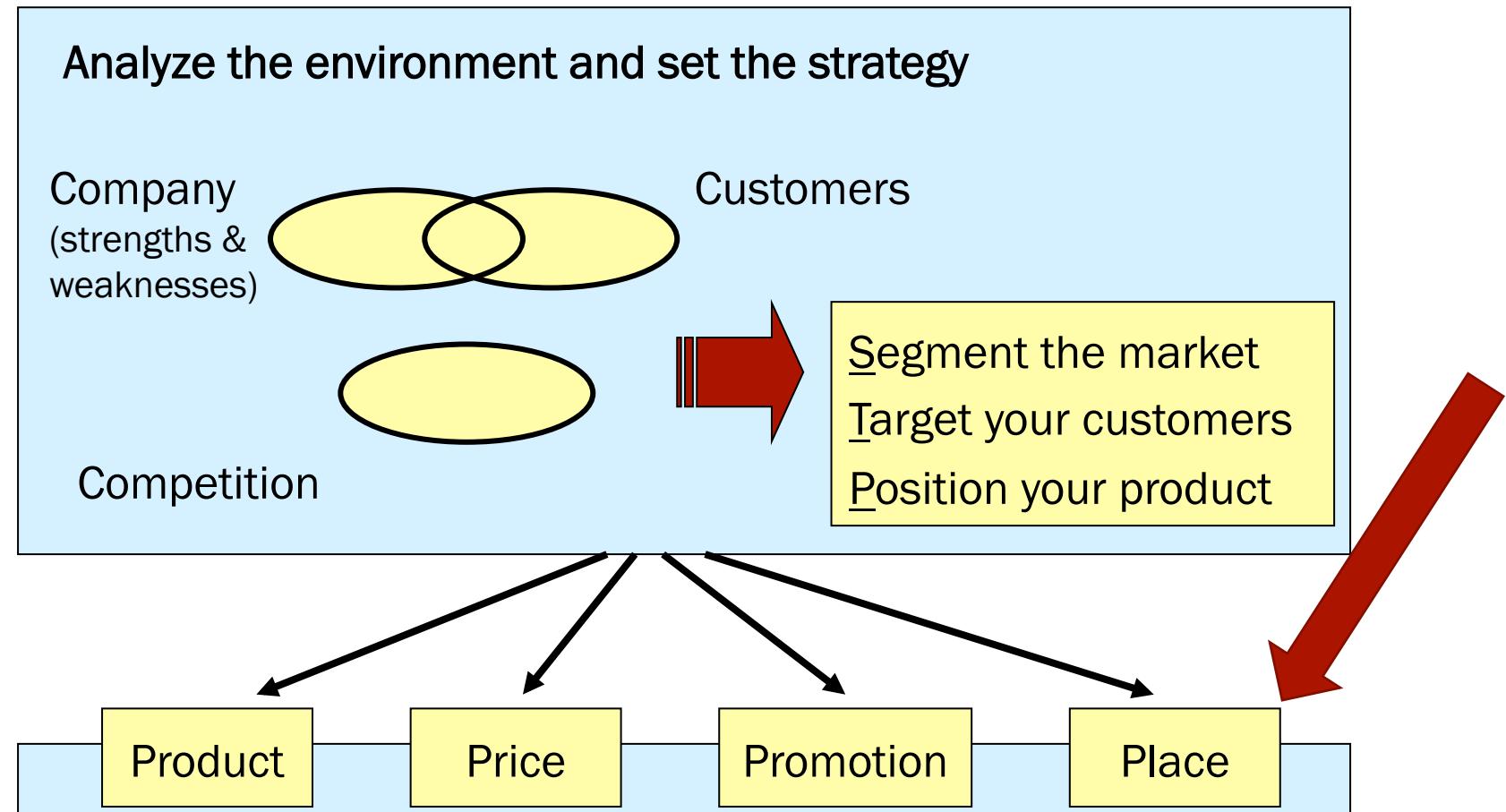


Chapter 15: Managing Marketing Channels and Wholesaling

Marketing Strategy Overview

– Basic Structure



Leveraging real tools to implement strategic objectives

Preview

- Marketing Channels
- Intermediaries and Distribution

Marketing Channels

Consists of individuals and firms involved in the process of making a product or service available for use or consumption by consumers or industrial users.

