

TIME REQUIRED

One to two ninety-minute block classes for marketing students

OBJECTIVES

At the conclusion of this lesson, students will be able to manage channel activities to minimize cost and to determine distribution strategies.

PERFORMANCE INDICATORS

- Coordinate channel management with other marketing activities
- Explain the nature of channel-member relationships

MARKETING CLUSTER CORE | INSTRUCTIONAL AREA: CHANNEL MANAGEMENT

ACTIVITIES & ASSESSMENT

BELL RINGER

Right product, right place, right quantity, right time

CLASSROOM ACTIVITY

Understanding channel member relationships

CLASSROOM ACTIVITY

Which marketing activities need to be coordinated?

QUIZ

Placement strategy and channel management terms

INSTRUCTIONAL CONTENT

SLIDE 1

BELL RINGER: Right product, right place, right quantity, right time

At the beginning of the class, have the introductory PowerPoint slide with the definition of “Placement” displayed for students to see as they enter class.

Placement, in regards to the 5P’s of Marketing, is defined as getting the right product to the customer at the right time, at the right place, in the right quantity.

- The basic objective of all placement decisions or strategies is to make the product accessible for the consumer.

Ask students to break down that definition and further clarify each component of that definition as it might relate to automated retailing. Example:

- **Right Product:** What might be the right products for the kiosk and how do you know?
- **Right Place:** How is this different for an automated kiosk? Where is the right place?
- **Right Quantity:** What does that entail? How do you know?
- **Right Time:** What planning is required?

Take 10 minutes for this activity and allow students to briefly share out their responses.

Sponsored by



SLIDE 2

Placement activities evolve around decisions or strategies involved in the distribution channels. This is called channel management.

Channel Management: managing and directing all of the activities involved in getting a product from the manufacturer to the customer.

SLIDE 3

Distribution channels may be direct or indirect.

- Direct channels involve a single transaction from a vendor to offer a product for sale to the consumer.
- Indirect channels involve multiple, interconnected channel members such as wholesalers, agents, and distributors.

SLIDE 4

Wholesalers are people or companies that buy large quantities of products from vendors or manufacturers and warehouse them to resell in smaller quantities to retailers

Example: Vistar is a wholesaler of food products. Many school-based enterprises, as well as other businesses and retailers across the country, purchase products from Vistar to resell in their stores.

SLIDE 5

Agents are representatives (individuals or firms) that have the authority to act on behalf of another company or individual to execute the sale of products but are not employees of that company.

Example: Total Sportswear Solutions is a small Richmond, VA company that sells spirit wear and items to school-based enterprises throughout Virginia and other regions. They have authority to represent and sell for such manufacturers as MV Sport and Boxercraft.

SLIDE 6

Distributors are entities that purchase non-competing products, warehouse them, and sell them to retailers or direct to consumers.

Example: Commonwealth Digital Office Solutions is a small business in Manassas, VA that is an authorized Minolta distributor. This business has a contractual agreement to sell Minolta office products and place a Minolta sign in the window to demonstrate they carry that product.

SLIDE 7

Channel members add value to the products that retailers sell.

Since the retailer is the customer of the channel member, they can receive special services from the channel member.

- Example: Faster delivery, ease in placing orders, special packaging and signage, etc.

Channel members need to work cooperatively with the retailer to help meet the needs of the final consumer. When a cooperative effort is involved and the final customer is satisfied, the channel members will be more successful in continued sales to that retailer.

Retailers are finding that developing a partnership or long-term relationship with their vendors (channel members) results in more successful placement of their products.

It is important for retailers to understand how their vendors acquire the product that they are purchasing and the distribution channel that it takes to get to them. It is also important for retailers to understand the types of challenges or problems that could occur throughout the distribution channel that could impact the product arriving according to the retailer's expectations.

By having a good relationship and engaging in problem-solving strategies when conflicts or challenges occur within the distribution channel, the retailer will be more successful in negotiating a positive outcome with the channel member.

SLIDE 8

CLASSROOM ACTIVITY: Understanding channel member relationships

Using the list of product ideas that students generated in the previous lesson on Product, have students research and identify potential channel members who will sell those products to the school-based enterprise for placement in the automated retailing kiosk (Spirit Box).

Have students develop a chart that

- Names the vendor/channel member
- Identifies the type of channel member (Wholesaler? Agent? Distributor?)
- Explains why they chose this vendor and the nature of the current relationship (Unique products? Price advantage? Quick Delivery and turn-around? Special packaging?)

Instruct students to prepare a brief presentation with this information and present their ideas to the class.

