PROFESSOR BEN O. EHIGIE

Department of Psychology, University of Ibadan,
Ibadan, Nigeria.
Office Address: Room 146,
Faculty of the Social Sciences Building.
Phone: 08053218030
Email: benosang@yahoo.com
DATE: January 20, 2014.

paddyflay2002@yahoo.com

Dear All,

BOOK PUBLICATION

By God's grace, and if Jesus tarries, I will be 50 years by Saturday July 18, 2015. To mark this day, I am considering publishing a book on: "Consumer, Marketing, and Advertising Psychology." I am therefore putting together a team of all my past and present Ph.D students and colleagues in the Industrial/Organisational Psychology Unit of the Department of Psychology, University of Ibadan to write chapters in this book. On this basis, you have been selected for this task. The chapters and names of proposed writers can be found below:

TITLE OF BOOK: Consumer, Marketing and Advertising Psychology

1. Introduction to Consumer psychology and marketing- Mrs Akinfenwa
2. Approaches to the study of consumer behaviour- Mr Steve Adegoke
3. Personal and Socio-cultural factors in consumer behaviour and marketing- Dr. Chovwen
4. Consumer decision process and buying behaviour- Dr Sola Akinbobola
5. Consumer attitudes and attitude change process- Dr Afolabi
6. Consumer learning- Dr Akpan
7. Consumer motivation- Dr D.E. Okurame
8. Product creativity, innovation, diffusion and adoption- Dr Odetunde
9. Product design, development and management- Mr Uche Onuoha
10. Product pricing- Prof Ehigie
11. Bargaining and negotiation in marketing- Dr Adebayo Dada Otu
12. Marketing philosophy, process and management- Prof Ehigie
13. Marketing channels- Dr Sholarin
14. Personal selling process- Dr Ekore
15. Managing sales and marketing personnel - Mr Ajibewa
16. Advertising and publicity processes and techniques- Dr Shenge
17. Social media advertising- Mr Ucho Aondoaver
18. Political advertising- Dr Shenge
19. Product sales promotion techniques- Dr S.S. Babalola
20. Consumer and marketing research and information systems- Dr Alarape
21. Consumerism- Mr Samuel Fasanmi

NOTE:

1. Each paper shall be in Times New Roman with 12 font size
2. A paper should not exceed 30 pages, double spacing, including references
3. The use of proper examples, illustrations, and case studies are encouraged, but contributors are advised to localize same to suit the needs of our immediate consumers.
4. Proper, recent and complete referencing, using the APA style is encouraged
5. It will be highly appreciated if your paper is submitted before or at the end of April, 2014 to any one of these persons:
   - Prof. B.O. Ehigie- benosang@yahoo.com
   - Dr A.I. Alarape - alaraperemi75@yahoo.co.uk
   - Dr N. A. Shenge- alex71851@yahoo.com

Thank you.

Sincerely Yours,

Professor Benjamin Osayawe Ehigie

DISTRIBUTION CHANNEL

A marketing channel can assume any of the following dimensions depending on the need of the manufacturer and or the marketer.

(a) A ONE STAGE MARKETING CHANNEL

This stage contains one selling intermediary. In consumer markets this intermediary is typically a retailer and in industrial market, he is usually sales agent or a broker.

REASONS FOR THE USE OF DIRECT CHANNEL

(i) The need to demonstrate a technical product, to supervise tests, to undertake complicated and perhaps lengthy negotiations, or to provide specialized after sales service.
(ii) The lack of active selling by intermediaries.
(iii) Inability by intermediaries to effect physical transportation.
(iv) Industrial Market Structures, which does not give room for many buyers.
(v) Inability to persuade existing channels to carry or merchandize stock.

(b) A TWO STAGE MARKETING CHANNEL

This contains two intermediaries. In the consumer market, they are typically the Wholesalers and the retailer; and in Industrial market, they are usually the sales agent and a broker.

(c) A THREE STAGE MARKETING CHANNEL

Contains three intermediaries. Under this circumstance you have the presence of the wholesaler, the jobber and retailer. The jobber buys from the Wholesaler and sells to the small retailers who usually are not serviced by the wholesaler. Apart from these major stages, higher stage marketing channels can also be found but the frequency is usually less. At any rate, the most important point is that no company would develop a channel that would not give him the best advantage for selling his products. Consideration of the customers, the product, available middlemen, competition, company and environment has to shape the objective and constraints governing the design of the channels.

