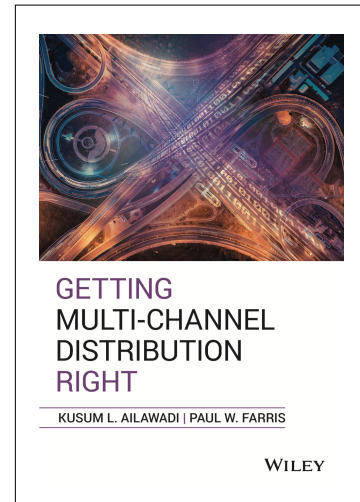


Discussion Questions

Chapter 1: Distribution Channels Today

- The authors claim that new business models are affecting distribution strategies. Think of some examples. Which of these are truly new and which ones are like old wine in new digital bottles?
- Firms are awash with data today. Do you think they have the data they need to effectively manage multi-channel distribution? What are the main gaps, if any?
- Will expanding distribution through multiple channels continue to be a trend or will some channels fade away as other dominate? Which ones will fade?
- Do you see new channels emerging more/less rapidly in some industries/markets?



Chapter 2: Push, Pull, and Total Channel Performance

- The authors make a distinction between pull and push marketing inputs and downstream pull and push effects. Is this important? Why or why not?
- What are some ways in which a supplier can generate consumer pull effects on a small marketing budget? Can you think of some brands that have done so particularly well?
- Provide some examples of how the breadth and depth of distribution can increase consumer pull effects. And examples of how consumer pull effects can improve distribution breadth and depth.
- The chapter describes a beneficial feedback loop in Figure 2.3 but notes that it can turn into a vicious cycle if not managed well. How might that happen? Can you think of an instance where you have seen that happen?
- The chapter also describes a harmful feedback loop if showrooming goes unchecked. Can you think of an example of how a manufacturer may have effectively stemmed such a feedback loop?

Chapter 3: Root Causes of Channel Conflict

- What is the problem of double marginalization? What are some ways in which manufacturers can alleviate it?
- Increasing distribution coverage so that retailers compete with one another can reduce double marginalization? But what is the downside?
- Why are retail margins on leading brands generally lower than on secondary brands?

- What does the term “loss leader” mean? In what situations can loss leader pricing be effective for retailers? Should suppliers who brands are used as loss leaders be happy or concerned? Why?
- Many suppliers now “compete with their customers” by opening up DTC channels in addition to independent resellers. Can you think of some examples of how they try to alleviate the conflict this creates?
- Why do you think it is so hard for suppliers and their channel partners to agree on who did what and what pay they deserve for their work? Think back to the Push-Pull framework in Chapter 2 – it will give you some ideas.
- What kind of information/data would firms need to determine the extent of showrooming/freeriding across channels? How might they begin to acquire such data?
- Have you seen or read about sources of channel conflict that don’t fit into one of four the root causes identified in the chapter? Give some examples.

Chapter 4: Middlemen in Today’s Channel Ecosystem and Their Functions

- Are some important channel functions missing from the chart in Figure 4.3?
- What strikes you as most different between the functions performed by brick and mortar and digital intermediaries?
- What are the trade-offs involved in using company-owned, versus franchised versus independent third-party channels?
- What are the most important differences between agents and independent resellers?
- Which channel functions can a supplier who uses only a direct-to-consumer (DTC) channel perform most effectively? Which functions are the most challenging for such a channel?

Chapter 5: The Sources and Indicators of Power in the Channel

- What is consumer search loyalty? How can it be measured in the physical world? The authors suggest that the extent of branded versus generic search is a good indicator of search loyalty in the virtual world. Do you agree? Can you think of other ways to measure it online?
- How is horizontal market power related to the vertical balance of power between channel members?
- Do you agree with the authors’ claim that consumer search loyalty is the ultimate source of power? Who do you think has more consumer search loyalty – Nike or Amazon? Coke or Costco? Marriott or Expedia? Why? And how has each party built that loyalty?
- Can you think of some brands that have built strong consumer search loyalty without spending a lot on traditional advertising?

Chapter 6: Using Power Without Using it Up

- What do you think about the Corey quote that when channel members exert power care must be taken to “not use it up.” Does any use of power tend to diminish it? Why would that be true? Why not? Are there some possible uses of channel power that might enhance it?
- Do you think Costco “used up” their power in the relationship with Leather Italia? What could/should each party have done differently?
- What is the underlying spirit in which antitrust agencies view vertical restraints?
- Which vertical restraints do you think have the most potential for being pro-competitive?
- In your view, are there some vertical restraints that have greater potential for anti-competitiveness than others?
- How is the potential pro- and anti-competitiveness of specific vertical restraints changing with digital channels?

Chapter 7: Metrics for Intensity and Depth of Distribution Coverage

- Consider each of the three bi-directional loops displayed in Figure 7.1. How might each one play out? Can you think of examples from your own experience, from the business press, or cases you have studied?
- When does it make sense to use %ACV versus %PCV versus %GMV as a measure of distribution coverage?
- What is total distribution and how is it better than %ACV or %PCV?
- Be sure that you understand the calculations of the various metrics in the Appendix of this chapter.
- How would you go about computing the %PCSV measure of distribution coverage online? What type of data would you need?

