

Test Bank for International Marketing 1st Edition Baack Harris
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Test Bank:

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1. An economy in which most economic decisions are made in the marketplace is known as a:
 - A) Market economy
 - B) Planned economy
 - C) Command economy
 - D) Mixed economy
 - E) Stabilized economy

2. A central authority makes all key economic decisions in a:
 - A) Market economy
 - B) Planned economy
 - C) Command economy
 - D) Mixed economy
 - E) Stabilized economy

3. An example of a country with a strong command economy is:
 - A) United States
 - B) England
 - C) Canada
 - D) Germany
 - E) Cuba

4. An extreme form of socialism is:
 - A) Capitalism
 - B) Command socialism
 - C) Market behaviorism
 - D) Communism
 - E) Isolationism

5. When the marketplace guides part of an economic system and the government runs the other part, this is called a:
 - A) Moderate economy
 - B) Mixed economy
 - C) Planned economy
 - D) Fixed economy
 - E) Stabilized economy

6. In a mixed economy, the government usually does not oversee:
- A) Defense
 - B) Education
 - C) Road building and repair
 - D) Fire protection
 - E) Cultural customs
7. The amount of goods and services that producers will provide at various prices is:
- A) Supply
 - B) Demand
 - C) Price
 - D) Quantity
 - E) Quality
8. Which of the following is a stage in Rostow's stages of development?
- A) Traditional
 - B) Newly formed
 - C) Regional power
 - D) Economic leader
 - E) Postmodern
9. Which of the following is a BRIC country?
- A) Chile
 - B) China
 - C) Chad
 - D) Colombia
 - E) Cambodia
10. An underdeveloped country may also be referred to as:
- A) Traditional
 - B) Industrialized
 - C) Newly industrialized
 - D) Sustenance
 - E) Nationalized

11. In which stage of Rostow's model do manufacturing industries grow rapidly, and airports, roads and railways are built?
- A) Traditional
 - B) Preconditions for takeoff
 - C) Takeoff
 - D) The drive to maturity
 - E) Mass consumption
12. South Korea, Taiwan, Hong Kong, and Singapore are referred to as:
- A) Four Giants
 - B) Four Lions
 - C) Four Leaders
 - D) Four Tigers
 - E) Four Bears
13. Older consumers who remain resistant to foreign goods after a conversion from communism suffer from what is known as:
- A) Ethnocentric fatigue
 - B) Transition fatigue
 - C) Socialist fatigue
 - D) Regiocentric fatigue
 - E) Economic fatigue
14. In which stage of Rostow's model does rapid expansion of tertiary, third-wave support industries occur alongside a decline in manufacturing?
- A) Traditional
 - B) Preconditions for takeoff
 - C) Takeoff
 - D) Drive to maturity
 - E) Mass consumption
15. Which feature of transition economies is described by prices being set by supply and demand and removal of trade barriers?
- A) Privatization
 - B) Liberalization
 - C) Budget reform
 - D) Maturation
 - E) Stabilization

16. Which of the following factors generate national competitive advantage according to Michael Porter's theory?
- A) Firm strategy, structure, and rivalry
 - B) Climate conditions
 - C) International economics
 - D) Firm age
 - E) Firm size
17. The theory of national competitive advantage was introduced by:
- A) Michael Porter
 - B) Michael Foster
 - C) Jonathan Dunning
 - D) Theodore Levitt
 - E) Sidney Arenas
18. A strong scientific community represents which of the following factors in the theory of national competitive advantage?
- A) Demand conditions
 - B) Related and supporting industries
 - C) Factor conditions
 - D) Government
 - E) Supply conditions
19. Which has occurred in what were formerly communist countries as they moved to free markets?
- A) Industrialization
 - B) Commercialization
 - C) Transition economy
 - D) Fragmented economy
 - E) Moderation in economic growth
20. Which of the following is not one of Porter's Five Competitive Forces?
- A) Threat of new entrants
 - B) Threat of substitute products
 - C) Bargaining power of suppliers
 - D) Rivalry among competitors
 - E) Threat of governmental actions

