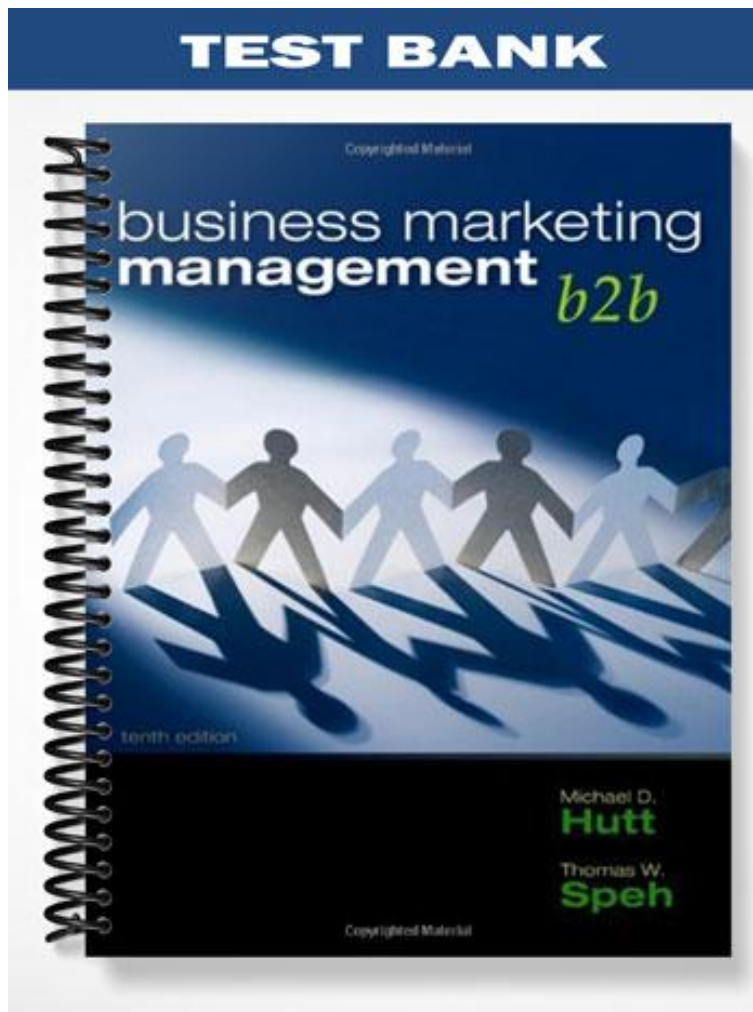


TEST BANK



Chapter 2—The Business Market: Perspectives on the Organizational Buyer

MULTIPLE CHOICE

1. The business market consists of the following three components:
 - a. commercial enterprises, resellers, and government.
 - b. manufacturers, institutions, and defense.
 - c. manufacturers, service organizations, and government.
 - d. commercial enterprises, service organizations, and government.
 - e. commercial enterprises, institutions, and government.

ANS: E PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

2. Concerning manufacturing customers, the business market is:
 - a. concentrated by size.
 - b. geographically concentrated.
 - c. experiencing declining growth in many large metropolitan areas.
 - d. all of the above.
 - e. (a) and (b) only.

ANS: E PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

3. Based on the volume of their purchases, _____ are the most important commercial customers in the business or industrial market.
 - a. construction companies
 - b. manufacturers
 - c. transportation companies
 - d. service firms (e.g., hotels)
 - e. health care facilities

ANS: B PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

4. Over 75 percent of the value added by manufacturing in the United States is contributed by roughly _____ percent of all manufacturers.
 - a. 10
 - b. 20
 - c. 30
 - d. 40
 - e. 50

ANS: A PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

5. A new system for classifying business will be employed to replace the Standard Industrial Classification Code. This new set of codes is called the:
 - a. North American Free Trade Agreement.
 - b. Principal Integrational Business Index.

- c. Census Bureau Classification System.
- d. North American Industrial Classification System.
- e. Standard and Poor's Index.

ANS: D PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

6. The concept that considers both supplier and buyer activities and costs over a product's or service's complete life cycle is called the:
- a. life cycle cost.
 - b. target cost.
 - c. total cost of ownership.
 - d. total leveraged buy.
 - e. total integrated cost.

ANS: C PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

7. The purchasing method that involves weighing the comparative value of materials, components, and manufacturing processes from the standpoint of their purpose, relative merit, and cost is called:
- a. value analysis.
 - b. marginal analysis.
 - c. volume analysis.
 - d. program analysis.
 - e. vendor analysis.

