

Chapter 2—The Channel Participants

MULTIPLE CHOICE

1. Which statement about Gazelle is **false**?
 - a. Gazelle distributes electronic products using its online channel.
 - b. Gazelle buys, takes title and stores electronic products.
 - c. Gazelle pays for electronic products up front, before it has a buyer for them.
 - d. It is part of a \$300 billion industry that distributes used electronic equipment.
 - e. Distribution channels are not adequately used by Gazelle..

ANS: E (p. 33)

2. The fundamental determinant of whether a firm is a member of a marketing channel is:
 - a. If the firm performs distribution tasks.
 - b. If the firm is considered to be important to the channel manager.
 - c. If the firm performs negotiatory functions.
 - d. If the firm performs tasks that are necessary to make products or services available to ultimate buyers.
 - e. If the firm performs ancillary tasks.

ANS: C (p. 34)

3. The basic divisions of the marketing channel are:
 - a. Buyers and sellers.
 - b. Buyers, sellers and facilitators.
 - c. Consumer and industrial markets.
 - d. Producers and manufacturers; intermediaries; and final users.
 - e. Contactual organizations and non-contactual organizations.

ANS: D (p. 34)

4. In the commercial channel, participants who are specifically excluded are:
 - a. Producers.
 - b. Manufacturers.
 - c. Wholesale and retail intermediaries.
 - d. Consumer and industrial final users.
 - e. Agents and brokers.

ANS: D (p. 34)

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5. _____ are members of the target market.
- Final users
 - Retailers
 - Wholesalers
 - Producers
 - Transportation firms

ANS: A (p. 34)

6. Facilitating agencies:
- Are members of the marketing channel.
 - Perform non-negotiatory functions.
 - Are of little importance to the operation of the channel.
 - Are seldom called on by the channel manager.
 - Are members of the commercial channel.

ANS: B (p. 66)

7. Which of the following is not a facilitating agency?
- FlowPipeline, Inc.
 - First National Bank of Chicago
 - Brooke Advertising, Inc.
 - Binney & Smith
 - Federal Express

ANS: D

8. In the context of the management perspective used in the text, it is appropriate to view final users as:
- Intermediaries.
 - Facilitating agencies.
 - Intermediate users.
 - Target markets.
 - Producers.

ANS: D

9. The technology and scale economies that enable producers and manufacturers to operate at a low average cost for production are:
- Also usually present in the performance of distribution tasks.
 - Even greater when it comes to performing distribution tasks.
 - Often lacking in the performance of distribution tasks.
 - Less important to the efficient performance of distribution tasks.
 - Easily attainable when performing distribution tasks.

ANS: C (p. 37-38)

10. Intermediaries' average costs curves for distribution tend to be _____ those of manufacturers.
- a. Higher than
 - b. Lower than
 - c. The same as
 - d. Longer than
 - e. Shorter than

ANS: B (p. 36-38)

11. To perform distribution tasks efficiently, a firm needs all of the following except:
- a. Expertise.
 - b. Economies of scale.
 - c. Economies of scope.
 - d. To maintain high inventory levels.
 - e. High production volumes.

ANS: D (p. 36-38)

12. Procter & Gamble and Kellogg often face _____ average costs for distribution tasks when they attempt to perform them by themselves.
- a. High
 - b. Low
 - c. Medium
 - d. Extremely low
 - e. Marginal

ANS: A

13. Clayton Tennis Equipment, a manufacturer, cannot perform distribution tasks efficiently so it uses Jackson Sports Equipment as a wholesaler to distribute its products in the Midwest. Clayton likely is inefficient in performing distribution tasks because:
- a. Jackson is better positioned to select and use facilitating agencies.
 - b. Clayton's fixed costs are too high.
 - c. Jackson can spread its fixed costs across products from multiple manufacturers.
 - d. Clayton's marginal revenue exceeds its marginal costs.
 - e. Clayton has low average production costs.

ANS: C

14. The *Census of Wholesale Trade* classifies wholesalers into the following three categories:
- Merchant wholesalers, manufacturers' sales branches, and public warehouses.
 - Sales branches and offices, company-owned stores, and merchant wholesalers.
 - Merchant wholesalers, brokers, and commission merchants and agent wholesalers.
 - Manufacturers' sales branches and offices; agents, brokers, and commission merchants; and merchant wholesalers.
 - Merchant wholesalers, manufacturers' facilitators, brokers, and independent producers.

ANS: D (p. 38)

15. The *Census of Wholesale Trade* classifies wholesalers as all of the following except:
- Merchant wholesalers.
 - Full-function or limited function wholesalers.
 - 18 groupings based on the kind of business.
 - Agents and brokers.
 - Manufacturers' sales branches and offices.

