

## **CHAPTER 2 – The marketing environment**

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### **TRUE/FALSE**

1. In times of inflation, the best way to increase profit margins is to increase the advertising budget so as to increase economies of scale.

ANS: F

In times of inflation it is best to increase efficiency of production to increase profit margins.

PTS: 1 DIF: Moderate

TOP 4: Identify consumer and market reactions to the state of the economy

2. There are three competitive dimensions to consider in the marketing environment. These consist of the company, the competition and the competitors

ANS: F

The three dimensions are the industry, the competition and competitors.

PTS: 1 DIF: Moderate

TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

3. Many larger organisations assemble a team of specialists to continually collect and evaluate environmental information. This process is called evaluative scanning.

ANS: F

The process is called environmental scanning.

PTS: 1 DIF: Moderate

TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

4. SWOT analysis refers to strength, weakness, opportunity and treatment.

ANS: F

SWOT stands for strength, weakness, opportunity and threats.

PTS: 1 DIF: Moderate

TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

5. When examining external opportunities and threats, marketing managers must analyse aspects of the marketing environment.

ANS: T PTS: 1 DIF: Moderate

TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

6. The factors within the external environment that are important to marketing managers can be classified as sociocultural, demographic, economic, technological, political and legal, and competitive.

ANS: F

Furthermore, there are issues of ethics and morality in business to consider.

PTS: 1 DIF: Difficult

TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

7. Baby boomers are identified as the group of people born after the Second World War and before the mid-1970s.

ANS: F

Baby boomers were born between 1943 and 1963.

PTS: 1 DIF: Difficult

TOP 2: Describe the sociocultural factors that affect marketing

8. Baby boomers cherish convenience, which has resulted in a growing demand for home delivery of items such as large appliances, furniture and groceries.

ANS: T PTS: 1 DIF: Difficult

TOP 2: Describe the sociocultural factors that affect marketing

9. Characteristics of the personalised economy are customisation, immediacy and value.

ANS: T PTS: 1 DIF: Easy

TOP 2: Describe the sociocultural factors that affect marketing

10. Generation X is characterised by a dual-career, single-parent household, and members are unemployed or underemployed compared with baby boomers.

ANS: T PTS: 1 DIF: Easy

TOP 2: Describe the sociocultural factors that affect marketing

11. Because of its combination of high aspirations, high education levels and low expectations, generation X poses a challenge for marketers.

ANS: T PTS: 1 DIF: Easy

TOP 2: Describe the sociocultural factors that affect marketing

12. Component lifestyle is the recognition of the various components in people's lives that meet their diverse needs and wants.

ANS: T PTS: 1 DIF: Easy

TOP 2: Describe the sociocultural factors that affect marketing

13. The demographic environment consists of the changing characteristics of families and rises in income.

ANS: F

The demographic environment consists of the changing characteristics of families and multiculturalism.

PTS: 1 DIF: Easy

TOP 3: Explain the importance to marketing managers of multiculturalism and growing ethnic markets

14. In times of low inflation, businesses seeking to increase their profit margins can do so only by increasing their sales.

ANS: F

In times of low inflation, businesses seeking to increase their profit margins can do so only by increasing their efficiency.

PTS: 1 DIF: Easy

TOP 4: Identify consumer and market reactions to the state of the economy

15. Inflation pressures consumers to make more-economical purchases, while still attempting to maintain their standard of living.

ANS: T PTS: 1 DIF: Easy

TOP 4: Identify consumer and market reactions to the state of the economy

16. Recession requires different marketing strategies, like improving existing products and introducing new ones, and maintaining and expanding customer services.

ANS: F

The strategy also includes emphasising top-of-the-line products and promoting product value to customers.

PTS: 1 DIF: Difficult

TOP 4: Identify consumer and market reactions to the state of the economy

17. Primary research is pure research that aims to confirm an existing theory or to discover more about a concept or phenomenon.

ANS: T PTS: 1 DIF: Easy

TOP 5: Identify the impact of technology on an organisation

18. In Australia, product fitness and integrated marketing communications accuracy are covered by the *Trade Practices Act 1974*.

ANS: T PTS: 1 DIF: Easy

TOP 6: Discuss the political and legal environment of marketing

19. The strategy an organisation adopts to provide the same product in all markets around the world is called international competition.

ANS: F

It is called global competition.

PTS: 1 DIF: Easy

TOP 7: Explain the basics of foreign and domestic competition

20. International competition is the strategy an organisation adopts to provide to different countries products that are usually different or modified in some way.

