

Marketing Management

MGM612

Dr. Ayman Hassan

Lecture - **10** - **Marketing Channels Management**



Chapter
10

Marketing Channels Management

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In the previous lecture,

We have discussed

✓ In the previous lecture, we presented the topic of the Branding, We explained a set of topics, which are as follows:

1. Major Pricing Strategies
2. New-Product Pricing Strategies
3. Product Mix Pricing Strategies
4. Price Adjustment Strategies
5. Price Changes

Pricing Strategy

Definitions, Types Of Strategies, Examples, & Tactics



After studying this chapter you will be able to know all of the following:

- 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.

Definition of Marketing Channels



The most common marketing channels are:

- **Direct marketing:** Email or postal mail.
- **Advertising:** They use advertising to spread awareness about their products and services.
- **Salesmanship:** Salesmanship is a combination of advertising, public relations, and direct marketing.
- **Event marketing:** Using events (such as trade shows or conferences) to attract new customers.
- **Social media:** Social media platforms such as Facebook, Twitter, and LinkedIn.
- **Mobile marketing:** Using mobile devices (such as smartphones and tablets) to reach your target market.
- **Email marketing:** A great way to stay in touch with your customers and promote your brand or product.
- **Web marketing:** Using websites to promote your brand and sell your products or services online.
- **Public relations (PR):** The practice of creating positive media coverage for your company or product in order to attract new customers and enhance your brand reputation.

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.

- 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

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

- ✓ 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.

- 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?”

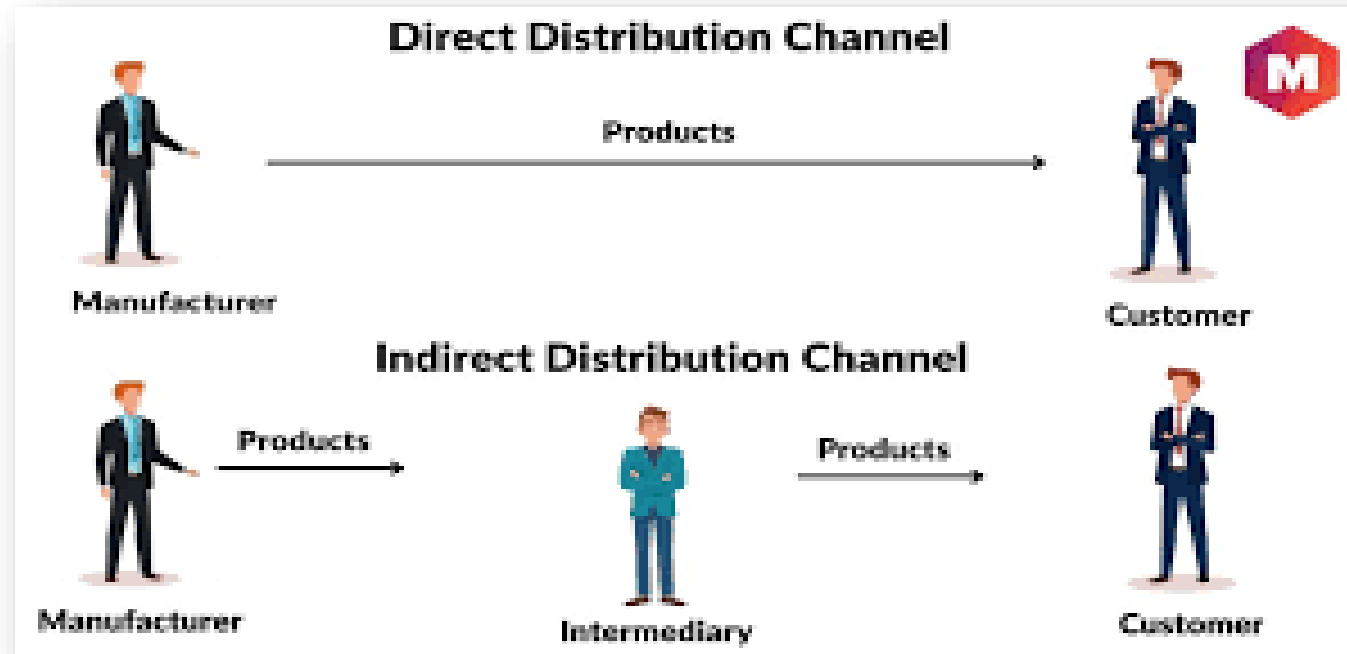
Channel Tasks Include:

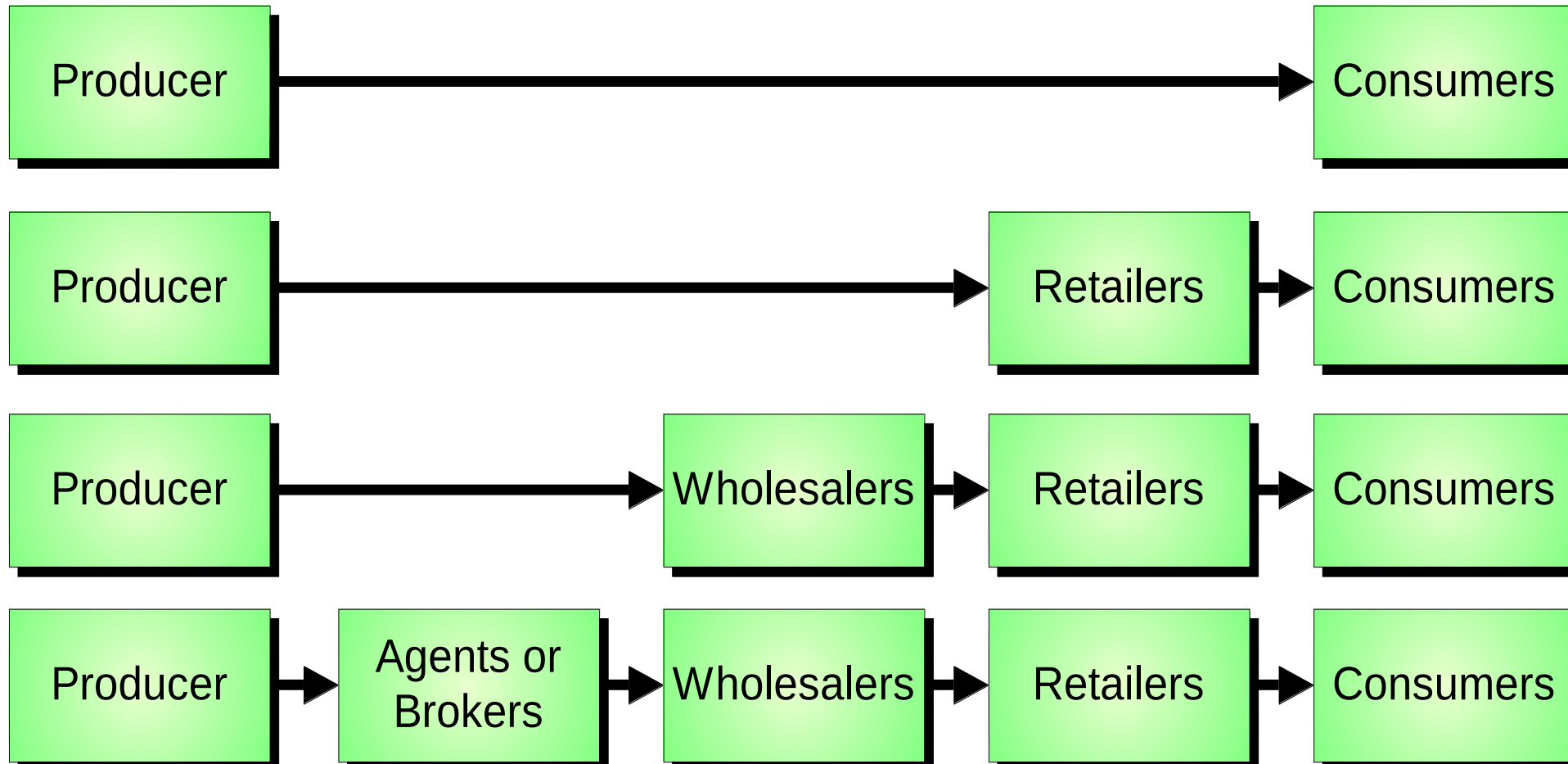
- Contacting potential buyers
- Negotiating
- Selling
- Contracting
- Transferring title
- Training

