15 Designing and Managing Marketing Channels and Value Networks

Marketing Management:

An Asian Perspective
(5th edition)

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Designing and Managing Marketing Channels and Value Networks

15

Successful value creation needs successful value delivery. Holistic marketers are increasingly taking a value network view of their businesses. Instead of limiting their focus to their immediate suppliers, distributors, and customers, they are examining the whole supply chain that links raw materials, components, and manufactured goods and show how they move toward the final consumers. Companies are looking at their suppliers' suppliers upstream and at their distributors' customers downstream. They are looking at customer segments and considering a wide range of different possible means to sell, distribute, and service their offerings.

Learning Objectives:

- Understand what is a marketing channel system and a value network
- Understand what work marketing channels perform
- Understand how channels should be designed
- Understand what decisions companies face in managing their channels
- Understand how companies should integrate channels and manage channel conflict
- Understand what are the key issues with e-commerce

The **essence** of Chapter Fifteen:

Successful value creation needs successful value delivery. Holistic marketers are increasingly taking a value network view of their businesses.

Companies today must build and manage a continuously evolving and increasingly complex channel system and value network.

Marketing Channels and Value Networks

- Most producers do not sell their goods directly to the final users; between them stands a set of intermediaries performing a variety of functions.
- These intermediaries constitute a marketing channel (also called a trade channel or distribution channel).
- Marketing channels are sets of interdependent organizations involved in the process of making a product or service available for use or consumption.

Marketing Channels:

- Some intermediaries buy, take title to, and resell the merchandise, they are called merchants.
- Others search for customers and may negotiate on the producer's behalf but do not take title to the goods, they are called agents.
- Still others assist in the distribution process but neither takes title to goods nor negotiates purchases or sales, they are called facilitators.

Importance of Marketing Channels:

- A marketing channel system is the particular set of marketing channels employed by a firm.
- Decisions about the marketing channel system are among the most critical facing management.
- In some markets, channel members could effectively earn margins that account for 30 to 50 percent of the ultimate selling price.

Importance of Marketing Channels:

- Marketing channels also represent a substantial opportunity cost.
  - Converting potential buyers into profitable orders is one of the chief roles of marketing channels.
  - Marketing channels must not just serve markets, they must also make markets

Channel decisions also affect other marketing decisions:

- The company's pricing depends on whether it uses mass-merchandisers or high-quality boutiques.
- The firm's sales force and advertising decisions depend on how much training and motivation dealers need.
- In addition, channel decisions involve relatively **long-term commitments** to other firms as well as a set of policies and procedures

Push versus Pull Marketing Strategies

- A push strategy involves the manufacturer using its sales force and trade promotion money to induce intermediaries to carry, promote, and sell the product to end user.
- Push strategy is appropriate where there is low brand loyalty in a category, brand choice is made in the stores, the product is an impulse item, and product benefits are well understood.

Push versus Pull Marketing Strategies

- A pull strategy involves the manufacturer using advertising and promotion to induce consumers to ask intermediaries for the product, thus inducing the intermediaries to order it.
- Pull strategy is appropriate when there is high brand loyalty and high involvement in the category, when people perceive differences between brands, and when people choose the brand before they go to the store.

Channel Development:

- A new firm typically starts as a local operation selling in a limited market, using existing intermediaries. If the firm is successful, it might branch into new markets and **use different channels** in different markets.
- International markets pose distinct challenges. Customers' shopping habits can vary by countries.
- The channel system evolves as a function of local opportunities and conditions.

Hybrid Channels:

- Today’s successful companies are also multiplying the number of “go-to-market” or hybrid channels in any one-market area.
- Companies that manage hybrid channels must make sure these channels work well together and match each target customer’s preferred ways of doing business.

Customers expect Channel Integration:

1. The ability to order a product online and pick it up at a convenient retail location
2. The ability to return an online ordered product to a nearby store of the retailer.
3. The right to receive discounts based on total online and off-line purchases.

“different consumers have different needs during the purchase process”

- Nunes and Cespedes argue that in many markets, buyers fall into one of four categories:
  - **Habitual shoppers**
  - **High value deal seekers**
  - **Variety-loving shoppers**
  - **High-involvement shoppers**

“different consumers have different needs during the purchase process”

- The same consumer may choose to use different channels for different functions in making a purchase.
- Consumers may choose different channels for different functions in making a purchase.
- Some consumers are willing to “trade up”.
- Others are willing to “trade down”.

Value Networks:

- A supply chain view of a firm sees markets as destination points and amounts to a linear view of the flow.
- The company **should first think of the target market, and then design the supply chain backward from that point**.
- This view has been called **demand chain planning**.

Value Networks:

- A broader view sees a company at the center of a value network—a **system of partnerships and alliances** that a firm creates to source, augment, and deliver its offerings.
- A value network includes a firm's suppliers, its suppliers' suppliers, its immediate customers, and their end customers.
- A company needs to **orchestrate** these parties to enable it to deliver superior value to the target market.

Benefits of Demand Chain Planning:

1. The company can estimate whether more money is made upstream or downstream.
2. The company is more aware of disturbances anywhere in the supply chain that might cause costs, prices, or supplies to change suddenly.
3. Companies can go online with their business partners to carry on faster and more accurate communications, transactions, and payments to reduce costs, speed up information, and increase accuracy.

Value Networks:

- Managing this value network has required companies to make increasing investments in information technology (IT) and software.
- Marketers have traditionally focused on the side of the value network that looks toward the customer.
- In the future, they will increasingly participate in, influence their companies' **upstream** activities, and become network managers.

THE ROLE OF MARKETING CHANNELS

Why would a producer delegate some of the selling job to intermediaries?

Delegation means relinquishing some control over how and to whom the products are sold.

