

**Kotler  
Keller**

**15**  
**Designing and  
Managing  
Integrated Marketing  
Channels**



# Chapter Questions

- What is a marketing channel system and value network?
- What work do marketing channels perform?
- How should channels be designed?
- What decisions do companies face in managing their channels?
- How should companies integrate channels and manage channel conflict?
- What are the key issues with e-commerce and m-commerce?



# 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.

# Intermediaries

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**Top Rated by our customers**



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\$39.95  
overall rating  
★★★★★



# 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

# REI Employs Hybrid Channels





# Buyer Expectations for Channel Integration

- Ability to order a product online and pick it up at a convenient retail location
- Ability to return an online-ordered product to a nearby store
- Right to receive discounts based on total online and offline purchases

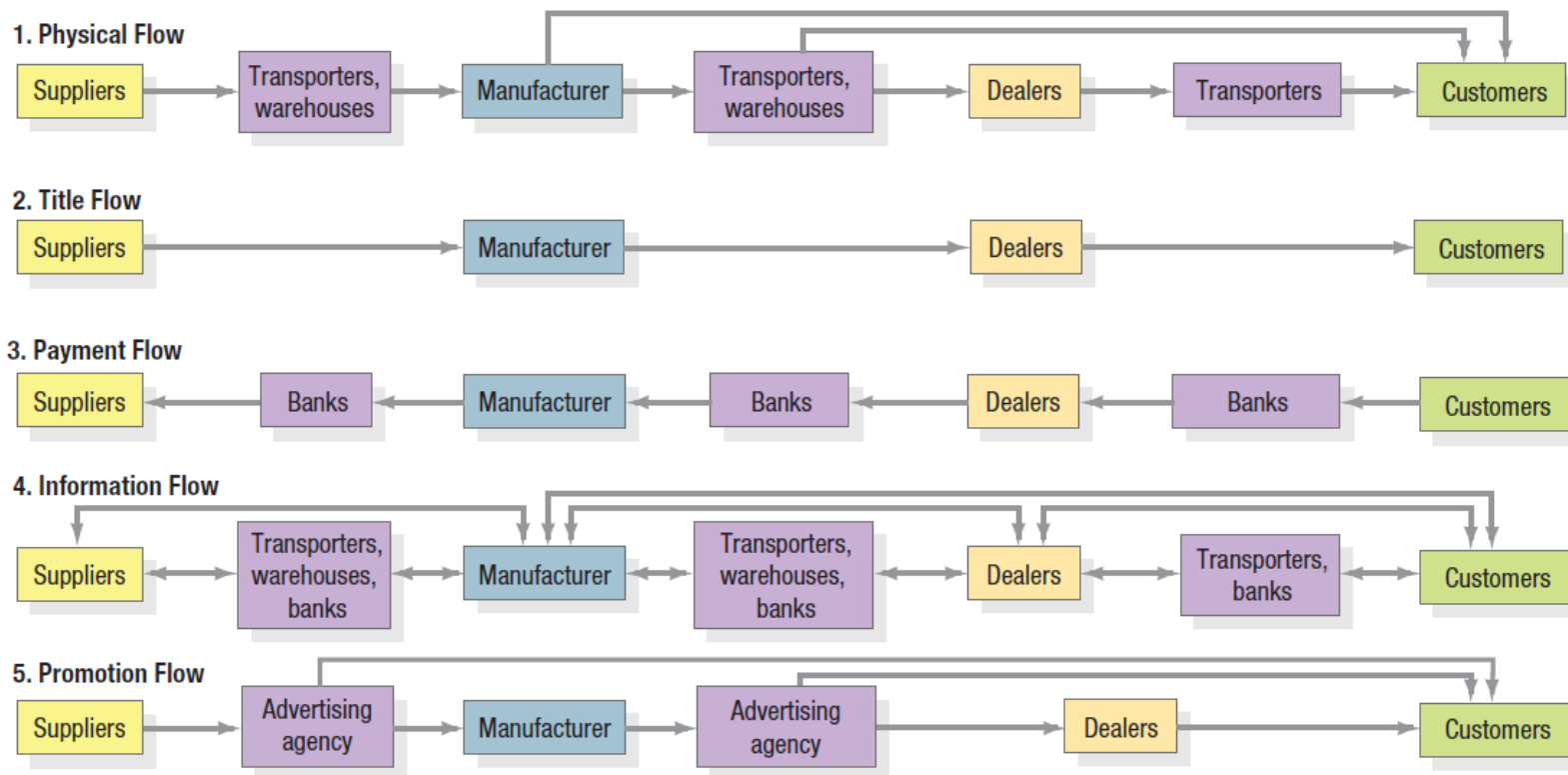


# Table 15.1 Channel Member Functions

- Gather information
- Develop and disseminate persuasive communications
- Reach agreements on price and terms
- Acquire funds to finance inventories
- Assume risks
- Provide for storage
- Provide for buyers' payment of their bills
- Oversee actual transfer of ownership



