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Bachelor of Commerce (B2001) | Year 1 • Part A Core | Monash University

Principles of marketing

Course Code: MKC1200 • Module 3 Notes

Module 3: Product, Branding, Pricing Strategies & Marketing Channels

3.1 Product Fundamentals, Classifications, and Line Decisions

In marketing theory, a **product** is defined broadly as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. Market offerings sit along a continuum ranging from pure tangible goods (such as packaged flour or steel fasteners) to hybrid offerings combining physical goods and supporting services (such as motor vehicles with scheduled maintenance plans) to pure services (such as physiotherapy, legal counsel, or management consulting).

Three Levels of Product

Product planners conceptualise any market offering across three concentric layers, each adding distinct customer value:

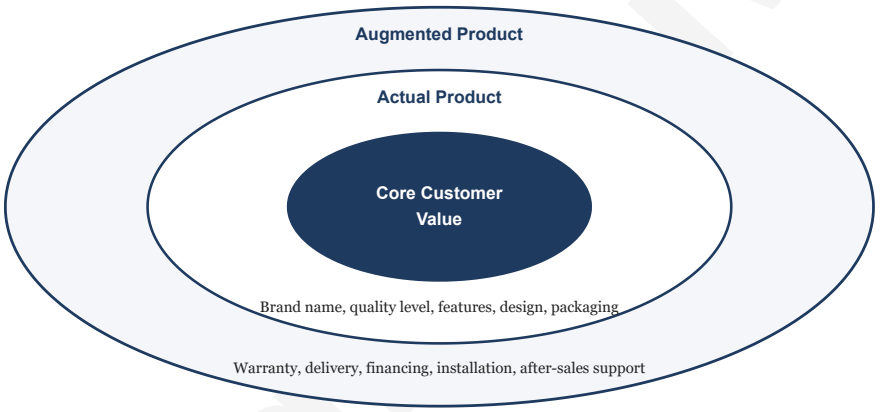


Figure 3.1: The Three Levels of Product Value Architecture

1. **Core Customer Value:** The fundamental problem-solving benefit the consumer is truly buying (for example, a smartphone buyer is purchasing seamless connectivity, productivity, and personal expression rather than glass and silicon).
2. **Actual Product:** The tangible manifestation—features, quality level, design, brand name, and packaging—engineered to deliver the core benefit.
3. **Augmented Product:** Additional consumer services and benefits built around the core and actual product, such as extended Australian Consumer Law (ACL) warranty support, interest-free instalment plans, free click-and-collect fulfilment, and software updates.

Consumer and Industrial Product Classifications

Consumer products are classified according to how buyers shop for them, which directly dictates pricing, distribution intensity, and promotional strategy:

- **Convenience Products:** Bought frequently, immediately, and with minimal comparison effort (e.g., milk, newspapers, toothpaste). Priced low and distributed intensively across supermarkets and convenience stores.

- **Shopping Products:** Bought less frequently; consumers carefully compare suitability, quality, price, and style (e.g., refrigerators, furniture, domestic airfares). Distributed selectively through fewer outlets with personal sales support.
- **Specialty Products:** Possess unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort (e.g., luxury watches, R.M. Williams handcrafted boots, high-end mirrorless cameras). Buyers do not compare alternatives extensively; they seek out authorised dealers.
- **Unsought Products:** Products consumers either do not know about or do not normally think of buying (e.g., life insurance, pre-paid funeral plans, blood donation). Require substantial advertising and persuasive personal selling.

Industrial (B2B) products are grouped by how they enter the production process and their relative cost: *materials and parts* (raw materials, manufactured components), *capital items* (installations and accessory equipment), and *supplies and services* (operating supplies, maintenance, and business advisory services).

