

# ch11

Student: \_\_\_\_\_

1. The railroad service which picks up truck trailers at a producer's location, loads them onto rail flatcars, hauls them close to the customer, and then delivers them to the buyer's door is:
  - A. truck service.
  - B. fast freight.
  - C. trailer service.
  - D. piggyback service.
  - E. pool car service.
2. Air express companies place many small packages into specially designed cylinders that conform to the interior dimensions of a cargo airplane. This practice protects the smaller packages and helps to reduce distribution costs. The air express companies are practicing:
  - A. Containerization.
  - B. Piggybacking.
  - C. Freight forwarding.
  - D. Cylinderization.
  - E. None of the above.
3. A major benefit of \_\_\_\_\_ is that it protects the products and simplifies handling during shipping.
  - A. fast freight
  - B. truck service
  - C. containerization
  - D. airfreight
  - E. piggyback
4. Piggyback service means
  - A. loading truck trailers on railcars to increase flexibility.
  - B. linking truck trailers to save fuel.
  - C. providing door-to-door service in cities.
  - D. special handling of important farm equipment.
  - E. combining small shipments of many shippers into more economical quantities.
5. Regarding alternative transporting modes, which of the following statements is TRUE?
  - A. Waterways usually provide the lowest cost way of shipping heavy freight.
  - B. Airways are quickest.
  - C. Pipelines offer reliability in moving oil and natural gas.
  - D. Trucks serve the most locations.
  - E. All of the above are true.

6. Containerization:

- A. is widely used by railroads, but has not caught on with other modes.
- B. makes it easier to load and unload products, but it increases the risk of damage.
- C. has increased competition between railroads and water shippers since both offer this service.
- D. is commonly used for international shipments from Japan.
- E. None of the above is true.

7. Whenever Product includes a physical good, Place requires logistics decisions.

True False

8. Logistics focuses on the handling of goods along a channel of distribution but not within individual firms.

True False

9. For many physical goods, firms spend half or more of their total marketing dollars on physical distribution activities.

True False

10. Physical distribution is the part of marketing that is visible to most customers.

True False

11. A marketing manager should never increase the total cost of distribution--even if this would result in a better customer service level for his target market.

True False

12. In countries where physical distribution systems are inefficient, consumers face shortages of the products they need.

True False

13. Most physical distribution decisions involve trade-offs between costs, the customer service level, and sales.

True False

14. Information technology involves a tradeoff because it cannot improve service levels and cut costs at the same time.

True False

15. Better information flows make it easier to coordinate activities, improve efficiency, and add value for the customer.

True False

16. The physical distribution concept seeks to minimize the cost of distribution for a given customer service level.

True False

17. The physical distribution concept is based on the idea that selecting the lowest cost transporting alternative and the lowest cost storing alternative will result in the lowest total distribution cost.
- True False
18. The PD concept seeks to maximize the profit for a given customer service level.
- True False
19. The physical distribution concept focuses on lower costs and better service to increase customer value.
- True False
20. With the PD concept, firms decide what specific service level to provide their customers.
- True False
21. Retailers selling a new product that is in hot demand -- like the latest DVD release or a best selling book -- would be unlikely to incur higher costs for faster delivery.
- True False
22. Higher physical distribution service levels are not a source of differentiation.
- True False
23. Advance information on product availability affects physical distribution (PD) service levels.
- True False
24. The total cost approach involves evaluating each possible PD system and identifying all the transportation costs associated with each alternative.
- True False
25. The "total cost approach" to physical distribution focuses exclusively on the total cost of transporting a product.
- True False
26. The "total cost approach" to physical distribution management involves evaluating all the costs of alternative physical distribution systems, including transporting, storing, and handling costs.
- True False
27. Most marketing functions can be shared in a channel, but the storing function is almost always handled by the producer.
- True False
28. JIT shifts greater responsibility for physical distribution activities forward in the channel.
- True False

29. Just-in-time delivery reduces storing and handling costs for business customers.

True False

30. Just-in-time delivery systems typically shift more responsibility for PD activities to the customer rather than the supplier.

True False

31. Every firm should try to use the just-in-time approach to physical distribution.

True False

32. A channel of distribution is part of a broader network of relationships called a supply chain.

True False

33. A channel of distribution is part of a supply chain.

True False

34. A channel of distribution for a product involves more firms than a supply chain for the same product.

True False

35. A "supply chain" is the same thing as a "channel of distribution."

True False

36. The term "supply chain" can be misleading because the chain typically involves only two firms: a vendor (selling firm) and a customer (buying firm).

True False

37. A supply chain includes all the activities involved in procuring materials, transforming them into products, and distributing them to customers.

True False

38. The "supply chain" concept refers to the idea that distribution can usually be reduced if the firm that is the "weakest link" in the channel of distribution is eliminated.

True False

39. In both a supply chain and a channel of distribution, the primary aim should be to create maximum value for the customer.

True False

40. In both supply chains and channels of distribution, the primary aim should be for each firm to keep its own costs as low as possible.

True False

41. The challenges of coordinating logistics functions in a supply chain has led to increased use of outside experts and computer models.
- True False
42. Electronic data interchange is important in business markets in the U.S., but it plays little role in international trade.
- True False
43. Transporting costs usually add relatively little to the cost of valuable products.
- True False
44. Transport costs represent a significant part of the cost of products that are already valuable relative to their size and weight.
- True False
45. In the U.S., there is little competition among transporting firms for shipping business because government regulations control most transporting rates, routes, and schedules.
- True False
46. The best transporting mode is the one that provides the required level of service at the lowest cost.
- True False
47. Low transporting cost is not the only criterion for selecting the best mode of transportation.
- True False
48. Heavy, bulky goods requiring long distance movement are usually carried by railroads.
- True False
49. Transport costs per pound for less-than-full carloads are less than for full loads.
- True False
50. In the U.S., trucks carry more freight over more miles than any other mode of transportation.
- True False
51. At least 75 percent of all U.S. freight moves, at least part of the way, by trucks.
- True False
52. For short distances and higher-value products, trucks may charge higher rates, but provide slower service.
- True False
53. Although ships and barges are slow, they are the lowest cost method of freight transporting, and are useful when speed is not critical.
- True False

54. Airfreight generally increases both transporting cost and the total cost of distribution because it tends to add to inventory costs, spoilage, theft, and damage.
- True   False
55. Goods that might become separated or damaged during transport can benefit from containerization in shipping.
- True   False
56. Loading truck trailers on railcars for shipment closer to the trucks' destination points is called "piggyback service."
- True   False
57. Efforts to reduce the environmental efforts of transporting usually increase the firm's distribution costs.
- True   False
58. Storing makes goods available where they're needed.
- True   False
59. Maintaining the right level of inventory is easy now that there are tools to precisely forecast and model demand.
- True   False
60. Storing allows producers and intermediaries to keep stocks at convenient locations, ready to meet customers' needs.
- True   False
61. Private warehouses (compared to public warehouses) are most appropriate when a firm has a regular need to store a large quantity of goods.
- True   False
62. Public warehouses (compared to private warehouses) provide greater economy and flexibility when a firm does not have a regular need to store a large volume of goods, but they provide fewer services than a firm's own warehouse could.
- True   False
63. Bar codes, UPC numbers, and RFID tags make it easy for computers to monitor inventory, order stock, and track shipping costs.
- True   False
64. A distribution center is a special kind of warehouse designed to perform regrouping activities.
- True   False

65. The main function of a "distribution center" is to speed the flow of goods and avoid unnecessary storage.

True False

66. A "distribution center" is a special kind of public warehouse designed specifically for storing perishable products.

True False

67. When both regrouping and storing are needed, a firm should add a distribution center.

True False

68. "Logistics" is concerned with:

- A. reducing spatial separations between producers and consumers.
- B. transporting, storing, and handling of physical goods along channel systems.
- C. transporting, storing, and handling of physical goods within individual firms.
- D. physical distribution.
- E. All of the above.

69. Logistics, or physical distribution, is the \_\_\_\_\_ part of the marketing mix.

- A. Possession
- B. Placement
- C. Production
- D. Promotion
- E. Product

70. Logistics decisions include all of the following except:

- A. distribution service level.
- B. transporting of goods.
- C. handling of goods.
- D. prices to charge for delivery.
- E. storage of goods.

71. Physical distribution differs from logistics in that

- A. logistics deals with storing and physical distribution does not.
- B. logistics uses JIT to coordinate activities among firms and physical distribution does not.
- C. logistics includes customer service decisions and physical distribution does not.
- D. logistics includes transporting goods and physical distribution does not.
- E. physical distribution is another common name for logistics.

72. Logistics costs

- A. are important to both firms and consumers.
- B. don't vary from firm to firm.
- C. are very similar across different countries.
- D. total less than 10 percent of the cost of groceries.
- E. have little impact on a macro marketing system.

73. Physical distribution decisions may impact

- A. location decisions.
- B. target market selection.
- C. price decisions.
- D. channel of distribution decisions.
- E. all of the above.

74. Efficient Consumer Response (ECR)

- A. involves collaboration between supermarket chains and consumers.
- B. involves collaboration between producers and consumers.
- C. involves computer links between grocers and their suppliers.
- D. saves U.S. consumers almost \$5 billion per year.
- E. saves U.S. consumers over \$100 billion per year.

75. The physical distribution customer service level concerns

- A. the costs to carry a product in inventory.
- B. the length of time a product is stored in inventory.
- C. the effort put in by channel members to meeting customer needs.
- D. the location of distribution centers.
- E. how rapidly and dependably a firm can deliver what customers want.

76. Physical distribution customer service level means all of the following EXCEPT:

- A. Honda wants enough bumpers to build cars that day.
- B. A vacationer wants Avis to have his rental car clean and ready when he arrives at the rental car counter.
- C. Sears' shirts are priced at a fair value.
- D. McDonald's has enough large cups so that customers can buy the larger size drinks which are on sale.
- E. Safeway's loaves of bread are in stock -- and not crushed -- when customers want them.

77. The physical distribution \_\_\_\_\_ is how rapidly and dependably a firm can deliver merchandise in demand through the appropriate channels.

- A. Product service level
- B. Tradeoff service level
- C. Customer service level
- D. Standard service level
- E. Efficiency service level

78. The physical distribution customer service level is important because:

- A. it is a measure of how rapidly and dependably a firm delivers what its customers want.
- B. it may result in lost sales if it is too low.
- C. it may result in high costs (and thus lower profits) if it is too high.
- D. All of the above.
- E. None of the above.



79. Physical distribution

- A. should not require tradeoffs for managers.
- B. means that consumers get products for low prices.
- C. includes transportation of products, but logistics does not.
- D. is invisible to most consumers in the United States.
- E. All of the above are true.

80. Most physical distribution decisions involve trade-offs between

- A. the total cost of physical distribution and consumer service levels only.
- B. transportation costs and inventory carrying costs only.
- C. costs, consumer service levels, and sales.
- D. sales and consumer service levels only.
- E. availability and speed of delivery only.

81. Which of the following statements about physical distribution is False?

- A. Marketers should always try to maximize the customer service level provided regardless of cost.
- B. Physical distribution activities are invisible to most consumers—unless something goes wrong.
- C. There are tradeoffs between costs, the customer service level desired, and sales.
- D. Information technology can help marketers improve service and cut costs.
- E. In countries with inefficient distribution systems, consumers can face shortages of products they need.

82. Which of the following statements concerning physical distribution trade-offs is NOT true?

- A. The trade-offs that must be made in the physical distribution area can be complicated.
- B. The lowest-cost approach may not be the best as customer service level varies from one market to the other.
- C. Many firms are trying to address trade-off complications with e-commerce.
- D. Most physical distribution decisions involve trade-offs between costs, customer service level, and sales.
- E. An efficient physical distribution system does not have to make trade-offs for customers.

83. When planning physical distribution, the marketing manager should:

- A. set the customer service level so that every customer can get the product exactly when he wants it.
- B. minimize the cost of distribution for a given customer service level.
- C. minimize the cost of transportation.
- D. maximize the speed of delivery.
- E. make use of a distribution center.

84. The right physical distribution system should be based primarily on

- A. the desired customer service level.
- B. how customers store the product.
- C. the physical characteristics of the product.
- D. what is the lowest cost method of transportation for the product.
- E. the inventory level that allows the smoothest production runs.

85. Information technology helps physical distribution in what ways?
- A. It improves service levels, but doesn't coordinate activities.
  - B. While it cannot cut costs, it can coordinate activities.
  - C. It can cut costs and improve service levels.
  - D. It is overrated and generally fails to improve service levels and coordinate activities.
  - E. It improves service levels while raising costs.
86. The \_\_\_\_\_ concept says that all transporting, storing, and product-handling activities of a business and a channel system should be thought of as part of one system which should seek to minimize the cost of distribution for a given customer service level.
- A. PERT
  - B. product-market
  - C. distribution center
  - D. physical distribution
  - E. marketing
87. In a firm that fully implements the physical distribution concept:
- A. Physical distribution activities are dealt with as separate, unrelated activities, not as coordinated parts of a single system.
  - B. The firm seeks to minimize the cost of distribution for a given customer service level.
  - C. Increasing the level of service provided is not related to customer perceptions of value.
  - D. Physical distribution is never a source of competitive advantage.
  - E. None of the above.
88. A good marketing manager will try to:
- A. set the desired customer service level before trying to minimize physical distribution costs.
  - B. minimize the total cost of physical distribution.
  - C. maximize the level of customer service provided by his firm.
  - D. minimize storing time and costs.
  - E. provide customers with just-in-time delivery service.
89. The physical distribution concept says (or implies) that:
- A. transporting, storing, and product-handling are unrelated activities for cost control.
  - B. the best distribution system is the lowest cost one.
  - C. a firm should seek to minimize the total cost of transporting, storing, and product-handling--for a given level of customer service.
  - D. If the transporting department minimizes its costs and the storing department minimizes its costs and the product-handling department minimizes its costs--then the total cost of physical distribution will be minimized.
  - E. Both A and D.
90. According to the "physical distribution concept":
- A. transporting, storing, and product-handling are independent activities.
  - B. all transporting, storing, and product-handling activities of a business and a whole channel system should be coordinated as part of one system.
  - C. inventories should be based on production requirements.
  - D. the production department should be responsible for warehousing and shipping.
  - E. the lowest-cost distribution system is the best alternative.

