

Unit –III Channels of Distribution

CHANNELS OF DISTRIBUTION

Meaning and Definition of Channels of Distribution

- The main problems of a manufacturer can broadly be divided in two parts- **1)Production & 2)Distribution.**
- Every manufacturer attempts at producing the goods and services of best possible quality at minimum possible cost.
- This is only a half-success of a manufacturer.
- The success is completed when he makes these goods and services available at time and place.

Meaning ..

CONT:-

- Goods and services may distributed to the consumers through different ways.
- The ways through which the goods and services are distributed from manufacturer, consumers are called channels of distribution.
- The term '**Channels of Distribution**' has been defined by many eminent authors.



Definition

Definitions

Some important definitions are as follows:

- ❖ **William J. Stanton** :- “A Channel of distribution (sometime a trade channel) for a product is the route taken by the title to the goods as they move from the producer to the ultimate consumer or industrial user.”
- ❖ **Cundiff, Still & Govani** :- “Marketing Channels are distribution networks through which producer's products flow to the market.”
- ❖ **Prof. McCarthy** :- “Any sequence of institutions from the producer or consumer including none or any number of middlemen is called channel of Distribution.”

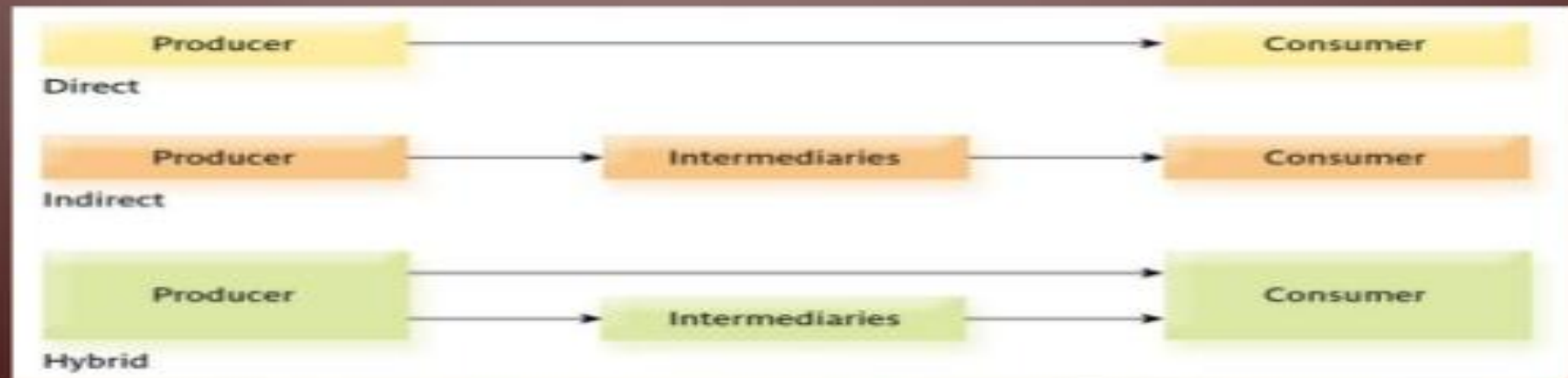
Meaning

- Distribution of products takes place by means of **channels**.
- “A **Channel of Distribution** comprises a set of institutions (intermediaries) which perform all of the activities utilised to move a product and its title **from production to consumption**”.



Types

- Both types types/levels of distribution channels may be-
 1. Direct
 2. Indirect
 3. Hybrid



Types

- **Direct Channel:** A distribution system is said to be direct when the product or service leaves the producer and goes directly to the customer, with **no middlemen involved**.
- For example,
 - Company owned outlets
 - Car wash
 - Barber utilize direct distribution because the customer receives the service directly from the producer.
 - The jewelry manufacturer who sells its products directly to consumer.

