

# Global Marketing Channels and Physical Distribution



## Chapter 12

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# Introduction

## Chapter topics:

- Channel objectives
- Distribution channels—  
consumer and  
industrial
- Global retailing
- Physical distribution,  
supply chains, and  
logistics



# 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

# 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

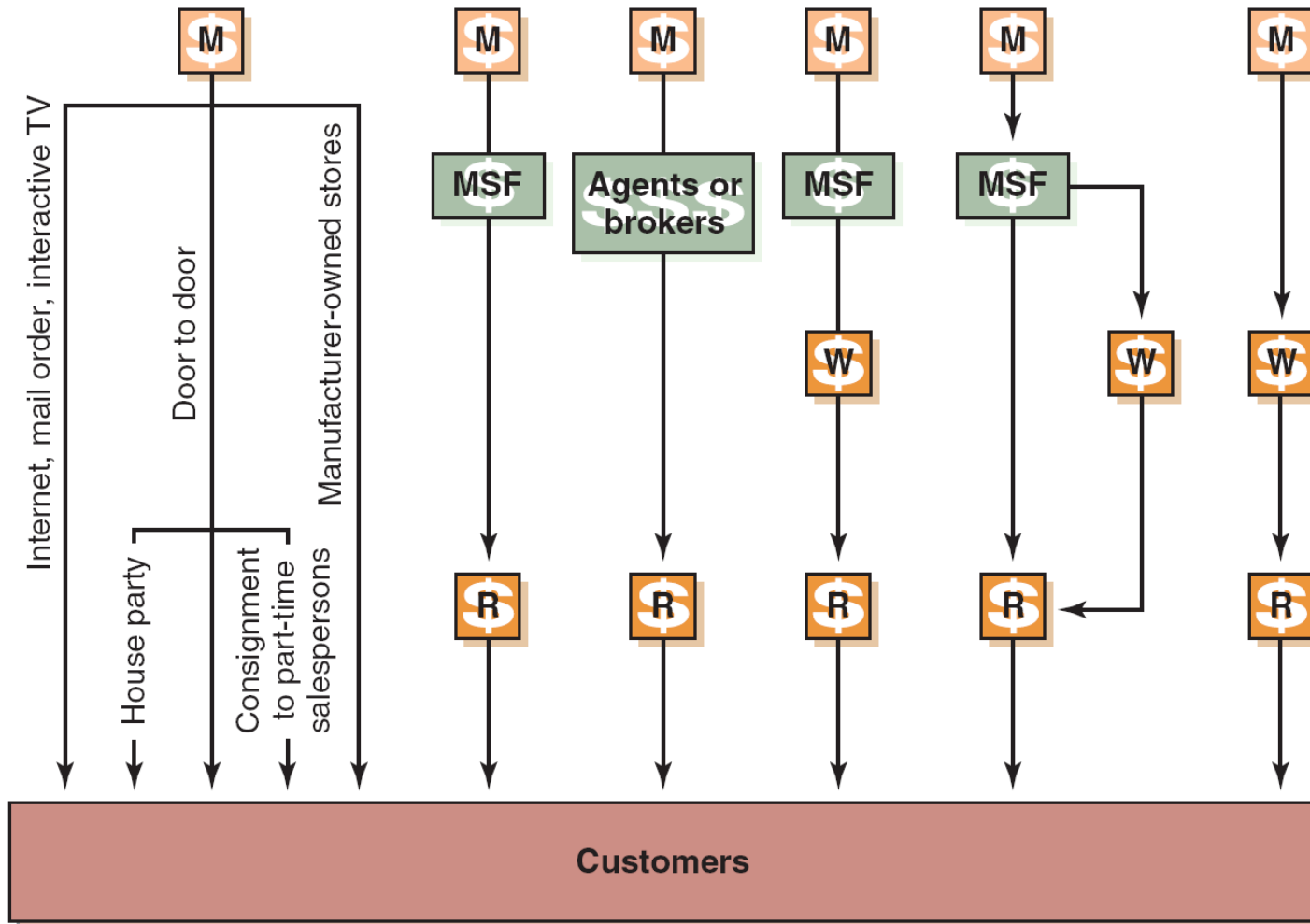


# Distribution Channels: Terminology and Structure

- 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



# Consumer Products

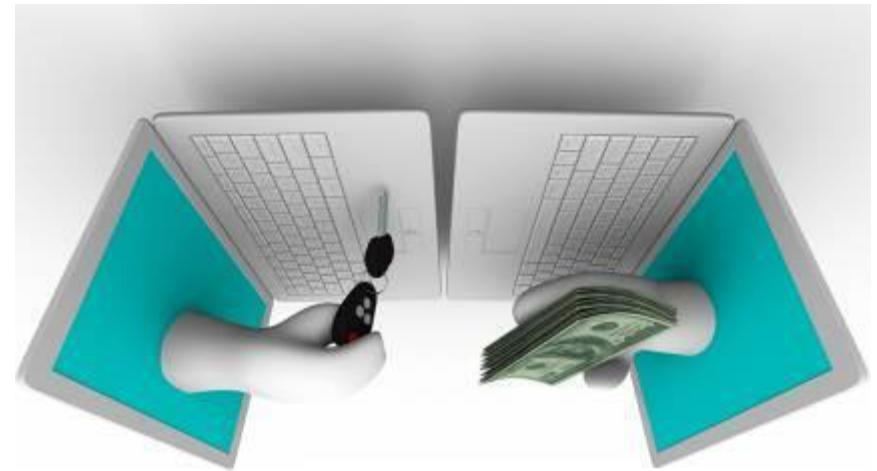


**M** = Manufacturer  
**W** = Wholesaler

**MSF** = Manufacturer's sales force  
**R** = Retailer

# Peer-to-Peer Selling

- 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
  - Helps Disney and IBM set up auction sites for B2C auctions
