Marketing Channels and Supply Chain Management

chapter 12

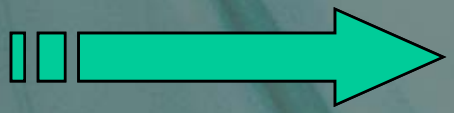


Prepared by
wahabs

Learning Objectives

chapter 12

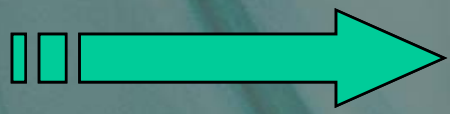
1. **Explain what a marketing channel is and why intermediaries are needed.**
2. **Define the types of channel intermediaries and describe their functions and activities.**



Learning Objectives (continued)

chapter 12

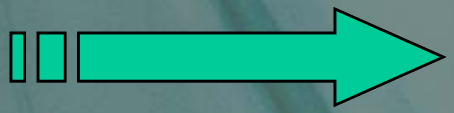
3. **Describe the channel structures for consumer and business-to-business products and discuss alternative channel arrangements.**
4. **Define supply chain management and discuss its benefits.**
5. **Discuss the issues that influence channel strategy.**



Learning Objectives (continued)

chapter 12

6. **Explain channel leadership, conflict, and partnering.**
7. **Describe the logistical components of the supply chain.**
8. **Discuss the concept of balancing logistics service and cost.**



Learning Objectives (continued)

chapter 12

9. **Discuss new technology and emerging trends in supply chain management.**
10. **Discuss channels and distribution decisions in global markets.**
11. **Identify the special problems and opportunities associated with distribution in service organizations.**

Learning Objective

1

Explain what a marketing channel is and why intermediaries are needed.

Marketing Channels

1

Marketing Channel	**A set of interdependent organizations that ease the transfer of ownership as products move from producer to business user or consumer.**
Supply Chain	**The connected chain of all the business entities, both internal and external to the company, that perform or support the logistics function.**

Marketing Channel Functions

1

Channels Fulfill Three Important Functions

- **Specialization and Division of Labor**
- **Overcoming Discrepancies**
- **Providing Contact Efficiency**

Specialization and Division of Labor

1

- Provides economies of scale
- Aids producers who lack resources to market directly
- Builds good relationships with customers

Overcoming Discrepancies

1

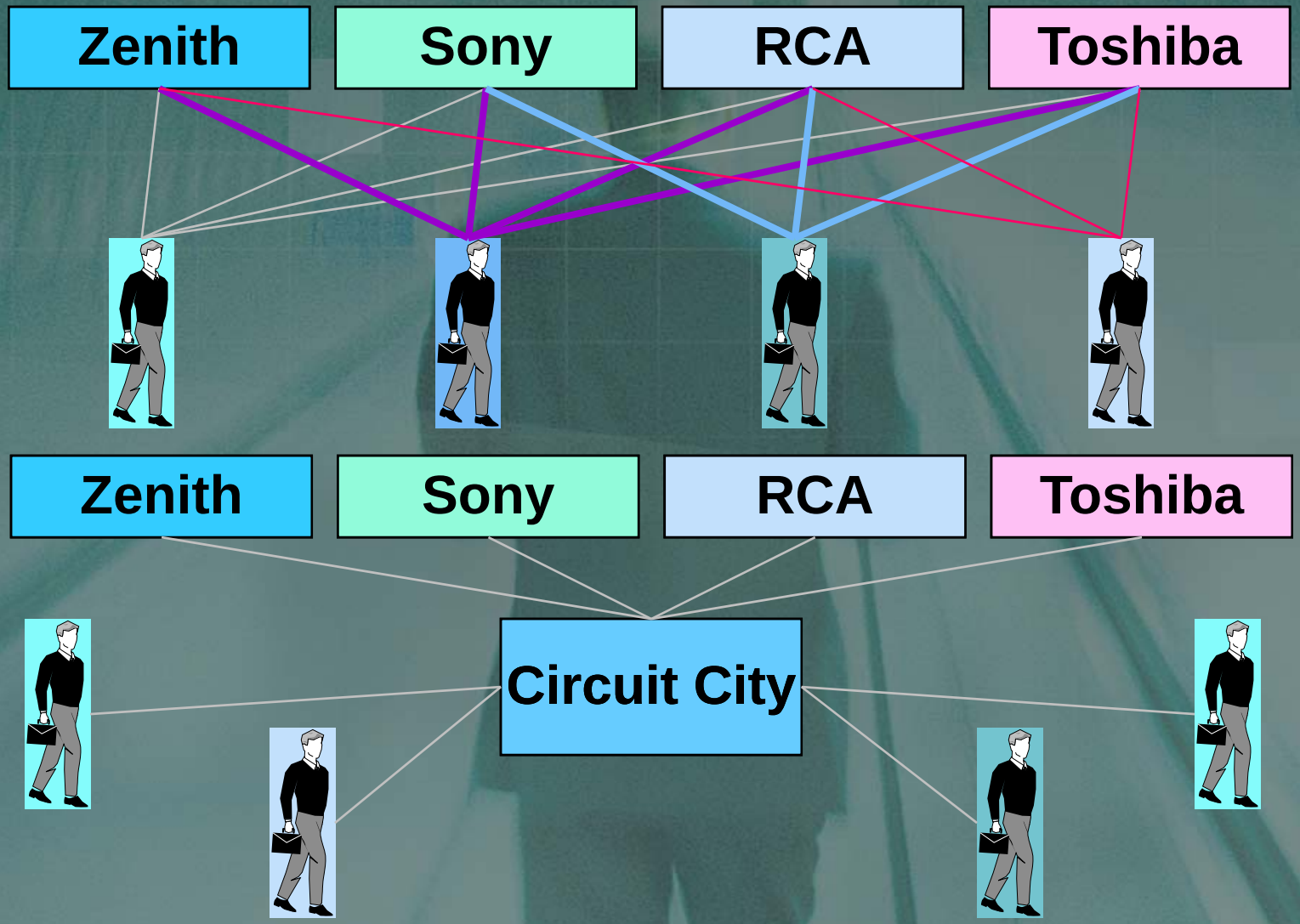
Discrepancy of Quantity	**The difference between the amount of product produced and the amount an end user wants to buy.**
Discrepancy of Assortment	**The lack of all the items a customer needs to receive full satisfaction from a product or products.**

Overcoming Discrepancies

1

Temporal Discrepancy	**A situation that occurs when a product is produced but a customer is not ready to buy it.**
Spatial Discrepancy	**The difference between the location of a producer and the location of widely scattered markets.**

Contact Efficiency



Learning Objective

2

Define the types of channel intermediaries and describe their functions and activities.

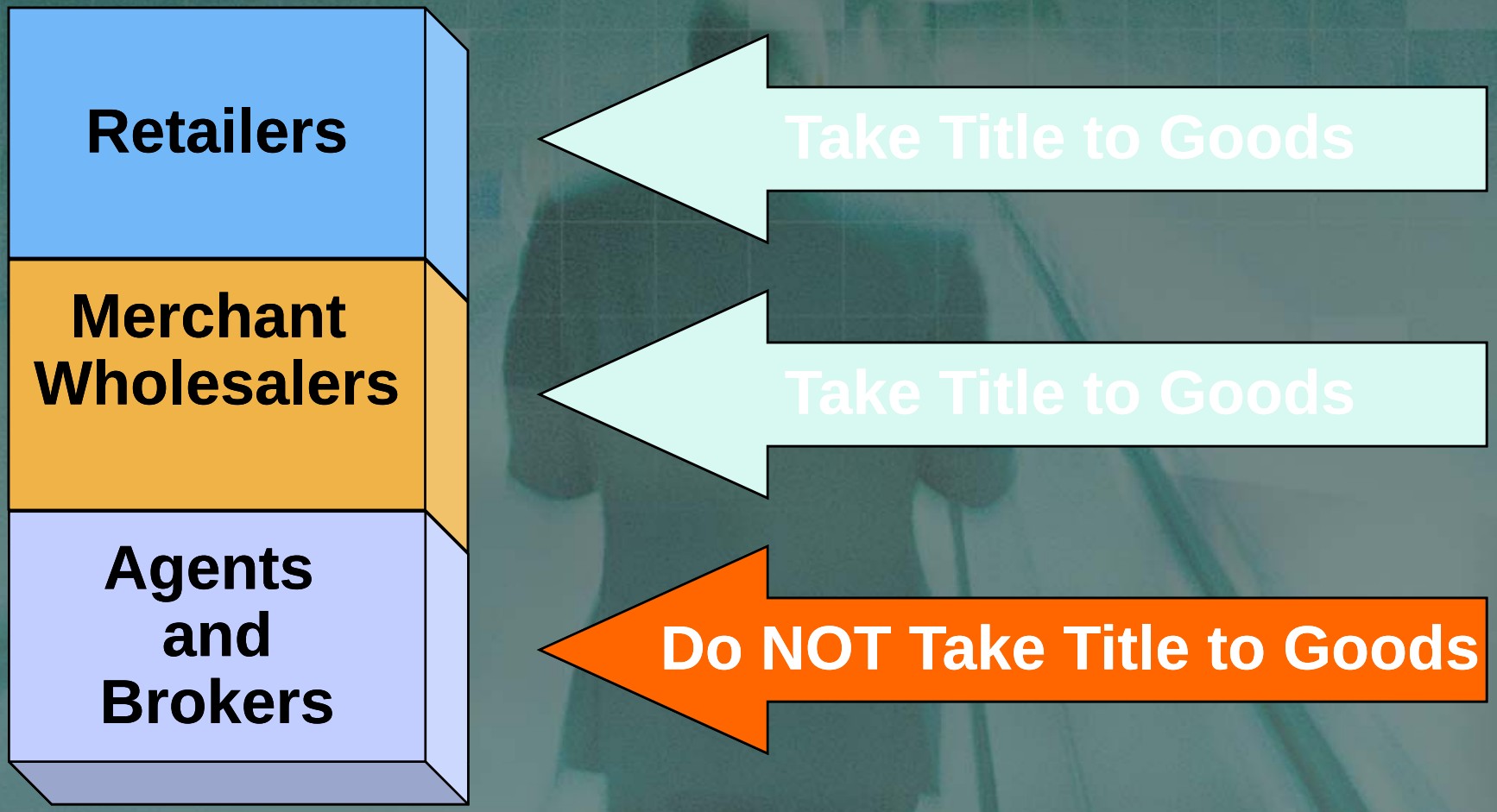
Channel Intermediaries

2

Retailer	**A channel intermediary that sells mainly to customers.**
Merchant Wholesaler	**An institution that buys goods from manufacturers, takes title to goods, stores them, and resells and ships them.**
Agents and Brokers	**Wholesaling intermediaries who facilitate the sale of a product by representing channel member.**

