

12. DESIGNING AND MANAGING INTEGRATED MARKETING CHANNELS

WHAT IS A MARKETING CHANNEL?



A **marketing channel** system is the particular set of interdependent organizations involved in the process of **making a product or service available for use or consumption.**

Roles of marketing channels:

- To convert potential buyers into profitable customers
- Not just serve markets but also make markets

CHANNELS AND MARKETING DECISIONS

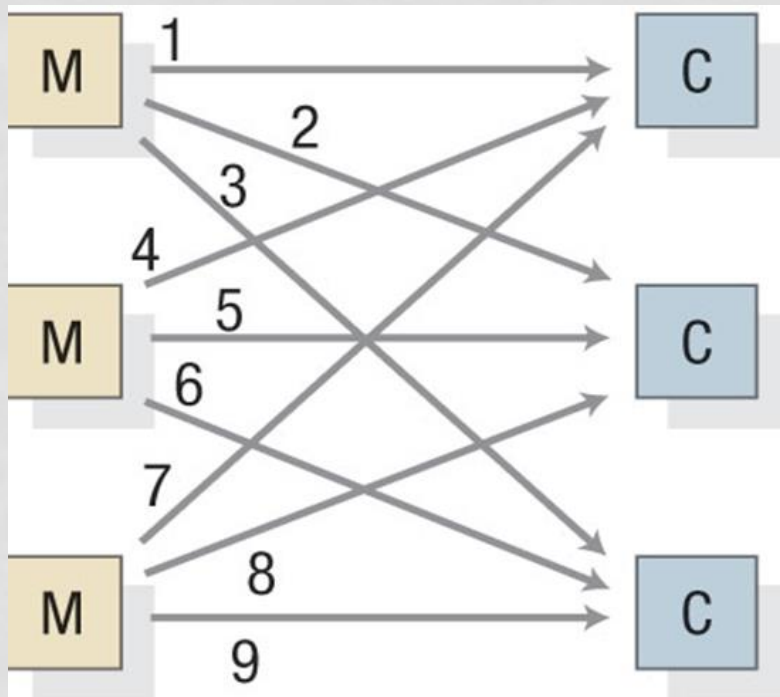


- A **push strategy** uses the manufacturer's sales force, trade promotion money, and other means **to induce intermediaries** to carry, promote, and sell the product to end users.

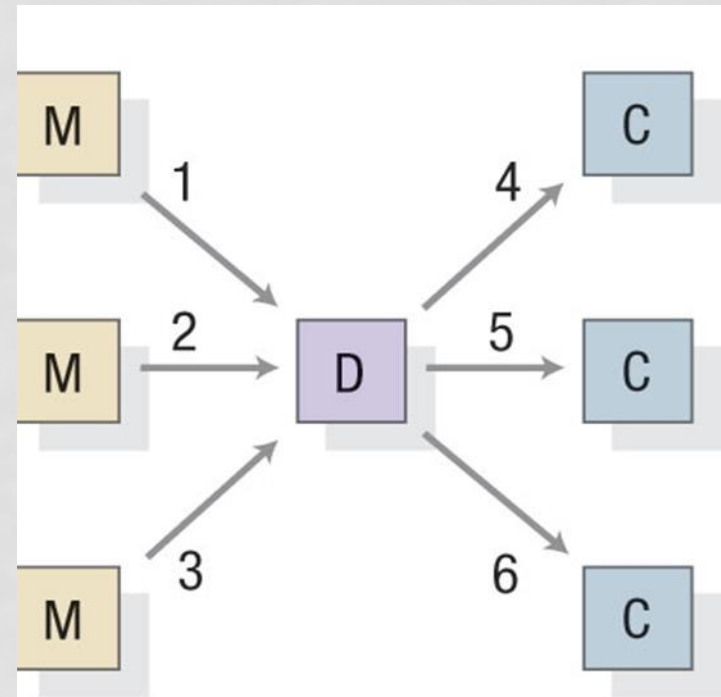
- A **pull strategy** uses advertising, promotion, and other forms of communication **to persuade consumers** to demand the product from intermediaries
→ high brand loyalty, high involvement



