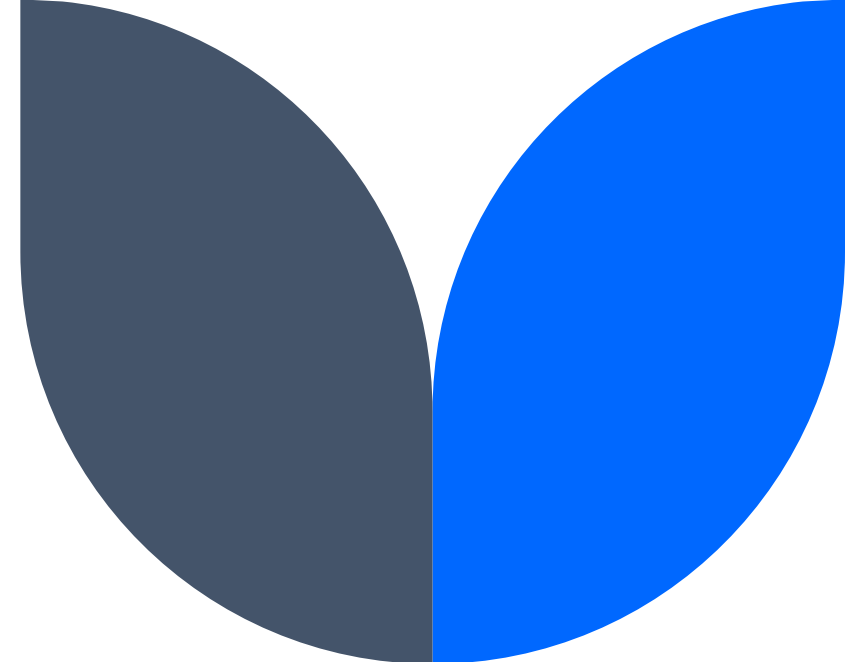


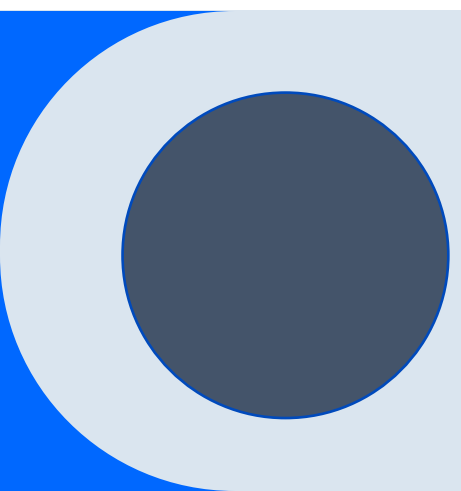


LOG3204

Marketing and Customer  
Relationship Management




**Unit 2: Marketing channel and supply chain management**



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# Learning Outcomes

- Define the terms supply chain and supply chain management and discuss the benefits of supply chain management
- Discuss the concepts of internal and external supply chain integration and explain why each of these types of integration is important
- Identify the eight key processes of excellent supply chain management and discuss how each of these processes affects the end customer
- Understand the importance of sustainable supply chain management to modern business operations
- Discuss how new technology and emerging trends are impacting the practice of supply chain management
- Explain what marketing channels and channel intermediaries are, and describe their functions and activities
- Describe common channel structures and strategies and the factors that influence their choice
- Discuss omnichannel and multichannel marketing in both B-to-B and B-to-C structures, and explain why these concepts are important

# Supply Chain Management

**Supply chain:** the connected chain of all of the business entities, both internal and external to the company, that perform or support the logistics function

**Supply chain management:** a management system that coordinates and integrates all of the activities performed by supply chain members into a seamless process, from the source to the point of consumption, resulting in enhanced customer and economic value

**Supply chain agility:** an operational strategy focused on creating inventory velocity simultaneously in the supply chain

# Benefits of Effective Supply Chain Management

Supply chain management is a key means of differentiation for a firm

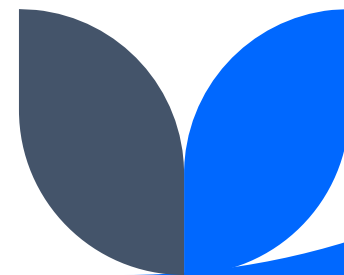
Companies that focus on supply chain management report:

- Lower inventory, transportation, warehousing, and packaging costs

- Greater logistical flexibility

- Improved customer service

- Higher revenues



# Supply Chain Integration

(slide 1 of 3)

