

TEST BANK

INTERNATIONAL EDITION

PRINCIPLES OF
**INTERNATIONAL
MARKETING**



Seventh Edition

Czinkota • Ronkainen

Not for Sale in the
United States

Chapter 2—The Economic Environment

TRUE/FALSE

1. Three of the five major industrialized countries in the world include Chile, Canada, and Mexico.

ANS: F PTS: 1 DIF: Easy

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

2. Rising commodity prices and low population growth are the major obstacles to market development in less-developed countries.

ANS: F PTS: 1 DIF: Moderate

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

3. The main dimensions of a market can be captured by considering the population and its various characteristics, the country's infrastructure, the geographical features of the environment, and the amount of foreign involvement in the economy.

ANS: T PTS: 1 DIF: Moderate

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

4. As the life expectancy in a market extends and new target markets become available, international marketers may be able to extend product life cycles by marketing them abroad.

ANS: T PTS: 1 DIF: Moderate

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

5. A household refers to only related people who live in the same housing unit.

ANS: F PTS: 1 DIF: Easy

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

6. Purchasing power is a function of three distinct elements: available resources, temperate climate, and categorical supply.

ANS: F PTS: 1 DIF: Moderate

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

7. The most basic indicator of market potential is income.

ANS: F PTS: 1 DIF: Moderate

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

8. Consumption patterns remain mostly unaffected by increased urbanization of markets.

ANS: F PTS: 1 DIF: Moderate
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of human behavior & society

9. Purchasing Power Parities (PPP) is the amount of currency which, when converted into the floating U.S. dollar, equals the projection of stabilized currency as set by the Federal Reserve in compliance with the World Bank.

ANS: F PTS: 1 DIF: Moderate
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

10. Engel's laws state that as a family's income rises, the percentage of the money it spends on food will increase because of the reliance on buying prepared food out of the home, i.e. restaurants and bistros.

ANS: F PTS: 1 DIF: Moderate
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of human behavior & society

11. The availability and quality of an infrastructure is critically important in evaluating marketing operations abroad.

ANS: T PTS: 1 DIF: Moderate
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

12. PQLI is a composite measure of the level of welfare in a country.

ANS: T PTS: 1 DIF: Easy
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

13. The free trade area defined by NAFTA as the United States, Mexico, and Canada is the only free trade zone in the world.

ANS: F PTS: 1 DIF: Moderate
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

14. Immobility of factors of production ensures the most productive employment of capital, labor, and technology.

ANS: F PTS: 1 DIF: Moderate
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

15. Economic growth will be spurred by the economies of scale that will be achieved when production facilities become less concentrated.

ANS: F PTS: 1 DIF: Moderate
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

16. The fear amongst many U.S. firms regarding unified European nations raising barriers to trade with other nations was termed as Fortress Europe.

ANS: T PTS: 1 DIF: Moderate
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

17. Maquiladoras are landscape engineers who make sure that the free trade areas along the border are neat and clean so more companies will choose to trade with each other.

ANS: F PTS: 1 DIF: Moderate
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

18. The four perspectives under which integrating markets are assessed include: the effect of changes resulting from integration, strategic planning, reorganization, and lobbying.

ANS: T PTS: 1 DIF: Easy
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

19. The introduction of the euro meant increased coordination in pricing as against the relative autonomy in price setting enjoyed by country organizations in the past.

ANS: T PTS: 1 DIF: Easy
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

20. Developed countries do not benefit from the development of human and natural resources in emerging markets.

ANS: F PTS: 1 DIF: Moderate
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

MULTIPLE CHOICE

1. The assessment of a foreign market environment should start with:
- a monetary analysis of the currency fluctuation.
 - the evaluation of economic variables relating to the size and nature of the markets.
 - a description of the seasonal expenditures of total GDP.
 - expert testimony from witnesses.

ANS: B PTS: 1 DIF: Moderate
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

2. The Group of Five are:
- money managers who regulate worldwide currency rates.
 - money, markets, media, message, and methodology.
 - the United States, Britain, France, Germany, and Japan.
 - automobiles, trains, boats, planes, and waterways.