MARKETING CHANNELS: INCREASING EFFICIENCY



(a) Number of Contacts
 $M \times C = 3 \times 3 = 9$



(b) Number of Contacts
 $M + C = 3 + 3 = 6$

CHANNEL MEMBER FUNCTIONS



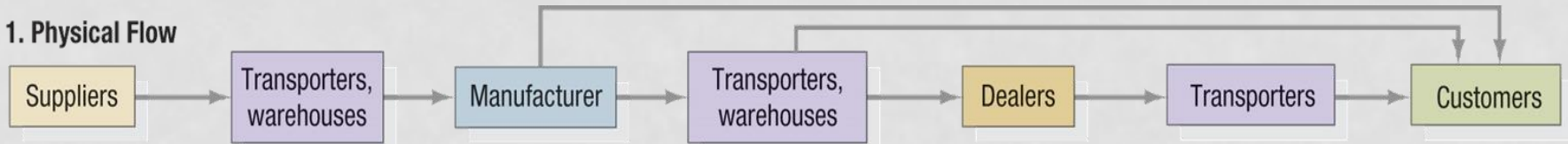
- Gathering Information
- Promotion
- Contact
- Matching
- Negotiation
- Physical distribution
- Financing
- Risk taking



MARKETING CHANNEL FLOWS

Illustration: Marketing channel of forklift trucks

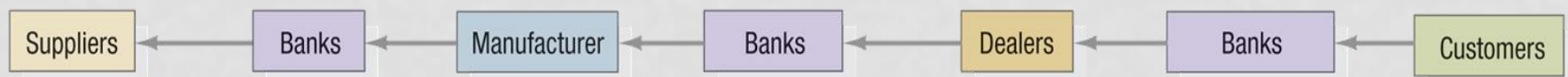
1. Physical Flow



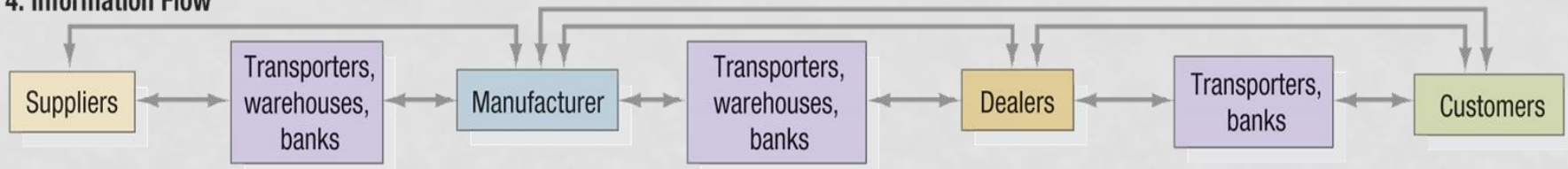
2. Title Flow



