

CHAPTER ELEVEN

Place and Development of Channel Systems

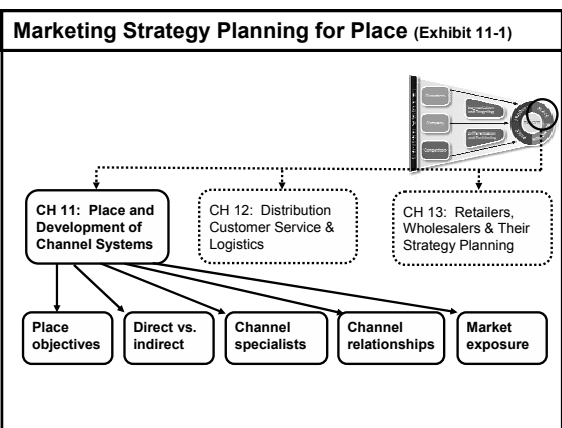
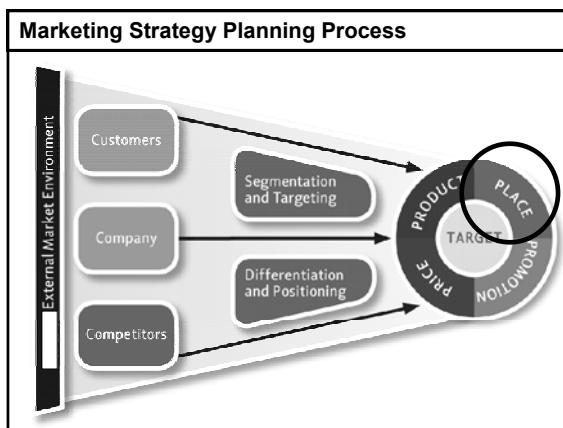


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When we finish this lecture you should

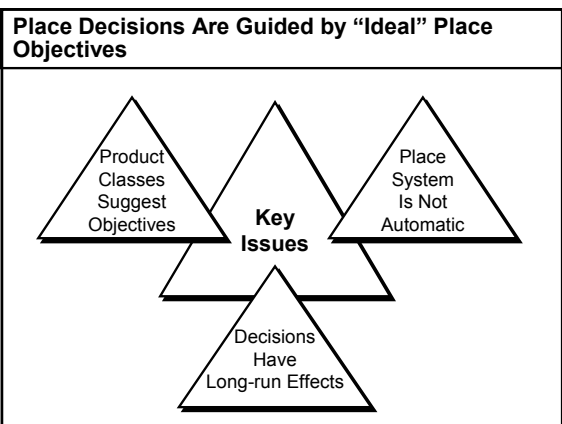
1. Understand what product classes suggest about Place objectives.
2. Understand why some firms use direct channel systems while others work with intermediaries and indirect systems.
3. Understand how and why marketing specialists develop to make channel systems more effective.
4. Understand how to develop cooperative relationships and avoid conflict in channel systems.
5. Know how channel members in vertical marketing systems shift and share functions to meet customer needs.
6. Understand the differences between intensive, selective, and exclusive distribution.



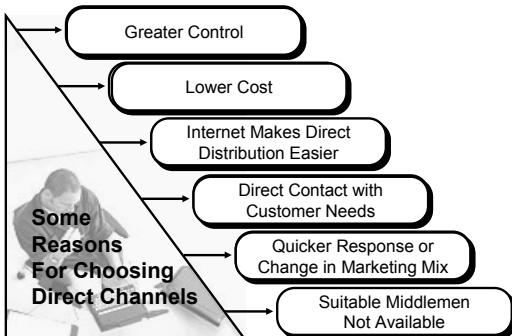
Key Elements of Distribution Strategy



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Channel System May Be Direct or Indirect



Direct Channels Are Common with Business Customers and Services

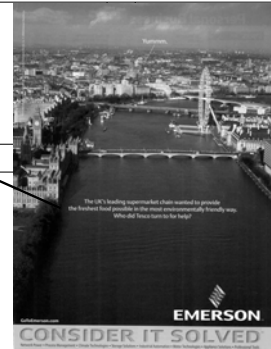


When Indirect Channels Are Best



Channel Specialists May Reduce Discrepancies and Separations

The UK's leading supermarket chain wanted to provide the freshest food possible in the most environmentally friendly way. Who did Tesco turn to for help?



