

TEST BANK



Chapter 2: Marketing Segmentation

TRUE/FALSE

1. Economists note that imperfect competition occurs where consumers have unique needs and desires.

ANS: T PTS: 1 REF: Page 15
MSC: AACSB Analytic | TB&E Model Strategy | Operations Skills

2. When a large, heterogeneous market is segmented into smaller, homogeneous markets, the demand can become more price elastic—consumers are willing to pay more to get something that is closer to what they want.

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3. Maslow's hierarchy ranges from satisfaction of basic biological needs to more abstract needs regarding well-being.

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MSC: AACSB Reflective Thinking | TB&E Model Strategy | Knowledge of Human Behavior & Society

4. In marketing, we deal with customer differences through segmentation.

ANS: T PTS: 1 REF: Page 16
MSC: AACSB Communication | TB&E Model Customer | Knowledge of Human Behavior & Society

5. A market segment is an individual customer who shares similar inclinations toward your brand.

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MSC: AACSB Reflective Thinking | TB&E Model Customer | Knowledge of Human Behavior & Society

6. Companies that have experimented with the one-to-one marketing approach have scaled back their attempts to achieve mass customization because it is not cost effective.

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7. General Mills' ongoing support of mycereal.com, which lets consumers create their own cereal mix and have it delivered, has allowed the company to capitalize on customers' customization.

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MSC: AACSB Reflective Thinking | TB&E Model Strategy | Managing Administration & Control

8. The goal of homogeneity in customers' likes or dislikes is more achievable as the segment size gets smaller, but if the segment is too small, it might not be profitable to serve.

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MSC: AACSB Analytic | TB&E Model Customer | Operations Skills

9. Older couples who are empty nesters dream of spending their greater discretionary income on technology and furniture.

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10. In the U.S., the African-American and Hispanic-American populations each number about 12 million, and Asian Americans are at about 40 million.

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MSC: AACSB Diversity | TB&E Model Customer | Knowledge of Human Behavior & Society

11. Urban living affords certain elements of entertainment, and smaller towns offer different kinds of amusement.

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MSC: AACSB Analytic | TB&E Model Distribution | Conscientiousness

12. It is useful for marketers to understand the psychological and lifestyle choices that are relevant to the brand(s) the marketer is pitching.

ANS: T PTS: 1 REF: Page 19
MSC: AACSB Analytic | TB&E Model Marketing Plan | Managing Logistics & Technology

13. Opinion leaders, innovators, or market mavens are known for their expertise and involvement in a category.

ANS: T PTS: 1 REF: Pages 19-20
MSC: AACSB Communication | TB&E Model Customer | Interpersonal Orientation

14. One reason celebrity spokespeople are thought to be effective is that ordinary people aspire to be like the celebrity, in whatever manner that is achievable.

ANS: T PTS: 1 REF: Page 20
MSC: AACSB Diversity | TB&E Model Marketing Plan | Knowledge of Media Communications & Delivery

15. We can directly observe attitudes, but we cannot use behaviors to infer attitudes and psychological states.

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MSC: AACSB Analytic | TB&E Model Strategy | Knowledge of Human Behavior & Society

16. It is easier to identify, obtain information on, and woo customers who are currently using a competitor's brand, or who aren't even purchasers in the category.

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17. The "80:20 rule" is where 20% (or so) of your sales come from 80% (or so) of your customers.

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MSC: AACSB Analytic | TB&E Model Marketing Plan | Operations Skills

18. Data sources for segmenting businesses and consumers tend to be the same.

ANS: F PTS: 1 REF: Page 21
MSC: AACSB Reflective Thinking | TB&E Model Customer | Foundational Skills

19. Marketers identify segments best when iterating between a managerial approach and a customer-based assessment.

ANS: T PTS: 1 REF: Page 22
MSC: AACSB Reflective Thinking | TB&E Model Customer | Foundational Skills

20. The least common marketing research technique used to segment customer data is cluster analysis.

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MSC: AACSB Reflective Thinking | TB&E Model Customer | Foundational Skills

21. A set of segments may be very clear from a statistical perspective, but they need to be useful from a managerial point of view.

ANS: T PTS: 1 REF: Page 23
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22. To marketers, the most important feature of segments is their size, not their profitability..

