# Chapter 1

## Multiple Choice

1. In global business, products have been traded across borders throughout recorded civilization, extending back beyond \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that once connected East with West.

a. The Marco Polo Road

b. The Roman Road

c. The Pioneer Road

d. The International Road

e. The Silk Road

Answer: e

Difficulty: Easy

Page: 1

1. BRIC is an acronym for:

a. Britain, Russia, India and China

b. Brazil, Russia, India and China

c. Brazil, Russia, Ireland and China

d. Britain, Russia, Ireland and Chile

Answer: b

Difficulty: Easy

Page: 1

1. The term Global Marketing refers to a strategy to achieve which benefits:

a. Cost reduction

b. Improved product/program quality

c. Increased customer preference

d. Increased competitive advantage on a global basis

e. All of the above

Answer: e

Difficulty: Easy

Page: 2

1. Which of the following statements are true?

a. World merchandise trade averages the growth of twice the annual growth of global GDP

b. Total merchandise trade volume has grown over 50% over the last five years

c. Exports of commercial services are declining

d. All of the above

Answer: b

Difficulty: Moderate

Page: 2

1. When was China’s stock market crash?

a. 1997

b. 2004

c. Mid-2015

d. Late 2018

e. 2019

Answer: c

Difficulty: Moderate

Page: 2

1. Britain’s decision to leave the European Union is called what?

a. EnglandExit

b. Brexit

c. BritainExit

d. Monetary Exit

Answer: b

Difficulty: Moderate

Page: 2

1. Which of the following statements are true regarding the effect of globalization?

a. Poor countries may not be able to adjust fast enough to forces of globalization

b. Poor countries could be made worst off by trade liberalization

c. Economic nationalism tends to hamper further globalization

d. All of the above

Answer: d

Difficulty: Moderate

Page: 2

1. Saturation of domestic markets in the industrialized parts of the world has forced many companies to look for marketing opportunities beyond their \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a. local borders

b. national borders

c. regional borders

d. complex borders

e. transnational borders

Answer: b

Difficulty: Hard

Page: 3

1. Triad Regions of the world refers to:

a. China, Japan, India

b. North America, South America, Europe

c. North America, Western Europe, Japan

d. Europe, Middle East, Asia

Answer: c

Difficulty: Hard

Page: 3

1. BEM refers to:

a. British Empire Markets

b. Big Emerging Markets

c. Bi-annual Economic Measures

d. Before Economic Migration

Answer: b

Difficulty: Easy

Page: 3

1. Which of the following computer manufacturers are Taiwanese? (check all that apply):

a. Samsung

b. ASUS

c. Toshiba

d. Acer

e. Sony

f. Lenovo

Answer: b & d

Difficulty: Moderate

Page: 5

1. Which of the following are NOT actual trans-national partnerships?

a. BMW + Toyota

b. Daimler + Renault-Nissan

c. Starbucks + Tata Global Beverage

d. Manchester University + Penn State

e. Yum! Brands + Aldi

Answer: e

Difficulty: Moderate

Page: 5-6

1. The \_\_\_\_\_\_\_\_\_\_\_\_ revolution has brought profound changes in global commerce, including the build-to-order business.

a. Wal-Mart

b. CNN

c. Social Media

d. Internet

e. FedEx

Answer: d

Difficulty: Moderate

Page: 6

1. The number of internet users in the world was over \_\_\_\_\_\_\_\_\_\_ in 2018.

a. one billion

b. two billion

c. three billion

d. four billion

e. five billion

Answer: d

Difficulty: Easy

Page: 6

1. B2B stands for:

a. bubble-to-business

b. business-to-business

c. buyer-to-business

d. best-to-business

e. Best Buy-to-business

Answer: b

Difficulty: Easy

Page: 6

1. B2C stands for:

a. business-to-customers

b. business-to-consumer

c. buyer-to-business

d. business-to-countries

e. Best Buy-to-customers

Answer: b

Difficulty: Easy

Page: 6

1. Which of the following countries do NOT have companies among the world’s largest?

a. Malaysia

b. Finland

c. Venezuela

d. Thailand

Answer: b

Difficulty: Moderate

Page: 9, Exhibit 1-1

1. The first step in developing a personal international business relationship is what?

a. Phoning the involved people

b. Emailing the involved people

c. Developing an accessible website

d. Meeting the involved people in person

e. None of the above

Answer: a

Difficulty: Moderate

Reference: The Internet World and Cultural and Human Aspects of Global Marketing

1. Toyota’s new strategy is to de-Japanize its business and make the \_\_\_\_\_\_\_\_ market its major corporate priority.

a. U.S.