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

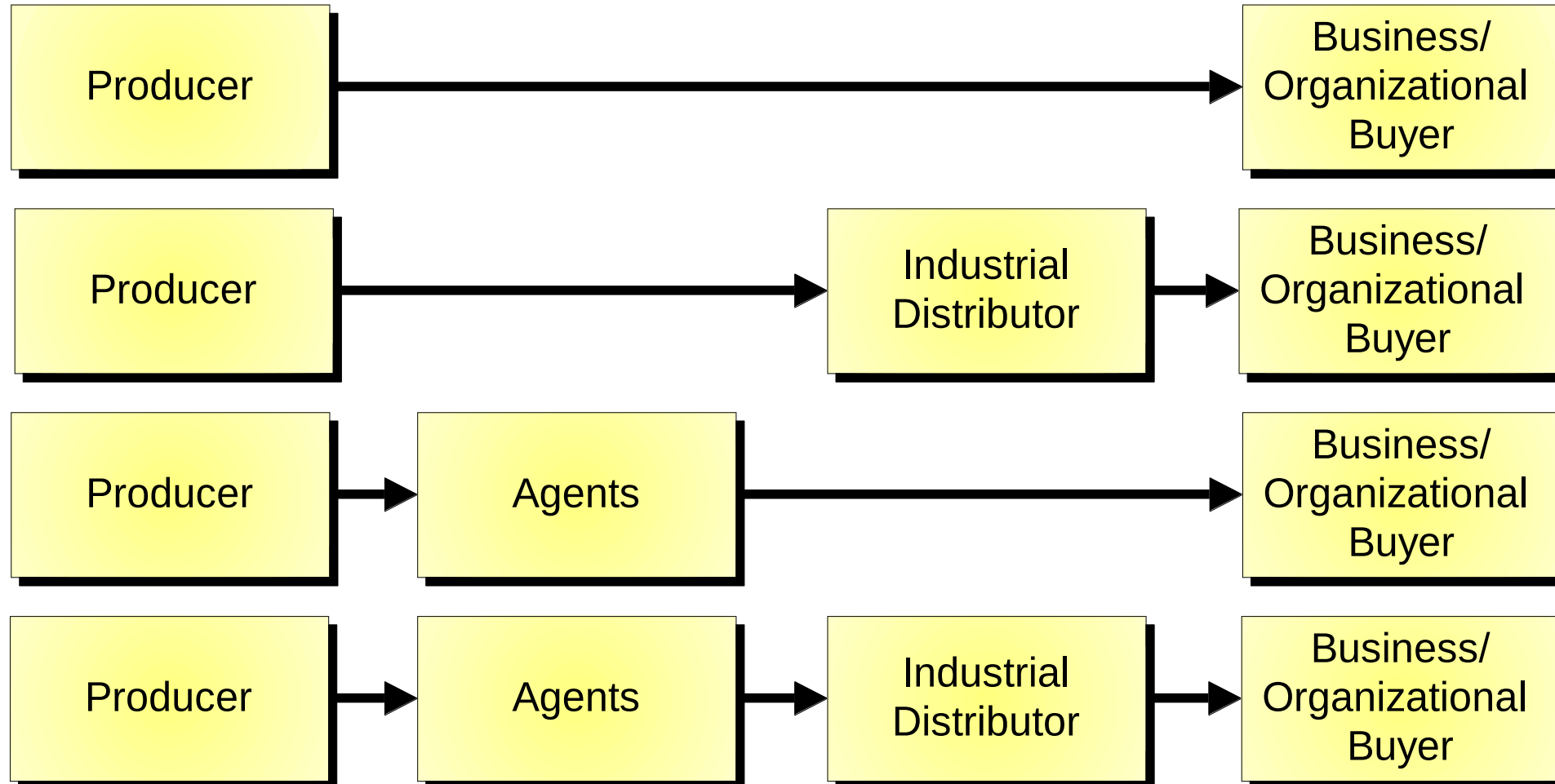
❖ Who performs the Tasks ?

- ✓ **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 for Industrial Products





So, we need marketing channels for specialization and division of labor, thus efficiency and effectiveness, and thus overcoming problems.

Channel Functions Performed by Intermediaries

Transactional Functions

- ✓ Contacting & Promotion
- ✓ Negotiation
- ✓ Risk taking

Logistical Functions

- ✓ physical distribution
- ✓ Sorting and Regrouping Products
- ✓ Storing and Managing Inventory

