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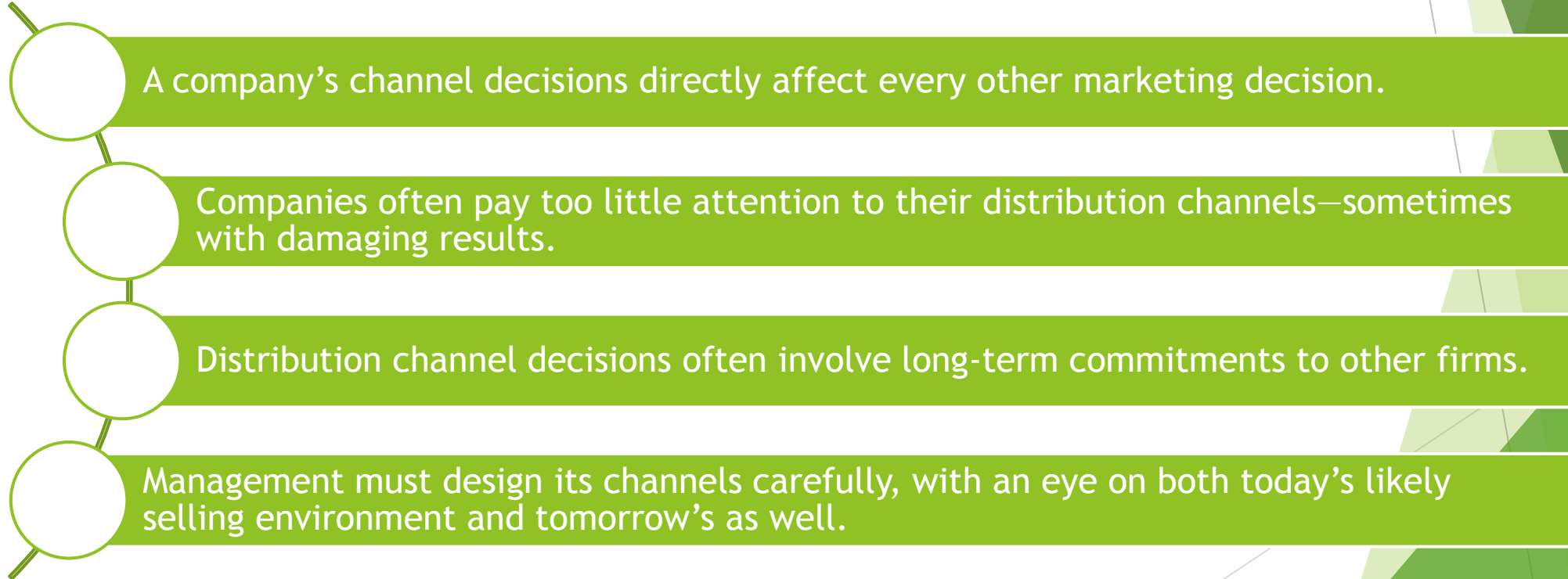
# Marketing Channels Delivering Customer Value

# Supply Chains and the Value Delivery Network

- ▶ Supply Chain:
  - ▶ Upstream: The set of firms that supply the raw materials, components, parts, information, finances, and expertise needed to create a product or service.
  - ▶ Downstream marketing channel partners, such as wholesalers and retailers, form a vital link between the firm and its customers.
- ▶ Planning starts by identifying the needs of target customers, to which the company responds by organizing a chain of resources and activities with the goal of creating customer value.
- ▶ Value delivery network: A network composed of the company, suppliers, distributors, and, ultimately, customers who partner with each other to improve the performance of the entire system in delivering customer value.

# The Nature and Importance of Marketing Channels

- ▶ Marketing channel (distribution channel): A set of interdependent organizations that help make a product or service available for use or consumption by the consumer or business user.