Individual Product and Service Decisions

Developing an individual product requires five interconnected tactical choices:

- **Product Quality:** Encompasses *performance quality* (the ability of a product to perform its functions—durability, reliability, precision) and *conformance quality* (freedom from defects and consistency in delivering a targeted level of performance). Under customer-driven quality management, quality is defined by buyer satisfaction rather than engineering over-specification.
- **Product Features:** Competitive tools for differentiating a company's product from rivals' offerings. Managers periodically survey recent buyers to identify which features yield the highest perceived customer value relative to incremental manufacturing cost.
- **Product Style and Design:** *Style* describes the visual appearance of a product, whereas *design* goes deeper—contributing to a product's usefulness as well as its looks (ergonomics, intuitive setup, repairability, and energy efficiency, exemplified by Breville kitchen appliances).
- **Packaging and Labelling:** Packaging protects goods during transit while serving as a five-second point-of-sale commercial on crowded supermarket shelves. Labelling identifies, grades, describes, and promotes the product. In Australia, mandatory labelling standards under the ACL and Food Standards Australia New Zealand (FSANZ) govern Country of Origin Food Labelling (the kangaroo logo and bar-chart proportion indicator), nutrition panels, allergen warnings, and unit pricing in major supermarkets.
- **Product Support Services:** Post-sale installation, warranties, spare parts, and digital troubleshooting augment the core offering and strengthen long-term retention.

Product Line and Product Mix Decisions

A **product line** is a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same outlets, or fall within given price ranges. Managers determine **line length** (the number of items in the line) and may expand it via **line filling** (adding items within the present range to plug profit gaps or use excess capacity) or **line stretching** (extending downward, upward, or both ways beyond current price tiers—for instance, Qantas deploying Jetstar as a downward stretch into low-cost leisure travel).

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An organisation's entire **product mix** (product portfolio) has four structural dimensions: **width** (number of different product lines the company carries), **length** (total number of items across all lines), **depth** (number of versions offered of each product in the line, such as pack sizes or flavours), and **consistency** (how closely related the various lines are in end use, production requirements, or distribution channels).

3.2 Services Marketing and the Expanded 7 Ps

Services account for roughly 70% of Australian Gross Domestic Product (GDP) and employment, spanning banking, telecommunications, tourism, healthcare, education, and professional advisory. Designing marketing strategies for services requires addressing four defining characteristics:

Characteristic	Conceptual Meaning	Operational & Marketing Challenge
Intangibility	Services cannot be seen, tasted, felt, heard, or smelled before purchase.	Buyers face higher perceived risk and rely on physical cues—staff appearance, branch design, website polish, and third-party reviews—to infer service quality.
Inseparability	Services are produced and consumed simultaneously; they cannot be separated from their providers.	Both the frontline employee and the customer participate in co-creating the outcome, making staff training and customer behaviour management critical.
Variability	Service quality depends heavily on who provides it, as well as when, where, and how it is delivered.	Standardising processes through checklists, digital self-service, and rigorous staff coaching is essential to avoid inconsistent customer experiences.
Perishability	Services cannot be stored for later sale or use (an unsold airline seat or hotel room tonight is lost forever).	When demand fluctuates, managers must synchronise capacity and demand via dynamic pricing, off-peak discounts, reservation systems, and part-time staffing.

To manage these characteristics, services marketers expand the traditional 4 Ps into the **7 Ps Services Marketing Mix** by adding three operational dimensions: **People** (frontline employees and co-consuming customers whose attitudes and competence define the encounter), **Process** (the procedures, service blueprints, queuing systems, and digital workflows governing service delivery), and **Physical Evidence** (the tangible "servicescape"—store architecture, signage, uniforms, digital interface, and documentation—that renders an intangible promise concrete). Under the **service–profit chain**, internal service quality enables satisfied, productive employees, who deliver superior customer value, driving customer loyalty and sustainable corporate profitability.

Managing Service Quality and Service Recovery

Because service quality is harder for consumers to evaluate than physical goods, service firms benchmark delivery across the five dimensions of the **SERVQUAL** framework: *reliability* (delivering promised service dependably and accurately), *responsiveness* (willingness to help customers promptly), *assurance* (staff knowledge, courtesy, and ability to inspire trust), *empathy* (caring, individualised

attention), and *tangibles* (physical facilities, equipment, and digital interface clarity). Even high-performing Australian airlines, banks, and telecommunications providers experience occasional service failures; effective **service recovery**—rapidly acknowledging errors, empowering frontline staff to grant fair remedies, and resolving root causes—can often generate higher post-recovery trust than if no failure had occurred.

