

# INTRODUCTION TO MARKETING

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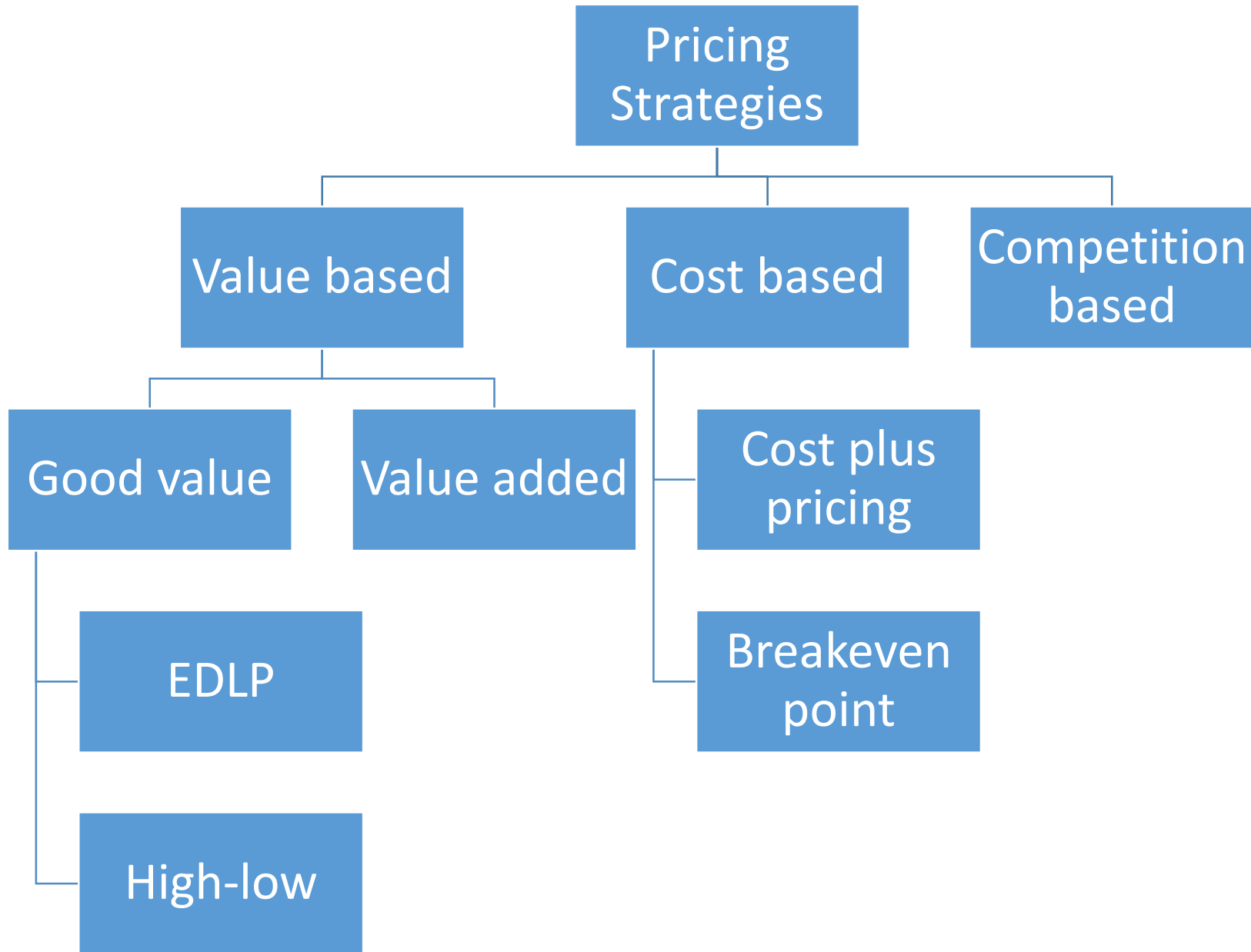
WEEK 10

# Agenda

1. Course evaluation- Next class
2. Volunteer Needed!
3. Bonus case (registered late)
4. Quiz 4 Vote
5. Chapter 10
6. Chapter 11
7. Quiz 3
8. Case study

What did we cover last week in chapter 10?

