International Marketing, 18e **(Cateora)**
Chapter 14 Products and Services for Businesses

1) For firms producing products and services for industrial markets, the chief reason for venturing abroad is the prospect of high profits with no risk.

2) The single most important difference between consumer and industrial marketing is the cyclical swings in demand inherent in the latter.

3) Managers need to understand the concept of derived demand, particularly when they are selling capital equipment and big-ticket industrial services.

4) Derived demand can be defined as demand that is not dependent on another source.

5) Industrial demand is unaffected by changes in consumer demand.

6) One of the ways that an industrial firm should manage the inherent volatility of the industrial sector is by increasing advertising expenditure during booms.

7) The most significant environmental factor affecting the international market for industrial goods and services is the degree of standardization.

8) The degree of economic development of a country can be used as a rough measure of the country's industrial market.

9) In Stage 1 (the traditional society) of Rostow's five-stage model of economic development, the most important industrial demand is labor.

10) In Rostow's five-stage model of economic development, countries in Stage 5 (the age of mass consumption) are mostly service economies.

11) A country can leap several stages of economic development by using technology as economic leverage.

12) One of the interrelated trends that spurred the demand for technologically advanced products was the disintegration of the Soviet empire.

13) Good quality as interpreted by a highly industrialized market is the same as that interpreted by standards of a less industrialized nation.

14) A product that exceeds performance expectations can also be considered to be of poor quality.

15) A product whose design reflects the needs and expectations of the buyer—no more, no less—is a quality product.

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16) The lack of common standards for manufacturing highly specialized equipment is a problem in international sales of industrial products.

17) The adoption of universal quality standards would mean that the perceptions of industrial product quality would also be standardized.

18) While countries have standards for products produced within its borders, there are no such standards that are applicable to imported goods.

19) The U.S. Department of Commerce has mandated that all U.S. government purchases use the metric system.

20) The ISO 9000 certification guarantees that each product or service produced by a company is of the highest quality.

21) To receive ISO 9000 certification, a company requests a certifying body to conduct a registration assessment.

22) For many industrial products, the revenue from associated services exceeds the revenue from the products themselves.

23) For international users of heavy construction equipment, the manufacturer's country of origin is of primary importance in purchasing construction equipment.

24) A manufacturer who does not provide after-sales services and support could also be forgoing the opportunity of participating in a lucrative aftermarket.

25) Communism is the most serious threat to the continued expansion of international services trade.

26) A company website is the most important vehicle for selling industrial products, reaching prospective B2B customers, and marketing in most countries.

27) Trade shows serve a much more important role in the U.S. than in other countries.

28) In difficult economic and political circumstances or otherwise, online trade shows are a more than adequate substitute for physical trade shows or trade fairs.

29) The sales of industrial goods are driven by the buyer's need to make profits.

30) Relationship marketing shifts the focus away from price to service and long-term benefits.

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31) Mai is a new international sales representative for an industrial supply company that is focusing heavily on technology as a selling feature. She will learn that this strategy
A) will be a key selling feature in all markets.
B) will have the most impact in developing countries.
C) may not be appropriate for all countries.
D) will not make a big difference in the global market.
E) can be easily overcome by competitors.

32) Industrial markets differ from consumer markets in that
A) the demand for industrial goods is more volatile than the demand for consumer goods.
B) the market for industrial goods is insignificant in comparison to the market for consumer goods.
C) industrial goods are marketed domestically whereas consumer goods are marketed internationally.
D) industrial products are always more expensive than consumer products.
E) industrial products use the same level of technology for all products making it appropriate for all countries whereas consumer goods need to be customized for each market.

33) What statement is true in industrial markets?
A) Demand is nonvolatile by nature.
B) Markets are unaffected by derived demand.
C) Industrial sellers tend to have small numbers of customers upon which they are more dependent.
D) Sales of industrial goods are stable and do not fluctuate.
E) Professional buyers tend to undertake dissimilar investment actions to achieve the same goal.

34) What is a reason for marketing industrial goods abroad that does NOT necessarily apply to consumer goods?
A) bypassing import tariffs
B) avoiding sales tax
C) reducing the volatility of demand
D) acquiring ISO certification
E) acquiring ACSI certification

35) What factor increases the volatility in demand in industrial markets?
A) Professional buyers in the industrial market tend to act in concert.
B) The demand for industrial goods is independent of changes in economic development.
C) Small, noncyclical swings in demand are inherent in industrial markets.
D) Experienced purchasers tend to make buying decisions independently.
E) The demand for industrial goods is highly inelastic.

