

## SAMPLE MIDTERM

**Part I: Multiple Choice.** On the actual exam, a Scantron® sheet will be provided. All answers should be marked on the Scantron® sheet.

1. Generally, it appears that electronic commerce, or Internet sales:
  - a. Tends to be the most effective way to sell most products.
  - b. May be cost effective in selling certain items that require a great deal of customization and/or have high absolute margins.**
  - c. Tends to save a great deal of money, compared to traditional channels, in selling most products.
  - d. Both (a) and (c).
  - e. None of the above.
2. Which of the following appears to be *most* important today in directly determining the search engine ranking of a site?
  - a. The number of links to the site from other highly ranked sites.**
  - b. The number of visits that are made daily to the site.
  - c. The number of times that the relevant keywords are repeated.
  - d. How professional the site looks.
  - e. The domain suffix (e.g., .com, .net, .org, .jp).
3. Assuming that the merchant is not able to sell anything else in the same transaction or make future sales to the same customer, which of the following products is most likely to be profitable to sell online?
  - a. Best selling novels.
  - b. Soft drinks.
  - c. Specialty books on architectural engineering.**
  - d. A new brand of scented candles.
  - e. Yellow #2 pencils.
4. The “bricks-and-clicks” model suggests that:
  - a. In most product categories, traditional retailing is likely to be replaced by online sales.
  - b. Some synergy is likely to exist in many markets between retail and online sales units.**
  - c. Red brick buildings tend to be perceived by most customers as hopeless outdated.
  - d. Bricks and other high bulk products tend to be especially well suited for being sold online.
  - e. None of the above.

5. The Bruin Felonship Association is a club for criminal alumni of UCLA. To be eligible for membership, an individual must have been convicted of at least three major felonies, at least two of which must involve violence. Annual membership is \$50, but in addition, members can buy a directory listing recommended defense attorneys for \$299.99. The directory weighs approximately 0.5 ounces. A large number of members are currently sitting in prisons around the World. The cost of printing the directory and shipping together add up to approximately 48 cents. Which of the following factors favor the use of online, as opposed to brick-and-mortar, sales of the attorney directory?
- The absolute margin.
  - Geographic dispersion of customers.
  - Lack of access to credit cards and Internet connections in the prison systems.
  - Both (a) and (b).**
  - None of the above.
6. If it is correct that the costs of selling auto insurance online are much lower than the selling of auto insurance through traditional agents and/or company offices:
- In the long run, firms that sell auto insurance online are likely to be very profitable.
  - Sellers of online insurance would probably be in violation of laws against price discrimination.
  - In the long run, online sellers of auto insurance may be able to make a normal market profit, but it is unlikely that they would make large profits.**
  - Existing online sellers of auto insurance are likely to face a “chicken-and-egg” problem.
  - None of the above.
7. The research on *sustainability*:
- Clearly suggests that most firms that act responsibly tend to be considerably *more profitable* than are firms that act in less socially responsible ways.
  - Suggests that, in practice, the behavior of firms has *very little* impact on society.
  - Suggests that sustainability has been a successful practice in Western U.S. states, but not in the East or Midwest.
  - Both (b) and (c).
  - None of the above.**
8. Singer Julian Churches specializing in performing songs that he has translated from Spanish into English. Most of his songs originate in Argentina and Ecuador. In order to avoid compatibility problems, Mr. Churches’ songs are distributed only through iTunes. In order to market his songs in the U.S., Mr. Churches:
- Will most likely face the need for numerous additional mandatory product adaptations.
  - Is likely to be in violation of Trading With the Enemy regulations due to the practice of extraterritoriality.
  - May need to make some discretionary adaptations.**
  - Both (a) and (c).
  - All of the above.

9. The International Product Life Cycle:
- Suggests that there will be a greater demand for bicycles in the United States than there will be in Japan.
  - Is based on the idea that shipping products to more distant countries is more complicated.
  - Very accurately predicts changes in exchange rates between different currencies.
  - Both (a) and (b).
  - None of the above.**
10. Of the following, which is *most* likely to cause the dollar to decline in value relative to other currencies such as the Euro and the Japanese Yen?
- The U.S. *exports* more than it imports.
  - The U.S. *imports* more than it exports.**
  - “Leap frogging.”
  - Extra-territoriality.
  - Country of origin effects.
11. As a source of secondary market research, firm web sites:
- Usually contain information of the same quality and reliability as that available in periodicals databases such as Lexis-Nexis.
  - Contain information that is similar in quality to that of periodical databases, but are not as well indexed.
  - Usually contain high quality information if created in the U.S., but often contain poor information if created outside the U.S.
  - Should *not* be viewed as a reliable source of objective information.**
  - None of the above.
12. The most effective way to stop a charging rhino is to:
- Cancel its credit cards.**
13. In electronic commerce:
- The *percentage* margin made on a sale is usually much more important than the *absolute* margin.
  - Items that are popular and tend to be bought by a very large percentage of consumers tend to be more profitable to sell than those bought by a small percentage of consumers.
  - In most product and service categories, it is usually impossible to make a profit due to the chicken-and-egg problem.
  - All of the above.
  - None of the above.**
14. In using library databases:
- It is possible to reduce the number of irrelevant articles showing up in a search by using the “AND” condition.
  - When several different words might be used to describe a concept of interest, using the “OR” condition allows one to identify articles that use at least one of the listed words.
  - It is usually *impossible* to find relevant information for most consumer goods industries.
  - Both (a) and (b).**
  - None of the above.