Facilitating Functions

- ✓ Researching & Information
- ✓ Financing

Transactional Functions

Contacting/Promotion

Negotiating

Risk Taking

Logistical Functions

Physically distributing

Storing

Sorting

Facilitating Functions

Researching

Financing

INTERNAL

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

EXTERNAL

- Customer characteristics
- Culture
- Competition

❖ **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

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

- **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

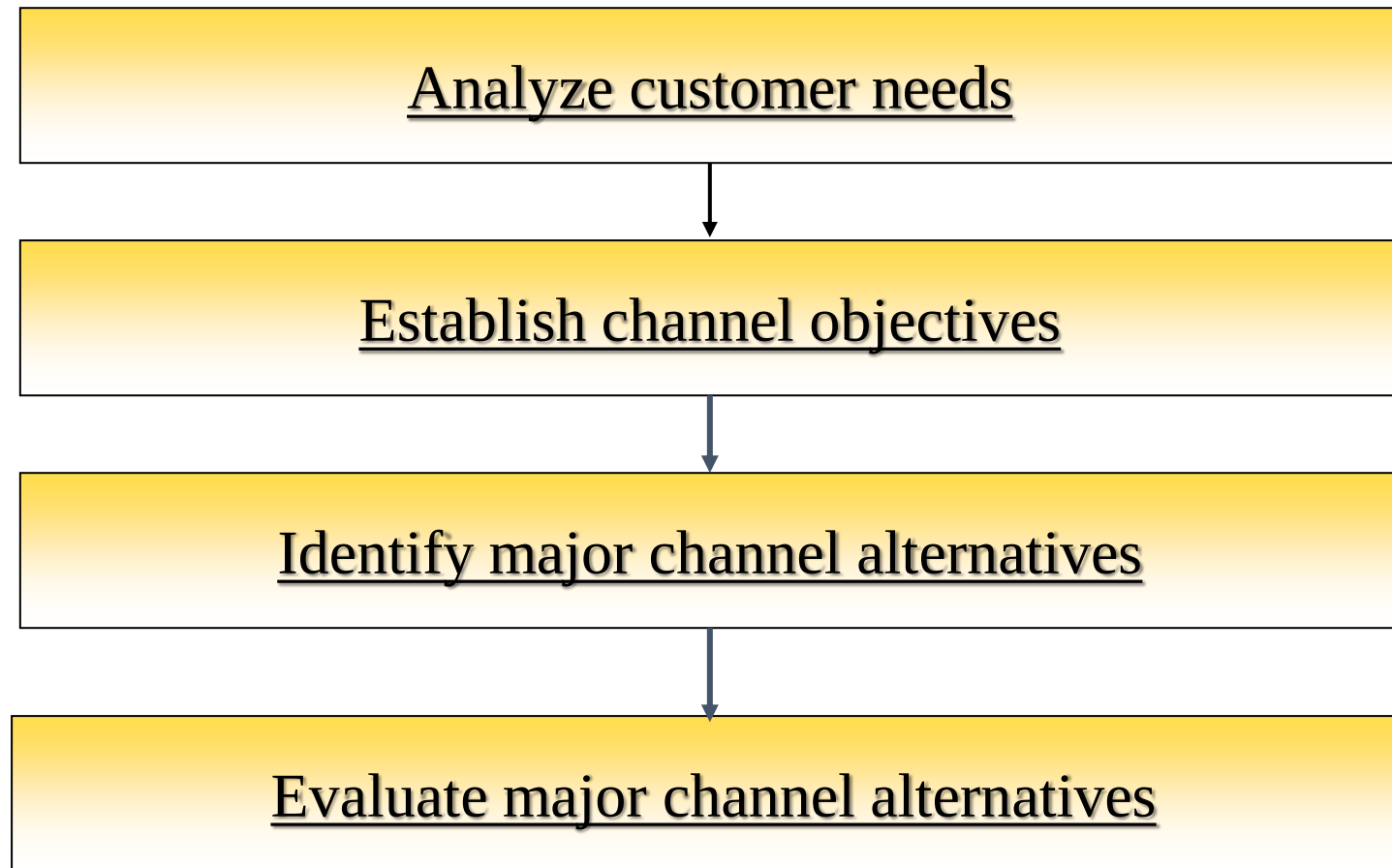
- ❑ Evaluation of Capabilities and Costs
- ❑ Evaluation of Channel Compatibility:
 - ❖ Product Considerations
 - ❖ Pricing Considerations
 - ❖ Marketing Communications Considerations
- ❑ Evaluation of Availability