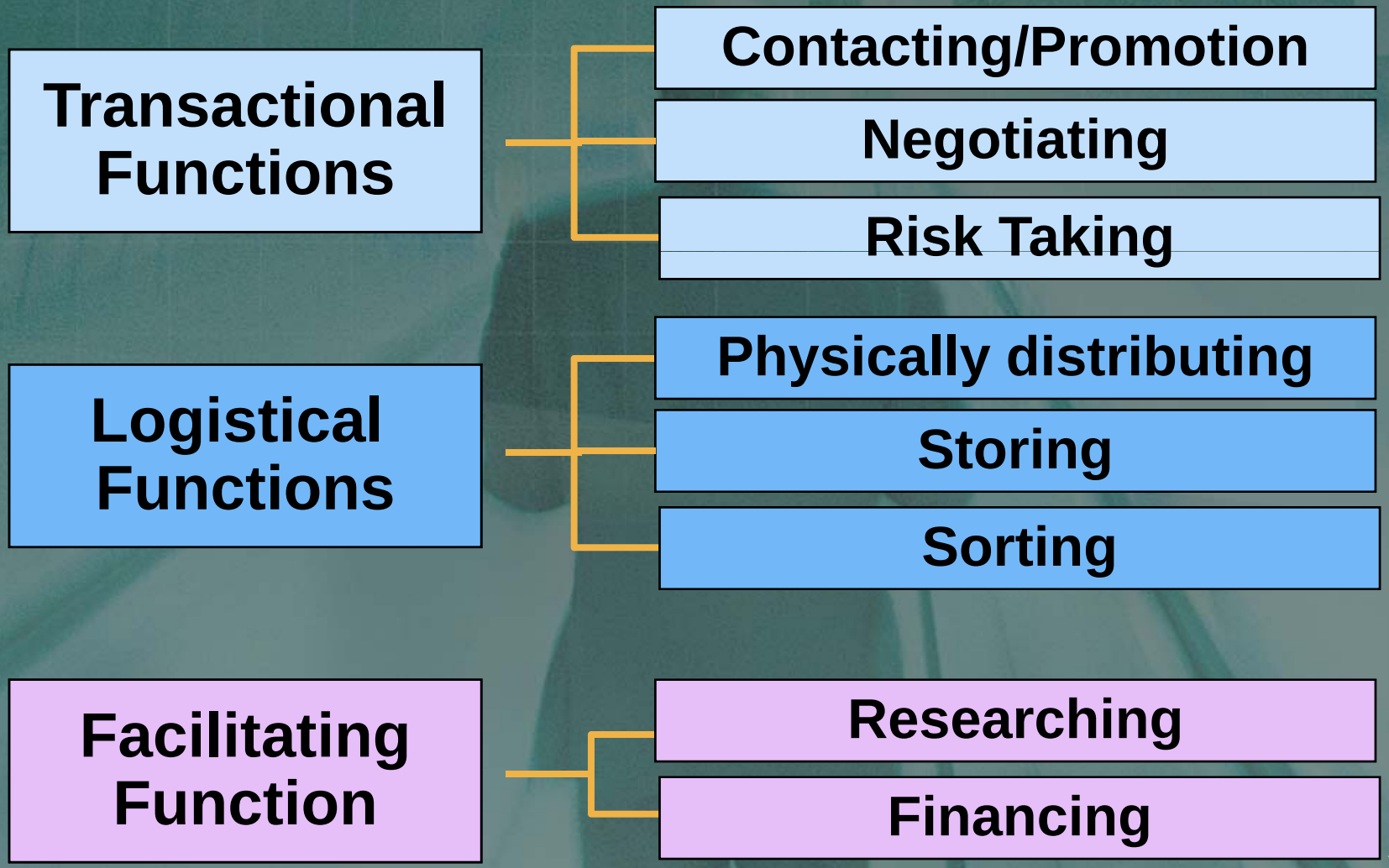
Channel Intermediaries

2



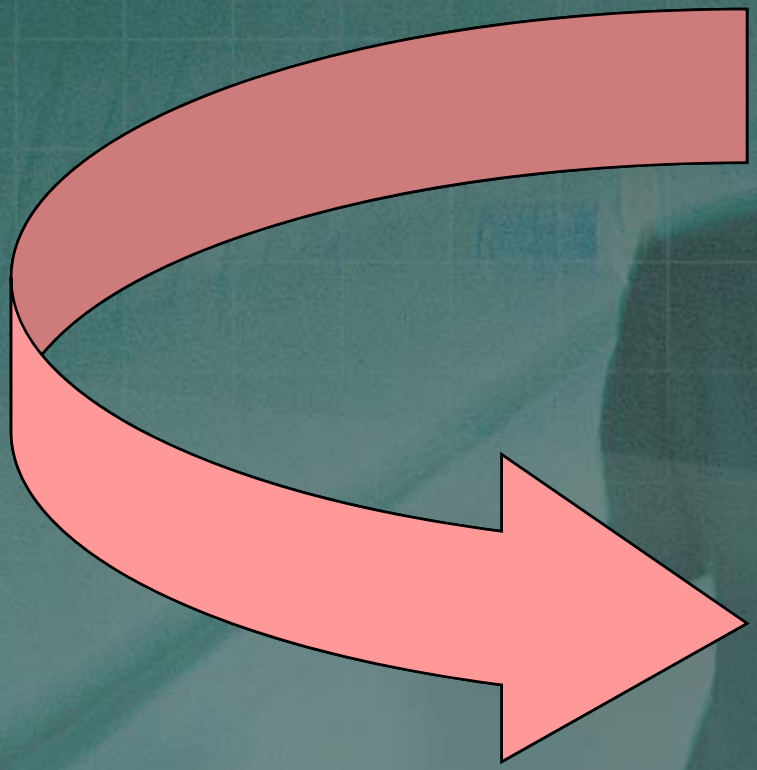
Channel Functions Performed by Intermediaries

2



Logistics

2



The process of strategically managing the efficient flow and storage of raw materials, in-process inventory, and finished goods from point of origin to point of consumption.

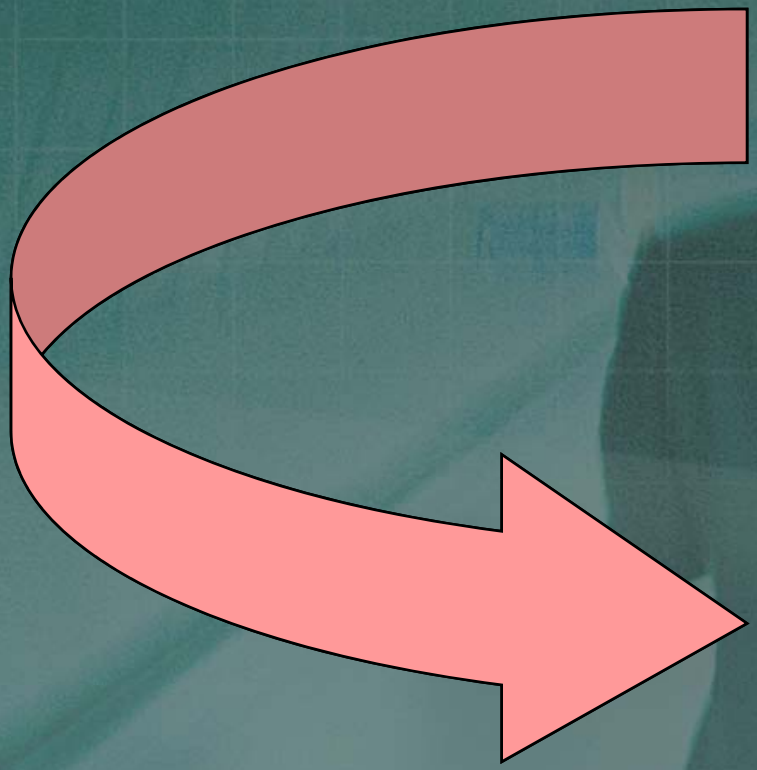
Learning Objective

3

Describe the channel structures for consumer and business-to-business products and discuss alternative channel arrangements.

Direct Channel

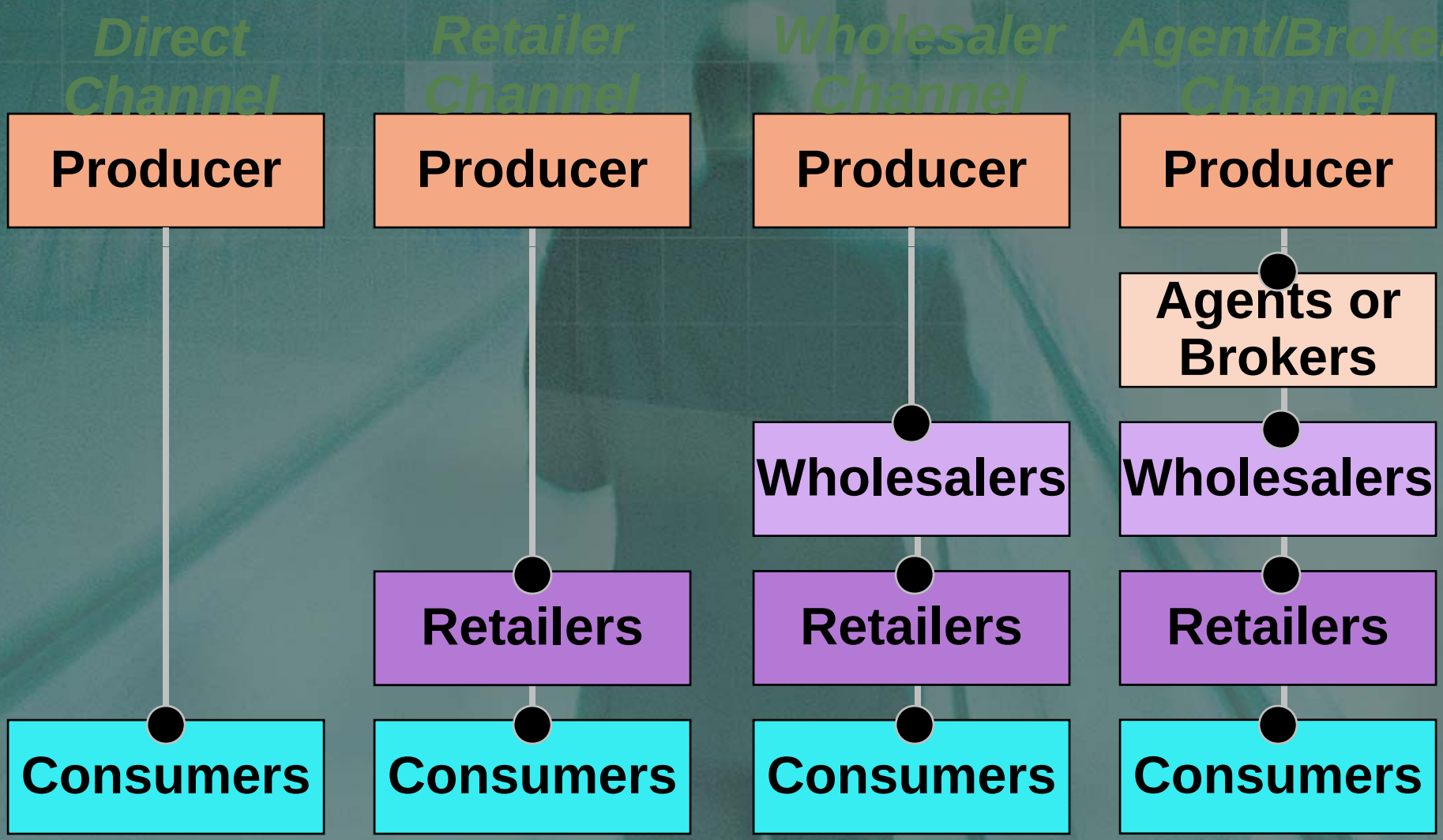
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A distribution channel in which producers sell directly to consumers.

