**contractual vertical marketing channels** - Use a contract to govern the working relationship between channel members and include wholesaler-sponsored voluntary groups, retailer-owned cooperatives, and franchised retail programs.

**Stock-Keeping Units (SKU)** - Are the lowest level of identification of merchandise.

**retailer-owned cooperatives** Are wholesale institutions, organized and owned by member retailers, that offer scale economies and services to member retailers, which allows them to compete with larger chain buying organizations.

**franchise** Is a form of licensing by which the owner of a product, service, or business method (the franchisor) obtains distribution through affiliated dealers (franchisees).

**MANAGING RETAILER-SUPPLIER RELATIONS**
- Inter-organizational Management that a retailer needs to understand: Dependency, Power and Conflict
- Each party is dependent on each other (interdependent)
- Power - the ability of one channel member to influence the decisions of the other channel members. (Reward, Expertise, Referent, Coercive, Legislative, Informational)

There are six types of power:

**reward power** - Is based on B’s perception that A has the ability to provide rewards for B.

**coercive power** - Is based on B’s belief that A has the capability to punish or harm B if B doesn’t do what A wants.

**expertise power** - Is based on A’s perception that A has some special knowledge.

**referent power** - Is based on the identification of B with A.

- **Conflict** (perceptual incongruity - different economic perceptions, goal incompatibility - dual distribution, domain disagreement)

**legitimate power** - Is based on A’s right to influence B, or B’s belief that B should accept A’s influence.

**informational power** - Is based on A’s ability to provide B with factual data.

**There are three major sources of conflict** between retailers and their suppliers: perceptual incongruity, goal incompatibility, and domain disagreement

**perceptual incongruity**
- Occurs when the retailer and supplier have different perceptions of reality.

**goal incompatibility**
- Occurs when achieving the goals of either the supplier or the retailer would hamper the performance of the other.

**dual distribution**
- Occurs when a manufacturer sells to independent retailers and also through its own retail outlets.

**domain disagreements**
- Occur when there is disagreement about which member of the marketing channel should make decisions.