Thus in evaluating which channel is to be used each channel alternative must be evaluated for its overall enterprise implications. At least different criteria should be included in the evaluation. The first is economic and this is the most important because most companies primary objective is profit maximization.

So it is important to find out what each channel alternatives implies in the area of sales, costs and profits.

The second is relocated to control: what does each channel alternative imply in the area of possible sources of channel conflicts? Agents versus company sales staff etc. P – W – R – C or P – R – C or P – C?

The third is adaptive: That is the ability or freedom of the producer to adapt to changing condition. Thus very long contractual agreements may not be very desirable unless it is seen to be very superior on economic grounds.

CHANNEL MANAGEMENT DECISIONS

After a company has determined its basic channel design, individual middlemen must be selected, motivated and periodically evaluated.

Selecting channel members.

Every producer has two major options in selecting its proposed channel of operation: there is the first option of where the producers have no trouble of finding specific business establishment to join the channel. Their proposal – attracts more than enough dealers. The problem that they may now have is in selecting the best dealers. Examples are companies like Lever Brothers or any Breweries etc.

Whereas at the other extreme is one where the producer has to really work hard to line up the desired number of qualified middlemen, and where he does not succeed in getting them, he makes do with whatever he can get. Example abound with the group. They are usually new products manufactured by new companies etc. the manufacture of distills water by Adedon, Meubratouch and one Omo detergent, Edo State.

MOTIVATING CHANNEL MEMBERS

Middlemen must not only be selected and sighed up, they must also be motivated to do their best job. There must be continuous supervision and encouragement from the producer. He must not only sell through them but must sell to them. The first step in motivating the Middlemen is to see the situation from their viewpoint. The producer should of course desist from either over motivating or under motivating his middlemen. Over motivation occurs when the producers term are more generous than they need to be at a particular level of cooperation and effort from the distributor. The result may be high but low profit for the producer.

Whereas if under motivated, that is when the producers term are too (lack rigor) anemic to stimulate more than a token effort by the distributors. The result is low sales and low profits. One would discover that none of these is profitable to the producer.

In motivating middlemen, any of the following options could be taken; nagging the distributors until they either perform or quit, running dealers trade shows, sponsoring sales contests for distributors and their salesmen and increasing advertising directed at both the final customers and the trade.

EVALUATING CHANNEL MEMBERS

Where the performance is below the normal standard, the producer should take pain to find the causes of this and try to find remedy towards rectifying the situation. The producer may have to tolerate the unsatisfactory performance if dropping or replacing the middlemen would lead to even worse results. But where there are other alternatives, then he should be given the opportunity to improve himself, or face the consequences of being dropped.

Evaluation of a channel member's performance is another very important function, which the producer has to perform, apart from selecting and motivating them.

His performance can be evaluated based on either target set by his appointment or as a comparison over his previous year's performance or even as against the performance of his contemporaries.

In Conclusion, it should be noted that marketing channel decisions are among the most complex and challenging problems facing the firm.
Each firm usually is confronted with a number of Alternative ways to reach the market. They vary from direct selling, to using one, two three or more intermediaries. The firms making up the marketing channel are connected in different ways by physical, title, payment information and promotional flows. Marketing channels do not stay static but are characterized by continuous and sometimes dramatic change.

USE OF MULTIPLE CHANNELS OF DISTRIBUTION

A manufacturer is to use multiple channels (also called dual distribution) to reach different marketers when selling.

(i) The same product (sporting goods, typewriters) to both the consumer and the industrial markets.

(ii) Unrelated products (Oleo margarine and paint, or rubber products and plastics).

DUAL DISTRIBUTION

This is also often used to reach the same market, but one in which there are differences in (i) the size of the buyers or (ii) the densities within parts of the market. A manufacturer of food products will sell directly to large grocery chains but use Wholesalers to reach smaller stores. A producer of industrial machinery may use its own sales force to sell directly to users, in concentrated markets, but it may employ manufacturer's agent to reach customers in sparsely populated, market.

A significant development in dual distribution and a source of channel conflict has been the increase use of competing channel systems by manufacturers to sell detergent Edo State.