15. The author of *Socialnomics* suggests that:
- Hasbro happily paid the Agarwalla brothers one hundred thousand dollars for introducing the “Scrabulous” game onto Facebook.
  - ESPN “superfans” had to donate a certain amount of money to charity to be selected.
  - The “Straight from Iraq” program was intended to promote transparency.
  - Both (a) and (c).
  - Both (b) and (c).**
16. NAICS codes:
- Can be used to identify “intermediate” and “remote” level competitors, but cannot be used to identify certain “direct” (“head on”) competitors.
  - Indicate a more specific industry if there are more digits (e.g., 512333) than if there are few (e.g., 512).**
  - Are used to implement social networking.
  - Both (b) and (c).
  - None of the above.
17. Likely reasons that Tony the Tiger wears a scarf include, but are not limited to:
- A reduction in tariffs and import duties in many countries because this appearance causes the cereal to be re-classified as International Type IV serial.
  - The desire to cause consumers not to look at the cereal box.
  - The likelihood that among several prototypes tested, this version—which included a scarf—was evaluated more favorably by consumers.**
  - Both (a) and (b).
  - Both (a) and (c).
18. The market for digital semi-transponders consists of the following major players:

Firm	Emphasis	Price
SuperGeeks	High technical quality and many features	High
SimpleTech	Ease of use	Moderate
Cheapskates	Low cost	Very low
Rugged Sophistication	Durability; high quality	High
Pink Pleasures	Very elegant design aimed at female users	High
Pirate Plus	Optimized for hacking; special features to circumvent security protection of other systems	High

- Based on the above information, the industry:
- Seems relatively well balanced since different firms emphasize different benefits that are likely to appeal to different segments.**
  - Is highly *imbalanced* because the firms do not seem to compete on similar attributes, making it difficult to compare the different choices available.
  - Is quite *imbalanced* because none of the firms provide value to their customers.
  - Is somewhat *imbalanced* because no firms appear to offer low value products.
  - Both (b) and (c).

19. In general, marketers should try to:
- Capture as large a share of the total market as possible by making a product that appeals to as many customers as possible.
  - Attempt to compete only in high growth markets.
  - State their plans in terms primarily in terms of profit levels.
  - All of the above.
  - None of the above.**
20. An industry is more likely to be *balanced* if:
- All firms identify the product attributes that are most important to the average consumer and then compete on making products that emphasize these attributes.
  - Firms keep an equal amount of inventory in each of their warehouses.
  - Each firm selects a unique segment and provides the greatest possible value to that respective segment.**
  - Firms keep costs, and thus prices, down by not differentiating their products.
  - The firms publish their documents using Adobe Acrobat®.
21. Sponsored fundraising:
- Would generally be a violation of Federal antitrust laws.
  - Results when firms fail to perform adequate environmental scanning.
  - Involves a firm paying for efforts to seek donations to a non-profit group.**
  - Both (a) and (b).
  - Both (a) and (c).
22. The phenomenon of leap-frogging suggests that:
- Many consumers tend to resist new technology.
  - Since most people are satisfied with their MP3 players, there will be very little demand for MP4 players.
  - In some developing countries, many people are likely to buy MP3 players without ever having owned CD players.**
  - Both (a) and (b).
  - None of the above.
23. The author of *Socialnomics* suggests that:
- Many people waste a great deal of time visiting such social networking sites as Facebook.
  - Social networking sites use search engines to be effective.
  - The use of social media tends to increase the level of “social schizophrenia” experienced by individuals.
  - All of the above.
  - None of the above.**
24. According to the author of *Socialnomics*:
- The creators of tripadvisor.com used Google Maps, a free and existing site, as a way to reduce costs in launching their own site.**
  - Google yielded significantly more relevant results than Wikipedia on the 2008 Olympics.
  - Hulu is profitable by using traditional advertising methods in the online setting.
  - All of the above.
  - None of the above.