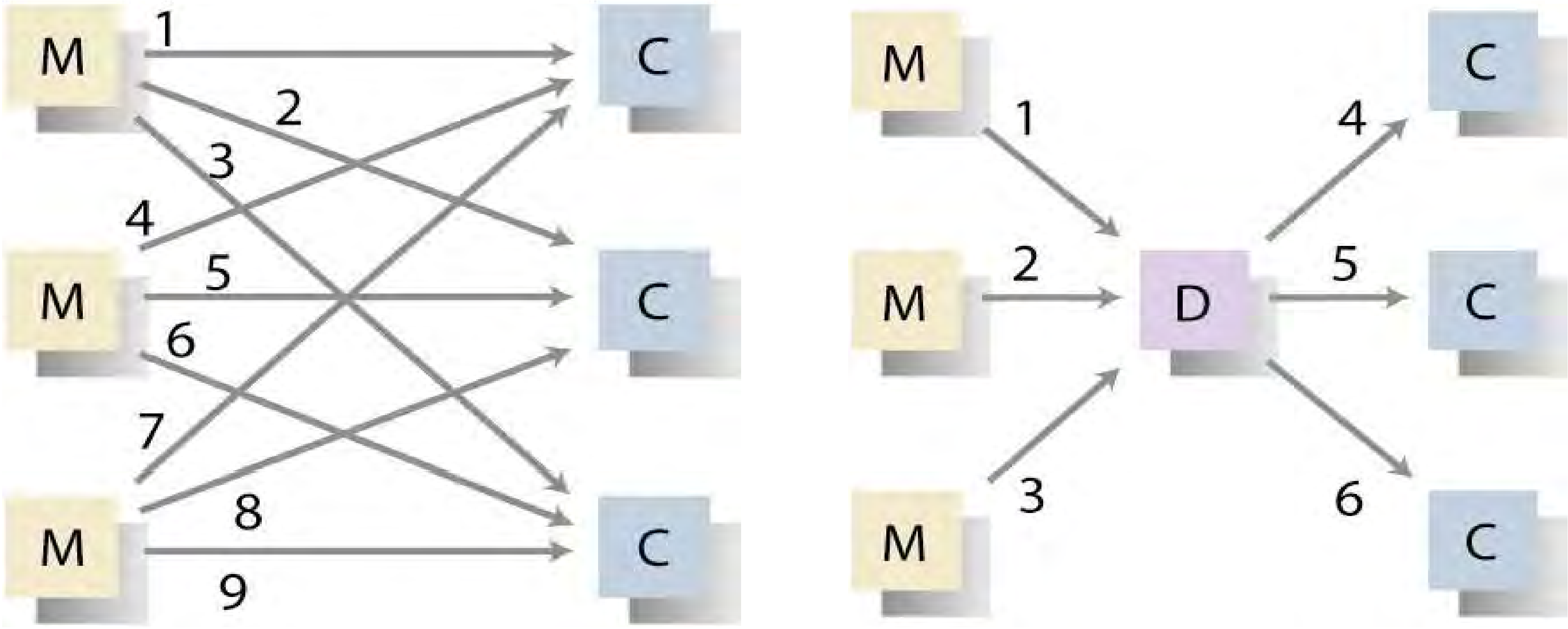
Advantages of Using Intermediaries

- Many producers lack the financial resources to carry out direct marketing.
- Producers who do establish their own channels can often earn a greater return by increasing investment in their main business.
- In some cases, direct marketing simply is not feasible.

Advantages of Using Intermediaries

- Intermediaries normally achieve superior efficiency in making goods widely available and accessible to target markets.
- Through their contacts, experiences, specialization, and scale of operations, intermediaries usually offer the firm more than it can achieve on its own.

Figure 15.1 How a Distributor Increases Efficiency



(a) Number of Contacts
M x C = 3 x 3 = 9

(b) Number of Contacts
M + C = 3 + 3 = 6

M = Manufacturer
C = Customer
D = Distributor

Intermediaries reduce the number of contacts & the work

Channel Functions and Flows

- A marketing channel performs the work of moving goods from producers to consumers. It overcomes the time, place, and possession gaps that separate goods and services from those who need and want them.

Table 15.1 Channel Member Functions

- Gather information about potential and current customers, competitors, and other actors and forces in the marketing environment.
- Develop and disseminate persuasive communications to stimulate purchasing.
- Reach agreements on price and other terms so that transfer of ownership or possession can be effected.
- Place orders with manufacturers.
- Acquire the funds to finance inventories at different levels in the marketing channel.
- Assume risks connected with carrying out channel work.
- Provide for the successive storage and movement of physical products.
- Provide for buyers' payment of their bills through banks and other financial institutions.
- Oversee actual transfer of ownership from one organization or person to another.

Channel Functions and Flows

- Members of the marketing channel perform a number of key functions.
  - Some functions constitute a forward flow of activity from the company to the customer.
  - Other functions constitute a backward flow from customers to the company.
  - Still others occur in both directions.

Three types of channels:

- A manufacturer selling a physical product and services might require three channels:
  1. **A sales channel**
  2. **A delivery channel**
  3. **A service channel**

Key issue in Channel Development:

- “The question is not whether various channel functions needs to be performed but rather, **who** is to perform them.”

Channel functions have three things in common:

1. They use up scarce resources.
2. They can often be performed better though specialization.
3. They can be shifted among channel members

Channel Levels:

- A zero-level channel (also called a direct-marketing channel) consists of—a manufacturer selling directly to the final consumer.
- A one-level channel contains one selling intermediary—such as a retailer.
- A two-level channel contains two intermediaries—wholesaler and a retailer.
- A three-level channel contains—wholesalers, jobbers, and retailers.

