areas of services offered by today's advertising agencies and promotion firms? List as many as you can, then choose three, define briefly, and give an example.

ANS:

Though any agency structure may specialize in some of these, and some may provide all, the six services that can be offered by advertising agencies and promotion firms are as follows (student examples will vary):

Account services -- to determine how the brand can benefit most from ads and promotions by identifying the brand benefits, target audiences, competitive positioning, and marketing plan

Marketing research services -- to help the client interpret data and communicate these interpretations, often coordinated by an account planner

Creative and production services -- to come up with the concepts, words, and images that express the value of the brand in a unique and memorable way

Production services -- to take creative ideas and turn them into advertisements, commercials, direct mail pieces, and other promotional formats

Media planning and buying services -- to determine how the client's message can most effectively reach the target audiences, from among an enormous number of options, often coordinated by a media planner

Administrative services -- to handle accounting, billing, and selling, as well as monitoring products to be sure deadlines are met, usually within the traffic department

DIF: Difficult REF: p. 65-67 OBJ: 2-3

NAT: AACSB Reflective Thinking | CB&C Model Promotion

TYP: Comprehension

4. List the four major methods of agency compensation and briefly each describe. Outline any advantages or disadvantages associated with each system.

ANS:

Commission system. This is based on the amount of money the advertiser spends on media. At one time under this method, 15 percent of the total amount billed by the media organization was retained by the advertising agency as compensation for all costs in creating advertising for the client. Today, while about half of advertisers compensate agencies with a commission based on media costs, and not many adhere to the 15 percent level anymore. This system can create pressure on agencies to recommend the most expensive media options.

Markup charges. This involves the addition of a percentage added to services the agency purchases from outside sources, when it hires external facilitators for art, graphics, production, etc. If it is not used, there is no way for an agency to be compensated for its work related to contracting, communicating, and working with these outside firms.

Fee system. This compensation is based on an agreed-upon hourly rate for services provided. Most agencies work on this type of system rather than commission. A variation of this, the fixed-fee or contract system, is based on a single fee charged for a project. Unless the agency and client agree precisely as to what services are covered by the fee, serious rifts can result.

Pay-for-results. Recently many advertisers and agencies alike have been working on compensation programs called pay-for-results, that base the agency's fee on the achievement of agreed-upon results. The drawback is in defining "results," which have often been narrowly defined as sales. The system works better if results are measured brand awareness, identification, or exposure.

DIF: Moderate REF: p. 67-69 OBJ: 2-3

NAT: AACSB Analytic | CB&C Model Pricing

TYP: Knowledge

5. What is an external facilitator? List the four main types and identify briefly. Within these categories, what kinds of new facilitators have emerged in recent years? Give an example.

ANS:

An external facilitator is an organization or individual that provides specialized services and expertise to advertisers and agencies in the process of planning, preparing, and executing promotional campaigns. The four main types of facilitators are as follows:

Marketing and advertising research firms. They perform original research using focus groups, surveys, or experiments to help clients and marketers understand the potential market and target audience for a product.

Consultants. They specialize in various areas of marketing, such as event planning, sponsorship, public relations, and media. Recently, four new types of consultants have emerged—those specializing in databases, Web development and management, customer relationship management, and even those specializing in traditional management.

Production facilitators. They are heavily relied upon by advertisers due to the technological expertise required in today's media formats and marketing environments. Even large agencies cannot keep on staff experts in broadcast production, direct mail production, trade show booths, or in-store promotions.

Software firms. They have recently expanded and diversified into many types of specializations to meet the needs of today's technological messaging.

DIF: Moderate REF: p. 69-71 OBJ: 2-4

NAT: AACSB Analytic | CB&C Model Promotion

TYP: Knowledge