International Marketing, 18e **(Cateora)**
Chapter 15 International Marketing Channels

1) The distribution process includes promotion of goods and services by sellers and resellers.

2) The behavior of channel members in the distribution process is the result of the interactions between the cultural environment and the marketing process.

3) In an import-oriented distribution structure, supply often exceeds demand.

4) Traditional distribution channels in developing countries evolved from economies with a strong dependence on imported manufactured goods.

5) In a traditional distribution structure, distribution systems are national rather than local in scope.

6) In the traditional distribution structure in a developing country, independent agencies that provide facilitating functions are nonexistent or underdeveloped.

7) A distinguishing characteristic of the Japanese distribution channel system is that it is controlled by a few small local retailers.

8) The Japanese distribution structure is similar to ones found in the United States or Europe.

9) In the context of the distribution structure in Japan, it has been observed that Japanese consumers favor cheaper prices over personal service.

10) As traditional channel structures are changing, importers and retailers are becoming less involved in new product development.

11) In the context of distribution structures, one of Walmart's strengths is its ability to work with distributors one-on-one.

12) Globally, wholesaling shows a greater diversity in its distribution structure than does retailing.

13) Direct marketing works well in affluent markets as well as in markets with underdeveloped distribution systems.

14) Agent middlemen work on commission and do not take title to the merchandise.

15) Merchant middlemen tend to be more controllable than agent middlemen because they take title to manufacturers' goods.

16) The distribution channel process includes all activities, beginning with the manufacturer and ending with the retailer.

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17) Domestic middlemen offer many advantages for companies with large international sales volume.

18) An export management company (EMC) functions as a low-cost, independent marketing department with direct responsibility to the parent firm.

19) The WTO in 2003 ruled export management companies to be in violation of international trade rules.

20) The Export Trading Company Act allows producers of similar products to form export trading companies.

21) Trading companies provide the best means for intensive coverage of the market in Japan.

22) Using foreign-country middlemen moves the manufacturer away from the market and the company becomes less involved with problems of language, physical distribution, communications, and financing.

23) Channels of distribution often pose longevity problems as they tend to be small institutions.

24) In the United States, if a middleman is terminated, the company is required to pay 1 percent of the middleman's average annual compensation multiplied by the number of years the middleman served as a final settlement.

25) Selecting a middleman is usually as simple as asking for a recommendation from a company's local manager.

26) Legal advice is not necessary when entering distribution contracts with middlemen.

27) Ideally, a website should be translated into the languages of the target market.

28) An e-vendor in a foreign market can generally ignore culture as an important variable because the commerce is being done via the Internet, which is culturally insensitive.

29) A change of transportation mode can affect a change in packaging and handling, inventory costs, warehousing time and cost, and delivery charges.

30) A physical distribution system involves only the physical movement of goods.

31) The _____ process includes the physical handling and distribution of goods, the passage of ownership (title), and the buying and selling negotiations between producers and middlemen and between middlemen and customers.
A) logistics
B) marketing
C) channel
D) distribution
E) control

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32) In a _____ distribution structure, an importer controls a fixed supply of goods and the marketing system develops around the philosophy of selling a limited supply of goods at high prices to a small number of affluent customers.
A) domestic
B) traditional
C) manufacturer-oriented
D) service
E) customer-oriented

33) Which distribution structure is also known as a traditional distribution structure?
A) Export-oriented
B) Import-oriented
C) Manufacturer-oriented
D) Service-oriented
E) Customer-oriented

34) In an import-oriented distribution structure,
A) the importer–wholesaler traditionally performs most of the marketing functions.
B) the relationship between the importer and any middleman is similar to that found in a mass-marketing system.
C) several independent agencies provide functions such as advertising, marketing research, and financing.
D) the idea of a channel as a chain of intermediaries performing specific activities is common.
E) the distribution system is national in scope.

35) Distribution in _____ has long been considered the most effective nontariff barrier to that market.
A) China
B) Japan
C) the U.S.
D) Western Europe
E) Canada

36) What group is considered to be the foundation of the Japanese distribution system?
A) consumers
B) brokers
C) manufacturers
D) small retailers
E) wholesalers

37) Which feature characterizes the business philosophy of Japanese distribution channels?
A) loyalty
B) direct sales
C) fast delivery
D) variety
E) price competition

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38) In Japan, under the Large-Scale Retail Store Law, all proposals for new "large" stores were first judged by the
A) Transport and Tourism Department.
B) Internal Affairs and Business Council.
C) Ministry of International Trade and Industry.
D) Health and Welfare Committee.
E) Local Retailers Union.

