

Chapter 14 - Marketing Channels and Supply Chain Management

1. To facilitate manufacturing in India, Tata Automotive uses many different local suppliers of key component parts. What are these suppliers part of for Tata Automotive?
 - a. its communication network
 - b. its channel of distribution
 - c. its supply pyramid
 - d. its demand chain

ANSWER: b

2. What is the term for a business structure of interdependent organizations that reaches from the point of product origin to the consumer?
 - a. a marketing mix channel
 - b. a selective distribution channel
 - c. a marketing channel or channel of distribution
 - d. a transportation channel or channel of movement

ANSWER: c

3. How can marketing channels achieve economies of scale?
 - a. through overcoming spatial discrepancies
 - b. through contact expertise
 - c. through producing large quantities of a single product
 - d. through overcoming discrepancies of quantity

ANSWER: c

4. Taco Bell sells Mexican-style food using various channels of distribution. Beef and vegetables are key ingredients used by Taco Bell. What are beef producers, vegetable growers, Taco Bell, and consumers part of?
 - a. a marketing system
 - b. a transportation channel
 - c. a marketing channel
 - d. a logistics system

ANSWER: c

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5. Walmart sells all over the globe and is currently considering manufacturing its own line of computers. Keeping this in mind, how can they attain economies of scale?
- a. through overcoming spatial discrepancies
 - b. through specialization and division of labour
 - c. through contact expertise
 - d. through overcoming discrepancies of quantity

ANSWER: b

6. Quaker Oats can efficiently produce its Aunt Jemima instant pancake mix at a rate of 5000 units in a typical day. What has the quantity produced to achieve low unit cost led to?
- a. a discrepancy of assortment
 - b. a temporal discrepancy
 - c. an efficient supply chain
 - d. a discrepancy of quantity

ANSWER: d

7. In order to achieve low unit costs, Logitech Electronics has only produced 1000 computer mice. It's wholesale customers want to buy at least 1500 units. What has the quantity produced to achieve low unit costs created?
- a. a discrepancy of quantity
 - b. a discrepancy of assortment
 - c. a discrepancy of accumulation
 - d. a discrepancy of possession

ANSWER: a

8. Virtual Supermarket only sells Aunt Jemima pancake mix. Once customers have purchased the mix, they must purchase their syrup, butter, knives, forks and plates somewhere else. What has Virtual Supermarket created?
- a. a discrepancy of assortment
 - b. a spatial discrepancy
 - c. a temporal discrepancy
 - d. a discrepancy of possession

ANSWER: a

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9. A manufacturer may produce only one product, yet additional products may be required to actually use the first product. What does this create?
- a. a discrepancy of quantity
 - b. a discrepancy of assortment
 - c. a spatial discrepancy
 - d. a temporal discrepancy

ANSWER: b

10. McKesson Company provides health care products to pharmacies. For example, it purchases bandages, gauze, antibacterial cream, and ointments (or anything else you would need to treat a cut or scrape) from a variety of different manufacturers. Its goal is to provide each pharmacy with every item a customer might want to treat a cut. What is McKesson overcoming to aid consumers?
- a. spatial discrepancy
 - b. discrepancy of quantity
 - c. discrepancy of assortment
 - d. discrepancy of possession

ANSWER: c

11. Ontario Natural Food is a grocery wholesale cooperative, it provides all kinds of meats, cereals, canned and fresh fruits and vegetables, beauty aids, healthcare items, and pet products to the supermarkets in its channel. What is Ontario Natural Food overcoming to aid its customers?
- a. spatial discrepancy
 - b. discrepancy of quantity
 - c. discrepancy of assortment
 - d. demand discrepancies

ANSWER: c

12. Cianin Limited, a Christmas decoration manufacturer, produces its products all year round despite the fact that customers are not ready to buy their products until Christmas. What kind of discrepancy has been created?
- a. quantity
 - b. possession
 - c. temporal
 - d. assortment

ANSWER: c

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13. Cutter & Buck is a high-end fashion sportswear company. Even though swimwear is a product category that does not sell year-round, its sales remain steady all year because Cutter & Buck sells to wholesale distributors that stock the product. Which type of discrepancy are its wholesale distributors helping to overcome?
- a. spatial
 - b. possession
 - c. quantity
 - d. temporal

ANSWER: d

14. Vicobello is a major manufacturer of outdoor fountains that are currently popular in gardens. Even though fountains represent a product category that does not sell year-round due to inclement weather, Vicobello's sales remain steady all year because it sells to wholesale distributors that stock the product. Which type of discrepancy are its wholesale distributors primarily helping to overcome?
- a. assortment
 - b. possession
 - c. quantity
 - d. temporal

ANSWER: d

15. Aspen Furniture operates only one manufacturing plant in Edmonton, although it has end-customers in both Asia and Europe. What type of discrepancy has been created?
- a. spatial
 - b. temporal
 - c. assortment
 - d. quantity

ANSWER: a

16. YKK slide fasteners (zippers) are made in Brandon, Manitoba, yet manufacturers all over the world use YKK zippers to manufacture clothes, luggage, shoes, and other items. Which type of discrepancy do wholesalers around the world primarily help to overcome?
- a. creation
 - b. temporal
 - c. assortment
 - d. spatial

ANSWER: d

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17. Walmart offers many product categories under one roof. This reduces the number of stores customers must shop in to complete their purchases. In this case, what does Walmart provide?
- a. horizontal integration.
 - b. contact efficiency
 - c. vertical integration
 - d. reciprocity

ANSWER: b

18. R.H. Kurt & Son Inc. distributes rifles for hunting and target shooting to sporting equipment retailers and many large discount stores. It carries products from 41 different manufacturers. What is its marketing channel composed of?
- a. any organization that had a part in moving the product from the distributor to the retailer
 - b. the functions of transportation, storage, inventory control, materials handling, and order processing
 - c. the 41 different manufacturers, R.H. Kurt, the retailers it serves, and their customers
 - d. the trucking companies that deliver the rifles

ANSWER: c

19. R.H. Kurt & Son, Inc., distributes rifles for hunting and target shooting to sporting equipment retailers and many large discount stores. Customers at retail stores want only one rifle or one scope. They do not want to buy in the quantities the manufacturers need to sell. Which of the following discrepancy can be overcome by the marketing channels?
- a. discrepancy of quantity
 - b. spatial discrepancy
 - c. discrepancy of assortment
 - d. discrepancy of facilitation