ANS: A PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Strategy | R&D Managing strategy & innovation

8. Ferro Corporation developed a new coating process that allows Maytag to paint a refrigerator cabinet in ten minutes, compared to the old process that took three hours. This provides an illustration of the benefits that can be derived by:
- a. value analysis.
 - b. marginal analysis.
 - c. volume analysis.
 - d. program analysis.
 - e. vendor analysis.

ANS: A PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Strategy | R&D Managing strategy & innovation

9. In capturing cost savings through improved procurement, firms operate at different levels of development and emphasize different pathways to cost reduction and revenue enhancement. The most basic level of procurement development is:
- a. Integrated Sell (Sell Better).
 - b. Linked Buy (Buy Better).
 - c. Value Buy (Consume Better).
 - d. Leveraged Buy (Buy for Less).
 - e. Decentralized Buy (Delegate Better).

ANS: D PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

10. In capturing cost savings through improved procurement, firms operate at different levels of development and emphasize different pathways to cost reduction and revenue enhancement. The most advanced level of procurement development is:
- Integrated Sell (Sell Better).
 - Linked Buy (Buy Better).
 - Value Buy (Consume Better).
 - Leveraged Buy (Buy for Less).
 - Decentralized Buy (Delegate Better).

ANS: A PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

11. This purchasing technique seeks cost reductions by simplifying the design of products or buy using standardized component parts in products and across product lines.
- value analysis
 - total cost of ownership
 - complexity management
 - leveraged buying
 - early supplier involvement

ANS: C PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Managing strategy & innovation

12. Leaders in procurement are giving increased attention to *segmenting* the total purchase into distinct categories. Here various categories of purchases are segmented based on:
- procurement complexity.
 - how the purchased item affects corporate performance in terms of revenue impact and business risk.
 - how efficiently the purchased item will be shipped.
 - all of the above
 - (a) and (b) only

ANS: E PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Strategy | R&D Managing strategy & innovation

13. The two basic types of contracts employed by governmental procurement units are:
- variable-price contracts and fixed-price contracts.
 - floating-cost contracts and fixed-cost contracts.
 - fixed-price contracts and cost-reimbursement contracts.
 - variable-price contracts and cost-reimbursement contracts.
 - fixed-price contracts and marginal-cost contracts.

ANS: C PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

14. What type of contract does the government employ when a proposed project involves a significant amount of developmental work?
- variable-price contract
 - floating-cost contract
 - open-end contract
 - fixed-cost contract

e. cost-reimbursement contract

ANS: E PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

15. Which government unit is responsible for centralizing procurement for commonly-used goods and services for all civilian government agencies?
- General Services Administration
 - Budget Administration
 - Centralized Procurement Administration
 - Commerce Department
 - Central Logistical Agency

ANS: A PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

16. When the product in question is standardized and possesses clearly defined specifications, the federal government will follow the procurement strategy of:
- open market buying.
 - formal advertising.
 - negotiated contracting.
 - systems buying.
 - wholesale procurement.

ANS: B PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

17. Which buying strategy does the government employ when the product is standardized and the specifications are rather straightforward?
- systems buying
 - formal advertising
 - negotiated contract buying
 - open market buying
 - wholesale procurement

ANS: B PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

18. Which buying strategy does the government employ for products or services that cannot be differentiated on the basis of price alone or when few available suppliers exist?
- systems buying
 - formal advertising
 - negotiated contract buying
 - open market buying
 - cost ratio procurement

ANS: C PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

19. The federal government utilizes negotiated contract buying when:

- a. it is buying nonstandardized products.
- b. standardized products are being purchased.
- c. very few suppliers have the capability to make the product.
- d. all of the above
- e. (a) and (c) only

ANS: E PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

20. The federal government follows two general procurement strategies, which are:
- a. systems bidding and open market buying.
 - b. open market buying and negotiated contracts.
 - c. formal advertising and negotiated contracts.
 - d. systems bidding and formal advertising.
 - e. negotiated contracts and systems bidding.

ANS: C PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

21. All of the following would be classified as institutional customers except:
- a. colleges and universities.
 - b. hospitals and nursing homes.
 - c. wholesalers and retailers.
 - d. libraries and foundations.
 - e. art galleries and museums.