39) What makes Walmart's transactions with suppliers highly efficient and lowers its cost of operations?
A) clean business reputation
B) internal Internet-based system with suppliers
C) lack of competitors
D) outreach programs to placate small retailers
E) ability to influence foreign governments

40) General Motors, _____, and DaimlerChrysler have created a single online site called Covisint for purchasing automotive parts from suppliers.
A) Toyota Motor Corporation
B) Honda Motor Company
C) Ford Motor Company
D) Nissan Motor Company
E) Hyundai Motors

41) The rate of change in retailing around the world appears to be directly related to the
A) literacy rate.
B) rate of inflation.
C) population growth.
D) speed of economic development.
E) currency exchange rate.

42) What is often the approach of choice in markets with insufficient or underdeveloped distribution systems?
A) direct marketing
B) a big wholesale store
C) Internet selling
D) a discount house
E) television advertising

43) What has proven to be an important way to break the trade barrier imposed by the Japanese distribution system?
A) direct sales through catalogs
B) large wholesale stores
C) street corner kiosks
D) Internet shopping
E) television advertising

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44) Which group is frequently criticized for not representing the best interests of a manufacturer?
A) global wholesalers
B) trading companies
C) consumers
D) merchant middlemen
E) brokers

45) Which group takes title to manufacturers' goods and assume the trading risks?
A) merchant middlemen
B) brokers
C) buying offices
D) export agent
E) agent middlemen

46) The channel process includes all activities, beginning with the manufacturer and ending with the
A) wholesaler.
B) agent middlemen.
C) merchant middlemen.
D) retailer.
E) final consumer.

47) A disadvantage when using home-country middlemen as intermediaries in the distribution process is the
A) large financial investment required.
B) limited control over the distribution process.
C) large managerial investments required.
D) limited number of retailers in the foreign country who can be reached.
E) large amount of commission.

48) How are global retailers like IKEA, Costco, and Walmart becoming major domestic middlemen for international markets?
A) They maintain their core marketing approaches while localizing the array of products, promotions, and other peripheral aspects of their operations.
B) They work under the names of the manufacturers and function as low-cost, independent marketing departments with direct responsibility to the parent firms.
C) They have minimum investment costs as they do not commit to investing in company personnel.
D) They serve as the producer's export department but have a short-term relationship, cover only one or two markets, and operate on a straight commission basis.
E) They offer reduction of export costs, demand expansion through promotion, trade barrier reduction, and improvement of trade terms through bilateral bargaining.

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49) Home-country middlemen are also known as _____ middlemen, and are located in the producing firm's country.
A) area
B) local
C) merchant
D) domestic
E) regional

50) What company offers a manufacturer's retail store?
A) Toys "R" Us
B) Walmart
C) Costco
D) Benetton
E) IKEA

51) A marketing manager of a firm with small international sales volume is looking for a middleman who can take responsibility for promotion of the company's products, credit arrangements, physical handling, and market research. Also, the middleman must be able to provide information on financial, patent, and licensing matters. What type of middleman would be the best choice for this marketing manager if he wants to meet his objectives?
A) a manufacturer's export agent
B) an export merchant
C) a trade representative
D) an export management company
E) a complementary marketer

52) Which statement is true regarding an export management company (EMC)?
A) It acts as a middleman for firms with relatively large international sales volume.
B) It operates under its own name while providing services to another firm.
C) It does not have direct responsibility to the parent firm.
D) It acts as a middleman for firms willing to involve their own personnel in international functions.
E) It calls for smaller investment from the parent firm to get into international markets.

53) A major disadvantage of _____ is that they can seldom afford to make the kind of market investment needed to establish deep distribution for products.
A) export management companies
B) trading companies
C) import associations
D) global retailers
E) complementary marketers

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54) _____ offer one of the easiest routes to gain entrance into the complicated Japanese distribution system because they virtually control distribution through all levels of channels in Japan.
A) Trade representatives
B) Trading companies
C) Brokers
D) Export management companies
E) Complementary marketers

55) A major goal of the Export Trading Company (ETC) Act was to
A) allow U.S. companies to bypass tax laws with respect to international trading.
B) remove antitrust disincentives to export activities in the U.S..
C) bypass trade barriers in foreign countries.
D) earn the highest possible profits in foreign countries.
E) combine export shipments within single containers.

