

Managing Marketing Channels

- 1.1 Selecting the Channel Members
- 1.2 Motivating the Marketing Channel
- 1.3 Evaluating Channel Member Performance
- 1.4 Conflict in Marketing Channel
- 1.5 Ethics and Marketing Channel



Managing Marketing Channels

1.1 Selecting the Channel Members

Channel selection decisions are frequently necessary even when channel structure changes have not been made. Firms may need additional outlets to allow for growth or to replace channel members that have left the channel.

As a general rule, the greater the intensity of distribution, the less emphasis on selection.

If a firm's emphasis is to ensure intensive distribution, those intermediaries selected are often selected only on their basis of the probability of paying their bills. On the other hand, if channel structure stresses more selective distribution, the prospective members should be much more carefully scrutinized and selection decisions become more critical.

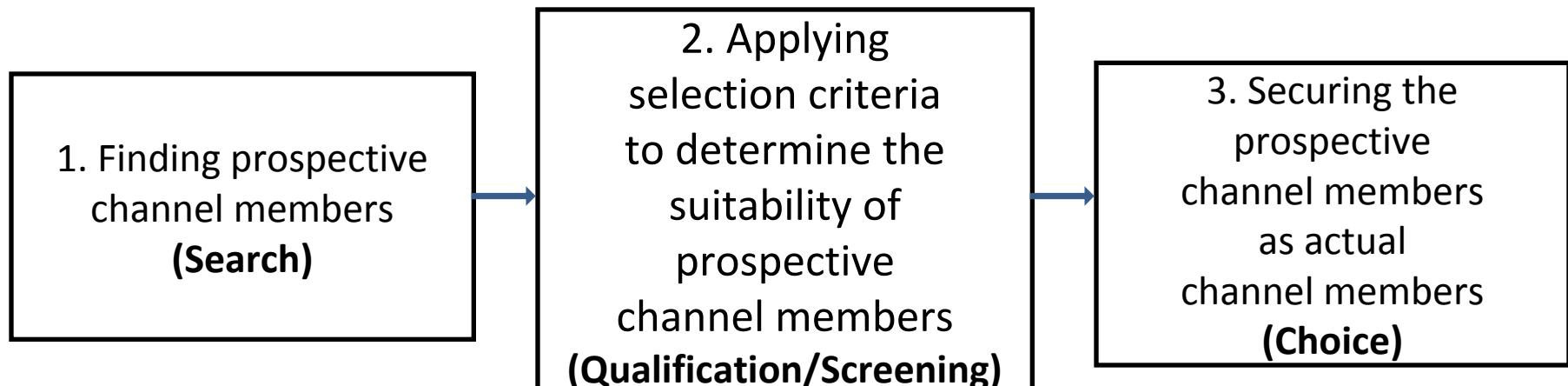
Managing Marketing Channels

1.1 Selecting the Channel Members

1.1.1 The Selection Process

Three steps are involved:

1. Finding prospective channel members
2. Applying selection criteria to determine the suitability of prospective channel members
3. Securing the prospective channel members as actual channel members



Managing Marketing Channels

1.1 Selecting the Channel Members

1.1.2 Finding Prospective Channel Members

- Advertising

Advertising in trade publications offer another approach to finding marketing channel members.



The image is a composite of two parts. On the left, there is a dark blue job advertisement for a 'Trade Marketing Mgr On-Trade' position. The text on the ad reads: 'We are looking for a', 'Trade Marketing Mgr On-Trade', 'Premium beverages', 'West-Vlaanderen', 'FMCG', 'Harmonizer', and 'Generatieve Recruitement'. On the right, there is a photograph of a bartender with a beard, wearing a blue shirt and an apron, pouring a clear liquid from a bottle into a glass. The background shows shelves filled with various bottles.

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1.1 Selecting the Channel Members

1.1.2 Finding Prospective Channel Members

- Trade shows can be a very fruitful source for finding potential channel members. Many trade associations, at the industrial and retail levels, hold annual conventions at which numerous representatives from the various organizations are represented.



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1.1 Selecting the Channel Members

1.1.2 Finding Prospective Channel Members

- Customers

Customers of prospective intermediaries can be a source of information. Using informal or formal surveys of the views of customers, a firm may well be able to gain insights about the strengths and weaknesses of a prospective channel member from the customer's (end user) point of view.