ANS: C PTS: 1 DIF: Moderate

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

3. Which of the following has been key to modernizing the newly emerging democracies of both Central and Eastern Europe?
- Imported consumer goods
 - Marketing know-how
 - Western technology
 - Hefty capital inflow

ANS: D PTS: 1 DIF: Moderate

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

4. The main dimensions of a market can be captured by considering all of the following except:
- population and its various characteristics.
 - geographical features of the environment.
 - religion of upbringing.
 - foreign involvement in the economy.

ANS: C PTS: 1 DIF: Moderate

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

5. One good way to understand the main dimensions of a market is to study the:
- population.
 - gift-giving customs.
 - building materials used in houses.
 - number of pets per household.

ANS: A PTS: 1 DIF: Easy

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

6. The number of people in a particular market provides what indicator of market size?
- Household
 - Unit of living
 - Population
 - Government regulation

ANS: C PTS: 1 DIF: Easy

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

7. Which of the following is noted as a way that marketers can extend the life cycles of their products?
- Renaming the products
 - Providing incentives
 - Decrease production
 - Marketing products abroad

ANS: D PTS: 1 DIF: Moderate

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

8. Age distribution and _____ correlate heavily with the level of development of the market.
- life expectancy
 - life cycle
 - life index
 - lifestyle

ANS: A PTS: 1 DIF: Moderate

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

9. Which of the following is the term used to describe all the people, both related and unrelated, who occupy a housing unit?
- Household
 - Family
 - Unit of living
 - Lifegroup

ANS: A PTS: 1 DIF: Easy

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

10. What phenomenon has radically changed consumption patterns over the last few decades?
- Urbanization
 - Political dissidents
 - The greening of the globe
 - Professional sports heroes

ANS: A PTS: 1 DIF: Moderate

NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of human behavior & society

11. Purchasing power is a function of income, prices, savings, and what other variable?
- Postal rates
 - Education
 - Credit availability
 - Natural resources

ANS: C PTS: 1 DIF: Moderate

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

12. Apart from population, which of the following is most indicative of the market potential for most consumer and industrial products and services?
- Voter turnout
 - Education levels
 - Life span
 - Income

ANS: D PTS: 1 DIF: Moderate

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

13. Interpretation of demographics requires some degree of:
- knowledge transfer.
 - experiential knowledge.
 - justification knowledge.
 - a priori knowledge.

ANS: B PTS: 1 DIF: Moderate

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

14. The term used to describe how many units of currency are needed in one country to buy the amount of goods and services that the same unit of currency will buy in another country is called:
- price index.
 - the exchange rate.
 - purchasing power parities.
 - value added.

ANS: C PTS: 1 DIF: Difficult

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

15. Which of the following laws states that as a family's income increases, the percentage spent on food will decrease?
- Consumption law
 - Engel's law
 - The law of diminishing returns
 - Case law

ANS: B PTS: 1 DIF: Moderate

NAT: AACSB Ethics | CB&E Model International perspective | R&D Knowledge of human behavior & society

16. Market information on the percentage of households that own a particular product is known as:
- product categorization.
 - product saturation or diffusion.
 - PQLI.
 - suspended products.

ANS: B PTS: 1 DIF: Moderate

NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of human behavior & society

17. To control rapid escalation of prices, the government imposes:
- price stability.
 - price-based competition.
 - price cuts.
 - price controls.

ANS: D PTS: 1 DIF: Moderate

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

18. The availability and quality of _____ is critically important in evaluating marketing operations abroad.
- urban population
 - infrastructure
 - political autonomy
 - education

ANS: B PTS: 1 DIF: Easy

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

19. A country's use of computers, telephones, broadcast media, and print media is an indicator of what infrastructure element?
- Passive consumers
 - Communications
 - Neighborhoods
 - Universities

ANS: B PTS: 1 DIF: Moderate

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

20. Which relatively new technology will change the worldwide infrastructure landscape?
- Free drying
 - Vacuum packaging
 - Desalinization
 - Wireless technology

ANS: D PTS: 1 DIF: Moderate

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

21. Which of the following is a composite measure of the level of welfare in a country?
- Basic Well-being Index
 - Human Development Index
 - Physical Quality of Life Index
 - Human Poverty Index

ANS: C PTS: 1 DIF: Easy

NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of human behavior & society

22. Emotional well-being may be determined by all of the following except:
- quality of social relationships.
 - level of wealth.
 - enjoyment at work.
 - overall conditions in the country.