56) Which arrangement is best undertaken when a firm wants to keep its seasonal distribution channels functioning throughout the year?
A) price skimming
B) using the services of a trading company
C) establishing a retail store
D) using the services of an export management company
E) complementary marketing

57) IGP owned a large warehouse in England where it stored and distributed books. It was approached by a greeting card company in the U.S. to distribute those as well. Since the products would go into similar markets and IGP could make a profit on the distribution of the greeting card line, it decided to participate in
A) backhauling.
B) demand shifting.
C) piggybacking.
D) shape shifting.
E) skimming.

58) Companies with marketing facilities or contacts in different countries with excess distribution capacity or a desire for a broader product line sometimes take on additional lines for international distribution. The formal name for such activities is
A) skimming.
B) backhauling.
C) complementary marketing.
D) export marketing.
E) demand shifting.

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59) A(n) _____ is an individual agent middleman or an agent middleman firm providing a selling service for manufacturers that cover only one or two markets.
A) manufacturer's retail store
B) export management company
C) Webb-Pomerene export association
D) global retailer
E) manufacturer's export agent

60) A _____ provides a selling service for a manufacturer, has a short-term relationship with the manufacturer, and operates on a straight commission basis.
A) manufacturers' retail store
B) trading company
C) global retailer
D) manufacturer's export agent
E) complementary marketer

61) The Webb-Pomerene Act of 1918 made it possible for American business firms to join forces in export activities without being subject to the
A) Sherman Antitrust Act.
B) Federal Communications Act.
C) Trade Commission Act.
D) Food, Drug, and Cosmetics Act.
E) Robinson-Patman Act.

62) A(n) _____ is a middleman in a foreign country or U.S. possession that can obtain a corporate tax exemption on a portion of the earnings generated by the sale or lease of export property.
A) Webb-Pomerene export association
B) manufacturer's export agent
C) export management company
D) complementary marketer
E) foreign sales corporation

63) _____ are a type of domestic middleman.
A) Sole proprietors
B) Export management companies
C) Foreign distributors
D) Lessors
E) Joint ventures

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64) In the context of the types of domestic middlemen, the WTO in 2003 ruled _____ to be in violation of international trade rules, thus starting a major trade dispute with the European Union.
A) foreign sales corporations
B) direct marketing partnerships
C) trading companies
D) export promotion companies
E) Webb-Pomerene export associations

65) What is true of foreign sales corporations?
A) They are commonly called piggybackers.
B) They can only be related to a manufacturing parent and not an independent broker.
C) They virtually control distribution through all levels of channels in Japan.
D) They accumulate, transport, and distribute goods from many countries.
E) They can function as a principal or a commissioned agent.

66) What is one of the six Cs of distribution channel strategy?
A) communication
B) continuity
C) capacity
D) commission
E) contribution

67) What is one of the key elements in distribution decisions when it comes to choosing channels?
A) selection of optimum container sizes
B) volume discounts and rebates
C) functions performed by middlemen
D) local advertising modes
E) target market culture

68) What is a critical element associated with using a particular type of middleman?
A) knowledge of the culture of the target market
B) number of employees
C) mode of transportation for moving goods
D) influence over the target market
E) cash-flow patterns

69) Which mode of distribution in the foreign market will require a company to make the maximum financial investment?
A) export management companies
B) trading companies
C) export associations
D) direct sales force
E) complementary marketers

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70) What is one of the highest costs of doing business in China?
A) money required for the transportation of goods
B) money required for obtaining appropriate permits
C) cost of local advertising
D) capital required to maintain effective distribution
E) cost of customizing products for the Chinese market

71) Which mode of distribution affords the most control over the distribution channels but often at a cost that is not practical?
A) complementary marketers
B) direct sales force
C) export associations
D) trading companies
E) export management companies

72) Transporting and storing goods, breaking bulk, providing credit, local advertising, sales representation, and negotiations with middlemen most directly relate to which of the six Cs of the channel distribution strategy?
A) cost
B) control
C) coverage
D) character
E) continuity

73) One way to get around the difficulty of full-market coverage in a country is to
A) seek significant penetration in major population areas.
B) avoid countries with multiple languages.
C) assess countries in terms of market segments, not geographic segments.
D) keep marketing efforts to highly developed areas.
E) focus on the use of one channel.