**Supply chain orientation:** System of management practices that are consistent with a “systems thinking” approach

Leading supply chain orient firms share five characteristics:

They are credible

They are benevolent

They are cooperative

They have the support of top managers

They are effective at conducting and directing supply chain activity



# Supply Chain Integration

(slide 2 of 3)

**Supply chain integration:** when multiple firms or business functions in a supply chain coordinate their activities and processes so that they are seamlessly linked to one another in an effort to satisfy the customer

Integration can be internal or external

**Demand-supply integration (DSI):** a supply chain operational philosophy focused on integrating the supply-management and demand-generating functions of an organization

Internal supply chain integration

Enhances customer satisfaction



# Supply Chain Integration

(slide 3 of 3)

## Types of external integration

Relationship integration

Measurement integration

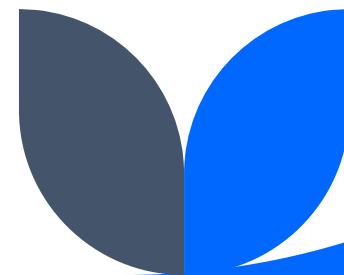
Technology and planning integration

Material and service supplier integration

Customer integration

Organizational success in achieving both the internal and external types of integration is very important

Integration involves a balance between barriers and enablers

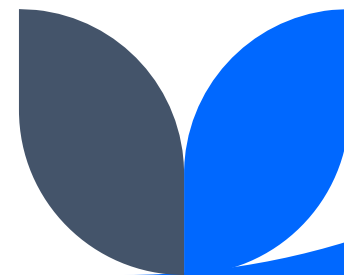


# The Key Business Processes of Supply Chain Management

**Business processes:** bundles of interconnected activities that stretch across firms in the supply chain

Eight critical business processes on which supply chain managers must focus:

- Customer relationship management (CRM)
- Customer service management
- Demand management
- Order fulfillment
- Manufacturing flow management
- Supplier relationship management
- Product development and commercialization
- Returns management





# Customer Relationship Management

**Customer relationship management (CRM):** allows companies to prioritize their marketing focus on different customer groups based on each group's long-term value to the company or supply chain

The CRM process includes customer segmentation by value and subsequent generation of customer loyalty for the most attractive segments



# Customer Service Management

**Customer service management process:** presents a multi-company, unified response system to customers when complaints, concerns, questions, or comments are voiced

Has strong positive impact on revenues when executed properly

Enhanced by the use of customer care software

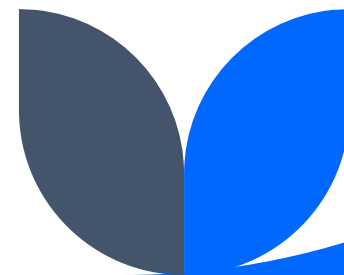


# Demand Management

**Demand management process:** seeks to align supply and demand throughout the supply chain by foreseeing customer requirements at each level and creating customer-focused plans of action prior to actual customer purchasing behavior

Allows customer satisfaction through greater flexibility in manufacturing, marketing, and sales programs

**Sales and operations planning (S&OP):** a method companies use to align production with demand by merging tactical and strategic planning methods across functional areas of the business



# Order Fulfillment

**Order fulfillment process:** a highly integrated process requiring persons from multiple companies and multiple functions to come together and coordinate to create customer satisfaction at a given place and time

**Order cycle time:** the time delay between the placement of a customer's order and the customer's receipt of that order

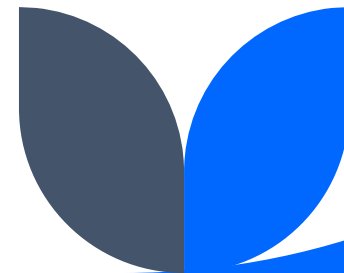


# Manufacturing Flow Management

**Manufacturing flow management process:** concerned with ensuring that firms in the supply chain have the needed resources to manufacture with flexibility and move products through a production process

Intends to improve overall manufacturing output by leveraging the capabilities held by multiple members of the supply chain

Lean or agile strategy is selected depending on the product



# Supplier Relationship Management

**Supplier relationship management process** : supports manufacturing flow by identifying and maintaining relationships with highly valued suppliers

Highly dependent on supplier relationships for flexibility

Provides structural support for developing and maintaining relationships with suppliers