91. The "physical distribution concept" is probably being used in a firm if:
- A. inventories are set based on just-in-time delivery policies.
  - B. the total cost of distribution is as low as possible.
  - C. storing costs have been minimized.
  - D. transporting, storing, and product-handling are seen as interrelated parts of one PD system.
  - E. transporting costs have been minimized.
92. Which of the following statements best reflects a marketing-oriented approach to physical distribution?
- A "We should create a position of inventory manager and give that person authority to coordinate all . physical distribution activities to minimize the firm's total inventory costs."
  - B "We should aim to keep our customers fully satisfied 100 percent of the time as this will increase our . sales and give us a competitive advantage."
  - C "We should replace our warehouses with distribution centers to speed the flow of products and eliminate all storage."
  - D "We should choose the physical distribution alternative that will minimize the total cost of achieving the . level of customer service our target market requires."
  - E. All are equally "marketing-oriented."
93. A merchant wholesaler is considering four physical distribution systems and estimates the total cost and customer service level for each as follows:

	TOTAL COST	CUSTOMER SERVICE LEVEL
Airfreight	\$1,000,000	90%
Inland waterways	250,000	50%
Truck	300,000	60%
Rail and warehouse	425,000	70%

The best alternative is:

- A. truck.
  - B. airfreight.
  - C. rail and warehouse.
  - D. inland waterways.
  - E. Cannot be determined without knowing how the target customers feel about the customer service level.
94. Which of the following observations about the total cost approach is NOT true?
- A. Includes transportation costs.
  - B. Helps find the lowest total cost for the right service level.
  - C. Focuses on direct costs and doesn't consider the possible costs of lost sales.
  - D. Uses the tools of cost accounting and economics.
  - E. Involves evaluating each possible physical distribution system and identifying all of the costs of each alternative.

95. Fresh Farm Produce Co. has examined transportation costs and found that shipping its fruits and vegetables by rail to distant markets would cost them only \$89,000, while airfreight would cost \$250,000. Because the costs of the actual fruits and vegetables are the same for each transportation mode, Fresh Farm Produce should
- A. try to determine other physical distribution costs before deciding on whether to use airfreight.
  - B. immediately switch to rail to save money.
  - C. conduct marketing research to determine which fruits and vegetables customers want most.
  - D. immediately switch to airfreight because it is clearly a faster mode of transportation.
  - E. ship with airfreight and store the fruit and vegetables in warehouses.
96. The "total cost approach" to physical distribution management:
- A. seeks to eliminate the storing function.
  - B. seeks to minimize the cost of transportation.
  - C. might suggest a high-cost transporting mode if storing costs could be reduced enough to lower total distribution costs.
  - D. ignores inventory carrying costs.
  - E. All of the above.
97. Physical distribution decisions interact with which other marketing mix decisions?
- A. Price decisions.
  - B. Promotion decisions.
  - C. Product decisions.
  - D. All of the above.
  - E. None of the above.
98. Just-in-time systems:
- A. usually reduce PD costs for business customers.
  - B. usually increase PD costs for suppliers.
  - C. usually shift less responsibility for PD to business customers.
  - D. shift more responsibility for PD to suppliers.
  - E. All of the above.
99. Just-in-time (JIT) delivery
- A. is always the best approach.
  - B. reduces customers' physical distribution costs.
  - C. increases storing and handling costs.
  - D. shifts responsibility for physical distribution activities forward in the channel.
  - E. requires customers to have high quality standards in physical distribution activity.
100. Which of the following is true regarding JIT systems?
- A. JIT systems do not have backup inventory.
  - B. JIT usually entails less frequent deliveries.
  - C. JIT requires manufacturers to add new warehouses.
  - D. JIT requires suppliers to respond to very short order lead times and the customer's production schedule.
  - E. Manufacturers must locate their facilities next to important customers in order to practice JIT.

101. Just-in-time (JIT) delivery:

- A. Increases physical distribution costs for business customers.
- B. Requires that a supplier be able to respond to the customer's production schedule.
- C. Usually does not require e-commerce order systems and computer networks.
- D. Means that deliveries are larger and less frequent.
- E. Shifts greater responsibility for physical distribution activities from the supplier to the business customer.

102. Which of the following statements about just-in-time delivery is FALSE?

- A. Just-in-time shifts greater responsibility for physical distribution backward in the channel.
- B. Just-in-time reduces storing and handling costs for everyone in the channel.
- C. Just-in-time increases the coordination needed among channel members.
- D. Just-in-time reduces storing and handling costs for business customers.
- E. None of the above are false.

103. A supply chain:

- A. focuses on making services available whereas a channel of distribution focuses on making goods available.
- B. may involve many firms, but only one manufacturer.
- C. includes all the activities involved in procuring materials, transforming them into products, and distributing them to customers.
- D. is easier to coordinate than a channel of distribution.
- E. all of the above.

104. A \_\_\_\_\_ is the complete set of firms, facilities, and logistics activities that are involved in procuring materials, transforming them into intermediate or finished products, and distributing them to customers.

- A. supply chain
- B. physical distribution group
- C. logistics partnership
- D. just-in time group
- E. none of the above

105. Which of the following is NOT true about the supply chain for Ford Motor Company?

- A. The supply chain includes the Ford dealers that sell its cars to consumers.
- B. The supply chain does not include production plants where Ford cars are built.
- C. The supply chain includes a tire supplier to Ford's production plants.
- D. The supply chain includes a company that sells rubber to Ford's tire supplier.
- E. The supply chain includes trucks that deliver cars to Ford dealers.

106. A supply chain:

- A. is part of a broader network of relationships called a channel of distribution.
- B. is most effective when the objectives of the manufacturer at the beginning of the chain guide the activities of all other firms in the chain.
- C. requires skill in coordinating activities among different firms, and this has prompted many firms to seek help from outside experts.
- D. focuses on procuring materials needed for production, so its main weakness is that it ignores customer needs.
- E. concerns only direct relationships between producers, but a channel of distribution may involve intermediaries.

107. Which of the following statements about supply chains is FALSE?

- A. A supply chain includes all the activities involved in procuring materials, transforming them into products, and distributing them to customers.
- B. A supply chain includes one or more channels of distribution.
- C. The primary aim of any firm in a supply chain is to contribute to customer value by minimizing its own distribution costs.
- D. Few firms are willing to give "outsiders" access to information in their computer systems, so it is likely to be quite some time before computers have the impact on managing a supply chain that they have had in other areas of business.
- E. None of the above is false.

108. Electronic data interchange (EDI):

- A. Puts information in a standardized format that can be shared between different computer systems.
- B. Improves information flow between buyers and suppliers.
- C. Allow customers to transmit orders directly to a supplier's computer.
- D. Replaces many of the paper documents previously used for purchase orders and shipping reports.
- E. All of the above.

109. Electronic data interchange:

- A. puts information in a standardized format.
- B. makes inventory information more accessible.
- C. is common in both domestic and international markets.
- D. all of the above.
- E. both A and B, but not C

110. Which of the following statements about electronic data interchange is FALSE?

- A. Inventory information is automatically updated.
- B. EDI has not yet spread to international markets.
- C. A customer transmits its order information directly to the supplier's computer.
- D. EDI is very common in the United States.
- E. EDI puts information into a standardized format.

111. Most ethical issues in the area of physical distribution are concerned with:

- A. New-product development.
- B. Product availability.
- C. Location of retail stores.
- D. Planned obsolescence of products.
- E. Channel conflict.

112. The transporting function adds value by:

- A. making products available where they're needed.
- B. helping achieve economies of scale in production.
- C. making products available when they're needed.
- D. Both A and C.
- E. All of the above.

113. Transportation helps to

- A. make products available when they're needed.
- B. achieve economies of scale in production.
- C. make products available where they're needed.
- D. make exchange easier.
- E. all of the above.

114. Which of the following statements about the transporting function is TRUE?

- A. Among transportation modes, an advantage of air transport is its ability to handle a variety of goods.
- B. Because transportation costs are less than 1 percent of costs for most products, marketing managers do not need to consider them when making strategy decisions.
- C. Pipelines are generally one of the fastest modes of transportation.
- D. In most countries, government plays little role in transportation.
- E. Transporting costs can be a large part of the total cost for heavy products that are low in value.

115. Good marketing strategy planners know that:

- A. transporting costs may limit a marketing manager's possible target markets.
- B. the transporting costs for some bulky or low-value products may be greater than their manufacturing costs.
- C. transporting is vital for mass distribution and modern urban life.
- D. the cost of shipping some "high-value" products to users is less than 5 percent of their selling prices.
- E. All of the above are true.

116. Transporting costs

- A. are usually more than the value added by shipping, but the products are shipped anyway as there is no choice.
- B. do not vary much as a percentage of the final price of products, since big items are shipped by inexpensive means and small items are shipped by more expensive approaches.
- C. usually do not add much to the final cost of products which are already valuable relative to their size and weight.
- D. usually are not large enough to limit the target market that a marketing manager can serve.
- E. None of the above is true.

117. Which of the following products would have the lowest transporting costs as a percentage of the selling price?
- A. Electronic equipment.
  - B. Chemicals and plastics.
  - C. Pharmaceuticals.
  - D. Sand and gravel.
  - E. Manufactured food.
118. Transporting cost as a percentage of selling price is lowest for:
- A. Sand
  - B. Factory machinery
  - C. Pharmaceuticals
  - D. Chemicals
  - E. Cabbage
119. The transporting cost as a percentage of selling price is highest for:
- A. Factory machinery.
  - B. Electronic equipment.
  - C. Cabbage.
  - D. Manufactured food.
  - E. Sand and gravel.
120. As part of their move toward unification, European countries are \_\_\_\_\_ transport regulations.
- A. strengthening
  - B. more tightly enforcing
  - C. reducing
  - D. strictly monitoring
  - E. adding many new
121. More freight is carried more miles \_\_\_\_\_ than any other mode of transportation.
- A. by railroads
  - B. by air
  - C. by pipeline
  - D. by trucks
  - E. over water
122. Which of the following statements about transporting by rail is True?
- A. Rail transportation is the slowest mode of transportation.
  - B. Rail transportation is the least expensive mode of transportation.
  - C. Rail transportation is good for long-distance transportation of heavy, bulky items.
  - D. Railroads are most efficient at handling less-than-carload (LCL) shipments.
  - E. All of the above.



123.Regarding railroads,

- A. full carload rates are lower than less-than-carload rates.
- B. rail shipments usually move much faster than truck shipments.
- C. they transport the same products in less-than-carload lots faster than full carload shipments.
- D. they handle products only if they are shipped in full carload lots.
- E. All of the above are true.

124.As a mode of transportation, railroad freight would be least suited for \_\_\_\_

- A. iron ore.
- B. sand.
- C. fresh fruit.
- D. automobiles.
- E. coal.

125.Regarding transporting by truck:

- A. Trucks are best for moving large quantities of goods long distances.
- B. Trucks are a very low cost mode of transportation.
- C. Trucks are not reliable in meeting delivery schedules.
- D. Trucks tend to provide fast delivery.
- E. All of the above.

126.Trucks

- A. are best at moving large quantities of goods for longer distances.
- B. are the most expensive of any of the modes.
- C. are very slow compared to railroads, and this makes it hard to compete effectively.
- D. compete aggressively with other modes for high-value shipments.
- E. All of the above are true.

127.All of the following are advantages of using trucks EXCEPT:

- A. flexibility.
- B. fast delivery speed.
- C. reliability in meeting delivery schedules.
- D. handling a variety of goods.
- E. serving a limited number of locations.

128.Regarding alternative transporting modes:

- A. trucks are good for speed, frequency, dependability, and number of locations served.
- B. pipelines are slower and less dependable than water transport, but also less expensive and able to serve more locations.
- C. airways are faster, cheaper, and more dependable than railways.
- D. waterways are slow, costly, and unable to handle a variety of shipments.

129. At least \_\_\_\_\_ percent of all freight shipped in the United States moves by trucks--at least part of the way--from producer to user.

- A. 20
- B. 75
- C. 15
- D. 5
- E. 10

130. Berry Bros. wants to ship a somewhat bulky, high-valued commodity a short distance--and it is seeking low-cost and extremely fast service. Berry should use:

- A. airfreight.
- B. railroads.
- C. inland waterways.
- D. trucks.
- E. None of the above.

131. A marketing manager who wants to ship small quantities (1,500 pounds) of relatively high-value products short distances at an economical cost should use:

- A. inland waterways.
- B. pipelines.
- C. railroads.
- D. trucks.
- E. airways.

132. Which of the following transportation modes is "best" at handling a variety of goods?

- A. Truck
- B. Rail
- C. Water
- D. Air
- E. Pipeline

133. It is usually most economical to ship bulky nonperishable items, such as coal and iron ore, by

- A. water.
- B. pipeline.
- C. truck.
- D. air.
- E. None of the above is a good answer, since the cost of shipping a product usually does not vary from one mode to another.

134. The slowest transportation is typically by

- A. rail.
- B. water.
- C. truck.
- D. air.

