Global Marketing

Business 76.4

Exam 1 Review

Part 1

Chapters 1,2,3,4,5
Chapter 2 The Global Economic Environment

1. The dollar value of worldwide capital movements exceeds the value of merchandise and services trade.
   T; p. 49
   A
   a. True
   b. False

2. The phrase “a $1.5 trillion day” could be used to describe the daily volume of capital movements in world markets.
   T; p. 49
   A
   a. True
   b. False

3. The largest percentage of the world’s population lives in low-income countries with GNP per capita <$785.
   F; pp. 58–60
   B
   a. True
   b. False

4. The G7 is comprised of low-income countries.
   F; p. 66
   B
   a. True
   b. False

5. Which type of economic system is characterized by market resource allocation and state resource ownership:
   Market Socialism
   pp. 51–55
   E
   a. high percentage of population engaged in agriculture
   b. heavy reliance on foreign aid
   c. political instability
   d. high birth rates
   e. all of the above

6. Which of the following best describes low-income countries:
   E
   a. high percentage of population engaged in agriculture
   b. heavy reliance on foreign aid
   c. political instability
   d. high birth rates
   e. all of the above

7. Which of the following big emerging markets (BEMs) can be classified as “low-income”:
   C
   a. Argentina, Brazil, Mexico, and South Africa
   b. Poland, Turkey, and Indonesia
   c. China and India
   d. South Korea

8. Global marketers should take note of the fact that only about 15 percent of the world’s population is located in:
   High income countries
9. 2-68 LDC exports consist mainly of:
   a. standardized manufactured goods such as apparel
   b. agricultural products
   pp. 56–59
   c. high-tech products
   A d. financial services
10. 2-70 Which CEO has undertaken an initiative to make information
technology products and services available to consumers in low-
income countries:
    p. 64
    a. Ted Waitt (Gateway)
    D b. Bill Gates (Microsoft)
    c. Steve Jobs (Apple)
    d. Carly Fiorina (Hewlett-Packard)
11. 2-67 Most of the world’s population lives in:
    pp. 56–59
    LDC
12. 2-92 Which of the following is true about China’s ranking among
importing and exporting countries:
    a. China ranks among the top five exporters but not among the top five
p. 74
    A b. China ranks among the top five importers but not among the top
    five exporters.
    c. China ranks among both the top five exporters and among the top
      five importers.
    d. China does not rank among either the top five exporters or among
      the top five importers.
13. 2-44 Which of the following is not an accurate description of the world
economic scene today:
    c p. 49
    a. the “capitalism versus socialism” struggle is over
    b. production has become uncoupled from employment
    C c. trade, not capital movements, is the driving force
    d. the world economy dominates
    e. all are accurate descriptions
14. 2-71 Which two companies are sourcing product components from small-
scale enterprises in Brazil:
    b p. 64
    a. Ford Motor Company and Armani
    B b. DaimlerChrysler and Hermes
    c. General Motors and Hugo Boss
    d. Volkswagen and Coach
Chapter 3 The Global Trade Environment

15. Which country is not part of the euro zone:
   a. Germany
   b. Italy
   c. France
   d. United Kingdom
   e. Belgium

16. The World Trade Organization was founded in 1947.
   a. True
   b. False

17. Germany has the largest economy (as measured by GNP) of the nations in the European Union.
   a. True
   b. False

18. Harmonization of product standards in the European Union will allow some companies to obtain marketing economies by consolidating the number of product variations needed.
   a. True
   b. False

19. An economic union represents the most fully developed form of preferential trade agreement among nations.
   a. True
   b. False

20. All 15 EU member countries are also members of the euro zone.
   a. True
   b. False

21. Which form of regional cooperation agreement, when fully implemented, would entail creation of a unified central bank, the use of a single currency, and common policies on agriculture, social services and welfare: Economic Union
   a. True
   b. False

22. Which of the following statements is true about the World Trade Organization:
   a. It is the successor to the IMF.
   b. It is the successor to GATT.
   c. It is the successor to NAFTA.
   d. It is the successor to the EU.
23. 3-59 c
   Free Trade Area
   The form of economic cooperation that calls for countries to eliminate all internal barriers to trade among themselves even while maintaining independent trade policies vis-à-vis third countries is known as a(n) ___________________.

24. 3-60 b
   Customs Union
   A new bilateral agreement between the European Union and Turkey will eliminate internal trade barriers and establish common external tariffs. This arrangement is a(n): ___________________.