# Product Development and Commercialization

## Product development and commercialization process:

includes the group of activities that facilitates the joint development and marketing of new offerings among a group of supply chain partner firms

Capability for developing and introducing new offerings quickly is key for competitive success versus rival firms



# Returns Management

**Returns management process:** enables firms to manage volumes of returned product efficiently while minimizing returns-related costs and maximizing the value of the returned assets to the firms in the supply chain

Handling returns quickly creates a positive image

Gives the company an additional opportunity to please the customer

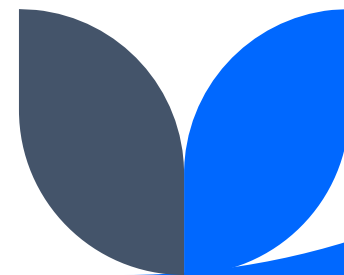




# Sustainable Supply Chain Management

**Sustainable supply chain management:** a supply chain philosophy that embraces the need for optimizing social and environmental costs in addition to financial costs

The organization both better addresses current business needs and develops long-term initiatives that allow it to mitigate risks and avail itself of future opportunities in ways that preserve resources for future generations and ensure long-term viability



# Outsourcing Logistics Functions

(slide 1 of 2)

**Outsourcing:** Manufacturer's or supplier's use of independent third party to manage an entire function of the logistics system

Reduces inventories

Locates stock at fewer plants and distribution centers

Provides same or better levels of service

**Third-party logistics company (3PL):** a firm that provides functional logistics services to others

**Fourth-party logistics company (4PL or logistics integrator):** a consulting-based organization that assesses another's entire logistical service needs and provides integrated solutions, often drawing on multiple 3PLs for actual service



# Outsourcing Logistics Functions

(slide 2 of 2)

**Offshoring:** the outsourcing of a business process from one country to another for the purpose of gaining economic advantage

**Nearshoring:** the transfer of an offshored activity from a distant to a nearby country

Many companies are reshoring, meaning they are relocating operations from overseas to inside the borders of their home countries



# Public-Private Partnerships

**Public-private partnerships (PPPs):** critical to the satisfaction of both company and societal interests and provide a mechanism by which very large-scale problems or opportunities can be addressed

Factor into the solution of future national and global supply chain problems



# Electronic Distribution

**Electronic distribution:** a distribution technique that includes any kind of product or service that can be distributed electronically, whether over traditional forms such as fiber-optic cable or through satellite transmission of electronic signals

**Three-dimensional printing (3DP):** the creation of three-dimensional objects via an additive manufacturing (printing) technology that layers raw material into desired shapes



# Global Supply Chain Management

Reasons for globalizing a company's supply chain are:

Increasing demand for imported products worldwide

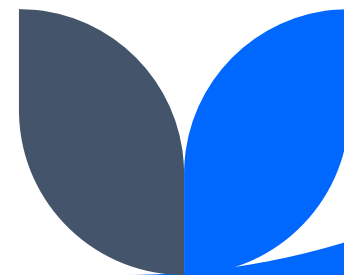
Cheap labor advantages

Removal of trade barriers/tariffs

Exposure to new technologies

Creating competition to domestic suppliers

Building brand equity



# Supply Chain Analytics and Technology

**Big data:** the rapidly collected and difficult-to-process large-scale data sets that have recently emerged, and which push the limits of current analytical capability

Great opportunities and significant problems for supply chain managers

**Cloud computing:** the practice of using remote network servers to store, manage, and process data

**Supply chain analytics:** data analyses that support the improved design and management of the supply chain



# Marketing Channels and Channel Intermediaries

**Marketing channel (channel of distribution):** a set of interdependent organizations that eases the transfer of ownership as products move from producer to business user or consumer

**Channel members:** all parties in the marketing channel who negotiate with one another, buy and sell products, and facilitate the change of ownership between buyer and seller in the course of moving the product from the manufacturer into the hands of the final consumer





# How Marketing Channels Work

Marketing channels attain economies of scale through specialization and division of labor by aiding upstream producers in marketing to end users or consumers

Aid producers in creating time, place, and exchange utility for customers

**Form utility:** the elements of the composition and appearance of a product that make it desirable

**Time utility:** the increase in customer satisfaction gained by making a good or service available at the appropriate time