135. Transporting by water:

- A. Is the fastest transporting mode.
- B. Is the least expensive transporting mode for heavy freight.
- C. Is only important for international transportation.
- D. Is especially useful for lightweight goods.
- E. All of the above.

136. Considering weight, which one of the following transporting modes usually has the LOWEST cost?

- A. Waterways
- B. Airways
- C. Trucks
- D. Railroads
- E. Pipelines

137. Products that require a high frequency of scheduled shipments would be least suited to travel by

- A. truck.
- B. rail.
- C. air.
- D. water.
- E. pipeline.

138. Tammy works in transportation for a company that manufactures tractors and other farm equipment in China for the U.S. market. Cost is her primary concern in getting products to farm states in the U.S. Midwest. Which mode(s) of transportation would you suggest?

- A. Water then truck.
- B. Air then rail.
- C. Air then truck.
- D. Air only.
- E. Water then rail.

139. Alex has to transport iron ore from New Orleans to Memphis. Which mode of transport is he more likely to use?

- A. Airways
- B. Truck
- C. Railroad
- D. Inland waterways
- E. Monorail

140. \_\_\_\_\_ as a mode of transport serves a very limited number of locations but has a high dependability in meeting schedules.

- A. Trucks
- B. Railroads
- C. Waterways
- D. Airfreight
- E. Pipelines

141. For which of the following goods would air be the least useful mode of transportation?

- A. High-fashion clothing.
- B. Oil.
- C. Flower and bulbs from Holland.
- D. Emergency delivery of repair parts.
- E. Parts for the electronic industry.

142. Considering weight, the most expensive transporting mode is:

- A. pipelines.
- B. railroads.
- C. trucks.
- D. inland waterways.
- E. airfreight.

143. Shipping by air

- A. is most useful for smaller, high-value items.
- B. generally increases handling costs.
- C. is generally the most economical transportation method.
- D. all of the above.
- E. none of the above.

144. In spite of high cost, high value, low-weight goods like high-fashion clothing and parts for the electronic industry are often shipped long distances by \_\_\_\_

- A. rail.
- B. water.
- C. air.
- D. pipeline.
- E. truck.

145. Transporting by air:

- A. Works well for heavy, bulky items.
- B. Is slower than transporting by truck.
- C. May reduce the total cost of physical distribution.
- D. Has had no effect on international trade.
- E. None of the above.

146. Shipping by air

- A. is most useful for smaller, high-value items.
- B. may reduce handling costs.
- C. generally involves higher transportation costs than other modes of transportation.
- D. All of the above are true.
- E. None of the above is true.

147.Regarding airfreight, which of the following statements is NOT true?

- A. Airfreight may reduce the total cost of distribution.
- B. Inventory costs usually increase, since only small quantities can be shipped at a time.
- C. Very bulky items cannot be shipped economically.
- D. Airfreight is opening up new markets for many perishable items.
- E. There are usually fewer problems from theft and damage with airfreight.

148.Using airfreight instead of some other mode of transporting may result in:

- A. lower packing costs.
- B. lower total cost of distribution.
- C. less damage in transit.
- D. higher transporting costs.
- E. All of the above.

149.Airfreight

- A. has rates one third the rates of trucks.
- B. efficiently delivers all types of goods.
- C. serves many more locations than trucks.
- D. can reduce the cost of preparing goods for distribution.
- E. can help reduce inventory costs.

150.Regarding transportation modes, which of the following statements is NOT true?

- A. The majority of the pipelines in the U.S. are in the Southwest.
- B. Airfreight costs about the same as trucks for long distances, not counting the cost of transporting to and from the airport.
- C. Water transportation is the slowest shipping mode.
- D. Most cities in the United States are less than 200 miles from a major petroleum pipeline.

151.Regarding alternative transporting modes, which of the following statements is TRUE?

- A. Waterways serve the most locations.
- B. Airways offer the most expensive transporting mode.
- C. Railways provide the lowest cost considering weight.
- D. Trucks offer the fastest speed.
- E. Pipelines in the U.S. are located mostly in the Northeast.

152.Jackie works in transportation for a company that ships expensive, high quality fish all across the United States. The perishable nature of her product, the value of freshness, and the high prices she charges would lead you to recommend which transportation mode?

- A. Airfreight
- B. Trucks
- C. Railroads
- D. Inland waterways
- E. Piggyback truck

153.Regarding alternative transporting modes, which of the following statements is TRUE?

- A. Waterways usually provide the lowest cost way of shipping heavy freight.
- B. Airways are quickest.
- C. Pipelines offer reliability in moving oil and natural gas.
- D. Trucks serve the most locations.
- E. All of the above are true.

154.Containerization:

- A. is widely used by railroads, but has not caught on with other modes.
- B. makes it easier to load and unload products, but it increases the risk of damage.
- C. has increased competition between railroads and water shippers since both offer this service.
- D. is commonly used for international shipments from Japan.
- E. None of the above is true.

155.Air express companies place many small packages into specially designed cylinders that conform to the interior dimensions of a cargo airplane. This practice protects the smaller packages and helps to reduce distribution costs. The air express companies are practicing:

- A. Containerization.
- B. Piggybacking.
- C. Freight forwarding.
- D. Cylinderization.
- E. None of the above.

156.A major benefit of \_\_\_\_\_ is that it protects the products and simplifies handling during shipping.

- A. fast freight
- B. truck service
- C. containerization
- D. airfreight
- E. piggyback

157.Piggyback service means

- A. loading truck trailers on railcars to increase flexibility.
- B. linking truck trailers to save fuel.
- C. providing door-to-door service in cities.
- D. special handling of important farm equipment.
- E. combining small shipments of many shippers into more economical quantities.

158.The railroad service which picks up truck trailers at a producer's location, loads them onto rail flatcars, hauls them close to the customer, and then delivers them to the buyer's door is:

- A. truck service.
- B. fast freight.
- C. trailer service.
- D. piggyback service.
- E. pool car service.

159. A train carries truck trailers long distances. The trailers are then offloaded, attached to truck tractors, and the tractor-trailer combinations are driven to their final destination. This practice is known as:

- A. Containerization.
- B. Piggyback service.
- C. Freight forwarding.
- D. Long hauling.
- E. None of the above.

160. Storing:

- A. must be provided by all channel members.
- B. is necessary when production does not match consumption.
- C. is related to Place--but not to Price.
- D. makes goods available where they're needed.
- E. All of the above.

161. Inventory refers to

- A. the amount of goods being stored.
- B. minimizing storage costs.
- C. the amount of goods being sold.
- D. the marketing function of holding goods.
- E. the quality of goods being stored.

162. Storing:

- A. is related to Place--but has no effect on Price.
- B. is necessary because production does not always match consumption.
- C. must be performed by all members of a channel system.
- D. decreases the value of products.
- E. All of the above are true statements.

163. Storing of goods is necessary when

- A. there is more demand and no supply.
- B. quality doesn't match demand.
- C. production doesn't match consumption.
- D. production doesn't match quality demanded.
- E. products are produced in small batches.

164. Which of the following statements is NOT TRUE?

- A. Storing is a marketing function.
- B. Storing allows producers and intermediaries to keep stocks at convenient locations.
- C. Storing allows the producer to achieve economies of scale in production.
- D. Storing is necessary when production of goods doesn't match consumption.
- E. Storing can increase the value of goods, but does not involve costs.

165. A marketing manager might greatly improve his marketing mix by:

- A. shifting the storing job to a specialized storage facility.
- B. adjusting the time products will be held by channel members.
- C. encouraging final consumers to store some products for future consumption.
- D. sharing the storage function (and costs) with intermediaries.
- E. All of the above.

166. Storing:

- A. costs include the costs of damage, theft, and reduced value if products get out-of-date.
- B. costs can be reduced in the channel if suppliers are reliable about meeting delivery schedules.
- C. too few products is likely to reduce a firm's costs, sales, and profits.
- D. decisions are more difficult to make when demand is irregular.
- E. All of the above are true.

167. Which of the following does NOT contribute to total inventory cost?

- A. Costs of damage to products while in inventory.
- B. Costs of risks such as theft and fire.
- C. Costs of inventory becoming obsolete.
- D. Increase in the value of goods.
- E. Handling costs.

168. Compared to public warehouses, PRIVATE warehouses:

- A. may have low unit costs if the volume is high.
- B. are better if space will only be needed infrequently.
- C. offer low fixed investments.
- D. increase managerial flexibility.
- E. All of the above.

169. Compared to a public warehouse, a private warehouse

- A. requires no fixed investment.
- B. has lower unit costs.
- C. has less flexibility.
- D. works better when large volumes of goods must be stored irregularly.
- E. tends to have less managerial control.

170. A cheese processor having regular need for regional storage of a large quantity of cheese probably should use \_\_\_\_\_ warehouses.

- A. public
- B. private
- C. general merchandise
- D. commodity



171. Which of the following is true about public warehouses?

- A. They are leased by companies for their own use.
- B. They are designed to speed the flow of goods
- C. They are very expensive.
- D. They are useful for manufacturers that must maintain stock in many locations, including foreign countries.
- E. They are used by firms who must regularly store large volumes of goods.

172. Regarding the storing function:

- A. Public warehouses are storing facilities owned or leased by companies for their own use.
- B. Private warehouses are most useful when a company does not have a regular need for space.
- C. Public warehouses are independent storing facilities and provide a full range of services.
- D. All of the above.
- E. None of the above.

173. Public warehouses:

- A. generally do not provide all the services that could be obtained in a company's own branch warehouse.
- B. are not usually responsible for the risk of damage in the warehouse.
- C. provide flexibility because the user pays only for the space used.
- D. are not very useful to manufacturers who must maintain stocks in many locations, including foreign countries.
- E. All of the above.

174. Compared to private warehouses, PUBLIC warehouses:

- A. are not any more flexible because long-term leases are usually required.
- B. may not always be conveniently available.
- C. require no fixed investment but per unit storing costs are usually higher.
- D. reduce managerial flexibility.
- E. All of the above.

175. A manufacturer having irregular need for regional storage of bicycles should use which one of the following?

- A. a private warehouse to be sure of adequate space
- B. public warehouses to provide flexibility and low unit cost
- C. a distribution center
- D. direct distribution.
- E. railroads, because they are slow and the bicycles are being stored while they're on the train.

176. There are big shifts in demand from season to season for the lawn mowers produced by GreenVision Co.-- and its need for storage facilities also varies. GreenVision should think about using:

- A. piggyback service.
- B. private warehousing facilities.
- C. distribution centers.
- D. public warehousing facilities.
- E. None of the above is a good answer.

177. Modern warehouses typically do NOT have:

- A. power-operated lift trucks.
- B. electric hoists.
- C. battery-operated motor scooters.
- D. roller-skating order pickers.
- E. freight elevators.

178. Radio frequency identification tags can

- A. make it easy for computers to monitor inventory.
- B. help computers to order needed stock.
- C. track storing costs.
- D. transmit details about carton contents.
- E. all of the above.

179. The primary function of a \_\_\_\_\_ is to speed the flow of products and avoid unnecessary storing costs.

- A. commodity warehouse
- B. distribution center
- C. merchant wholesaler
- D. public warehouse
- E. private warehouse

180. A distribution center is designed to:

- A. stockpile goods for long periods and avoid rising prices.
- B. buy low and sell high.
- C. reduce inventory turnover.
- D. speed the flow of goods and avoid unnecessary storing.
- E. all of the above.

181. Compared to a warehouse, a DISTRIBUTION CENTER is:

- A. designed to provide more efficient use of storage space.
- B. concerned with eliminating the need for bulk-breaking.
- C. designed to eliminate all storage.
- D. set up to speed the flow of products toward the consumer.
- E. a storage facility used by several intermediaries--to share costs.

182. A \_\_\_\_\_ is a special kind of warehouse designed to speed the flow of goods and avoid unnecessary storing costs.

- A. gateway for inventory
- B. RFID warehouse
- C. UPC storage facility
- D. distribution center
- E. shopping mall

183. Distribution centers:

- A. Are designed to facilitate the flow of products through the channel.
- B. Are the same as public warehouses.
- C. Are not places where regrouping activities—such as bulk- breaking—are performed.
- D. Increase storing costs.
- E. All of the above.

184. Which of the following statements about inventory and storage is TRUE?

- A. A distribution center is used to avoid unnecessary storing costs.
- B. Only government agencies can store products in public warehouses.
- C. Decisions about inventory levels are usually not of concern to marketing managers--since inventory levels are best determined based on the amount of the product produced.
- D. Achieving customer service goals makes a large inventory almost inevitable.
- E. Minimizing storage costs will lead to lower total distribution costs.

**Use this information for questions that refer to the United Tools case.**

Terry Harter is marketing manager for United Tools and Mike O'Reilly is the firm's logistics manager. They work together to make decisions about how to get United's hand and power tools to its customers - a mix of manufacturing plants and final consumers (who buy United tools at a hardware store). United Tools does not own its own transport facilities and it works with wholesalers to reach its business customers.

Together, Harter and O'Reilly try to coordinate transporting, storing, and product handling activities to minimize cost while still achieving the customer service level their customers and intermediaries want. This usually requires that United keep an inventory of most of its products on hand, but demand for its products is fairly consistent over time so inventory is easy to manage.

Harter has identified four options for physical distribution systems she could use to reach two of her key wholesalers, Ralston Supply and Ricotta Tool Co. The total cost for each option--and the distribution service levels that can be achieved--are as follows:

	<i>Main feature of system:</i>	<i>Total Cost</i>	<i>Distribution Service Level</i>
1.	Airfreight	\$1,000,000	95 percent
2.	Inland waterways	\$300,000	60 percent
3.	Trucks	\$500,000	70 percent
4.	Rail and regional warehouses	\$650,000	80 percent

Ralston Supply expects a very high level (90 percent) of distribution customer service. Ricotta Tool Co. is willing to settle for a 70 percent customer service level, even if that means some products will occasionally be out of stock, if it gets products at a lower price.