25. 3-64 b
   pp. 96–97
   The North American Free Trade Agreement:
   a. eliminates tariffs between North America and the EU
   b. will gradually reduce tariffs and other trade barriers between the United States, Canada, and Mexico
   c. was created by the World Trade Organization
   d. benefits the United States and Canada at Mexico’s expense
   B

26. 3-73 c
   Brazil
   The country in Latin America with the largest consumer market and a population that is expected to reach 200 million early in the 21st century is: ________________

27. 3-78 a
   pp. 104–105
   A
   Which regional market arrangement has the smallest total population:
   a. CARICOM
   b. ASEAN
   c. EEA
   d. NAFTA
   e. MERCOSUR

28. 3-79 b
   B
   Which of the following is not currently a member of CARICOM:
   a. Bahamas
   b. Cuba
   c. Grenada
   d. Jamaica
   e. St. Lucia
29. 3-82 d The proper name of the economic cooperation group that consists exclusively of Asian countries is:
   a. East Asian Trading Group
   b. Japan Inc.
   c. the Asian Economic Cooperation
   d. Association of Southeast Asian Nations
   e. Asia-Pacific Economic Cooperation

30. 3-84 A Which of the following is not a member of ASEAN:
   a. South Korea
   b. Malaysia
   c. Thailand
   d. Singapore
   e. Vietnam

31. 3-90 C Which of the following is not a member of the European Union:
   a. Sweden
   b. Austria
   c. Switzerland
   d. Italy
   e. Greece

32. 3-98 D Which of the following is not emphasized by Japanese business culture:
   a. self-denial
   b. harmony and consensus
   c. market share
   d. independence

33. 3-98 B Which of the following is not a correct statement of a change that will affect how companies do business in Europe’s single market:
   a. harmonization of product standards
   b. less competitive pricing environment
   c. common guidelines for TV broadcasting
   d. reduction in customs formalities for goods crossing borders

34. 3-93 b Which member of the European Union has both the largest economy (as measured by GNP) and the largest population:
   a. Sweden
   b. Austria
   c. Switzerland
   d. Italy
   e. Greece

Chapter 4 Social and Cultural Environments
35. 4-5  Cooking, music, and status differentiation are examples of cultural universals.
T; p. 134  
A  
a. True  
b. False

36. 4-6  Sociologists assert that production is a defining hallmark of postmodern society in the 21st century.
T; p. 135  
A  
a. True  
b. False

37. 4-15  Advertising at Nissan Motor is centralized, and headquarters requires that music and other advertising elements be standardized across world markets.
F; p. 138  
B  
a. True  
b. False

38. 4-16  Visa, American Express, and MasterCard are forecasting significant global growth because marketing efforts are expected to result in the development of favorable attitudes toward credit cards.
T; p. 138  
A  
a. True  
b. False

39. 4-19  McDonald’s successful global expansion has been made possible in part because of the growing worldwide acceptance of “fast-food culture.”
T; pp. 139–140  
A  
a. True  
b. False

40. 4-18  Profitability is the sole criterion used by the founders of Ben & Jerry’s Homemade when deciding which country markets to enter.
F; p. 139  
B  
a. True  
b. False

41. 4-20  In India, local companies have an advantage over global cones when it comes to understanding food and drink preferences.
T; p. 140  
A  
a. True  
b. False

42. 4-17  Global growth for Visa, American Express, and MasterCard will be limited because, in many cultures, the prevailing attitude is that credit cards are inferior to cash.
F; p. 138  
B  
a. True  
b. False
43. 4-21 The Jollibee fast-food chain in the Philippines is a wholly owned subsidiary of McDonald’s.
F; p. 142 a. True
B b. False

44. 4-61 The world’s two leading ice cream marketers are:
d d. Unilever and Nestlé
p. 132 c. Groupe Danone and Procter & Gamble
D b. Unilever and Kraft Foods
e. General Mills and Kraft Foods

45. 4-62 Which global company recently acquired Vermont-based Ben & Jerry’s Homemade:
p. 132 Unilever

46. 4-63 ___________ can be defined as “the ways of living, built up by a group of human beings that are transmitted from one generation to another.”
p. 134 Culture

47. 4-71 When global marketers assess how the color of a label or the shape of a package might be perceived, they are dealing with___________.
p. 136 Visual Aesthetics

48. 4-72 In many Asian countries, ____________ is a color that is associated with death.
pp. 136–137 White

49. 4-92 U.S. Corp. established a joint venture with RussProm, a Russian aerospace concern. The U.S. partner relied on teams of lawyers to pursue due diligence and ensure that every eventuality was covered by contracts. RussProm managers found all this confusing, and were more interested in building personal relationships and mutual trust. Which of the following best explains the situation:
a. U.S. culture is low-context, Russia’s is high-context.
b. U.S. culture is high-context, Russia’s is low-context.
c. The United States and Russia are both low-context cultures.
d. The United States and Russia are both high-context cultures.
50. 4-73 In many parts of the world, ______________ is a color that is associated with love and adventure.
   a. blue
   b. green
   c. black
   d. white
   e. red