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1.1 Selecting the Channel Members

1.1.2 Finding Prospective Channel Members

- Field sales organization

Company salespeople are in the best position to know potential channel members, usually better than anyone else in the firm. Companies may not adequately reward salespeople for their efforts in finding potential channel members.



Managing Marketing Channels

1.1 Selecting the Channel Members

1.1.2 Finding Prospective Channel Members

- Other sources

Some firms also find the following sources helpful in locating prospective members.

1. Chamber of commerce, banks, and local real estate dealers
2. Classified telephone directories or yellow pages
3. Direct-mail solicitations
- d. Contacts from previous applications
4. Independent consultants
- f. List brokers that sell lists of names of businesses
5. Business databases
6. The Internet

Managing Marketing Channels

1.1 Selecting the Channel Members

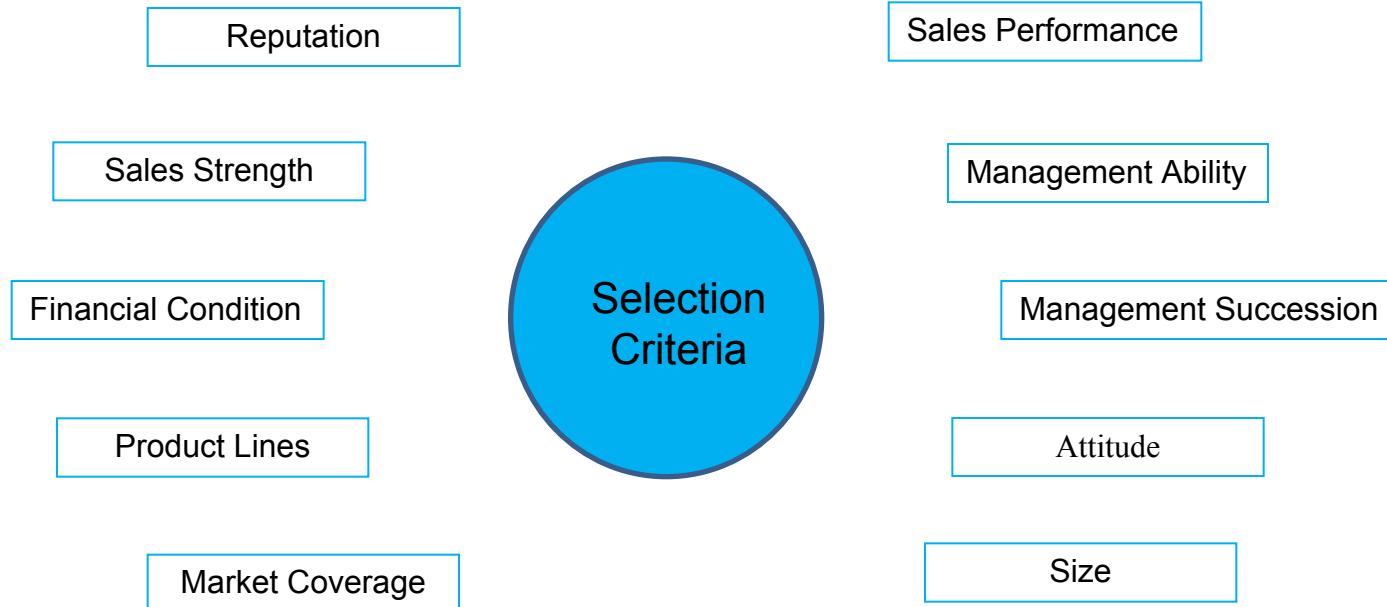
1.1.3 Applying Selection Criteria

Having developed a list of prospective channel members, the next step is to appraise these prospects in light of selection criteria. If a firm has not yet developed a set of criteria for selecting channel members, it must develop one. However, no list of criteria, no matter how carefully developed, is adequate for a firm under all conditions.

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1.1 Selecting the Channel Members

1.1.3 Applying Selection Criteria



Managing Marketing Channels

1.1 Selecting the Channel Members

1.1.4 Securing the prospective channel members as actual channel members

It is important to remember that the selection process is a two-way street. It is not only the producer and manufacturer who does the selecting – but also the intermediaries as well.

The channel manager in producing and manufacturing firms can use a number of specific inducements in attempting to secure channel members. Manufacturers and producers should convey to the prospective intermediary that the partnership will be mutually beneficial.

