Marketing strategy

Introduction Presented in this paper is the idea of the new distribution strategy, which is vertical integration as a corporate vertical marketing system. The proponent includes the idea about previous distribution strategy of a candy manufacturer for high quality, hand-dipped chocolates using natural ingredients and the advantages and disadvantages of the new or proposed corporate vertical marketing system. Previous distribution strategy The previous distribution strategy of the said chocolate manufacturing company is to tie up with specialty and gift stores. This is eventually conventionally marketing system. In this strategy, the distribution becomes limited only to those brokers that are specializing marketing activities on specialty foods such as chocolates that are made out of fine and natural ingredients. In this distribution strategy, it is not hard to sell a specialty product assuming that the said specialty store is already well-known about its carried products or service offerings. However, considering concern about wide range of distribution, it is necessary that more specialty stores are needed in order to create more market penetration for specific specialty products in a wide market range. The second point is that specialty store in general does not only carry one product, but it might probably take two or more identical products of different brands. In this case, competition may be of great concern for a certain specialized product. Even if it is highly specialized, the customers are always open to the idea that they have to choose from varied specialty products. In the above situation, it is clear that there is correspondingly significant limit of the distribution of a specialty chocolate product if it has to focus only on its distribution with specialty stores or brokers. Thus, another alternative would be to go for corporate vertical marketing system. Advantages of vertical integration Applying the concept of vertical integration in marketing is relevant in this case. One of the most important points of this is to break the limit that the existing distribution system has. For instance, in this type of distribution system, there will be a wide area of coverage for product which would monopolize the market. There is a bigger chance that the flow of product is highly controlled considering that producers, wholesalers and retailers cooperate in a positive way in order to maximize their ability to control the entire channel behavior of distribution and manage conflict. There is a strong market power leading to strong identity of the product because an economy of scale is achieved. Thus, there is a significant size obtained for products, bargaining power and eradication of duplicated service (Kotler 901). This will lead to further savings in the process because of lower transaction cost. In this idea, a company has various options and among them is to control downstream distribution by putting retail chain, or control inputs in the production process (Boone & Kurtz 427). Disadvantages of vertical integration Vertical marketing system such as vertical integration may be good in order to achieve higher level of impact in the market. However, in the process it is also important to build up high level of control. Considering that producers, retailers and wholesalers have to always align their objectives, there is a strong issue of imparting the entire vision into the entire system. This calls for a complex task because of a complex structure as well. This definitely would lead to further cost because of organizational cost. Transaction cost may be lower using vertical integration but definitely additional cost will be incurred through organizational cost for maintaining a healthy and effective structure. References Boone, Louis E. and David L. Kurtz. Contemporary Marketing. 12th ed. Ohio: Thomson/South-Western, 2006. Kotler, Philip, Gary

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