

MUNI
ECON

Distribution Decisions

Chapter 16



Roadmap

- Introduction
- External determinants of channel decisions
- The structure of the channels
- Controlling of distribution channels
- Managing logistics
- Implications of the Internet for distribution decisions

Goals of the Lecture

01

Explore the **determinants** of channel decisions

02

Discuss the key points in **managing** global marketing channels

03

Discuss the **factors** influencing channel width

04

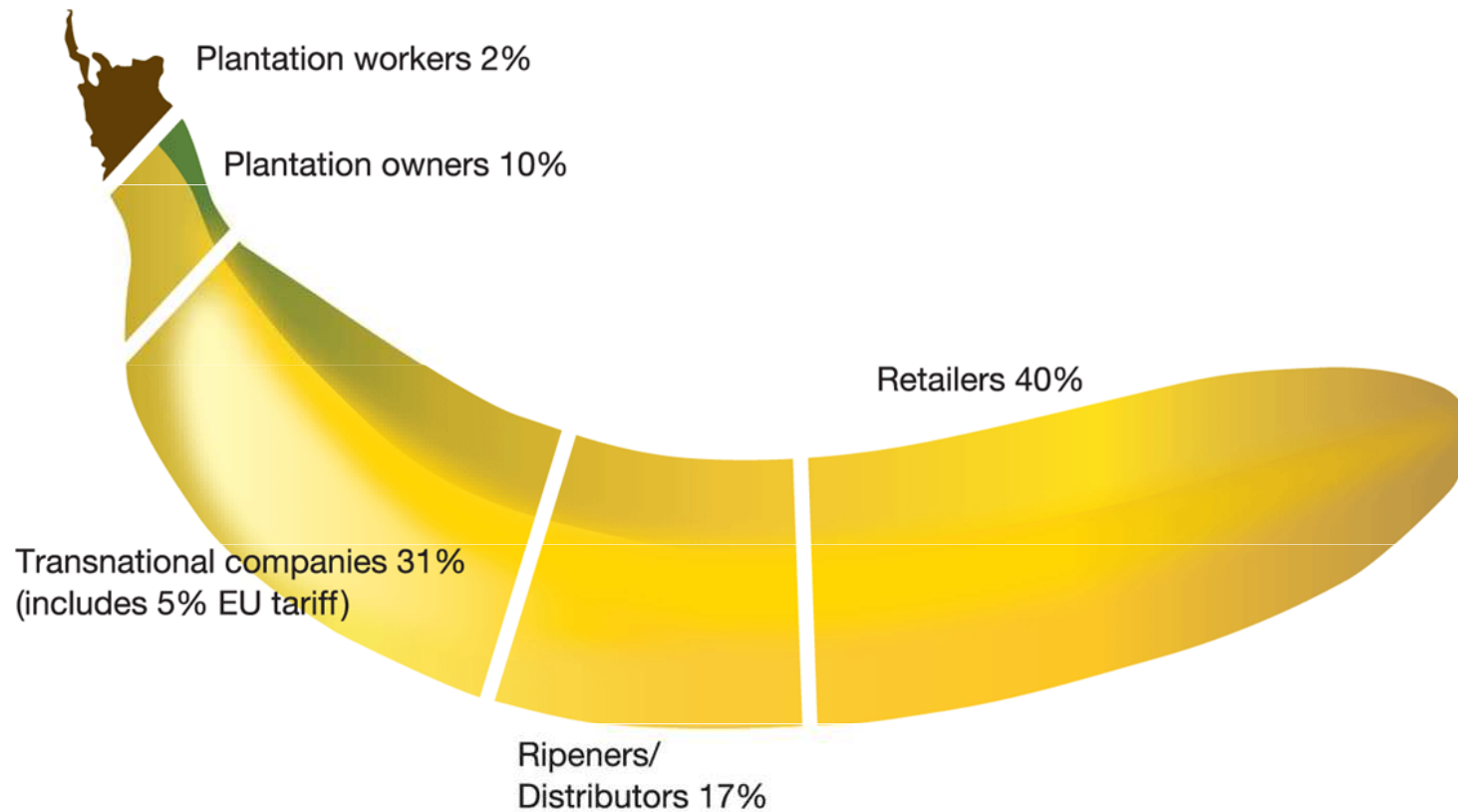
Explain what is meant by **integration** of the marketing channel

