

## Learning Outcomes

- LO<sup>1</sup>** Explain what marketing channels and channel intermediaries are, and describe their functions and activities
- LO<sup>2</sup>** Describe common channel structures and strategies, and the factors that influence their choice
- LO<sup>3</sup>** Discuss channel relationship types and roles, and their unique benefits and drawbacks
- LO<sup>4</sup>** Explain the importance of the retailer within the channel and within the national economy

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## Learning Outcomes

- LO<sup>5</sup>** List and understand the different classifications and types of retailers, as well as their different operational models
- LO<sup>6</sup>** Explain the major tasks involved in developing a retail marketing strategy
- LO<sup>7</sup>** Discuss the roles of CRM and customer data in retailer decision making
- LO<sup>8</sup>** Describe trends in retail and channel management

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## Marketing Channels and Channel Intermediaries

**Explain what *marketing channels and channel intermediaries* are, and describe their functions and activities**

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### Marketing Channel

A set of interdependent organizations that eases the transfer of ownership as products move from producer to business user or consumer.

#### Channel Members

Negotiate with one another, buy and sell products, and facilitate the change of ownership between buyer and seller in the course of moving the product from the manufacturer into the hands of the final consumer.

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### Marketing Channel Functions

**Specialization and division of labor**

**Overcoming discrepancies**

**Providing contact efficiency**

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### Specialization and Division of Labor

- ◆ Creates greater efficiency
- ◆ Provides lower production costs
- ◆ Create time, place, form, and exchange utility

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### Contact Efficiency

#### Retailer

Firms in the channel that sell directly to customers

Retailers simplify distribution by cutting the number of transactions required by consumers, making an assortment of goods available in one location.

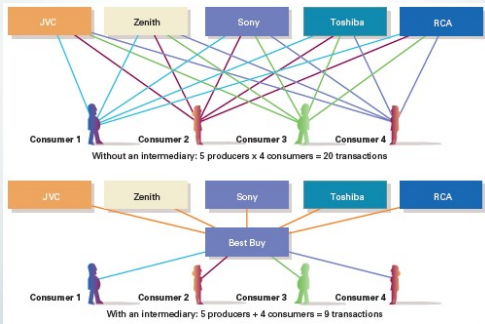
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**Exhibit 14.1**

**How Marketing Channels Reduce the Number of Required Transactions**



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**Channel Intermediaries**

**Merchant Wholesaler**

An institution that buys goods from manufacturers, takes title to goods, stores them, and resells and ships them.

**Agents and Brokers**

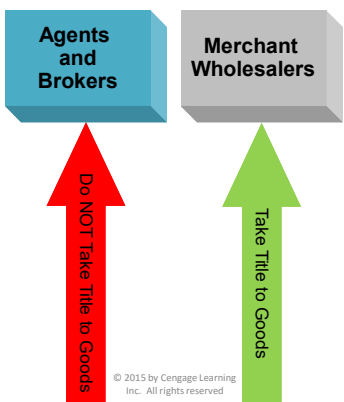
Wholesaling intermediaries who facilitate the sale of a product by representing channel members.

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**Channel Intermediaries**



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**Factors Suggesting Type of Wholesaling Intermediary to Use**

