

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Which of the following is NOT a typical supply chain member? 1) _____
 - A) intermediaries
 - B) raw materials supplier
 - C) government agencies
 - D) customers
 - E) resellers

- 2) _____ the manufacturer or service provider is the set of firms that supply the raw materials, components, parts, information, finances, and expertise needed to create a product or service. 2) _____
 - A) Parallel with
 - B) Separated from
 - C) Downstream from
 - D) Upstream from
 - E) Congruous to

- 3) Another term for the supply chain that suggests a sense and respond view of the market is _____. 3) _____
 - A) supply and demand chain
 - B) physical distribution
 - C) distribution channel
 - D) channel of distribution
 - E) demand chain

- 4) When suppliers, distributors, and customers partner with each other to improve the performance of the entire system, they are participating in a _____. 4) _____
 - A) value delivery network
 - B) demand chain
 - C) supply chain
 - D) the downstream side
 - E) channel of distribution

- 5) Most producers today sell their goods to _____. 5) _____
 - A) intermediaries
 - B) competitors
 - C) final users and marketing members
 - D) the government at various levels
 - E) final users

- 6) A company's channel decisions directly affect every _____. 6) _____
 - A) channel member
 - B) customer's choices
 - C) competitor's actions
 - D) marketing decision
 - E) employee in the channel

- 7) Distribution channel decisions often involve _____ with other firms, particularly those that involve contracts or relationships with channel partners. 7) _____
- A) disagreements
 - B) financial losses
 - C) long-term commitments
 - D) major problems
 - E) short-term commitments
- 8) Joe Blanco, like other producers, has discovered that his intermediaries usually offer his firm more than it can achieve on its own. Which of the following is most likely an advantage that Joe creates by working with intermediaries? 8) _____
- A) scale of operation
 - B) financial support
 - C) working relationships with foreign distributors
 - D) promotional assistance
 - E) fast service
- 9) From the economic system's point of view, the role of marketing intermediaries is to transform the assortment of products made by producers into the assortment of products wanted by _____. 9) _____
- A) marketers
 - B) channel members
 - C) manufacturers
 - D) distributors
 - E) consumers
- 10) Producers benefit from using intermediaries because they _____. 10) _____
- A) bring a fresh point of view to strategy development
 - B) eliminate risk
 - C) offer greater efficiency in making goods available to target markets
 - D) are generally backlogged with orders
 - E) refuse to store products for longer than a few days
- 11) Intermediaries play an important role in matching _____. 11) _____
- A) information and promotion
 - B) manufacturer to product
 - C) product to region
 - D) dealer with customer
 - E) supply and demand
- 12) Channel members add value by bridging the major gaps of _____ that separate goods and services from those who would use them. 12) _____
- A) time, place, and possession
 - B) place, need, and distribution
 - C) place, possession, and form
 - D) place, time, and need
 - E) time, place, and form

- 13) Which of the following is NOT a key function that intermediaries play in completing transactions? 13) _____
A) information
B) promotion
C) matching
D) negotiation
E) financing
- 14) Which of the following is NOT a key function that intermediaries play in helping to fulfill a completed transaction? 14) _____
A) risk taking
B) financing
C) storing goods
D) promotion
E) physical distribution
- 15) In marketing terms, we say that the number of intermediary levels indicates the _____ of a channel. 15) _____
A) depth
B) involvement
C) complexity
D) length
E) width
- 16) To a producer of goods, a greater number of channel levels means _____ and greater channel complexity. 16) _____
A) less control
B) more potential ideas
C) fewer channel partners
D) less distance between producer and end consumer
E) higher taxes
- 17) All of the institutions in a channel are connected by various flows. These include physical flow, flow of ownership, payment flow, information flow, and _____ flow. 17) _____
A) promotion
B) customer
C) acquisition
D) by-product
E) return product
- 18) A distribution channel is more than a collection of firms connected by various flows; it is a(n) _____ in which people and companies interact to accomplish individual, company, and channel goals. 18) _____
A) complex behavioural system
B) corporate marketing system
C) multichannel system
D) vertical marketing system
E) added value chain

- 19) An advantage of a channel of distribution over selling direct to consumers is that each channel member plays a _____ in the channel. 19) _____
- A) informational role
 - B) disciplinary role
 - C) specialized role
 - D) time-saving part
 - E) decisional role
- 20) _____ conflict, which occurs between different levels of the same channel, is more common than _____ conflict, which occurs among firms at the same level of the channel. 20) _____
- A) Horizontal; vertical
 - B) Corporate; franchise
 - C) Contractual; corporate
 - D) Vertical; horizontal
 - E) Wholesaler; retailer
- 21) Historically, conventional channels have lacked the leadership to _____. 21) _____
- A) assign channel member roles and attain efficiency
 - B) attain efficiency and assign member roles
 - C) set standard pricing and packaging
 - D) assign member roles and manage conflict
 - E) set standard pricing and promotions
- 22) A conventional distribution channel consists of one or more _____ producers, wholesalers, and retailers. 22) _____
- A) product-related
 - B) independent
 - C) merchant
 - D) contract
 - E) estranged
- 23) A channel consisting of one or more independent producers, wholesalers, or retailers that seek to maximize their own profits—even at the expense of profits for the channel as a whole—is a(n) _____. 23) _____
- A) vertical marketing system
 - B) independent channel allocation
 - C) corporate VMS
 - D) administered vertical marketing system
 - E) conventional distribution channel
- 24) An advantage of a vertical marketing system (VMS) is that it acts as a _____ system. 24) _____
- A) modern
 - B) task-driven
 - C) more efficient
 - D) unified
 - E) customer-driven

