



# LIUC

## International Marketing

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# Università



# Pablo Mesias Rabuñal

*Product Marketing Manager*

*Mediolanum Investments Ireland*

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Undergraduate Biologist

MBA graduate and passionate marketer

Fintech specialist

Financial Market Specialist at Fidelity

Business Developer for Mediolanum in Spain & Portugal

# Contents of the session



1. Fundamentals of Channel Management
2. Global Marketing Channels and Physical distribution
3. Directly Operated Points of Sale (PoS)
4. Channel Intermediaries

# Learning Objective

Understand *the fundamentals of channel management and its implications for foreign markets*

Recalling COO and Made-in effect

...

Either the fly is Made in Germany



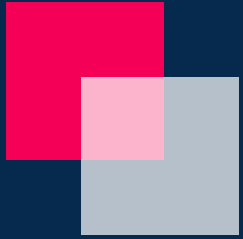
Or the glass is Made in China

“If you make a product good enough, even though you live in the depths of the forest, the public will make a path to your door... but if you want the public in sufficient numbers, you better construct a highway”



- William Randolph Hearst, American newspaper publisher (and billionaire)





# 1. Fundamentals of Channel Management

What do we mean by channel?  
And distribution?  
Or place?



# 1. Fundamentals of Channel Management

- Definitions:

“The structure of intra-company organization units and extracompany agents and dealers, wholesale and retails, through which a commodity, product, or service is marketed”

- American Marketing Association, 1960

“A set of independent organizations involved in the process of making a product or service available for use or consumption”

- Kotler, 2014 and Coughlan et al. 2006

# 1. Fundamentals of Channel Management

- A set of independent organizations → it is not just one firm doing its best in the market because many entities are typically involved in the business
- What are the channel members' jobs? channel management is not an event: running a channel is an ongoing process that takes time to accomplish and when finally a sale is made, the relationship with the end-user usually is not over (ie: a hospital buying a piece of medical equipment and demands post-sale service)
- What is the purpose of this process? Is to satisfy the end-users in the market, be the consumers (B2C) or final business buyers (B2B)

# 1. Fundamentals of Channel Management

Why do channel partner or intermediaries exist?:

- **Searching facilitation:** end-users are uncertain how to find the products or services they want, while sellers are uncertain how to reach target end-users
- **Sorting goods:** manufacturers produce a large quantity of a limited variety of goods, whereas consumers demand only a limited quantity of wide variety of goods
- **Accumulation:** intermediaries bring together similar stocks from a number of sources into a larger homogeneous supply [wholesalers accumulate varied goods for retailers, and retailers accumulate goods for their customers]
- **Allocation:** breaking down a homogeneous supply into smaller and smaller lots (Wholesalers are breaking the bulk)

# 1. Fundamentals of Channel Management

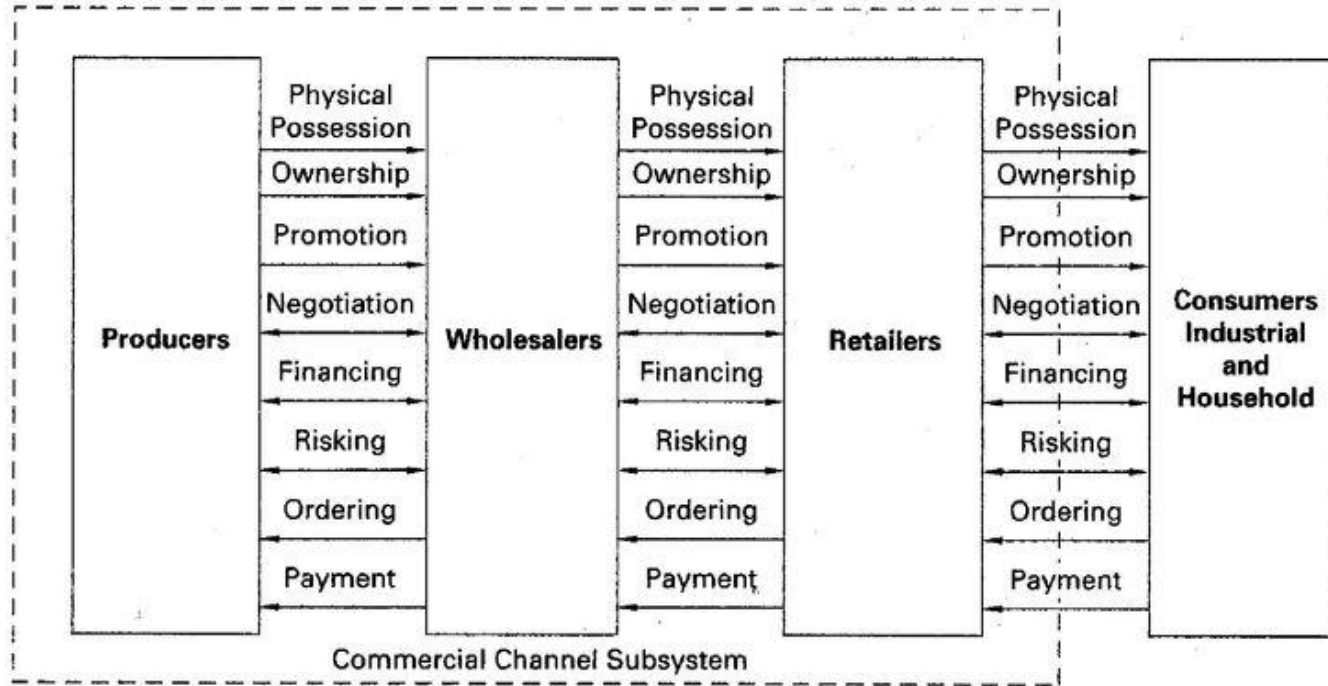
- Channel functions, activities or flows:

Channel includes the performance of several *marketing flows*. Some authors (Coughlan et al.) use the term “flows” rather than functions or activities to emphasize that these processes often flow through the channel, being done at different point in time by different channel members



- Professor Anne T. Coughlan, Kellogg & Northwestern University

# 1. Fundamentals of Channel Management



Source: Coughlan et al. 2006

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# 1. Fundamentals of Channel Management

- Channel functions, activities or flows:

Channel partners are an extension of manufacturer's marketing-mix activities, bringing capillarity to marketing plans and their implementation.

Channel partners also bring economies of scale through stock management, sales and after-sale service

- Professor Antonio González Ph.D. 2019



# 1. Fundamentals of Channel Management

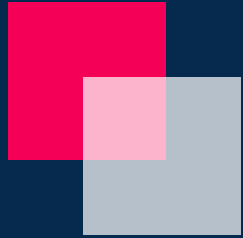


# 1. Fundamentals of Channel Management

Anne Coughlan:  
The Outlet Mall



Prof. Antonio González Ph.D.



# **2. Global Marketing Channels and Physical Distribution**

## 2. Global Marketing Channels and Physical Distribution

- Global retailing is the retailing activity that spans national boundaries, and actually it is not new (remember timeline from our first session)
- Critical question to ask when wondering about global retailing is:

*what advantages do we have compared to local competition?*

Ikea vs. MUJI

# Points of Parity (PoP) Vs. Points of Difference (PoD)

## POD Ikea

- Customers oriented: Guides and blogs
- Lots of retails
- Swedish design
- Product offering: Flat pack
- Restaurants in retail
- Lifetime guarantee
- Wide range of products
- Mass advertising

## POP Muji & Ikea

- Category POP: Home furnishing and House building
- Correlational POP: Low price/High quality
- Sustainable

## POD Muji

- No brand strategy
- Muji Identity: emotional & self expressive benefits
- Superiority in simplicity: innovations regarding simple products
- Country of origin
- Muji to go
- Word of mouth

## 2. Global Marketing Channels and Physical Distribution

Amazon Go



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## 2. Global Marketing Channels and Physical Distribution

- Channel Innovation:
  - Takes place in the most developed countries and then other will try to adapt to catch up
  - Ability to adopt innovations is directly linked to the level of economic development
  - When economy favours change, the process of adaptation is supported by other factors: demography, social behavior, and governmental policies
  - Process of adaptation can be greatly accelerated because of aggressive competitors

## 2. Global Marketing Channels and Physical Distribution

- Margin added through channel intermediaries (B2C) normally is  $= \text{cost} \times 2 \rightarrow$  gross margin 33%
- Channels in less developed countries involve high number of people engaged in selling merchandise (ie “dukas” in Africa)







# **3. Directly Operated Point of Sales (PoS)**

### 3. Directly Operated point of sales (PoS)

PoS (aka Point of Purchase) is the retail point of purchase that represents the place and the time where all the elements of the sale (money, customer, and product or service) come together in the physical store

- Adapted from Quelch & Cannon, 1983

Marketers hope to influence purchase decision through different communication actions and elements: promotion, ads, packaging, displays, sales people, ...)

### 3. Directly Operated point of sales (PoS)

#### PoS Communication-mix:

How can consumer goods marketers address the different -and sometimes conflicting- interests of manufacturer, retailers and consumer at PoS?