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1.2 Motivating the Marketing Channel

1.2.1 Finding the Needs and Problems of Channel Members

Before the channel manager can successfully motivate channel members, an attempt must be made to learn what the members want for the channel relationship. Manufacturers are often unaware of or insensitive to the needs and problems of their channel members.

For example, a manufacturer may want to gather data from channel members on what their needs and problems are in areas such as:

- Pricing policies, margins, and allowances
- Extent and nature of the product line
- New products and their marketing development through promotion
- Servicing policies and procedures such as invoicing, order dating, shipping, warehousing and others
- Sales force performance in servicing the accounts

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1.2 Motivating the Marketing Channel

1.2.2 Offering Support to Channel Members

Support for channel members refers to the manufacturer's efforts in helping channel members to meet their needs and solve their problems. Such support for channel members is all too often offered on a disorganized and ad hoc basis.

Such programs can generally be grouped into one of the following three categories:

- (1) Cooperative Arrangements
- (2) Partnership or Strategic Alliance
- (3) Distribution Programming.

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1.2 Motivating the Marketing Channel

1.2.3 Distributing Programming

The essence of this approach is the development of a planned, professionally managed channel.

The first step in developing a comprehensive distribution program is an analysis by the manufacturer of marketing objectives and the kinds and levels of support needed from channel members to achieve these objectives.

Further, the manufacturer must ascertain the needs and problem areas of channel members.

Virtually all of the policy options available can be categorized into three major groups:

1. Those offering price concessions to channel members
2. Those offering financial assistance
3. Those offering some kind of protection for channel members

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1.2 Motivating the Marketing Channel

1.2.4 Providing Leadership to Motivate Channel Members

Control must still be exercised through effective leadership on a continuing basis to attain a well-motivated team of channel members.

The channel manager were able to predict all events related to the channel with perfect accuracy, and achieve the desired outcomes at all times, does not exist or is not achievable in the reality of an interorganizational system such as the marketing channel.

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1.3 Evaluating Channel Member Performance

1.3.1 Factors Affecting Scope and Frequency of Evaluations

Sales is the most popular performance criteria used in channel evaluation.

Sales might further be subdivided into current sales compared with historical sales, comparisons of sales with other channel members, and comparisons of the channel member's sales with predetermined quotas.

Other possible performance criteria are: maintenance of adequate inventory, selling capabilities, attitudes of channel intermediaries toward the product, competition from other intermediaries and from other product line carried by the manufacturer's own channel members.

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1.3 Evaluating Channel Member Performance

1.3.1 Factors Affecting Scope and Frequency of Evaluations

are the following:

1. Degree of Control
2. Importance of Channel Members
3. Nature of Products
4. Number of Channel Members

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1.3 Evaluating Channel Member Performance

1.3.2 Performance Evaluation vs Day-to-Day Monitoring

Monitoring refers to a routine process, that examines the activities and progress of the project and also identifies bottlenecks during the process.