3.3 New Product Development and the Product Life Cycle (PLC)

Continuous innovation prevents portfolio stagnation, yet new-product failure rates remain high due to poor market sizing, flawed positioning, excessive development costs, or weak launch execution. Disciplined firms govern innovation through an eight-stage **New Product Development (NPD)** process: (1) idea generation (internal R&D, crowdsourcing, customer observation), (2) idea screening, (3) concept development and testing, (4) marketing strategy development, (5) business analysis (projecting sales, costs, and margins), (6) product development (physical prototyping), (7) test marketing (standard, controlled, or simulated markets), and (8) commercialisation.

Once commercialised, products typically follow an S-shaped sales trajectory across five stages of the **Product Life Cycle (PLC)**:

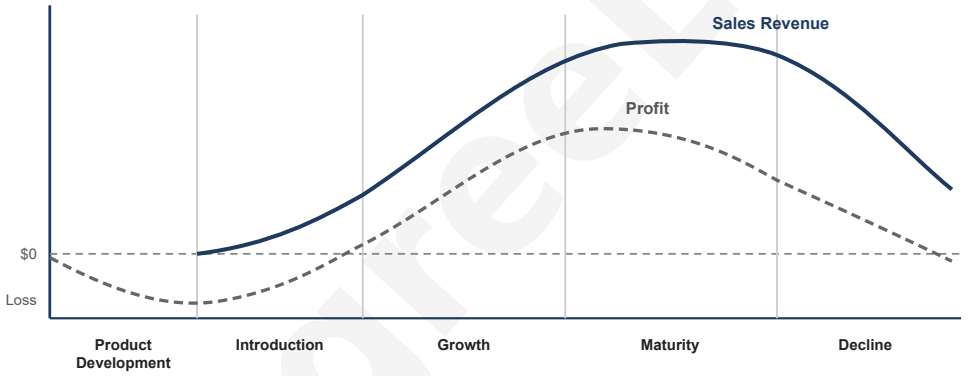


Figure 3.2: Sales and Profit Trajectories Across the Product Life Cycle

PLC Stage	Market & Profit Conditions	Strategic Marketing Mix Adjustments
Introduction	Slow sales growth; heavy R&D and launch costs result in negative or negligible profits; few competitors.	Offer a basic product; use cost-plus or skimming/penetration pricing; build selective distribution; focus informative promotion on early adopters and resellers.
Growth	Rapid market acceptance; profits rise sharply as scale economies reduce unit costs; competitors enter.	Introduce product extensions, features, and warranty enhancements; lower prices selectively to attract price-sensitive buyers; expand distribution intensively; shift advertising from awareness to brand preference.

PLC Stage	Market & Profit Conditions	Strategic Marketing Mix Adjustments
Maturity	Sales growth slows as market saturates; profits plateau or decline due to price competition and defence outlays.	Modify the market (find new users/usage occasions), modify the product (quality, styling), or modify the marketing mix (promotions, channels) to defend share.
Decline	Sales fall due to technological substitution, shifting tastes, or competition; overcapacity compresses margins.	Maintain and reposition for a loyal niche, harvest the brand by cutting marketing and R&D costs to extract cash, or divest/discontinue the product responsibly.

3.4 Branding Strategy and Brand Equity

A **brand** is a name, term, sign, symbol, design, or combination of these that identifies the products or services of one seller or group of sellers and differentiates them from those of competitors. Strong brands command **brand equity**—the differential effect that knowing the brand name has on customer response to the product and its marketing. High brand equity rests on four customer perception pillars: *differentiation* (what makes the brand stand out), *relevance* (how consumers feel it meets their needs), *knowledge* (how much consumers know about the brand), and *esteem* (how highly consumers regard and respect the brand).