- 25) A corporate VMS has the advantage of controlling the entire distribution chain under _____. 25) _____
A) a profit-maximizing strategic plan
B) mass distribution
C) a few intermediaries
D) single ownership
E) little control
- 26) Which of the following are the three major types of vertical marketing systems? 26) _____
A) administered, independent, and franchised
B) contractual, corporate, and administered
C) contractual, corporate, and task
D) corporate, contractual, and chain
E) contractual, corporate, and independent
- 27) A distinguishing feature of a contractual VMS is that coordination and conflict management among the independent members of the channel are attained through _____. 27) _____
A) natural competitive forces
B) limited liability incorporation
C) contractual agreements
D) working partnerships
E) agents and brokers
- 28) The most common type of contractual agreement in business is the _____. 28) _____
A) conventional marketing channel
B) administered VMS
C) corporate VMS
D) vertical marketing system
E) franchise organization
- 29) Leadership in which type of marketing system is assumed not through common ownership or contractual ties but through the size and power of one or a few dominant channel members? 29) _____
A) horizontal marketing system
B) conventional marketing channel
C) administered VMS
D) multichannel distribution system
E) corporate VMS
- 30) In a _____, two or more companies at one level join together to develop a new marketing opportunity. 30) _____
A) multichannel distribution system
B) franchise
C) conventional distribution channel
D) horizontal marketing system
E) corporate VMS
- 31) Hybrid marketing systems are also called _____. 31) _____
A) contractual marketing systems
B) dual distribution systems
C) multichannel distribution systems
D) horizontal multichannel systems
E) administered franchises

- 32) As marketing manager for Globe Imports and Exports, you want to start reaping the benefits of a multichannel distribution system. You will likely enjoy all of the following EXCEPT which one? 32) _____
- A) selling at a higher gross margin
 - B) expanded market coverage
 - C) expanded sales
 - D) opportunities to tailor products and services to the needs of diverse segments
 - E) increased profits
- 33) The use of multichannel systems in North America is _____. 33) _____
- A) declining abroad
 - B) spreading abroad fast
 - C) increasing
 - D) holding steady
 - E) decreasing
- 34) The major disadvantage of a multichannel system is that it is harder to control and it can generate _____. 34) _____
- A) inefficiencies
 - B) channel conflict
 - C) declining employee morale
 - D) less net profit
 - E) fewer domestic sales
- 35) Due in a large part to advances in technology, _____ is a major trend whereby product and service producers are bypassing intermediaries and going directly to final buyers, or radically new types of channel intermediaries are emerging to displace traditional ones. 35) _____
- A) the hostile takeover
 - B) the corporate marketing system
 - C) the vertical marketing system
 - D) the corporate merger
 - E) disintermediation
- 36) In many industries, traditional intermediaries are dropping by the wayside. Which of the following represents an innovative new type of channel intermediary? 36) _____
- A) online music download services
 - B) voluntary franchises
 - C) bricks and mortar retailers
 - D) intermodal transportation
 - E) super warehouses
- 37) Designing a channel system calls for analyzing consumer needs, setting channel objectives, _____ and evaluation. 37) _____
- A) measuring objectives
 - B) seeking regulatory approval
 - C) establishing a budget
 - D) identifying major channel alternatives
 - E) seeking legal advice

- 38) Which of the following should be the first step in designing a marketing channel? 38) _____
- A) analyzing channel alternatives
 - B) evaluating intermediaries
 - C) identifying channel objectives
 - D) exploring international opportunities
 - E) identifying what consumers want from the channel
- 39) To increase a channel's service level, it must provide a greater assortment of products, more add-on services, and _____. 39) _____
- A) better terms
 - B) lower prices
 - C) faster delivery
 - D) more efficiency
 - E) follow-up
- 40) Companies should state their channel objectives in terms of targeted levels of _____. 40) _____
- A) customer service
 - B) conflict reduction
 - C) co-op advertising
 - D) efficiency
 - E) profitability
- 41) When a company is identifying its major channel alternatives, it should consider its choices in terms of types, number, and _____ of intermediaries. 41) _____
- A) revenue
 - B) size
 - C) responsibilities
 - D) power
 - E) capacity
- 42) Which type of product might require a more direct marketing channel to avoid delays and too much handling? 42) _____
- A) products in their decline stage
 - B) lower-priced products
 - C) products in their maturity stage
 - D) high-priced products
 - E) perishable products
- 43) When determining the number of channel members to use at each level, three strategies are available: intensive, exclusive, and _____ distribution. 43) _____
- A) selective
 - B) international
 - C) direct
 - D) extensive
 - E) multichannel

- 44) Sometimes a producer chooses only a few dealers in a territory to distribute its products or services. 44) _____
Generally these dealers are given a right to _____ distribution.
A) administered
B) selective
C) exclusive
D) corporate
E) intensive
- 45) Which type of distribution is used when the producer wants more than one, but fewer than all, of 45) _____
the intermediaries who are willing to carry its products?
A) exclusive
B) administered
C) corporate
D) selective
E) intensive
- 46) When establishing the responsibilities of channel members, the producer establishes a list price, 46) _____
sets discounts for intermediaries, and defines each channel member's _____.
A) mission
B) sales volume
C) legal rights
D) territory
E) customers
- 47) Channel members should be evaluated using all of the following criteria EXCEPT which one? 47) _____
A) type of ownership
B) adaptive criteria
C) control
D) channel leadership
E) economic factors
- 48) When a company compares the likely sales, costs, and profitability of different channel alternatives, 48) _____
it is using _____ criteria to evaluate its channel options.
A) control
B) distribution
C) adaptive
D) selective
E) economic
- 49) It is common for international marketers to _____ their channel strategies for each country. 49) _____
A) restrict
B) extend
C) adapt
D) eliminate
E) seek approval for