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# What Are Price Adjustment Strategies?

**TABLE 10.2** Price Adjustments

<b>Strategy</b>	<b>Description</b>
Discount and allowance pricing	Reducing prices to reward customer responses such as paying early or promoting the product
Segmented pricing	Adjusting prices to allow for differences in customers, products, or locations
Psychological pricing	Adjusting prices for psychological effect
Promotional pricing	Temporarily reducing prices to increase short-run sales
Geographical pricing	Adjusting prices to account for the geographic location of customers
Dynamic pricing	Adjusting prices continually to meet the characteristics and needs of individual customers and situations
International pricing	Adjusting prices for international markets

# Price Changes

- **Price cuts may be initiated due to:**

- ✓ Excess capacity
- ✓ Falling demand
- ✓ Drive to dominate market

- **Price increases may be initiated due to:**

- ✓ Cost inflation
- ✓ Over-demand

# Price Changes

- Buyers will react – not always as expected!
- **Competitors may react:**
  - Reduce price to match competition
  - Raise the perceived value of its offer
  - Improve quality and increase price
  - Launch a low-price “fighting brand”



**Exhibit 10.14** Fighter brands: TELUS markets its lower-priced mobile phone services under the brand Koodo.

# CHAPTER 11

## : Place: Marketing Channels



Ian Dagnall Computing/Alamy

# Chapter 11: Learning Objectives

1. Explain what channels are, and why marketers need channel partners
2. List and describe the major types of channel partners
3. Describe the process of organizing and managing channels, and explain how channel conflict can occur
4. Explain the strategy behind intensive, selective, and exclusive distribution
5. List and describe the major channel design decisions marketers must make
6. Explain the role of supply chain management and logistics management, and why companies often choose third parties to handle these tasks

# Marketing Channels

- Products come through a **supply chain**:
  - Upstream producers supply raw materials and components necessary to create products
  - Downstream marketing channel partners link producers to the customer
  
- **Value delivery network**:
  - Producers, suppliers, distributors, and customers who improve the performance of the entire system in delivering customer value