- Using *displays* effectively to attract consumer attention, facilitate product inspection and selection, and also inform many customers at once
- *Package* is more than a container because it attracts attention to PoS
- *Making shopping fun* through convenience, coupons, discounts, sampling and refund offers at PoS
- *In-store ad media*: commercials and in-store broadcast, customer motion activated

# 3. Directly Operated point of sales (PoS)

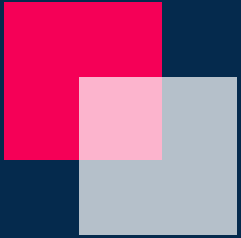
PoS (PoP) communication products



### 3. Directly Operated point of sales (PoS)

Retail 2020





# 4. Consumer Products and Channel Intermediaries

# 4. Consumer products and Channel Intermediaries

## Channel members:

- **Manufacturer:** producer or originator of the product or service being sold. In B2C normally a distinction is drawn between branded and private-label manufacturing:
  - Branded product: manufacturers brand their outputs and thus are known by name to end-users even if they use intermediaries to reach those end-users (Coca-Cola, BMW or Sony)
  - Private label (aka own-distributor brand “ODB” or makilas): manufacturer make products but they don’t invest in a branded name for them. Instead, they produce “private label products” and the downstream buyer (either manufacturer or retailer) puts its own brand name on the products

# 4. Consumer products and Channel Intermediaries

## Channel members:

- **Intermediaries:** refers to any channel member (partner) other than the manufacturer or end-user (B2B or B2C). There are 3 types of intermediaries: wholesaler, retailer and specialized
  - **Wholesaler:** the term includes manufacturer's representative, agents, brokers and they sell to other channel intermediaries or to business end-users but no to individual consumer end-users
  - **Retailer:** assume many forms (department stores, mass merchandisers, hypermarkets, category killers, distributors, convenience stores, franchising, buying clubs, ...) and they sell directly to individual consumer end-users
  - **Specialized:** are brought into a channel to perform a specific flow and typically they are not heavily involved in the core business represented by the product sold (insurance and credit companies, finance, logistic companies, ...)



# 4. Consumer products and Channel Intermediaries

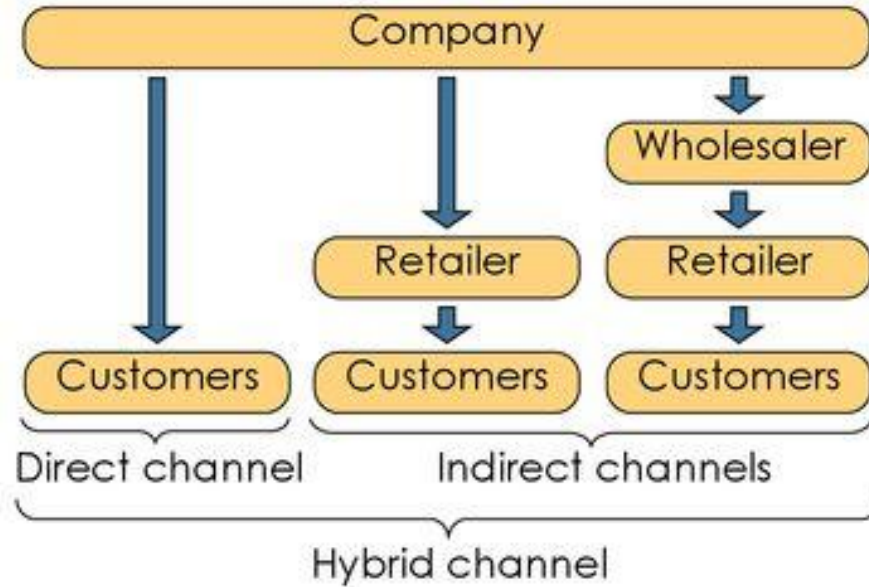
## Channel members:

- **End-users:** are B2B (business customers) or B2C (individual customers) channel members because frequently perform channel flows when they are performing physical possession, ownership, and final use of the product or service



# 4. Consumer products and Channel Intermediaries

Distribution Channel Structure:



Source: Chernev, 2014

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## 4. Consumer products and Channel Intermediaries

Channel **tactics for new market entry through distributors** (adapted from Shimagechi & Rosenberg, 1979):

1. Find a local partner
2. Seek differentiation in your market positioning
3. Identify available alternative distribution routes
4. Focus on distribution resources: market is too big for “shotgun approach”
5. Prepare for long-term effort and modest results
6. Cultivate personal relationships with distributors: loyalty and trust is key
7. Train your channel partner to develop its marketing, sales and technical skills

# 4. Consumer products and Channel Intermediaries

Channel **partner sources** for new market entry through distributors :

1. Competitors distribution network
2. Specialized industry consultants
3. Exporting agencies
4. Banks and financial institutions
5. Commerce chambers and associations
6. Trade shows
7. And of course Networking!

Remember:  
*We r selling*

*24/7!*

Thanks for  
your attention

