***Marketing Channels, 8e*** (Palmatier)

**Chapter 01: Understanding Channel Strategies**

1) Which term refers to a set of independent organizations involved in the process of making a product or service available for use or consumption?

A) value chain

B) supply chain

C) marketing channel

D) wholesale consortium

E) multinational enterprise

Answer: C

Difficulty: Easy

Objective: LO1

2) A marketing channel strategy is a set of activities focused on designing and managing a marketing channel for the purpose of \_\_\_\_\_\_\_\_.

A) expanding a firm’s position in niche markets

B) improving a firm’s sustainable competitive advantage

C) minimizing difficulties with global distribution centers

D) evaluating marketing expenses in order to find cost savings

E) modifying the marketing mix to extend the product life cycle

Answer: B

Difficulty: Moderate

Objective: LO1

3) A \_\_\_\_\_\_\_\_ is a channel member that takes the primary role of establishing and maintaining channel links.

A) channel intermediary

B) wholesaler

C) sub-processor

D) gatekeeper

E) channel captain

Answer: E

Difficulty: Easy

Objective: LO2

4) What should most likely be the goal of all marketing channel members?

A) moving products to retailers

B) expanding sales territories

C) reducing distribution errors

D) satisfying end-users

E) promoting products

Answer: D

Difficulty: Moderate

Objective: LO1

5) Which statement is most likely true about a marketing channel system?

A) Firms in the marketing channel typically work independently.

B) Modifying a channel system is usually a simple, inexpensive task.

C) Marketing channels represent a very small portion of the world’s business.

D) Most marketing channel systems are easily duplicated by other firms in an industry.

E) Efficient marketing channels reduce distribution costs and increase customer satisfaction.

Answer: E

Difficulty: Difficult

Objective: LO1

6) What is the most likely outcome of an ineffective marketing channel strategy?

A) limited product reach

B) too many channel captains

C) quick product line maturation

D) excessive gatekeeper control

E) wasted marketing mix components

Answer: A

Difficulty: Moderate

Objective: LO1

7) Sony produces televisions and computers and sells them through electronics stores. In a marketing channel, Sony would best be described as a \_\_\_\_\_\_\_\_.

A) trading company

B) manufacturer

C) wholesaler

D) distributor

E) retailer

Answer: B

Difficulty: Moderate

Objective: LO2

AACSB: Analytical thinking

8) ElectroInc produces cell phone accessories and sells them to firms such as Apple and Samsung. Apple and Samsung put their own brand names on ElectroInc products before selling them to end-users. Which term best describes ElectroInc?

A) retailer

B) wholesaler

C) branded manufacturer

D) specialized manufacturer

E) private-label manufacturer

Answer: E

Difficulty: Moderate

Objective: LO2

AACSB: Analytical thinking

9) What risk does a branded manufacturer most likely face by allocating part of its production capacity to private-label products?

A) complicating the channel strategy

B) creating a future competitor

C) reducing licensing income

D) losing customer trust

E) depleting inventories

Answer: B

Difficulty: Moderate

Objective: LO2

10) Manufacturers are LEAST likely to use intermediaries to:

A) negotiate terms of trade

B) manage production levels

C) transport products to customers

D) facilitate product orders and payments

E) sell products directly to final consumers

Answer: B

Difficulty: Moderate

Objective: LO2

11) What general term refers to middle channel members in the marketing channel?

A) intermediaries

B) manufacturers

C) distributors

D) brokers

E) agents

Answer: A

Difficulty: Easy

Objective: LO2

12) Which of the following tasks would LEAST likely be conducted by a merchant wholesaler?

A) taking possession of inventory

B) producing private-label goods

C) arranging customer financing

D) promoting new products

E) storing inventory

Answer: B

Difficulty: Moderate

Objective: LO2

13) Audrey works as a manufacturers’ representative for an athletic shoe company. In her position, Audrey is most likely responsible for \_\_\_\_\_\_\_\_.

A) generating marketing intelligence about the footwear industry

B) taking physical possession of large quantities of shoes

C) analyzing international markets for new shoe trends

D) negotiating terms of trade with shoe retailers

E) scheduling shoe deliveries and returns

Answer: D

Difficulty: Difficult

Objective: LO2

AACSB: Analytical thinking

14) Department stores, convenience stores, and warehouse clubs are best categorized as \_\_\_\_\_\_\_\_.

