

# The Channels Manager: Marketing's Newest Aide?

**Growing and evolving** to cope with the ever changing marketplace, many firms are now using product managers, market managers, marketing controllers, and other specialists for more effective and efficient marketing.<sup>1</sup> It has been recommended that marketing managers become more specialized.<sup>2</sup> A different type of manager would be needed to manage a "cash cow" than to manage a "star" and the two situations would require different criteria for evaluation.<sup>3</sup> There are several new organizational titles and positions currently in vogue in marketing; one area that has received little attention in the literature is organizational arrangements for channel management.

During the last decade, management of distribution channels has been complicated by many factors, including: the rise of new institutions, such as the catalog discount showroom and the combination store; the continuation of scrambled merchandising; the introduction of generic grocery products; and environmental influences such as inflation and consumerism. Important judicial decisions also have posed channel management challenges. Perhaps anticipating these developments, Reavis Cox and Thomas F. Schutte called for the establishment of a channels manager position:

One tremendous service can be performed by each member of a non-integrated channel. This is to make someone in its corporate hierarchy responsible for doing what can be done to achieve full channel efficiency.<sup>4</sup>

Has this call been heeded through the addition of channels managers in large firms? Available evidence suggests that the position of channels manager exists only in concept, not yet in fact. According to the results of a 1976 survey of U.S. manufacturers, only 1.7 percent of the 510 responding firms had a distinct and separate position of marketing channels manager.<sup>5</sup> Instead, channel management responsibilities were assigned to various other positions, most commonly the corporate-level sales manager, marketing manager, or corporate planning staff.

The purpose of this article is to suggest that the position of channels manager is an idea whose time has come. This article examines the rationale for having a channels manager, organizational considerations affecting the position, job description, and possible limitations associated with this new position. The term *channels manager*, as used here, is not synonymous with the terms *channel captain* or *channel leader*. It refers to a particular position within a firm rather than the role assumed by an entire firm

within a distribution channel. The perspective of this article is that of a manufacturer rather than a retailer or wholesaler, since that is the type of firm in which the position is most plausible.

The channel of distribution is—or should be—an integral element in the firm's overall marketing strategy. First, channels offer the firm one of the best ways to gain a competitive advantage. In many industries channel relationships are very difficult to duplicate even though products may be relatively homogeneous. Second, channels of distribution involve a wide variety of costs and account for a sizable proportion of a firm's marketing expenses. Physical distribution, trade advertising, sales promotions, and dealer training may each account for substantial commitments of resources for the manufacturer. Finally, channels generally involve long-term commitments, and care is needed to preserve relationships with other channel members.

The importance of the channel of distribution creates a need for its own full-time management. Managed channels can achieve peak performance more quickly, be more profitable, and be more effective than channels which simply evolve. As Peter Drucker has suggested, "The only things that evolve by themselves in an organization are disorder, friction, and mal-performance."<sup>6</sup>

**Donald W. Jackson, Jr.** is a professor of marketing at Arizona State University. He is a frequent contributor to business and professional journals, with articles in *Journal of Retailing*, *Journal of Advertising*, *Journal of Business Administration*, and *Journal of Advertising Research*. He also directs the Bureau of Business and Economic Research at Arizona State University.

**Bruce J. Walker** is a professor of marketing at Arizona State University in Tempe, Arizona. Articles and papers by Dr. Walker have been published in numerous academic and trade periodicals, such as *Journal of Marketing*, *Journal of Marketing Research*, *Business*, and *Journal of Small Business Management*. He is coeditor of *Marketing Channels and Institutions*, the revised edition of which was published in 1978, and is the coauthor of *Retailing Today*, the revised edition of which will be published in 1981.

Channel management has been complicated by developments in the governmental sector, such as the repeal of fair trade laws, product recalls that are mandated or "encouraged" by governmental agencies, and court decisions on the illegality of certain distribution practices.<sup>7</sup> Sociocultural changes have modified shopping patterns, and the consumerism movement has increased the public's concerns about warranties and product labeling. Better transportation and the introduction of product codes and scanning systems have had an impact upon the flow of goods and information in channels. Persistent inflation and increasing minimum wage rates have put a squeeze on the profit margins of manufacturers and other channel members. Environmental influences such as these either expand the scope of channel management or increase the complexity of its decisions. As a result, it can no longer be carried out on a part-time basis by a marketing vice-president or a product manager, but requires the time and expertise that only a channels manager can provide.