# What is a Channel?

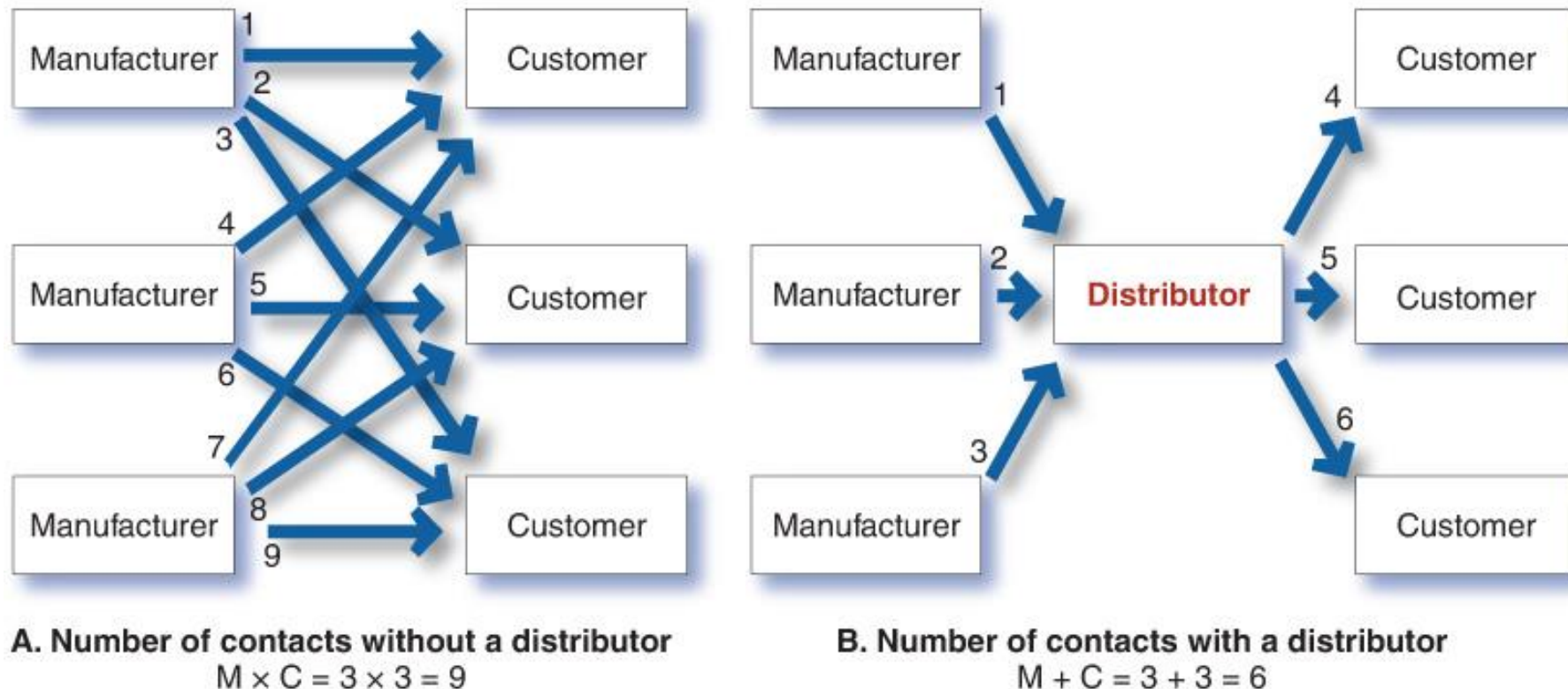
- **Marketing Channel:**

- Interdependent firms that make a product available for businesses or consumers
  - Channel decisions affect other marketing decisions
  - Channel decisions can lead to competitive advantage

# Marketing Channels

- Channel members bridge time, place, and possession gaps that separate products from those who use them

**FIGURE 11.1** How Adding a Distributor Reduces the Number of Channel Transactions



# How Channel Members Add Value?

Intermediaries reduce the amount of work that must be done by both producers and consumers.  
Increase efficiency in making goods



**Channel members perform!**

# Types of Intermediaries

## Wholesalers

- Sell products to those buying for resale or business use
  - Merchant wholesalers
  - Distributors