A) category killers

B) product distributors

C) retail intermediaries

D) wholesale intermediaries

E) specialized intermediaries

Answer: C

Difficulty: Moderate

Objective: LO2

15) According to the text, what is a new trend taking place among retail intermediaries?

A) selling products directly to individual end-users

B) selling products and services to businesses

C) promoting products through catalogs

D) selling products to wholesalers

E) shipping products overseas

Answer: B

Difficulty: Moderate

Objective: LO2

16) Compu-Tech is an information technology firm that handles customer orders and payments for a variety of online retailers. Compu-Tech is most likely a(n) \_\_\_\_\_\_\_\_.

A) specialized intermediary

B) merchant wholesaler

C) retail intermediary

D) specialty store

E) distributor

Answer: A

Difficulty: Moderate

Objective: LO2

AACSB: Analytical thinking

17) Tanya recently purchased paper towels, sodas, and frozen pizzas at Sam’s Club, a hypermarket. In the marketing channel system, Tanya is best described as a(n) \_\_\_\_\_\_\_\_.

A) independent retailing agent

B) consumption representative

C) downstream channel member

D) upstream channel member

E) specialized intermediary

Answer: C

Difficulty: Moderate

Objective: LO2

AACSB: Analytical thinking

18) All of the following are sorting functions performed by intermediaries EXCEPT \_\_\_\_\_\_\_\_.

A) building up an assortment of products for resale purposes

B) dividing stocks into smaller groups for easier handling

C) combining similar products from multiple sources

D) matching buyer product needs to retailer stocks

E) sorting and grouping products that are similar

Answer: D

Difficulty: Difficult

Objective: LO3

19) How do intermediaries most likely create utility for end-users?

A) negotiating financing terms with wholesalers

B) ensuring product availability and assortment

C) developing large stocks of similar products

D) creating timely promotional materials

E) offering convenient online tools

Answer: B

Difficulty: Difficult

Objective: LO3

20) Valu-Mart wants to ensure that its stores are never under- or overstocked with certain products, such as paper towels, sodas, and cereal. Which tool would most likely help Valu-Mart solve this problem?

A) ROI

B) CRP

C) CRM

D) OEM

E) SWOT

Answer: B

Difficulty: Moderate

Objective: LO3

AACSB: Application of Knowledge

21) Which term refers to reducing the use of intermediaries?

A) allocation

B) facilitation

C) routinization

D) reintermediation

E) disintermediation

Answer: E

Difficulty: Easy

Objective: LO

22) Which of the following is most likely an example of a firm engaging in disintermediation?

A) sorting products for suppliers

B) selling products directly online

C) reducing promotional activities

D) scheduling product shipments

E) replenishing inventory automatically

Answer: B

Difficulty: Moderate

Objective: LO3

AACSB: Analytical Thinking

23) The greatest number of contact lines most likely involves manufacturers selling products \_\_\_\_\_\_\_\_.

A) directly to retailers

B) through one wholesaler

C) directly to intermediaries

D) through two wholesalers

E) through three wholesalers

Answer: A

Difficulty: Moderate

Objective: LO3

24) Which term refers to activities such as physically distributing products, engaging in after-sales service, and handling customer payments?

A) segmentation

B) disintermediation

C) channel strategies

D) channel functions

E) supply chain management

Answer: D

Difficulty: Easy

Objective: LO4

25) Which channel function almost always moves forward from the producer to the consumer?

A) negotiation

B) promotion

C) financing

D) payment

E) risk

Answer: B

Difficulty: Moderate

Objective: LO4

26) Which channel function almost always moves up the channel from the end-user to the producer?

A) negotiation

B) ownership

C) financing

D) payment

E) risk

Answer: D

Difficulty: Easy

Objective: LO4

27) All of the following channel functions can move either upward or downward in the marketing channel EXCEPT \_\_\_\_\_\_\_\_.

A) information sharing

B) negotiating

C) financing

D) risk taking

E) ordering

Answer: E

Difficulty: Moderate

Objective: LO4

28) Which of the following is most likely a true statement about channel functions?

A) The order in which channel functions occur is the same for all industries and products.

B) All channel members must participate in every channel function to have full efficiency.

C) All channel functions move in a downward direction from the producer to the end-user.