### Organizational Considerations

The manufacturing firm's marketing structure has a major impact on the role of the channels manager, as does this new specialist's authority and interfaces with other executives in the firm.

**Structure and Role.** There are four general approaches to organizing marketing efforts: function, market, product, or a combination of these.<sup>8</sup> Since the channels manager is a functional position, its implementation is easiest in a functional type of organization. The channels manager would be at the same level as the other specialists (in advertising or marketing research) and would perform activities that were previously assigned to the chief marketing executive, to other specialists, or those that were not previously undertaken by the firm.

Under the market and product approaches, the channels manager would be at the same level as the advertising manager and would provide market managers or product managers with added expertise in the channels component of the marketing mix. Division of responsibilities and authority between the new functional specialist and the product manager or

**Table 1. Intrafirm Relationships of the Channels Manager**

Position	Channels Manager's Relation
Vice-president, marketing	Reports to the vice-president of marketing and coordinates activities with other marketing personnel
Sales manager	Ensures proper allocation of selling time to various channels Maintains channel support, such as distributor training and selling aids Promotes effective communication and education of channel members in the areas of cooperative advertising, sales promotion campaigns, and trade discounts
Advertising manager	Coordinates trade promotion in terms of media, budgets, advertising allowances, and consistency of themes
Product manager	Coordinates channel-related activities among various products Ensures that products flow through the most efficient and effective channels
Physical distribution manager	Coordinates the firm's physical distribution efforts with those of other channel members Strives to eliminate duplication of efforts to reduce costs
Marketing research director	Requests and assists in designing studies of channel attitudes, conflict, and consumer preferences for alternatives
Controller	Obtains financial data necessary to evaluate and control the channel and to ensure budgets sufficiently large to support channel development and maintenance
Legal counsel	Communicates with the legal department to ensure legality of territorial restrictions, exclusive dealing, pricing, dual distribution, and vertical integration

market manager would be more difficult than in the functional system. However, the channels manager would serve as a coordinator between various products or markets and would take a broader look at the firm's channels.

In the combination approach, an attempt is made to bring together the best features of the preceding organizational structures. For example, functional specialists may be included in major product or market groups. The appropriateness of a channels manager in a combination structure would depend on the importance of distribution channels in the firm's overall marketing mix and the level of costs associated with having one or more channel specialists assigned to key products or markets.

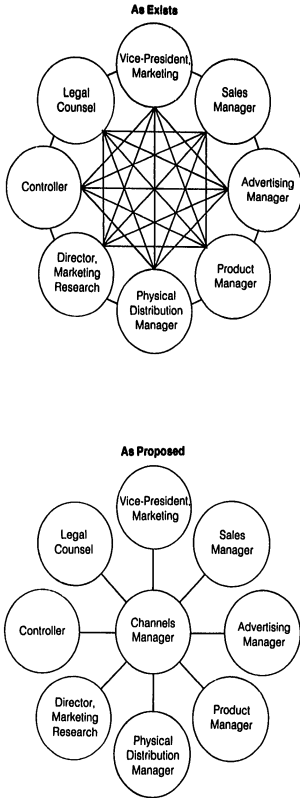
*Type and Amount of Authority.* Authority is "the right to influence, or command, thought, opinion, or behavior."<sup>9</sup> The right to influence thought or opinion is called staff authority, whereas the right (and power) to command behavior is called line authority. Ultimate line authority for marketing operations resides with the chief marketing executive, and degrees of line or staff authority are delegated to other marketing executives.

In general, the channels manager would tend more toward line authority in the functional

organization since the firm has not subdivided line authority according to products or markets. In contrast, the channels manager would tend more toward staff authority in the market and product types of marketing organization. That is, the channels manager would provide advice in the channels area to the chief marketing executive and, depending upon the job description, to other line executives in the marketing area. Thus, the channels manager would parallel the advertising manager, marketing research director, and other functional specialists with respect to the nature of the delegated authority. However, like other functional specialists, the channels manager would actually have functional authority, an "authority delegated to a member of the organization which he is to exercise in reference to one particular function that is a part of the duties of another executive who is normally not subordinate to him."<sup>10</sup> For example, functional authority permits a marketing research director to have salespeople collect selected data. Likewise, a channels manager would be exercising functional authority by directing the sales force to rate alternative middlepersons in terms of specified criteria.

