

MANAGING DELIVERY CHANNELS

Bibliography:

Kotler, Keller, Brady, Goodman and Hansen (2012), Marketing Management, 14 ed, cap. 15.

Wirtz and Lovelock (2016), Services Marketing, 8th ed., Chapter 8.

The Future of Delivery?

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- “Drones have become a valid alternative to support the delivery process and several big companies, such as, Amazon and DHL, have started to use them for parcels deliveries.” (Pugliese et al. 2020)



Reference: Pugliese, L. ;Guerriero, F.; and Macrina, G. (2020) “Using drones for parcels delivery process”, Procedia Manufacturing, V. 42, pp. 488-497, <https://doi.org/10.1016/j.promfg.2020.02.043>.

Ex: Pizza delivery robot

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<https://youtu.be/DXs3xaMJCdU?t=65>

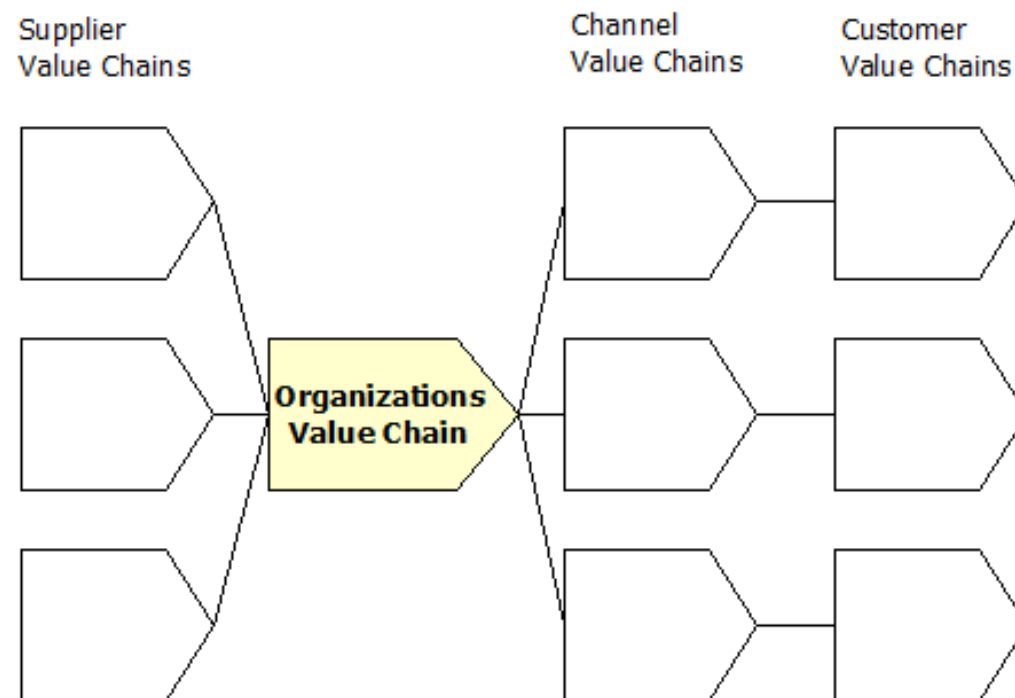


<https://youtu.be/pYZyRYuftU8>

Supply chains on the Value delivery network

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- **Value delivery network** is composed of the company, suppliers, distributors, and, ultimately, customers who partner with each other to improve the performance of the entire system.
- A system of partnerships and alliances that a firm creates to source, augment, and deliver its offerings
- Demand chain planning



What is a Marketing Channel?

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□ **Marketing channel (distribution channel):**

- ▣ Set of interdependent organizations that help make a product or service available for use or consumption by the consumer or business user.

- Affect other marketing decisions, such as pricing or product design
- Can lead to competitive advantage



Managing service delivery channels

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- To define its service delivery strategy, the company needs to decide what, where, when and how it will deliver the service.
- ▣ **Service delivery channels** – channels through which the company provides the service to customers.
- ▣ **Service interface** - “any place at which a company seeks to manage a relationship with a customer, whether through people, technology, or a combination of both”
(Rayport and Jaworski 2004)

How Should A Service Be Distributed?