Figure 15.3 Consumer & Industrial Marketing Channels

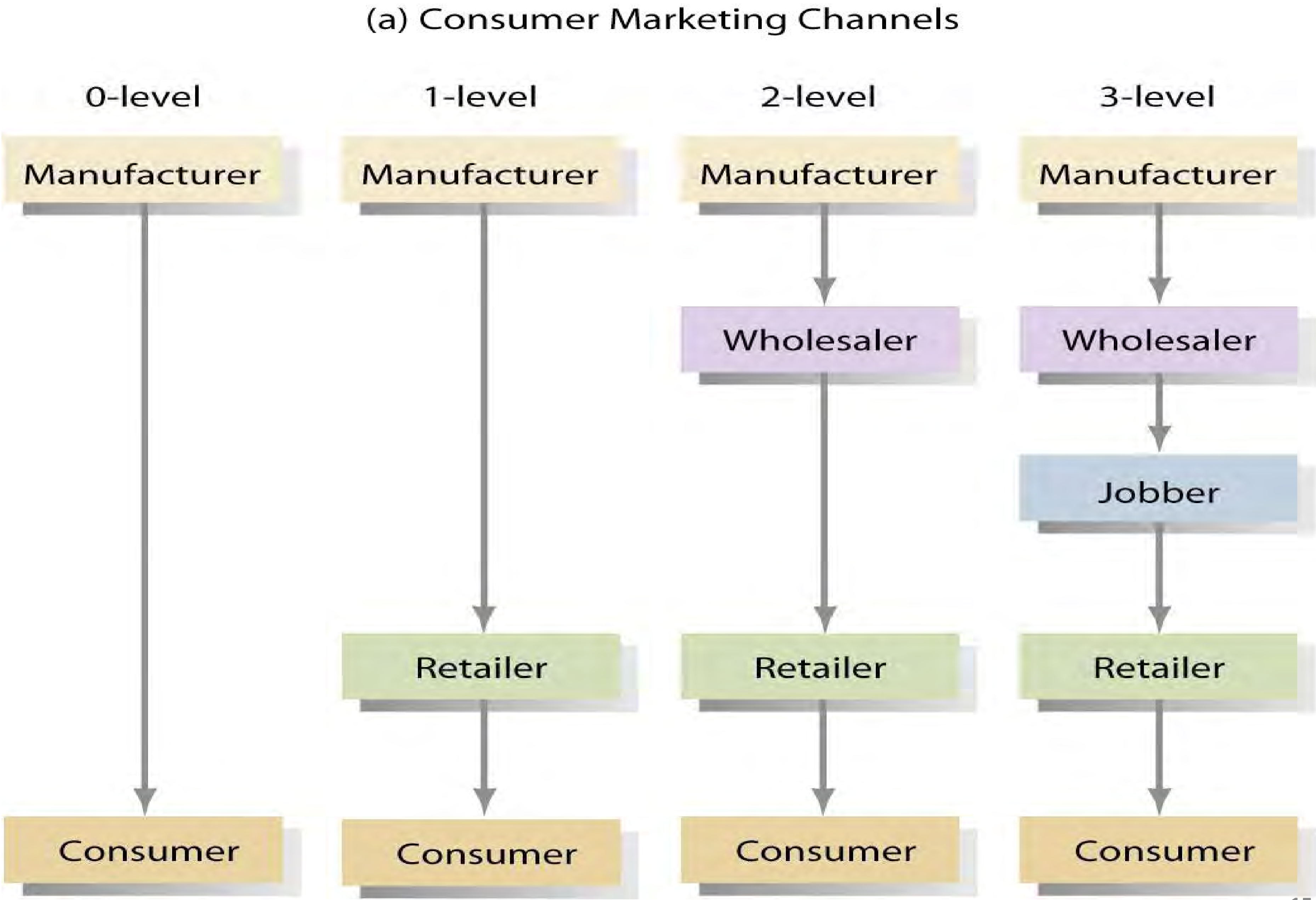
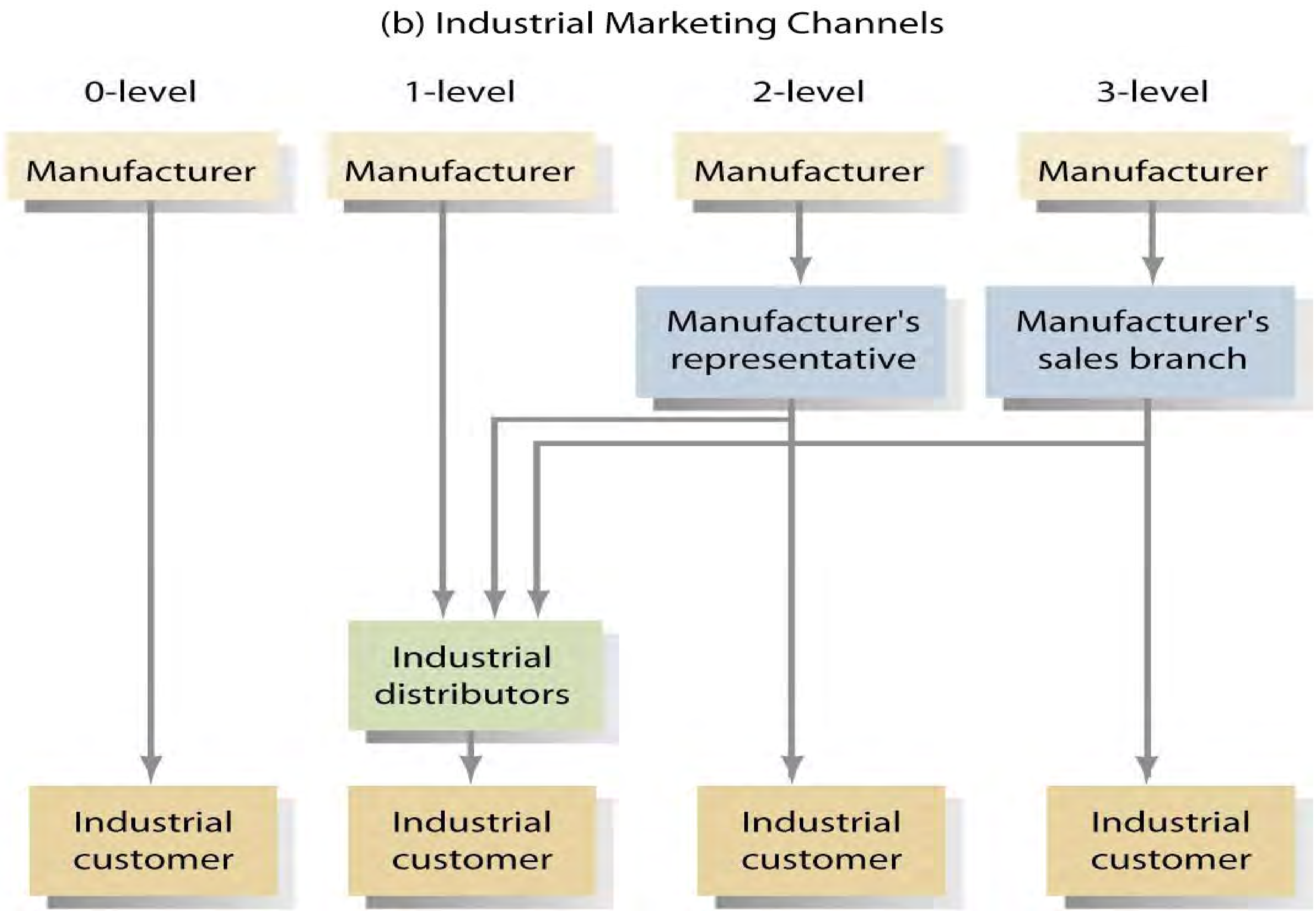