For its large retail hardware customers (like Home Depot), United regularly ships smaller orders directly to individual stores or in some cases to the retail chain's warehouses. Cross-country shipments usually go by rail while regional shipments usually go by truck.

185. United's shipments to international markets often rely on containerization. The likely reason for this is that

- A. the tools are shipped by airfreight.
- B. it makes it easier to move shipments between different transportation modes.
- C. containerization is very useful for small, frequent shipments.
- D. containerization allows a firm to carry less inventory.
- E. all of the above are benefits of containerization.

186. In designing the right physical distribution system, United Tools should primarily focus on:

- A. the inventory level that its current warehouse can support.
- B. the lowest cost transportation method for each of its products.
- C. where customers store their inventory.
- D. the desired customer service level.
- E. the physical characteristics of each product.

187. Which physical distribution system is best suited for Ralston Supply?

- A. Airfreight.
- B. Inland waterways.
- C. Truck.
- D. Rail and warehouse.
- E. Cannot be determined without more information.

188. Which physical distribution system should Harter choose for Ricotta Tool Co.?

- A. Airfreight.
- B. Inland waterways.
- C. Truck.
- D. Rail and warehouse.
- E. Cannot be determined without more information.

189. It appears that United Tools:

- A. is implementing the physical distribution concept.
- B. works to provide just-in-time delivery to both of its wholesalers.
- C. needs to buy its own fleet of trucks.
- D. uses the distribution system with the lowest transportation cost.
- E. all of the above are logical.

190. One of United's biggest customers has placed a very large, heavy order. Its warehouse is in a location served by all transport modes, and the customer has directed United to ship the order by the mode with the lowest transport costs. In this situation, United will probably ship the tools by

- A. Airfreight
- B. Trucks
- C. Waterways
- D. Railroads

191. To help in managing excess inventory, United Tools would most likely use:

- A. a private warehouse.
- B. a public warehouse.
- C. piggyback mode.
- D. a distribution center.
- E. all of the above would help with excess inventory.

192. When United Tools considers its total inventory cost, which of the following would NOT be included?
- A. Costs of damage to products while in inventory.
  - B. Costs of inventory becoming obsolete.
  - C. Cost of a storage facility.
  - D. Cost of capital invested in the inventory.
  - E. All of the above should be included in total inventory cost.
193. United ships to the regional distribution centers of one of the retail hardware chains that it serves. The main advantage of the distribution centers for the retailer is likely to be that they
- A. can store a larger inventory than traditional warehouses.
  - B. eliminate the need for electronic communications between the distribution centers and the individual stores.
  - C. speed the flow of tools from the factory to the stores.
  - D. all of the above are typical advantages of distribution centers.
  - E. none of the above are advantages.
194. United Tools is considering building a new private warehouse for its tools. Which of the following are benefits of private warehouses?
- A. Low unit storing cost, if volume is high.
  - B. Very flexible if storage needs expand or contract in the future.
  - C. Low fixed investment.
  - D. All of these are benefits of private warehouses.
195. As marketing manager, United's Terry Harter should realize that:
- A. transporting costs may limit her choice of target markets.
  - B. a supply chain can only consist of one distribution channel.
  - C. the lowest cost distribution system is the best alternative.
  - D. all of the above.

## ch11 Key

1. The railroad service which picks up truck trailers at a producer's location, loads them onto rail flatcars, hauls them close to the customer, and then delivers them to the buyer's door is:

(p. 284)

- A. truck service.
- B. fast freight.
- C. trailer service.
- D. piggyback service.**
- E. pool car service.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 1  
Perreault - Chapter 11 #152  
Question Type: Comprehension  
Self-Test: No

2. Air express companies place many small packages into specially designed cylinders that conform to the interior dimensions of a cargo airplane. This practice protects the smaller packages and helps to reduce distribution costs. The air express companies are practicing:

(p. 284)

- A. Containerization.**
- B. Piggybacking.
- C. Freight forwarding.
- D. Cylinderization.
- E. None of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 1  
Perreault - Chapter 11 #149  
Question Type: Comprehension  
Self-Test: No

3. A major benefit of \_\_\_\_\_ is that it protects the products and simplifies handling during shipping.

(p. 284)

- A. fast freight
- B. truck service
- C. containerization**
- D. airfreight
- E. piggyback

AACSB: 9 Value creation  
Chapter: 11  
Difficulty: Easy  
LearnObj: 1  
Perreault - Chapter 11 #150  
Question Type: Definition  
Self-Test: No

4. Piggyback service means

(p. 284)

- A. loading truck trailers on railcars to increase flexibility.
- B. linking truck trailers to save fuel.
- C. providing door-to-door service in cities.
- D. special handling of important farm equipment.
- E. combining small shipments of many shippers into more economical quantities.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 2  
Perreault - Chapter 11 #151  
Question Type: Comprehension  
Self-Test: No

5. Regarding alternative transporting modes, which of the following statements is TRUE?

(p. 282-283)

- A. Waterways usually provide the lowest cost way of shipping heavy freight.
- B. Airways are quickest.
- C. Pipelines offer reliability in moving oil and natural gas.
- D. Trucks serve the most locations.
- E. All of the above are true.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 2  
Perreault - Chapter 11 #147  
Question Type: Definition  
Self-Test: No

6. Containerization:

(p. 284)

- A. is widely used by railroads, but has not caught on with other modes.
- B. makes it easier to load and unload products, but it increases the risk of damage.
- C. has increased competition between railroads and water shippers since both offer this service.
- D. is commonly used for international shipments from Japan.
- E. None of the above is true.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 2  
Perreault - Chapter 11 #148  
Question Type: Comprehension  
Self-Test: No

7. Whenever Product includes a physical good, Place requires logistics decisions.

(p. 272)

TRUE

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 1  
Perreault - Chapter 11 #1  
Question Type: Comprehension  
Self-Test: No

8. Logistics focuses on the handling of goods along a channel of distribution but not within individual firms.  
(p. 272)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 1  
Perreault - Chapter 11 #2  
Question Type: Comprehension  
Self-Test: No

9. For many physical goods, firms spend half or more of their total marketing dollars on physical distribution activities.  
(p. 272)

**TRUE**

AACSB: 9 Value creation  
Chapter: 11  
Difficulty: Easy  
LearnObj: 1  
Perreault - Chapter 11 #3  
Question Type: Definition  
Self-Test: No

10. Physical distribution is the part of marketing that is visible to most customers.  
(p. 273)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 2  
Perreault - Chapter 11 #4  
Question Type: Comprehension  
Self-Test: No

11. A marketing manager should never increase the total cost of distribution--even if this would result in a better customer service level for his target market.  
(p. 273-275)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 2  
Perreault - Chapter 11 #5  
Question Type: Definition  
Self-Test: No

12. In countries where physical distribution systems are inefficient, consumers face shortages of the products they need.  
(p. 273)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 2  
Perreault - Chapter 11 #6  
Question Type: Comprehension  
Self-Test: No



13. Most physical distribution decisions involve trade-offs between costs, the customer service level, and sales.  
(p. 274)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 2  
Perreault - Chapter 11 #7  
Question Type: Comprehension  
Self-Test: No

14. Information technology involves a tradeoff because it cannot improve service levels and cut costs at the same time.  
(p. 275)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 2  
Perreault - Chapter 11 #8  
Question Type: Comprehension  
Self-Test: No

15. Better information flows make it easier to coordinate activities, improve efficiency, and add value for the customer.  
(p. 275)

**TRUE**

AACSB: 9 Value creation  
Chapter: 11  
Difficulty: Medium  
LearnObj: 2  
Perreault - Chapter 11 #9  
Question Type: Comprehension  
Self-Test: No

16. The physical distribution concept seeks to minimize the cost of distribution for a given customer service level.  
(p. 275)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #10  
Question Type: Definition  
Self-Test: No

17. The physical distribution concept is based on the idea that selecting the lowest cost transporting alternative and the lowest cost storing alternative will result in the lowest total distribution cost.  
(p. 275)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #11  
Question Type: Definition  
Self-Test: No

18. The PD concept seeks to maximize the profit for a given customer service level.

(p. 275)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 3  
Perreault - Chapter 11 #12  
Question Type: Comprehension  
Self-Test: No

19. The physical distribution concept focuses on lower costs and better service to increase customer value.

(p. 275)

**TRUE**

AACSB: 9 Value creation  
Chapter: 11  
Difficulty: Medium  
LearnObj: 3  
Perreault - Chapter 11 #13  
Question Type: Comprehension  
Self-Test: No

20. With the PD concept, firms decide what specific service level to provide their customers.

(p. 275)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #14  
Question Type: Definition  
Self-Test: No

21. Retailers selling a new product that is in hot demand -- like the latest DVD release or a best selling book -- would be unlikely to incur higher costs for faster delivery.

(p. 276)

**FALSE**

AACSB: 9 Value creation  
Chapter: 11  
Difficulty: Medium  
LearnObj: 3  
Perreault - Chapter 11 #15  
Question Type: Comprehension  
Self-Test: No

22. Higher physical distribution service levels are not a source of differentiation.

(p. 276)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Hard  
LearnObj: 3  
Perreault - Chapter 11 #16  
Question Type: Comprehension  
Self-Test: No

23. Advance information on product availability affects physical distribution (PD) service levels.  
(p. 276)

**TRUE**

AACSB: 9 Value creation  
Chapter: 11  
Difficulty: Medium  
LearnObj: 3  
Perreault - Chapter 11 #17  
Question Type: Application  
Self-Test: No

24. The total cost approach involves evaluating each possible PD system and identifying all the transportation costs associated with each alternative.  
(p. 276)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Hard  
LearnObj: 3  
Perreault - Chapter 11 #18  
Question Type: Comprehension  
Self-Test: No

25. The "total cost approach" to physical distribution focuses exclusively on the total cost of transporting a product.  
(p. 276)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #19  
Question Type: Comprehension  
Self-Test: No

26. The "total cost approach" to physical distribution management involves evaluating all the costs of alternative physical distribution systems, including transporting, storing, and handling costs.  
(p. 276)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #20  
Question Type: Definition  
Self-Test: No

27. Most marketing functions can be shared in a channel, but the storing function is almost always handled by the producer.  
(p. 277)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #21  
Question Type: Definition  
Self-Test: No

28. JIT shifts greater responsibility for physical distribution activities forward in the channel.  
(p. 278)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 4  
Perreault - Chapter 11 #22  
Question Type: Application  
Self-Test: No

29. Just-in-time delivery reduces storing and handling costs for business customers.  
(p. 278)

**TRUE**

AACSB: 9 Value creation  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #23  
Question Type: Definition  
Self-Test: No

30. Just-in-time delivery systems typically shift more responsibility for PD activities to the customer rather than the supplier.  
(p. 278)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #24  
Question Type: Definition  
Self-Test: No

31. Every firm should try to use the just-in-time approach to physical distribution.  
(p. 278)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #25  
Question Type: Definition  
Self-Test: No

32. A channel of distribution is part of a broader network of relationships called a supply chain.  
(p. 278)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #26  
Question Type: Definition  
Self-Test: No

33. A channel of distribution is part of a supply chain.

(p. 278)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #27  
Question Type: Definition  
Self-Test: No

34. A channel of distribution for a product involves more firms than a supply chain for the same product.

(p. 278)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #28  
Question Type: Definition  
Self-Test: No

35. A "supply chain" is the same thing as a "channel of distribution."

(p. 278)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #29  
Question Type: Definition  
Self-Test: No

36. The term "supply chain" can be misleading because the chain typically involves only two firms: a vendor (selling firm) and a customer (buying firm).

(p. 278)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #30  
Question Type: Definition  
Self-Test: No

37. A supply chain includes all the activities involved in procuring materials, transforming them into products, and distributing them to customers.

(p. 278)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #31  
Question Type: Definition  
Self-Test: No

38. The "supply chain" concept refers to the idea that distribution can usually be reduced if the firm that is the "weakest link" in the channel of distribution is eliminated.  
(p. 278-279)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #32  
Question Type: Definition  
Self-Test: No

39. In both a supply chain and a channel of distribution, the primary aim should be to create maximum value for the customer.  
(p. 279)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #33  
Question Type: Definition  
Self-Test: No

40. In both supply chains and channels of distribution, the primary aim should be for each firm to keep its own costs as low as possible.  
(p. 279)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #34  
Question Type: Definition  
Self-Test: No

41. The challenges of coordinating logistics functions in a supply chain has led to increased use of outside experts and computer models.  
(p. 279)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #35  
Question Type: Definition  
Self-Test: No

42. Electronic data interchange is important in business markets in the U.S., but it plays little role in international trade.  
(p. 280)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #36  
Question Type: Definition  
Self-Test: No

43. Transporting costs usually add relatively little to the cost of valuable products.

(p. 280-281)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #37  
Question Type: Definition  
Self-Test: No

44. Transport costs represent a significant part of the cost of products that are already valuable relative to their size and weight.

(p. 280-281)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #38  
Question Type: Comprehension  
Self-Test: No

45. In the U.S., there is little competition among transporting firms for shipping business because government regulations control most transporting rates, routes, and schedules.

