

Chapter 12&13

MARKETING CHANNELS: DELIVERING CUSTOMER VALUE, RETAILING & WHOLESALING

Md. Afnan Hossain

Lecturer, School of Business & Economics

TOPICS OF THE LECTURE

- 1. Supply Chains and the Value Delivery Network**
 - 2. The Nature and Importance of Marketing Channels**
 - 3. Channel Behavior & Organization; Design Decisions**
 - 5. Channel Management Decisions**
 - 6. Marketing Logistics and Supply Chain Management**
 - 7. Retailing and Wholesaling**
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Supply Chains and the Value Delivery Network

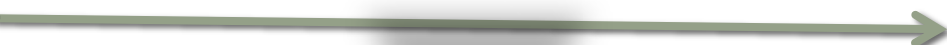
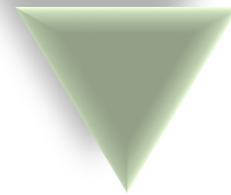
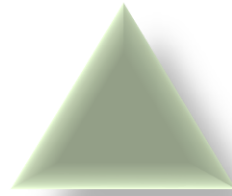
Value delivery network is the firm's suppliers, distributors, and ultimately customers who partner with each other to improve the performance of the entire system

Upstream Partners

include raw material suppliers, components, parts, information, finances, and expertise to create a product or service

Downstream Partners
include marketing channels that look toward the customer

Supply Chains and the Value Delivery Network



The nature and importance of Marketing Channels

A set of *interdependent* organizations (intermediaries) involved in the process of making a product or service available for use or consumption by the consumer or business user.

Channel decision directly affect every other marketing decisions.

A strong distribution system can be a competitive advantage.

Example: Dutch Bangla Bank LTD, Fedex.

How do Channel Members add value?

Intermediaries provide greater efficiency in moving the product to the final consumer.

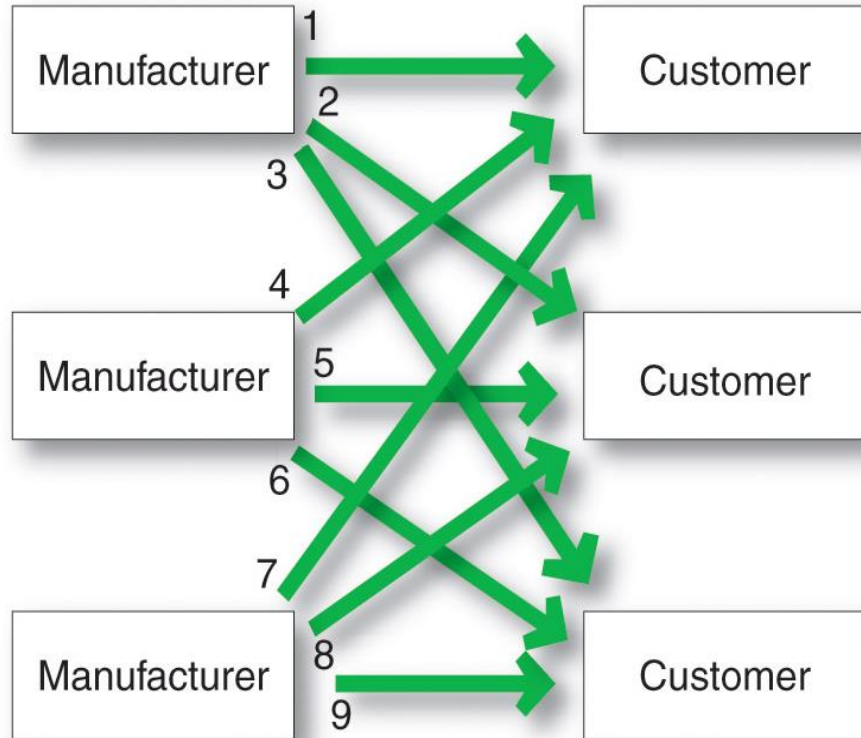
Example: FMCG products being distributed directly v/s indirectly.