A Discrepancy of Assortment



Channel Specialists Adjust Discrepancies with Regrouping Activities

Accumulating

Bulk-Breaking

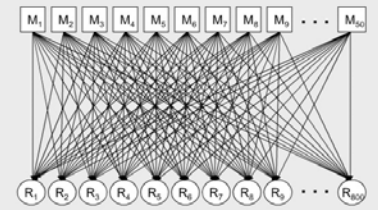
Assorting

Sorting



Interactive Exercise: Channel Efficiency

Assume a channel system is composed of 50 manufacturers and 800 retailers. Each manufacturer distributes to every retailer, as shown below:



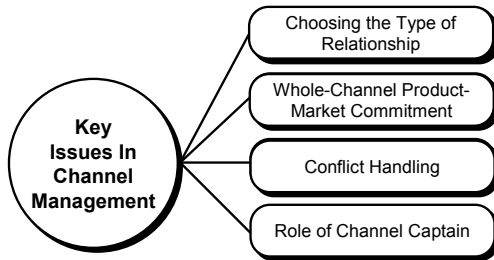
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Checking your knowledge

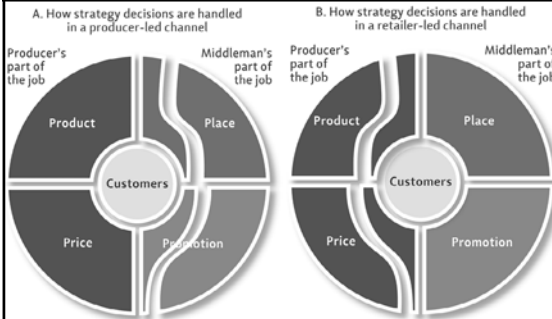
Andrea's Kitchen is a catering business that operates by means of its own website. Customers order party platters, pastries, and other foods that the company makes to order. The items are then vacuum-packed in dry ice and shipped to the customer's address via overnight delivery. Andrea's Kitchen is part of a(n):

- A. indirect channel.
- B. dual channel.
- C. middleman channel.
- D. direct channel.
- E. traditional channel.

Channel Relationship Must Be Managed



Producers or Middlemen May Be Channel Captains (Exhibit 11-2)



Vertical Marketing Systems Focus on Final Customers

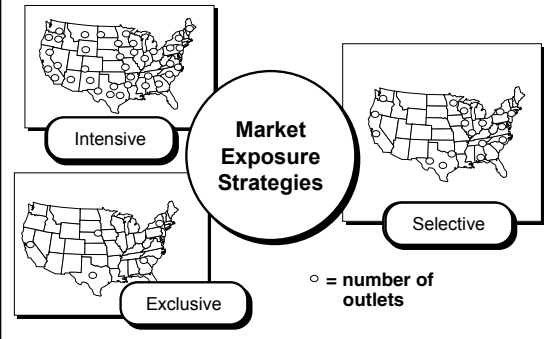
Characteristics	Type of channel			
	Traditional	Vertical marketing systems		
		Administered	Contractual	Corporate
Amount of cooperation	Little or none	Some to good	Fairly good to good	Complete
Control maintained by	None	Economic power and leadership	Contracts	One company ownership
Examples	Typical "independents"	General Electric	McDonald's	Florsheim

Checking your knowledge

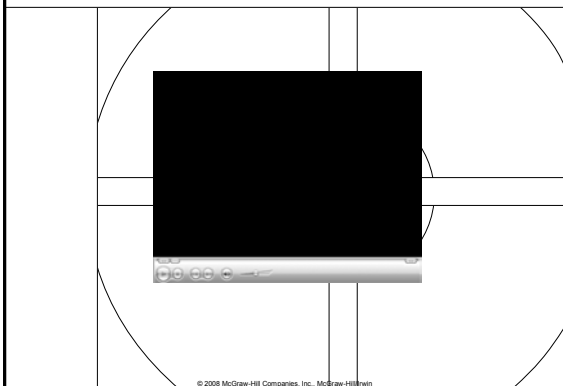
Dave Tindall runs "Maid to Perfection," a residential and business cleaning service. He paid a fee to be part of the "Maid to Perfection" system of local operators. The written agreement gives him the right to use the company name and operations manual, and the agreement promises Dave that there will not be another "Maid to Perfection" operator in his immediate area. He operates as a semi-independent entrepreneur, but is still part of a national organization. Dave is part of a(n):

- A. traditional channel.
- B. contractual channel.
- C. corporate channel.
- D. administered channel.
- E. dual channel.

