

## 4.5: Using Channels of Distribution

What you'll learn to do: explain what channels of distribution are and why organizations use them

Monster Energy drink is a dominant player in the growing market for drinks enhanced with stimulants to give consumers extra energy. Monster promises to deliver “a big, bad buzz.” The company sponsors the X Games and a broad range of high-adrenaline sports. The company boasts that it puts all its marketing dollars into supporting the scenes that energy-drink buyers love. In 2014, the company found itself closing in on Red Bull, the market leader that launched the original energy drink in 1997.<sup>[1]</sup>

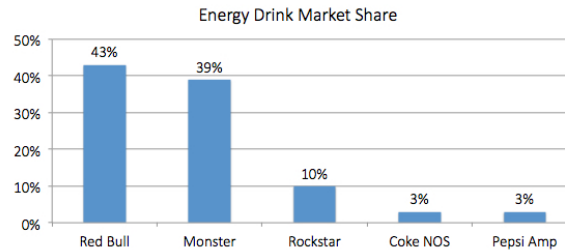


Figure 1. Energy Drink Market Share in 2014

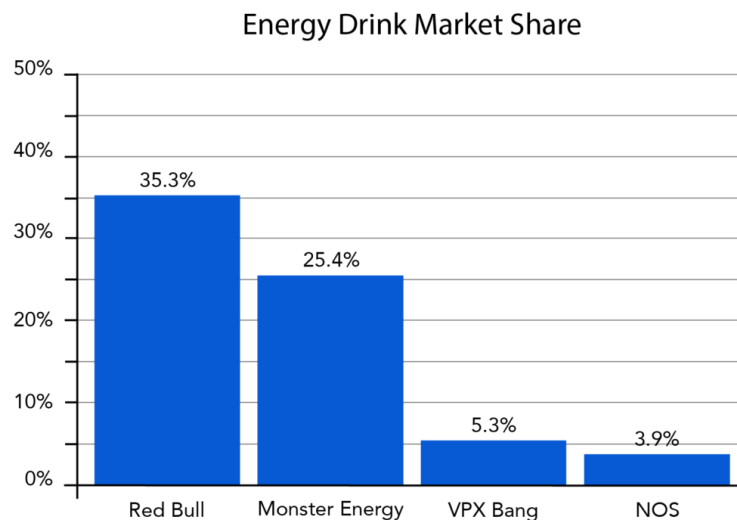
In deciding how to best capture the top position in the market, Monster forged an important strategic partnership with Coca-Cola. The press release that announced this partnership stressed the benefit to Monster of Coca-Cola’s global distribution network—the most powerful distribution network in the global beverage industry:

The Coca-Cola Company and Monster Beverage Corporation announced today that they have entered into definitive agreements for a long-term strategic partnership that is expected to accelerate growth for both companies in the fast-growing, global energy-drink category. The new, innovative partnership leverages the respective strengths of the Coca-Cola Company and Monster to create compelling value for both companies and their share owners.

Importantly, the partnership strategically aligns both companies for the long-term by combining the strength of the Coca-Cola Company’s worldwide bottling system with Monster’s dedicated focus and expertise as a leading energy player globally.<sup>[2]</sup>

The terms of the agreement also included Coca-Cola transferring all of its energy drinks to Monster, and Monster transferring all of its non-energy beverages to Coca-Cola, with Coca-Cola purchasing 16.7 percent of Monster Beverage Corporation.

Between June 2014 and December 2015, Monster Beverage Company’s stock price rose by 115 percent. The company has clearly benefited from access to Coca-Cola’s distribution infrastructure, and will continue to do so. However, it still lags behind Red Bull, which has the largest market share.



Source: <https://www.statista.com/statistics/306864/market-share-of-leading-energy-drink-brands-in-the-us-based-on-case-volume-sales/>

