

Chapter 1—Marketing Channel Concepts

MULTIPLE CHOICE

1. Which type of strategy did Walmart decide to use to compete with Amazon?
 - a. Heavy advertising
 - b. Price reduction
 - c. Establish kiosks in Walmart stores
 - d. Wholesale distribution
 - e. Mass distribution via its own online channel

ANS: E (p. 4)

2. Which of the following statements is **false**?
 - a. Consumer expectations have moved firms to add additional channels.
 - b. Both B2C and B2B businesses are increasing the number of channels they use to distribute their products
 - c. The flexibility to respond to consumers does not appear to be relevant to channel design.
 - d. Channels must be targeted to reach intended customer segments.
 - e. The increasing role of technology is helping to foster the use of multiple channels.

ANS: C (p. 6)

3. Which of the following is a true statement about Internet-based channels?
 - a. Walmart's channel model continues to rely on its 'brick and mortar' stores exclusively.
 - b. 'Bricks and Mortar' retailers that added online capabilities to traditional channels of distribution have had sluggish sales.
 - c. Online sales have become an established distribution channel for B2C but not B2B markets.
 - d. Internet-based channels have become a mainstream channel in the channel mixes of many firms.
 - e. The growth of E-commerce is beginning to slow.

ANS: D (p. 6-8)

4. A sustainable competitive advantage is one that
 - a. lasts at least five years.
 - b. is based on a superior product feature.
 - c. usually stresses a lower price.
 - d. is difficult for competitors to match.
 - e. stresses heavy promotional spending.

ANS: D (p. 9)

5. According to the text, the most promising avenue for gaining a sustainable competitive advantage today is through an emphasis on:
- Pricing strategy.
 - Channel strategy.
 - Promotion strategy.
 - Product strategy.
 - Supply strategy.

ANS: B (p.9)

6. Which of the following is **not** relevant to the definition of, *channel*?
- External*, meaning the channel exists outside the firm.
 - Internal*, meaning the channel exists as part of the firm.
 - Contactual organization*, referring to those firms involved in negotiatory functions.
 - Operates*, suggesting involvement by management in the affairs of the channel.
 - Distribution objectives*, meaning management has certain distribution goals in mind.

ANS: B (p. 10)

7. Relating to the term, **channel manager**, which of the following statements is **false**?
- Most firms and organizations have a single designated position called channel manager.
 - Channel managers** refer to anyone in a firm who is involved in the marketing channel decision making.
 - Depending on the type of firm, many different executives may be involved in making channel decisions.
 - In some franchise organizations the, **manager of franchisee relations**, sometimes plays an important role in channel decision making.
 - The term channel manager is used because it provides a sense of focus to the role of channel decision making

ANS: A (p. 11-12)

8. According to the text, the technology that is likely to have the greatest impact on marketing channels is:
- Television.
 - Automated warehousing.
 - The Internet.
 - Hand-held computers.
 - Cellular phones.

ANS: C

9. According to the text, the confusion over the definition of the marketing channel stems mainly from which of the following causes?
- Marketing channels are complex.
 - There are simply too many definitions of the marketing channel.
 - Too many “academic types” have become involved.
 - The differing perspectives or viewpoints used.
 - There are too many marketing channels for anyone to understand.

ANS: D (p. 10-11)

10. The text argues that the role of marketing channels in marketing management is:
- An extremely important tactical issue.
 - The *most* important part of marketing management.
 - Of strategic importance in many cases.
 - Important mainly in the automobile business.
 - To offset problems in product strategy.

ANS: C

11. Consumers often view the marketing channel as simply:
- Part of the manufacturer’s organization.
 - A group of parasites who are mainly responsible for the high prices at the supermarket.
 - A lot of middlemen standing between them and the producer of the product.
 - The flow of goods and services through the economy.
 - The path taken by the title to goods as it moves through agencies that take title or facilitate its transfer.

ANS: C

12. According to the view taken in the text, the marketing channel may be defined as:
- the intra-organizational system for moving goods and services to their markets.
 - the external contactual organization that management operates to achieve its distribution objectives.
 - the path taken by goods or services as they flow from producer to final user.
 - all firms outside of the organization that are involved in performing marketing functions.
 - the infrastructure used to move goods from manufacturer to retailer.

