

**NORTHWESTERN UNIVERSITY
KELLOGG SCHOOL OF MANAGEMENT**

**Marketing 451, Section 81
Marketing Channel Strategies
Winter, 2015
Mondays: 6:30-9:30 p.m.
Evanston Campus**

**Professor Rick Kolsky
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Hours: by appointment
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FIRST ASSIGNMENT (FOR CLASS ON January 5, 2015):

- Purchase the course packet (required). Please, note that all readings are provided in electronic format only, to minimize our impact on the Brazilian rain forest!
- Read the assignments for Week 1.
- Feel free to contact me with any questions you might have.

FIRST CLASS ATTENDANCE POLICY:

You must attend the first class unless you have a serious medical or family emergency.

NATURE AND PURPOSE OF THE COURSE:

This class is for individuals who currently work in or are targeting jobs in consulting and strategy, entrepreneurial ventures, industrial sales and buying, and B2B or B2C marketing management. The goal is for you to leave the course with a solid framework and a set of tools that are useful in your work life. Alums of this class have found them useful in designing breakthrough customer experiences that transcend product features; assessing financial arrangements in their go-to-market strategies and structures; deciding how broadly to distribute products in a new consumer-focused market when the company's history was in B2B sales; how to motivate and manage upstream partners who complete the firm's distribution channel to end users; and many other go-to-market challenges.

Most students learn that marketing is about the development of goods and services. However, this viewpoint sells the marketing function short. Marketers all too often overlook the fourth "P," Place--*how customers want to buy and have their purchases serviced*. The ability to make its products and services available to customers and consumers *at the right place and time with the right service mix* is critical to valued and distinctive customer experiences, and the purview of marketing channel strategy.

In this course, we will unpack the "black box" of distributors, reps, salespeople, systems integrators, value-added resellers, and retailers that constitute the routes to market between the manufacturer and its end users. You will learn how to create, deliver, capture and leverage channel value through the design of customer purchase & service experiences, the careful selection of channel partners, the application of appropriate incentives and pricing agreements, and the design and management of multiple channels. Topics in this course include but are not limited to the following:

- How to segment your market to best understand end-users' demands for how to buy and how to support their products – not just the features of the product that they buy
- How to design and redesign routes to market
- How to select and incentivize partners
- How to manage power and conflicts in the channel

The framework for analysis you will learn in this course is general and thus applicable across a wide array of B2C, B2B, and service applications, and across multiple geographies. We will bring this variety alive in this course through discussion of applications in emerging markets as well as developed economies and applications in services as well as physical products, sold to consumer as well as business end-users. Throughout the course, we will use lecture/discussion, case discussion, outside speakers, and a group channel strategy project to develop and use the course knowledge.

COURSE MATERIALS:

You must purchase the electronic course packet of required readings, cases, and tools.

There is no required textbook for the course. Most of the class readings are proprietary copyrighted materials that my colleagues and I have developed for this course, and they are included in the course packet. Beyond these, we will also discuss several cases (included as well in the course packet) that reinforce the framework and give you opportunities to use the analytic tools of this course. Proprietary lecture slides and case study debriefs will be distributed in PDF format AFTER each lecture for your reference.

I will augment these from time to time with relevant articles that we will use to illustrate concepts in class.

We will use the CANVAS system in this class. As we are all new to this system, please be adaptive and let me know if and when something goes amiss with CANVAS related materials and I will do my best to solve the problem quickly.

EVALUATION OF STUDENTS' WORK:

Your grade in this class will depend on several assignments and participation done during the quarter. All assignments are required. There will be no final exam in this course. Assignments and their weights are as follows:

ASSIGNMENT	GROUP/ INDIVIDUAL?	WEIGHT
Mary Kay case analysis (all student TEAMS)	<i>Group</i>	10%
End-User Channel Benefits exercise (all students)	Individual	10%
Case memo #1 (pick ONE OF THREE):: (i) Verklar; (ii) d.light; or (iii) Guarantee Mutual	Individual	10%
Case memo #2 (pick ONE OF THREE): (i) Cemex; or (ii) American Airlines	Individual	10%
Channel strategy project deliverables for all student TEAMS:		35%
(a) End-User Channel Benefits Analysis	<i>Group</i>	<i>10%</i>
(b) Channel Partner Value Creation, Channel Alignment, and Leverage/Power Analyses	<i>Group</i>	<i>10%</i>
(c) Final project write-up and overall analysis & recommendations (including Channel Conflict Analysis)	<i>Group</i>	<i>15%</i>
Weekly Discussion Forums	Individual	10%
Class participation:	Individual	15%

END-USER CHANNEL BENEFITS EXERCISE:

The End-User Channel Benefits exercise is due on **January 21 (the Wednesday BEFORE week 4 of the course)**. This assignment is worth 10% of your course grade and is a very valuable part of the learning experience. We will discuss what end-user channel benefits are, and how to use them to segment end-users for the purpose of channel design and management. Your assignment will be to shop for the SAME Apple product in two retail outlets—one bricks-and-mortar and one online. *I highly recommend getting started on this assignment ASAP.*

Please submit an electronic version of the assignment to me via CANVAS no later than 5:00 p.m. on January 21.

