

Business Marketing Face to Face

6

The Theory and Practice of B2B Marketing

Chris Fill & Scot McKee

Contents

Introduction	153
Function and Purpose of Marketing Channels	154
Service Outputs	159
Channel Flows	160
Types of Distribution Channel	162
Channel Roles and Membership	167

 Published by Goodfellow Publishers Limited, Woodeaton, Oxford, OX3 9TJ
<http://www.goodfellowpublishers.com>

Copyright © John Cousins, David Foskett and Andrew Pennington 2011

All rights reserved by Goodfellow Publishers Limited. The text of this publication, or any part thereof, may not be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, storage in an information retrieval system, or otherwise, without prior permission of the publisher.



Design and setting by P.K. McBride

6

Marketing Channels

Overview

This chapter is the first of three that examine issues concerning marketing channels and the intermediaries that populate them. In this, attention is focused on understanding the principles and core concepts associated with marketing channels. In particular, consideration is given to their purpose, basic structure and key intermediaries, their characteristics and contribution to the way in which channels work.

This chapter provides foundation material in order to explore some of the more advanced ideas about channel structure, design, interaction and networks that follow in Chapter 7. The last of the three, Chapter 8, examines the way in which behaviour within marketing channels can be managed.

Aims and objectives

The aims of this chapter are to introduce and explore core concepts associated with marketing channels.

The objectives of this chapter are to enable readers to:

- 1 Define the nature and concept of marketing channels.
- 2 Examine the purpose of, and tasks associated with, marketing channels.
- 3 Appraise the significance of service output theory and understand how it can be used to reduce channel member uncertainty..
- 4 Consider ideas concerning channel flows.
- 5 Introduce some basic principles concerning the types and structure of marketing channels.
- 6 Explore the roles and main characteristics of key members of marketing channels.

A Slice of Life – User Journeys

The move towards automation of the marketing process has gathered pace in recent years. If the solution providers are to be believed, marketing automation is the (latest) panacea for businesses seeking to fully manage the customer engagement lifecycle. Unfortunately, very few companies have the scale or resources to fully manage that lifecycle. It's too complicated. There are too many links in the value chain and even if the company did want to control the entire process, there are others far better placed to deliver their specialist piece of the marketing jigsaw – the channel.

It's easy to conceive of a single step, single transaction business relationship. Buyer meets seller, agrees price, completes transaction. Easy. Except in most B2B transactions, the value chain is considerably more complex. There are multiple touch points that link a potential buyer and a willing seller. The role of marketing is therefore to unite and align the perceptions of the buyer with the many and often varied channel providers that they will encounter along the purchasing journey.

That's not as easy as it sounds. Actually, it doesn't even sound easy. Channel marketing exists as a specialist discipline specifically to recognise the differing needs and skills of the various resellers of the original product or service across the value chain. Consider 'ingredient' brands for a second – think, Gore-Tex®, or Lycra® or Kevlar® or Teflon®. The base ingredient is produced by the OEM, original equipment manufacturer. In the case of Kevlar®, for example, it's DuPont®. But the ingredient is then applied to thousands of products not by DuPont®, but by its channel. Wholesalers, distributors, fabricators, machinists, designers, retailers... they all add value to the base ingredient by moving the product through the value chain and onto the various end-users. Your customer's, customer's, customer, is my customer. And so on.

So the journey a product takes through the channel on its way to market is often significant. It's perhaps easier to appreciate the importance of channel marketing in the context of the end-user. It's one thing trying to manage a brand and ensure its values are maintained as it passes through the ever more distant hands of the channel, but at least there is a chain of command – some control over the use of the brand by the supplier channel. With end-users, there is often no direct control over the brand perceptions of the audience. That's why companies invest in their channel relationships in the first place – to ensure that the brand connects to the end-user and that it does so with its value(s) intact.

The single most important development of the social age is that people want to engage with people, not with corporate processes. However complex the