MARKETING CHANNELS: DELIVERING CUSTOMER VALUE

Learning Objectives

- Explain why companies use marketing channels and discuss the functions these channels perform

- Discuss how channel members interact and how they organize to perform the work of the channel

- Identify the major channel alternatives open to a company

- Explain how companies select, motivate and evaluate channels

- Discuss the nature and importance of marketing logistics ans supply chain management
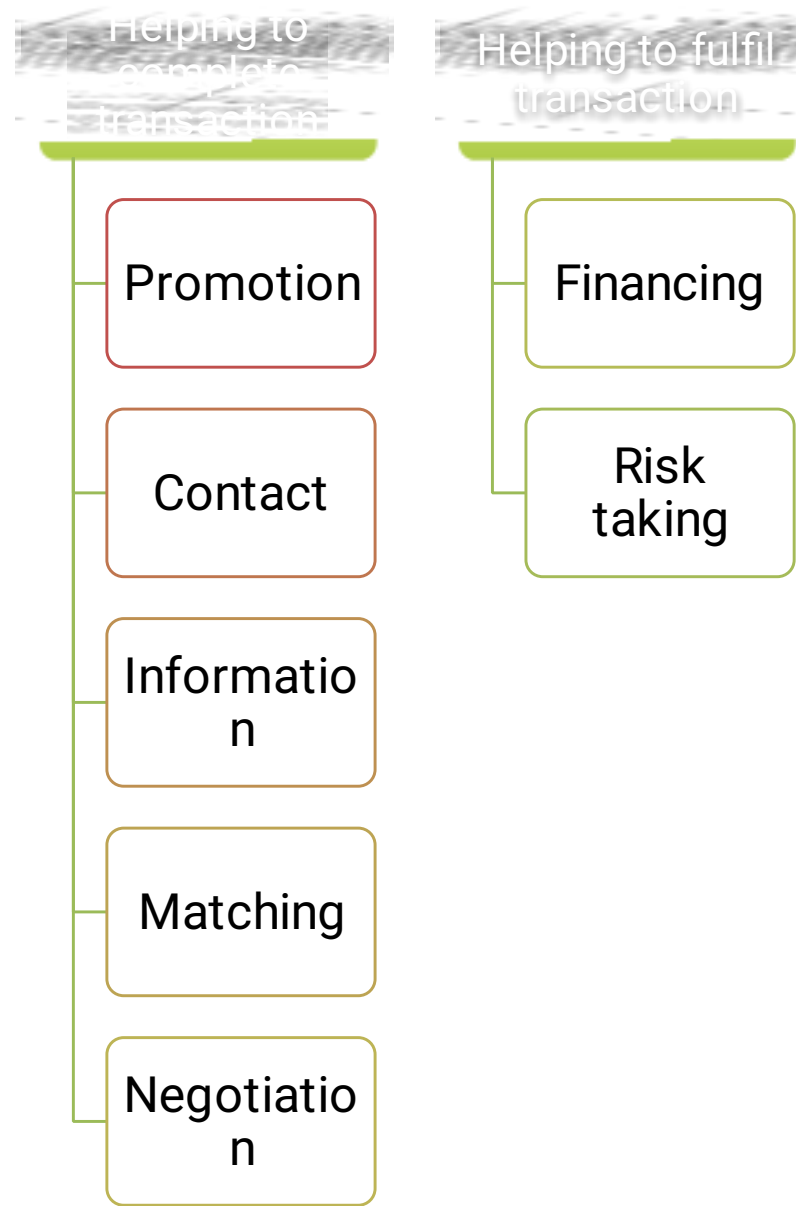
Supply Chain and the Value Delivery Network