CASE MEMOS:

We will be discussing several cases in class. Of these, a group case memo on the Mary Kay case must be submitted by all students (that is, one case memo jointly worked on by all in the group). This assignment is worth 10% of your course grade.

Beyond this, EACH of you is required to write TWO INDIVIDUAL case memos on other in-class cases. Specifically, you will pick one from the set of cases {Verklar, d.light, or Guarantee Mutual} on which to write your first individual case memo, and one from the set of cases {Cemex or American } on which to write your second individual case memo. **Each case memo is due in to me electronically using CANVAS by 6:00 p.m. on the night we discuss the case.** Each memo is worth 10% of your course grade. The questions you are expected to answer for each case memo are in your course packet just in front of the case itself. I will have sign-up sheets available in class for you to sign up for your preferred case memo choices. *I will not give credit for late memos!*

Please note that you are expected to prepare every case for in-class discussion, even if you are not scheduled to turn in a case memo that day. Insufficient preparation will hamper your ability to participate in class and to learn from the case. FYI, we will use group role-play to discuss the Minolta case on channel conflict.

DISCUSSION BOARD & CLASS PARTICIPATION AND CASE DISCUSSION:

Each student is expected to participate regularly in class discussions. A substantial part of the benefit that you will derive from the assignments is a function of your willingness to expose your viewpoints and conclusions to the critical judgment of the class, as well as of your ability to build upon and evaluate critically the judgments of your classmates.

It is very important that all of you come prepared to air your views in class. I have provided suggested questions for you to prepare in studying the cases before class. In general, you should view preparing the cases as an opportunity to practice using the analytical tools we are developing in class. 15 percent of your grade depends on class participation. Obviously, regular class attendance is crucial to good class participation.

In addition, at the beginning of each week, I will post a series of discussion questions to trigger an online dialog. In past classes, I have found this to be a very engaging and effective way to deepen learning and recognize the relevance of the course to current channel challenges of companies in varied industries. 10% of your grade will be based on your contributions to this dialog.

GROUP CHANNEL AUDIT ASSIGNMENT:

The “FINAL PAPER” for this course will be an analysis of a specific firm's existing distribution channel and recommendations for improving channel performance and customer experience. Your “strategy” will count in total for 35% of your final course grade. Three deliverables will be due during the quarter:

- An End-User Channel Benefits analysis, due electronically at the beginning of class on **February 2 (week 5 of the course) [10% of your course grade];**
- Analyses of Channel Partner Value Creation and Channel Alignment, as well as Channel Leverage and Conflict/Conflict Resolution for your channel audit topic, due electronically at the beginning of class on **February 23 (week 8 of the course) [10% of your course grade];**
- Your final complete Channel Audit write-up, due electronically and in paper form at the beginning of class on **March 9 (week 10 of the course) [15% of your course grade]**. This final, comprehensive document includes your prior analyses and a coherent discussion of the overall company/product/market under consideration, its current channel structure, target segments served (and how well they are served), misalignments in channel performance, and implementation (leverage/conflict) issues in the channel. Conclusions and recommendations for improvement in the channel are also part of your review and analysis. Three examples of final projects are included in the case packet.

Your group is responsible for finding a company whose distribution channel you wish to study. It is best to study a pre-existing channel rather than a firm's plans to enter a new market and build up a new channel. You should do your best to use both primary (e.g., personal interviews) and secondary (e.g., library and web-based research) data to perform your analyses. Your review should include bibliographic references and citations to any secondary sources you use (business press articles, journals, books, etc.) as well as the names, titles, and companies of any people you interview for the research. You will be graded on the quality of your analysis and recommendations and on your ability to apply the analytic concepts from class to your chosen distribution channel situation.

Please work on your strategy in the same teams you form for your analysis of the Mary Kay case. **The final channel strategy report should be no more than 3000 words long, plus no more than 15 pages of exhibits.** Each group should plan on a brief (10 minute) presentation about their channel audit to the rest of the class in **Week 10 (March 9)**.

