

# Principles of Marketing

---

## Description of the Examination

The Principles of Marketing examination covers material that is usually taught in one-semester introductory courses in marketing. Candidates are expected to have a basic knowledge of trends that are important to marketing. Such a course is usually known as Basic Marketing, Introduction to Marketing, Fundamentals of Marketing, Marketing or Marketing Principles. The exam is concerned with the role of marketing in society and within a firm, understanding consumer and organizational markets, marketing strategy planning, the marketing mix, marketing institutions, and other selected topics, such as international marketing, ethics, marketing research, services and not-for-profit marketing. The candidate is also expected to have a basic knowledge of the economic/demographic, social/cultural, political/legal and technological trends that are important to marketing.

The examination contains approximately 100 questions to be answered in 90 minutes. Some of these are pretest questions that will not be scored.

## Knowledge and Skills Required

The subject matter of the Principles of Marketing examination is drawn from the following topics in the approximate proportions indicated. The percentages next to the main topics indicate the approximate percentage of exam questions on that topic.

### 8%–13% Role of Marketing in Society

- Ethics
- Nonprofit marketing
- International marketing

### 17%–24% Role of Marketing in a Firm

- Marketing concept
- Marketing strategy
- Marketing environment
- Marketing decision system
  - Marketing research
  - Marketing information system

### 22%–27% Target Marketing

- Consumer behavior
- Segmentation
- Positioning
- Business-to-business markets

### 40%–50% Marketing Mix

- Product and service management
- Branding
- Pricing policies
- Distribution channels and logistics
- Integrated marketing communications/Promotion
- Marketing application in e-commerce

### Sample Test Questions

The following sample questions do not appear on an actual CLEP examination. They are intended to give potential test-takers an indication of the format and difficulty level of the examination and to provide content for practice and review. Knowing the correct answers to all of the sample questions is not a guarantee of satisfactory performance on the exam.

**Directions:** Each of the questions or incomplete statements below is followed by five suggested answers or completions. Select the one that is best in each case.

1. A manufacturer of car batteries, who has been selling through an automotive parts wholesaler to garages and service stations, decides to sell directly to retailers. Which of the following will necessarily occur?
  - (A) Elimination of the wholesaler's profit will result in a lower price to the ultimate consumer.
  - (B) Elimination of the wholesaler's marketing functions will increase efficiency.
  - (C) The total cost of distribution will be reduced because of the elimination of the wholesaler.
  - (D) The marketing functions performed by the wholesaler will be eliminated.
  - (E) The wholesaler's marketing functions will be shifted to or shared by the manufacturer and the retailer.
  
2. Which of the following strategies for entering the international market would involve the highest risk?
  - (A) Joint ventures
  - (B) Exporting
  - (C) Licensing
  - (D) Direct investment
  - (E) Franchising
  
3. For a United States manufacturer of major consumer appliances, the most important leading indicator for forecasting sales is
  - (A) automobile sales
  - (B) computer sales
  - (C) educational level of consumers
  - (D) housing starts
  - (E) number of business failures
  
4. Which of the following statements about the European Union is true?
  - (A) The EU creates a single Pan-European government.
  - (B) The EU eliminates trade barriers among member countries.
  - (C) The EU is considered the United States of Europe, with its capital in Brussels.
  - (D) The EU removes all internal and external trade barriers to global trade.
  - (E) The EU minimizes inflation through price controls.
  
5. In contrast to a selling orientation, a marketing orientation seeks to
  - (A) increase market share by emphasizing promotion
  - (B) increase sales volume by lowering price
  - (C) lower the cost of distribution by direct marketing
  - (D) satisfy the needs of targeted consumers at a profit
  - (E) market products that make efficient use of the firm's resources
  
6. All of the following are characteristics of services EXCEPT
  - (A) intangibility
  - (B) heterogeneity
  - (C) inseparability
  - (D) perishability
  - (E) inflexibility