**Product characteristics**

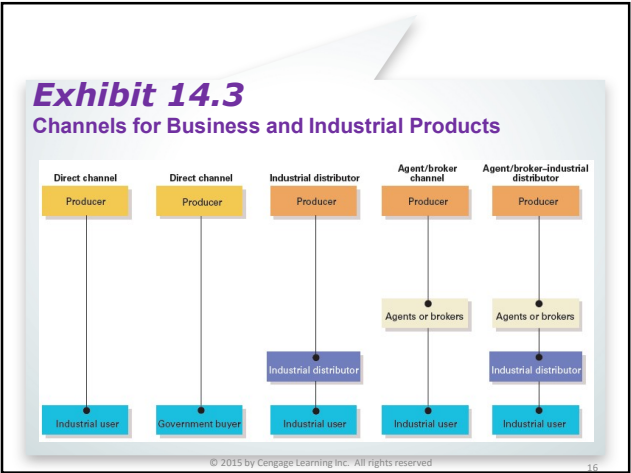
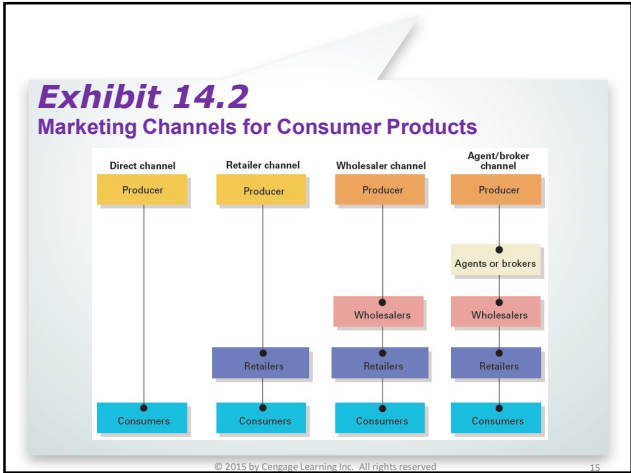
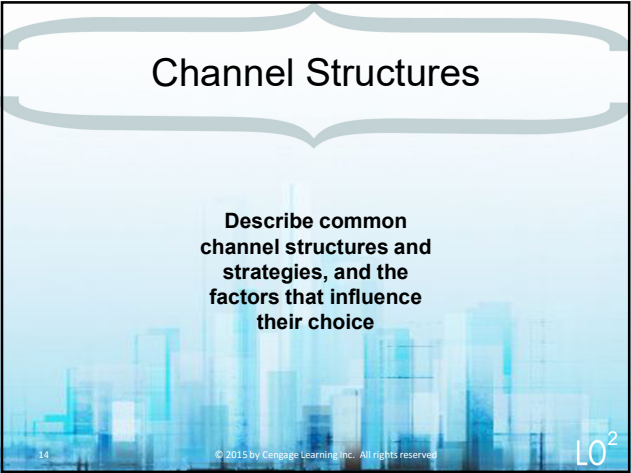
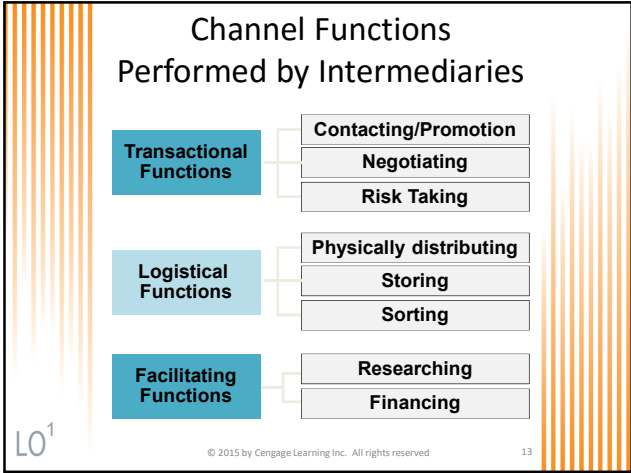
**Buyer considerations**

**Market characteristics**

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## Alternative Channel Arrangements

Dual or multiple distribution

Nontraditional channels

Strategic channel alliances

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## Factors Affecting Channel Choice

