

## 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

© 2016 Cengage Learning. All Rights Reserved. 2

## 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

© 2016 Cengage Learning. All Rights Reserved. 3

### 14-1 Marketing Channels and Channel Intermediaries

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

© 2016 Cengage Learning. All Rights Reserved.

### 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.

© 2016 Cengage Learning. All Rights Reserved.

5

### Marketing Channel Functions

**Specialization and division of labor**

**Overcoming discrepancies**

**Providing contact efficiency**

© 2016 Cengage Learning. All Rights Reserved.

6

### Specialization and Division of Labor

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

© 2016 Cengage Learning. All Rights Reserved.

7

### Contact Efficiency

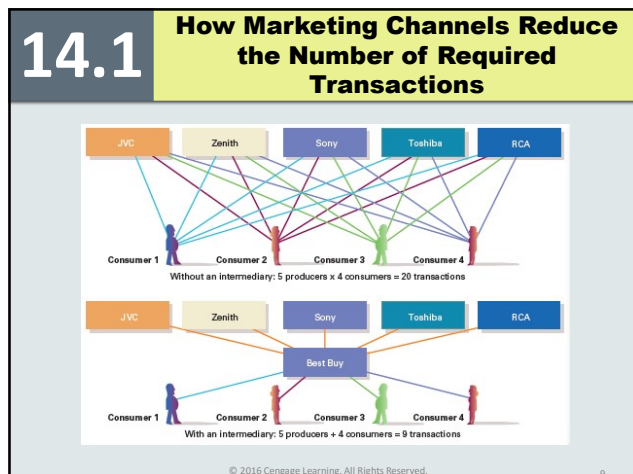
#### Retailer

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.

© 2016 Cengage Learning. All Rights Reserved.

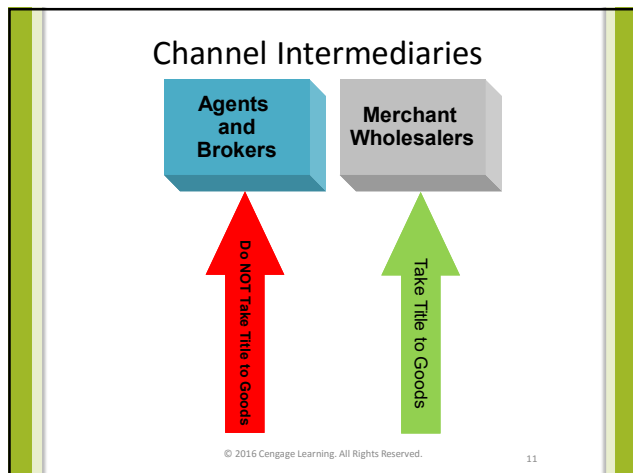
8



## Channel Intermediaries

<b>Merchant Wholesaler</b>	An institution that buys goods from manufacturers, takes title to goods, stores them, and resells and ships them.
<b>Agents and Brokers</b>	Wholesaling intermediaries who facilitate the sale of a product by representing channel members.

© 2016 Cengage Learning. All Rights Reserved. 10

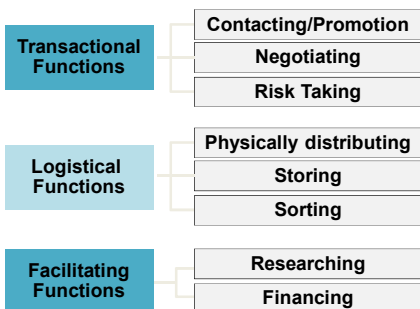


## Factors Suggesting Type of Wholesaling Intermediary to Use

- Product characteristics
- Buyer considerations
- Market characteristics

© 2016 Cengage Learning. All Rights Reserved. 12

## Channel Functions Performed by Intermediaries



© 2016 Cengage Learning. All Rights Reserved.

13

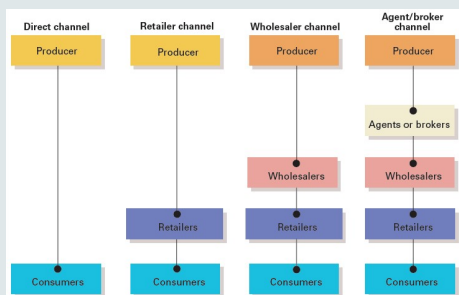
14-2

## Channel Structures

Describe common channel structures and strategies, and the factors that influence their choice

© 2016 Cengage Learning. All Rights Reserved.

