



**BERT ROSENBLOOM**

**MARKETING  
CHANNELS**

**A MANAGEMENT VIEW**

**SECOND EDITION**

F713  
R1  
E2

8462762

# Marketing Channels: A Management View

*Second Edition*

**Bert Rosenbloom**

Drexel University

**The Dryden Press**

Chicago New York Philadelphia San Francisco Montreal Toronto London  
Sydney Tokyo Mexico City Rio de Janeiro Madrid

***To Pearl, Jack and Robyn***

Acquisitions Editor: Karen Emilson  
Project Editor: Ruta Graff  
Managing Editor: Jane Perkins  
Design Director: Alan Wendt  
Production Manager: Mary Jarvis  
Cover design by Margery Dole  
Copy editing by Terry Fertig  
Indexing by Jennifer Gordon

Composition by G & S Typesetters, Inc.  
Text type: 10/12 Trump Mediaeval

Copyright © 1983 CBS College Publishing  
All rights reserved

Address orders to:  
383 Madison Avenue  
New York, New York 10017

Address editorial correspondence to:  
One Salt Creek Lane  
Hinsdale, Illinois 60521

Library of Congress Catalog Card Number: 82-72312  
ISBN 0-03-058996-7  
Printed in the United States of America  
345-039-98765432

CBS College Publishing  
The Dryden Press  
Holt, Rinehart and Winston  
Saunders College Publishing

## Foreword

---

The literature and practice pertaining to marketing channels has blossomed in the last decade through the contributions of many individuals and firms. Within this context, today's student needs a comprehensive and insightful exposure to this increasingly important area of business and marketing. This revised work by Bert Rosenbloom certainly helps provide this exposure.

*Marketing Channels: A Management View* represents a second edition of a most successful channels text. The book is characterized by its managerial perspective, focusing on the channel decision maker's design and management of the firm's marketing channels. This perspective provides a common thread to the text and results in a well-organized, highly readable book.

*Marketing Channels: A Management View* is also distinguished by its comprehensiveness and currency. Additional depth is provided in the revised edition, and many topical issues and developments are integrated into the discussion. From a student's and instructor's perspective, the book also offers an excellent infusion of illustrations and examples and provides twenty-five cases for additional pedagogical benefit.

Professor Rosenbloom is to be commended for this significant contribution to the channels and marketing literatures.

Stephen W. Brown  
Consulting Editor  
The Dryden Press and  
Professor of Marketing  
Arizona State University