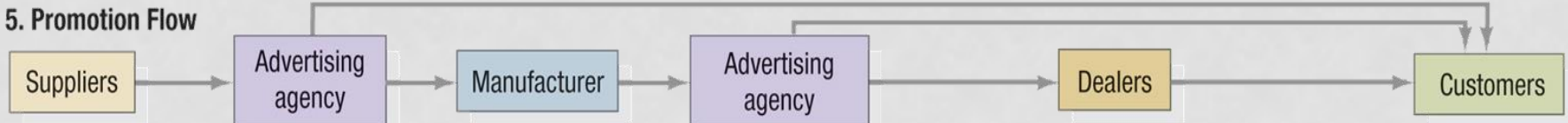
3. Payment Flow



4. Information Flow



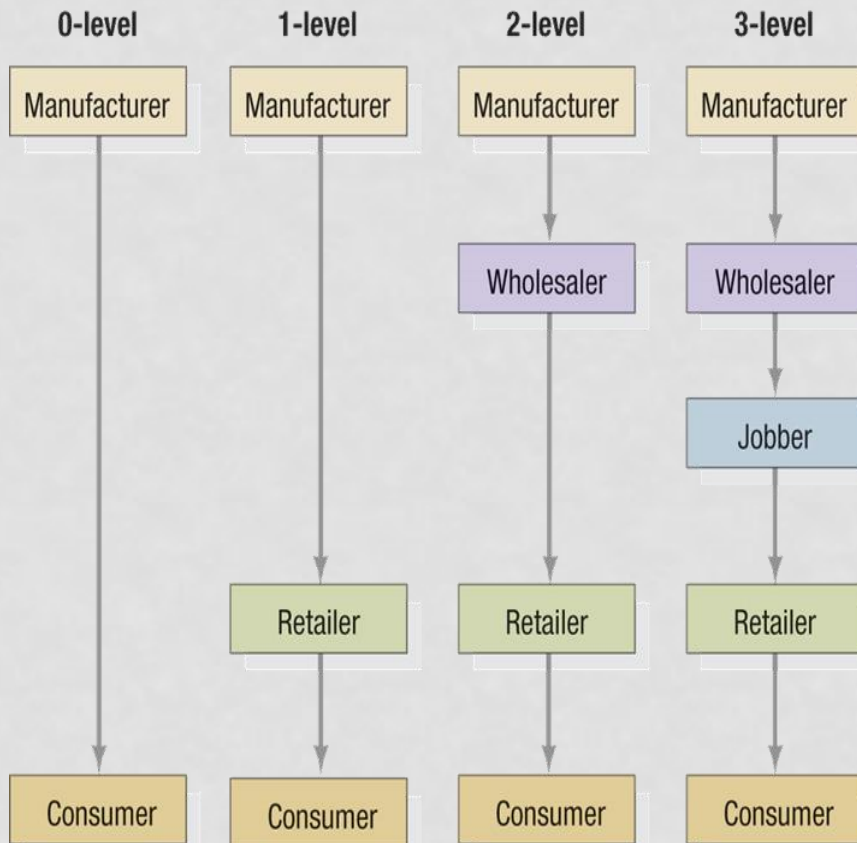
5. Promotion Flow



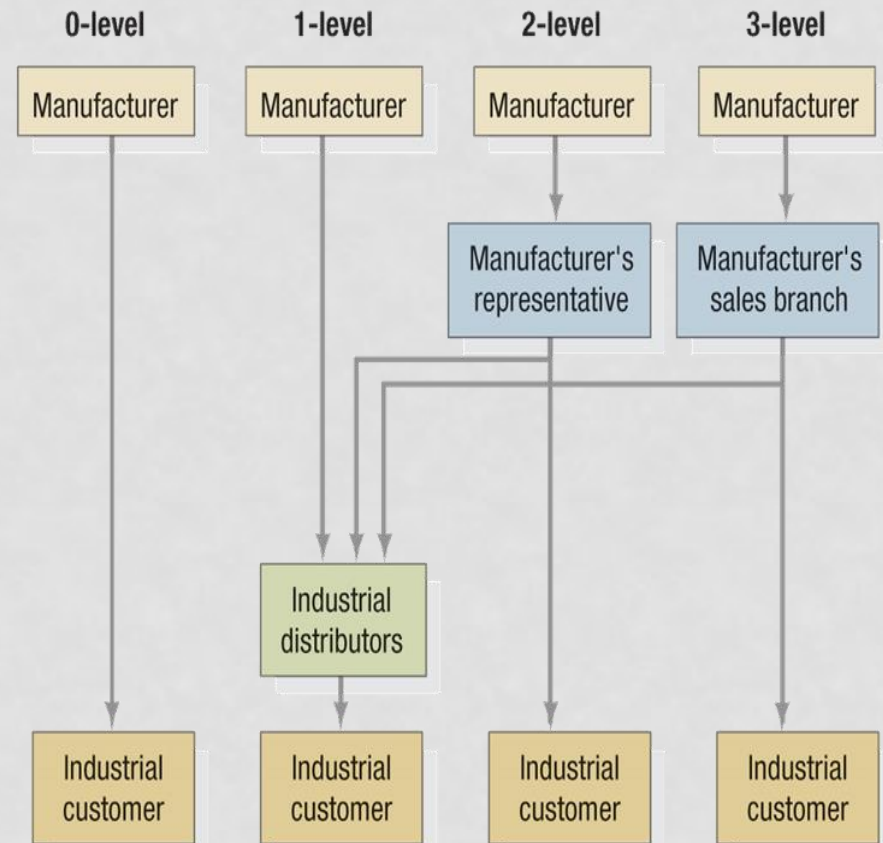
MARKETING CHANNELS LEVEL



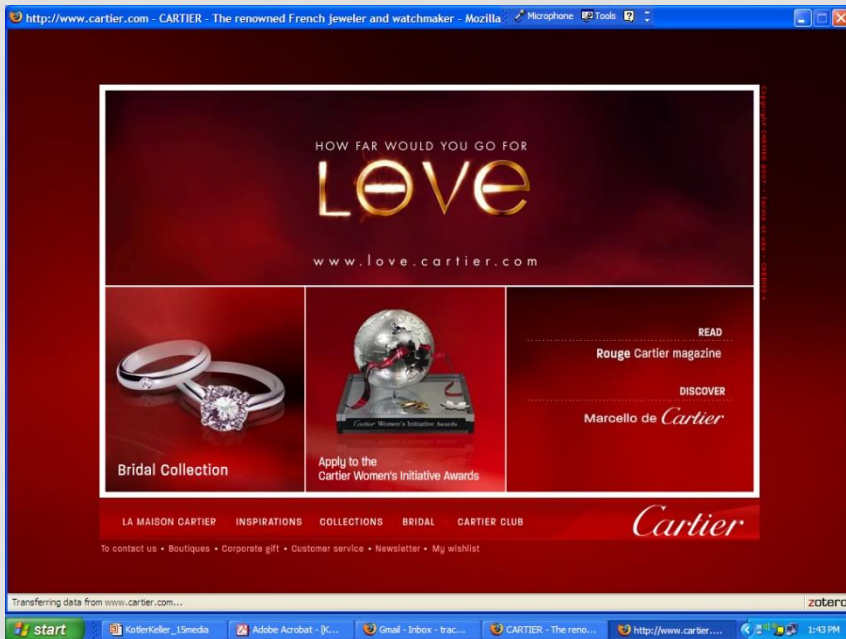
(a) Consumer Marketing Channels



(b) Industrial Marketing Channels



NUMBER OF INTERMEDIARIES



Exclusive

Selective

Intensive

TERMS AND RESPONSIBILITIES OF CHANNEL MEMBERS

- Price policy
- Condition of sale
- Distributors' territorial rights
- Mutual services and responsibilities