- The company's supply chain consists of upstream and downstream partners

- Marketers focus on the downstream

- There is a movement from *supply chain* to *value delivery chain*

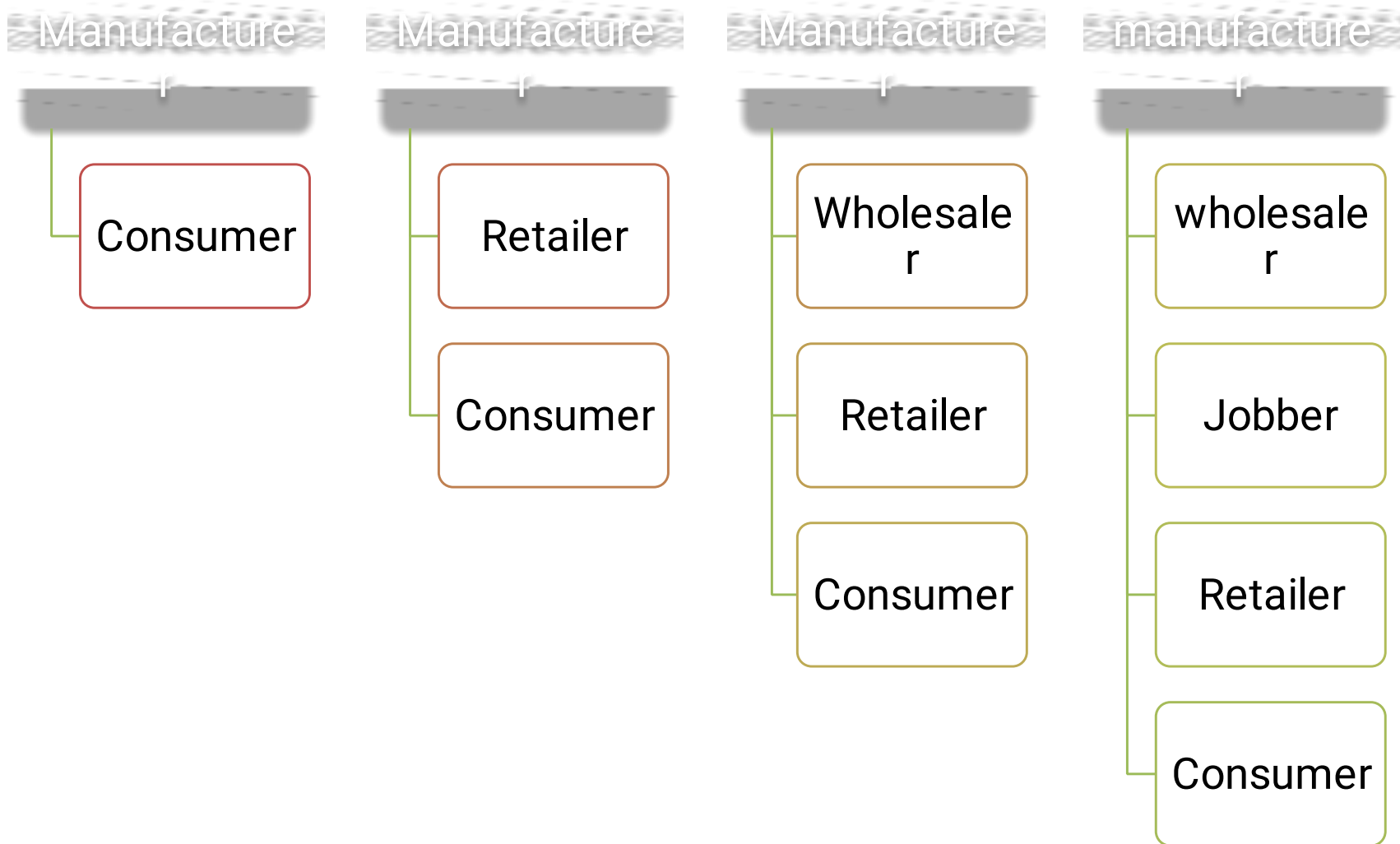# The Nature and Importance of Marketing Channels