ANS: T PTS: 1 DIF: Easy

TOP 7: Explain the basics of foreign and domestic competition

21. The rules people develop as a result of cultural values and norms are called ethics.

ANS: F

The rules are called morals.

PTS: 1 DIF: Easy

TOP 8: Describe the role of ethics and ethical decisions in business

22. Corporate social responsibility is demonstrated by managers who consider both the long-range best interests of the organisation and its relationship to the society within which it operates.

ANS: T PTS: 1 DIF: Easy

TOP 9: Discuss corporate social responsibility

23. The pursuit of financial goals is one of the four corporate social responsibilities.

ANS: T                      PTS: 1                      DIF: Moderate  
TOP 9: Discuss corporate social responsibility

24. A code of ethics is a set of guidelines to help managerial decision makers and other employees make more-ethical decisions.

ANS: T                      PTS: 1                      DIF: Easy  
TOP 8: Describe the role of ethics and ethical decisions in business

25. Industry analysis sets the foundation for the subsequent stages of analysis, which include consideration of the organisation's competition.

ANS: T                      PTS: 1                      DIF: Difficult  
TOP 7: Explain the basics of foreign and domestic competition

### **MULTIPLE CHOICE**

1. Which of the following is NOT a factor in an organisation's external environment?
- A sociocultural factors
  - B political and legal factors
  - C technological factors
  - D integrated marketing communication factors

ANS: D                      PTS: 1                      DIF: Easy  
TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

2. When a company implements strategies that attempt to shape the external environment within which it operates, it is engaging in:
- A environmental analysis
  - B global marketing
  - C environmental management
  - D auditing

ANS: C                      PTS: 1                      DIF: Easy  
TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

3. Review of issues such as the financial considerations, managerial style, corporate culture and geographic dispersion of the organisation is part of:
- A internal scanning
  - B marketing management
  - C environmental scanning
  - D evaluation

ANS: A                      PTS: 1                      DIF: Easy  
TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

4. The collection and interpretation of information about forces, events and relationships that may affect the organisation is called:
- A target implementation
  - B social responsibility

- C opportunity analysis
- D environmental scanning

ANS: D PTS: 1 DIF: Easy

TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

5. Classifications such as sociocultural, demographic, economic, technological, political and legal, and competition are part of:
- A target implementation
  - B social responsibility
  - C opportunity analysis
  - D external environment

ANS: D PTS: 1 DIF: Easy

TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

6. The group of people born before the mid-1960s is called:
- A generation X
  - B the baby boomers
  - C generation Y
  - D generation Z

ANS: B PTS: 1 DIF: Easy

TOP 2: Describe the sociocultural factors that affect marketing

7. \_\_\_\_\_ requires successful organisations to deliver goods and services at a good value on demand.
- A Booming economy
  - B Recession
  - C Personalised economy
  - D Inflation

ANS: C PTS: 1 DIF: Moderate

TOP 2: Describe the sociocultural factors that affect marketing

8. The characteristics of the personalised economy include:
- A customisation
  - B immediacy
  - C value
  - D politics

ANS: A PTS: 1 DIF: Moderate

TOP 2: Describe the sociocultural factors that affect marketing

9. People born between 1981 and 2000 are called:
- A generation X
  - B baby boomers
  - C generation Y
  - D generation Z

ANS: C PTS: 1 DIF: Moderate

TOP 2: Describe the sociocultural factors that affect marketing

10. The practice of choosing goods and services that meet one's diverse needs and interests, rather than conforming to a single, traditional lifestyle, is called a(n):
- A stereotype lifestyle
  - B component lifestyle
  - C enthusiast lifestyle
  - D none of these lifestyles

ANS: B                      PTS: 1                      DIF: Moderate  
TOP 2: Describe the sociocultural factors that affect marketing

11. The general rise in price without the increase in wages, which results in a decrease in purchase power, is called:
- A customer price index
  - B inflation
  - C economic efficiency
  - D can be called all of these things

ANS: B                      PTS: 1                      DIF: Moderate  
TOP 2: The economic environment

12. During recession, which of the following is NOT a required strategy?
- A improvement of existing products
  - B expansion of customer service
  - C promotion of product value
  - D all of these strategies are important

ANS: D                      PTS: 1                      DIF: Moderate  
TOP 4: Identify consumer and market reactions to the state of the economy

13. Research that aims to confirm an existing theory or to learn more about a concept and phenomenon is called:
- A primary research
  - B secondary research
  - C pure research
  - D applied research