FINAL EXAM

There is no final exam in this course.

CONTACTING ME

I will routinely use e-mail and CANVAS to communicate with you about various course-related issues. Please view e-mail as a useful supplementary way to get in touch with me, ask me questions about course notes and concepts, and run case or project ideas by me. I check e-mail regularly every day. My e-mail address is: r-kolsky@kellogg.northwestern.edu.

I am also available to meet with you by appointment at our mutual convenience.

THE HONOR CODE

Students in this class are expected to abide by the honor code approved both by the students and by the faculty. When doing your written graded assignments for this class, you are not permitted to copy material from assignments done by students who have taken this class in the past (this would be plagiarism). Individual assignments are to be done individually, without collaborating with other students. It is also an honor code violation to sign in on an attendance sheet for someone who is absent from class, or to otherwise misrepresent one's lack of attendance at class.

Please remember that the honor code requires that any student observing another student or other students violating the honor code inform the professor of that violation. Failure to do so is in itself a violation of the honor code.

Clearly, activities such as sharing class notes or discussing in-class materials outside of class are not honor code violations. Indeed, I want to encourage such interaction among you, because it enhances learning.

CLASS ATTENDANCE AND CLASS BEHAVIOR

You must attend the first class session for this course, unless you have a truly extraordinary reason not to do so (such as a serious illness). Please e-mail to me in advance if you have to miss class. Regular class attendance is expected. Each class missed (for any reason: interview, illness, trip out of town, etc.) will take away three of the fifteen percentage points available to you in class participation credit.

Missing more than two of our ten class sessions is extremely inadvisable. If you know you will need to miss three or more class sessions, you should postpone taking the course until a later date. Please contact me if you have questions concerning your schedule.

Please arrive on time for class. I will start class on time, so being late means you will miss part of class. Those arriving late to class will be required to deposit \$2.00 into a fund to be donated to a charity (chosen by you and your fellow students) at the end of term. You may bring coffee, tea, or a soft drink into the classroom. You may bring food for dinner into the classroom if necessary, but please be polite to those around you if you are consuming food at the beginning of class, and be prepared to share really yummy stuff with the faculty. We will take a break approximately halfway or a bit later through each week's class, so you will have a chance to recycle and stretch your legs then.

The use of cell phones is prohibited in class. A ringing phone will cost you \$5, a vibrating phone \$10 towards our charity fund! You may use a laptop or iPad *for class note-taking and quick-and-dirty research or tweets relative to class discussions only*. If you do so, please try to sit towards the *back of the classroom* to not distract your classmates.

Please do not leave the classroom in the middle of class for a few minutes and then return; this also is disruptive. However, I understand that you may on occasion need to leave class early or arrive to class late. If this is the case, please let me know, and sit on the end of an aisle to avoid bothering the other students when you leave. Finally, I expect you to treat me, and your fellow students, professionally and with respect at all times.

ALL CLASSES FROM 6:30 P.M. - 9:30 P.M. AT JACOBS CENTER

<u>Week</u>	<u>Date</u>	<u>Topic</u>	<u>Comments</u>
1	1/5	<p>Course Introduction: Channel Strategy Framework</p> <p>Channels As A Source of Sustainable Competitive Advantage</p>	<p>Provide a course overview and present a framework for analyzing, structuring, and upgrading channels to improve customer experiences AND company profitability.</p> <p><i>Read/Prepare BEFORE Week 1 class:</i> Course Syllabus Rockwell Automation Case Study and Questions Note on the Channel Strategy Framework Note on Creating Explosive Channel System Value</p> <p><i>GENERAL COURSE BACKGROUND MATERIALS</i> <i>(for your reference only at this point; we will discuss and use these tools throughout the course):</i> <i>Channel Analysis Workbooks:</i> Channel Benefit Demands Workbook Channel Partner Value Creation Workbook Channel Leverage and Power Workbook Channel Conflict Workbook</p> <p><i>Channel Strategy Project Overview Materials and Past Student Team Project Examples:</i> <i>(for context and perspective, as your team works on its project)</i> The Channel Audit: An Informal Guide Pure Barre (sample channel audit) LKQ (sample channel audit) The Villa (sample channel audit)</p> <p>ATTENDANCE REQUIRED</p>