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

Types of intermediaries

Number of intermediaries

Terms and responsibilities

Exclusive

Selective

Intensive

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

- Coercive
- Reward
- Legitimate
- Expert
- Referent



- ❑ 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

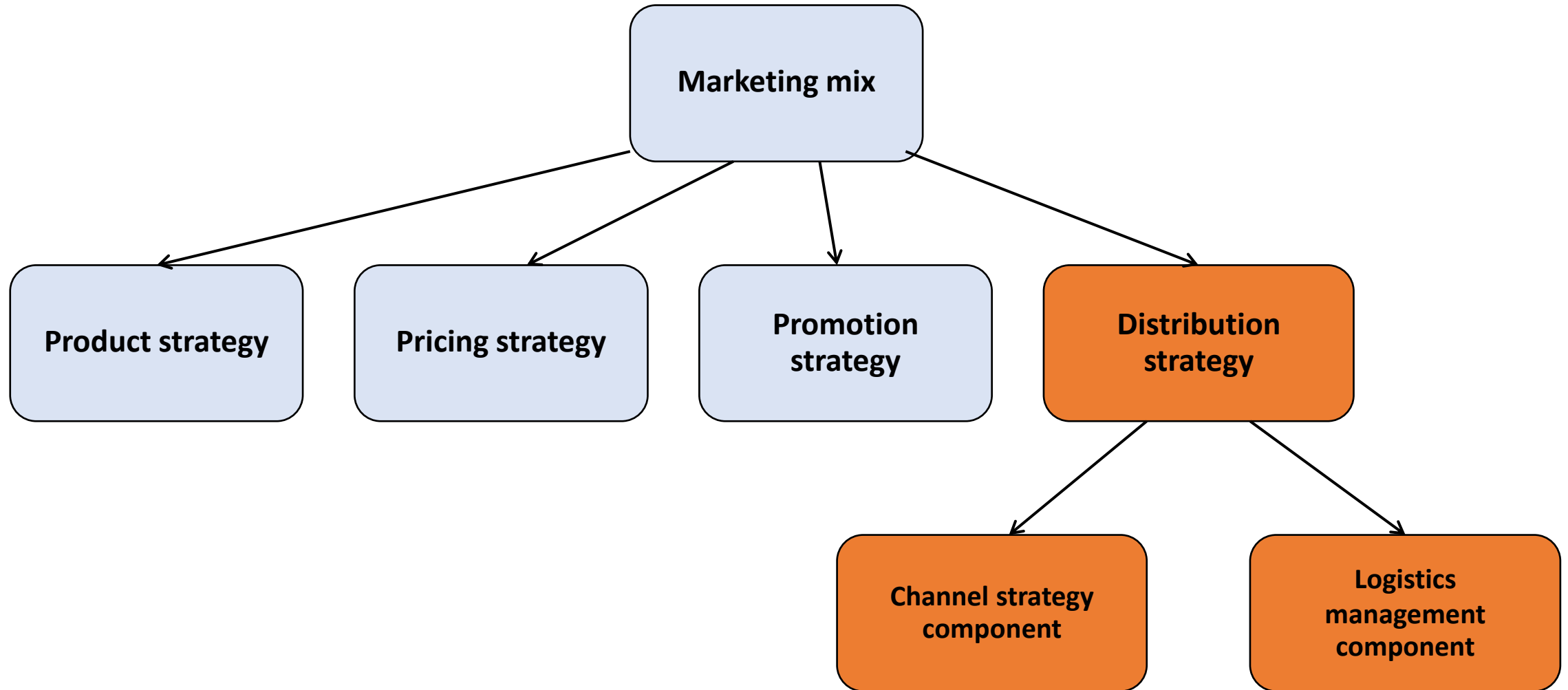
Motivating channel members

Evaluating channel members

Modifying channel members

- ❑ **Marketing 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.



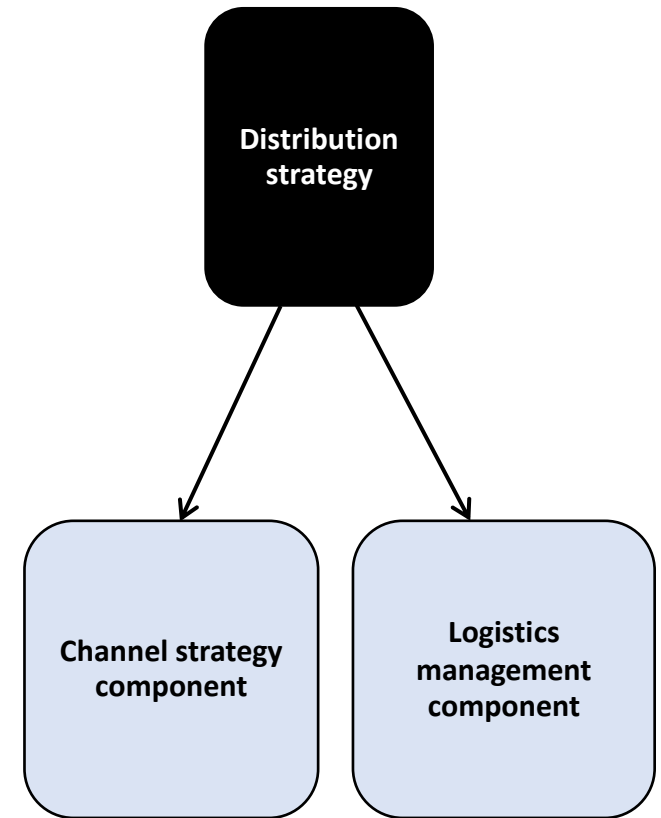


➤ Channel strategy

- is much broader and more basic component than logistics management.
- 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.