Market Factors

Product Factors

Producer Factors

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## Market Factors

Customer profiles

Consumer or Industrial Customer

Size of market

Geographic location

Market Factors That Affect Channel Choices

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## Product Factors

Product Complexity

Product Price

Product Standardization

Product Life Cycle

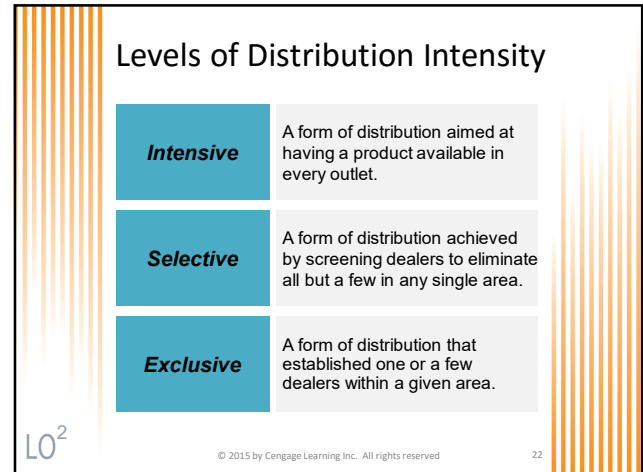
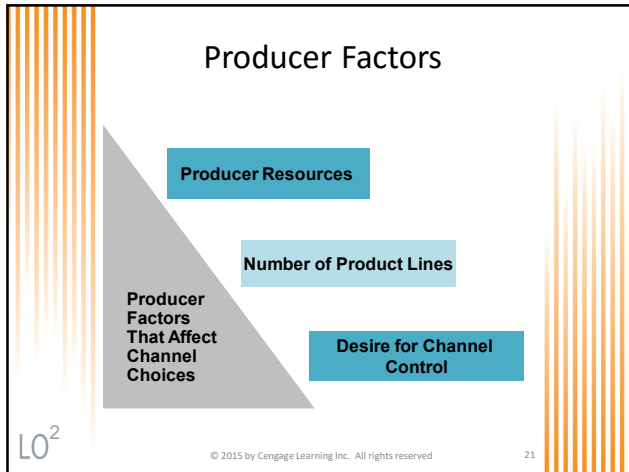
Product Delicacy

Product Factors That Affect Channel Choices

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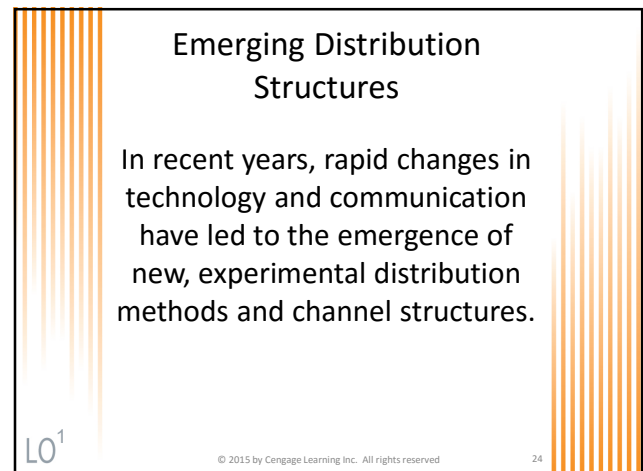


### Levels of Distribution Intensity

Intensity Level	Objective	Number of Intermediaries
<b>Intensive</b>	Achieve mass market selling. Convenience goods.	Many
<b>Selective</b>	Work with selected intermediaries. Shopping and some specialty goods.	Several
<b>Exclusive</b>	Work with single intermediary. Specialty goods and industrial equipment.	One

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Types of Channel Relationships

Describe channel relationship types and roles, and their unique benefits and drawbacks

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Types of Channel Relationships

	Benefits	Hazards
Arm's Length Relationship	Fulfills a one time or unique need; low involvement/risk	Parties unable to develop relationship; low trust level
Cooperative Relationship	Formal contract without capital investment/long-term commitment; "happy medium"	Some parties may need more relationship definition
Integrated Relationship	Closely bonded relationship; explicitly defined relationships	High capital investment; any failure could affect every channel member

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Global Channel Relationships

Global Channel Development

Channel policies differ

Gray marketing channels

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Social Influences in Channels

Power

Control

Leadership

Conflict

Partnering

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## Channel Power, Control, and Leadership

### Channel Power

A channel member's capacity to control or influence the behavior of other channel members.

### Channel Control

A situation that occurs when one marketing channel member intentionally affects another member's behavior.

### Channel Captain

A member of a marketing channel that exercises authority and power over the activities of other members.

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## Channel Conflict

Inequitable channel relationships often lead to channel conflict, which is a clash of goals and methods among the members of a distribution channel.

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## Channel Partnering

The joint effort of all channel members to create a channel that serves customers and creates a competitive advantage.

By cooperating, channel members can speed up inventory replenishment, improve customer service, and reduce the total costs of the marketing channel.