Marketing channels make possible the flow of goods from

Producer → Intermediary → Buyer

What are Intermediaries

- Intermediaries:
 - Middlemen, agent/broker, wholesaler, retailer, distributor, dealers

Intermediaries create value

How Do Intermediaries Create Value?

Bulk-breaking



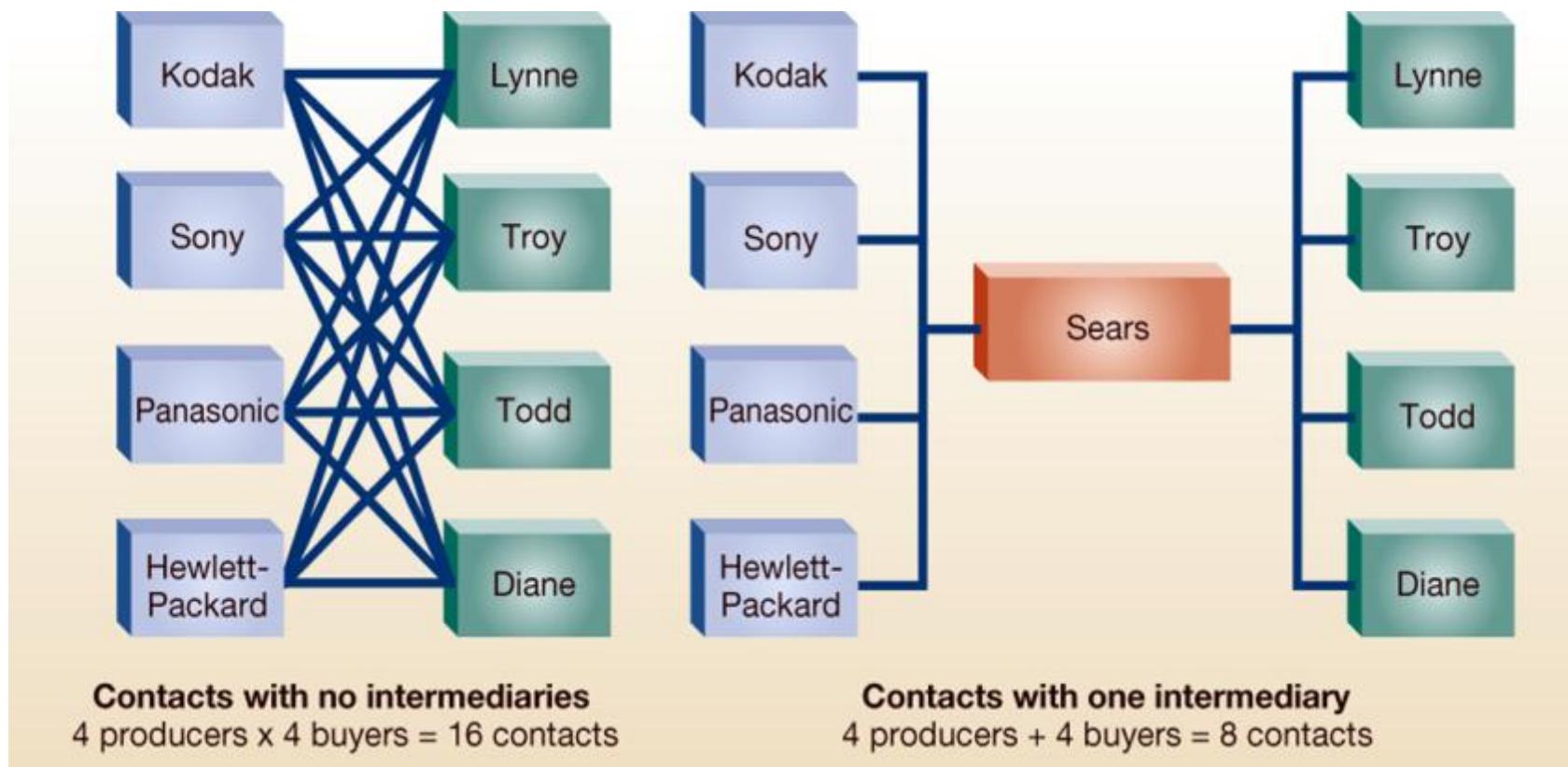
Sorting



Assorting



Why Else? Distribution Economies



We use intermediaries to...