Serving in a staff capacity, the channels man-

**Figure 1. Interfaces of the Channels Manager**



Note: Each of the proposed relationships is briefly described in Table 1.

ager could suggest new distribution channels to the marketing executive responsible for planning the marketing mix and could provide advice on appropriate measures of performance for channel members. The channels manager, who would also have limited line authority, could select new middlepersons as replacements or additions in existing channels and establish policies regarding the allocation of scarce products to intermediate customers.

The amount of authority assigned to the channels manager would depend on several factors: top management's assessment of the potential benefits; the extent to which the chief marketing executive is burdened by channel planning, coordination, evaluation and control; the qualifications of the channels manager compared to the qualifications of other marketing executives who are currently making channels-related decisions; top management's evaluation of the effectiveness of past channel strategies; and the type of marketing organizational structure. Initial results produced by the channels manager could lead to modifications in the allocations of authority.

Implementation of the channels manager concept requires real top management support. The position must be allocated sufficient authority if the results are to be true indicators of its worth.

*Interfaces.* The channels manager would interface with many people in other positions in the firm. Instead of having channels simply evolve and internal channel decisions made in a fragmentary fashion, the position of channels manager would provide a focal point to the many efforts in the firm necessary for effective and efficient management of distribution channels (see Figure 1 and Table 1).

### **A General Job Description**

A channels manager would carry out the basic managerial functions related to distribution channels. The degree of involvement in these areas would depend on the type of marketing organization employed by the company. In this article the managerial functions have been categorized as planning, coordination, and evaluation and control.

*Planning.* Planning here refers to the selection of target markets and the development of appropriate marketing mixes for them. In relation to final markets, such as consumers and organizations that would not resell the goods, such strategic planning would be carried out by the highest ranking marketing executive or the product manager. The channels manager would participate in the planning process by giving input about channel strategies vis-à-vis other mix strategies or about the accessibility of alternate markets. The channels manager would also have prime responsibility for the development of marketing programs to be aimed at reseller markets. Specifically, the channels manager would engage in some or all of the following planning activities:

- Assessing alternative channels for new or existing products. Should more direct (or indirect) channels be used? Should intensity of distribution be modified? Should new (or different) types of middlepersons be used?
- Assessing the opportunities for, and relative merits of, vertical marketing systems. These are more planned, coordinated, and closely monitored than conventional channels.<sup>11</sup> Will vertical marketing systems improve the company's distribution? If so, which of the three types of vertical marketing systems (corporate, contractual, administered) would be most appropriate?<sup>12</sup>
- Setting objectives, quotas, and standards for individual channel members.

*Coordination.* The second job of the channels manager would be to coordinate the many areas involved in channel activities, intrafirm as well as those among the various firms in the channel. Activities related to the physical flow of goods in the channel, such as inventory control, transportation, order processing, warehousing, and materials handling, must be performed as an effective system or unprofitable trade-offs will occur.<sup>13</sup> The manager would also be aware of the need for improved communications in the channel about the status of physical flows.

This new specialist would: coordinate selling activities within the channel and ensure that terms of sale and selling policies are consistent

and fair to various channel members; coordinate pricing decisions to avoid discrimination, complying with the Robinson-Patman regulation; coordinate all of the various channel communications or promotions, including cooperative advertising, trade advertising, sales promotions, distributor training, and missionary selling, so that they would have maximum impact.

In recent years there have been recurring problems with delivery of goods which have been sold, shortages of key inventories, and escalating costs of distribution. There is a need for effective coordination between those areas in the firm which are supplying the product and those selling or promoting it. Each of these groups must also communicate with consumers or intermediaries, and they must all be conveying the same message. Coordination of these activities would be an important part of the channels manager's responsibilities.

Finally, the channels manager would coordinate and serve as a focal point for the inputs of marketing research gathered by the sales force and others, and ensure that research information gathered by the firm is shared with other channel members. This coordination is presently not being done by any one individual. In some industrial concerns, the sales manager does some of this but the total job is generally fragmented or neglected.

*Evaluation and Control.* An important function of the channels manager would include evaluation and control. While some of the activities associated with this function are presently being performed by sales management or marketing research, the channels manager would bring them together in one place, offer a broader perspective, and provide full-time support. The channels manager would be able to give a more objective evaluation of present and proposed channel members, based upon sales volume, potential, or other criteria, than would a sales manager, who would probably have more of a volume orientation.

