

c2

Student: _____

1. English historian Raymond Williams wrote, advertising is "the official art of capitalist society."

True False

2. The only principles of a free-market economy are self-interest and complete information.

True False

3. By nature, people are acquisitive.

True False

4. The sale or consumption of products always benefits other people who are not involved in the transaction.

True False

5. When economists refer to the absence of externalities, they are eliminating, or greatly reducing, the influence of stakeholders.

True False

6. One of the functions of advertising is to lower the overall cost of sales.

True False

7. In a free-market economy, when one company starts to make significant profits, other companies immediately jump in to compete.

True False

8. Archaeologists have found evidence of advertising among the Babylonians dating back as far as 3000 BC.

True False

9. The preindustrial age extended from the beginning of recorded history to roughly the start of the 1900s.

True False

10. Benjamin Franklin was an early critic of advertising and opposed it as unethical.

True False

11. The industrial age ended around the same time as World War I ended.

True False

12. For Americans, the profession of advertising began when Volney B. Palmer set up business in Philadelphia in 1841.

True False

13. With the advent of public schooling, the United States reached an unparalleled 90 percent literacy rate, by the 20th century.

True False

14. A beer company is using product differentiation when it advertises its beer, using the slogan-"Great Taste. Less Filling."

True False

15. The industrial age ended shortly after World War II.

True False

16. Radio became the nation's primary means of mass communications in the postindustrial age.

True False

17. The USP represents the features that differentiate the product from competitive products.

True False

18. A fabric softener brand is using a positioning strategy when it claims its softener makes your clothes "snuggly soft."

True False

19. The postindustrial age has been a period of relative stability.

True False

20. Demarketing is no longer used today.

True False

21. The most important economic factor during the postindustrial age was competition.

True False

22. The importance of advertising in different countries depends on the country's level of development and national attitude toward promotion.

True False

23. While interactivity was a good plan, it has not proven beneficial to advertisers.

True False

24. Advertising has been a major factor in improving the standard of living in the United States.

True False

25. In the 1970s, people were responsible and acted selflessly.

True False

26. Which of the following is NOT one of the assumptions of the free-market economics that our market-driven society believes in?

A. Self-interest

B. Absence of externalities

C. Presence of opportunity costs

D. Many buyers and sellers

E. Complete information

27. One aspect of the self-interest assumption in free-market economics is:

- A. People, by nature, are not greedy.
- B. People want less for less.
- C. A wide range of buyers makes it difficult for sellers to find customers who are interested in their unique products.
- D. Sometimes the sale or consumption of products may benefit or harm other people who are not involved in the transaction and didn't pay for the product.
- E. People and firms pursue their own goals.

28. Which of the following is an example of an externality associated with the purchase of a firearm?

- A. Crime increase.
- B. Franchises for gun selling.
- C. After-sales service.
- D. Increased security.
- E. Complete information.

29. As a marketing tool, advertising is used to:

- A. create unfair advantages among competitors.
- B. force people to buy things they do not need.
- C. decrease the overall cost of sales.
- D. increase product use.
- E. create monitored feedback.

30. An ad in a fitness magazine offered a 30-day free at-home trial of an exercise bicycle with free shipping, and return if the customer was not satisfied with the bicycle. The primary function of the ad was to:

- A. control competitive pricing practices.
- B. establish exclusive distribution rights for the bicycle.
- C. communicate company's quality mission.
- D. induce consumers to try the bicycle.
- E. communicate information about the bicycle's after-sale service.

31. As a marketing tool, advertising is used for all of the following purposes, EXCEPT:

- A. to ensure that all products are offered at everyday low prices.
- B. to identify products and differentiate them from others.
- C. to induce consumers to try new products and to suggest reuse.
- D. to increase product use.
- E. to build value, brand preference, and loyalty.

32. The first ad in English appeared in the year:

- A. 1855.
- B. 1427.
- C. 1472.
- D. 1859.
- E. 1895.

33. During the _____ age of the evolution of advertising, the Chinese invented paper, Gutenberg invented the printing press, and the world's population grew to about 600 million.

- A. preindustrial
- B. product differentiation
- C. mercantile
- D. industrial
- E. postindustrial

34. During the preindustrial age, most advertisements took the form of signs with symbols such as a beer tankard indicating a tavern because:

- A. most people were illiterate and could not read.
- B. most advertisers could not afford sophisticated advertisements.
- C. there were laws prohibiting advertising in newspapers.
- D. the churches would not approve other forms of advertising.
- E. manufacturers, during that period, presumed that was the best form of advertisement.

35. The period in the evolution of advertising that extended from the beginning of recorded history to roughly the start of the nineteenth century was called the:

- A. postindustrial age.
- B. preadvertising age.
- C. industrial age.
- D. mercantile age.
- E. preindustrial age.

36. What did the first ad in English advertise?

- A. A plow
- B. A farm land
- C. A prayer book
- D. A religious service
- E. A pub

37. Which of the following ages in the evolution of advertising was characterized by the Chinese inventing paper, Johannes Guttenberg inventing the printing press, and the Boston Newsletter beginning to carry advertisements that appealed to American colonists?

- A. The age of Reason
- B. The Industrial age
- C. The Preindustrial age
- D. The Industrializing age
- E. The Mercantile age

38. In the history of advertising, the _____ made the first advertising formats possible—posters, handbills, signs, and newspapers.

- A. quill pen
- B. printing press
- C. silk screen
- D. ability to mold lead
- E. ability to copy and draw

39. Benjamin Franklin:

- A. was the first American known to use illustrations in ads.
- B. was the first to print color ads.
- C. was the first to use copy in ads.
- D. was first to print ads with photographs.
- E. was the first to use testimonials in advertising.

40. During the industrial age, advertising was primarily used to:

- A. create a brand personality.
- B. disseminate information.
- C. encourage the development of selective demand.
- D. make people want products they don't need.
- E. create product differentiation.

41. During the _____ age, manufacturers were principally concerned with production. The primary burden of marketing fell on wholesalers.

- A. Preindustrial
- B. Postindustrial
- C. Industrial
- D. Golden
- E. Isolation

42. Which of the following statements best describes how Volney B. Palmer influenced advertising?

- A. He became the first to use "white space" and illustration in ads.
- B. He set up the business of buying and selling advertising space in news papers.
- C. His advertising agency became the first to prepare ads for manufacturers.
- D. He founded Printer's Ink magazine.
- E. He became the first advertising agent to reach \$2 million in sales.

43. What role did the firm N. W. Ayer & Son play in the history of U.S. advertising?

- A. It was the first printer to use illustrations in its ads.
- B. It was the first manufacturer to use national advertising.
- C. It was the first ad agency to charge a commission based on the "net cost of space."
- D. Its advertising claims were the first of its kind, examined by the Food & Drug Administration.
- E. It published the first colonial newspaper with ads.

44. Why did the manufacturers begin using magazines for advertising?

- A. Magazines offered the best quality of reproduction.
- B. Magazines were less expensive media than newspapers.
- C. Magazines were read more often than newspapers.
- D. Advertisers were tired of using newspapers to carry their messages.
- E. No taxes were imposed on magazine advertising.