Figure 15.3 Consumer & Industrial Marketing Channels



Reverse Flow Channels

- To reuse products or containers
- To refurbish products for resale
- To recycle products
- To dispose of products and packaging

Service Sector Channels

- Marketing channels are not limited to the distribution of physical goods.
- Producers of services and ideas also face the problem of making their output available and accessible to target populations.

Service Sector Channels

- Marketing channels also keep changing in "person" marketing.
- As the Internet and other technologies advance, service industries are operating through new channels.

CHANNEL-DESIGN DECISIONS

Designing a marketing channel system involves analyzing customer needs, establishing channel objectives, identifying major channel alternatives, and evaluating major channel alternatives.

Analyzing Customers' Desired Service Output Levels

- Marketers must understand the service output levels desired by target customers.
- Channels produce five service outputs:
  1. **Lot size**
  2. **Waiting and delivery time**
  3. **Spatial convenience**
  4. **Product variety**
  5. **Service backup**
- The marketing-channel designer knows that providing greater service outputs means increased channel costs and higher prices for customers.

Establishing Objectives and Constraints

- Channel objectives should be stated in terms of targeted service output levels.
  1. Channel institutions should arrange their functional tasks to minimize total channel costs and still provide desired levels of service outputs.
  2. Planners can identify several market segments that want different service levels.
  3. Channel objectives vary with product characteristics.
  4. Channel design must take into account the strengths and weaknesses of different types of intermediaries.
  5. Legal regulations and restrictions also affect channel design

Identifying and Evaluating Major Channel Alternatives

- Companies can choose from a wide variety of channels for reaching customers—from sales forces, to agents, distributors, dealers, direct mail, telemarketing, and the Internet.
- Each channel has unique strengths as well as weaknesses.
- Most companies now use a mix of channels.
- Each channel hopefully reaches a different segment of buyers and delivers the right products to each at the least cost.

A channel alternative is described by **three elements**:

1. The types of available business intermediaries
2. The number of intermediaries needed.
3. The terms and responsibilities of each channel member.

Types of Intermediaries

- A firm needs to identify the types of intermediaries available to carry on its channel work.
- Companies should search for innovative marketing channels.
- Sometimes a company chooses an unconventional channel because of the difficulty, cost, or ineffectiveness of working with the dominant channel.
- The advantage is that the company will encounter less competition during the initial move into this channel.

Table 15.2 Channels Alternatives for a Cellular Car Phone Maker

- The company could sell its car phones to automobile manufacturers to be installed as original equipment.
- The company could sell its car phones to auto dealers.
- The company could sell its car phones to retail automotive-equipment dealers through a direct sales force or through distributors.
- The company could sell its car phones to car phone specialist dealers through a direct sales force or dealers.
- The company could sell its car phones through mail-order catalogs.
- The company could sell its car phones through mass merchandisers such as Carrefour and Giant.

Number of Intermediaries

- Companies have to decide on the number of intermediaries to use at each channel level.
- Three strategies are available: exclusive distribution, selective distribution, and intensive distribution.

Number of Intermediaries

- Exclusive distribution means severely limiting the number of intermediaries.
  - It is used when the producer wants to maintain control over the service level and outputs offered by the resellers.
  - Often it involves exclusive dealing arrangements.
  - Exclusive deals between suppliers and retailers are becoming a mainstay for specialists looking for an edge in a business world.

Number of Intermediaries

- Selective distribution involves the use of more than a few, but less than all, of the intermediaries who are willing to carry a particular product
- Intensive distribution consists of the manufacturer placing goods or services in as many outlets as possible.
  - Manufacturers are constantly tempted to move from exclusive or selective distribution to intensive distribution to increase coverage and sales.