- Few producers sell directly to final users
- They make use of **marketing channels** or **distribution channels**
- A channel decision directly affect every other marketing decision.
- Well managed distribution channels gives **competitive advantage**
- Distribution channels involve long-term commitment to other firms.
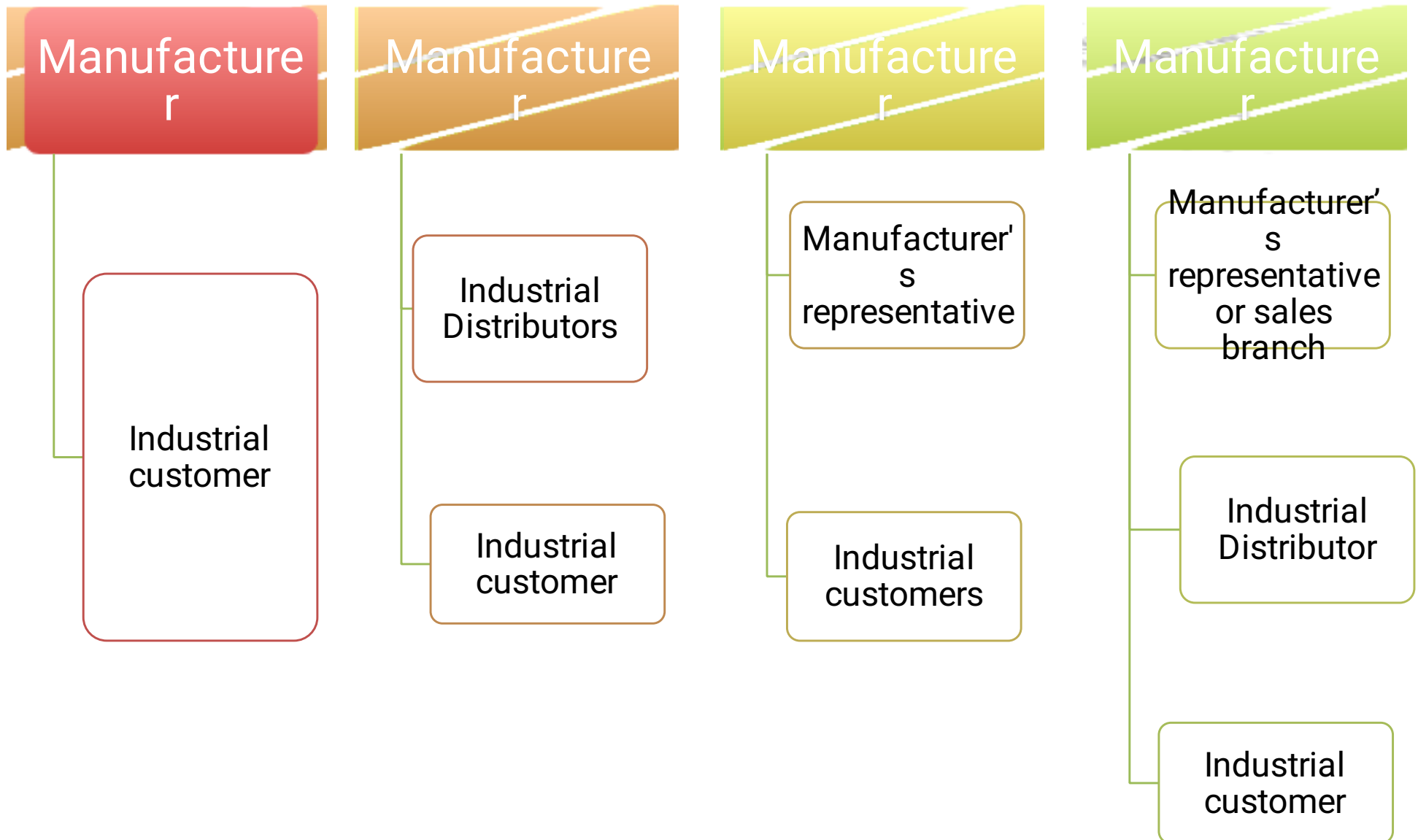
How Channel Members Add Value

Helping to complete transaction

Helping to fulfil transaction

Promotion

Financing

Contact

Risk taking

Information

Matching

Negotiation

Number of Channels Levels
Consumer Marketing channels

Manufacture r	Manufacture r	Manufacture r	manufacture r
Consumer	Retailer	Wholesaler	wholesaler
	Consumer	Retailer	Jobber
		Consumer	Retailer
			Consumer

Number of channel Levels
## Industrial marketing channels

Channel Behaviour and Organization

- Marketing channels consist of different firms working together

- The channel is very complex

- They are also dynamic as new type of intermediaries are emerging.