51. 4-91 ______________ is a phrase used to describe a country or regional culture where a business deal depends more on person’s word than on formal paperwork or a legally binding contract.
   a. High-context
   b. Low-context
   c. Cultural universal
   d. Self-reference criterion

52. 4-97 Which of the following is not true about Japan’s culture, traditions, and behavior:
   a. oriented toward individual
   b. consensus is important
   c. government and business cooperate
   d. attitude of self-denial

53. 4-110 According to recent research on the relevance of Hofstede’s social values framework to global marketing, consumers in countries ranking high on the individualism dimension respond well to:
   a. functional brand images
   b. sensory brand images
   c. social brand images
   d. none of the above
   e. all of the above
Procter & Gamble’s introduction of All-Temperature Cheer laundry detergent in Japan was a flop at first. The problem was that Japanese women wash clothes in cold water—either tap water or leftover bath water—so they don’t care about all-temperature washing (which is a big selling point in the United States). Also, Cheer was first introduced in Japan at a time when the market for fabric softeners in Japan was rapidly expanding. However, when Japanese housewives added lots of fabric softener to the water, Cheer didn’t produce many suds (Americans don’t use as much fabric softener). P&G reformulated the product so it wouldn’t be affected by fabric softeners, and ads for Cheer in Japan pledged superior cleaning in cold water, not all temperatures. Which of the following might have helped P&G avoid the initial problems with Cheer:

a. Maslow’s hierarchy
b. high-versus low-context culture
c. diffusion of innovation
d. self-reference criterion
e. ethnocentric orientation

According to recent research on the relevance of Hofstede’s social values framework to global marketing, functional brand images enhance brand performance in countries that rank low on the power distance dimension.

a. functional brand images
b. sensory brand images
c. social brand images
d. none of the above
e. all of the above

To speed adoption of a new product, the marketing team should:

a. ensure that features and benefits can be communicated or demonstrated
b. design the maximum amount of complexity into the product
c. discourage limited use on a “trial” basis
d. attempt to make a clean break with existing customer values

Which of the following best sums up the experience of Walt Disney Company executives with Disney’s new theme park in Paris:

a. They were guided by the “think global, act local” principle.
b. They fall prey to the self-reference criterion.
c. They exhibited a geocentric management orientation.
d. They miscalculated the rate of diffusion of innovations in Europe.
Chapter 5 The Political, Legal, and Regulatory Environment

58. 5-8  The various forms of asset seizure represent the ultimate threat that a government can direct toward a company.
   T; p. 182  a. True
   A b. False

59. 5-11  If a foreign company is taken over by the host country government without any compensation being paid, confiscation has occurred.
   T; p. 182  a. True
   A b. False

60. 5-6  Political risk tends to be higher in developing countries compared with industrialized countries.
   T; p. 176  a. True
   A b. False

61. 5-12  “Nationalization” is defined as the transfer of ownership of foreign property or assets to the host-country government.
   T; p. 182  a. True
   A b. False

62. 5-10  If a foreign company is taken over by the host country government and some form of compensation is paid, **expropriation** has occurred.
   T; p. 182  a. True
   A b. False

63. 5-54  The trend toward privatization in many parts of the world is a reflection of changes in which environment:
   b  p. 174  a. social and cultural
   A b. economic and political
   B c. scientific and technological
   D d. physical and natural

64. 5-55  By definition, ______________ is the potential for a change in a country’s political environment or government policy that could adversely affect a global company’s operations.
   p. 176
   Political Risk

65. 5-58  Economic turmoil and popular unrest forced President Suharto to resign in 1998. He was president of what country:
   d  p. 178  a. Malaysia
   D b. Thailand
c. Singapore
   e. Hong Kong
   d. Indonesia
66. What type of international disputes would be taken before the International Court of Justice:
   a. disputes between two nations
   b. disputes between two companies
   c. disputes between a company and a nation
   d. disputes between a citizen of one country and a company from a different country

67. Which region of the world is a company likely to encounter the highest potential for political risk:
   p. 178
   Latin America

68. After Fidel Castro took power in Cuba in 1959, his government seized control of American property **without paying compensation**. Coca-Cola, DuPont, Texaco, and dozens of other American companies have filed claims against Cuba seeking financial settlements. The term that most specifically describes the action Castro took against these companies is ________________.