ANSWER: a

20. When a consumer goes to a sporting goods store to buy a rifle scope and cleaning equipment and discovers the store does not carry rifle scopes, what is created that results in the consumer dissatisfaction?
- a. discrepancy of quantity
 - b. discrepancy of assortment
 - c. spatial discrepancy
 - d. discrepancy of possession

ANSWER: b

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21. What is the major characteristic used to differentiate between types of intermediary categories?
- a. whether they prevent specialization of labour
 - b. whether they decrease economies of scale
 - c. whether they take title to the products they sell
 - d. whether they raise profit margins for independent middlemen

ANSWER: c

22. Which type of intermediaries are retailers and merchant wholesalers?
- a. those that take title to a product
 - b. those that create temporal and spatial discrepancies
 - c. those that use consumer promotions
 - d. those that do not benefit from any economies of scale

ANSWER: a

23. W.W. Grainger Inc. is one of the world's largest business-to-business distributors of equipment, component parts, and supplies in the United States and Canada. It has ownership title to over 220,000 products, which are stocked in one national and nine regional warehouses to guarantee product availability and quick service to the many manufacturers that are its customers. What is W.W. Grainger an example of?
- a. agent or broker
 - b. merchant wholesaler
 - c. retailer
 - d. industrial manufacturer

ANSWER: b

24. Long Island Lefty provides retailers and other businesses with the latest and the best products for left-handed consumers. It buys all types of products from a variety of manufacturers and stores the merchandise in its New York warehouse until purchased by buyers. Long Island Lefty does not sell to end users. What is Long Island Lefty an example of?
- a. agent or broker
 - b. retailer
 - c. merchant wholesaler
 - d. industrial supplier

ANSWER: c

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25. EWEL buys goods from manufacturers, takes title to these goods, and resells them to businesses and retailers? What are they an example of?
- a. merchant wholesaler
 - b. drop shipper
 - c. channel cooperative
 - d. marketing cooperative

ANSWER: a

26. Which of the following are wholesaling intermediaries that facilitate the sales of a product from producer to end user by representing retailers and manufacturers and sometimes wholesalers, without providing much input as to the terms of the sale?
- a. marketing facilitators
 - b. channel cooperatives
 - c. agents and brokers
 - d. merchant wholesalers

ANSWER: c

27. Indian automobile manufacturer, Tata Motors is considering selling in Canada. Which one of the following would best determine the type of intermediary Tata use in Canada?
- a. product characteristics, buyer consideration, and market characteristics
 - b. competitive conditions, economic characteristics, and government regulations
 - c. product form, size, and political considerations
 - d. product shape, manufacturing technology, and staff skills

ANSWER: a

28. What are the three basic functions performed by channel intermediaries?
- a. transactional, logistical, and facilitating
 - b. contacting, negotiating, and ownership
 - c. promoting, distributing, and bulk breaking
 - d. assorting, accumulating, and allocating

ANSWER: a

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29. Which of the following activities is NOT a transactional channel function?

- a. contacting buyers
- b. promoting the products to be sold
- c. taking the risks associated with product inventories
- d. physical distribution and sorting

ANSWER: d

30. Which of the following logistical activities do marketing channels perform?

- a. transporting
- b. promoting
- c. negotiating
- d. risk taking

ANSWER: a

31. Which of the following includes managing the movement of raw materials and parts from their sources to production sites; managing the movement of materials, semi-finished, and finished products within and among plants, warehouses, and distribution centres; and the planning and coordinating of the physical distribution of finished goods to intermediaries and final buyers?

- a. logistics
- b. materials handling
- c. intermodal transportation
- d. contract logistics

ANSWER: a

32. Surj has just inherited his small family farm. He is new to the business and knows little about finding customers for cattle as well as wheat grown on the farm. What channel type would you recommend he use?

- a. agent/brokers
- b. wholesale distributors
- c. retail specialists
- d. national grocery chains

ANSWER: a

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33. Vicobello is a manufacturer of outdoor fountains that are currently popular in gardens. Even though fountains represent a product category that does not sell year-round due to inclement weather, Vicobello's sales remain steady all year because it sells to wholesale distributors that stock the product. Which type of function do the wholesale distributors perform for Vicobello?

- a. financial
- b. facilitating
- c. logistical
- d. promotional

ANSWER: c

34. Which of the following is NOT a sorting activity?

- a. assorting
- b. accumulation
- c. allocation
- d. possession

ANSWER: d

35. Although Acer Computers manufactures thousands of units per year, its wholesale customers are able to purchase smaller more manageable quantities. What is this called?

- a. allocating
- b. accumulation
- c. storing
- d. downsizing

ANSWER: a

36. Which of the following are examples of facilitating functions performed by wholesaling intermediaries?

- a. sorting and storing
- b. risk taking and promotion
- c. assorting, accumulating, grading, and allocating
- d. researching and financing

ANSWER: d

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37. Desk manufacturer Office-Pro wants to route its new line of desks from the company to the end-user. Which of the following would they typically NOT use?
- a. retailer
 - b. industrial distributor
 - c. producer
 - d. wholesaler

ANSWER: b

38. Dell computers sells to end-users. They use no other intermediary. What kind of channel do they use?
- a. a limited distribution system
 - b. a vertical marketing system
 - c. a reciprocal channel
 - d. a direct channel

ANSWER: d

39. The only way Jim Keeler in British Columbia can get a box of Carolyn Popwell's Festive Holiday Truffles from Washington is to order it through the mail from Popwell. What type of channel is this?
- a. wholesaler
 - b. agent/broker
 - c. reciprocal
 - d. direct

ANSWER: d

40. Which channel is typically used between a supplier and manufacturer of industrial products?
- a. direct
 - b. industrial merchant
 - c. wholesaler
 - d. retailer

ANSWER: a

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41. Sherwin-Williams Company has not only grown to be the largest producer of standard and custom paints and coatings in Canada and the United States, but is among the largest producers in the world. For distribution, what would you expect Sherwin-Williams to use?
- a. a network of facilitating agents
 - b. a horizontally integrated channel
 - c. a direct channel
 - d. a vertical marketing system

ANSWER: c

42. Centigon is a manufacturer of customized armoured vehicles for military, private, presidential, and commercial uses. Each armoured vehicle is designed to deliver security on the road while also achieving optimum levels of performance and comfort. For distribution, what would you expect Centigon to use?
- a. a horizontally integrated channel
 - b. a reciprocal system
 - c. a direct channel
 - d. a vertical marketing system

ANSWER: c

43. Which of the following best describes agents and brokers?
- a. They have a great deal of control and risk invested in the goods.
 - b. They represent only manufacturers in sales situations.
 - c. They generally are on an annual salary with the manufacturer.
 - d. They do not take title to merchandise.