Another responsibility would be the measurement of attitudes and conflict in the channel and their effect on channel performance and structure. For example, persistent conflict between the manufacturers and distributors of

Royal Bond copiers has disrupted channel operations.<sup>14</sup> Other studies could be conducted in the areas of distribution cost analysis, attainment of quotas or objectives, and operating ratios for various channel participants. These analyses would be used to identify problems, pinpoint difficulties, and increase channel efficiency.

Finally, the channels manager would participate in channel modification decisions. Due to familiarity and access to information about channels, the channels manager would be in an excellent position to recommend new channels or the phasing out of existing channels.

### **Potential Drawbacks**

The concept of a channels manager has drawbacks. Four significant ones are discussed below.

Will the payoff from having a channels manager exceed the company's necessary commitments of time and funds to implement the concept? A careful cost-benefit analysis might show the position to be a poor investment, but each company's circumstances will determine the investment's soundness. It probably would be unwise for a small company with effective conventional channels to add the position of channels manager, but for a larger firm in a highly competitive field that employs multiple channels to reach diverse markets, the return could be substantial.

The issue of position proliferation represents a second drawback to the channels manager concept. The proposed position might be criticized on the following grounds: large manufacturers already have various functional specialists in their corporate hierarchies and another specialist would be costly; some of these specialists, such as the sales manager and perhaps the logistics manager, already perform important distribution-related activities; and the channels manager position might necessitate other costly specialists, such as a pricing manager. However, it may be that the position can be well enough defined to allow a significant contribution to the firm.

A third drawback involves the matters of authority and responsibility. What specific au-

thorities would be delegated to this functional specialist and how would the channels manager's performance be measured and evaluated? Insight on these matters could be derived from studying the handling of similar matters in the cases of other functional specialists, such as sales managers and advertising directors.

A channels manager would have a varied and demanding job. A fourth potential drawback might be the difficulty of finding a person with the required skills and experience to fill the position. In fact, a person with the desired background may be found only at higher levels in the organization, such as in the chair of the vice-president of marketing!

In the future, more college graduates will have some formal training in the area of distribution channels. According to a 1976 study, the proportion of collegiate business schools offering a channels course has increased substantially since 1967.<sup>15</sup> Currently, almost 50 percent offer a channels course. This increase might lead to executive development programs on channels management. Both types of courses will improve skill levels related to channels management, thereby overcoming to some extent the fourth drawback of the channels manager position.

## Conclusion

The channels manager would be responsible for the basic managerial functions related to distribution channels: planning, coordination, and evaluation and control. Addition of this position could produce two major benefits: coordination of control, and full-time attention to the important area of managing marketing channels. Despite its drawbacks, the position of a channels manager in manufacturing firms merits serious consideration.

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# Increasing the Effectiveness of Marketing Research

**Do the following** situations sound familiar?

- A large, expensive segmentation study is relegated to the shelf; the data analysis is not even finished.
- A major decision depends on several assumptions about the market and customers' reactions to a new product for which exists no market research information; there is not time to collect it.
- A new product concept tests positive but fails in the market.
- A major study to diagnose a sales problem indicates that the loyalty of the competitor's customers has increased, but there is no information as to why or what to do about it.
- A study determines that a company's advertising has reached a 30 percent awareness level, but there is no suggestion made as to whether this level is adequate or how it could be improved.

In each of these cases a market research project did not provide needed information in a timely fashion. In some cases the research was simply not conducted at all. In others, it may have been conducted competently but was either inappropriate or misdirected. The underlying problem can often be traced to the quality and quantity of interface between the manager

who is using the research and the research professionals.

There are several explanations for this interface problem and its effects upon the usefulness of marketing research. First, researchers are different from managers. A career researcher is often a technical specialist, comfortable with a vocabulary and a methodology that is esoteric to many managers. Further, many researchers are isolated from the ongoing problems of managers.

A second problem is unrealistic expectations of managers. Sometimes they have a limited view of marketing research:

- Many managers equate research with a particular technique, such as a survey. The result can be the underutilization of other approaches, such as experimentation and qualitative research.
- Research is sometimes perceived as a recording of the past that lacks predictive value.
- Some managers resent research, because it serves as an unwelcome control or monitor.
- Some managers view marketing research as an unimaginative, mechanistic block to creative activity.<sup>1</sup>

On the other hand, managers may have (or