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36) For managers selling capital equipment and big-ticket industrial services, understanding the concept of _____ is absolutely fundamental to their success.
A) availability heuristic
B) bank effect
C) Baskerville effect
D) derived demand
E) catapult demand

37) Derived demand can be defined as demand that is
A) independent of price.
B) independent of consumer wants and needs.
C) dependent on another source.
D) highly volatile.
E) highly responsive to factors other than price.

38) What can be used as a measure to manage volatility in industrial demand?
A) maintaining a narrow product line
B) reducing prices during booms
C) reducing advertising expenditures during booms
D) focusing on market share as a strategic goal
E) avoiding investment in foreign high-yield financial instruments

39) Why do German and Japanese firms generally do better than U.S. firms when it comes to managing volatility?
A) Their emphasis is on beating competitors.
B) They value employees and stability more highly.
C) They maintain limited product lines.
D) They reduce prices faster and raise advertising expenditures during booms.
E) They consider market share to be a strategic goal.

40) What is perhaps the most significant environmental factor affecting the international market for industrial goods and services?
A) the foreign exchange market
B) political conditions
C) the degree of industrialization
D) the level of domestic competition
E) global warming

41) What is the first stage of Rostow's five-stage model of economic development?
A) the traditional society
B) drive to maturity
C) preconditions for takeoff
D) takeoff
E) the age of mass consumption

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42) In Stage 1 of Rostow's five-stage model of economic development,
A) the economy is primarily driven by the production of services.
B) the most important industrial demand relates to natural resources extraction.
C) infrastructure development is a primary requirement in the economy.
D) manufacturing of both semidurable and nondurable consumer goods has begun.
E) the focus is on low-cost manufacturing of a variety of consumer and some industrial goods.

43) What is characteristic of Stage 2 of Rostow's five-stage model of economic growth?
A) Industrial demand is mainly associated with natural resources extraction.
B) The goods demanded relate to equipment and supplies to support manufacturing.
C) The focus is more on low-cost manufacturing of a variety of consumer and some industrial goods.
D) The focus is on design activities and the development of manufacturing techniques.
E) Infrastructure development is a primary need.

44) Which country is designated as being in Stage 2 of Rostow's five-stage model of economic growth?
A) Russia
B) Germany
C) South Korea
D) Czech Republic
E) Vietnam

45) A country has reached a level of economic development where the manufacturing of both semidurable and nondurable consumer goods has just begun. Also, the goods demanded relate to equipment and supplies to support manufacturing. In which stage of Rostow's five-stage model of economic growth does the country fit?
A) the traditional society
B) drive to maturity
C) preconditions for takeoff
D) takeoff
E) the age of mass consumption

46) Russia and Eastern European countries fit in which stage of Rostow's five-stage model of economic growth?
A) the traditional society
B) drive to maturity
C) preconditions for takeoff
D) the age of mass consumption
E) takeoff

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47) The industrialized economies in the _____ stage of Rostow's five-stage model of economic development focus more on low-cost manufacturing of a variety of consumer and some industrial goods. They buy from all categories of industrial products and services.
A) traditional society
B) drive to maturity
C) preconditions to takeoff
D) age of mass consumption
E) takeoff

48) In which stage of Rostow's five-stage model of economic growth do industrialized economies such as Korea and the Czech Republic fit?
A) preconditions to takeoff
B) takeoff
C) traditional society
D) drive to maturity
E) the age of mass consumption

49) In which stage of Rostow's five-stage model of economic growth do highly-industrialized countries like Japan and Germany fit?
A) traditional society
B) preconditions to takeoff
C) takeoff
D) drive to maturity
E) the age of mass consumption

50) Country X is most likely to be in the age of mass consumption according to Rostow's five-stage model of economic development if
A) its economy is primarily driven by natural resource extraction.
B) the economy is moving away from agriculture and toward manufacturing.
C) the economy is driven by low-cost manufacturing.
D) it is primarily a service economy.
E) its economy is primarily agrarian.