7. A fertilizer manufacturer who traditionally markets to farmers through farm supply dealers and cooperatives decides to sell current products to home gardeners through lawn and garden shops. This decision is an example of
- (A) market penetration
  - (B) market development
  - (C) product development
  - (D) diversification
  - (E) vertical integration
8. A manufacturer who refuses to sell to dealers its popular line of office copiers unless the dealers also agree to stock the manufacturer's line of paper products would most likely be guilty of which of the following?
- (A) Deceptive advertising
  - (B) Price discrimination
  - (C) Price fixing
  - (D) Reciprocity
  - (E) Tying contracts
9. Which of the following is an intermediary in the distribution channel that moves goods without taking title to them?
- (A) Agent
  - (B) Wholesaler
  - (C) Merchant
  - (D) Retailer
  - (E) Dispenser
10. In which of the following situations is the number of buying influences most likely to be greatest?
- (A) A university buys large quantities of paper for computer printers on a regular basis.
  - (B) A computer manufacturer is building a new headquarters and is trying to choose a line of office furniture.
  - (C) A consumer decides to buy a different brand of potato chips because they are on sale.
  - (D) A retail chain is searching for a vendor of lower-priced cleaning supplies.
  - (E) A purchasing manager has been asked to locate a second source of supply for corrugated shipping cartons.
11. Which of the following best describes the process of selecting target markets in order to formulate a marketing mix?
- (A) Strategic planning
  - (B) Product differentiation
  - (C) Market segmentation
  - (D) Marketing audit
  - (E) SWOT analysis
12. Cooperative advertising is usually undertaken by manufacturers in order to
- (A) secure the help of the retailer in promoting a given product
  - (B) divide responsibilities between the retailers and wholesalers within a channel of distribution
  - (C) satisfy legal requirements
  - (D) create a favorable image of a particular industry in the minds of consumers
  - (E) provide a subsidy for smaller retailers that enables them to match the prices set by chain stores

13. A marketer usually offers a noncumulative quantity discount in order to
- (A) reward customers for repeat purchases
  - (B) reduce advertising expenses
  - (C) encourage users to purchase in large quantities
  - (D) encourage buyers to submit payment promptly
  - (E) ensure the prompt movement of goods through the channel of distribution
14. Which of the following statements about secondary data is correct?
- (A) Secondary data are usually more expensive to obtain than primary data.
  - (B) Secondary data are usually available in a shorter period of time than primary data.
  - (C) Secondary data are usually more relevant to a research objective than are primary data.
  - (D) Secondary data must be collected outside the firm to maintain objectivity.
  - (E) Previously collected data are not secondary data.
15. Missionary salespersons are most likely to do which of the following?
- (A) Sell cosmetics directly to consumers in their own homes
  - (B) Take orders for air conditioners to be used in a large institution
  - (C) Describe drugs and other medical supplies to physicians
  - (D) Secure government approval to sell heavy machinery to a foreign government
  - (E) Take orders for custom-tailored garments or other specially produced items
16. The demand for industrial goods is sometimes called "derived" because it depends on
- (A) economic conditions
  - (B) demand for consumer goods
  - (C) governmental activity
  - (D) availability of labor and materials
  - (E) the desire to make a profit
17. Behavioral research generally indicates that consumers' attitudes
- (A) do not change very easily or quickly
  - (B) are very easy to change through promotion
  - (C) cannot ever be changed
  - (D) can only be developed through actual experience with products
  - (E) are very accurate predictors of actual purchasing behavior
18. A channel of distribution refers to the
- (A) routing of goods through distribution centers
  - (B) sequence of marketing intermediaries from producer to consumer
  - (C) methods of transporting goods from producer to consumer
  - (D) suppliers who perform a variety of functions
  - (E) traditional handlers of a product line
19. A major advantage of distributing products by truck is
- (A) low cost relative to rail or water
  - (B) low probability of loss or damage to cargo
  - (C) accessibility to pick-up and delivery locations
  - (D) speed relative to rail or air
  - (E) ability to handle a wider variety of products than other means