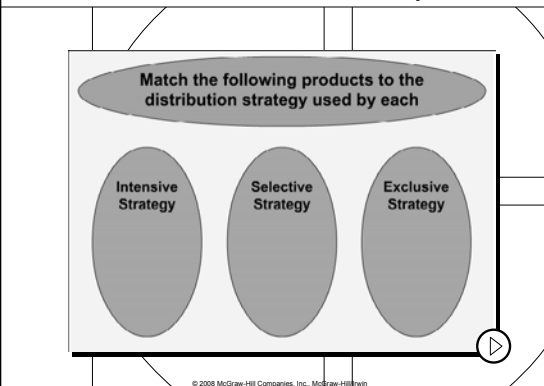
The Best Channel System Should Achieve Ideal Market Exposure



Intensive Distribution



Interactive Exercise: Ideal Market Exposure

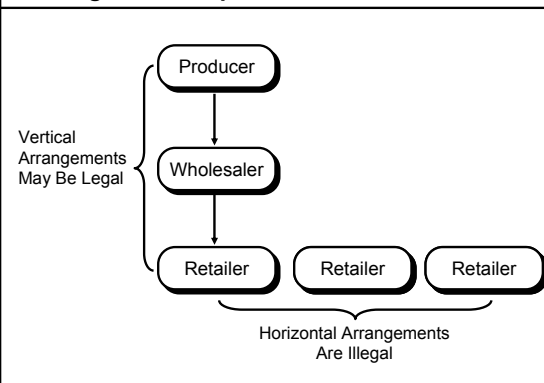


Checking your knowledge

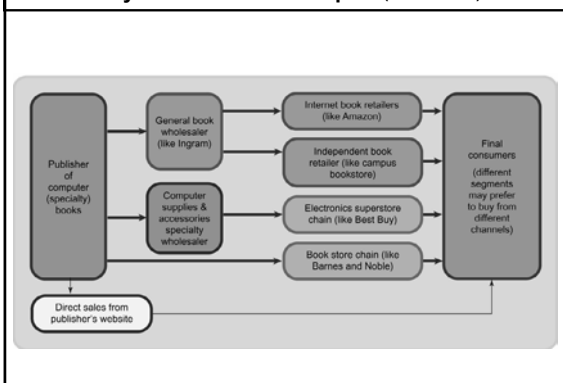
Chocolate Dreams is a manufacturer of expensive, high-quality, hand-made "old style" candies that are sold through fine department stores and certain bookstores and fine gift shops. The ideal market exposure for products manufactured by Chocolate Dreams is:

- A. intensive.
- B. comprehensive.
- C. exclusive.
- D. extensive.
- E. selective.

Limiting Market Exposure



Channel Systems Can Be Complex (Exhibit 11-4)



You now

1. Understand what product classes suggest about Place objectives.
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3. Understand how and why marketing specialists develop to make channel systems more effective.
4. Understand how to develop cooperative relationships and avoid conflict in channel systems.
5. Know how channel members in vertical marketing systems shift and share functions to meet customer needs.
6. Understand the differences between intensive, selective, and exclusive distribution.

Key Terms

- Place
- Channel of distribution
- Direct marketing
- Discrepancy of quantity
- Discrepancy of assortment
- Regrouping activities
- Accumulating
- Bulk-breaking
- Sorting
- Assorting
- Traditional channel systems
- Channel captain
- Vertical marketing systems
- Corporate channel systems
- Vertical integration
- Administered channel systems
- Contractual channel systems

Key Terms

- Ideal market exposure
- Intensive distribution
- Selective distribution
- Exclusive distribution
- Multichannel distribution
- Reverse channels