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Six options for service delivery

Nature of Interaction Between Customer and Service Organization	Availability of Service Outlets	
	Single Site	Multiple Sites
Customer goes to service organization	Theater Car service workshop	Café house chain Car rental chain
Service organization comes to customer	House painting Mobile car wash	Mail delivery Auto club road service
Customer and service organization transact remotely (mail or electronic communication)	Credit card company Local TV station	Broadcast network Telephone company

Types of Distribution Channels

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□ **Distribution**

- ▣ The process of deciding how to get goods and services in customer's hands

□ **Direct Distribution**

- ▣ When the producer sells goods or services directly to the customer, with no intermediaries

□ **Indirect Distribution**

- ▣ Involving one or more intermediaries in the distribution process

Direct vs. Indirect Distribution Channels

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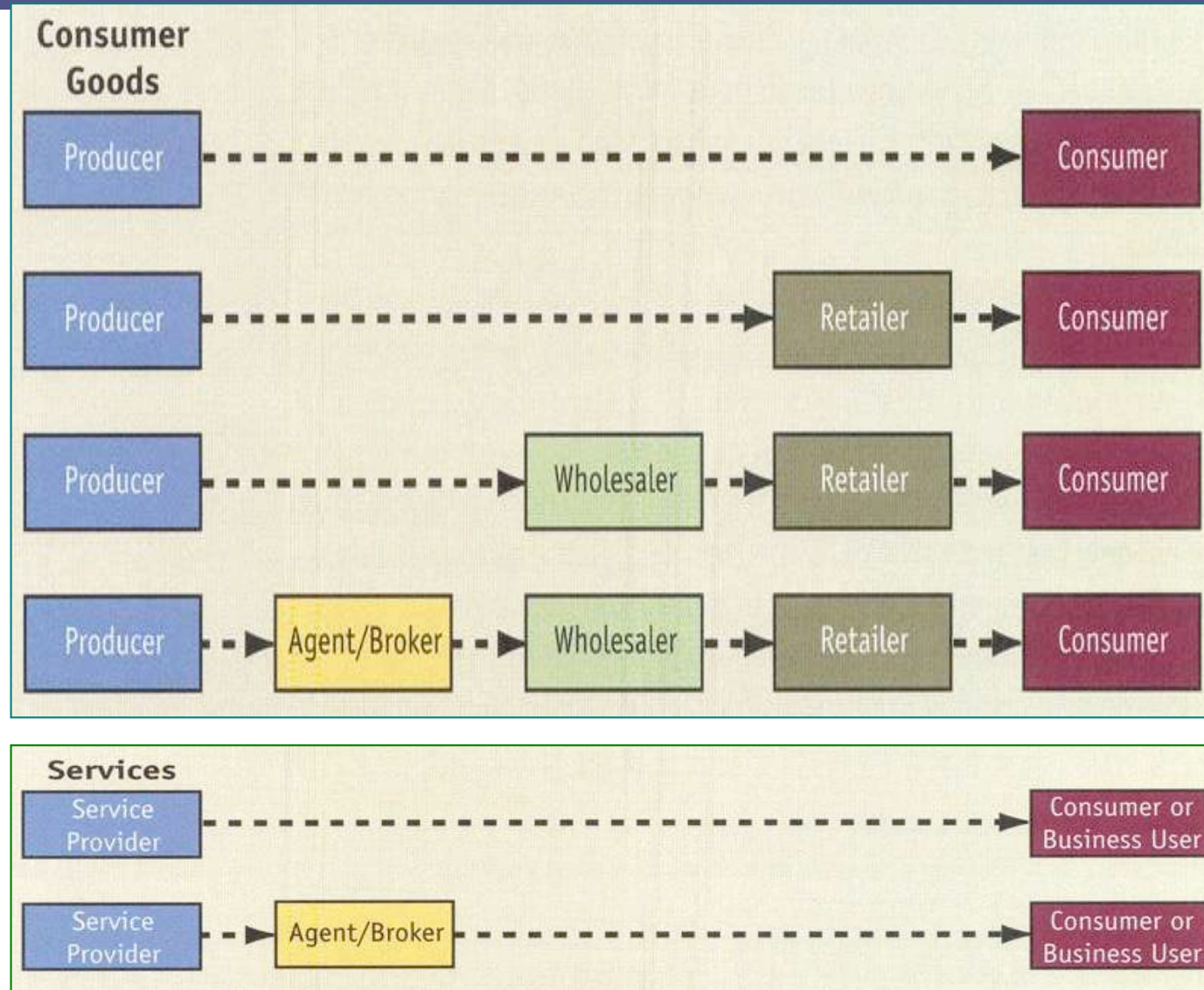
Hotel website