20. If a firm is using penetration pricing, the firm is most likely trying to achieve which of the following pricing objectives?
- (A) Product quality leadership
  - (B) Market-share maximization
  - (C) High gross margin
  - (D) Status quo
  - (E) Geographic flexibility
21. If a company decides to allocate more resources to personal selling and sales promotion by its resellers, which of the following strategies is it using?
- (A) Pull strategy
  - (B) Push strategy
  - (C) Direct selling strategy
  - (D) Indirect selling strategy
  - (E) Integrated marketing communication
22. Marketing strategy planning includes
- (A) supervising the activities of the firm's sales force
  - (B) determining the most efficient way to manufacture products
  - (C) selecting a target market and developing the marketing mix
  - (D) determining the reach and frequency of advertising
  - (E) monitoring sales in response to a price change
23. A brand that has achieved brand insistence and is considered a specialty good by the target market suggests which of the following distribution objectives?
- (A) Widespread distribution near probable points of use
  - (B) Exclusive distribution
  - (C) Intensive distribution
  - (D) Enough exposure to facilitate price comparison
  - (E) Widespread distribution at low cost
24. Market segmentation that is concerned with people over 65 years of age is called
- (A) geographic
  - (B) socioeconomic
  - (C) demographic
  - (D) psychographic
  - (E) behavioral
25. The XYZ Corporation has two chains of restaurants. One restaurant specializes in family dining with affordable meals. The second restaurant targets young, single individuals, and offers a full bar and small servings. The XYZ Corporation uses which form of targeted marketing strategy?
- (A) Mass marketing
  - (B) Differentiated marketing
  - (C) Undifferentiated marketing
  - (D) Customized marketing
  - (E) Concentrated marketing
26. The marketing director of a manufacturing company says, "If my wholesaler exceeds the sales record from last month, I agree to give him a paid trip to the Bahamas." This technique is a form of
- (A) sales promotion
  - (B) advertising
  - (C) personal selling
  - (D) direct marketing
  - (E) public relations
27. Using a combination of different modes of transportation to move freight in order to exploit the best features of each mode is called
- (A) conventional distribution
  - (B) developing dual distribution
  - (C) selective distribution
  - (D) intermodal transportation
  - (E) freight forwarding

28. Which of the following is a major disadvantage associated with the use of dual distribution?
- (A) It is usually very expensive.
  - (B) It can cause channel conflict.
  - (C) It provides limited market coverage.
  - (D) It is only appropriate for corporate channels.
  - (E) Some distribution channel functions are not completed.
29. The estimated market value of a brand is best described as brand
- (A) equity
  - (B) benefit
  - (C) worth
  - (D) merit
  - (E) return on investment
30. Which of the following would be considered a nonprofit organization?
- (A) A homeless shelter that charges a fee for its services and uses the proceeds for the upkeep of the shelter
  - (B) A drug rehabilitation center in which revenues in excess of cost go to the owners
  - (C) A vaccination clinic owned by an individual entrepreneur
  - (D) A bookstore open to the public for business
  - (E) A hospital that has a publicly traded common stock
31. Which of the following approaches for entering international markets involves granting the rights to a patent, trademark, or manufacturing process to a foreign company?
- (A) Exporting
  - (B) Franchising
  - (C) Licensing
  - (D) Joint venturing
  - (E) Contract manufacturing
32. Reference groups are more likely to influence a consumer's purchase when the product being purchased is
- (A) important
  - (B) inexpensive
  - (C) familiar
  - (D) intangible
  - (E) socially visible
33. Which of the following is true of the product life cycle?
- (A) It can accurately forecast the growth of new products.
  - (B) It reveals that branded products have the longest growth phase.
  - (C) It cannot be applied to computer products that quickly become obsolete.
  - (D) It is based on the assumption that products go through distinct stages in sales and profit performance.
  - (E) It proves that profitability is highest in the mature phase.
34. The primary purpose of market segmentation is to
- (A) combine different groups to meet their needs
  - (B) create sales territories of similar size and market potential to determine sales quotas
  - (C) reduce market demand to a manageable size
  - (D) profile the market as a whole to optimize marketing efforts
  - (E) allocate marketing resources to meet the needs of specific segments