**Place utility:** the usefulness of a good or service as a function of the location at which it is made available

**Exchange utility:** the increased value of a product that is created as its ownership is transferred



# Functions and Activities of Channel Intermediaries (slide 1 of 2)

**Merchant wholesaler:** an institution that buys goods from manufacturers and resells them to businesses, government agencies, and other wholesalers or retailers, and that receives and takes title to goods, stores them in its own warehouses, and later ships them

Facilitate the movement of products and services from the manufacturer to producers, resellers, governments, institutions, and retailers

**Agents and brokers:** wholesaling intermediaries who do not take title to a product, but facilitate its sale from producer to end user by representing retailers, wholesalers, or manufacturers

# Functions and Activities of Channel Intermediaries (slide 2 of 2)

Types and number of intermediaries the producer should use are determined by:

Product characteristics

Buyer considerations

Market characteristics

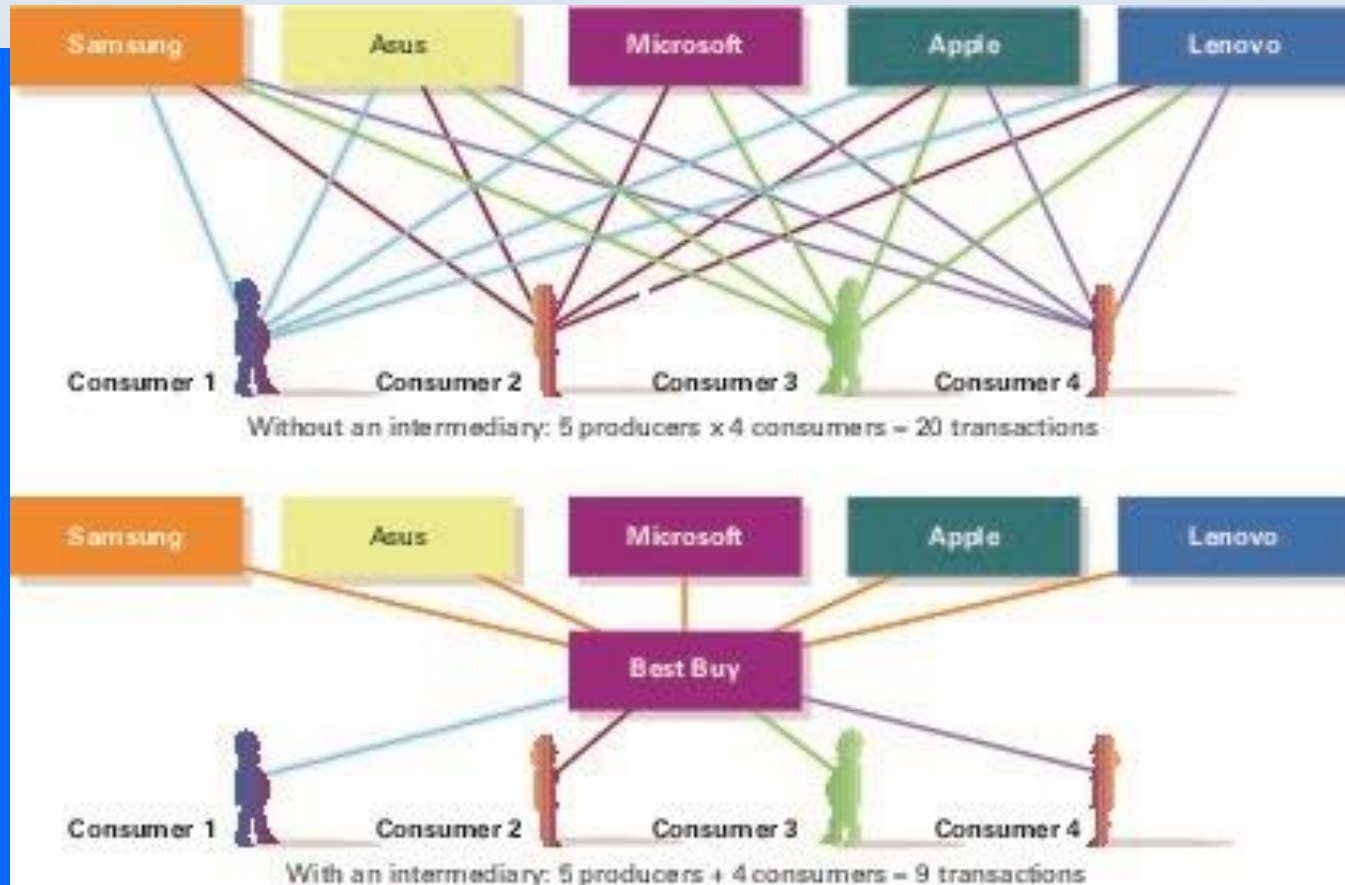
**Retailer:** a channel intermediary that sells mainly to consumers

