

**Chapter 14**  
Marketing Channels

MKTG9  
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## LEARNING OUTCOMES

- 14-1** Explain what marketing channels and channel intermediaries are, and describe their functions and activities
- 14-2** Describe common channel structures and strategies, and the factors that influence their choice
- 14-3** Discuss channel relationship types and roles, and their unique benefits and drawbacks

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**LEARNING OUTCOMES**

- 14-4** Discuss multichannel and omnichannel marketing in both B2B and B2C structures and explain why these concepts are important
- 14-5** Discuss new developments in channel management and the effects on existing channel activities and structures

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14-1

### 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

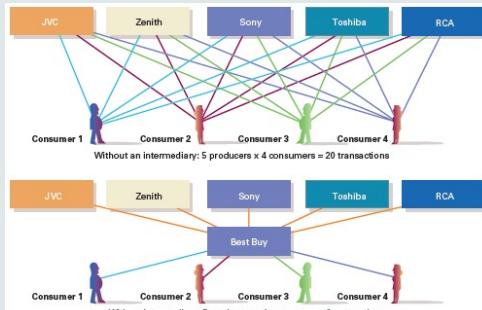
Retailers simplify distribution by cutting the number of transactions required by consumers, making an assortment of goods available in one location.

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## 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

#### Agents and Brokers

#### Merchant Wholesalers



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### Factors Suggesting Type of Wholesaling Intermediary to Use

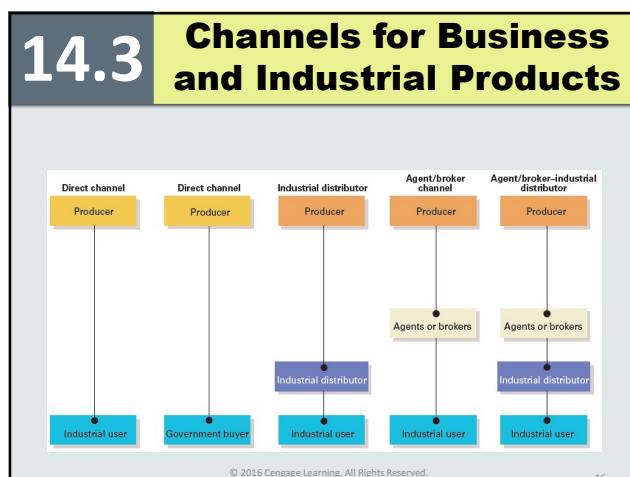
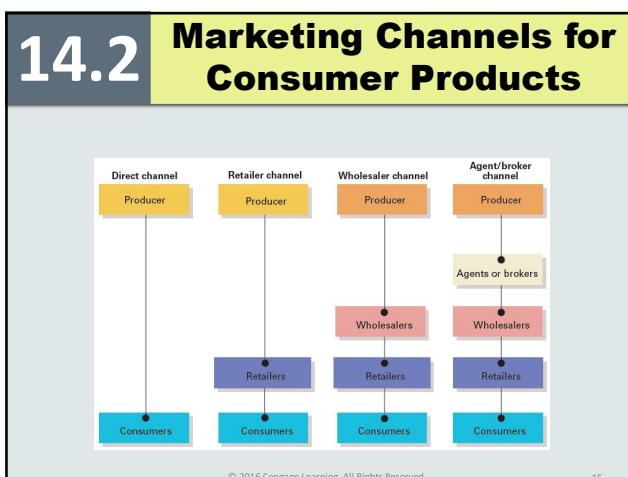
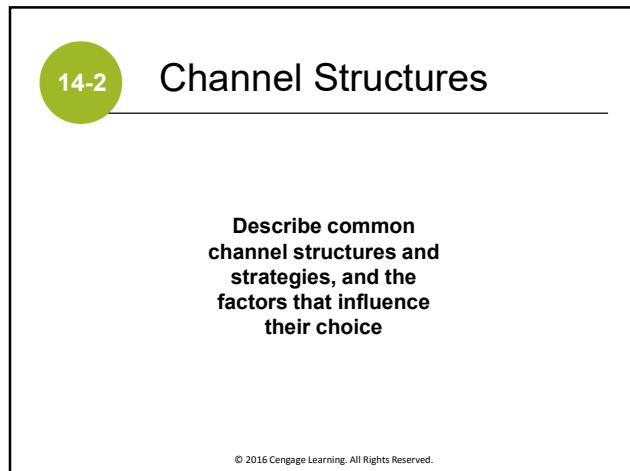
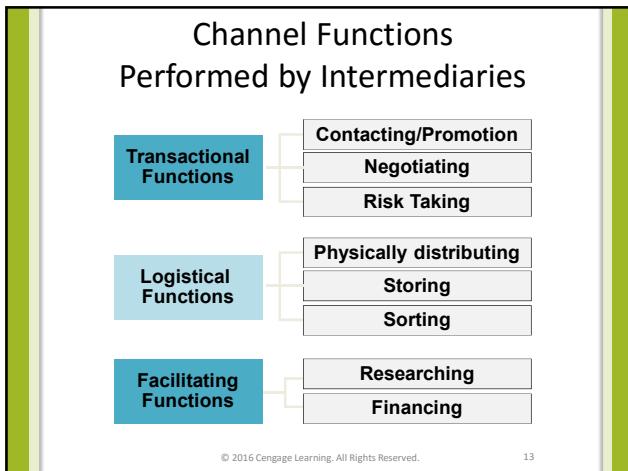
#### Product characteristics