b. Germany

c. England

d. Indonesia

e. none of the above

Answer: a

Difficulty: Moderate

Page: 7-8

1. This happened in 1991.

a. Establishment of the European Union (EU)

b. The Trans-Pacific Partnership Agreement

c. The North American Free Trade Agreement (NAFTA)

d. The demise of the Soviet Union

Answer: d

Difficulty: Moderate

Page: 10

1. This happened in 1993.

a. Establishment of the European Union (EU)

b. The Trans-Pacific Partnership Agreement

c. The North American Free Trade Agreement (NAFTA)

d. The demise of the Soviet Union

Answer: a

Difficulty: Moderate

Page: 10

1. This happened in 1994.

a. Establishment of the European Union (EU)

b. The Trans-Pacific Partnership Agreement

c. The North American Free Trade Agreement (NAFTA)

d. The demise of the Soviet Union

Answer: c

Difficulty: Moderate

Page: 10

1. This happened in 2015.

a. Establishment of the European Union (EU)

b. The Trans-Pacific Partnership Agreement

c. The North American Free Trade Agreement (NAFTA)

d. The demise of the Soviet Union

Answer: b

Difficulty: Moderate

Page: 10

1. In 2018, which country had the largest number of large companies based there?

a. China

b. Japan

c. Germany

d. United States

e. Britain

Answer: d

Difficulty: Moderate

Page: 11

1. In 2018, which country had the second largest number of large companies based there?

a. China

b. Japan

c. Germany

d. United States

e. Britain

Answer: a

Difficulty: Moderate

Page: 11

1. The term global epitomizes both the competitive pressure and expanding:

a. basic opportunities.

b. social opportunities.

c. physical opportunities

d. market opportunities.

e. bottom opportunities.

Answer: d

Difficulty: Moderate

Page: 11

1. In global marketing, competitive pressure can also come from \_\_\_\_\_\_\_\_\_\_\_\_\_ at home.

a. competitors

b. conglomerates

c. groups

d. locals

e. regionals

Answer: a

Difficulty: Hard

Page: 9

1. When a country’s per capita income is below $10,000, consumers spend most of their income on:

a. food and other necessities.

b. higher education.

c. electronic appliances.

d. buying houses.

e. foreign travel.

Answer: a

Difficulty: Easy

Page: 10

1. In the consumption process, people around the world with per capita income of $20,000 and above have a pretty good \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a. physical power

b. political power

c. purchasing power

d. consumption power

e. psychological power

Answer: c

Difficulty: Moderate

Page: 10

1. According to the textbook, the process of globalization does not suffocate \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, but rather liberates them from the ideological conformity of nationalism.

a. global cultures

b. regional cultures

c. Asian cultures

d. dynamic cultures

e. local cultures

Answer: e

Difficulty: Hard

Page: 10

1. Which of the following are true?

a. The convergence of consumer needs at the macro level necessarily means that individual consumers will adopt all products from around the world.

b. The mutual convergence and divergence of consumer needs means that U.S. companies are automatically at an advantage.

c. The divergence of consumer needs and cultural preferences exists at the same time, and it is becoming more difficult to pinpoint consumers’ preferences in any local market around the world.

d. The divergence of consumer needs and cultural preferences exists at the same time, and it is becoming easier to pinpoint consumers’ preferences in any local market around the world.

Answer: c

Difficulty: Moderate

Page: 10-11

1. In 2007, EU member states came to an agreement, known as

a. the Lisbon Treaty

b. the Brussels Treaty

c. the EU Constitution

d. The EU Treaty

Answer: a

Difficulty: Moderate

Page: 11

1. Which of these factors influenced European companies’ specialized, premium product strategy (prior to the formation of the EU):

a. fragmented markets

b. heterogeneous markets

c. differentiated markets

d. myriad laws

e. all of the above

Answer: e

Difficulty: Moderate

Page: 12

1. FDI stands for:

a. Firm Development Investment

b. Foreign Development Internationalization

c. Foreign Direct Investment

d. Firm Development Investment

Answer: b

Difficulty: Easy

Page: 12

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ consists of exports and imports between a country and the rest of the world.

a. Regional reach

b. Competition

c. International trade

d. International business

e. Regional investment

Answer: c

Difficulty: Moderate

Page: 13

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_includes international trade and foreign production..

a. Regional reach

b. Competition

c. International trade

d. International business

e. Regional investment

Answer: d

Difficulty: Moderate

Page: 13

1. Although it is not widely known, foreign production constitutes a much larger portion of international business than \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Answer: a

Difficulty: Hard

Page: 13

a. international trade

b. regional business

c. local business

d. domestic business

e. transnational business

1. In order to reduce U.S. trade deficits, the U.S. government under the Trump Administration did what?

a. Raised income taxes on firms headquartered in China

b. Bared China from exporting high profit goods to the US

c. Imposed a series of tariffs

d. Started a trade war

e. All of the above

Answer: c

Difficulty: Hard

Reference: Global Perspective 1-3

1. The extensive international penetration of U.S. and other companies has been referred to as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a. local reach

b. regional reach

c. political reach

d. social reach

e. global reach

Answer: e

Difficulty: Moderate

Page: 13

1. In today’s global marketing, international trade and foreign production are increasingly managed on a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a. vertical basis

b. horizontal basis

c. global basis

d. regional basis

e. local basis

Answer: c

Difficulty: Moderate

Page: 14

1. Multinational companies (MNCs) are increasingly managing the international trade flow within themselves. This phenomenon is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a. intra-firm trade

b. interfirm trade

c. bi-national trade

d. poly-national

e. geo-national

Answer: a

Difficulty: Hard

Page: 14

1. According to the text, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the world trade is managed one way or another by MNCs.