## Retailers

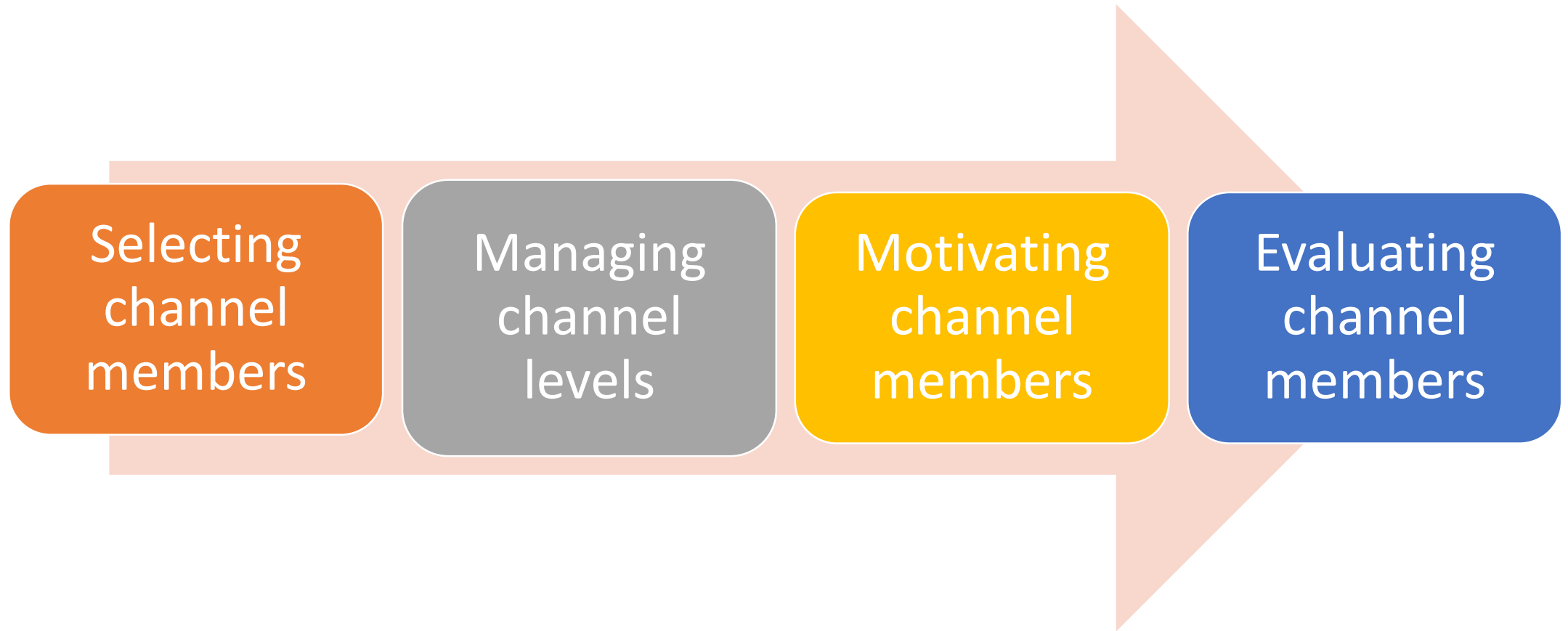
- Sell products directly to consumers

## Agents

- Perform only a few functions and do not take title to goods
  - Manufacturers' agents
  - Advertising agencies

