


Global Marketing

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Channels and Physical Distribution Chapter 12

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Distribution Channels: Terminology and Structure


- Distribution is the physical flow of goods through channels
- Channels are made up of a coordinated group of individuals or firms that perform functions that add utility to a product or service



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Learning Objectives



- Channel structure options
- Distribution channels—consumer and industrial
- Global retailing
- Physical distribution, supply chains, and logistics including six types of transportation


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Distribution Channels: Terminology and Structure

- Distributor – wholesale intermediary that typically carries product lines or brands on a selective basis
- Agent – an intermediary who negotiates transactions between two or more parties but does not take title to the goods being purchased or sold


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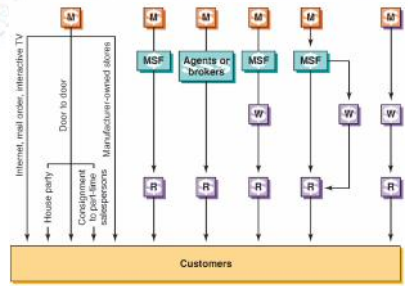
Channel Objectives

- Marketing channels exist to create utility for customers
 - **Place utility** – availability of a product or service in a location that is convenient to a potential customer
 - **Time utility** – availability of a product or service when desired by a customer
 - **Form utility** – availability of the product processed, prepared, in proper condition and/or ready to use
 - **Information utility** – availability of answers to questions and general communication about useful product features and benefits

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Consumer Products Channels




M – Manufacturer MSF – Manufacturer's sales force
 W – Wholesaler R – Retailer

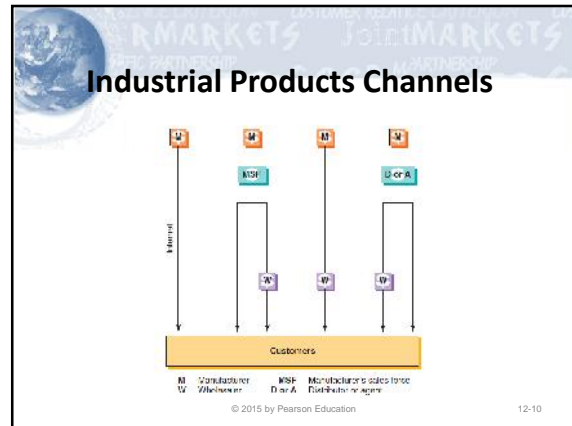
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Peer-to-Peer Marketing

- The Internet and other related media are dramatically altering distribution
- Interactive TV may become a viable direct marketing channel in the future
- eBay pioneered P2P
 - Helped Disney and IBM set up auction sites for B2C auctions
- Interactive TV is coming when homes are wired for 2-way



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Door-to-Door Selling



- Mature form in the U.S.
- Growing popularity in China—AIG insurance, Mary Kay, Tupperware, Avon, Amway
- Amway sales tripled in China, 1998-2004 to \$2 billion, Co.'s biggest market
- ½ of cars are sold door-to-door in Japan with 100,000 salespeople

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Establishing Channels

- Direct involvement – the company establishes its own sales force or operates its own retail stores
- Indirect involvement – the company utilizes independent agents, distributors, and/or wholesalers
- Channel strategy must fit the company's competitive position and marketing objectives within each national market

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Consumer Channels

- Manufacturer-owned stores
 - Walt Disney opening 600 new stores globally
 - Nike, Levi Strauss, Apple
- Independent franchise
 - Wal-Mart
- Flagship retail stores for Apple, Sony, well-known fashion houses, Nokia, Nike to build brand loyalty, showcase products, and help gather marketing intelligence



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Retailing in Developing Countries

- Consumers purchase food, soft drinks and other items at "Mom & Pop" stores, kiosks, and market stalls in single use packages
- 70% of Mexicans shop at these stores
- P&G aids stores that carry at least 40 P&G products with displays, promo materials



Mexican storefront

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Working with Channel Intermediaries

1. Select distributors – don't let them select you
2. Look for distributors capable of developing markets, rather than those with a few good customer contacts
3. Treat local distributors as long-term partners, not temporary market-entry vehicles

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Top 5 Global Retailers

TABLE 12-1 Top Five Global Retailers, 2012

Rank	Company	Country	Formats	Sales (\$ millions)
1	Walmart Stores	United States	Discount store, wholesale club	5459,162
2	Carrefour	France	Hypermarket	100,501
3	Tesco PLC	UK	Supermarket/hypermarket	98,062
4	Metro AG	Germany	Diversified	86,372
5	Aldi	Germany	Discount store	73,000

Source: Company reports.

