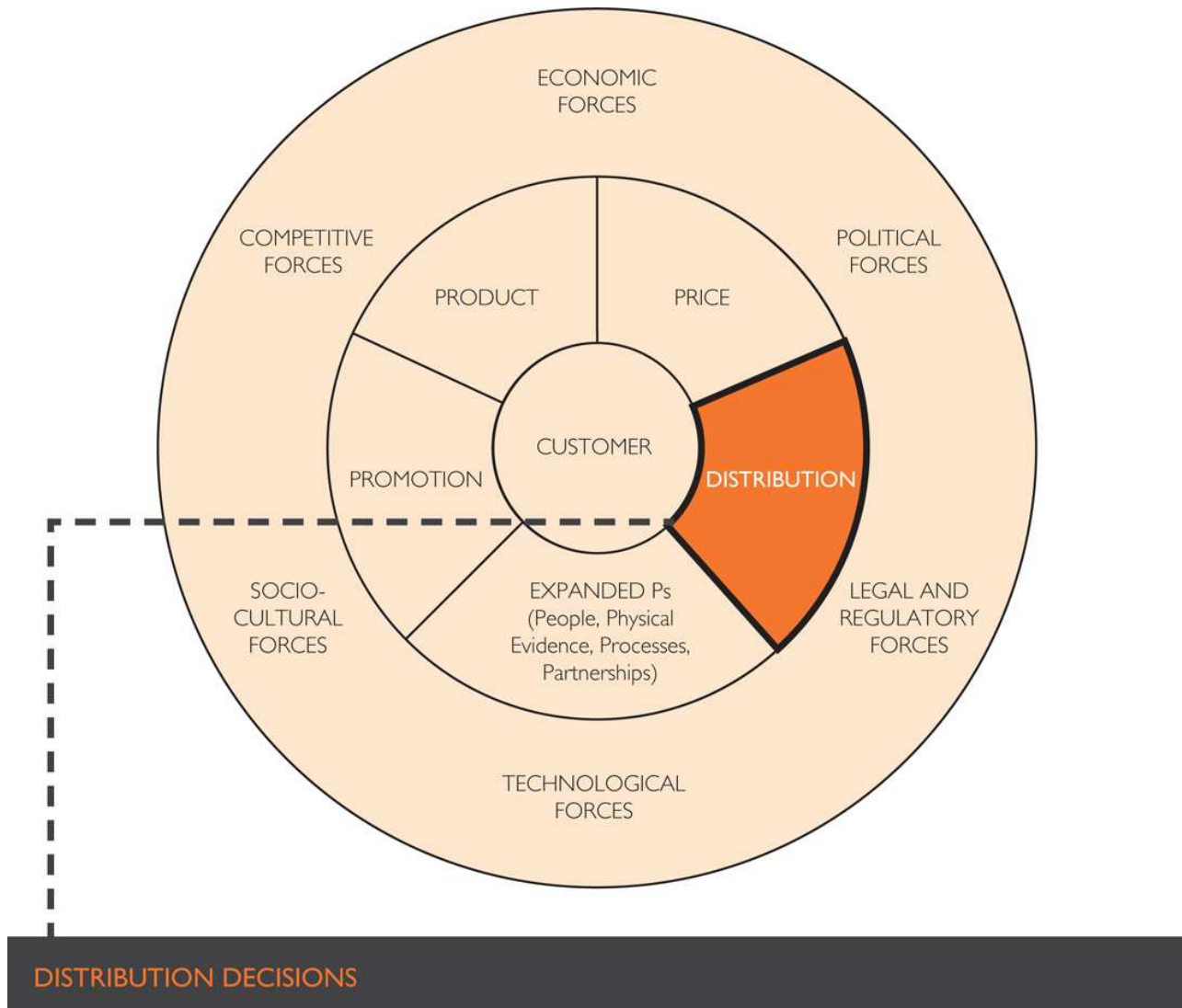




Learning Objectives:

- Discuss the concepts of distribution and marketing channel
- Explain the functions of marketing intermediaries
- Recognise the various forms of direct marketing and selling
- Identify the major types of retailers and explore strategic issues in retailing
- Understand the nature and functions of wholesalers
- Examine strategic issues in marketing channels
- Understand the various physical distribution decisions to be made