Intermediaries help match a company's product assortment's supply with the demand of the consumers.

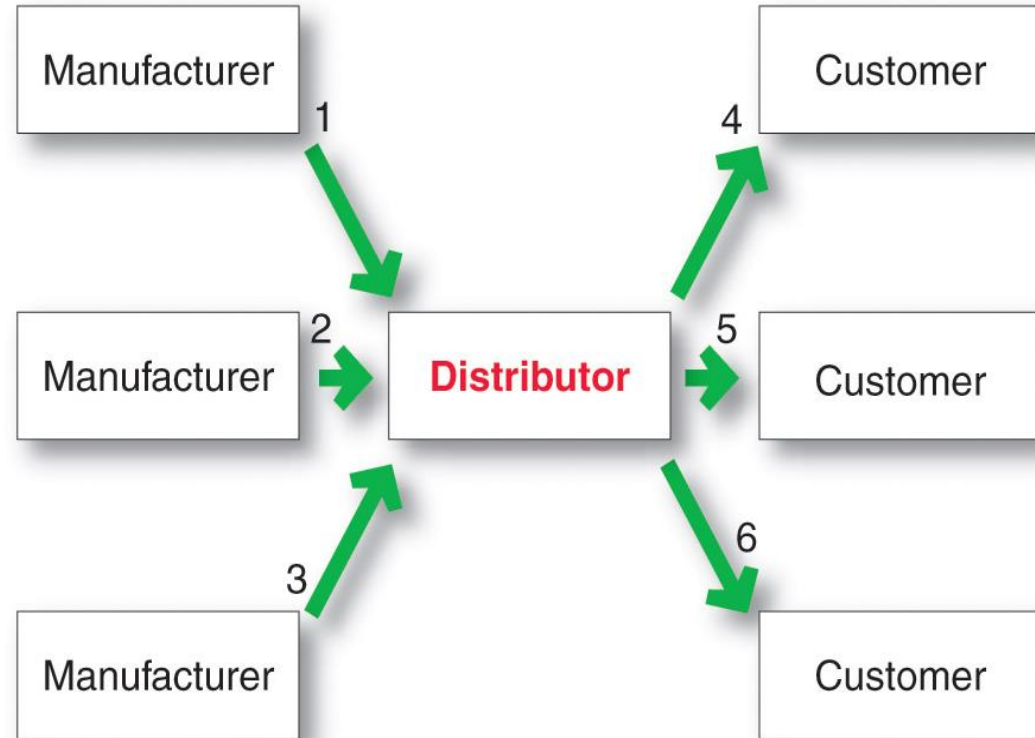
- Producers make narrow assortments in large quantities.
- Consumers want broad assortment of products in small quantities.

Intermediaries help bridge time, place, and possession gaps that separate products from those who would use them.