Brand strategy involves four interconnected choices:

- **Brand Positioning:** Brands can be positioned on product attributes (least durable, easily copied), desirable benefits, or deep beliefs and values (strongest emotional bond).
- **Brand Name Selection:** Effective brand names suggest product benefits (e.g., *Boost Juice*), are easy to pronounce and remember, are distinctive, are extendable across categories, translate cleanly into export languages, and qualify for legal trademark protection under IP Australia.
- **Brand Sponsorship:** Manufacturers may market under a *national (manufacturer) brand* (e.g., Tim Tam, Vegemite), supply retailers under a *private/store brand* (e.g., Woolworths Macro, Coles Finest, Aldi exclusive brands), engage in *licensing* (using established characters or logos for a royalty), or pursue *co-branding* (combining two established brand names on a single offer, such as Qantas and Woolworths Everyday Rewards partnerships).
- **Brand Development:** Extending a brand across existing and new product categories yields four options: *line extensions* (existing brand name extended to new forms, colours, or flavours in the same category), *brand extensions* (existing brand name extended to a new product category), *multibrands* (introducing additional brand names in the same category to lock up shelf space or target distinct segments), and *new brands* (creating a fresh brand name when entering a new category where existing brand associations would clash).

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3.5 Pricing Strategies and Quantitative Break-Even Analysis

Price is the only element in the marketing mix that directly produces revenue; all other elements represent costs. Yet pricing is frequently mismanaged when firms default reflexively to arbitrary mark-ups or reactive discounting. Effective pricing sits within a feasible corridor bounded by a **price ceiling** (determined by customer perceptions of value) and a **price floor** (determined by product costs), while internal objectives and external market conditions determine the optimal point between those boundaries.

Three Major Pricing Approaches

- **Customer Value-Based Pricing:** Uses buyers' perceptions of value—not the seller's cost—as the key to pricing. The firm first assesses customer needs and value perceptions, sets a target price matching perceived value, and then determines permissible costs (target costing). Variants include *good-value pricing* (offering the right combination of quality and good service at a fair price, exemplified by Aldi's everyday low prices) and *value-added pricing* (attaching value-added features and services to differentiate offers and support higher margins rather than cutting prices).
- **Cost-Based Pricing:** Sets prices based on the costs of producing, distributing, and selling the product plus a fair rate of return for effort and risk. Common methods include *cost-plus (mark-up) pricing* and *break-even / target-return pricing*. While simple and perceived as fair, cost-based pricing ignores demand elasticity and competitor positioning.
- **Competition-Based Pricing:** Sets prices based on competitors' strategies, costs, prices, and market offerings. Firms ask how their value proposition compares to rivals and price above, at, or below competitors accordingly.

Pricing Equations, Variable Legends, and Worked AUD Examples

1. Unit Cost and Mark-up Pricing

For a manufacturer or retailer, total unit cost (UC) combines variable cost per unit and allocated fixed cost per unit at expected sales volume:

$$UC = VC + \frac{FC}{Q_{\text{expected}}}$$

When converting unit cost into a selling price (P) using a target **gross margin percentage on selling price** ($GM\%$, expressed as a decimal), the standard mark-up pricing formula is:

$$P = \frac{UC}{1 - GM\%}$$

Alternatively, if management specifies a **mark-up percentage on cost** ($MU_{\text{cost}}\%$, expressed as a decimal), selling price is:

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$$P = UC \cdot (1 + MU_{\text{cost}}\%)$$

Where:

- UC: Total cost per unit (in AUD).
- VC: Variable cost per unit (direct materials, labour, shipping, commissions in AUD).
- FC: Total fixed costs for the period (rent, salaried staff, equipment depreciation, fixed marketing in AUD).
- Q_{expected}: Expected unit sales volume for the planning period.
- P: Unit selling price (in AUD, excluding GST unless stated otherwise).
- $GM\%$: Desired gross margin as a proportion of selling price ($GM\% \in [0, 1)$).
- $MU_{\text{cost}}\%$: Desired mark-up as a proportion of unit cost.