CAUSES OF CHANNEL CONFLICT

Goal incompatibility

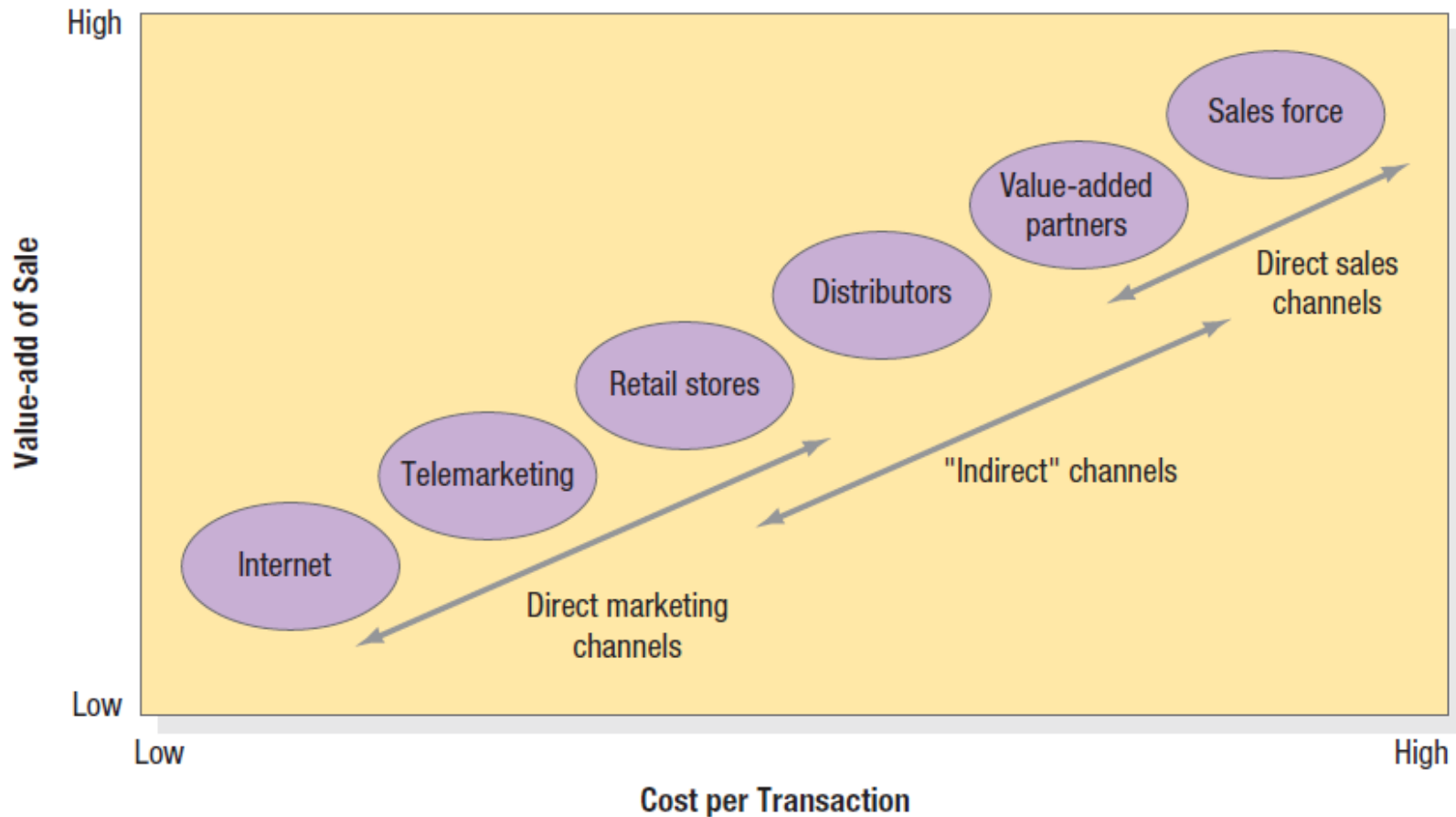
Unclear roles and rights

Differences in perception

Intermediaries' dependence
on the manufacturer



THE VALUE-ADDS VERSUS COSTS OF DIFFERENT CHANNELS



THE HYBRID GRID

Demand-generation Tasks

Better communication information Disseminate communication Reach price agreements Place orders Acquire funds for inventories Assume risks Facilitate product storage & movement Facilitate payment Oversee ownership terms

Marketing Channels and Methods		Demand-generation Tasks								CUSTOMER
		Better communication information	Disseminate communication	Reach price agreements	Place orders	Acquire funds for inventories	Assume risks	Facilitate product storage & movement	Facilitate payment	
VENDOR	Internet									
	National account management									
	Direct sales									
	Telemarketing									
	Direct mail									
	Retail stores									
	Distributors									
	Dealers and value-added resellers									

12. MANAGING RETAILING, WHOLESALING, AND LOGISTICS



WHAT IS RETAILING?

Retailing includes all the activities involved in selling goods or services **directly to final consumers for personal, nonbusiness use.**



LEVELS OF RETAIL SERVICE

- **Self service** : Many customers are willing to carry out their own “locate-compare-select” process to save money.
- **Self selection**: Customers find their own goods, although they can ask for assistance.
- **Limited service**: These retailers carry more shopping goods and services such as credit and merchandise-return privileges. Customers need more information and assistance.