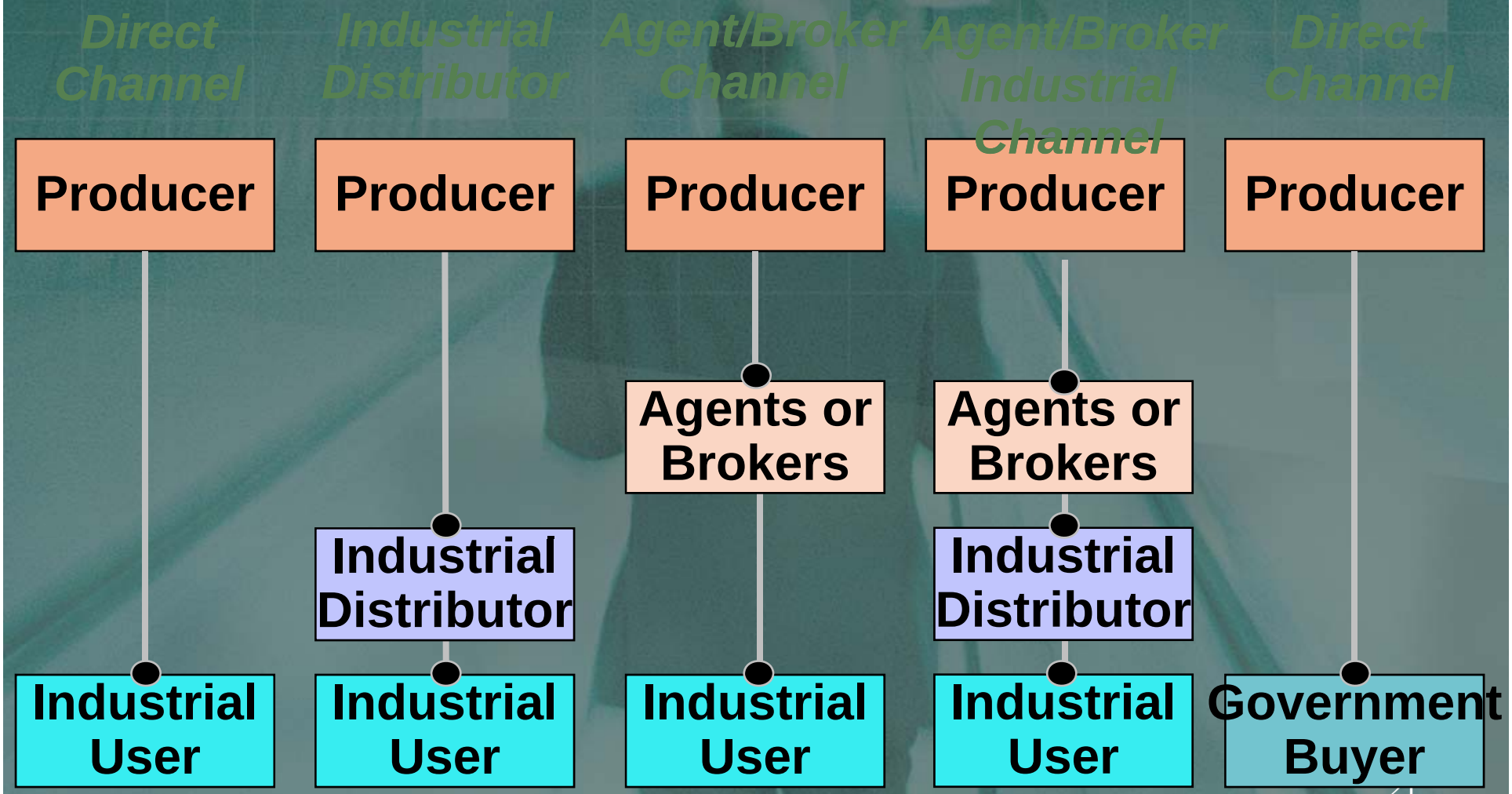
Channels for Consumer Products

3



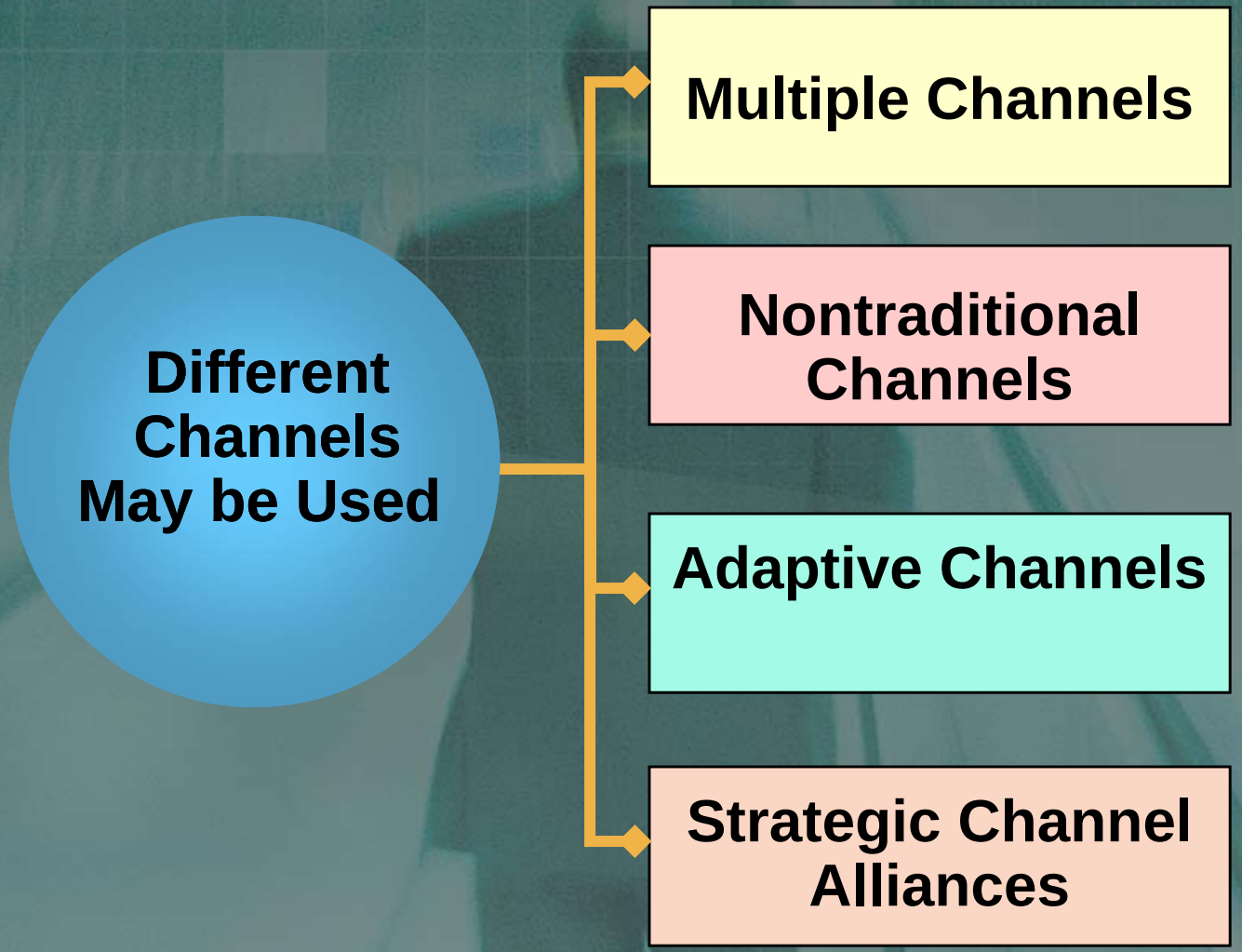
Channels for Business-to-Business Products

3



Alternative Channel Arrangements

3



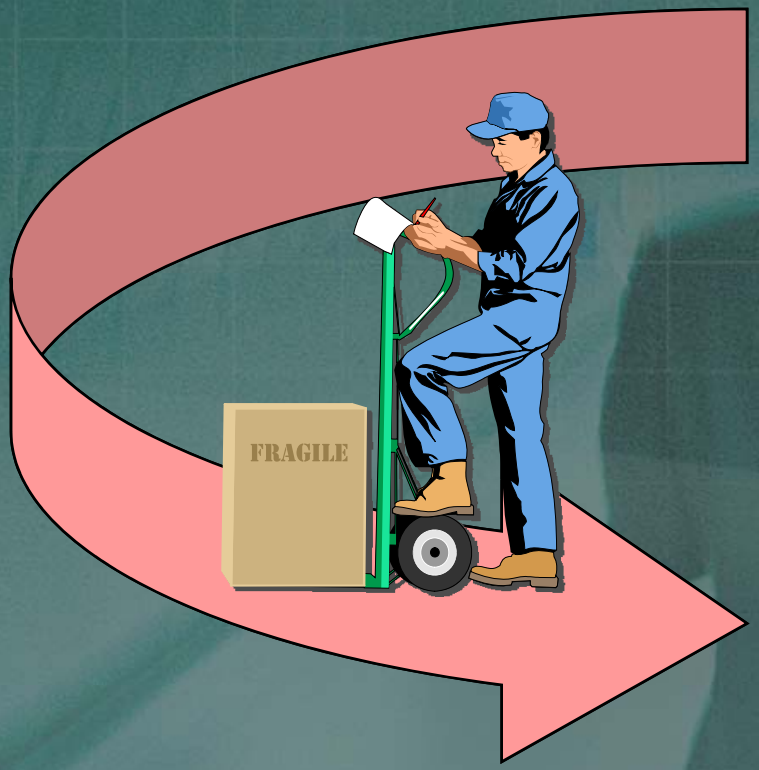
Learning Objective

4

Define supply chain management and discuss its benefits.

Supply Chain Management

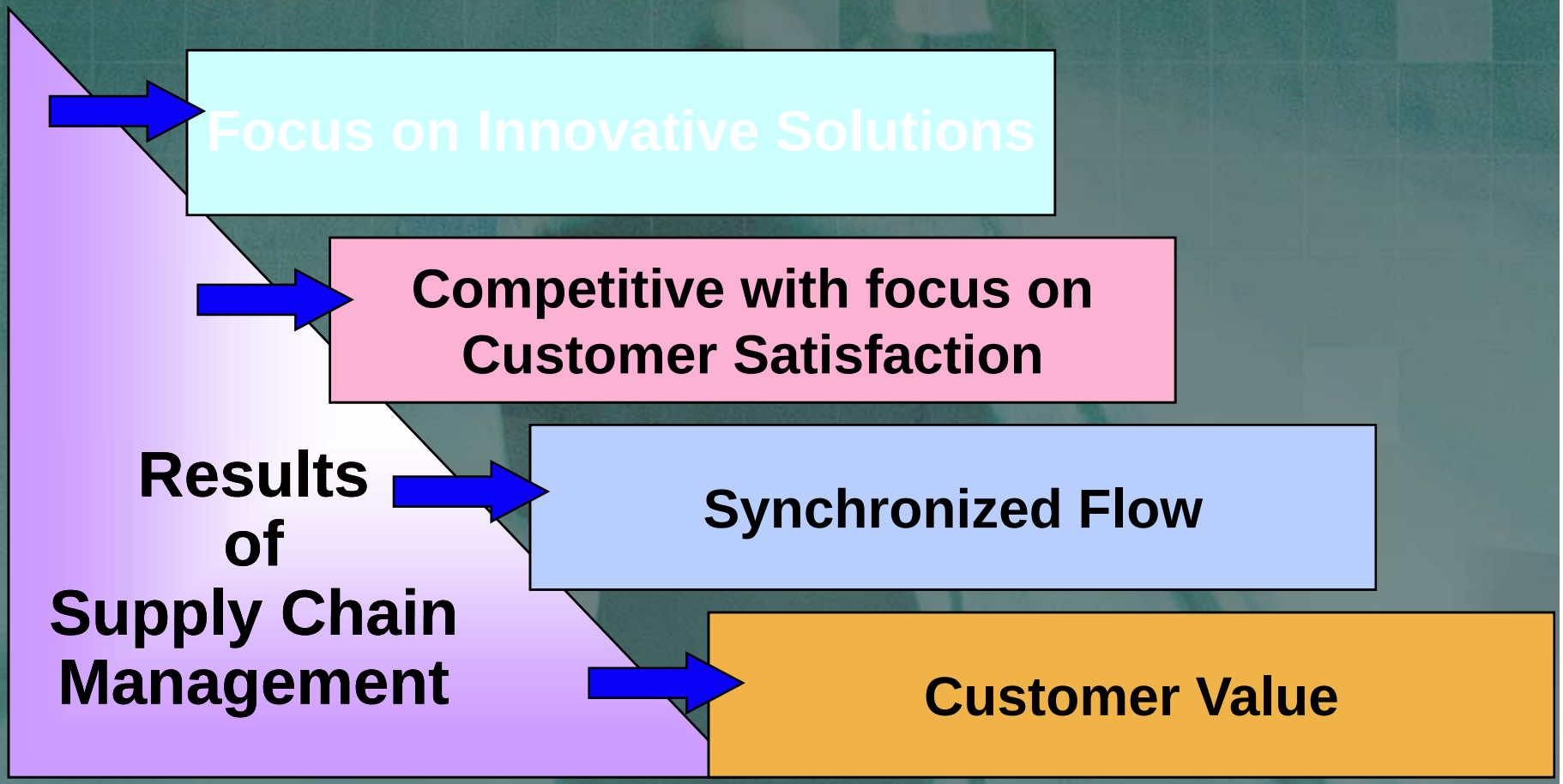
4



A management system that coordinates and integrates all of the activities performed by supply chain members into a seamless process, from the source to the point of consumption.

Supply Chain Management

4



Role of Supply Chain Management

4

Role of Supply Chain Management

Communicator of customer demand from point of sale to supplier

Physical flow process that engineers the movement of goods

Supply Chain Management Activities

4

Determine channel strategy and level of distribution intensity

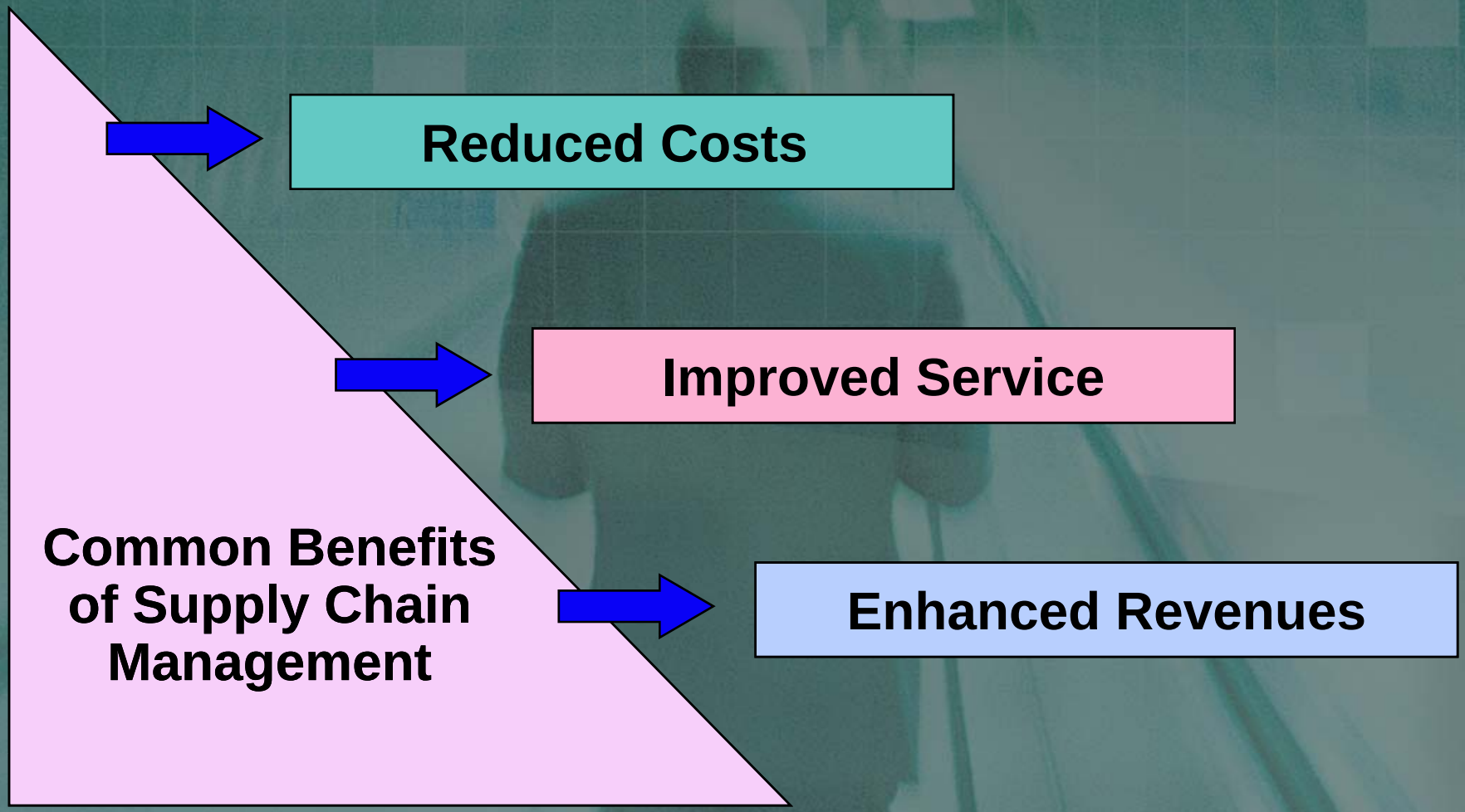
Manage relationships in the supply chain