- 50) China and India each contain more than one billion people. However, companies can access only a small percentage of these potential markets due to _____. 50) _____
- A) insurmountable language barriers
 - B) inadequate distribution systems
 - C) high regional taxes
 - D) the religious caste system
 - E) indifference toward Western products
- 51) Marketing channel management calls for selecting, managing, _____, and evaluating channel members over time. 51) _____
- A) pruning
 - B) motivating
 - C) reducing waste
 - D) pacifying
 - E) reducing conflict
- 52) A company should think of its intermediaries as both its _____ and _____. 52) _____
- A) competitors; partners
 - B) customers; employees
 - C) customers; partners
 - D) competitors; marketers
 - E) competitors; customers
- 53) Most companies practice strong PRM to forge long-term relationships with channel members. What does PRM stand for? 53) _____
- A) personnel roster maintenance
 - B) primary relationship management
 - C) potential relationship management
 - D) perennial relationship management
 - E) partner relationship management
- 54) Sometimes a seller requires its dealers to abstain from handling competitors' products in an arrangement called _____. 54) _____
- A) disintermediation
 - B) selective distribution
 - C) exclusive dealing
 - D) exclusive distribution
 - E) exclusive pricing
- 55) Exclusive dealing is legal as long as it does not _____ or tend to create a monopoly and as long as both parties enter into the agreement _____. 55) _____
- A) restrict trade; for a cause
 - B) create a smaller market; permanently
 - C) substantially lessen competition; coercively
 - D) interfere with competitors; forcefully
 - E) substantially lessen competition; voluntarily

- 56) Exclusive territorial agreements are normal in _____. 56) _____
A) vertical marketing systems
B) integrated marketing systems
C) franchises
D) supply chain management
E) horizontal marketing systems
- 57) If the producer of a strong brand agrees to sell its brand to a dealer only if the dealer will take some or all of the rest of the line, the result is _____. 57) _____
A) exclusive distribution
B) disintermediation
C) exclusive dealing
D) a tying agreement
E) always illegal
- 58) Marketing logistics involves getting the right product to the right customer in the right place at the right time. Which one of the following is NOT included in this process? 58) _____
A) implementing the plan for the flow of goods and services
B) controlling the physical flow of goods, services, and information
C) gathering customer's ideas for new products
D) planning the physical flow of goods and services
E) determining modes of transportation
- 59) Marketing logistics involves which of the following distribution flows? 59) _____
A) outbound, inbound, and reverse
B) outbound and inbound
C) outbound
D) outbound and reverse
E) inbound and reverse
- 60) Which of the following is NOT an area of responsibility for a logistics manager? 60) _____
A) marketing
B) inventory
C) warehousing
D) purchasing
E) information systems
- 61) Which of the following innovations has created opportunities for significant gains in distribution efficiency? 61) _____
A) Web-based logistics systems
B) partner relationship management
C) tying agreements
D) storage warehouses
E) contractual vertical marketing systems

- 62) The goal of marketing logistics should be to provide a _____ level of customer service at the least cost. 62) _____
A) competitive
B) minimum
C) maximum
D) targeted
E) moderate
- 63) The difference between distribution centres and storage warehouses is that the former are designed to _____. 63) _____
A) store goods for longer periods
B) primarily be owned by the manufacturer
C) be automated
D) hold larger volumes
E) move goods rather than just store them
- 64) To reduce inventory management costs, many companies use a system called _____, which involves carrying only small inventories of parts or merchandise, often only enough for a few days of operation. 64) _____
A) supply chain management
B) limited inventory logistics
C) economic order quantity
D) reduction-inventory management
E) just-in-time logistics
- 65) Through the use of _____, or "smart tag" technology, a company is able to locate exactly where a product is within the supply chain. 65) _____
A) 3PL B) IT C) RFID D) PRM E) VMS
- 66) Which of the following transportation modes is used for digital products? 66) _____
A) trucks
B) air
C) ship
D) the Internet
E) rail
- 67) In choosing a transportation mode for a product, shippers must balance the considerations of speed, dependability, cost, and _____. 67) _____
A) customer choice
B) weight
C) availability
D) company reputation
E) distance
- 68) Rather than choosing a single carrier, _____, combining two or more modes of transportation, is increasingly being used. 68) _____
A) the Internet
B) smart tag technology
C) logistics partnership
D) intermodal transportation
E) multiple transport