Travel agency

Goods vs. Services Distribution Channels

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Designing a Marketing Channel System

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1. Analyze customer needs
2. Establish channel objectives and constraints
3. Identify major channel alternatives
4. Evaluate major channel alternatives



1 - Analyzing customer needs

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- Different consumers have different needs during the purchase process.
 - Quantity of purchase
 - One unit vs large quantities
 - Waiting and delivery time
 - Online purchase vs. store purchase
 - Convenience
 - Private banking vs. retail banking vs. online banking
 - Product and service variety
 - supermarket vs. hypermarket
 - Service backup
 - Add-on services (credit, delivery, installation, repairs)

2- Establishing channel objectives and constraints

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- Define channel strategy accordingly with service level desired by the different customer segments
- Balance consumer needs against costs and customer price preferences
- Consider different channels efficiency and costs.
- Choose best channel for each segment group:
 - ▣ For complex and high-perceived risk services, people tend to rely on **personal channels**.
 - ▣ Individuals with greater confidence and knowledge about a service/channel tend to use impersonal and **self-service channels**.

3-Identify Channel Alternatives

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Sales Force



Direct Mail



Internet

Distributors



Telemarketing

Channel Alternatives

- Type of Intermediaries
- Number of Intermediaries
- Terms and Responsibilities

Types of intermediaries

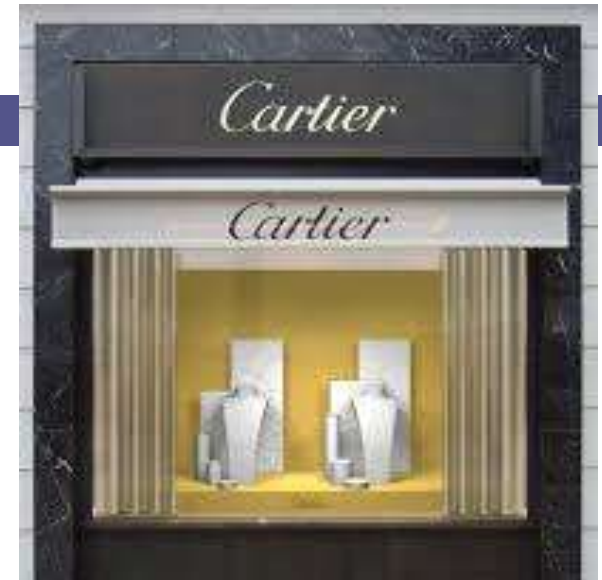
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- **Types of intermediaries** refers to channel members available to carry out channel work. Most companies face many channel member choices.
 - ▣ **Wholesalers and retailers**
 - Intermediaries who buy, take title to, and resell the products
 - ▣ **Sales Agents, brokers**
 - Intermediaries who search for customers and may negotiate on the producer's behalf but do not take title to the goods
 - Ex: real estate broker
 - ▣ **Facilitators**
 - Companies that assist in the distribution process but neither take title to goods nor negotiate purchases or sales
 - Ex: transportation companies, advertising agencies, independent warehouses

Number of intermediaries

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- Exclusive distribution:
 - ▣ severely limits the number of intermediaries. The firm retains close control over the service level and outputs offered by resellers.
- Selective distribution:
 - ▣ relies on only some of the intermediaries willing to carry a particular product.
- Intensive distribution:
 - ▣ places the goods or services in as many outlets as possible. The company has less control over the selling conditions.



4-Evaluate major channel alternatives

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- Economic criteria

- Compares the likely sales, costs, and profitability of different channel alternatives.