45. Why did direct mail advertising and mail-order selling flourish in 1896?

- A. Advertising agencies were allowed to charge commissions for their services.
- B. The U.S. Post Office was created.
- C. The Office of Consumer Affairs guaranteed that consumers could return products that did not meet their needs.
- D. The Federal Communications Commission took over control of all mail order and direct mail advertising.
- E. The federal government inaugurated rural free mail delivery.

46. Which of the following events did NOT directly affect the growth of advertising in the nineteenth century?

- A. The increased literacy rate in the late 1800s.
- B. The invention of the telegraph.
- C. The development of a nationwide railroad system.
- D. The inauguration of rural free delivery (RFD).
- E. Creation of mass communication medium such as radio.

47. Which of the following events directly affected the growth of advertising in the twentieth century?

- A. The invention of the printing press.
- B. The invention of motion pictures.
- C. The creation of a national draft.
- D. The invention of the radio.
- E. The invention of the telegraph.

48. Which of the following factors occurred near the end of the nineteenth century and was most responsible for accelerating the usage of print ads by manufacturers who wished to sell their products?

- A. The nation had not been in a war for over thirty years.
- B. The advertising agency had become a reality.
- C. Newspaper ads were relatively inexpensive.
- D. The nation had reached a 90 percent literacy rate.
- E. English was the established language of the United States.

49. Which of the following statements most accurately describes the industrial age?

- A. Most manufacturers implemented positioning strategies.
- B. Manufacturers found research groups to study consumer attitudes and preferences.
- C. Each manufacturer sought to sell its own brand based on its own special qualities.
- D. Manufacturers were principally concerned with production.
- E. The invention of television dramatically changed how manufacturers communicated with consumers.

50. With respect to the evolution of advertising in the United States, the _____ started during the second half of the 19th century and lasted well into the 20th.

- A. Service marketing age
- B. Relationship marketing age
- C. Industrial age
- D. Production age
- E. Mercantile age

51. During the industrial age, manufacturers changed their focus from a production orientation to:

- A. a manufacturing orientation.
- B. a sales orientation.
- C. a labor orientation.
- D. profit-making orientation.
- E. production orientation.

52. The bible of the era of salesmanship in the 1920s, "Scientific Advertising," was written by:

- A. Johannes Gutenberg.
- B. Benjamin Franklin.
- C. Claude Hopkins.
- D. Volney B. Palmer.
- E. Francis Ayer.

53. A decade after World War I ended, a significant event occurred that caused corporate budget cutting, and advertising expenditures to plummet. This event was:

- A. the imposition of a personal income tax by the federal government.
- B. the defeat of Germany and its default on loans that had been granted to them by the victors of the conflict.
- C. the stock market crash on October 29, 1929.
- D. the creation of the World Bank, which made additional revenues available to state and federal banks.
- E. strong challenges to the idea of a system of consumer credit that had been advocated by the federal government.

54. The beginning of the Great Depression:

- A. empowered marketers to advertise more.
- B. forced manufacturers to rely on symbols to create awareness.
- C. saw a decline in the use of product differentiation.
- D. caused the temporary disappearance of advertising.
- E. forced the advertising industry to turn to marketing research.

55. Manufacturers of cereal could portray the cereal better than the competitors. This brand was the "Breakfast of Champions" not because of its ingredients but because of its:

- A. production focus.
- B. market formatting.
- C. product differentiation.
- D. puffery in advertising.
- E. absence of externalities.

56. _____ is being used when a publishing company prints three monthly magazines—one for horse breeders, one for cat lovers, and one for thrifty senior citizens.

- A. Multi-marketing
- B. Market segmentation
- C. Product differentiation
- D. Market formatting
- E. Production focus

57. _____ is a process by which marketers search for unique groups of people whose needs could be addressed through more specialized products.
- A. Product differentiation
 - B. Targeted diversification
 - C. Demarketing
 - D. Market segmentation
 - E. Market aggregation
58. A product's _____ is its features that differentiate it from competitive products.
- A. perceptual value
 - B. unique selling proposition
 - C. economic differential
 - D. economic advantage
 - E. differential value
59. A _____ is an effective way to separate a particular brand from its competitors by associating that brand with a particular set of customer needs that ranked high on the consumer's priority list.
- A. logistical strategy
 - B. universal sales promotion
 - C. positioning strategy
 - D. market aggregation strategy
 - E. promotional mix
60. For years, a denim manufacturer advertised its jeans to baby boomers because that is what most baby boomers wore during the 1960s. Unfortunately, this strategy of making the brand a baby boomer icon has decreased the brand's appeal to today's teens who perceive the brand as old-fashioned. In this example, the _____ did not produce a positive effect.
- A. logistical strategy
 - B. universal sales promotion (USP)
 - C. positioning strategy
 - D. market aggregation strategy
 - E. promotional mix
61. There are lots of different types of cosmetics currently on the market. One brand makes a line of cosmetics including eye accents and shampoos for horses. It claims to manufacture "the world's finest equine cosmetics." What kind of strategy is the brand using?
- A. Market differentiation
 - B. Market diversification
 - C. Positioning
 - D. Product allocation
 - E. Market benefit

62. The _____ age has been a period of cataclysmic change. For the first time, people became truly aware of the sensitive environment in which we live and became alarmed by our dependence on vital natural resources.
- A. industrial
 - B. great depression
 - C. preindustrial
 - D. postindustrial
 - E. customization
63. An ad for a beer company that asks consumers to enjoy beer in moderation and not to drink irresponsibly is an example of:
- A. conservation marketing.
 - B. demarketing.
 - C. trade advertising.
 - D. green marketing.
 - E. reciprocal advertising.
64. _____ is a type of marketing used to slow down the demand for certain products, such as energy-consuming goods.
- A. Nonmarketing
 - B. Demarketing
 - C. Branding
 - D. Eco-marketing
 - E. Preservation marketing
65. There is some of the most beautiful scenery in the world in Canada. Too many tourists have led to potential ecological disasters in the area. In response, park officials are trying to decrease the number of visitors to the area. They could use _____ to accomplish this objective.
- A. positioning
 - B. eco-marketing
 - C. market-segmentation
 - D. demarketing
 - E. relationship marketing
66. The postindustrial age of the evolution of marketing is characterized by:
- A. a growing need to embrace externalities.
 - B. the growth of more sophisticated and affluent consumers.
 - C. the decline of European agencies.
 - D. a significant growth in demand for traditional products.
 - E. the absence of puffery.

67. In the late 1980s and early 1990s, a growing affluence and sophistication of the consuming public characterized the marketing world of this time period. This trend was led by:

- A. baby boomers
- B. generation X
- C. generation Y
- D. echo-boomers
- E. generation Jones

68. Two related economic factors characterized the marketing world of the late 1980s and early 1990s in the United States. One of those factors was:

- A. an aging upper management, which led to a lack of innovation.
- B. the growing burden of financial debt, which forced governments to return to high tax policies directed toward businesses.
- C. the implementation of affirmative action policies.
- D. the aging of traditional products, with a corresponding growth in competition.
- E. the rise of trade barriers such as import tariffs.

