Chapter 11
Place and Development of Channel Systems

Channel of Distribution
• Channel of Distribution is the complete sequence of marketing organizations involved in bringing a product from the producer to the ultimate consumer or organizational user.

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<tr>
<th>Channel Members</th>
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**Channel Definitions**

- Retailer versus Wholesaler
- Merchant versus Agent Intermediaries
- Eliminating the Middleman versus Eliminating the Functions

**Channel Member Functions**

- Breaking Bulk
- Accumulating Bulk
- Sorting
- Creating Assortments
- Reducing Transactions
- Transportation and Storage
- Servicing
- Credit
- Risk-sharing

**Channel Examples**

1. **Producer** → **Consumer**
2. **Producer** → **Retailer** → **Consumer**
3. **Producer** → **Wholesaler** → **Retailer** → **Consumer**
**Channel Coordination**

- Producer
  - Wholesaler
  - Retailer
  - Consumer

- Conventional Channel
- Vertical Marketing Systems
- Corporate VMS
- Contractual VMS
- Administered VMS

**Degree of coordination of marketing effort:**
- None/Low
- High

**Channel Cooperation**
- Channel Conflict
- Channel Power
  - Coercive power
  - Reward power
  - Legitimate power
  - Expert power
  - Referent power
- Channel Leader (Captain)
- Backward Channels

**Market Coverage**

- Number of Outlets per Area:
  - One
  - Some
  - Many

- Exclusive Distribution
- Selective Distribution
- Intensive Distribution

**Ethical/Legal Issues**

- Exclusive Dealing
- Exclusive Territories
- Tying Contracts
- Gray Distribution Channels