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

   ANS: B (p.9)

6. Which of the following is not relevant to the definition of, channel?
   a. External, meaning the channel exists outside the firm.
   b. Internal, meaning the channel exists as part of the firm.
   c. Contractual organization, referring to those firms involved in negotiatory functions.
   d. Operates, suggesting involvement by management in the affairs of the channel.
e. 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?
   a. Most firms and organizations have a single designated position called channel manager.
   b. Channel managers refer to anyone in a firm who is involved in the marketing channel decision making.
   c. Depending on the type of firm, many different executives may be involved in making channel decisions.
   d. In some franchise organizations the, manager of franchisee relations, sometimes plays an important role in channel decision making.
   e. 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:
   a. Television.
   b. Automated warehousing.
   c. The Internet.
   d. Hand-held computers.
   e. 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?
   a. Marketing channels are complex.
   b. There are simply too many definitions of the marketing channel.
   c. Too many “academic types” have become involved.
   d. The differing perspectives or viewpoints used.
   e. 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:
   a. An extremely important tactical issue.
   b. The most important part of marketing management.
   c. Of strategic importance in many cases.
   d. Important mainly in the automobile business.
   e. To offset problems in product strategy.

ANS: C

11. Consumers often view the marketing channel as simply:
   a. Part of the manufacturer’s organization.
   b. A group of parasites who are mainly responsible for the high prices at the supermarket.
   c. A lot of middlemen standing between them and the producer of the product.
   d. The flow of goods and services through the economy.
   e. 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:
   a. the intra-organizational system for moving goods and services to their markets.
   b. the external contractual organization that management operates to achieve its distribution objectives.
   c. the path taken by goods or services as they flow from producer to final user.
d. all firms outside of the organization that are involved in performing marketing functions.

e. 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
   a. Transferring title, selling, and buying.
   b. Buying, selling, and transportation.
   c. Risk-taking, selling, and credit.
   d. Selling and advertising.
   e. Transferring title and providing storage.

   ANSWER: A

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

   ANSWER: C (p. 10)

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

   ANSWER: D (p. 10)

16. When a firm finally invents the Star-Trek® Transporter, its marketing channel will come into existence only after:
   a. The Transporter has been introduced to the market.
b. The negotiatory functions have taken place.
c. Target markets have been defined.
d. Shipping alternatives have been considered.
e. 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.
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:
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 contractual 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
   a. Product, negotiation, ownership, information, payment.
   b. Information, advertising, promotion, product, ownership.
   c. Promotion, information, ownership, negotiation, transportation.
   d. Negotiation, product, payment, information, promotion.
   e. Ownership, product, negotiation, promotion, information.

   ANS: E (p. 16)

27. The five flows discussed in the text
   a. All flow both up and down the channel.
   b. Indicate the static nature of buyer behavior.
   c. Flow up the channel only.
   d. Flow both horizontally and vertically.
   e. 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 __________. a.
   Down the channel; down the channel
   b. Down the channel; up the channel
   c. Down the channel; both up and down
   d. Up the channel; down the channel
   e. Up the channel; both up and down

   ANS: C (p. 17)

29. In the context of the channel flows concept, logistics involves
   a. Management of all of the flows.
   b. Management of only the information flow.
   c. Management of none of the major flows.
   d. Management of the product flow.
   e. 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.
   a. Negotiation and ownership
b. Product and information
c. Payment and negotiation
d. Information and promotion
e. Product and negotiation

ANS: A (p. 17-18)

31. The Internet and World Wide Web has connected millions of people and institutions and
a. Has increased the need for intermediaries.
b. Has eliminated intermediaries.
c. Is the only determinant of the role of intermediaries in the marketing channels.
d. Is an important determinant in the use of intermediaries in marketing channels.
e. 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:
a. Allocate transportation of product to an outside shipping firm.
b. Allocate transportation of product to the manufacturer’s own trucking fleet.
c. Allocate transportation of product to the wholesaler’s trucking fleet.
d. Allocate transportation of product to the retailer.
e. Allocate transportation of product to an independent trucking company.

ANS: D (p. 19)

33. The concept of specialization and division of labor:
a. Is more important in production than distribution.
b. Is less important in distribution than production.
c. Is of equal importance in production and distribution.
d. Is rarely practical in distribution.
e. 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:
a. Production tasks are often allocated intra-organizationally, while distribution tasks are frequently allocated inter-organizationally.
b. Distribution tasks are much less amenable to specialization and division of labor than production tasks.
c. Only logistics tasks are capable of being broken down for specialization.
d. Production tasks are more easily divided into separate tasks.
e. 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:

a. 2.
b. 16.
c. 6.
d. 50.
e. 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:

a. 2; 5
b. 16; 15
c. 6; 5
d. 50; 50
e. 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:

a. $2,500.
b. $1,250.
c. $3,125.
d. $1,375.
e. $275.

ANS: C

42. Which of the following statements is correct?
   a. The use of additional intermediaries will often increase the level of contactual efficiency.
b. Specialization and division of labor as well as contactual efficiency considerations are all that is needed to make decisions about intermediary usage.

c. Contactual efficiency and labor efficiency provide a framework for deciding whether or not to use intermediaries in the channel.

d. Specialization and division of labor does not lead to contactual efficiency.

e. 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)