

Marketing Channels Management

Prepared by Dr. Magdy Alhaj

MGM612
Marketing Management

Lecture 10





مجموعة جامعة
الجميع الذكية
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Chapter
10

Learn outcomes

- ☐ The Marketing Channel Define and Importance of Marketing Channels
- ☐ Distribution Channel
- ☐ Types of Marketing Channels
- ☐ Explain the functions and key activities of marketing channels.
- ☐ Marketing Channels and Marketing Management Strategy
- ☐ Channel Conflict
- ☐ Physical Distribution Management

The Marketing Channel Define

- ☐ A marketing channel consists of individuals and firms involved in the process of making a product or service available for consumption or use by consumers and industrial users.
- ☐ The route taken by a product as it moves from producer to the customer or other ultimate user.
- ☐ The path taken by the title to goods as it moves through various agencies.
- ☐ A loose coalition of business firms that have banded together for purposes of trade.

What is a Marketing Channel?

A marketing channel system is the particular set of interdependent organizations involved in the process of making a product or service available for use or consumption.

Marketing channels determine how and where customers buy.



Importance of Channel Component

➤ **Selecting the channel design mix is challenging**

1. The alternatives are numerous
2. Marketing goals differ between channel members
3. Business markets segments vary, thus it may require numerous channels concurrently
4. Business market environment constantly changes
5. Competition is stiff
6. Customer requirements change
7. Internet technology is changing the landscape

➤ **All of this creates new opportunities and the need for fresh channel strategies**

Growing Importance of Marketing Channels

- 1. Explosion of information technology and E-commerce**
- 2. Greater difficulty of gaining a sustainable competitive advantage**
- 3. Growing power of distributors, especially retailers in marketing channels**
- 4. The need to reduce distribution costs**

Managing the Channel

- ✓ **Once a channel structure is specified and goals set, marketing managers need to:**
 - a. **Develop procedures for selecting intermediaries**
 - b. **Motivate them to meet goals**
 - c. **Resolve conflict between them**
 - d. **Evaluate performance**
- ✓ **The following discussion centers around designing and administering the business marketing channel.**

Distribution Channel

- The link between the manufacturer and the customer is called the Channel of Distribution
- The channel accomplishes all the tasks necessary to get the product/service to market
- Tasks can be performed by the manufacturer or be delegated throughout the channel
- The question is: “What is the best way to execute the tasks?”

Channel Tasks Include:

- **Contacting potential buyers**
- **Negotiating**
- **Selling**
- **Contracting**
- **Transferring title**
- **Training**