Week	Date	Topic	Comments
2	1/12	<p>Case application: Mary Kay Case</p> <p>End-User Channel Benefits & Segmentation</p>	<p>Evaluate Mary Kay Corp.'s challenge in serving its target customers in the face of changing market and demographic conditions that affect what end-users & partners value; as well as technological changes</p> <p>Analyze the <i>demand-side</i> of end-users' channel benefits – in other words, how channels create value by going beyond <i>what</i> consumers buy to <i>how</i> they buy and how the product <i>experience is supported</i>.</p> <p>Assignment: <i>Your group case memo on the Mary Kay case is due at the beginning of class.</i></p> <p>Read/Prepare before Week 2 class: Study Questions for Mary Kay case Mary Kay case Note on Channel Benefits Retail Channel Benefit Audit Assignment Directions</p>
3	1/21 NOTE: Date Change Due To MLK Holiday	<p>Case application: Verklar Case</p> <p>Channel Partner Value Creation: Doing the Work of the Channel</p>	<p>Examine the value creation problems in Verklar's channel, and how (whether!) the proposed solution can fix current channel design issues.</p> <p>Analyze the <i>supply side</i> of channel design: what the work of the channel is and which channel member(s) can/should do which elements of the work, in the pursuit of generating end-user channel benefits while controlling channel operations costs.</p> <p>Assignment: <i>If chosen, your individual Verklar case memo is due at the beginning of class.</i></p> <p>Read/Prepare before Week 4 class: Verklar Austria case Study Questions for Verklar Austria case Note on Channel Partner Value Creation: The Work of the Channel Smarter Segmentation of Your Sales Force</p>

Week	Date	Topic	Comments
4	1/26	<p>End-User Channel Benefits Presentations and Discussion</p> <p>Win-Win-Win Channel Partnership Analysis</p>	<p>Discuss the End-User Channel Benefits assignments, to illustrate segmented demands for channel benefits and to show how marketing research can identify benefit priorities and benefit-based segments. We build on the Apple discussions to understand the critical role played by “channel” decisions in Apple’s dramatic turnaround.</p> <p>Understand and evaluate the business problems of potential channel partners, in order to find symbiotic, win-win-win solutions to end-user and channel gaps</p> <p>Assignment: Your End-User Channel Benefits assignment is due via CANVAS no later than January 23 @5pm.</p> <p>Read/Prepare before Week 4 class: Note on Channel Alignment Analysis Harley Davidson in India</p>
5	2/2	<p>Case Application: d.light Case</p> <p>Channel Gaps and Alignment Analysis</p>	<p>Examine the go-to-market decision – and the constraints and misalignments that threaten its efficiency – for a new solar lamp product line targeted at the rural poor in India.</p> <p>Build a framework for analyzing Channel Alignment challenges on both the demand and supply sides, from their causes to suggested methods of improving alignment.</p> <p>Assignment, All teams: Your Group End-User Benefits Analysis for your Channel Strategy is due via CANVAS BEFORE the beginning of class.</p> <p>Assignment: If chosen, your individual d.light case memo is due via CANVAS BEFORE beginning of class.</p> <p>Read/Prepare before Week 5 class: d.light Design: Marketing Channel Strategies in India case Study Questions for d.light “Will the Real Channel Manager Please Stand Up?”</p>

Week	Date	Topic	Comments
6	2/9	<p>Case Application: Middle Markets Group Benefits / Guarantee Mutual (MMGB/GM) Cases</p> <p>Closing Channel Gaps By Solving Partner Problems</p>	<p>Analyze the assorted channel alignment difficulties in the Guarantee Mutual case, which deal with the multi-stage sale and purchase of benefits insurance, a service market application of channel analysis.</p> <p>Discover strategies for designing win-win-win partnerships with the channel, and building deep, wide, and durable channel relationships, particularly ones with myopic gatekeepers as intermediate buyers.</p> <p>Assignment: If chosen, your individual MMGB/GM case memo is due at the beginning of class.</p> <p>Read/Prepare before Week 6 class: Middle Market Group Benefits case Guarantee Mutual case Study Questions for Guarantee Mutual case</p>
7	2/16	<p>Case Application: Cemex Case</p> <p>Channel Leverage: Sources and Analysis</p>	<p>Cemex, the largest cement company in Mexico and one of the largest in the world, seeks to help low-income, informal-economy consumers build rooms for their homes and faces challenges in encouraging its dealers to support the effort. Both channel design and channel power issues are relevant in this case analysis.</p> <p>Discuss the first of our <i>Channel Implementation</i> topics, Channel Leverage and Power: how a channel member can influence others to take actions they would not otherwise take, to improve channel performance/profitability.</p> <p>Assignment: If chosen, your individual Cemex case memo is due at the beginning of class.</p> <p>Read/Prepare before Week 7 class: Cemex Case Study Questions for Cemex case Note on Channel Leverage and Power Note on Channel Relationships</p>