How adding a distributor reduces the number of Channel Transactions

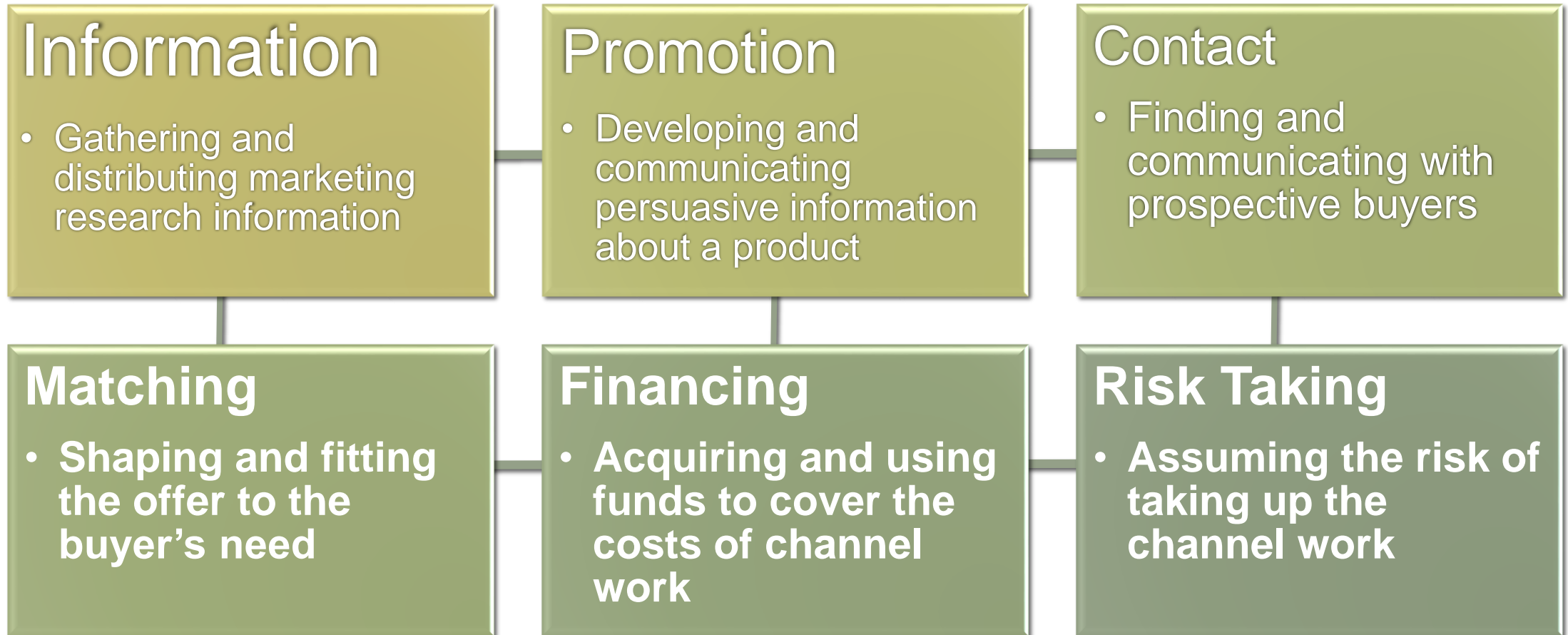


A. Number of contacts without a distributor
 $M \times C = 3 \times 3 = 9$



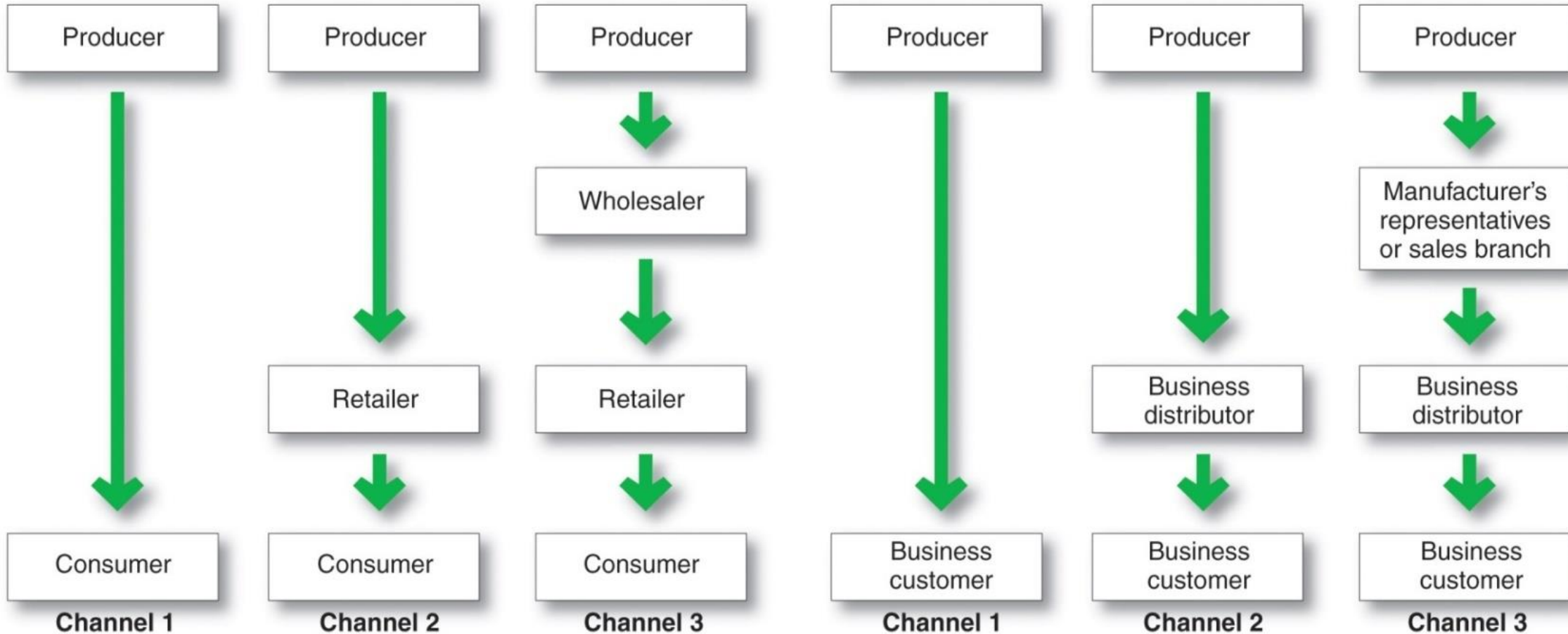
B. Number of contacts with a distributor
 $M + C = 3 + 3 = 6$

Key Functions of Channel Members



Number Of Channel Members

Channel Level - each layer of marketing intermediaries that perform some work in bringing the product and its ownership closer to the final buyer.