ANS: F PTS: 1 REF: Page 23
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23. Since most marketplaces are international, country and cultural differences can be tremendous.

ANS: T PTS: 1 REF: Page 24
MSC: AACSB Diversity | TB&E Model International Perspective | Knowledge of Human Behavior & Society

24. An upscale segment is always a tempting one for marketers to target because marketers assume that those customers can afford to purchase their goods or services, with a little less price sensitivity than other customers.

ANS: T PTS: 1 REF: Page 25
MSC: AACSB Analytic | TB&E Model Customer | Knowledge of Human Behavior & Society

25. The ideal goal for the marketer is to find an untapped (or at least relatively underserved) group of customers whose needs can easily and profitably be met.

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MULTIPLE CHOICE

1. Differences in _____ and preferences require that different products be provided to satisfy the different segments' needs.
 - a. companies
 - c. perceptions

- b. targets
- d. consumers

ANS: C PTS: 1 REF: Page 15
MSC: AACSB Diversity | TB&E Model Strategy | Managing Strategy & Innovation

2. Instead of trying to appeal to the entire marketplace, smart marketers and smart companies will try to find out
- a. what will appeal to high end customers.
 - b. which customers might like their product, and how to get the product into their hands.
 - c. which customers are price sensitive.
 - d. which customers have brand loyalty and seek a brand image similar to other brands they like.

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MSC: AACSB Analytic | TB&E Model Customer | Managing Decision-Making Processes

3. Company ABC is interested in better understanding how different groups of customers feel about its product. In order to this, Company ABC will need to
- a. position its product in the market.
 - b. segment the market.
 - c. mass market.
 - d. target market.

ANS: B PTS: 1 REF: Page 16
MSC: AACSB Analytic | TB&E Model Customer | Managing Decision-Making Processes

4. _____ means that all customers are treated the same. This approach might sound attractive because it simplifies the marketing task, but it is usually unrealistic because customers differ.
- a. One-to-one marketing
 - b. Gender marketing
 - c. Group marketing
 - d. Mass marketing

ANS: D PTS: 1 REF: Page 16
MSC: AACSB Analytic | TB&E Model Customer | Knowledge of General Business Functions

5. _____ means that each customer serves as his or her own segment. This approach sounds appealing from the customer point of view because the product would be tailored specially for each person's idiosyncratic desires.
- a. Geographic marketing
 - b. One-to-one marketing
 - c. Mass marketing
 - d. Psychological marketing

ANS: B PTS: 1 REF: Page 16
MSC: AACSB Analytic | TB&E Model Customer | Knowledge of General Business Functions

6. The contrast between mass marketing and one-to-one marketing illustrates that segments become more _____ as they increase in size.
- a. heterogeneous
 - b. favorable
 - c. homogeneous
 - d. unfavorable

ANS: A PTS: 1 REF: Page 17
MSC: AACSB Analytic | TB&E Model Customer | Knowledge of Human Behavior & Society

7. Company ABC segments customers by gender, age, education, and income. Company ABC's segmentation is based on _____ factors.
- a. demographic
 - b. geographic
 - c. psychological
 - d. behavioral

ANS: A PTS: 1 REF: Page 17
MSC: AACSB Analytic | TB&E Model Customer | Knowledge of Human Behavior & Society

8. _____ is a type of segmentation in which the company strategically focuses on targeting a smaller market with particular needs that the company can serve well.
- a. Mass marketing
 - b. Demographic marketing
 - c. Niche marketing
 - d. One-to-one marketing

ANS: C

PTS: 1

REF: Page 17

MSC: AACSB Reflective Thinking | TB&E Model Research | Knowledge of the Task Environment

9. Gender, age and income are all qualities of what segmentation base?
- a. geographic
 - b. psychological
 - c. education
 - d. demographic

ANS: D

PTS: 1

REF: Page 17

MSC: AACSB Diversity | TB&E Model Customer | Knowledge of Human Behavior & Society

10. Regarding the phrase “time is money,” what type of effect does time seemingly have on money?
- a. positive effect
 - b. no effect
 - c. little effect
 - d. negative effect

ANS: D

PTS: 1

REF: Page 18

MSC: AACSB Analytic | TB&E Model Strategy | Knowledge of General Business Functions

11. The fact that snowblowers tend to sell better in the north than in the south illustrates the importance of considering _____ in marketing planning.
- a. climate
 - b. urban living
 - c. culture
 - d. education

ANS: A

PTS: 1

REF: Page 18

MSC: AACSB Diversity | TB&E Model Research | Managing Strategy & Innovation

12. A popular tool for segmenting that uses psychographic data, and that is based on the belief that one’s attitudes and value system determine one’s orientation to certain products and/or brands is called
- a. Experian.
 - b. Vals.
 - c. Mals.
 - d. Prizm.