ANS: A                      PTS: 1                      DIF: Moderate  
TOP 5: Identify the impact of technology on an organisation

14. A branch of research that attempts to develop new or improved products is called:
- A primary research
  - B secondary research
  - C pure research
  - D applied research

ANS: D                      PTS: 1                      DIF: Moderate  
TOP 5: Identify the impact of technology on an organisation

15. The full form of ACCC which is actively involved in marketing activities is the:
- A Australian Co-workers and Company's Committee
  - B Australian Consumer's Conspiracy Commission
  - C Australian Consumer and Cooperative Commission
  - D Australian Competition and Consumer Commission

ANS: D                      PTS: 1                      DIF: Difficult  
TOP 6: Discuss the political and legal environment of marketing

16. The strategy an organisation adopts to provide the same product in all markets around the world is called:
- A international competition
  - B strategic competition
  - C global competition
  - D none of these strategies apply

ANS: C                      PTS: 1                      DIF: Easy  
TOP 7: Explain the basics of foreign and domestic competition

17. The strategy an organisation adopts to provide products that are usually different or modified in some way to different countries is called:
- A international competition
  - B strategic competition
  - C global competition
  - D none of these strategies apply

ANS: A                      PTS: 1                      DIF: Moderate  
TOP 7: Explain the basics of foreign and domestic competition

18. The moral principles or values that generally govern the conduct of an individual are called:
- A ethics
  - B beliefs
  - C morals
  - D attitudes

ANS: A                      PTS: 1                      DIF: Easy  
TOP 8: Describe the role of ethics and ethical decisions in business

19. The rules people develop as a result of cultural values and norms are called:
- A ethics
  - B beliefs
  - C morals
  - D attitudes

ANS: C                      PTS: 1                      DIF: Easy  
TOP 8: Describe the role of ethics and ethical decisions in business

20. The greater the harm done to victims, the more likely it is that marketers will recognise a problem as unethical – this is an example of:
- A potential magnitude of consequences
  - B probability of a harmful outcome
  - C top management action on ethics
  - D number of people to be affected

ANS: A                      PTS: 1                      DIF: Difficult  
TOP 8: Describe the role of ethics and ethical decisions in business

21. A guideline to help marketing managers and other employees to make more-ethical decisions is called the:
- A behaviour of ethics
  - B code of ethics
  - C rules of ethics
  - D results of ethics

ANS: B                      PTS: 1                      DIF: Easy  
TOP 8: Describe the role of ethics and ethical decisions in business

22. The four corporate social responsibilities do NOT include:
- A economical responsibility
  - B legal responsibility
  - C political responsibility
  - D philanthropic responsibility

ANS: C                      PTS: 1                      DIF: Moderate  
TOP 9: Discuss corporate social responsibility

23. One approach to developing a set of ethics is to examine the consequences of a particular act. This includes such questions as:
- A What actions produce the greatest good for the greatest number of people?
  - B How long-lasting are the consequences?
  - C Who is hurt or helped?
  - D all of these questions are important considerations

ANS: D                      PTS: 1                      DIF: Moderate  
TOP 8: Describe the role of ethics and ethical decisions in business

24. Industry analysis involves:
- A the development of distribution strategies
  - B the development of pricing strategies
  - C product planning
  - D the review of industry size

ANS: D                      PTS: 1                      DIF: Easy  
TOP 7: Explain the basics of foreign and domestic competition

25. Generation Z comprises people born between \_\_\_\_\_ and the present.
- A 2000  
B 1995  
C 1990  
D 1985

ANS: A                      PTS: 1                      DIF: Easy  
TOP 2: Describe the sociocultural factors that affect marketing

## COMPLETION

1. The process where a team of specialists continually collect and evaluate environmental information is called \_\_\_\_.

ANS: environmental scanning      PTS: 1      DIF: Easy



TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

2. When a company implements strategies that attempt to shape the external environment within which it operates, it is engaging in \_\_\_\_.

ANS: environmental management PTS: 1 DIF: Easy

TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

3. When examining external opportunities and threats, marketing managers must analyse aspects of the \_\_\_\_.

ANS: marketing environment PTS: 1 DIF: Moderate

TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

4. \_\_\_\_ is perhaps the most difficult external variable for marketing managers to forecast, influence or integrate into marketing plans.

ANS: Social change PTS: 1 DIF: Easy

TOP 2: Describe the sociocultural factors that affect marketing

5. \_\_\_\_ are identified as the group of people born after the Second World War and before the mid-1960s.