ANSWER: d

44. A retailer channel is most common when the retailer is large and can buy in large quantities directly from the manufacturer. Which of the following does your textbook give as an example?
- a. Ikea
 - b. Chapters Indigo
 - c. Amazon
 - d. Starbucks

ANSWER: b

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45. The Lamp Company sells standardized light bulbs to other businesses. The average bulb only costs around \$1.50. What channel would you recommend they use to get their products to their customers?

- a. non-traditional channels
- b. industrial distributors
- c. agents and brokers
- d. retailers

ANSWER: b

46. Apple sells its computers through both its own retail shops as well as through Staples. What kind of channel does Dell use?

- a. multiple
- b. intensive
- c. contractual
- d. cumulative

ANSWER: a

47. The Hudson Bay Company distributes furniture, television sets, silverware, clothing and more throughout Canada via its own stores and the Internet. Which type of distribution does The Bay use?

- a. intensive
- b. multiple
- c. cumulative
- d. aggregated

ANSWER: b

48. When the new father left the maternity ward to find something to eat, he was surprised to see he could buy McDonald's fast food in the hospital dining room. What is McDonald's utilizing?

- a. logistical distribution alliance
- b. a nontraditional channel
- c. multiplicative channels
- d. a licensing alliance

ANSWER: b

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49. What is the benefit of a nontraditional channel?

- a. being the only business in the channel
- b. being good for niche products
- c. having another avenue for sales
- d. having a multiple channel alliance

ANSWER: c

50. Tim Horton coffee shops can often be found at Walmart Superstores. What is this an example of?

- a. strategic channel alliance
- b. relationship channel
- c. reverse channel
- d. multiple distribution alliance

ANSWER: a

Scenario 14-1

Selfridges is the second-largest department store in Great Britain. It works with House of Fraser, one of its competitors, to reduce operating costs by sharing channels of distribution to ship goods from more than 1,500 suppliers.

51. Refer to the scenario. What are Selfridges and House of Fraser engaged in?

- a. vertical conflict
- b. an integrated supply chain
- c. a strategic channel alliance
- d. an information-based distribution channel

ANSWER: c

52. Refer to the scenario. In choosing a channel of distribution, Selfridges more than likely relied on which of the following?

- a. market factors
- b. ownership requirements
- c. production factors
- d. geodemographic requirements

ANSWER: a

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53. Ford SYNC is a factory-installed, integrated in-vehicle communications and entertainment system developed by Microsoft. What are the two companies engaged in?
- a. vertical conflict
 - b. an integrated supply chain
 - c. a strategic channel alliance
 - d. forward integration

ANSWER: c

54. When Delphi-Grundig, a manufacturer of state-of-the-art car radios, decided to expand its marketing efforts into countries in which its products are not currently available, it did not have the time or resources to spend on developing new channels of distribution. What should Delphi-Grundig consider using?
- a. an industrial distributor
 - b. a franchising system
 - c. a strategic channel alliance
 - d. a channel cooperative

ANSWER: c

55. What is Taco Bell using when it sells its products to students through school cafeterias?
- a. an agent/broker channel
 - b. multiple channels
 - c. a nontraditional channel
 - d. a strategic channel alliance

ANSWER: c

56. Which of the following statements best illustrates how market factors affect channel decisions?
- a. Industrial customers tend to buy in larger quantities and require more customer service.
 - b. Geographically concentrated target markets should be served with an indirect sales force.
 - c. Widely dispersed markets require fewer intermediaries.
 - d. A very large market requires fewer intermediaries.

ANSWER: a

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57. Canesta Company has developed a virtual keyboard out of light to be used with cell phones and personal digital assistants (PDAs). The product beams an image of a keyboard on a desk, allowing the user to type on the image. The words are picked up by the user's digital device. If, in choosing its channel, Canesta is most concerned about supplying the number of consumers who have expressed interest in such a device, what will its choice of channels largely be influenced by?
- a. exclusivity agreements
 - b. market factors
 - c. product factors
 - d. internal environmental agreements

ANSWER: b

58. Canesta Company has developed a virtual keyboard out of light to be used with cell phones and personal digital assistants (PDAs). The product beams an image of a keyboard on a desk, allowing the user to type on the image. The words are picked up by the user's digital device. When introduced to the market, the device will sell for less than \$50. Canesta does not have any retail channels. What level of distribution intensity should the company use?
- a. exclusive
 - b. extensive
 - c. reciprocal
 - d. selective

ANSWER: d

59. Canesta Company has developed a virtual keyboard out of light to be used with cell phones and personal digital assistants (PDAs). The product beams an image of a keyboard on a desk, allowing the user to type on the image. The words are picked up by the user's digital device. When introduced to the market, the device will sell for less than \$50. If, in choosing its channel, Canesta is most concerned about the life cycle of the device, what will its choice of channels largely be influenced by?
- a. factors of production
 - b. customer characteristics
 - c. product factors
 - d. market factors

ANSWER: c

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60. After years of phenomenal growth, Taco Bell is branching out from traditional single-purpose stores. Its uses kiosks, movable carts in malls and at the gas station, products on supermarket shelves, and even in-school lunch programs. In only a few years, it has more than quintupled its points of access. It aims to have 200,000 outlets; most of which will be nontraditional. What type of distribution does Taco Bell appear to be moving toward to get its products to market?
- a. intensive
 - b. selective
 - c. market-focused
 - d. exclusive

ANSWER: a

61. Canesta Company has developed a virtual keyboard out of light to be used with cell phones and personal digital assistants (PDAs). The product beams an image of a keyboard on a desk, allowing the user to type on the image. The words are picked up by the user's digital device. When introduced to the market, the device will sell for less than \$50. If, in choosing its channel, Canesta is most concerned about its lack of financial, managerial, and marketing resources to support the product's introduction, what will its choice of channels largely be influenced by?
- a. factors of ownership
 - b. market factors
 - c. producer factors
 - d. product factors

ANSWER: c

62. Wrigley's chewing gum aims to achieve maximum market coverage. It wants its products to be available in every outlet where potential customers might want to buy them?
- a. selective franchising
 - b. channel franchising
 - c. intensive distribution
 - d. exclusive distribution

ANSWER: c

63. Toothpaste is sold in grocery stores, service stations, convenience stores, drugstores, discount stores, and motel vending machines. What type of distribution strategy is used for toothpaste?
- a. exclusive
 - b. selective
 - c. horizontal
 - d. intensive

ANSWER: d

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64. Which of the following manufacturers most likely uses intensive distribution?