ANS: B (p. 10)

13. When Wal-Mart is performing negotiatory functions, it is involved in
- Transferring title, selling, and buying.
 - Buying, selling, and transportation.
 - Risk-taking, selling, and credit.
 - Selling and advertising.
 - Transferring title and providing storage.

ANS: A

14. A distinction is made between channel members and facilitating agencies because:
- Sometimes academic hairsplitting is necessary.
 - The channel members are part of the interorganizational system, while the facilitating agencies are not.
 - The channel management problems are often different for channel members versus facilitating agencies.
 - The use of facilitating agencies is not a frequent occurrence for many firms.
 - Channel members and facilitating agencies have different levels of control in the movement of goods.

ANS: C (p. 10)

15. Management of the marketing channel frequently involves all of the following except:
- Interorganizational management.
 - The setting of distribution objectives.
 - Operating the channel.
 - Interorganizational management.
 - Negotiating functions such as buying and selling.

ANS: D (p.10)

16. When a firm finally invents the Star-Trek® Transporter, its marketing channel will come into existence only after:
- The Transporter has been introduced to the market.
 - The negotiatory functions have taken place.
 - Target markets have been defined.
 - Shipping alternatives have been considered.
 - Facilitating agencies have been contacted.

ANS: B

17. Marketing channel management should be considered:
- a. The premier strategic planning area of the firm.
 - b. An important part of logistics management.
 - c. A special tactical phase of marketing management.
 - d. A major strategic area of marketing management.
 - e. A component of operations management.

ANS: D

18. The channel manager is:
- a. A quite common position today in many firms.
 - b. About equal to a product manager.
 - c. The marketing manager's boss.
 - d. Almost always a staff position.
 - e. Anyone in the firm who makes marketing channel decisions.

ANS: E (p. 11)

19. Because the Sales Coordinator at Borden, Inc. makes channel decisions, he/she can be considered:
- a. A distribution manager.
 - b. A logistics manager.
 - c. A channels specialist.
 - d. A channel manager.
 - e. A marketing specialist.

ANS: D (p. 11)

20. Channel management should be viewed as:
- a. The fourth element of the marketing mix.
 - b. Being more important to the firm's strategy than the marketing mix.
 - c. One of the major strategic areas of marketing management.
 - d. A subdivision of logistics.
 - e. An element of the distribution function.

ANS: C (p. 13)

21. Management should develop and operate the marketing channel in such a way as to:
- a. Reduce costs to the lowest possible level.
 - b. Support and enhance the other strategic variables of the marketing mix.
 - c. Maximize sales to final users.
 - d. Provide the bulk of the promotional support needed by the firm.
 - e. Provide a unique service to customers.

ANS: B

22. The Coors Company has decided to focus on channel strategy as the key factor in achieving sustainable competitive advantage because:
- a. In the beer market, product, price and promotion simply are not important strategic variables.
 - b. The relationship between a manufacturer and its channel members is not copied easily by competitors.
 - c. The beer market is growing so rapidly that manufacturers have difficulty securing enough distributors.
 - d. There is a high rate of new product success.
 - e. It is easy to maintain brand recognition.

ANS: B

23. Which of the following statements is true?
- a. Channel management and distribution strategy are the two major components of logistics.
 - b. Logistics and distribution strategy are the two major components of channel management.
 - c. Logistics management is a production function, while channel management is a marketing function.
 - d. Channel management and logistics are the two major components of distribution strategy.
 - e. Logistics management must be formulated prior to developing a channel strategy.

ANS: D (p. 15-16)

24. Channel management is concerned mainly with
- a. Providing for the physical availability of products.
 - b. Planning and overseeing the firm's logistics activities.
 - c. The entire process of setting up and operating the contactual organization.
 - d. Developing the firm's overall strategic marketing program.
 - e. Operating the firm's entire marketing mix.