(p. 281)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #39  
Question Type: Definition  
Self-Test: No

46. The best transporting mode is the one that provides the required level of service at the lowest cost.

(p. 282)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #40  
Question Type: Definition  
Self-Test: No

47. Low transporting cost is not the only criterion for selecting the best mode of transportation.

(p. 282)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #41  
Question Type: Definition  
Self-Test: No

48. Heavy, bulky goods requiring long distance movement are usually carried by railroads.  
(p. 282)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #42  
Question Type: Definition  
Self-Test: No

49. Transport costs per pound for less-than-full carloads are less than for full loads.  
(p. 282)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #43  
Question Type: Comprehension  
Self-Test: No

50. In the U.S., trucks carry more freight over more miles than any other mode of transportation.  
(p. 282)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #44  
Question Type: Definition  
Self-Test: No

51. At least 75 percent of all U.S. freight moves, at least part of the way, by trucks.  
(p. 282)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #45  
Question Type: Definition  
Self-Test: No

52. For short distances and higher-value products, trucks may charge higher rates, but provide slower service.  
(p. 282)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #46  
Question Type: Definition  
Self-Test: No



53. Although ships and barges are slow, they are the lowest cost method of freight transporting, and are useful when speed is not critical.  
(p. 283)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #47  
Question Type: Definition  
Self-Test: No

54. Airfreight generally increases both transporting cost and the total cost of distribution because it tends to add to inventory costs, spoilage, theft, and damage.  
(p. 283-284)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #48  
Question Type: Definition  
Self-Test: No

55. Goods that might become separated or damaged during transport can benefit from containerization in shipping.  
(p. 284)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #49  
Question Type: Application  
Self-Test: No

56. Loading truck trailers on railcars for shipment closer to the trucks' destination points is called "piggyback service."  
(p. 284)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #50  
Question Type: Definition  
Self-Test: No

57. Efforts to reduce the environmental efforts of transporting usually increase the firm's distribution costs.  
(p. 285)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #51  
Question Type: Definition  
Self-Test: No

58. Storing makes goods available where they're needed.  
(p. 286)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 6  
Perreault - Chapter 11 #52  
Question Type: Definition  
Self-Test: No

59. Maintaining the right level of inventory is easy now that there are tools to precisely forecast and model demand.  
(p. 286)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 6  
Perreault - Chapter 11 #53  
Question Type: Application  
Self-Test: No

60. Storing allows producers and intermediaries to keep stocks at convenient locations, ready to meet customers' needs.  
(p. 286)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 6  
Perreault - Chapter 11 #54  
Question Type: Application  
Self-Test: No

61. Private warehouses (compared to public warehouses) are most appropriate when a firm has a regular need to store a large quantity of goods.  
(p. 288)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 6  
Perreault - Chapter 11 #55  
Question Type: Definition  
Self-Test: No

62. Public warehouses (compared to private warehouses) provide greater economy and flexibility when a firm does not have a regular need to store a large volume of goods, but they provide fewer services than a firm's own warehouse could.  
(p. 288)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 6  
Perreault - Chapter 11 #56  
Question Type: Definition  
Self-Test: No

63. Bar codes, UPC numbers, and RFID tags make it easy for computers to monitor inventory, order stock, and track shipping costs.  
(p. 288)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #57  
Question Type: Application  
Self-Test: No

64. A distribution center is a special kind of warehouse designed to perform regrouping activities.  
(p. 289)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 7  
Perreault - Chapter 11 #58  
Question Type: Comprehension  
Self-Test: No

65. The main function of a "distribution center" is to speed the flow of goods and avoid unnecessary storage.  
(p. 289)

**TRUE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 7  
Perreault - Chapter 11 #59  
Question Type: Definition  
Self-Test: No

66. A "distribution center" is a special kind of public warehouse designed specifically for storing perishable products.  
(p. 289)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 7  
Perreault - Chapter 11 #60  
Question Type: Definition  
Self-Test: No

67. When both regrouping and storing are needed, a firm should add a distribution center.  
(p. 289)

**FALSE**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 7  
Perreault - Chapter 11 #61  
Question Type: Definition  
Self-Test: No

68. "Logistics" is concerned with:

(p. 272)

- A. reducing spatial separations between producers and consumers.
- B. transporting, storing, and handling of physical goods along channel systems.
- C. transporting, storing, and handling of physical goods within individual firms.
- D. physical distribution.
- E.** All of the above.

AACSB: 9 Value creation  
Chapter: 11  
Difficulty: Easy  
LearnObj: 1  
Perreault - Chapter 11 #62  
Question Type: Comprehension  
Self-Test: No

69. Logistics, or physical distribution, is the \_\_\_\_\_ part of the marketing mix.

(p. 272)

- A. Possession
- B.** Placement
- C. Production
- D. Promotion
- E. Product

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 1  
Perreault - Chapter 11 #63  
Question Type: Comprehension  
Self-Test: No

70. Logistics decisions include all of the following except:

(p. 272)

- A. distribution service level.
- B. transporting of goods.
- C. handling of goods.
- D.** prices to charge for delivery.
- E. storage of goods.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 1  
Perreault - Chapter 11 #64  
Question Type: Definition  
Self-Test: No

71. Physical distribution differs from logistics in that

(p. 272)

- A. logistics deals with storing and physical distribution does not.
- B. logistics uses JIT to coordinate activities among firms and physical distribution does not.
- C. logistics includes customer service decisions and physical distribution does not.
- D. logistics includes transporting goods and physical distribution does not.
- E.** physical distribution is another common name for logistics.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 1  
Perreault - Chapter 11 #65  
Question Type: Comprehension  
Self-Test: No

72. Logistics costs

(p. 272)

- A. are important to both firms and consumers.
- B. don't vary from firm to firm.
- C. are very similar across different countries.
- D. total less than 10 percent of the cost of groceries.
- E. have little impact on a macro marketing system.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 1  
Perreault - Chapter 11 #66  
Question Type: Comprehension  
Self-Test: No

73. Physical distribution decisions may impact

(p. 272-273)

- A. location decisions.
- B. target market selection.
- C. price decisions.
- D. channel of distribution decisions.
- E. all of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 1  
Perreault - Chapter 11 #67  
Question Type: Comprehension  
Self-Test: No

74. Efficient Consumer Response (ECR)

(p. 272)

- A. involves collaboration between supermarket chains and consumers.
- B. involves collaboration between producers and consumers.
- C. involves computer links between grocers and their suppliers.
- D. saves U.S. consumers almost \$5 billion per year.
- E. saves U.S. consumers over \$100 billion per year.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 1  
Perreault - Chapter 11 #68  
Question Type: Application  
Self-Test: No

75. The physical distribution customer service level concerns

(p. 273)

- A. the costs to carry a product in inventory.
- B. the length of time a product is stored in inventory.
- C. the effort put in by channel members to meeting customer needs.
- D. the location of distribution centers.
- E. how rapidly and dependably a firm can deliver what customers want.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 2  
Perreault - Chapter 11 #69  
Question Type: Definition  
Self-Test: No

76. Physical distribution customer service level means all of the following EXCEPT:  
(p. 273)

- A. Honda wants enough bumpers to build cars that day.
- B. A vacationer wants Avis to have his rental car clean and ready when he arrives at the rental car counter.
- C.** Sears' shirts are priced at a fair value.
- D. McDonald's has enough large cups so that customers can buy the larger size drinks which are on sale.
- E. Safeway's loaves of bread are in stock -- and not crushed -- when customers want them.

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Hard  
LearnObj: 2  
Perreault - Chapter 11 #70  
Question Type: Application  
Self-Test: No

77. The physical distribution \_\_\_\_\_ is how rapidly and dependably a firm can deliver merchandise in demand through the appropriate channels.  
(p. 273)

- A. Product service level
- B. Tradeoff service level
- C.** Customer service level
- D. Standard service level
- E. Efficiency service level

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 2  
Perreault - Chapter 11 #71  
Question Type: Definition  
Self-Test: No

78. The physical distribution customer service level is important because:  
(p. 273-275)

- A. it is a measure of how rapidly and dependably a firm delivers what its customers want.
- B. it may result in lost sales if it is too low.
- C. it may result in high costs (and thus lower profits) if it is too high.
- D.** All of the above.
- E. None of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 2  
Perreault - Chapter 11 #72  
Question Type: LearnAid  
Self-Test: Self-Test & Learn Aid

79. Physical distribution

(p. 273)

- A. should not require tradeoffs for managers.
- B. means that consumers get products for low prices.
- C. includes transportation of products, but logistics does not.
- D.** is invisible to most consumers in the United States.
- E. All of the above are true.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 2  
Perreault - Chapter 11 #73  
Question Type: Application  
Self-Test: No

80. Most physical distribution decisions involve trade-offs between

(p. 274)

- A. the total cost of physical distribution and consumer service levels only.
- B. transportation costs and inventory carrying costs only.
- C.** costs, consumer service levels, and sales.
- D. sales and consumer service levels only.
- E. availability and speed of delivery only.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 2  
Perreault - Chapter 11 #74  
Question Type: Comprehension  
Self-Test: No

81. Which of the following statements about physical distribution is False?

(p. 275)

- A.** Marketers should always try to maximize the customer service level provided regardless of cost.
- B. Physical distribution activities are invisible to most consumers—unless something goes wrong.
- C. There are tradeoffs between costs, the customer service level desired, and sales.
- D. Information technology can help marketers improve service and cut costs.
- E. In countries with inefficient distribution systems, consumers can face shortages of products they need.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 2  
Perreault - Chapter 11 #75  
Question Type: Comprehension  
Self-Test: No

82. Which of the following statements concerning physical distribution trade-offs is NOT true?

(p. 274-275)

- A. The trade-offs that must be made in the physical distribution area can be complicated.
- B. The lowest-cost approach may not be the best as customer service level varies from one market to the other.
- C. Many firms are trying to address trade-off complications with e-commerce.
- D. Most physical distribution decisions involve trade-offs between costs, customer service level, and sales.
- E. An efficient physical distribution system does not have to make trade-offs for customers.**

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Medium  
LearnObj: 2  
Perreault - Chapter 11 #76  
Question Type: Comprehension  
Self-Test: No

83. When planning physical distribution, the marketing manager should:

(p. 275)

- A. set the customer service level so that every customer can get the product exactly when he wants it.
- B. minimize the cost of distribution for a given customer service level.**
- C. minimize the cost of transportation.
- D. maximize the speed of delivery.
- E. make use of a distribution center.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 2  
Perreault - Chapter 11 #77  
Question Type: Self-Test  
Self-Test: Self-Test

84. The right physical distribution system should be based primarily on

(p. 275)

- A. the desired customer service level.**
- B. how customers store the product.
- C. the physical characteristics of the product.
- D. what is the lowest cost method of transportation for the product.
- E. the inventory level that allows the smoothest production runs.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 2  
Perreault - Chapter 11 #78  
Question Type: Comprehension  
Self-Test: No



85. Information technology helps physical distribution in what ways?

(p. 275)

- A. It improves service levels, but doesn't coordinate activities.
- B. While it cannot cut costs, it can coordinate activities.
- C. It can cut costs and improve service levels.**
- D. It is overrated and generally fails to improve service levels and coordinate activities.
- E. It improves service levels while raising costs.

AACSB: 4 Use of IT; 9 Value creation  
Chapter: 11  
Difficulty: Medium  
LearnObj: 2  
Perreault - Chapter 11 #79  
Question Type: Application  
Self-Test: No

86. The \_\_\_\_\_ concept says that all transporting, storing, and product-handling activities of a business and a channel system should be thought of as part of one system which should seek to minimize the cost of distribution for a given customer service level.

(p. 275)

- A. PERT
- B. product-market
- C. distribution center
- D. physical distribution**
- E. marketing

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #80  
Question Type: Definition  
Self-Test: No

87. In a firm that fully implements the physical distribution concept:

(p. 275)

- A. Physical distribution activities are dealt with as separate, unrelated activities, not as coordinated parts of a single system.
- B. The firm seeks to minimize the cost of distribution for a given customer service level.**
- C. Increasing the level of service provided is not related to customer perceptions of value.
- D. Physical distribution is never a source of competitive advantage.
- E. None of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #81  
Question Type: Comprehension  
Self-Test: No

88. A good marketing manager will try to:

(p. 275)

- A. set the desired customer service level before trying to minimize physical distribution costs.
- B. minimize the total cost of physical distribution.
- C. maximize the level of customer service provided by his firm.
- D. minimize storing time and costs.
- E. provide customers with just-in-time delivery service.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #82  
Question Type: Comprehension  
Self-Test: No

89. The physical distribution concept says (or implies) that:

(p. 275)

- A. transporting, storing, and product-handling are unrelated activities for cost control.
- B. the best distribution system is the lowest cost one.
- C. a firm should seek to minimize the total cost of transporting, storing, and product-handling--for a given level of customer service.
- D. if the transporting department minimizes its costs and the storing department minimizes its costs and the product-handling department minimizes its costs--then the total cost of physical distribution will be minimized.
- E. Both A and D.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #83  
Question Type: Self-Test  
Self-Test: Self-Test

90. According to the "physical distribution concept":

(p. 275)

- A. transporting, storing, and product-handling are independent activities.
- B. all transporting, storing, and product-handling activities of a business and a whole channel system should be coordinated as part of one system.
- C. inventories should be based on production requirements.
- D. the production department should be responsible for warehousing and shipping.
- E. the lowest-cost distribution system is the best alternative.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #84  
Question Type: LearnAid  
Self-Test: Self-Test & Learn Aid

91. The "physical distribution concept" is probably being used in a firm if:

(p. 275)

- A. inventories are set based on just-in-time delivery policies.
- B. the total cost of distribution is as low as possible.
- C. storing costs have been minimized.
- D. transporting, storing, and product-handling are seen as interrelated parts of one PD system.**
- E. transporting costs have been minimized.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 3  
Perreault - Chapter 11 #85  
Question Type: Comprehension  
Self-Test: No

92. Which of the following statements best reflects a marketing-oriented approach to physical distribution?

(p. 275)

- A "We should create a position of inventory manager and give that person authority to coordinate all physical distribution activities to minimize the firm's total inventory costs."
- B "We should aim to keep our customers fully satisfied 100 percent of the time as this will increase our sales and give us a competitive advantage."
- C "We should replace our warehouses with distribution centers to speed the flow of products and eliminate all storage."
- D "We should choose the physical distribution alternative that will minimize the total cost of achieving the level of customer service our target market requires."**
- E. All are equally "marketing-oriented."