- a. Cadbury Adams, manufacturer of Certs breath fresheners
- b. Citizen, a manufacturer of digital scales
- c. Champion, a manufacturer of inline skates
- d. Cuisinart, a manufacturer of kitchen appliances

ANSWER: a

65. Shopping goods and some specialty products that consumers are willing to search for are sold through a type of distribution that is achieved by screening dealers to eliminate all but a few in any single geographic area. What is the type of distribution being used?

- a. intensive
- b. selective
- c. exclusive
- d. controlled

ANSWER: b

66. Husqvarna Viking manufactures sewing machines. The company carefully screens its dealers to ensure a quality dealer image and service ability. Only a few dealers are chosen in any single geographic area. Which type of distribution does Husqvarna Viking use?

- a. intensive
- b. exclusive
- c. selective
- d. mass

ANSWER: c

67. The LaCoste brand apparel was once available at Zellers and a number of other non-luxury retailers. Today the LaCoste brand can be found only at Holt Renfrew's and LaCoste boutiques. From this information, you can surmise that LaCoste has adopted which type of distribution strategy?

- a. extensive
- b. intensive
- c. premium
- d. selective

ANSWER: d

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68. R.H. Kurt & Son, Inc., distributes rifles for hunting and target shooting, rifle barrels, triggers, cleaning equipment, and reloading equipment to sporting equipment retailers and many large discount stores. It carries products from 41 different manufacturers. The manufacturers whose products it carries are known for producing superior products and are leaders in their industries. Given the nature of the products carried by Kurt, its 41 manufacturers most likely want Kurt to use which type of distribution?

- a. expansive
- b. intensive
- c. reflexive
- d. selective

ANSWER: d

69. Luxury home furniture manufacturer Home Living is in the process of looking for a distribution channel for its new line of high-end sofas. Home Living is most concerned about protecting its prestige image and controlling the message communicated by salespeople. What level of distribution would you recommend?

- a. exclusive
- b. selective
- c. dual
- d. intensive

ANSWER: a

70. Luxury home furniture manufacturer Home-Living, is in the process of looking for a distribution channel for its new line of high-end sofas. Home Living is most concerned about protecting its prestige image and controlling the message communicated by salespeople. These factors affecting the choice of channel would fall under which of the following?

- a. producer factors
- b. customer factors
- c. product factors
- d. market factors

ANSWER: a

71. There are less five Aston Martin luxury car dealerships in Canada. Aston Martin Canada uses which type of distribution strategy?

- a. selective
- b. intensive
- c. exclusive
- d. premium

ANSWER: c

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72. Walker Zanger Inc. manufactures decorative tile. The company has a policy of only having one or two dealers within a given large geographic area. Buyers of Walker Zanger brand terra-cotta and mosaic tiles for home decorating will travel to acquire just the right product, so which type of distribution is appropriate for the tile?
- a. exclusive
 - b. intensive
 - c. selective
 - d. premium

ANSWER: a

73. Caterpillar, the manufacturer of tractors and other earthmoving equipment, has an extremely high market share, which means customers seek out the dealers, regardless of where they are. There are approximately eight Caterpillar dealers in all of Canada. From this information, which type of distribution does Caterpillar use?
- a. selective
 - b. premium
 - c. intensive
 - d. exclusive

ANSWER: d

74. DeBeers sells most of the diamonds it produces to industry. The company controls over 90 percent of the market and has great power over its distributors. In its marketing channel, what would DeBeers be considered?
- a. a channel authority
 - b. a channel member
 - c. a channel leader
 - d. a channel gatekeeper

ANSWER: c

75. Johns Manville is the only manufacturer to offer a complete line of formaldehyde-free fiberglass building insulation, which offers superior energy efficiency in hard-to-reach cathedral ceilings and flat roof cavities; it is also an excellent sound control for interior floors. As the only manufacturer and patent holder of this revolutionary insulation, Johns Manville has great power over its dealers. What is Johns Manville an example of?
- a. a channel authority
 - b. a channel regulator
 - c. a channel captain
 - d. a channel gatekeeper

ANSWER: c

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76. Honda uses just-in-time manufacturing to build its Odyssey minivans. Five companies that make component parts for the Honda Odyssey relocated to Southern Ontario when Honda announced plans to build a new Odyssey manufacturing plant in Alliston, Ontario. This relocation in order to provide efficient delivery of goods indicates that Honda is which of the following?
- a. a channel captain
 - b. a horizontal integrator
 - c. a distribution champion
 - d. a demand gatekeeper

ANSWER: a

77. After years of strong growth, Taco Bell is branching out from traditional single-purpose stores. Its uses kiosks, movable carts in malls and at the gas station, products on supermarket shelves, and even in-school lunch programs. In only a few years, it has more than quintupled its points of access. It aims to have 200,000 outlets; most of which will be nontraditional. What is Taco Bell potentially producing among its franchisees and other distributors of Taco Bell products?
- a. vertical conflict
 - b. cognitive dissonance
 - c. supply management divergence
 - d. horizontal conflict

ANSWER: d

78. Daya Rai operates a Super Juice franchise. Super Juice states in its franchisee agreement that restaurants must be kept clean at all times, that customers must be served within 2 minutes of arriving, and that managers must know the names of return customers. If Daya is unable to meet these conditions, what could this cause?
- a. channel disagreement
 - b. horizontal conflict
 - c. contract dissolution
 - d. vertical conflict

ANSWER: d

79. What is another name for a channel leader?
- a. channel captain
 - b. channel facilitator
 - c. distribution supervisor
 - d. channel gatekeeper

ANSWER: a

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80. Which of the following best describes channel conflict?
- a. It always has an adverse effect on the members of the channel and consumers.
 - b. It can often lead to a clash of goals among distribution channel members.
 - c. It usually appears as internal.
 - d. It does not occur when multiple distribution channels are used.