05

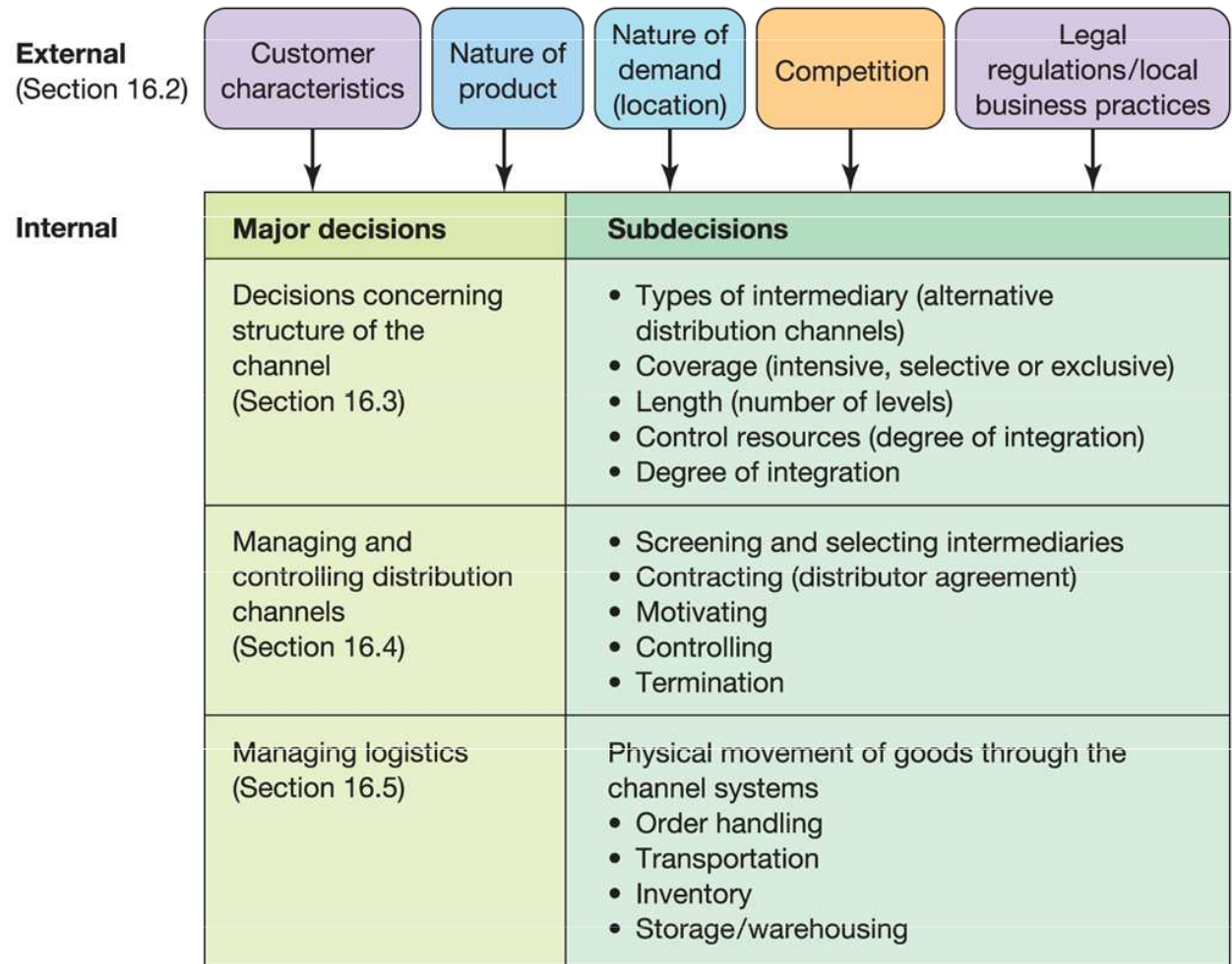
Describe the most common **export documents**

06

Define and explain the main **modes of transportation**



There is a high degree of overlap between the transnational companies and the ripeners/distributors. Four of the five transnationals are also involved with ripening: Chiquita, Dole, Del Monte and Fyffes.

