

PRINCIPLES OF  
**Marketing**

## **Chapter Twelve**

### **Marketing Channels Delivering Customer Value**



# Channel Behavior and Organization

## Conventional Distributions Systems

**Conventional distribution systems** consist of one or more independent producers, wholesalers, and retailers. Each seeks to maximize its own profits, and there is little control over the other members and no formal means for assigning roles and resolving conflict.



# Channel Behavior and Organization

## Vertical Marketing Systems

**Vertical marketing systems (VMS)** provide channel leadership and consist of producers, wholesalers, and retailers acting as a unified system and consist of:

- Corporate marketing systems
- Contractual marketing systems
- Administered marketing systems



# Channel Behavior and Organization

## Vertical Marketing Systems

**Corporate vertical marketing system**  
integrates successive stages of production  
and distribution under single ownership



# Channel Behavior and Organization

## Vertical Marketing Systems

### **Contractual vertical marketing system**

consists of independent firms at different levels of production and distribution who join together through contracts to obtain more economies or sales impact than each could achieve alone. The most common form is the franchise organization.



# Channel Behavior and Organization

## Vertical Marketing Systems

**Franchise organization** links several stages in the production distribution process

- Manufacturer-sponsored retailer franchise system
- Manufacturer-sponsored wholesaler franchise system
- Service firm-sponsored retailer franchise system



# Channel Behavior and Organization

## Vertical Marketing Systems

**Administered vertical marketing system** has a few dominant channel members without common ownership. Leadership comes from size and power.



# Channel Behavior and Organization

## Horizontal Marketing Systems

**Horizontal marketing systems** are when two or more companies at one level join together to follow a new marketing opportunity. Companies combine financial, production, or marketing resources to accomplish more than any one company could alone.





# Channel Behavior and Organization

## Multichannel Distribution Systems Hybrid Marketing Channels

**Multichannel Distribution systems (Hybrid marketing channels)** are when a single firm sets up two or more marketing channels to reach one or more customer segments



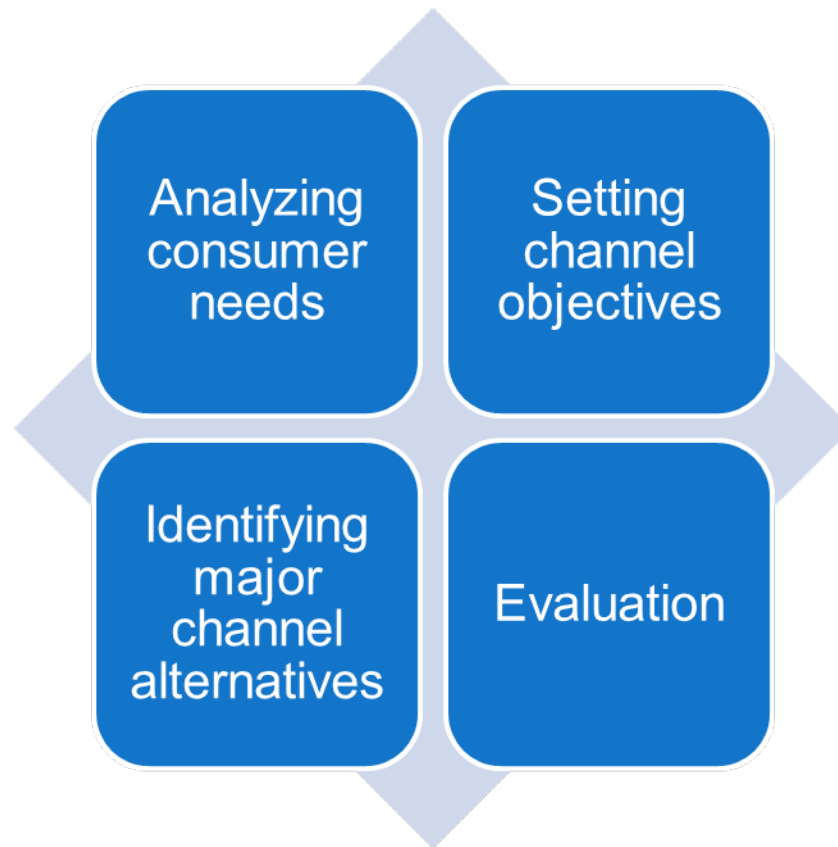
# Channel Behavior and Organization

## Changing Channel Organization

**Disintermediation** occurs when product or service producers cut out intermediaries and go directly to final buyers, or when radically new types of channel intermediaries displace traditional ones



# Channel Design Decisions



# Channel Design Decisions

## Setting Channel Objectives

- Targeted levels of customer service
- What segments to serve
- Best channels to use
- Minimizing the cost of meeting customer service requirements