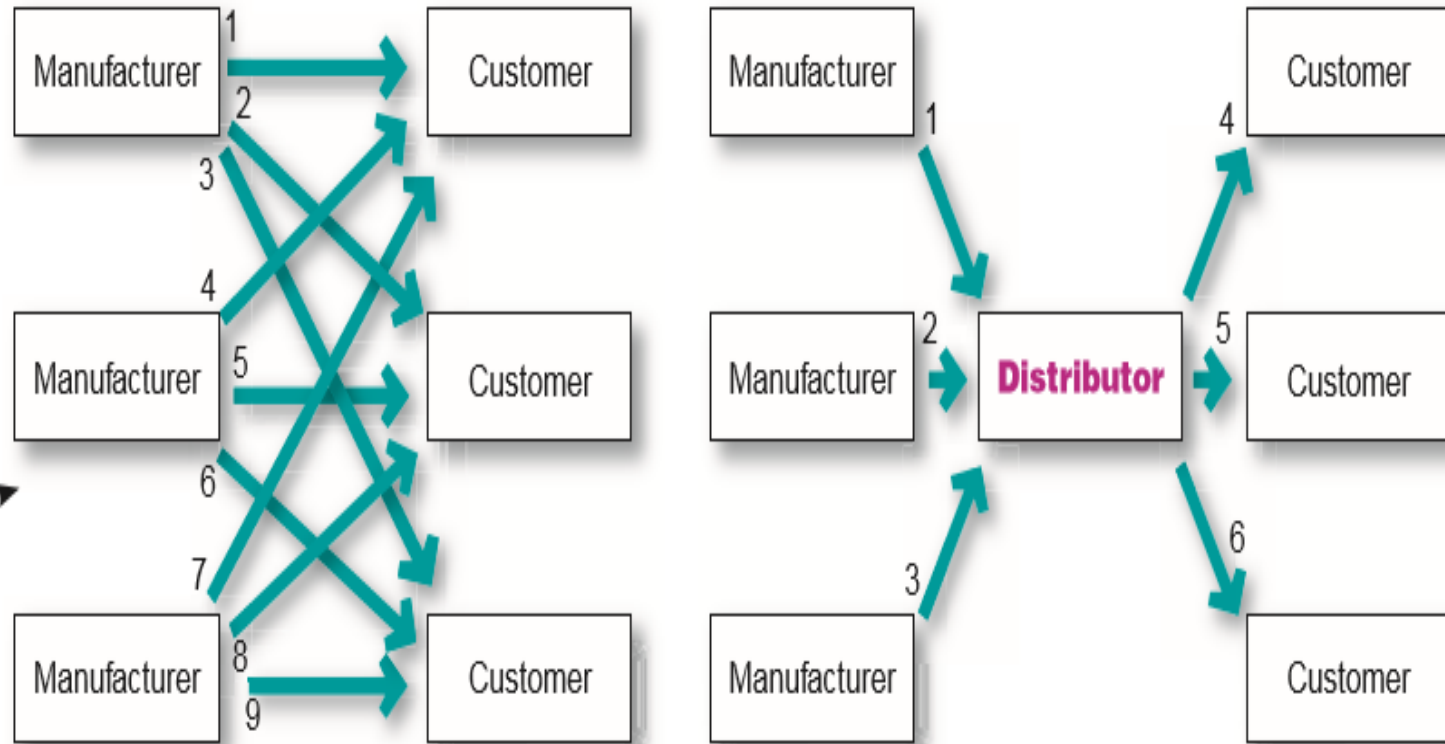


# How Channel Members Add Value

- ▶ Figure 12.1 shows how using intermediaries can provide economies

**FIGURE | 12.1**  
How a Distributor  
Reduces the Number of  
Channel Transactions

Marketing channel intermediaries make buying a lot easier for consumers. Again, think about life without grocery retailers. How would you go about buying that 12-pack of Coke or any of the hundreds of other items that you now routinely drop into your shopping cart?



