

Chapter 9

Marketing: Mix and Channel Strategy

ABSTRACT

This chapter primarily deals with the relationship between the marketing mix and the channel strategy of the companies. The distribution system is influenced by product, price, and promotion of the brand. The choice of the distribution system also influences the product, price, and promotion strategy of the brand. The chapter will discuss in detail how each of the factors of product, price, and promotion are correlated with the channel strategy of the company. It is seen that the product along with the market determines the distribution strategy and the channel choices and strategies are influenced by the stage of the product life cycle. Pricing has always been a very important aspect of marketing a product. It assumes more importance as the price of the product also goes on to influence the margins of the intermediaries. It can be easily understood that the margins on a product impacts upon the commitment of the intermediaries or channel members. This in turn influences the willingness of the channel members to push the brand or the product to their customers. The channel members also expect a lot of support from the company in terms of advertisements or other consumer or trade promotion schemes. The quantum of support is dependent on the capacity of the company and the type of product and market they are operating in. This chapter also discusses about the franchise system and the electronic channel system which are now part of the channel strategy of almost all large companies. The characteristics of these channels along with their advantages and disadvantages are also discussed in detail.

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LEARNING OBJECTIVES:

- Relationship between Marketing – Mix and Channel Strategy
- Channel Strategy related to Product Issues
- Channel Strategy related to Pricing Issues
- Channel Strategy related to Promotion Issues
- Franchise System as a part of Channel Strategy
- Electronic Marketing Channels as a part of Channel Strategy

INTRODUCTION

Product Issues and Channel Strategy

It has been discussed earlier that marketing mix elements play a major role in the formulation of channel strategy. It is quite obvious that the product is a very important factor in determining the channel strategy. In the earlier chapters, it has been seen that in almost all decisions pertaining to the distribution system, the product and market configuration decides the design and structure of the distribution system. The marketing channels are chosen depending a lot on the product-market combination. For example, a FMCG product requires an intensive distribution system with a large network of distributors and retailers. On the other hand, a Consumer Durables product mostly appoints direct dealers which are much less in number compared to the FMCG product. And the dissimilarities, as discussed earlier, are one too many.

Information, Communication and New Product

The company has to always keep in mind that their product has to be first accepted by the trade, i.e. the entire set of intermediaries dealing with the product. The retailer is dealing with the customer day in and day out and hence is privy to the consumers' response and thought processes first-hand about the product. The feedback about the product and complaints if any are also communicated to the retailer by the consumers. So, the intermediaries are a very good source of information about the product – its features, design, performance etc. Though the company keeps track of the performance of

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