51) If a country is in Stage 5 (the age of mass consumption) of Rostow's five-stage model of economic development, it purchases most of its highest-technology products and services from _____ suppliers.
A) Stage 4
B) Stage 3
C) Stage 5
D) Stage 1
E) Stage 2

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52) What is possibly the best indicator of a country's ability to use technology to leap several stages of economic development in a very short time?
A) the quality of the educational system
B) the size of the population
C) the general economic environment
D) the size and growth rate of the market
E) the level of government regulations

53) Which trend spurs demand for technologically advanced products in the world?
A) an increase in the size of the global unskilled labor force
B) large fiscal deficits in developed nations
C) expanding economic and industrial growth in Asia
D) the increase in the average age in Europe
E) the opening of the Trans-Arctic route

54) Which trend will expand demand for industrial goods and business services in Latin America?
A) the increase of import tariff by 70 percent
B) the adoption of Marxist–socialist policies
C) the privatization of state-owned enterprises
D) the increased use of labor in place of capital in production
E) the decline of economic growth in Asia

55) What does the perception of quality depend on?
A) government specifications
B) the customer
C) universal quality standards
D) the manufacturer's specifications
E) standardization

56) An important dimension of quality is how well the product
A) meets the specific needs of the buyer.
B) exceeds competitors' products.
C) conforms to manufacturer's specifications.
D) alters the marketing landscape.
E) saves time and labor.

57) The process of total quality management (TQM) starts with
A) providing all customers with technologically advanced products.
B) signing trade agreements with developed countries.
C) involving customers in the product development process.
D) reducing the time taken for the product to reach the market.
E) marketing the products at trade shows and fairs.

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58) Which statement is true of universal standards in the sale of international products?
A) The idea of universal standards is being resisted in developing countries.
B) Firms that adhere to universal standards find the costs to be greater than the benefits.
C) The international market for industrial goods uses the imperial system as a universal standard.
D) All governments mandate universal standards.
E) The lack of universal standards limits the expansion of industries.

59) The Global Harmonization Task Force is an international effort that is attempting to
A) coordinate standards for several international industrial sectors.
B) promote free trade among developing and developed nations.
C) equalize wages among countries.
D) increase double testing of goods and services.
E) equalize the perception of quality across countries.

60) Buyers in country X prefer to use the older, cheaper version of Firm A's product although it is bulkier and less user-friendly. Buyers in country Y, however, prefer to use the newer, lightweight version for its new user interface. Which statement is the most accurate conclusion from the given information?
A) Firm A needs to revamp its after-sales services.
B) The sales of industrial goods are higher in country X than in country Y.
C) The perception of quality can differ across countries.
D) Country X is a highly industrialized nation.
E) Country Y has a lower average income level compared to country X.

61) The U.S. Congress and businesses have been resisting conversion to the metric system because they fear
A) market competition from international firms already using the metric system.
B) consumer backlash and the substitution of international products.
C) it will promote standardization.
D) workers will not understand the system.
E) it will be too costly to implement.

62) A U.S. manufacturing firm lost a big contract in Qatar because it provided pipes that were three yards long and the specifications called for three meters. In this case, the U.S. firm failed to recognize the importance of
A) ISO 9000 standards.
B) U.S. manufacturing guidelines.
C) the EU Product Liability Directive.
D) the American Customer Satisfaction Index.
E) using the metric system.

63) The lack of universal standards in the industrial goods market
A) increases the price of raw materials.
B) gives each firm a competitive edge.
C) increases the level of consumer satisfaction.
D) reduces the price of the final goods.
E) increases the cost of doing business.

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64) Which of the following countries is not officially on the metric system?
A) Liberia
B) Japan
C) Saudi Arabia
D) Mexico
E) China

65) The American Customer Satisfaction Index (ACSI) focuses on
A) differentiating a product based on its quality.
B) rating a company's quality based on its leadership, strategic planning, and customer and market focus.
C) the audit of a company's business processes in order to ensure quality.
D) quality as perceived by product and service users.
E) the creation of a quality control system that can meet published quality standards.

66) What is true of the ISO 9000 standards?
A) The ISO 9000 standards apply to specific products.
B) The ISO 9000s guarantee that a manufacturer produces a "quality" product or service.
C) The ISO 9000 series describes eight quality system models.
D) The ISO 9000 standards are a certification of the quality control system that a company has in place.
E) The ISO 9000s were originally designed by the International Organization for Quality in the United States.

67) ISO 9000 concerns the
A) cost-effectiveness of the production of a good.
B) registration and certification of a manufacturer's quality system.
C) profitability of a production line.
D) ability of a company's computer system to adapt to SAP, a business management software.
E) marketing and promotional strategies of a firm.

68) Many suppliers are adopting ISO 9000 standards because
A) they can acquire the certification at no extra cost.
B) governments mandate ISO certification for all product categories.
C) they want to be perceived as being environmentally friendly.
D) the WTO expects international suppliers to conform to ISO standards.
E) their buyers require them to be ISO 9000 registered.