# How Do You Organize and Manage Channels?

## Channel Management Decisions

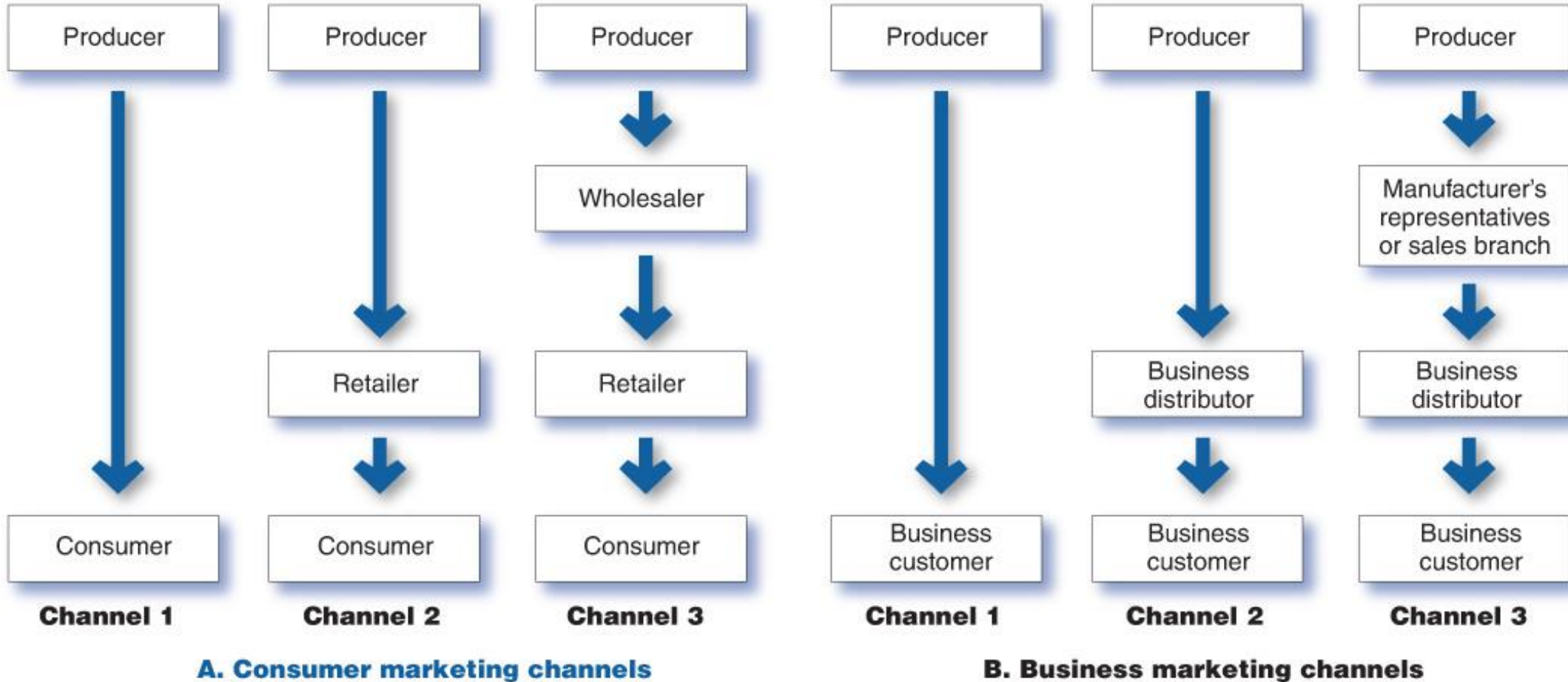


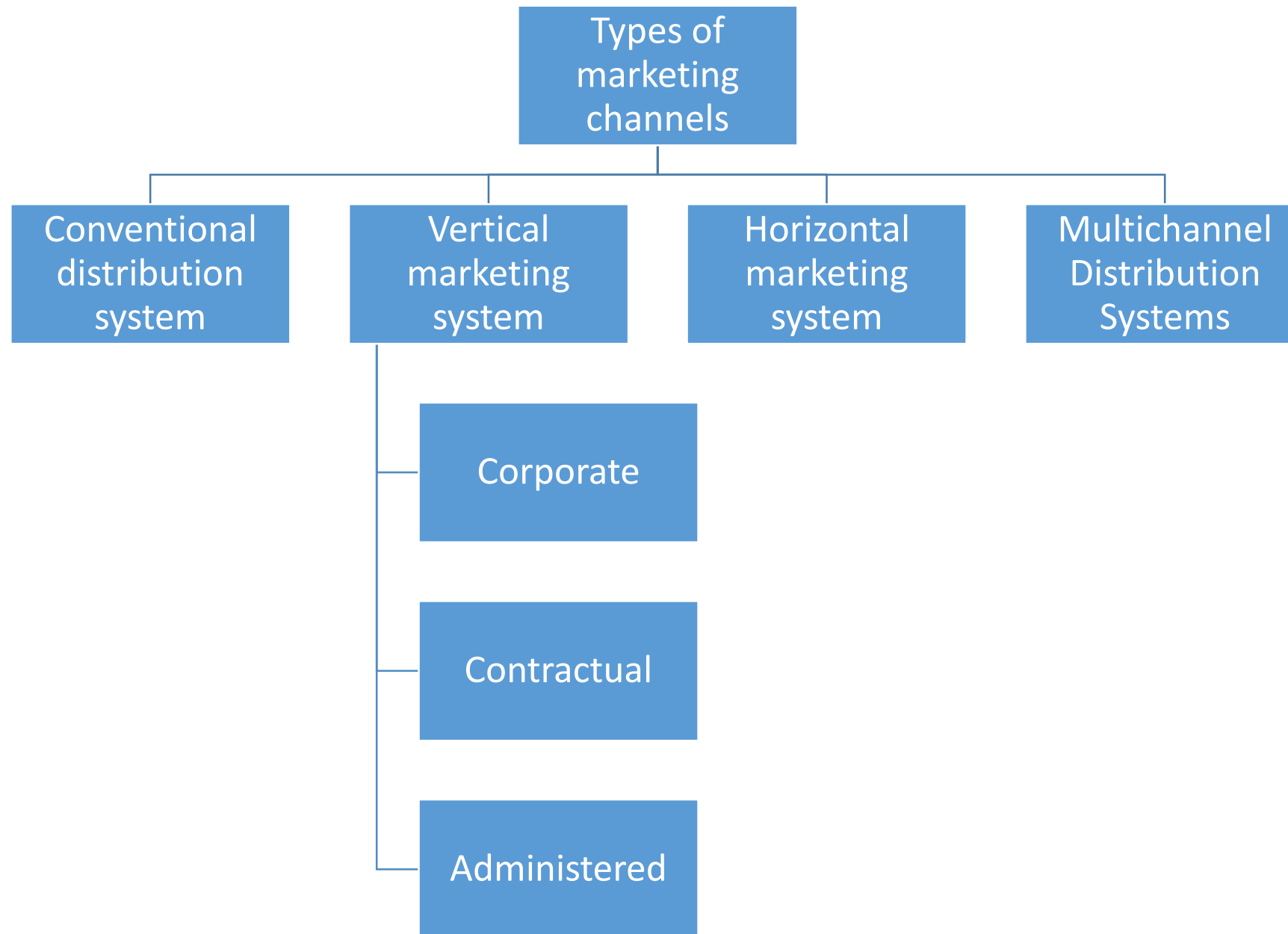
# Organization and Management of Channels