ANS: C

25. In general, basic decisions in channel strategy usually _____ operating decisions in logistics management.
- a. Follow
 - b. Precede
 - c. Occur simultaneously with
 - d. Are less important than
 - e. Are more important than

ANS: B (p. 15-16)

26. The five flows in marketing channels discussed in the text are
- Product, negotiation, ownership, information, payment.
 - Information, advertising, promotion, product, ownership.
 - Promotion, information, ownership, negotiation, transportation.
 - Negotiation, product, payment, information, promotion.
 - Ownership, product, negotiation, promotion, information.

ANS: E (p. 16)

27. The five flows discussed in the text
- All flow both up and down the channel.
 - Indicate the static nature of buyer behavior.
 - Flow up the channel only.
 - Flow both horizontally and vertically.
 - Convey the dynamic nature of marketing channels.

ANS: E (p. 16-17)

28. When considering the flows in the marketing channel for lawn tractors, product flows _____ and negotiation flows _____.
- Down the channel; down the channel
 - Down the channel; up the channel
 - Down the channel; both up and down
 - Up the channel; down the channel
 - Up the channel; both up and down

ANS: C (p. 17)

29. In the context of the channel flows concept, logistics involves
- Management of all of the flows.
 - Management of only the information flow.
 - Management of none of the major flows.
 - Management of the product flow.
 - Management of new distribution channels.

ANS: D (p. 17-18)

30. From the standpoint of the channel flows concept, only those parties who participate in the _____ flows are considered members of the marketing channel.
- Negotiation and ownership
 - Product and information
 - Payment and negotiation
 - Information and promotion
 - Product and negotiation

ANS: A (p. 17-18)

31. The Internet and World Wide Web has connected millions of people and institutions and
- Has increased the need for intermediaries.
 - Has eliminated intermediaries.
 - Is the only determinant of the role of intermediaries in the marketing channels.
 - Is an important determinant in the use of intermediaries in marketing channels.
 - Does not have any effect on the use of intermediaries in the marketing channels.

ANS: D

32. Using the concept of specialization and division of labor, a channel manager might engage in any of the following activities except:
- Allocate transportation of product to an outside shipping firm.
 - Allocate transportation of product to the manufacturer's own trucking fleet.
 - Allocate transportation of product to the wholesaler's trucking fleet.
 - Allocate transportation of product to the retailer.
 - Allocate transportation of product to an independent trucking company.

ANS: D (p. 19)

33. The concept of specialization and division of labor:
- Is more important in production than distribution.
 - Is less important in distribution than production.
 - Is of equal importance in production and distribution.
 - Is rarely practical in distribution.
 - Applies mainly to production situations.

ANS: C (p. 19)

34. The only major difference between the specialization and division of labor principle as applied to a production versus a distribution situation is:
- Production tasks are often allocated intra-organizationally, while distribution tasks are frequently allocated inter-organizationally.
 - Distribution tasks are much less amenable to specialization and division of labor than production tasks.
 - Only logistics tasks are capable of being broken down for specialization.
 - Production tasks are more easily divided into separate tasks.
 - It is not possible to attain an optimal allocation of distribution tasks.

ANS: A (p. 19-20)

35. The channel manager should allocate the distribution task to:
- a. As many intermediaries as possible.
 - b. His/her own firm whenever possible.
 - c. Those firms that can perform them most efficiently.
 - d. The lowest-cost channel member.
 - e. None of these apply.

ANS: C (p. 21-22)

36. In the development of channel strategy, the channel manager is faced with:
- a. A sales decision.
 - b. An allocation decision.
 - c. A tactical decision.
 - d. A logistics decision.
 - e. An operations decisions.

ANS: B (p. 23)

37. Contactual efficiency viewed from the channel manager's perspective is:
- a. The ratio of intermediaries to final customers.
 - b. The relationship between negotiation effort relative to achieving the distribution objective.
 - c. A relationship between negotiation efforts relative to specialization and division of labor.
 - d. The ratio of intermediaries to distribution tasks performed.
 - e. Cost savings in negotiating activities.

ANS: B (p. 20)

38. Four heavy equipment producers decide to sell their forklifts directly to 12 warehouses. The number of contacts necessary is:
- a. 13.
 - b. 3.
 - c. 48.
 - d. 8.
 - e. 12.