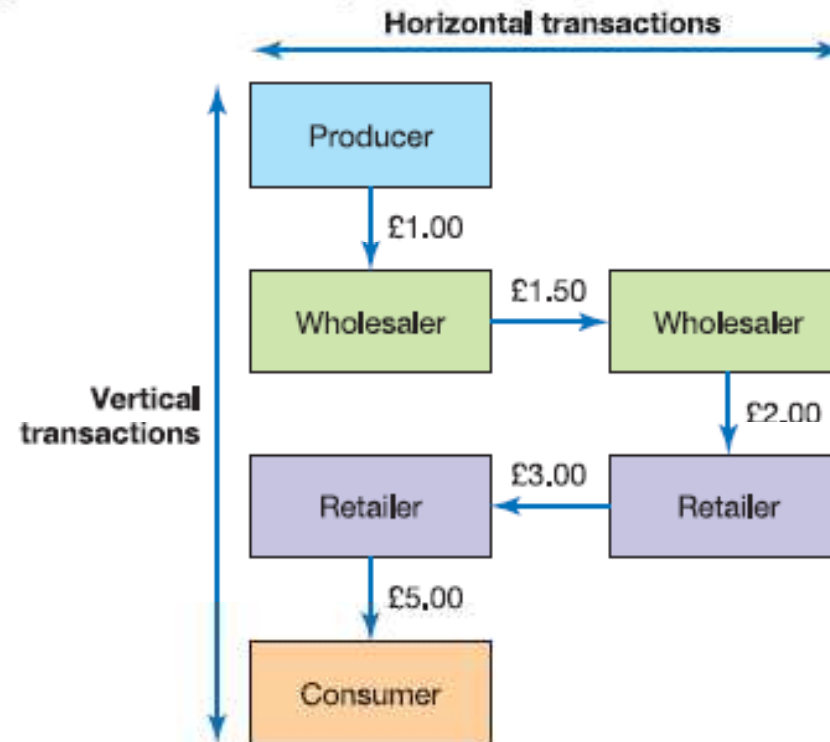


External determinants of channel decisions

- **Customer characteristics.** Several areas to pay attention to: size, geographic distribution, shopping habits, preferences, usage patterns, etc.
- **Nature of product.** Low- priced/high- turnover vs. prestigious products, transportation of products and warehousing, product durability, service required, unit costs, etc.
- **Nature of demand/location.** Product perceptions and experience, economic development of the country, infrastructure and geography
- **Competition.** Channels used by competitors
- **Legal regulations/local business practices.** Specific law that rule out the use of particular channels or intermediaries