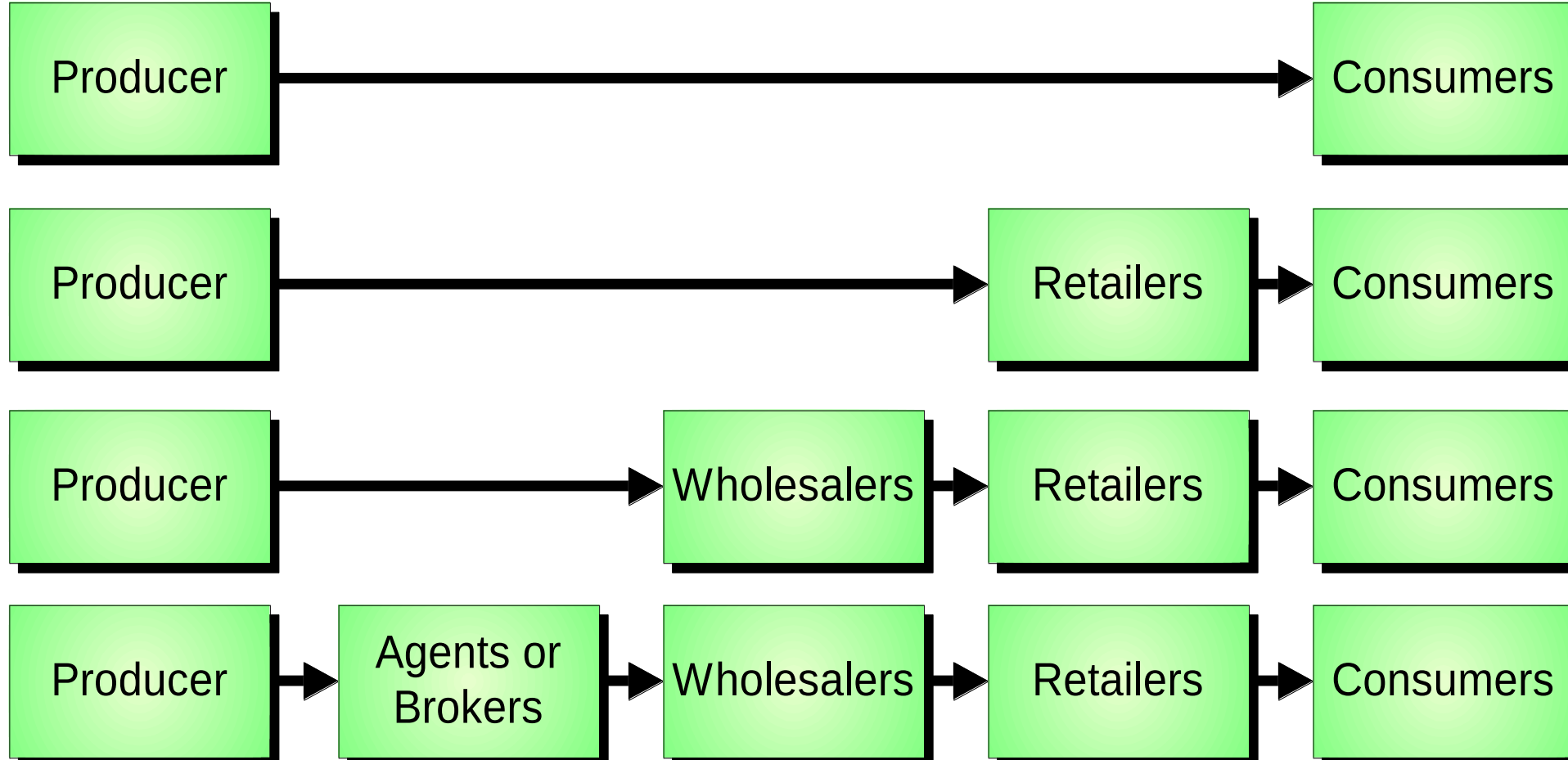
- **Financing**
- **Servicing the product**
- **Inventorying**
- **Transporting**
- **Storage**

Direct and Indirect Channels

- ❖ Who performs the TASKS?
- ❖ **Direct** is when the manufacturer performs all the marketing functions
- ❖ **Indirect** is when some type of intermediary sells or handles the product