- Channel Levels: The number of intermediary levels indicates the length of a channel.
  - **Direct marketing channels** deliver products to consumers directly from a producer.
  - **Indirect marketing channels** involve intermediaries between the producer and consumer.
  - **Hybrid marketing channels**

# Direct and Indirect Marketing Channels

**FIGURE 11.2** Direct and Indirect Marketing Channels, for Both Business-to-Consumer and Business-to-Business





## Conventional Distributions Systems

- Each business is independently owned
- Seeks to maximize own gains
- No channel member has control over the other.
- No formal means for assigning roles and resolving conflict



# Vertical Marketing System (VMS)

- **VMS** - A **channel structure** in which producers, wholesalers, and retailers act as a unified system.
- **One channel member owns the others**, has contracts with them, or has so much power that they all cooperate.



**Exhibit 11.3** Corporate vertical marketing system: Zara either owns or controls most of its distribution system, from manufacturing through to retailing.

# Vertical Marketing Systems

<b>VMS System</b>	<b>Description</b>
Corporate	Combines successive stages of production and distribution under single ownership
Contractual	Independent firms at different levels of production/distribution contract with each other to obtain more economies of scale than each could alone i.e. Franchising
Administered	Coordinates successive stages of production and distribution, not through common ownership or contractual ties, but through the size and power of one of the parties

# Horizontal Marketing Systems

<b>System</b>	<b>Description</b>
Horizontal Marketing Systems	Two or more companies at one level join together to follow a new marketing opportunity
Multichannel Marketing Systems	A single firm sets up two or more marketing channels to reach one or more customer groups Also called a hybrid marketing channel system
Disinter-mediation	Product and service producers cut out traditional intermediaries or displace resellers with new types of intermediaries

# Channel Conflict

- **Horizontal conflict** occurs among firms that perform the same function at the same level of the channel.
- **Vertical conflict** occurs between different levels of the same channel, is even more common.



Joshua Lutz/Redux

**Exhibit 11.5 Channel conflict:** KFC came into conflict with its franchisees over the brand's "Unthink KFC" repositioning, which emphasized grilled chicken over its traditional Kentucky fried.