a. one-third

b. two-thirds

c. one-fourths

d. two-fourths

e. three-fourths

Answer: b

Difficulty: Hard

Page: 14

1. \_\_\_\_\_\_\_\_\_\_\_\_\_ is essentially a creative corporate activity involving the planning and execution of the conception, pricing, promotion, and distribution of ideas, products, and services in an exchange that not only satisfy customers’ present needs but also anticipates and creates their future needs at a profit.

a. Selling

b. Sourcing

c. Manufacturing

d. Human resources

e. Marketing

Answer: e

Difficulty: Easy

Page: 15

1. Marketing includes the entire company’s:

a. quality orientation.

b. market orientation.

c. cost orientation.

d. production orientation.

e. demand orientation.

Answer: b

Difficulty: Easy

Page: 15

1. Companies often develop different marketing strategies depending on the degree of experience and \_\_\_\_\_\_\_\_\_\_.

a. the cost of capital in international markets

b. the span of control of management

c. their consumer concept

d. the nature of operations in international markets

e. the corporate focus

Answer: d

Difficulty: Hard

Page: 16

1. Responding to changes in the market and competitive environments by moving forward in a \_\_\_\_\_\_\_\_\_\_\_\_\_\_ manner waits for others to formulate strategies before making decisions.

a. proactive

b. deductive

c. constructive

d. reactive

e. participative

Answer: d

Difficulty: Moderate

Page: 16

1. Firms that possess a global vision from their start engage in export sales immediately and even FDI as well as international alliances at an early stage of development are called what?

a. Going global

b. Born global

c. Raised global

d. Strictly global

e. Born international

Answer: b

Difficulty: Easy

Page: 16

1. Responding to changes in the market and competitive environments by moving forward in a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ manner anticipates changes and then formulates strategies.

a. proactive

b. deductive

c. constructive

d. reactive

e. participative

Answer: a

Difficulty: Moderate

Page: 16

1. Five types of marketing that have led to the evolution of global marketing are domestic marketing, export marketing, international marketing, multidomestic marketing, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and global marketing.

a. multinational marketing

b. consumer marketing

c. gray marketing

d. expansion marketing

e. import marketing

Answer: a

Difficulty: Easy

Page: 17, Exhibit 1-2

1. There are five identifiable stages in the evolution of marketing across national boundaries. The first stage is:

a. global marketing.

b. international marketing.

c. export marketing.

d. direct marketing.

e. domestic marketing.

Answer: e

Difficulty: Easy

Page: 16, Exhibit 1-2

1. There are five identifiable stages in the evolution of marketing across national boundaries. The last stage is:

a. global marketing.

b. international marketing.

c. export marketing.

d. direct marketing.

e. domestic marketing.

Answer: a

Difficulty: Easy

Page: 16, Exhibit 1-2

1. When a company focuses solely on its domestic market, this strategy is characterized as one employing:

a. global marketing.

b. international marketing.

c. domestic marketing.

d. indirect marketing.

e. direct marketing.

Answer: c

Difficulty: Easy

Page: 16, Exhibit 1-2

1. Domestic marketing strategy is characterized as a strategy that is developed based on information about domestic customer needs and wants, economic, technological, and political environments at home, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a. taxes

b. customer habits

c. geography

d. culture

e. industry trends

Answer: e

Difficulty: Moderate

Page: 16

1. Domestic marketers tend to be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a. ethnocentric

b. biocentric

c. polycentric

d. geocentric

e. localcentric

Answer: a

Difficulty: Easy

Page: 16

1. Export marketing consists of:

a. indirect and direct exporting.

b. indirect and longitudinal exporting.

c. indirect and passive exporting.

d. indirect and active exporting.

e. indirect and aggressive exporting.

Answer: a

Difficulty: Easy

Page: 18

1. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ stage begins with unsolicited orders from foreign customers.

a. export marketing

b. domestic marketing

c. indirect marketing

d. international marketing

e. multinational marketing

Answer: a

Difficulty: Moderate

Page: 18

1. Some companies progress from export marketing to a more involved stage of internationalization once:

a. managers can speak a foreign language

b. management is willing to commit adequate resources to export activities

c. the company’s stock increases

d. the metric system becomes standard

e. new management has been hired

Answer: b

Difficulty: Moderate

Page: 18

1. Some companies progress to a more involved stage of internationalization by direct exporting, once three internal conditions are satisfied. Which of the following is not one of those conditions?