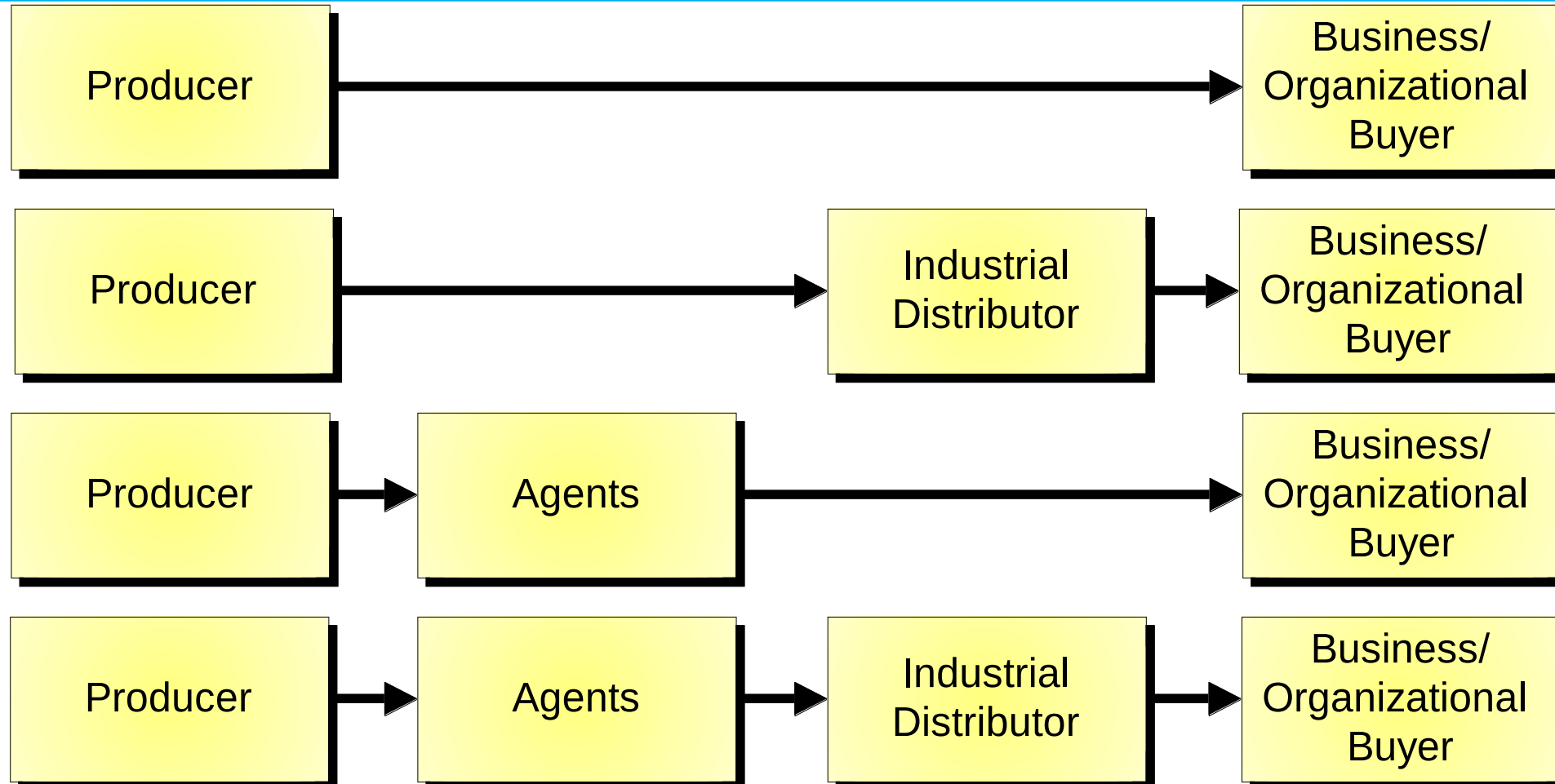
Types of Marketing Channels

Channels for Consumer Products



Types of Marketing Channels

Channels for Industrial Products



Marketing Channel Functions

Specialization and division of labor

Overcoming discrepancies

Providing contact efficiency

CHANNEL FUNCTIONS

- ☐ Information
- ☐ Promotion
- ☐ Contact
- ☐ Matching
- ☐ Negotiation
- ☐ physical distribution
- ☐ Financing
- ☐ Risk taking

Determinants of Channel Structure and Relationships

INTERNAL

- Company objectives
- Character
- Capital
- Cost
- Coverage
- Control
- Continuity
- Communication

EXTERNAL

- Customer characteristics
- Culture
- Competition

Explain how channel members add value

❖ Right PLACE

❖ Right TIME

☐ **Place UTILITY**

- Location – having the product where customers can buy it

☐ **Time UTILITY**

- Having the product available when the customer wants/needs it

Channel Member Functions

- ✓ **Gather information**
- ✓ **Develop and disseminate persuasive communications**
- ✓ **Reach agreements on price and terms**
- ✓ **Acquire funds to finance inventories**
- ✓ **Assume risks**
- ✓ **Provide for storage**
- ✓ **Provide for buyers' payment of their bills**
- ✓ **Oversee actual transfer of ownership**