69. After 1990, the recession, layoffs, and the struggle to maintain profits, resulted in:

- A. the concept of network marketing.
- B. reduced customer service.
- C. the emergence of relationship marketing.
- D. the era of subliminal advertising.
- E. higher advertising budgets.

70. An end to the Cold War came as the Berlin Wall came down and Western companies and financiers began to invest heavily in what was once called the Warsaw Pact countries. Big multinational companies and their advertising agencies went on a binge, buying other big companies and adding a new term to the financial lexicon. This term was:

- A. partnering.
- B. free market.
- C. oligopoly.
- D. megamerger.
- E. service economy.

71. Which of the following statements describes the outlook of the advertising industry at the beginning of the 1990s?

- A. The traditional advertising industry was being threatened on all sides and suffering from overpopulation.
- B. The shortage of advertising agencies led to a promotional crisis.
- C. Advertising industries found it easiest to reach affluent consumers.
- D. The advertising industry was deregulated, which led to international growth.
- E. The advertising industry faced the greatest level of prosperity in its history.

72. In 2001, a record decline in advertising activity resulted from:

- A. the natural cyclical nature of advertising.
- B. the decline of television as a mass market medium.
- C. a mild recession, a weak stock market, and the burst of the dot-com.
- D. deregulation and a new tax on services.
- E. the increasing use of the Internet as an economic advertising medium.

73. Advertising expenditures are higher in countries with:

- A. higher budget deficits.
- B. higher personal incomes.
- C. higher commodity price.
- D. higher media control.
- E. higher inflation rate.

74. Because of the emergence of new technology, such as PCs, Internet, CD-ROMs, and cable TV, advertising is evolving into a(n):

- A. two-way medium.
- B. reciprocal medium with limited prospects for the future.
- C. analog medium.
- D. narrowcasting medium.
- E. rhetoric advertising medium.

75. According to "Advertising Age," the Holy Grail to advertisers is a one-to-one relationship with:

- A. competitors.
- B. stock market managers.
- C. consumers.
- D. wholesalers.
- E. retailers.

76. In an effort to do a better job of _____, companies are now learning that they must be consistent in both what they say and what they do.

- A. transactional exchange
- B. charismatic marketing
- C. relationship marketing
- D. promotional marketing
- E. isolated marketing

77. What started as the internal manifestation of a company's mission statement--a set of core values that includes being a faith-based company--has turned into marketing to "faithful" consumers, with the beef, chicken and pork marketer recently offering free prayer books with mealtime words of thanks expressed across different beliefs. By being consistent in both what it says and what it does, this company is engaged in:

- A. transactional exchange.
- B. charismatic marketing.
- C. relationship marketing.
- D. promotional marketing.
- E. isolated marketing.

78. By publicizing the material, social, and cultural opportunities of a free enterprise society, advertising has encouraged:

- A. increased productivity.
- B. demarketing.
- C. relationship marketing.
- D. a service economy.
- E. free servicing.

79. As a social force, advertising has been a major factor in:

- A. maintaining the economic environment.
- B. creating satisfied stakeholders.
- C. establishing cultural diversity.
- D. increasing the standard of living around the world.
- E. producing a balance of trade.

80. The consumer movement of the 1970s received its impetus from all of these, EXCEPT:

- A. the Vietnam War.
- B. the Watergate scandals.
- C. the Kennedy assassination.
- D. the oil shortage.
- E. the Great Depression.

81. One of the principles of free-market economics is that our market-driven society believes in "self-interest." What does this mean?

82. When did the preindustrial age begin and end in the Western hemisphere?

83. What was the most important development in the history of advertising?

84. What did the first English-language ad advertise?

85. Who was the father of advertising art?

86. What was the role of Francis Ayer in the evolution of advertising?

87. When did the industrial age begin?

88. What is the largest advertising medium in terms of advertising revenue?

89. In 2005 Comcast created AZN, a network for Asian Americans. Which strategy did Comcast use when it found this unique group of consumers who were not being currently reached by a cable station devoted to their specific needs?

90. What type of strategy is being used by the American Red Cross when it uses the slogan "When you help the American Red Cross, you help America," as a way to associate itself with benefits that are important to contributors?

91. What type of marketing strategy appeared during the 1970s and the 1980s to slow down demand for energy and energy-consuming products?

92. List and briefly describe the four fundamental assumptions of free-market economics.

93. Discuss the functions and effects of advertising as a marketing tool.

94. Describe how the preindustrial age, in the evolution of advertising, differs from later eras.

95. Describe how wholesalers used advertising in the industrial age.

96. Describe how the industrial age, in the evolution of advertising, differs from later eras.

97. What were the significant events that characterized the industrial age in the United States?
98. What did it mean when advertisers started claiming that every ad must point out the product's USP?
99. List the two economic factors that best characterize the marketing world during the postindustrial age.
100. Explain the following statement: "As a social force, advertising has been a major factor in improving the standard of living in the United States."

c2 Key

1. (p. 33) English historian Raymond Williams wrote, advertising is "the official art of capitalist society."

TRUE

AACSB: Analytic
Arens - Chapter 02 #1
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-1
Topic: Economics: The Growing Need for Advertising

2. (p. 33-34) The only principles of a free-market economy are self-interest and complete information.

FALSE

AACSB: Reflective thinking
Arens - Chapter 02 #2
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-1
Topic: Principles of Free-Market Economics

3. (p. 33) By nature, people are acquisitive.

TRUE

AACSB: Analytic
Arens - Chapter 02 #3
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-1
Topic: Principles of Free-Market Economics

4. (p. 34) The sale or consumption of products always benefits other people who are not involved in the transaction.

FALSE

AACSB: Analytic
Arens - Chapter 02 #4
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-1
Topic: Principles of Free-Market Economics

5. (p. 34) When economists refer to the absence of externalities, they are eliminating, or greatly reducing, the influence of stakeholders.

FALSE

*AACSB: Reflective thinking
Arens - Chapter 02 #5
Blooms Taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 02-1
Topic: Principles of Free-Market Economics*

6. (p. 35-36) One of the functions of advertising is to lower the overall cost of sales.

TRUE

*AACSB: Analytic
Arens - Chapter 02 #6
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-2
Topic: Functions and Effects of Advertising in a Free Economy*

7. (p. 36) In a free-market economy, when one company starts to make significant profits, other companies immediately jump in to compete.

TRUE

*AACSB: Analytic
Arens - Chapter 02 #7
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-2
Topic: Functions and Effects of Advertising in a Free Economy*

8. (p. 42) Archaeologists have found evidence of advertising among the Babylonians dating back as far as 3000 BC.

TRUE

*AACSB: Analytic
Arens - Chapter 02 #8
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-3
Topic: The Evolution of Advertising as an Economic Tool*

9. (p. 42) The preindustrial age extended from the beginning of recorded history to roughly the start of the 1900s.

