PME 603

Week 4 Quiz Study Guide

1. America First Electronics Inc. (AFE) is preparing to launch a set of new-to-the-world medical devices that are based on the same technology. These devices promise to revolutionize the healthcare industry. AFE must ideally attempt to stimulate:

a. primary demand for the product category.

b. joint demand for the product category.

c. selective demand for the product category.

d. replacement demand for the product category.

**Hint:**

When a firm introduces a new-to-the-world product, it must ideally attempt to stimulate primary demand for the product category. The launch plan must stimulate adoption of the new product category and lead to diffusion through the marketplace.

2. Which of the following seeks to assure new product success by encouraging existing consumers to switch to the new offering?

a. Bait marketing

b. Market Skimming

c. Customer migration

d. Consumer movement

**Hint:**

Customer migration seeks to assure new product success by encouraging consumers to switch to the new offering. For a product improvement or upgrade to existing product, the launch is expected to achieve customer migration.

3. Markets segmented based on variables like values, activities, and lifestyles can be best described as using \_\_\_\_\_.

a. end-use segmentation

b. geographic and demographic segmentation

c. behavioral and psychographic segmentation

d. benefit segmentation

**Hint:**

Markets segmented according to variables such as values, activities, and lifestyles can be best described as using behavioral and psychographic segmentation. For example, products are targeted to lifestyles—tax shelters, clothing, cars, and so on.

4. The first 5 to 10 percent of customers who adopt a new product are referred to as the \_\_\_\_\_.

a. innovators

b. early majority

c. early adopters

d. laggards

**Hint:**

The first 5 to 10 percent of customers who adopt a new product are called innovators. The theory of innovation diffusion states that, if firms could just market their new product to the innovators and the early adopters, they could then sit back and let the customers spread the word to the others.

5. A launch cycle is an expansion of the \_\_\_\_\_ of the product life cycle into substages.

a. maturity stage

b. introductory stage

c .growth stage

d. evaluation stage

**Hint:**

A launch cycle is an expansion of the introductory stage of the product life cycle into substages. It picks up the preparations during the prelaunch period, the announcement, the beachhead phase, and then the early growth stage that links the launch cycle back to the product life cycle.

6. When a firm plans to launch an innovative new product, the launch strategies and tactics would include:

a. using existing distribution channels.

b. selling at extremely low prices.

c. focusing on creating exit barriers.

d. creating a broad product assortment.

**Hint:**

Common tactics accompanying the launch of an innovative new product are a broad product assortment, a new brand name and distribution channels, and a higher price.

7. In the context of a lean launch, which of the following best describes time postponement?

a. Deploy inventory as late as possible

b. Lock in product design as late as possible

c. Lock in product identity as late as possible

d. Delay the announcement of a new product as late as possible

**Hint:**

A principle that drives lean launch is postponement. Deploying inventory as late as possible best describes time postponement. Locking in product design as late as possible describes form postponement.

8. When technical departments in firms form ties with universities, government units, private research centers, and even competitors to access what they need, it is referred to as \_\_\_\_\_.

a. strategic alliances

b. cartel arrangements

c. usury agreements

d. portfolio networks

**Hint:**

Technical departments form strategic alliances with universities, government units, private research centers, and even competitors to access what they need. Technical departments have, in recent years, come to realize that they need not have every possible technical capability required on a new product project.

9. Identify the situation that most likely requires a company to conduct market testing on its new product.

a. The company's sales promotion plan does not depend on perfect execution.

b. The company's capital investments in the new product are high.

c. The company knows the business well and has been successful there.

d. The sales and revenue forecasts for the new product are conservative.

**Hint:**

One experienced P&G market researcher said he considers skipping the market test if the capital investments are small and forecasts are conservative.

10. \_\_\_\_\_ is a virtual market testing technique, in which a respondent is brought into a virtual retail store environment and encouraged to look around, take products off the shelf and read the label, and make purchases.

a. Minimarketing

b. Visionary shopper

c. Rollout by application

d. Direct marketing

**Hint:**

Virtual testing techniques have been combined with traditional simulated test market procedures. One such development is called the visionary shopper (VS). Here, the respondent is brought into a virtual retail store environment and encouraged to shop around, "take products off the shelf" (by touching the image on the screen) and read the label, and make purchases.