Manage the logistical components of the supply chain

Balance the costs of the supply chain with the service level demanded by customer

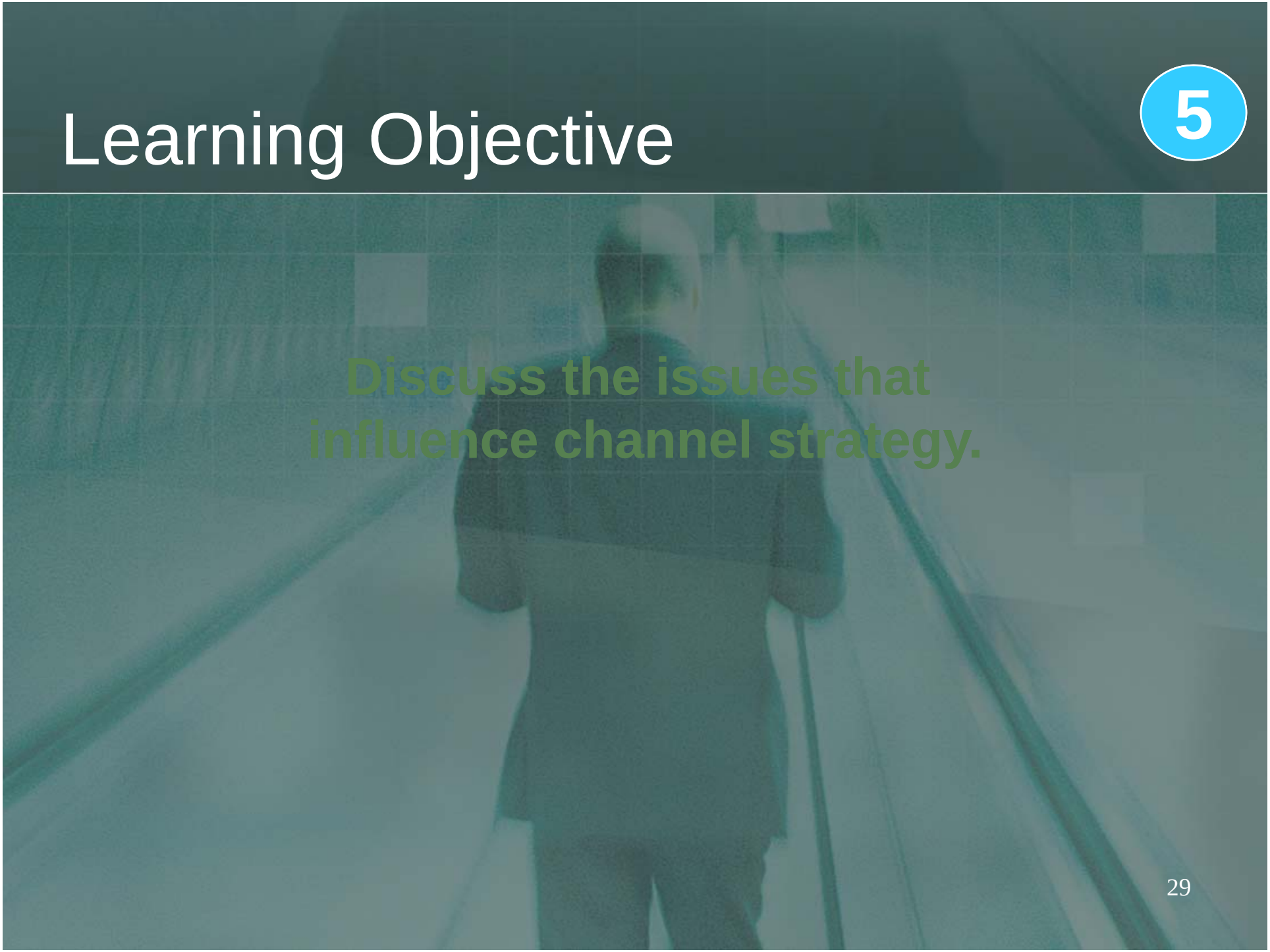
Benefits of Supply Chain Management

4



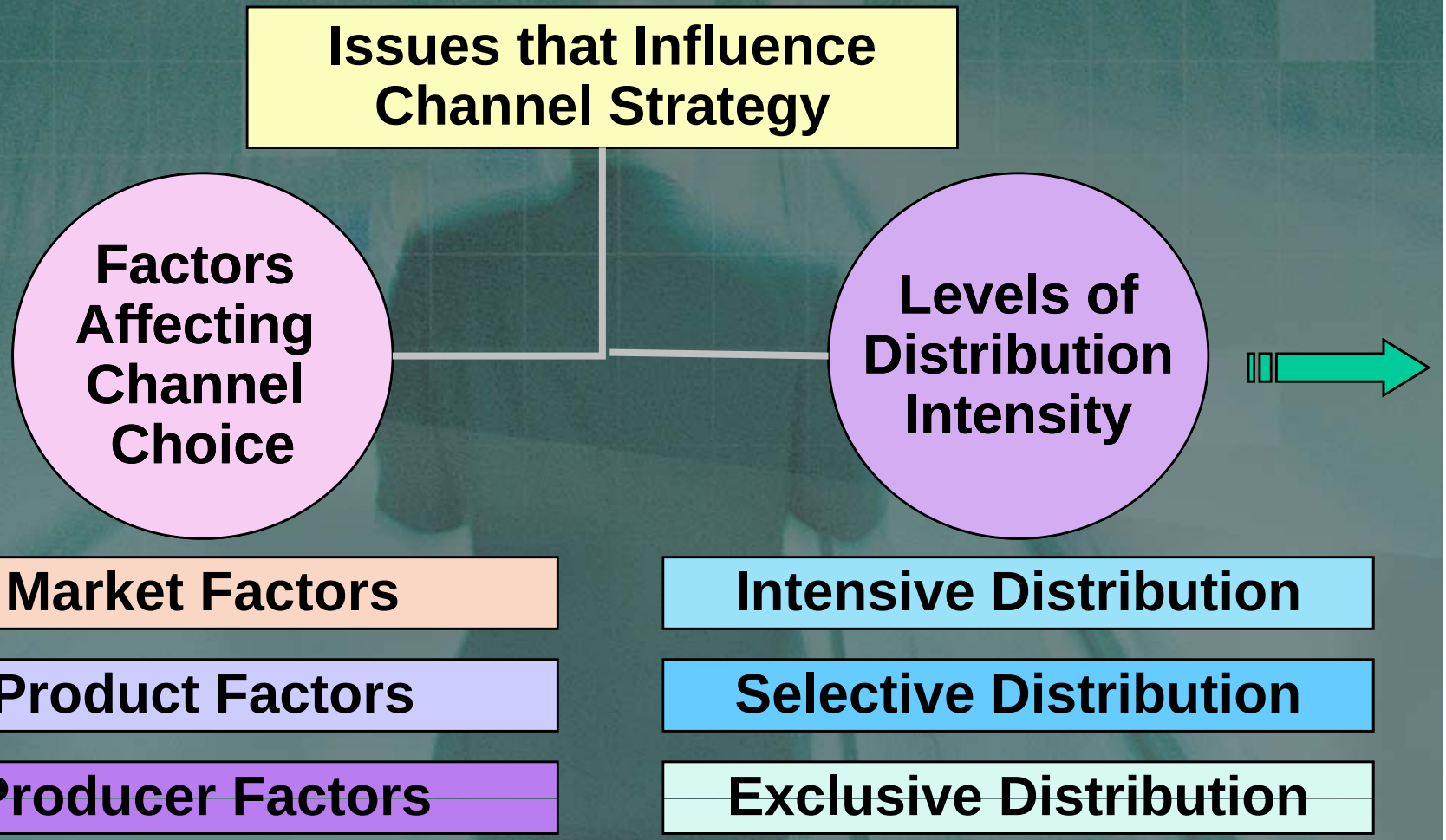
Learning Objective

5



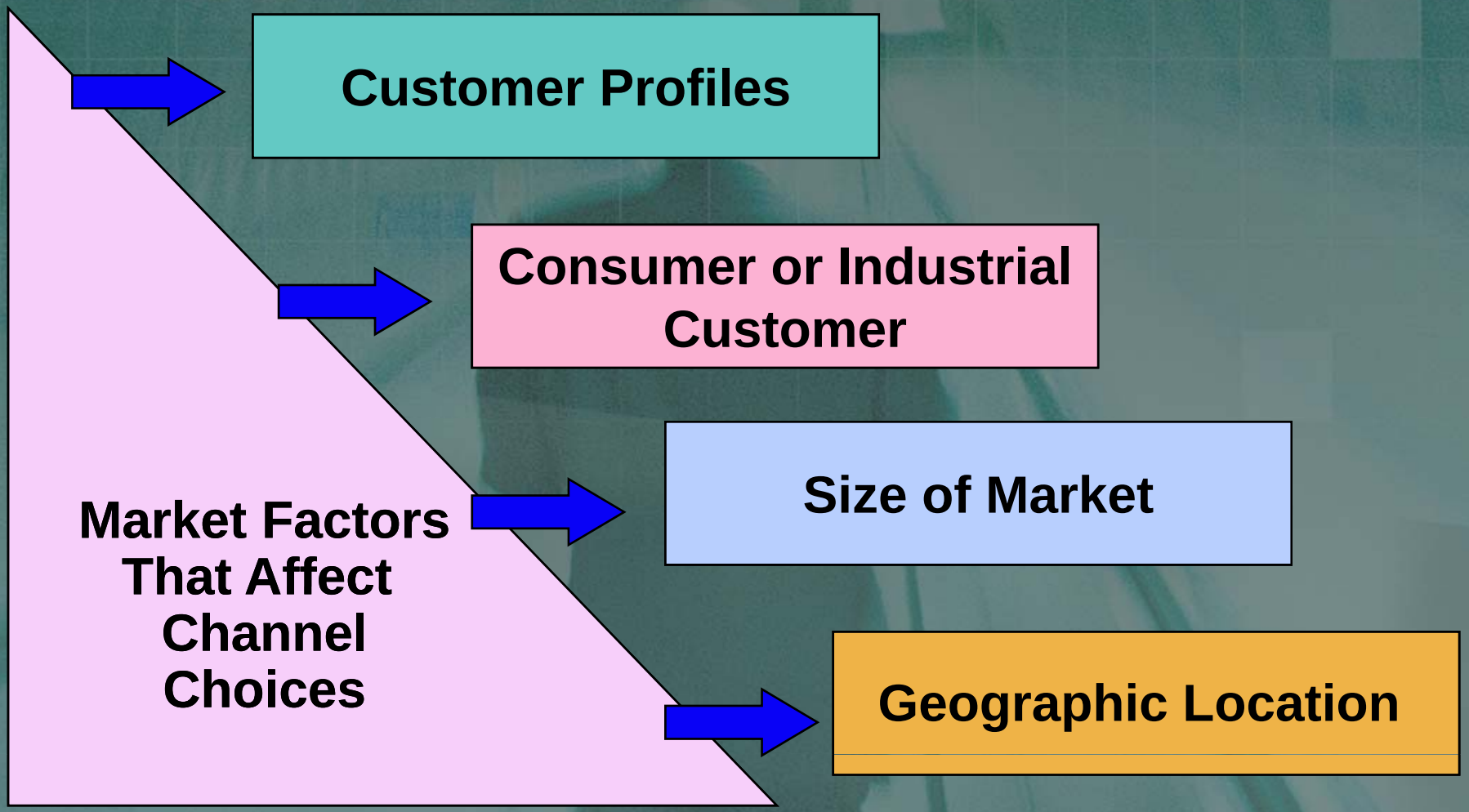
Channel Strategy Decisions

5



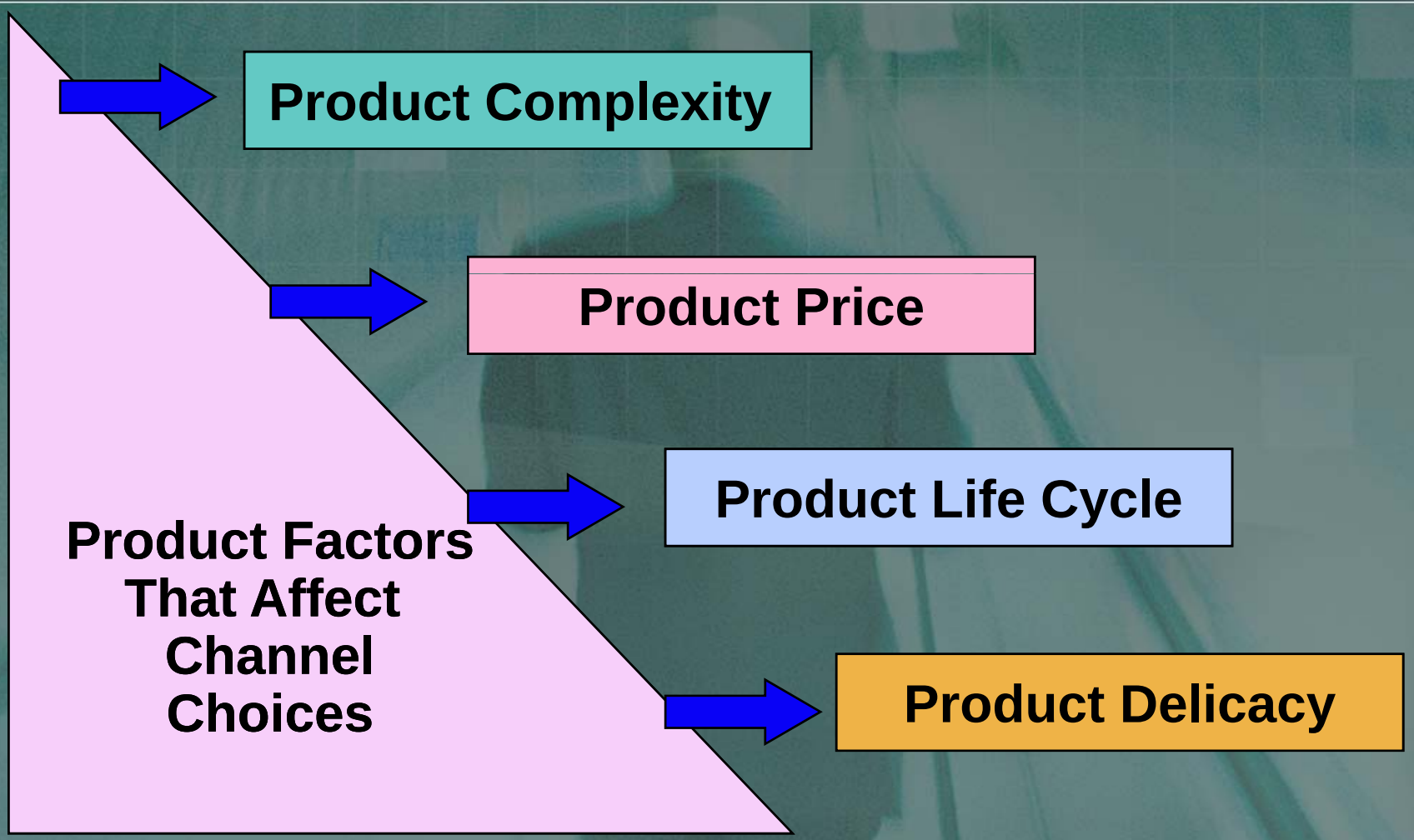
Market Factors

5



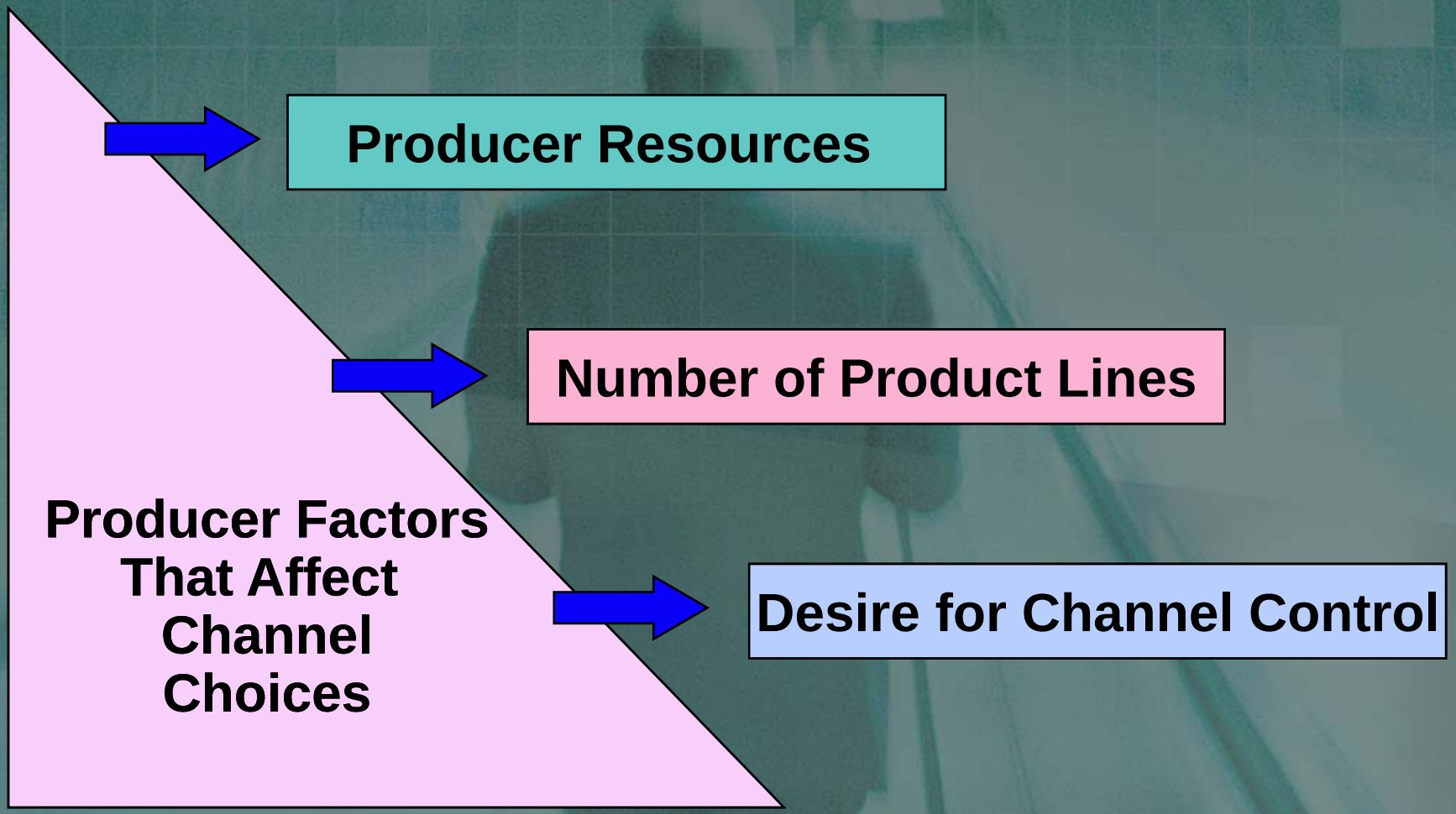
Product Factors

5



Producer Factors

5