a. Managers can speak a foreign language

b. Management is willing to commit adequate resources to export activities

c. Management obtains favorable expectations of the attractiveness of exporting

d. The company has access to key resources necessary for undertaking additional export-related tasks

e. There are actually four conditions and all of the above are correct

Answer: a

Difficulty: Moderate

Page: 18

1. Export marketers still tend to take a(n) \_\_\_\_\_\_\_\_\_\_\_\_ approach to foreign markets.

a. geocentric

b. polycentric

c. ethnocentric

d. dualcentric

e. regiocentric

Answer: c

Difficulty: Easy

Page: 18

1. Once export marketing becomes an integral part of a company’s marketing activity, it will begin to seek new directions for growth and international expansion. This stage is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a. exporting

b. green marketing

c. multinational marketing

d. global marketing

e. international marketing

Answer: e

Difficulty: Easy

Page: 18

1. A unique feature of international marketing is its \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ orientation with emphasis on product and promotional adaptation in foreign markets.

a. geocentric

b. regiocentric

c. ethnocentric

d. polycentric

e. egocentric

Answer: d

Difficulty: Moderate

Page: 18-19

1. As a company’s market share in a number of countries reaches a certain point, it becomes important for the company to defend its position vis-à-vis local competition. This is an example of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ orientation.

a. geocentric

b. regiocentric

c. ethnocentric

d. egocentric

e. polycentric

Answer: e

Difficulty: Hard

Page: 19

1. In a polycentric orientation, marketers begin to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ products to local conditions.

a. standardize

b. regulate

c. adapt

d. centralize

e. subsidize

Answer: c

Difficulty: Easy

Page: 19

1. If international marketing is taken to the extreme, a company may establish an independent foreign subsidiary in each and every foreign market and have each of the subsidiaries operate independently of each other without any measurable headquarters control. This special case is called:

a. multinational marketing.

b. export marketing.

c. international marketing.

d. multidomestic marketing.

e. resource-based marketing.

Answer: d

Difficulty: Hard

Page: 19

1. When management of a company comes to realize the benefit of economies of scale in product development, manufacturing, and marketing by consolidating some of its activities on a regional basis, the company is ready to move into the \_\_\_\_\_\_\_\_\_\_\_\_\_ stage of marketing.

a. multinational

b. customization

c. global

d. international

e. polycentric

Answer: a

Difficulty: Easy

Page: 19

1. If a company were to standardize its product groups within a region (for instance, Western Europe), the company would be characterized as taking a \_\_\_\_\_\_\_\_\_\_\_ orientation to its planning activities.

a. bicentric

b. polycentric

c. geocentric

d. concentric

e. regiocentric

Answer: e

Difficulty: Easy

Pages: 19

1. General Motors has a regional subsidiary, Opel headquartered in Germany, to market both GM and Opel cars with a strong European distinction. This would be an example of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ marketing.

a. multinational

b. global

c. transnational

d. international

e. domestic

Answer: a

Difficulty: Moderate

Pages: 19-20

1. Global marketing strategy realizes that \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ leads to higher costs.

a. operational fragmentation

b. standardization

c. production ISO standards

d. market promotion

e. high technology robots

Answer: a

Difficulty: Hard

Page: 20

1. Global marketing refers to all of the marketing activities except:

a. bi-national efforts

b. standardization efforts

c. coordination across markets

d. global integration

e. none of the above

Answer: a

Difficulty: Hard

Page: 20

1. Developing similar marketing programs across different countries particularly with respect to product offering, promotional mix, price, and channel structure refers to which of the following?

a. standardization efforts

b. coordination across markets

c. global integration

d. none of the above

Answer: a

Difficulty: Hard

Page: 20

1. Reducing cost inefficiencies and duplication of efforts among their national and regional subsidiaries refers to which of the following?

a. standardization efforts

b. coordination across markets

c. global integration

d. none of the above

Answer: b

Difficulty: Hard

Page: 20

1. Participating in many major world markets to gain competitive leverage and effective integration of the firm’s competitive campaigns across these markets refers to which of the following?

a. standardization efforts

b. coordination across markets

c. global integration

d. none of the above

Answer: v

Difficulty: Hard

Page: 20

1. Black & Decker, a U.S. hand tool manufacturer, adopted a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ perspective by standardizing and streamlining components such as motors and rotors while maintaining a wide range of product lines creating a universal image for its products.

a. international marketing

b. global marketing

c. multinational marketing

d. export marketing

e. concentric marketing

Answer: b

Difficulty: Moderate

Page: 20

1. Marketing executives should have a thorough understanding of not only the availability of various resources but also emerging consumer and societal needs on a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a. cluster basis

b. local basis

c. global basis

d. regional basis

e. none of the above

Answer: c

Difficulty: Moderate

Page: 23

## Appendix: Theories of International Trade and the Multinational Enterprise

1. Comparative advantage theory was first presented by:

a. David Ricardo.

b. John Stuart Mill.

c. Michael Porter.

d. Milton Friedman.

e. Adam Smith.

