It is a mistake to try to look too far ahead. The chain of destiny can only be grasped one link at a time.

Sir Winston Churchill

**Objectives**
- Work Performed by Marketing Channels
- Channel-Management Decisions
- Channel Dynamics
- Retailing

**Marketing / Distribution Channels create**
- **Time utility**
  - Delivered at the right time
- **Place utility**
  - Delivered to the right place
- **Possession/ownership utility**
  - With appropriate legal requirements

**How a Distributor Reduces the Number of Channel Transactions**

A. Number of contacts without a distributor
\[ M \times C = 3 \times 3 = 9 \]

B. Number of contacts with a distributor
\[ M \times C = 3 + 3 = 6 \]
Marketing

Primary Activities
- Firm infrastructure
- Human resource management
- Technology Development
- Procurement

Support Activities
- Inbound Logistics
- Operations
- Outbound Logistics
- Marketing and sales
- Service

Designing distribution channel
- Channel objectives
  - Intensive distribution
  - Exclusive distribution
  - Selective distribution
- Channel strategy
  - Segment targeted by supplier
  - Differential advantage
- Channel reliability
  - Motivation
  - Control
  - Commitment

Distribution Channel Functions
- Information
- Transfer
- Communication
- Payments
- Negotiation
- Physical Distribution
- Ordering
- Risk Taking
- Financing

Consumer Marketing Channels
- 0-level channel
  - Manufacturer → Consumer
- 1-level channel
  - Manufacturer → Retailer → Consumer
- 2-level channel
  - Mfg → Wholesaler → Retailer → Consumer
- 3-level channel
  - Mfg → Wholesaler → Jobber → Retailer → Consumer

Industrial Marketing Channels
- Manufacturer
- Manufacturer’s representative
- Manufacturer’s sales branch
- Industrial distributors
- Consumer
Comparison of Distribution Channels Between the US & Japan

**Automobile parts: United States**
- Manufacturer
- Warehouse distributor
- Jobs/briging groups
- Jobs
- Installer
- Customer

**Automobile parts: Japan**
- Manufacturer
- Affiliated parts makers
- Independent parts makers
- Repair parts makers

**Distribution channels**

**Source:** McKinsey industry studies

Channel Management Decisions

- Selecting
- Training
- Motivating
- Evaluating

Benetton

It has achieved its retail distribution through an unusual arrangement with 'agents', first in Italy and other European countries, and now in emerging economies. According to one of the company’s marketing executives, the term ‘franchising’ in describing Benetton is a misnomer. Agents of the company are assigned vast territories, largely through verbal agreements, in which they try to develop Benetton retail outlets. They find smaller investors and store operators exhibiting a ‘Benetton mentality’ to form individual partnerships. An individual agent might supervise and hold an interest in a number of stores. In 1982, Benetton conducted business with 35 agents. Store owners are neither required to pay Benetton a fee nor a royalty for using its name. They are required to carry only Benetton merchandise, maintain a minimum sales level (equivalent to orders for about 3500 garments per year), adhere to suggested mark-ups of about 80 percent above cost and pay for their orders within 90 days.
Classification Of Retailer Types

<table>
<thead>
<tr>
<th>Store Type</th>
<th>Length and Breadth of Product Assortment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialty Stores</td>
<td>Narrow Product Line, Deep Assortment</td>
</tr>
<tr>
<td>Department Stores</td>
<td>Wide Variety of Product Lines i.e. Clothing, Home Furnishings, &amp; Household Items</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>Wide Variety of Food, Laundry, &amp; Household Products</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td>Limited Line of High-Turnover Convenience Goods</td>
</tr>
<tr>
<td>Discount Stores</td>
<td>Broad Product Line, Low Margin, High Volume</td>
</tr>
<tr>
<td>Off-Price Retailer</td>
<td>Inexpensive, Overruns, Irregulars, and Leftover Goods</td>
</tr>
<tr>
<td>Superstores</td>
<td>Large Assortment of Routinely Purchased Food &amp; Nontfood Products, Plus Services</td>
</tr>
<tr>
<td>Catalog Showroom</td>
<td>Broad Selection, Fast Turnover, Discount Prices</td>
</tr>
</tbody>
</table>

Wheel of Retailing

- Low Price
- Mid Price
- High Price
- Low Status
- Mid Status
- High Status
- Low Margin
- Mid Margin
- High Margin

Change Happens
Keep Moving The Change
Anticipate Change
Get Ready For The Change To Move
Monitor Change
Small The Change Or Stop To Move
Adapt To Change Quickly
The Quicker You Let Go Of Old Change The Sooner You Can Enjoy New Change
Change Move With The Change
Enjoy Change!
Set The Trend Of New Change
Be Ready To Quickly Change & Enjoy It Again
Try New Moving Toward Change