**POSTTEST KEY**

**OBJECTIVE A**

 1. **a We can more easily obtain products from all over the world.** Channels of distribution allow consumers, industrial users, producers, and other channel intermediaries to save time and money. They also allow us to more easily obtain products from all over the world, since we do not have to travel and search for each individual item we wish to purchase.
 (5 points)

 2. **c With the producer.** A producer is the grower, provider, or manufacturer of goods or services. Products originate with producers. The channel ends with an industrial user or ultimate consumer. An intermediary is a channel member operating between the producer and the consumer or industrial user to help in the movement of goods and services.
 (5 points)

 3. **a A teenager buying her/his first car.** An ultimate consumer is the person who will actually be using the good or service. The other alternatives are examples of industrial users who will be using the goods in the operation of their businesses or to produce other goods.
 (5 points)

 4. **b A hairstylist buying new scissors to perform haircuts.** A hairstylist purchasing scissors is
an example of an industrial user. S/He is purchasing the product to use in the operation of his/her business—in this case, for providing a service. The other alternatives are examples of ultimate consumers, the people who will actually be using the good or service for
themselves. (5 points)

 5. **b Intermediary.** Intermediaries are channel members operating between the producer and the consumer or industrial user to help in the movement of goods and services. In this situation, the intermediary is a wholesaler. Producers are the growers, providers, or manufacturers of goods or services. Retailers are businesses that buy consumer goods or services and sell them to the ultimate consumer. Agents are intermediaries that assist in the sale and/or promotion of goods and services but do not take title to them. (5 points)

 6. **c Retailers.** Retailers are businesses that buy consumer goods or services and sell them to the ultimate consumer. Walmart, Domino’s, and Avis Rent-a-Car all sell directly to consumers. Wholesalers are businesses that buy goods from producers or agents and sell to retailers. Agents assist in the sale and/or promotion of goods and services but do not take title to them. Industrial distributors are intermediaries that buy industrial goods and services and sell them to industrial users. (5 points)

 7. **d Wholesaler.** Wholesalers buy goods from producers or agents and sell them to retailers. Top-Notch is a wholesaler. Agents are intermediaries that assist in the sale and/or promotion of goods and services but do not take title to them. Retailers are businesses that buy consumer goods or services and sell them to the ultimate consumer. Producers are the growers, providers, or manufacturers of goods or services. (5 points)

**POSTTEST KEY** (cont’d)

 8. **b Wholesaler.** A wholesaler is a business that buys goods from producers or agents and sells them to retailers. Agents do not buy goods from producers; rather, they assist in selling and promoting a producer’s goods. Producers are growers, providers, or manufacturers of goods or services. Retailers are businesses that buy consumer goods or services and sell them to the ultimate consumer. (5 points)

 9. **c Agents.** These are businesses or individuals that assist in the sale and/or promotion of goods and services but do not take title to them. Wholesalers are businesses that buy goods from producers or agents and sell to retailers. Retailers are businesses that buy
consumer goods and services and sell them to ultimate consumers. Industrial users are businesses that buy materials or goods that will be used to make other goods and services or in the operation of the business. (5 points)

 10. **d May sell more than the producer could sell on its own.** By using intermediaries, a
producer may be able to increase the size of its sales force by sharing the selling activities with other businesses. Although the use of intermediaries may help to reduce the per-unit cost of a good, this does not automatically increase the profits of the producer. By using intermediaries, producers are unable to deal directly with ultimate consumers or industrial users. The use of intermediaries decreases the number of retailer-to-producer contacts.
 (5 points)

 11. **a Reduce.** When intermediaries buy large quantities of goods from producers, large-scale production enables the producers to reduce their per-unit cost of the items. Intermediaries do not have the power to stabilize or control prices. (5 points)

 12. **a Develop an assortment of goods.** Intermediaries collect goods from a variety of producers and divide the goods into quantities and assortments that consumers will want. Intermediaries may decrease producers’ distribution costs since the producer can usually pass some of these costs on to the intermediaries. Producers can promote goods without the aid of intermediaries, but they may choose to share this function. The fact that some
intermediaries extend credit services to consumers does not help producers to match their production to consumers’ needs. (5 points)

 13. **b Transporting and storing.** Intermediaries transport and store goods so that they will be available to consumers or industrial users where and when they are wanted or needed. In this way, goods are on hand when consumers or industrial users are ready to buy them
rather than when they are produced. Other functions performed by intermediaries include providing market information to producers, promoting the sale of goods and services,
extending credit, servicing sales, and providing management services. (5 points)

**POSTTEST KEY** (cont’d)

**Objective B**

 14. **c Producer to ultimate consumer.** With this route, goods and services move straight from the producer to the ultimate consumer. It is the simplest of all channels. Although producer to industrial user is a direct route, it is used for industrial rather than consumer goods and services. The producer-to-retailer-to-ultimate-consumer channel and the producer-to-distributor-to-consumer channel are considered indirect channels because they involve the use of intermediaries. (5 points)

 15. **b Large retail chain.** Large department stores and retail chains are among those who usually deal directly with producers. When it is not possible for a producer to reach a large number of consumers on a direct basis, retailers can provide wide distribution of products to consumers at lower costs than producers can on a direct basis. All of the other alternatives are businesses that would buy from intermediaries because their orders would be too small for direct purchase from the producers. (5 points)

 16. **c Wholesalers usually buy in large quantities.** Many producers cannot afford to fill requests for small orders; however, small retailers are usually unable to place large orders. Therefore, wholesalers help to fill the gap between producers and small retailers by buying large quantities and selling smaller quantities to individual retailers. By using intermediaries, producers are giving up some of their channel control. Wholesalers do take title to goods, but agents do not. Producers use the producer-to-retailer-to-ultimate-consumer channel to reach large retailers directly. (5 points)

 17. **d Producer to agent to retailer to consumer.** Some producers don’t want to take the responsibility, or spend the time or money to sell their own goods, but are prepared to handle other marketing functions. These producers contract with an agent to sell the goods to retailers. When the producer-to-retailer-to-consumer channel is used, the producer retains control of selling activities. The producer-to-wholesaler-to-retailer-to-consumer channel is frequently used to reach small retailers. Producer to consumer is a direct channel of
distribution. (5 points)

 18. **d Producer to industrial user.** This is the direct route most commonly used for large industrial goods since most large industrial goods require installation or special servicing, which producers feel they are best qualified to provide. The other alternatives are indirect channels that are less frequently used than the direct channel. (5 points)

 19. **a Producer to agent to user.** When the producer does not have its own sales force, it contracts with agents to sell and promote its goods. If goods have high unit costs, agents can afford to sell directly to industrial users. If the goods have low unit costs, the agent will sell the goods to industrial distributors, who will then sell the goods to industrial users. In the other alternatives, the producer retains control of the selling activities. (5 points)

**POSTTEST KEY** (cont’d)

20. **d Travel planning.** Travel planning is provided by travel agents who sell transportation,
lodging, tours, etc. to consumers for the companies that provide each of these services. Other services such as health care, vehicle repair, and income tax preparation use a direct producer-to-consumer channel because the services must be delivered directly to the user. (5 points)

**Suggested** Criterion Level: 80 points