Channel Behaviour

- Channel members are interdependent
- Each member plays a specialized role
- There is the need for cooperation to achieve overall channel success
- However, conflicts emerge
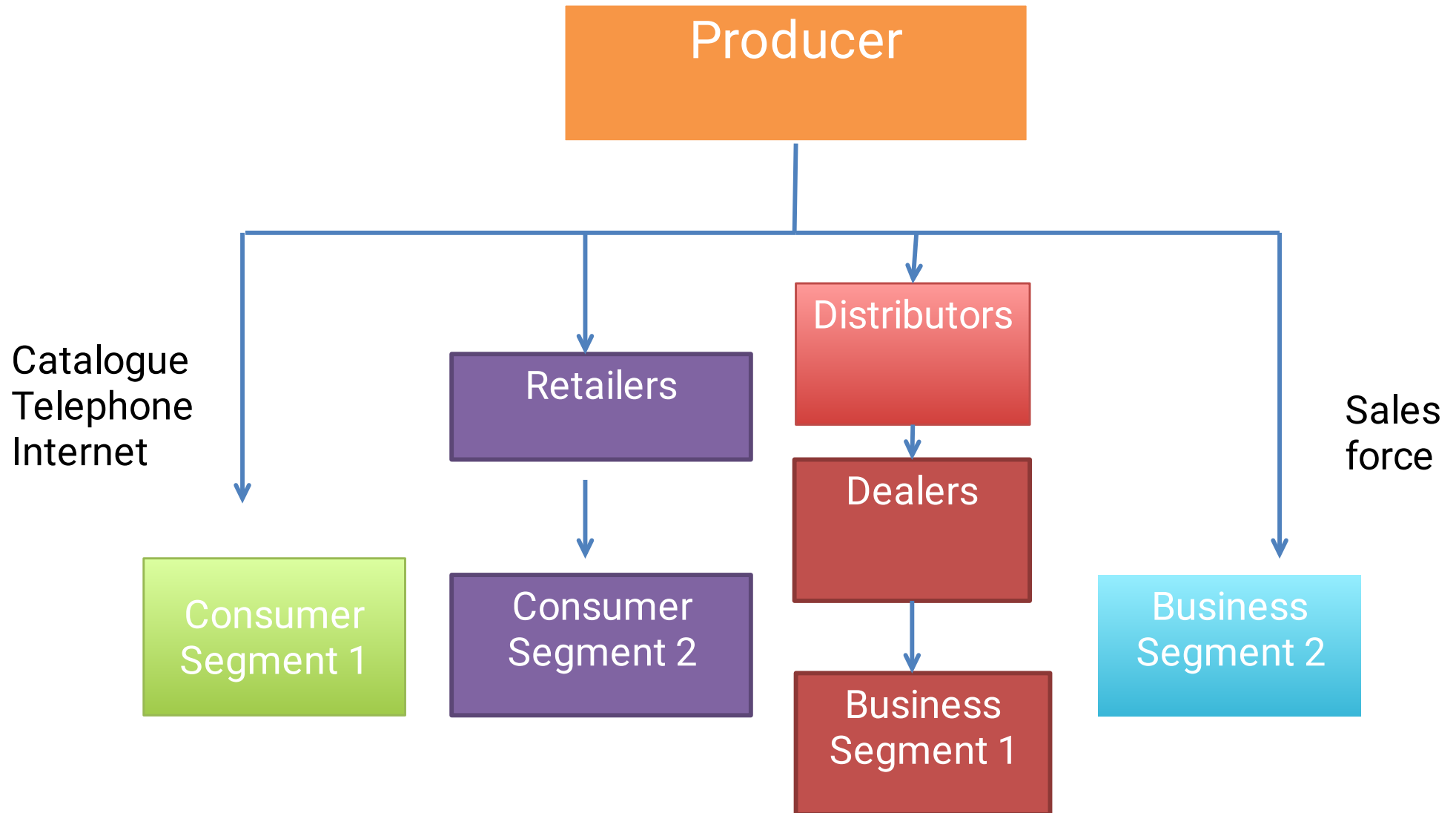- **Channel conflicts** could be **horizontal** or **vertical**

