

UNIT - 8

* MANAGEMENT OF DISTRIBUTION CHANNEL

A) Channels of DISTRIBUTION

Introduction :-

The goods are produce at one place but the customer are 'scattered' over a wide Geographical Area. He take the help of some 'Intermediaries' to distribute his goods. for example :- Maruticas are Manufacture at 'Manesar (Place) Gurgaon Haryana but the cars are available all over the India.

* Definition of Channel of Distribution

⇒ It Refers to those people 'Institutions' or company who helps in the distribution of goods and services.

⇒ According to Philip Kotler:
 a. It is a set of independent
 organisations, involved in the
 process of making a product
 and service available for
 use of consumption.

⇒ Distribution help to cover
 a vast geographical area
 and also bring efficiency
 in distribution, including,
 transportation, and ware
 housing.

⇒ Distribution means to spread
 the product through out a
 market place such that
 a large number of consumer
 can purchase it.

⇒ A good Transport system
 to take the goods into
 different geographical area.

⇒ A distribution channel is
 a chain of businesses or
 intermediaries through which
 a goods and services passes.

until it reaches the end consumer it includes, wholesaler, Retailer.

⇒ A distribution channel in marketing refers to the 'route' or road through which goods and services travel from place of production or manufacturer to the final customer.

* functions of distribution Channel

i) The Primary function of a distribution channel is to bridge between Manufacturer and consumer.

ii) The distribution channel is also responsible for promoting the product.

iii) 'Awareness' regarding products and offers should be created among the consumers.

iv) creating contacts with prospective buyers.

v) 'Negotiate' price and other offers related to the product as for the customer demand.

c) factors affecting channels of distribution

i) Nature of product :-

of Industrial goods like ^{Increase} 'C.T. Scam', 'machine', short channel of distribution is used because they are usually technical and expensive in nature and it is purchased by few buyers. Consumer goods like 'T.V', 'Refrigerator' can be distributed through long channel of ~~chan~~ distribution.

ii) Perishable and Nonperishable goods :-

Perishable

products like fruits, vegetable are distributed through short channel while Non-perishable products like 'soap', 'oil', 'furniture' as requires long channel of distribution.

iii) Product complexity :- for

Industrial products like Machinery, and Generator requires short channel of distribution while in consumer goods requires long a channel of distribution.

ally iv) financial strength :-

The companies having 'Huge fund' they go for direct distribution.

v) Control :-

short channels are used if management wants greater control on the channel member. a company can go for long a channel.

vii) Size of Market :-

number of customers is small if the short channel of distribution is used while if the number of customers is big longer channel of distribution is used.

* Types of Distribution Channel

i) Direct channel or zero level. It is also known as manufacturer to customer channel :-

In this method no 'intermediaries' are not included. The manufacturer get in direct contact with the customer at the point of sale.

ex. - Retailer store taking under in the company website.

ii) Indirect channel (Selling through intermediaries) :-

When a manufacturer involves a middle man to sale its product to the end customer.

* There are two types of Indirect channel

a) one level channel (Manufacturers to Retailer to customer) :-

Retailer purchase the product from the manufacturer and then sell it to the customer.

b) Two level channel (Manufacturers to wholesaler to Retailer to customer) :-

Wholesaler buy by the 'bulk' from the manufacturer break it down into small packages and sell them to Retailer who sell it to the end customer.

d) Major channel of distribution

Major distribution channel :-

In order to understand the importance of distribution channels, you need to understand that it doesn't just bridge the gap between the

Produce of a product and its use, distribution channels provide time, place and ownership utility.

They make the product available when, where and in which quantities the customer wants. But other than these:

i) Transaction function:—

Marketing channels are also responsible to carry out the following function.

ii) Logistic and Physical distribution:—

Marketing channels are responsible for assembly, storage, sorting, and transportation of goods from manufacturers to customers.

iii) Facilitation:—

Channels of distribution even provide pre-sale and post-purchase services like financing, maintenance, information dissemination and channel co-ordination.

iv) Creating Efficiencies :-

This is done in two ways - Bulk Breaking and Creating assortment. Wholesalers and Retailers purchase large quantities of goods from Manufacturers, but Break the Bulk by selling few at a time to many other channel or customers.

They also offer different types of products at a single place which is a huge benefit to customers as they don't have to visit different Retailers for different products.

v) Sharing risks :-

Since most of the channels buy the products before hand. They also share the risk with the manufacturers and do everything possible to sell it.

vi) Marketing :-

Distribution Channels are also called marketing channels because they are among the core

'touch point' where many marketing strategies are executed. They are in direct contact with the end customers and help the manufactures in propagating the brand message and product benefits and other benefits to the customers.

B) Designing channels of distribution