---

# **The Dryden Press Series in Marketing**

**Stephen W. Brown, Consulting Editor**

---

## ***Principles of Marketing***

**Boone and Kurtz**  
Contemporary Marketing, Fourth Edition

**Kurtz and Boone**  
Marketing

**Rice and Smith**  
The Marketing Experience

**Talarzyk**  
Cases for Analysis in Marketing, Second Edition

**Talarzyk**  
Contemporary Cases in Marketing, Third Edition

## ***Advertising***

**Dunn and Barban**  
Advertising: Its Role in Modern Marketing, Fifth Edition

## ***Consumer Behavior***

**Blackwell, Engel, and Talarzyk**  
Contemporary Cases in Consumer Behavior

**Block and Roering**  
Essentials of Consumer Behavior, Second Edition

**Engel and Blackwell**  
Consumer Behavior, Fourth Edition

## ***Retailing***

**Marquardt, Makens and Roe**  
Retail Management: Satisfaction of Consumer Needs, Third Edition

**Rogers and Gamans**  
Fashion: A Marketing Approach

## ***Salesmanship***

**Hise**  
Effective Salesmanship

**Young and Mondy**  
Personal Selling: Function, Theory, and Practice, Second Edition

## ***Sales Management***

**Futrell**  
Contemporary Cases in Sales Management

**Futrell**  
Sales Management: Behavior, Practice, Cases

## ***Marketing Research***

**Churchill**  
Marketing Research: Methodological Foundations, Third Edition

**Zikmund**  
Exploring Marketing Research

**Sciglimpaglia**  
Applied Marketing Research

**Zikmund, Lundstrom, and Sciglimpaglia**  
Cases in Marketing Research

## ***Advanced Marketing Research***

**Green**  
Analyzing Multivariate Data

## ***Channels***

**Rosenbloom**  
Marketing Channels: A Management View, Second Edition

## ***International Marketing***

**Terpstra**  
International Marketing, Third Edition

## ***Industrial Marketing***

**Hutt and Speh**  
Industrial Marketing Management

# Preface

---

Since the first edition of *Marketing Channels: A Management View* was published in 1978, the field of marketing channels has grown substantially. More research is being done on marketing channels, the literature is accumulating rapidly, and more and more collegiate schools of business have added marketing channels courses to marketing curricula at both the undergraduate and graduate levels. This dramatic increase in interest in marketing channels reflects the growing importance of this area within the larger field of marketing. Further, with the increased emphasis on strategic planning in marketing in recent years, a fuller understanding of marketing channel management has become even more important. Marketing channel management as one of the key strategic areas of the marketing mix offers great potential for improving marketing management through strategically planned and effectively managed marketing channels.

Given these developments, the managerial approach to marketing channels pioneered in the first edition of *Marketing Channels: A Management View* is more relevant and timely than ever. Thus, the second edition continues to be consistent with the original objective of the first edition—to provide a *managerial focus to the marketing channels literature within a comprehensive and integrated managerial framework*. The content of the second edition continues to emphasize the kind of knowledge needed to make more effective channel decisions. While the text still covers all of the important aspects of channel theory and research, it avoids drawn out and esoteric discussions of this material and instead stresses *managerial implications*.

The basic approach and style used in the original text have also been maintained in this edition. Every effort has been made to present material as clearly and concisely as possible, and carefully chosen examples and vignettes have been used abundantly throughout the text to add concreteness and interest. Even though this second edition presents some rather sophisticated material, students are likely to find it one of the most interesting and easily understood of any upper division marketing text. The only prerequisite necessary is the basic marketing course which virtually all students will have taken before enrolling in the channels course.

Although the basic objective, approach, and style of the first edition have been maintained, substantial changes and additions have been made to the content of the text. These changes and additions are discussed in the next section.

## ***Organization of the Second Edition***

Part One, Marketing Channel Systems, lays a basic foundation of marketing channel concepts within a managerial framework. Chapter 1 has been greatly expanded. The relationship of channel management to the marketing mix and strategic marketing management is discussed in depth, the distinction between channel management and physical distribution management is carefully examined, and the concept of channel flows is introduced explicitly and discussed in detail from a channel management perspective. Other marketing channel concepts introduced in the first edition have also been refined in this chapter. Chapter 2, which deals with marketing channel participants, has also been greatly expanded. The material on manufacturers and wholesale and retail intermediaries is treated in much greater depth, and all data have been updated using the latest census figures available. Chapter 3, which presents an analysis of the environmental setting of marketing channels and discusses the implications of environmental change for channel management has been entirely rewritten to reflect the many environmental changes that have occurred since the first edition was published. The section on the legal environment has also been greatly expanded. Also, this material has been placed within the chapter rather than being divided between the chapter and an appendix. Chapter 4, dealing with behavioral processes in marketing channels, has been updated to incorporate the substantial amount of behavioral channel research that has taken place since the first edition was published.

Part Two, Developing the Marketing Channel, beginning with Chapter 5, presents a comprehensive discussion of channel design. The seven-phase channel design paradigm introduced in the first edition has been retained but new examples and refinements have been added. Chapter 6 offers a detailed discussion of the last phase of channel design (selection of the channel members). New illustrative material has been added and more emphasis has been given to the problem of recruiting prospective channel members. Finally, Chapter 7, dealing with how various market dimensions influence channel design strategy, has been refined and updated.