Key Functions Performed in Marketing Channels

Marketing Communications

Advertising the Product

Providing a salesforce that offers information & service to customers

Inventory Management

Ordering appropriate merchandise assortment

Maintaining adequate stock to meet customer demand

Storing merchandise in an appropriate facility

Physical Distribution

Delivering products

Coordinating delivery schedules to meet customer expectations

Arranging for the return of defective merchandise

Key Functions Performed in Marketing Channels

Market Feedback

- Serving on manufacturer advisory boards
- Informing other channel members of competitive activity
- Participating in test market evaluations

Financial Risk

Offering credit

Managing risks related to product loss or deterioration

Managing risks related to product safety and liability

Contributions of Intermediaries

- **Provide Economic Value**
- **Provide Social Value**
- **Provide Marketing Support**
- **Impact Supply-chain Management**
- **Add Value to the Market Offering**

Types of Marketing Channels

1- Direct Channels

2- Indirect Channels

3- Single Marketing Channels

4- Multiple Marketing Channels

5- Vertical Marketing Systems

Evaluating Channel Alternatives

- ☐ **Evaluation of Capabilities and Costs**
- ☐ **Evaluation of Channel Compatibility:**
 - ❖ **Product Considerations**
 - ❖ **Pricing Considerations**
 - ❖ **Marketing Communications Considerations**
- ☐ **Evaluation of Availability**

