

## **Chapter 14: Answers to Questions for Review and Discussion**

2. Why can channel structure differ between segments, even though the products are the same?

*Channel structure may differ between segments even with the same product because each segment may have its own needs relative to the support levels offered by channel variations. As an example, consider Goodyear marketing channels for tires. The core product is the same, but Goodyear has different channel designs (dual distribution) depending on the segment served. OEM sales are a direct channel; Goodyear dealers provide a set of services to the market segment that expects complete auto care in addition to availability of the full Goodyear product line; Goodyear tires are available through independent dealers, serving the segment that prefers to "shop" tires without need for additional auto services or brand preference; and Goodyear tires are available, in a limited assortment nationwide through Sears retail outlets. While the core product is consistent, the buying habits of each market segment require a different channel pattern.*

3. Explain the four kinds of economic utility.

The four types of economic utility are:

*form: the useable state of the product or service as expected by the buyer – often combined in B2B with time, as in JIT services. Form also includes the process of creating assortment – reducing the discrepancy of assortment.*

*time: the availability of the product or service when the buyer expects it*

*place: the locational convenience preferred by the target market, as well as delivery of a product or service as expected by the buyer*

*possession: the means by which the buyer gains ownership and/or usage rights of the product or service in a financial sense*

6. What does it mean for a channel to "reduce the discrepancy of assortment?"

*A channel "reduces the discrepancy of assortment" by consolidating inventories from a selection of manufacturers to a point where the channel customer can then achieve close to "one-stop" shopping through the channel intermediary rather than seeking out a variety of manufacturers to fill the same needs*

8. What are three reasons that a business-to-business marketer may want to market through channel intermediaries rather than market directly?

*Reasons a business-to-business marketer may want to market through channel intermediaries rather than market directly are:*

*to spread the financial risk with the intermediary rather than across a large selection of possibly smaller customers*

*to share the selling risk to the extent a good channel intermediary should have an in-market reputation, relationships, etc. with the right buyers to enhance the collection of market*

*information by utilizing a channel intermediary sales staff as an addition to any other sources being utilized*  
*Additionally, Exhibit 14-4 lists other reasons why intermediaries serve marketers.*

11. Suppose that a start up company is offering an innovative product that management hopes will establish a new product category. What forces will tend to lead the company to market the product through channel intermediaries rather than directly? What characteristics of an early market will tend to lead the company to market the product directly to final customers?

*The forces that will lead a start-up company to market through channel intermediaries may include a desire to avoid initial sales force costs, previous relationships of the customer base in the buying industry, overall intermediary knowledge of the buying groups, needs for custom packaging, local inventory and fast delivery, and possible broad scale geographic diversity of buying potential. On the contrary, direct selling would be appropriate if the selling firm had an existing, knowledgeable sales force in place with the target industry, had unusual competitive conditions that necessitated greater control of product introduction and selling, held an existing relationship with buyers in or near the product category, or had a complex offering that required significant customer education to utilize the full value of the offering.*