ANS: Baby boomers PTS: 1 DIF: Easy

TOP 2: Describe the sociocultural factors that affect marketing

6. The importance of individualism among baby boomers led to a \_\_\_\_, which requires successful organisations to deliver goods and services at a good value on demand.

ANS: personalised economy PTS: 1 DIF: Easy

TOP 2: Describe the sociocultural factors that affect marketing

7. People born between 1965 and 1981 are called \_\_\_\_.

ANS: generation X PTS: 1 DIF: Easy

TOP 2: Describe the sociocultural factors that affect marketing

8. Another name given to generation Z is the \_\_\_\_.

ANS: silent generation PTS: 1 DIF: Easy

TOP 2: Describe the sociocultural factors that affect marketing

9. The practice of choosing goods and services that meet one's diverse needs and interests rather than conforming to a single, traditional lifestyle is called \_\_\_\_.

ANS: component lifestyle PTS: 1 DIF: Moderate

TOP 2: Describe the sociocultural factors that affect marketing

10. \_\_\_\_ recognises and celebrates cultural diversity, in that it provides more opportunities than challenges within a community.

ANS: Multiculturalism PTS: 1 DIF: Easy

TOP 3: Explain the importance to marketing managers of multiculturalism and growing ethnic markets

11. The three economic areas of greatest concern to most marketers are the distribution of consumer income, inflation and \_\_\_\_.

ANS: recession      PTS: 1      DIF: Moderate

TOP 4: Identify consumer and market reactions to the state of the economy

12. \_\_\_\_ is a general rise in prices without a corresponding increase in wages, which results in decreased purchasing power.

ANS: Inflation      PTS: 1      DIF: Easy

TOP 4: Identify consumer and market reactions to the state of the economy

13. A \_\_\_\_ is a period of economic activity when income, production and employment tend to fall – all of which reduce demand for goods and services.

ANS: recession      PTS: 1      DIF: Easy

TOP 4: Identify consumer and market reactions to the state of the economy

14. The stream of research that aims to confirm an existing theory or to discover more about the concept or phenomenon is called \_\_\_\_.

ANS: primary research      PTS: 1      DIF: Easy

TOP 4: Identify consumer and market reactions to the state of the economy

15. \_\_\_\_ attempts to develop new or improved products.

ANS: Applied research      PTS: 1      DIF: Easy

TOP 4: Identify consumer and market reactions to the state of the economy

16. \_\_\_\_ is the strategy an organisation adopts to provide the same product in all markets around the world.

ANS: Global competition      PTS: 1      DIF: Easy

TOP 7: Explain the basics of foreign and domestic competition

17. \_\_\_\_ is the strategy an organisation adopts to provide to different countries products that are usually different or modified in some way.

ANS: International competition      PTS: 1      DIF: Easy

TOP 7: Explain the basics of foreign and domestic competition

18. \_\_\_\_ refers to the moral principles or values that generally govern the conduct of an individual or group.

ANS: Ethics      PTS: 1      DIF: Easy

TOP 8: Describe the role of ethics and ethical decisions in business

19. \_\_\_\_ are the rules people develop as a result of cultural values and norms.

ANS: Morals      PTS: 1      DIF: Easy

TOP 8: Describe the role of ethics and ethical decisions in business

20. A recession requires different marketing strategies. One such strategy is to improve existing \_\_\_\_\_ and introduce new ones.

ANS: products      PTS: 1      DIF: Easy  
TOP 8: The economic environment

21. Multiculturalism celebrates cultural \_\_\_\_\_ in that it provides more opportunities than challenges within a community.

ANS: diversity      PTS: 1      DIF: Moderate  
TOP 3: Explain the importance to marketing managers of multiculturalism and growing ethnic markets

22. Characteristics of the \_\_\_\_\_ economy include \_\_\_\_\_, or the idea that products are designed and marketed to ever smaller target market segments.

ANS: personalised; customisation      PTS: 1      DIF: Difficult  
TOP 2: Describe the sociocultural factors that affect marketing

23. Integrated marketing \_\_\_\_\_ strategies are an element of an organisation's \_\_\_\_\_ environment.

ANS: communication; controllable      PTS: 1      DIF: Moderate  
TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

24. Although managers can control the marketing mix, they cannot control elements in the \_\_\_\_\_ environment.

ANS: external      PTS: 1      DIF: Easy  
TOP 1: Discuss the external environment of marketing and explain how it affects an organisation

25. The ACCC is a statutory body responsible for ensuring compliance with the *Trade Practices Act 1974* and the \_\_\_\_\_ *Surveillance Act 1983*.