2. Break-Even Volume, Break-Even Revenue, and Target Profit Volume

Break-even analysis determines the sales volume at which total revenue equals total cost (zero operating profit). Defining unit contribution margin as $CM = P - VC$, break-even volume (Q_{BE}) and break-even revenue (R_{BE}) are:

$$Q_{BE} = \frac{FC}{P - VC}, \qquad R_{BE} = \frac{FC}{1 - \frac{VC}{P}} = Q_{BE} \cdot P$$

To earn a specific target operating profit (Π_{target} in AUD), the required sales volume (Q_{π}) is:

$$Q_{\pi} = \frac{FC + \Pi_{\text{target}}}{P - VC}$$

Where:

- Q_{BE}: Break-even sales volume in units.
- R_{BE}: Break-even sales revenue (in AUD).
- FC: Total fixed costs (in AUD).
- P: Selling price per unit (in AUD).
- VC: Variable cost per unit (in AUD).
- $P - VC$: Unit contribution margin (in AUD per unit).
- Π_{target}: Desired operating profit before tax (in AUD).
- Q_{π}: Required unit sales volume to achieve Π_{target}.

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Worked Numerical Example 3.1: Mark-up, Break-Even, and Target-Return Pricing in AUD

Scenario: Tasmanian Outdoor Gear Pty Ltd manufactures insulated stainless-steel camping flasks in Hobart. Variable production and packaging cost is A$18 per flask ($VC = 18$), and annual fixed factory and marketing overheads total A$240,000 ($FC = 240,000$). Management forecasts annual sales of 20,000 units ($Q_{\text{expected}} = 20,000$).

Part A — Unit Cost & Mark-up Price: Management seeks a 40% gross margin on selling price ($GM\% = 0.40$). Compute unit cost and target selling price.

$$UC = 18 + \frac{240,000}{20,000} = 18 + 12 = 30.00 \text{ AUD per unit}$$

$$P = \frac{30.00}{1 - 0.40} = \frac{30.00}{0.60} = 50.00 \text{ AUD per unit}$$

Note that a 40% gross margin on selling price (A$20 profit / A$50 price) is mathematically equivalent to a 66.67% mark-up on unit cost (A$20 profit / A$30 cost).

Part B — Break-Even Volume & Revenue: At $P = 50.00$ AUD, compute break-even units and break-even revenue.

$$CM = P - VC = 50 - 18 = 32.00 \text{ AUD per unit}$$

$$Q_{BE} = \frac{240,000}{50 - 18} = \frac{240,000}{32} = 7,500 \text{ units}$$

$$R_{BE} = 7,500 \times 50 = 375,000 \text{ AUD}$$

Part C — Target Profit Volume & Sensitivity Check: If management requires an annual operating profit of A$160,000 ($\Pi_{\text{target}} = 160,000$), how many flasks must be sold? And what happens to Q_π if competitive pressure forces price down to A$46?

$$Q_{\pi\ (\text{at AUD } 50)} = \frac{240,000 + 160,000}{50 - 18} = \frac{400,000}{32} = 12,500 \text{ units}$$

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$$Q_{\pi\ (\text{at AUD } 46)} = \frac{400{,}000}{46 - 18} = \frac{400{,}000}{28} = 14{,}285.7 \approx 14{,}286 \text{ units}$$

Cutting price by 8% (from A$50 to A$46) compresses unit contribution margin by 12.5% (from A$32 to A$28), requiring a 14.3% increase in unit volume merely to preserve the same A$160,000 profit.

Price Elasticity of Demand and Market Structure

While cost-based formulas establish the pricing floor, optimal pricing requires measuring how sensitive buyers are to price changes—captured by the **price elasticity of demand** (E_d):

$$E_d = \frac{\%\Delta Q}{\%\Delta P} = \frac{(Q_2 - Q_1)/Q_1}{(P_2 - P_1)/P_1}$$

Where:

- E_d: Price elasticity of demand (typically negative due to the law of demand; managers evaluate absolute magnitude $|E_d|$).
- Q_1, Q_2: Initial and new unit quantities demanded.
- P_1, P_2: Initial and new unit prices (in AUD).