Answer: a

Difficulty: Moderate

Page: 25

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ theory states that a country can gain from engaging in trade even if it has an absolute advantage or disadvantage.

a. Constructive advantage

b. Comparative advantage

c. Concentric advantage

d. Supply and demand

e. Relative cost advantage

Answer: b

Difficulty: Moderate

Page: 25

1. Even if the United States is more efficient in the production of everything than China, both countries will benefit from their bilateral trade by specializing in what each country can produce relatively more efficiently. This statement is an example of which economic theory?

a. relative cost advantage

b. supply and demand

c. concentric advantage

d. comparative advantage

e. constructive advantage

Answer: d

Difficulty: Hard

Page: 25

1. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ argument says that two countries cannot engage in trade if one country has a(an) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ over the other country. Note: the phrase will fit in both blanks.

a. absolute advantage

b. regional advantage

c. supply chain advantage

d. comparative advantage

e. global advantage

Answer: a

Difficulty: Hard

Page: 25

1. The term that describes a price of one good in terms of another is called \_\_\_\_\_\_\_\_\_\_.

a. comparative terms of trade

b. regional terms of trade

c. factor endowment theory

d. global terms of trade

e. commodity terms of trade

Answer: e

Difficulty: Moderate

Page: 26

1. An actual exchange rate between two countries is affected by consumer demands and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in the two countries.

a. money supply situations

b. political alliances

c. the deficit

d. the Federal Reserve

e. the factor formula

Answer: a

Difficulty: Hard

Page: 26

1. Which of the following is a principle of international trade?

a. Japanese workers are more productive than any other workers in the world.

b. Countries benefit from international trade.

c. Manufacturers must be forced into international trade.

d. Specialization is bad for international trade.

e. Exchange rates are determined by the World Bank.

Answer: b

Difficulty: Easy

Page: 26

1. Which of the following is a principle of international trade?

a. German workers will not work without Union representation.

b. International trade hurts many countries since it is basically unfair to developing nations.

c. International trade increases worldwide production by specialization.

d. Exchange rates are determined by the Hague Convention.

e. Bribery drives up prices in world trade.

Answer: c

Difficulty: Hard

Page: 26

1. Which of the following is a principle of international trade?

a. United States workers rebel against productivity programs.

b. Outsourcing must be used to succeed in international trade.

c. The United Nations will settle all trade disputes.

d. Exchange rates are determined primarily by traded goods.

e. Gray markets make third world countries more efficient.

Answer: d

Difficulty: Hard

Page: 26

1. In general, a capital-abundant country (such as the United States) tends to specialize in capital-intensive industry and export capital-intensive products, and import labor-intensive products. This statement is an illustration of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of comparative advantage.

a. commodity terms of trade theory

b. supply and demand theory

c. diminishing returns theory

d. factor-sourcing theory

e. factor endowment theory

Answer: e

Difficulty: Hard

Page: 27

1. In general, a labor-abundant country (such as China) tends to specialize in labor-intensive industry and export labor-intensive products, and imports capital-intensive products. This statement is an illustration of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of comparative advantage.

a. commodity terms of trade theory

b. supply and demand theory

c. factor-sourcing theory

d. factor endowment theory

e. relative advantage theory

Answer: d

Difficulty: Hard

Page: 27

1. To encourage improved standards of living, governments should encourage investment in \_\_\_\_\_\_.

a. high value added per worker

b. capital intensive

c. labor intensive

d. skill-intensive

e. strength-intensive

Answer: d

Difficulty: Hard

Page: 27

1. Suppose that you are a strategic planner for Nike. You observe that shoe manufacturing is extremely labor-intensive, while shoe designing is becoming increasingly skill-intensive. If you advise to open a manufacturing-assembly plant in Vietnam, your decision is an illustration of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ thinking.

a. relative advantage

b. absolute advantage

c. comparative advantage

d. production advantage

e. exploitation advantage

Answer: c

Difficulty: Moderate

Page: 27

1. When a company such as Nike has product designing and development and special material development conducted in the United States and has manufacturing operations in labor-abundant countries like China, the company is using \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ strategy.

a. relative advantage

b. absolute advantage

c. production advantage

d. comparative advantage

e. geometric advantage

Answer: d

Difficulty: Easy

Page: 27

1. When a company such as Nike wishes to pursue a comparative advantage strategy, it would have product designing and development and special material development conducted in the United States and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ operations conducted in labor-abundant countries like China or Brazil.

a. manufacturing

b. custom painting

c. testing

d. inventory

e. promotion

Answer: a

Difficulty: Easy

Page: 27

1. The comparative advantage theory is useful in explaining \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ between countries that have very different factor endowments.

a. cost advantages

b. resource allocations

c. promotional expenses

d. intra-industry trade

e. inter-industry trade

Answer: e

Difficulty: Easy

Page: 27

1. An example of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ competition is when BMW exports its sports cars to Japan, while Honda exports its competing models to Germany.