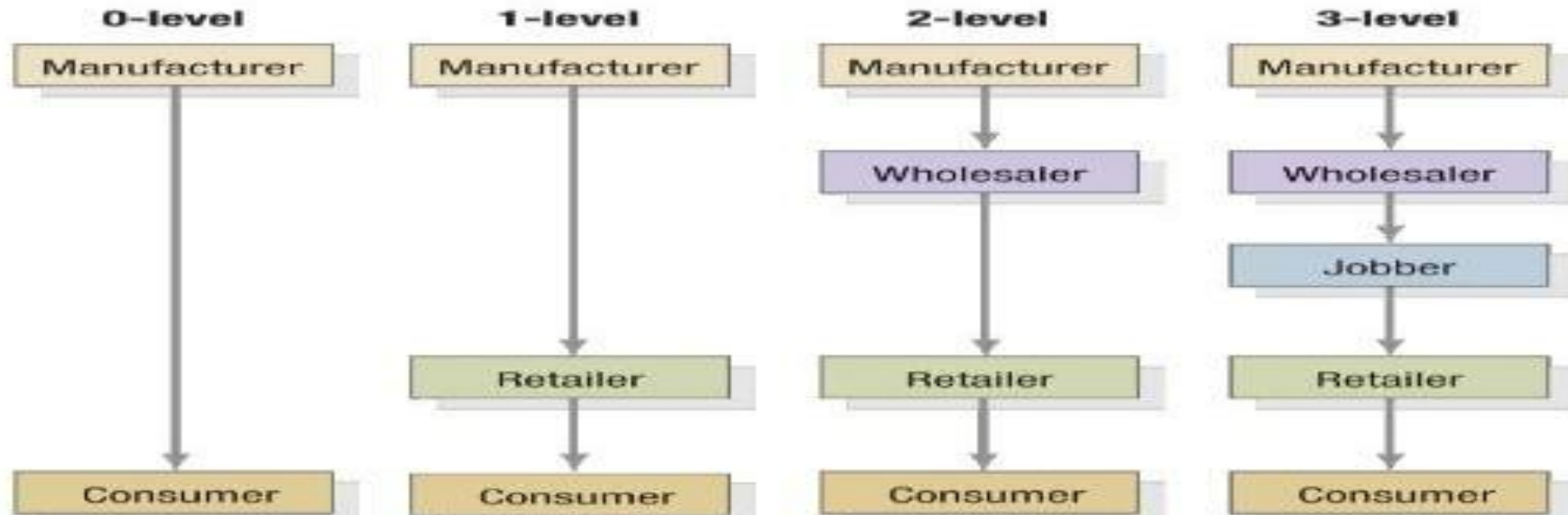
Channels of distribution

- **Indirect Distribution Channel:** An indirect distribution channel **relies on intermediaries** to perform most or all distribution functions, otherwise known as wholesale distribution.
- **Hybrid Distribution Channel:** Many times companies use combination/hybrid of Direct and Indirect channels to distribute its product in the market.
 - Ex: A company (suppose Samsung mobiles) may sell the product through its exclusive company owned outlet and website, as well as through independent retailers.

Types

Distribution Channel for Consumer Products

Levels of Distribution Channel



Types

- **Zero Level channel/Direct Marketing Channel:** It consists of a manufacturer **directly selling** to the end consumer.
- Ex.
 - Door to Door sales,
 - Direct mails or
 - Telemarketing.
- **One Level Channel:** It has **an intermediary** in between the producer and the consumer. Ex.
 - An insurance policy in which there is an insurance agent between the insurance company and the customer.

Types

- **Two level Channel:** It consists of **two intermediaries** between manufacturer and consumers, usually a **wholesaler and a retailer.**
- It is a widely used marketing channel in the FMCG and the consumer durables industry.

Types

- **Three level channel:** It can combine the roles of a **distributor** on top of a **dealer and a retailer**. The distributor stocks the most and spreads it to dealers who in turn give it to retailers.
- It is usually observed in both the FMCG and the consumer durables industry.

Role of channels of distribution

- Helps the consumers to buy the goods at the time and place.
- Helps the consumers to buy the goods in convenient units, lots packs, etc.
- Help the producer in his production function by relieving him of marketing problems
- Provide information to the producer
- Routinize the sale of the product
- Assist the producer in fixing the price of a product
- Stabilizing the prices
- others

Factors

Factors relating to product characteristics

- Industrial /consumer product
- Perishability
- Unit value
- Style obsolescence
- Weight and technicality
- Standardised products
- Purchase frequency
- Newness and market acceptance
- Seasonality
- Product breads

Factors

Factors relating to company characteristics

- Financial strength
- Marketing policies
- Size of the company
- Past channel experience
- Product mix
- Reputation

Factors..

Factors relating to market or consumer characteristics

- Consumer buying habits
- Location of the market
- Number of customers
- Size of orders

Factors

Factors relating to middlemen considerations

- ❖ Sales volume potential
- ❖ Availability of middlemen
- ❖ Middlemen's attitude
- ❖ Services provided by middlemen
- ❖ Cost of channel

Factors

Factors relating to environmental characteristics

- Economic conditions
- Legal restrictions
- Competitors channel
- Fiscal structure

Types of channel policies

- Intensive distribution policy
- Selective distribution policy
- Exclusive distribution policy
- Consignment selling
- Franchise selling policy

THANK YOU ALL