Conventional Marketing System vs. Vertical Marketing Systems

Manufacturer

- Wholesaler
- Retailer
- Consumer

Producers

- Wholesalers
- Retailer
- Consumer
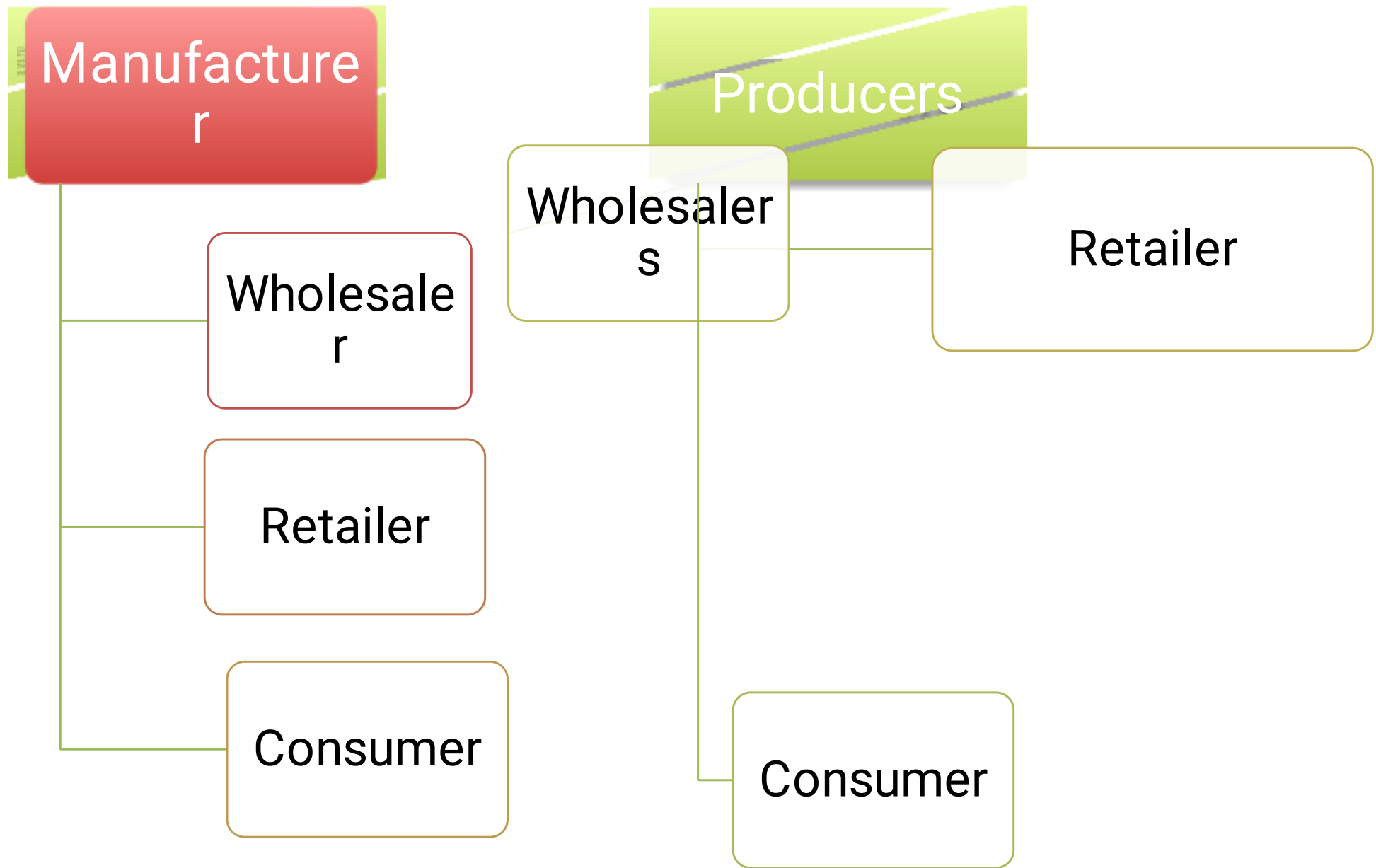
Horizontal Marketing Systems

- Two or more companies at one level join together to follow a new marketing opportunity

- It has **synergistic effect**-combining resources to accomplish more than any one company could alone.

- Companies might join farces with competitors or non-competitors

Multiple Distribution Systems

Producer

Catalogue
Telephone
Internet

Distributors

Retailers

Dealers

Sales
force

Consumer
Segment 1

Consumer
Segment 2

Business
Segment 1

Business
Segment 2

Changing Channel Organization

- Technology and growth of direct and online marketing has led to **disintermediation.**

✓ Producers sell directly to consumer

✓ New type of channel intermediaries replace traditional ones

- Disintermediation presents both opportunities for producers and resellers.

Channel-Design Decisions

Designing a marketing channel system requires:

- Analyzing customer needs
- Establishing channel objectives
- Identifying and evaluating major channel alternatives.

Analyzing Customer Needs

- Consumers may choose the channel they prefer based on any of the following:

✓ Price

✓ Product assortment

✓ Convenience

✓ Their shopping goals (economic, social or experiential)

Establishing Objectives

- Marketing channels objectives are stated in terms of targeted levels of customer services

- Channel objectives are influenced by the company's products, intermediaries, competitors and the environment.

- Environmental factors such as economic and legal can influence channel objectives and design.

Identifying Major Channel Alternatives

- Each channel has unique strengths as well as weaknesses.

- A channel alternative is described by **three** elements:

✓ The types of intermediaries (direct, dealers, sales force, telemarketing etc.)

✓ The number of intermediaries needed (exclusive, selective and intensive distribution)

✓ The terms and responsibilities of each channel member.

Evaluating Major Channel Alternatives

- Each channel alternative needs to be evaluated against the following criteria:
- **Economic** (different levels of sales and cost)
- **Control** (sales agents vs. sales reps)
- **Adaptive** (channel commitment reduces producers' ability to respond to change).

Channel-Management Decision

- After a company has chosen a channel system, it must **select**, **train**, **motivate**, and **evaluate** individual intermediaries for each channel.

- It must also **modify** cha... arrangements over time...