

## Chapter 10

# Place and Development of Channel Systems



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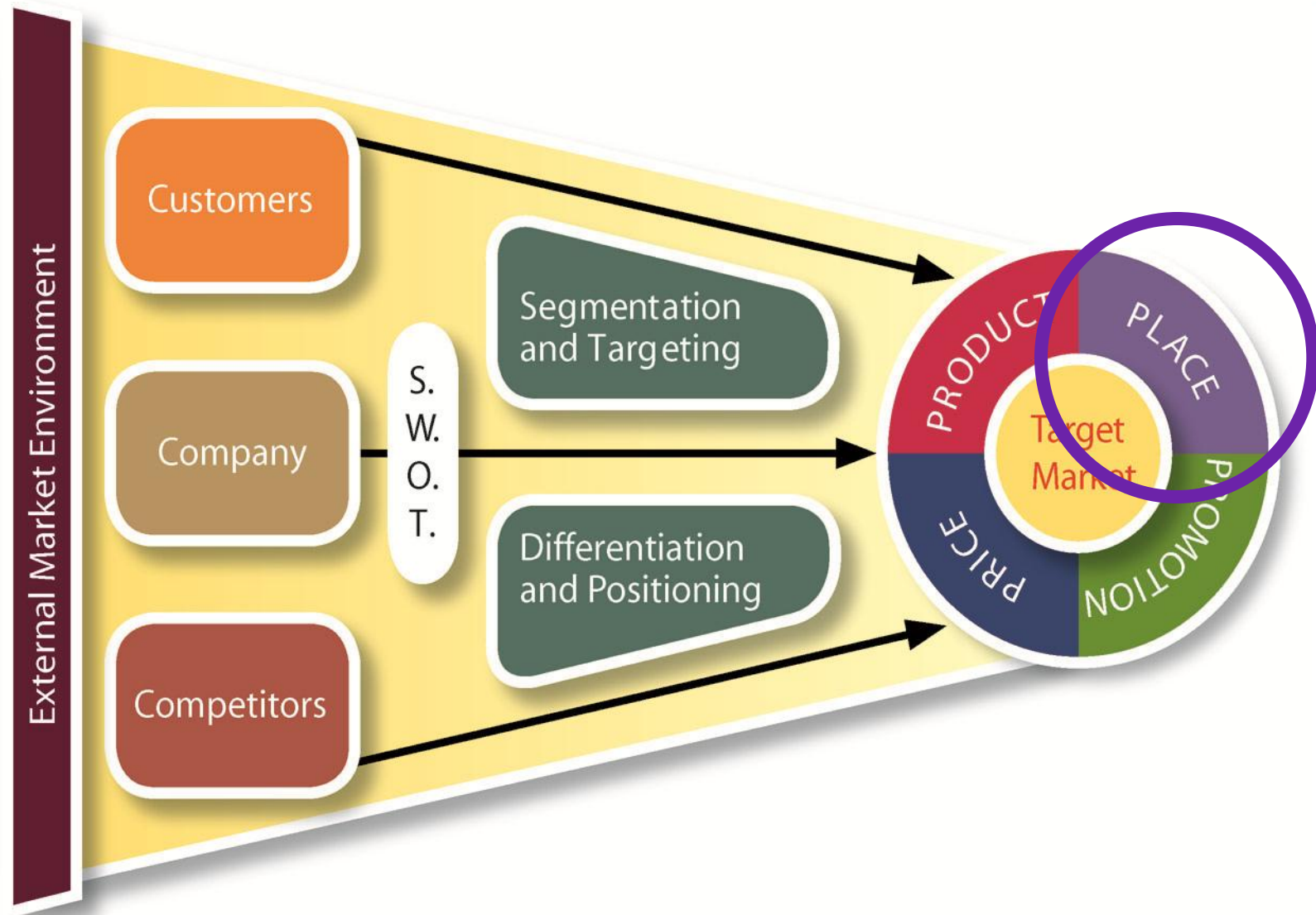
# At the end of this presentation, you should be able to:

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.

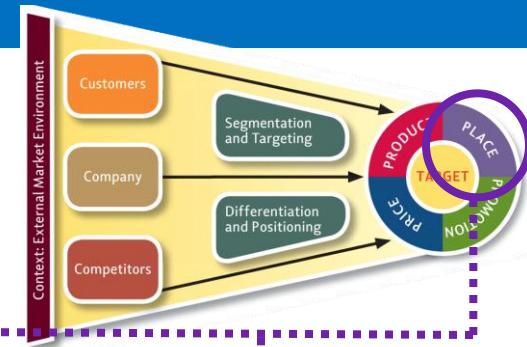
# At the end of this presentation, you should be able to:

6. Understand the differences between intensive, selective, and exclusive distribution.
7. Know the main approaches firms use to reach customers in international markets.