TRUE

AACSB: Analytic

Arens - Chapter 02 #9

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

10. (p. 42) Benjamin Franklin was an early critic of advertising and opposed it as unethical.

FALSE

AACSB: Analytic

Arens - Chapter 02 #10

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

11. (p. 43) The industrial age ended around the same time as World War I ended.

TRUE

AACSB: Analytic

Arens - Chapter 02 #11

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

12. (p. 44) For Americans, the profession of advertising began when Volney B. Palmer set up business in Philadelphia in 1841.

TRUE

AACSB: Analytic

Arens - Chapter 02 #12

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

13. (p. 44) With the advent of public schooling, the United States reached an unparalleled 90 percent literacy rate, by the 20th century.

TRUE

*AACSB: Analytic
Arens - Chapter 02 #13
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-3
Topic: The Evolution of Advertising as an Economic Tool*

14. (p. 45) A beer company is using product differentiation when it advertises its beer, using the slogan-"Great Taste. Less Filling."

TRUE

Manufacturers follow the strategy of product differentiation vigorously, seeking to portray their brands as different from and better than the competition by offering consumers quality, variety, and convenience.

*AACSB: Reflective thinking
Arens - Chapter 02 #14
Blooms Taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 02-2
Topic: The Evolution of Advertising as an Economic Tool*

15. (p. 45) The industrial age ended shortly after World War II.

FALSE

*AACSB: Reflective thinking
Arens - Chapter 02 #15
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-3
Topic: The Evolution of Advertising as an Economic Tool*

16. (p. 45) Radio became the nation's primary means of mass communications in the postindustrial age.

FALSE

*AACSB: Reflective thinking
Arens - Chapter 02 #16
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-3
Topic: The Evolution of Advertising as an Economic Tool*

17. (p. 45-46) The USP represents the features that differentiate the product from competitive products.

TRUE

AACSB: Analytic

Arens - Chapter 02 #17

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-2

Topic: The Evolution of Advertising as an Economic Tool

18. (p. 46) A fabric softener brand is using a positioning strategy when it claims its softener makes your clothes "snuggly soft."

TRUE

A positioning strategy is an effective way to separate a particular brand from its competitors by associating that brand with a particular set of customer needs that rank high on the consumer's priority list.

AACSB: Reflective thinking

Arens - Chapter 02 #18

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-2

Topic: The Evolution of Advertising as an Economic Tool

19. (p. 48) The postindustrial age has been a period of relative stability.

FALSE

AACSB: Analytic

Arens - Chapter 02 #19

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

20. (p. 48) Demarketing is no longer used today.

FALSE

AACSB: Analytic

Arens - Chapter 02 #20

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

21. (p. 48) The most important economic factor during the postindustrial age was competition.

TRUE

AACSB: Analytic

Arens - Chapter 02 #21

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

22. (p. 51) The importance of advertising in different countries depends on the country's level of development and national attitude toward promotion.

TRUE

AACSB: Analytic

Arens - Chapter 02 #22

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-4

Topic: The Evolution of Advertising as an Economic Tool

23. (p. 52) While interactivity was a good plan, it has not proven beneficial to advertisers.

FALSE

AACSB: Reflective thinking

Arens - Chapter 02 #23

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-4

Topic: The Evolution of Advertising as an Economic Tool

24. (p. 54) Advertising has been a major factor in improving the standard of living in the United States.

TRUE

AACSB: Analytic

Arens - Chapter 02 #24

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-5

Topic: Society and Ethics: The Effects of Advertising

25. (p. 57) In the 1970s, people were responsible and acted selflessly.

FALSE

AACSB: Analytic

Arens - Chapter 02 #25

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-5

Topic: Society and Ethics: The Effects of Advertising

26. (p. 33-34) Which of the following is NOT one of the assumptions of the free-market economics that our market-driven society believes in?

A. Self-interest

B. Absence of externalities

C. Presence of opportunity costs

D. Many buyers and sellers

E. Complete information

AACSB: Analytic

Arens - Chapter 02 #26

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-1

Topic: Principles of Free-Market Economics

27. (p. 33) One aspect of the self-interest assumption in free-market economics is:

A. People, by nature, are not greedy.

B. People want less for less.

C. A wide range of buyers makes it difficult for sellers to find customers who are interested in their unique products.

D. Sometimes the sale or consumption of products may benefit or harm other people who are not involved in the transaction and didn't pay for the product.

E. People and firms pursue their own goals.

AACSB: Analytic

Arens - Chapter 02 #27

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-1

Topic: Principles of Free-Market Economics

28. (p. 34) Which of the following is an example of an externality associated with the purchase of a firearm?

- A.** Crime increase.
- B. Franchises for gun selling.
- C. After-sales service.
- D. Increased security.
- E. Complete information.

Externalities are social costs that are the result of a purchase.

AACSB: Reflective thinking
Arens - Chapter 02 #28
Blooms Taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 02-1
Topic: Principles of Free-Market Economics

29. (p. 35) As a marketing tool, advertising is used to:

- A. create unfair advantages among competitors.
- B. force people to buy things they do not need.
- C. decrease the overall cost of sales.
- D.** increase product use.
- E. create monitored feedback.

AACSB: Analytic
Arens - Chapter 02 #29
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-2
Topic: Functions and Effects of Advertising in a Free Economy

30. (p. 35) An ad in a fitness magazine offered a 30-day free at-home trial of an exercise bicycle with free shipping, and return if the customer was not satisfied with the bicycle. The primary function of the ad was to:

- A. control competitive pricing practices.
- B. establish exclusive distribution rights for the bicycle.
- C. communicate company's quality mission.
- D.** induce consumers to try the bicycle.
- E. communicate information about the bicycle's after-sale service.

One of the functions and effects of using advertising as a marketing tool is to induce customers to try new products and to suggest reuse.

AACSB: Reflective thinking
Arens - Chapter 02 #30
Blooms Taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 02-2
Topic: Functions and Effects of Advertising in a Free Economy

31. (p. 35) As a marketing tool, advertising is used for all of the following purposes, EXCEPT:

- A.** to ensure that all products are offered at everyday low prices.
- B. to identify products and differentiate them from others.
- C. to induce consumers to try new products and to suggest reuse.
- D. to increase product use.
- E. to build value, brand preference, and loyalty.

AACSB: Reflective thinking

Arens - Chapter 02 #31

Blooms Taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 02-2

Topic: Functions and Effects of Advertising in a Free Economy

32. (p. 42) The first ad in English appeared in the year:

- A. 1855.
- B. 1427.
- C.** 1472.
- D. 1859.
- E. 1895.

AACSB: Analytic

Arens - Chapter 02 #32

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

33. (p. 42) During the _____ age of the evolution of advertising, the Chinese invented paper, Gutenberg invented the printing press, and the world's population grew to about 600 million.