ANS: B

PTS: 1

REF: Page 19

MSC: AACSB Diversity | TB&E Model Research | Knowledge of Human Behavior & Society

13. Some customers are _____, caring about new developments in their category and seeking out new products.
- a. opinion leaders
 - b. early adopters
 - c. market mavens
 - d. innovators

ANS: B

PTS: 1

REF: Page 20

MSC: AACSB Reflective Thinking | TB&E Model Customer | Knowledge of Human Behavior & Society

14. _____ are important because they help us make predictions regarding future purchasing.
- a. Behaviors
 - b. Demographics
 - c. Education levels
 - d. Psychological states

ANS: A

PTS: 1

REF: Page 20

MSC: AACSB Analytic | TB&E Model Research | Interpersonal Orientation

15. One behavioral segment of great importance to the marketer is the _____ of the focal brand because it is relatively easy to communicate to this group.
- a. past user
 - b. future user
 - c. current user
 - d. non-user

ANS: C

PTS: 1

REF: Page 20

MSC: AACSB Communication | TB&E Model Customer | Knowledge of Human Behavior & Society

16. Businesses plan for and interact differently with their larger clients than with their smaller ones. They assign more client service personnel and extend more relationship management efforts because these customers tend to be
- a. more profitable.
 - b. cheaper.
 - c. less profitable.
 - d. higher quality.

ANS: A

PTS: 1

REF: Page 21

MSC: AACSB Communication | TB&E Model Marketing Plan | Managing Administration & Control

17. A recent study found that expanding an understanding of all the following EXCEPT _____ was a top priority for B2B marketers.
- a. customer needs
 - b. drivers of customer value
 - c. market segments
 - d. price elasticity

ANS: A

PTS: 1

REF: Page 21

MSC: AACSB Reflective Thinking | TB&E Model Customer | Strategic & System Skills

18. Marketers identify segments best when iterating between two approaches. What are the two approaches?
- a. customer, market
 - b. managerial, customer
 - c. managerial, company
 - d. market, company

ANS: B

PTS: 1

REF: Page 22

MSC: AACSB Reflective Thinking | TB&E Model Marketing Plan | Knowledge of General Business Functions

19. Knowledge of the _____ clearly enters into the decision of which segments the company should eventually target.
- a. marketplace
 - b. company
 - c. customer
 - d. competitors

ANS: A

PTS: 1

REF: Page 22

MSC: AACSB Reflective Thinking | TB&E Model Strategy | Knowledge of Human Behavior & Society

20. The managerial perspective is important with respect to assessing whether serving a specific _____ is consistent with overall corporate goals.
- a. market segment
 - b. product
 - c. provider
 - d. competitor

ANS: A

PTS: 1

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MSC: AACSB Reflective Thinking | TB&E Model Strategy | Knowledge of Human Behavior & Society

21. If one element of an iterative segmentation is a smart marketer, what is the other?
- a. good company
 - b. quality products
 - c. good customer data
 - d. good managing

ANS: C PTS: 1 REF: Page 23
MSC: AACSB Analytic | TB&E Model Research | Managing Logistics & Technology

22. Sometimes _____ segments can be highly profitable if the marketer pays attention and satisfies those customers' needs.
- a. high income
 - b. large
 - c. low income
 - d. small

ANS: D PTS: 1 REF: Page 25
MSC: AACSB Reflective Thinking | TB&E Model Research | Managing the Task Environment

23. A(n) _____ segment is always a tempting one for marketers to target because marketers assume that those customers can afford to purchase their goods or services.
- a. international
 - b. upscale
 - c. small
 - d. large