Part Three, Managing the Marketing Channel, discusses the administration of existing channels. The first chapter in this part (Chapter 8) discusses the problems involved in motivating the channel members to perform their tasks effectively and efficiently. The revision of this chapter places more emphasis on learning about channel member needs and problems and provides an expanded and updated discussion of distribution programming for motivating channel members. All of Chapter 9 in this edition is devoted entirely to product issues in channel management. It has been substantially expanded to include a comprehensive discussion of the relationship between strategic product management and channel management. The material on pricing issues in channel management



comprises a separate chapter (Chapter 10). Much new material on pricing in relation to channel management has also been added. Chapter 11, which deals with promotion in the marketing channel, has been revised to treat the distinction between “pulling” and “pushing” promotional strategies more explicitly than the first edition. Tighter organization was also achieved by placing this chapter directly following the pricing chapter rather than following the physical distribution chapter. Part Three concludes with Chapter 12 on physical distribution and channel management. This chapter has been thoroughly revised to provide a fuller discussion of the interfaces between physical distribution management and channel management.

Finally, Part Four of the text, *Appraising the Marketing Channel*, begins with Chapter 13 which tackles the issues involved in evaluating channel member performance. While the basic substance of this chapter is the same as in the first edition, some important refinements have been made to provide a stronger basis for performance evaluation in marketing channels. Chapter 14, the final chapter in the text, provides an updated discussion of the influence of vertical marketing systems on channel management.

The second edition of *Marketing Channels: A Management View* also has longer and more detailed chapter summaries than the first edition, and many of the discussion questions have been revised and new ones added. Finally, the case section, Part Five, has been substantially expanded. There are now a total of twenty-five cases. Almost one third of these are new to this edition, and most of these new cases are longer and more challenging than the cases they replaced. Thus, the section now has a good mix of short, medium, and long cases. A matrix relating the cases to relevant text chapters can be found at the beginning of the case section.

### ***A Note on the Use of the Term Channel Manager***

As in the first edition, the term “channel manager” continues to be used throughout as a way of referring to anyone in the firm involved in making channel decisions. Such terms as “decision maker,” “marketing manager,” “manager” or “marketer” could have been used in place of the term channel manager. But I chose to continue using the term channel manager because I believe it provides a sense of focus for referring to the important role of channel decision making within the firm. Regardless of what the individual’s actual job title is, when that person is involved in making channel decisions, he or she is filling the role of channel manager even though such a position may not formally exist on the firm’s organization chart. In other words, anyone in the firm who is making channel decisions is, while involved in that activity, a channel manager.



# Acknowledgments

---

This revision effort was made much easier because of the excellent input provided by a fine group of reviewers. I would like to express my heartfelt thanks to the following colleagues for the excellent and painstaking job they did in providing ideas, comments, and constructive criticism which were invaluable to me in revising the original text:

William Black, University of Arizona (Tucson)

Raymond W. Knab, Jr., New York Institute of Technology

Charles W. Lamb, Jr., Texas Christian University

Orville C. Walker, Jr., University of Minnesota

Kaylene C. Williams, University of Delaware

I would also like to express my continuing thanks to the original group of reviewers who played such an important role in helping to shape the first edition of the text: Boris W. Becker (Oregon State University), M. Bixby Cooper (Michigan State University), Donald J. English, Jr. (St. Mary's College), Joseph P. Guiltinan (University of Kentucky), Stephen K. Keiser (University of Delaware), and Charles W. Lamb, Jr. (Texas Christian University).

The high level of professionalism displayed by the Dryden staff in the development of the first edition continued unabated in the second edition. I would especially like to express my sincere appreciation to Karen Emilson, Nancy Hughson, Ruta Graff, and Anne Smith.

Thanks are also due to Rolph Anderson, chairman of the marketing department at Drexel University, for his encouragement and assistance provided during the revision process and to the students in my marketing channels classes at Drexel who were subjected to various drafts of this revision.

Finally, as with the first edition, my deepest thanks goes to my wife, Pearl, for her unfailing support and assistance during every phase of the revision process.

