

Global Marketing Channels and Physical Distribution

Global Marketing
Chapter 12

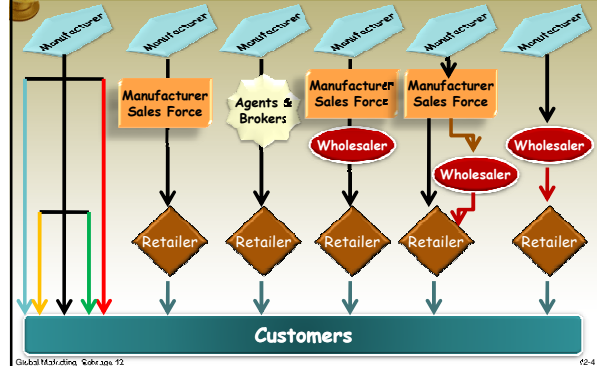
Channel Objectives

- Marketing channels exist to create utility for customers
 - Place utility**—availability of a product or service in a location that is convenient to a potential customer
 - Time utility**—availability of a product or service when desired by a customer
 - Form utility**—availability of the product processed, prepared, in proper condition and/or ready to use
 - Information utility**—availability of answers to questions and general communication about useful product features and benefits

Distribution Channels: Terminology and Structure

- Distribution is the physical flow of goods through channels
- Channels are made up of a coordinated group of individuals or firms that perform functions that add utility to a product or service
- Distributor—wholesale intermediary that typically carries product lines or brands on a selective basis
- Agent—an intermediary who negotiates transactions between two or more parties but does not take title to the goods being purchased or sold

Consumer Products



Peer-to-Peer Selling

- The Internet and other related media are dramatically altering distribution
- Ebay pioneered P2P and now helps Disney and IBM set up websites for fixed price selling as well as B2C auctions
- Interactive TV may become a viable direct marketing channel in the future

Door-to-Door Selling

- Mature form in the United States
- Growing popularity in China—AIG Insurance, Mary Kay, Tupperware, Avon, Amway
- Avon has been very successful in Brazil in the Amazon region especially



Consumer Channels

- Manufacturer-owned stores
 - Walt Disney opening 600 new stores globally
 - Nike, Levi Strauss, Apple
- Independent franchise
- Independent retailers
 - Wal-Mart



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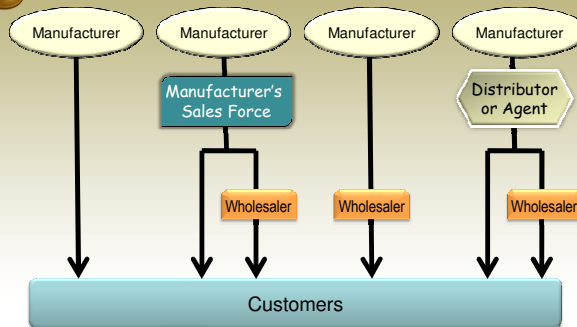
Consumer Products

- Piggyback marketing
 - Channel innovation that has grown in popularity
 - One manufacturer distributes product by utilizing another company's distribution channel
 - Requires that the combined product lines be complementary and appeal to the same customer

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Industrial Products



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Establishing Channels

- Direct involvement—the company establishes its own sales force or operates its own retail stores
- Indirect involvement—the company utilizes independent agents, distributors, and/or wholesalers
- Channel strategy must fit the company's competitive position and marketing objectives within each national market

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Working with Channel Intermediaries

- Select distributors—don't let them select you
- Look for distributors capable of developing markets, rather than those with a few good customer contacts
- Treat local distributors as long-term partners, not temporary market-entry vehicles
- Support market entry by committing money, managers, and proven marketing ideas
- From the start, maintain control over marketing strategy
- Make sure distributors provide you with detailed market and financial performance data
- Build links among national distributors at the earliest opportunity

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Global Retailing

- Department stores
- Specialty retailers
- Supermarkets
- Convenience stores
- Discount stores and warehouse clubs
- Hypermarkets
- Supercenters
- Category killers
- Outlet stores



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Top 10 Global Retailers 2005 Sales; Millions

1.	Wal-Mart	USA	\$285,222
2.	Carrefour	France	90,297
3.	Home Depot	USA	73,094
4.	Metro AG	Germany	70,094
5.	Royal Ahold	Netherlands	64,615
6.	Tesco	UK	62,284
7.	Kroger	USA	56,434
8.	Sears	USA	55,800
9.	Rewe Handelgruppe	GER	50,698
10.	Costco	USA	48,107

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Global Retailing

- Environmental factors
 - Saturation in the home-country market
 - Recession or other economic factors
 - Strict regulation on store development
 - High operating costs
- Critical question
 - What advantages do we have relative to the local competition?