# Figure 15.1 Marketing Flows in the Marketing Channel for Forklift Trucks



# Marketing Channel Levels

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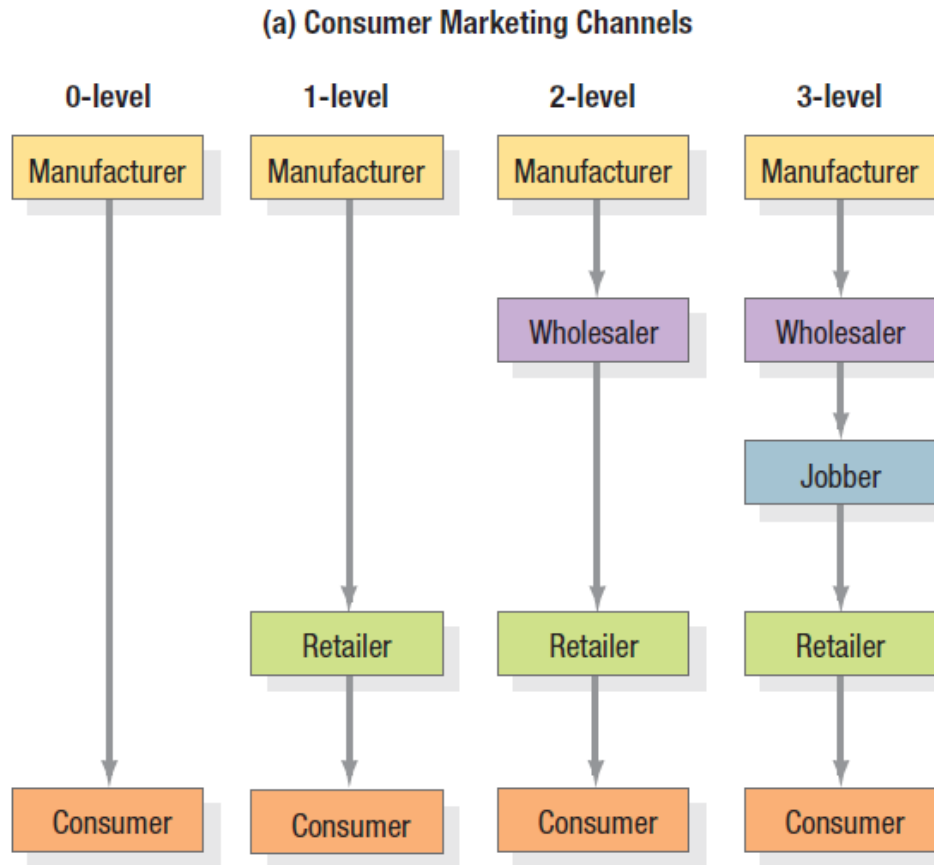
**Bowflex® TreadClimber®**  
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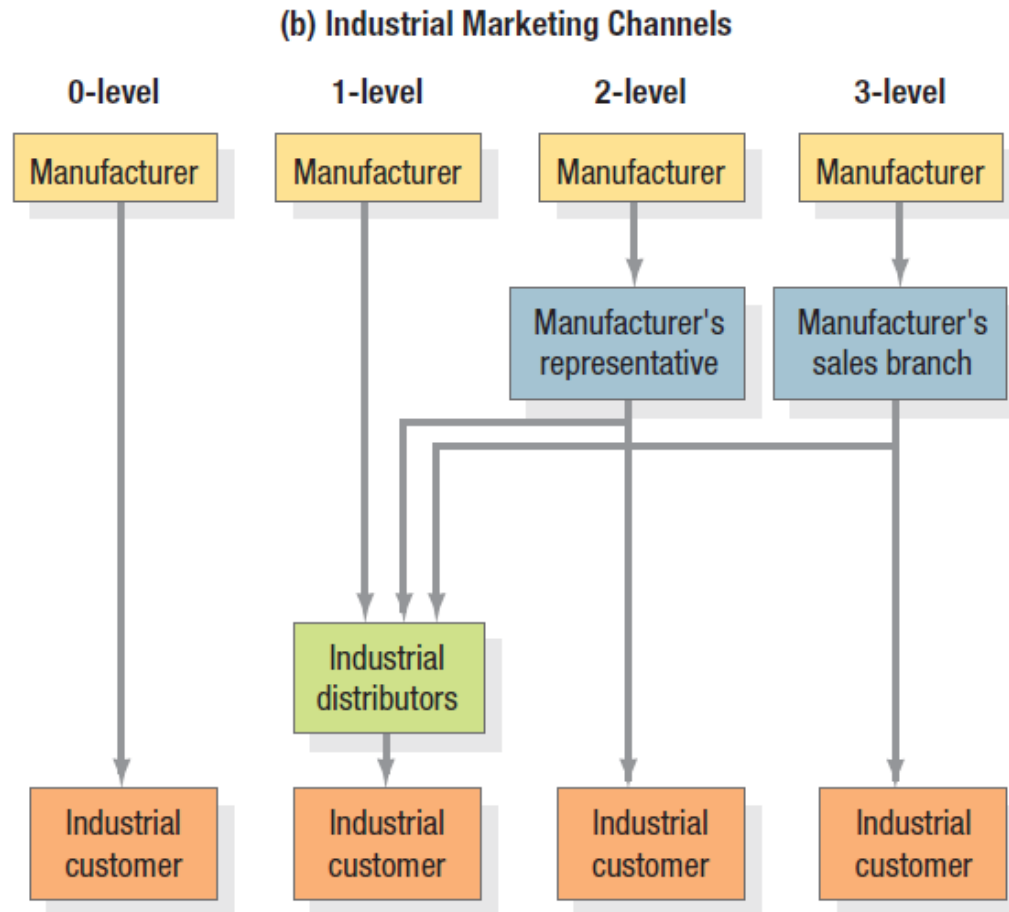
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# Figure 15.2 Consumer Markets