74) Most middlemen handle brands in good times when the line is making money but quickly reject such products within a season or a year if they fail to produce during that period. This is a problem associated with which of the six Cs of distribution channel strategy?
A) character
B) continuity
C) control
D) cost
E) capital requirement

75) One reason channels of distribution often pose longevity problems is that most middlemen
A) do not maintain sufficient inventory to serve customers.
B) lack product knowledge resulting in low sales volume.
C) have little loyalty to their vendors.
D) tend to slow down distribution to extract higher commissions.
E) do not have sufficient knowledge of the target market.

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76) What subject area should be on the checklist of criteria for evaluating middlemen servicing a market?
A) flexibility
B) sensitivity
C) cultural empathy
D) productivity
E) breadth of knowledge

77) Which action should be taken when beginning the search for prospective middlemen?
A) short-listing the middlemen
B) studying the target market
C) evaluating the available financial resources
D) designing the sales force required
E) understanding the mission of the manufacturing firm

78) Sixty percent of the Japanese population lives in the _____ market area, which essentially functions as one massive city.
A) Tokyo–Nagoya–Osaka
B) Komaki–Tokoname–Kariya
C) Nagoya–Handa–Seto
D) Nishio–Okazaki–Inazawa
E) Inuyama–Nisshin–Takahama

79) According to experienced exporters, what is the only effective way to select a middleman?
A) Conduct a background check on all the distributors available in the target market.
B) Issue a request-for-proposal to all distributors in the target market and evaluate their responses.
C) Consult other manufacturers of similar products and select the distributor recommended by them.
D) Consult trade organizations and select the distributor recommended by them.
E) Talk personally to ultimate consumers to find whom they consider to be the best distributors.

80) The closer the company wants to get to the customer in its channel contact,
A) the larger the sales force required.
B) the more routine the channel-building process becomes.
C) the more likely the company will use middlemen.
D) the more important it is to consult with trade organizations.
E) the more effective use of the Internet will be.

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81) Abel Corp. is a wholesaler for Global Electric in the French market. Global Electric discovered that Abel Corp. was diverting some of its goods to the English market. Abel could get a greater profit in the English market because the goods were bought by the firm at a cheaper price in France. What is Abel engaged in?
A) black marketing
B) parallel importing
C) backwashing
D) industrial piracy
E) smuggling

82) Parallel importing is also known as
A) secondary wholesaling.
B) black marketing.
C) backwashing.
D) industrial piracy.
E) smuggling.

83) E-commerce is more developed in _____ than the rest of the world, partly because of the lower cost of access to the Internet than found elsewhere.
A) China
B) Brazil
C) Switzerland
D) Japan
E) the United States

84) When developing a website, what is true about the use of language?
A) English should be used, as it is the most universal language.
B) It is not necessary to use multiple languages because the customer will bridge the language gap.
C) Simple translation of web pages is sufficient to reach foreign markets.
D) Language and culture do not impact a website's message in any significant way.
E) A country-specific (and language-specific) website may make the difference between success and failure.

85) A website should be seen as
A) a sole means of advertising.
B) a vehicle for product delivery.
C) a substitute for marketing in more than one language.
D) a way to get around differences in cultures.
E) a means of promotion and a retail store.

86) E-commerce is a form of _____ selling.
A) direct
B) parallel
C) dual
D) indirect
E) targeted

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87) A website and the product must be culturally neutral, which can be a problem when it comes to color. For instance, the color red is associated with socialism in
A) the United States.
B) China.
C) Brazil.
D) Uruguay.
E) Spain.

88) Cargo ships are reducing transit time and are larger and thus able to carry more containers. What is a disadvantage of this for U.S. companies' imports?
A) They are taking business away from other forms of transit.
B) Some ships are too large to fit into U.S. ports.
C) The cost is becoming prohibitive.
D) Containers cannot be shipped by rail in Europe.
E) They have impeded investment in supersonic passenger jets.

89) One result of the EU's unification is
A) the elimination of trade barriers with countries outside the EU.
B) the acceptance of universal prices on basic goods.
C) the elimination of transportation barriers among member countries.
D) an increase in the number of warehouses in member countries.
E) elimination of the need for cargo ships for distribution.

90) What happens in an import-oriented distribution structure? How are intermediaries affected?

