

Distribution Channel

Channel strategy and design

Marketing channels are a group of inter-dependent organizations involved in the process of making a product or service available for use. It has been proven in academic studies that marketing channels are the means by which goods and services are provided for use by customers. All goods are subject to distribution channels, and marketing depends on the way the goods are distributed. The direction a product takes on its path from production to the consumer is imperative because the marketer must choose the best channel for its specific product. It can be said that the channel is the link between manufacturers and buyers. Decisions related to the marketing channel system are crucial for management.

The marketing channels chosen by marketers influence all other marketing decisions. The company's sales force and advertising decisions depend on the amount of training needed by merchants and inspiration. Moreover, channel decisions include relatively long-term obligations to other companies. Comprehensive marketing bodies ensure that marketing decisions are made in all these different areas to increase value together.

Distribution Channels

Broadly, Channel of distribution is of two type's viz.,

(1) Direct Channel (2) Indirect Channel.

1. Direct Channel or Zero Level Channels:

When the producer or the manufacturer directly sells the goods to the customers without involving any middlemen, it is known as direct channel or zero level channels. It is the simplest and the shortest mode of distribution. Selling through post, internet or door to door selling etc. are the examples of this channel. For example, Mc Donald's, Bata, Mail order etc.

Methods of Direct Channel are:

(a) Door to door selling

- (b) Internet selling
- (c) Mail order selling
- (d) Company owned retail outlets
- (e) Telemarketing

2. Indirect Channels:

When a manufacturer or a producer employs one or more middlemen to distribute goods, it is known as indirect channel.

Following are the main forms of indirect channels:

(a) Manufacturer-Retailer-Consumer (One Level Channel):

This channel involves the use of one middleman i.e. retailer who in turn sells them to the ultimate customers. It is usually adopted for specialty goods. For example Tata sells its cars through company approved retailers.

Manufacturer → Retailer → Consumer

(b) Manufacturer-Wholesaler-Retailer-Customer (Two level channels):

Under this channel, wholesaler and retailer act as a link between the manufacturer and the customer. This is the most commonly used channel for distributing goods like soap, rice, wheat, clothes etc.

Manufacturer → Wholesaler → Retailer → Customer

(c) Manufacturer-Agent-Wholesaler-Retailer-Consumer (Three level channels):

This level comprises of three middlemen i.e. agent, wholesaler and the retailer. The manufacturers supply the goods to their agents who in turn supply them to wholesalers and retailers. This level is usually used when a manufacturer deal in limited products and yet wants to cover a wide market.

Manufacturer → Agent → Wholesaler → Retailer → Consumer

Marketing system design

Designing a marketing channel system involves factors such as analyzing customer needs, defining channel goals, identifying major channel alternatives, and evaluating major channel alternatives.

Analysis of the levels of service output required for clients: The marketer must know the levels of service output that the target customers want. Channels produce five service outputs:

- 1. Lot Size:** The number of units that the channel allows a specific customer to purchase at the same time.
- 2. Standby time and delivery:** The average time that consumers of this channel wait to receive goods. Customers generally prefer express delivery channels.
- 3. Spatial fit:** How easy is the marketing channel for customers to acquire a product.
- 4. Product Diversity:** The channel provided. Usually, consumers prefer a larger group, which enhances the opportunity to find what they need.
- 5. Service backup:** additional services such as credit, delivery, installation and repairs provided by the channel.

Providing greater service outputs results in increased channel costs and higher prices for consumers. The victory of discount sellers (online and offline) indicates that many consumers will accept lower outputs if they can save money.

Set goals and constraints

Another factor in designing a marketing channel system is that marketers must announce their channel goals in terms of targeted service output levels. In competitive conditions, channel organizations must coordinate their functional tasks to reduce total channel costs while continuing to provide the levels required for service outputs. In general, planners can identify

many market segments that want different levels of service. Successful planning needs to identify which market segments they serve and the best channels for each. Channel goals vary with product features. Channel design is also affected by many environmental factors such as competitors' channels, monetary conditions, regulations and legal restrictions.

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