MOTIVATING CHANNEL MEMBERS

Middlemen must not only be selected and signed up, they must also be motivated to do their best job. There must be continuous supervision and encouragement from the producer. He must not only sell through them but must sell to them. The first step in motivating the middlemen is to see the situation from their viewpoint. The producer should of course desist from, either over motivating or under motivating his middlemen. Over motivation occurs when the producer's term are more generous than they need to beat a particular level of cooperation and effort from the distributor. The result may be high but low profit for the producer. Whereas if under motivated, that is when the producers' term are too (lack rigor) anemic to stimulate more than a token effort by the distributors. The result is low sales and low profits. One would discover that none of these is profitable to the producer.

In motivating middlemen, any of the following options could be taken: nagging the distributors until they either perform or quit, running dealers trade shows, sponsoring sales contests for distributors and their salesmen and increasing advertising directed at both the final customers and the trade.

EVALUATING CHANNEL MEMBERS

Where the performance is below the normal standard, the producer should taken pain to find the causes of this and try to find remedy towards rectifying the situation. The producer may have to tolerate the unsatisfactory performance if dropping or replacing the middlemen would lead to even worse results. But where there are other alternatives, then he should be given the opportunity to improve himself, or face the consequences of being dropped.

Evaluation of a channel member's performance is another very important function, which the producer has to perform, apart from selecting and motivating them.

His performance can be evaluated based on either target set by his appointment or as a comparison over his previous years performance or even as against the performance of his contemporaries.

In conclusion, it should, be noted that marketing channel decisions are among the most complex and challenging problems facing the firm. Each firm usually is confronted with a number of Alternative ways to reach the market. They vary from direct selling, to using one, two, three or more intermediaries. The firm making up the marketing channel are connected in different ways by physical title, payments information and promotional flows. Marketing channels do not stay static but are characterized by continuous and sometimes dramatic change.

USE OF MULTIPLE CHANNELS OF DISTRIBUTION

A manufacturer is to use multiple channels (also called dual distribution) to reach different marketers when selling.

(i) The same product (sporting goods, typewriters) to both the consumer and the industrial marketers.
(ii) Unrelated products plastics)

DUAL DISTRIBUTION

This is also often used to reach the same market, but one in which there are differences in (i) the size of the buyers or (ii) the densities within parts of the market. A Manufacturer of food products will sell directly to large grocery chains but use wholesalers to reach smaller stores. A producer of industrial machinery many use its own sales force to sell directly to users, in concentrated markets, but it may employ manufacturers' agent to reach customers in sparsely populated, market.

A significant development in dual distribution and a source of channel conflict has been the increase use of competing channel systems by manufacturers to sell the same brand to the same market. A paint manufacturer or a tyre manufacturer, for instance, may distribute through a series of retail stores, which it owns. At the same time, this producer uses conventional channels of Independent wholesalers and retailer to reach the same marketer. Manufacturers may open their own stores (thus creating dual distribution) when they are not satisfied with the market coverage provided by existing retail outlets or manufacturers may establish their own stores primarily as testing grounds for new products and marketing techniques.

DETERMINING INTENSITY OF DISTRIBUTION

After deciding upon the general Channels they will use, manufacturers should next determine the number of middlemen – the intensity of distribution - to be employed at the wholesale and retail levels. There are three major courses of action, but they are not neatly compartmentalized. Instead, they form a continuum, or points on a scale, running from intensive distribution through selective distribution to exclusive distribution.

INTENSIVE DISTRIBUTION

Ordinarily manufacturers of consumer convenience good adopt the policy of intensive distribution, consumers demand immediate satisfaction with this class of product and will not defer purchases to find a particular brand. Retailer often control the extent to which the policy of intensive distribution can be implemented. For example, a new manufacturer of toothpaste may want distribution in all supermarkets, but the retailers may limit assortment to the four faster selling brands. Intensive distribution places most of the burden of advertising and promotion on the shoulders of the manufacturer. Retailers will not pay to advertise a product that is sold by all their competitors.

SELECTIVE DISTRIBUTION

Selective distribution covers a wide range of distribution intensity. A business that adopts this policy may have only a few outlets in a particular market, or it may have a large number but still have something short of intensive distribution. Selective distribution lends itself especially well to consumer shopping and specialty goods and industrial accessory equipment, for which most customers have a brand preference.

