

Chapter 8

Channel Strategy and Design

ABSTRACT

This chapter is about the relationships between the corporate strategy and the channel strategy. It then goes on to discuss the ways and means of choosing the channel structure appropriate to the company, selecting the channel members and then motivating them to achieve their objectives. The channel is the only sure shot way of differentiation with the competitors these days as all the rest of the variable factors are getting copied easily. The channels must be synchronized with the structures and objectives of the company. For that, proper positioning of the channels are required in the marketplace. The channels are also a function of the product and the market that they operate in. Once the channel design is complete and the channel structure finalized, selection of the channel members are made. There are various sources of locating good prospective channel partners and then recruiting and inducting them in the channel system of the company. This decision is reached after the company and the intermediary have both studied and understood each other and their respective requirements. Once inducted, the intermediary has to provide all support to the company in their efforts to market their products and brands. Similarly, the company is also expected to extend all kinds of support to the intermediaries as they face the challenges in the competitive market place. This may range from extending credit to organizing sales promotion activities along with the intermediaries.

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LEARNING OBJECTIVES:

- Corporate Strategy & Distribution Objectives
- Distribution systems as Differentiator
- Channel Design and Positioning
- Choosing the Appropriate Channel Structure
- Selection of Channel Members
- Motivation of Channel Members

INTRODUCTION

Corporate Strategy and Channel Objectives

The primary purpose of the marketing channel is to make the products of the company available to its customers. It is part of the marketing mix also commonly known as the 4Ps. The marketing department deals with the 4Ps and the interrelationships between them. The marketing department, in consultation with other stakeholders, also decides on the relative importance given to each of the 4Ps. This is because every product-market has its own characteristics and hence, the emphasis given to each of the 4Ps are different for different configurations of the product-market structure. However, it is being observed that the emphasis on distribution is growing over the years as differentiation between products, their pricing strategy as well as their promotional strategy are becoming more and more difficult. This is not to say that they are not important. They are important, but the distribution strategy is becoming a key differentiating factor among brands in the same product category. This holds good particularly when the target market demands a high degree of service from the intermediaries, or when the other parameters are very close between different brands, or when there is a lot of untapped area and potential customers of the product in the country. For example, in the toilet soap category, the urban markets of India are virtually saturated. So, there is only competition between brands and new product introductions in the urban areas. Sometimes, there may be price wars as well. However, the vast rural market of India remains virtually untapped and there is a latent demand for toilet soaps in the vast stretches of rural India. So, the company

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