

Handling Channel Conflict

When a firm utilizes multiple channels, it is likely that channel conflict will occur from time to time. The following situation is based upon a real business situation. What would you do in this situation?

About the Brands Involved

Pop-mints are a fairly successful brand of breath fresheners. Their main competitor is Tic Tacs, and their indirect competitors are the various brands of chewing gum. They distribute their products via convenience stores, take-away stores, and major supermarkets. By unit sales, supermarkets contribute for around 40% of their total sales.

Six months ago the product manager at Pop-mints set up a special promotional deal with Burger's Galore. Instead of spending money on advertising, the plan was to provide free sample packs of Pop-mints to be distributed via Burger's Galore.

The advantages of this campaign to Pop-mints are:

- The free samples will allow many new consumers to trial the product, and hopefully become regular customers,
- Pop-mints are simply transferring their advertising budget to this sales promotion, so no additional expenditure is required,
- Burgers Galore will provide advertising support for the promotion (which is, in essence, free advertising), and
- Burgers Galore will also distribute the product via their stores (hence, no need to hire a special promotional team).

The advantages of this campaign to Burgers Galore are:

- They have the Pop-mints to give to all customers who buy a Galore burger (this will increase burger sales at no cost to them), and
- They can highlight the Pop-mint giveaway during their regular weekly advertising (that is, it gives them something new to say that should attract extra customers to their stores).

As expected, the joint promotional campaign was very successful with around 250,000 packs of Pop-mints being given away. Pop-mints sales increased by 5% following the campaign - and sales at Burgers Galore increased by 2%, during the campaign. So everyone was happy, except for... the major supermarket chains. They worked out that sales of their breath freshener products fell by 20% during the campaign. As a result, they wanted to be compensated for their loss of sales/profits and demanded a payment of \$100,000 within three days or they would remove Pop-mints from their shelves.

Student Discussion Questions

1. Describe what is meant by the term channel conflict?
2. How do you think that the above channel conflict situation could have been avoided?
3. As the situation has now occurred, how would you resolve it?