Terms and Responsibilities of Channel Members

- The producer must determine the rights and responsibilities of participating channel members.
- The main elements in the "trade-relations mix" are:
  1. **Price policy**
  2. **Conditions of sale**
  3. **Distributors' territorial rights**
  4. **Mutual services and responsibilities**

Evaluating the Major Alternatives

- Each channel alternative needs to be evaluated against :

1. **Economic criteria**
2. **Control criteria**
3. **Adaptive criteria.**

Economic Criteria

- Each channel will produce a different level of sales and costs.
- Firms will try to align customers and channels to maximize demand at the lowest overall cost.
- Sellers try to replace high-cost channels with low-cost channels as long as the value added per sale is sufficient.

Figure 15.4
The Value-Adds Versus Costs of Different Channels

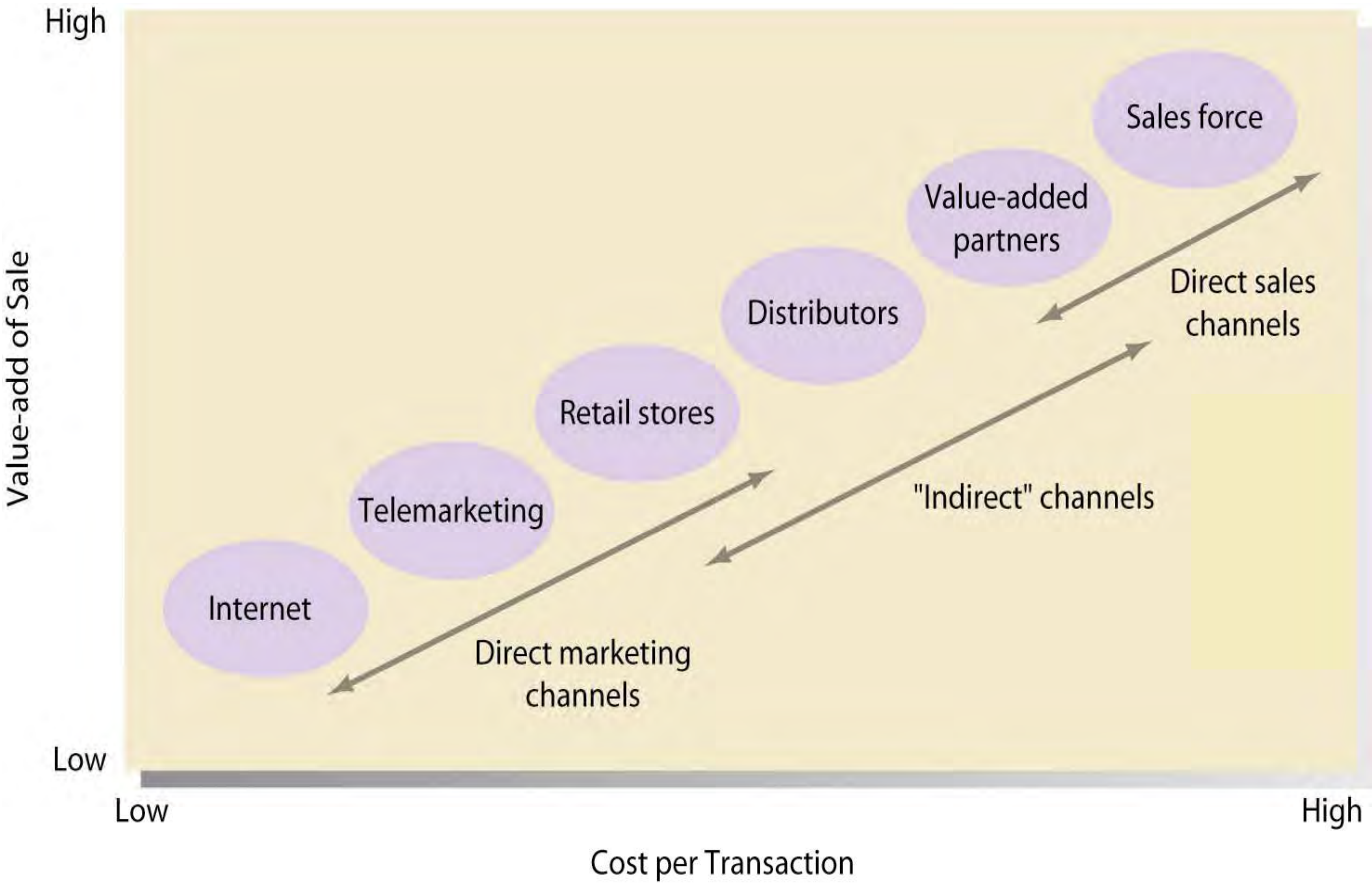
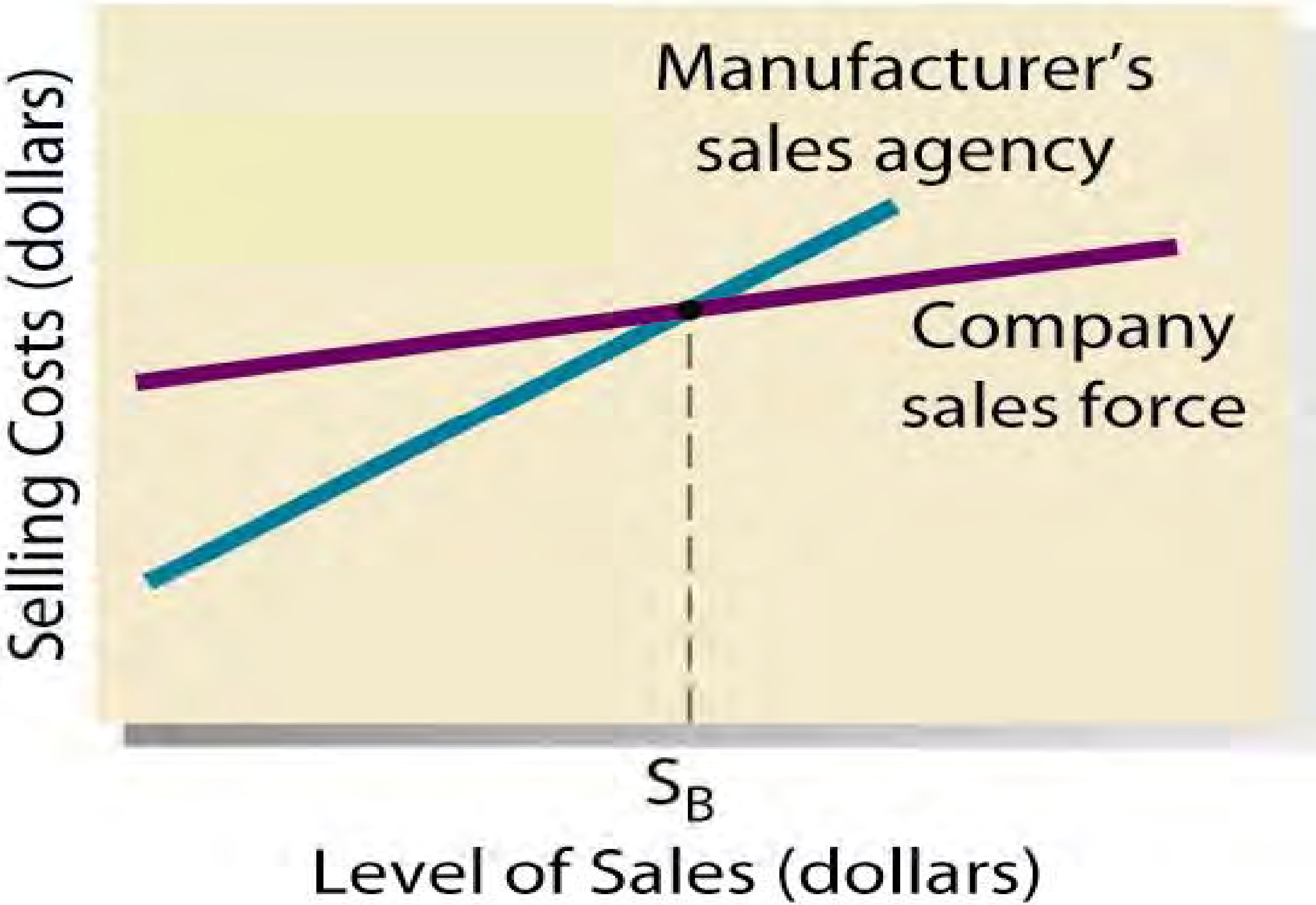