External determinants of channel decisions

Figure 12.2 A hypothetical channel sequence in the Japanese consumer market

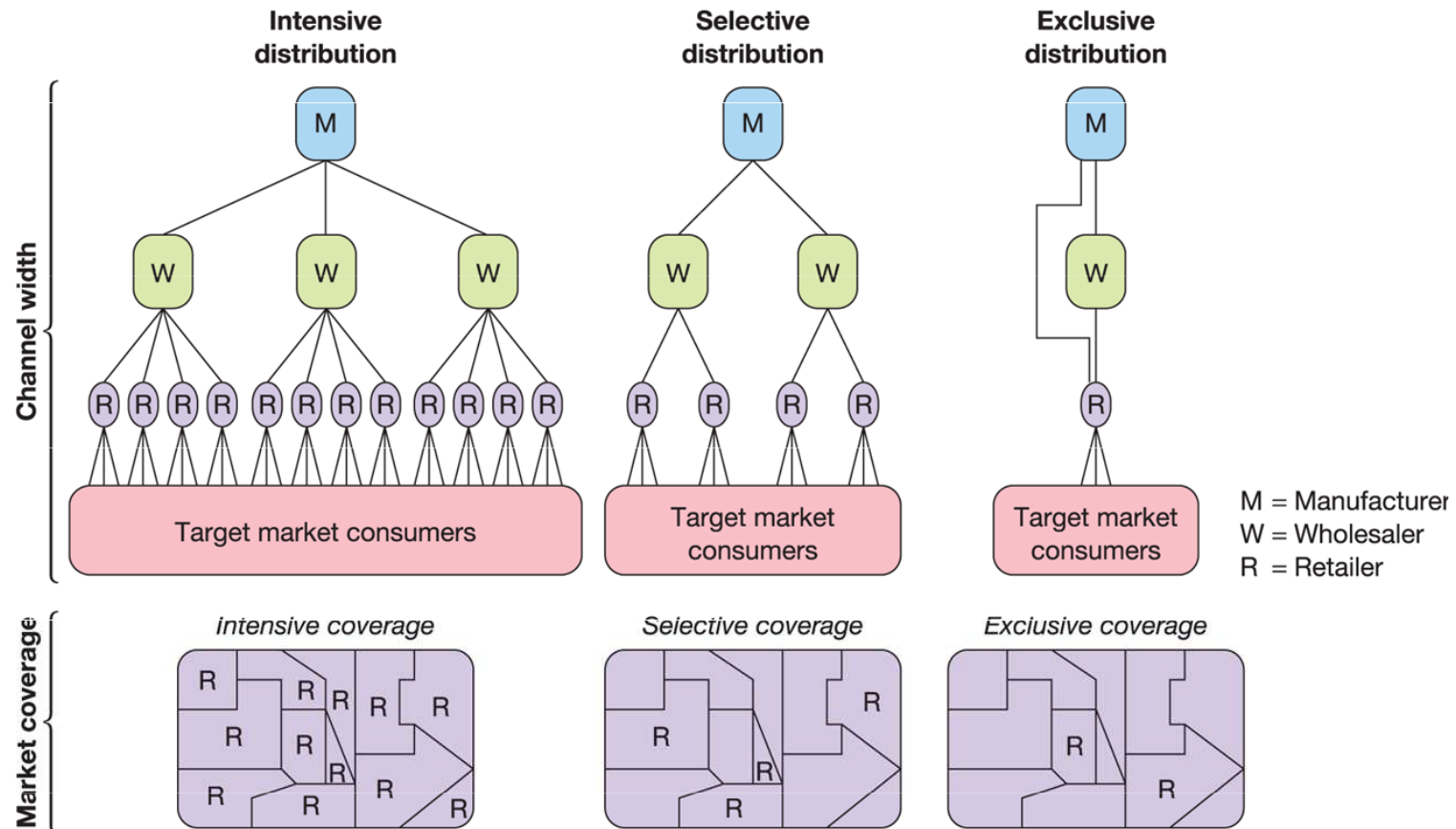


Source: Pirog and Lancioni, 1997, p. 57. Adapted with kind permission from *International Journal of Physical Distribution and Logistics Management*, Emerald Group Publishing Ltd.

The structure of the channels

- **Market coverage.** Geographical areas or number of retail outlets
 - **Intensive coverage:** Distribution of products through the largest number of different types of intermediary
 - **Selective coverage:** Choosing several intermediaries for each area to be penetrated
 - **Exclusive coverage:** Choosing only one intermediary in a market
- **Channel length.** Number of levels in the channel
- **Control/cost.** Control is influence of one member on the decisions of other members
- **Degree of integration.**
 - Vertical integration
 - Horizontal integration