Reduce the number of transactions required by consumers

Make an assortment of goods available in one location



# How Marketing Channels Reduce the Number of Required Transactions



# Channel Functions Performed by Intermediaries

## Transactional functions

Contacting and communicating with prospective buyers to explain the features, advantages, and benefits

## Logistical functions

Transportation and storage of assets and their sorting, accumulation, consolidation, and/or allocation of assets

## Facilitating functions

Research and financing



# Channel Structures

**Direct channel:** a distribution channel in which producers sell directly to consumers

Telemarketing, catalog shopping, online shopping, and shop-at-home television networks

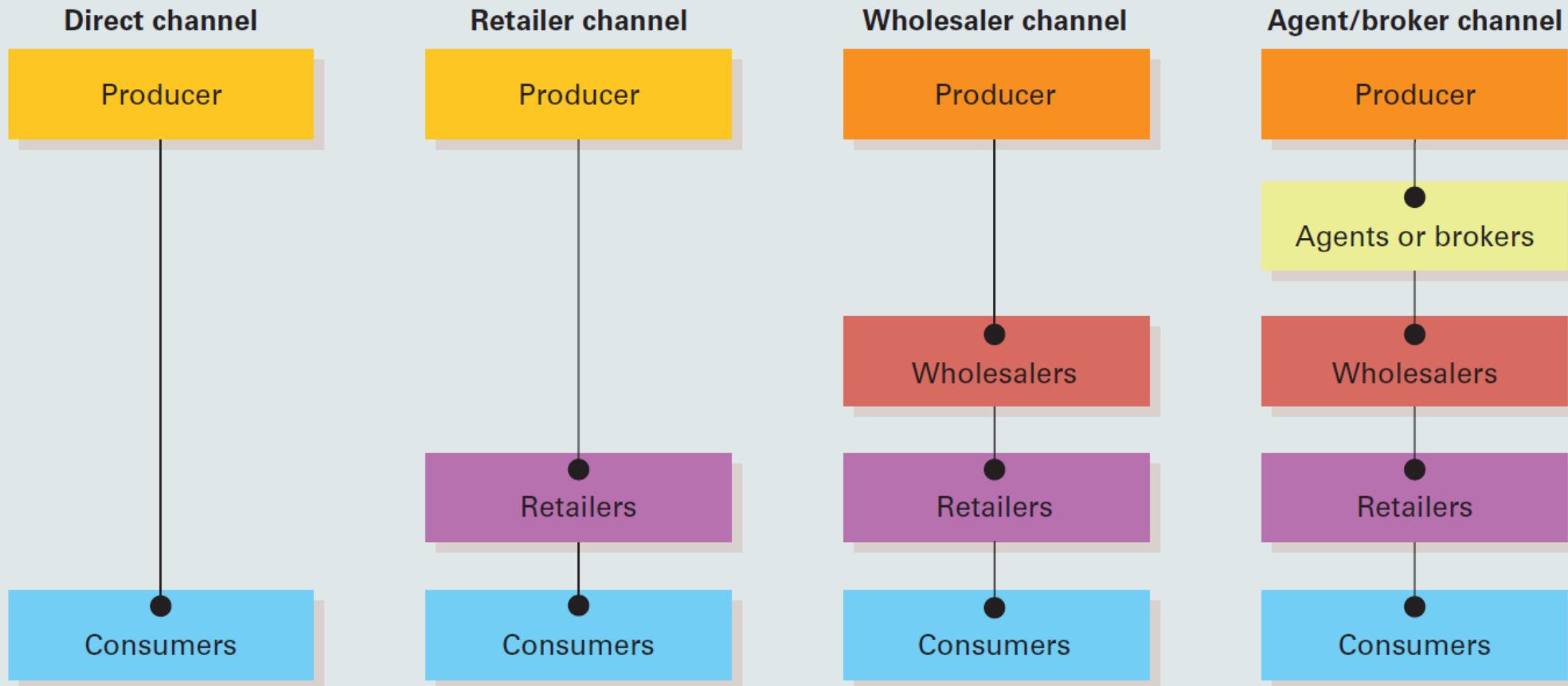
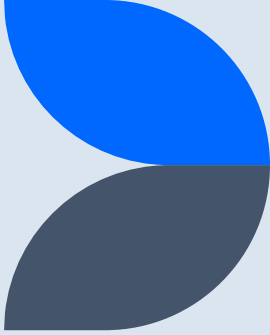
An agent/broker channel may be used in markets with small manufacturers/retailers who lack the resources to find each other