**A. Number of contacts without a distributor**

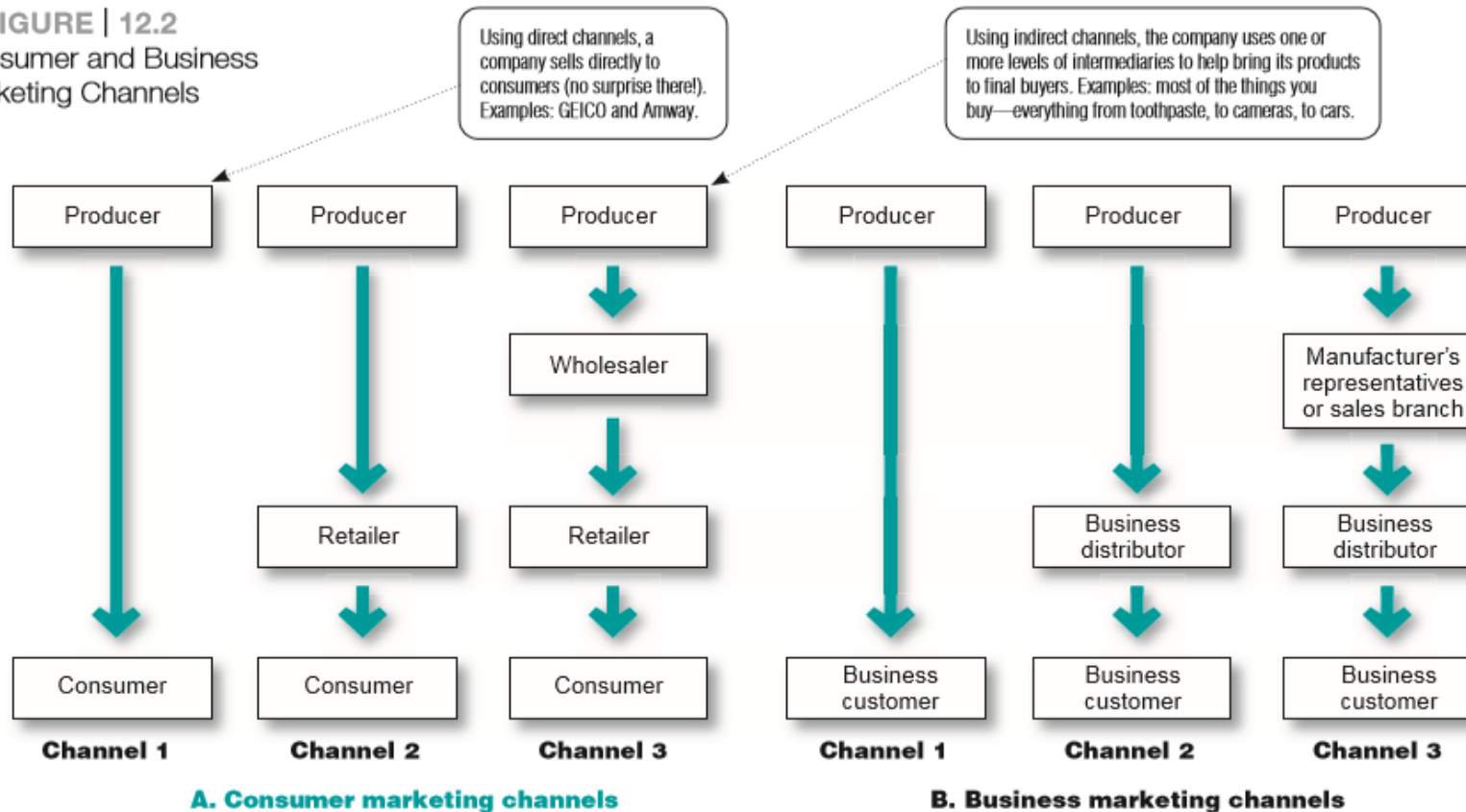
**B. Number of contacts with a distributor**

- ▶ From the economic system's point of view, the role of marketing intermediaries is to transform the assortments of products made by producers into the assortments wanted by consumers
- ▶ In making products and services available to consumers, channel members add value by bridging the major time, place, and possession gaps that separate goods and services from those who use them. Members of the marketing channel perform many key functions.
- ▶ Some help to complete transactions:
  - ▶ Information, Promotion, Contact, Matching, Negotiation.
- ▶ Others help to fulfill the completed transactions:
  - ▶ Physical Distribution, Financing, Risk Taking.

# Number of Channel Level

- ▶ Channel level: A layer of intermediaries that performs some work in bringing the product and its ownership closer to the final buyer.
- ▶ Figure 12.2 shows both consumer and business channels of different lengths.

● **FIGURE | 12.2**  
Consumer and Business  
Marketing Channels



- ▶ From the producer's point of view, a greater number of levels means less control and greater channel complexity.
- ▶ All the institutions in the channel are connected by several types of flows. These flows can make even channels with only one or a few levels very complex.

# Channel Behavior and Organization

- ▶ A marketing channel consists of firms that have partnered for their common good. Each channel member depends on the others.

Each channel member plays a specialized role in the channel.

All channel firms should work together smoothly.

Channel conflict: Disagreements among marketing channel members on goals, roles, and rewards—who should do what and for what rewards.

Horizontal conflict occurs among firms at the same level of the channel. Vertical conflict, conflict between different levels of the same channel, is even more common.



# CHANNEL BEHAVIOR

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# Vertical marketing system

A vertical marketing system (VMS) is one in which the main members of a distribution channel - producer, wholesaler, and retailer work together as a unified group in order to meet consumer needs.

Vertical marketing systems can take several forms :

- Corporate VMS
- Administered VMS
- Contractual VMS

# Horizontal marketing system

- A channel arrangement in which **two or more companies at one level join together** to follow a new marketing opportunity.
- By working together, companies can combine their financial, production, or marketing resources to accomplish more than any one company could alone.