a. inter-industry

b. between-industry

c. intra-industry

d. superficial

e. conglomerate

Answer: c

Difficulty: Hard

Page: 27

1. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ addresses the following questions: Why and how does competition tend to evolve over time and across national boundaries in the same industry? How does a company develop its marketing strategy in the presence of competitors at home and abroad?

a. international complexity theory

b. international technology theory

c. international chaos theory

d. international game theory

e. international product cycle theory

Answer: e

Difficulty: Moderate

Page: 27

1. A large domestic market such as in the United States makes it possible for U.S. companies to enjoy \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in mass production and mass marketing, enabling them to become lower cost producers than their competition in foreign countries.

a. monopoly power

b. preference similarity

c. economies of scale

d. competitive advantage

e. duopoly power

Answer: c

Difficulty: Moderate

Page: 27

1. When Nestlé, a Swiss food company, enjoys economies of scale by considering European, U.S., and Japanese markets together as its primary market it is using the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ argument.

a. economies of scale

b. market expansion

c. market contraction

d. technology power

e. economies of scope

Answer: e

Difficulty: Hard

Page: 28

1. Technological innovation can provide an innovative company a competitive advantage, or \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ over its competitors both at home and abroad.

a. power gap

b. preference gap

c. technological gap

d. economic gap

e. life cycle gap

Answer: c

Difficulty: Moderate

Page: 28

1. Preference similarity explains why:

a. monopoly power has grown tremendously.

b. low cost producers can still enjoy economies of scale.

c. profits are at an all-time high in the industrialized world.

d. intra-industry trade has grown tremendously among the industrialized countries with similar income levels.

e. comparative advantage theory works best in third world countries.

Answer: d

Difficulty: Moderate

Page: 28

1. One of the key underlying assumptions in the international product cycle theory is that:

a. “What goes around, comes around.”

b. “Necessity is the mother of invention.”

c. “If it ain’t broke, don’t fix it.”

d. “You get what you pay for.”

e. “If something can go wrong, it usually will.”

Answer: b

Difficulty: Moderate

Page: 28

1. Historically, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ companies developed and introduced many products that were labor- and time-saving or responded to high-income consumer needs, including dishwashers, microwave ovens, automatic washers, and dryers, PCs, and so on:

a. Indian

b. Turkish

c. Irish

d. U.S.

e. Mexican

Answer: d

Difficulty: Easy

Page: 28

1. The following statement characterizes which country’s orientation to introducing products to their mass market: Innovate on material- and capital-saving products and processes to meet their local consumer’s needs and lifestyle orientation (such as small and no-frill automobiles and recyclable products).

a. Japan

b. Western Europe

c. Canada

d. Mexico

e. United States

Answer: b

Difficulty: Moderate

Page: 28

1. The following statement characterizes which country’s orientation to introducing products to their mass market: Developing and marketing products that not only conserve material and capital but also space to address their consumer’s acute concern about space limitation.

a. Japan

b. Western Europe

c. Mexico

d. Canada

e. United States

Answer: a

Difficulty: Easy

Page: 28

1. Companies from this country (these countries) excel in developing and marketing small energy-efficient products of all kinds.

a. Japan

b. Western Europe

c. Mexico

d. Canada

e. United States

Answer: a

Difficulty: Easy

Page: 28

1. With respect to the international product cycle theory, which stage’s orientation is primarily domestic in nature?

a. Growth

b. Maturity

c. Saturation

d. Introduction

e. Decline

Answer: d

Difficulty: Easy

Page: 28

1. In the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ stage of the international product cycle theory, U.S. companies typically increase exports to Europe and Japan as those foreign markets expand.

a. introduction

b. saturation

c. growth

d. maturity

e. decline

Answer: c

Difficulty: Easy

Page: 28

1. In the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ stage of the international product cycle theory, U.S. companies which have carved out market share in Europe and Japan by exporting decide to make a direct investment in production in those markets to protect their market position there.

a. introduction

b. saturation

c. growth

d. decline

e. maturity

Answer: e

Difficulty: Moderate

Page: 28

1. In the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ stage of the international product cycle theory , the United States eventually begins to import what was once a U.S. innovation.

a. introduction

b. saturation

c. growth

d. decline

e. maturity

Answer: d

Difficulty: Moderate

Page: 28

1. A company’s proprietary expertise – that which makes it different from its competitors and helps to maintain its competitive advantage – can be discussed under the following theory:

a. internalization or technological theory.

b. Internalization or transaction cost theory.

c. Internalization or regional cost theory.

d. Internalization or transnational theory.

e. Internalization or traditional cost theory.

Answer: b

Difficulty: Hard

Page: 29

1. Appropriability regime helps companies retain their \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ advantage:

a. dynamic

b. external

c. internal

d. social

e. technological

Answer: e

Difficulty: Moderate

Page: 30

## True/False

1. The Silk Road once connected Shanghai (China) to Istanbul (Turkey) on land.

Answer: False

Difficulty: Easy

Page: 1

1. The term international marketing refers to a strategy to achieve one or more of four major categories of potential globalization benefits: cost reduction, improved quality of products and programs, enhanced customer preference, and increased competitive advantage on a global basis.