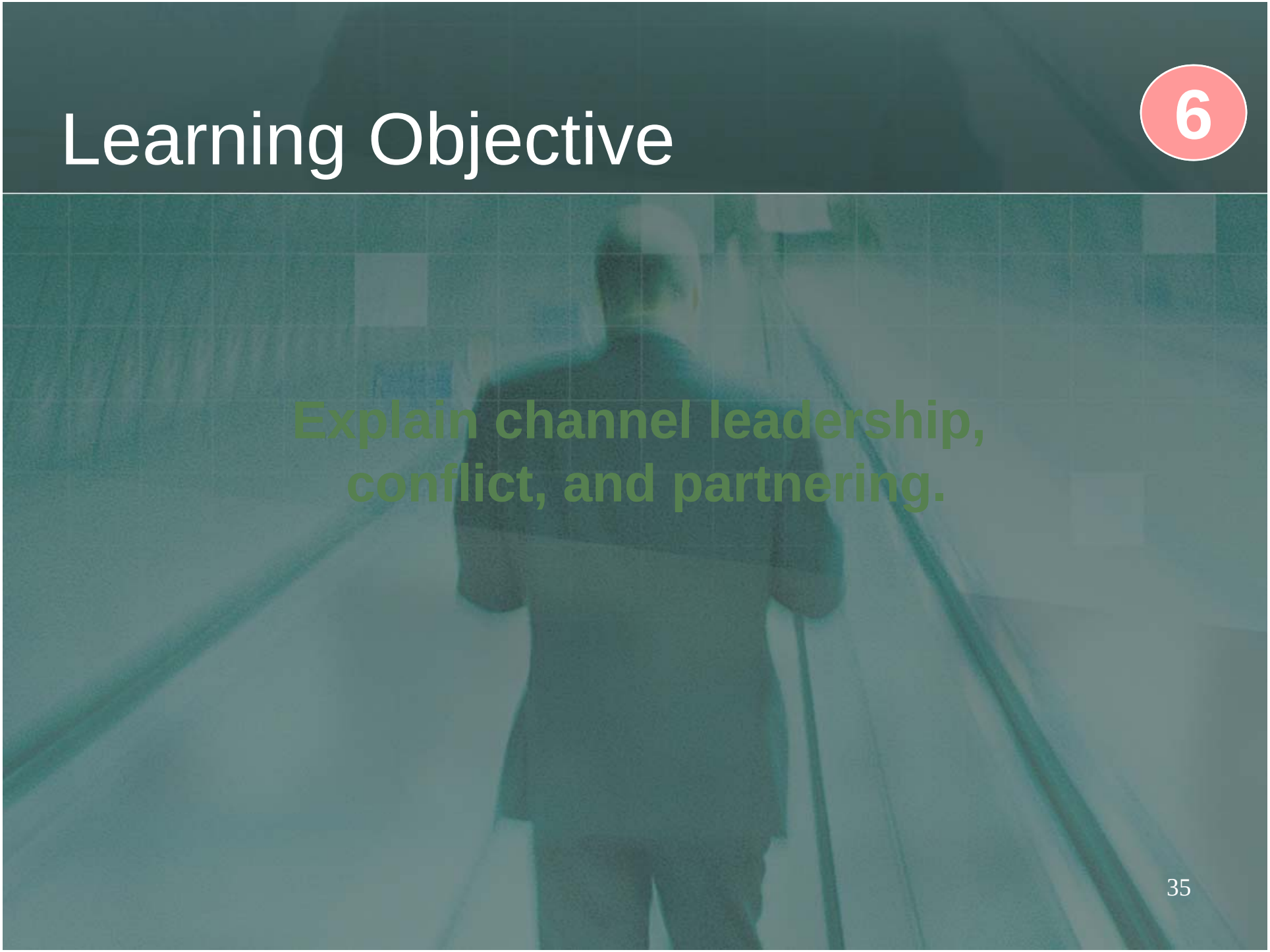
Levels of Distribution Intensity

5

Intensity Level	*Objective*	*Number of Intermediaries*
Intensive	**Achieve mass market selling. Convenience goods.**	**Many**
Selective	**Work with selected intermediaries. Shopping and some specialty goods.**	**Several**
Exclusive	**Work with single intermediary. Specialty goods and industrial equipment.**	**One**

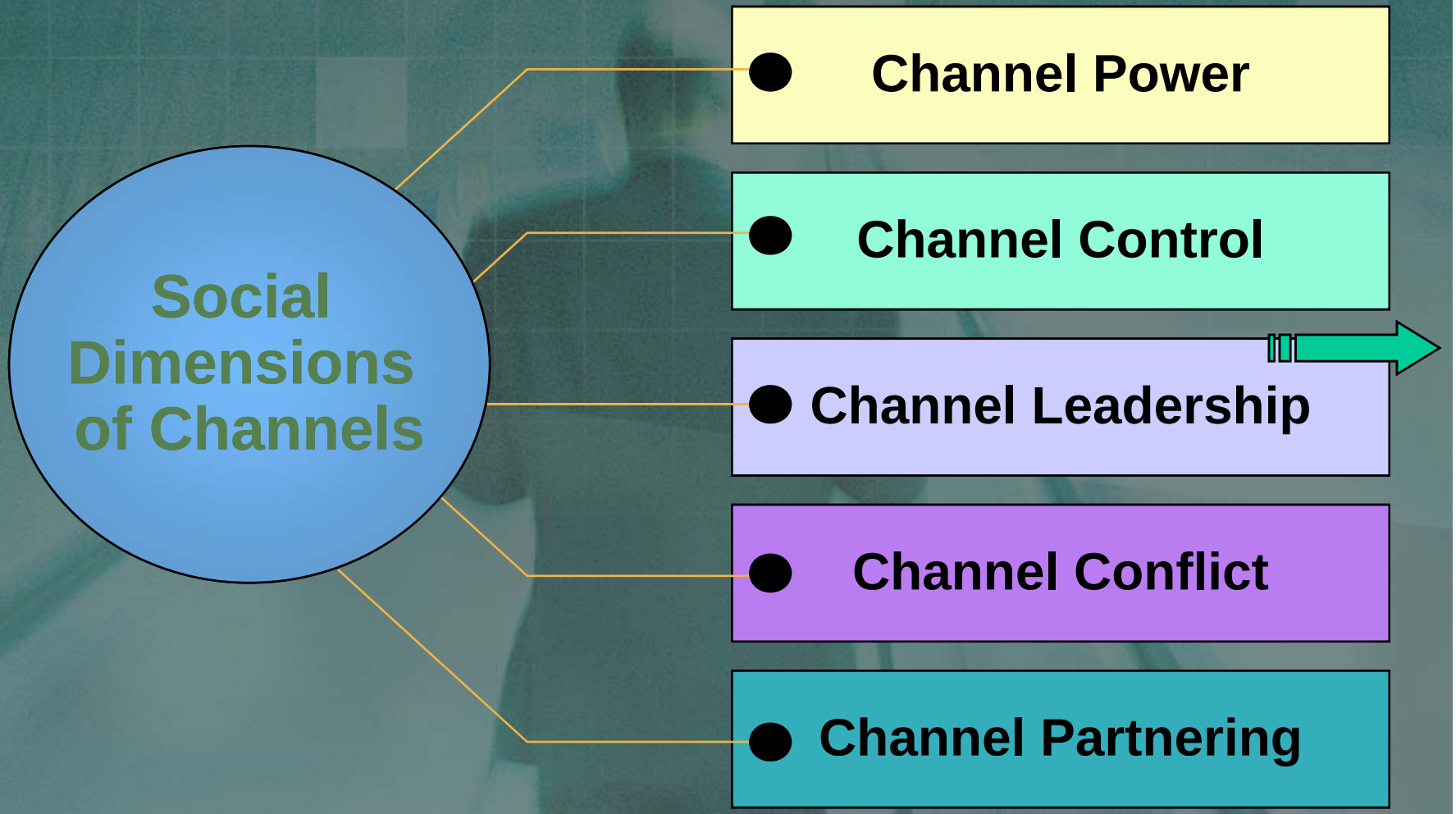
Learning Objective

6



Explain channel leadership, conflict, and partnering.