ANS: *Prices*      PTS: 1      DIF: Difficult  
TOP 6: Discuss the political and legal environment of marketing

## ESSAY

1. There are elements that CANNOT be controlled by the company. List these elements in the external marketing environment.

ANS:

- economic environment
- sociocultural environment
- competitive environment
- technological environment
- political and legal environment

PTS: 1      DIF: Easy

2. How do social factors influence marketing activities?

ANS:

Social factors influence the products people buy, the value they determine a product to have, the effectiveness of specific promotions, and how, where and when people expect to purchase products.

PTS: 1 DIF: Easy

3. Describe the purchase pattern of baby boomers.

ANS:

This group cherishes convenience, which has resulted in a growing demand for home delivery of items such as large appliances, furniture and groceries. In addition, the spreading culture of convenience explains the tremendous appeal of prepared takeaway foods and the necessity of digital recorders and mobile phones. Businesses offer the individualistic baby boomers a growing array of customised products, services, houses and retirement villages, cars, furniture, appliances, clothes, holidays, jobs, leisure time and even beliefs.

PTS: 1 DIF: Easy

4. Discuss the characteristics of the personalised economy.

ANS:

CUSTOMISATION: Products are custom designed and marketed to ever-smaller target markets.

IMMEDIACY: Goods and services are delivered at the convenience of the consumer rather than that of the provider.

VALUE: Organisations need to be value-competitive or able to create innovative products that can command premium prices.

PTS: 1 DIF: Easy

5. What is component lifestyle and how does it influence consumer's purchase patterns?

ANS:

Component lifestyle is the recognition of the various components in people's lives that meet their diverse needs and wants. These components in turn influence the goods and services people select to meet their specific needs and wants. This is quite different from the rather traditional view of stereotyping people. For example, one may have considered an accountant to be typically boring and dull. However, this is a stereotype and nowadays we could have an accountant who is into extreme sports, has a full and active social life, is a gourmet cook and a dedicated single parent.

PTS: 1 DIF: Easy

6. List the elements of the economic environment.

ANS:

They are: rising income, inflation and recession.

PTS: 1 DIF: Moderate

7. What are the effects of global competition on a locally based marketing company?

ANS:

Increasingly, overseas companies are marketing in local economies without a physical (e.g., retail store) presence in those economies. The Internet now allows organisations to market their goods and services beyond their national borders. This gives consumers more product choice, often at cheaper prices. However, it means increased competition for marketing organisations who need to look for new ways to compete in a global economy.

PTS: 1 DIF: Moderate

8. Ethical development can be thought of as having three levels. Discuss these three levels in detail.

ANS:

**PRECONVENTIONAL MORALITY**, the most basic level, is childlike. It is calculating, self-centred and even selfish, based on what will be immediately punished or rewarded.

**CONVENTIONAL MORALITY** moves from an egocentric viewpoint towards the expectations of society. Loyalty and obedience to the organisation (or society) become paramount. At the level of conventional morality, an ethical marketing decision would be concerned only with whether or not it is legal and how it will be viewed by others.

**POSTCONVENTIONAL MORALITY** represents the morality of the mature adult. At this level, people are less concerned about how others might see them and more concerned about how they see and judge themselves over the long run. A marketing decision maker who has attained a postconventional level of morality might ask, even though an action is legal and will increase company profits, is it right?

PTS: 1 DIF: Moderate

9. What are the factors that tend to influence ethical decision making and judgements?

ANS:

- extent of ethical problems within the organisation
- top-management actions on ethics
- potential magnitude of the consequences
- social consensus
- probability of a harmful outcome
- length of time between the decision and the onset of consequences
- number of people to be affected

PTS: 1 DIF: Moderate

10. What could be some benefits of ethical guidelines?

ANS:

Ethical guidelines help employees to identify what their organisation recognises as acceptable business practices.

Ethical guidelines can be an effective internal control on behaviour, which is more desirable than external controls such as government regulation.

Ethical guidelines help employees to avoid confusion when determining whether their decisions are ethical.

Ethical guidelines facilitate discussion among employees about what is right and wrong, and ultimately create better decisions.

PTS: 1

DIF: Moderate

11. What are the four types of corporate social responsibility of a company?

ANS:

- to pursue financial goals (economic responsibility)
- to obey the law (legal responsibility)
- to do what is right, just and fair (ethical responsibility)
- to be a good corporate citizen (philanthropic responsibility)

PTS: 1

DIF: Moderate