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## The Role of Retailing

**Explain the importance of the retailer within in the channel and within the national economy**

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## Retailing

All the activities directly related to the sale of goods and services to the ultimate consumer for personal, non-business use.

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## The Role of Retailing

- ◆ U.S. retailers employ nearly 15 million people
- ◆ Retailers account for 10.8 percent of U.S. employment
- ◆ Retailing accounts for 10 percent of U.S. businesses
- ◆ Retailers account for two-thirds of the U.S. GDP
- ◆ Industry is dominated by a few giant organizations, such as Walmart

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## Classes of Retail Operations

List and understand the different classifications and types of retailers, as well as their different operational models

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## Classification of Retail Operations

**Ownership**

**Level of Service**

**Product Assortment**

**Price**

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**Exhibit 14.4**  
**Types of Stores and Their Characteristics**

Type of Retailer	Service Level	Assortment	Price	Gross Margin
Department Store	Mod Hi-High	Broad	Mod-High	Mod High
Specialty Store	High	Narrow	Mod-High	High
Supermarket	Low	Broad	Moderate	Low
Convenience Store	Low	Med-Narrow	Mod High	Mod High
Drugstore	Low-Mod	Medium	Moderate	Low
Full-line Discounter	Mod-Low	Med-Broad	Mod Low	Mod Low
Specialty Discounter	Mod-Low	Med-Broad	Mod Lo-low	Mod Low
Warehouse Clubs	Low	Broad	Low-very low	Low
Off-price Retailer	Low	Med-Narrow	Low	Low
Restaurant	Low-High	Narrow	Low-High	Low-High

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### Classification of Ownership

#### Independent Retailers

Owned by a single person or partnership and not part of a larger retail institution.

#### Chain Stores

Owned and operated as a group by a single organization.

#### Franchises

The right to operate a business or to sell a product.

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### Level of Service

Full-Service

Self-Service

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### Product Assortment

Classification based on *breadth* and *depth* of product lines.

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## Price

### Gross Margin

The amount of money the retailer makes as a percentage of sales after the cost of goods sold is subtracted.

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## Major Types of Retail Operations

Department Stores	Discount Stores
Specialty Stores	Off-Price Retailers
Supermarkets	Used Goods Retailers
Drugstores	Restaurants
Convenience Stores	

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## Nonstore Retailing

Automatic Vending	Direct Mail
Direct Retailing	Shop-at-home TV
Direct Marketing	Online
Telemarketing	

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## Top E-Tailers by Sales Volume

America's Top Ten Retail Businesses		
Rank	Company	Web Sales Volume (in billions)
1	Amazon.com Inc.	\$48.08
2	Staples Inc.	\$10.6
3	Apple Inc.	\$6.66
4	Walmart.com	\$4.9
5	Dell Inc.	\$4.6
6	Office Depot Inc.	\$4.1
7	Liberty Media (owns QVC)	\$3.76
8	Sears	\$3.6
9	Netflix Inc.	\$3.2
10	CDW	\$3.0

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## The Basic Forms of Franchising

### Product and Trade Name Franchising

Dealer agrees to sell in products provided by a manufacturer or wholesaler.

### Business Format Franchising

An ongoing business relationship between a franchiser and a franchisee.

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## Top 10 New Franchises for 2013

1. Kona Ice
2. Menchie's
3. Orange Leaf Frozen Yogurt
4. ShelfGenie
5. Bricks 4 Kidz
6. Smashburger
7. GameTruck
8. Paul Davis Emergency Services
9. Signal 88 Security
10. Mac Tools

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## Retail Marketing Strategy

Explain the major tasks involved in developing a retail marketing strategy

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## Retail Marketing Strategy

Define a Target Market

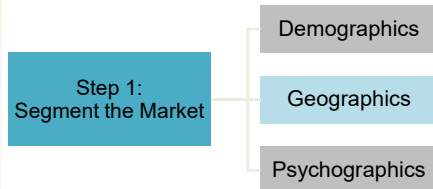
Choose a Retailing Mix

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## Defining a Target Market

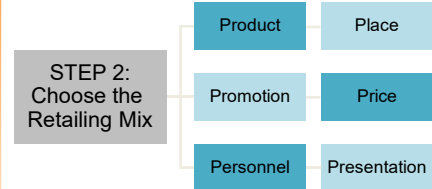


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## Choosing the Retailing Mix