Concepts of Distribution and Marketing Channel

- **Distribution** – the decisions and activities that make products available to customers when and where they want to purchase them
- **Marketing (distribution) channel** - a group of individuals and organisations that produce products for, and deliver products as middlemen to, customers

Marketing Intermediaries

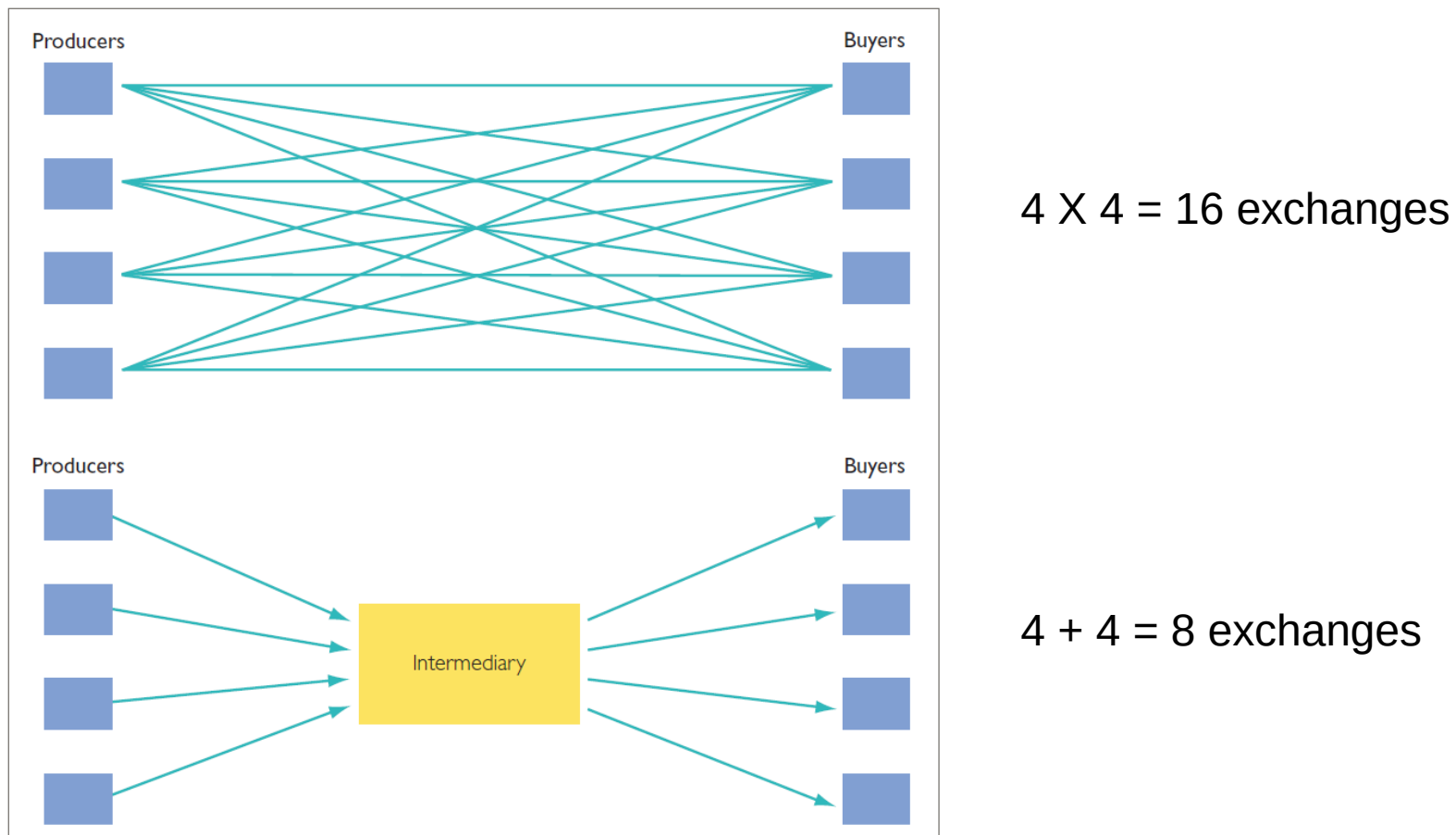
- Middlemen that link producers to other intermediaries or ultimate consumers through contractual arrangements or through the purchase and resale of products
 - Resellers/Wholesalers/Distributors/Retailers
 - Physical distribution firms
 - Marketing Services Agencies
 - Financial Intermediaries