# Figure 15.2 Industrial Markets



# Reverse-Flow Channels

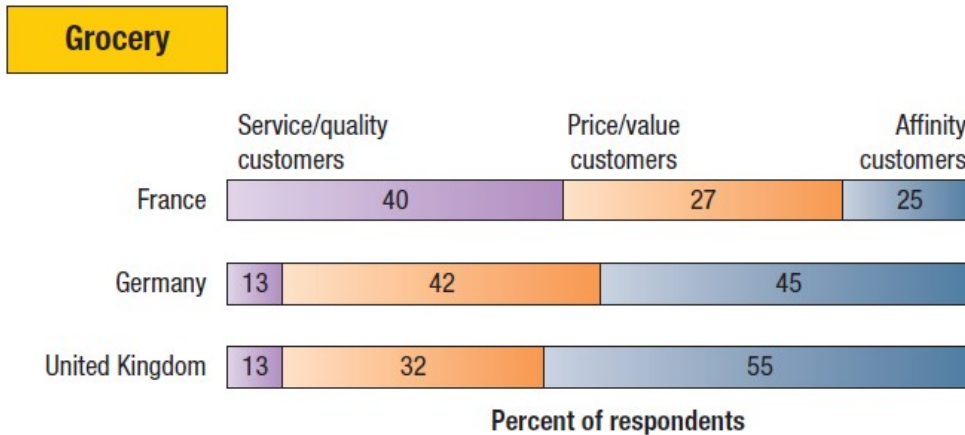
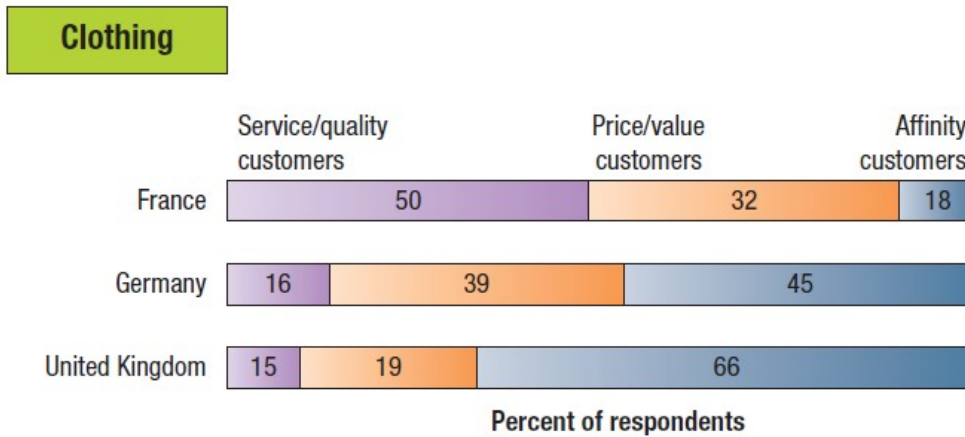