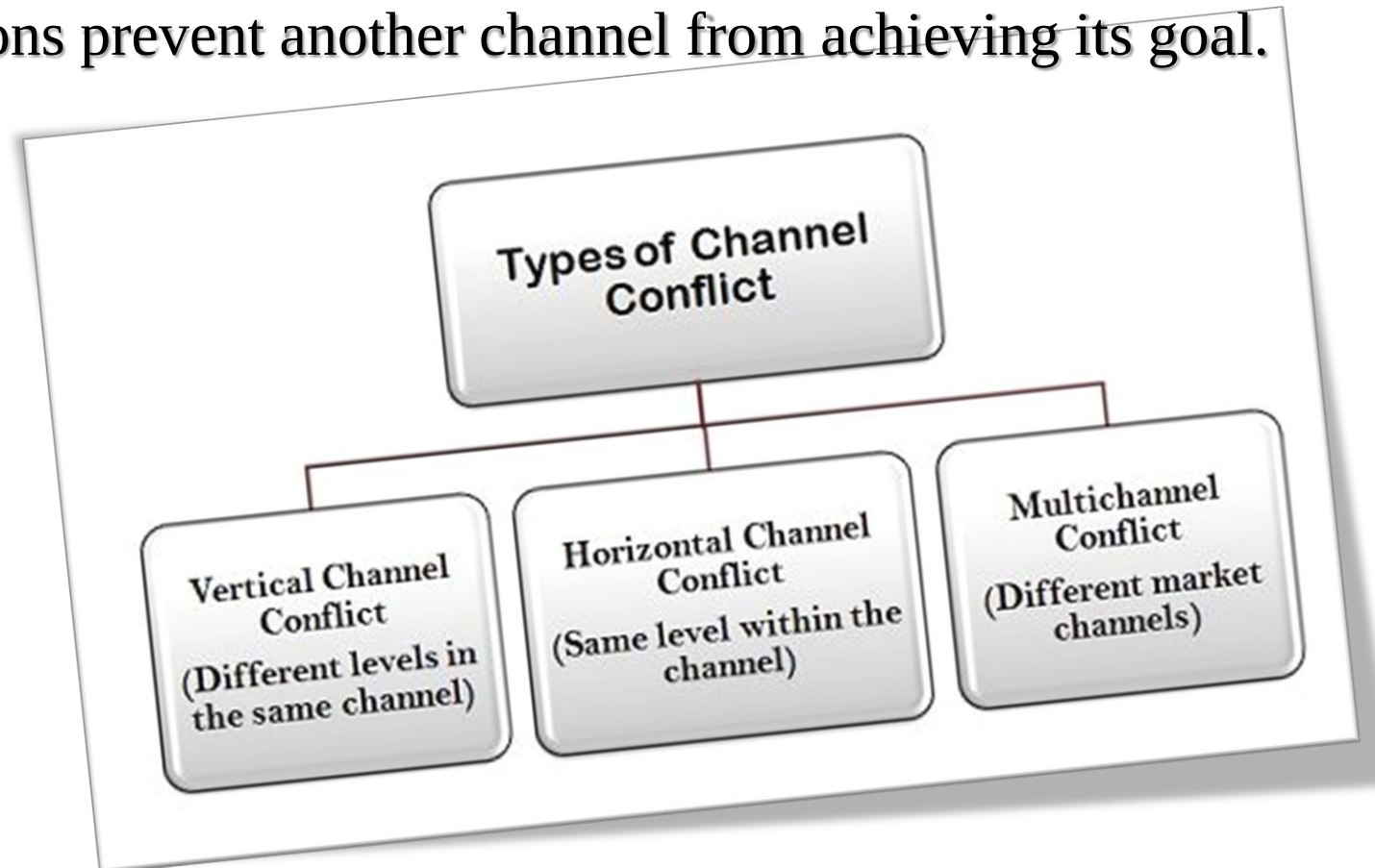
- **The actual physical movement of the product from the manufacturer through all of the parties who take physical possession of the product, from its point of production to final consumers.**
- 1. **Product flow**
- 2. **Negotiation flow**
- 3. **Ownership flow**
- 4. **Information flow**
- 5. **Promotion flow**

❑ Channel conflict

Occurs when one member's actions prevent another channel from achieving its goal.