Marketing Channel Functions

Marketing activities	Sample activities
Marketing information	Analyse sales data and other information in databases and information systems Perform or commission marketing research
Marketing management	Establish strategic and tactical plans for developing customer relationships and organisational productivity
Facilitating exchanges	Choose product assortments that match the needs of customers Cooperate with channel members to develop partnerships
Promotion	Set promotional objectives. Coordinate advertising, personal selling, sales promotion, publicity and packaging
Price	Establish pricing policies and terms of sales
Physical distribution	Manage transportation, warehousing, materials handling, inventory control and communication

(Table 11.1, Pride 2e, p. 365)

Marketing Channels Facilitate Exchange Efficiency

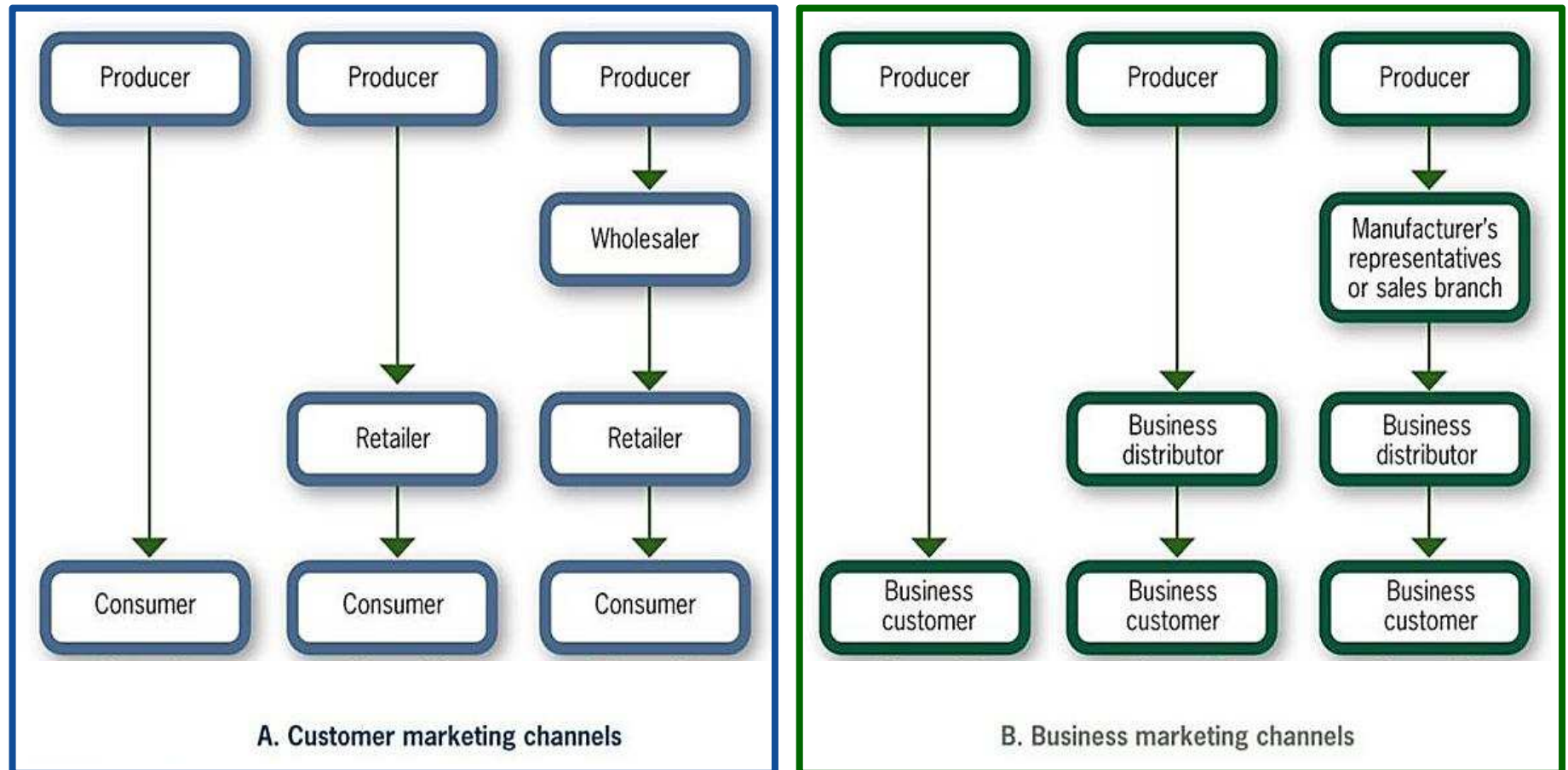


(Figure 11.1, Pride 2e, p. 367)