- 69) Companies manage their supply chains through _____. 69) _____
- A) competitors
 - B) skilled operators
 - C) information
 - D) the Internet
 - E) transportation modes
- 70) Using _____, retailers can share real-time data on sales and current inventory levels with suppliers who take responsibility for ordering and delivering products to retailers, thereby saving time and money. 70) _____
- A) integrated distribution
 - B) their own trucking and distribution systems
 - C) the Internet
 - D) continuous inventory replenishment systems
 - E) dual distribution modes
- 71) Lancaster Box Company wants to provide better customer service while trimming distribution costs through teamwork, both inside the company and among all the marketing channel organizations. Lancaster Box is thinking of _____. 71) _____
- A) cross-functional teamwork
 - B) disintermediation
 - C) customer relationship management
 - D) horizontal marketing system
 - E) supply chain management
- 72) What is the goal of integrated supply chain management? 72) _____
- A) to escalate conflict among channel members
 - B) to increase costs
 - C) to reduce cooperation among channel members
 - D) to harmonize all of the company's logistics decisions
 - E) to decrease services with minimal cost through teamwork
- 73) Smart companies coordinate their logistics strategies and forge strong partnerships with suppliers and customers to improve customer service and reduce channel costs through _____. 73) _____
- A) segregated departmentalization
 - B) cross-company teams
 - C) partnering
 - D) cross-functional, cross-company teams
 - E) cross-functional teams
- 74) _____ products could make the entire supply chain—which accounts for nearly 75 percent of a product's cost—intelligent and automated. 74) _____
- A) perishable
 - B) smart
 - C) service
 - D) competitive
 - E) convenience

- 75) What are large and highly automated warehouses designed to receive goods from various plants and suppliers, take orders, fill them efficiently, and deliver goods to customers as quickly as possible? 75) _____
- A) VMS's
 - B) intermodal transporters
 - C) warehouses
 - D) distribution centres
 - E) disintermediaries
- 76) In designing its marketing channel, Chairs for Every Occasion has moved from a make-and-sell view of its business, which focused on productive inputs and factory capacity as a starting point for marketing planning, to a sense-and respond view, which begins instead with the needs of target customers. With this new view, Chairs for Every Occasion is developing its _____. 76) _____
- A) supply chain
 - B) vertical marketing system
 - C) demand chain
 - D) wholesaler chain
 - E) logistics
- 77) Proud Pets, a producer of clothing and accessories for pets, has recently partnered with a regional chain of pet stores. Which of the following would Proud Pets be LEAST likely to expect from its new channel member? 77) _____
- A) assembling and packaging its products for final sale
 - B) identifying raw materials and other productive inputs
 - C) promoting its products through advertising
 - D) negotiating on its products' prices
 - E) distributing relevant marketing research information
- 78) Steve's Physco Skates sells its products to Wal-Mart, who then sells them to the consumer. This is an example of a(n) _____. 78) _____
- A) direct marketing channel
 - B) corporate vertical marketing system
 - C) retailer channel
 - D) producer channel
 - E) indirect marketing channel
- 79) Joanie Calvert is experiencing a disagreement with intermediaries in the channel over who should do what and for what rewards. Joanie is experiencing _____. 79) _____
- A) channel intermediation
 - B) channel disintermediation
 - C) channel mismanagement
 - D) channel conflict
 - E) channel delusion
- 80) When two Taco Bell restaurants have a disagreement over who should be able to sell in quantity at a discount to the local high school band, they are in a _____ conflict. 80) _____
- A) horizontal
 - B) functional
 - C) problematic
 - D) no-win
 - E) vertical

- 81) Staples Office Supply opened an online store that created competition with many of its dealers. The corporate office created a _____ conflict. 81) _____
A) intermediation
B) no-win
C) vertical
D) horizontal
E) problematic
- 82) Which of the following is an example of horizontal channel conflict? 82) _____
A) disgruntled factory workers complaining about a small pay raise
B) the BMW dealership in Fort Wayne complaining that the automaker is behind schedule
C) United Airlines competing with Northwest Airlines for customers
D) managers of two separate Holiday Inns disagreeing over what constitutes poor service
E) Shoppers Drug Mart competing with Pharmaplus for seniors
- 83) Which of the following is an example of a manufacturer-sponsored retailer franchise system? 83) _____
A) fast-food restaurants such as McDonald's and Burger King
B) Ford and its network of independent franchised dealers
C) licensed bottlers that bottle and sell Coca-Cola to retailers
D) Starbucks operating within Target stores
E) motels such as Holiday Inn and Ramada Inn
- 84) When McDonald's offers its products inside of a Wal-Mart store, it is following a _____. 84) _____
A) contractual VMS
B) horizontal marketing system
C) administered VMS
D) corporate VMS
E) conventional distribution channel
- 85) Which of the following is an example of a multichannel distribution system? 85) _____
A) Wal-Mart locating to several countries
B) Avon's door-to-door distribution
C) a hotel providing guest privileges at a health spa across the street
D) Starbucks' location inside of book stores
E) Mountain Equipment Co-op's catalogue and retail store sales
- 86) Blockbuster offers DVD rentals through its Total Access online rental service and through its bricks-and-mortar stores. This is an example of a(n) _____. 86) _____
A) horizontal marketing system
B) administered VMS
C) conventional distribution channel
D) contractual VMS
E) multichannel distribution system
- 87) When Netflix began delivering DVDs directly to customers through the mail instead of using a brick-and-mortar system, Netflix was following the trend of _____. 87) _____
A) disintermediation
B) selective distribution
C) a franchise system
D) exclusive distribution
E) indirect marketing