# Designing a Marketing Channel System

- Analyze customer needs
- Establish channel objectives
- Identify major channel alternatives
- Evaluate major channel alternatives

# Figure 15.3 What European Consumers Value





# Service Outputs of Channels

Lot size

Waiting and delivery time

Spatial convenience

Product variety

Service backup





# Identifying Channel Alternatives

- Types of intermediaries
- Number of intermediaries
- Terms and responsibilities

# Number of Intermediaries

- Exclusive
- Selective
- Intensive

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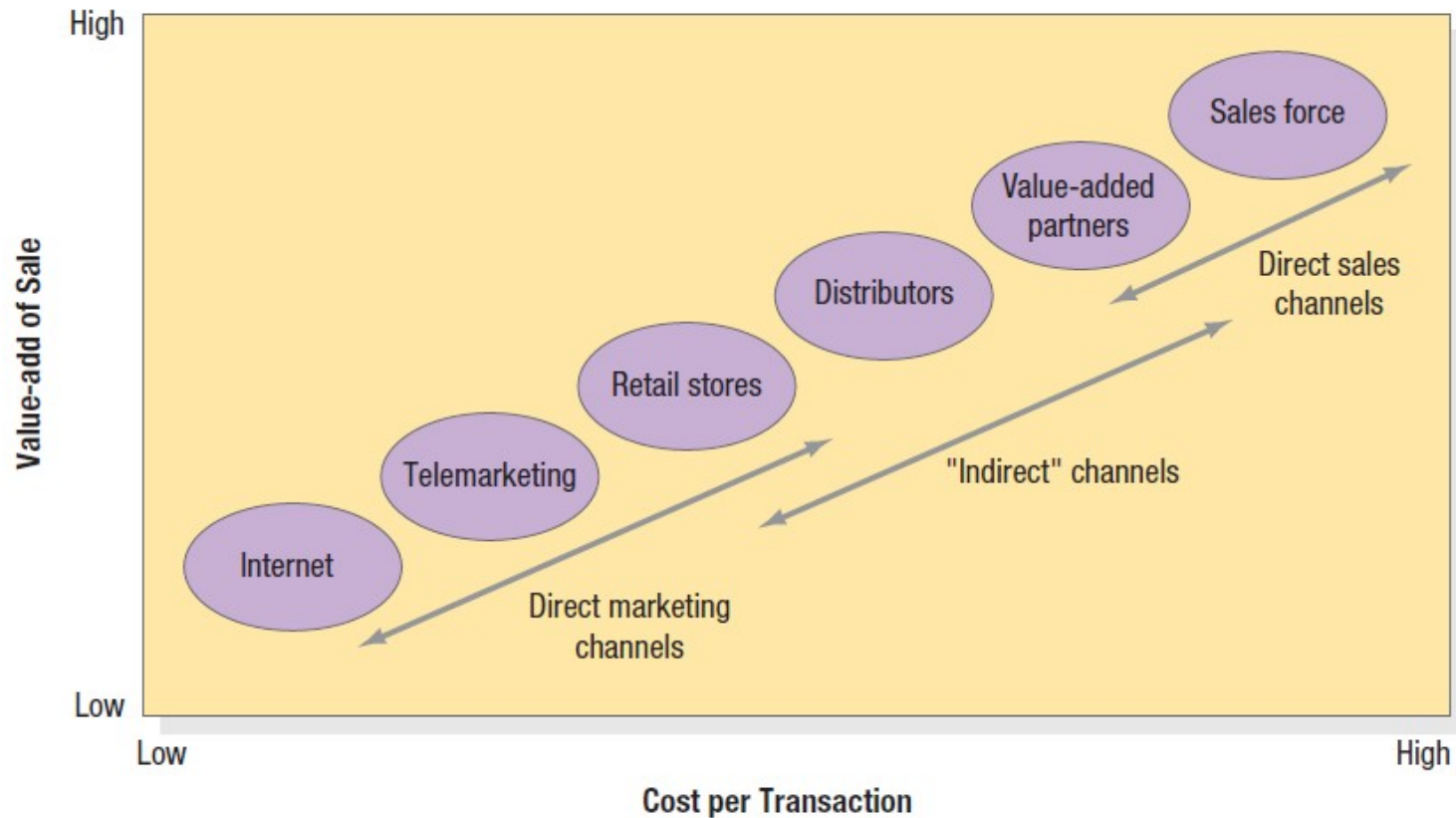
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# Terms and Responsibilities of Channel Members