Types of Marketing Channel

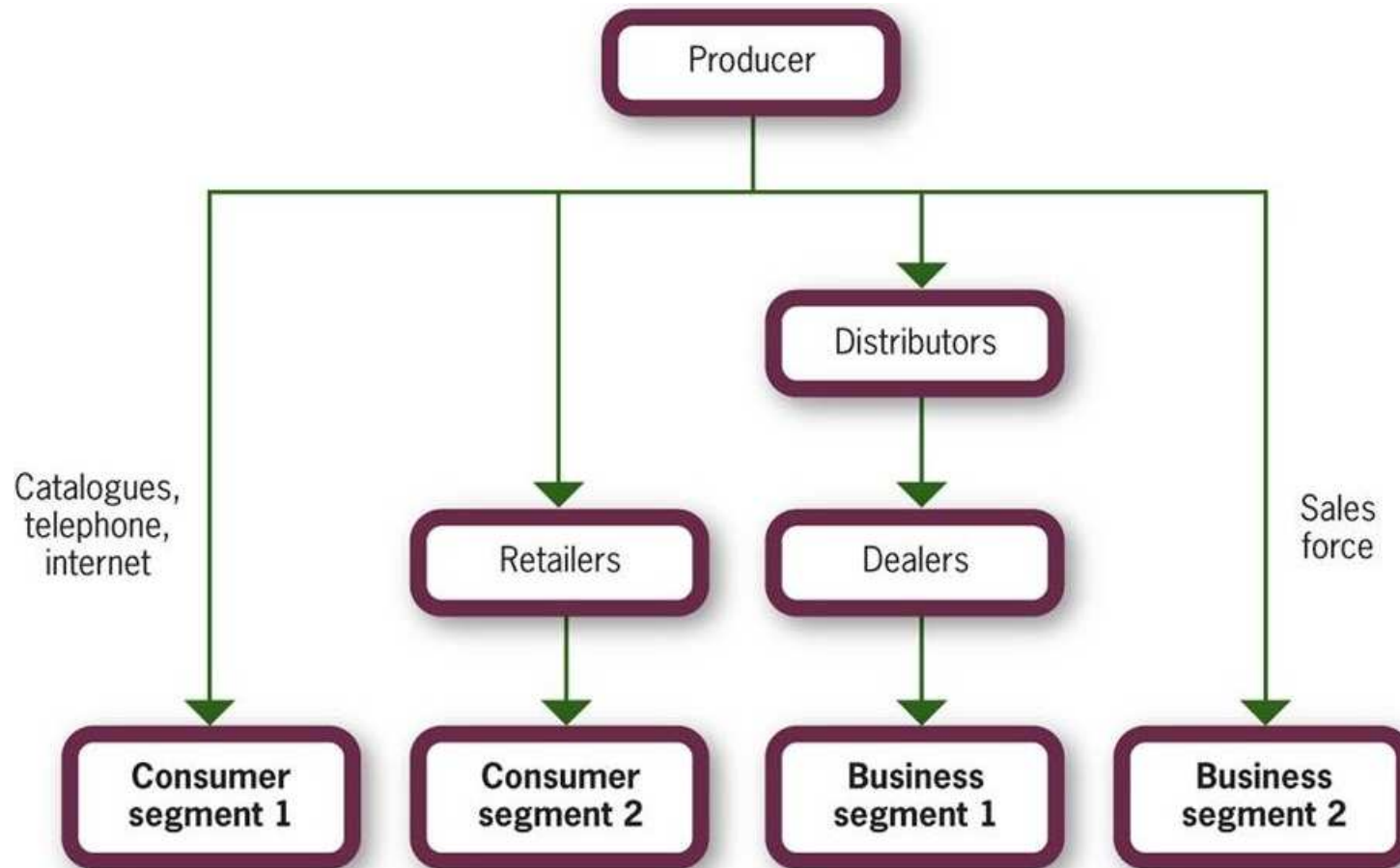
- **Direct** – a marketing channel owned and managed by a single channel member to supply a target market segment
- **Indirect** – a marketing channel comprised of several independently owned channel members who work together to serve a target market segment
- **Multiple** – a combination of direct and indirect channels whereby each channel is used to reach a different target market
- **Hybrid** – a combination of direct and indirect channels whereby different channels are used to reach the same target market segment