The structure of the channels

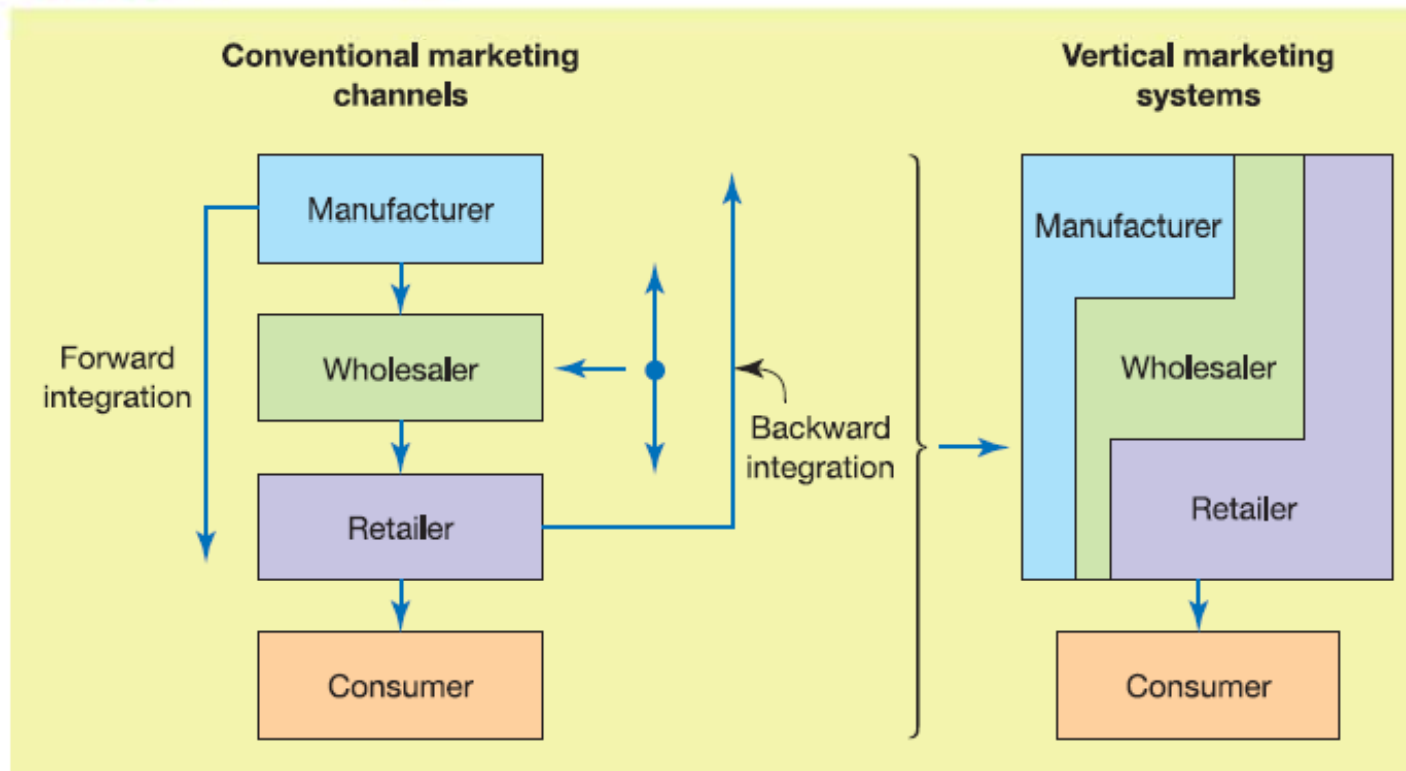


The structure of the channels

		Channel width		
		<i>Intensive distribution</i>	<i>Selective distribution</i>	<i>Exclusive distribution</i>
Factor	<i>Product type</i>	Convenience products	↔	Speciality products
	<i>Product life cycle stage</i>	Mature products	↔	New products
	<i>Product price</i>	Low-price products	↔	High-price products
	<i>Brand loyalty</i>	Brand-preferred products	↔	Brand-insisted products
	<i>Purchase frequency</i>	Frequently purchased products	↔	Infrequently purchased products
	<i>Product uniqueness</i>	Common products	↔	Distinctive products
	<i>Selling requirement</i>	Self-service products	↔	Personal-selling products
	<i>Technical complexity</i>	Non-technical products	↔	Technical products
	<i>Service requirements</i>	Limited-service products	↔	Extensive-service products