- 88) Chewing gum is stocked in many outlets in the same market or community; in fact, it is placed in as many outlets as possible. This is an example of _____ distribution. 88) _____
- A) selective
 - B) exclusive
 - C) multichannel
 - D) disintermediated
 - E) intensive
- 89) Which product(s) will most likely be intensively distributed? 89) _____
- A) Olympus digital cameras
 - B) BMW cars
 - C) Nike running shoes
 - D) Coca Cola
 - E) Guess blue jeans
- 90) Which product will most likely be exclusively distributed? 90) _____
- A) Coca-Cola
 - B) Prairie Farms yogurt
 - C) BMW cars
 - D) Bazooka bubble gum
 - E) Levi's blue jeans
- 91) Tiffany & Co jewelry can only be found in a limited number of intermediaries. This is an example of _____ distribution. 91) _____
- A) intensive
 - B) high-end
 - C) quality
 - D) independent
 - E) exclusive
- 92) Why is it important for manufacturers to be sensitive to the needs of their dealers? 92) _____
- A) Dealer support is essential to create value for the customer.
 - B) Poorly performing dealers will be replaced.
 - C) Dealers fail to provide value to the entire channel system.
 - D) Manufacturers cannot break commitments to channel.
 - E) Dealers have few legal rights.
- 93) Caterpillar, the famous heavy equipment manufacturer, has a reputation for working in harmony with its worldwide distribution network of independent dealers. Caterpillar has shared its successes with its dealers and protected its dealers during difficult economic times. This is an example of _____. 93) _____
- A) third-party logistics
 - B) intensive distribution
 - C) integrated logistics management
 - D) disintermediation
 - E) partner relationship management

- 94) Max Samuelson is a high-end fashion designer who markets his clothing lines through a limited number of highly reputable retailers. Max uses _____. 94) _____
- A) exclusive dealing
 - B) exclusive distribution
 - C) full-line forcing
 - D) tying agreements
 - E) exclusive territorial agreements
- 95) Jewels for the Rich and Famous sells very exclusive jewelry with a minimum price of \$25,000 to customers around the world. Speed of delivery to distant markets is a must. Management should consider using _____ as its main carrier. 95) _____
- A) the Internet
 - B) truck
 - C) air
 - D) water
 - E) rail

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 96) Producing a product or service and making it available to buyers requires building relationships not just with customers, but also with key suppliers and resellers in the company's supply chain. 96) _____
- 97) The term supply chain may be too limited because it takes a make-and-sell view of the business. 97) _____
- 98) In creating customer value, it is more important for a company to build relationships with downstream channel partners than with upstream supplier partners. 98) _____
- 99) With the success of the Internet, few producers sell through intermediaries today. 99) _____
- 100) Imaginative distribution systems can be used to gain a competitive advantage. 100) _____
- 101) A major role played by intermediaries is to buy large quantities of products from many producers and break them down into the smaller quantities and broader assortments wanted by consumers. 101) _____
- 102) Members of the marketing channel may help a company complete transactions by performing key functions such as promotion and negotiation. 102) _____
- 103) Grand & Toy understands that a new item that has been added to the list of functions to be performed within the supply chain is environmental sustainability. 103) _____
- 104) Mary Kay and Amway sell their products door-to-door, through home and office sales parties, and on the Web. These are examples of indirect channels. 104) _____
- 105) It is safe to say that distribution channels are fairly simple behavioural systems in which people and companies interact to accomplish individual company and channel goals. 105) _____
- 106) Judy Smith is the manager of the local McDonald's franchise in Carterville. Recently the home office did not let her participate in co-op advertising like the other McDonald's in her district. Now she is irritated and demands fairness. This is an example of horizontal conflict. 106) _____

- 107) In a conventional distribution channel, no channel member has much control over the other members, and no formal means exists for assigning roles and resolving channel conflict. 107) _____
- 108) When Sherwin Williams Paint Company has single ownership of integrated, successive stages of production and distribution, it has created a corporate VMS. 108) _____
- 109) Coca-Cola licensing bottlers (wholesalers) in various markets who buy Coca-Cola syrup concentrate and then bottle and sell the finished product to retailers in local markets is an example of the service-firm-sponsored retail franchise system. 109) _____
- 110) When the NewWay Dry Cleaners and The Easy Laundromat in your hometown join forces to follow a new marketing opportunity, they are forming a horizontal marketing system. 110) _____
- 111) Always Fresh Produce Company has a route selling to more than 100 groceries, schools, and restaurants at wholesale prices. Last week the owners opened up a walk-in discounted consumer produce outlet. Always is now using a multichannel distribution system. 111) _____
- 112) One major trend is towards disintermediation. 112) _____
- 113) Disintermediation has occurred when an online marketer takes business away from traditional brick-and-mortar retailers. 113) _____
- 114) These days, almost every large company and many small ones distribute through multiple channels. 114) _____
- 115) Black & Decker's direct marketing helps both the company and its channel partners. 115) _____
- 116) The faster the delivery, the greater the assortment provided, and the more add-on services supplied, the more the channel's service level is restricted. 116) _____
- 117) Intensive distribution seeks many outlets in a market, while selective distribution seeks only one outlet in a given market area. 117) _____
- 118) The producer and intermediaries need to agree on the terms and responsibilities of each member, including price policies, conditions of sale, territorial rights, and specific services to be performed by each party. 118) _____
- 119) Generally speaking, a company's marketing channel objectives are influenced by the level of customer service sought, the nature of the company, its products, its marketing intermediaries, its competitors, and the environment. 119) _____
- 120) Distribution systems are relatively consistent from country to country, making it easy for international marketers to design channels. 120) _____
- 121) Under the strategy of exclusive distribution, a seller allows only certain retail outlets to carry its products. 121) _____
- 122) Some major corporations such as Procter & Gamble and General Motors have developed logistics systems that both maximize customer service and minimize distribution costs. 122) _____

- 123) In managing inventory, firms must balance the costs of carrying larger inventories against resulting sales and profits. 123) _____
- 124) The choice of transportation carriers affects the pricing of products, delivery performance, and condition of the goods when they arrive—none of which will affect customer satisfaction. 124) _____
- 125) Because distribution activities involve strong trade-offs, decisions by different functions must be coordinated to achieve better overall logistics performance. 125) _____

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 126) Explain why "value delivery network" is a more relevant expression to use than the terms supply chain and demand chain.
- 127) How do channel members add value to a marketing system?
- 128) What are the eight key functions that members of the marketing channel perform?
- 129) Compare and contrast a conventional distribution channel with a vertical marketing system (VMS).
- 130) Why are multichannel distribution systems gaining popularity today?
- 131) How have changes in technology and the growth of online marketing affected the design of marketing channels?
- 132) Distinguish between the three distribution strategies.
- 133) Explain how companies select, motivate, and evaluate channel members.
- 134) Discuss how public policy affects distribution decisions.
- 135) The goal of integrated supply chain management is to harmonize all of the company's logistics decisions. How can close working relationships among departments be achieved?