- Be more efficient: reduce the number of contacts
- Allow firms to focus on core competencies
- Reduce financial risk and investment

Who are the intermediaries?

TERM	DESCRIPTION
Middleman	Any intermediary between manufacturer and end-user markets
Agent or broker	Any intermediary with legal authority to act on behalf of the manufacturer
Wholesaler	An intermediary who sells to other intermediaries, usually to retailers; usually applies to consumer markets
Retailer	An intermediary who sells to consumers
Distributor	An imprecise term, usually used to describe intermediaries who perform a variety of distribution functions, including selling, maintaining inventories, extending credit, and so on; a more common term in business markets but may also be used to refer to wholesalers
Dealer	An even more imprecise term that can mean the same as distributor, retailer, wholesaler, and so forth

Intermediaries - Transactional



Buying –

Purchasing products for resale

Selling –

Contacting consumers directly

Risk Taking –

Assuming risk for inventory that is unsold

Intermediaries - Logistical



Assorting –

Bring products in from several sources

Storing –

Assembling products in convenient location for consumers

Sorting –

Purchase in large quantities and breaking it down for consumers into smaller quantities

Transport –

Moving product to customers

Intermediaries - Facilitating

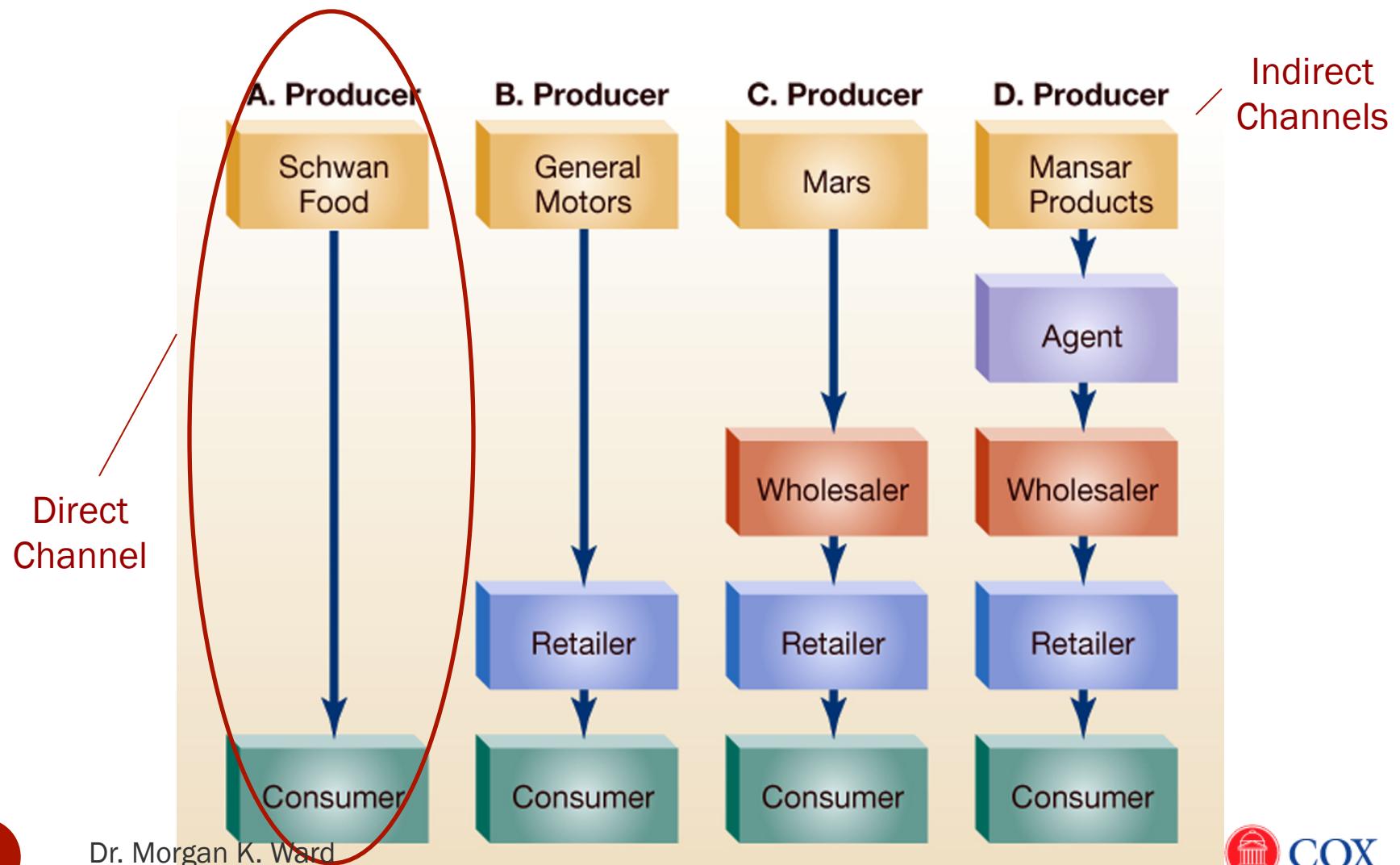


Financing –
Extending Credit to consumers

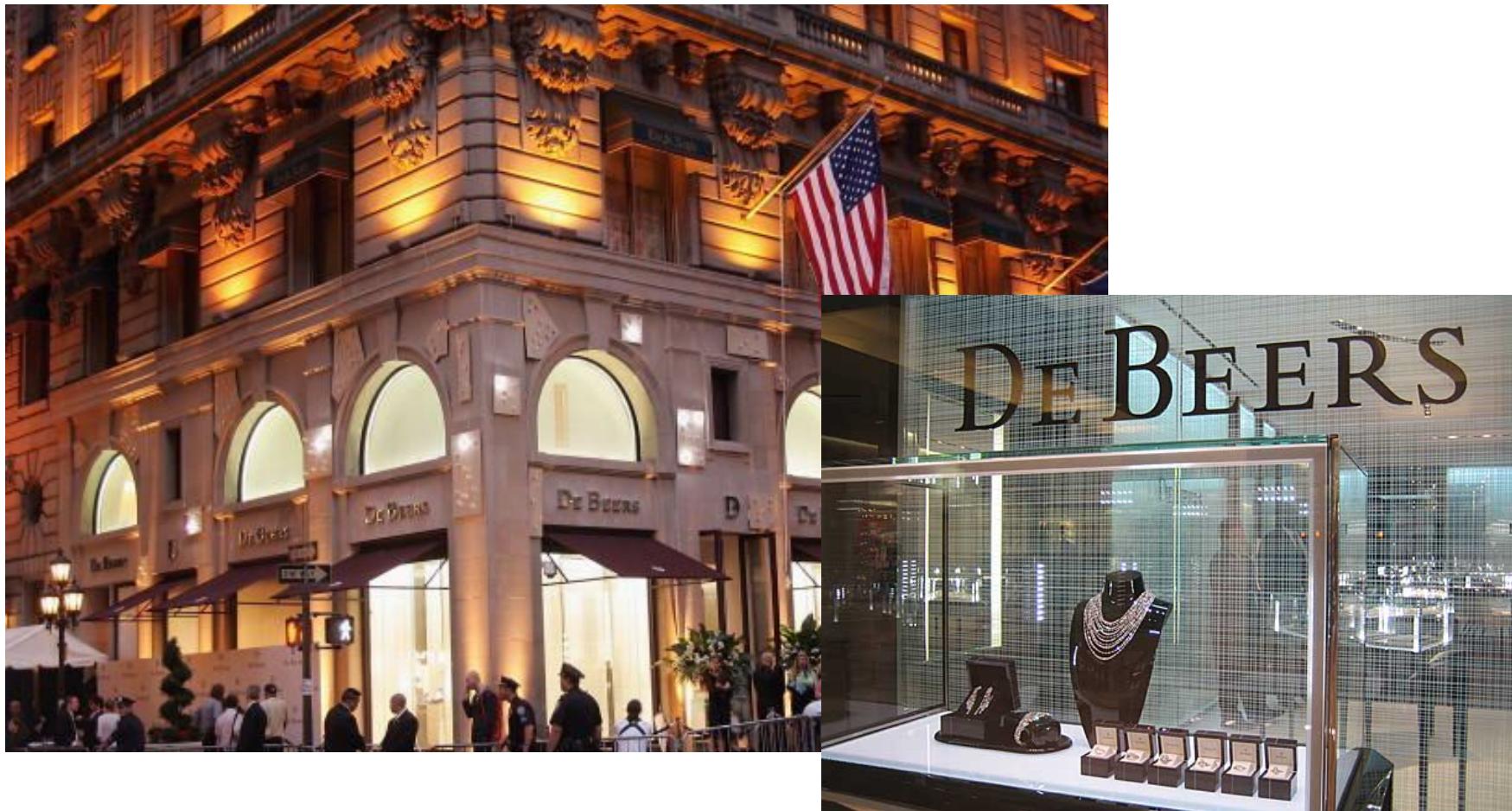
Grading –
Inspecting or judging products