# Place Decisions for Marketing Strategy Planning



# Marketing Strategy Planning for Place (Exhibit 10-1)



**CH 10: Place and Development of Channel Systems**

**CH 11: Distribution Customer Service & Logistics**

**CH 12: Retailers, Wholesalers & Their Strategy Planning**

**Place objectives**

**Direct vs. indirect**

**Channel specialists**

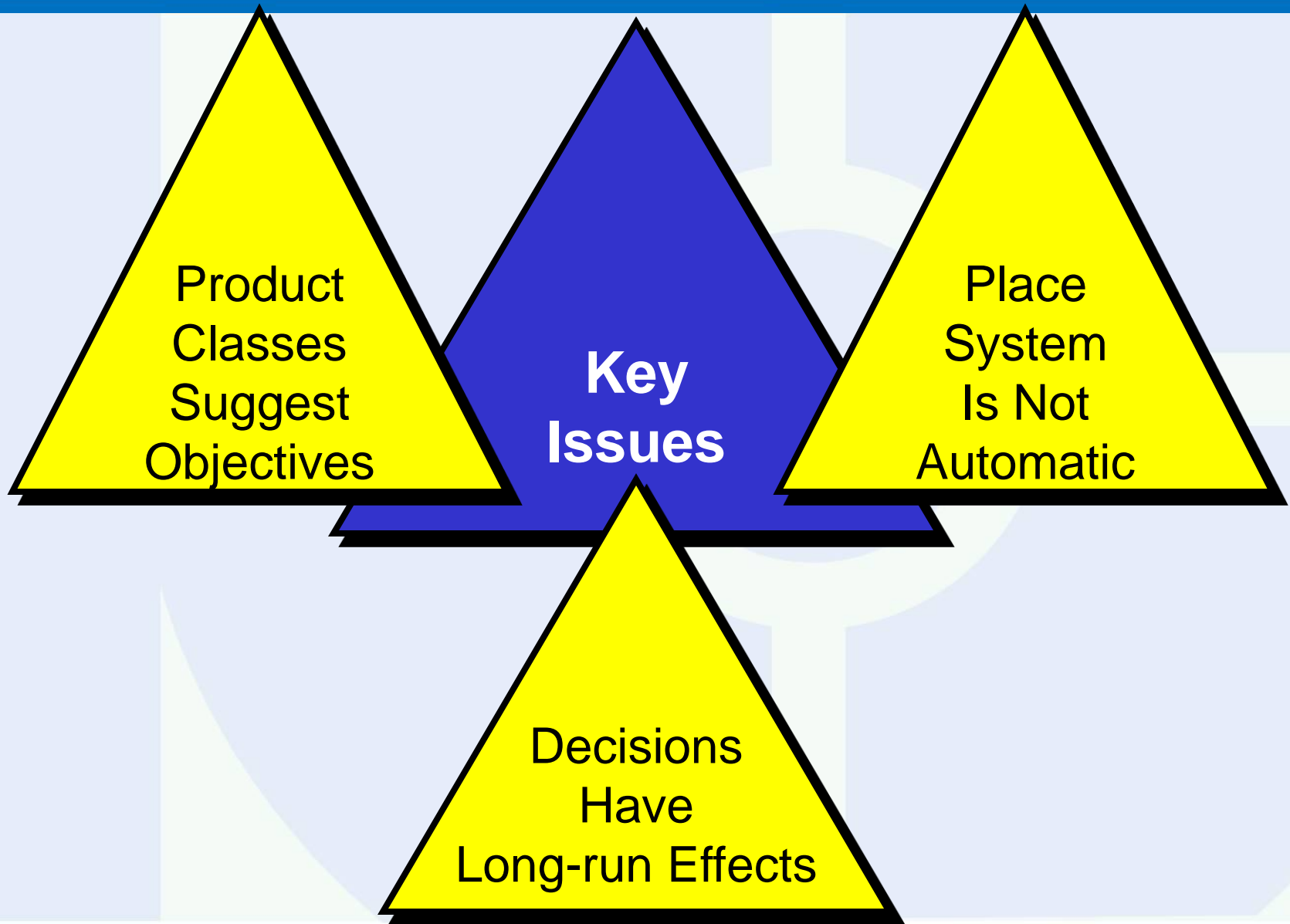
**Channel relationships**

**Market exposure**

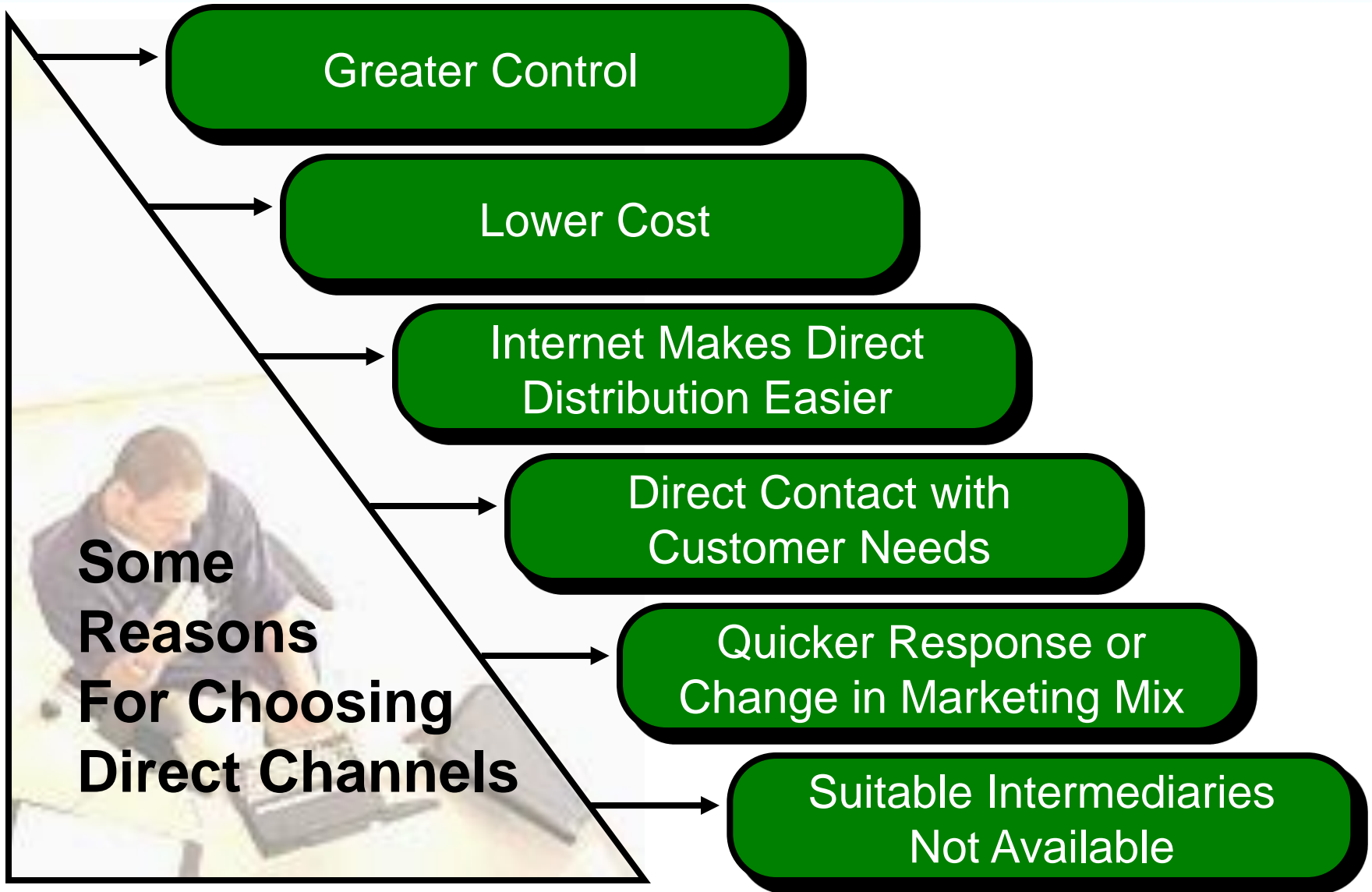
# Key Elements of Distribution Strategy



# Place Decisions Are Guided by “Ideal” Place Objectives



# Channel System May Be Direct or Indirect





**Direct Channels  
Are Common  
with Business  
Customers and  
Services**

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# When Indirect Channels Are Best

----- as silk.

Now, when you need a smooth pen, you'll never draw a blank.