69) What is driving a strong level of interest in the ISO 9000 certification?
A) government regulations
B) marketplace requirements
C) environmental regulations
D) trade tariff requirements
E) protectionism restrictions

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70) What statement about ISO 9000 certification is true?
A) It does not require a registration assessment.
B) It is generally voluntary except for certain regulated products.
C) It requires an annual complete assessment for recertification.
D) It measures customers' satisfaction and perceptions of quality of a representative sample.
E) It guarantees that a manufacturer produces a "quality" product or service.

71) _____ certification is considered to be an important competitive marketing tool in Europe.
A) ISO 9000
B) ICE
C) ACSI
D) AERA
E) NCME

72) The _____ measures customers' satisfaction and perceptions of quality of a representative sample of America's goods and services.
A) ISO 9000
B) ICE
C) Net Promoter Score (NPS)
D) American Customer Satisfaction Index (ACSI)
E) American Price Index (API)

73) In the case of cellular phones, the physical product is practically given away to gain the phone services contract. This could be because
A) cellular phone companies do not view market share as a strategic goal.
B) the cost of production of cellular phones is very low.
C) the revenues from associated services exceed the revenues from the cellular phones.
D) the margins on after-sales services for cellular phones is low.
E) consumers sometimes buy a variety of services that are not associated with products.

74) The ISO 9000 certification allows a company to
A) hedge its risk from currency fluctuations.
B) bypass all international trade barriers.
C) diversify into other product lines.
D) differentiate it from its competitors.
E) provide after-sales services.

75) _____ is rapidly becoming a major after-sales service when selling technical products in countries that demand the latest technology.
A) Promotional pricing
B) Product innovation
C) Capacity utilization efficiency
D) Customer training
E) Warranty

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76) Firms that sell industrial goods in international markets should focus on after-sales services because these services
A) are almost always more profitable than the actual sale of the goods themselves.
B) require high levels of investment in training and development.
C) ensure that the firm's goods are not liable to lawsuits.
D) cost the firm almost nothing.
E) cannot be outsourced to other companies and must be provided by the firm itself.

77) For most consumer services firms, the mode of entry into a foreign market is licensing, franchising, strategic alliances, or direct. This is usually done because
A) services are highly differentiated.
B) services produced cannot be added to inventory.
C) the creation and consumption of services cannot be separated.
D) the inputs used vary to a great extent.
E) services usually do not have any intrinsic value that can be converted into a tangible form.

78) Some business services have intrinsic value that can be embodied in some tangible form; they can be produced in one country and exported to another. An example is
A) language schools.
B) in-flight services on an airplane.
C) operating an automatic teller machine.
D) data processing services.
E) physicians' services.

79) What is true of business services?
A) Most business services companies enter international markets to service their local clients abroad.
B) Services are intangible and so cannot be produced in one country and exported to another.
C) The removal of trade barriers poses a serious threat to the continued expansion of international services trade.
D) Firms should avoid providing after-sales services as the costs do not justify the benefits.
E) The perception of quality of a business service depends solely on the average per capita income of the buyer's country.

80) Alcare Advertising has just signed a contract with Miramar cosmetics company to create ads for Miramar's products. Miramar wants Alcare to come up with creative ideas for its recent expansion into South Asian markets of India and Indonesia. In order to accommodate Miramar, Alcare has now opened offices in two Indian cities and one Indonesian city. In this context, Alcare is a
A) head hunter.
B) client follower.
C) bargain hunter.
D) bet padder.
E) risk avoider.

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81) In knowledge-based services, such as consulting, engineering, education, and information technology, _____ are a key driver of success and failure.
A) income taxes
B) intellectual property issues
C) free trade zones (FTZs)
D) exchange rate regulations
E) tariffs on the import of goods

82) What is the most serious threat to the continued expansion of international services trade?
A) free trade
B) capitalism
C) globalization
D) foreign trade zones (FTZs)
E) protectionism

83) Restrictions on cross-border data flows are potentially the most damaging to industries that
A) are fragmented.
B) focus on domestic production.
C) generate revenue from the sale of physical products across borders.
D) rely on information transfers across countries.
E) are concentrated in nature.

84) What has become the primary vehicle for business-to-business promotion and selling in many foreign countries?
A) trade shows
B) in-office visits by sales teams
C) TV advertising
D) local radio advertising
E) transit media

85) _____ provide the facilities for a manufacturer to exhibit and demonstrate products to potential users and to view competitors' products.
A) Catalogs
B) Direct mail campaigns
C) Banners
D) Trade shows
E) Specialty advertising blogs

86) Paul attends the London Book Fair every year to represent his company and show its products to publishers from other countries. He also meets with individual publishers to discuss distributing their books in the U.S. The London Book Fair is
A) an industry forum.
B) a commerce opportunity.
C) a commercial storefront.
D) a market expander.
E) a trade show.