21. If a technology can be easily copied without violating any laws, which exists?
- A) Threat of new entrants
 - B) Threat of substitute products
 - C) Bargaining power of suppliers
 - D) Rivalry among competitors
 - E) Bargaining power of consumers
22. When Korean Airlines focused on differentiating through the speed and convenience of its service, it was responding to which competitive force?
- A) Threat of new entrants
 - B) Threat of substitute products
 - C) Bargaining power of suppliers
 - D) Rivalry among competitors
 - E) Threat of governmental actions
23. Consumer price sensitivity leads to increased:
- A) Threat of new entrants
 - B) Threat of substitute products
 - C) Bargaining power of suppliers
 - D) Rivalry among competitors
 - E) Threat of governmental actions
24. When a banking organization sees the potential to become nationalized, it experiences:
- A) Threat of new entrants
 - B) Threat of substitute products
 - C) Bargaining power of suppliers
 - D) Rivalry among competitors
 - E) Threat of governmental action
25. Which of the following cultural factors emphasizes purchasing new and better goods and services?
- A) Patriotism
 - B) Nationalism
 - C) Discrimination
 - D) Materialism
 - E) Frugality

26. Sustainability challenges are highlighted in the trade of virtual:
- A) Plants
 - B) Web space
 - C) Water
 - D) Oxygen
 - E) Ingredients
27. With regard to sustainability, one of the biggest challenges facing international marketers as more countries develop economically is:
- A) How to get products into consumers' hands
 - B) How to set price levels in the face of economic uncertainty
 - C) How to advertise products internationally with a consistent message
 - D) How to balance economic growth with environmental protection
 - E) How to enter free trade areas
28. Which of the following entry modes has the lowest risk but offers the lowest level of control for the international marketer?
- A) Exporting
 - B) Licensing
 - C) Wholly owned subsidiaries
 - D) Joint ventures
 - E) Strategic alliances
29. Which of the following entry modes can be accomplished through direct sales and use of an intermediary?
- A) Exporting
 - B) Licensing
 - C) Wholly owned subsidiaries
 - D) Joint ventures
 - E) Strategic alliances
30. Which type of reseller buys and resells products?
- A) Merchant
 - B) Exchange
 - C) Company wholesale
 - D) Joint enterprise
 - E) None of the above

31. McDonald's and KFC are well known for which type of activity worldwide?
- A) Joint venture
 - B) Strategic alliance
 - C) Licensing
 - D) Franchise
 - E) Distribution
32. A legal partnership that involves investment, a division of ownership, and the creation of a new legal entity is a:
- A) Strategic partnership
 - B) Joint venture
 - C) Joint enterprise
 - D) Cooperative alliance
 - E) Cooperative venture
33. The Quantas American Express Classic Card is an example of a:
- A) Strategic partnership
 - B) Joint venture
 - C) Joint enterprise
 - D) Cooperative alliance
 - E) Cooperative venture
34. A greenfield investment is a type of:
- A) Strategic partnership
 - B) Joint venture
 - C) Joint enterprise
 - D) Wholly owned subsidiary
 - E) Cooperative venture
35. Which grants the exporting company the greatest degree of control?
- A) Strategic partnership
 - B) Cooperative venture
 - C) Joint enterprise
 - D) Wholly owned subsidiary
 - E) Joint venture

36. What is the primary advantage of a wholly owned subsidiary?
- A) Shared risk
 - B) Shared investment
 - C) Control
 - D) Diversification
 - E) Acquisition equity
37. What is a fundamental difference between a strategic alliance and a joint venture?
- A) Ideas are not shared in a strategic alliance
 - B) A separate legal entity is not created in a joint venture
 - C) A separate legal entity is not created in a strategic alliance
 - D) Resource sharing does not take place in a strategic alliance
 - E) Joint ventures are not allowed in several European countries while strategic alliances are
38. Which is a formal agreement between two companies to work together toward a common goal?
- A) Joint alliance
 - B) Strategic alliance
 - C) Joint venture
 - D) Strategic venture
 - E) None of the above
39. Which of the following is not a category of joint ventures?
- A) Majority owned
 - B) Minority owned
 - C) Subsidiary owned
 - D) Equal split of ownership
 - E) Divided ownership
40. When textbook publishers grant rights to companies to reprint books and sell them in foreign countries, it is:
- A) Franchising
 - B) Cooperative contracts
 - C) Licensing
 - D) Wholly owned subsidiaries
 - E) None of the above