69. Engineers at a company in a developing country study an American computer chip design, copy it, and produce identical chips that are then sold to local computer makers. What form of intellectual property has been wrongly appropriated:
   a. patent
   b. copyright
   c. trademark
   d. trade secrets

70. In many developing countries, manufacturers produce “knock off” clothing by Calvin Klein, Tommy Hilfiger, and other designers. The unauthorized goods bear the designer’s name, but are often of inferior quality and sell for lower prices than the real thing. What form of intellectual property has been wrongly appropriated:
   a. patent
   b. copyright
   c. trademark
   d. trade secrets

71. Which country has passed the most stringently enforced anti-bribery law:
   a. Germany
   b. Japan
   c. Mexico
   d. United States
Recent changes in U.S. patent law mean that patents are now valid for:

a. 17 years from the date of filing
b. 17 years from the date the patent is granted
c. 20 years from the date of filing
d. 20 years from the date the patent is granted

In many parts of the world, sales of unauthorized videos of Hollywood movies cost the movie studios billions of dollars. When illegal copies of movies are made, what form of intellectual property has been wrongly appropriated:

a. patent
b. copyright
c. trademark
d. trade secrets

The U.S. government recently imposed multimillion dollar fines on the defendants in a price fixing suit brought against American agribusiness giant Archer Daniels Midland. ADM agreed to pay $100 million in fines. This shows the importance of ___________ issues in global marketing.

Hope is not a ___________.

List the 4 Management Orientations  Page 15-20

107) Ethnocentric – management assumes that products and practices in home country are superior and attempt to sell standardized products worldwide without adaptation or customization.

108) Polycentric – management believes host country is unique and attempts to sell products that are customized to the needs and wants of specific markets.

109) Regiocentric – management sees similarities and differences amongst regions and implements a regional strategy by customizing products based on regional similarities.
110) Geocentric – management views the entire world as a potential market and recognizes similarities and differences between home and host countries.

List the 7 components of the Marketing Mix

111) Product

112) Price

113) Place

114) Promotion, Packaging, Positioning, People

Global localization means that a successful global marketer must have the ability to think 115) globally and act 116) locally.

List the 4 key methods for effectively selling products globally to approximately 6 billion people worldwide. Page 3-7

117) Focus – concentration on a core business or competence

118) Value Creation - a function of benefits, price, and quality

119) Competitive Advantage – creating more value for customers than the competitors

120) Target Marketing - tailoring the marketing mix to meet the needs of the target market extremely well.

List 3 restraining forces of global marketing: End of Chpt 1

121) Management Myopia – management ignores global marketing opportunities
122) Organizational Culture – when headquarters or subsidiary management thinks “they know it all” global marketing efforts are restrained

123) National Controls – control over market access and entry

The first 5 chapters of the book discusses issues relevant to selling products worldwide. List 5 global environmental factors to consider as a global marketer.

124) Economic System
125) Trade Agreements
126) Culture and Values
127) Political
128) Legal

The Group of Seven (G7) are a group of high-income countries that try to steer the global economy to prosperity and stability. List the 7 countries.

129) Britain
130) Canada
131) Germany
132) France
133) Italy
134) Japan
135) United States

The percentage of potential buyers or households who own a particular product refers to the 136) _________________________________.

The 6 stages of a Product Life Cycle are:
137) Introduction
138) Growth
139) Maturity
140) Decline, Obsolescence, Revitalization

A record of all economic transactions between the residents of a country and the rest of the world is called the **141) balance of payments**

A record of all recurring trade in merchandise and services, private gifts, and public aid transactions between countries is called the **141) current account**

Many countries seek to lower trade barriers to trade within their regions with Preferential Trade Agreements. List 4 types of Trade Agreements.

142) Free Trade Area  
Example: NAFTA

143) Customs Unions  
Example: Andean Community

144) Common Market  
Example: Mercosur, CARICOM,

145) Economic Unions  
Example: European Union

South Korea, Taiwan, Singapore, and Hong Kong are referred to as “tigers”. Another name for tigers is NIE, which is an acronym for **146) Newly Industrializing Economies**

List the countries with the greatest number of people.

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>147) China</td>
<td>~1.2 billion</td>
</tr>
</tbody>
</table>
148) India ~1 billion
149) US ~275 million

List the 5 mental stages of the adoption process
150) Awareness
151) Interest
152) Evaluation
153) Trial
154) Adoption

List the 5 major factors affecting the rate at which innovations are adopted.
155) Relative Advantage – how a new product compares with an existing product
156) Compatibility - the extent to which a product is consistent with existing values and past experiences
157) Complexity – the degree to which the new product is or is not difficult to understand
158) Divisibility – the ability of a product to be tried and used on a limited basis without great expense.
159) Communicability – the degree to which benefits of an innovation or the value of a product can be communicated to a potential market.