Managing Channel Relationships 6



Channel Power, Control, and Leadership

6

Channel Power	**A channel member's capacity to control or influence the behavior of other channel members**
Channel Control	**A situation that occurs when one marketing channel member intentionally affects another member's behavior.**
Channel Leader	**A member of a marketing channel that exercises authority/power over the activities of other members.**

Channel Conflict

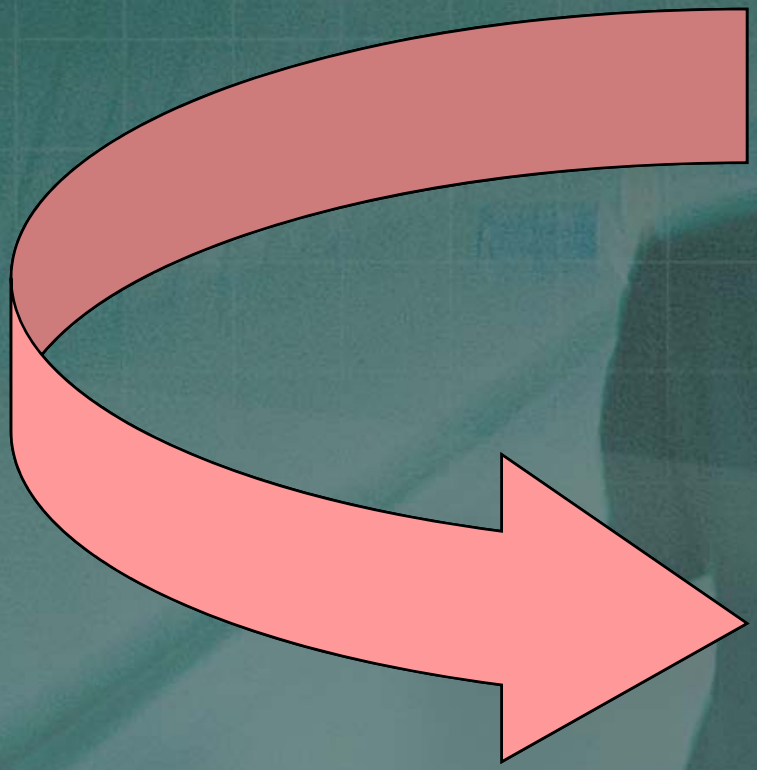
6

A clash of goals and methods between distribution channel members.

Horizontal Conflict	**Occurs among channel members on the same level**
Vertical Conflict	**Occurs among channel members at different levels**

Channel Partnering

6



The joint effort of all channel members to create a supply chain that serves customers and creates a competitive advantage.

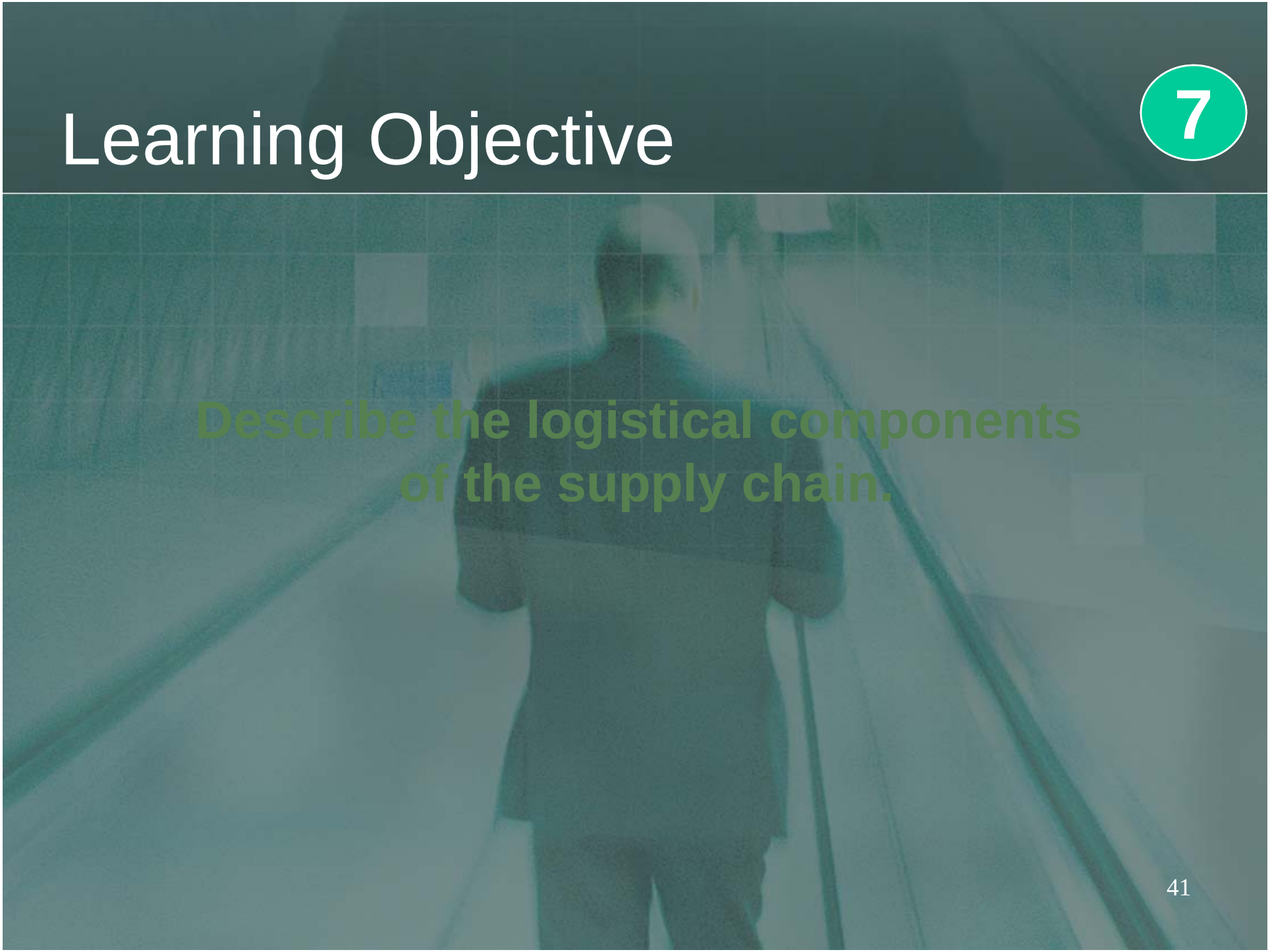
Transaction- vs. Partnership-Based Firms

6

Transaction-Based	Partnership-Based
Short-term relationships	Long-term relationships
Multiple suppliers	Few suppliers
Adversarial relationships	Cooperative partnerships
Price dominates	Value-added services dominate
Minimal supplier investment	High supplier/buyer investment
Minimal information sharing	Extensive information sharing
Firms are independent	Firms are interdependent
Minimal functional area interaction	Extensive functional area interaction

Learning Objective

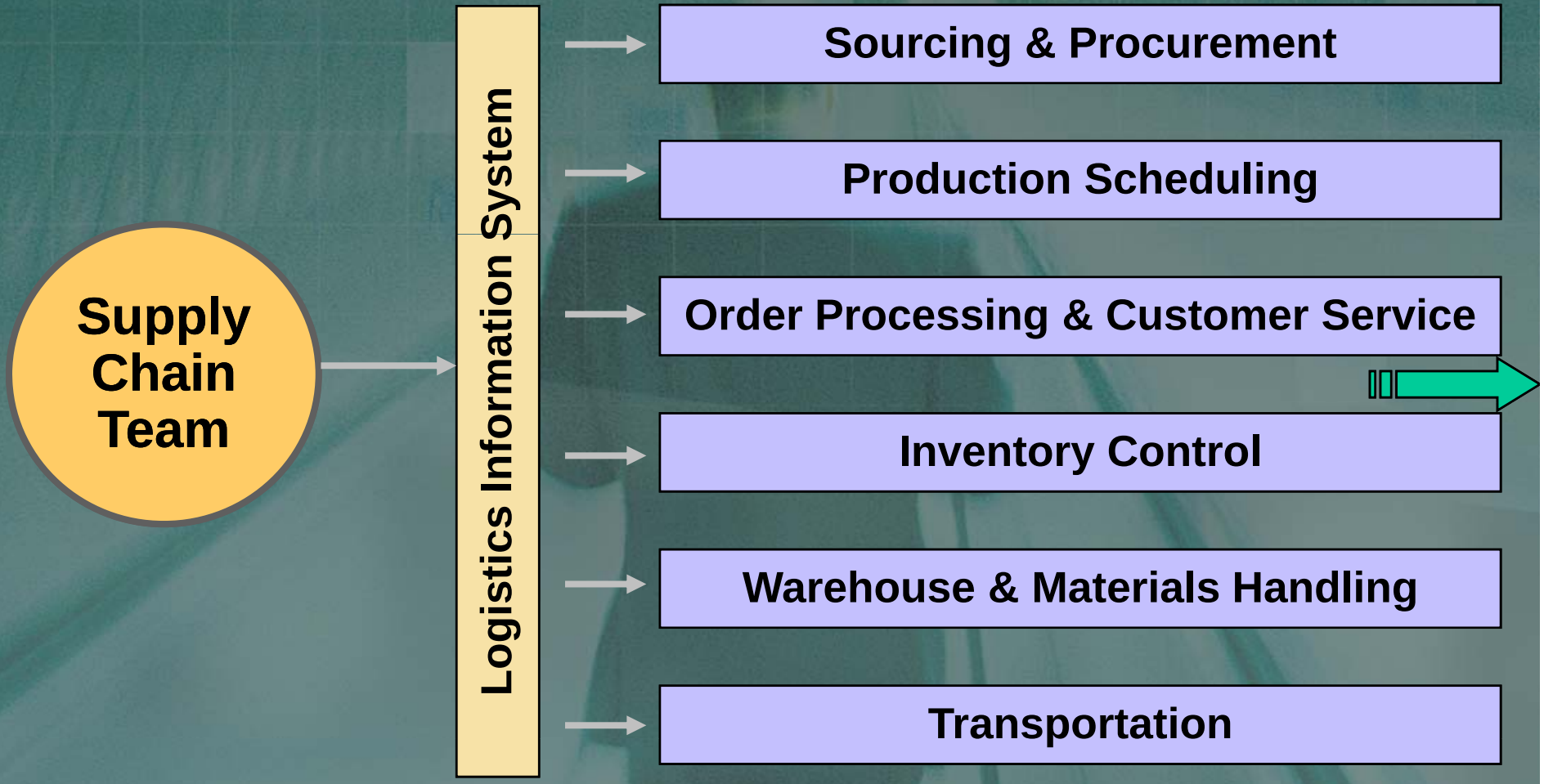
7



Describe the logistical components of the supply chain.

