

*Marketing Channels
and Supply Chain Management*

Chapter 13

- ### Objectives
- Know why companies use distribution channels and understand the functions that these channels perform.
 - Learn how channel members interact and how they organize to perform the work of the channel.
 - Know the major channel alternatives that are open to a company.

- ### Objectives
- Comprehend how companies select, motivate, and evaluate channel members.
 - Understand the nature and importance of marketing logistics and integrated supply chain management.

- ### Caterpillar
- **Dominates world's markets for heavy construction and mining equipment.**
 - **Independent dealers are key to success**
 - **Dealer network is linked via computers**
 - **Caterpillar stresses dealer profitability, extraordinary dealer support, personal relationships, dealer performance and full, honest, and frequent communications**

- ### Definition
- **Value Delivery Network**
 - The network made up of the company, suppliers, distributors, and ultimately customers who “partner” with each other to improve the performance of the entire system.

- ### Nature & Importance of Marketing Channels
- Channel choices affect other decisions in the marketing mix
 - Pricing, Marketing communications
 - A strong distribution system can be a competitive advantage
 - Channel decisions involve long-term commitments to other firms

Nature & Importance of Marketing Channels

- How Channel Members Add Value
 - Intermediaries require fewer contacts to move the product to the final purchaser.
 - Intermediaries help match product assortment demand with supply.
 - Intermediaries help bridge major time, place, and possession gaps that separate products from those who would use them.

Key Functions Performed by Channel Members

- Information
- Promotion
- Contact
- Matching
- Negotiation
- Physical Distribution
- Financing
- Risk taking

Nature & Importance of Marketing Channels

- Number of Channel Levels
 - The number of intermediary levels indicates the length of a marketing channel.
 - Direct Channels
 - Indirect Channels
 - Producers lose more control and face greater channel complexity as additional channel levels are added.

Channel Members Are Connected Via A Variety of Flows

- Physical Flow
- Payment Flow
- Information Flow
- Promotion Flow
- Flow of Ownership

Channel Behavior and Organization

- Channel Conflict
 - Occurs when channel members disagree on roles, activities, or rewards.
 - Types of Conflict:
 - **Horizontal conflict:** occurs among firms at the same channel level
 - **Vertical conflict:** occurs among firms at different channel levels

Channel Behavior and Organization

- Vertical Marketing Systems
 - Corporate VMS
 - Contractual VMS
 - Manufacturer-sponsored retailer franchise system
 - Manufacturer-sponsored wholesaler franchise system
 - Service-firm-sponsored retailer franchise system
 - Administered VMS

Channel Behavior and Organization

- Multichannel Distribution Systems
 - Also called hybrid marketing channels
 - Occurs when a firm uses two or more marketing channels
 - Hybrid marketing has many advantages
- Changing Channel Organization
 - Disintermediation

Channel Design Decisions

- *Step 1: Analyzing Consumer Needs*
 - Cost and feasibility of meeting needs must be considered
- *Step 2: Setting Channel Objectives*
 - Set channel objectives in terms of targeted level of customer service
 - Many factors influence channel objectives

Channel Design Decisions

- *Step 3: Identifying Major Alternatives*
 - Types of intermediaries
 - Company sales force, manufacturer's agency, industrial distributors
 - Number of marketing intermediaries
 - Intensive, selective, and exclusive distribution
 - Responsibilities of channel members

Channel Design Decisions

- *Step 4: Evaluating Major Alternatives*
 - Economic criteria
 - Control issues
 - Adaptive criteria

Channel Design Decisions

- Designing International Distribution Channels
 - Global marketers usually adapt their channel strategies to structures that exist within foreign countries
 - Key challenges:
 - May be complex or hard to penetrate
 - May be scattered, inefficient, or totally lacking

Channel Management Decisions

- Selecting Channel Members
 - Identify characteristics that distinguish the best channel members
- Managing and Motivating Channel Members
 - Partner relationship management (PRM) is key
- Evaluating Channel Members
 - Performance should be checked against standards
 - Channel members should be rewarded or replaced as dictated by performance

Public Policy and Distribution Decisions

- Exclusive distribution
 - Only certain outlets are allowed to carry a firm's products
- Exclusive dealing
 - Exclusive territorial agreements
 - Tying agreements

Marketing Logistics and Supply Chain Management

- Marketing Logistics
 - Outbound distribution
 - Inbound distribution
 - Reverse distribution
 - Involves the entire supply chain management system

Marketing Logistics and Supply Chain Management

- Why Greater Emphasis is Being Placed on Logistics:
 - Offers firms a competitive advantage
 - Can yield cost savings
 - Greater product variety requires improved logistics
 - Improvements in distribution efficiency are possible due to information technology

Marketing Logistics and Supply Chain Management

- Goals of the Logistics System
 - No system can both maximize customer service and minimize costs.
 - Firms must first weigh the benefits of higher service against the costs.
 - State goals in terms of a targeted level of customer service at the least cost.

Marketing Logistics and Supply Chain Management

- Major Logistics Functions
 - Warehousing
 - Inventory Management
 - Transportation
 - Logistics Information Management

Transportation Carrier Options

- | | |
|---------|------------|
| • Truck | • Pipeline |
| • Rail | • Air |
| • Water | • Internet |

Intermodal transportation is becoming more common

Marketing Logistics and Supply Chain Management

- Integrated Logistics Management
 - Cross-functional teamwork inside the company is critical
 - Logistics partnerships are also built through shared projects
 - Outsourcing of logistics firms to third-party firms is becoming more common

Keywords

- Distribution channels
- Value delivery network
- Intermediaries
- Physical distribution
- Channel levels
- Channel conflict
- Vertical marketing systems
- Disintermediation
- Manufacturers agency (independent mfgs rep)
- Exclusive distribution
- Logistics
- Warehousing
- Inventory management