Marketing information and research–
Provide info to customers and suppliers about trends

Marketing Channels for Consumer Goods and Services



Trend toward Manufacturers going Direct to Retail...



Zara



Handpicked Items [See more](#)

Have A Drink With Me - Vinta...
becaruns \$6.50 usd



Norma Kamali Velvet Jacket, ...
SararaVintage \$169.10 usd



Vintage Sugar Shaker Glass ...
RollingHills... \$15.00 usd



Retro tin red pitcher
TheRetroBot... \$19.00 usd



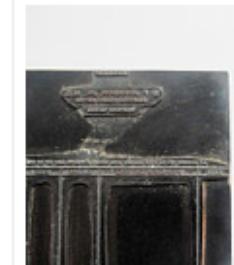
Purple Hibiscus Necklace - J...
AhoyAhimsa \$34.01 usd



Custom / couple portrait / ha...
lilimandrill \$70.00 usd



Rare Romanian Army Helme...
wwwvintage \$130.00 usd



Printing Press Doctor Bill
Modred12 \$25.00 usd

Discover

[Fashion](#)
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[Kids](#)
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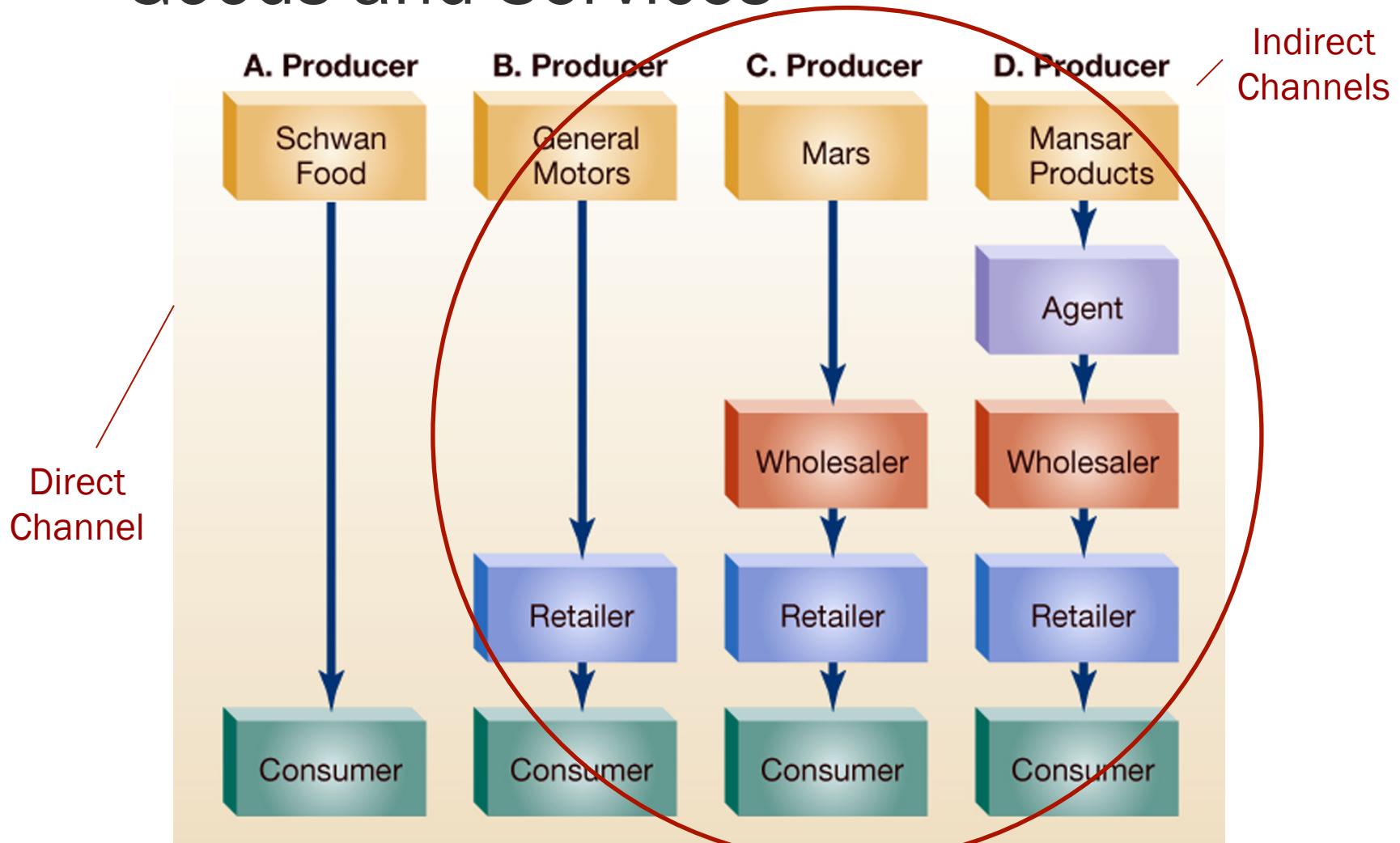
Categories