91) The Japanese distribution structure has four distinguishing features. Discuss these and explain how they impact Japan's market.

92) What are the main features of export management companies? Describe their advantages and disadvantages.

93) How does complementary marketing extend a company's distribution? When is a company most likely to use it?

94) Discuss the Export Trading Company (ETC) Act and its effects on U.S. firms.

95) What is a foreign sales corporation?

96) Discuss the continuity problem associated with a channel of distribution.

97) What are the various techniques that can be used to motivate middlemen?

98) What is secondary wholesaling and when might it be used?

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99) Company B found out that the middleman it was using was skimming money from its profits, so it decided it had to terminate the relationship. What does Company B need to know before terminating a middleman in a foreign country?

100) What are the six issues that must be taken into consideration by an e-vendor?

International Marketing, 18e **(Cateora)**
Chapter 15 International Marketing Channels

1) The distribution process includes promotion of goods and services by sellers and resellers.

Answer: FALSE
Explanation: The distribution process includes the physical handling and distribution of goods, the passage of ownership (title), and the buying and selling negotiations between producers and middlemen and between middlemen and customers.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-01 The variety of distribution channels and how they affect cost and efficiency in marketing.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

2) The behavior of channel members in the distribution process is the result of the interactions between the cultural environment and the marketing process.

Answer: TRUE
Explanation: The behavior of channel members is the result of the interactions between the cultural environment and the marketing process.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-01 The variety of distribution channels and how they affect cost and efficiency in marketing.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

3) In an import-oriented distribution structure, supply often exceeds demand.

Answer: FALSE
Explanation: In an import-oriented or traditional distribution structure, an importer controls a fixed supply of goods, and the marketing system develops around the philosophy of selling a limited supply of goods at high prices to a small number of affluent customers. In the resulting

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seller's market, market penetration and mass distribution are not necessary because demand exceeds supply, and in most cases, the customer seeks the supply from a limited number of middlemen.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-01 The variety of distribution channels and how they affect cost and efficiency in marketing.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

4) Traditional distribution channels in developing countries evolved from economies with a strong dependence on imported manufactured goods.

Answer: TRUE
Explanation: Traditional channels in developing countries evolved from economies with a strong dependence on imported manufactured goods. In an import-oriented or traditional distribution structure, an importer controls a fixed supply of goods, and the marketing system develops around the philosophy of selling a limited supply of goods at high prices to a small number of affluent customers.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-01 The variety of distribution channels and how they affect cost and efficiency in marketing.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

5) In a traditional distribution structure, distribution systems are national rather than local in scope.

Answer: FALSE
Explanation: In the traditional distribution structure, distribution systems are local rather than national in scope.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-01 The variety of distribution channels and how they affect cost and efficiency in marketing.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

6) In the traditional distribution structure in a developing country, independent agencies that provide facilitating functions are nonexistent or underdeveloped.

Answer: TRUE
Explanation: In a traditional distribution structure, the importer–wholesaler performs most of

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the marketing functions. Hence, independent agencies that provide advertising, marketing research, warehousing and storage, transportation, financing, and other facilitating functions found in a developed, mature marketing infrastructure are nonexistent or underdeveloped.
Difficulty: 2 Medium
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-01 The variety of distribution channels and how they affect cost and efficiency in marketing.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

7) A distinguishing characteristic of the Japanese distribution channel system is that it is controlled by a few small local retailers.

Answer: FALSE
Explanation: The Japanese system has four distinguishing features: (1) a structure dominated by many small middlemen dealing with many small retailers, (2) channel control by manufacturers, (3) a business philosophy shaped by a unique culture, and (4) laws that protect the foundation of the system—the small retailer.
Difficulty: 1 Easy
Topic: Retailers in Foreign Markets
Learning Objective: 15-02 The Japanese distribution structure and what it means to Japanese customers and to competing importers of goods.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

8) The Japanese distribution structure is similar to ones found in the United States or Europe.

Answer: FALSE
Explanation: The Japanese distribution structure is different enough from its U.S. or European counterparts that it should be carefully studied by anyone contemplating entry. The Japanese system has four distinguishing features: (1) a structure dominated by many small middlemen dealing with many small retailers, (2) channel control by manufacturers, (3) a business philosophy shaped by a unique culture, and (4) laws that protect the foundation of the system—the small retailer.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-02 The Japanese distribution structure and what it means to Japanese customers and to competing importers of goods.
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9) In the context of the distribution structure in Japan, it has been observed that Japanese consumers favor cheaper prices over personal service.