Bert Rosenbloom  
Philadelphia, Pennsylvania

# Lists of Figures and Tables

---

- 1.1 Marketing Mix Strategy Model 7
- 1.2 Marketing Mix Strategic Variables with Distribution Variable Divided into Channel and Physical Distribution Components 9
- 1.3 Five Flows in the Marketing Channel for Perrier Water 11
- 1.4 Specialization and Division of Labor Production vs. Distribution for a Pipe Manufacturer 15
- 1.5 How the Introduction of an Additional Intermediary Reduces the Number of Contacts 17
- 1.6 A Typical Portrayal of Channel Structure for Consumer Goods 18
- 1.7 Marketing Channels for Automobiles 20
- 1.8 Marketing Channels for Magazines and Paperback Books 21
- 1.9 Marketing Channels for Phonograph Records 21
- 1.10 Marketing Channels of a Manufacturer of Electrical Wire and Cable 22
- 1.11 Dominant Channel Configurations in the Service Sector 22
  - 2.1 Classification of Channel Participants 28
  - 2.2 Hypothetical Average Cost Curve for the Production of Crayons 31
  - 2.3 Hypothetical Average Cost Curve for the Distribution of Crayons 31
  - 2.4 Schematic Overview of the Three Major Types of Wholesalers 34
  - 2.5 Kind-of-business Groupings for Wholesalers 34
  - 2.6 Sample Table from Census of Wholesale Trade 35
  - 2.7 Wholesale Sales by Type of Wholesaler 36
  - 2.8 Percent of Wholesale Sales by Type of Wholesaler 37
  - 2.9 Wholesale Sales by Kind of Business 38
  - 2.10 Percent Distribution of Wholesale Establishments and Sales by Employment Size 40
  - 2.11 Concentration of Wholesale Sales by Type of Wholesalers of Various Sizes 41
  - 2.12 Alternative Bases for Classifying Retailers 45
  - 2.13 Sales of Ten Major Kind-of-Business Groups 46
  - 2.14 Sample Table from Census of Retail Trade 47
  - 2.15 Percentage Distribution of Retail Establishment and Sales by Size of Establishment 48
- 1.16 Concentration of Sales among the Fifty Largest Retail Firms—for All of Retail Trade, Department Stores, and Food Stores 49
  - 3.1 The Impact of Environment in a Marketing Channel Context 61
  - 3.2 Types of Competition 68
  - 3.3 Marketing Channel Structures in Developing Countries and Japan 72
  - 4.1 Conflict and Channel Efficiency—Negative Effect 104
  - 4.2 Conflict and Channel Efficiency—No Effect 105
  - 4.3 Conflict and Channel Efficiency—Positive Effect 106
  - 4.4 Conflict and Channel Efficiency—General Curve 107
  - 4.5 An Advertisement Soliciting Channel Participants 116
  - 5.1 A Flow Chart of the Channel Design Decision Paradigm 139
  - 5.2 Interrelationships and Hierarchy of Objectives and Policies in the Firm 144
  - 5.3 Alternate Channel Levels 148
  - 5.4 Relationship between the Intensity of Distribution Dimension and Number of Retail Intermediaries Used in a Given Market Area 149
  - 5.5 Relationship between Degree of Product Standardization and Channel Length 155
  - 5.6 Relationship between Product Characteristics and Length of Marketing Channels 161
  - 5.7 Alternative Channels Proposed by the Commodity Chemical Company for its New Pool Germicide Product 166
- 6.1 Sample Listing of Wholesale Trade Associations 177
- 6.2 Sample Listing of Retail Trade Associations by Kind of Business 178
- 6.3 Trade Magazine Advertisement Seeking Industrial Distributions 180
- 6.4 Trade Magazine Advertisement Seeking Retailers 181
- 6.5 Selection Criteria Used by the Waste King Corporation 183
- 6.6 Key Criteria to Consider When Selecting Channel Members 188
- 6.7 Statement of Policy towards Intermediaries of the Rust-Oleum Corporation 190
- 6.8 Advertisement for a Management Assistance Program to Attract New Channel Members 192