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87) What is true of commercial relationships in countries with collectivistic and high-context cultures?
A) The commercial relationship is limited to a one-time provision of the goods or service.
B) Efficiency and innovation matter more than long-term relationship building.
C) Trust is a crucial aspect of commercial relationships.
D) The focus of the relationship is on price and value-for-money.
E) Customer loyalty is fleeting and short-lived.

88) Jamal has been the sales representative for the western region for ten years, calling on the same customers repeatedly. Other companies have brought in reps from their home countries, but Jamal finds his customers prefer to deal with him. Jamal demonstrates qualities associated with
A) relationship marketing.
B) in-country advantage.
C) sales orientation.
D) consistency.
E) efficiency.

89) The key functions of global account managers revolve around the notions of intelligence gathering, coordination with the customer's staff, and
A) managing the marketing mix.
B) adapting practices to the changing environment.
C) increasing post-purchase sales
D) attending trade shows.
E) gauging demand in various environments.

90) In countries with strong cultures, particularly those with collectivistic and high-context cultures, _____ will be the single most important source of information about the development of new industrial products and services.
A) knowledge of the local language and customs
B) understanding competitive trends
C) the use of technology
D) constant and close communication with customers
E) direct and assertive follow-up

91) Three factors affect the demand in international industrial markets differently than in consumer markets. What are these factors?

92) Explain the concept of derived demand. Provide an illustration.

93) Describe the five stages of Rostow's model of economic development.

94) What are the three trends that spur demand for technologically advanced products?

95) Discuss how a customer determines the quality of a product. Give a specific example to illustrate your answer.

96) What is the ISO 9000 certification? Why would a company need this?

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97) Companies today must be ready to provide after-sale services in the international marketplace if they are to dominate the global arena. Explain why this is true.

98) What is the mode of entry chosen by most consumer services firms to enter a foreign market? What is the reason for this?

99) What has become the primary vehicle for doing business in many foreign countries? Explain and justify your answer.

100) What is relationship marketing, and how does it benefit an international marketer?

International Marketing, 18e **(Cateora)**
Chapter 14 Products and Services for Businesses

1) For firms producing products and services for industrial markets, the chief reason for venturing abroad is the prospect of high profits with no risk.

Answer: FALSE
Explanation: Demand in industrial markets is by nature more volatile. Firms producing products and services for industrial markets have a crucial reason for venturing abroad: dampening the natural volatility of industrial markets.
Difficulty: 1 Easy
Topic: Managing Political Risk and Differences
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

2) The single most important difference between consumer and industrial marketing is the cyclical swings in demand inherent in the latter.

Answer: TRUE
Explanation: The single most important difference between consumer and industrial marketing is the huge, cyclical swings in demand inherent in the latter.
Difficulty: 1 Easy
Topic: Challenges and Opportunities Created by Globalization
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Remember

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AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

3) Managers need to understand the concept of derived demand, particularly when they are selling capital equipment and big-ticket industrial services.

Answer: TRUE
Explanation: For managers selling capital equipment and big-ticket industrial services, understanding the concept of derived demand is absolutely fundamental to their success. Derived demand can be defined as demand dependent on another source.
Difficulty: 1 Easy
Topic: Challenges and Opportunities Created by Globalization
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Remember
AACSB: Analytical Thinking
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4) Derived demand can be defined as demand that is not dependent on another source.

Answer: FALSE
Explanation: Derived demand is dependent on another source. Thus, the demand for Boeing 747s is derived from the worldwide consumer demand for air travel services.
Difficulty: 1 Easy
Topic: Challenges and Opportunities Created by Globalization
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

5) Industrial demand is unaffected by changes in consumer demand.

Answer: FALSE
Explanation: Minor changes in consumer demand mean major changes in the related industrial demand.
Difficulty: 1 Easy
Topic: Challenges and Opportunities Created by Globalization
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

6) One of the ways that an industrial firm should manage the inherent volatility of the industrial sector is by increasing advertising expenditure during booms.

Answer: FALSE
Explanation: Industrial firms can take several measures to manage inherent volatility, such as maintaining broad product lines and broad market coverage, raising prices faster and reducing advertising expenditures during booms, ignoring market share as a strategic goal, eschewing layoffs, and focusing on stability.
Difficulty: 1 Easy
Topic: Factors That Influence International Advertising and Promotion Strategies
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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7) The most significant environmental factor affecting the international market for industrial goods and services is the degree of standardization.