- Interactive TV is coming when homes are wired for 2-way



# 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





# Consumer Channels

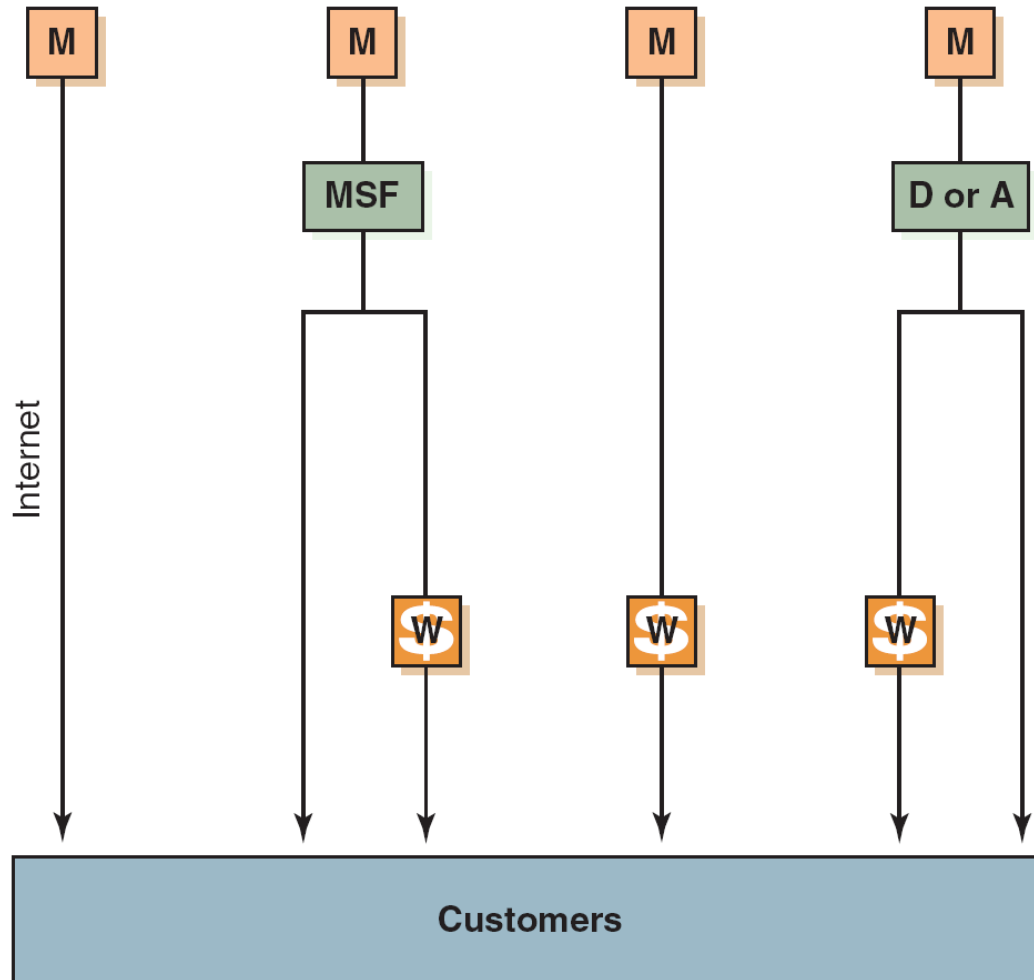
- Manufacturer-owned stores
  - Walt Disney opening 600 new stores globally
  - Nike, Levi Strauss, Apple
- Independent franchise
- Independent retailers
  - Wal-Mart
- Flagship retail stores for Apple, Sony, well-known fashion houses, Nokia, Nike to build brand loyalty, showcase products, and help gather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



# Consumer Products

- Piggyback Marketing
  - Channel innovation that has grown in popularity
  - One manufacturer distributes product by utilizing another company's distribution channel
  - Requires that the combined product lines be complementary and appeal to the same customer