25. Tang is an orange flavored powder that, when mixed with water, is used to create an orange flavored drink. In the U.S., Tang is often bought as a way to have something to drink on hand if children unexpectedly bring home friends. In Brazil, however, fresh squeezed orange juice can usually be bought at a lower cost right at the street, so Tang is neither inexpensive nor particularly convenient. Instead, Tang sells a pineapple flavored mix there, intended as “something fun” to have on occasion. This approach involves:
- A physical product adaptation.
  - A communications adaptation.
  - The use of extra-territoriality.
  - Both (a) and (b).**
  - Both (b) and (c).
26. The phenomenon of “leap frogging” is likely to be good news for:
- French restaurants.
  - Cell phone manufacturers.**
  - Airlines.
  - Wal-Mart.
  - Nordstrom’s.
27. In a relatively balanced market, firms tend:
- Not to compete significantly.
  - To compete intensely on price.
  - To consist mostly of cash cows.
  - To offer different tangible products but relatively similar services.
  - Compete less intensely on price than firms in less balanced markets do.**
28. Under the right circumstances, industry-charity partnerships may provide the opportunity for:
- Firms to actually profit on helping non-profit groups.**
  - Firms to eliminate costly environmental scanning efforts.
  - Charities to extort additional payments from the industry.
  - Opportunities for firms to sell more dangerous products with reduced legal liability.
  - None of the above.
29. *Social forces* in the marketing environment:
- Tend to be relatively unimportant when compared to technological changes.
  - Involve issues such as changing demographics, a changing family structure, and changing cultural values.
  - May have different effects on different industries.
  - Both (b) and (c).**
  - All of the above.
30. Micropayments:
- Reflect the idea that the cost of producing technology tends to decrease over time.
  - Involve the payment of small amounts of money.**
  - Are a significant problem in the process of collaborative filtering.
  - Require the use of a microscope.
  - None of the above.

31. The Society for the Appreciation of Marketing Professors would like to improve the search engine ranking of its web site under the term “marketing professors.” Which of the following changes, by itself, would be most likely to be successful in increasing the search engine ranking of the Society’s site?
- The addition of a great deal of text using the term “marketing professors” repeatedly.
  - Having a lot of different web sites, regardless of their content or ranking, link to the Society’s site.
  - Gaining links from a few web sites that are highly ranked on the phrase “marketing professors.”**
  - Improving the aesthetic appearance of the site.
  - Translating the content of the site into a number of different languages and adding this content in other files.
32. Which of the following is/are likely to be major reasons why Tony the Tiger wears a scarf?
- Cereal is sold mostly in cold climates.
  - This is required by the Food & Drug Administration.
  - All brands of cereal contain an animal of some species wearing a scarf.
  - Both (a) and (b).
  - None of the above.**
33. The NAICS code “334:”
- Refers to a less specific industry than “334112.”**
  - Indicates the region of the country where a business is located.
  - Is used mostly to determine how value an industry provides to customers.
  - Both (a) and (c).
  - None of the above.
34. If one has done a search in a secondary sources database using certain search terms and so many articles appear that one cannot meaningfully examine all, the researcher may want to use the \_\_\_\_ operator in a new search:
- AND NOT
  - OR
  - AND
  - Both (a) and (b).
  - Both (a) and (c).**
35. In Lexus-Nexus, the “W/3” operator in the term “promotion W/3 chocolate milk:” specifies that:
- The term “promotion” must occur at least three times in the article.
  - The term “promotion” must appear up to three words before or up to three words after the phrase “chocolate milk.”**
  - Both terms must occur in the first third of the article.
  - The article must have been published within the last three years.
  - The article must have at least three authors.

36. Microsoft is interested in selling Zune MP3 players in Egypt. Which of the following represents the best measure of the ability of Egyptian consumers to afford to buy the Zune?
- Extra-territoriality.
  - Nominal per capita gross national product or income.**
  - Purchasing power parity adjusted per capita gross national product or income.
  - Country of origin effects.
  - Leap frogging.
37. In marketing, value:
- Focuses on getting a product in a particular market to customers at prices lower than those charged by competitors.
  - Depends on the utility gained by consumers relative to the amount of money paid or other sacrifices made.**
  - Will occur only imbalanced markets.
  - Is no longer a meaningful concept due to the rise of “component lifestyles.”
  - None of the above.
38. Which of the following is likely to be the *most* important reason why Dell Computer may be able to sell cost effectively on the Internet?
- The ability to customize each computer so that each customer gets exactly what he or she needs, thus eliminating the cost of undesired features.
  - The fact that Dell, in the long run, will only be competing against computer manufacturers that sell through traditional retail stores.
  - Relatively high absolute margins.**
  - An ability of customers to do all the work associated with the sale of the computer.
  - The company’s reputation among customers.
39. Within the context of electronic commerce:
- The most important factor in evaluating the suitability for a product to be sold online is the *percentage* margin made on the sale of the product.
  - The most important factor in search engine placements is the repetition of key words on a web site.
  - Collaborative filtering is a means of increasing the value/bulk ratio of a product.
  - All of the above.
  - None of the above.**
40. The *Foreign Corrupt Practices Act*:
- Allows American firms to pay bribes in Israel, but not in Arab countries.
  - Is intended mainly to protect employees of American firms against harmful practices that other countries may allow (e.g., the use of dangerous drugs or viewing of indecent material).
  - Forbids the paying of bribes or other fees to foreign officials in return for a decision that would benefit the firm (e.g., having the product classified in such a way that tariffs would be lower than they would otherwise have been).**
  - Both (a) and (c).
  - None of the above.