When $|E_d| < 1$ (**inelastic demand**), a price increase reduces quantity demanded by a smaller proportion, causing total revenue ($P \times Q$) to rise. Conversely, when $|E_d| > 1$ (**elastic demand**), a price increase triggers a proportionally larger drop in quantity, reducing total revenue. Demand tends to be less elastic when a product has few close substitutes, represents a small share of household expenditure, or carries strong brand equity. For instance, if a Melbourne cinema chain raises weekday adult tickets from A$20 to A$23 ($+15\%$) and attendance falls from 4,000 to 3,200 tickets (-20%), elasticity is $E_d = -20\%/+15\% = -1.33$ (elastic), and total ticket revenue drops from A$80,000 to A$73,600—signalling that discounting or value-bundling rather than price increases would expand revenue.

Pricing latitude also depends on market structure: under *pure competition*, individual firms are price takers; under *monopolistic competition* (e.g., Australian cafes or boutique fashion), differentiated branding creates modest pricing power; under *oligopolistic competition* (e.g., Australian domestic airlines, retail banking, and telecommunications), few large rivals monitor each other's price moves closely; and under a *regulated monopoly* (e.g., regional water or electricity transmission networks), pricing is overseen by independent regulators such as the Australian Energy Regulator (AER).

New-Product, Product-Mix, and Price-Adjustment Strategies

When launching innovative offerings, firms choose between **market-skimming pricing** (setting high initial prices to skim maximum revenue layers from early adopters willing to pay, feasible when quality supports the price and competitors cannot easily undercut—e.g., flagship smartphones) and **market-penetration pricing** (setting low initial prices to attract a large buyer base quickly and capture economies of scale—e.g., streaming subscription launches).

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Within multi-product portfolios, pricing adapts across five product-mix tactics: *product line pricing* (setting price steps across quality tiers), *optional-product pricing* (accessories sold alongside a base vehicle), *captive-product pricing* (low-margin hardware paired with high-margin consumables such as printer cartridges or coffee pods), *by-product pricing* (monetising production waste to lower main-product cost), and *product bundle pricing* (combining offerings at a reduced package price).

Firms further calibrate prices using *discount and allowance pricing*, *segmented pricing* (student, senior, or off-peak cinema tickets), *psychological pricing* (reference prices and odd-even endings), *promotional pricing*, *geographical pricing*, and *dynamic pricing* (continuous algorithmic adjustment to real-time demand, widely used by airlines and rideshare apps).

Australian Pricing Regulation (ACCC and ACL)

Pricing practices in Australia are tightly policed by the **Australian Competition and Consumer Commission (ACCC)** under the *Competition and Consumer Act 2010 (Cth)* and the *Australian Consumer Law (ACL)*. Key legal prohibitions include:

- **Component and Drip Pricing:** Businesses must display a single total price ("headline price") inclusive of all unavoidable fees, taxes (such as GST), and mandatory surcharges upfront rather than revealing unavoidable booking or card fees late in online checkout.
- **Misleading "Was/Now" Pricing:** Advertising artificial "savings" against an inflated reference price at which the product was never genuinely sold for a reasonable period breaches ACL Section 18 and Section 29.
- **Resale Price Maintenance (RPM):** Suppliers are generally prohibited from forcing retailers not to sell below a specified minimum price, though genuine "recommended retail prices" (RRPs) are permissible if non-binding.
- **Price Fixing and Predatory Pricing:** Horizontal price-fixing cartels between competitors are strictly illegal criminal and civil offences, and firms with substantial market power must not price below cost for the purpose of eliminating a competitor.

3.6 Marketing Channels and Omnichannel Retailing

Delivering a product to final buyers requires a coordinated **value delivery network** composed of the company, suppliers, distributors, and customers partnering to improve overall system performance. Within this network, **marketing channels** (distribution channels) represent the set of interdependent organisations that help make a product or service available for use or consumption by the consumer or business user.