# Channel Alternatives Industrial Products



**M** = Manufacturer  
**W** = Wholesaler

**MSF** = Manufacturer's sales force  
**D or A** = Distributor or agent

# 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

# Retailing in Developing Countries



**Mexican storefront**

- 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



# Working with Channel Intermediaries

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

# Working with Channel Intermediaries

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

# Global Retailing

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



**Dome of the famous department store Galeries Lafayette in Paris**



# Top 5 Global Retailers 2008 Sales; Millions

1.	Wal-Mart	USA	\$378,799
2.	Carrefour	France	120,914
3.	Metro AG	Germany	94,697
4.	Tesco PLC	UK	93,844
5.	Home Depot	USA	77,349

# 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?



# Classifying Global Retailers

Fewer categories

Own-label focus

Manufacturers focus



Many categories

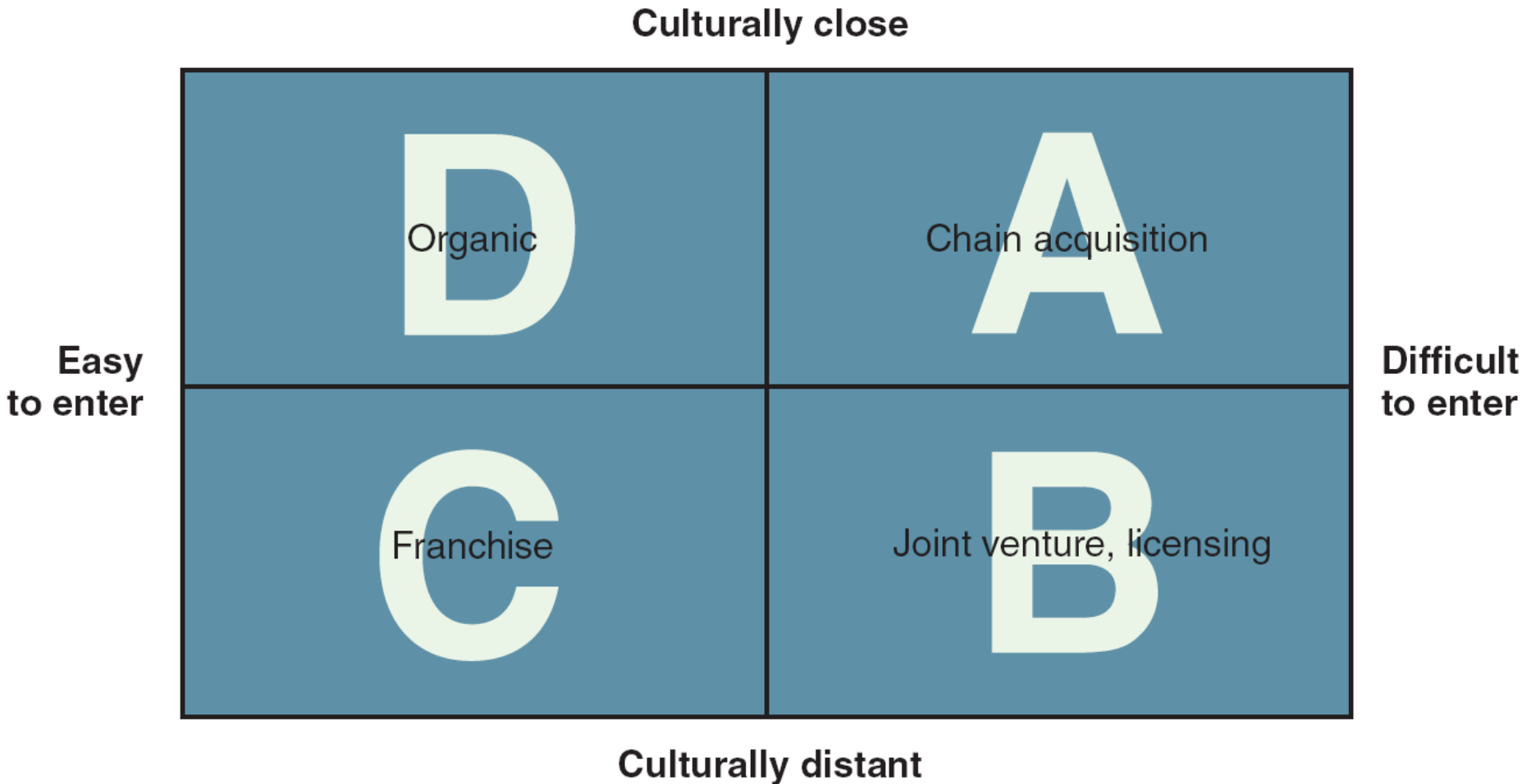
# Global Retailing Strategies

- 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

# 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

# Global Retailing Strategies



# 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



# 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

# 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
  - the 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

# Transportation

**TABLE 12-5** Comparison of Major International Transportation Modes

Mode	Reliability	Cost	Speed	Accessibility	Capability	Ease of Tracing
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
Internet	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