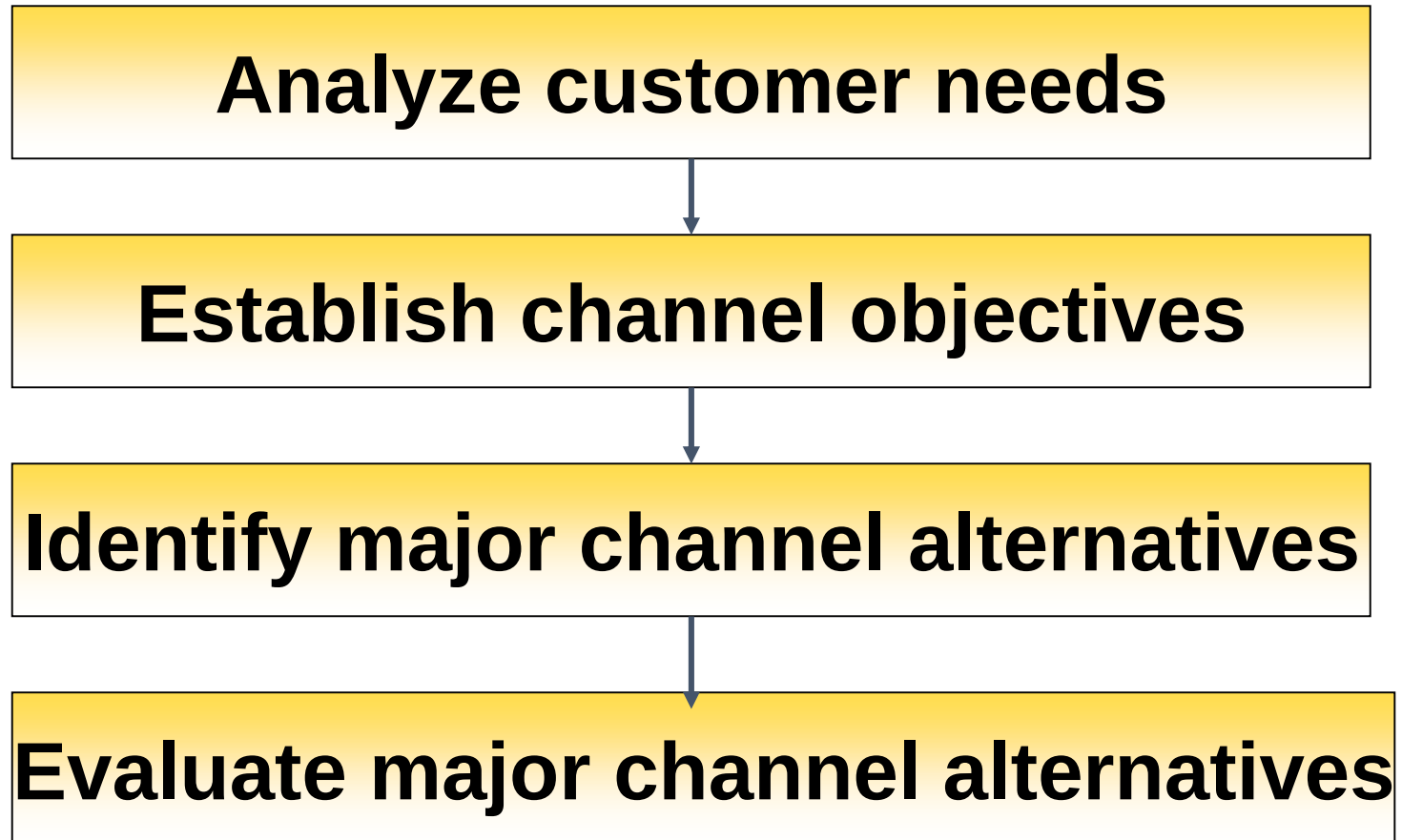
Evaluating Channel Performance

1- Financial Evaluation

2- Evaluate Working Relationships

3- Evaluate Legal and Ethical Issues

Designing a Marketing Channel System



Channel Service Outputs

Lost size

Waiting/delivery time

Spatial convenience

Product variety

Service backup

Identifying Channel Alternatives

Types of intermediaries

Number of intermediaries

Terms and responsibilities

Number of Intermediaries

Exclusive

Selective

Intensive

Terms and Responsibilities of Channel Members

- ❖ **Price policy**
- ❖ **Condition of sale**
- ❖ **Distributors' territorial rights**
- ❖ **Mutual services and responsibilities**

Channel Power

- **Coercive**
- **Reward**
- **Legitimate**
- **Expert**
- **Referent**

Channel Management

- ☐ **Coordinating two independent entities with shared goals.**
- ☐ **The relationship needs to be managed for the long term.**
- ☐ **Factors complicating channel management**
 - ✓ **Ownership**
 - ✓ **Geographic, cultural, and economic distance**
 - ✓ **Different rules of law**