Channel Organisation



(Kotler et al., 2013, p. 394)

Channel Organisation



(Kotler et al., 2013, p. 410)

Direct Marketing

- The use of telecommunications and non-personal media to introduce products to consumers, who then can purchase them via mail, telephone or the Internet
- **Catalogue marketing** – customers select from catalogues
- **Direct response marketing** – customers respond to ads with mail or telephone orders
- **Telemarketing** – products sold by phone
- **Television home shopping** – customers order products seen on TV by telephone
- **Online retailing** – customers shop and buy online

Direct Selling

- The marketing of products to ultimate consumers through face-to-face sales presentations at home or in the workplace
- Historically a cold-canvass, door-to-door approach, but more recently by identifying customers through mail, telephone or the internet, then setting up appointments

Retailing

- **Retailing** – all transactions in which the buyer intends to consume the product through personal, family or household use
- **Retailer** – an organisation that purchases products for the purpose of reselling them to ultimate consumers

Types of Retailers

GENERAL MERCHANDISE RETAILERS

A retail establishment that offers a variety of product lines that are stocked in considerable depth

SPECIALTY RETAILERS

Stores that carry a narrow product mix with deep product lines

General Merchandise Retailers

Type of retailer	Description	Examples
Department store	Large organisation offering wide product mix and organised into separate departments	David Jones, Myer
Discount store	Self-service general merchandise store offering brand name and private brand products at low prices	Target, Kmart
Convenience store	Small self-service store offering narrow product assortment in convenient locations	7-Eleven
Supermarket	Self-service store offering complete line of food products and some non-food products	Aldi, Coles, Woolworths
Superstore	Giant store offering all food and non-food products found in supermarkets, as well as most routinely purchased products	Mainly in Europe, North America and South America
Hypermarket	Giant store that combines supermarket and discount store; larger than a superstore	Mainly in Europe, North America and South America
Warehouse club	Large-scale members-only establishments combining cash-and-carry wholesaling with discount retailing	Costco
Warehouse showroom	Facility in a large, low-cost building with large on-premises inventories and minimal service	IKEA

(Table 11.2, Pride 2e, p. 378)

Specialty Retailers

➤ Traditional specialty stores

- Stores that carry a narrow product mix with deep product lines

➤ Category killer

- A very large specialty store concentrating on a major product category and competing on the basis of low prices and product availability

➤ Off-price retailers

- Stores that purchase manufacturers' seconds, overruns and off-season merchandise at below-wholesale prices
- Resale to consumers at deep discounts

Strategic Issues in Retailing

- LOCATION, LOCATION, LOCATION!!!
- **Store image** – a functional and psychological picture in consumers' mind
- **Atmospherics** – the physical elements in a store's design that appeal to consumers' emotions and encourage buying
- **Category management** – managing similar, often substitutable, products produced by different manufacturers

Franchising

- Arrangement in which a supplier (franchiser) grants a dealer (franchisee) the right to sell the franchiser's products in exchange for some type of consideration, such as percentage of the franchisee's sales or an annual fee
- Benefits for the franchisee include:
 - Provision of furnishing equipment, management know-how, marketing assistance