7.1	A Market Construct for Analyzing Market Dimensions in Relation to Channel Design	197
7.2	Effect of Distance between Producers and Final Users on the Relative Cost of Direct and Intermediary Channel	198
7.3	Geographical Areas for which Census Data are Available	200
7.4	The Effect of Number of Buyers (U) on the Relative Cost of Direct Channel vs. Middleman Channel	202
7.5	Typical Japanese Channel of Distribution for a Consumer Product	206
8.1	Model of a Channel Communication System	223
8.2	Statement of Policy towards Channel Members of the Black & Decker Corporation	231
8.3	Cover Page from Program Booklet of the 55th Convention of the Armstrong Floor Division Wholesale Distributors	234
8.4	A Frame of Reference for Distribution Programming	235
8.5	Examples of Channel Policy Options	236
8.6	Outline of a Programmed Merchandising Agreement	238
8.7	Comparison of Characteristics of Supplier/Retailer Relationships in a Conventional Channel vs. a Programmed System	239
9.1	The Product Life Cycle	254
9.2	Stages of the Product Life Cycle and Their Implications for Channel Management	256
9.3	An Advertisement for a Product Monitoring Service	258
10.1	The Channel Manager's Role in the Manufacturer's Pricing Decisions	275
10.2	Harcourt Brace Jovanovich's Discounts to Retailers	287
12.1	Activity Cogs in a Physical Distribution System	318
12.2	Interfaces between Physical Distribution and Channel Management Viewed Sequentially	321
13.1	Channel Member Performance Audit	339
13.2	Form for Evaluating Channel Member Sales Performance	341
13.3	Small Number of Channel Members Accounting for Major Portion of Sales	342
13.4	Distributor Agreement Used by the Hewitt-Robins Corporation	344
13.5	Channel Member Performance Evaluation Using Multiple Criteria Combined Informally	351
14.1	A Schematic Representation of Vertical Marketing Systems	361
14.2	Conventional Channels vs. Administered Channels	362

---

1.1	An Example of Contactual Efficiency for the Samson Pipe Company Negotiating Directly with Retailers	16
1.2	An Example of Contactual Efficiency for the Samson Pipe Company Negotiating with Wholesalers	16
1.3	Illustrations of Channel Systems and Facilitating Agencies	24
2.1	Percentage of Breakdown of Wholesaler Sales by Type of Operation	37
2.2	Distribution Tasks of Agents, Brokers, and Commission Merchants	43
2.3	Total Sales, Number of Establishments and Average Sales per Establishment	48
2.4	U.S. Retailers with Sales of One Billion Dollars or More	51
3.1	Inflation Rates in the United States as Measured by the Consumer Price Index	63
5.1	Examples of Market Buying Habits and Some Corresponding Heuristics for Channel Structures	154
5.2	Aspinwall's Characteristics of Goods Theory Color Classification Scheme	160
5.3	Weighted Factor Score Method Applied to Channel Choice: Channel Alternative One	167
7.1	Published Sources for Locating Markets in the United States	202
7.2	Contrasting Behaviors Related to How Customers Buy at the Consumer Level	211
7.3	Husband and Wife Influences on the Purchase of Various Products and Services	214
8.1	Possible Cooperative Activities between Channel Members	229
10.1	Possible Reactions of Channel Members to a Manufacturer Initiated Price Cut	276
10.2	Margins and Other Operating Data of Selected Retailers	278
10.3	Margins and Other Operating Data of Selected Wholesalers	278
11.1	Promotional Assistance Offered by the Imperial Eastman Corporation to Its Wholesale Distributors	302
12.1	Distribution Costs as a Percentage of Sales Dollars	319