#### 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

Market Factors That Affect Channel Choices

Geographic location

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## Product Factors

Product Complexity

Product Price

Product Standardization

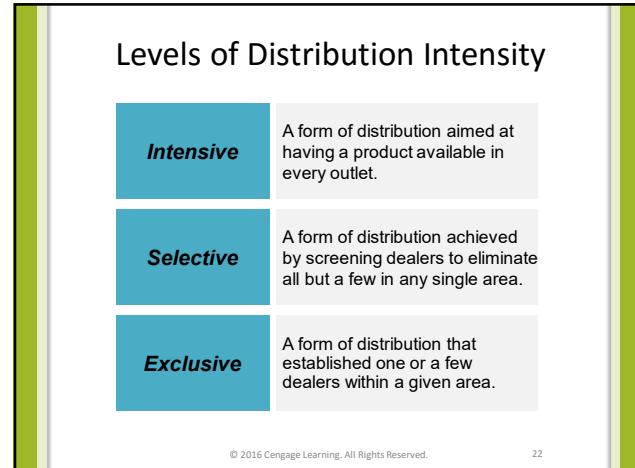
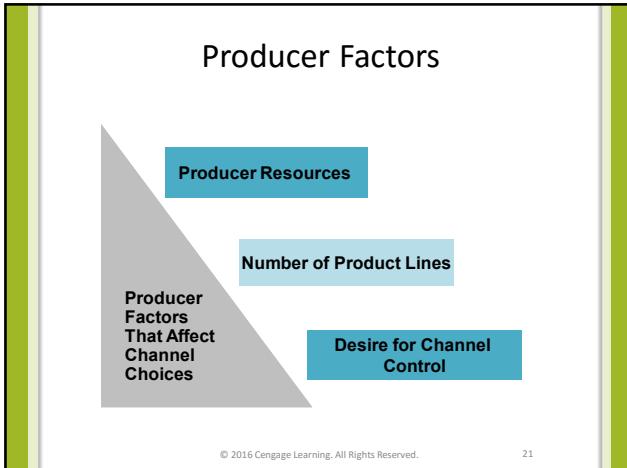
Product Factors That Affect Channel Choices

Product Life Cycle

Product Delicacy

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## Levels of Distribution Intensity

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

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## Emerging Distribution Structures

In recent years, rapid changes in technology and communication have led to the emergence of new, experimental distribution methods and channel structures.

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

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## Co-opetition

**Co-opetition** mixes elements of cooperation and competition between two partners. Two companies work together on some initiatives while still competing in other areas.

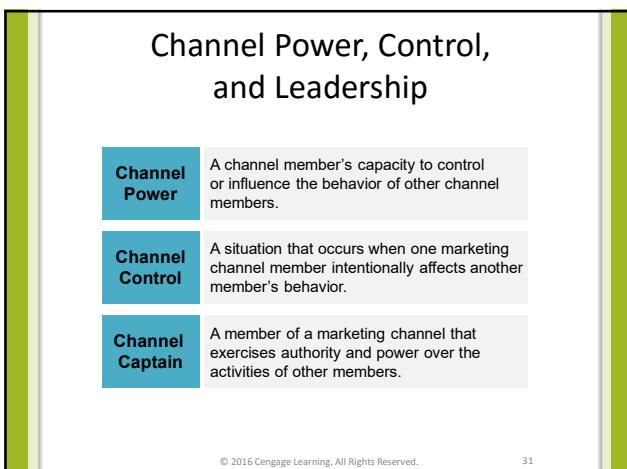
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## Four Basic Channel Configurations

Manufacturers and retailers can be arranged into four basic channel configurations:

1. Bilateral monopoly
2. Retailer monopoly
3. Manufacturing monopoly
4. Multiple manufacturers and retailers working together and competing with one another for customers

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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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## Multichannel and Omnichannel Marketing

**Discuss multichannel and omnichannel marketing in both B2B and B2C structures and explain why these concepts are important**

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## Multichannel Marketing

Customers are offered information, goods, services, and/or support through one or more synchronized channels.

While it can promote better consumer behavior, the multichannel design also creates redundancy and complexity in the firm's distribution system.

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## Omnichannel Marketing

Retailers make their inventory data available to customers in real time, effectively merging their distribution channels.

This creates greater customer control over the shopping experience, leading to greater satisfaction and loyalty.

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## New Developments in Channel Management

**Discuss new developments in channel management and the effects on existing channel activities and structures**

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### M-commerce

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.

[CLICK TO PLAY VIDEO](#)

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