- A.** preindustrial
- B. product differentiation
- C. mercantile
- D. industrial
- E. postindustrial

AACSB: Analytic

Arens - Chapter 02 #33

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

34. (p. 42) During the preindustrial age, most advertisements took the form of signs with symbols such as a beer tankard indicating a tavern because:

- A.** most people were illiterate and could not read.
- B. most advertisers could not afford sophisticated advertisements.
- C. there were laws prohibiting advertising in newspapers.
- D. the churches would not approve other forms of advertising.
- E. manufacturers, during that period, presumed that was the best form of advertisement.

AACSB: Reflective thinking

Arens - Chapter 02 #34

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

35. (p. 42) The period in the evolution of advertising that extended from the beginning of recorded history to roughly the start of the nineteenth century was called the:

- A. postindustrial age.
- B. preadvertising age.
- C. industrial age.
- D. mercantile age.
- E.** preindustrial age.

AACSB: Analytic

Arens - Chapter 02 #35

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

36. (p. 42) What did the first ad in English advertise?

- A. A plow
- B. A farm land
- C.** A prayer book
- D. A religious service
- E. A pub

AACSB: Analytic

Arens - Chapter 02 #36

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

37. (p. 42) Which of the following ages in the evolution of advertising was characterized by the Chinese inventing paper, Johannes Guttenberg inventing the printing press, and the Boston Newsletter beginning to carry advertisements that appealed to American colonists?

- A. The age of Reason
- B. The Industrial age
- C. The Preindustrial age**
- D. The Industrializing age
- E. The Mercantile age

AACSB: Analytic

Arens - Chapter 02 #37

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

38. (p. 42) In the history of advertising, the _____ made the first advertising formats possible—posters, handbills, signs, and newspapers.

- A. quill pen
- B. printing press**
- C. silk screen
- D. ability to mold lead
- E. ability to copy and draw

AACSB: Reflective thinking

Arens - Chapter 02 #38

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

39. (p. 42) Benjamin Franklin:

- A. was the first American known to use illustrations in ads.**
- B. was the first to print color ads.
- C. was the first to use copy in ads.
- D. was first to print ads with photographs.
- E. was the first to use testimonials in advertising.

AACSB: Analytic

Arens - Chapter 02 #39

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

40. (p. 44) During the industrial age, advertising was primarily used to:

- A. create a brand personality.
- B. disseminate information.**
- C. encourage the development of selective demand.
- D. make people want products they don't need.
- E. create product differentiation.

AACSB: Reflective thinking

Arens - Chapter 02 #40

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

41. (p. 44) During the _____ age, manufacturers were principally concerned with production. The primary burden of marketing fell on wholesalers.

- A. Preindustrial
- B. Postindustrial
- C. Industrial**
- D. Golden
- E. Isolation

AACSB: Analytic

Arens - Chapter 02 #41

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

42. (p. 44) Which of the following statements best describes how Volney B. Palmer influenced advertising?

- A. He became the first to use "white space" and illustration in ads.
- B. He set up the business of buying and selling advertising space in news papers.**
- C. His advertising agency became the first to prepare ads for manufacturers.
- D. He founded Printer's Ink magazine.
- E. He became the first advertising agent to reach \$2 million in sales.

AACSB: Reflective thinking

Arens - Chapter 02 #42

Blooms Taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

43. (p. 44) What role did the firm N. W. Ayer & Son play in the history of U.S. advertising?
- A. It was the first printer to use illustrations in its ads.
 - B. It was the first manufacturer to use national advertising.
 - C.** It was the first ad agency to charge a commission based on the "net cost of space."
 - D. Its advertising claims were the first of its kind, examined by the Food & Drug Administration.
 - E. It published the first colonial newspaper with ads.

AACSB: Reflective thinking
Arens - Chapter 02 #43
Blooms Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 02-4
Topic: Functions and Effects of Advertising in a Free Economy

44. (p. 44) Why did the manufacturers begin using magazines for advertising?
- A.** Magazines offered the best quality of reproduction.
 - B. Magazines were less expensive media than newspapers.
 - C. Magazines were read more often than newspapers.
 - D. Advertisers were tired of using newspapers to carry their messages.
 - E. No taxes were imposed on magazine advertising.

AACSB: Reflective thinking
Arens - Chapter 02 #44
Blooms Taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 02-4
Topic: Functions and Effects of Advertising in a Free Economy

45. (p. 44) Why did direct mail advertising and mail-order selling flourish in 1896?
- A. Advertising agencies were allowed to charge commissions for their services.
 - B. The U.S. Post Office was created.
 - C. The Office of Consumer Affairs guaranteed that consumers could return products that did not meet their needs.
 - D. The Federal Communications Commission took over control of all mail order and direct mail advertising.
 - E.** The federal government inaugurated rural free mail delivery.

AACSB: Reflective thinking
Arens - Chapter 02 #45
Blooms Taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 02-3
Topic: Functions and Effects of Advertising in a Free Economy

46. (p. 44) Which of the following events did NOT directly affect the growth of advertising in the nineteenth century?

- A. The increased literacy rate in the late 1800s.
- B. The invention of the telegraph.
- C. The development of a nationwide railroad system.
- D. The inauguration of rural free delivery (RFD).
- E.** Creation of mass communication medium such as radio.

AACSB: Reflective thinking

Arens - Chapter 02 #46

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

47. (p. 45) Which of the following events directly affected the growth of advertising in the twentieth century?

- A. The invention of the printing press.
- B. The invention of motion pictures.
- C. The creation of a national draft.
- D.** The invention of the radio.
- E. The invention of the telegraph.

AACSB: Reflective thinking

Arens - Chapter 02 #47

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

48. (p. 44) Which of the following factors occurred near the end of the nineteenth century and was most responsible for accelerating the usage of print ads by manufacturers who wished to sell their products?

- A. The nation had not been in a war for over thirty years.
- B. The advertising agency had become a reality.
- C. Newspaper ads were relatively inexpensive.
- D.** The nation had reached a 90 percent literacy rate.
- E. English was the established language of the United States.

AACSB: Reflective thinking

Arens - Chapter 02 #48

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-5

Topic: Functions and Effects of Advertising in a Free Economy

49. (p. 44) Which of the following statements most accurately describes the industrial age?
- A. Most manufacturers implemented positioning strategies.
 - B. Manufacturers found research groups to study consumer attitudes and preferences.
 - C. Each manufacturer sought to sell its own brand based on its own special qualities.
 - D.** Manufacturers were principally concerned with production.
 - E. The invention of television dramatically changed how manufacturers communicated with consumers.

AACSB: Reflective thinking
Arens - Chapter 02 #49
Blooms Taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 02-3
Topic: Functions and Effects of Advertising in a Free Economy

50. (p. 43) With respect to the evolution of advertising in the United States, the _____ started during the second half of the 19th century and lasted well into the 20th.
- A. Service marketing age
 - B. Relationship marketing age
 - C.** Industrial age
 - D. Production age
 - E. Mercantile age

AACSB: Analytic
Arens - Chapter 02 #50
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-3
Topic: Functions and Effects of Advertising in a Free Economy

51. (p. 45) During the industrial age, manufacturers changed their focus from a production orientation to:
- A. a manufacturing orientation.
 - B.** a sales orientation.
 - C. a labor orientation.
 - D. profit-making orientation.
 - E. production orientation.