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

- 136) What is the role of marketing intermediaries? 136) _____
- 137) Give an example of horizontal conflict. 137) _____
- 138) Give an example of vertical conflict. 138) _____
- 139) Explain channel power in a conventional distribution channel. 139) _____
- 140) Explain channel power in a vertical marketing system. 140) _____
- 141) What makes The Forzani Group an example of a vertical marketing system? 141) _____

- 142) How can a firm benefit from involvement in a contractual VMS? 142) _____
- 143) Canada's two largest wineries, T.G. Bright & Co. and Cartier Inniskillin Vintners Inc., formed an alliance so that they could increase their economies of scale and resources. Name and explain this type of distribution system. 143) _____
- 144) How can a firm benefit from participating in a horizontal marketing system? 144) _____
- 145) Give two examples of multichannel distribution systems. 145) _____
- 146) Explain how Air Canada has contributed to the trend towards disintermediation. 146) _____
- 147) What are some of the benefits and drawbacks to using many types of resellers in a channel? 147) _____
- 148) What types of products are intensively distributed? 148) _____
- 149) What types of products are exclusively distributed? 149) _____
- 150) What types of products are selectively distributed? 150) _____
- 151) What are two considerations when selecting intermediaries? 151) _____
- 152) How can companies use integrated high-tech partner relationship management (PRM) systems to coordinate their whole-channel marketing efforts? 152) _____
- 153) When would an exclusive dealing contract be legally problematic? 153) _____
- 154) How can a company benefit through a just-in-time logistics system? 154) _____
- 155) Explain why a firm's suppliers tap into the firm's inventory levels with a vendor-managed inventory system (VMI). 155) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

Refer to the scenario below to answer the following questions.

Miller Meat Company contracts with several Midwestern farmers to raise beef and pork for its meat processing centre. To guarantee freshness, Miller Meat Company relies on a vast distribution network. For delivery to local grocers in Indiana, Miller Meat uses its own fleet of refrigerated trucks; delivery to these Indiana grocers constitutes 65 percent of Miller Meat's business. For deliveries in Illinois, Wisconsin, and points directly west of the Mississippi River, Miller Meat Company contracts with a refrigerated fleet that specializes in expediting smaller shipments. For faster delivery during peak times, Miller Meat Company often uses its own trucks to deliver to the expedited fleet's consolidation point from its distribution warehouse in Indiana. During the holiday season, however, several specialty distributors contract with Miller Meat Company to package specialty meats in gift boxes, then ship them directly to the recipients. For these specialty shipments within Indiana, Illinois, and Wisconsin, Miller uses its normal delivery mode. For all other specialty shipments, Miller ships from its distribution warehouse via air, then contracts with expedited carriers in various cities to deliver to the recipients.

- 156) Which of the following is one of Miller Meat Company's upstream partners? 156) _____
A) local grocers in Indiana who sell the company's products
B) air carriers that take Miller's specialty shipments
C) recipients of Miller's gift boxes
D) the refrigerated fleet that expedites small shipments
E) Midwestern farmers who raise beef and pork for the meat processing centre
- 157) In using air transportation and then expedited truck carriers to deliver specialty items to customers outside of a designated delivery range, Miller Meats is using _____. 157) _____
A) a vertical marketing system
B) intermodal transportation
C) all of its supply chain
D) indirect marketing channels
E) all of its value delivery network
- 158) The several specialty distributors that contract with Miller Meat Company to package specialty meats in gift boxes and then deliver them directly helps to fulfill the completed transactions through _____. 158) _____
A) information
B) negotiation
C) promotion
D) contact
E) physical distribution
- 159) The several specialty distributors that contract with Miller Meat Company to package specialty meats in gift boxes and then deliver them directly helps to complete transactions through _____. 159) _____
A) matching
B) information
C) promotion
D) negotiation
E) contact
- 160) The Miller Meat Company uses its own fleet of trucks to deliver shipments directly to grocers in Indiana. Which type of marketing channel does this reflect? 160) _____
A) indirect B) level C) multiple D) transport E) direct