- **Full service**: Salespeople are ready to assist in every phase of the “locate-compare-select” process



NONSTORE RETAILING

- **Direct selling:** selling door-to-door or at home sales parties
- **Direct marketing:** direct-mail and catalog marketing
- **Automatic vending:** offers a variety of merchandise, including impulse goods
- **Buying service:** storeless retailer serving a specific clientele



MAJOR RETAILER TYPES



- **Specialty store** : The Body Shop, Athlete's Foot
- **Department store** : Matahari, Yogya, Ramayana
- **Supermarket** : Superindo, Borma
- **Convenience store** : Circle K, Yomart, Alfamart
- **Discount store** : Login Store, Wallmart
- **Off-price retailer** : Factory outlets
- **Superstore**: Carrefour, Hypermart
- **Catalog showroom** : Sophie Martin, Oriflame



CHANGES IN THE RETAIL ENVIRONMENT

- New retail forms and combinations
- Growth of intertype competition
- Competition between store-based and non-store-based retailing
- Growth of giant retailers
- Decline of middle market retailers
- Growing investment in technology
- Global profile of major retailers



RETAILERS' MARKETING DECISIONS



Target market

Product assortment

Procurement

Prices

Services

RETAILERS' MARKETING DECISIONS (CONT.)



Store atmosphere

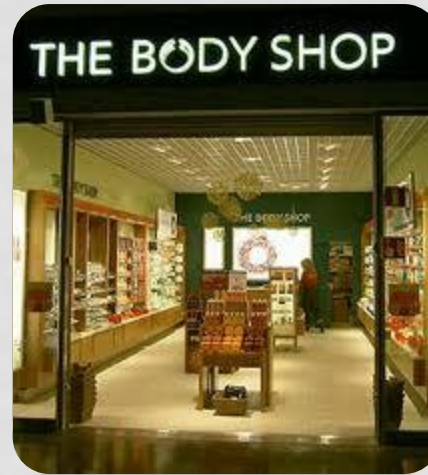
Store activities

Communications

Locations

a brand that retail and wholesale develop

PRIVATE LABELS



WHOLESALING



All activities in selling goods or services to those who buy for resale or business use



WHOLESALE FUNCTIONS

- Selling and promoting
- Buying and assortment building
- Bulk breaking
- Warehousing
- Transportation
- Financing
- Risk bearing
- Market information
- Management services and counseling