

Questions 10–17

- For any business, the cost of transportation is normally the largest single item in the overall cost of physical distribution. It doesn't necessarily follow, though, that a manufacturer should simply pick the cheapest available form of transportation. Many companies today use the total physical distribution concept, an approach that involves maximizing the efficiency of physical distribution activities while minimizing their cost. Often, this means that the company will make cost tradeoffs between the various physical distribution activities. For instance, air freight may be much more expensive than rail transport, but a national manufacturer might use air freight to ship everything from a single warehouse and thus avoid the greater expense of maintaining several warehouses.

- When a firm chooses a type of transportation, it has to bear in mind its other marketing concerns—storage, financing, sales, inventory size, and the like. Transportation, in fact, can be an especially important sales tool. If the firm can supply its customers' needs more quickly and reliably than its competitors do, it will have a vital advantage: so it may be more profitable in the long run to pay higher transportation costs, rather than risk the loss of future sales. In addition, speedy delivery is crucial in some industries. A mail-order distributor sending fruit from Oregon to Pennsylvania needs the promptness of air freight. On the other hand, a manufacturer shipping lingerie from New York to Massachusetts may be perfectly satisfied with slower (and cheaper) truck or rail transport.

10. The passage supports which of the following statements?
- (A) Businesses should use the least expensive form of transportation.
 - (B) Transportation is an important aspect of business.
 - (C) Rail transportation is usually better for companies because it is cheaper than air transport.
 - (D) Most manufacturers choose the fastest form of delivery.
11. According to the passage, all of the following would influence the type of transportation that a company might choose EXCEPT
- (A) the type of goods to be shipped
 - (B) the expense of the shipping
 - (C) the time it takes for delivery
 - (D) the size of its warehouses

12. The author states in the passage that the total physical distribution concept
- (A) is based on the capability and cost-effectiveness of a transportation system
 - (B) advocates the use of air freight because of its efficiency
 - (C) suggests trading goods for transportation services
 - (D) relies on using warehouses for storing goods
13. The phrase "cost tradeoffs" in line 7 means that companies
- (A) sometimes engage in bartering goods
 - (B) may choose an expensive form of transportation if costs can be cut in another area
 - (C) prefer warehouses to air transportation
 - (D) rarely use rail transport
14. It can be inferred from the passage that transportation is
- (A) important to continued successful sales
 - (B) independent of other business concerns
 - (C) not used effectively by businesses
 - (D) too expensive for most mail-order industries to use
15. We can conclude from the passage that a business that deals in perishable goods would probably choose to ship by
- (A) rail
 - (B) truck
 - (C) air freight
 - (D) any type of cheap transport
16. The word "its" in line 15 refers to which of the following?
- (A) competitors
 - (B) firm
 - (C) customers
 - (D) sales tool
17. This passage would probably be assigned reading in which of the following academic courses?
- (A) Marketing
 - (B) Statistics
 - (C) Mechanical engineering
 - (D) History