AACSB: Analytic
Arens - Chapter 02 #51
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-3
Topic: Functions and Effects of Advertising in a Free Economy

52. (p. 45) The bible of the era of salesmanship in the 1920s, "Scientific Advertising," was written by:

- A. Johannes Gutenberg.
- B. Benjamin Franklin.
- C. Claude Hopkins.**
- D. Volney B. Palmer.
- E. Francis Ayer.

AACSB: Analytic

Arens - Chapter 02 #52

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

53. (p. 45) A decade after World War I ended, a significant event occurred that caused corporate budget cutting, and advertising expenditures to plummet. This event was:

- A. the imposition of a personal income tax by the federal government.
- B. the defeat of Germany and its default on loans that had been granted to them by the victors of the conflict.
- C. the stock market crash on October 29, 1929.**
- D. the creation of the World Bank, which made additional revenues available to state and federal banks.
- E. strong challenges to the idea of a system of consumer credit that had been advocated by the federal government.

AACSB: Reflective thinking

Arens - Chapter 02 #53

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

54. (p. 45) The beginning of the Great Depression:

- A. empowered marketers to advertise more.
- B. forced manufacturers to rely on symbols to create awareness.
- C. saw a decline in the use of product differentiation.
- D. caused the temporary disappearance of advertising.
- E. forced the advertising industry to turn to marketing research.**

AACSB: Reflective thinking

Arens - Chapter 02 #54

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

55. (p. 45) Manufacturers of cereal could portray the cereal better than the competitors. This brand was the "Breakfast of Champions" not because of its ingredients but because of its:

- A. production focus.
- B. market formatting.
- C. product differentiation.**
- D. puffery in advertising.
- E. absence of externalities.

AACSB: Reflective thinking

Arens - Chapter 02 #55

Blooms Taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

56. (p. 46) _____ is being used when a publishing company prints three monthly magazines—one for horse breeders, one for cat lovers, and one for thrifty senior citizens.

- A. Multi-marketing
- B. Market segmentation**
- C. Product differentiation
- D. Market formatting
- E. Production focus

Market segmentation is a process by which marketers search for unique groups of people whose needs could be addressed through more specialized products.

AACSB: Reflective thinking

Arens - Chapter 02 #56

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

57. (p. 46) _____ is a process by which marketers search for unique groups of people whose needs could be addressed through more specialized products.

- A. Product differentiation
- B. Targeted diversification
- C. Demarketing
- D. Market segmentation**
- E. Market aggregation

AACSB: Analytic

Arens - Chapter 02 #57

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-4

Topic: Functions and Effects of Advertising in a Free Economy

58. (p. 45-46) A product's _____ is its features that differentiate it from competitive products.

- A. perceptual value
- B. unique selling proposition**
- C. economic differential
- D. economic advantage
- E. differential value

AACSB: Analytic

Arens - Chapter 02 #58

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

59. (p. 46) A _____ is an effective way to separate a particular brand from its competitors by associating that brand with a particular set of customer needs that ranked high on the consumer's priority list.

- A. logistical strategy
- B. universal sales promotion
- C. positioning strategy**
- D. market aggregation strategy
- E. promotional mix

AACSB: Analytic

Arens - Chapter 02 #59

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-4

Topic: Functions and Effects of Advertising in a Free Economy

60. (p. 46) For years, a denim manufacturer advertised its jeans to baby boomers because that is what most baby boomers wore during the 1960s. Unfortunately, this strategy of making the brand a baby boomer icon has decreased the brand's appeal to today's teens who perceive the brand as old-fashioned. In this example, the _____ did not produce a positive effect.

- A. logistical strategy
- B. universal sales promotion (USP)
- C. positioning strategy**
- D. market aggregation strategy
- E. promotional mix

A positioning strategy is an effective way to separate a particular brand from its competitors by associating that brand with a particular set of customer needs that rank high on the consumer's priority list.

AACSB: Reflective thinking

Arens - Chapter 02 #60

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-4

Topic: Functions and Effects of Advertising in a Free Economy

61. (p. 46) There are lots of different types of cosmetics currently on the market. One brand makes a line of cosmetics including eye accents and shampoos for horses. It claims to manufacture "the world's finest equine cosmetics." What kind of strategy is the brand using?

- A. Market differentiation
- B. Market diversification
- C. Positioning**
- D. Product allocation
- E. Market benefit

The brand has associated itself with a particular set of customer needs that rank high on its customers' priority lists.

AACSB: Reflective thinking

Arens - Chapter 02 #61

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-4

Topic: Functions and Effects of Advertising in a Free Economy

62. (p. 48) The _____ age has been a period of cataclysmic change. For the first time, people became truly aware of the sensitive environment in which we live and became alarmed by our dependence on vital natural resources.

- A. industrial
- B. great depression
- C. preindustrial
- D. postindustrial**
- E. customization

AACSB: Analytic

Arens - Chapter 02 #62

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

63. (p. 48) An ad for a beer company that asks consumers to enjoy beer in moderation and not to drink irresponsibly is an example of:

- A. conservation marketing.
- B. demarketing.**
- C. trade advertising.
- D. green marketing.
- E. reciprocal advertising.

Demarketing is a type of marketing used to slow the demand for their products.

AACSB: Reflective thinking

Arens - Chapter 02 #63

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-5

Topic: Functions and Effects of Advertising in a Free Economy

64. (p. 48) _____ is a type of marketing used to slow down the demand for certain products, such as energy-consuming goods.

- A. Nonmarketing
- B. Demarketing**
- C. Branding
- D. Eco-marketing
- E. Preservation marketing

AACSB: Analytic

Arens - Chapter 02 #64

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-4

Topic: Functions and Effects of Advertising in a Free Economy

65. (p. 48) There is some of the most beautiful scenery in the world in Canada. Too many tourists have led to potential ecological disasters in the area. In response, park officials are trying to decrease the number of visitors to the area. They could use _____ to accomplish this objective.

- A. positioning
- B. eco-marketing
- C. market-segmentation
- D. demarketing**
- E. relationship marketing

Demarketing is used to slow down the demand for certain products.

AACSB: Reflective thinking

Arens - Chapter 02 #65

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-5

Topic: Functions and Effects of Advertising in a Free Economy

66. (p. 48) The postindustrial age of the evolution of marketing is characterized by:

- A. a growing need to embrace externalities.
- B.** the growth of more sophisticated and affluent consumers.
- C. the decline of European agencies.
- D. a significant growth in demand for traditional products.
- E. the absence of puffery.

The other characteristics of the postindustrial age are the aging of traditional products and the corresponding growth in competition.