- 161) Some grocers have complained that competitors within their trading area are selling Miller Meat products below cost. This is an example of _____ conflict. 161) _____
- A) vertical
 - B) subordinate
 - C) horizontal
 - D) diagonal
 - E) central
- 162) The specially-packaged selections of Miller Meat are so popular at Christmas that the company is considering setting up a franchise arrangement. A network of independent Miller Meat franchise dealers set up across the midwest would reflect which type of franchise? 162) _____
- A) manufacturer-sponsored wholesaler franchise system
 - B) manufacturer-sponsored retailer franchise system
 - C) wholesaler-sponsored independent franchise system
 - D) retailer-sponsored manufacturer franchise system
 - E) service-firm-sponsored retailer franchise system
- 163) The Miller Meat Company uses one type of channel to reach consumers who buy their meat in grocery stores and another for those that order specialty meat packages direct from the company. This means the company has adopted _____. 163) _____
- A) a contractual VMS
 - B) the franchise system
 - C) a channel with two levels
 - D) a corporate VMS
 - E) multichannel distribution systems
- 164) If the Miller Meat Company were to stock their products in as many outlets as possible, one would say they have a(n) _____ distribution strategy 164) _____
- A) intensive
 - B) selective
 - C) exclusive
 - D) convenient
 - E) ubiquitous
- 165) If the Miller Meat Company were to use more than one but fewer than all of the intermediaries who are willing to carry a company's products, one would say they have a(n) _____ distribution strategy. 165) _____
- A) ubiquitous
 - B) intensive
 - C) selective
 - D) convenient
 - E) exclusive

Answer Key

Testname: UNTITLED12

- 1) C
- 2) D
- 3) E
- 4) A
- 5) A
- 6) D
- 7) C
- 8) A
- 9) E
- 10) C
- 11) E
- 12) A
- 13) E
- 14) D
- 15) D
- 16) A
- 17) A
- 18) A
- 19) C
- 20) D
- 21) D
- 22) B
- 23) E
- 24) D
- 25) D
- 26) B
- 27) C
- 28) E
- 29) C
- 30) D
- 31) C
- 32) A
- 33) C
- 34) B
- 35) E
- 36) A
- 37) D
- 38) E
- 39) C
- 40) A
- 41) C
- 42) E
- 43) A
- 44) C
- 45) D
- 46) D
- 47) D
- 48) E
- 49) C
- 50) B

Answer Key

Testname: UNTITLED12

- 51) B
- 52) C
- 53) E
- 54) C
- 55) E
- 56) C
- 57) D
- 58) C
- 59) A
- 60) A
- 61) A
- 62) D
- 63) E
- 64) E
- 65) C
- 66) D
- 67) C
- 68) D
- 69) C
- 70) D
- 71) A
- 72) D
- 73) D
- 74) B
- 75) D
- 76) C
- 77) B
- 78) E
- 79) D
- 80) A
- 81) C
- 82) D
- 83) B
- 84) B
- 85) E
- 86) E
- 87) A
- 88) E
- 89) D
- 90) C
- 91) E
- 92) A
- 93) E
- 94) B
- 95) C
- 96) TRUE
- 97) TRUE
- 98) FALSE
- 99) FALSE
- 100) TRUE

Answer Key

Testname: UNTITLED12

- 101) TRUE
- 102) TRUE
- 103) TRUE
- 104) FALSE
- 105) FALSE
- 106) FALSE
- 107) TRUE
- 108) TRUE
- 109) FALSE
- 110) TRUE
- 111) TRUE
- 112) TRUE
- 113) TRUE
- 114) TRUE
- 115) TRUE
- 116) FALSE
- 117) FALSE
- 118) TRUE
- 119) TRUE
- 120) FALSE
- 121) TRUE
- 122) FALSE
- 123) TRUE
- 124) FALSE
- 125) TRUE
- 126) Supply chain takes a make-and-sell view of the business, using materials and other inputs as the starting point for market planning instead of the needs of target customers. Demand chain takes a sense-and-respond view, starting with the needs of target customers and planning a chain of resources and activities with the goal of creating customer value. However, a demand chain is a step-by-step, linear view of purchase-production-consumption activities. This does not allow for the flexibility made possible by the Internet and other technologies. Value delivery network is more appropriate because it is made up of the company, suppliers, distributors, and ultimately customers who partner with each other to improve the performance of the entire system.
- 127) Intermediaries reduce the amount of work that must be done by both producers and consumers. They transform the assortment of products made by producers into the assortment wanted by consumers. They buy large quantities from many producers and break them down into the smaller quantities and broader assortments wanted by consumers. Intermediaries help to match supply and demand. Channel members add value by bridging the major time, place, and possession gaps that separate goods and services from those who would use them.
- 128) Some help to complete transactions by gathering and distributing information, developing and spreading promotions, contacting prospective buyers, matching and shaping the offer to the buyer's needs, and negotiating price and other terms. Others help to fulfill the completed transactions through physical distribution, financing, and risk taking.
- 129) A conventional distribution channel consists of one or more independent producers, wholesalers, and retailers. Each is a separate business seeking to maximize its own profits, even at the expense of the system as a whole. No channel member has much control over the other members, and no formal means exists for assigning roles and resolving channel conflict. On the other hand, a vertical marketing system is a unified system made up of producers, wholesalers, and retailers. While members of a conventional distribution channel seek to maximize their own profits, members of a vertical marketing system all cooperate because either one member owns the others, one has contracts with the others, or one wields a more power than the others.