- Control issues

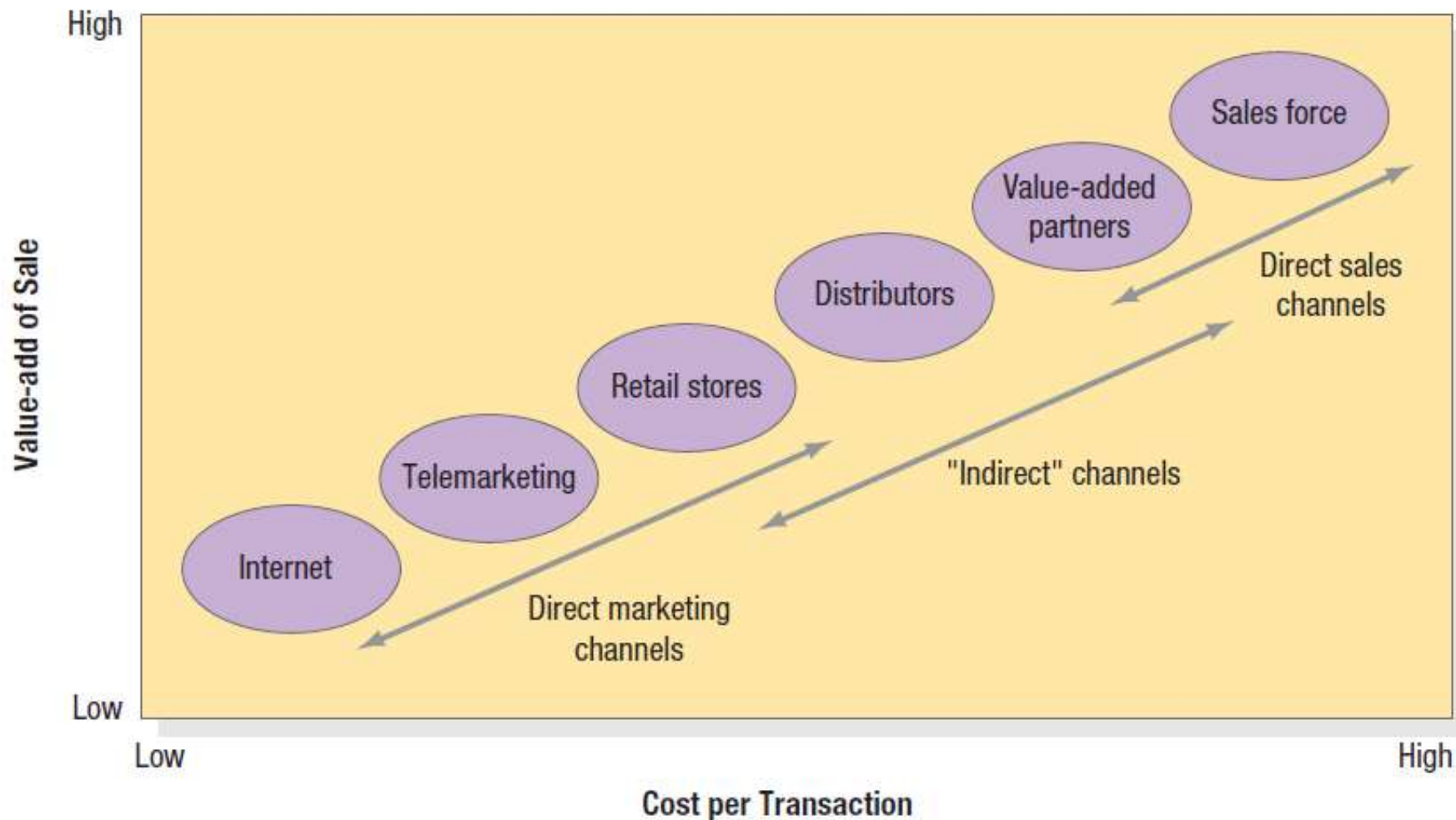
- Using intermediaries usually means giving them some control over the marketing of the product, and some intermediaries take more control than others

- Adaptability criteria

- Channels often involve long-term commitments, yet the company wants to keep the channel flexible so that it can adapt to environmental changes

The Value-Adds versus Costs of Different Channels

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Marketing Channels and Value Networks

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□ Omnichannel marketing

- ▣ Creating a seamless cross-channel buying experience that integrates in-store, online, and mobile shopping.
- ▣ Using a hybrid **integrated** mix of channels to reach customer segments



