

TEST BANK

9e

**Business Marketing
Management: B2B**



Michael D. Hutt & Thomas W. Speh

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

Student: _____

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.

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.

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

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

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.
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.
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.
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.
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).

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:
- 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).
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.
- A. value analysis
 - B. total cost of ownership
 - C. complexity management
 - D. leveraged buying
 - E. early supplier involvement
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:
- A. procurement complexity.
 - B. how the purchased item affects corporate performance in terms of revenue impact and business risk.
 - C. how efficiently the purchased item will be shipped.
 - D. all of the above
 - E. (a) and (b) only
13. The two basic types of contracts employed by governmental procurement units are:
- A. variable-price contracts and fixed-price contracts.
 - B. floating-cost contracts and fixed-cost contracts.
 - C. fixed-price contracts and cost-reimbursement contracts.
 - D. variable-price contracts and cost-reimbursement contracts.
 - E. fixed-price contracts and marginal-cost contracts.
14. What type of contract does the government employ when a proposed project involves a significant amount of developmental work?
- A. variable-price contract
 - B. floating-cost contract
 - C. open-end contract
 - D. fixed-cost contract
 - E. cost-reimbursement contract

15. Which government unit is responsible for centralizing procurement for commonly-used goods and services for all civilian government agencies?
- A. General Services Administration
 - B. Budget Administration
 - C. Centralized Procurement Administration
 - D. Commerce Department
 - E. Central Logistical Agency
16. When the product in question is standardized and possesses clearly defined specifications, the federal government will follow the procurement strategy of:
- A. open market buying.
 - B. formal advertising.
 - C. negotiated contracting.
 - D. systems buying.
 - E. wholesale procurement.
17. Which buying strategy does the government employ when the product is standardized and the specifications are rather straightforward?
- A. systems buying
 - B. formal advertising
 - C. negotiated contract buying
 - D. open market buying
 - E. wholesale procurement
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?
- A. systems buying
 - B. formal advertising
 - C. negotiated contract buying
 - D. open market buying
 - E. cost ratio procurement
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

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

25. ____ of manufacturers in the U.S. are concentrated in California, New York, Ohio, Illinois, Michigan, Texas, Pennsylvania, and New Jersey.
- A. Less than 25%.
 - B. Less than 50%.
 - C. More than 50%.
 - D. None of the above is correct.
26. The NAICS was created as a result of:
- A. the NAFTA.
 - B. the increasing purchasing power of commercial enterprises.
 - C. geographic concentration of manufacturers.
 - D. none of the above.
27. A new industry tool for identifying new customers and for targeting profitable segments of business buyers is:
- A. the Standard Industrial Classification system.
 - B. program analysis.
 - C. the SIC system.
 - D. the NAICS.
28. On average, ____ of every dollar earned from sales of manufactured products is spent on the materials, supplies, services and equipment needed to produce the goods.
- A. Less than 25%.
 - B. Less than 50%.
 - C. More than 50%.
 - D. None of the above.
29. Which of the following statements is true?
- A. 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.
 - B. As products and materials become more sophisticated, buyers must become more knowledgeable about the manufacturing process.
 - C. 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.

30. 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).
31. 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
32. 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.
33. 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.
34. 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.
35. Almost two out of three manufacturing firms in the United States employ:
- A. fewer than 20 employees.
 - B. 20 to 50 employees.
 - C. 51 to 100 employees.
 - D. over 100 employees.
 - E. over 500 employees.

36. Roughly ____ manufacturing firms fall within the U.S. commercial sector of the business market.
- A. 100,000
 - B. 200,000
 - C. 350,000
 - D. 500,000
 - E. 750,000
37. Which of the following statements reflects the distribution of U.S. manufacturers by size?
- A. Most manufacturers in the U.S. are relatively large and employ 500 or more workers.
 - B. 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.
 - C. About 20% of all U.S. manufacturing firms employ less than 20 people.
 - D. All of the above are true.
 - E. Only b and c are true.
38. Which of the following would not fall into the sector of business market classified as commercial enterprises?
- A. government
 - B. manufacturers
 - C. transportation companies
 - D. hotels
 - E. construction companies
39. The North American Industrial Classification System (NAICS) classifies the economic activity and provides industry classification codes for firms in:
- A. the United States.
 - B. Canada
 - C. South America.
 - D. all of the above.
 - E. only a and b.
40. 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

41. 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.
42. 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)
43. 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.
44. Which of the following results have been achieved from e-procurement technologies and strategies?
- A. Reduction of the purchasing cycle time by up to half.
 - B. Reduction of material costs by up to 14%.
 - C. Reduction of purchasing administrative costs by up to 60 percent.
 - D. All of the above have been achieved.
45. 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?
- A. variable-price contract
 - B. floating-cost contract
 - C. open-end contract
 - D. cost-reimbursement contract
 - E. fixed-price contract
46. Each purchase order processed over the Internet costs approximately \$_____.
- A. \$5
 - B. \$15
 - C. \$25
 - D. \$50
 - E. \$100