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Working with Channel Intermediaries (Cont.)

4. Support market entry by committing money, managers, and proven marketing ideas
5. From the start, maintain control over marketing strategy
6. Make sure distributors provide you with detailed market and financial performance data
7. Build links among national distributors at the earliest opportunity

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Global Retailing

- Environmental Factors
 - Saturation in the home country market
 - Recession or other economic factors
 - Strict regulation on store development
 - High operating costs
- Critical Question
 - What advantages do we have relative to the local competition?

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Global Retailing



- Department stores
- Specialty retailers
- Supermarkets
- Convenience stores
- Discount stores and warehouse clubs
- Hypermarkets
- Supercenters
- Category killers
- Outlet stores

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Global Retailing Categories

	Fewer categories		
Own-label focus	A Benetton, IKEA, Gap, C&A	C Toys 'R Us, Virgin, Douglas, Spar	Manufacturer brands focus
	B Marks & Spencer, Migros	D Carrefour, IGA, Primorides	
	Many categories		

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Global Retailing Strategies

- Organic growth
 - Company uses its own resources to open a store on a greenfield site or acquire one or more existing retail facilities
- Franchise
 - Appropriate strategy when barriers to entry are low yet the market is culturally distant in terms of consumer behavior or retailing structures

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Supply Chain Definitions

- Supply Chain
 - Includes all the firms that perform support activities by generating raw materials, converting them into components or finished products, and making them available to customers
- Logistics
 - The management process that integrates the activities of all companies to ensure an efficient flow of goods through the supply chain



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Global Retailing Strategies

- Chain Acquisition
 - A market entry strategy that entails purchasing a company with multiple existing outlets in a foreign country
- Joint Venture
 - This strategy is advisable when culturally distant, difficult-to-enter markets are targeted

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Physical Distribution, Supply Chains, and Logistics Management

- Order Processing
 - includes **order entry** in which the order is actually entered into a company's information system; **order handling**, which involves locating, assembling, and moving products into distribution; and **order delivery**
- Warehousing
 - Warehouses are used to store goods until they are sold
 - **Distribution centers** are designed to efficiently receive goods from suppliers and then fill orders for individual stores or customers

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Global Retailing Market Entry Strategy Framework


	Culturally close		
Easy to enter	D Organic	A Chain acquisition	Difficult to enter
	C Franchise	B Joint venture, licensing	
	Culturally distant		

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Physical Distribution, Supply Chains, and Logistics Management

- Inventory Management
 - Ensures that a company neither runs out of manufacturing components or finished goods nor incurs the expense and risk of carrying excessive stock of these items
- Transportation
 - Method or mode a company should utilize when moving products through domestic and global channels; the most common modes of transportation are rail, truck, air, and water

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Transportation

TABLE 12-4 Comparison of Major International Transportation Modes

Mode	Reliability	Cost	Speed	Accessibility	Capability	Base of Trucking
Rail	Average	Average	Average	High	High	Low
Water	Low	Low	Slow	Low	High	Low
Truck	High	Varies	Fast	High	High	High
Air	High	High	Fast	Low	Moderate	High
Pipeline	High	Low	Slow	Low	Low	Moderate
Intermodal	High	Low	Moderate to fast	Moderate; increasing	Low	High

- Channel Strategy – analyzing each shipping mode to determine which mode, or combination of modes, will be both effective and efficient in a given situation

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Looking Ahead to Chapter 13

Communications Decisions I:
Advertising and Public Relations

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