Kotler on Marketing

*Establish channels for different target markets and aim for efficiency, control, and adaptability.*

Distribution Strategies

- The functions of distribution channels
- The Optimal Channel Design
- Vertical Marketing Systems
- The Multi-Channel System
- Channel Conflicts

What is a Value Network and Marketing-Channel System?

- Value Network
- Marketing channel

行銷通路

- A distribution channel creates value by generating form, possession, time and place utilities.
- 為何需要使用中間商?
  - Increase efficiency
  - Sorting
  - Facilitate the searching process
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
\[ M \times C = 3 + 3 = 6 \]

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

通路規劃的目標

- Providing service outputs demanded by relevant target markets
- Bucklin specifies service outputs:
  - Spatial convenience
  - Lot Size
  - Assortment/ Variety
  - Delivery Time
  - Service Backup
行銷通路的功能

- Information
- Physical Possession
- Ownership
- Promotion
- Negotiation
- Financing
- Risking

Common Features for Channel Functions

- It usually needs resources to perform them.
- They can be performed better through specialization.
- They can not be eliminated.
- They can only be shifted through M, R and customers.

通路結構

- 通路長度 直接 間接
  - Tradeoff between coordination and efficiency
  - Transaction cost theory

- 通路寬度 (Market coverage)
  - 密集式配銷 (便利品)
  - 獨家式配銷 (特殊品)
  - 選擇式配銷 (選購品)

 Evaluating the major channel alternatives

- Economic criteria
- Control criteria
- Adaptive criteria
Break-Even Cost Chart

Vertical Marketing System

- 整合式 VMS
- 管理式 VMS
- 契約式 VMS

<table>
<thead>
<tr>
<th></th>
<th>Corporate</th>
<th>Administered</th>
<th>Contractual</th>
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</thead>
<tbody>
<tr>
<td>Cooperation</td>
<td>Complete</td>
<td>Good</td>
<td>Fairly good</td>
</tr>
<tr>
<td>Control</td>
<td>Ownership</td>
<td>Economic power</td>
<td>Contracts</td>
</tr>
<tr>
<td>Example</td>
<td>Sears</td>
<td>P&amp;G</td>
<td>McDonald's</td>
</tr>
</tbody>
</table>

Conventional Distribution Channel vs. Vertical Marketing Systems

Horizontal Marketing Systems

Two or more companies at one level join together to follow a new marketing opportunity.

Nestle and General Mills work together to market cereal outside of North America.
多重行銷通路系統

Benefits
- Increased market coverage
- Lower channel cost
- More customized selling

Costs
- Channel conflict and control problems

Online Competition

<table>
<thead>
<tr>
<th>Segment</th>
<th>Proportion</th>
<th>Valuation for A</th>
<th>Valuation for B</th>
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<tbody>
<tr>
<td>Loyal to A</td>
<td>0.2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Loyal to B</td>
<td>0.5</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Switchers</td>
<td>0.3</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

- A: Pure-click company
- B: Pure-brick company, considering whether to expand to the Internet channel

Scenario 1
- Switchers are Net users and purchase on the Net.
- B will charge the same price at both channels if expanding to the Net.
- Should B expand to the Internet channel?

Scenario 2
- Switchers purchase on the Net but B can adopt multichannel pricing.
- What would be the optimal price at the physical channel for B?
- Should B expand to the Internet channel and target switchers as well?
Scenario 3

- Switchers prefer to buy at the physical channel and are willing to pay only 0.7 for products sold on the Net.
- B can adopt multichannel pricing.
- Should A or B target at switchers?

Strategies for Multi-Channel Conflicts

- New customers
- Different brands, products, or services
- Compensation schemes
- Complementary relationship

通路衝突

- 水平式衝突
- Free-riding across dealers
  - Special Services
  - Quality Certification by Stores
- 垂直式衝突
  - Double-marginalization
  - Free-riding across manufacturers

The Mix of the Internet Channels

Three kinds of service:
- Finding the customers
- Transacting the sale and providing service
- Holding inventory and delivering products

Source: Forrester Research, Inc.
### Vertical Contract Restrictions
- **Franchise Fee**
- **Exclusive Dealing**
- **Exclusive Territory**
- **Resale Price Maintenance (RPM)**
- **Slotting Allowance**
- **Tying Contract**

### Vertical Channel Dynamics
- **Introduction**
  - Typically through specialty channels
- **Growth**
  - Higher volume channels appear
- **Maturity**
  - Moving to lower cost outlets
- **Decline**
  - Even lower cost channels emerge.

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Table:

<table>
<thead>
<tr>
<th></th>
<th>Online traditional retailers</th>
<th>New retailers</th>
<th>Affiliates</th>
<th>Distribution Partners</th>
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</thead>
<tbody>
<tr>
<td><strong>Lead Generation</strong></td>
<td>O (5%)</td>
<td>O</td>
<td>O</td>
<td></td>
</tr>
<tr>
<td><strong>Transaction</strong></td>
<td>O (15%)</td>
<td>O</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Delivery</strong></td>
<td>O (25%)</td>
<td>?</td>
<td>O</td>
<td></td>
</tr>
</tbody>
</table>

Commission based on services by channel partners
Source: Forrester Research, Inc.

Figure 17.6: Channel Value Added and Market Growth Rate
Example:
Dell Computer Corporation
- Innovative Concept
  - Custom Design
  - Direct Sales
- Virtual Integration