

WEEK 1: MARKETING CHANNEL CONCEPTS

Place = Provide sustainable **competitive advantage** → NOT EASILY COPIED/DUPLICATED

Marketing Channels = set of interdependent external organisations (firms involved in NEGOTIATING FUNCTIONS = **buying, selling, transferring**) that achieve distribution objectives and help make product available for use/consumption by customer or business
→ ensure right products get to right people

Highly digitised world → choice + convenience is key for seamless customer exp. but rapid changing env = more complex to meet demands + expectations

CHANNEL TYPES: 3 categories;

1. Distribution
2. Service
3. Communication

FOCUS IS ON DISTRIBUTION CHANNELS →

- how get to consumer
- varies depending on business, product, and partners involved
- At core → preference of end user (HOW, WHEN, WHY the buy)
- To meet business-to-consumer (**B2C**) and business-to-business (**B2B**) expectations, use a variety of channels (land + internet) needed

DISTRIBUTION CHANNELS:

1. SINGLE

Direct to consumer

2. MULTI-CHANNEL

- Known as HYBRID marketing
- Utilise 2 or more m. channels
- To not lose value and decrease cannibalisation of market
- Prevalent in mobile/virtual buying

3. OMNICHANNEL

- 'Next phase' multichannel marketing
- consumers utilise multiple channels to shop/research ANYWHERE + ANYTIME
- use of new channels to ↑ brand awareness + loyalty and offers flexible and CONSISTENT shopping experience

PURSUIT OF EFFECTIVE MULTICHANNEL STRATEGY: 4 key challenges:

1. Finding optimal multi-channel mix (eg. Apple → great channel portfolio)
2. Creating multi-channel synergies (enhance effectiveness of each other eg. GPS @ GP)
3. Avoiding multi-channel conflicts (distributor vs. online)
4. Gaining a sustainable comp. adv via multi-channel strategy

FLOWS IN MARKETING CHANNELS:

1. Product Flow

Actual physical mvmnt of prod from manufacturer to consumer

2. Negotiation Flow

Interplay of buying + selling functions w/transfer of title/rights of ownership → 2 way process involving mutual exchange b/w buyer and seller

3. Ownership Flow

Mvmnt of title from one stage in process to another

4. Information Flow

All parties participate in exchange of info (UP or DOWN → consumer to manu/or reverse)

5. Promotion Flow

Flow of persuasive communication in form of advertising, personal selling, sales promotion, publicity → adds advertising agency as element of promotion

Ancillary Structure: Group of institutions (facilitating agents) that assist ch. Members in performing dist. Tasks → after basic decisions made → NOT INVOLVED IN NEGOTIATION
Ch. Manager → develops optimum channel based on:

- **Specialisation** (allocation to those who can do most efficiently)
- **Division of labour**
- Contactual efficiency

→ these determine whether to use intermediaries (wholesalers + retailers) or facilitation agencies to ↑ efficiency

Vs.

Channel Structure: Those INVOLVED IN NEGOTIATION TASKS + MAKE DECISIONS → group of ch members to which set of dist tasks have been allocated to implement dist strategy → now referred to as multi-channel structure → especially when E-commerce via online sales + conventional sales is used

→ *Channel strategy* concerned w/entire process of setting up + operating dist objectives vs.

Logistics management focused on providing product availability at appropriate time + place in m. channel

Facilitating agencies = transport, storage, warehousing, banks, insurance, advertising firms

WEEK 2: CHANNEL PARTICIPANTS AND ENVIRONMENT

Marketing Channel Participants:

1. PRODUCERS + MANUFACTURERS

- Involved in EXTRACTING, GROWING + MAKING products
- Offer products to satisfy needs of consumer

2. INTERMEDIARIES (wholesale + retail)

- Independent businesses that perform negotiatory + dist tasks for prod + manu
- Type selected will vary depending on expertise, complexity of prod + TM (final users)
- Common intermediaries:

Agents, brokers, commission merchants:

Act as selling arm, take possession but DON'T OWN THEM → makes profit from commissions/fees paid for services

(offer media coverage, make sales contacts, process orders, gather m info, manage prod availability, customer services, holding inventory, breaking bulk, credit)

Merchant wholesalers:

Take titles to merchandise they handle, own prod they sell, purchase in bulk + store till resell to other intermediaries for a PROFIT, sell in smaller quantity

(offer m coverage, make sales contacts, holding inventory, process orders, gathering m info, offer customer support)

→ **dist tasks:** assurance of prod availability, customer services, extended credit + financial assistance, assortment convenience, break up of bulk, advice + technical support

Manufacturer's sale branches + offices:

Represent wholesaling by sellers/buyers themselves → separate from manu plants

Distributors:

ONLY carry complementary product lines **EG.** Either pepsi OR coke (wholesaler can carry both competitors)

Therefore, engage in exclusive buying arrangements to LIMIT no. of participants or to cover specific territories + have CLOSE R/SHIPS w/suppliers + customers → take title till sold

Retailers:

Takes title from other intermediaries, can be independently owned OR part of large chain (eg. Walmart)

Sell prod to user for PROFIT

(offer point of contact; personal selling, advertising, display; interpret customer demands through channel; divide large quant into consumer sized lots; offer storage + close access; remove substantial risk from prod by advance ordering)

3. FINAL USERS

➤ Consumer + industrial

- **Shift of distribution tasks to intermediaries**

Some manu + prod still sell direct (DISINTERMEDIATION), but using int → can achieve economies of scope + scale as spread fixed cost over large quantities + more diverse product range → allows manu + producers to operate against lower average production costs

