**Chapter 8 Notes­**

**Examples of channel task-** research to determine nature and size if demand, promoting the product to target customers, contracting the customers, negotiating the terms of sale, risk bearing-responsibility for unsold risk, physical distribution, smooth discrepancy

**Discrepancies**- assortment, quantity, spatial, temporal

**Reasons for intermediaries**- increased contact efficiency, reduction of discrepancy, market knowledge

**Distribution Intensity**

intensive distribution-used for convenience products

exclusive distribution-only one intermediary sells the product in specific area

purchase represents high involvement decision making by consumer

selective distribution- intermediate to intensive & exclusive dist. strategies

**Vertical Conflict-** conflicts between different members of different levels of same channel

**Horizontal conflict-** conflict among members at the same level

**Alternative channel arrangements-** manufacturer-wholesaler-retailer-consumer

**Conventional Channels-** consists of independent organizations

**Horizontal marketing system-** multiple entities at same level of the channel coordinate their activities to improve performance at that level of the channel

**Vertical marketing systems-** members of the channel from different levels act as a unified system

-Corporate VMS- successive stages of production & distribution are owned & operated by one organization(vertical integration)

-contractual VMS- consists of independent firms at different levels of production

-administered VMS- coordinates successive stages of production & distribution through size and power of one of the member(Adidas controlling logo on Fifa world cup ball)

**Power in a channel of distribution**

Reward power- protection from competition, greater margins, generous return/refund, employee training, prompt delivery

Coercive power- remove rewards

Expert power- comes from expertise

Legitimate power- power arises from contract

Referent power- reputation of party makes it attractive partner

**Exclusive dealing agreement-** when manufacturer prohibits middleman from carrying products of its competitors

**Tying agreement-** manufacturer sells products to middleman only if middleman also buys another product from manufacturer. Limits ability to buy tied product from alternative sources.