Answer: False

Difficulty: Easy

Page: 1

1. The drive for globalization continues to be promoted through more free trade.

Answer: True

Difficulty: Moderate

Page: 2

1. The saturation of domestic markets in the industrialized economies has forced many companies to look for marketing opportunities beyond their national borders.

Answer: True

Difficulty: Hard

Page: 3

1. Triad regions of the world encompass North America, Western Europe and Africa.

Answer: False

Difficulty: Easy

Page: 3

1. Around the world, industrial and commodity multinationals are scrambling to expand for more sales to China due to strong demand.

Answer: False

Difficulty: Easy

Page: 3

1. Compared to business-to-consumer (B2C) e-commerce, business-to-business (B2B) e-commerce is smaller.

Answer: False

Difficulty: Moderate

Page: 6

1. The term global epitomizes both competitive pressure and the expanding market opportunities all over the world.

Answer: True

Difficulty: Hard

Page: 9

1. There are more large companies based in China than any other country.

Answer: False

Difficulty: Easy

Page: 11

1. There are no large companies based in Russia.

Answer: False

Difficulty: Moderate

Page: 11

1. International trade consists of exports only.

Answer: False

Difficulty: Easy

Page: 13

1. When a country’s per capita income is less than $20,000, much of the income is spent on food and other necessity items, and very little disposable income remains.

Answer: False

Difficulty: Easy

Page: 13

1. International business consists of international trade and foreign production.

Answer: True

Difficulty: Moderate

Page: 13

1. An example of intra-firm trade would be when Honda’s U.S. plant ships parts back to Japan to be placed in cars which are then sold in Japan and the United States.

Answer: True

Difficulty: Hard

Page: 14

1. Intrafirm trade makes trade statistics more complex to interpret because of trade transactions taking place between affiliated companies within the same corporate system, transcending national boundaries.

Answer: True

Difficulty: Hard

Page: 14

1. The IMF (International Monetary Fund) has stated that U.S. President Trump's tariffs on China could increase the global economy by about $430 billion.

Answer: False

Difficulty: Moderate

Reference: Global Perspective 1-3

1. Marketing is much broader than selling.

Answer: True

Difficulty: Easy

Page: 15

1. Domestic marketers tend to be geocentric.

Answer: False

Difficulty: Moderate

Page: 16

1. When a company forms independent foreign subsidiaries in each and every market, this type of international marketing is known as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Answer: multi-domestic marketing

Difficulty: Moderate

Page: 19

1. Regiocentric approach encourages standardized product planning within a region.

Answer: True

Difficulty: Hard

Page: 19

## Appendix to Chapter 1

1. David Ricardo developed the comparative advantage theory 180 years ago.

Answer: True

Difficulty: Hard

Page: 25

1. If a country has an absolute advantage (with respect to trade) over another country, there is no reason to trade.

Answer: False

Difficulty: Moderate

Page: 25

1. Countries normally do not benefit from international trade.

Answer: False

Difficulty: Easy

Page: 26

1. One of the key underlying assumptions in the international product cycle theory is that “necessity is the mother of invention.”

Answer: True

Difficulty: Easy

Page: 28

1. The international product cycle theory consists of three stages: Introduction, growth, and decline.

Answer: False

Difficulty: Easy

Page: 28

1. International product cycle theory explains that companies do not invest abroad reactively once their foreign market position are threatened by local competitors.

Answer: False

Difficulty: Hard

Page: 29

1. A company’s expertise can be channeled through three routes to seek competitive advantage: appropriability regime, dominant design, and geocentric capability.

Answer: False

Difficulty: Moderate

Page: 30

1. Dominant design leads to a “regional design”.

Answer: False

Difficulty: Easy

Page: 30

## Fill In the Blank

1. Assume that the United States can make computers better than any other country. Also assume that China can make rubber shoes better than any other country. Then in this example it may be said that the United States has a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ advantage in making computers and China has a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ advantage in making rubber shoes. Note: one term can be used in both blanks.

Answer: comparative

Difficulty: Hard

Page: 25

1. One rule of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ theory of comparative advantage is that that a capital-abundant country (e.g., the United States) tends to specialize in capital-intensive industry and export capital-intensive products (personal computers) and import labor-intensive products (desks).

Answer: factor endowment

Difficulty: Hard

Page: 25

## Essay

1. Explain the differences between international trade and international business. How does the United States typically participate in international business?

Answer:

International trade consists of exports and imports. If a nation’s imports exceed their exports, then the nation would record a trade deficit. If the opposite were the case, then the country would record a trade surplus.

International business is a broader concept and includes international trade and foreign production. U.S. companies typically market their products in three ways. First, they can export their products from the United States, which is recorded as a U.S. export. Second, they can invest in their foreign production on their own and manufacture those products abroad for sale there. This transaction does not show up as a U.S. export, however. And third, they can contract out manufacturing in whole or part to a company in a foreign country either by way of licensing or joint venture agreement. While it is not widely known, foreign production constitutes a much larger portion of international business than international trade.