A company may decide to adopt a selective distribution policy after some experience with intensive Distribution. The change usually hinges upon the high cost of intensive distribution or the unsatisfactory performance of some middlemen. Certain customers perennially order in small order in small unprofitable amounts. Others may be poor credit risks. Eliminating such marginal middlemen may reduce the number of outlets; but it can actually increase a company's sale volume substantially. Many companies have found this to be the case. Simply because they were able to do a more thorough selling job with a smaller number of accounts.

MANAGING CHANNEL CONFLICT

Nature of Channel Conflict

Channel conflict can be vertical, horizontal and multichannel.

(a) Vertical i.e. between manufacturer and Wholesaler and for retailer within the channel.
(b) Horizontal i.e. between distributors (middlemen at the same level)
(c) Multi-channel conflict occurs among different channels established by the same manufacturer.

CAUSES OF CHANNEL CONFLICT

Lack of Goal Congruence: Middlemen have independent goals; which they try to achieve, at all cost, thereby causing rift in the channel. For example a manufacturer may want to achieve rapid market growth through a low-price policy, whereas sealers prefer to work with high margins and pursue short run profitability.

(b) Difference in the perception of Issue: Because middlemen work independently, they tend to perceive issue differently, for example, the manufacturer may be optimistic about the short-term economics outlook and want dealers to carry higher inventor, but the dealers may be pessimistic about such stock loading as it ties down funds and facilities.

(c) Unclear Roles and Rights: Innocently, the firm's sales force may not be conversant with rights provided for channel members by the firm, and may infringe upon these rights and privileges, for example selling to the same market segment on conflicting sales terms.

(d) Inordinate Ambition of Channel Members: Some Midedlemen are in a hurry to achieve much within a short time, for example, retailer may be eager to become a wholesaler with a short term and so would want to be dangerously aggressive in sales effort. By so doing, he may step on the foes of other middlemen.

3. **PANACEA**

Channel conflict can be functional or dysfunctional. It is functional when it is constructive and leads to a more dynamic adaptation to changing environment. It is dysfunctional when it is too much and reduces market growth of the product oftentimes, the challenge is not to eliminate conflict but to manage it.

MECHANISM FOR CONFLICT MANAGEMENT (PANACEA)

(a) Adoption of super ordinate Goals: Here members reach a consensus on the fundamental goals they are jointly seeking (whether market) survival, market share, high product quality, or customer satisfaction) this often applies when the Channel faces outside threat, and members agree that working closely will help out.

(b) Exchange of personnel programmes. Intermediary institutions may exchange staff to work for a brief period of time. This will enable participants to better appreciate the position of each channel member on any issue.

(c) Co-Optation.

This is an effort by one organization to win the support of the leaders of another organization by including them in its advisory council, boards, or committees. This will create a sort of bond between the effect organizations and avoid conflict.

CURATIVE APPROACH ie. Conflict Resolution Mechanisms

This is only necessary when conflict has occurred. Resolution will involve one or several of the following measures.

(a) DIPLOMACY

This is when each side sends delegation to meet with the delegation from the other side to resolve the matter.

(b) VOLUNTARY LEADER/MEDIATOR

Mediation involves resorting to a neutral third party who brings skills in reconciling the two parties.

(c) APPOINTING ARBITRATOR

Arbitration occurs when the two parties agree to present their argument to a third party (one or more arbitrators) with a view to accepting the arbitrators decision as final.

4. **LAISSEZ FAIRE:**

Conflict is also resolved through the operation of a Free Market System i.e. allowing the invisible hand to settle it, nothing is done by the parties involved.

5. **A CHANNEL MEMBER** that has competitive advantages over others can emerge to force others to surrender or comply.

PHYSICAL DISTRIBUTION

According to Michael (1997), physical distribution consists of all activities concerned with moving the right amount of the right product to the right place at the right time. It refers to the movement of finished goods outward from the end of the manufacturer's assembly line to the customer, frequently via intermediaries. Functions under this leading can be include warehousing, transportation, customer service, inventory management, packaging and order processing. Furthermore, the activities represent a subsystem of the total channel system (channels of distribution) because they facilitate the movement of goods through the channel members to the ultimate consumer.

USES OF PHYSICAL DISTRIBUTION

According to Stanton et al (1997), the following are uses of physical distribution.

(i) **CREATE TIME UTILITIES**

Storage is essential to correct imbalances in the timing of production and consumption. An imbalance in the timing of production and consumption) an imbalance can occur when there is year round consumption but only seasonal production as in the case of agricultural products.