Answer: FALSE
Explanation: The most significant environmental factor affecting the international market for industrial goods and services is the degree of industrialization.
Difficulty: 1 Easy
Topic: Challenges and Opportunities Created by Globalization
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

8) The degree of economic development of a country can be used as a rough measure of the country's industrial market.

Answer: TRUE
Explanation: Although generalizing about countries is almost always imprudent, the degree of economic development can be used as a rough measure of a country's industrial market.
Difficulty: 1 Easy
Topic: Economic Development
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

9) In Stage 1 (the traditional society) of Rostow's five-stage model of economic development, the most important industrial demand is labor.

Answer: FALSE
Explanation: In Stage 1 of Rostow's five-stage model of economic development, the most important industrial demand will be associated with natural resources extraction—think parts of Africa and the Middle East.
Difficulty: 1 Easy
Topic: Economic Development
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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10) In Rostow's five-stage model of economic development, countries in Stage 5 (the age of mass consumption) are mostly service economies.

Answer: TRUE
Explanation: With respect to Rostow's five-stage model of economic development, countries in Stage 5 are countries where design activities are going on and manufacturing techniques are being developed, and they are mostly service economies. Japan and Germany are examples of this stage.
Difficulty: 1 Easy
Topic: Economic Development
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

11) A country can leap several stages of economic development by using technology as economic leverage.

Answer: TRUE
Explanation: An important approach to grouping countries is on the basis of their ability to benefit from and use technology, particularly now that countries are using technology as economic leverage to leap several stages of economic development in a very short time.
Difficulty: 1 Easy
Topic: Economic Development
Learning Objective: 14-02 How demand is affected by technology levels
Bloom's: Remember
AACSB: Technology
Accessibility: Keyboard Navigation

12) One of the interrelated trends that spurred the demand for technologically advanced products was the disintegration of the Soviet empire.

Answer: TRUE
Explanation: Three interrelated trends spur demand for technologically advanced products: (1) expanding economic and industrial growth in Asia, particularly China and India; (2) the disintegration of the Soviet empire; and (3) the privatization of government-owned industries worldwide.
Difficulty: 1 Easy
Topic: Economic Development
Learning Objective: 14-02 How demand is affected by technology levels
Bloom's: Remember
AACSB: Technology
Accessibility: Keyboard Navigation

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13) Good quality as interpreted by a highly industrialized market is the same as that interpreted by standards of a less industrialized nation.

Answer: FALSE
Explanation: Recent studies have demonstrated that perceptions of industrial product quality can vary across cultural groups even in the most technologically developed countries. Good quality as interpreted by a highly industrialized market is not the same as that interpreted by standards of a less industrialized nation.
Difficulty: 1 Easy
Topic: Factors to Consider When Developing International Product Strategies
Learning Objective: 14-02 How demand is affected by technology levels
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

14) A product that exceeds performance expectations can also be considered to be of poor quality.

Answer: TRUE
Explanation: It is less apparent but nonetheless true that a product that exceeds performance expectations can also be of poor quality. Quality for many goods is assessed in terms of fulfilling specific expectations—no more and no less. Thus, a product that produces 20,000 units per hour when the buyer needs one that produces only 5,000 units per hour is not necessarily a higher quality product, in that the extra capacity is unnecessary to meet the buyer's use expectations.
Difficulty: 1 Easy
Topic: Factors to Consider When Developing International Product Strategies
Learning Objective: 14-03 Characteristics of an industrial product
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

15) A product whose design reflects the needs and expectations of the buyer—no more, no less—is a quality product.

Answer: TRUE
Explanation: A product whose design reflects the needs and expectations of the buyer—no more, no less—is a quality product.
Difficulty: 1 Easy
Topic: Factors to Consider When Developing International Product Strategies
Learning Objective: 14-03 Characteristics of an industrial product
Bloom's: Remember
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16) The lack of common standards for manufacturing highly specialized equipment is a problem in international sales of industrial products.

Answer: TRUE
Explanation: The United States has two major areas of concern for the industrial goods exporter: a lack of common standards for manufacturing highly specialized equipment such as machine tools and computers, and the use of the inch-pound, or English, system of measurement.
Difficulty: 1 Easy
Topic: Requirements of a Globally Dispersed Production System
Learning Objective: 14-03 Characteristics of an industrial product
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

17) The adoption of universal quality standards would mean that the perceptions of industrial product quality would also be standardized.