41. Internationalization Theory is closely related to which school?
- A) Oxford
 - B) Blanley
 - C) Windem
 - D) Hardman
 - E) Uppsala
42. According to Internationalization Theory, companies go through each of the following stages when becoming global except:
- A) No regular export activities
 - B) Export via independent representatives
 - C) Establishment of an overseas sales subsidiary
 - D) Establishment of merchant exchange agreements
 - E) Foreign production
43. Which plays a primary role in country selection under Internationalization Theory?
- A) Governmental contacts
 - B) Psychic distance
 - C) Trade restrictions
 - D) Global relations
 - E) Economic barriers
44. Which moves beyond the ordered, staged approach of Internationalization Theory to focus solely on the reasons a company's leaders select a specific type of entry mode?
- A) Internalization Theory
 - B) Global Trade Theory
 - C) Economic Selection Theory
 - D) Theocratic Operations Theory
 - E) Multinational Selection Theory
45. Eclectic Theory assumes that which mode of entry is most efficient?
- A) Exporting
 - B) Licensing
 - C) Joint venture
 - D) Strategic alliance
 - E) Wholly owned subsidiary

46. Which can be thought of as explaining the “why” of multinational corporation foreign activities according to Eclectic Theory?
- A) Resource advantages
 - B) Demand advantages
 - C) Supply advantages
 - D) Ownership advantages
 - E) Asset advantages
47. According to Eclectic Theory, which represents anything that a company does well?
- A) Resource advantages
 - B) Demand advantages
 - C) Supply advantages
 - D) Ownership advantages
 - E) Asset advantages
48. Which can be thought of as the “how” of market entry according to Eclectic Theory?
- A) Resource advantages
 - B) Demand advantages
 - C) Internalization advantages
 - D) Internationalization advantages
 - E) Asset advantages
49. When selecting a mode of entry, which represents reduced costs per item due to increased production?
- A) Risk
 - B) Uncertainty
 - C) Economics of scale
 - D) Rivalries
 - E) New entrants
50. Which advantages relate to the ability to capture transactional benefits, such as lower costs?
- A) Transaction ownership
 - B) Transaction equity
 - C) Transaction accounting
 - D) Transaction settlement
 - E) Transaction offering

51. True or False. Economic systems dictate the distribution of resources to members of a society.
A) True
B) False
52. True or False. A free and competitive marketplace means the government does not interfere with prices.
A) True
B) False
53. True or False. Capitalism is considered to be a type of market economy.
A) True
B) False
54. True or False. Socialism refers to economic systems where the state owns at least some parts of industry.
A) True
B) False
55. True or False. The updated categorization of economic development that is accepted by the United Nations includes first-, second-, and third-world country designations.
A) True
B) False
56. True or False. Greater economic development affords an increased number of potential products to be sold to an expanding number of potential customers.
A) True
B) False
57. True or False. A traditional country is a country in which little technology exists and the capital required to purchase raw materials and create services is not widely available.
A) True
B) False
58. True or False. Urbanization occurs during the “takeoff” stage of Rostow's stages of development.
A) True
B) False

59. True or False. Development of an economy generally leads to less competition due to monopolization by very few producers.
A) True
B) False
60. True or False. Countries moving through the transformation from developing to developed are termed emerging markets.
A) True
B) False
61. True or False. The term *EMM* stands for “emerging, mature markets.”
A) True
B) False
62. True or False. BRIC countries include Brazil, Russia, India, and Cambodia.
A) True
B) False
63. True or False. BEMS, or big emerging markets, are generally unattractive for international marketers due to limited growth opportunities.
A) True
B) False
64. True or False. The Rostow Modernization Model has been criticized for failing to recognize that some nations have experienced rapid economic expansion.
A) True
B) False
65. True or False. A NIC is a newly industrialized country.
A) True
B) False
66. True or False. Transition economies occur in what were formerly communist countries.
A) True
B) False

67. True or False. Transition economies occur in impoverished areas.
A) True
B) False
68. True or False. Bottom-of-the-pyramid customers do not offer a valid target market.
A) True
B) False
69. True or False. Bottom-of-the-pyramid consumers are most likely to reside in most-developed countries.
A) True
B) False
70. True or False. The theory of national competitive advantage provides an explanation for why countries succeed in certain industries.
A) True
B) False
71. True or False. The ability to innovate helps establish national competitive advantage.
A) True
B) False
72. True or False. One factor in Porter's theory of national competitive advantage is the government.
A) True
B) False
73. True or False. One of Porter's Five Forces is the threat of price increases.
A) True
B) False
74. True or False. Widely accessible knowledge and processes result in more rivalry among competitors than does specialized knowledge.
A) True
B) False

