CHAPTER 12
DISTRIBUTION STRATEGIES: CHANNELS OF DISTRIBUTION

MULTIPLE CHOICE

1. This channel is used when a manufacturer deals with a foreign party without going through an intermediary in the home country.

a) indirect
b) direct (X)
c) local
d) domestic

2. The indirect channel has this limitation.

a) simplicity
b) cost
c) control (X)
d) responsibility of physical distribution

3. The direct channel has this limitation.

a) market exploitation
b) control
c) communication
d) cost (X)

4. Concerning the goods they handle, agents do not take

a) possession
b) title (X)
c) paperwork

5. This intermediary is a foreign firm that has exclusive rights to carry out distribution for a manufacturer in a foreign country.

a) foreign distributor (X)
b) foreign retailer
c) manufacturer's export agent
d) EMC

6. This intermediary is a merchant.

a) foreign distributor (X)
b) export broker
c) export management company
d) purchasing office

7. This intermediary does not take title to the goods.

a) export management company (X)
b) foreign distributor
c) export merchant
d) export distributor

8. This intermediary is used on a one-time basis.

a) manufacturer's sales rep
b) EMC
c) cooperative exporter
d) export broker (X)

9. This is not a reason for using a manufacturer's export agent.

a) thin overseas markets
b) geographically widespread market
c) established product (X)
d) simplification of business

10. This intermediary has the greatest freedom and authority.

a) export broker
b) EMC (X)
c) export agent

11. This agent functions as an export department for several manufacturers.

a) export broker
b) EMC (X)
c) export agent

12. Export management companies (EMCs) receive compensation in the form of

a) commission
b) salary
c) retainer plus commission
d) any or all of the above (X)

13. A manufacturer with its own export organization that is retained by other manufacturers to sell in foreign markets is

a) Webb Pomerene association
b) cooperative exporter (X)
c) EMC
d) trading company

14. This intermediary provides financing to both its suppliers and customers.

a) Webb Pomerene association
b) cooperative exporter
c) EMC
d) trading company (X)

15. An agent located near production sources who is hired by a client to buy new products there is known as a(n)

a) buying agent
b) resident buyer (X)
c) EMC
d) drop shipper

16. This merchant intermediary does not take possession of the goods purchased.

a) export merchant
b) export drop shipper (X)
c) export distributor

17. This intermediary takes title to the products it handles.

a) buying agent
b) EMC
c) export broker
d) trading company (X)

18. When compared to a trading company, an EMC

a) has more diverse product lines
b) is more likely to take ownership to merchandise
c) offers less services (X)
d) is larger and better financed

19. This intermediary is in the best position to overcome problems related to financing and antitrust restrictions.

a) EMC
b) Webb Pomerene association
c) export trading company (X)

20. A "cold" country scores high on this characteristic.

a) political stability
b) market opportunity
c) economic development
d) legal barriers (X)

21. This characteristic is low in a hot country.

a) political stability
b) market opportunity
c) economic development
d) legal barriers (X)

22. Based on a country temperature gradient, the United States is a

a) hot country (X)
b) moderate country
c) cold country
d) very cold country

23. Innovations tend to take place in

a) hot countries (X)
b) moderate countries
c) cold countries

24. This channel decision is concerned with the number of times a product changes hands among intermediaries before it reaches the final consumer.

a) channel length (X)
b) channel width
c) number of channels

25. This channel decision is related to the number of middlemen at a particular point or step in the distribution channel.

a) channel length
b) channel width (X)
c) number of channels

26. A product with a low-price image requires ..... distribution.

a) intensive (X)
b) selective
c) exclusive

27. Ricoh's U.S. copier dealers do not compete with each other because each has its own territory. This type of distribution is

a) intensive
b) exclusive (X)
c) selective

28. This is not a characteristic of Japanese distribution channels.

a) multiple layers of wholesalers
b) few small retailers (X)
c) retailers placing frequent but small orders
d) close personal relationships between wholesalers and retailers

29. Japan’s keiretsu system does not have this characteristic.

a) cross-ownership of equity

b) close ties to the group’s main bank
c) product-market ties with the other firms in the group
d) limited diversification (X)

30. Which of the following is not a characteristic of Japan’s keiretsu system?

a) cross ownership
b) lack of bank's involvement (X)
c) product-market ties among members

31. This service of the U.S. Department of Commerce provides a custom overseas search to a U.S. manufacturer interested in foreign representation.

a) Export Trading Company Contact Facilitation Service
b) World Traders Data Reports
c) Agent/Distributor Service (X)

