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Marketing Channels | (8th Edition)

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Problem

Bill Schwartz, the owner of Newvalue Supply, a medium-sized wholesaler of plumbing supplies, was furious. He had just gotten off the phone with the sales manager of Jefferson Industries, the manufacturer of a very profitable line of high-quality faucets that Newvalue had been selling for several years. "That SOB is now going to start selling the big home center accounts directly," fumed Bill Schwartz to his son Paul. "We've worked real hard to establish this line and then, when it finally gets going with some real volume, Jefferson wants to cut us out," he continued.

Discuss the possible underlying causes of the conflict that seems to be emerging in this situation.

Step-by-step solution

Step 1 of 1

Bill Schwartz, the owner of Newvalue Supply, a medium sized wholesaler of plumbing supplies have just received the news from the Sales Manager of Jefferson Industries, the manufacturers of high quality faucets which Newvalue have been selling since years. They have worked hard in establishing this line of business and now they have been able to build volumes, but now the company wants to sell the big home center accounts directly. This has made Bill Schwartz angry and he shows this anger to his son Paul. This is true that the Newvalue Supply has worked hard for developing this line since years and when it has established volumes the company wants to start selling the big center accounts directly. This then will cause conflict between the channel member Newvalue Supply and Jefferson Industries because of resource scarcities due to which the channel member terms it as an unfavorable allocation of this resource (the retailers). Bill Schwartz therefore feel disgruntled with this decision as they have worked hard in developing the range of product and when they are to get volumes as well as profits from the product the company have snatched the opportunity resulting in an opportunity loss for a big quantum of basis. This will create a negative effect in their relationship and their channel efficiency towards the particular range will decline. They will try to promote some other competitor product to reduce its market and give them a tit-for tat for the unfaithful approach of the company who have used their coercive power to snatch their share of profits in the particular range of products by supplying big accounts directly.

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