

Chapter 9

Motivating the Channel Members



Channel Management



Channel Management:

The administration of existing channels to secure the cooperation of channel members in achieving the firm's distribution objectives

Motivation Management

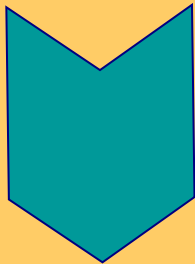
Motivation Management:



The actions taken by the manufacturers to foster channel member cooperation in implementing the manufacturer's distribution objectives

Channel Management versus Channel Design

Channel Design



“Setting up”
the channel

Channel Management



“Running”
the channel

Motivating Channel Members

Basic Framework

1. Find out the needs and problems of channel members.
2. Offer support to the channel members that is consistent with their needs and problems.
3. Provide leadership through the effective use of power.

Channel Member Needs & Problems

*Approaches for learning about member
needs & problems:*

- Research studies of channel members
- Research studies by outside parties
- Marketing channel audits
- Distributor advisory councils

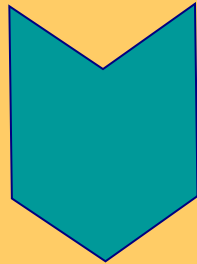
Less than 1 percent of manufacturers' research budgets is spent on channel member research!

BUT:

Manufacturer-initiated research can be useful because certain types of needs or problems may not be at all obvious.

Research Studies by Outside Parties

Why use outside parties to conduct research?



They provide a higher assurance of objectivity.



They provide a level of expertise that the manufacturer may not possess.

Marketing Channel Audits

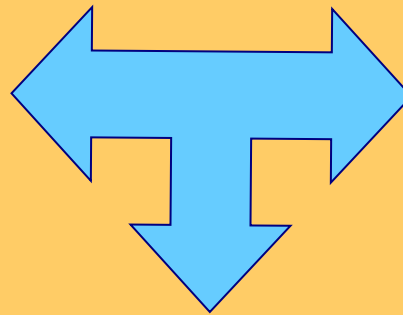
Focus of channel manager's approach:

- Gather data on how channel members perceive the manufacturer's marketing program and its component parts.
- Locate the strengths and weaknesses in the relationships.
- Learn what is expected of manufacturers to make the channel relationship viable and optimal.

Marketing Channel Audits

What makes marketing channel audits most effective?

It should identify and define in detail the issues relevant to the manufacturer-wholesaler and/or manufacturer-retailer relationship.

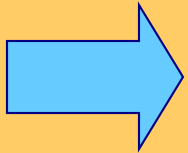


Issues chosen for the audit should be cross-referenced to any relevant variables.

It must be conducted periodically so as to capture trends & patterns.

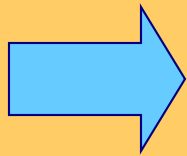
Distributor Advisory Councils

Who is involved?



Top management representatives from the manufacturer and from the channel members

What are the benefits?




- Provides recognition for the channel members
- Provides a vehicle for identifying and discussing mutual needs and problems
- Results in an overall improvement of channel communications

Supporting Channel Members

3 Types of Programs



1. Cooperative



2. Partnership or
strategic alliance



3. Distribution
programming

Cooperative Arrangements



Focuses on channel member needs & problems



Simple & straightforward



Conveys a clear sense of mutual benefit

Cooperative Arrangements

Typical types of cooperative programs provided by Manufacturers to channel members

- Cooperative advertising allowances
- Payments for interior displays
- Contests for buyers, salespeople, etc.
- Allowances for warehousing functions
- Payments for window display space
- Detail men who check inventory
- Demonstrators
- Coupon-handling allowance
- Free goods

Partnerships & Strategic Alliances

Focus on a continuing and mutually supportive relationship between the manufacturer and its channel members in an effort to provide a more highly motivated team, network, or alliance of channel members



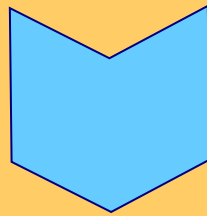
Partnerships & Strategic Alliances

Three basic phases

1. Manufacturer should make explicit statement of policies in areas such as product availability, technical support, pricing, etc.
2. Manufacturer should assess all existing distributors as to their capabilities for fulfilling their roles
3. Manufacturer should continually appraise the appropriateness of the policies guiding his or her relationship with the channel members

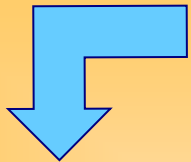
Distribution Programming

A comprehensive set of policies for the promotion of a product through the channel



Developed as a joint effort between the manufacturer and the channel members to incorporate the needs of both

Distribution Programming



Steps for developing a program:

1. Manufacturer develops analysis of marketing objectives & the kinds of levels of support needed from channel members
 - Ascertains channel members' needs & problem areas
2. Formulate specific channel policies that offer:
 - Price concessions to channel members
 - Financial advice
 - Some kind of protection for channel members

Relationship Differences

Cooperative Arrangements



Intermittent interactions between manufacturer & channel members

Partnerships & Strategic Alliances



Continuing & mutually supportive relationship

Distribution Programming



Deals with virtually all aspects of the channel relationship

The Selective Use of Power

The channel manager must exercise effective leadership on a continuing basis to attain a well-motivated team of members.

Limited Control

Loosely arranged firms = few advantages from central direction

Reward & penalty system not precise

Interorganizational System

Overall planning uncoordinated

Diffused perspective necessary to maximize total system effort