ANS: C PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

22. Which of the following statements about the institutional market is most accurate?
- a. Institutional buyers fall somewhere between commercial enterprises and government buyers in terms of their characteristics, orientation, and purchasing process.
 - b. Institutional buyers seldom follow established and rigid purchasing procedures like their counterparts in commercial enterprises or government.
 - c. Institutional buyers are free from the political and legal constraints that encircle government procurement.
 - d. Institutional buyers emphasize price considerations more than government buyers.
 - e. Institutional buyers seldom have a specialized purchasing function in their organizations.

ANS: A PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

23. To obtain favorable prices through volume purchasing and to reduce duplication of purchasing within the military, the _____ procures supplies used in common by all military branches.
- a. Defense Department
 - b. Federal Supply Service
 - c. Defense Logistics Agency
 - d. Bureau of Budget
 - e. Commerce Department

ANS: C PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

24. Concerning the institutional market, which of the following statements is(are) true?
- Institutional buyers often join cooperative purchasing associations to obtain more favorable terms.
 - Institutions may buy simply because they have unused funds in the budget.
 - Business marketers who sell through purchasing groups in the institutional market must have distribution systems that effectively deliver products to individual group members.
 - All of the above are true.
 - (a) and (c) only

ANS: D PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

25. _____ of manufacturers in the U.S. are concentrated in California, New York, Ohio, Illinois, Michigan, Texas, Pennsylvania, and New Jersey.
- Less than 25%.
 - Less than 50%.
 - More than 50%.
 - None of the above is correct.

ANS: C PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

26. The NAICS was created as a result of:
- the NAFTA.
 - the increasing purchasing power of commercial enterprises.
 - geographic concentration of manufacturers.
 - none of the above.

ANS: A PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

27. A new industry tool for identifying new customers and for targeting profitable segments of business buyers is:
- the Standard Industrial Classification system.
 - program analysis.
 - the SIC system.
 - the NAICS.

ANS: D PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

28. Which of the following statements is true?
- The day-to-day purchasing function should be organized so that buyers can acquire high levels of technical expertise on a limited number of items.
 - As products and materials become more sophisticated, buyers must become more knowledgeable about the manufacturing process.
 - As products and materials become more sophisticated, buyers must become more knowledgeable about design specifications.

- d. all of the above.
- e. (a) and (c) only.

ANS: D PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Strategy | R&D Managing the task environment

29. Which of the following procurement development levels is triggered when the procurement organization takes an external view of the supply chain and develops mutually beneficial relationships with suppliers?
- a. Integrated Sell (Sell Better).
 - b. Linked Buy (Buy Better).
 - c. Value Buy (Consumer Better).
 - d. Leveraged Buy (Buy for Less).

ANS: B PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

30. IBM has created a _____ on the Web that links together its suppliers to automate their purchases.
- a. reverse auction
 - b. private exchange
 - c. leveraged buy system
 - d. complexity management system

ANS: B PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

31. Which of the following is the process whereby one buyer uses the Internet to invite bids from several pre-qualified buyers?
- a. A reverse auction.
 - b. A private exchange.
 - c. An integrated sell.
 - d. A value buy.

ANS: A PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

32. The program that requires government contractors to maintain affirmative action programs for minorities, women, and the handicapped is called a:
- a. compliance program.
 - b. set-aside program.
 - c. minority subcontracting program.
 - d. none of the above.

ANS: A PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

33. The program that requires a certain percentage of a given government contract for small or minority businesses whereby no others can participate in that proportion of the contract is called a:
- a. compliance program.
 - b. set-aside program.
 - c. minority subcontracting program.

d. none of the above.

ANS: B PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

34. Almost two out of three manufacturing firms in the United States employ:
- fewer than 20 employees.
 - 20 to 50 employees.
 - 51 to 100 employees.
 - over 100 employees.
 - over 500 employees.

ANS: A PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

35. Roughly _____ manufacturing firms fall within the U.S. commercial sector of the business market.
- 100,000
 - 200,000
 - 350,000
 - 500,000
 - 750,000

ANS: C PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

36. Which of the following statements reflects the distribution of U.S. manufacturers by size?
- Most manufacturers in the U.S. are relatively large and employ 500 or more workers.
 - About 10% of all manufacturing firms have more than 100 employees, but they ship more than 75% of all manufactured goods in the U.S.
 - About 20% of all U.S. manufacturing firms employ less than 20 people.
 - All of the above are true.
 - Only (b) and (c) are true.