**uni-ball.**   
Smooth. Real Smooth.  
**SANFORD.**



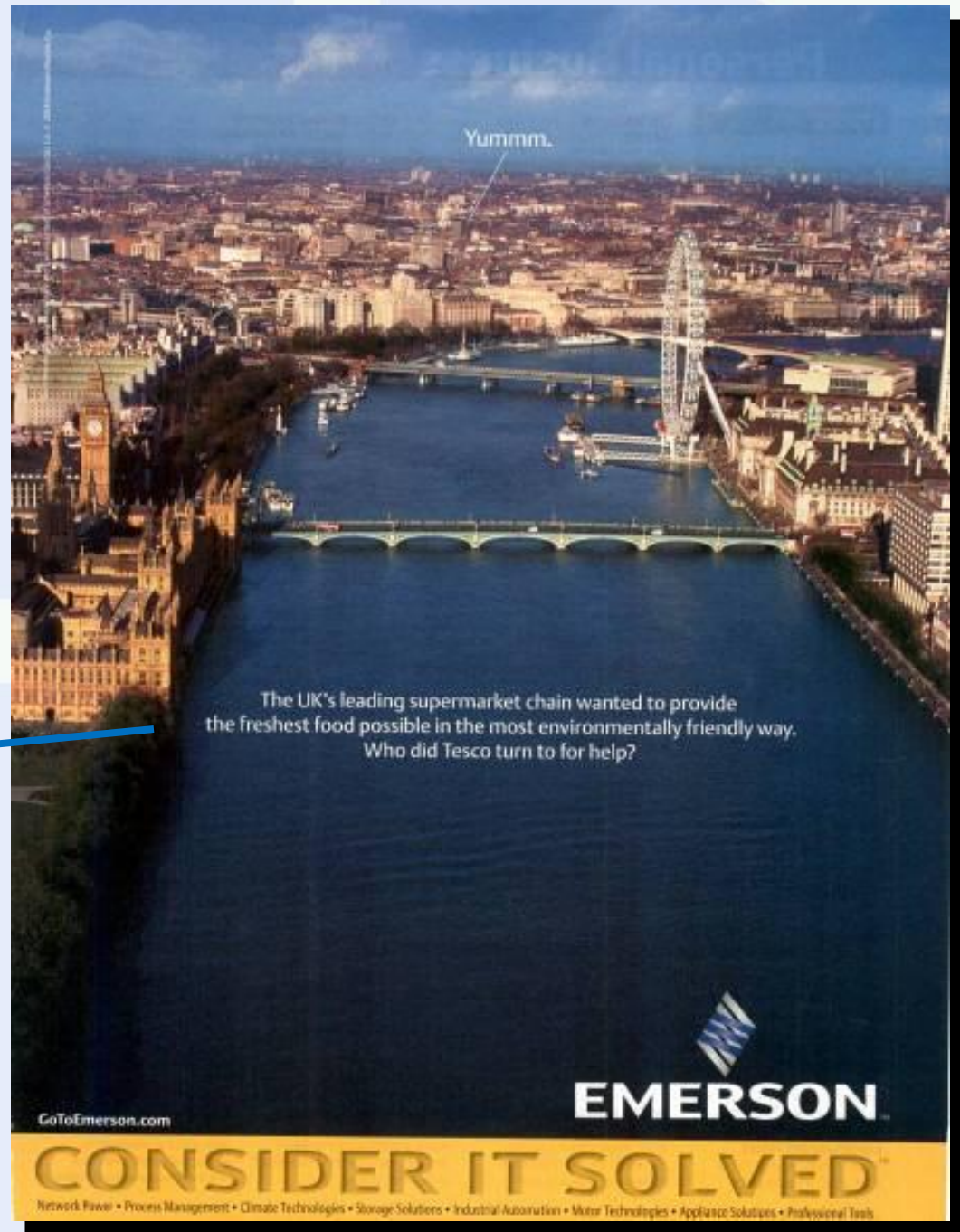
## Checking Your Knowledge

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. intermediary channel.
- D. direct channel.
- E. traditional channel.

# 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?



Yummm.

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?

EMERSON

GoToEmerson.com

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## A Discrepancy of Assortment



*Campbell's*<sup>®</sup>

*Campbell's*  
**Healthy Request**  
Hearty Chicken Rice  
with Hearty & Mild Rice

*Campbell's*  
**CHUNKY**  
Keep That Taste Like a Meal  
Grilled Sirloin Steak  
with Hearty Vegetables

*Campbell's*  
**SELECT**  
READY TO SERVE  
Grilled Chicken with  
Sautéed Tomatoes & Potatoes

*Campbell's*  
**READY TO SERVE**  
CLASSIC CHICKEN NOODLE

**IF IT WERE ANY  
EASIER  
IT WOULD HEAT ITSELF**

**EASY OPEN  
POP TOP**

The great taste of Campbell's is now in an easy-open pop top.

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# Channel Specialists Adjust Discrepancies with Regrouping Activities