Chapter 8: What Are You Managing Towards: Distribution Performance Metrics

- What is sales velocity and why is it such an important metric in physical retail? Is it irrelevant in the “endless aisles” of digital retail? Why or why not?
- What is the distinction between a retailer’s category profit and customer profit? Give some examples of the types of products/brands for which suppliers would be especially wise to have a handle on the retailer’s customer profit?
- Cross-channel performance metrics are important in theory but hard to measure in practice. What can suppliers do to get a better handle on these?
- Why do you think Kohl’s is accepting Amazon returns in its stores. Do you think this is a good idea?

Chapter 9: The Challenge of Optimizing Distribution Breadth

- What does consumer search loyalty have to do with how much distribution coverage a brand needs?
- Why is distribution elasticity generally less than one? Is that a bad thing? Which brand do you think would have a lower distribution elasticity – Coke or RC Cola? You can assume we are talking about %ACV or %PCV distribution here.
- Why is it so difficult to optimize distribution breadth the way price or even advertising can be optimized?

Chapter 10: Using Velocity Graphs to Guide Sustainable Distribution Coverage

- What is a velocity graph?
- Why does the slope of a velocity graph not tell us how much market share can be expected to change with a unit increase in distribution coverage? And, given that, why is a velocity graph even useful?
- What insights can you get from looking at the laundry detergent %PCV velocity graphs? What about the Total Distribution and Share of Total Distribution velocity graphs?
- The case of US auto makers describes their over-distribution. But is there a downside to under-distribution as well? What are the challenges that Tesla can face with too few physical stores? How can they efficiently provide the functions that consumers need from the auto distribution channel?

Chapter 11: Augmenting the Distribution Mix: Digital Channels and Own Bricks and Clicks

- The authors say that flagship stores are somewhat similar to showrooms being used by new digital native brands like Bonobos and Warby Parker? What is the similarity and how are they different?
- Which channel functions can a supplier who uses only a direct-to-consumer (DTC) channel perform most effectively? Which functions are the most challenging for such a channel?
- Come to class with some examples of suppliers that went to market using only a DTC channel? Are they now expanding into third party channels? How well are they doing?
- Figure 11.2 shows some reasons why a supplier who uses traditional distributional channels may want to go online? Are there other reasons you can think of that are not captured in the figure? Give some examples of suppliers to whom one or more of these reasons apply.
- If you were a small start-up with an innovative new food product, would you want to make it available on Amazon.com? Why or why not? What if it was an innovative new electronic product?
- For a small supplier, what are the pros and cons of being a 3P supplier versus selling inventory to Amazon? If you had the choice, what kinds of clauses might

you want in your agreement with Amazon as a 3P supplier? As a vendor selling them inventory?

Chapter 12: Three Cases on Online Distribution

- Do you have a print subscription to any newspapers? A digital subscription? Do you get your newsfeed from Facebook? Have you signed on for a subscription to any newspapers or magazines as a result of seeing their feed on FB or snippets of articles on google?
- What would you recommend newspapers do to try to be profitable in digital channels?
- If you were Brooks, what type of market research data would you gather to determine whether you need to be available on Amazon today? Be as specific as possible.
- If you find that you need to be available on Amazon, what would you do now?
- What do you think of Nike's two decisions, first to sell some products to Amazon and then later to terminate the relationship?
- Is it easier or harder for hotels to shift travelers from OTAs to their brand.com websites compared to airlines? Why?
- In the past year or so, have you used an OTA or meta-search site as a billboard for hotels, i.e., have you searched for hotels on the site and then booked direct at the hotel brand.com site? Why?

Chapter 13: Using the Product Line to Manage Multiple Channels

- How can the product line be used to reduce conflict among channel members?
- What are the key channel-related issues a supplier should consider in adding to its SKU portfolio?
- What are the advantages and pitfalls of aligning different brands with different channels? Other than the ones we have already discussed, can you think of some brands that have done this well and others that have not?
- Why is scale and scope expansion so important for suppliers who focus on the DTC channel? Should suppliers take into consideration the costs of such expansion in assessing the profitability of the DTC channel? If not, why not? And if yes, how?
- In the battle between Netflix and companies like Disney who are building their own streaming channels, what are the strengths and vulnerabilities of each?

Chapter 14: Harnessing the Power of Price and Price Promotion

- Why is charging one everyday price to resellers not a good idea?
- How can trade promotions help to coordinate the channel?
- What determines whether a promotion to consumers generates incremental sales for manufacturers? What about for retailers?
- Why is it not a good idea to compute the cost of a trade promotion as the amount of the trade discount per unit times the number of units sold on discount?

Chapter 15: Managing Prices and Incentives Across Channels

- What are the pros and cons of tying channel incentives to reseller efforts versus reseller performance? Have you seen certain types of channel incentives work especially well or especially badly?
- The chapter provides several examples of how suppliers can deal with showrooming. What are the different approaches and for what types of products/brands might one work better than others?

Chapter 16: Summary: Dashboards and Principles for Managing New Distribution Directions

- Review the expanded view of the Push-Pull system in Figure 16.1. How do the cases and examples discussed so far fit within this system?
- Reviewing what you have learnt in the course, what do you see as the most important tools and strategies to nurture positive feedback loops in this system and cut off negative feedback loops?
- What do you think are the aspects that Pete and Gerry's is missing in its dashboard?
- What are the most challenging elements to get a handle on in the hotel company dashboard?
- The Honest Company started out as a digitally native vertical company but has been working hard to get on supermarket and drug store shelves. It has also expanded its product line into several categories and is expanding its footprint outside the US. Based on the learnings from this course, what advice would you give to the company in managing distribution and its product line? If you know another digitally native company better (e.g., Glossier, Bonobos, Warby Parker), you can answer the question for that company instead.