

Impact on Positioning

This activity outlines two situations in regard to the potential impact on the firm's positioning due to their distribution channel selection. Your task in this activity is to answer the assessment questions at the end regarding each situation.

Increasing Sales of Jeans

The manufacturer of a well-known brand of jeans has determined that its selective distribution strategy is limiting their sales potential. Their product range mainly consists of higher quality, strongly branded jeans that are sold through more up-market specialist clothing and jeans stores. To help increase sales, they decided to expand their distribution mix and adopt a more intensive approach. As a result, they started to sell their jeans to discount stores.

The change in strategy proved successful in generating additional sales, but at a much lower margin. As a result, there was no real change in overall profitability. They were also concerned with the impact that their new distribution mix was having on their brand integrity. After a period of just 12 months, they decided that expanding their channels was probably not a good idea, and reverted back to using their traditional channels only.

New Time – Same Channel

For many years, a number of Swiss watch manufacturers dominated the watch markets throughout the world. Their standard marketing mix was a range of good quality, well-designed watches that were primarily sold through jewelry stores at premium prices. However, the emergence of cheap digital technology severely cut into their marketing success. Today, a key part of the watch market belongs to low-priced (\$10 or less), unbranded digital watches (which can even be bought at convenience stores).

As a competitive response, a number of these Swiss watch manufacturers decided to introduce their own range of cheap digital watches. To protect their brand name, they produced these new products under a new brand name. And to be able to distribute cheaply, they decided that they would utilize their traditional jewelry store distribution channel.

Student Discussion Questions

1. For the first example, what were the main reasons that the firm reversed their decision and returned to their initial channel mix?
2. Do you agree with their decision?
3. In the second example, do you agree with their choice of channel for their new watches? Why?
4. Do you think that most of their existing jewelry stores will be willing to stick and sell these new watches?
5. What other channels (retailers) should they also consider?