Figure 15.5 Break-even Cost Chart for Choice Between a Company Sales Force & a Manufacturer's Sales Agency



Control and Adaptive Criteria

- Using a sales agency poses a control problem. To develop a channel, members must make some degree of commitment to each other for a specified period of time **(control)**
- In rapidly, changing, volatile, or uncertain product markets, the producer needs channel structures and policies that provide high adaptability **(adaptive)**

CHANNEL-MANAGEMENT DECISIONS

After a company has chosen a channel alternative, individual intermediaries must be selected, trained, motivated, and evaluated.

Channel arrangements must be modified over time.

Selecting Channel Members

- To customers, the channels are they company. Companies need to select their channel members carefully.
- To facilitate channel member selection, producers should determine what characteristics distinguish better intermediaries.

Channel Member Selection Evaluation Criteria

1. Number of years in business
2. Other lines carried
3. Growth and profit records
4. Financial strength
5. Cooperativeness
6. Service reputation

Selection Criteria:

- If the intermediaries are **sales agents**, producers should evaluate the:
  - Number and character of other lines carried.
  - Size and quality of the sales force.
- D) If the intermediaries are **department stores** that want exclusive distribution, the producer should evaluate:
  - Locations
  - Future growth potential
  - Type of clientele

Training and Motivating Channel Members

- A company needs to determine intermediaries' needs and construct a channel positioning such that its channel offering is tailored to provide superior value to these intermediaries.
- Stimulating channel members to top performance starts with understanding their needs and wants.
- The company should provide training programs and market research programs to improve intermediaries' performance.

Channel Power

- Channel power can be defined as the ability to alter channel member's behavior.
- Manufacturers can draw on the following types of power to elicit cooperation:
  - **Coercive power**
  - **Reward power**
  - **Legitimate power**
  - **Expert power**
  - **Referent power**

Positive Motivators for Channel Members:

- Higher margins
- Special deals
- Premiums
- Advertising allowances etc

Evaluating Channel Members

- Periodically evaluate intermediaries' performance against:

1. **Sales-quota attainment**
2. **Average inventory levels**
3. **Customer delivery time**
4. **Treatment of damaged & lost goods**
5. **Cooperation in promotional & training programs**

Evaluating Channel Members

- Functional discounts for services rendered
- Underperformers: actions taken include
  1. ***To counsel***
  2. ***Train***
  3. ***Terminate***

Modifying Channel Arrangements

1. Modification becomes necessary when the distribution channel is not working as planned.
2. When consumer-buying patterns change
3. When the market expands
4. When new competition arises
5. When innovative distribution channels emerge
6. And when the product moves into the later stages in the product life cycle

No marketing channel will remain effective over the whole product life cycle

To preserve its channel relationship, Apple has justified the opening of hundreds of its own retail stores as a natural extension of its online sales channel. The stores have proven extremely profitable too.