ANS: C

39. Ten manufacturers of wallpaper all sell through one wholesaler to five retailers. The number of contacts needed for all of the manufacturers to contact all of the retailers is:
- 2.
 - 16.
 - 6.
 - 50.
 - 15.

ANS: E

40. Ten producers of garden tools all sell through one wholesaler to five retailers. The number of contacts needed for all of the manufacturers to contact all of the retailers is _____. If the wholesaler were eliminated from the channel, the number of contacts needed would be:
- 2; 5
 - 16; 15
 - 6; 5
 - 50; 50
 - 15; 50

ANS: E

41. A hot tub manufacturer estimates it will take ten personal sales calls, each of which costs \$250, and 25 phone calls, each costing \$25, to get five retailers to carry its product. The measure of contactual efficiency in dollar terms is:
- \$2,500.
 - \$1,250.
 - \$3,125.
 - \$1,375.
 - \$275.

ANS: C

42. Which of the following statements is correct?
- The use of additional intermediaries will often increase the level of contactual efficiency.
 - Specialization and division of labor as well as contactual efficiency considerations are all that is needed to make decisions about intermediary usage.
 - Contactual efficiency and labor efficiency provide a framework for deciding whether or not to use intermediaries in the channel.
 - Specialization and division of labor does not lead to contactual efficiency.
 - The use of retailers provides greater contactual efficiencies than the use of wholesalers.

ANS: A (p. 20-22)

43. The channel structure depicted as M->W->R->C indicates:
- a. All the firms and parties involved in the product flow.
 - b. The intensity of distribution.
 - c. The channel manager has allocated distribution tasks to his/her own firm, wholesalers, retailers and consumers.
 - d. A channel without any facilitating agencies.
 - e. Who is responsible for distribution tasks.

ANS: C (p. 22)

44. Ideally, the channel manager would like to exercise _____ over which firms in the channel perform the distribution tasks.
- a. A veto power
 - b. Limited control
 - c. Substantial control
 - d. Total control
 - e. Autonomous control

ANS: D

45. A multi-channel strategy means:
- a. A firm uses multiple promotional strategies to reach customers.
 - b. A firm advertises its products or services on many television stations.
 - c. Numerous intra-organizational activities are used to provide products and services to customers.
 - d. A product has many features that are desired by customers.
 - e. A company reaches its customers through more than one channel.

ANS: E (p. 23)

46. In order to reach its customers, Ralph Lauren apparel uses all of the following in its multi-channel strategy, except:
- a. Upscale department stores.
 - b. Online sales at Polo.com.
 - c. Company stores.
 - d. Catalogs.
 - e. Specialty retail stores.

ANS: D (p. 23)

47. Which of the following is a true statement?

- a. It is unusual to use multi-channel structures to reach customers in business markets.
- b. Most firms sell their products using a single channel structure.
- c. Multi-channel structures do not work well in reaching customers in consumer markets.
- d. E-commerce technology that includes online sales is a common component in today's multi-channel structure.
- e. Service can only reach customers through a single channel structure.

ANS: D

48. For accounting firms and other producers of services:

- a. Marketing channels do not exist.
- b. Marketing channels are much more important.
- c. Marketing channels tend to be much longer.
- d. Marketing channels are generally of much less importance.
- e. Marketing channels often include agents or brokers.

ANS: E

49. In developing and managing the ancillary structure versus the channel structure, the problems faced by the channel manager are:

- a. Usually less difficult and complex.
- b. Usually more difficult and complex.
- c. Virtually the same in all respects.
- d. Usually more important.
- e. Complicated and time-consuming to solve.

ANS: A

50. In contrast to the development of channel structure, when the channel manager develops ancillary structure, he or she is dealing with facilitating agencies that are:

- a. Outside of the channel decision-making process.
- b. An integral part of the decision-making process.
- c. More committed to the long-term survival of the channel.
- d. Able to provide additional cost saving services.
- e. Capable of offering new information to the manager.

ANS: A (p. 27)