

Chapter 7

Placing Products: Distribution Channels and Physical Distribution



The Nature of Distribution Channels

-A company's channel decisions directly affect every other marketing decision.

- Most producers depend on **Middlemen** to bring their products to market.

It overcomes the major **time, place, and possession gaps** that separate goods from those who would use them.



Members of the marketing channel perform many key functions:

- 1- Information :** gathering and distributing marketing research about **actors and forces** in the marketing environment
- 2 -Promotion:** developing and spreading **persuasive communications about an offer.**
- 3-Contact:** communicating with **prospective buyers**
- 4-Negotiation:** reaching an **agreement on price and other terms of the offer** so that ownership can be transfer.
- 5-Physical distribution:** **transporting and storing** goods.

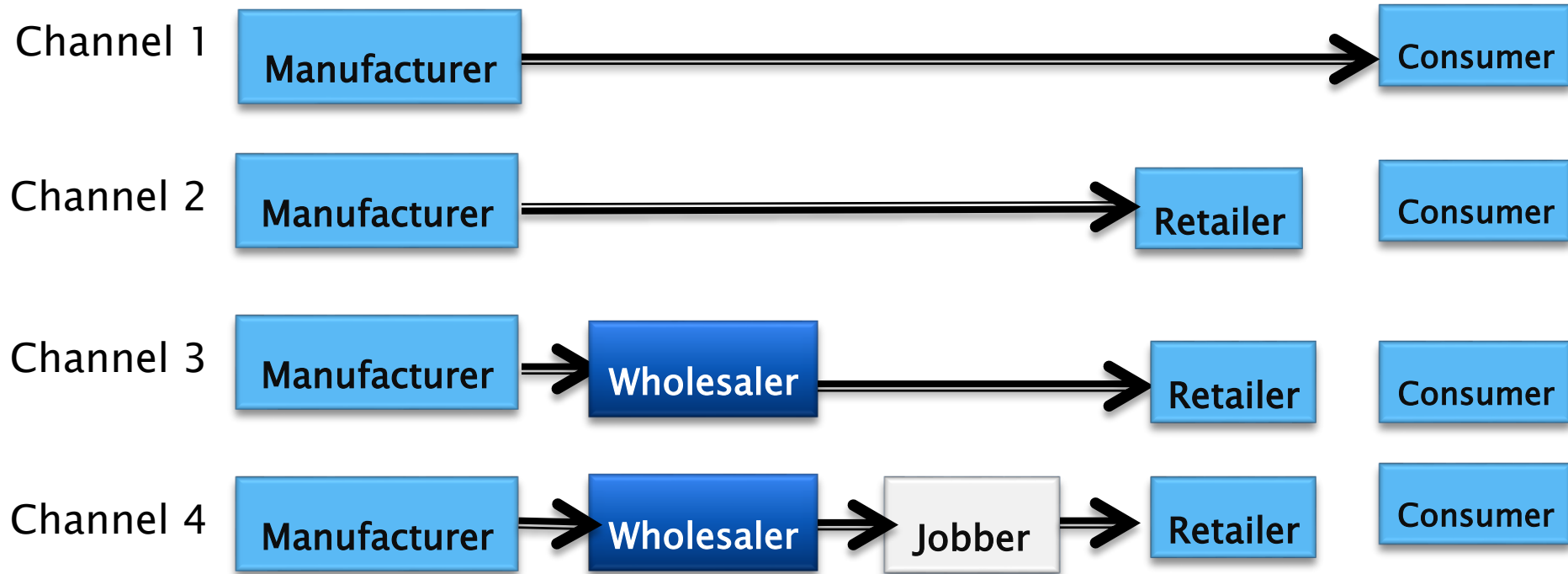


Number of channel levels

- ✓ Distribution channel can be described by the **number of channel levels involved**.
- ✓ We use **the number of intermediary levels** to indicate the length of channel.
- ✓ The next figure shows several consumer distribution channels of different length.



A Customer Marketing Channels



- ✓ **Channel 1**, called a direct-marketing channel.
- ✓ **Channel 2**, contain one middleman level. in consumer markets , this level is typically a retailer.
- ✓ **Channel 3**, contain two middleman levels. In consumer markets, these level are typically a wholesaler and retailer.
- ✓ This channel is often used by **small manufacturers of food, drugs, and hardware**.
- ✓ **Channel 4**, contains three middleman levels.

Notice That:

-From producer's point view, **a greater number of levels** means less control, greater channel complexity.



Channel Behavior

-Each channel member plays a role and specializes in performing one or more functions.

-They should understand and accept their roles, coordinate their goals and activities, and cooperate to attain overall channel goals.

-Individual channel members usually more concerned with their own short-run goals. They often disagree on the roles each should play.

Such disagreements over goals and roles generate channel Conflict.

✓ **Channel Conflict : Disagreement among marketing channel members on goals and roles.**



Channel Behavior

- ✓ **Horizontal Conflict** : is between firms at the same level of the channel.
- ✓ **Vertical Conflict** : is even more common and refers to conflicts between different levels of the same channel.

Notice that:

Some conflict in the channel takes the form of the healthy competition.

- ✓ This competition can be good for the channel-without it, the channel could become passive and non- innovative.



Channel Design Decisions

I- Analyzing Consumer-Service Needs:

Designing the distribution channel **starts with finding out what services consumers** (in various target segments) **want from the channel.**

The company and its channel members may not have the resources needed to provide all the desired services.

II- Setting the channel Objective and Constraints:

The company's **channel objectives** are also **influenced by the nature of its product, company policies, middlemen, competitors, and the environment.**



Channel Design Decisions

III- Identifying The Major Alternatives :

- ✓ When the company has defined its channel objectives, it should next identify its major channel alternative in terms of **types of middlemen, number of middlemen, and the responsibilities** of each channel member.

1- Types of Middlemen:

- ✓ A firm should identify the **types of middlemen available** to carry out its channel work.
- ✓ Whether to depend on company **sales force** or **manufacture agency** or **industrial distributions**



Channel Design Decisions

2- Number of Middlemen:

- ✓ Companies also must determine the number of middlemen to use each level.
- ✓ **Three strategies are available:**
 - a- intensive distribution
 - b- Exclusive distribution
 - c- Selective distribution



A- Intensive Distribution: (less control/high cost)

- ✓ It is stocking the product in as many outlets as possible.
- ✓ Producers of **convenience goods** and common **raw materials** typically seek intensive distribution.

b- Exclusive distribution:

- ✓ It is giving a limited number of dealers the exclusive right to distribute the company's products in their territories.
- ✓ It is often found in the distribution of **new automobiles** and **prestige women's clothing.**



c- Selective distribution:

- ✓ **The use of more than one but less than all of the middlemen who are willing to carry the company's products.**
- ✓ **Selective distribution gives the producer good market coverage with more control and less cost than does intensive.**
- ✓ **Most television, furniture, and small appliance brands are distributed this manner.**



Channel Design Decisions (read –only)

III- Identifying The Major Alternatives :

3- Responsibilities of Channel Members:

- ✓ The producer and middlemen need to agree on the terms and responsibilities of each channel member.
- ✓ They should agree on **price policies, conditions of sales, territorial rights , and specific services** to be performed by each party.

V- Evaluating the Major Channel Alternatives :

- ✓ Each alternative should be evaluated against economic, control, and adaptive criteria.