The structure of the channels

Figure 16.6 Vertical integration

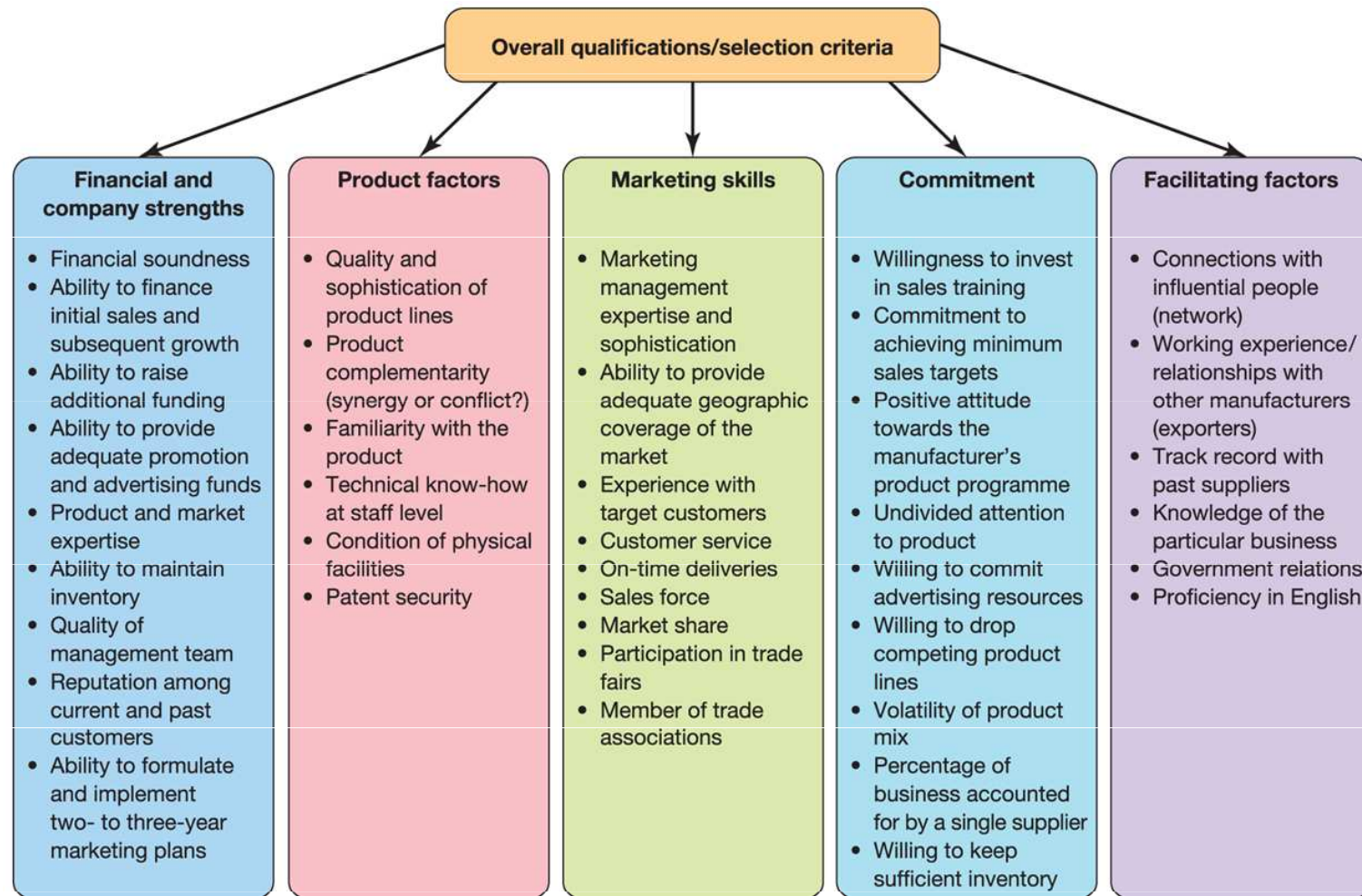


Controlling of distribution channels

- **Select distributor** - do not let them select you
- Distributors should be capable of **developing markets**
- Local distributors should be **long- term partners** not temporary market entry vehicles
- Commit adequate **corporate resources** to retain control
- Maintain **control** over marketing strategy
- Ask for detailed market and financial **performance data** from distributors
- **Build links** among national distributors

Controlling of distribution channels

- **Contracting** (duration, geographical coverage, payments, conditions of sale, means of communication)
- **Motivating**
- Controlling
- **Terminating**
 - The international marketer has established a sales subsidiary in the country
 - The international marketer is unsatisfied with the performance of the intermediary



Criteria (no ranking implied)	Weight	Distributor 1		Distributor 2		Distributor 3	
		Rating	Score	Rating	Score	Rating	Score
<i>Financial and company strengths</i>							
Financial soundness	4	5	20	4	16	3	12
Ability to finance initial sales and subsequent growth	3	4	12	4	12	3	9
<i>Product factors</i>							
Quality and sophistication of product lines	3	5	15	4	12	3	9
Product complementarity (synergy or conflict?)	3	3	9	4	12	2	6
<i>Marketing skills</i>							
Marketing management expertise and sophistication	5	4	20	3	15	2	10
Ability to provide adequate geographic coverage of the market	4	5	20	4	16	3	12
<i>Commitment</i>							
Willingness to invest in sales training	4	3	12	3	12	3	12
Commitment to achieving minimum sales targets	3	4	12	3	9	3	9
<i>Facilitating factors</i>							
Connections with influential people (network)	3	5	15	4	12	4	12
Working experience/relationships with other manufacturers (exporters)	2	4	8	3	6	3	6
Score			143		122		97

Questions?