Difficulty: Moderate

Page: 13

1. Explain intra-firm trade. Give an example to illustrate your answer.

Answer:

International trade and foreign production are increasingly managed on a global basis. Furthermore, international trade and foreign production are also intertwined in a complex manner. Intra-firm trade demonstrates that a company can export from their home base, manufacture their products in various foreign countries both for local sale and for further exporting to the rest of the world, and even export back to their respective home countries. In other words, multinational companies using the concept of intra-firm trade are managing international trade flow within themselves. An example would be Texas Instruments. Texas Instruments has a large semiconductor manufacturing plant in Japan, marketing its semiconductor chips not only in Japan but also exporting them from Japan to the United States and elsewhere.

Difficulty: Easy

Page: 14

1. Explain the primary differences between international marketing and global marketing.

Answer:

Global marketing is a more advanced phase of international marketing. Once export marketing becomes an integral part of a company’s marketing activity, it begins to seek growth and expansion through international marketing. The emphasis is polycentric (emphasis on product and promotional adaptation in foreign markets--wherever necessary). In global marketing, fragmentation caused by international marketing is overcome.

Global marketing refers to marketing activities by companies that emphasize:

1). Standardization efforts - leading to standardizing marketing programs across different cultures.

2). Coordination across markets - reducing cost inefficiencies and duplication of efforts.

3). Global integration – entering into many major world markets to seek

competitive edge.

Difficulty: Moderate

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## Appendix to Chapter 1

1. Explain the general and associated concepts of comparative advantage theory.

Answer:

The following facts may be used to construct an answer to the above question:

Countries trade with one another for fundamentally the same reasons that individuals trade with one another--mutual benefit. Comparative advantage theory is an arithmetic demonstration made by the English economist, David Ricardo, almost 180 years ago.

 a. The idea was that a country can gain from engaging in trade even if it has an *absolute* advantage or disadvantage.

 b. Examine what trading partners can produce *relatively* more efficiently.

When one looks at products produced in the United States and China it would seem that trade might be prohibited because the United States has an *absolute advantage* in most trade areas. However, upon close inspection, one observes that trade can take place because of the concept of *comparative advantage.*

 a. This suggests that the two trading partners should specialize.

 b. *Commodity terms of trade* (a price of one good in terms of another) must be agreed upon.

In reality, trading members rarely trade one good for another. Instead, they use foreign exchange. Actual exchange rate will be affected by consumer demands. They are also determined by the money supply situations in the affected countries.

General *principles of international trade* include:

 a. Countries benefit from international trade.

 b. International trade increases worldwide production by specialization.

 c. Exchange rates are determined primarily by traded goods.

The *factor endowment theory* indicates that:

 a. A capital-abundant country tends to specialize in capital-intensive industry and export capital-intensive products and import labor-intensive products.

 b. A labor-abundant country tends to specialize in labor-intensive industry and export labor-intensive products and import capital-intensive products.

 c. Be careful of assuming that labor productivity alone shows industry competitiveness.

The comparative advantage theory is useful in explaining *inter-industry* trade between countries that have very different factor endowments.

 a. It suggests efficient allocation of limited resources across national boundaries by specialization and trade.

 b. It does not explain trade where there is no competition.

 c. It also fails to explain trade between countries with similar factor endowments.

 d. *Intra-industry* competition cannot be explained by comparative advantage theory.

Difficulty: Hard

Page: Page: 25-31

1. Explain the international product cycle theory. Be sure to describe the stages that a product might pass through.

Answer:

Facts that might be considered in formulating an answer to this question are listed below.

International product cycle theory suggests that new products are developed primarily to address the needs of the local consumers, only to be demanded by foreign consumers who have similar needs with a similar purchasing power. Intra-industry competition is addressed in the international product cycle theory. As an explanation of international business behavior, international product cycle theory has limited explanatory power. It does, however, describe initial expansion in the international market.

To set the stage for the development of the international product cycle theory speculations must be made:

 a. A large domestic market (such as in the United States) makes it possible for domestic firms to enjoy *economies of scale*.

 b. Low cost producers can engage in international trade.

 c. *Economies of scope* allows the firms to extend their advantages beyond the domestic market into foreign ones.

 d. Technological innovation can provide an innovative company a competitive advantage, or *technological gap*, over its competitors both at home and abroad. The firms may temporarily have *monopoly power*.

 e. It is generally the per-capita income level that determines consumers’ *preference similarity*, or consumption patterns, irrespective of nationality.

The stages of the international product cycle theory include:

 a. The *introductory stage* where a company innovates on a new product to meet domestic consumers’ needs in the domestic market.

 b. The *growth stage* has product standards emerging and mass production becomes feasible.

 c. In the *maturity stage,* many companies vie for market share and prices fall and product differentiation occurs.

 d. In the *decline stage*, companies in developing countries also begin producing the product and marketing it.

Difficulty: Hard

Page: 27-29