An Experimental Analysis of Multi-Brand, Multi-Outlet Channel Systems

By

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All interested are welcome
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Abstract

In today’s multi-brand multi-channel marketplace, optimal channel structure design involves issues such as distribution intensity, channel exclusivity, vertical integration, and the use of an online-offline mixed channel structure. This study investigates how a channel member’s choice in these areas affects its profitability in a market characterized by varying degrees of differentiation among competing brands and retail outlets.

We use a spatial model that explicitly captures heterogeneous customer preference for brand position, store location, and outlet type. The model is applied to ten different experiments, each representing a different channel structure, for demand derivation. Due to the complexity of the demand structure, numerical method is employed for equilibrium solutions.

A few selected “case studies” discuss specific channel structure problems, each by comparing the equilibrium solutions between different channel structures. Next, we perform an analysis over the entire set of results to estimate a general model that summarize the linkages among the factors shaping optimal channel structure decisions in a multi-brand, multi-outlet market. This framework helps provide an intuitive explanation for individual experiment results, some of which may appear counter-intuitive at the first glance. It also allows us to predict the profitability of other channel structures without analytically deriving the equilibrium results.

Key Words: Distribution Channel Structure, Mixed Channel, Game Theory, Channel Management