35. A marketing expert said that he could have advertised a brand of soap as a detergent bar for men with dirty hands, but instead chose to advertise it as a moisturizing bar for women with dry skin. This illustrates the marketing principle known as
- (A) product positioning
  - (B) sales promotion
  - (C) cannibalization
  - (D) deceptive advertising
  - (E) undifferentiated marketing
36. The process of identifying people or companies who may have a need for a salesperson's product is known as
- (A) cold calling
  - (B) presenting
  - (C) approaching
  - (D) prospecting
  - (E) targeting
37. Which of the following is a primary disadvantage of direct marketing?
- (A) It is difficult to measure response.
  - (B) It is not personal.
  - (C) It is poorly targeted.
  - (D) It tends to have high costs per contact.
  - (E) It has a fragmented audience.
38. A formal statement of standards that governs professional conduct is called a
- (A) customer bill of rights
  - (B) business mission statement
  - (C) corporate culture
  - (D) code of ethics
  - (E) caveat emptor
39. Maxine suddenly realizes that she is out of paper towels. She remembers that she last bought Max Dri Towels, so she stops at the store and picks up another roll of Max Dri on her way home from work. In this example, Maxine uses what form of information search in her decision process?
- (A) Limited problem solving
  - (B) Extended problem solving
  - (C) Internal information search
  - (D) Compensatory information search
  - (E) Information search by personal sources
40. The ability to tailor marketing processes to fit the specific needs of an individual customer is called
- (A) customization
  - (B) community building
  - (C) standardization
  - (D) mediation
  - (E) product differentiation
41. Which of the following is true of price skimming?
- (A) It requires intermediaries to provide kickback payments.
  - (B) It calls for relatively high prices to start, reducing over time.
  - (C) It is reserved for products in the late stages of the product life cycle.
  - (D) It works best in situations with highly elastic demand.
  - (E) It is illegal in most jurisdictions in the United States.
42. ABC Company agrees to pay a certain amount of a retailer's promotional costs for advertising ABC's products. This is an example of
- (A) cooperative advertising
  - (B) reminder advertising
  - (C) comparison advertising
  - (D) slotting allowance
  - (E) a premium

57. Richard Weiss, SA, is a Swiss watch manufacturer. One of its two major brands offers ruggedness, reliability and durability to active sports enthusiasts. The other offers elegance and stylishness to fashion conscious consumers. Which of the following segmentation approaches is this firm using?
- (A) Demographic
  - (B) Geographic
  - (C) Usage
  - (D) Benefits sought
  - (E) Socioeconomic
58. Compared with agent intermediaries, merchant intermediaries
- (A) sell only to organizational customers
  - (B) sell only in export markets
  - (C) are employees of the manufacturer
  - (D) are compensated by a commission on sales
  - (E) take title to the goods they sell
59. Gabriella's is an Italian producer of fashion jeans. In this highly competitive market, the firm wishes to match the advertising efforts of its competitors by achieving a share of voice (promotion) which is roughly equal to its share of market (sales). This approach to promotional budgeting is called
- (A) all you can afford
  - (B) percent of sales
  - (C) allocation per unit
  - (D) competitive parity
  - (E) objective and task
60. On its e-commerce Web site, XYZMusic.com sells songs from new artists who produce their own music. The site also hosts ads from other e-businesses. The ads presented to a user depend on the type of music the user is reviewing. XYZMusic.com collects ad revenue when users follow links in the ads to the advertisers' Web sites. XYZMusic.com's advertising revenue is based on
- (A) cost-per-thousand exposures
  - (B) click-through rates
  - (C) ad presentation rates
  - (D) unique site-visitor data
  - (E) site-traffic data
61. Which of the following organizations administers the GATT (General Agreement on Tariffs and Trade) ?
- (A) The United Nations
  - (B) The European Union
  - (C) The World Trade Organization
  - (D) The North American Free Trade Agreement
  - (E) The Securities and Exchange Commission
62. At the most basic level, products and services should be viewed as a collection of
- (A) attributes
  - (B) expectations
  - (C) benefits
  - (D) features
  - (E) promises
63. The primary function of promotion is to
- (A) sell products and services
  - (B) create awareness
  - (C) inform, persuade, and remind
  - (D) make a demand more elastic
  - (E) eliminate competition



