

Marketing channel article

[Business](#), [Marketing](#)



Marketing Channel Article The article focuses on sales and profits of Amazon, an internet retailer. For two consecutive quarters, the company's projected and actual sales and profits have differed with analysts' forecasts. In the previous third quarter, the company's actual sales and profits fell below analyst's estimates. The company's projections for the fourth quarter are also below analysts' forecasts. Revenue is expected to range between \$27.3 billion and \$30.3 billion while profits are expected to range between a loss of \$570million and \$430 million. On the other hand, analysts' projections are \$30.9 billion sales and profit of \$460.5million. Amazon attributes the low sales and profits to market forces of demand and supply, and increased expenditures on operating and investing activities hence resulting to Amazon's share price falling.

Meanwhile, the company expects to exploit the fourth quarter, which is associated with the influx in customers who buy holiday gifts. To manage the expected rise in sales and further fuel growth, Amazon has laid down several strategies. It plans to acquire video game service Twitch interactive Inc. in order to increase its entertainment services. In the previous month, the company launched New Kindle tablets models in a wider scheme to lure more media customers. The company also plans to open pop-up stores in Sacramento and San Francisco to facilitate marketing of its electronics. Further, the company launched its Fire Smartphone in the current summer. Due to competition from Samsung's galaxy devices and Apple Inc.'s, iPhone the Amazon was forced to reduce the price of the Fire smartphone weeks after the device began selling. Last month, the company obtained a \$2 billion credit from the Bank of America to boost its continued investments in

areas such as same-day grocery delivery, which are anticipated to generate profits more for Amazon in the long-run.

The company has been in disputes with some book publishers regarding the pricing of digital books. In the current week, Amazon entered into a deal with Simon & Shuster publishers, which the company claims will improve affordability of the books for readers while sharing the gains among the online retailers, authors and publishers.

Two marketing channel concepts are seen in the article. The concepts are direct selling and selling through intermediaries. Direct selling entails selling products directly to the consumer; there are no intermediaries. Amazon deals with electronics such as the newly launched Kindle tablets and Fire smartphone. The company does not use any intermediary to sell these gadgets. Rather, it sells the gadgets directly to customers from fixed retail locations such as the two pop-up stores the company plans to open in Sacramento and San Francisco. The company also uses direct selling for its entertainment services such as video games. The customer buys a video game directly from Amazon through the internet. Direct selling provides convenience and service benefits to the consumer, including personal demonstration and explanations on usage of the product.

Selling through intermediaries, as the name implies, is an indirect marketing channel. It involves the use of intermediaries such as agents, wholesalers and retailers to make a product available to the consumer. Amazon does not produce the online books it sells or rents. It obtains the books from publishers such as Hachette Book groups and then sells the books to customers through internet. In this case, Amazon is an intermediary (retailer)

who the publisher uses to make the books available to the consumer. The marketing channel is, Publisher-retailer (Amazon) -Consumer.

Services marketing practitioners must have comprehensive details about the market and the consumer. They must be able to evaluate the available marketing channel options and determine the most suitable channel in terms of factors such as the company's objective to maintain the control of prices for its services, the cost of the channel and consumer's convenience and the subsequent satisfaction.

The article on Amazon is an excellent explication of fundamental marketing concepts. It provides an insight for practical use of various marketing channels such as direct selling and selling through intermediaries. It also provides an insight for practical selection of suitable pricing strategies in light of the prevailing market conditions. Amazon had to reduce the price of its newly launched Fire Smartphone in order to stimulate its demand and penetrate the market that is dominated by Samsung's Galaxy and Apple's iPhone. Finally, the article illustrates several strategies aimed at consumer satisfaction and the ultimate improvement in sales as seen in Amazon's heavy investments in capital projects such as distribution network.

Work Cited

Soper, Spencer. Amazon's Sales Forecast for Holidays Misses Estimates. Businessweek. com. N. p., 2014. Web. 23 Oct. 2014. Available at <http://www.businessweek.com/news/2014-10-23/amazon-s-sales-forecast-for-holidays-misses-estimates#r=bloomberg> [Accessed: 24 Oct. 2014]