Accumulating

Bulk-Breaking

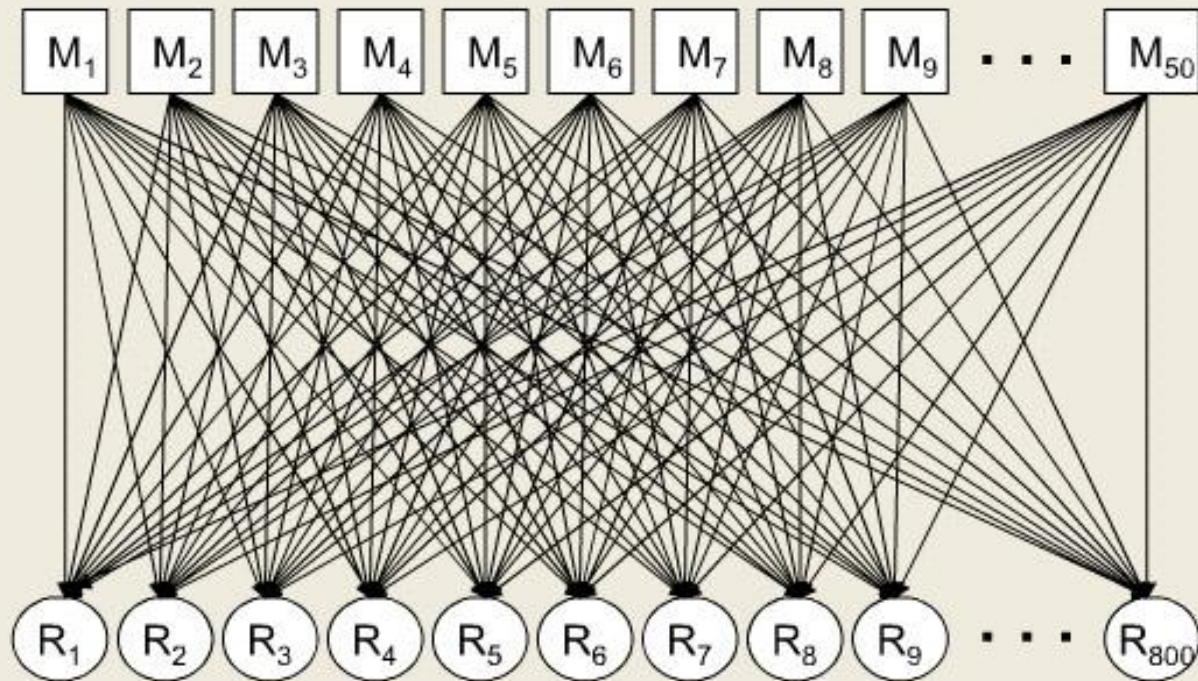


Assorting

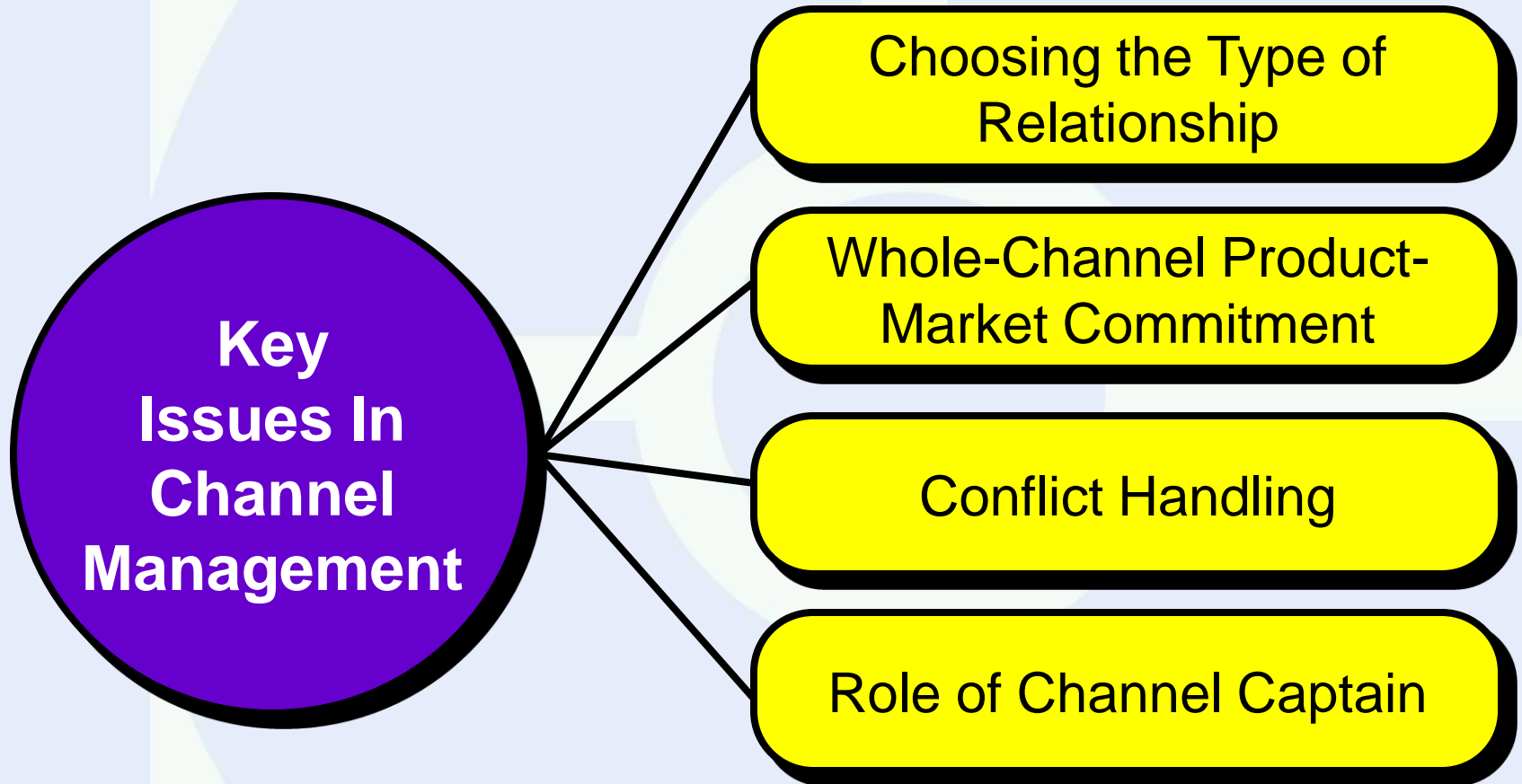
Sorting

# 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:



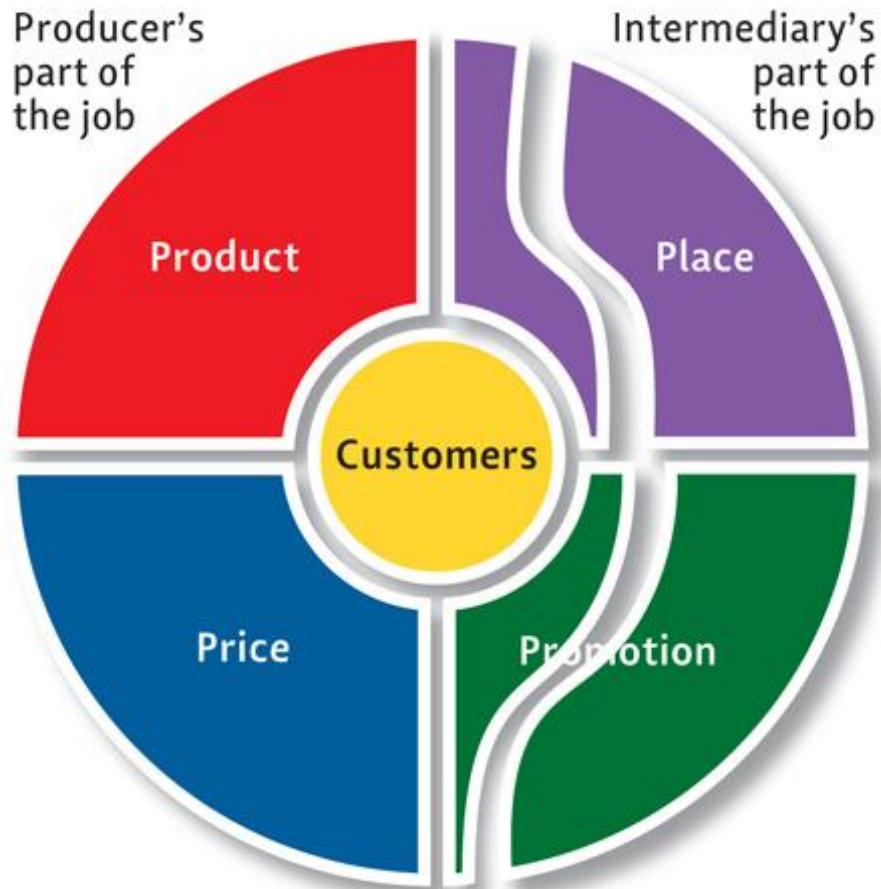
# Channel Relationship Must Be Managed



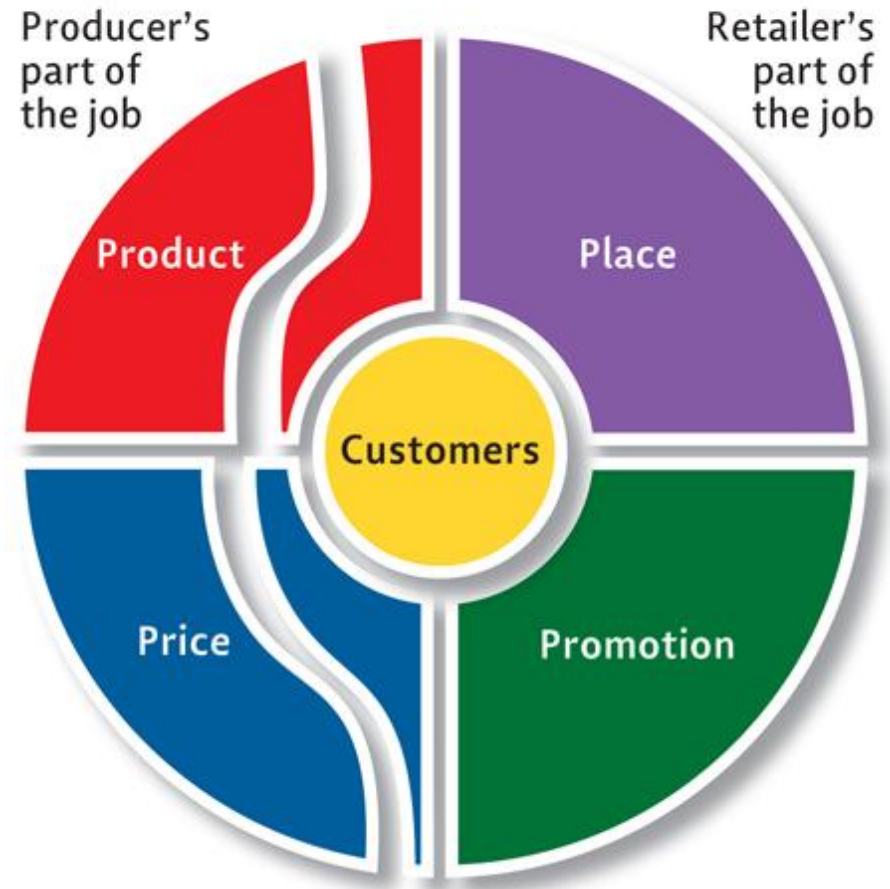


# Producers or Intermediaries May Be Channel Captains (Exhibit 10-2)

A. How strategy decisions are handled in a producer-led channel



B. How strategy decisions are handled in a retailer-led channel



# 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

# Channel Relationships



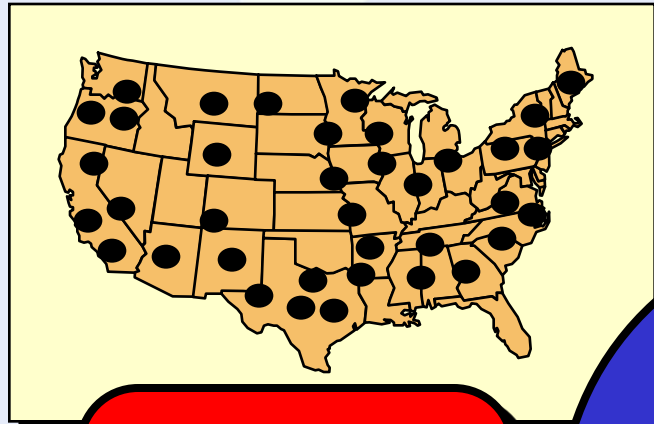
## Checking Your Knowledge

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):