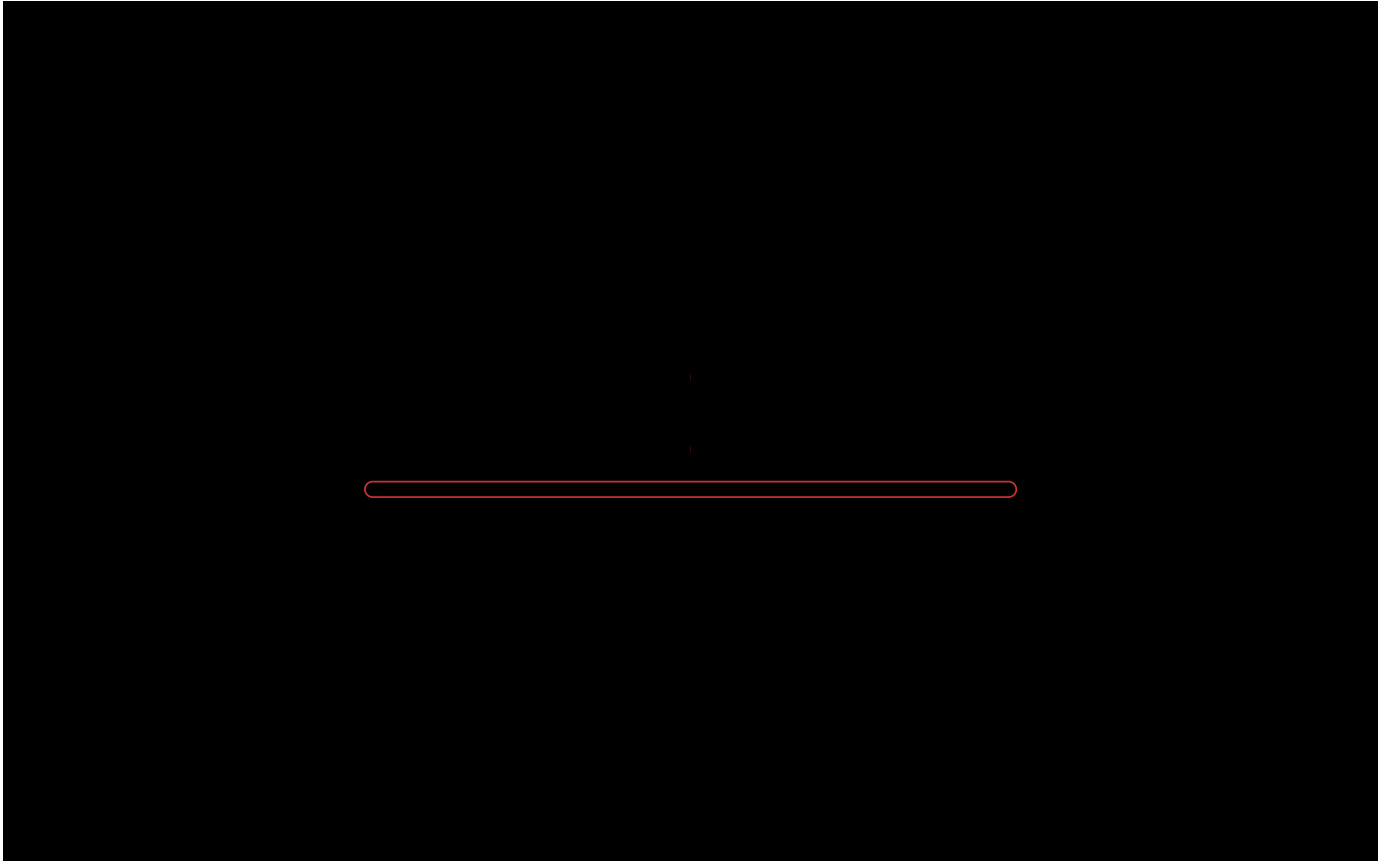
Figure 2. Energy Drink Market Share in 2019.

This example illustrates the power of *distribution channels*, which we’ve been calling “place” in the four Ps. Up next, you’ll learn what these are and why companies use them.

### Learning Activities

- [Reading: Define Channels of Distribution](#)
- [Reading: Distribution Objectives](#)
- [Reading: Channel Structures](#)
- [Reading: The Role of Intermediaries](#)
- [Reading: Marketing Channels vs. Supply Chains](#)

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- Self Check: Using Channels of Distribution

1. Mitchell, Dan. "Monster, Red Bull, Rockstar Ranked." Time. Time, May 11, 2015. <https://time.com/3854658/these-are-the-top-5-energy-drinks/>. ↩
2. The Coca-Cola Company. "The Coca-Cola Company and Monster Beverage Corporation Enter into Long-Term Strategic Partnership." The Coca-Cola Company, August 14, 2014. <http://www.coca-colacompany.com/press-center/press-releases/the-coca-cola-company-and-monster-beverage-corporation-enter-into-long-term-strategic-partnership/>. ↩

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