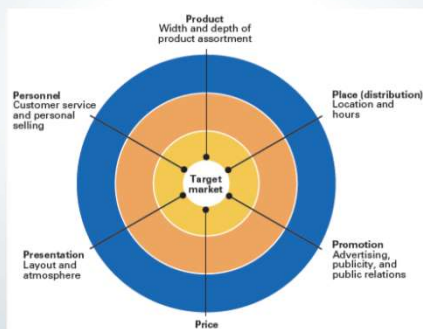


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### Exhibit 14.6 The Retailing Mix



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## Choosing the Retailing Mix

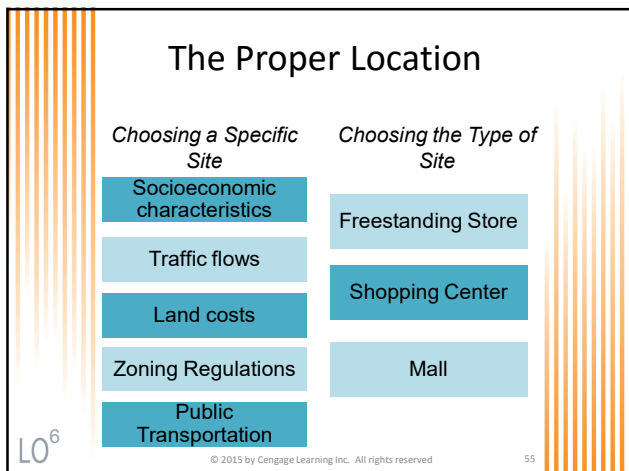
### Product Offering

The mix of products offered to the consumer by the retailer; also called the product assortment or merchandise mix.

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## Presentation of the Retail Store

Employee type and density

Merchandise type and density

Fixture type and density

Sound

Odors

Visual factors

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## Personnel

Two Common  
Selling  
Techniques

Trading Up

Suggestion Selling

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## Channel and Retailing Decisions for Services

Prioritize customer service by  
focusing on four areas:

- Minimizing wait times
- Managing service capacity
- Improving service delivery
- Establishing channel-wide network coherence

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## Shopper Marketing

Shopper marketing is becoming  
increasingly popular as businesses  
see the implications of this new  
method of customer research.

These implications include the  
strategic alignment of customers  
segments and supply chain adaptation.

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## The Relationship between Retailer Decision Making and Customer Data

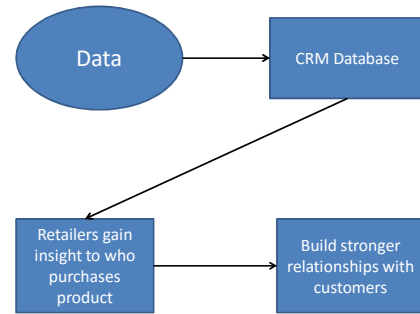
Discuss the roles of CRM and customer data in retailer decision making

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## Retailing and CRM



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## New Developments in Retailing and Channel Management

Describe trends in retail and channel management

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## New Developments in Retailing

**M-commerce**

Purchasing goods through mobile devices.

Online retailers offer greater variety of options for delivery, including one-use package delivery boxes.

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## Chapter 14 Video

### **New Balance Hubway**

New Balance Hubway is a bike sharing system in the Boston area that uses automated stations to provide a bike service to people looking to go short distances. In this clip, employees discuss how the retailing model works for Hubway, and how the difference between brick and mortar and e-business models allowed them to succeed in the Boston area.

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## Part 4 Video

### **Scripps Networks Interactive**

#### **Distribution Decisions**

Scripps Networks Interactive owns the content on popular networks such as Food Network, DIY, and the Cooking Channel. Deciding how to best get their content (both digital and solid products) into different locations takes some careful thought, and various decision makers discuss the process in this video clip.

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