Modifying Channel Arrangements

- The most difficult decision involves revising the overall channel strategy.
- Distribution channels clearly become outmoded, and a gap arises between the existing distribution system and the ideal system that would satisfy target customers' needs and desires.

Modifying the Channel:

- Kinds of changes include:
  1. Adding or dropping individual channel members.
  2. Adding or dropping particular market channels.
  3. Developing a totally new way to sell goods.

CHANNEL INTEGRATION AND SYSTEM

Distribution channels don’t stand still.

New wholesaling and retailing institutions emerge, and new channel systems evolve.

Vertical Marketing Systems

- A **conventional marketing system** comprises an independent producer, wholesaler(s), and retailer(s).
- A **vertical marketing system (VMS)**, by contrast, comprises the producer, wholesaler(s), and retailer(s) acting as a unified system.

Vertical Marketing Systems

- The channel captain, owns the others, franchises them, or has so much power that they all cooperate.
- VMSs arose as a result of strong channel members' attempts to control channel behavior and eliminate the conflict that results when independent members pursue their own objectives.

Vertical Marketing Systems

VMSs achieve **economies** through:

- **Size**
- **Bargaining power**
- **The elimination of duplicated services**

Vertical Marketing Systems

- Three types of VMS:

1. **Corporate**
2. **Administered**
3. **Contractual**

Corporate VMS

- A corporate VMS combines successive stages of production and distribution under single ownership.

Administered VMS

- An administered VMS coordinates successive stages of production and distribution through the size and power of one of the members.
- Manufacturers of a dominant brand are able to secure strong trade cooperation and support from resellers.

Administered VMS

- The most advanced supply-distributor arrangement for administered VMS involves **distribution programming** that can be defined as building a planned, professionally managed, vertical marketing system that meets the needs of both manufacturer and distributors.

Marketing Insight: The importance of channel stewards

- The definition of channel stewards: the ability of a given participant in the distribution channel to create a go-to-market strategy that simultaneously addresses customers' best interests and drives profits for all partners.

Contractual VMS

- A contractual VMS consists of independent firms at different levels of production and distribution integrating their programs on a contractual basis to obtain more economies or sales impact than they could achieve alone.
- Contractual VMSs now constitute one of the most significant developments in the economy.

Contractual VMS

3 Types of Contract VMS:

- **Wholesaler-sponsored voluntary chains**
- **Retailer cooperatives**
- **Franchise organizations**
  - Manufacturer-sponsored retailer
  - Manufacturer-sponsored wholesaler
  - Service-firm-sponsored retailer

The New Competition in Retailing

- The new competition in retailing is no longer between independent business units….
- ***but between whole systems*** of centrally programmed networks (corporate, administered, and contractual) ….
- competing against one another to achieve the best cost economies and customer response.

Horizontal Marketing Systems

- A channel system where two or more **unrelated** companies put together resources or programs to exploit an emerging marketing opportunity.

Integrating Multi-Channel Marketing Systems

- Multi-channel marketing occurs when a single firm uses two or more marketing channels to reach one or more customer segments.
- An integrated marketing channel system is one in which the strategies and tactics of selling through one channel reflect the strategies and tactics of selling through other channels.

Benefits of adding more channels:

1. Increased market coverage
2. Lower channel cost
3. More customized selling

Channel Integration & Systems
- Multichannel Marketing Systems

Coke approached Chinese neighborhood committees to sell products - pensioners serve as socialist guardians: useful vehicles to build brand awareness

Limitations of adding more channels:

1. New channels typically introduce conflict and control problems.
2. Two or more channels may end up competing for the same customers.
3. The new channel may be more independent and make cooperation more difficult.

The Hybrid Grid

- Moriarty and Moran propose using the hybrid grid to plan the channel architecture.

1. The grid shows several marketing channels (rows).
2. Several demand-generation tasks (columns)
3. The grid illustrates why using only one channel is not efficient.
4. Channels should be designed to work together effectively

Figure 15.6 The Hybrid Grid

Demand-generation Tasks

Marketing Channels and Methods

VENDOR	Lead generation	Qualifying sales	Presales	Close of sale	Postsales service	Account management	CUSTOMER
Internet							
National account management							
Direct sales							
Telemarketing							
Direct mail							
Retail stores							
Distributors							
Dealers and value-added resellers							
Advertising							

CONFLICT, COOPERATION, AND COMPETITION

Channel conflict is generated when one channel member's actions prevents the channel from achieving its goal.

Channel coordination occurs when channel members are brought together to advance the goals of the channel, as opposed to their own potentially incompatible goal.

Types of Conflict and Competition

1. **Vertical channel conflict** means conflict between different levels within the same channel.
2. **Horizontal channel conflict** involves conflict between members at the same level within the channel.
3. **Multi-channel conflict** exists when the manufacturer has established two or more channels that sell to the same market.

Causes of Channel Conflict

- One major cause is **goal incompatibility**.
- Some conflict arises from **unclear roles** and rights.
- Conflicts can also stem from d**ifferences in perception**.
- Conflict might additionally arise because of the **intermediary's dependence** on the manufacturer.

Managing Channel Conflict

- As companies add channels to grow sales, they run the risk of creating channel conflict.
- Some channel conflict can be constructive and lead to better adaptation to a changing environment, but too much is dysfunctional.
- **The challenge is not to eliminate conflict but to manage it better.**

Managing Channel Conflict

- Mechanisms used for effective conflict management

1. **Adoption of super-ordinate goals**
2. **Co-optation**

For chronic or acute conflicts

3. **Diplomacy**
4. **Mediation**
5. **Arbitration**
6. **Lawsuits**

Dilution and Cannibalization

- Marketers must also be careful not to dilute their brands through inappropriate channels.