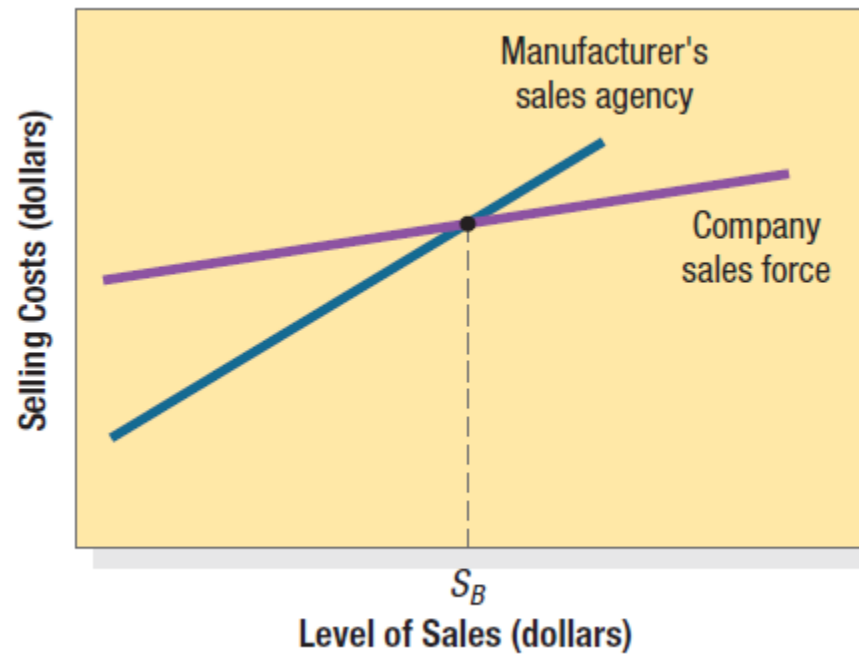
- Price policy
- Condition of sale
- Distributors' territorial rights
- Mutual services and responsibilities

# Figure 15.4 The Value-Adds versus Costs of Different Channels



# Figure 15.5

## Break-Even Cost Chart





# Channel-Management Decisions

- Selecting channel members
- Training channel members
- Motivating channel members
- Evaluating channel members
- Modifying channel members



# Channel Power

Coercive

Reward

Legitimate

Expert

Referent



# Channel Integration and Systems

- Vertical marketing systems
  - Corporate VMS
  - Administered VMS
  - Contractual VMS
- Horizontal marketing systems
  - Multichannel systems



# Integrated Marketing Channel System



# Figure 15.6 The Hybrid Grid

		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		Oversee ownership terms
Marketing Channels and Methods	VENDOR	Internet									
	National account management										
	Direct sales										
	Telemarketing										
	Direct mail										
	Retail stores										
	Distributors										
	Dealers and value-added resellers										



# Channel Conflict

- What types of conflict arise in channels?
- What causes conflict?
- What can marketers do to resolve it?



# Causes of Channel Conflict

- Goal incompatibility
- Unclear roles and rights
- Differences in perception
- Intermediaries' dependence on manufacturer



# Table 15.3 Strategies for Managing Channel Conflict

- Strategic justification
- Dual compensation
- Superordinate goals
- Employee exchange
- Joint memberships
- Cooptation
- Diplomacy
- Mediation
- Arbitration
- Legal recourse



# E-Commerce

Pure-click

Brick-and-click



# M-Commerce





# For Review

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