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Classifying Global Retailers



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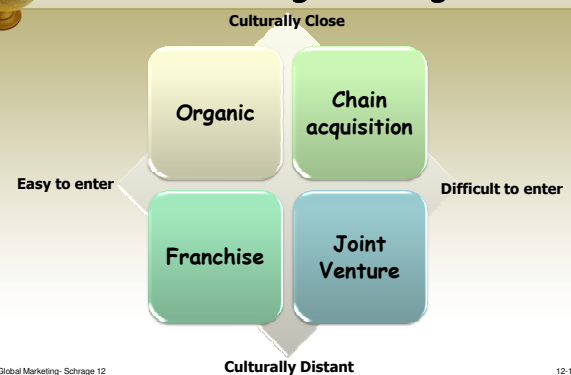
Global Retailing Strategies

- **Organic growth**
 - Company uses its own resources to open a store on a Greenfield site or acquire one or more existing retail facilities
- **Franchise**
 - Appropriate strategy when barriers to entry are low yet the market is culturally distant in terms of consumer behavior or retailing structures
- **Chain acquisition**
 - A market entry strategy that entails purchasing a company with multiple existing outlets in a foreign country
- **Joint venture**
 - This strategy is advisable when culturally distant, difficult-to-enter markets are targeted

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Global Retailing Strategies



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Innovation in Global Retailing

- Innovation takes place only in the most highly developed systems.
- The ability of a system to successfully adapt innovations is directly related to its level of economic development.
- Even when the economic environment is conducive to change, the process of adaptation may be either hindered or helped by local demographic factors, geographic factors, social mores, government action, and competitive pressures.
- The process of adaptation can be greatly accelerated by the actions of aggressive individual firms.

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Innovation in Global Retailing



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Supply Chain Definitions

- Supply chain
 - Includes all the firms that perform support activities by generating raw materials, converting them into components or finished products, and making them available to customers
- Logistics
 - The management process that integrates the activities of all companies to ensure an efficient flow of goods through the supply chain

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Physical Distribution, Supply Chains, and Logistics Management

- Order processing
 - Includes **order entry** in which the order is actually entered into a company's information system;
 - **order handling**, which involves locating, assembling, and moving products into distribution; and
 - **order delivery**
- Warehousing
 - **Warehouses** are used to store goods until they are sold
 - **Distribution centers** are designed to efficiently receive goods from suppliers, and then fill orders for individual stores or customers

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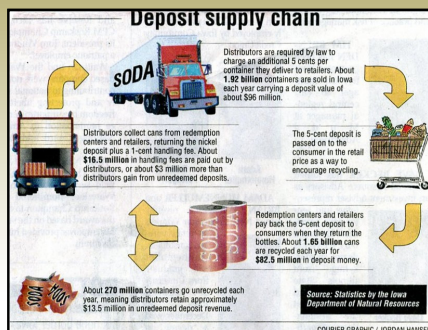
Physical Distribution, Supply Chains, and Logistics Management

- Inventory management
 - Ensures that a company neither runs out of manufacturing components or finished goods nor incurs the expense and risk of carrying excessive stocks of these items
- Transportation
 - The method or mode a company should utilize when moving products through domestic and global channels; the most common modes of transportation are rail, truck, air, and water.

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Supply Chain



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Transportation

Channel strategy— analyzing each shipping mode to determine which mode, or combination of modes, will be both effective and efficient in a given situation



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MODES

Mode	Cost	Speed	Accessibility	Capability	Reliability	Ease of tracing
Pipeline	Low	Slow	Low	Low	High	Moderate
Water	Low	Slow	Low	High	Low	Low
Truck	Varies	Fast	High	High	High	High
Rail	Average	Average	Average	High	Average	Low
Air	High	Fast	Low	Moderate	High	High
Internet	Low	Mod-fast	Increasing	Low	High	High

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Selection of Port also critical



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Rail Service



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The Panama Canal

- Over 13,000 ships transit the Canal each year, hauling an estimated 4% of the world's goods around the globe.
- Has implemented a \$1 billion improvement program to maintain the Canal and keep it competitive.
 - The program includes the widening of the narrow Gaillard Cut allowing two-way traffic for even the largest ships and increasing Canal capacity.
 - Canal currently at 95% capacity, by 2007 expected to be capacity constrained



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Panama - Transportation Hub of the Americas