<u>Week</u>	<u>Date</u>	<u>Topic</u>	<u>Comments</u>
8	2/23	<p>Case Application: Minolta Case</p> <p>Channel Conflict Analysis</p> <p>Group Meetings for Channel Audit Project finalization</p>	<p>Role-play the constituents in the Minolta <i>gray marketing</i> case, the unauthorized distribution of real, authorized, branded products. Take the perspectives of the manufacturer, the “culprit,” and the affected local distributor.</p> <p>Develop a framework for identifying, analyzing, and managing sources of Channel Conflict, i.e. the situation where a channel “partner” does not want to support your channel initiatives.</p> <p>Assignment: If chosen, your individual Minolta case memo is due at the beginning of class. Assignment, All teams: Your Group Partner Value Creation, Channel Alignment Analysis, and Channel Leverage/Power Analyses for your Channel Audit are due via CANVAS BEFORE the beginning of class.</p> <p>Read/Prepare before Week 8 class: Minolta case Study Questions for Minolta case Note on Channel Conflict Identification and Management</p>
9	3/2	<p>Case Application: Airlines Case: “New Distribution Capability” Initiative</p> <p>Pricing and Incentives Through the Channel</p>	<p>American Airlines case presents channel conflict in action, between members of the air travel distribution channel, concerning a new technological initiative called “NDC,” and indicates ways to resolve the conflict.</p> <p>Discuss how pricing can be conducted inside a distribution channel structure, to encourage the right incentives for various channel partners. In addition, discuss role of channels in emergence of disruptive two-sided markets</p> <p>Assignment: If chosen, individual Airlines/NDC case memo is due via CANVAS before beginning of class.</p> <p>Read/Prepare before Week 9 class: Distribution at American Airlines (A) case Study Questions for Distribution at American Airlines (A) case “The Elephant in the Room” Note on Incentives</p>

Marketing Channels Syllabus

Class Schedule

Winter, 2015

<u>Week</u>	<u>Date</u>	<u>Topic</u>	<u>Comments</u>
10	3/9	Aligning Sales and Marketing in Designing Win-Win-Win Channels Channel Audit Presentations Course Wrap-Up	<i>Assignment: Final Group Channel Audit Project Write-Ups are due via CANVAS before the beginning of class.</i> <i>Assignment: Each team will make a brief (10 minute) presentation of its channel audit topic and key findings/insights.</i> <i>Read/Prepare before Week 10 class:</i> Ending the War Between Sales and Marketing ATTENDANCE REQUIRED.

LIST OF MATERIALS IN CASE PACKET

1. Course Syllabus
2. Note on the Channel Strategy Framework
3. Note on Creating Explosive Channel System Value
4. Rockwell Automation Study Questions
5. Rockwell Automation Case Study
6. The Channel Audit: An Informal Guide
7. Channel Benefit Demands Workbook
8. Channel Partner Value Creation Workbook
9. Channel Leverage and Power Workbook
10. Channel Conflict Workbook
11. (Sample Channel Audit) Pure Barre
12. (Sample Channel Audit) LKQ
13. (Sample Channel Audit) The Villa
14. Note on Channel Benefits
15. Study Questions for Mary Kay Case
16. Mary Kay Case
17. Note on Channel Partner Value Creation: The Work of the Channel
18. Smarter Segmentation of Your Sales Force
19. Study Questions for Verklar Austria Case
20. Verklar Austria Case
21. End-User Channel Benefit Audit Assignment Directions
22. Note on Channel Alignment Analysis
23. Harley Davidson in India Case Study
24. "Will the real channel manager please stand up?" *Business Horizons*, January-February 2003, pp. 61-68
25. Study Questions for d.light Design: Marketing Channel Strategies in India case
26. d.light Design: Marketing Channel Strategies in India case
27. Study Questions for Guarantee Mutual: Group Benefits Case and Middle Market Group Benefits Case
28. Middle Market Group Benefits Case
29. Guarantee Mutual Case
30. Note on Channel Relationships
31. Note on Channel Leverage and Power
32. Study Questions for CEMEX Case
33. CEMEX case
34. Note on Channel Conflict Identification and Management
35. Study Questions for Minolta Case
36. Minolta Case
37. Note on Incentives
38. Study Questions for Distribution at American Airlines (A) Case
39. Distribution at American Airlines (A) Case
40. "The Elephant in the Room"
41. Ending the War Between Sales and Marketing