**Part II: Short answer.** Using the space provided on the exam, please answer any THREE of the following four questions. On the actual exam, please DO NOT use the essay section on the back of the Scantron® sheet.

1. According to the author of *Socialnomics*, what are some problems that may result from the “social transparency” in social networks?

Social media make it easier for word to spread about what people do in what used to be considered their “private life” into domains where this behavior can be damaging and/or be seen as inappropriate. For example, pictures about an individual being intoxicated or engaging in explicit behavior could might be seen by employers and/or customers.

2. What is the rationale of the author of *Socialnomics* for saying that “Idaho bloggers are better than New York City reporters?”

National journalists are often generalists who have less knowledge of the specific background on a local story. Thus, they have to do some discovery—which is often difficult to do quickly at a distance—before they become “up to speed” on a particular issue. The local bloggers, in contrast, often have more background knowledge about the local situation and therefore start posting more quickly and with more insight.

3. What does “extra territoriality” involve?

Extra-territoriality is the practice of the U.S. government attempting to enforce its laws when U.S. parties are injured even when violations occur outside U.S. sovereign territory. For example, if two Japanese firms conspire to fix prices in a way that affects U.S. consumers, it may be possible to sue the Japanese firms in U.S. courts even if all the collusion took place on Japanese soil. If these firms have assets in the U.S., these could be seized to pay damages.

4. According to the author of *Socialnomics*, what did the Razorfish study of social media advertising find?

The Razorfish study found that 76% of respondents indicated that they did not mind seeing ads on social media such as Facebook and that 40% of respondents indicated having made purchases based on these ads. [Note: You are not expected to cite the specific numbers listed here—“a large majority” and “a significant minority” would have been reasonable descriptors here. For full credit, you would, however, need to refer to both (a) acceptance of the ads by a large majority and (b) purchases actually made by a significant minority.]

**Part III: “Issue spotter case.”** Please identify and discuss course issues in the following case. Your discussion should be carefully tailored to the specifics of this firm and should NOT:

- Merely restate information from the case.
- Make overly general observations (e.g., the need to do market research or provide customers with value).
- Use technical terms without explicitly discussing what these involve and how they apply to the case at issue.

Procter & Gamble (P&G) has noticed that consumers are currently very price sensitive and that many competitors have dramatically reduced their prices on certain products. Research has found that as many as 35% of consumers choose lower priced products offered by competitors even though they believe that are of higher quality and provide more benefits. Recently, P&G has also noticed that a number of competitors are coming out with new products. One competitor has come out with a new laundry detergent that some 45% of customers surveyed find to have a better smell than P&G brands. With an increasingly saturated market in the U.S., P&G is looking toward the growing markets in “emerging” countries such as China and India. Traditionally, P&G has done a great deal of TV, radio, and magazine advertising.

Although many firms will tend to cut prices when competitors do so, we discussed in class that this is often not optimal since price cuts will dramatically reduce margins. The customers that might be enticed back are the more price sensitive ones that likely would be lost if competitors engaged in another round of price cuts. Value means different things to different customers—not necessarily just the lowest price. The research suggests that many customers perceive P&G products as being of higher quality, and some will see a higher priced P&G product at a higher price as a better value than lower priced products. Although the competitor's product that smells better to some customers is interesting, P&G should not necessarily imitate since it is often better for a firm to provide unique benefits rather than trying to match those of others. Therefore, it may be more useful to come up with another innovation that will appeal to other customers. To appeal in other countries where P&G would like to grow, certain adaptations may have to be made to the product. However, rather than trying merely to imitate local brands, it is important for P&G products to maintain the “mystique” and status of foreign brands. P&G may want to look into opportunities to use social media to promote its products—e.g., setting up online games or other applications involving the product. [Please note that other answers may be acceptable. There may be issues in this case that this answer did not bring up. This is one example of a good answer. Please note the criteria highlighted above.]