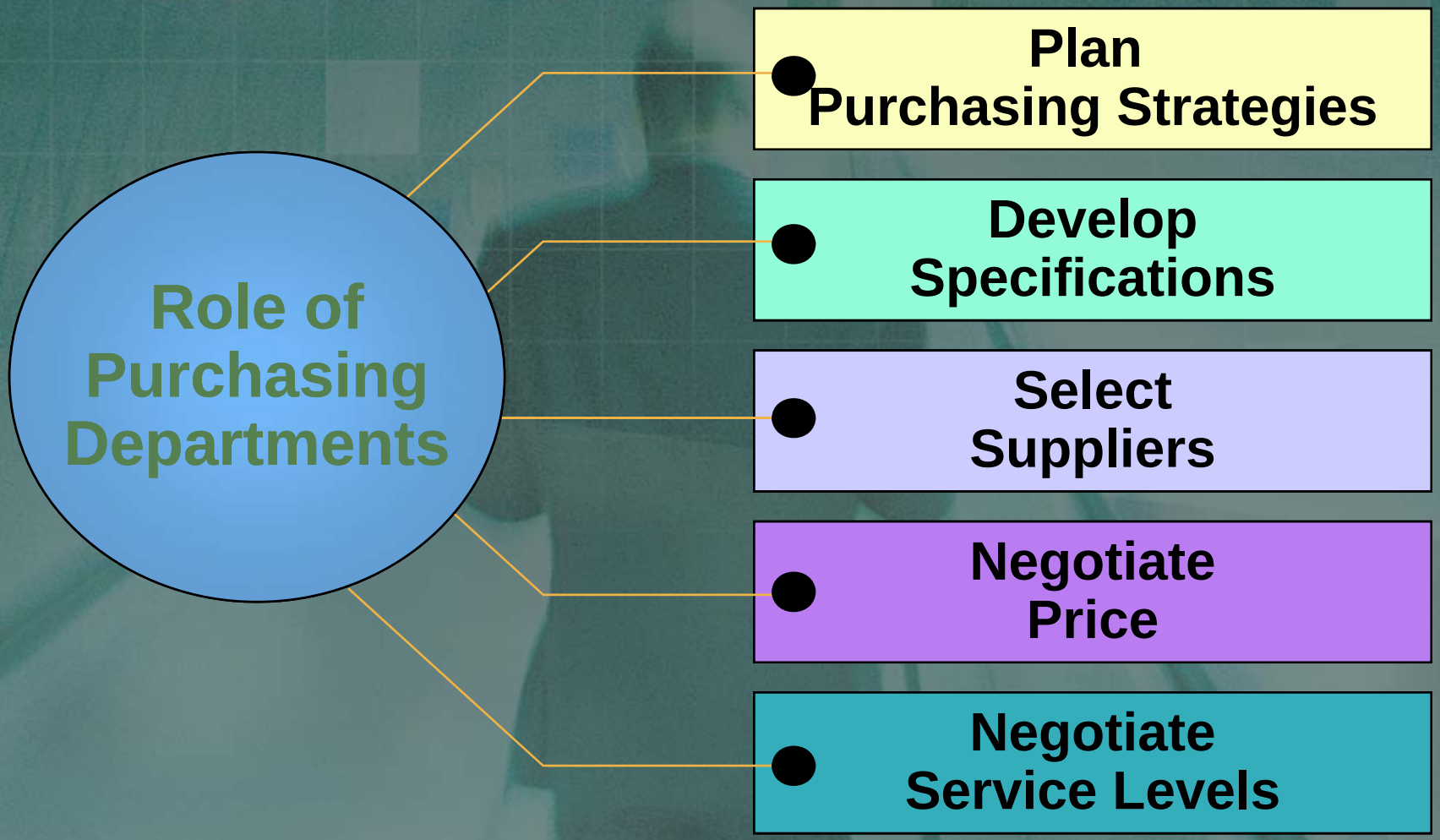
Components of the Supply Chain

7



Sourcing and Procurement

7



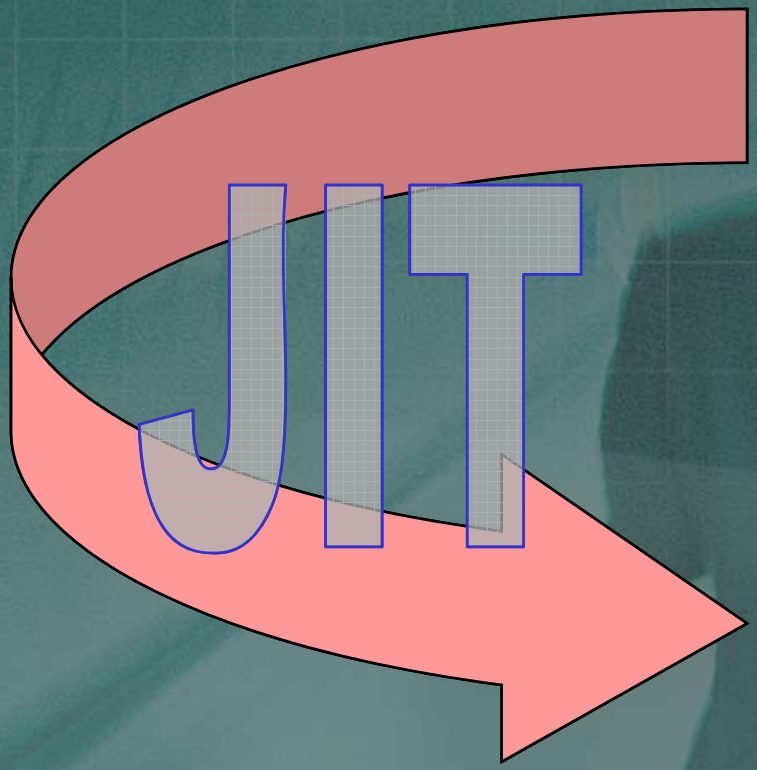
Production Scheduling

7

	Traditional Focus	Customer Focus
Push/Pull Strategy	**Push**	**Pull**
Start of Production	**Inventory-Based**	**Customer-Order Based**
Manufacturing	**Mass Production**	**Mass Customization**

Just-in-Time Manufacturing

7



A process that redefines and simplifies manufacturing by reducing inventory levels and delivering raw materials just when they are needed on the production line.

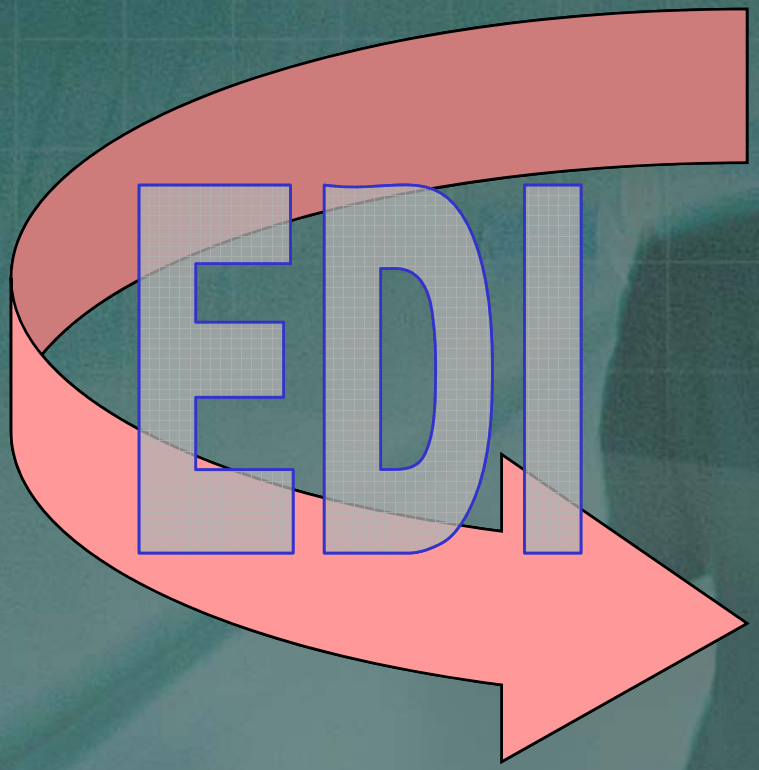
Benefits of JIT

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- Reduces raw material inventories
- Shortens lead times
- Creates better supplier relationships
- Reduces production and storeroom costs
- Reduces paperwork

Electronic Data Interchange

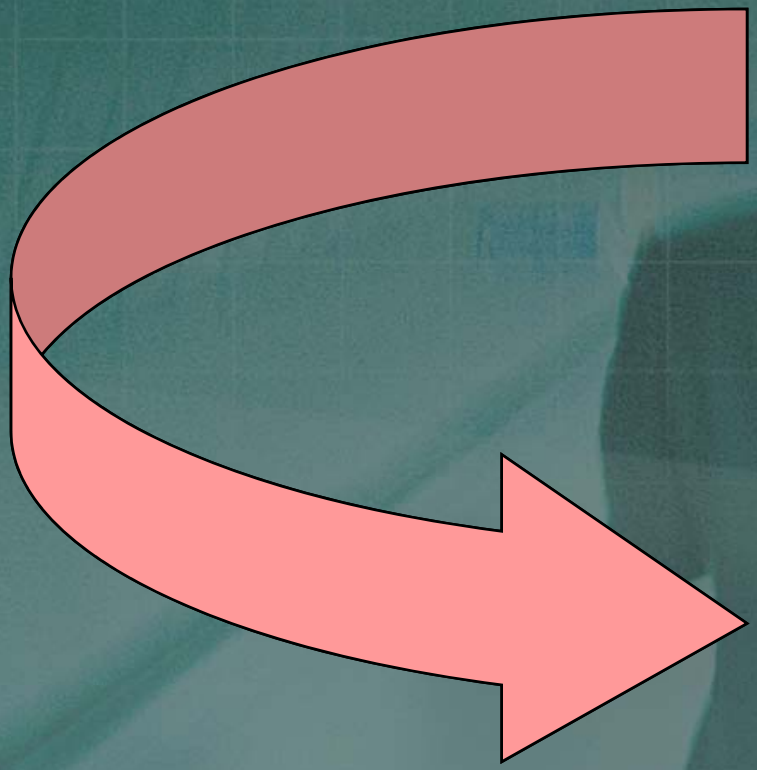
7



Information technology that replaces paper documents that accompany business transactions.

Inventory Control System

7



A method of developing and maintaining an adequate assortment of materials or products to meet a manufacturer's or a customer's demand.