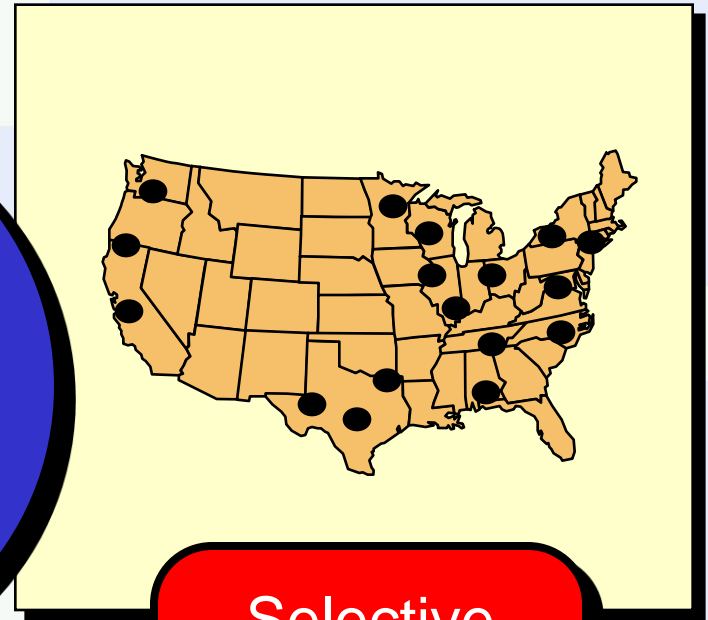
- A. traditional channel.
- B. contractual channel.
- C. corporate channel.
- D. administered channel.
- E. dual channel.

# The Best Channel System Should Achieve Ideal Market Exposure

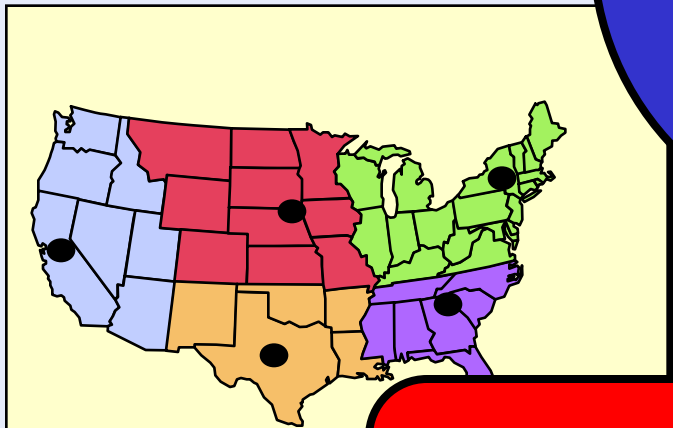


Intensive

Market Exposure Strategies



Selective



Exclusive

• = number of outlets

# Intensive Distribution



# Interactive Exercise: Ideal Market Exposure

Match the following products to the distribution strategy used by each

**Intensive  
Strategy**

**Selective  
Strategy**

**Exclusive  
Strategy**



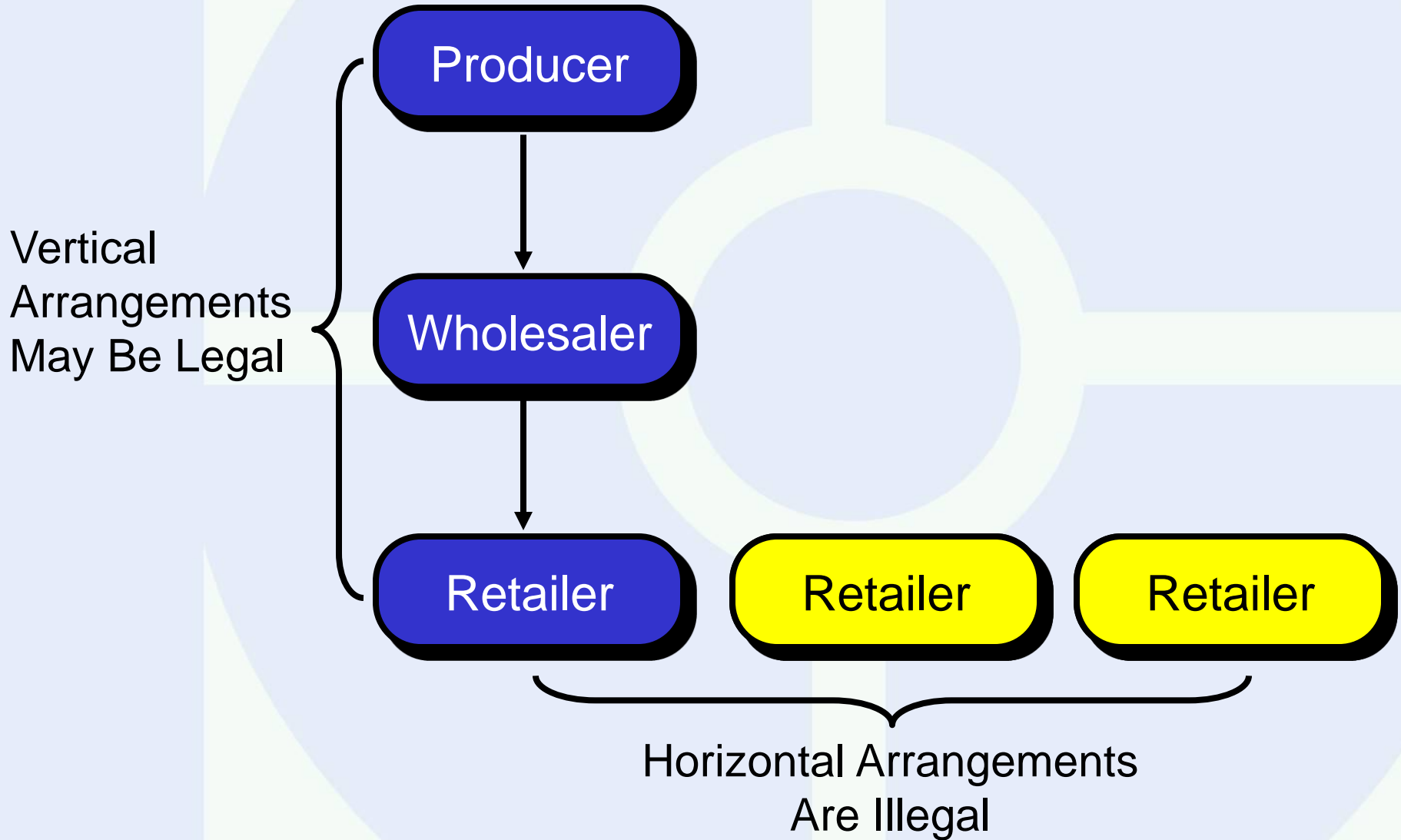
## Checking Your Knowledge

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:

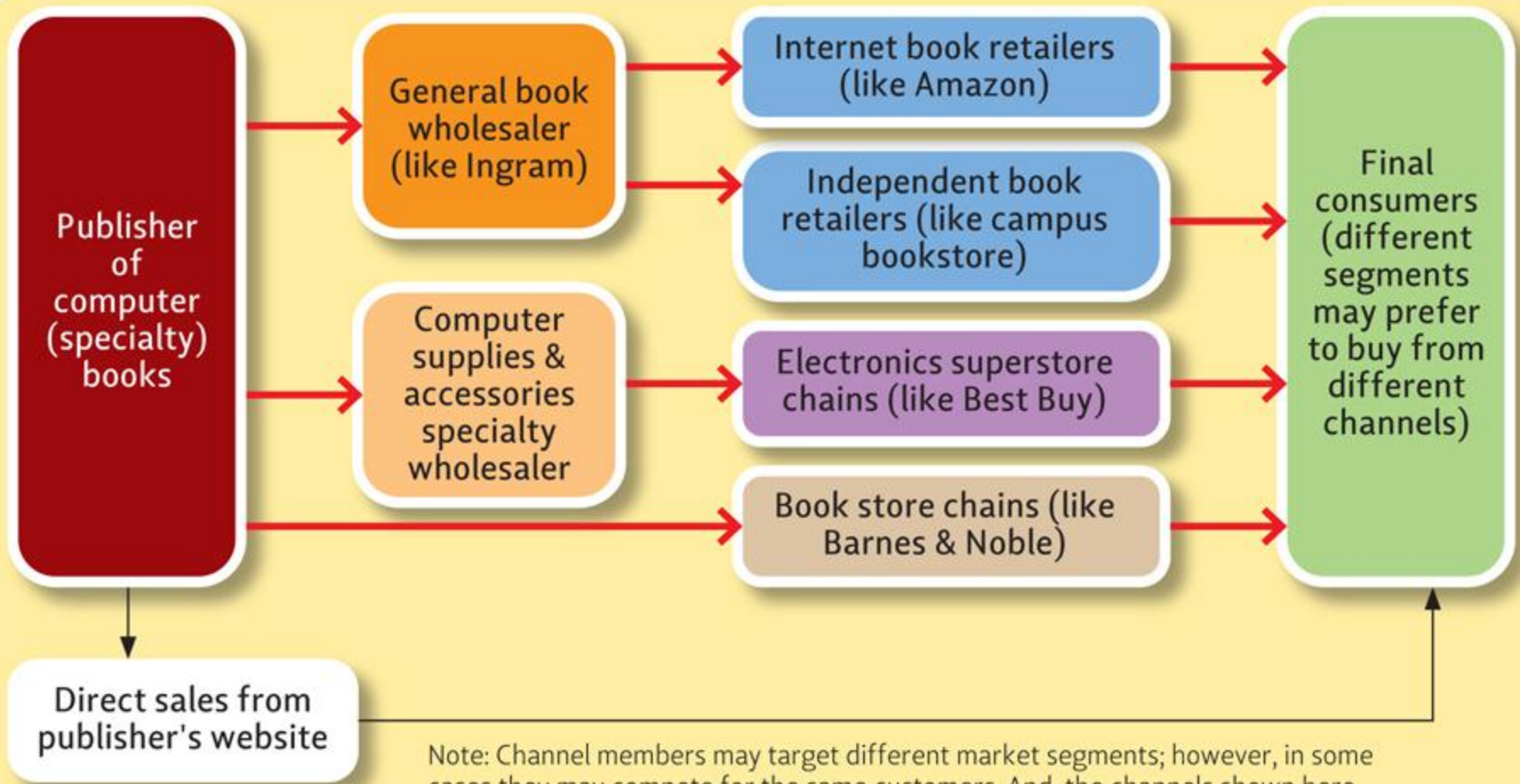
- A. intensive.
- B. comprehensive.
- C. exclusive.
- D. extensive.
- E. selective.



# Limiting Market Exposure



# Channel Systems Can Be Complex (Exhibit 10-4)



Note: Channel members may target different market segments; however, in some cases they may compete for the same customers. And, the channels shown here may also compete with channels for similar books by another publisher.

# Entering International Markets (Exhibit 10-5)

Exporting

Licensing

Management  
Contracting

Joint  
Venture

Direct  
Investment

Generally increasing investment, risk, and control of marketing

## You should now be able to:

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## You should now be able to:

6. Understand the differences between intensive, selective, and exclusive distribution.
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# 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
- Exporting
- Licensing
- Management contracting
- Joint venture
- Direct investment