64. A marketing strategy is composed of both
- (A) a target market and market opportunities
  - (B) a target market and related marketing mix
  - (C) a target market and SWOT analysis
  - (D) a marketing mix and required resources
  - (E) a marketing mix and competition
65. Which of the following is NOT an advantage of Internet advertising as compared with traditional advertising?
- (A) Target-market selectivity
  - (B) Tracking ability
  - (C) Exclusivity
  - (D) Deliverability
  - (E) Interactivity
66. Which of the following statements most accurately describes antidumping laws?
- (A) They set the price that foreign producers must charge.
  - (B) They control the maximum price of imported products.
  - (C) They prevent foreign producers from competing on the basis of price.
  - (D) They prevent foreign-manufactured goods from selling at below cost.
  - (E) They protect consumers from cheaply manufactured foreign products.
67. In selling a new global logistics information system to a large client, the national account manager of a leading supply chain management vendor learns that client executives from marketing, production, human resources, finance, and business strategy will participate in the decision-making process. Which of the following terms best describes the scope of the buying initiative?
- (A) Universal
  - (B) Specialized
  - (C) Standardized
  - (D) Cross-functional
  - (E) Decentralized
68. Which of the following lists the correct sequence of steps in the consumer decision-making process?
- (A) Need recognition, evaluation, purchase decision, invoked set, postpurchase behavior
  - (B) Felt need, response to stimulus, evaluation of alternatives, postpurchase decision, purchase behavior
  - (C) Alternative invoked set, need recognition, purchase decision, postpurchase evaluation
  - (D) Information search, need positioning, evaluation of alternatives, product purchase decision, postpurchase satisfaction
  - (E) Need recognition, information search, evaluation of alternatives, purchase, postpurchase behavior
69. Consumers tend to be more satisfied with their purchase of a product when
- (A) cognitive dissonance develops after the purchase
  - (B) the price of the product falls after the purchase
  - (C) they research the product before the purchase
  - (D) their opinions are inconsistent with their values
  - (E) there is no further contact with the seller
70. Which of the following is true of global marketing standardization?
- (A) It occurs more frequently with consumer products than with industrial goods.
  - (B) It encourages individualized variation in the product, packaging, and pricing for each nation or local market.
  - (C) It addresses legal and cultural differences.
  - (D) It assumes that global consumers increasingly have similar needs.
  - (E) It reduces profit margins.

71. The three types of marketing research are
- (A) explanatory, normative, and descriptive
  - (B) predictive, normative, and innovative
  - (C) interactive, diagnostic, and predictive
  - (D) proactive, interactive, and reactive
  - (E) exploratory, descriptive, and causal
72. A product is classified as a business product rather than a consumer product based on its
- (A) tangible and intangible attributes
  - (B) life-cycle position
  - (C) promotion type
  - (D) pricing strategy
  - (E) intended use
73. Which one of the following changes would most likely motivate a firm to reposition a brand?
- (A) Shifting demographics
  - (B) Stock market fluctuations
  - (C) An economic downturn
  - (D) Changes in available financial resources
  - (E) Rising sales
74. An advertisement for prospective applicants to a college shows individual students along with the slogan "I am getting ready to seize my destiny." The ad appeals to which need in Maslow's hierarchy?
- (A) Physiological
  - (B) Esteem
  - (C) Social affiliation
  - (D) Self-actualization
  - (E) Safety
75. If two brands move closer to each other on a perceptual (positioning) map, it means that they have become
- (A) less perceptually alike
  - (B) closer in price
  - (C) more objectively alike
  - (D) less likely to be direct competitors
  - (E) more similarly perceived by consumers
76. Lutèce Brands, Inc., acknowledges that its French pastries may contribute to health problems in some of its customers, but the company claims that the benefits (such as personal pleasure and taste) outweigh the risks. The company's approach to moral reasoning is best described as
- (A) moral idealism
  - (B) utilitarianism
  - (C) categorical imperative
  - (D) enlightened self-interest
  - (E) situational ethics
77. Which of the following lists the correct order of the steps of the target marketing process?
- (A) Segmentation, positioning, and targeting
  - (B) Targeting, segmentation, and positioning
  - (C) Positioning, targeting, and segmentation
  - (D) Segmentation, targeting, and positioning
  - (E) Positioning, segmentation, and targeting
78. Which of the following types of marketing communications tends to have the shortest-term focus and objectives?
- (A) Brand advertising
  - (B) Public relations
  - (C) Sales promotion
  - (D) Event sponsorship
  - (E) Corporate advertising

**Directions:** Select a choice and click on the blank in which you want the choice to appear. Repeat until all of the blanks have been filled. A correct answer must have a different choice in each blank.