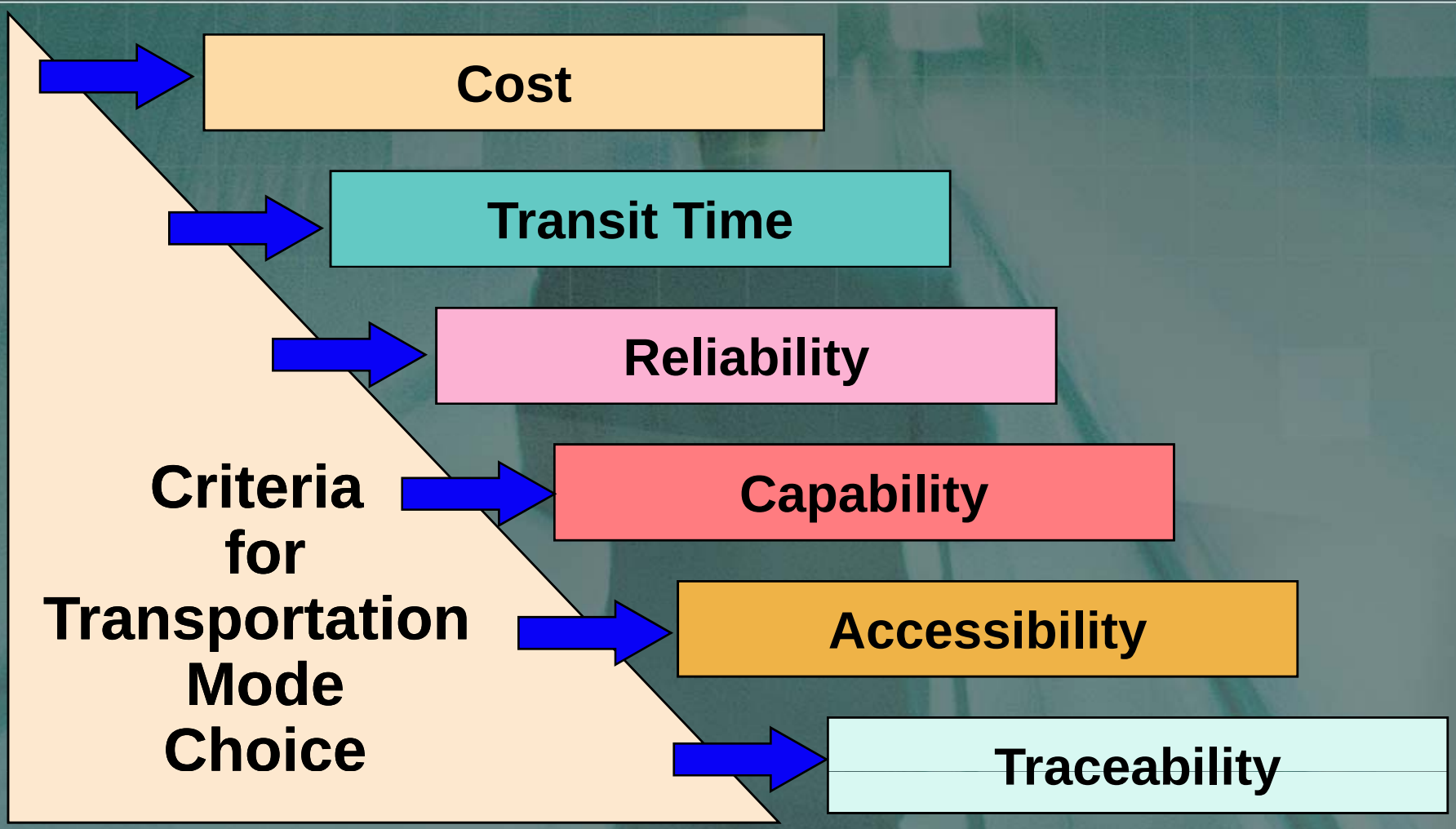
Warehouse and Materials-Handling

7



Transportation

7



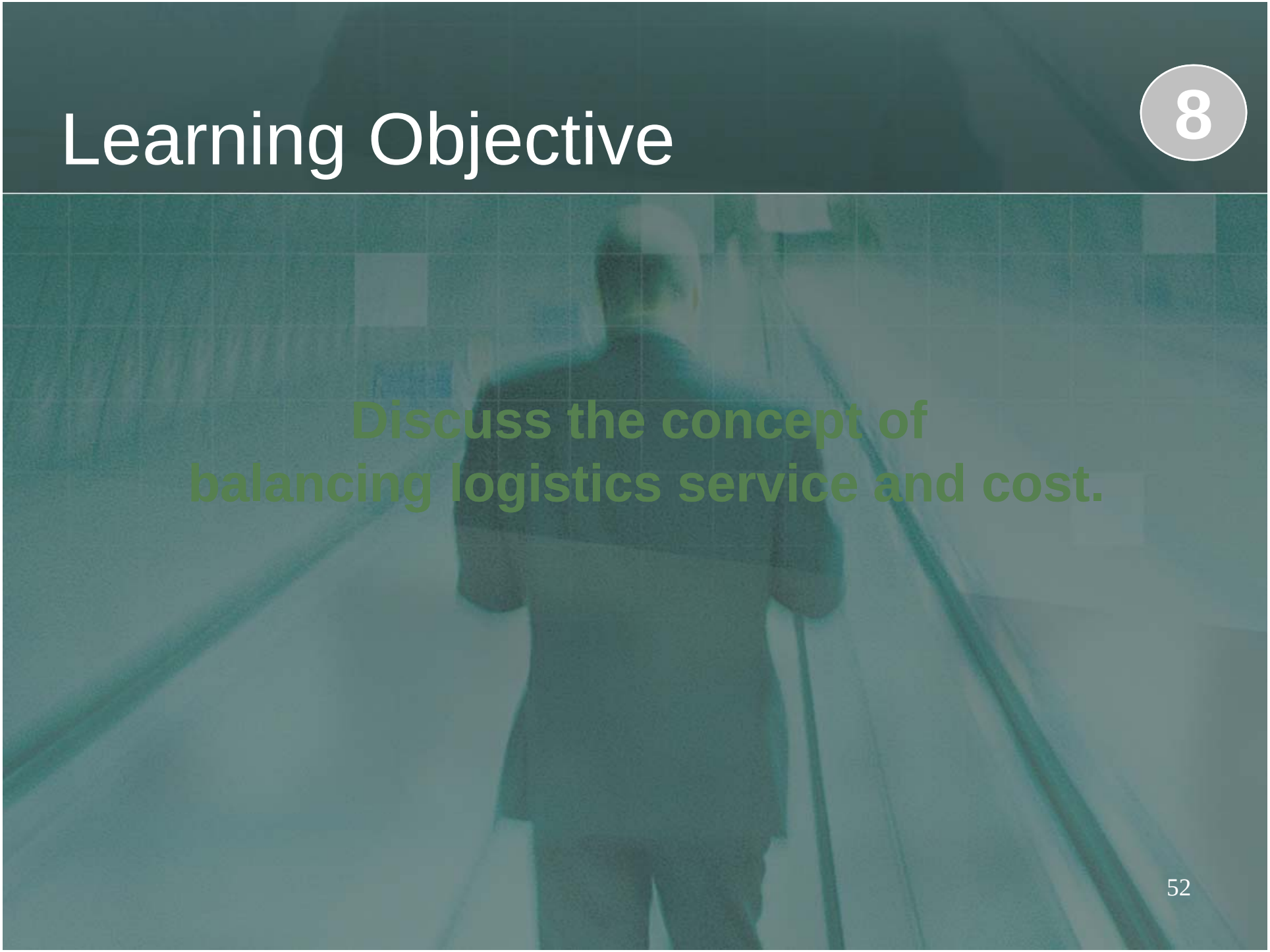
Criteria for Ranking Modes of Transportation

7

	Highest				Lowest
Relative Cost	**Air**	**Truck**	**Rail**	**Pipe**	**Water**
Transit Time	**Water**	**Rail**	**Pipe**	**Truck**	**Air**
Reliability	**Pipe**	**Truck**	**Rail**	**Air**	**Water**
Capability	**Water**	**Rail**	**Truck**	**Air**	**Pipe**
Accessibility	**Truck**	**Rail**	**Air**	**Water**	**Pipe**
Traceability	**Air**	**Truck**	**Rail**	**Water**	**Pipe**

Learning Objective

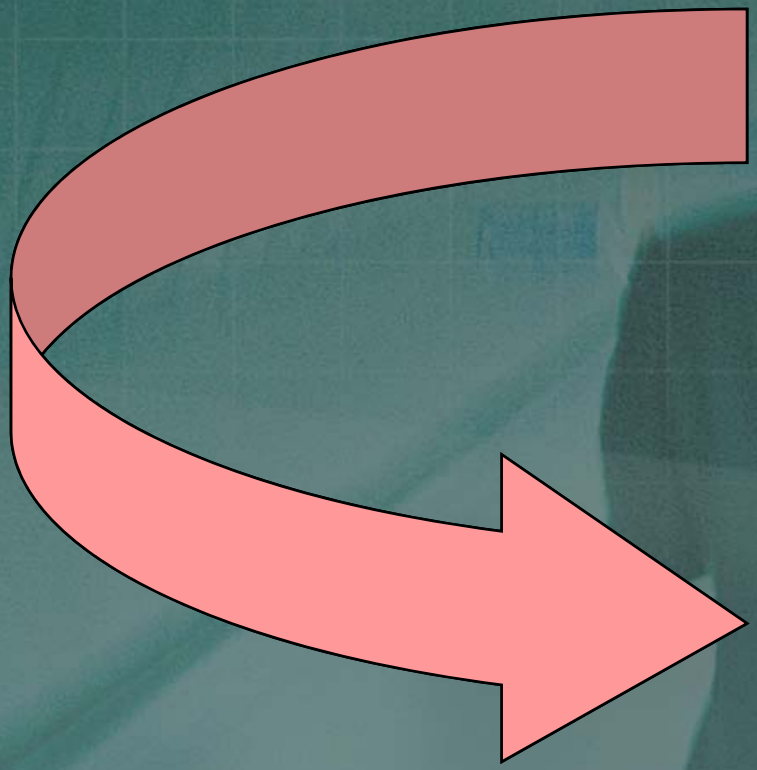
8



Discuss the concept of balancing logistics service and cost.

Logistics Service

8



Interrelated activities performed by a member of the supply chain to ensure that the right product is in the right place at the right time.

Logistical Competencies

8

- Devise logistics service strategies as a means of competitive differentiation
- Integrate members of supply chain to achieve operating excellence
- Respond quickly to changing logistical requirements
- Constantly monitor all aspects of the supply chain

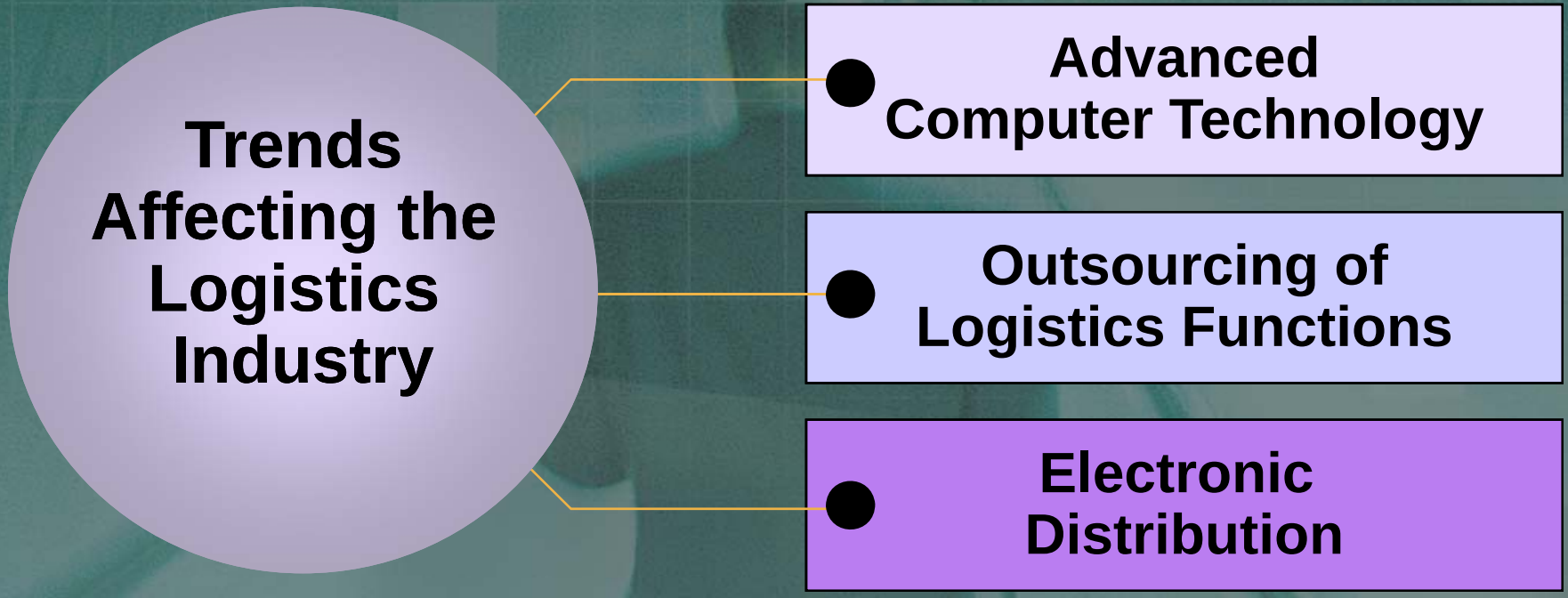
Learning Objective

9

Discuss new technology and emerging trends in supply chain management.

Trends in Supply Chain Management

9



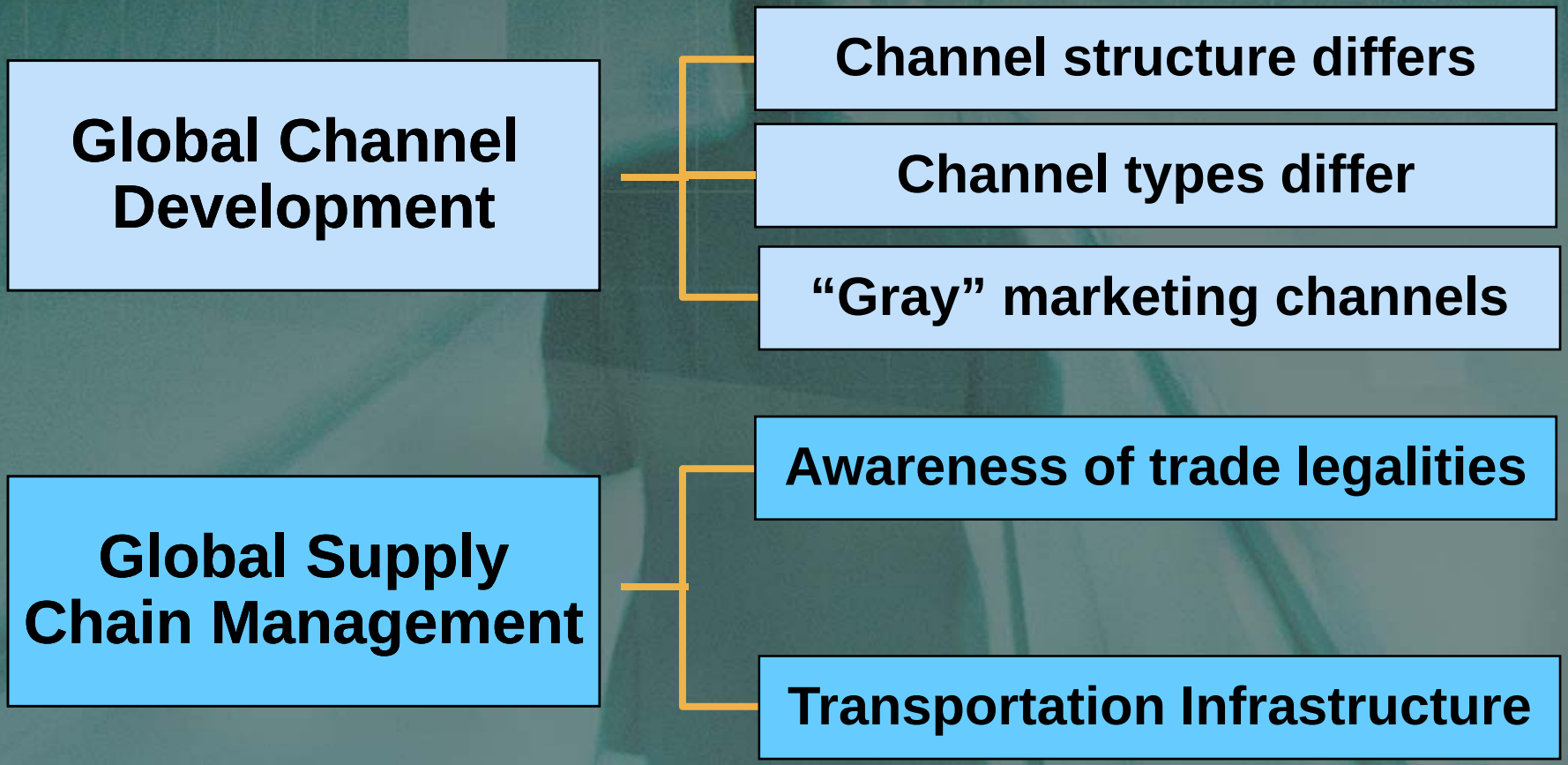
Learning Objective

10

Discuss channels and distribution decisions in global markets.

Channels and Distribution Decisions for Global Markets

10



Learning Objective

11

Identify the special problems and opportunities associated with distribution in service organizations.

Channels and Distribution Decisions for Services

11