[Accessories](#)
[Art](#)
[Bags and Purses](#)
[Bath and Beauty](#)
[Books and Zines](#)
[Candles](#)
[Ceramics and Pottery](#)
[Children](#)
[Clothing](#)
[Crochet](#)
[Dolls and Miniatures](#)
[Everything Else](#)
[Furniture](#)

AVON has done this for years...



Marketing Channels for Consumer Goods and Services



Indirect Channel - Target



Café Du Monde

- Staff purchases the beignets (middleman) to sell to the customer

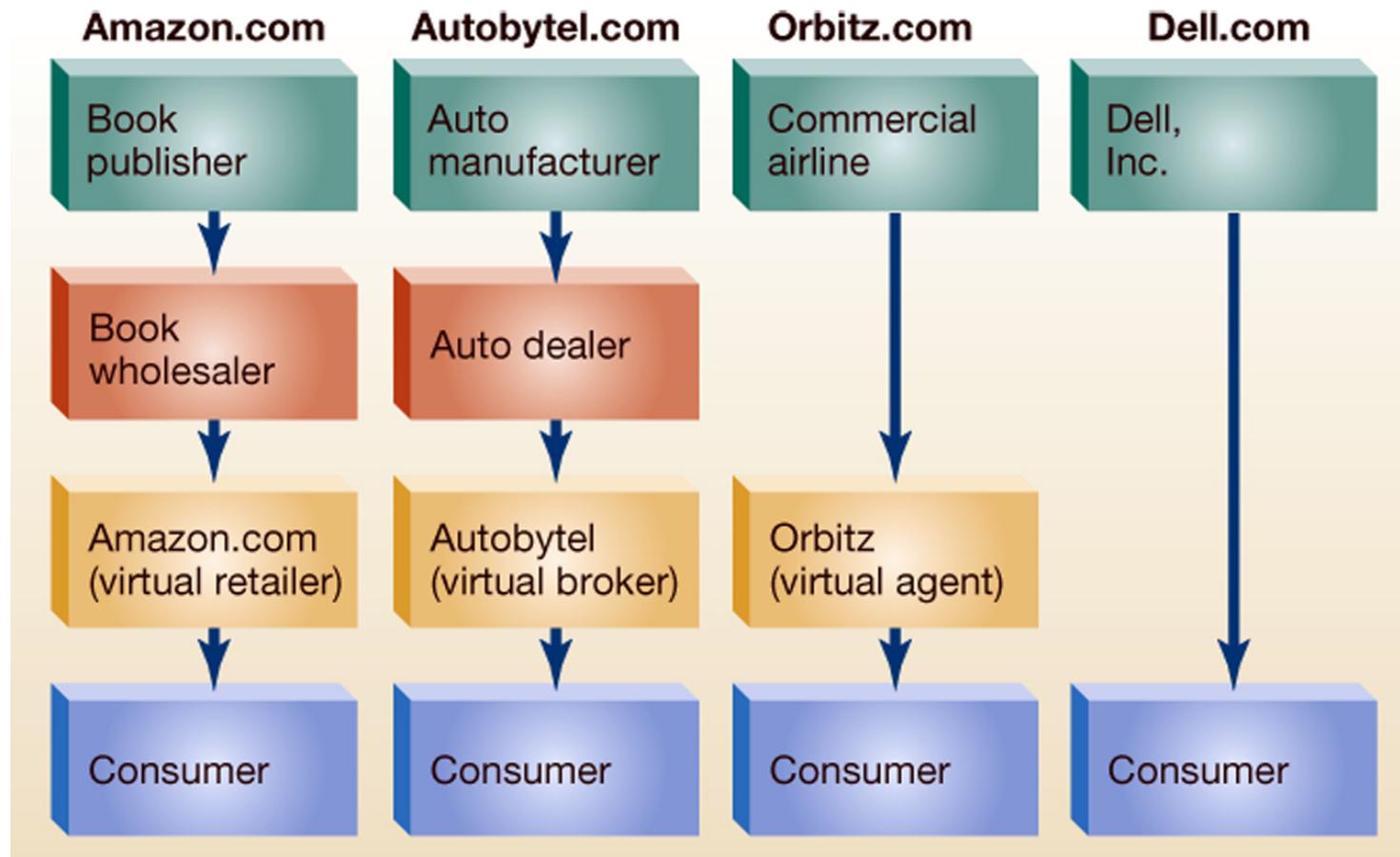


Wal-Mart

- Based on the article, what does Wal-Mart do in their negotiations to benefit customers?



Electronic Marketing Channels



Electronic Marketing Channels

Amazon

Travelocity

How Do Firms Leverage Channels?

Direct Marketing Channels

Firms also use direct channels to market to consumers. Allow consumers to buy products by interacting with various advertising media without a face-to-face meeting with a salesperson.

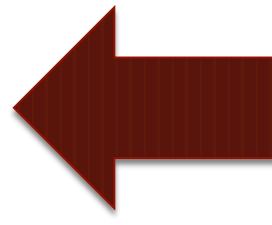


QR Codes



Multichannel Marketing

Blending of different communication and delivery channels that are MUTUALLY reinforcing in attracting, retaining, and building relations with consumers



Catalog reinforces
online

L.L BEAN
HOLIDAY WEB 2010

Multiple and Strategic Channels

- Dual distribution: using two or more different types of channels to reach different buyers with the same basic product