32. To reduce the potential compensation obligations under foreign laws on termination of distributors, the exporter should

a) insist on an evergreen contract
b) renew agreements without changing the language of prior texts
c) include "just cause" termination provisions (X)
d) avoid having specific expiration dates

33. This practice is illegal.

a) gray marketing
b) parallel distribution
c) black market (X)
d) all of the above

34. This condition will cause the U.S. Customs to refuse issuing an exclusion order to protect a mark owner from gray marketing.

a) registration of the trademark with the Trademark Office
b) registration of the trademark with the Treasury Department
c) order sought by an independent U.S. firm
d) order sought by a foreign firm (X)

TRUE OR FALSE

1. Whereas domestic agents take title to the goods they handle, domestic merchants do not. (F)

2. An indirect selling channel (in contrast with the direct selling channel) should not be used when a manufacturer's foreign sales volume is small. (F)

3. The direct channel is time consuming and expensive. (T)

4. By using a manufacturer's export agent, a manufacturer can avoid fixed costs of having a distribution organization. (T)

5. When acting as agents, these intermediaries represent only sellers and not buyers. (F)

6. Unlike an export broker, a manufacturer's export agent works for a manufacturer on a one-shot basis. (F)

7. An EMC represents several allied but noncompeting manufacturers. (T)

8. American EMCs are typically large. (F)

9. Some EMCs act as both agents and merchants. (T)

10. An EMC's costs are high because of the lack of efficiencies of scale. (F)

11. EMCs are more market specialists than product specialists. (T)

12. Japanese trading companies are well financed because they are partners with groups of banks. (T)

13. U.S. banks are not allowed to hold equity positions in export trading companies. (F)

14. Export trading companies can obtain binding antitrust preclearance. (T)

15. Unlike Japanese trading companies that develop two-way trade, U.S. trading companies are required by law to focus primarily on exports. (T)

16. U.S. trading companies are legally allowed to import and export freely. (F)

17. When a country is "cold," the channel of distribution is likely to keep on changing. (F)

18. “Hot” countries are dynamic markets, while “cold” countries do not easily accommodate changes. (T)

19. Due to environmental forces, new institutional structures arise in hot countries. (T)

20. There is a relationship between available channels and the stage of economic development. (T)

21. “Hot” countries are industrialized countries. (F)

22. As a country moves toward becoming a hot country, there is a decrease in distribution specialization (the manufacturer- wholesaler-retailer functions). (F)

23. The degree of distribution standardization across countries is high. (F)

24. Exclusive sales agreements give appearance of restrictions of trade. (T)

25. The European Union prohibits exclusive distribution that restricts a European distributor from selling to buyers in the other member states (i.e., outside the distributor’s own country). (T)

26. For high unit-value, low-turnover specialty goods, a manufacturer can shorten and narrow its distribution channel. (T)

27. Japan's distribution channel is longer than that of the United States. (T)

28. The Japanese distribution network has more wholesalers and retailers per capita than any of the advanced industrial nations. (T)

29. Distribution channels in Japan are characterized by many large retailers and a relatively small number of small retailers. (F)

30. In Japan, a remarkable number of people are engaged in selling merchandise in very small quantities. (T)

31. Japan, in spite of being classified as a hot country, has distribution system so rigid that there has been hardly any distribution evolution. (F)

32. To avoid or reduce potential compensation obligations when terminating a relationship with a foreign intermediary, a manufacturer should use a merchant intermediary instead of appointing a foreign agent. (T)

33. A manufacturer should insist on an evergreen contract when signing up overseas representatives. (F)

34. To avoid excessive compensation and legal difficulties when terminating a relationship with a foreign intermediary, it is better to use a foreign merchant than to appoint a foreign agent. (T)

35. To reduce potential compensation obligations when terminating overseas intermediaries, it is a good practice to insist on having a so-called evergreen contract. (F)

36. A black market is not necessarily illegal. (F)

37. Gray marketing is impossible without price differential between markets. (T)

38. Gray marketing takes place primarily because of price differences across markets. (T)

39. The U.S. Customs will not issue an exclusion order for a foreign firm's U.S. subsidiary which imports its goods into the United States. (T)

40. When the foreign and domestic trademark holders are "subject to common ownership or control," they cannot bar importation of gray market goods into the United States. (T)

41. When a foreign holder and a U.S. holder of the same trademark are subject to common ownership and control, they can legally ask the U.S. government to stop gray marketing. (F)

42. An "independent" authorized U.S. importer can ask the U.S. Customs to bar entry of gray market goods. (T)

43. Gray marketing is illegal. (F)

44. Gray marketing is generally legal in the United States as well as in the European Union.