D) Specialization tends to reduce marketing channel efficiency because of increased members.

E) The performance of certain channel functions correlates with other channel functions.

Answer: E

Difficulty: Difficult

Objective: LO4

29) Which of the following is LEAST likely a carrying cost associated with a retailer taking title of a manufacturer’s products?

A) storage

B) breakage

C) integration

D) depreciation

E) obsolescence

Answer: C

Difficulty: Easy

Objective: LO4

30) Which channel function most likely plays a role in all value-added activities of a marketing channel system?

A) information sharing

B) promotion

C) negotiation

D) payment

E) ordering

Answer: A

Difficulty: Moderate

Objective: LO4

31) Which of the following most likely occurs in the first stage of the marketing channel strategy framework?

A) comparing different channel structures and strategies

B) segmenting the market based on end-users’ needs

C) identifying best practices in channel structures

D) examining potential channel conflicts

E) developing policies and practices

Answer: B

Difficulty: Moderate

Objective: LO5

32) The benchmarking stage of the marketing channel strategy framework focuses on \_\_\_\_\_\_\_\_.

A) establishing the power and dependence of channel members

B) creating an environment for executing the best strategy

C) identifying best practices in well-developed systems

D) analyzing the needs of end-users and producers

E) lowering channel system costs

Answer: C

Difficulty: Difficult

Objective: LO5

33) Which factor would LEAST likely be considered in the implementation stage of the marketing channel strategy framework?

A) channel member power and dependence

B) channel partner relationships

C) end-user segmentation

D) channel policies

E) logistics

Answer: C

Difficulty: Moderate

Objective: LO5

34) Which term refers to splitting a market into groups of end-users?

A) product promotion

B) search facilitation

C) channel integration

D) segmentation

E) routinization

Answer: D

Difficulty: Easy

Objective: LO5

35) Which term refers to value-added services and products created by channel members and consumed by end-users?

A) wholesale bulk goods

B) convenience products

C) bundled services

D) normative shares

E) service outputs

Answer: E

Difficulty: Easy

Objective: LO5

36) Martin, a channel manager for an appliance manufacturer, needs to evaluate the importance of each channel function in terms of cost and value. Martin also needs to determine the proportion of each channel function performed by each channel member. Which of the following should Martin most likely use for this task?

A) efficiency template

B) cost-equity matrix

C) normative profit metric

D) segmentation grid

E) gap analysis template

Answer: A

Difficulty: Moderate

Objective: LO5

AACSB: Application of knowledge

37) Which of the following indicates the proportional value added to the total channel’s performance by each channel member?

A) make-or-buy channel analysis

B) segmentation analysis

C) service outputs matrix

D) gap analysis template

E) normative profit share

Answer: E

Difficulty: Easy

Objective: LO5

38) Katherine, a channel manager with a shoe manufacturer, recently learned that prices in the channel are higher than desired by end-users. Katherine most likely used a(n) \_\_\_\_\_\_\_\_ to determine this information.

A) normative profit share

B) gap analysis template

C) segmentation grid

D) efficiency template

E) make-or-buy channel analysis

Answer: B

Difficulty: Moderate

Objective: LO5

AACSB: Application of knowledge

39) All of the following are key channel elements that must be managed to ensure that a channel system runs smoothly EXCEPT \_\_\_\_\_\_\_\_.

A) power

B) conflict

C) logistics

D) segments

E) relationships

Answer: D

Difficulty: Easy

Objective: LO5

40) Which of the following would be the best method for reducing channel conflict?

A) altering channel promotions

B) expanding channel contacts

C) applying channel power

D) managing channel logistics

E) restructuring the channel

Answer: C

Difficulty: Moderate

Objective: LO5

41) In the context of a marketing channel, the relationship with an end-user is considered finished once a product or service has been distributed.

Answer: FALSE

Difficulty: Moderate

Objective: LO1

42) Channel captains are typically manufacturers of branded products.

Answer: TRUE

Difficulty: Easy

Objective: LO2

43) Since intermediaries usually increase costs for producers and lower value for consumers, a decentralized system of exchange is more efficient than a centralized network.

Answer: FALSE

Difficulty: Difficult

Objective: LO3

AACSB: Analytical thinking

44) Specialization increases channel efficiency, but it also requires close cooperation and coordination in channel operations.