ANS: B PTS: 1 DIF: Moderate

NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of human behavior & society

23. Which of the following is not a major hindrance toward economic growth of the developing nations?
- Urban congestion
 - Labor shortage
 - High illiteracy rate
 - Environmental destruction

ANS: C PTS: 1 DIF: Moderate

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

24. Which of the following is best described as a "dynamic marketplace in which all restrictions and barriers among member countries are removed"?
- Autocracy
 - Bilateral infrastructure
 - Free trade area
 - Protectionism

ANS: C PTS: 1 DIF: Moderate

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

25. Which of the following is not an example of a free trade area?
- SFTAA
 - AFTA
 - EFTA
 - NAFTA

ANS: A PTS: 1 DIF: Moderate

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

26. One characteristic of this trade agreement is that it established a common trade policy with respect to nonmembers.
- NAFTA
 - ASCAP and BMI
 - NAACP
 - Customs Union

ANS: D PTS: 1 DIF: Moderate

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

27. Which of the following amounts to a customs union covering the exchange of goods and services and the prohibition of duties in exports and imports between members?
- Common market
 - Free trade area
 - Trade bloc
 - Economic union

ANS: A PTS: 1 DIF: Moderate

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

28. Which of the following is the currency that was created by the European Union?
- Dogma
 - Euro
 - Francpence
 - Yen

ANS: B PTS: 1 DIF: Easy

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

29. The formation of a(n) _____ requires members to surrender a large measure of their national sovereignty to supranational authorities in communitywide institutions such as the European Parliament?
- economic union
 - common market
 - free trade area
 - trade bloc

ANS: A PTS: 1 DIF: Moderate

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

30. In terms of economic integration, which of the following abolished restrictions on immigration and cross-border investment?
- Customs union
 - Common market
 - Regional market
 - Political union

ANS: B PTS: 1 DIF: Moderate

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

31. The ratification of the Maastricht Treaty in late 1993 by all of the twelve member countries of the EC created the:
- OPEC.
 - OECD.
 - European Union.
 - Single European Act.

ANS: C PTS: 1 DIF: Moderate

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

32. Which of these is not a benefit accrued from the creation of the euro?
- The cost of transitioning countries' currencies to one single currency
 - Consolidation of firms across industries and across countries
 - Cheaper transaction costs and reduced currency risks
 - Price transparency and increased price-based competition

ANS: A PTS: 1 DIF: Difficult

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

33. Opposition to the NAFTA centered on issues relating to:
- political difference of opinion between the United States and Mexico.
 - gains and losses for the United States and Mexico.
 - immobility of factors of production.
 - labor and environment.

ANS: D PTS: 1 DIF: Difficult

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

34. _____ are Mexican plants that make goods and process food for export to the United States.
- Microfinance institutions
 - Chaebol
 - Maquiladoras
 - Sogo shosha

ANS: C PTS: 1 DIF: Moderate

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

35. A(n) _____ refers a country making an effort to change and improve its economy with the goal of raising its performance to that of the world's most advanced nations.
- emerging market
 - frontier equity market
 - urban market
 - export market

ANS: A PTS: 1 DIF: Moderate

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

SHORT ANSWER

- Describe the three types of unions that were discussed in the text and that relate to trading partnerships between countries.

ANS:

Customs Unions – countries dismantle barriers to trade in goods and services among members and have a common trade policy to nonmember nations.

Economic Unions – require integration of economic policies in addition to the free movement of goods, services, and factors of production across borders.

Political Unions – in which the nations agree on political unification.

PTS: 1 DIF: Moderate

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

2. Which three countries were involved in NAFTA and what are the characteristics of that agreement?

ANS:

The North American Trade Agreement involves the countries of the United States, Mexico and Canada. Each of the member countries continue to set its own policies in relation to nonmembers, and each member is free to set any tariffs or other restrictions that it chooses on trade with countries outside the free trade area.

PTS: 1 DIF: Moderate

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

3. List and briefly describe the five elements of success that are required for an international marketer to take advantage of and thrive in developing markets.

ANS:

Research – learn about the needs, aspirations, and habits of targeted populations.

Creating Buying Power – allowing consumers with no collateral to borrow money.

Tailoring Local Solutions – combine advanced technology with local insights.

Improving Access – by providing access, it could lead to a thriving business.

Shaping Aspirations – ideally suited products to match consumer demand.

PTS: 1 DIF: Difficult

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