Coach avoids brand dilution while enjoying multichannel distribution by keeping its full-price store shoppers separate from its discount shoppers, even locating its factory outlets a minimum of 96 kilometers from its retail store.

Legal and Ethical Issues in Channel Relations

- Develop any channel arrangements suit them
- **Tying agreements:** sell to dealers only if they take some or whole line (full-line forcing)
- **Exclusive distribution:** seller allows only certain outlets to carry its products
- **Exclusive dealing:** seller requires dealers not handle competitors' products

Exclusive Dealing

- Exclusive dealing is legal as long as they do not substantially lessen competition or tend to create a monopoly, and as long as both parties enter into the agreement voluntarily.
- Exclusive dealing often includes exclusive territorial agreements.
  - The producer may agree not to sell to other dealers in a given area.
  - The buyer may agree to sell only in its own territory.

Gray Marketing or Parallel Importing

- **The sale of authorized, branded products through unauthorized channels**
- Why manufacturers tolerate gray marketing?
  1. Violations difficult to detect/document
  2. Potential for channel to free-ride on another is low
  3. Product is mature
  4. Parallel importer is loyal high-performing dealer

Gray Marketing or Parallel Importing

Why manufacturers welcome gray markets?

1. Increase coverage in emerging markets
2. Pressure authorized channels to compete harder
3. Avail product to price-sensitive consumers

Factors motivating the growth of gray marketing:

1. Differential pricing to different channel members may lead to a distributor over-ordering to obtain a discount and then selling off the excess to unauthorized channels.
2. Manufacturers may price differently to different geographic markets due to differences in tax, exchange rates, or price sensitivity.

Factors motivating the growth of gray marketing:

3. Products may be sold through high-service, high-price channels, providing an opportunity to introduce gray markets through discount retailers.
4. The development of emerging markets and worldwide trade liberalization create incentives for firms to capitalize on their brand equity and volume potential by offering similar products across different countries

E-Commerce Marketing Practices

- **E-business:**
  - electronic means & platforms to do business
- **E-commerce:**
  - transact/facilitate selling of offerings online
- **E-purchasing:** firms purchase offerings online
- **E-marketing:** market offerings online
- **Pure-click** firms: website, no past existence
- **Brick-and-click** firms: current firms + website

Pure-Click Companies

- There are several kinds of pure-click companies:
- **Search engines**
- **Internet Service Providers (ISPs)**
- **Commerce sites**
- **Transaction sites**
- **Content sites**
- **Enabler sites**

E-Commerce Marketing Practices

- Companies must set up and operate their e-commerce Web sites carefully. **Customer service is critical.**
- Consumer surveys suggest that most significant inhibitors of online shopping are the absence of:
  - **Pleasurable experiences**
  - **Social interaction**
  - **And personal consultation.**

E-Commerce Marketing Practices

- Some firms are employing **avatars**, graphical representations of virtual, animated characters that can act as company representatives.
- **Ensuring security and privacy** online remain important.

Breakthrough Marketing: Amazon.com

Shows how Amazon.com has established itself as an electronic marketplace by enabling merchants of all kinds to sell items on its website.

Amazon.com began as "the world's largest bookstore" and has gone on to become the quintessential online retailer, selling goods of all kinds and offering reviews, recommendations, and other customizing features on its Web site.

B2B (Business-to-Business) Sites

- More activity is being conducted on business-to-business (B2B) sites.
- The impact of B2B sites is to make markets more efficient.
- With the Internet, buyers have easy access to a great deal of information.
- They can get information from:
  - a. Supplier Web sites
  - b. Infomediaries
  - c. Market makers
  - d. Customer communities

B2B (Business-to-Business) Sites

- The net impact is to make prices more transparent.
- Suppliers of superior products will be able to offset price transparency with value transparency.
- Suppliers of undifferentiated products will have to drive down their costs in order to compete.

Alibaba is the largest online B2B marketplace. It is homegrown in China, a country where businesses have faced decades of Communist antipathy to private enterprise.

Brick-and-Click Companies

- Many companies have agonized over whether to add an online e-commerce channel.
- Many companies opened Web sites describing their business but resisted adding e-commerce to their sites.
- They felt that selling their products or services online would produce channel conflict.

Brick-and-Click Companies

- Adding an e-commerce channel creates the treat of a backlash from retailers, brokers, agents, or other intermediaries.
- The question is how to **sell both** through intermediaries and online.

Three strategies for trying to gain acceptance from intermediaries

1. Offer different brands or products on the Internet.
2. Offer the off-line partners higher commissions to cushion the negative impact on sales.
3. Take orders on the Web site but have retailers deliver and collect payment.

Marketing Insight: E-Tailing Lessons for the Asia-Pacific (study by BCG)

1. Convert visitors to buyers
2. Learn from customers daily
3. Build the brand and offer customer service
4. Address offline compromises
5. Form partnerships
6. Create defensibility
7. Target new communities
8. Secure early options
9. Create a scaleable and flexible supply chains
10. Get talent

M-Commerce

- Consumers and businesspeople no longer need to be near a computer to send and receive information.
- A whole field called telematics places wireless Internet-connected computers in the dashboards of cars and trucks, and makes home appliances wireless so they can be used anywhere in or near the home.
- Good potential for future growth.

Final discussion

Some marketers feel that the image of the particular channel in
which they sell their products does not matter - all that matters is
that the right customers shop there & the product is displayed in
the right way. Others maintain that channel Images - such as a
retail store - can be critical & must be consistent with the image
of the product.

Take a position: Channel images do not really affect the brand
images of the products they sell that much versus Channel
images must be consistent with the brand image.

Marketing Discussion

Think of your favorite retailers. How have they integrated their
channel system? How would you like their channels to be