# Channel Design Decisions

## Identifying Major Alternatives

### Intensive distribution

- Candy and toothpaste

### Exclusive distribution

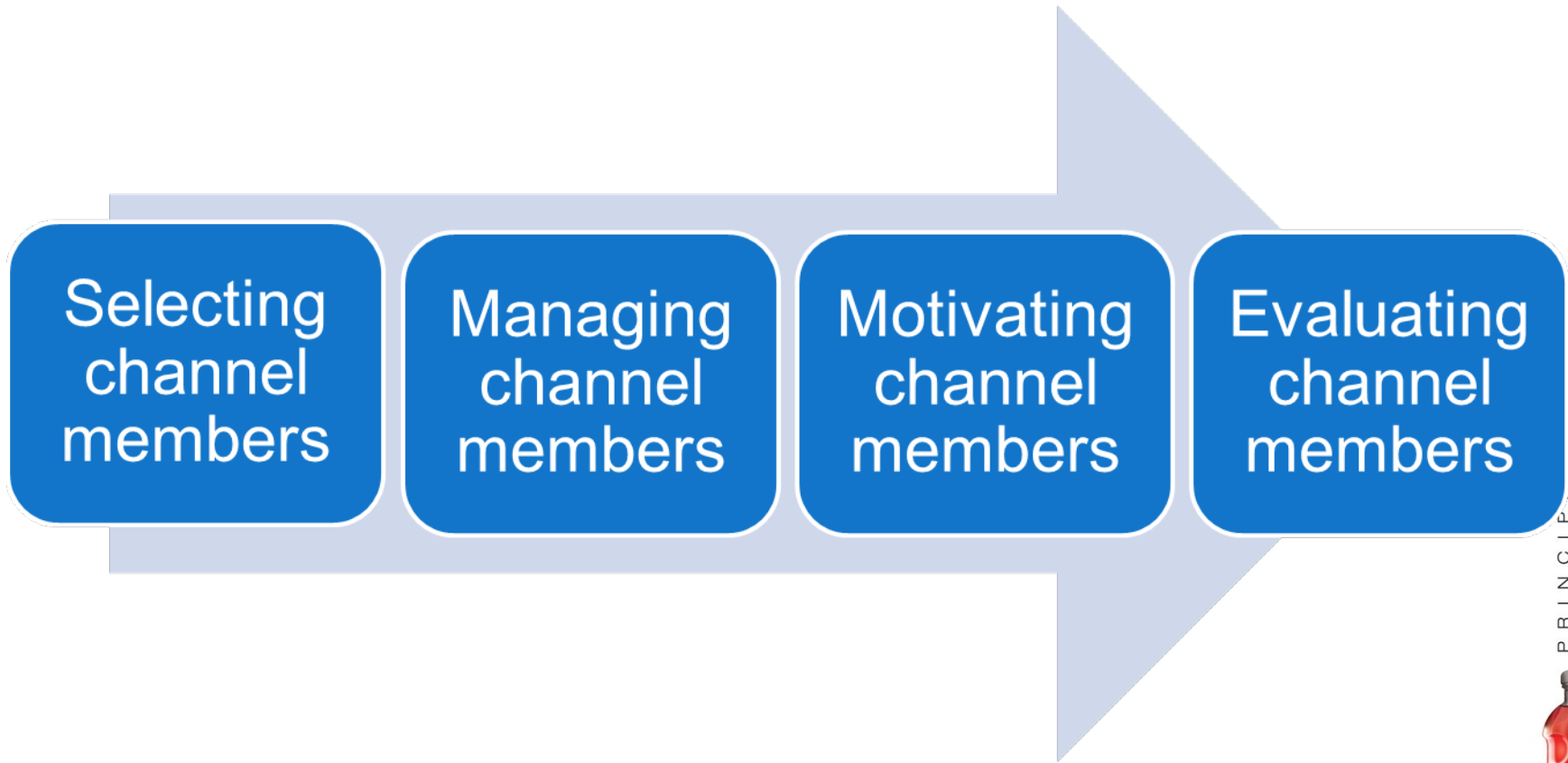
- Luxury automobiles and prestige clothing

### Selective distribution

- Television and home appliance



# Channel Management Decisions



# Public Policy and Distribution Decisions

**Exclusive distribution** is when the seller allows only certain outlets to carry its products

**Exclusive dealing** is when the seller requires that the sellers not handle competitor's products

**Exclusive territorial agreements** is when producer or seller limit territory

**Tying agreements** are agreements where the dealer must take most or all of the line



# Marketing Logistics and Supply Chain Management

## Nature and Importance of Marketing Logistics

**Marketing logistics** (physical distribution) involves planning, implementing, and controlling the physical flow of goods, services, and related information from points of origin to points of consumption to meet consumer requirements at a profit





# Marketing Logistics and Supply Chain Management

## Nature and Importance of Marketing Logistics

**Supply chain management** is the process of managing upstream and downstream value-added flows of materials, final goods, and related information among suppliers, the company, resellers, and final consumers

