

MARKETING DISTRIBUTION & CHANNELS ISSUES

WHY MARKETING CHANNELS?

Bridging the gap between the producers and the consumers → intermediaries (individuals a& firms)

Bring the right products to the right consumers at the right price to the **right place**

Key issues: effectiveness & efficiency

Value created by intermediaries: efficiency via reducing the number of sales contacts necessary to reach the target market

Functions performed by intermediaries:

- * transactional functions
- * logistical functions
- * facilitating functions

Note: ALL functions need to be performed, does not matter by who → **functional shiftability** → **esp in vertical marketing systems**

Utilities created by channels:

- * time – when consumers want it
- * place – where consumers want it
- * form – product enhancement → more attractive
- * possession – intermediaries help buyers take possession

CHANNEL STRUCTURE

Direct vs indirect channels

Consumer goods channel vs B2B channels

Electronic marketing channels

- * HSN
- * online retailing → eBay (auction), reservation (Orbitz), etailing (amazon.com), financial services (Schwab.com)

Multi-level marketing → Avon, Mary Kay, Tupperware

Dual distribution → more than one channel

- * GE → to consumers via retail stores; to builders

Strategic channel alliances

- * Kraft & Starbucks → Kraft sells Starbucks coffee in US supermarkets & internationally

- * GM & SAAB: GM sells Saab thru Saturn dealerships in Canada

VMS -- Vertical Marketing Systems

- * **Corporate VMS:** forward and backward integration
WHY integration: efficiency & greater control over supply
Wal-Mart

- * **Contractual VMS:** independent production & distribution firms contractually integrate efforts

- * Wholesaler sponsored voluntary chain: IGA

- * Retailer-sponsored coops: Ace Hardware

- * franchising

- Mfg –sponsored retail: auto dealerships
- Mfg-sponsored wholesale: bottlers
- Service-sponsored retail: Holiday Inn, McD
- Service-sponsored: H&R Block

- * **Administered VMS:** large channel member influence & coordinate sales at different levels in channel system

- Wal-Mart – obtain coop from mfg in terms of price, promo support, product specs
- P&G – receives coop from supermkts on displays, promo, pricing

CHANNEL MANAGEMENT ISSUES

Factors affecting channel choice & mgmt:

- * environmental factors: changing family lifestyles → Tupperware/Avon → retail stores; techno advances → Krogers eliminates flower wholesalers, buys directly from growers
- * **consumer factors:** who? Where they buy? How they buy? What they buy? → youth online
- * **product factors:** consumer durables vs scientific equipment, etc → affects channels
- * **company factors:** firm's assets & capabilities; distribution goals

Channel design issues:

- * **target market coverage:** intensive, exclusive, selective
- * **satisfying buyer requirements:**
 - info (customer support key);
 - convenience (proximity, drive time)
 - variety (competing, complementary items)
 - attendant services (delivery, installation, credit)
- * **profitability:** margins earned, turn-over rate

Global dimensions of marketing channels:

Japan: half US population; 20% land → same number wholesalers/retailers; WHY?

- Tradition (samurais/history)
- lack of storage space
- longer channels
- culture: collective vs US individualistic: keiretsu: bonds producers & intermediaries → influence over channel members

Behavioral dimensions of channels:

Conflict – cooperation

Vertical conflict: between mfg & wholesalers/retailers

- bypass member: disintermediation
- disagreement over profit margins
- mfg believes ws/retailers not giving attention

Horizontal conflict: occurs at the same level

- expands coverage of market → turf battles
- dual distribution → diff types of retailers

Cooperation:

Channel captain → with power to influence behavior of other members → coordinates, directs, supports other channel members: P&G

Legal issues:

Dual distribution: not illegal yet anti-competitive

Vertical integration: not illegal; under Clayton Act if it lessens competition

- tying arrangements
- exclusive dealings
- refusal to deal
- resale restrictions

Grey markets