How Channel Intermediaries Add Economic Value

Intermediaries dramatically improve transactional efficiency by reducing the number of contact lines required in the marketplace. If M manufacturers sell directly to C customers, the system requires $M \times C$ separate transactions. Introducing a single wholesale/retail intermediary reduces total contacts to $M + C$. For example, 4 appliance manufacturers serving 500 Australian retailers directly require $M \times C = 4 \times 500 = 2,000$ contact lines, whereas routing through 1 national distributor reduces contacts to $M + C = 4 + 500 = 504$. Intermediaries also bridge gaps in time, place, and possession by matching bulk production assortments to heterogeneous household needs.

Channel Organisation and Distribution Intensity

Channel length varies from **direct marketing channels** (no intermediary levels—selling straight from factory website or flagship boutique to consumer) to **indirect channels** containing one or more intermediary levels (wholesalers, jobbers, retailers). Modern channels increasingly operate as structured **Vertical Marketing Systems (VMS)** rather than fragmented conventional channels:

- **Corporate VMS:** Common ownership across successive production and distribution stages (e.g., Cotton On Group designing, manufacturing-contracting, and operating its own retail storefronts).
- **Contractual VMS:** Independent firms at different levels integrate via binding contracts, most prominently *franchising* (e.g., Bakers Delight, Boost Juice, McDonald's Australia).
- **Administered VMS:** Leadership is coordinated not through ownership or contract, but through the scale and market power of a dominant channel member (e.g., Woolworths or Bunnings setting strict logistics, EDI, and packaging standards for suppliers).

When designing indirect channels, firms choose among three levels of market coverage: **intensive distribution** (stocking in as many outlets as possible—convenience goods), **selective distribution** (using more than one, but fewer than all, willing intermediaries—shopping goods and electronics via JB Hi-Fi or Myer), and **exclusive distribution** (granting a strictly limited number of dealers exclusive territorial rights—prestige automobiles and luxury watches).

Retailing, Wholesaling, and Omnichannel Integration in Australia

Retailing encompasses all activities involved in selling goods or services directly to final consumers for personal, non-business use. Australian retailing spans specialty stores, department stores (Myer, David Jones), supermarkets (Woolworths, Coles, Aldi), discount department stores (Kmart, Target, Big W), category killers (Bunnings, Officeworks), and non-store digital platforms. **Wholesaling** covers firms selling primarily to those buying for resale or business use (e.g., Metcash supplying independent IGA supermarkets and Mitre 10 hardware stores).

Contemporary retail leaders no longer separate physical stores from e-commerce; instead, they execute **omnichannel retailing**—creating a seamless cross-channel buying experience that integrates in-store, online, and mobile shopping. Customers routinely research product specifications on mobile devices in-aisle ("webrooming"), purchase online for two-hour click-and-collect pickup at local stores, or inspect physical items in showrooms before ordering home delivery ("showrooming"). Synchronised real-time inventory visibility, unified loyalty accounts, and frictionless cross-channel returns now form the operational baseline for competitive Australian retail.

Channel Conflict and Marketing Logistics Management

Channel members depend on one another, yet disagreements over goals, roles, and rewards generate **channel conflict**. *Horizontal conflict* occurs among firms at the same channel level (e.g., neighbouring franchisees disputing territory encroachment or grey-market price undercutting), whereas *vertical conflict* occurs between different levels of the same channel (e.g., independent sporting goods retailers objecting when a manufacturer launches direct-to-consumer e-commerce discounting). Resolving conflict requires transparent territorial policies, differentiated online/in-store assortments, and shared margin incentives.

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Supporting every channel requires disciplined **marketing logistics** (physical distribution)—planning, implementing, and controlling the physical flow of materials, final goods, and related information from points of origin to points of consumption. Across Australia's vast continental distances and concentrated coastal capitals, logistics managers balance customer delivery expectations against four interconnected cost centres: *warehousing* (storage warehouses versus high-velocity automated distribution centres), *inventory management* (balancing stockout risk against carrying costs via Economic Order Quantity and Just-In-Time replenishment), *transportation* (intermodal rail, coastal shipping, road freight, and air express), and *logistics information management* (EDI, RFID tagging, and real-time parcel tracking).

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