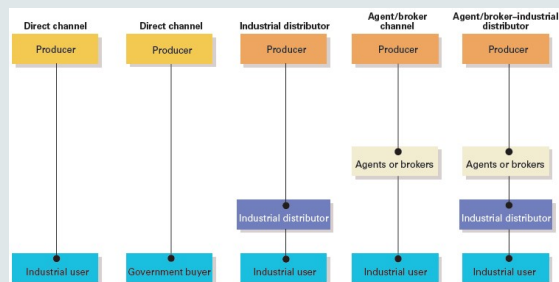
## 14.2 Marketing Channels for Consumer Products



© 2016 Cengage Learning. All Rights Reserved.

15

## 14.3 Channels for Business and Industrial Products



© 2016 Cengage Learning. All Rights Reserved.

16

## Alternative Channel Arrangements

Dual or multiple distribution

Nontraditional channels

Strategic channel alliances

© 2016 Cengage Learning. All Rights Reserved.

17

## Factors Affecting Channel Choice

Market Factors

Product Factors

Producer Factors

© 2016 Cengage Learning. All Rights Reserved.

18

## Market Factors

Customer profiles

Consumer or Industrial Customer

Size of market

Geographic location

Market Factors That Affect Channel Choices

© 2016 Cengage Learning. All Rights Reserved.

19

## Product Factors

Product Complexity

Product Price

Product Standardization

Product Life Cycle

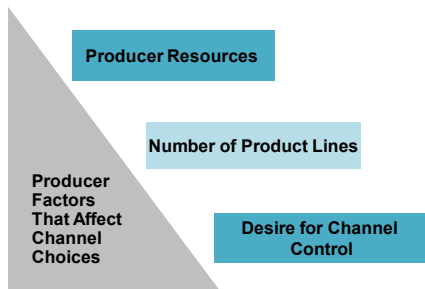
Product Delicacy

Product Factors That Affect Channel Choices

© 2016 Cengage Learning. All Rights Reserved.

20

### Producer Factors



© 2016 Cengage Learning. All Rights Reserved.

21

### Levels of Distribution Intensity

<b>Intensive</b>	A form of distribution aimed at having a product available in every outlet.
<b>Selective</b>	A form of distribution achieved by screening dealers to eliminate all but a few in any single area.
<b>Exclusive</b>	A form of distribution that established one or a few dealers within a given area.

© 2016 Cengage Learning. All Rights Reserved.

22

### 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

© 2016 Cengage Learning. All Rights Reserved.

23

### 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.

© 2016 Cengage Learning. All Rights Reserved.

24

14-3

### Types of Channel Relationships

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

© 2016 Cengage Learning. All Rights Reserved.

### 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

© 2016 Cengage Learning. All Rights Reserved.

26

### 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.

© 2016 Cengage Learning. All Rights Reserved.

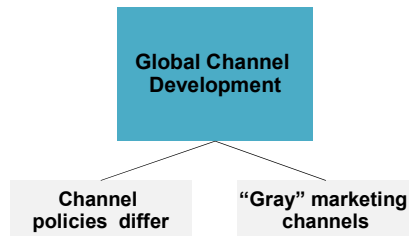
### Four Basic Channel Configurations

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

© 2016 Cengage Learning. All Rights Reserved.

## Global Channel Relationships



© 2016 Cengage Learning. All Rights Reserved.

## Social Influences in Channels



© 2016 Cengage Learning. All Rights Reserved.

30

## Channel Power, Control, and Leadership

<b>Channel Power</b>	A channel member's capacity to control or influence the behavior of other channel members.
<b>Channel Control</b>	A situation that occurs when one marketing channel member intentionally affects another member's behavior.
<b>Channel Captain</b>	A member of a marketing channel that exercises authority and power over the activities of other members.

© 2016 Cengage Learning. All Rights Reserved.

31

## 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.

© 2016 Cengage Learning. All Rights Reserved.

32



14-4

### Multichannel and Omnichannel Marketing

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

© 2015 by Cengage Learning Inc. All rights reserved

### 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.

© 2016 Cengage Learning. All Rights Reserved.

34

### 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.

© 2016 Cengage Learning. All Rights Reserved.

35

14-5

### New Developments in Channel Management

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

© 2015 by Cengage Learning Inc. All rights reserved

### M-commerce

#### M-commerce

Purchasing goods through mobile devices.

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

© 2015 by Cengage Learning Inc. All rights reserved

37

### 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](#)

38

© 2015 by Cengage Learning Inc. All rights reserved