Managing logistics

- **Logistics** is the term used to describe the movement of goods and services between suppliers and end users
- **Documents:**
 - Bill of lading (a receipt for cargo)
 - Dock receipt (acknowledging receipt of cargo)
 - Insurance certificate (evidence that the insurance is provided)
 - Letter of credit (issued by a bank at the request of importer to guarantee payment)
 - Commercial invoice (bill for the products)
 - Export declaration (complete information about the shipment)
 - Consular invoice (signed by consul of the importing country)
 - Certificate of origin (certifying the origin of products)

Managing logistics

- *Two major phases:*
 - a) Materials management (movement of raw materials)
 - b) Physical distribution (movement of finished products to the end customers)
- Transportation **options** (road, water, rail, sea, air)
- **Inventory** (establishing the required inventory level at the factory base)
- Storage/**warehousing** (in foreign markets)
- Decisions influenced by:
 - costs
 - distance
 - nature of the product
 - frequency
 - value
 - availability of transport.

Blockchain and Marketing

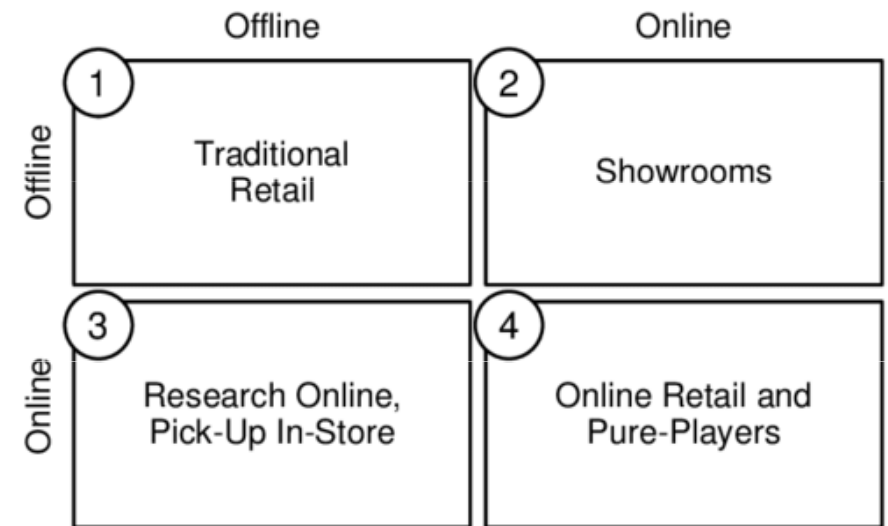
- Bitcoin = Blockchain?
- Decentralized records
- Trust and loyalty building
- Premium price – supports branding
- Supply chain and reverse marketing
- Eliminates middleman

Implications of the Internet for distribution decisions

- **Disintermediation** process
- Channel conflicts
- Internet distributions strategies:
 - Only product information online
 - Online business delegated to resellers
 - Online business to manufacturers
 - Open market (deregulation)
- **Fear of cannibalization**

Online retail

- Fastest growing sector
- Smartphones, laptop etc.
- COVID-19
- Towards “seamless omnichannel experience”
- Information delivery:
 - Offline
 - Online
- Transaction fulfilment:
 - Pick-up
 - Delivery



Mobile Marketing

- Majority of activates are carried on cell phone
- Huge adoption rates
- Emerging innovations
- Benefits:
 - **For consumers:** comparison shopping; bridge the gap between bricks and clicks; travel; opt-in searches
 - **For companies:** impulse buying; drive traffic; education of customers; perishable products; efficiency; target market

Takeaways?

Takeaways

- Channel Decisions
- Structure of the channel
- Channel continuous management
- Internet and marketing distribution

Questions?

Home-readings for Next Week

- Reading for next lecture:
 - International Promotion (part 1)
 - *Hollensen – Global Marketing (2020). Chapter 17*
- Case Study: **Morgan Motor Company**: can the British retro sports car brand still be successful after 100 years?
- More details available in **Interactive Syllabus**.



Thank you for your attention