79. Place the four steps in the marketing research process in the correct order.

- Determine the research design.
- Define the problem.
- Collect data.
- Choose the data collection method.

---



---



---



---

**Directions:** Choose among the corresponding environments in the columns for each entry by clicking on your choice. When you click on a blank cell a check mark will appear. No credit is given unless the correct cell is marked for each entry.

80. For each of the following events, indicate which kind of environment it belongs to.

	Sociocultural Environment	Economic Environment	Technological Environment
The development of new production techniques			
The growing Latino population			
Rising mortgage rates			

### Study Resources

Most textbooks used in college-level principles of marketing courses cover the topics in the outline given earlier, but the approaches to certain topics and the emphases given to them may differ. To prepare for the Principles of Marketing exam, it is advisable to study one or more college textbooks, which can be found in most college bookstores. When selecting a textbook, check the table of contents against the knowledge and skills required for this test. Please note that textbooks are updated frequently; it is important to use the latest editions of the textbooks you choose. Most textbooks now have study guides, computer applications and case studies to accompany them. These learning aids could prove useful in the understanding and application of marketing concepts and principles.

You can broaden your understanding of marketing principles and their applications by keeping abreast of current developments in the field from articles in newspapers and news magazines as well as in business publications such as *The Wall Street Journal*, *Business Week*, *Harvard Business Review*, *Fortune*, *Ad Week* and *Advertising Age*. Journals found in most college libraries that will help you expand your knowledge of marketing principles include *Journal of Marketing*, *Marketing Today*, *Journal of the Academy of Marketing Sciences*, *American Demographics* and *Marketing Week*. Books of readings, such as *Annual Editions — Marketing*, also are sources of current thinking.

Visit [clep.collegeboard.org/test-preparation](http://clep.collegeboard.org/test-preparation) for additional marketing resources. You can also find suggestions for exam preparation in Chapter IV of the *Official Study Guide*. In addition, many college faculty post their course materials on their schools' websites.

### Answer Key

- |       |       |               |
|-------|-------|---------------|
| 1. E  | 28. B | 55. A         |
| 2. D  | 29. A | 56. E         |
| 3. D  | 30. A | 57. D         |
| 4. B  | 31. C | 58. E         |
| 5. D  | 32. E | 59. D         |
| 6. E  | 33. D | 60. B         |
| 7. B  | 34. E | 61. C         |
| 8. E  | 35. A | 62. C         |
| 9. A  | 36. D | 63. C         |
| 10. B | 37. D | 64. B         |
| 11. C | 38. D | 65. C         |
| 12. A | 39. C | 66. D         |
| 13. C | 40. A | 67. D         |
| 14. B | 41. B | 68. E         |
| 15. C | 42. A | 69. C         |
| 16. B | 43. C | 70. D         |
| 17. A | 44. A | 71. E         |
| 18. B | 45. A | 72. E         |
| 19. C | 46. B | 73. A         |
| 20. B | 47. D | 74. D         |
| 21. B | 48. A | 75. E         |
| 22. C | 49. C | 76. B         |
| 23. B | 50. C | 77. D         |
| 24. C | 51. A | 78. C         |
| 25. B | 52. D | 79. See below |
| 26. A | 53. D | 80. See below |
| 27. D | 54. D |               |

79. Define the problem.

Determine the research design.

Choose the data collection method.

Collect data.

80.

	Sociocultural Environment	Economic Environment	Technological Environment
The development of new production techniques			✓
The growing Latino population	✓		
Rising mortgage rates		✓	