Classifications of individuals within a market on the basis of their receptivity to innovation are called 160) ________________________.

List the 5 adopter categories and give the percentages for each:
161) Innovators 2.5%
162) Early Adopters 13.5%
163) Early Majority 34%
164) Late Majority 34%
165) Non Adopters / Laggards 16%

List 5 social institutions that are part of a culture and impacts product success.

166) Family
167) Education
168) Religion
169) Government
170) Business

List 5 elements of abstract culture in a country can affect product success.

171) Religion
172) Perceptions
173) Attitudes
174) Beliefs
175) Values

There are 8 items that vary dramatically from country to country and can affect the local reaction to a company's brands or products. List the remaining 6.

176) 1- Attitudes

177) 2 - Beliefs
178) 3-Values
179) 4-Aesthetics
180) 5-Dietary Preferences

6-Ability of company employees to function effectively in different cultures. Page 164 Chapter Summary

182) 7-Language

8) Communication

Each nation has a culture that reflects its society and a culture that reflects the relative importance of the government and political and legal systems. This is often referred to as the political culture of a nation. Issues arising from the political environment include the governing party’s attitude toward: Page 173

183) Sovereignty

184) Political Risk

185) Taxes

186) Threat of Equity Dilution

187) Expropriation

Supreme and independent political authority is called 188) sovereignty

The rules and principles that nation states consider binding upon themselves is call 189) ____________________________.

List 2 key components of the Foreign Corrupt Practices Act. Page 198

1) 190) disclosure – required accounting controls to record all transactions
2) 191) prohibition – illegal for a US corporation to bribe a foreign govt official or political party in an effort to get business
An electronic data interchange system mentioned in Chapter 6 allows a company's business units to:

192) submit orders
193) issue invoices
194) conduct business electronically with other companies

An effort to work more closely with vendors on stock replenishment is called 195) efficient consumer response

Market research as discussed in Chapter 6 involves 5 basic steps:

196) 1) Identifying the research problem
197) 2) Developing a methodology and research plan
198) 3) Collecting Data
199) 4) Analyzing the data
200) 5) Presenting the findings

Define the term copyright
Establishes ownership of a written, recorded, performed, or filmed creative work.

Define expropriation
Refers to governmental action to dispossess a foreign company or investor. The company is usually compensated

Give an example of a type of qualitative research
1) focus groups

List 2 causes of political risk
1) tension between the residents aspirations and real conditions
2) long standing issues or conflicts

List 3 symptoms of political risk
1) currency depreciation
2) the threat of civil disorder or ethnic conflict
3) economic decline

Define **Competitive Advantage**  Page 5
When a company succeeds in creating more value for customers than its competitors the company has a Competitive Advantage.

Define a **Global Industry**  Page 5
A global industry is one in which a competitive advantage can be achieved by integrating and leveraging operations on a worldwide basis.

Boundaryless Marketing is an approach that:
**Gives employees at all levels and in all departments the opportunity to be involved in marketing. The goal is to eliminate the communication barriers between marketing and other functional areas.**

List 3 driving forces of global marketing:
1) market needs and wants
2) technology
3) transportation
4) communication
5) product costs
6) quality
7) world economic trends

List 3 major changes in the world economy over the last decade. Page 49
1) increased volume of capital movements
2) end of the cold war
3) growth of e-commerce
4) increase in productivity despite decrease in employment
5) emergence of the world economy as a dominant economic unit

List the 4 key economic systems
1) Market Capitalism
2) Centrally planned socialism
3) Centrally planned capitalism
4) Market Socialism

List the 4 Stages of Market Development
1) Low-Income
2) Lower-Middle Income
3) Upper-Middle Income
4) High Income

Provide 3 characteristics of General Agreement on Tariffs and Trade (GATT)
1) intended to promote trade among member nations
2) handled trade disputes
3) lacked enforcement power

List 2 marketing issues you must consider when trying to sell to each of the following markets:

1) Asia-Pacific
   i) products must be tailored to local tastes
   ii) political instability (India)
   iii) hostility towards foreigners
   iv) must build trust

2) Europe
   i) direct comparability of prices
   ii) content and product standards are harmonizing

3) Middle East
   i) 95% Muslim
   ii) varying types of societies, beliefs, and traditions
   iii) authority comes with age and power stems from family size
   iv) developing rapport, respect, and mutual trust is critical
   v) women are not involved in business