SLIDE 9

Placement decisions or activities include:

- Placement of product
- Distribution channels
- Logistics
- Inventory
- Selection of channel members
- Order processing
- Market coverage

SLIDE 10

Placement of product involves **where** the customer can purchase the product such as a store, roadside stand, or automated retailing kiosk.

The distribution channel involves **how** the product makes its path to the place where consumers purchase the product.

Logistics involve all of the activities to successfully transport and deliver the product.

Inventory activities begin with receiving the product and properly maintaining accurate records of how much product to maintain and frequency of re-orders to meet customer demand.

Example: Traditional retail stores or school-based enterprises carefully plan for ordering and receiving merchandise to have ready for the customer to purchase in a timely fashion; preparing the merchandise for sale, practicing inventory control procedures to ensure appropriate re-orders, and carefully choosing vendors who will partner in getting the merchandise through the distribution channel in a timely manner. All are decisions that help get the right product, in the right quantity, to the right place at the right time!

SLIDE 11

How are placement decisions for automated retail different from a traditional brick and mortar retail space?

Placement of the automated retail kiosk is a major consideration. Treat the kiosk just as you would treat the selection of a retail storefront. Location, location, location!

Placement considerations include:

- **Visibility** and high traffic area to gain customer attention and provide easy access for customer
- **Access to electrical outlet**—can't provide the product to the customer unless there is power to operate the machine
- **Internet accessibility** to ensure successful credit and debit card transactions

What other things can you think of?

SLIDE 12

Once the product and vendor selections are made and orders are placed for delivery, retail managers must coordinate other marketing activities to ensure that the product is accessible for the customer to purchase.

Certain aspects of the distribution channel need to be coordinated with other marketing activities. Those activities include:

- Marketing Information
- Promotion
- Pricing
- Selling
- Finance

SLIDE 13

Coordinating marketing information involves:

- Understanding your target market and researching the wants and needs of your customers to provide the right product at the right place at the right time.
- Promotion and advertising of the products must be done in advance of the arrival of the products so that customers know about the product offerings and when and where they can purchase.
- Pricing strategies must be determined before the product arrives so that the products can be sold at a profit and price can be communicated to the customer.
- The sales staff needs to be trained in product knowledge prior to the products' placement in the store so that customers can be informed and led to good buying decisions.
- Finance offerings need to be available for when the customer arrives. Will credit cards be accepted? Layaways? Special financing?

SLIDE 14

CLASSROOM ACTIVITY: Which marketing activities need to be coordinated?

Using the listing of products that you have selected for your automated retailing kiosk, list the marketing activities that you will need to coordinate with channel management.

ASSESSMENT AND FOLLOW-UP

QUIZ: Placement strategy and channel management terms

RESOURCES AND MATERIALS

Online Resources and Trade Journal Articles:

- www.businessdictionary.com/definition/product-development.html
- www.mindtools.com/pages/article/newSTR_94.htm
- www.boundless.com/marketing/an-overview-of-marketing/introduction-to-marketing/products-placement-promotion-price/
- www.businessdictionary.com/definition/distribution-channel.html
- www.icaew.com/en/library/subject-gateways/import-and-export/small-business-update/grow-your-business-by-working-with-an-agent
- www.knowthis.com/distribution-decisions/establishing-channel-relationships
- www.personal.psu.edu/jxb14/JMR/JMR1993-2-183.pdf
- www.spirit-factory.com Website for custom print spirit products

Books and Textbook Resources:

- *Marketing Essentials*, Glencoe

QUIZ

PLACEMENT STRATEGY & CHANNEL MANAGEMENT

True or False: Mark a T beside each statement that is TRUE and an F beside the statements that are FALSE.

- _____ 1. The definition of PLACE, in regards to the 5 Ps of Marketing is: getting the right product to the customer at the right time, at the right place, in the right quantity.
- _____ 2. The basic objective of all placement decisions or strategies is to make the product accessible for the consumer.
- _____ 3. Distribution channels do not have an impact on getting the right product to the customer at the right place.
- _____ 4 Retailers are finding that developing a partnership or long-term relationship with their vendors (channel members) results in more successful placement of their products.
- _____ 5. The automated kiosk requires numerous place decisions for a school store to maximize profit for their business.

Application:

Explain the PLACE decisions that your school based enterprise will make regarding your automated retail kiosk.

QUIZ ANSWER KEY

PLACEMENT STRATEGY & CHANNEL MANAGEMENT

True/False Key:

1. True
2. True
3. False
4. True
5. True

Application Key:

Responses will vary but may include such answers as: where to place the kiosk in the building for maximum customer exposure and access; developing relationships with vendors to ensure smooth delivery of product in timely manner, etc.