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# How Do You Manage Conflict and Regain Control in Channels?

- Specify each channel member's role
- Have a channel captain → leader that has power to assign roles and manage conflicts
- Cooperation

# Changing Channel Organization

- Disintermediation - cutting out of channel intermediaries by product or service producers or the displacement of traditional resellers by radical new types of intermediaries.
  - Travelocity → traditional travel agents
  - Netflix → movie rentals
  - Uber → Taxi drivers



**Exhibit 11.6 Disintermediation:** To combat the threat of disintermediation by electronic books, booksellers developed e-book readers like Kindle and Kobo.

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# Distribution (Channel) Strategy

- **Intensive: everywhere you can stock your product**
- **Selective: specialized retailers**
- **Exclusive: only ONE retailer**

# Channel Design Decisions

Where and  
In how  
many  
places?

- **Analyzing customer needs**
  - Designing the marketing channel starts with finding out what customers want from that channel.
- **Setting channel objectives**
  - Objectives should be in terms of targeted levels of customer service
- **Determining the types and responsibilities of channel members**
  - Each channel alternative should be evaluated against economic, control, and adaptability criteria.

# Channel Design Decisions

- **Making decisions about international distribution channels:**
  - In some markets, the distribution system is complex and hard to penetrate
  - Distribution systems in developing countries may be scattered, inefficient, or lacking



**Exhibit 11.11 International distribution channels:** In cities like Beijing, Seoul, and Cairo, armies of motorbike delivery drivers outfitted in colourful uniforms and bearing food in specially designed boxes strapped to their backs make their way through bustling traffic to deliver Big Macs.

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# Market Potential and Sales estimate

Appendix 3 p. 639-  
640

# Introduction to demand forecasting

- **Total market demand:** total volume that would be bought by a defined customer group in a defined geographic area in a defined time period in a defined marketing environment under a defined level and mix of marketing effort
- Its upper limit is referred to as **market potential**

# How to estimate total market demand

$$Q = n * q * p$$

Q= total market demand

N= number of buyers in the market

q= quantity purchased by an average buyer per year

P= price of an average unit

# How to estimate the n?

Chain ratio method = Involves multiplying a base number by a chain of adjusted percentages

$$n = \text{base number} * \% * \%$$

# Project Application

- Demand forecasting
- Price
  - (Think about but don't have to include) Any relevant price adjustment strategies?
- Place
  - Which type of marketing channel would you use? Why?
  - Which distribution channel strategy would you use? Why?
  - Where would you sell your products?

# Final Exam!

16<sup>th</sup> December from 14-17

All chapters 1,2,3,4,5,6,7,8,9,10,11 external 12 , 13, 16

## Format

Part1: Compulsory comprehensive Questions/ case study analysis : 65 marks (11 questions)

Part2: 35 multiple choice questions.

# Project and Peer evaluation

Project due on 30<sup>th</sup> of November with a -1 penalty for delay until 7<sup>th</sup> of December. On 7<sup>th</sup> of December at 6pm all missing projects would receive a 0/20%

Your evaluation of other team members is due on 2nd of December.

Email: [aya.aboelenien@Concordia.ca](mailto:aya.aboelenien@Concordia.ca)

Excel file: Name the file with (First, name, last name, team name) make separate sheets for each member and name the sheet with the member's name.

Case A: If i don't receive your evaluation by the 2nd i will assume that you are giving equal weights to the contribution of all members.

Case B: If majority of team members evaluate a person to be contributing LESS he/she would receive a weighted score depending on their evaluation of his/her contribution 70% of 19/20

**Again: Don't name the file mark 201-AA, name the file with your first name, last name, team name. If the file isn't saved in this format i won't consider it.**

# What to do for next class

- Study chapter 10 & 11
- Case study posted on Moodle
- Finalize Market potential, Product, Price and Place in your project
- Send me 24H in advance any ad (the actual ad or a link)

Thank you!