

## THINGS HIGHLIGHTED ARE KNUFF' KNUGGETS

Exam #3 will cover Chapters 11-16.

Chapter 15, 16: Wholesaling, Retailing

### Functions of a Distribution Channel:

- time, place, and ownership utilities
  - Test Q: What type of utility is not a function of distribution channels? A: form
  - Form utility: materials to finished goods
- transportation and storage functions.
- facilitating functions → credit to buyers
- repair and maintenance functions (e.g. computer repair shops)
- risk-taking (retailers stock up on inventory and consumers don't buy)
- communications and transaction functions (don't have to pay for each individual brand you buy at the store; just 1 payment)
  - Channel members can provide two-way communication for manufacturers
  - Supply the sales force, advertising, and other types of marketing communication necessary to inform consumers and persuade them that a product will meet their needs.
  - Channel members can be invaluable sources of information on consumer complaints, changing tastes, and new competitors in the market.
- Breaking bulk
  - channel members purchase large quantities from manufacturers and sell smaller quantities to many different customers
- Creating assortments
  - channel members provide a variety of products on one location so that customers can conveniently buy many different items from one seller at a time
  - Reduce transaction

### Types of Distribution Channels

- consumer channels
  - direct: manufacturer to consumer
    - advantages → make more money, customers can customize product, producer can maintain control of pricing, service, and delivery
    - disadvantages → more risk of shipping, less

consumers

- indirect: someone in the middle (retailers, wholesalers)
  - advantages → reaching more consumers in more places, minimizing risk; choices, reduce transactions
  - disadvantages → less money for manufacturer, more costs
- B2B channels
  - Direct
    - advantages → making money, buy more, less costs, more profit
    - disadvantages → more risk of shipping
  - Indirect (Manufacturer → Industrial Distributor → Business Customer)
    - advantages → reaching more consumers and in more places
    - disadvantages → more costs, less money for manufacturer
- Internet
  - Disintermediation : eliminating layers of channel of distribution (cutting out the middle man)
  - Receives product online
  - communication of the supply chain via the Internet, knowledge management

**Dual Distribution:** multiple channel usage; selling through more than one channel; through a retailer as well as their own website.

**Channel Leader:** dominant firm that controls the channel.

- Channel leaders have some form of power relative to other members

**Channel Power:**

- Economic - ability to control resources
- Legitimate - firm such as a franchiser has the legal authority to call the shots
- Reward or Coercive - power to reward and un-reward channel intermediaries (e.g. WalMart)

**Marketing systems**

- **Horizontal:** Two or more firms at same channel (place) level agree to work together (subway in walmart is an example)Q
- **Vertical:** Channel in which there is contractual agreement among members at two or more differentiated levels (Franchises)
- **Conventional:** Multi-level distribution channel in which members work independently, little concern for other members (no formal agreement)

**Wholesaling:** Encompasses the buying and handling of goods and services and their subsequent resale to organizational buyers. (large quantities, middle man to smaller stores)

- Enables manufactures and service providers to distribute locally without making customer contacts.

## Wholesaling Types

- Manufacturer/Service Provider(Manufacturer Owned Intermediaries)
  - does all the wholesaling functions
  - Most consistent with vertical marketing system
- Merchant Wholesaler (Largest Percentage)
  - take title and possession of products for future resale
  - Most consistent with conventional marketing system
- Agents and Brokers (Smallest Percentage)
  - perform various wholesaling tasks but do not take title of the products (pharmaceutical representative)
  - usually paid on commission

## Retailing Types

- In-Store Environments
  - Layout, lighting, color, music, etc.
  - **Atmospherics**: modifying the inside environment to change behavior
  - Ecological Design: Creating store image through the environment
    - Positive cues can increase purchasing behavior (opposite also true)
  - **SOR Model (Stimulus, Organism, Response) --Knugget**
    - Majority of research follows an S.O.R. paradigm, trying to determine what environmental factors influence behavior
    - Stimulus: Most any aspect of customer to employee environment. Can be anything, color, clutter, music, etc... impacts how we shop
      - Olfactory cues: Odor or Scent
      - Environmental cues are more effective when congruous with environment
    - Organism: how they evaluate the stimuli
      - Affect = Emotional Reaction
      - Arousal = Physiological Feeling
    - Response: is it encouraging them to participate or leave?
      - Approach Behaviors = Stay
      - Avoidance Behaviors = Go
- On-Line Environments
  - **e-tailing**
    - **Advantages of Using Online Retailing**
      - Search for product info in hyperspace
      - Retailers can update price/product info
      - Time saver for many customers
      - Order 24/7
    - **Disadvantages of using Online Retailing**
      - Consumer must wait days to receive product