ANS: B PTS: 1 REF: Page 25
MSC: AACSB Reflective Thinking | TB&E Model Marketing Plan | Knowledge of Human Behavior & Society

24. The ideal goal for the marketer is to find a(n) _____ group of customers whose needs they can easily and profitably meet.
- a. quality
 - b. unmet
 - c. untapped
 - d. competing

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MSC: AACSB Reflective Thinking | TB&E Model Customer | Interpersonal Skills

25. It's not unusual to see a segmentation study comprised of some usage variable (e.g., heavy vs. light users) or some attitudinal variable (e.g., positively inclined toward our brand vs. loyal to a competitor). What type of variable is it usually cross-tabbed with?
- a. demographic
 - b. geographic
 - c. psychological
 - d. physical

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ESSAY

1. Why is it not advisable to target an entire market with a new product offering?

ANS:

It is highly unlikely that the marketer could attract the entire market, for instance:

How could you provide a product that is high enough quality to satisfy premium customers but is priced low enough for price-sensitive customers?

How could you afford to place your advertisement in the disparate media that different customers enjoy; e.g., online; in teen magazines, car magazines, and cooking magazines; on network television, etc. How many versions of the ad could you afford to create so as to communicate effectively to those different audiences?

How could you develop a brand image that appeals to the masses who seek comfort in conformity while simultaneously appealing to fashion-setters, mavericks, or other customers who seek to express their individualism? These goals are incompatible.

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MSC: AACSB Reflective Thinking | TB&E Model Customer | Knowledge of Human Behavior & Society

2. Discuss the pros and cons of geographical customer segmentation.

ANS:

Societal, cultural, climate, and urban vs. rural differences are often discovered via geographical segmentation. Like demographic segmentation, geographic segmentation is relatively easy to identify. However, the downside is that it may offer a too simplistic view of the marketplace.

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MSC: AACSB Reflective Thinking | TB&E Model Customer | Knowledge of Human Behavior & Society

3. Vals psychographic-based segmentation is based on the idea that consumers are inspired by one of three primary motivations. Identify the three motivations and describe them.

ANS:

Consumers who are primarily motivated by *ideals* are guided by knowledge and principles.

Consumers who are primarily motivated by *achievement* look for products and services that demonstrate success to their peers.

Consumers who are primarily motivated by *self-expression* desire social or physical activity, variety, and risk.

PTS: 1

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MSC: AACSB Reflective Thinking | TB&E Model Marketing Plan | Knowledge of General Business Functions

4. Explain cluster analysis, the major marketing research technique used to segment customer data.

ANS:

Clustering models identify groups of customers who are similar to each other in demographic, attitudinal, and behavioral data. Customers in one cluster differ from those in other clusters/segments. Some cluster models begin with the one-to-one segmentation scheme (all customers in their own clusters) and cluster customers together whose data show similarities, aggregating repeatedly until they achieve the extreme of mass segmentation (all customers in one cluster). The marketer then has all the partitions between these extremes (e.g., three clusters, twenty-five clusters, etc.). More sophisticated cluster models assign customers to multiple segments.

PTS: 1

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MSC: AACSB Reflective Thinking | TB&E Model Strategy | Operations Skills

5. How do marketers segment a market?

ANS:

Marketers identify segments best when iterating between two approaches: a managerial, top-down ideation and a customer-based, bottom-up needs assessment. Marketers begin with some knowledge of the marketplace—the customers, competitors, and the company’s own strengths—and they can gather information to understand the customer perspective.

Knowledge of the marketplace clearly enters into the decision of which of the segments the company should eventually target. A market segment may look desirable in terms of its size and even future growth potential, but it may already be saturated with competitors' offerings. There may be richer potential opportunities in other segments. The managerial perspective is also clearly important for assessing the extent to which the servicing of a particular segment is consistent with corporate goals.

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MSC: AACSB Reflective Thinking | TB&E Model Customer | Knowledge of Human Behavior & Society

6. Why do many segmentation schemes fail? Explain.

ANS:

Lots of segmentation schemes fail because marketers focus on the wrong criteria. Specifically, the statistics and clusters might be crystal clear (e.g., four clear clusters of customers), and even the interpretation and managerial meaning might be clear (e.g., one segment in particular seems to be a great fit), but the segmentation is useless if the marketer is unsure how to put it into action.

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