ANS: B PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

37. Which of the following would not fall into the sector of business market classified as commercial enterprises?
- government
 - manufacturers
 - transportation companies
 - hotels
 - construction companies

ANS: A PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

38. The North American Industrial Classification System (NAICS) classifies the economic activity and provides industry classification codes for firms in:
- the United States.

- b. Canada
- c. South America.
- d. all of the above.
- e. only (a) and (b).

ANS: E PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

39. The way goods and services are purchased depends on which of the following factors?
- a. Nature of the business
 - b. Size of the firm
 - c. The volume, variety, and technical complexity of the items being purchased
 - d. All of the above
 - e. Only (b) and (c)

ANS: D PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

40. The goals of the purchasing function include:
- a. the uninterrupted flow of materials.
 - b. the attainment of lowest total costs.
 - c. the development and management of supplier relationships.
 - d. all of the above.
 - e. only (a) and (c).

ANS: D PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

41. The use of value analysis, complexity management, and early supplier involvement in product design to enable buyers and suppliers to uncover added value often emerges at what level of procurement development?
- a. Integrated Sell (Sell Better)
 - b. Linked Buy (Buy Better)
 - c. Value Buy (Consume Better)
 - d. Leveraged Buy (Buy for Less)
 - e. Decentralized Buy (Delegate Better)

ANS: C PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

42. E-procurement solutions include which of the following capabilities?
- a. Online negotiations.
 - b. Knowledge management.
 - c. Collaboration tools.
 - d. All of the above.
 - e. Only (a) and (c).

ANS: D PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

43. Which of the following results have been achieved from e-procurement technologies and strategies?
- Reduction of the purchasing cycle time by up to half.
 - Reduction of material costs by up to 14%.
 - Reduction of purchasing administrative costs by up to 60 percent.
 - All of the above have been achieved.

ANS: D PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

44. What type of contract does the government employ when they agree to a firm price before the contract is awarded, and make full payment when the product or service is delivered as agreed?
- variable-price contract
 - floating-cost contract
 - open-end contract
 - cost-reimbursement contract
 - fixed-price contract

ANS: E PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

45. Each purchase order processed over the Internet costs approximately \$_____.
- \$5
 - \$15
 - \$25
 - \$50
 - \$100

ANS: A PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

46. Which of the following statements are true of reverse auctions?
- They are most appropriate for commodity-type items.
 - They involve one buyer who invites bids from several pre-qualified suppliers.
 - Both a and b are true.
 - Neither a or b is true.

ANS: C PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

47. The federal government is the largest consumer in the United States. Federal government expenditures for goods and services fall in the range of:
- \$ 50 billion.
 - \$ 100 billion.
 - \$ 250 billion.
 - \$ 400 billion.
 - \$ 1 trillion.

ANS: D PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

TRUE/FALSE

1. Ten percent of all manufacturers account for over 75 percent of the value added by manufacturing in the United States.

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

2. Most large metropolitan areas are lucrative business markets.

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

3. Compared to the average cost of a purchase order, purchasing over the Internet is far more economical for purchasing managers.

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

4. Purchasing managers are increasingly turning to the Internet to research the global marketplace for suppliers.

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model International perspective | R&D Knowledge of general business functions

5. Purchasing managers most often use Value Analysis to evaluate supplier performance.

ANS: F PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

6. When products are perceived as highly standardized by buyers, price assumes less importance in the buying decision.

ANS: F PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Pricing | R&D Managing decision-making processes

7. Complexity management may involve the outsourcing of production or assembly tasks to supply chain partners.

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Distribution | R&D Knowledge of general business functions

8. The Federal government follows formal advertising as a procurement strategy when it solicits bids from appropriate suppliers, and, in most cases, awards the contract to the lowest bidder.

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general

business functions

9. The Federal government employs Negotiated Contract buying when it is buying standardized products.

ANS: F PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Customer | R&D Managing decision-making processes

10. The Defense Logistics Agency procures supplies used in common by all military branches.

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Customer | R&D Managing decision-making processes

11. While multiple buying influences are an important force in the commercial sector of the industrial market, they are not relevant in the government and institutional sectors of the market.

ANS: F PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Customer | R&D Managing decision-making processes

12. Institutional buyers may buy simply because they have unused funds in the year's budget.

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Customer | R&D Managing decision-making processes

13. Foundations, art galleries, and health care facilities are all examples of institutional customers.

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

14. The NAICS is a result of the NAFTA.

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

15. A Value Buy (*Consume Better*) occurs when the procurement organization takes an external view of the supply chain and develops mutually beneficial relationships with suppliers.