A. Customer marketing channels

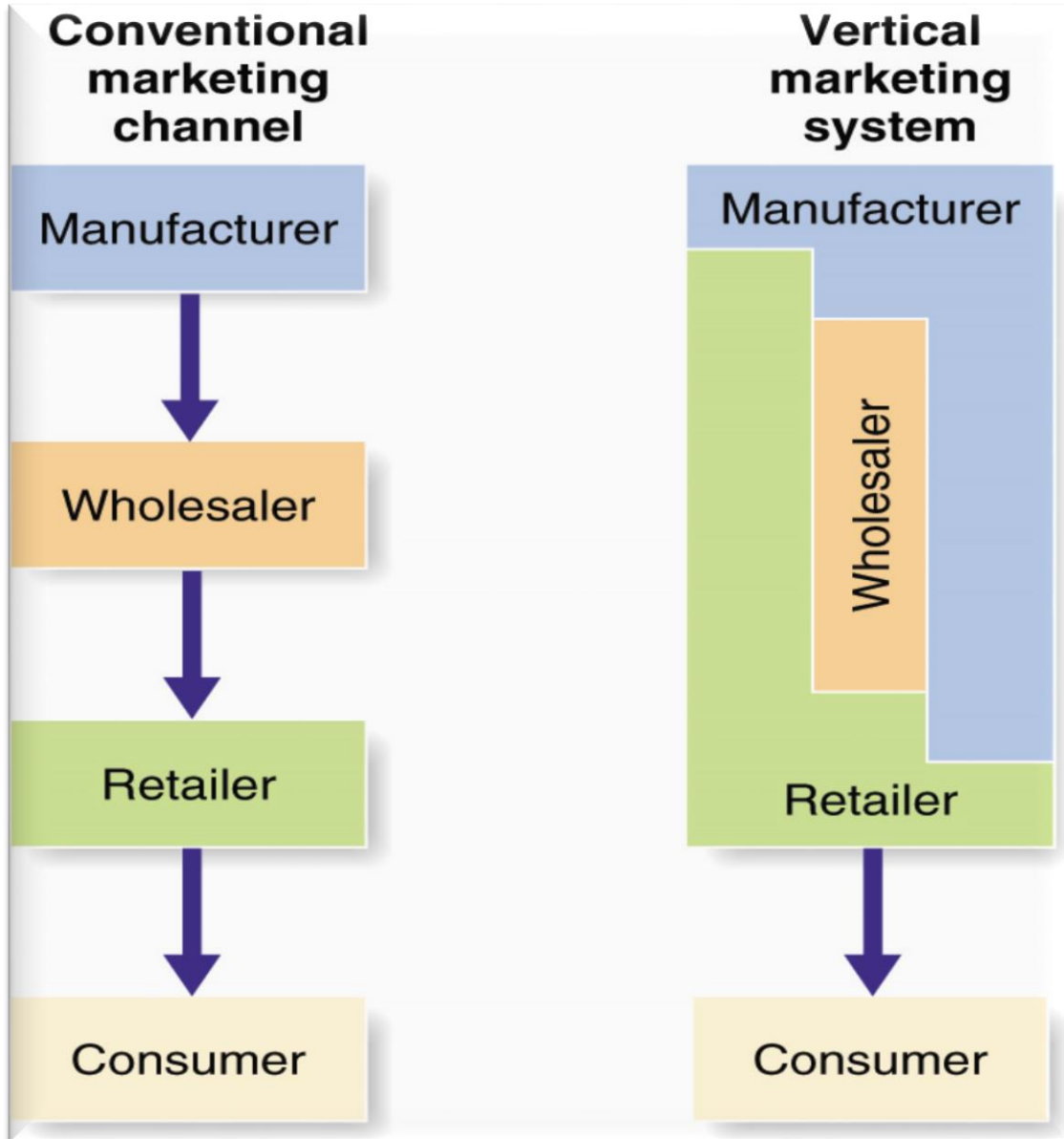
B. Business marketing channels

Channel Behavior

Marketing channel consists of firms that have partnered for their common good with each member playing a specialized role

Channel conflict refers to disagreement over goals, roles, and rewards by channel members.

Channel Organization



consist of one or more independent producers, wholesalers, and retailers. Each seeks to maximize its own profits, and there is little control over the other members



provide channel leadership and consist of producers, wholesalers, and retailers acting as a unified system

Vertical Channel



Corporate vertical marketing system

integrates successive stages of production and distribution under single ownership



Contractual vertical marketing system

consists of independent firms at different levels of production and distribution who join together through contracts to obtain more economies or sales impact than each could achieve alone.