❑ Types of channel conflict

- Vertical
- Horizontal
- Multichannel



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

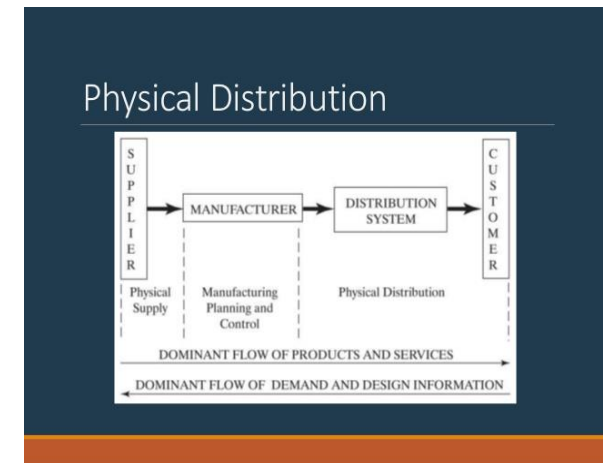
Strategies for Managing Channel Conflict

- Adoption of superordinate goals
 - Exchange of employees
 - Joint membership in trade associations
- Cooptation
 - Diplomacy
 - Mediation
 - Arbitration
 - Legal recourse

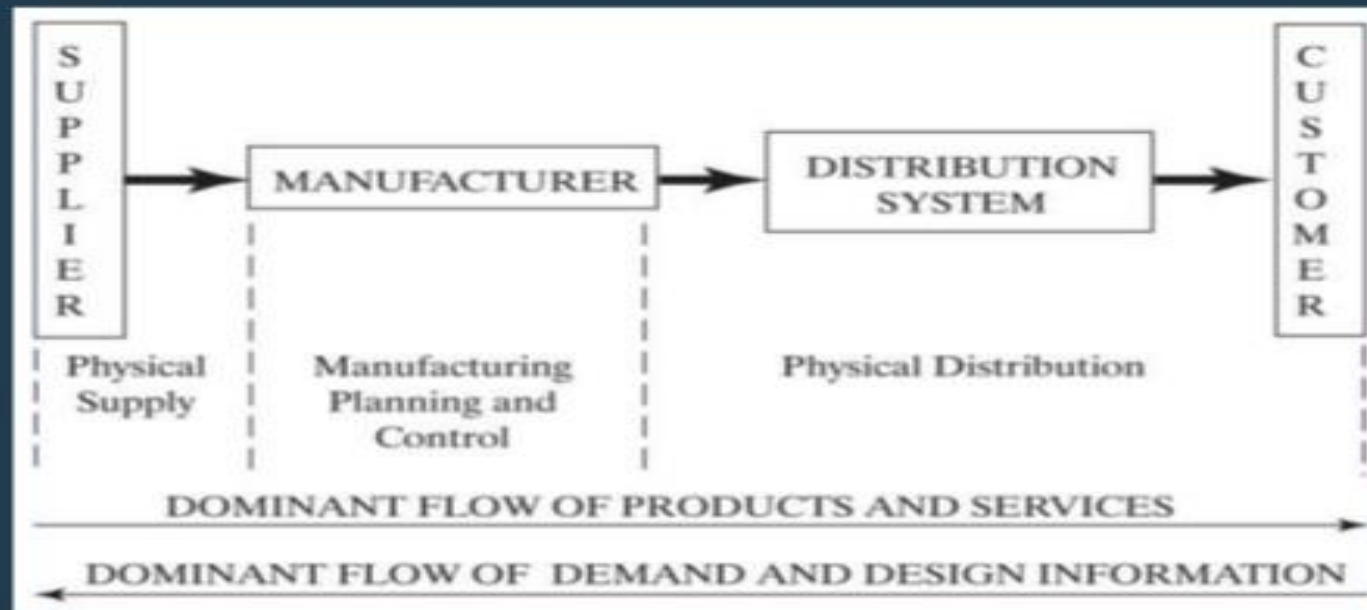
- ❑ **Physical distribution** is responsible for delivering to the customer what is wanted on time & at minimum cost
- ❑ The Objective of distribution management is to design & operate a distribution system that attains the required level of customer services & does so at least cost

• TYPES

- Physical Supply
 - goods moving from supplier to manufacturer
 - “inbound”
- Physical Distribution
 - goods moving from manufacturer to customers
 - “outbound”



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

Channel: Different options for getting products to consumers and businesses that want to buy them.

Channel Density: To achieve optimal market exposure.

Channel Length: The total number of channel members.

Distribution Patterns: These are determined by considering the needs of consumers as well as the nature of the product itself.