75. True or False. One way of lessening the bargaining power of suppliers is to buy the supplier in question.
A) True
B) False
76. True or False. The existence of substitute products increases competitive intensity in an industry.
A) True
B) False
77. True or False. Industries with a relatively small number of buyers face increased customer power.
A) True
B) False
78. True or False. Economic growth usually means more complex marketing infrastructures.
A) True
B) False
79. True or False. Risk is not a factor that influences entry mode selection.
A) True
B) False
80. True or False. The growth of the Internet has made the direct-sales approach increasingly difficult for international marketers.
A) True
B) False
81. True or False. A contractual agreement that allows one company to use another's brand, image, and other marketing components is a license.
A) True
B) False
82. True or False. In a franchising agreement, the main risk to a parent company is poor franchise selection.
A) True
B) False

83. True or False. A joint venture is essentially a licensing agreement between two companies.
A) True
B) False
84. True or False. An acquisition can result only from a franchise agreement.
A) True
B) False
85. True or False. Internationalization Theory proposes that companies go through five stages during the move to becoming completely global.
A) True
B) False
86. True or False. One underlying assumption of Internalization Theory is that there is no specific advantage for exporting.
A) True
B) False
87. True or False. Greater control of a subsidiary allows company leaders to better respond to risk and uncertainty.
A) True
B) False
88. True or False. Eclectic Theory assumes that exporting is the least efficient form of market entry.
A) True
B) False
89. True or False. Eclectic Theory explains the “where” of entry location advantages.
A) True
B) False
90. True or False. The presence of local resources is of little consideration in entry mode selection according to Eclectic Theory.
A) True
B) False

91. Compare and contrast the various types of basic economic systems that are discussed in the text. How do they differ?
92. Describe the stages found in the Rostow Modernization Model. What are some of the challenges that countries face moving through these stages?
93. Describe the various features of transition economies that have been discussed in the textbook. How does the level of development present in a country affect international marketing programs?
94. Define BEMS and BRIC. What are the BRIC countries? What role do they play in international marketing? Do you think their role will grow or shrink in years to come?
95. Which countries are considered to be newly industrialized countries? List and discuss the various factors that contribute to the growth of these countries.
96. Discuss each of the five drivers of national competitive advantage that are found in Porter's theory. How can each of these factors affect international marketing efforts?
97. Discuss the five competitive forces that apply to international marketing. Using an example of your choice describe how each of these forces affect international marketing efforts in the focal industry.
98. Discuss the six major forms of entry mode that have been discussed in the textbook. Include the various levels of risk, country, and cost that are associated with each.
99. Discuss Internationalization Theory, Internalization Theory, and Eclectic Theory. Note the differences and similarities in the theories.
100. Describe the various stages found in Internationalization Theory. What is meant by the assertion that the theory views going global as being a "process"?

Answer Key

1. A
2. C
3. B
4. D
5. B
6. E
7. A
8. A
9. B
10. A
11. C
12. D
13. B
14. E
15. B
16. A
17. A
18. C
19. C
20. E
21. B
22. A
23. C
24. E
25. D
26. C
27. D
28. A
29. A
30. A
31. D
32. B
33. B
34. D
35. D
36. C
37. C
38. B
39. C
40. C
41. E
42. D
43. B
44. A

- 45. A
- 46. D
- 47. C
- 48. C
- 49. E
- 50. A
- 51. A
- 52. A
- 53. A
- 54. A
- 55. B
- 56. A
- 57. A
- 58. B
- 59. B
- 60. A
- 61. B
- 62. B
- 63. B
- 64. A
- 65. A
- 66. A
- 67. B
- 68. B
- 69. B
- 70. A
- 71. A
- 72. A
- 73. B
- 74. A
- 75. A
- 76. A
- 77. A
- 78. A
- 79. B
- 80. B
- 81. A
- 82. A
- 83. B
- 84. B
- 85. B
- 86. B
- 87. A
- 88. B
- 89. A
- 90. B

91. Varies
92. Varies
93. Varies
94. Varies
95. Varies
96. Varies
97. Varies
98. Varies
99. Varies
100. Varies