Channel-Management Decisions

Selecting channel members

Training channel members

Motivating channel members

Evaluating channel members

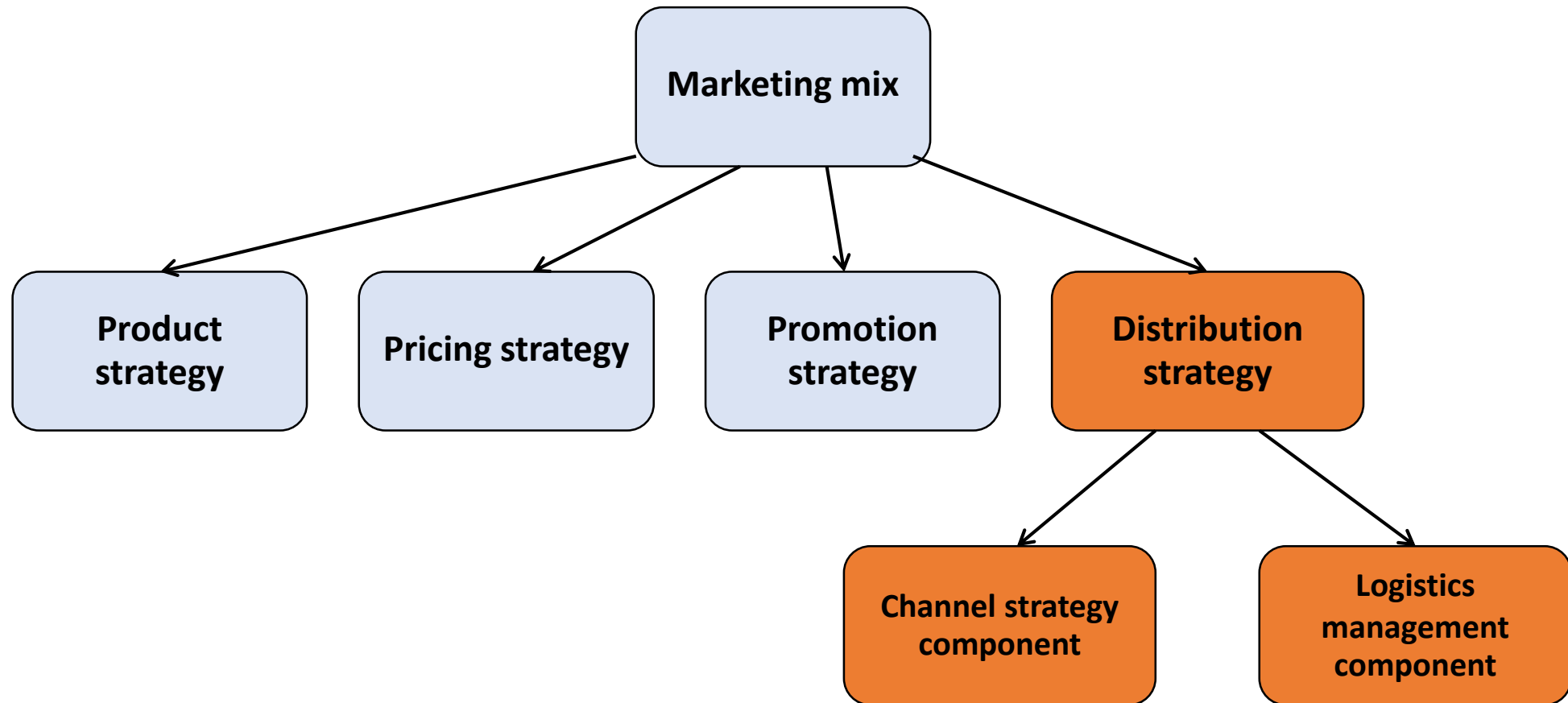
Modifying channel members

Marketing Channels and Marketing Management Strategy

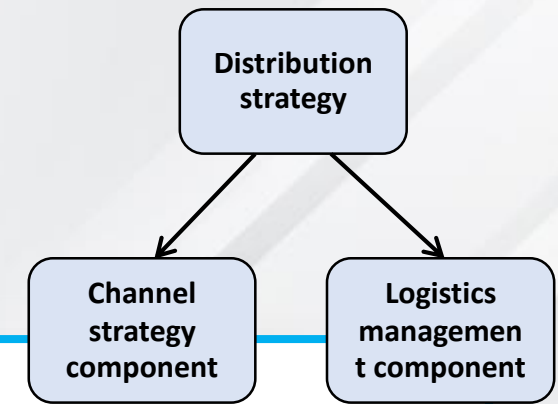
❑ Marketing channel strategy: one of the major strategic areas of marketing management.

- Management must develop and operate its marketing channels in such way as to support and enhance the other strategic variables of the marketing mix in order to meet the demand of the firm's target markets.

Channel Strategy versus Logistics Management



Channel Strategy versus Logistics Management



- **Channel strategy** is much broader and more basic component than logistics management.
- **Channel strategy** is concerned with the entire process of setting up and operating the contractual organization that is responsible for meeting the firm's distribution objectives.
- **Logistics management** is more narrowly focused on providing product availability at the appropriate times and places in the marketing channel.

Usually, channel strategy must already be formulated before logistics management can even be considered.