Answer: FALSE
Explanation: The Japanese consumer contributes to the continuation of the traditional nature of the distribution system through frequent buying trips, small purchases, favoring personal service over price, and a proclivity for loyalty to brands perceived to be of high quality. Additionally, Japanese law gives the small retailer enormous advantage over the development of larger stores and competition.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-02 The Japanese distribution structure and what it means to Japanese customers and to competing importers of goods.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

10) As traditional channel structures are changing, importers and retailers are becoming less involved in new product development.

Answer: FALSE
Explanation: Importers and retailers also are becoming more involved in new product development, as channel expansion contributes to firm value; for example, the Mexican appliance and electronics giant Grupo Elektra has formed an alliance with Beijing Automobile Works Group to develop and build low-cost cars for Mexico and export markets.
Difficulty: 2 Medium
Topic: Retailers in Foreign Markets
Learning Objective: 15-02 The Japanese distribution structure and what it means to Japanese customers and to competing importers of goods.
Bloom's: Remember
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11) In the context of distribution structures, one of Walmart's strengths is its ability to work with distributors one-on-one.

Answer: FALSE
Explanation: One of Walmart's strengths in distribution is its internal Internet-based system, which makes its transactions with suppliers more efficient and lowers its cost of operations. It is buying ailing retailers around the world with the intention of "saving them" with its distribution technologies.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-02 The Japanese distribution structure and what it means to Japanese customers and to competing importers of goods.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

12) Globally, wholesaling shows a greater diversity in its distribution structure than does retailing.

Answer: FALSE
Explanation: Retailing shows greater diversity in its structure than does wholesaling.
Difficulty: 1 Easy
Topic: Retailers in Foreign Markets
Learning Objective: 15-03 How distribution patterns affect the various aspects of international marketing.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

13) Direct marketing works well in affluent markets as well as in markets with underdeveloped distribution systems.

Answer: TRUE
Explanation: Selling directly to the consumer through mail, by telephone, or door-to-door is often the approach of choice in markets with insufficient or underdeveloped distribution systems. The approach, of course, also works well in the most affluent markets.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-03 How distribution patterns affect the various aspects of international marketing.
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14) Agent middlemen work on commission and do not take title to the merchandise.

Answer: TRUE
Explanation: Agent middlemen work on commission and arrange for sales in the foreign country but do not take title to the merchandise. By using agents, the manufacturer assumes trading risk but maintains the right to establish policy guidelines and prices and to require its agents to provide sales records and customer information.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-04 The functions, advantages, and disadvantages of various kinds of middlemen.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

15) Merchant middlemen tend to be more controllable than agent middlemen because they take title to manufacturers' goods.

Answer: FALSE
Explanation: Merchant middlemen actually take title to manufacturers' goods and assume the trading risks, so they tend to be less controllable than agent middlemen. Because merchant middlemen primarily are concerned with sales and profit margins on their merchandise, they are frequently criticized for not representing the best interests of a manufacturer.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-04 The functions, advantages, and disadvantages of various kinds of middlemen.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

16) The distribution channel process includes all activities, beginning with the manufacturer and ending with the retailer.

Answer: FALSE
Explanation: The distribution channel process includes all activities, beginning with the manufacturer and ending with the final consumer.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-04 The functions, advantages, and disadvantages of various kinds of middlemen.
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17) Domestic middlemen offer many advantages for companies with large international sales volume.

Answer: FALSE
Explanation: Domestic middlemen offer many advantages for companies with small international sales volume, those inexperienced with foreign markets, those not wanting to become immediately involved with the complexities of international marketing, and those wanting to sell abroad with minimal financial and management commitment.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-04 The functions, advantages, and disadvantages of various kinds of middlemen.
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18) An export management company (EMC) functions as a low-cost, independent marketing department with direct responsibility to the parent firm.

Answer: TRUE
Explanation: Working under the names of the manufacturers, the EMC functions as a low-cost, independent marketing department with direct responsibility to the parent firm. The working relationship is so close that customers are often unaware they are not dealing directly with the export department of the company.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-04 The functions, advantages, and disadvantages of various kinds of middlemen.
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19) The WTO in 2003 ruled export management companies to be in violation of international trade rules.