Answer: FALSE
Explanation: The concept of quality encompasses many factors, and the perception of quality rests solely with the customer. The level of technology reflected in the product, compliance with standards that reflect customer needs, support services and follow-through, and the price relative to competitive products are all part of a customer's evaluation and perception of quality.
Difficulty: 1 Easy
Topic: Requirements of a Globally Dispersed Production System
Learning Objective: 14-03 Characteristics of an industrial product
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

18) While countries have standards for products produced within its borders, there are no such standards that are applicable to imported goods.

Answer: FALSE
Explanation: In addition to industry and international organizations setting standards, countries often have standards for products entering their markets.
Difficulty: 1 Easy
Topic: Requirements of a Globally Dispersed Production System
Learning Objective: 14-03 Characteristics of an industrial product
Bloom's: Remember
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19) The U.S. Department of Commerce has mandated that all U.S. government purchases use the metric system.

Answer: TRUE
Explanation: To spur U.S. industry into action, the Department of Commerce indicated that accepting the metric system will not be mandatory unless you want to sell something to the U.S. government; all U.S. government purchases are to be conducted exclusively in metric.
Difficulty: 1 Easy
Topic: Factors to Consider When Developing International Product Strategies
Learning Objective: 14-03 Characteristics of an industrial product
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

20) The ISO 9000 certification guarantees that each product or service produced by a company is of the highest quality.

Answer: FALSE
Explanation: ISO 9000 standards do not apply to specific products. They relate to generic system standards that enable a company, through a mix of internal and external audits, to provide assurance that it has a quality control system. It is a certification of the production process only and does not guarantee that a manufacturer produces a "quality" product or service.
Difficulty: 1 Easy
Topic: Requirements of a Globally Dispersed Production System
Learning Objective: 14-04 The importance of ISO 9000 certification
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

21) To receive ISO 9000 certification, a company requests a certifying body to conduct a registration assessment.

Answer: TRUE
Explanation: To receive ISO 9000 certification, a company requests a certifying body (a third party authorized to provide an ISO 9000 audit) to conduct a registration assessment—that is, an audit of the key business processes of a company.
Difficulty: 1 Easy
Topic: Requirements of a Globally Dispersed Production System
Learning Objective: 14-04 The importance of ISO 9000 certification
Bloom's: Remember
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22) For many industrial products, the revenue from associated services exceeds the revenue from the products themselves.

Answer: TRUE
Explanation: For many industrial products, the revenues from associated services exceed the revenues from the products. For many capital equipment manufacturers, the margins on after-sale services (i.e., maintenance contracts, overhauls, repairs, and replacement parts) are much higher than the margins on the machinery itself.
Difficulty: 1 Easy
Topic: Factors to Consider When Developing International Product Strategies
Learning Objective: 14-04 The importance of ISO 9000 certification
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

23) For international users of heavy construction equipment, the manufacturer's country of origin is of primary importance in purchasing construction equipment.

Answer: FALSE
Explanation: A recent study of international users of heavy construction equipment revealed that, next to the manufacturer's reputation, quick delivery of replacement parts was of major importance in purchasing construction equipment.
Difficulty: 1 Easy
Topic: Factors to Consider When Developing International Product Strategies
Learning Objective: 14-04 The importance of ISO 9000 certification
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

24) A manufacturer who does not provide after-sales services and support could also be forgoing the opportunity of participating in a lucrative aftermarket.

Answer: TRUE
Explanation: Some international marketers also may be forgoing the opportunity of participating in a lucrative aftermarket. Certain kinds of machine tools use up to five times their original value in replacement parts during an average life span and thus represent an even greater market.
Difficulty: 1 Easy
Topic: Factors to Consider When Developing International Product Strategies
Learning Objective: 14-04 The importance of ISO 9000 certification
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25) Communism is the most serious threat to the continued expansion of international services trade.

Answer: FALSE
Explanation: Protectionism is the most serious threat to the continued expansion of international services trade. The growth of international services has drawn the attention of local companies, governments, and researchers. As a result, direct and indirect trade barriers have been imposed to restrict foreign companies from domestic markets.
Difficulty: 1 Easy
Topic: Trade Policy and Government Intervention in International Trade
Learning Objective: 14-05 The growth of business services and nuances of their marketing
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

26) A company website is the most important vehicle for selling industrial products, reaching prospective B2B customers, and marketing in most countries.

Answer: FALSE
Explanation: Trade shows serve as the most important vehicles for selling products, reaching prospective B2B customers, contacting and evaluating potential agents and distributors, and marketing in most countries. Firms that have successfully integrated trade show attendance and follow-up personal selling efforts have been consistently shown to be more profitable.
Difficulty: 1 Easy
Topic: Value of Trade Missions and Trade Fairs
Learning Objective: 14-06 The importance of trade shows in promoting industrial goods
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

27) Trade shows serve a much more important role in the U.S. than in other countries.