EG. Crayons - selling direct to consumer (high price) whereas selling to intermediaries = cost effective (easier for bulk stock, not indiv packets, warehousing, transport in large bulk)

EG. Amazon – extensive global dist network; intermediary b/w buyer + seller
Buy on website → from warehouse or manufacturers

- **COMPETITIVE ENVIRONMENT - 4 TYPES OF COMPETITION:**

Horizontal competition:

- b/w firms of SAME TYPE + at SAME LEVEL in m. channel
eg. Walmart + Kmart or automobile company vs automobile company

Vertical competition:

- b/w ch. members at different levels in channel
eg. Supermarkets that carry house brands or retailer vs wholesaler

Intertype competition:

- b/w different types of firms at same level in channel
eg. Merchant wholesaler vs manufacturer rep
Ace hardware vs local specialty paint store

Channel System competition:

- complete channels competing with complete channels
eg. McDonalds (corporation + franchise) vs Burger King (corporation + franchise)

- **TECHNOLOGICAL ENVIRONMENT:**

➤ Continuously + rapidly changing (laptops, GPS, smartphones, e-books)

➤ Helps retailers + wholesalers monitor success/failure of prod handling

➤ **Electronic Data Interchange (EDI)**

- Links together channel info systems + provides real time responses to guide prod schedules + inventory replenishment/management
- Enhanced by internet
- Enhances overall dist EFFICENCY
- But argues that takes away human interaction in channels

→ tech delivers power of info to channel members

→ inventory management

EVALUATION of ch members against criteria (scorecard, results, KPI's, questionnaire) →

TESTS CHANNEL DESIGN

WEEK 3: STRATEGY IMPORTANCE IN MARKETING CHANNELS

• IMPORTANCE OF MARKETING CHANNELS

→ Critical area for delivering customer value + creating sustainable comp. advantage
→ Power of growing distributors: power retailers – act as buying agents for customers rather than selling agents for manufacturers → results in shift from producers w/large. Retailers controlling access to market place

EG. 'The big 2' – Coles and Woolies own more than 75% of marketplace + pushing out smaller businesses (milk, land ownership, exclusivity, etc)

• EXPLOSION OF IT + E-COMMERCE

Prediction = **DISINTERMEDIATION** (removal of intermediaries to cut operating costs → can lead to having to do everything – sole responsibility of handling, managing, resolving issues)

Reality = **REINTERMEDIATION** (evolution of new type of intermediary → AMAZON, eBay)

→ Back in 90's thought that would be able to cut out all brick and mortar stores via internet

• THE NEED TO REDUCE DISTRIBUTION COSTS

- To focus on channel structure + management
- For packaged goods → dist costs up to 41% of total price

• KEY CONSIDERATIONS WHEN FORMING CHANNEL STRATEGY

- Use additional intermediaries to ↑ CONTACTUAL EFFICIENCY (how easy to get prod to end user)
- Negotiation effort required b/w buyer and seller
- Direct to retailers most costly; through wholesaler to take resp of selling
Eg. Guitars

• TO PROVIDE SATISFACTION → COMBINATION OF:

- TM demand; looking at consumer habits + behaviours (demand for convenience + choice)
- In-store customer service; personalised advice/care, enhancing immediate purchase + post exp → training, development, recruitment in KEY
- Competitive parity; address needs to increase loyalty that isn't easily copied
- Multiple branches; increase convenience, exposure, opportunities
- Distribution neglect; when competition neglects = opportunity
- Distribution and synergy; 'hooking up' w/mix of cooperative ch. members to increase r/ships (via incentives)
- Differential advantage + channel design; long term advantage position in market

- **6 BASIC DISTRIBUTION DECISIONS FIRMS NEED TO CONSIDER:**

→ to achieve distribution objectives

- 1. The role distribution plays in the firm's overall objectives and strategies**

- Need to decide for company's long-term objectives or short-term strategy

- 2. The role distribution plays in the marketing mix**

Product:

- Offers limited ability to hold/gain competitive advantage
- Coming up w/new product → doesn't mean dominance (eg. Tablets)

Price:

- Price wars erode profitability + provide unstable basis for sustaining comp adv

Promotion:

- Can be expensive + short lived (superseded by next big thing)

PLACE:

- market channels support + enhance other P's to meet demand of TM

This change in focus = comp adv; builds strong r/ships b/w manu + ch members; based on trust, confidence + people power

- 3. Design of marketing channels to meet distribution objectives**

- Process involves setting up channel by modifying existing or developing new
- To help firm achieve objectives
- May use as method to gain differential advantage (long term + difficult to imitate)

- 4. Selection of channel members to meet objectives**

- Cost, profit + r/ships stand out at core of selection
- Congruent w/dist objectives + represent manufacturer well

- 5. The management of the marketing channel**

- in order to implement the channel design effectively + efficiently
- developing close r/ship with members
- look at motivating to achieve objectives

- 6. The evaluation of channel member performance**

- If desired objectives met + channel designed and managed efficiently
- If not, corrective measures must be implemented
- Crucial to preventing huge loss for organisation

→ dist allows able achieve overall obj + strategies

Eg. Tesco/Home Plus → virtual stores in Korea using QR codes to reduce waiting time → this increases online presence and increases customer registration and management (CRM)

MOTIVATING CHANNEL MEMBERS TOOLS: Rapport (financial incentives), Display (compared to comp), Presentation (window display catch eye/persuade), enthusiasm (motivated at high level)