Chapter 14

To consolidate your learning, the key points from this chapter are summarized here:

■ Describe the nature and characteristics of a marketing channel.

Marketing channels are chains of organizations that are concerned with the management of the processes and activities involved in creating and moving particular offerings from producers and manufacturers to end users (customers). Marketing channels enable different types of uncertainty to be lowered by reducing complexity, increasing value and competitive advantage, offering routinization, and/or providing specialization.

■ Explain the different types of intermediary and their roles in the marketing channel.

An intermediary is an independent organization that operates as a link between producers and consumers or industrial users. There are several different types of intermediary, including agents, merchants, distributors, franchises, wholesalers, and retailers. The main role of intermediaries is to reduce the uncertainty experienced by producers and manufacturers, and to promote efficiency. The key difference between the various intermediaries is that not all of them take legal title or physical possession of a product.

■ Understand the different marketing channel structures and their core characteristics.

There are three main channel structures: direct, indirect, and multichannel. A direct channel structure involves selling directly to end users; an indirect channel structure involves using intermediaries; a multichannel structure involves both. At the simplest level, direct channels offer maximum control, but do not always reach all of the target market. Indirect channels can maximize coverage, but often at the expense of control. This is because intermediaries start adapting the marketing mix and demand a share of the profits in return for their involvement. Multichannel strategies often result in greater channel conflict because intermediaries perceive the manufacturer to be a competitor.

■ Explain the factors that influence the design and structure of marketing channels.

When establishing or adapting marketing channels, it is necessary to consider the type of market coverage that is required, the number and type of intermediaries to use, and how the relationships between channel members are to be managed. These choices are important because they can affect the value that is ultimately provided to customers.

■ Describe the main elements that constitute supply chain management.

Supply chain management concerns the various suppliers involved in providing raw materials (upstream), those that assemble and manufacture products, and those that distribute finished products to end users (downstream). It embraces four main activities—fulfilment, transportation, stock management, and warehousing—which also subsume other important activities, such as order processing and purchasing. Although these are not traditionally marketing management decisions, it is important to understand that they require a marketing focus and marketing insight.

■ Consider the role and function of retailers in the marketing channel.

Retailing concerns all activities directly related to the sale of goods and services to consumers for personal and non-business use. Retailers provide consumers with access to products and help to reduce the uncertainty experienced by other intermediaries in the channel, such as wholesalers and manufacturers. This is achieved by taking small quantities of stock on a regular basis, promoting cash flows, and providing demand for their products and services. The different types of retailing establishment can be classified according to two key characteristics: the marketing strategy (that is, product, price, and service); and the store presence (that is, store or non-store retailing).