Answer: FALSE
Explanation: Although important in the United States, trade shows serve a much more important role in other countries. They have been at the center of commerce in Europe for centuries and are where most prospects are found.
Difficulty: 1 Easy
Topic: Value of Trade Missions and Trade Fairs
Learning Objective: 14-06 The importance of trade shows in promoting industrial goods
Bloom's: Remember
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28) In difficult economic and political circumstances or otherwise, online trade shows are a more than adequate substitute for physical trade shows or trade fairs.

Answer: FALSE
Explanation: In difficult economic and/or political circumstances, online trade shows become a useful, but obviously less than adequate, substitute for actual trade shows.
Difficulty: 1 Easy
Topic: Value of Trade Missions and Trade Fairs
Learning Objective: 14-06 The importance of trade shows in promoting industrial goods
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

29) The sales of industrial goods are driven by the buyer's need to make profits.

Answer: TRUE
Explanation: The first and foremost characteristic of industrial goods markets is the motive of the buyer: to make a profit.
Difficulty: 1 Easy
Topic: Factors to Consider When Developing International Product Strategies
Learning Objective: 14-07 The importance of relationship marketing for industrial products and services
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

30) Relationship marketing shifts the focus away from price to service and long-term benefits.

Answer: TRUE
Explanation: The objective of relationship marketing is to make the relationship an important attribute of the transaction, thus differentiating oneself from competitors. It shifts the focus away from price to service and long-term benefits.
Difficulty: 1 Easy
Topic: Factors to Consider When Developing International Product Strategies
Learning Objective: 14-07 The importance of relationship marketing for industrial products and services
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31) Mai is a new international sales representative for an industrial supply company that is focusing heavily on technology as a selling feature. She will learn that this strategy
A) will be a key selling feature in all markets.
B) will have the most impact in developing countries.
C) may not be appropriate for all countries.
D) will not make a big difference in the global market.
E) can be easily overcome by competitors.

Answer: C
Explanation: Not only is technology the key to economic growth, but for many products, it is also the competitive edge in today's global markets. However, the level of technology of products and services makes their sale more appropriate for some countries than others.
Difficulty: 2 Medium
Topic: Differences Between Domestic and International Marketing
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Understand
AACSB: Technology
Accessibility: Keyboard Navigation

32) Industrial markets differ from consumer markets in that
A) the demand for industrial goods is more volatile than the demand for consumer goods.
B) the market for industrial goods is insignificant in comparison to the market for consumer goods.
C) industrial goods are marketed domestically whereas consumer goods are marketed internationally.
D) industrial products are always more expensive than consumer products.
E) industrial products use the same level of technology for all products making it appropriate for all countries whereas consumer goods need to be customized for each market.

Answer: A
Explanation: Three factors seem to affect the demand in international industrial markets differently than in consumer markets. First, demand in industrial markets is by nature more volatile. Second, stages of industrial and economic development affect demand for industrial products. Third, the level of technology of products and services makes their sale more appropriate for some countries than others.
Difficulty: 2 Medium
Topic: Factors to Consider When Developing International Product Strategies
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Understand
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33) What statement is true in industrial markets?
A) Demand is nonvolatile by nature.
B) Markets are unaffected by derived demand.
C) Industrial sellers tend to have small numbers of customers upon which they are more dependent.
D) Sales of industrial goods are stable and do not fluctuate.
E) Professional buyers tend to undertake dissimilar investment actions to achieve the same goal.

Answer: C
Explanation: In industrial markets, three factors come into play that exacerbate both the ups and downs in demand: Industrial sellers tend to have small numbers of customers upon which they are more dependent, professional buyers tend to act in concert, and derived demand accelerates changes in markets.
Difficulty: 2 Medium
Topic: Factors to Consider When Developing International Product Strategies
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Understand
AACSB: Analytical Thinking
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34) What is a reason for marketing industrial goods abroad that does NOT necessarily apply to consumer goods?
A) bypassing import tariffs
B) avoiding sales tax
C) reducing the volatility of demand
D) acquiring ISO certification
E) acquiring ACSI certification

Answer: C
Explanation: Firms producing products and services for industrial markets have a crucial reason for venturing abroad: dampening the natural volatility of industrial markets. Perhaps the single most important difference between consumer and industrial marketing is the huge, cyclical swings in demand inherent in the latter.
Difficulty: 1 Easy
Topic: Challenges and Opportunities Created by Globalization
Learning Objective: 14-01 The importance of derived demand in industrial markets
Bloom's: Remember
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