AACSB: Reflective thinking

Arens - Chapter 02 #66

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

67. (p. 48) In the late 1980s and early 1990s, a growing affluence and sophistication of the consuming public characterized the marketing world of this time period. This trend was led by:

- A.** baby boomers
- B. generation X
- C. generation Y
- D. echo-boomers
- E. generation Jones

AACSB: Analytic

Arens - Chapter 02 #67

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

68. (p. 48) Two related economic factors characterized the marketing world of the late 1980s and early 1990s in the United States. One of those factors was:

- A. an aging upper management, which led to a lack of innovation.
- B. the growing burden of financial debt, which forced governments to return to high tax policies directed toward businesses.
- C. the implementation of affirmative action policies.
- D.** the aging of traditional products, with a corresponding growth in competition.
- E. the rise of trade barriers such as import tariffs.

AACSB: Reflective thinking

Arens - Chapter 02 #68

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

69. (p. 48) After 1990, the recession, layoffs, and the struggle to maintain profits, resulted in:

- A. the concept of network marketing.
- B.** reduced customer service.
- C. the emergence of relationship marketing.
- D. the era of subliminal advertising.
- E. higher advertising budgets.

AACSB: Reflective thinking

Arens - Chapter 02 #69

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: Functions and Effects of Advertising in a Free Economy

70. (p. 48) An end to the Cold War came as the Berlin Wall came down and Western companies and financiers began to invest heavily in what was once called the Warsaw Pact countries. Big multinational companies and their advertising agencies went on a binge, buying other big companies and adding a new term to the financial lexicon. This term was:

- A. partnering.
- B. free market.
- C. oligopoly.
- D.** megamerger.
- E. service economy.

AACSB: Analytic

Arens - Chapter 02 #70

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-4

Topic: Functions and Effects of Advertising in a Free Economy

71. (p. 50) Which of the following statements describes the outlook of the advertising industry at the beginning of the 1990s?

- A.** The traditional advertising industry was being threatened on all sides and suffering from overpopulation.
- B. The shortage of advertising agencies led to a promotional crisis.
- C. Advertising industries found it easiest to reach affluent consumers.
- D. The advertising industry was deregulated, which led to international growth.
- E. The advertising industry faced the greatest level of prosperity in its history.

AACSB: Reflective thinking

Arens - Chapter 02 #71

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-4

Topic: Functions and Effects of Advertising in a Free Economy

72. (p. 50) In 2001, a record decline in advertising activity resulted from:
- A. the natural cyclical nature of advertising.
 - B. the decline of television as a mass market medium.
 - C.** a mild recession, a weak stock market, and the burst of the dot-com.
 - D. deregulation and a new tax on services.
 - E. the increasing use of the Internet as an economic advertising medium.

AACSB: Reflective thinking
Arens - Chapter 02 #72
Blooms Taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 02-3
Topic: Functions and Effects of Advertising in a Free Economy

73. (p. 51) Advertising expenditures are higher in countries with:
- A. higher budget deficits.
 - B.** higher personal incomes.
 - C. higher commodity price.
 - D. higher media control.
 - E. higher inflation rate.

AACSB: Analytic
Arens - Chapter 02 #73
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-4
Topic: Functions and Effects of Advertising in a Free Economy

74. (p. 51) Because of the emergence of new technology, such as PCs, Internet, CD-ROMs, and cable TV, advertising is evolving into a(n):
- A.** two-way medium.
 - B. reciprocal medium with limited prospects for the future.
 - C. analog medium.
 - D. narrowcasting medium.
 - E. rhetoric advertising medium.

AACSB: Information technology
Arens - Chapter 02 #74
Blooms Taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 02-4
Topic: Functions and Effects of Advertising in a Free Economy

75. (p. 51) According to "Advertising Age," the Holy Grail to advertisers is a one-to-one relationship with:

- A. competitors.
- B. stock market managers.
- C. consumers.**
- D. wholesalers.
- E. retailers.

AACSB: Analytic

Arens - Chapter 02 #75

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-4

Topic: Functions and Effects of Advertising in a Free Economy

76. (p. 53) In an effort to do a better job of _____, companies are now learning that they must be consistent in both what they say and what they do.

- A. transactional exchange
- B. charismatic marketing
- C. relationship marketing**
- D. promotional marketing
- E. isolated marketing

AACSB: Analytic

Arens - Chapter 02 #76

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-4

Topic: Functions and Effects of Advertising in a Free Economy

77. (p. 53) What started as the internal manifestation of a company's mission statement--a set of core values that includes being a faith-based company--has turned into marketing to "faithful" consumers, with the beef, chicken and pork marketer recently offering free prayer books with mealtime words of thanks expressed across different beliefs. By being consistent in both what it says and what it does, this company is engaged in:

- A. transactional exchange.
- B. charismatic marketing.
- C. relationship marketing.**
- D. promotional marketing.
- E. isolated marketing.

In relationship marketing, companies understand that they must be consistent in both what they say and what they do.

AACSB: Reflective thinking

Arens - Chapter 02 #77

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-4

Topic: Functions and Effects of Advertising in a Free Economy

78. (p. 54) By publicizing the material, social, and cultural opportunities of a free enterprise society, advertising has encouraged:

- A.** increased productivity.
- B. demarketing.
- C. relationship marketing.
- D. a service economy.
- E. free servicing.

AACSB: Reflective thinking

Arens - Chapter 02 #78

Blooms Taxonomy: Comprehension

Difficulty: Easy

Learning Objective: 02-5

Topic: Society and Ethics: The Effects of Advertising

79. (p. 54) As a social force, advertising has been a major factor in:

- A. maintaining the economic environment.
- B. creating satisfied stakeholders.
- C. establishing cultural diversity.
- D.** increasing the standard of living around the world.
- E. producing a balance of trade.

AACSB: Reflective thinking

Arens - Chapter 02 #79

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-5

Topic: Society and Ethics: The Effects of Advertising

80. (p. 57) The consumer movement of the 1970s received its impetus from all of these, EXCEPT:

- A. the Vietnam War.
- B. the Watergate scandals.
- C. the Kennedy assassination.
- D. the oil shortage.
- E.** the Great Depression.

AACSB: Reflective thinking

Arens - Chapter 02 #80

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-5

Topic: Society and Ethics: The Effects of Advertising

81. (p. 33) One of the principles of free-market economics is that our market-driven society believes in "self-interest." What does this mean?

People and organizations tend to act in their own self-interest and want more for less cost.

AACSB: Analytic
Arens - Chapter 02 #81
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-1
Topic: Principles of Free-Market Economics

82. (p. 42) When did the preindustrial age begin and end in the Western hemisphere?

The preindustrial age extended from the beginning of recorded history to the start of the nineteenth century.

AACSB: Analytic
Arens - Chapter 02 #82
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-3
Topic: The Evolution of Advertising as an Economic Tool

83. (p. 42) What was the most important development in the history of advertising?

The most important development in the history of advertising was the invention of the printing press.

AACSB: Analytic
Arens - Chapter 02 #83
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-3
Topic: The Evolution of Advertising as an Economic Tool

84. (p. 42) What did the first English-language ad advertise?

