

## CHANNEL RELATIONSHIPS

- **Distribution of functions and services** (who performs them)?
- **The locus of channel power**
  - **Three middlemen characteristics:**
    - Relative size
    - Financial strength
    - Political influence
  - **Sociocultural considerations**
    - **Close personal relationship** often more important than sales volume or profitability (eg. Sales of ARV's)

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## DISTRIBUTION CHANNEL POWER

- **Reward power**
  - A channel member has resources to reward other members (eg. exclusive sales rights)
- **Coercive power**
  - The threat of economic punishment (Manufacturers – dealership.. cars; Retailers – suppliers .. Woolworth's, Pick'nPay)
- **Legitimate power**
  - Arising from contractual linkage (franchises)
- **Referent power**
  - Agreement regarding mutual interests of members (dealer councils – to resolve distribution problems)
- **Expert power**
  - Knowledge and know-how (manufacturer assisting retailer with store lay-out, marketing a product or advertising)

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## CHANNEL LEADERSHIP

- **Channel captain** - The dominant and controlling member of a channel could be:
  - **Producers** that control large-scale operations (eg. General Electric...)
  - **Retailers** e.g. large chain operations (private brands) .. Woolworth's, Pick'nPay
  - **Wholesalers** – who can assist independent retailers to compete with chain outlets

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## CHANNEL CONFLICT

- **Horizontal conflict**
  - Wholesaler – wholesaler level
  - Retailer – retailer level
  - Different types of marketing intermediaries that handle similar products (e.g. retail chemists compete with Click's in-store chemists)
  - *Conflict potential usually arises where the manufacturer supplies many types of stores with the same branded products.*

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## CHANNEL CONFLICT

- **Vertical conflict**
  - Channel members at different levels
  - Producer – retailers (where retailers private brand competes with producer's brand or producers develop own retail outlets or set up mail-order business)
  - Producers – wholesalers (when producers bypass wholesalers (or wholesalers promote competitive products)
  - Wholesaler – retailer (wholesaler sells direct to consumers)

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