ANSWER: b

81. More than 800,000 fans are willing to buy subscriptions to watch Major League Baseball (MLB) games online at MLB.com. That business is worth more than \$100 million to MLB. But this online broadcast takes those fans away from the broadcasters that pay MLB hundreds of millions of dollars for the right to carry the games. What is creating a clash of goals and methods between MLB and broadcast television?
- a. horizontal market share takeover
 - b. lateral channel takeover
 - c. niche market conflict
 - d. channel conflict

ANSWER: d

82. Starbucks coffee can be found at colleges and universities around Canada. Keeping this in mind, when does horizontal channel conflict occur most often?
- a. when manufacturers practise multiple distribution
 - b. when manufacturers practise value-added pricing
 - c. when manufacturers practise exclusive distribution
 - d. when manufacturers practise channel partnering

ANSWER: a

83. The Discovery Channel joined with the BBC to send an expedition of top scientists to explore a seabed site off Indonesia. Because these two cable networks compete for viewership, what is there potential for as a result of this project?
- a. horizontal conflict
 - b. trade loading
 - c. exclusive distribution
 - d. channel partnering

ANSWER: a

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84. Mr. Rai had an issue with the Sony laptop he had bought from Future Shop. Both Sony and Future Shop worked together to ensure Mr. Rai's problems were solved satisfactorily. What is this a good example of?
- a. selective partnering
 - b. direct distribution
 - c. channel partnering
 - d. intensive integration

ANSWER: c

85. Which of the following coordinates and integrates all of the activities performed by channel members into a seamless process, from the source to the point of consumption, resulting in enhanced customer and economic value?
- a. channel power
 - b. materials handling
 - c. supply chain management
 - d. physical distribution

ANSWER: c

86. Which of the following statements best describes supply chain management?
- a. Supply chain management is supply chain driven.
 - b. Supply chain management focuses on pulling products into the marketplace.
 - c. Outsourcing is not used with supply chain management.
 - d. Supply chain management focuses on pushing products into the marketplace.

ANSWER: b

87. Which of the following best describes supply chain management?
- a. It is supply chain driven.
 - b. It is customer driven.
 - c. It provides enhanced customer and economic value.
 - d. It plays the role of communicator of customer demand.

ANSWER: b

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88. Peachtree Windows has no windows in inventory waiting for someone to order them. It does not make a window until it is ordered. It is able to make 27,000 different window configurations. The company promises delivery in five working days because of the excellent relationships it has established with its suppliers. What does this partnering relationship that Peachtree Windows has established with its suppliers and contractors indicate the use of?
- a. supply chain management
 - b. yield management
 - c. channel networks
 - d. horizontal marketing networks

ANSWER: a

89. Which term describes the process of strategically managing the efficient flow and storage of raw materials, in-process inventory, and finished goods from point of origin to point of consumption?
- a. contract logistics
 - b. logistics
 - c. disintermediation
 - d. channel facilitation

ANSWER: b

90. Peachtree Windows has no windows in inventory waiting for someone to order them. It does not make a window until it is ordered. It is able to make 27,000 different window configurations. The company will make special adjustments to these configurations if there is a request for modifications as long as the modifications meet the company's safety requirements. What does Peachtree Window engage in?
- a. niche marketing
 - b. product development
 - c. mass customization
 - d. marketing aggregation

ANSWER: c

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91. A large automotive after-market business wanted to improve its current situation, which is characterized by excessive inventory, incomplete information, high logistics costs, slow reactions to environmental change, and lost profits at the retail level. Would supply chain management be of any help to the business?
- a. Yes, supply chain management is designed to coordinate and integrate all the activities from raw materials to product consumption.
 - b. No, supply chain management is applicable to only distribution strategies for products being sold to the consumer market.
 - c. Yes, supply chain management would be very useful because it relies so heavily on benchmarking.
 - d. No, supply chain management requires an expensive investment of time and resources to make it worthwhile.

ANSWER: a

92. Which of the following is NOT a logistics component of the supply chain?
- a. push marketing strategy
 - b. production scheduling
 - c. inventory control
 - d. order processing

ANSWER: a

93. Software for materials acquisition and handling, warehouse management and enterprise-wide solutions, data storage and integration in data warehouses, mobile communications, electronic data interchange, radio-frequency identification (RFID) chips, and the Internet are all components of which of the following?
- a. supply chain system
 - b. channel marketing system
 - c. data interchange system
 - d. logistics information system

ANSWER: d

94. In a customer “pull” manufacturing environment, which is growing in popularity, production of goods or services is not scheduled until an order is placed by the customer specifying the desired configuration. In fact, which of the following is even BMW now able to offer?
- a. do-it-yourself vehicles
 - b. mass customization
 - c. just-in-time ordering
 - d. assembly line ordering

ANSWER: b

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95. Girls can log onto www.B Barbie.com and design their own special Barbie doll. They can choose the doll's skin tone, hair colour, clothes, accessories, and name. The doll is created to the new owner's specifications and mailed to her by Mattel. With this doll, what is Mattel using?
- a. market aggregation
 - b. niche marketing
 - c. mass customization
 - d. disintermediation

ANSWER: c

96. Using VictoryStore.com's online design tools and templates, lovers need do little more than choose the type of gift they want to give including candy, apparel, candles, and more. After a template is chosen, the personalized item—complete with a message declaring love can be ordered. This process is called mass customization. What else is mass customization known as?
- a. build-to-order
 - b. market aggregation
 - c. disintermediation
 - d. market development

ANSWER: a

97. At the end of each day, Walmart sends product orders to its warehouses. These requests are filled immediately and products can be on store shelves as early as the next morning. What is this an example of?
- a. order processing system
 - b. electronic data interchange
 - c. value-added channelization
 - d. contract logistics

ANSWER: a

98. What is another name for just-in-time production?
- a. supply/demand reciprocity
 - b. lean production
 - c. outsourcing
 - d. mass customization

ANSWER: b

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99. A newspaper article on supply chain management discusses the importance of lean production. Which role in supply chain management will the article focus on?

- a. supply chain organization
- b. just-in-time manufacturing
- c. materials-handling systems
- d. electronic distribution

ANSWER: b

100. A strike by dockworkers at West Coast ports paralyzed transportation of goods across the Pacific Ocean and left manufacturers short of component parts and Asian importers with excess inventory. This paralysis would have had a more adverse impact on companies using which of the following?

- a. supply chain management
- b. just-in-time manufacturing
- c. materials requirements procurement (MRP)
- d. materials-handling systems

ANSWER: b

101. A manufacturer of sewing machines has decided to implement just-in-time manufacturing. What can the manufacturer expect?

- a. increased inventory control staff
- b. more frequent deliveries and reduced inventory
- c. finished product quality reductions
- d. a need for more sources of supply as backup suppliers

ANSWER: b

102. The direct electronic transmission, from computer to computer, of standard business forms between two organizations is classified as which of the following?