The first English-language ad advertised a prayer book.

AACSB: Analytic
Arens - Chapter 02 #84
Blooms Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 02-3
Topic: The Evolution of Advertising as an Economic Tool

85. (p. 42) Who was the father of advertising art?

Benjamin Franklin was the father of advertising art.

AACSB: Analytic

Arens - Chapter 02 #85

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

86. (p. 44) What was the role of Francis Ayer in the evolution of advertising?

Francis Ayer opened the first ad agency in the United States.

AACSB: Analytic

Arens - Chapter 02 #86

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

87. (p. 42) When did the industrial age begin?

The industrial age began during the second half of the nineteenth century.

AACSB: Analytic

Arens - Chapter 02 #87

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

88. (p. 45) What is the largest advertising medium in terms of advertising revenue?

The largest advertising medium in terms of advertising revenue is television.

AACSB: Analytic

Arens - Chapter 02 #88

Blooms Taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 02-4

Topic: The Evolution of Advertising as an Economic Tool

89. (p. 46) In 2005 Comcast created AZN, a network for Asian Americans. Which strategy did Comcast use when it found this unique group of consumers who were not being currently reached by a cable station devoted to their specific needs?

Comcast used market segmentation when it found a unique group of consumers who were not being currently reached by a cable station devoted to their specific needs.

AACSB: Reflective thinking

Arens - Chapter 02 #89

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-4

Topic: The Evolution of Advertising as an Economic Tool

90. (p. 46) What type of strategy is being used by the American Red Cross when it uses the slogan "When you help the American Red Cross, you help America," as a way to associate itself with benefits that are important to contributors?

Positioning strategy.

AACSB: Reflective thinking

Arens - Chapter 02 #90

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-4

Topic: Promotion; The Evolution of Advertising as an Economic Tool

91. (p. 48) What type of marketing strategy appeared during the 1970s and the 1980s to slow down demand for energy and energy-consuming products?

Demarketing began to be used during the 1970s and the 1980s to slow down demand for energy and energy-consuming products.

AACSB: Analytic

Arens - Chapter 02 #91

Blooms Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 02-4

Topic: The Evolution of Advertising as an Economic Tool

92. (p. 33-34) List and briefly describe the four fundamental assumptions of free-market economics.

(1) Self-interest. Because people tend to act in their own self-interest, they are acquisitive--always wanting more for less. (2) Complete information. Complete information leads to greater competition and lower prices. (3) Many buyers and sellers. Having a wide range of sellers mean that a buyer can find what he or she wants somewhere else. Similarly having many buyers means that a business can find customers who are interested in its products. (4) Absence of externalities. Sometimes the sale or consumption of products may benefit or harm other people who were not involved in any way in the transaction. The government uses taxes and regulations when this occurs.

AACSB: Reflective thinking
Arens - Chapter 02 #92
Blooms Taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 02-1
Topic: Principles of Free-Market Economics

93. (p. 35) Discuss the functions and effects of advertising as a marketing tool.

The functions and effects of advertising as a marketing tool are: (1) to identify products and differentiate them from others, (2) to communicate information about the product, its features, and its place of sale, (3) to induce consumers to try new products and to suggest reuse, (4) to stimulate the distribution of a product, (5) to increase product use, (6) to build value, brand preference, and loyalty, and (7) to lower the overall cost of sales.

AACSB: Reflective thinking
Arens - Chapter 02 #93
Blooms Taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 02-2
Topic: Functions and Effects of Advertising in a Free Economy

94. (p. 42) Describe how the preindustrial age, in the evolution of advertising, differs from later eras.

The preindustrial age began about 3000 BC and ran until about the mid-1700s. During this time, most human activity was devoted to meeting basic survival needs. Distribution was limited to how far vendors could walk and advertising was how loud they could shout. Other factors that could be discussed would include the role of the early church, literacy, inventions such as the printing press, when the first print ads appeared, and how advertising occurred in colonial America. The concept of puffery began as early as the mid-1700s.

AACSB: Reflective thinking
Arens - Chapter 02 #94
Blooms Taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 02-3
Topic: The Evolution of Advertising as an Economic Tool

95. (p. 44) Describe how wholesalers used advertising in the industrial age.

Since the primary marketing burden fell on wholesalers, they used advertising primarily as an information vehicle (placing announcements in publications called price currents) to let retailer customers know about sources of supply and shipping schedules for basic, unbranded commodities they carried.

AACSB: Reflective thinking

Arens - Chapter 02 #95

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

96. (p. 43-45) Describe how the industrial age, in the evolution of advertising, differs from later eras.

The industrial age ran from the mid-1700s (when the Industrial Revolution began in England) to around the beginning of the twentieth century. The Industrial Revolution reached the United States in the early 1800s. Significant events of this age that could be discussed include the early use of machinery, how population increased, how literacy rates increased, the power of the wholesaler in the distribution channel, how the profession of advertising grew, how early advertising agencies functioned, and how communication devices changed the way advertising was received.

AACSB: Reflective thinking

Arens - Chapter 02 #96

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

97. (p. 43-45) What were the significant events that characterized the industrial age in the United States?

The industrial age started around during the second half of the 19th century in the United States. It lasted well into the 1970s. Characterizing this age were such events as the creation of mass markets, producers wrestling control of the distribution process away from wholesalers, the development of organized sales forces, advertising was described as becoming scientific, true mass communication devices such as radio and television emerged, product differentiation and market segmentation became popular strategies, the unique selling proposition emerged, and positioning strategy was adopted.

AACSB: Reflective thinking

Arens - Chapter 02 #97

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

98. (p. 45-46) What did it mean when advertisers started claiming that every ad must point out the product's USP?

The unique selling proposition (USP) refers to product features that differentiate it from competitive products. It was an extension of the product differentiation strategy. The USP was a logical extension of the Lasker and Hopkins "reason why" credo.

AACSB: Reflective thinking

Arens - Chapter 02 #98

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-4

Topic: The Evolution of Advertising as an Economic Tool

99. (p. 48) List the two economic factors that best characterize the marketing world during the postindustrial age.

The two factors that best characterize the marketing world during the postindustrial age are: (1) the aging of traditional products, with a corresponding growth in competition, and (2) the growing affluence and sophistication of the consuming public, led by the huge baby-boomer generation.

AACSB: Reflective thinking

Arens - Chapter 02 #99

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-3

Topic: The Evolution of Advertising as an Economic Tool

100. (p. 54) Explain the following statement: "As a social force, advertising has been a major factor in improving the standard of living in the United States."

By publicizing the material, social, and cultural opportunities of a free enterprise society, advertising has increased productivity in both management and labor. Besides facilitating sales, advertising has also fostered freedom of the press. Print and broadcast media all receive the majority of their income from advertising. Some advertising organizations also foster growth and understanding of important social issues and causes through public service.

AACSB: Reflective thinking

Arens - Chapter 02 #100

Blooms Taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 02-5

Topic: Society and Ethics: The Effects of Advertising

c2 Summary

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