Manufacturer sponsored retailer

Manufacturer sponsored wholesaler

Service-firm sponsored retailer

Channel Organization

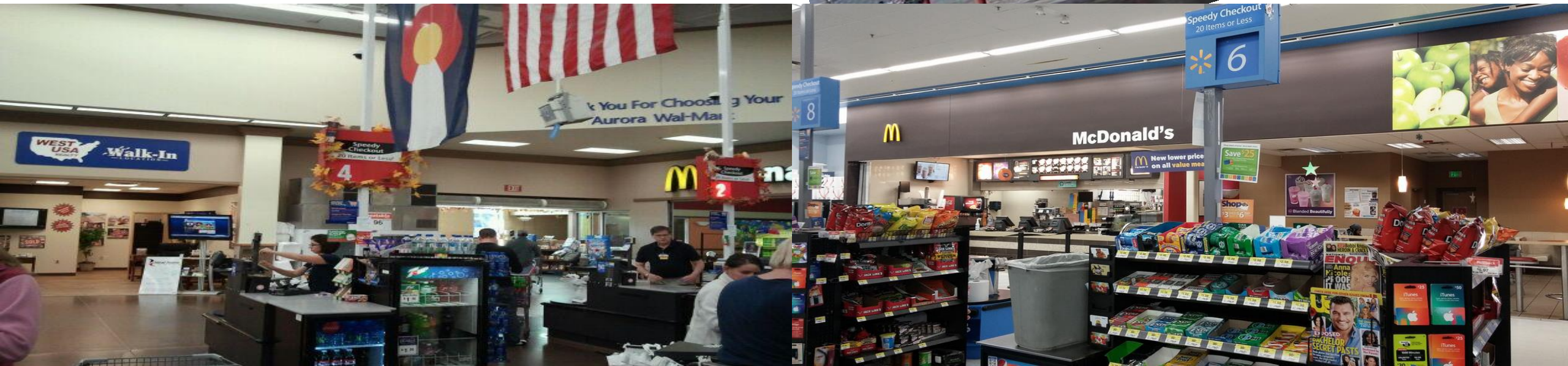
Horizontal Marketing System

Horizontal marketing systems are when two or more companies at one level join together to follow a new marketing opportunity. Companies combine financial, production, or marketing resources to accomplish more than any one company could alone.