ANS: B (p. 38-39)

16. The *Census of Wholesale Trade* classifies wholesalers into _____ kinds of business groups.
- 24
 - 18
 - 12
 - 10
 - 36

ANS: B (p. 39)

17. _____ are firms that primarily buy, take title to, store, and physically handle products.
- Agents
 - Commission merchants
 - Manufacturers' offices
 - Brokers
 - Merchant wholesalers

ANS: E (p. 38)

18. During the decade from 1992 to 2002, Census data show that the percentage of total wholesale sales enjoyed by merchant wholesalers:
- a. Increased slightly.
 - b. Decreased slightly.
 - c. Stayed the same.
 - d. Increased by over 10%.
 - e. Decreased by almost one third.

ANS: B (p. 40)

19. Agents, brokers, and commission merchants' percentage of total wholesale sales in 2002 was:
- a. 0% to 8%.
 - b. 9% to 14%.
 - c. 15% to 20%.
 - d. 21% to 30%.
 - e. 31% to 40%.

ANS: B (p. 40)

20. In recent years, trends in wholesaling are showing a tendency towards:
- a. Consolidation.
 - b. A decrease in average size.
 - c. Becoming more like retailers than wholesalers.
 - d. Operating only in Cyberspace.
 - e. A decrease in average size.

ANS: A (p. 40-41)

21. Most wholesalers could be characterized with regard to their size as:
- a. Giant enterprises.
 - b. Large businesses.
 - c. Very small "mom and pop" businesses.
 - d. Relatively small businesses.
 - e. Conglomerates.

ANS: D (p. 41)

22. Absolute sales of all three types of wholesalers _____ during the period 1992 to 2002.
- a. Decreased
 - b. Stayed the same
 - c. Increased substantially
 - d. Fell drastically
 - e. Increased by less than a fraction of one percent

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ANS: C (p. 41)

23. Sales patterns of the different types of wholesalers since 1948 have:
- Been very similar for all types.
 - Varied across different types of wholesalers.
 - Increased sharply only for merchant wholesalers.
 - Had almost no influence on their relative market shares.
 - Increased only for agents, brokers, and commission merchants.

ANS: B

24. Economic concentration in terms of percentage of total wholesale sales enjoyed by most merchant wholesalers in their respective line of trade is:
- Relatively low.
 - Very high.
 - Extremely high and getting higher.
 - Very high but falling rapidly.
 - Very low and falling rapidly.

ANS: A (p. 42)

25. Merchant wholesalers are particularly well suited for performing all of the following distribution tasks for their suppliers except:
- Providing market coverage.
 - Providing low-cost sales contacts over a wide geographical area.
 - Providing low-cost warehousing and delivery.
 - Processing orders.
 - Serving as the firms' outside sales force.

ANS: E (p. 42)

26. Merchant wholesalers perform all of the following functions except:
- Processing orders.
 - Providing market coverage.
 - Holding inventory.
 - Selling merchandise to final users.
 - Offering customer support.

ANS: D (p. 42)

27. Several studies, including the Brown and Herring report, suggest the wholesaler's role in _____ will grow even more important to manufacturers.
- providing sales contacts
 - holding inventory
 - order processing
 - breaking bulk
 - extending credit and financial assistance

ANS: A (p. 44)

28. Customer support provided by merchant wholesalers to manufacturers is often referred to as:
- Retailers' services.
 - Manufacturers' services.
 - Value-added services.
 - Producers' services.
 - Genuine wholesale services.

ANS: C (p. 45)

29. Merchant wholesalers often perform all of the following distribution tasks for customers except:
- Rendering services pertaining to the sale of goods.
 - Providing customer service.
 - Extending credit.
 - Providing technical support.
 - Assuring product availability.

ANS: A (p. 42-44)

30. _____ refers to the wholesaler's ability to bring together an assortment of products from a variety of manufacturers.
- Breaking bulk
 - Technical support
 - Order processing
 - Assortment convenience
 - Product line analysis

ANS: D (p. 46)

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31. Agents and brokers:
- Do not take title to goods.
 - Are not considered members of the commercial channel.
 - Represent 1 or 2 manufacturers.
 - Work on a 'cash and carry' basis.
 - Physically hold the manufacturer's inventory.

ANS: A (p. 47)

32. Agents, brokers, and commission merchants generally:
- take title to products.
 - do not take title to products.
 - are listed as "limited function wholesalers" in the *Census of Wholesale Trade*.
 - are really the same thing as merchant wholesalers.
 - operate a very narrow range of products or services.

ANS: B (p. 47)

33. Manufacturers' agents are often referred to as:
- Manufacturer's representatives.
 - Retailers.
 - Wholesaler's cooperatives.
 - Sales support staff.
 - Limited function wholesalers.

ANS: A (p. 48)

34. Which of the following is a false statement about the manufacturer's sales branches of Bella Manufacturing, Inc.?
- They are all owned by Bella.
 - The branches are operated by Bella.
 - The branches are physically separate from Bella's manufacturing plants.
 - Their main purpose is to distribute the manufacturer's products.
 - The branches service regions of the country.