Flows in Marketing Channels

The actual physical movement of the product from the manufacturer through all of the parties who take physical possession of the product, from its point of production to final consumers.

- 1. Product flow**
- 2. Negotiation flow**
- 3. Ownership flow**
- 4. Information flow**
- 5. Promotion flow**

What is Channel Conflict?

□ Channel conflict occurs when one member's actions prevent another channel from achieving its goal.

□ Types of channel conflict

- Vertical
- Horizontal
- Multichannel

Causes of Channel Conflict

- **Goal incompatibility**
- **Unclear roles and rights**
- **Differences in perception**
- **Intermediaries' dependence on the manufacturer**

Strategies for Managing Channel Conflict

- **Adoption of superordinate goals**
- **Exchange of employees**
- **Joint membership in trade associations**

- **Cooptation**
- **Diplomacy**
- **Mediation**
- **Arbitration**
- **Legal recourse**

- ❑ **Physical distribution** is responsible for delivering to the customer what is wanted on time & at minimum cost
- ❑ The Objective of distribution management is to design & operate a distribution system that attains the required level of customer services & does so at least cost

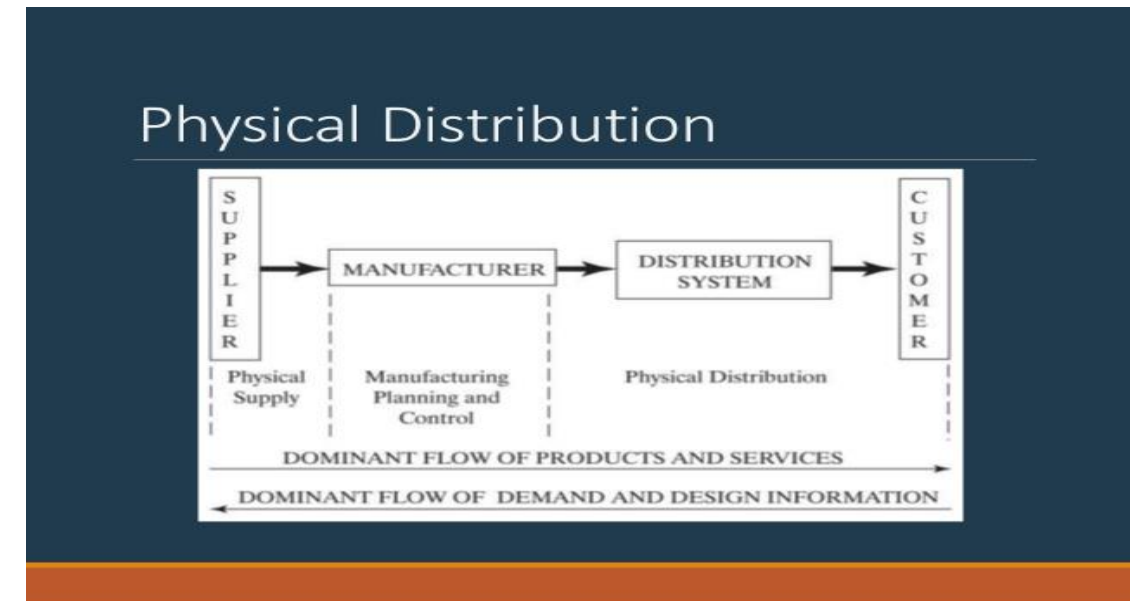
- **TYPES**

- **Physical Supply**

- goods moving from supplier to manufacturer
- “inbound”

- **Physical Distribution**

- goods moving from manufacturer to customers
- “outbound”



Activities in Physical Distribution

- 1.Transportation:** It involves various methods of moving goods outside the firms building
- 2.Distribution Inventory:** It includes all finished goods inventory at any point in the distribution system
- 3.Materials Handling:** It is the movement of stored goods inside the distribution center
- 4.Packaging:** Goods moving in a distribution system must be contained protected & identified
- 5.Order Processing:** It includes all activities needed to fill customers orders



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Thank You