Wholesaling

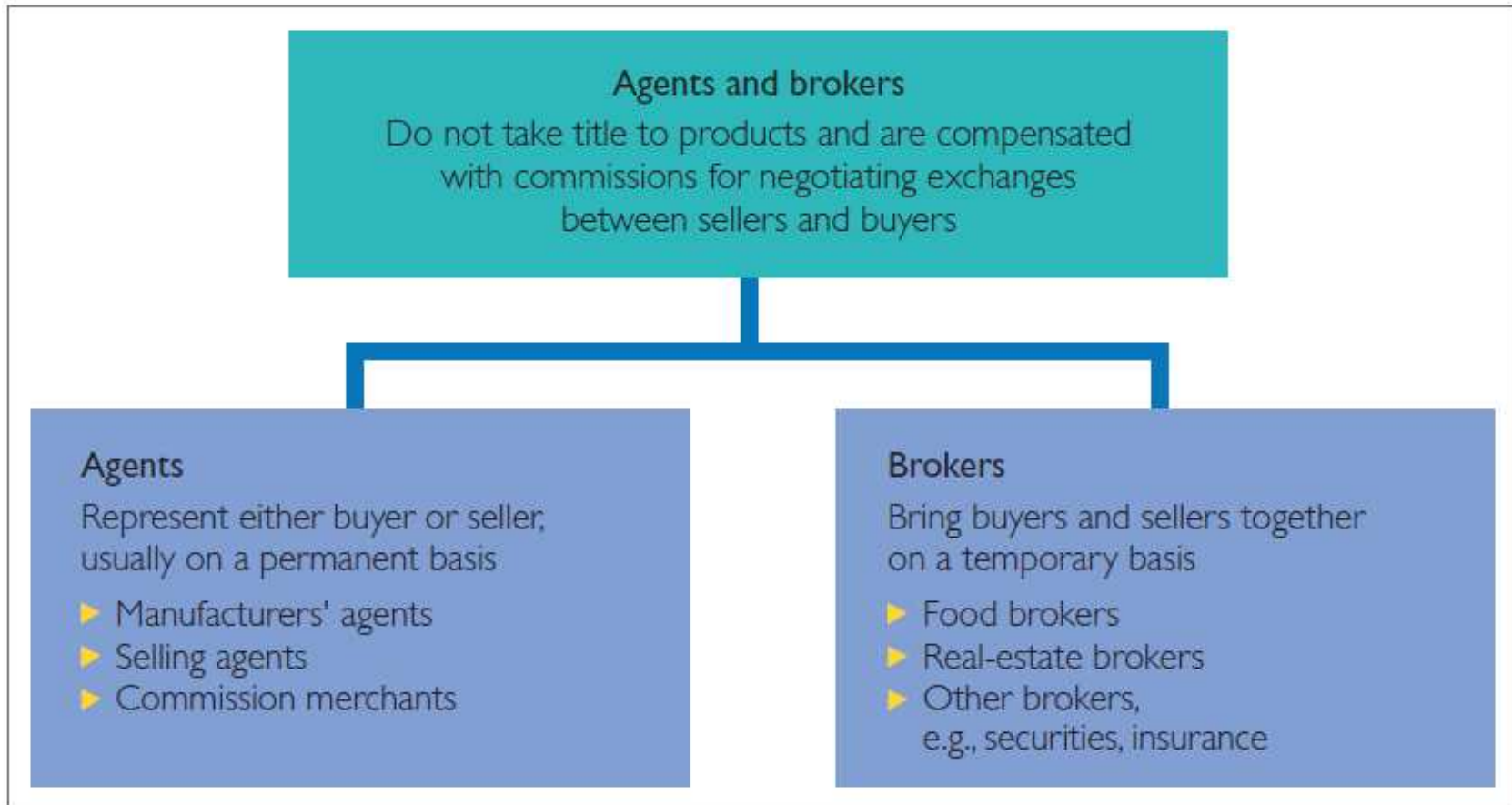
- **Wholesaling** – transactions in which products are bought for resale, for making other products or for general business operations
- **Wholesaler** – an individual or organisation that sells products that are bought for resale, for making other products or for general business operations
 - Merchant wholesalers
 - Agents and brokers
 - Manufacturers' sales branches and offices

Merchant Wholesalers



(Figure 11.3, Pride 2e, p. 391)

Agents and Brokers



(Figure 11.4, Pride 2e, p. 393)

Strategic Issues in Marketing Channels

- Selecting marketing channels
 - Factors affecting channel selection
- Channel leadership
- Channel cooperation
- Channel conflict
- Channel integration

Factors Affecting Marketing Channel Selection



(Figure 11.5, Pride 2e, p. 396)