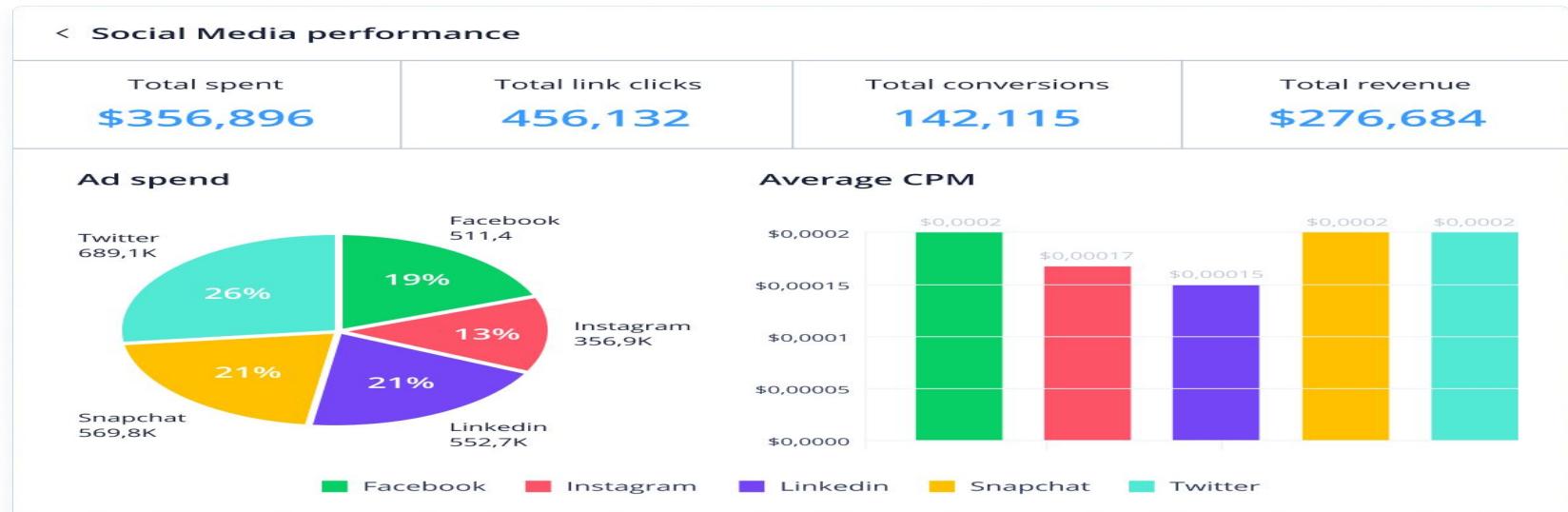
Evaluation is a sporadic activity that is used to draw conclusion regarding the relevance and effectiveness of the project or program.

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1.3 Evaluating Channel Member Performance

1.3.3 Channel Member Performance Audit

1. Developing criteria
2. Applying performance criteria
3. Recommending corrective action



Managing Marketing Channels

1.3 Evaluating Channel Member Performance

1.3.3 Channel Member Performance Audit

Performance criteria for evaluation:

1. Sales performance
2. Inventory maintenance
3. Selling capabilities
4. How competitive product lines and competitors are handled
5. Attitudes
6. General growth prospects
7. Other

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1.4 Conflict in Marketing Channel

Meaning is

Channel conflict refers to any dispute, disagreement or other similar issues that may occur between two or more channel partners.

A channel partnership is a collaboration between a company that produces or manufactures various products, services or technologies and another one that markets and sells them.

In a channel partnership, the decisions and actions of one partner affect the other's business metrics, such as profit, sales or market share, which may lead to channel conflict.

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1.4 Conflict in Marketing Channel

1.4.2 Causes of Channel Conflict

Can be the follows:

1. Role Incongruities
2. Resource Scarcities
3. Perceptual Differences
4. Expectation Differences
5. Decision Domain Disagreement
6. Goal Incompatibilities
7. Communication Difficulties



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1.4 Conflict in Marketing Channel

1.4.3 Types of Channel Conflict

There are 3 types of conflict

1. **Vertical channel conflict** refers to a disagreement between two parties at different levels of the distribution chain. For example, when a retailer decides to stop a distribution agreement to sell directly to consumers or when too many distribution partners sell the same products, creating counterproductive competition and price wars between them.

2. **Horizontal channel conflict** occurs between two partners at the same level of the chain. For example, when several wholesalers compete in the same geographical area.

3. **Multi-channel conflict** occurs when two or more channels of the same manufacturer compete in the same market and sell the same product at different prices. For example, stores and ecommerce operations compete with each other.

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1.4 Conflict in Marketing Channel

1.4.4 Managing Channel Conflict

Solutions for conflict

1. Detecting Channel Conflict
2. Appraising the Effects of Conflict
3. Resolving Conflict
 - 3.1 A Channel-wide Committee
 - 3.2 Joint Goal Setting by the Committee
 - 3.3 A Distribution Executive

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1.5 Ethics and Marketing Channel

Marketing ethics refers to the company's moral principles and values during marketing communications.

An example of ethical marketing is fair pricing and advertisements that do not exaggerate the benefits of the promoted product. Unethical marketing practices may include sharing customer information without consent, making untrue claims about the product, or targeting emotionally vulnerable customers.

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1.5 Ethics and Marketing Channel

Types of unethical marketing are

1.5.1 Predatory Competition

1.5.2 Executive Dealer and Territory

1.5.3 Unfair Agreement and Sales Contract

1.5.4 Coercion in Member Channels

1.5.5 Dumping

1.5.6 Vertical Integration



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Q&A