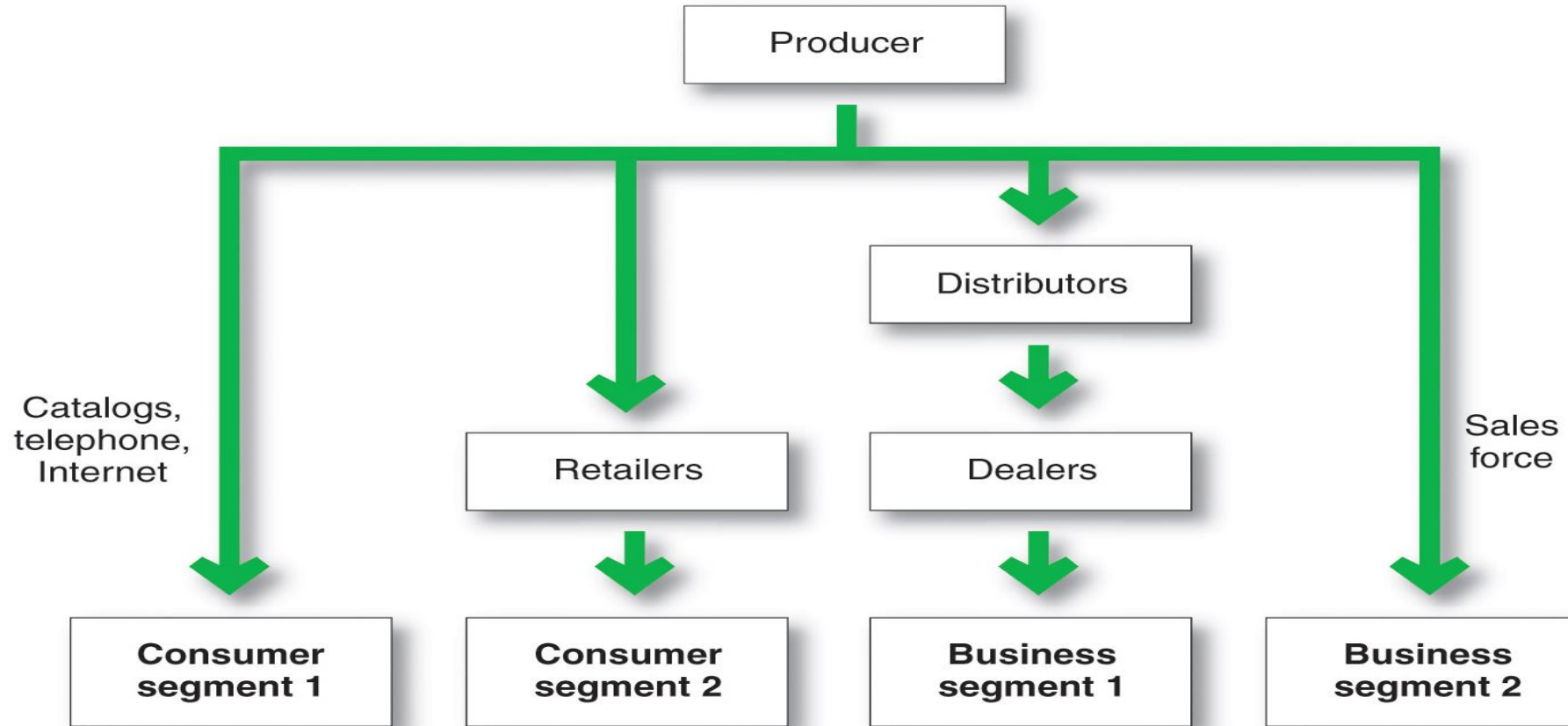


Horizontal marketing Channels

McDonald's places "Express" versions of its restaurants in Wal-Mart stores.



Multichannel Distribution System



Example: John Deere

Channel Design Decisions

Analyzing Consumer Service Needs

- Where and how to buy the product?

Setting Channel Objectives & Constraints

-Market segment -Firm's macro and micro env. - Economic condition and legal aspects

Identifying Major Alternatives

Intensive Distribution

- A form of market coverage whereby a product is made available in as many outlets as possible
- FMCG/ Convenience products

Selective Distribution

- A form of market coverage whereby only a small number of all available outlets are used to expose products
- Clothes, Furniture/ Shopping products

Exclusive Distribution

- The right by a manufacturer to an intermediary of the sole right to sell a product in a defined geographic territory
- Airplanes. High-end fashion