13.1	Basic Questions for Evaluating Channel Member Inventory Performance	345
13.2	Questions for Evaluating Channel Member Growth Prospects	348
13.3	Channel Member Performance Evaluation Using Criteria Separately	350
13.4	Weighted Criteria Method for Evaluating Channel Member Performance	353
13.5	Weighted Criteria Method for Evaluating Channel Member Performance Using Several Measures per Criterion	353
13.6	Hypothetical Ranking of Ten Channel Members Using the Weighted Criteria Method	354
13.7	Hypothetical Frequency Distribution of 500 Channel Members' Overall Performance Ratings	354
14.1	Examples of Manufacturers Operating Administered Channels	362
14.2	Typical Services Offered by Wholesaler Sponsored Voluntary Chains to Their Member Retailers	367
14.3	Selected Wholesaler Sponsored Voluntary Associations in the Drug and Hardware Fields	367
14.4	Franchise Sales in the United States	368
14.5	Comparisons of Rates of Sales Growth for Selected Kinds of Franchises	371
14.6	Numbers of Franchised Establishments	372
14.7	Initial Services to Franchisees, as Reported by Franchisors	375
14.8	Continuing Services to Franchisees, as Reported by Franchisors	375
14.9	Principal Sources of Franchisor Revenue	378
14.10	Examples of Manufacturers Operating Forwardly Integrated Marketing Systems	379

# Contents

---

## Part One Marketing Channel Systems

Chapter 1	Marketing Channel Concepts	3
	Marketing Channel Defined	4
	Marketing Channel and the Marketing Mix	6
	Channel Management vs. Physical Distribution Management	8
	Flows in Marketing Channels	10
	Distribution through Intermediaries	13
	Channel Structure	18
	Ancillary Structure	20
Chapter 2	The Channel Participants	27
	An Overview of the Channel Participants	27
	Producers and Manufacturers	29
	Intermediaries	32
	Facilitating Agencies	53
Chapter 3	The Environment of Marketing Channels	59
	The Marketing Channel and Environment	59
	The Economic Environment	62
	The Competitive Environment	68
	The Socio-Cultural Environment	70
	Technological Environment	75
	Legal Environment	79
	The Marketing Channel as an Open System	90
Chapter 4	Behavioral Processes in Marketing Channels	95
	The Marketing Channel as a Social System	96
	Conflict in the Marketing Channel	97
	Power in the Marketing Channel	113
	Role in the Marketing Channel	123
	Communication Processes in the Marketing Channel	126

---

## Part Two Developing the Marketing Channel

Chapter 5	Designing the Channel	135
	Who Engages in Channel Design?	136
	Differential Advantage and Channel Design	136
	A Paradigm of the Channel Design Decision	138
	Phase 1: Recognizing the Need for Making Channel Design Decisions	138
	Phase 2: Setting and Coordinating Distribution Objectives	141
	Phase 3: Specifying the Distribution Tasks	145
	Phase 4: Developing Possible Alternative Channel Structures	147
	Phase 5: Evaluating Variables Affecting Channel Structure	151
	Phase 6: Choosing the "Best" Channel	158
Chapter 6	Selecting the Channel Members	173
	Finding Prospective Channel Members	175
	Applying Selection Criteria	182
	Securing the Channel Members	187

Chapter 7	Target Markets and Channel Design Strategy	195
	A Construct for Market Analysis	195
	Market Geography and Channel Design Strategy	196
	Market Size and Channel Design Strategy	203
	Market Density and Channel Design Strategy	204
	Market Behavior and Channel Design Strategy	206

---

## Part Three Managing the Marketing Channel

Chapter 8	Motivating the Channel Members	219
	Finding Out the Needs and Problems of Channel Members	220
	Providing Support for Channel Members	227
	Providing Leadership to Motivate Channel Members	240
Chapter 9	Product Issues in Channel Management	247
	The Product and Channel Management	248
Chapter 10	Pricing Issues in Channel Management	273
	Guidelines for Developing Effective Channel Pricing Strategies	276
	Other Issues in Channel Pricing	283
Chapter 11	Promotion through the Marketing Channel	295
	Constraints on Channel Member Promotional Support	297
	Promotional Strategies and Channel Member Cooperation	300
Chapter 12	Physical Distribution and Channel Management	317
	Physical Distribution and Channel Management	320