Channel Leadership

- **Channel captain (leader)** – the dominant leader of a marketing channel or a supply chain who organises and controls the channel
 - May be a producer, wholesaler or retailer
- **Channel power** – the ability of one channel member to influence another member's goal achievement
 - Channel captain must possess channel power

Channel Cooperation

- Channel cooperation is vital to the success of the channel
 - Speeds up inventory replenishment, improves customer service and cuts the cost of bringing products to the consumer
 - Leads to greater trust and more satisfying relationship among channel members and improves the overall functioning of the channel
- Ways to improve channel cooperation
 - Direct efforts towards common objectives have to be agreed upon
 - Precise definition of each channel members tasks is required

Channel Conflict

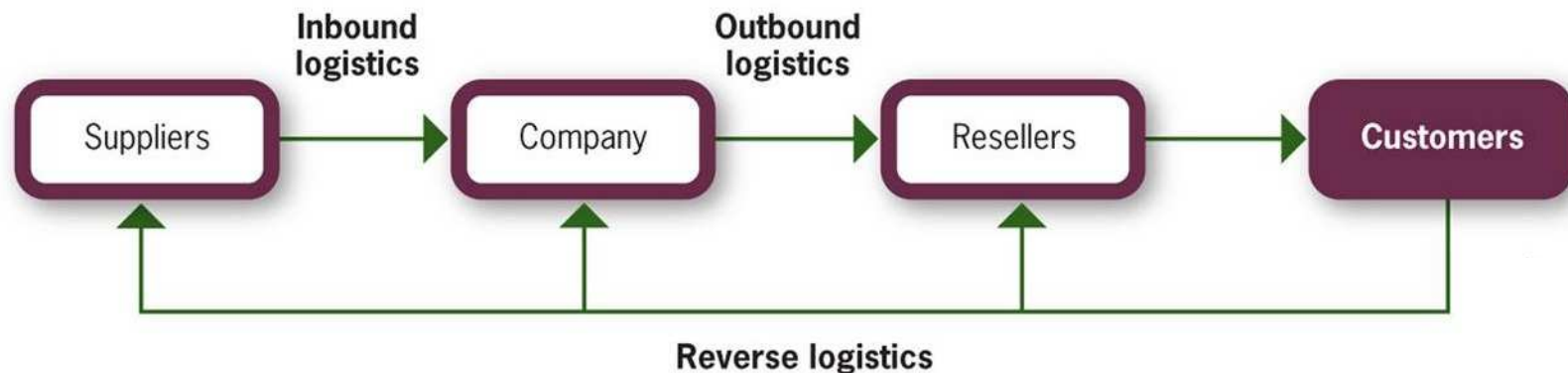
- There may be conflicts between channel members when
 - self interest creates misunderstanding about role expectations
 - there is increased use of multiple channels of distribution
 - intermediaries over emphasise competing products
 - producers strive to increase efficiency by going around channel members
- Methods for resolving conflict and re-establish partnership
 - The role of each channel member must be specified
 - Leadership and benevolent exercise of control are essential
 - Allocating different brands or markets among resellers

Channel Integration

- Various channel stages may be combined under the management of a channel captain
 - **Vertical channel integration** – combining two or more stages of the marketing channel under one management
 - **Horizontal channel integration** – combining organisations at the same level of operation under one management

Physical Distribution

- **Physical distribution (logistics)** – activities used to move products from producers to consumers and other end users



(Kotler et al., 2013, p. 396)

Physical Distribution (continued)

- Physical distribution activities
 - Order processing
 - Inventory management
 - Materials handling
 - Warehousing
 - Transportation
- **Outsourcing** – the contracting of physical distribution tasks to third parties

See pp. 371-77 of
the prescribed
textbook for details



Summary:

- A marketing channel is a group of individuals and organisations that direct the flow of products from producers to customers
- In most marketing channels, producers and consumers are linked by marketing intermediaries. The two major types of intermediaries are retailers and wholesalers. Marketers need to understand the nature and functions of different types of intermediaries
- Marketers should recognise the various forms of direct marketing and selling
- Marketers need to examine strategic issues in marketing channels, including the factors that influencing marketing channel selection, leadership, cooperation and conflict
- Efficient physical distribution (logistics) can decrease costs and transit time while increasing customer service