Dual Distribution



www.sephora.com

Strategic Channel Alliance

- one firm's marketing channel is used to sell another firm's products

Best Buy 2013
Super Bowl



Direct Producer going Indirect



Apple at Best Buy



Channel Choice

- Choice of market channel depends on:
 - Environmental factors
 - Social, economic, technological, competitive and regulatory
 - Consumer Factors
 - Where, when, how do they buy?
 - Where should we sell this?

Channel Choice

- Choice of market channel depends on:
 - Product factors
 - Sophistication of buyer based on product complexity



Direct or Indirect?

Channel Choice

- Choice of market channel depends on:
 - Company Factors
 - Sales force available, match with product brand, target market of retailer

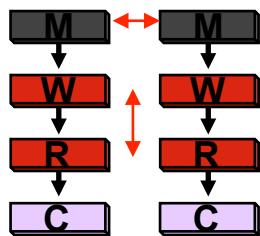


Neiman Marcus

Channel Conflicts



Types of conflicts



- **Horizontal Conflicts** occur among firms at the same level of the channel, e.g., Two car dealers.
- **Vertical Conflicts** occur between different levels of the same channel, e.g., Ford and Firestone.

Question: What type of horizontal and/or vertical channel conflicts may occur in one of the following industries:

- Personal computer industry,
- Automobile industry,
- Music industry,
- Clothing industry.

Review

- What is a marketing channel?
- How do intermediaries create value?