Channel Management Decisions

Selecting
channel
members

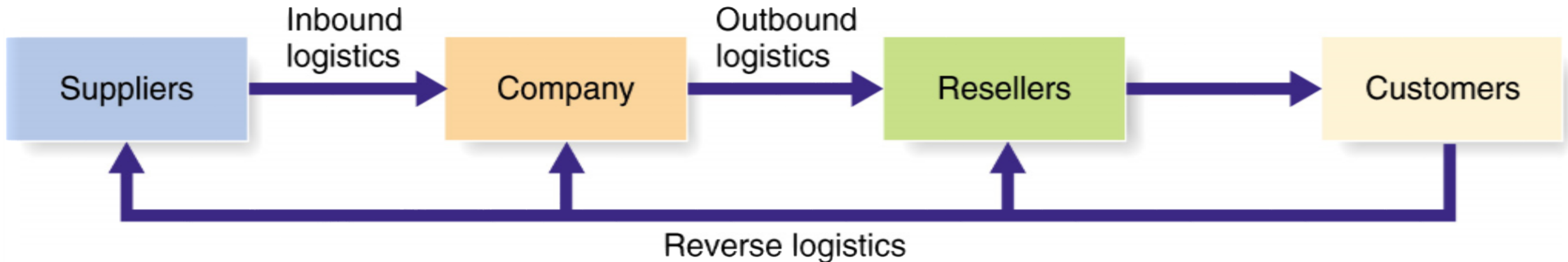
Managing
channel
members

Motivating
channel
members

Evaluating
channel
members

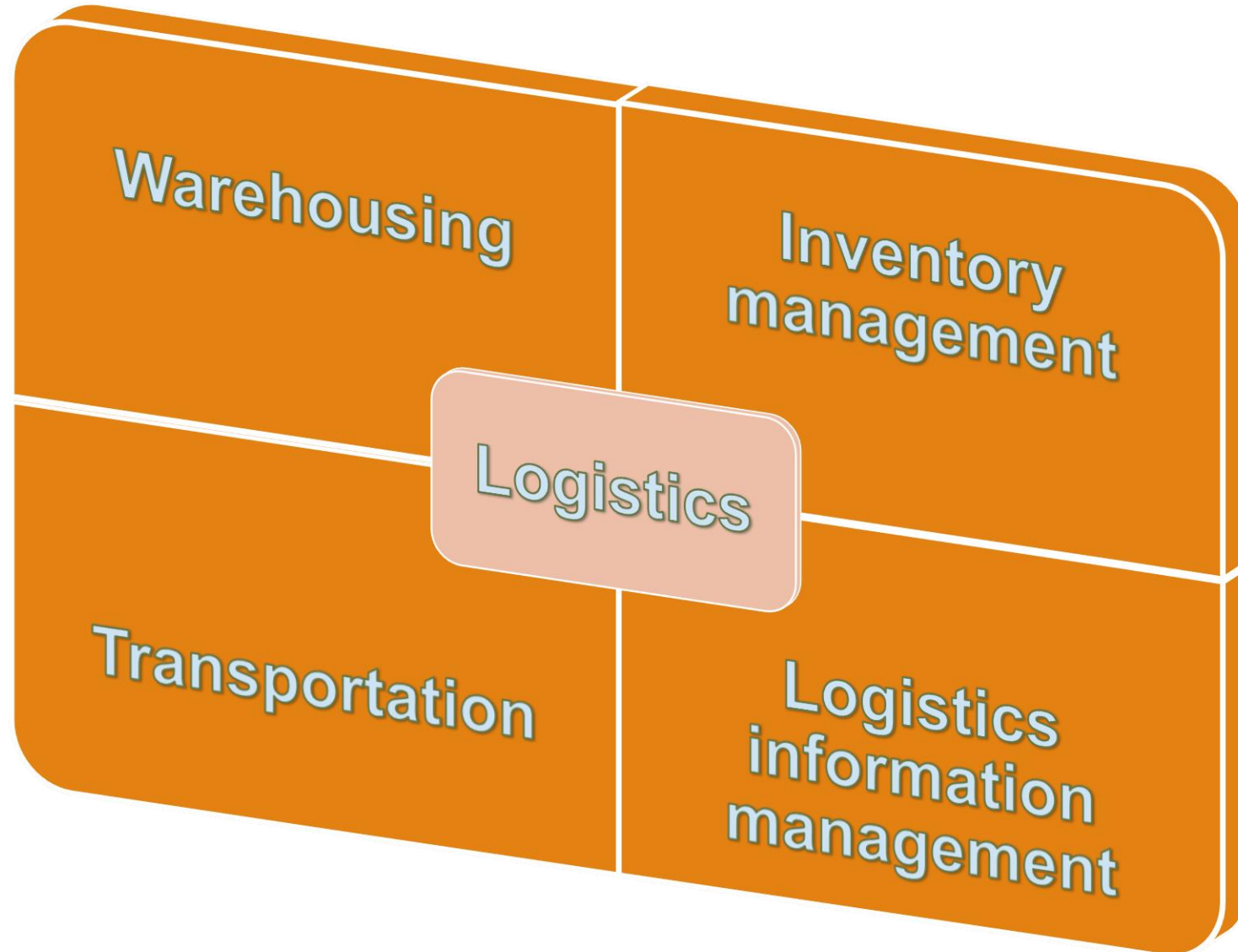
Supply Chain Management

Supply chain management is the process of managing upstream and downstream value-added flows of materials, final goods, and related information among suppliers, the company, resellers, and final consumers



Marketing logistics (physical distribution) involves planning, implementing, and controlling the physical flow of goods, services, and related information from points of origin to points of consumption to meet consumer requirements at a profit

Logistics Management



Retailing

Retailing includes all the activities in selling products or services directly to final consumers for their personal, non-business use



Retailing

Product Line

Specialty stores

- Narrow product line with deep assortment

Department stores

- Wide variety of product lines

Convenience stores

- Limited line of high-turnover goods

Superstores

- Store much larger than a regular super market

Category killers

- Deep in category with sales staff

Retailing

Types of Retailers

Relative Prices



Wholesaling

Wholesaling includes all activities involved in selling goods and services to those buying for resale or business use

Selling and promoting

Buying assortment building

Bulk breaking

Warehousing

Transportation

Financing

Risk bearing

Market information

Management services and advice

Thank
You