47. Which of the following statements are true of reverse auctions?
- A. They are most appropriate for commodity-type items.
 - B. They involve one buyer who invites bids from several pre-qualified suppliers.
 - C. Both a and b are true.
 - D. Neither a or b is true.
48. The federal government is the largest consumer in the United States. Federal government expenditures for goods and services fall in the range of:
- A. \$ 50 billion.
 - B. \$ 100 billion.
 - C. \$ 250 billion.
 - D. \$ 600 billion.
 - E. \$ 1 trillion.
49. Ten percent of all manufacturers account for over 75 percent of the value added by manufacturing in the United States.
- True False
50. On average, more than half of every dollar earned from sales of manufactured products is spent for the purchase of materials, supplies, and equipment needed to produce the goods.
- True False
51. Most large metropolitan areas are lucrative business markets.
- True False
52. Compared to the average cost of a purchase order, purchasing over the Internet is far more economical for purchasing managers.
- True False
53. Purchasing managers are increasingly turning to the Internet to research the global marketplace for suppliers.
- True False
54. Purchasing managers most often use Value Analysis to evaluate supplier performance.
- True False
55. When products are perceived as highly standardized by buyers, price assumes less importance in the buying decision.
- True False

56. Complexity management may involve the outsourcing of production or assembly tasks to supply chain partners.
- True False
57. 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.
- True False
58. The Federal government employs Negotiated Contract buying when it is buying standardized products.
- True False
59. The Defense Logistics Agency procures supplies used in common by all military branches.
- True False
60. 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.
- True False
61. Institutional buyers may buy simply because they have unused funds in the year's budget.
- True False
62. Foundations, art galleries, and health care facilities are all examples of institutional customers.
- True False
63. The NAICS is a result of the NAFTA.
- True False
64. 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.
- True False
65. A *compliance program* requires a certain percentage of a given government contract to be awarded to small or minority businesses.
- True False
66. A *set-aside program* requires that governmental contractors maintain affirmative action programs for minorities, women, and the handicapped.
- True False

67. Institutional purchasers are more similar to government purchasers than they are to commercial purchasers.
- True False
68. The most advanced level of procurement development demonstrated by firms is described as Integrated Sell (Sell Better).
- True False
69. Complexity management seeks cost reductions by simplifying product design or by using standardized component parts in products across product lines.
- True False
70. Total cost of ownership considers both supplier and buyer activities, and costs over a product's or service's complete life cycle.
- True False
71. A reverse auction involves one buyer who invites bids from several prequalified suppliers.
- True False
72. Group purchasing is common in government purchasing.
- True False
73. The least advanced level of procurement development demonstrated by firms is described as Linked Buy (Buy Better).
- True False
74. 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.

75. 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.
76. 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.
77. 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.

78. 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.
79. 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.

Chapter 2--The Business Market: Perspectives on the Organizational Buyer **Key**

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.

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.

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

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

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.

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.
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.
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.
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).
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:
- 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).

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.
- A. value analysis
 - B. total cost of ownership
 - C.** complexity management
 - D. leveraged buying
 - E. early supplier involvement
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:
- A. procurement complexity.
 - B. how the purchased item affects corporate performance in terms of revenue impact and business risk.
 - C. how efficiently the purchased item will be shipped.
 - D. all of the above
 - E.** (a) and (b) only
13. The two basic types of contracts employed by governmental procurement units are:
- A. variable-price contracts and fixed-price contracts.
 - B. floating-cost contracts and fixed-cost contracts.
 - C.** fixed-price contracts and cost-reimbursement contracts.
 - D. variable-price contracts and cost-reimbursement contracts.
 - E. fixed-price contracts and marginal-cost contracts.
14. What type of contract does the government employ when a proposed project involves a significant amount of developmental work?
- A. variable-price contract
 - B. floating-cost contract
 - C. open-end contract
 - D. fixed-cost contract
 - E.** cost-reimbursement contract
15. Which government unit is responsible for centralizing procurement for commonly-used goods and services for all civilian government agencies?
- A.** General Services Administration
 - B. Budget Administration
 - C. Centralized Procurement Administration
 - D. Commerce Department
 - E. Central Logistical Agency

16. When the product in question is standardized and possesses clearly defined specifications, the federal government will follow the procurement strategy of:
- A. open market buying.
 - B.** formal advertising.
 - C. negotiated contracting.
 - D. systems buying.
 - E. wholesale procurement.
17. Which buying strategy does the government employ when the product is standardized and the specifications are rather straightforward?
- A. systems buying
 - B.** formal advertising
 - C. negotiated contract buying
 - D. open market buying
 - E. wholesale procurement
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?
- A. systems buying
 - B. formal advertising
 - C.** negotiated contract buying
 - D. open market buying
 - E. cost ratio procurement
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
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.