ANS: E (p. 34)

35. A basic phenomenon in the ranks of retailers since 1948 has been:
- The tendency toward larger-scale retailers as measured by average sales per store.
 - The large increase in the number of retail stores for each census period since 1948.
 - The increase of average sales per store.
 - The consistent large decline in the number of retail stores.
 - The decrease in the size of retail establishments.

ANS: C (p. 51)

36. Between 1948 and 2002 for retail establishments:
- Average sales and numbers of stores increased.
 - Average sales increased and the number of stores decreased.
 - Average sales decreased and the number of stores decreased.
 - Average sales decreased and the number of stores increased.
 - Total sales increased and the number of stores increased.

ANS: B (p. 51)

37. Trends in retailing in the U.S. suggest:
- The number of stores is growing rapidly.
 - Average dollar sales per store has increased.
 - The number of retail stores has fallen by 50 percent in the last 25 years.
 - A movement by retailers to reduce the number of distribution tasks they perform.
 - A total sales volume greater than \$5 trillion.

ANS: B (p. 51)

38. General merchandise, single line stores, and specialty stores are so named based on which of the following classification bases?
- Ownership of establishments
 - Size of establishments
 - Kind of business
 - Method of consumer contact
 - Legal form of organization

ANS: C (p. 50)

39. Which of the following would *not* be classified as retailers?
- factory outlets
 - vending machines
 - mail order catalogs
 - TV shopping shows
 - food broker

ANS: E (p. 50)

40. Distribution tasks that were formerly the province of the wholesaler or manufacturer have increasingly:
- Been shifted to facilitating agencies.
 - Been shifted off to smaller wholesalers.
 - Been neglected by manufacturers and wholesalers.
 - Been taken over by larger retailers.
 - Been shifted to independent agents or brokers.

ANS: D (p. 66)

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41. Stores that dominate a particular line of merchandise and have large shares of the market are often referred to as:
- Diversified retailers.
 - Specialty retailers.
 - Category killers.
 - Department stores.
 - Mass merchandisers.

ANS: C (p. 63)

42. The potential of retail intermediaries for performing distribution tasks:
- Has increased.
 - Is likely to decrease in the future.
 - Has not changed.
 - Will be a value added function.
 - Will only change if the economy grows over 5% per year.

ANS: A (p. 66)

43. The *Census of Retail Trade* classified retailers into _____ major groups by kind of business.
- 12
 - 16
 - 18
 - 10
 - 8

ANS: A (p. 51)

44. Economic concentration in many kinds of retail businesses is:
- Getting lower.
 - Increasing.
 - Staying the same.
 - Highly variable across time.
 - Very volatile.

ANS: B (p. 51)

45. Virtually all retailers serve as:
- Buying agents for the producer.
 - Selling agents for their suppliers.
 - Advertising agents for manufacturers.
 - Limited function businesses.
 - The external marketing staff for manufacturers.

ANS: B

46. All of the following are reasons for retailers gaining power in the marketing channels except:
- a. Growing size.
 - b. Use of advanced technology.
 - c. Increased expertise of managers.
 - d. Increased use of the marketing concept.
 - e. Concentration of retailers.

ANS: C (p. 63)

47. Retailers have been using scanner data to perform all of the following except:
- a. Pay and promotion analysis.
 - b. Promotion and pricing decisions.
 - c. Shelf management.
 - d. Direct product profitability.
 - e. Forecasting.

ANS: A (p. 63)

48. “Threetailing” is a term used to describe:
- a. Retailers located in 3 or more countries.
 - b. The use of 3 types of promotion techniques.
 - c. The integration of technology for in-store, print, and television advertising.
 - d. Three main customer target markets.
 - e. The convergence of in-store, catalog, and online channels.

ANS: E (p. 63)

49. Kohl’s discount department store has used all of the following techniques of marketing strategy except:
- a. Use of a ‘racetrack’ layout to expose customers to a maximum amount of merchandise.
 - b. Allow customers to spend less time in the store but buy more merchandise.
 - c. Sell brand name apparel.
 - d. Differentiate its store layout from competitors.
 - e. Increase use of multi-media advertising techniques.

ANS: E (p. 64)

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50. Which of the following is a false statement about Fresh Market's use of marketing strategy to reach its target market?
- Has identified its target market as educated, high-income consumers in upscale neighborhoods.
 - The store size is larger than those of major competitors.
 - Classical music is played in all stores.
 - The lighting in the store is unique and warm.
 - The decor is very elegant.

ANS: B (p. 64)

51. The term "gatekeeper" as used in the textbook refers to
- The power of manufacturers in the channel.
 - The power of retailers in the channel.
 - The power of consumers in the channel.
 - The power of suppliers in the channel.
 - The power of manufacturer's representatives in the channel.

ANS: B (p. 64)