Retailer channel common when retailer is large and can buy in large quantities directly from the manufacturer

Wholesaler channel is commonly used for low-cost items that are frequently purchased



# Marketing Channels for Consumer Products



# Discussion Point

## Distribution Channels

Identify various products and discuss the channel for distribution utilized by each.





# Channels for Business and Industrial Products

Direct channels are typical in business and industrial markets

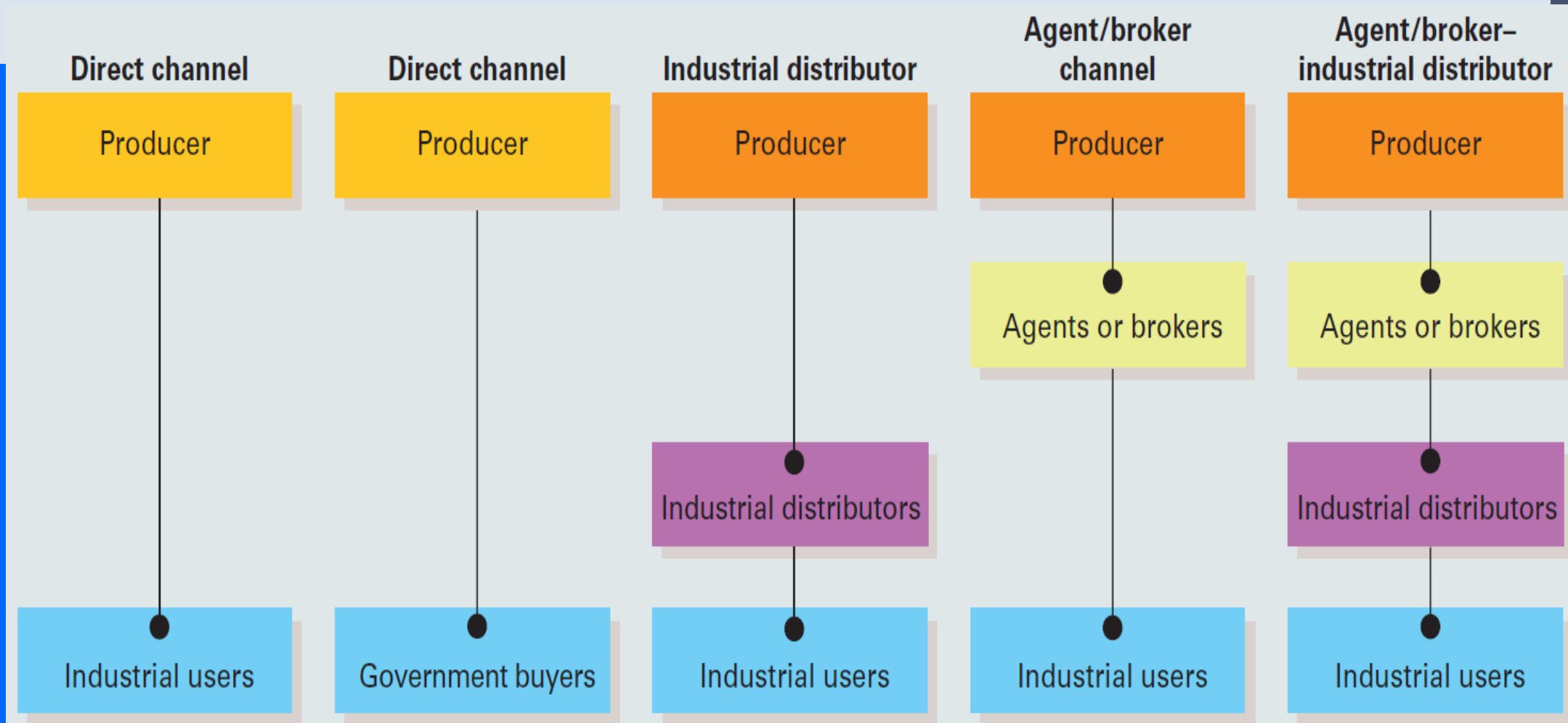
Companies selling standardized items of moderate or low value often rely on industrial distributors