Answer: FALSE
Explanation: The WTO in 2003 ruled *foreign sales corporations* to be in violation of international trade rules, thus starting a major trade dispute with the European Union that still simmers and occasionally boils over.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-04 The functions, advantages, and disadvantages of various kinds of middlemen.
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20) The Export Trading Company Act allows producers of similar products to form export trading companies.

Answer: TRUE
Explanation: The Export Trading Company (ETC) Act allows producers of similar products to form export trading companies. A major goal of the ETC Act was to increase U.S. exports by encouraging more efficient export trade services to producers and suppliers to improve the availability of trade finance and to remove antitrust disincentives to export activities.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-04 The functions, advantages, and disadvantages of various kinds of middlemen.
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21) Trading companies provide the best means for intensive coverage of the market in Japan.

Answer: TRUE
Explanation: Because trading companies may control many of the distributors and maintain broad distribution channels, they provide the best means for intensive coverage of the market. For companies seeking entrance into the complicated Japanese distribution system, the Japanese trading company offers one of the easiest routes to success.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-04 The functions, advantages, and disadvantages of various kinds of middlemen.
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22) Using foreign-country middlemen moves the manufacturer away from the market and the company becomes less involved with problems of language, physical distribution, communications, and financing.

Answer: FALSE
Explanation: Using foreign-country middlemen moves the manufacturer closer to the market and involves the company more closely with problems of language, physical distribution, communications, and financing.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-04 The functions, advantages, and disadvantages of various kinds of middlemen.
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23) Channels of distribution often pose longevity problems as they tend to be small institutions.

Answer: TRUE
Explanation: Channels of distribution often pose longevity problems. Most agent middlemen firms tend to be small institutions. When one individual retires or moves out of a line of business, the company may find it has lost its distribution in that area. Wholesalers and especially retailers are not noted for their continuity in business either.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-04 The functions, advantages, and disadvantages of various kinds of middlemen.
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24) In the United States, if a middleman is terminated, the company is required to pay 1 percent of the middleman's average annual compensation multiplied by the number of years the middleman served as a final settlement.

Answer: FALSE
Explanation: In the United States, termination is usually a simple action regardless of the type of middlemen; they are simply dismissed. However, in other parts of the world, the middleman often has some legal protection that makes termination difficult.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-05 The importance of selecting and maintaining middlemen.
Bloom's: Remember
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25) Selecting a middleman is usually as simple as asking for a recommendation from a company's local manager.

Answer: FALSE
Explanation: The screening and selection process for a middleman should include an exploratory letter or e-mail including product information and distributor requirements in the native language sent to each prospective middleman; a follow-up with the best respondents for specific information concerning lines handled, territory covered, size of firm, number of salespeople, and other background information; check of credit and references from other clients and customers of the prospective middleman; and, if possible, a personal check of the most promising firms.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-05 The importance of selecting and maintaining middlemen.
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26) Legal advice is not necessary when entering distribution contracts with middlemen.

Answer: FALSE
Explanation: Competent legal advice is vital when entering distribution contracts with middlemen. But as many experienced international marketers know, the best rule is to avoid the need to terminate distributors by screening all prospective middlemen carefully.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-05 The importance of selecting and maintaining middlemen.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

27) Ideally, a website should be translated into the languages of the target market.

Answer: TRUE
Explanation: Ideally, a website should be translated into the languages of the target markets. This translation may not be financially feasible for some companies, but at least the most important pages of the site should be translated.
Difficulty: 1 Easy
Topic: How the Physical Environment and Technology Influence Culture
Learning Objective: 15-06 The growing importance of e-commerce as a distribution alternative.
Bloom's: Remember
AACSB: Technology
Accessibility: Keyboard Navigation

28) An e-vendor in a foreign market can generally ignore culture as an important variable because the commerce is being done via the Internet, which is culturally insensitive.

Answer: FALSE
Explanation: The website and the product must be culturally neutral or adapted to fit the uniqueness of a market, because culture does matter.
Difficulty: 1 Easy
Topic: How the Physical Environment and Technology Influence Culture
Learning Objective: 15-06 The growing importance of e-commerce as a distribution alternative.
Bloom's: Remember
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29) A change of transportation mode can affect a change in packaging and handling, inventory costs, warehousing time and cost, and delivery charges.