- a. electronic data interchange
- b. just-in-time inventory
- c. real-time inventory
- d. direct sourcing

ANSWER: a

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103. Haim's Plumbing Wholesalers always ensures that it has an adequate assortment of "everyday" plumbing products to meet a customer's needs. What does Haim's Plumbing handle well?
- a. the materials-handling system
 - b. an inventory control system
 - c. contract logistics
 - d. warehousing logistics

ANSWER: b

104. In which logistical component of the supply chain will you find distribution resource planning (DRP) a common feature?
- a. production scheduling
 - b. order processing
 - c. materials handling
 - d. inventory control

ANSWER: d

105. What is the goal of inventory control?
- a. to minimize inventory levels while maintaining an adequate supply to meet customer demands
 - b. to maximize inventory levels to prevent any possibility of stock-outs
 - c. to determine order timing and order quantity
 - d. to integrate JIT to reduce risks of obsolescence, theft, and damage

ANSWER: a

106. Horis Twild is the marketing manager for a small manufacturer of products to beautify, enhance, and maintain fish aquariums and terrariums. What was his decision NOT to move his manufacturing base overseas probably primarily based on?
- a. lack of common languages and cultures among global customers
 - b. inability to support a multinational promotion strategy
 - c. legalities of producing in other countries
 - d. lack of global consumers

ANSWER: c

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107. What is the first thing that manufactures need to decide when they are entering the global marketplace?

- a. whether there are enough customers
- b. whether they can support a multinational promotion strategy
- c. which type of channel structure to use
- d. how intense the market is

ANSWER: c

108. What is one of the most critical global logistical issues for an importer?

- a. legalities of trade in other countries
- b. differences in JIT
- c. emerging markets
- d. trust and relationship building

ANSWER: a

109. How does a company like Wide Range Transportation Services benefit companies who choose to enter the global marketplace?

- a. They understand a variety of languages.
- b. They make the whole process easier.
- c. They too want to build their business so they market to other global companies.
- d. They employ many drivers who can quickly get the products to market.

ANSWER: b

110. “Having a great idea for a product is important, but having a great idea for product distribution is even more important.”—Reid Hoffman

- a. True
- b. False

ANSWER: True

111. As products move through the marketing channel, channel members provide specialization and division of labour, overcome discrepancies, and provide contact efficiency.

- a. True
- b. False

ANSWER: True

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112. Marnie stopped by the drugstore to buy a bottle of sunblock. She is glad she can buy one bottle at a time instead of having to buy the thousands of bottles of sunblock the manufacturer produces every day. For Marnie, the drugstore overcomes a discrepancy of quantity.

- a. True
- b. False

ANSWER: True

113. Residents of New Liskeard, Ontario, live in an isolated area of the province. Residents must travel two hours to receive medical treatment. Luckily, a physician has just opened a new practice in town. In this case, the physician has overcome service discrepancies by opening an office close to consumers.

- a. True
- b. False

ANSWER: False

114. Marketing channels can also attain economies of scale through specialization and division of labour by aiding producers who lack the expertise.

- a. True
- b. False

ANSWER: True

115. Retailers are firms that sell mainly to consumers and business customers.

- a. True
- b. False

ANSWER: True

116. Retailers and merchant wholesalers are examples of intermediaries that take title to products in the marketing channel.

- a. True
- b. False

ANSWER: True

117. The three basic functions a channel intermediary provides are transportation, logistical and facilitating.

- a. True
- b. False

ANSWER: False

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118. Harriet Lowe makes children's clothing, which she sells at craft festivals to end users. Lowe does not use channel intermediaries; she uses a direct channel.

- a. True
- b. False

ANSWER: True

119. The direct channel is used more often in consumer markets than in business-to-business markets.

- a. True
- b. False

ANSWER: False

120. Lone Star Texas Grill is a small chain of restaurants that feature marinated steaks. The marinade is so popular that Lone Star sells it at its restaurants and also sells it at Metro supermarkets, which only has 10 outlets. This is an example of intensive distribution.

- a. True
- b. False

ANSWER: False

121. Supply chain management is completely producer driven.

- a. True
- b. False

ANSWER: False

122. Companies that use supply chain management techniques typically also use a push promotional strategy.

- a. True
- b. False

ANSWER: False

123. The use of supply chain management results in reduced inventory management costs.

- a. True
- b. False

ANSWER: True

124. Metallurgical Designs makes gold and silver charms for necklaces and bracelets. It markets its charms to a few retailers in any one region and promotes them intensively to those retailers. This is an example of intensive distribution.

- a. True
- b. False

ANSWER: False

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125. Shopping goods are usually distributed selectively. Consumers are willing to look around for them but may not be willing to search or travel extensively to acquire the product.

- a. True
- b. False

ANSWER: True

126. Exclusive distribution is the most restrictive form of market coverage.

- a. True
- b. False

ANSWER: True

127. An international consumer products manufacturer requires all of its suppliers to provide the lowest possible cost and to adhere to a just-in-time inventory system. Wholesalers and manufacturers generally yield to the authority of this large manufacturer. This consumer products manufacturer exercises channel power.

- a. True
- b. False

ANSWER: True

128. Reciprocal conflict occurs among channel members on the same level, such as two or more different wholesalers or two or more different retailers that handle the same manufacturers' brands.

- a. True
- b. False

ANSWER: False

129. Master Technology produces neon insulator sign components on an assembly line, and suppliers deliver the needed parts in four small shipments each day. Master Technology has noticed a dramatic decrease in carrying costs using this method, but a sharp increase in delivery costs since the company must pay more for the added delivery convenience. Master Technology uses just-in-time (JIT) manufacturing.

- a. True
- b. False

ANSWER: True

130. The goal of procurement activities is to reduce the cost of raw material and supplies.

- a. True
- b. False

ANSWER: True

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131. A temporal discrepancy is created when a product is produced and consumed simultaneously.

- a. True
- b. False

ANSWER: False

132. Spatial discrepancy is created when a product is produced but a consumer is not ready to buy it.

- a. True
- b. False

ANSWER: False

133. Nontraditional channels are when a producers select two or more channels to distribute the same product to target markets.

- a. True
- b. False

ANSWER: False

134. Starbucks Coffee company uses exclusive distribution.

- a. True
- b. False

ANSWER: False

135. Channel power is a channel member's capacity to control or influence the behaviour of other channel members.

- a. True
- b. False

ANSWER: True

136. An example of a well-established channel partnership is the relationship between Apple and AT&T.

- a. True
- b. False

ANSWER: True

137. Manufacturers introducing products in global markets must second decide what channel they will use.

- a. True
- b. False

ANSWER: False

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138. Channel structures will be the same abroad as they are in North America.

- a. True
- b. False

ANSWER: False

139. Multinational companies are not committed to working through World Trade Organizations to develop their business.

- a. True
- b. False

ANSWER: False

140. What is a marketing channel? What is a supply chain?

ANSWER:

A marketing channel is a set of interdependent organizations that ease the transfer of ownership as products move from producer to business user or consumer. Marketing channels represent the place or distribution function in the marketing mix. The marketing channel is all about getting the right product to the right place at the right time.