McDonald's Express in Wal-Mart's

McDonald's and Sinopec (China's largest gasoline retailer)



## ***Multichannel distribution system***

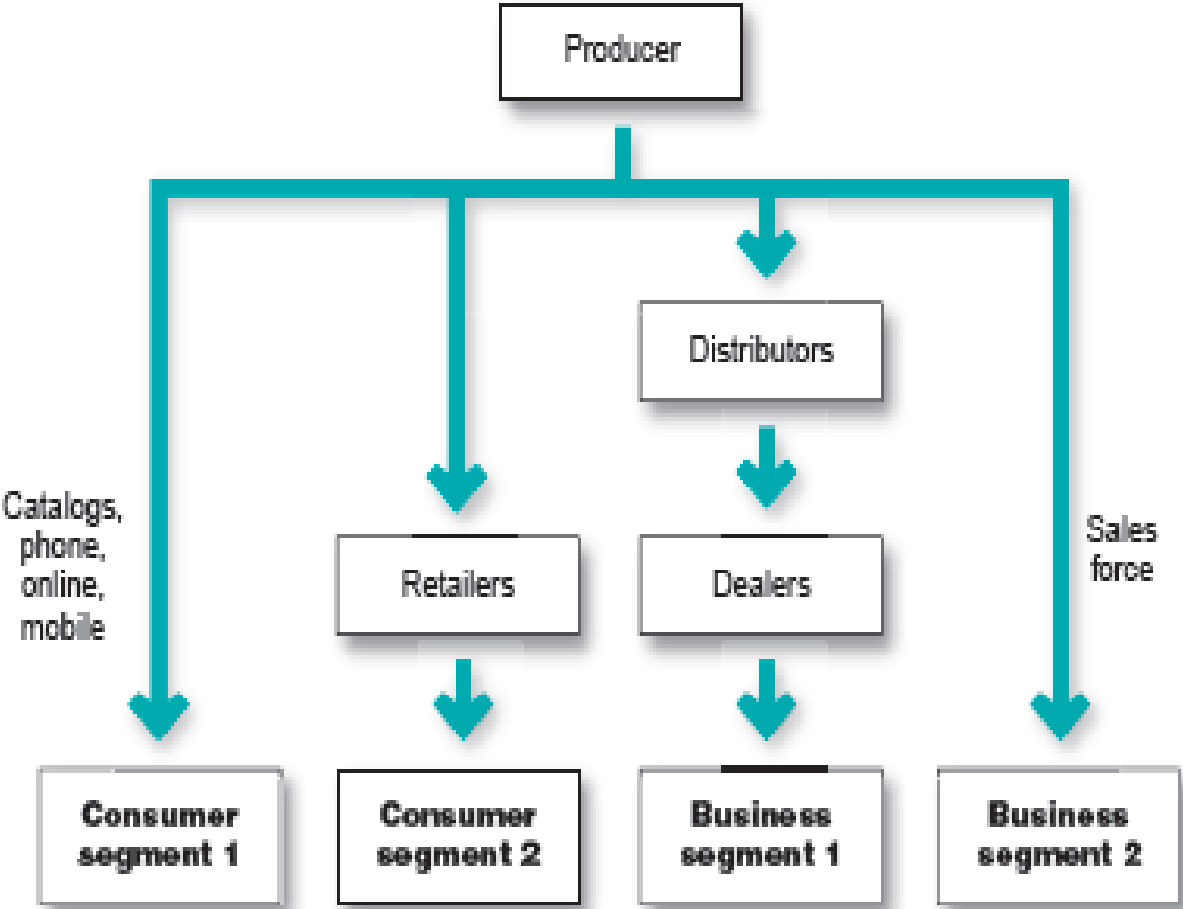
A distribution system in which a single firm sets up two or more marketing channels to reach one or more customer segments.

## ***Changing Channel Organization***

Changes in technology and the explosive growth of direct and online marketing are having a profound impact on the nature and design of marketing channels.

FIGURE | 12.4  
Channel Distribution System

Most large companies distribute through multiple channels. For example, you could buy a familiar green-and-yellow John Deere lawn tractor from a neighborhood John Deere dealer or from Lowe's. A large farm or forestry business would buy larger John Deere equipment from a premium full-service John Deere dealer and its sales force.



# Marketing Channel Design

Designing effective marketing channels by analyzing customer needs, setting channel objectives, identifying major channel alternatives, and evaluating those alternatives.

# Identifying Major Alternatives

- a) Intermediaries,
- b) The number of intermediaries,
- c) Responsibilities of each channel member.