Small manufacturers cannot afford to employ their own sales force

Many manufacturers and consumers are bypassing distributors and going direct, often via the Internet



# Channels for Business and Industrial Products



# Alternative Channel Arrangements

(slide 1 of 2)

**Dual or multiple distribution:** the use of two or more channels to distribute the same product to target markets

**Nontraditional channels:** non-physical channels that facilitate the unique market access of products and services

**Strategic channel alliances:** a cooperative agreement between business firms to use the other's already established distribution channel



# Alternative Channel Arrangements

(slide 2 of 2)

**Gray marketing channels:** secondary channel that are unintended to be used by the producer, and which often flow illegally obtained or counterfeit product toward customers

**Reverse channels:** channels that enable customers to return products or components for reuse or remanufacturing

**Drop and shop:** a system used by retailers that allows customers to bring used products for return or donation at the entrance of the store



# Digital Channels

**Digital channels:** are pathways for moving product and information toward customers such that they can be sent and/or received with electronic devices, such as computers, smartphones, tablets, or video game consoles

**M-commerce:** the ability to conduct commerce using a mobile device for buying or selling goods or services



# Factors Affecting Channel Choice

(slide 1 of 2)

## Market factors

Customer profiles

Consumer or industrial customer

Size of market

Geographic location

## Product factors

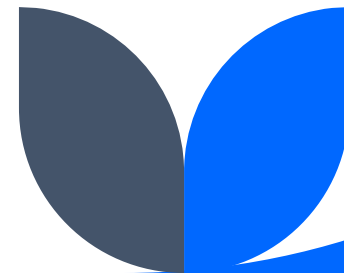
Complexity

Price

Customization

Standardization

Life cycle



# Factors Affecting Channel Choice

(slide 2 of 2)

## Producer factors

Producer resources

Number of product lines

Desire for channel control



# Levels of Distribution Intensity

Three options for intensity of distribution:

**Intensive distribution:** a form of distribution aimed at having a product available in every outlet where target customers might want to buy it

**Selective distribution:** a form of distribution achieved by screening dealers to eliminate all but a few in any single area

**Exclusive distribution:** a form of distribution that establishes one or a few dealers within a given area





# Discussion Point

## Distribution Intensity

Look at the following products:

Apple iPhones

Pepsi Cola

Elmer's glue

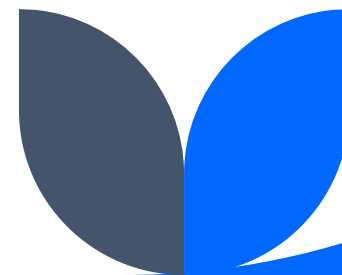
Tesla automobiles

North Face jackets

Duracell batteries

Tiffany jewelry

**What is the level of distribution intensity for each product: intensive, selective, or exclusive?**



# Emerging Distribution Structures

Rapid changes in technology and communication resulting in new, experimental distribution methods and channel structures

Fashion flash sale sites

Renting items that are usually only sold to end consumers

Subscription services

Digital marketplaces



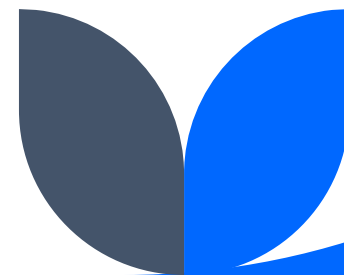
# Multichannel Marketing

Many companies have begun to employ a multichannel marketing strategy, whereby customers are offered information, goods, services, and/or support through one or more synchronized channels

More engaged during the purchase process

The exception is when customers are buying simple, utilitarian products that are well known and intended for frequent use

Create redundancy and complexity in the firm's distribution system



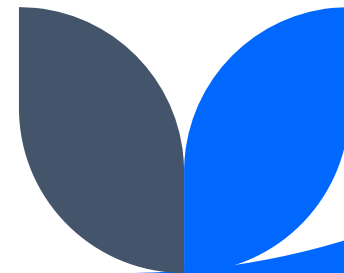
# Omnichannel Marketing

Helps unify retail interfaces so that all customers receive equal and efficient service

Helps retailers merge their distribution channels

By making their inventory data available to customers in real time

Creates greater customer control over the shopping experience, leading to greater satisfaction and loyalty



**Thank you**