A supply chain is the connected chain of all of the business entities, both internal and external to the company, that perform or support the marketing channel functions.

141. One important reason channel members are included between producers and end users is to overcome discrepancies. Name and briefly describe four discrepancies channel members overcome.

ANSWER: Discrepancy of quantity: Large quantities produced to achieve low unit costs create quantity discrepancies (the amount of product produced compared to the amount an end user wants to buy). Marketing channels overcome quantity discrepancies by making products available in the quantities that buyers desire.

Discrepancy of assortment: This discrepancy occurs when mass production does not allow a firm to produce all the items necessary for buyers to receive full satisfaction from products. Marketing channels overcome discrepancies of quantity by assembling assortments of products that buyers want in one place.

Temporal discrepancy: This is created when a product is produced but the consumer is not ready to purchase it. Marketing channels overcome temporal discrepancies by maintaining inventories in anticipation of demand.

Spatial discrepancy: Mass production requires a large number of potential purchasers, so markets are usually scattered over large geographic regions. Marketing channels overcome spatial discrepancies by making products available in locations convenient to consumers and business buyers.

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142. Channels of distribution can achieve competitive advantage through a thoughtful strategy that takes advantage of three trends. List the trends.

ANSWER:

- Continual push for growth in most companies
- Increased power of retailers
- Greater role of information technology

Ultimately, the main reason that place can be a source of competitive advantage is that if done right, a well-operated channel of distribution is very difficult and expensive to emulate. This fact is evidenced by the one company that is known more for its distribution than any other aspect of its business: Amazon. The Seattle-based company is well known for its service and delivery promises, and it has used the investment made in getting products to consumers in a timely manner as a means to grow its business into other areas. Consumers are aware that if they are looking for almost any type of consumer product (except for fresh or frozen food) in a hurry, then a visit to Amazon.ca is an essential part of fulfilling their needs. With services that take anywhere from days to hours to fulfill, Amazon is changing the expectations that customers have to get products in a timely and efficient manner. And if you become a member of Amazon's Prime Service, for one yearly fee you can get all your deliveries free of charge.

143. One important reason channel members are included between producers and users is the concept of specialization and division of labour. Define these concepts and explain their roles in channels of distribution.

ANSWER: Specialization and division of labour break down a complex task into smaller, simpler ones and allocate them to specialists. This allocation results in much greater efficiency and lower average production costs. Marketing channels achieve economies of scale through specialization and division of labour. Some producers do not have the interest, financing, or expertise to market directly to end users or consumers. These producers use channel members to perform functions and activities that the producers are not equipped to perform or that these intermediaries are better prepared to perform. Channel members can perform some functions and activities more efficiently than producers, and they enhance the overall performance of the channel because of their specialized expertise.

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144. What are the main characteristics that determine what type of intermediary should be used by a manufacturer?

ANSWER:

- *Product characteristics*, which may require a certain type of wholesaling intermediary, include whether the product is standardized or customized, the complexity of the product, and the gross margin of the product. For example, a customized product, such as insurance, is sold through an insurance agent or broker who may represent one or multiple companies. In contrast, a standardized product, such as a chocolate bar, is sold through a merchant wholesaler that takes possession of the product and reships it to the appropriate retailers.
- *Buyer considerations* that affect the wholesaler choice include how often the product is purchased and how long the buyer is willing to wait to receive the product. For example, at the beginning of the school term, a student may be willing to wait a few days for a textbook if it means paying a lower price by ordering online. Thus this type of product can be distributed directly. But if the student waits to buy the book until right before an exam and needs the book immediately, the student will need to purchase it for full price at the school bookstore or pay even more by adding on high shipping charges to have it delivered immediately from an online site.
- *Market characteristics* that determine the wholesaler type include the number of buyers in the market and whether they are concentrated in a general location or are widely dispersed. Chocolate bars and textbooks, for example, are produced in one location and consumed in many other locations. Therefore, a merchant wholesaler is needed to distribute the products. In contrast, in a home sale, the buyer and seller are localized in one area, which facilitates the use of an agent or a broker relationship.

145. Intermediaries must perform three basic functions. Name these functions, and describe two activities involved in each function.

ANSWER: *Transactional functions* include contacting and promoting (contacting potential customers, promoting products, soliciting orders), negotiating (determining how many goods or services to buy and sell, transportation types, delivery times, and payment method and timing), and risk taking (assuming the risk of owning inventory).

Logistical functions include physical distribution (transporting and storing goods to overcome temporal and spatial discrepancies) and sorting (overcoming discrepancies of quantity and assortment by sorting out, accumulating, allocating, and assorting).

Facilitating functions include research (gathering information about other channel members and consumers) and financing (extending credit and other financial services to facilitate the flow of goods through the channel to the final consumer).

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146. Industrial and consumer products may require different distributions. Draw the four channels used for consumer products. Which channels are more commonly used for consumer product? Draw the channels used for industrial products. Which channels are more commonly used for industrial products?

ANSWER: Channels are diagrammed in Exhibit 14.3 and Exhibit 14.3 (textbook pages 258 and 260).

Manufacturers can route products to consumers four different ways:

- direct channel: no intermediaries
- retailer channel: one intermediary—the retailer
- wholesaler channel: two intermediaries—the wholesaler and retailer
- agent/broker channel: three intermediaries—agents or brokers, wholesalers, and retailers

Direct marketing to consumers includes telemarketing, factory outlets, mail-order and catalogue shopping, and electronic retailing. However, most consumer products are sold through retailer and wholesaler channels.

Five channel structures are common in business-to-business markets:

- 1 direct channel: no intermediaries, direct to industrial user
- 2 direct channel: no intermediaries, direct to government buyer
- 3 industrial distributor channel: one intermediary—the industrial distributor
- 4 agent/broker channel: one intermediary—agents or brokers
- 5 agent/broker-industrial distributor channel: two intermediaries—agents or brokers and industrial distributors

Direct selling to a final user is more common in business-to-business marketing than in consumer marketing. If intermediaries are used, agents or brokers can be used to bring producers and buyers together for negotiations. Alternatively, an industrial distributor can be used as an intermediary for standardized items of moderate or low value. Industrial distributors are channel members who buy and take title to products, usually keep inventories of their products, and sell and service these products.

147. Name and briefly discuss two alternative channel arrangements that can be used to move products.

ANSWER: Multiple channels/dual or multiple distribution: Two or more different channels could be selected to distribute the same product to target markets. For example, consumer products could be sold through wholesaler and/or retailer channels, in addition to catalogue mail ordering and electronic shopping.