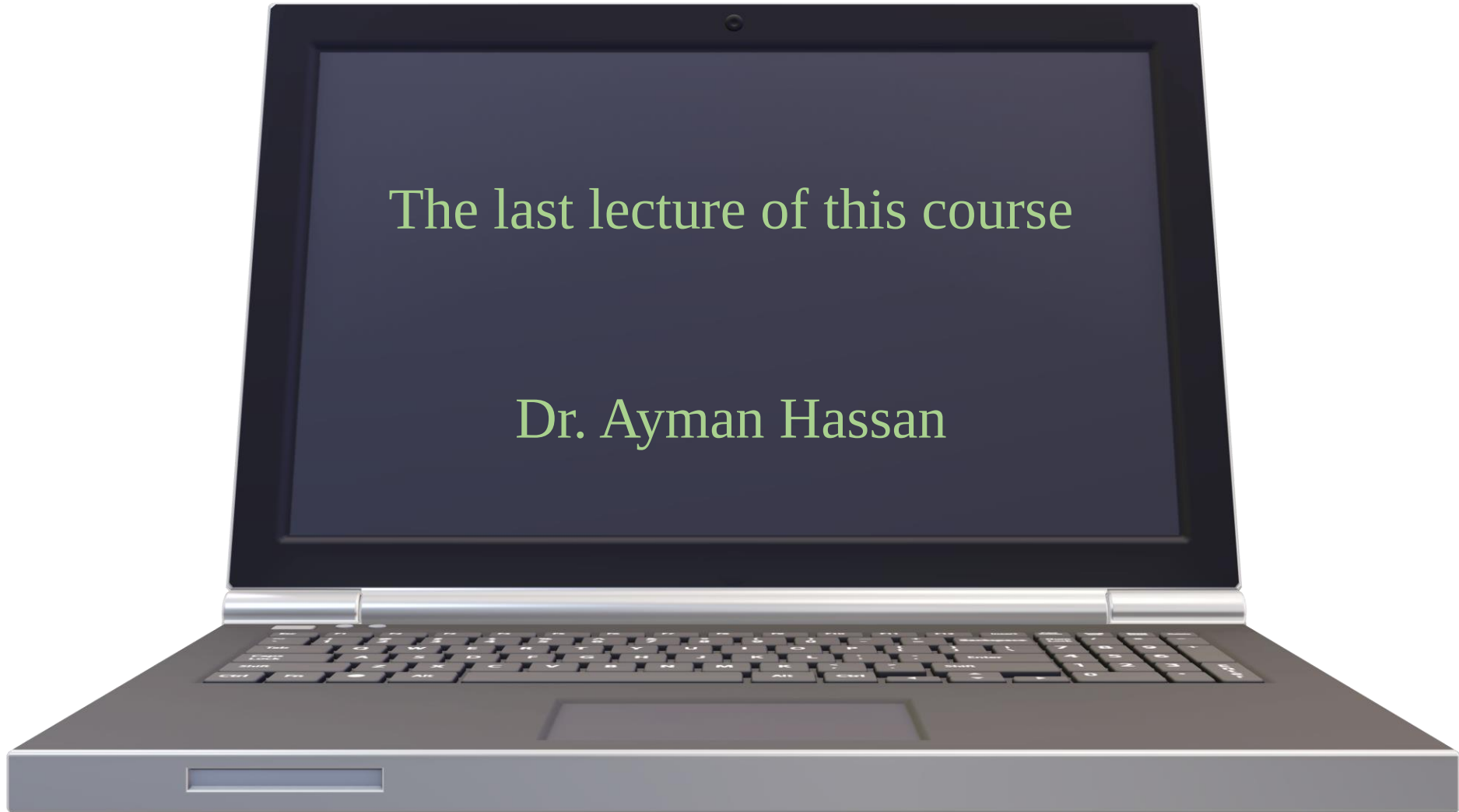
Exclusive Distribution: This means selling the product through only one intermediary in a geographic area. Marketers use this method when they need to maintain tight control over the product.

Selective Distribution: This means selling the product through a limited number of wholesalers and retailers in a geographic area. Marketers use this method when they want to deal with intermediaries that they feel will do the best job of promoting and selling their products.

Intensive Distribution: This means selling the product through every available wholesaler and retailer in a geographic area where consumers might be looking for it. Marketers use this method when they are trying to reach as many consumers as possible

The last lecture of this course

Dr. Ayman Hassan



Resources and References

[What is Channel Power? definition and meaning - Business Jargons](#)

[Direct Channel - Definition, Importance, Types and Benefits Information | Marketing91](#)

[What is Channel Conflict Management? definition and meaning - Business Jargons](#)

[Marketing Channels: Concept, Importance, Levels and Types - GeeksforGeeks](#)

[What are Marketing Channels? Definition, Factors, Functions - The Investors Book](#)