---

## Part Four Appraising the Marketing Channel

Chapter 13	Evaluating Channel Member Performance	335
	Factors Affecting Scope and Frequency of Evaluation	336
	Performance Evaluation vs. Day to Day Monitoring	337
	Channel Member Performance Audit	338
Chapter 14	Vertical Marketing Systems and Channel Management	359
	Administered Systems	360
	Contractual Systems	365
	Corporate Systems	378
Appendix 14A	Evelyn Wood Reading Dynamics	
	A Franchise Contract	388

---

## Part Five Cases in Marketing Channels

Case 1	Market Research Associates	
	<i>Changing Channels of Distribution</i>	401
Case 2	R. L. Simpson Company	
	<i>Policies and Practices of a Distributor</i>	404

Case 3	<b>Airwick Industries, Inc.</b> <i>Changing Channel Strategy to Meet a Changing Environment</i> 407	
Case 4	<b>Catonga Radio Corporation</b> <i>Some Legal Issues in Channel Management</i>	410
Case 5	<b>Tender Lovin Chicken</b> <i>Abuse of Channel Power!</i> 413	
Case 6	<b>Green &amp; Company</b> <i>Conflict in the Channel</i> 416	
Case 7	<b>Carvel Corporation</b> <i>A Company That Switched Distribution Systems</i> 418	
Case 8	<b>Lafontaine Potteries Limited</b> <i>Selecting Channels of Distribution</i> 420	
Case 9	<b>Star Chemical Company</b> <i>Evaluating Alternative Channel Structures</i> 423	
Case 10	<b>Jayson Guitar Company</b> <i>Developing Marketing Channel Strategy</i> 426	
Case 11	<b>Innovative Toys Inc. (A)</b> <i>Revamping Channel Strategy</i> 429	
Case 12	<b>The Oliver Corporation</b> <i>Finding Prospective Dealers</i> 432	
Case 13	<b>The National Oil Company</b> <i>Evaluation of a Proposal for a New Type of Station</i> 436	
Case 14	<b>Innovative Toys Inc. (B)</b> <i>Consumer Shopping Behavior and Channel Design</i> 438	
Case 15	<b>The Mass Market Paperback Distribution Systems</b> <i>An Opportunity for Better Channel Management!</i> 449	
Case 16	<b>Dunkin' Donuts Incorporated</b> <i>Channel Member Training</i> 454	
Case 17	<b>Kelsey Manufacturing Company</b> <i>Getting Middlemen to Promote the Manufacturer's Products</i> 457	
Case 18	<b>Hill Industrial Supply</b> <i>Distribution Programming through Systems Selling</i> 460	
Case 19	<b>Wolverine Brass Works</b> <i>Using the Marketing Mix to Build a Strong Channel</i> 469	
Case 20	<b>Clarkson Cold Products Company</b> <i>Channels of Distribution for a New Product</i> 476	
Case 21	<b>Hyde-Phillip Chemical Company</b> <i>Alternative Forms of Sales Representation</i> 479	
Case 22	<b>Auditing Distribution Channels</b> <i>Using Market Research for Better Channel Management</i> 483	
Case 23	<b>Koehring Company</b> <i>Evaluating Channel Member Performance</i> 490	
Case 24	<b>Westron Incorporated</b> <i>Administered Vertical Marketing Systems</i> 498	
Case 25	<b>Pepsi-Cola Bottlers</b> <i>Organization of a Franchised Channel</i> 501	



# **Part One**

## **Marketing Channel Systems**

---

In this first part of the text we discuss the basic foundations of marketing channel systems.

Chapter 1 begins with a managerial definition of the marketing channel and then moves on to a discussion of how marketing channel strategy relates to strategic marketing management. Then basic concepts such as channel flows, channel structure, and the rationale for the existence of marketing channels are discussed.

Chapter 2 discusses the role played by channel participants at the manufacturer, wholesaler, and retailer levels.

Chapter 3 presents an analysis of the impact of external uncontrollable environmental factors on marketing channels.

Chapter 4, the last chapter in Part I, discusses behavioral processes in the marketing channel.