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.
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.
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
24. Concerning the institutional market, which of the following statements is(are) true?
- A. Institutional buyers often join cooperative purchasing associations to obtain more favorable terms.
 - B. Institutions may buy simply because they have unused funds in the budget.
 - C. Business marketers who sell through purchasing groups in the institutional market must have distribution systems that effectively deliver products to individual group members.
 - D.** All of the above are true.
 - E. (a) and (c) only
25. ____ of manufacturers in the U.S. are concentrated in California, New York, Ohio, Illinois, Michigan, Texas, Pennsylvania, and New Jersey.
- A. Less than 25%.
 - B. Less than 50%.
 - C.** More than 50%.
 - D. None of the above is correct.

26. The NAICS was created as a result of:
- A. the NAFTA.
 - B. the increasing purchasing power of commercial enterprises.
 - C. geographic concentration of manufacturers.
 - D. none of the above.
27. A new industry tool for identifying new customers and for targeting profitable segments of business buyers is:
- A. the Standard Industrial Classification system.
 - B. program analysis.
 - C. the SIC system.
 - D. the NAICS.
28. On average, ____ of every dollar earned from sales of manufactured products is spent on the materials, supplies, services and equipment needed to produce the goods.
- A. Less than 25%.
 - B. Less than 50%.
 - C. More than 50%.
 - D. None of the above.
29. Which of the following statements is true?
- A. 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.
 - B. As products and materials become more sophisticated, buyers must become more knowledgeable about the manufacturing process.
 - C. 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.
30. 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).
31. 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

32. 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.
33. 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.
34. 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.
35. Almost two out of three manufacturing firms in the United States employ:
- A.** fewer than 20 employees.
 - B. 20 to 50 employees.
 - C. 51 to 100 employees.
 - D. over 100 employees.
 - E. over 500 employees.
36. Roughly ____ manufacturing firms fall within the U.S. commercial sector of the business market.
- A. 100,000
 - B. 200,000
 - C.** 350,000
 - D. 500,000
 - E. 750,000
37. Which of the following statements reflects the distribution of U.S. manufacturers by size?
- A. Most manufacturers in the U.S. are relatively large and employ 500 or more workers.
 - B.** 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.
 - C. About 20% of all U.S. manufacturing firms employ less than 20 people.
 - D. All of the above are true.
 - E. Only b and c are true.

38. Which of the following would not fall into the sector of business market classified as commercial enterprises?
- A. government
 - B. manufacturers
 - C. transportation companies
 - D. hotels
 - E. construction companies
39. The North American Industrial Classification System (NAICS) classifies the economic activity and provides industry classification codes for firms in:
- A. the United States.
 - B. Canada
 - C. South America.
 - D. all of the above.
 - E. only a and b.
40. 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
41. 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.
42. 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)

43. 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.
44. Which of the following results have been achieved from e-procurement technologies and strategies?
- A. Reduction of the purchasing cycle time by up to half.
 - B. Reduction of material costs by up to 14%.
 - C. Reduction of purchasing administrative costs by up to 60 percent.
 - D.** All of the above have been achieved.
45. 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?
- A. variable-price contract
 - B. floating-cost contract
 - C. open-end contract
 - D. cost-reimbursement contract
 - E.** fixed-price contract
46. Each purchase order processed over the Internet costs approximately \$_____.
- A.** \$5
 - B. \$15
 - C. \$25
 - D. \$50
 - E. \$100
47. Which of the following statements are true of reverse auctions?
- A. They are most appropriate for commodity-type items.
 - B. They involve one buyer who invites bids from several pre-qualified suppliers.
 - C.** Both a and b are true.
 - D. Neither a or b is true.
48. The federal government is the largest consumer in the United States. Federal government expenditures for goods and services fall in the range of:
- A. \$ 50 billion.
 - B. \$ 100 billion.
 - C. \$ 250 billion.
 - D.** \$ 600 billion.
 - E. \$ 1 trillion.

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

TRUE

50. On average, more than half of every dollar earned from sales of manufactured products is spent for the purchase of materials, supplies, and equipment needed to produce the goods.

TRUE

51. Most large metropolitan areas are lucrative business markets.

TRUE

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

TRUE

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

TRUE

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

FALSE

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

FALSE

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

TRUE

57. 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.

TRUE

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

FALSE

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

TRUE

60. 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.

FALSE

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

TRUE

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

TRUE

63. The NAICS is a result of the NAFTA.

TRUE

64. 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.

FALSE

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

FALSE

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

FALSE

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

FALSE

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

TRUE

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

TRUE

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

TRUE

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

TRUE

72. Group purchasing is common in government purchasing.

FALSE

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

FALSE

74. 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.

n/a

75. 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.

n/a

76. 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.

n/a

77. 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.

n/a

78. 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.

n/a

79. 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.

n/a