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #86  
Question Type: LearnAid  
Self-Test: Self-Test & Learn Aid

93. A merchant wholesaler is considering four physical distribution systems and estimates the total cost and customer service level for each as follows:

(p. 275)

	TOTAL COST	CUSTOMER SERVICE LEVEL
Airfreight	\$1,000,000	90%
Inland waterways	250,000	50%
Truck	300,000	60%
Rail and warehouse	425,000	70%

The best alternative is:

- A. truck.
- B. airfreight.
- C. rail and warehouse.
- D. inland waterways.
- E. Cannot be determined without knowing how the target customers feel about the customer service level.**

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #87  
Question Type: Application  
Self-Test: No

94. Which of the following observations about the total cost approach is NOT true?

(p. 276)

- A. Includes transportation costs.
- B. Helps find the lowest total cost for the right service level.
- C. Focuses on direct costs and doesn't consider the possible costs of lost sales.
- D. Uses the tools of cost accounting and economics.
- E. Involves evaluating each possible physical distribution system and identifying all of the costs of each alternative.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 3  
Perreault - Chapter 11 #88  
Question Type: Comprehension  
Self-Test: No

95. Fresh Farm Produce Co. has examined transportation costs and found that shipping its fruits and vegetables by rail to distant markets would cost them only \$89,000, while airfreight would cost \$250,000. Because the costs of the actual fruits and vegetables are the same for each transportation mode, Fresh Farm Produce should

(p. 276)

- A. try to determine other physical distribution costs before deciding on whether to use airfreight.
- B. immediately switch to rail to save money.
- C. conduct marketing research to determine which fruits and vegetables customers want most.
- D. immediately switch to airfreight because it is clearly a faster mode of transportation.
- E. ship with airfreight and store the fruit and vegetables in warehouses.

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Hard  
LearnObj: 3  
Perreault - Chapter 11 #89  
Question Type: Application  
Self-Test: No

96. The "total cost approach" to physical distribution management:

(p. 276)

- A. seeks to eliminate the storing function.
- B. seeks to minimize the cost of transportation.
- C. might suggest a high-cost transporting mode if storing costs could be reduced enough to lower total distribution costs.
- D. ignores inventory carrying costs.
- E. All of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #90  
Question Type: Self-Test  
Self-Test: Self-Test

97. Physical distribution decisions interact with which other marketing mix decisions?

(p. 277)

- A. Price decisions.
- B. Promotion decisions.
- C. Product decisions.
- D.** All of the above.
- E. None of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 4  
Perreault - Chapter 11 #91  
Question Type: Comprehension  
Self-Test: No

98. Just-in-time systems:

(p. 278)

- A. usually reduce PD costs for business customers.
- B. usually increase PD costs for suppliers.
- C. usually shift less responsibility for PD to business customers.
- D. shift more responsibility for PD to suppliers.
- E.** All of the above.

AACSB: 9 Value creation  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #92  
Question Type: LearnAid  
Self-Test: Self-Test & Learn Aid

99. Just-in-time (JIT) delivery

(p. 278)

- A. is always the best approach.
- B.** reduces customers' physical distribution costs.
- C. increases storing and handling costs.
- D. shifts responsibility for physical distribution activities forward in the channel.
- E. requires customers to have high quality standards in physical distribution activity.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 4  
Perreault - Chapter 11 #93  
Question Type: Comprehension  
Self-Test: No

100. Which of the following is true regarding JIT systems?

(p. 278)

- A. JIT systems do not have backup inventory.
- B. JIT usually entails less frequent deliveries.
- C. JIT requires manufacturers to add new warehouses.
- D.** JIT requires suppliers to respond to very short order lead times and the customer's production schedule.
- E. Manufacturers must locate their facilities next to important customers in order to practice JIT.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Hard  
LearnObj: 4  
Perreault - Chapter 11 #94  
Question Type: Application  
Self-Test: No

101. Just-in-time (JIT) delivery:

(p. 278)

- A. Increases physical distribution costs for business customers.
- B.** Requires that a supplier be able to respond to the customer's production schedule.
- C. Usually does not require e-commerce order systems and computer networks.
- D. Means that deliveries are larger and less frequent.
- E. Shifts greater responsibility for physical distribution activities from the supplier to the business customer.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #95  
Question Type: Comprehension  
Self-Test: No

102. Which of the following statements about just-in-time delivery is FALSE?

(p. 278)

- A. Just-in-time shifts greater responsibility for physical distribution backward in the channel.
- B.** Just-in-time reduces storing and handling costs for everyone in the channel.
- C. Just-in-time increases the coordination needed among channel members.
- D. Just-in-time reduces storing and handling costs for business customers.
- E. None of the above are false.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #96  
Question Type: Self-Test  
Self-Test: Self-Test

103. A supply chain:

(p. 278)

- A. focuses on making services available whereas a channel of distribution focuses on making goods available.
- B. may involve many firms, but only one manufacturer.
- C.** includes all the activities involved in procuring materials, transforming them into products, and distributing them to customers.
- D. is easier to coordinate than a channel of distribution.
- E. all of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #97  
Question Type: Comprehension  
Self-Test: No

104. A \_\_\_\_\_ is the complete set of firms, facilities, and logistics activities that are involved in procuring materials, transforming them into intermediate or finished products, and distributing them to customers.  
(p. 278)

- A. supply chain
- B. physical distribution group
- C. logistics partnership
- D. just-in time group
- E. none of the above

AACSB: 14 Specific knowledge  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #98  
Question Type: Definition  
Self-Test: No

105. Which of the following is NOT true about the supply chain for Ford Motor Company?  
(p. 278)

- A. The supply chain includes the Ford dealers that sell its cars to consumers.
- B. The supply chain does not include production plants where Ford cars are built.
- C. The supply chain includes a tire supplier to Ford's production plants.
- D. The supply chain includes a company that sells rubber to Ford's tire supplier.
- E. The supply chain includes trucks that deliver cars to Ford dealers.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Hard  
LearnObj: 4  
Perreault - Chapter 11 #99  
Question Type: Comprehension  
Self-Test: No

106. A supply chain:  
(p. 279)

- A. is part of a broader network of relationships called a channel of distribution.
- B. is most effective when the objectives of the manufacturer at the beginning of the chain guide the activities of all other firms in the chain.
- C. requires skill in coordinating activities among different firms, and this has prompted many firms to seek help from outside experts.
- D. focuses on procuring materials needed for production, so its main weakness is that it ignores customer needs.
- E. concerns only direct relationships between producers, but a channel of distribution may involve intermediaries.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #100  
Question Type: Self-Test  
Self-Test: Self-Test

107. Which of the following statements about supply chains is FALSE?

(p. 279)

- A A supply chain includes all the activities involved in procuring materials, transforming them into products, and distributing them to customers.
- B. A supply chain includes one or more channels of distribution.
- C. The primary aim of any firm in a supply chain is to contribute to customer value by minimizing its own distribution costs.
- D.** Few firms are willing to give "outsiders" access to information in their computer systems, so it is likely to be quite some time before computers have the impact on managing a supply chain that they have had in other areas of business.
- E. None of the above is false.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 4  
Perreault - Chapter 11 #101  
Question Type: Comprehension  
Self-Test: No

108. Electronic data interchange (EDI):

(p. 279-280)

- A. Puts information in a standardized format that can be shared between different computer systems.
- B. Improves information flow between buyers and suppliers.
- C. Allow customers to transmit orders directly to a supplier's computer.
- D. Replaces many of the paper documents previously used for purchase orders and shipping reports.
- E.** All of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #102  
Question Type: Application  
Self-Test: No

109. Electronic data interchange:

(p. 279-280)

- A. puts information in a standardized format.
- B. makes inventory information more accessible.
- C. is common in both domestic and international markets.
- D.** all of the above.
- E. both A and B, but not C

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #103  
Question Type: LearnAid  
Self-Test: Self-Test & Learn Aid



110. Which of the following statements about electronic data interchange is FALSE?

(p. 280)

- A. Inventory information is automatically updated.
- B.** EDI has not yet spread to international markets.
- C. A customer transmits its order information directly to the supplier's computer.
- D. EDI is very common in the United States.
- E. EDI puts information into a standardized format.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 4  
Perreault - Chapter 11 #104  
Question Type: Comprehension  
Self-Test: No

111. Most ethical issues in the area of physical distribution are concerned with:

(p. 280)

- A. New-product development.
- B.** Product availability.
- C. Location of retail stores.
- D. Planned obsolescence of products.
- E. Channel conflict.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 4  
Perreault - Chapter 11 #105  
Question Type: Comprehension  
Self-Test: No

112. The transporting function adds value by:

(p. 280)

- A. making products available where they're needed.
- B. helping achieve economies of scale in production.
- C. making products available when they're needed.
- D. Both A and C.
- E.** All of the above.

AACSB: 9 Value creation  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #106  
Question Type: Self-Test  
Self-Test: Self-Test

113. Transportation helps to

(p. 280)

- A. make products available when they're needed.
- B. achieve economies of scale in production.
- C. make products available where they're needed.
- D. make exchange easier.
- E.** all of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #107  
Question Type: Comprehension  
Self-Test: No

114. Which of the following statements about the transporting function is TRUE?

(p. 281)

- A. Among transportation modes, an advantage of air transport is its ability to handle a variety of goods.
- B. Because transportation costs are less than 1 percent of costs for most products, marketing managers do not need to consider them when making strategy decisions.
- C. Pipelines are generally one of the fastest modes of transportation.
- D. In most countries, government plays little role in transportation.
- E. Transporting costs can be a large part of the total cost for heavy products that are low in value.

AACSB: 3 Analytical skills

Chapter: 11

Difficulty: Hard

LearnObj: 5

Perreault - Chapter 11 #108

Question Type: Application

Self-Test: No

115. Good marketing strategy planners know that:

(p. 281)

- A. transporting costs may limit a marketing manager's possible target markets.
- B. the transporting costs for some bulky or low-value products may be greater than their manufacturing costs.
- C. transporting is vital for mass distribution and modern urban life.
- D. the cost of shipping some "high-value" products to users is less than 5 percent of their selling prices.
- E. All of the above are true.

AACSB: 3 Analytical skills

Chapter: 11

Difficulty: Medium

LearnObj: 5

Perreault - Chapter 11 #109

Question Type: Comprehension

Self-Test: No

116. Transporting costs

(p. 281)

- A. are usually more than the value added by shipping, but the products are shipped anyway as there is no choice.
- B. do not vary much as a percentage of the final price of products, since big items are shipped by inexpensive means and small items are shipped by more expensive approaches.
- C. usually do not add much to the final cost of products which are already valuable relative to their size and weight.
- D. usually are not large enough to limit the target market that a marketing manager can serve.
- E. None of the above is true.

AACSB: 3 Analytical skills

Chapter: 11

Difficulty: Easy

LearnObj: 5

Perreault - Chapter 11 #110

Question Type: LearnAid

Self-Test: Self-Test & Learn Aid

117. Which of the following products would have the lowest transporting costs as a percentage of the selling price?  
(p. 281)

- A. Electronic equipment.
- B. Chemicals and plastics.
- C. Pharmaceuticals.**
- D. Sand and gravel.
- E. Manufactured food.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #111  
Question Type: Comprehension  
Self-Test: No

118. Transporting cost as a percentage of selling price is lowest for:  
(p. 281)

- A. Sand
- B. Factory machinery
- C. Pharmaceuticals**
- D. Chemicals
- E. Cabbage

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #112  
Question Type: Comprehension  
Self-Test: No

119. The transporting cost as a percentage of selling price is highest for:  
(p. 281)

- A. Factory machinery.
- B. Electronic equipment.
- C. Cabbage.
- D. Manufactured food.
- E. Sand and gravel.**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #113  
Question Type: Comprehension  
Self-Test: No

120. As part of their move toward unification, European countries are \_\_\_\_\_ transport regulations.  
(p. 281)

- A. strengthening
- B. more tightly enforcing
- C. reducing**
- D. strictly monitoring
- E. adding many new

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #114  
Question Type: Comprehension  
Self-Test: No

121. More freight is carried more miles \_\_\_\_\_ than any other mode of transportation.

(p. 282)

- A. by railroads
- B. by air
- C. by pipeline
- D. by trucks
- E. over water

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #115  
Question Type: Comprehension  
Self-Test: No

122. Which of the following statements about transporting by rail is True?

(p. 282)

- A. Rail transportation is the slowest mode of transportation.
- B. Rail transportation is the least expensive mode of transportation.
- C. Rail transportation is good for long-distance transportation of heavy, bulky items.
- D. Railroads are most efficient at handling less-than-carload (LCL) shipments.
- E. All of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #116  
Question Type: Comprehension  
Self-Test: No

123. Regarding railroads,

(p. 282)

- A. full carload rates are lower than less-than-carload rates.
- B. rail shipments usually move much faster than truck shipments.
- C. they transport the same products in less-than-carload lots faster than full carload shipments.
- D. they handle products only if they are shipped in full carload lots.
- E. All of the above are true.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #117  
Question Type: Self-Test  
Self-Test: Self-Test

124. As a mode of transportation, railroad freight would be least suited for \_\_\_\_\_

(p. 282)

- A. iron ore.
- B. sand.
- C. fresh fruit.
- D. automobiles.
- E. coal.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #118  
Question Type: Application  
Self-Test: No

125. Regarding transporting by truck:

(p. 282)

- A. Trucks are best for moving large quantities of goods long distances.
- B. Trucks are a very low cost mode of transportation.
- C. Trucks are not reliable in meeting delivery schedules.
- D.** Trucks tend to provide fast delivery.
- E. All of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #119  
Question Type: Comprehension  
Self-Test: No

126. Trucks

(p. 282-283)

- A. are best at moving large quantities of goods for longer distances.
- B. are the most expensive of any of the modes.
- C. are very slow compared to railroads, and this makes it hard to compete effectively.
- D.** compete aggressively with other modes for high-value shipments.
- E. All of the above are true.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #120  
Question Type: Comprehension  
Self-Test: No

127. All of the following are advantages of using trucks EXCEPT:

(p. 282)

- A. flexibility.
- B. fast delivery speed.
- C. reliability in meeting delivery schedules.
- D. handling a variety of goods.
- E.** serving a limited number of locations.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #121  
Question Type: Application  
Self-Test: No

128. Regarding alternative transporting modes:

(p. 282)

- A.** trucks are good for speed, frequency, dependability, and number of locations served.
- B. pipelines are slower and less dependable than water transport, but also less expensive and able to serve more locations.
- C. airways are faster, cheaper, and more dependable than railways.
- D. waterways are slow, costly, and unable to handle a variety of shipments.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #122  
Question Type: Definition  
Self-Test: No

129. At least \_\_\_\_\_ percent of all freight shipped in the United States moves by trucks--at least part of the way--from producer to user.