Channel Preferences Vary among Customers

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- For complex and high-perceived risk services, people tend to rely on **personal channels**
- Individuals with greater confidence and knowledge about a service/channel tend to use impersonal and **self-service channels**
- **Convenience** is a key driver of channel choice



Digital Channels

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- **The digital channels revolution**
 - ▣ Customer support in store/online/phone
 - ▣ Check online for product availability at local stores
 - ▣ Order product online to pick up at store
 - ▣ Return a product purchased online to a nearby store



E-Commerce Marketing Practices

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- E-commerce

- ▣ Uses a Web site to transact or facilitate the sale of products and services online

- Pure-click

vs.

- brick-and-click companies

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M-Commerce Marketing Practices

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- Mobile channels and media can keep consumers as connected and interacting with a brand as they choose
 - ▣ Advertising and promotion
 - ▣ Geofencing
- Privacy issues



Physical vs. electronic channels

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Physical channels

- ☐ Personal contact
- ☐ Responsiveness to customer requests
- ☐ Advice
- ☐ Accessibility
- ☐ Waiting time

Electronic channels

- ☐ Efficiency and speed
- ☐ Accessibility
- ☐ Autonomy and control
- ☐ Information
- ☐ Lack of personal contact
- ☐ Lack of advice

Advantages of multi-interface service systems

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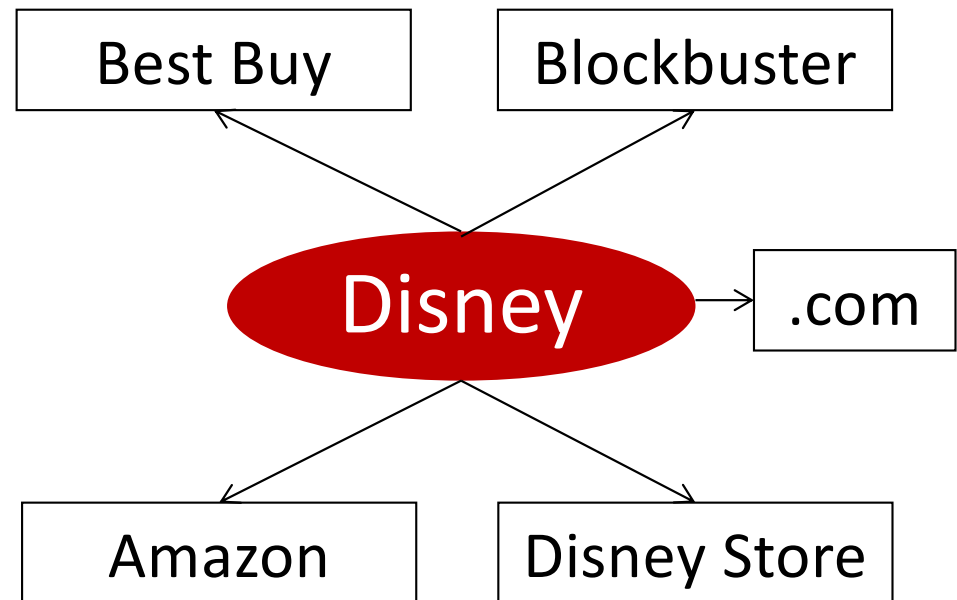
- ❑ Wider market coverage
- ❑ Higher efficiency, by conducting customers to low cost channels.
- ❑ More customer information captured through different points of contact.
- ❑ More touchpoints with the customer for up-selling and cross-selling.

Challenges for multi-channel service management

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- Multi-channel integration
 - ▣ Consistent service across channels.
 - ▣ Good communication and coordination among channels.
 - ▣ Must understand customers needs and usage patterns in each channel to enhance the overall service offer.

Integrating Multichannel Marketing Systems



Integrated management of multi-channel service systems

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- Identification of which channels are best suited for each customers.
 - ▣ Different customer segments use a different mix of channels.
- Identification of the which channels are more suited for each component of the service (core and supplementary)
 - ▣ Some service components are more suitable for being provided through electronic channels than others.

Question

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□ Does It Matter Where You Sell?