# Designing International Distribution Channels

International marketers face many additional complexities in designing their channels. Each country has its own unique distribution system that has evolved over time and changes very slowly. These channel systems can vary widely from country to country. Thus, global marketers must usually adapt their channel strategies to the existing structures within each country.





● **The McDonald's delivery guy:** In cities like Beijing, Seoul, and Cairo, armies of motorbike delivery drivers outfitted in colorful uniforms and bearing food in specially designed boxes strapped to their backs make their way through bustling traffic to deliver Big Macs.

Li shengli ImaginChina

## Evaluating the Major Alternatives

The company must regularly check channel member performance against standards such as sales quotas, average inventory levels, customer delivery time, treatment of damaged and lost goods, cooperation in company promotion and training programs, and services to the customer

# **Channel Management Decisions**



# *Marketing channel management*

- ▶ Selecting Channel Members
- ▶ Managing and Motivating Channel Members
- ▶ Evaluating Channel Members

# *Public Policy and Distribution Decisions*

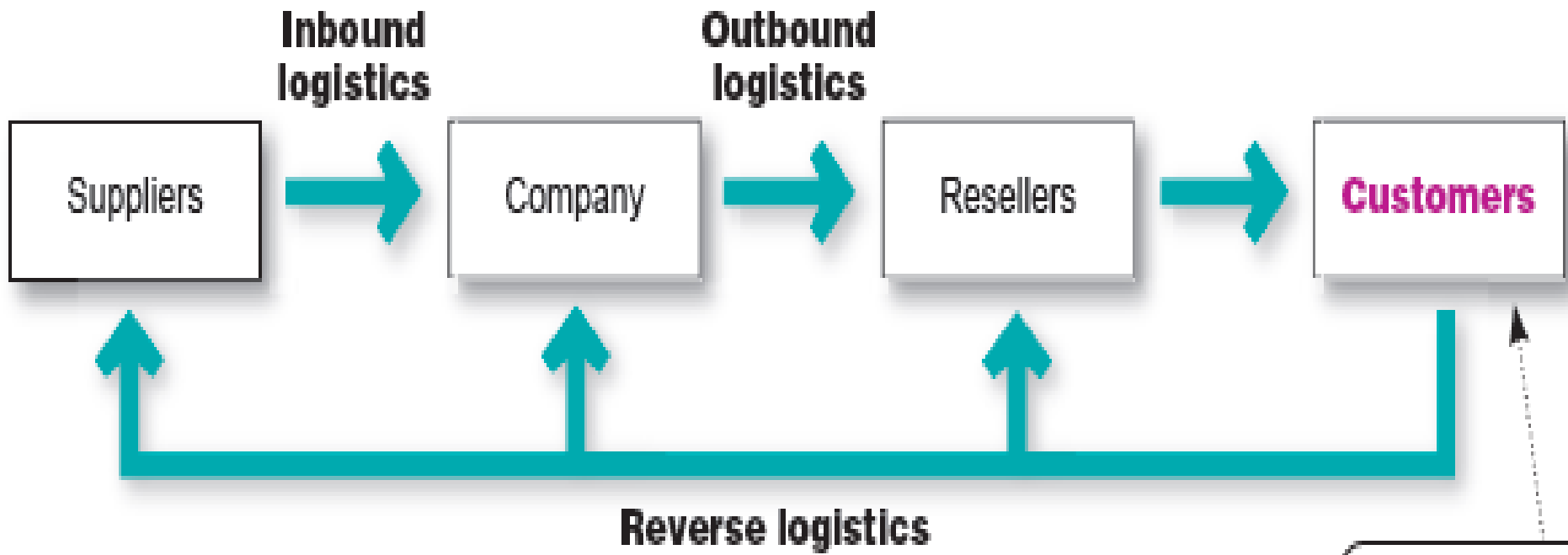
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# *Marketing Logistics and Supply Chain Management*

Marketing logistics (physical distribution) -> Planning, implementing, and controlling the physical flow of materials, final goods, and related information from points of origin to points of consumption to meet customer requirements at a profit

Supply chain management -> Managing upstream and downstream value-added flows of materials, final goods, and related information among suppliers, the company, resellers, and final consumers.

# Nature and Importance of Marketing Logistics



Managing the supply chain calls for customer centered



# Goals of the Logistics System

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Greening the Supply Chain:  
It's the Right Thing  
to Do—and It's Profitable, Too

# Major Logistics Functions

- Warehousing
- Inventory Management
- Transportation

# Integrated Logistics Management

- Cross-Functional Teamwork inside the Company
- Building Logistics Partnerships
- Third-Party Logistics