(p. 282)

- A. 20
- B. 75**
- C. 15
- D. 5
- E. 10

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Hard  
LearnObj: 5  
Perreault - Chapter 11 #123  
Question Type: Definition  
Self-Test: No

130. Berry Bros. wants to ship a somewhat bulky, high-valued commodity a short distance--and it is seeking low-cost and extremely fast service. Berry should use:

(p. 282)

- A. airfreight.
- B. railroads.
- C. inland waterways.
- D. trucks.**
- E. None of the above.

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #124  
Question Type: LearnAid  
Self-Test: Self-Test & Learn Aid

131. A marketing manager who wants to ship small quantities (1,500 pounds) of relatively high-value products short distances at an economical cost should use:

(p. 282)

- A. inland waterways.
- B. pipelines.
- C. railroads.
- D. trucks.**
- E. airways.

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #125  
Question Type: Application  
Self-Test: No

132. Which of the following transportation modes is "best" at handling a variety of goods?

(p. 282)

- A. Truck
- B. Rail
- C. Water**
- D. Air
- E. Pipeline

AACSB: 3 Analytical skills

Chapter: 11

Difficulty: Medium

LearnObj: 5

Perreault - Chapter 11 #126

Question Type: Self-Test

Self-Test: Self-Test

133. It is usually most economical to ship bulky nonperishable items, such as coal and iron ore, by

(p. 283)

- A. water.**
- B. pipeline.
- C. truck.
- D. air.
- E. None of the above is a good answer, since the cost of shipping a product usually does not vary from one mode to another.

AACSB: 3 Analytical skills

Chapter: 11

Difficulty: Medium

LearnObj: 5

Perreault - Chapter 11 #127

Question Type: Comprehension

Self-Test: No

134. The slowest transportation is typically by

(p. 283)

- A. rail.
- B. water.**
- C. truck.
- D. air.

AACSB: 3 Analytical skills

Chapter: 11

Difficulty: Easy

LearnObj: 5

Perreault - Chapter 11 #128

Question Type: Comprehension

Self-Test: No

135. Transporting by water:

(p. 283)

- A. Is the fastest transporting mode.
- B. Is the least expensive transporting mode for heavy freight.**
- C. Is only important for international transportation.
- D. Is especially useful for lightweight goods.
- E. All of the above.

AACSB: 3 Analytical skills  
Chapter: 11

Difficulty: Easy

LearnObj: 5

Perreault - Chapter 11 #129

Question Type: Comprehension

Self-Test: No

136. Considering weight, which one of the following transporting modes usually has the LOWEST cost?  
(p. 283)

- A. Waterways
- B. Airways
- C. Trucks
- D. Railroads
- E. Pipelines

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #130  
Question Type: Definition  
Self-Test: No

137. Products that require a high frequency of scheduled shipments would be least suited to travel by  
(p. 283)

- A. truck.
- B. rail.
- C. air.
- D. water.
- E. pipeline.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #131  
Question Type: Comprehension  
Self-Test: No

138. Tammy works in transportation for a company that manufactures tractors and other farm equipment in China for the U.S. market. Cost is her primary concern in getting products to farm states in the U.S. Midwest. Which mode(s) of transportation would you suggest?  
(p. 283)

- A. Water then truck.
- B. Air then rail.
- C. Air then truck.
- D. Air only.
- E. Water then rail.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Hard  
LearnObj: 5  
Perreault - Chapter 11 #132  
Question Type: Comprehension  
Self-Test: No



139. Alex has to transport iron ore from New Orleans to Memphis. Which mode of transport is he more likely to use?

(p. 283)

- A. Airways
- B. Truck
- C. Railroad
- D. Inland waterways**
- E. Monorail

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #133  
Question Type: Application  
Self-Test: No

140. \_\_\_\_\_ as a mode of transport serves a very limited number of locations but has a high dependability in meeting schedules.

(p. 282-283)

- A. Trucks
- B. Railroads
- C. Waterways
- D. Airfreight
- E. Pipelines**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #134  
Question Type: Comprehension  
Self-Test: No

141. For which of the following goods would air be the least useful mode of transportation?

(p. 283)

- A. High-fashion clothing.
- B. Oil.**
- C. Flower and bulbs from Holland.
- D. Emergency delivery of repair parts.
- E. Parts for the electronic industry.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #135  
Question Type: Comprehension  
Self-Test: No

142. Considering weight, the most expensive transporting mode is:

(p. 283)

- A. pipelines.
- B. railroads.
- C. trucks.
- D. inland waterways.
- E. airfreight.**

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #136  
Question Type: Definition  
Self-Test: No

143. Shipping by air

(p. 283)

- A. is most useful for smaller, high-value items.**
- B. generally increases handling costs.
- C. is generally the most economical transportation method.
- D. all of the above.
- E. none of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #137  
Question Type: Comprehension  
Self-Test: No

144. In spite of high cost, high value, low-weight goods like high-fashion clothing and parts for the electronic industry are often shipped long distances by \_\_\_\_

(p. 284)

- A. rail.
- B. water.
- C. air.**
- D. pipeline.
- E. truck.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #138  
Question Type: Comprehension  
Self-Test: No

145. Transporting by air:

(p. 284)

- A. Works well for heavy, bulky items.
- B. Is slower than transporting by truck.
- C. May reduce the total cost of physical distribution.**
- D. Has had no effect on international trade.
- E. None of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #139  
Question Type: Comprehension  
Self-Test: No

146. Shipping by air

(p. 284)

- A. is most useful for smaller, high-value items.
- B. may reduce handling costs.
- C. generally involves higher transportation costs than other modes of transportation.
- D.** All of the above are true.
- E. None of the above is true.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #140  
Question Type: Comprehension  
Self-Test: No

147. Regarding airfreight, which of the following statements is NOT true?

(p. 284)

- A. Airfreight may reduce the total cost of distribution.
- B.** Inventory costs usually increase, since only small quantities can be shipped at a time.
- C. Very bulky items cannot be shipped economically.
- D. Airfreight is opening up new markets for many perishable items.
- E. There are usually fewer problems from theft and damage with airfreight.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #141  
Question Type: Comprehension  
Self-Test: No

148. Using airfreight instead of some other mode of transporting may result in:

(p. 284)

- A. lower packing costs.
- B. lower total cost of distribution.
- C. less damage in transit.
- D. higher transporting costs.
- E.** All of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #142  
Question Type: Comprehension  
Self-Test: No

149. Airfreight

(p. 284)

- A. has rates one third the rates of trucks.
- B. efficiently delivers all types of goods.
- C. serves many more locations than trucks.
- D. can reduce the cost of preparing goods for distribution.
- E.** can help reduce inventory costs.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #143  
Question Type: Comprehension  
Self-Test: No

150. Regarding transportation modes, which of the following statements is NOT true?

(p. 283)

- A. The majority of the pipelines in the U.S. are in the Southwest.
- B. Airfreight costs about the same as trucks for long distances, not counting the cost of transporting to and from the airport.**
- C. Water transportation is the slowest shipping mode.
- D. Most cities in the United States are less than 200 miles from a major petroleum pipeline.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #144  
Question Type: Comprehension  
Self-Test: No

151. Regarding alternative transporting modes, which of the following statements is TRUE?

(p. 283)

- A. Waterways serve the most locations.
- B. Airways offer the most expensive transporting mode.**
- C. Railways provide the lowest cost considering weight.
- D. Trucks offer the fastest speed.
- E. Pipelines in the U.S. are located mostly in the Northeast.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Hard  
LearnObj: 5  
Perreault - Chapter 11 #145  
Question Type: Definition  
Self-Test: No

152. Jackie works in transportation for a company that ships expensive, high quality fish all across the United States. The perishable nature of her product, the value of freshness, and the high prices she charges would lead you to recommend which transportation mode?

(p. 283-284)

- A. Airfreight**
- B. Trucks
- C. Railroads
- D. Inland waterways
- E. Piggyback truck

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #146  
Question Type: Application  
Self-Test: No

153. Regarding alternative transporting modes, which of the following statements is TRUE?

(p. 282-283)

- A. Waterways usually provide the lowest cost way of shipping heavy freight.
- B. Airways are quickest.
- C. Pipelines offer reliability in moving oil and natural gas.
- D. Trucks serve the most locations.
- E.** All of the above are true.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #147  
Question Type: Definition  
Self-Test: No

154. Containerization:

(p. 284)

- A. is widely used by railroads, but has not caught on with other modes.
- B. makes it easier to load and unload products, but it increases the risk of damage.
- C. has increased competition between railroads and water shippers since both offer this service.
- D.** is commonly used for international shipments from Japan.
- E. None of the above is true.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #148  
Question Type: Comprehension  
Self-Test: No

155. Air express companies place many small packages into specially designed cylinders that conform to the interior dimensions of a cargo airplane. This practice protects the smaller packages and helps to reduce distribution costs. The air express companies are practicing:

(p. 284)

- A.** Containerization.
- B. Piggybacking.
- C. Freight forwarding.
- D. Cylinderization.
- E. None of the above.

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #149  
Question Type: Application  
Self-Test: No

156. A major benefit of \_\_\_\_\_ is that it protects the products and simplifies handling during shipping.

(p. 284)

- A. fast freight
- B. truck service
- C. containerization**
- D. airfreight
- E. piggyback

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #150  
Question Type: Comprehension  
Self-Test: No

157. Piggyback service means

(p. 284)

- A. loading truck trailers on railcars to increase flexibility.**
- B. linking truck trailers to save fuel.
- C. providing door-to-door service in cities.
- D. special handling of important farm equipment.
- E. combining small shipments of many shippers into more economical quantities.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #151  
Question Type: Definition  
Self-Test: No

158. The railroad service which picks up truck trailers at a producer's location, loads them onto rail flatcars, hauls them close to the customer, and then delivers them to the buyer's door is:

(p. 284)

- A. truck service.
- B. fast freight.
- C. trailer service.
- D. piggyback service.**
- E. pool car service.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #152  
Question Type: Definition  
Self-Test: No

159. A train carries truck trailers long distances. The trailers are then offloaded, attached to truck tractors, and the tractor-trailer combinations are driven to their final destination. This practice is known as:

(p. 284)

- A. Containerization.
- B. Piggyback service.**
- C. Freight forwarding.
- D. Long hauling.
- E. None of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #153  
Question Type: Definition  
Self-Test: No

160. Storing:

(p. 286)

- A. must be provided by all channel members.
- B. is necessary when production does not match consumption.**
- C. is related to Place--but not to Price.
- D. makes goods available where they're needed.
- E. All of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #154  
Question Type: Comprehension  
Self-Test: No

161. Inventory refers to

(p. 286)

- A. the amount of goods being stored.**
- B. minimizing storage costs.
- C. the amount of goods being sold.
- D. the marketing function of holding goods.
- E. the quality of goods being stored.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #155  
Question Type: Definition  
Self-Test: No

162. Storing:

(p. 286)

- A. is related to Place--but has no effect on Price.
- B. is necessary because production does not always match consumption.**
- C. must be performed by all members of a channel system.
- D. decreases the value of products.
- E. All of the above are true statements.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 6  
Perreault - Chapter 11 #156  
Question Type: LearnAid  
Self-Test: Self-Test & Learn Aid

163. Storing of goods is necessary when

(p. 286)

- A. there is more demand and no supply.
- B. quality doesn't match demand.
- C. production doesn't match consumption.
- D. production doesn't match quality demanded.
- E. products are produced in small batches.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #157  
Question Type: Application  
Self-Test: No

164. Which of the following statements is NOT TRUE?

(p. 287)

- A. Storing is a marketing function.
- B. Storing allows producers and intermediaries to keep stocks at convenient locations.
- C. Storing allows the producer to achieve economies of scale in production.
- D. Storing is necessary when production of goods doesn't match consumption.
- E. Storing can increase the value of goods, but does not involve costs.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #158  
Question Type: Comprehension  
Self-Test: No

165. A marketing manager might greatly improve his marketing mix by:

(p. 286-288)

- A. shifting the storing job to a specialized storage facility.
- B. adjusting the time products will be held by channel members.
- C. encouraging final consumers to store some products for future consumption.
- D. sharing the storage function (and costs) with intermediaries.
- E. All of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 6  
Perreault - Chapter 11 #159  
Question Type: Comprehension  
Self-Test: No

166. Storing:

(p. 286-288)

- A. costs include the costs of damage, theft, and reduced value if products get out-of-date.
- B. costs can be reduced in the channel if suppliers are reliable about meeting delivery schedules.
- C. too few products is likely to reduce a firm's costs, sales, and profits.
- D. decisions are more difficult to make when demand is irregular.
- E. All of the above are true.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 6  
Perreault - Chapter 11 #160  
Question Type: Comprehension  
Self-Test: No



167. Which of the following does NOT contribute to total inventory cost?

(p. 287)

- A. Costs of damage to products while in inventory.
- B. Costs of risks such as theft and fire.
- C. Costs of inventory becoming obsolete.
- D. Increase in the value of goods.**
- E. Handling costs.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #161  
Question Type: Comprehension  
Self-Test: No

168. Compared to public warehouses, PRIVATE warehouses:

(p. 288)

- A. may have low unit costs if the volume is high.**
- B. are better if space will only be needed infrequently.
- C. offer low fixed investments.
- D. increase managerial flexibility.
- E. All of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #162  
Question Type: Comprehension  
Self-Test: No

169. Compared to a public warehouse, a private warehouse

(p. 288)

- A. requires no fixed investment.
- B. has lower unit costs.
- C. has less flexibility.**
- D. works better when large volumes of goods must be stored irregularly.
- E. tends to have less managerial control.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #163  
Question Type: Application  
Self-Test: No

170. A cheese processor having regular need for regional storage of a large quantity of cheese probably should use \_\_\_\_\_ warehouses.