11. To test its new product, Reliway Inc. choose three cities to sell the product and three cities very similar to the first group where the product was not sold. All six cities were watched closely, and the stocking and sales of the new product were audited using the InfoScan system. This method helped the company fine-tune its sales plans. Identify the market testing method illustrated in this scenario.

a. Test marketing

b. Informal selling

c. Simulated test market

d. Speculative sale

**Hint:**

The market testing method illustrated in the scenario is referred to as test marketing. Test marketing refers to that type of market testing in which a representative piece of the total market (usually, one or more metropolitan markets in and around cities) is chosen for a dress rehearsal.

12. Which of the following is an advantage of the pseudo sale market testing method?

a. It results in actual cash sales.

b. It is cheap and quick.

c. It is intended to test a product in a real competitive environment.

d. It provides the best sales forecast when compared to other test methods.

**Hint:**

Pseudo sale is cheap and quick. Learning is limited, but it is a good leg up on the problem. It often does not hold up the process.

13. The second step in a launch management system for a new product involves:

a. reducing the list of potential problems to a controllable number.

b. designing an effective tracking system.

c. developing contingency plans.

d. identifying potential problems using situation analysis.

**Hint:**

No one can managerially control the scores of potential problems that come from the analysis in step one of a launch management system. So the planner's judgment must cut the list down to a number the firm can handle in the second step.

14. According to the expected effects matrix, devastating events having a low likelihood of occurrence:

a. must be dealt with immediately.

b. are alert variables that must be watched closely.

c. can be safely ignored.

d. are control variables that require contingency planning and tracking.

**Hint:**

Refer to figure 19.4. According to the expected effects matrix, devastating events having a low likelihood of occurrence are alert variables that must be watched closely. Events with little harm and little probability can safely be ignored.

15. In the first step of a product deletion process, a firm must:

a. explore ways by which the viability of the product might be restored through quality or price adjustments.

b. compare the performance of the product against certain criteria and guideposts.

c. evaluate the full effect of the deletion on overheads, expenses, and capacity utilization.

d. decide whether the product is to be deleted immediately, milked, or sold out.

**Hint:**

In the product deletion process, a firm must first decide whether the product's performance merits consideration for deletion.

16. In which of the following stages of a product deletion process does a firm consider the full effects of the deletion on its overheads, expenses, and capacity utilization?

a. Product recognition stage

b. Implementation stage

c. Evaluation and decision formulation stage

d. Analysis and revitalization stage

**Hint:**

During the evaluation and decision formulation stage of the product deletion process, the firm must systematically evaluate the full effect of the deletion on overheads, expenses, and capacity utilization and also determine whether the deletion would leave a major hole in the firm's product line.

17. The \_\_\_\_\_ is typically the last stage in the life cycle of a public concern that often lasts for years, and where general shifts in a country's political thinking may cause various issues to move into or out of the idle state.

a. trial support phase

b. regulatory adjustment phase

c. political arena phase

d. stirring phase

**Hint:**

Regulatory adjustments are that phase of the life cycle of a public concern that often lasts for years, and sometimes general shifts in a country's political thinking cause various issues to move into or out of the idle state.

18. Which of the following is true of counterfeiting as a means to product piracy?

a. Counterfeit goods range from low price and quality to excellent quality.

b. It involves making defamatory statements about established product brands.

c. It refers to a ban on copyrighted or patented goods or brands.

d. Counterfeited products have the manufacturer's original warranty.

**Hint:**

Counterfeiting is the unauthorized production of goods that are protected by trademark, copyright, or patent. Counterfeit goods range from low price and quality to excellent quality; often a giveaway is that the product lacks the manufacturer's original warranty.

19. In the new products process, \_\_\_\_\_ often leads firms to explore the minds of customers to find something they want or will want when they hear about it.

a. reverse engineering

b. expected effects analysis

c. concept generation

d. prototyping

**Hint:**

Ideation or concept generation often leads us to explore the minds of customers to find something they want or will want when they hear about it. Your firm uses intrusive techniques, such as unannounced observation and psychological projective techniques.

20. With reference to product liabilities, injuries caused as a result of inadequate materials and absence of safety devices would fall under the category of \_\_\_\_\_.

a. design defects

b. inherent risks

c. customer misuse

d. dangers after use

**Hint:**

Design defects can cause the manufacture of an unsafe product in three different ways. First, the design may create a dangerous condition; say a steam vaporizer whose center of gravity is so high that the unit is likely to spill. Second, an essential safety device may be absent. For example, a hair dryer may lack an overheat cutoff switch. Third, the design may call for inadequate materials.