Answer Key

Testname: UNTITLED12

- 130) Multichannel distribution systems exist when a single firm sets up two or more marketing channels to reach one or more customer segments. Such a system offers advantages to firms facing large and complex markets. It allows the firms to expand sales and market coverage. It allows firms to tailor their products and services to the specific needs of diverse customer segments. Larger bottom-line profits may occur.
- 131) Changes in technology and the growth of online marketing have increased disintermediation, which is the cutting out of marketing channel intermediaries by product or service producers, or the displacement of traditional intermediaries with radically new types. In many industries, traditional intermediaries are dropping by the wayside. For example, many airlines now sell directly to final buyers, cutting retailers and sales agents from their marketing channels. Online marketers take business from traditional brick-and-mortar retailers.
- 132) Producers of convenience products and common raw materials typically seek intensive distribution as a strategy to stock their products in as many outlets as possible. The goods are available where and when consumers want them, such as chewing gum. Selective distribution is used when selling to more than one but fewer than all of the intermediaries who are willing to carry a company's products in a given market. Examples are name-brand blue jeans and computers. Exclusive distribution is used when the producer wants to stock its products with only one or a few dealers in an area. Examples are expensive cars and prestige clothing.
- 133) When selecting intermediaries, the company should evaluate each channel member's qualifications and select those who best fit its channel objectives. The company should use economic criteria, control issues, and adaptive criteria to analyze each possible channel member. Once selected, channel members must be continuously motivated to do their best. The company must sell not only *through* the intermediaries but also *to* and *with* them. It should work to forge long-term partnerships with channel partners to create a marketing system that meets the needs of both the manufacturer and the partners. The company must also regularly check channel member performance against established performance standards, rewarding intermediaries who are performing well and assisting or replacing weaker ones.
- 134) For the most part, companies are legally free to develop whatever channel arrangement suits them, as long as they do not substantially lessen competition or tend to create a monopoly, and as long as both parties enter into the agreement voluntarily. Exclusive territorial agreements in which a producer attempts to keep a dealer from selling outside of a designated territory have become a major legal issue. Producers are free to select their dealers, but they must have legitimate cause to terminate a relationship with a dealer.
- 135) Some companies have created permanent logistics committees made up of managers responsible for different physical distribution activities. Companies can also create supply chain manager positions that link the logistics activities of functional areas. For example, Procter & Gamble has created supply managers who manage all of the supply chain activities for each of its product categories. Many companies have a vice-president of logistics with cross-functional authority. Finally, companies can employ sophisticated, systemwide supply chain management software, now available from a wide range of software enterprises large and small, from SAP and Oracle to Infor and Logility.
- 136) The role of marketing intermediaries is to transform the assortments of products made by producers into the assortments wanted by consumers.
- 137) This type of conflict occurs among firms at the same level of the channel; an example would be two Chevrolet dealers in the St. Louis area that complain that each is being undercut by the other.
- 138) This type of conflict occurs between different levels of the same channel; an example would be conflict created by a manufacturer toward its dealers when deciding to open an online operation.
- 139) No channel member has much control over the other members, and no formal means exists for assigning roles and resolving channel conflict.
- 140) One channel member owns the others, has contracts with them, or wields so much power that they must all cooperate.
- 141) A vertical marketing system (VMS) consists of producers, wholesalers, and retailers acting as a unified system. One channel member owns the others, has contracts with them, or wields so much power that they must all cooperate. The VMS can be dominated by the producer, wholesaler, or retailer. The Forzani Group is a retail-dominated VMS. It owns and operates a range of sporting goods stores including Sport Chek, Coast Mountain Sports, Sport Mart, Athletes World, Hockey Experts, and National Sports.
- 142) A contractual VMS consists of independent firms at different levels of production and distribution that join together through contracts to obtain more economies or sales impact than each could achieve alone.

Answer Key

Testname: UNTITLED12

- 143) This is the horizontal marketing system, in which two or more companies at one level join together to follow a new marketing opportunity. By working together, companies can combine their financial, production, or marketing resources to accomplish more than any one company could alone.
- 144) Two or more companies at one level join together to follow a new marketing opportunity; by working together, companies can combine their financial, production, or marketing resources to accomplish more than any one company could alone.
- 145) Students' answers will vary. Examples will include Mountain Equipment Co-op's catalogue distribution option and the retail store locations as well as Avon's door-to-door distribution and over-the-counter distribution options.
- 146) Disintermediation occurs when product or service producers cut out intermediaries and go directly to final buyers, or when radically new types of channel intermediaries displace traditional ones. Thus, in many industries traditional intermediaries are dropping by the wayside. Air Canada is selling directly to final buyers, cutting travel agents from its marketing channels altogether.
- 147) By selling through retailers and value-added resellers in addition to its own direct channels, a marketer can reach more and different kinds of buyers. However, the new channels will be more difficult to manage and control. And the direct and indirect channels will compete with each other for many of the same customers, causing potential conflict.
- 148) These products must be available where and when consumers want them; examples include chewing gum, soft drinks, toothpaste, and candy.
- 149) Exclusive distribution is often used for expensive automobiles and prestige clothing. These products are geographically dispersed.
- 150) With this type of distribution, more than one, but fewer than all, of the intermediaries who are willing to carry a company's products are used. Products include appliances and some name-brand clothing.
- 151) A company may want to evaluate each channel member's years in business, other lines carried, growth and profit records, cooperativeness, and reputation.
- 152) Just as they use customer relationship management (CRM) software systems to help manage relationships with important customers, companies can now use PRM and supply chain management (SCM) software to help recruit, train, organize, manage, motivate, and evaluate relationships with channel partners.
- 153) An exclusive dealing contract may be illegal if one party has not voluntarily agreed to the contract, or if the arrangement substantially lessens competition or tends to create a monopoly.
- 154) With such systems, producers and retailers carry only small inventories of parts or merchandise, often only enough for a few days of operations. This creates substantial savings in inventory-carrying and handling costs.
- 155) Some suppliers might actually be asked to generate orders and arrange deliveries for their customers, based on the customers' inventory levels; in these cases, the suppliers must know their customers' inventory levels.
- 156) E
- 157) B
- 158) E
- 159) A
- 160) A
- 161) C
- 162) B
- 163) E
- 164) A
- 165) C