(p. 288)

- A. public
- B. private**
- C. general merchandise
- D. commodity

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 6  
Perreault - Chapter 11 #164  
Question Type: Self-Test  
Self-Test: Self-Test

171. Which of the following is true about public warehouses?

(p. 288)

- A. They are leased by companies for their own use.
- B. They are designed to speed the flow of goods
- C. They are very expensive.
- D.** They are useful for manufacturers that must maintain stock in many locations, including foreign countries.
- E. They are used by firms who must regularly store large volumes of goods.

AACSB: 3 Analytical skills

Chapter: 11

Difficulty: Hard

LearnObj: 6

Perreault - Chapter 11 #165

Question Type: Application

Self-Test: No

172. Regarding the storing function:

(p. 288)

- A. Public warehouses are storing facilities owned or leased by companies for their own use.
- B. Private warehouses are most useful when a company does not have a regular need for space.
- C.** Public warehouses are independent storing facilities and provide a full range of services.
- D. All of the above.
- E. None of the above.

AACSB: 3 Analytical skills

Chapter: 11

Difficulty: Easy

LearnObj: 6

Perreault - Chapter 11 #166

Question Type: Application

Self-Test: No

173. Public warehouses:

(p. 288)

- A. generally do not provide all the services that could be obtained in a company's own branch warehouse.
- B. are not usually responsible for the risk of damage in the warehouse.
- C.** provide flexibility because the user pays only for the space used.
- D. are not very useful to manufacturers who must maintain stocks in many locations, including foreign countries.
- E. All of the above.

AACSB: 3 Analytical skills

Chapter: 11

Difficulty: Medium

LearnObj: 6

Perreault - Chapter 11 #167

Question Type: Comprehension

Self-Test: No

174. Compared to private warehouses, PUBLIC warehouses:

(p. 288)

- A. are not any more flexible because long-term leases are usually required.
- B.** may not always be conveniently available.
- C. require no fixed investment but per unit storing costs are usually higher.
- D. reduce managerial flexibility.
- E. All of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #168  
Question Type: Comprehension  
Self-Test: No

175. A manufacturer having irregular need for regional storage of bicycles should use which one of the following?

(p. 288)

- A. a private warehouse to be sure of adequate space
- B.** public warehouses to provide flexibility and low unit cost
- C. a distribution center
- D. direct distribution.
- E. railroads, because they are slow and the bicycles are being stored while they're on the train.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 6  
Perreault - Chapter 11 #169  
Question Type: LearnAid  
Self-Test: Self-Test & Learn Aid

176. There are big shifts in demand from season to season for the lawn mowers produced by GreenVision Co.--and its need for storage facilities also varies. GreenVision should think about using:

(p. 288)

- A. piggyback service.
- B. private warehousing facilities.
- C. distribution centers.
- D.** public warehousing facilities.
- E. None of the above is a good answer.

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #170  
Question Type: Comprehension  
Self-Test: No

177. Modern warehouses typically do NOT have:

(p. 288)

- A. power-operated lift trucks.
- B. electric hoists.
- C. battery-operated motor scooters.
- D. roller-skating order pickers.
- E.** freight elevators.

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #171  
Question Type: Comprehension  
Self-Test: No

178. Radio frequency identification tags can

(p. 288)

- A. make it easy for computers to monitor inventory.
- B. help computers to order needed stock.
- C. track storing costs.
- D. transmit details about carton contents.
- E.** all of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #172  
Question Type: Comprehension  
Self-Test: No

179. The primary function of a \_\_\_\_\_ is to speed the flow of products and avoid unnecessary storing costs.

(p. 289)

- A. commodity warehouse
- B.** distribution center
- C. merchant wholesaler
- D. public warehouse
- E. private warehouse

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 7  
Perreault - Chapter 11 #173  
Question Type: Definition  
Self-Test: No

180. A distribution center is designed to:

(p. 289)

- A. stockpile goods for long periods and avoid rising prices.
- B. buy low and sell high.
- C. reduce inventory turnover.
- D.** speed the flow of goods and avoid unnecessary storing.
- E. all of the above.

AACSB: 9 Value creation  
Chapter: 11  
Difficulty: Easy  
LearnObj: 7  
Perreault - Chapter 11 #174  
Question Type: LearnAid  
Self-Test: Self-Test & Learn Aid

181. Compared to a warehouse, a DISTRIBUTION CENTER is:

(p. 289)

- A. designed to provide more efficient use of storage space.
- B. concerned with eliminating the need for bulk-breaking.
- C. designed to eliminate all storage.
- D.** set up to speed the flow of products toward the consumer.
- E. a storage facility used by several intermediaries--to share costs.

AACSB: 9 Value creation

Chapter: 11

Difficulty: Easy

LearnObj: 7

Perreault - Chapter 11 #175

Question Type: Self-Test

Self-Test: Self-Test

182. A \_\_\_\_\_ is a special kind of warehouse designed to speed the flow of goods and avoid unnecessary storing costs.

(p. 289)

- A. gateway for inventory
- B. RFID warehouse
- C. UPC storage facility
- D.** distribution center
- E. shopping mall

AACSB: 3 Analytical skills

Chapter: 11

Difficulty: Easy

LearnObj: 7

Perreault - Chapter 11 #176

Question Type: Definition

Self-Test: No

183. Distribution centers:

(p. 289)

- A.** Are designed to facilitate the flow of products through the channel.
- B. Are the same as public warehouses.
- C. Are not places where regrouping activities—such as bulk- breaking—are performed.
- D. Increase storing costs.
- E. All of the above.

AACSB: 3 Analytical skills

Chapter: 11

Difficulty: Easy

LearnObj: 7

Perreault - Chapter 11 #177

Question Type: Comprehension

Self-Test: No

184. Which of the following statements about inventory and storage is TRUE?

(p. 289)

- A. A distribution center is used to avoid unnecessary storing costs.
- B. Only government agencies can store products in public warehouses.
- C. Decisions about inventory levels are usually not of concern to marketing managers--since inventory levels are best determined based on the amount of the product produced.
- D. Achieving customer service goals makes a large inventory almost inevitable.
- E. Minimizing storage costs will lead to lower total distribution costs.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Hard  
LearnObj: 7  
Perreault - Chapter 11 #178  
Question Type: Comprehension  
Self-Test: No

**Use this information for questions that refer to the United Tools case.**

Terry Harter is marketing manager for United Tools and Mike O'Reilly is the firm's logistics manager. They work together to make decisions about how to get United's hand and power tools to its customers - a mix of manufacturing plants and final consumers (who buy United tools at a hardware store). United Tools does not own its own transport facilities and it works with wholesalers to reach its business customers.

Together, Harter and O'Reilly try to coordinate transporting, storing, and product handling activities to minimize cost while still achieving the customer service level their customers and intermediaries want. This usually requires that United keep an inventory of most of its products on hand, but demand for its products is fairly consistent over time so inventory is easy to manage.

Harter has identified four options for physical distribution systems she could use to reach two of her key wholesalers, Ralston Supply and Ricotta Tool Co. The total cost for each option--and the distribution service levels that can be achieved--are as follows:

	<i>Main feature of system:</i>	<i>Total Cost</i>	<i>Distribution Service Level</i>
1.	Airfreight	\$1,000,000	95 percent
2.	Inland waterways	\$300,000	60 percent
3.	Trucks	\$500,000	70 percent
4.	Rail and regional warehouses	\$650,000	80 percent

Ralston Supply expects a very high level (90 percent) of distribution customer service. Ricotta Tool Co. is willing to settle for a 70 percent customer service level, even if that means some products will occasionally be out of stock, if it gets products at a lower price.

For its large retail hardware customers (like Home Depot), United regularly ships smaller orders directly to individual stores or in some cases to the retail chain's warehouses. Cross-country shipments usually go by rail while regional shipments usually go by truck.

Perreault - Chapter 11

185. United's shipments to international markets often rely on containerization. The likely reason for this is that  
(p. 284)

- A. the tools are shipped by airfreight.
- B.** it makes it easier to move shipments between different transportation modes.
- C. containerization is very useful for small, frequent shipments.
- D. containerization allows a firm to carry less inventory.
- E. all of the above are benefits of containerization.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #179  
Question Type: Definition  
Self-Test: No

186. In designing the right physical distribution system, United Tools should primarily focus on:  
(p. 273)

- A. the inventory level that its current warehouse can support.
- B. the lowest cost transportation method for each of its products.
- C. where customers store their inventory.
- D.** the desired customer service level.
- E. the physical characteristics of each product.

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Medium  
LearnObj: 2  
Perreault - Chapter 11 #180  
Question Type: Application  
Self-Test: No

187. Which physical distribution system is best suited for Ralston Supply?  
(p. 283)

- A.** Airfreight.
- B. Inland waterways.
- C. Truck.
- D. Rail and warehouse.
- E. Cannot be determined without more information.

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #181  
Question Type: Application  
Self-Test: No

188. Which physical distribution system should Harter choose for Ricotta Tool Co.?  
(p. 282)

- A. Airfreight.
- B. Inland waterways.
- C.** Truck.
- D. Rail and warehouse.
- E. Cannot be determined without more information.

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #182  
Question Type: Application  
Self-Test: No

189. It appears that United Tools:

(p. 275)

- A. is implementing the physical distribution concept.
- B. works to provide just-in-time delivery to both of its wholesalers.
- C. needs to buy its own fleet of trucks.
- D. uses the distribution system with the lowest transportation cost.
- E. all of the above are logical.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 3  
Perreault - Chapter 11 #183  
Question Type: Definition  
Self-Test: No

190. One of United's biggest customers has placed a very large, heavy order. Its warehouse is in a location served by all transport modes, and the customer has directed United to ship the order by the mode with the lowest transport costs. In this situation, United will probably ship the tools by

(p. 283)

- A. Airfreight
- B. Trucks
- C. Waterways
- D. Railroads

AACSB: 6. Reflective thinking  
Chapter: 11  
Difficulty: Medium  
LearnObj: 5  
Perreault - Chapter 11 #184  
Question Type: Application  
Self-Test: No

191. To help in managing excess inventory, United Tools would most likely use:

(p. 288)

- A. a private warehouse.
- B. a public warehouse.
- C. piggyback mode.
- D. a distribution center.
- E. all of the above would help with excess inventory.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Hard  
LearnObj: 6  
Perreault - Chapter 11 #185  
Question Type: Application  
Self-Test: No

192. When United Tools considers its total inventory cost, which of the following would NOT be included?

(p. 287)

- A. Costs of damage to products while in inventory.
- B. Costs of inventory becoming obsolete.
- C. Cost of a storage facility.
- D. Cost of capital invested in the inventory.
- E. All of the above should be included in total inventory cost.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #186  
Question Type: Application  
Self-Test: No



193. United ships to the regional distribution centers of one of the retail hardware chains that it serves. The main advantage of the distribution centers for the retailer is likely to be that they
- (p. 289)
- A. can store a larger inventory than traditional warehouses.
  - B. eliminate the need for electronic communications between the distribution centers and the individual stores.
  - C. speed the flow of tools from the factory to the stores.
  - D. all of the above are typical advantages of distribution centers.
  - E. none of the above are advantages.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 7  
Perreault - Chapter 11 #187  
Question Type: Application  
Self-Test: No

194. United Tools is considering building a new private warehouse for its tools. Which of the following are benefits of private warehouses?
- (p. 288)
- A. Low unit storing cost, if volume is high.
  - B. Very flexible if storage needs expand or contract in the future.
  - C. Low fixed investment.
  - D. All of these are benefits of private warehouses.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Medium  
LearnObj: 6  
Perreault - Chapter 11 #188  
Question Type: Comprehension  
Self-Test: No

195. As marketing manager, United's Terry Harter should realize that:
- (p. 281)
- A. transporting costs may limit her choice of target markets.
  - B. a supply chain can only consist of one distribution channel.
  - C. the lowest cost distribution system is the best alternative.
  - D. all of the above.

AACSB: 3 Analytical skills  
Chapter: 11  
Difficulty: Easy  
LearnObj: 5  
Perreault - Chapter 11 #189  
Question Type: Comprehension  
Self-Test: No

# ch11 Summary

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