Answer: TRUE

Difficulty: Moderate

Objective: LO4

45) Channel logistics relates to processing and tracking factory goods throughout the marketing channel.

Answer: TRUE

Difficulty: Easy

Objective: LO5

46) Differentiate between the three general types of intermediaries.

Answer: There are three general types of intermediaries: wholesale, retail, and specialized. Wholesalers include merchant wholesalers or distributors, manufacturers’ representatives, agents, and brokers. A wholesaler sells to other channel intermediaries, such as retailers, or to business end-users, but not to individual consumer end-users. Retail intermediaries come in many forms: department stores, mass merchandisers, hypermarkets, specialty stores, category killers, convenience stores, franchises, buying clubs, warehouse clubs, cataloguers, and online retailers, to name just a few. Unlike purely wholesale intermediaries, they sell directly to individual consumer end-users. Specialized intermediaries enter the channel to perform a specific function; typically, they are not heavily involved in the core business represented by the products being sold. For example, insurance, financing, and credit card companies are all involved in financing; advertising agencies participate in the channel’s promotion function; logistics and shipping firms engage in physical possession; information technology firms may participate in ordering or payment functions; and marketing research firms generate marketing intelligence that can support the performance of many functions.

Difficulty: Difficult

Objective: LO2

AACSB: Analytical thinking

47) How does the routinization of transactions benefit both buyers and sellers?

Answer: Each purchase transaction involves ordering, determining the valuation of, and paying for goods and services. The buyer and seller must agree on the amount, mode, and timing of payment. These costs of distribution can be minimized if the transactions are routinized; otherwise, every transaction would be subject to bargaining, with an accompanying loss of efficiency. Routinization also leads to the standardization of goods and services whose performance characteristics can be easily compared and assessed. It encourages the production of items with greater value. In short, routinization leads to efficiencies in the execution of channel activities.

Difficulty: Difficult

Objective: LO3

AACSB: Analytical thinking

48) What are the nine universal channel functions? What direction does each function move? Why do some channel functions move in both directions?

Answer: The marketing channel, through its members, performs a range of channel functions that constitute a process, flowing through the channel that is performed at different points in time by different channel members. Some functions move forward through the channel (physical possession, ownership, and promotion); others move up the channel from the end-user (ordering and payment); and still other channel functions can move in either direction or reflect activities by pairs of channel members (negotiation, financing, risk, information sharing). Some functions, like information sharing, move in either direction. Manufacturers share product and sales information with their distributors, independent sales representatives, and retailers, which helps them perform the promotion function better. Consumers provide their preference information to the channel, which improves its ability to supply valued services.

Difficulty: Difficult

Objective: LO4

AACSB: Analytical thinking

49) Discuss the relationship between channel power and channel conflict. What are the causes and effects of channel conflict?

Answer: In general, reducing channel conflict requires applying one or more sources of channel power. A channel member’s power “is its ability to control the decision variables in the marketing strategy of another member in a given channel at a different level of distribution.” These sources could be used to further the member’s individual ends or to influence channel members to perform the jobs that the optimal channel design specifies are their responsibility. Incompatible incentives can lead to channel conflict, generated when one channel member’s actions prevent the channel from achieving its goals. Channel conflict might stem from differences between channel members’ goals and objectives (goal conflict); disagreements over the domain of action and responsibility in the channel (domain conflict); or varying perceptions of the marketplace (perceptual conflict). Because of the interdependence of all channel members, any one member’s actions exert an influence on the success of the channel effort and thus can harm overall channel performance.

Difficulty: Difficult

Objective: LO5

AACSB: Analytical thinking

50) What are service outputs? Why is it important for channel managers to analyze the service output demands of market segments?

Answer: Service outputs are value-added services created by channel members and consumed by end-users, together with the product purchased. Service outputs include (but are not limited to) bulk breaking, spatial convenience, waiting and delivery time, assortment and variety, customer service, and product/market/usage information sharing. The same product can be demanded by consumers whose demanded service outputs vary widely, resulting in very different demands for the ultimate offering bundle, which comprises the product plus service output. An analysis of service output demands by segment offers important inputs into channel strategy designs, which can help increase the reach and marketability of a product to multiple market segments.

Difficulty: Difficult

Objective: LO5

AACSB: Analytical thinking