(ii) **REDUCE DISTRIBUTION COST**

Effective physical distribution management provides avenue for cost reduction. For example eliminating unneeded warehouses will lower costs consolidating stocks at fewer locations may reduce inventories and their attendant carrying costs.

(iii) **STABILIZE PRICES**

Careful management of warehousing and transportation can help stabilize prices. For instance if a market is temporarily glutted with a product, sellers can store it until supply and demand confidence is better balanced.

(iv) **IMPROVE CUSTOMER SERVICE**

The strategic use of physical distribution may enable a company to strengthen it competitive position by providing more customer satisfaction, as goods are made available when needed. Furthermore, the level of customer service directly affects demand.

(v) **CREATE PLACE UTILITY**

Transportation adds value to products by creating place utility. A fine suit hanging on a manufacturers rack in Aba has less value than an identical suit displayed in a retailer's store in Yaba. Transporting time suit from Aba to Yaba creates place utility and adds value to it.

PHYSICAL DISTRIBUTION FUNCTIONS

Irrespective of whether a firm handles its Physical distribution system alone or in alliance with other firms, an effective physical distribution system is built around five interdependent sub-systems, which include:

(a) Warehousing
(b) Material handling
(c) Inventory control
(d) Order processing
(e) Transportation

(a) **WAREHOUSING**:

This embraces a range of functions, such as assembling, bulk breaking and storing products and preparing them for reshipping. A manufacturing company has the option of using his own private warehouse or employing the services of a public warehouse.

(b) **MATERIAL HANDLING**

This involves selection of appropriate equipment to physically handle products and this includes the warehouse building itself. Equipment that is well matched to the task can minimize losses from breakage, spoilage, and theft as well as reduce handling costs.

(c) **INVENTORY CONTROL**

The major objective of inventory control is to fill the orders placed by customers promptly completely and accurately while minimizing both the investment and fluctuation in inventories. in other words, inventory control is aimed at minimizing cost associated with inventories and preventing shortage of or excess stock.

(d) **ORDER PROCESSING**

The order processing function of physical distribution includes provision for billing, granting credit, preparing invoices and collecting part of due accounts.

(e) **TRANSPORTATION**

This is also a major function of physical distribution embarked upon in many companies, manufacturers must decide on both the form of transportation to use as well as particular carriers. Essentially there are five major forms of transportation, they are: (i) Rail (ii) Road (iii) Water vessels (iv) Airspace and (v) Pipeline.

(C) **WHO CONTROLS THE CHANNEL?**

Generally, the approach to Channel of distribution is manufacturer-oriented. This approach implies that it is the manufacturer of product who makes decisions about types of outlets, number of outlets, and in addition the selection of individual outlets.

However, this is not always tenable because, middlemen have the latitude to choose members of their own channels in practice (particularly wholesalers) therefore, the question of who controls the channel is yet to be answered.

Nonetheless, the manufacturer can be taken as the leader when the position is product-oriented. Under the marketing concept one can conveniently take the retailer as the Channel controller since he is the closet to the final consumers who wants and needs to determine what is to be produced.

Having thus said, compromise may be the best answer to the channel control question. A balance of power should exist rather than domination by any one level in the distribution channels.

CHANNEL MANAGEMENT

The success or failure of a marketing channel depends not only on the choice of channels and effectiveness of the channel members but on certain channel policies as well.

Channel Management involves Two processes

(a) Cost minimization
(b) Sale maximization

Cost minimization is achieved only when all cost factors (such as personal selling cost, sales administration, cost sales deduction or discounts, etc) in the channel are known. And this knowledge or information will only be acquired through cost analysis. In other words, cost analysis lead to cost minimization procedures for each cost centre (factor).

Conversely, through sales analysis one can discover, inefficient middlemen, weak market stimuli, unproductive sales territory, etc which will make the marketer take immediate corrective action that will maximize sales.

Total Revenue (TR) – Total cost (TC) = Profit

We know that minimized sales translate into increased TR, while minimized cost brings about reduced TC to give us (at last) high profit margin.

REVIEW QUESTIONS

10 (i) Discuss the nature and causes of Channel conflict.

11 (ii) Highlight the types of marketing channels

12 (iii) what are the uses and functions of physical distribution?