Answer: TRUE
Explanation: A change of transportation mode can affect a change in packaging and handling, inventory costs, warehousing time and cost, and delivery charges. Since container ships move more than 95% of the world's manufactured goods, changes in cargo capacity can have a dramatic effect on pricing flow of goods at the retail level.
Difficulty: 1 Easy
Topic: The Importance of Production and Logistics Decisions
Learning Objective: 15-07 The interdependence of physical distribution activities.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

30) A physical distribution system involves only the physical movement of goods.

Answer: FALSE
Explanation: A physical distribution system involves more than the physical movement of goods. It includes the location of plants and warehousing (storage), transportation mode, inventory quantities, and packing.
Difficulty: 1 Easy
Topic: The Importance of Production and Logistics Decisions
Learning Objective: 15-07 The interdependence of physical distribution activities.
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31) The _____ process includes the physical handling and distribution of goods, the passage of ownership (title), and the buying and selling negotiations between producers and middlemen and between middlemen and customers.
A) logistics
B) marketing
C) channel
D) distribution
E) control

Answer: D
Explanation: The distribution process includes the physical handling and distribution of goods, the passage of ownership (title), and—most important from the standpoint of marketing strategy—the buying and selling negotiations between producers and middlemen and between middlemen and customers.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-01 The variety of distribution channels and how they affect cost and efficiency in marketing.
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32) In a _____ distribution structure, an importer controls a fixed supply of goods and the marketing system develops around the philosophy of selling a limited supply of goods at high prices to a small number of affluent customers.
A) domestic
B) traditional
C) manufacturer-oriented
D) service
E) customer-oriented

Answer: B
Explanation: In an *import-oriented* or *traditional* distribution structure, an importer controls a fixed supply of goods, and the marketing system develops around the philosophy of selling a limited supply of goods at high prices to a small number of affluent customers.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-01 The variety of distribution channels and how they affect cost and efficiency in marketing.
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33) Which distribution structure is also known as a traditional distribution structure?
A) Export-oriented
B) Import-oriented
C) Manufacturer-oriented
D) Service-oriented
E) Customer-oriented

Answer: B
Explanation: An import-oriented distribution structures is also known as a traditional distribution structure. In an *import-oriented* or *traditional* distribution structure, an importer controls a fixed supply of goods, and the marketing system develops around the philosophy of selling a limited supply of goods at high prices to a small number of affluent customers.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-01 The variety of distribution channels and how they affect cost and efficiency in marketing.
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34) In an import-oriented distribution structure,
A) the importer–wholesaler traditionally performs most of the marketing functions.
B) the relationship between the importer and any middleman is similar to that found in a mass-marketing system.
C) several independent agencies provide functions such as advertising, marketing research, and financing.
D) the idea of a channel as a chain of intermediaries performing specific activities is common.
E) the distribution system is national in scope.

Answer: A
Explanation: An import-oriented distribution structure is considered as a traditional distribution structure. Since the importer–wholesaler traditionally performs most marketing functions, independent agencies that provide advertising, marketing research, warehousing, and storage are nonexistent or underdeveloped.
Difficulty: 2 Medium
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-01 The variety of distribution channels and how they affect cost and efficiency in marketing.
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35) Distribution in _____ has long been considered the most effective nontariff barrier to that market.
A) China
B) Japan
C) the U.S.
D) Western Europe
E) Canada

Answer: B
Explanation: Distribution in Japan has historically been considered the most effective nontariff barrier to the Japanese market. However, the market is becoming more open as many traditional modes of operation are eroding in the face of competition from foreign marketers and as Japanese consumers continue to focus on lower prices.
Difficulty: 1 Easy
Topic: Factors to Consider When Designing International Distribution Strategies
Learning Objective: 15-02 The Japanese distribution structure and what it means to Japanese customers and to competing importers of goods.
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36) What group is considered to be the foundation of the Japanese distribution system?
A) consumers
B) brokers
C) manufacturers
D) small retailers
E) wholesalers

Answer: D
Explanation: The Japanese system has four distinguishing features: (1) a structure dominated by many small middlemen dealing with many small retailers, (2) channel control by manufacturers, (3) a business philosophy shaped by a unique culture, and (4) laws that protect the foundation of the system—the small retailer.
Difficulty: 1 Easy
Topic: Retailers in Foreign Markets
Learning Objective: 15-02 The Japanese distribution structure and what it means to Japanese customers and to competing importers of goods.
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