Nontraditional channels: The products could be sold at sporting events, contests, concerts, parks, zoos, or entertainment centres.

Strategic channel alliances: The company could form an alliance with another manufacturer that already has an established channel. This could be important in foreign distribution or in any case when creation of marketing channel relationships may be expensive and time consuming.

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148. How has the use of supply chain management resulted in a radical reformulation of traditional marketing, production, and distribution functions?

ANSWER: The use of supply chain management has resulted in a customer-driven view of traditional marketing, production, and distribution functions. It has reversed the flow of demand from a “push” to a “pull.” Through the channel partnering of suppliers, manufacturers, wholesalers, and retailers along the whole supply chain that work together toward the common goal of creating customer value, supply chain management allows companies to respond with the unique product configuration and mix of services demanded by the customers. Thus, supply chain management communicates customer demands from the point of sale all the way to the supplier. In addition, supply chain management engineers the timely and cost-effective flow of goods through the entire supply pipeline.

149. What are the three factors affecting channel choice? Briefly discuss how each factor might influence a company to implement a direct channel of distribution.

ANSWER: *Market factors:* Industrial customers tend to buy in larger quantities and require more customer service. Conversely, consumers usually buy in very small quantities and sometimes do not mind if they get no service at all. Geographic location and size also determine channel choice. A geographically concentrated market is appropriate for direct selling through a direct sales force. Markets that are more widely dispersed may need more intermediaries. Generally, a very large market requires more intermediaries. Also, if there is lots of existing competition, choosing a direct channel may be less difficult and more profitable.

Product factors: Products that are more complex and customized and have a high unit cost tend to use shorter and more direct marketing channels. Product life cycle also plays a role. In the introductory stage of the product life cycle, a direct sales force may be used. During the maturity stage, alternative channels are sought, and a direct channel may be added for multiple distribution to an already existing channel choice. Finally, fragile and perishable products require a shorter channel that involves less handling.

Producer factors: Producers with large financial, managerial, and marketing resources are better able to use channels that require fewer intermediaries. More direct channels may also be used by producers who wish to control pricing, positioning, brand image, and customer support.

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150. Organizations have three options when it comes to distribution intensity. Name and briefly describe these three levels. Give examples of two products that logically would be distributed at each level of intensity.

ANSWER: *Intensive distribution* is aimed at maximum market coverage. The manufacturer tries to have the product available in every outlet where the potential customer might want to buy it. If a buyer is unwilling to search for a product, the product must be placed closer to the buyer. If the product is of low value and is frequently purchased, a lengthy channel may be required. Candy, gum, cigarettes, soft drinks, and any other type of convenience good or operating supply would be distributed intensively.

Selective distribution is achieved by screening dealers to eliminate all but a few in any geographic area. Because only a few retailers are selected, the consumer must be willing to seek out the product. Shopping goods such as electronic equipment and appliances and some specialty products are distributed selectively. Accessory-equipment manufacturers in the business-to-business market usually follow a selective distribution strategy.

Exclusive distribution entails establishing one or a few dealers within a given geographic area. This is the most restrictive form of market coverage. Because buyers may have to search or travel extensively to purchase the product, exclusive distribution is usually limited to consumer specialty goods, a few shopping goods, and major industrial equipment. Some products distributed exclusively include Rolls Royce automobiles, Anna Pavlov perfume, Pettibone tower cranes, and Steinway pianos.

151. Define channel power, channel control, channel leadership, and channel partnering. How are these four terms related?

ANSWER: Power, control, leadership, conflict, and partnering are the main social dimensions of marketing channel relationships.

Channel power refers to the capacity of one channel member to control or influence other channel members.

Channel control occurs when one channel member intentionally affects another member's behaviour.

Channel leadership is the exercise of authority and power.

Channel partnering is the joint effort of all channel members to create a supply chain that serves customers and creates a competitive advantage.

Collaborating channel partners meet the needs of consumers more effectively by ensuring the right products reach shelves at the right time and at a lower cost, boosting sales and profits. They are all components of channel relationship management.

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152. What is JIT? What is the basic assumption that explains the use of JIT? List four benefits associated with the use of JIT. Are there any disadvantages associated with JIT?

ANSWER: JIT is just-in-time manufacturing. This innovative system is a way to redesign and simplify manufacturing—from the receipt of raw materials to the delivery of the finished product. With JIT, every part arrives in guaranteed working order to the assembly line “just in time” to be installed. The basic assumption of JIT is that carrying any inventory is bad because it ties up capital.

Benefits of JIT include

- reduced inventory levels and associated costs
- shorter lead times
- better relationships with suppliers
- lower production costs
- better quality supplies
- less paperwork for management

Because there is little safety stock, a manufacturer using JIT has no margin for error. To reduce the risk of disruptions, the manufacturer needs high-quality suppliers and should have a crisis management plan in place.

153. What is an inventory control system? What is the objective of inventory management? What are two major decisions managers must make regarding inventory?

ANSWER: An inventory control system develops and maintains an adequate assortment of products to meet customers' demands. The objective of inventory management is to balance minimum inventory levels (to reduce costs) while maintaining an adequate supply of goods to meet customer demand. Two major decisions managers must make regarding inventory are when to buy (order timing) and how much to buy (order quantity).

154. How does Zara stay ahead in the fashion game?

ANSWER: A company that has benefited greatly from the use of supply chain is the fashion retailer Zara. In order to stay ahead in the fashion game, Zara uses sourcing, logistics, and turnaround time just as much as it uses fabric, zippers, and stitching. Zara takes great pride in vertically integrating the intermediary activities, and thus controlling what gets made and how long it takes to get from the runway to the store. Zara commits to no more than 25 percent of a season's line of clothing before a season, and only about half of its line is determined before the start of a season. This leaves Zara with up to half of any season's clothing line to be determined by the outside world—be it fashion designers, bloggers, or simply people on the street.

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155. Describe some of the challenges that a business would face in going global.

ANSWER: Manufacturers introducing products in global markets must decide which type of channel structure to use. Using company salespeople generally provides more control and is less risky than using foreign intermediaries. However, setting up a sales force in a foreign country also involves a greater commitment, both financially and organizationally.

Channel structures and types abroad may differ from those in North America. For instance, the more highly developed a nation is economically, the more specialized its channel types. Therefore, a marketer wanting to sell in Germany or Japan will have several channel types to choose from. Conversely, developing countries, such as India, Ethiopia, and Venezuela, have limited channel types available: typically, these countries have few mail-order channels, vending machines, or specialized retailers and wholesalers.