ANS: F PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Distribution | R&D Knowledge of general business functions

16. A *compliance program* requires a certain percentage of a given government contract to be awarded to small or minority businesses.

ANS: F PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

17. A *set-aside program* requires that governmental contractors maintain affirmative action programs for minorities, women, and the handicapped.

ANS: F PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

18. Institutional purchasers are more similar to government purchasers than they are to commercial purchasers.

ANS: F PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Customer | R&D Managing decision-making processes

19. The most advanced level of procurement development demonstrated by firms is described as Integrated Sell (Sell Better).

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Customer | R&D Managing decision-making processes

20. Complexity management seeks cost reductions by simplifying product design or by using standardized component parts in products across product lines.

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

21. Total cost of ownership considers both supplier and buyer activities, and costs over a product's or service's complete life cycle.

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

22. A reverse auction involves one buyer who invites bids from several prequalified suppliers.

ANS: T PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

23. Group purchasing is common in government purchasing.

ANS: F PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Customer | R&D Managing decision-making processes

24. The least advanced level of procurement development demonstrated by firms is described as Linked Buy (Buy Better).

ANS: F PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

SHORT ANSWER

1. Supply chain management is a technique used for linking a manufacturer's operations with all of its:

ANS:

Strategic suppliers, key intermediaries and customers

PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Distribution | R&D Knowledge of general business functions

2. The primary reason one wishes to reach the purchasing goal of managing inventory is to:

ANS:

Minimize the investment in inventory.

PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

3. Leading purchasing organizations tend to emphasize early supplier involvement in new product development in order to:

ANS:

capture fresh ideas, technologies and cost savings

PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

4. Items that organizations need to run day-to-day operations such as personal computers, spare parts for factory equipment and office furniture are called:

ANS:

Indirect items

PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

5. This person administers the procurement process:

ANS:

The purchasing manager or purchasing agent

PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

6. Government buyers use the formal advertising approach for standardized products but for products with unique requirements they would likely use this purchasing strategy:

ANS:
Negotiated contracts

PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Marketing Plan | R&D Knowledge of general business functions

ESSAY

1. In business-to-business markets, leading-edge firms like Dell or Baxter Healthcare demonstrate special capabilities in managing the purchasing function in a way that advances corporate performance. At a fundamental level, these firms understand the cost and value of goods or services to the firm. First, describe and illustrate the “total cost of ownership” concept. Next, describe the levels of procurement development that firms demonstrate in the business market and why Dell and Baxter Healthcare set the standards for procurement practices.

ANS:
n/a

PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Strategy | R&D Foundational skills

2. You are scheduled to meet with the Vice President of Purchasing of a large industrial firm that is a potential customer. You will have the opportunity to ask specific questions about the purchasing department and the firm's operations that may help you in developing a targeted marketing strategy for the account. Suggest five questions that you would put to the vice president.

ANS:
n/a

PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Strategy | R&D Foundational skills

3. East Lansing Electrical assumes an active role in the commercial sector of the business market. The Director of Marketing, however, feels that now may be the time to extend the firm's reach and serve the government sector of the market. You have been asked to develop a staff paper for presentation to the executive committee that carefully explains what the company needs to know to effectively begin a new program for marketing their products to the federal government. Provide an outline of the major points/issues that you would treat in your presentation.

ANS:
n/a

PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Strategy | R&D Foundational skills

4. The institutional market offers an appropriate setting for illustrating the concept of multiple buying influences. Provide an illustration of the members of a health-care institution who might be involved in the decision to purchase an expensive piece of medical test equipment. Next, describe the unique characteristics of the institutional purchasing process that you should consider in developing a responsive business marketing strategy.

ANS:

n/a

PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Strategy | R&D Managing decision-making processes

5. Like consumers who are shopping at Amazon.com, purchasing managers are able to use the Internet to find new suppliers around the world, communicate with current suppliers, and place orders. First, discuss the capabilities e-procurement provides to buyers. Next, describe some of the benefits that e-procurement's capabilities provide to buyers.

ANS:

n/a

PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Strategy | R&D Foundational skills

6. Institutional buyers possess characteristics of both government and commercial buyers. Please explain which characteristics of commercial buyers and government buyers are common in institutional buyers. Next, identify some strategies that should be used by business marketers targeting institutional buyers.

ANS:

n/a

PTS: 1

NAT: AACSB Reflective Thinking | CB&E Model Strategy | R&D Managing strategy & innovation