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Paper Title: Marketing Management.

Unit No.: 4 (Four)

Title: Promotion and Distribution.

Lecture No: 2 (Two)

Title: Channel Distribution

Glossary

Atmospherics the overall impression conveyed by a store's physical layout, décor, music, lighting and surrounding.

Automatic vending the use of machines to offer goods for sale.

Channel captain a member of the marketing channel that exercises authority and power over the activities of other channel members.

Channel conflict a clash of goals and methods between distribution channel members.

Channel control a situation that occurs when one marketing channel member intentionally affects another member's behaviour.

Channel cooperation (channel partnering) the joint efforts of all channel members to create a channel that serves customers and creates a competitive advantage.

Channel power the capacity of a particular marketing channel member to control or influence the behavior of other channel members.

Direct channel a distribution channel in which producers sell directly to consumers.

Direct marketing techniques used to get consumers to make a purchase from their home, office or other nonretail setting.

Exclusive distribution a form of distribution that establishes one or a few dealers within a given territory.

Form utility created by assembling, preparing or refining the product to suit individual tastes and requirements.

Franchise the right to operate a business or to sell a product.

Franchisee an individual or business that is granted the right to sell another party's product

Franchisor the originator of a trade name, product, methods of operation and so on that grants the rights to another party to sell its product.

Gross margin the amount of money the retailer makes as a percentage of sales after the cost of goods sold is subtracted.

Horizontal conflict a channel conflict that occurs among channel members on the same level.

Intensive distribution a form of distribution aimed at having a product available in every outlet where target customers might want to buy it.

Kiosks small, free standing pavilion, used for purpose of sales, promotion activities or giving information.

Logistics the efficient and cost effective forward and reverse flow and storage of goods, services and related information into, through and out of channel member companies.

Non store retailing shopping without visiting a store.

Online retailing a type of shopping available to consumers with personal computers and access to the internet.

Place Utility –utility created by making products available in locations where customers wish to purchase them.

Possession Utility created by the customer having access to the product to use or to store for future use.

Retailing mix a combination of the six P's- product, place, promotion, price, presentation and personnel to sell goods and services to the ultimate consumer.

Selective distribution a form of distribution achieved by screening dealers to eliminate all but a few in any single area. **Time Utility** created by making products available when the customer wants them.

Vertical conflict a channel conflict that occurs between different levels in a marketing channel, most typically between the manufacturer and wholesaler or manufacturer and retailer.

LOR1

Marketing Channels are set of interdependent organizations involved in the process of making the product or service available for use or consumption. They are a set of pathways, followed by a product or service after production resulting in purchase and use by the final end user.

There are broadly three types of intermediaries: Merchants, brokers and facilitators.

A marketing channel performs the work of moving the goods from producers to consumers. The channel manages time, place and possession gaps that separates goods and services from those who want them. Members of the marketing channel gathering information, disseminating communications, managing funds, placing orders, storage and movement of goods etc.

The number of intermediaries between the two determines the length of a channel. The producer and the final customer are part of every channel. There is zero level, one level, two level and three level channel predominantly existing.

LOR2

Channel Dynamics

Vertical Marketing System- The Vertical Marketing System i.e. VMS comprises of manufacturer, wholesaler and retailer acting as a unified system. All the channel members are professionally managed and centrally controlled by a channel member called as **category captain**. The category captain either owns the other members or franchises them or is so powerful that others will cooperate. VMS eliminates channel conflict and controls channel behaviour, improves **distribution** efficiency and brings in economies of scale through size, bargaining power and elimination of duplication of services. There are three types of VMS: -

1. **Corporate VMS**- It combines successive stages of a marketing channel network like production and distribution under single ownership.
2. **Administered VMS**- In this type, successive stages of production and distribution are coordinated through the size and power of one of the channel members. Manufacturers of a well-known brand are able to secure strong trade cooperation and support from the resellers.
3. **Contractual VMS**- In this structure also known as **Value Added Partnerships,** independent channel members at different levels of production and distribution integrate on a contractual basis to obtain more economies or sales impact than they could achieve alone. Contractual VMS are of three types; first **wholesaler sponsored voluntary chains,** second **retailer cooperatives** and third **franchisee organizations.**

Horizontal Marketing Systems

In this type of channel structure, two or more unrelated companies put together resources to exploit emerging marketing opportunity. For e.g. a retail chain ties up with a bank to offer instore banking services.

Multichannel Marketing Systems

When a company uses two or more channels to reach out to one or more customer segments. For e.g. a company can use a dealer network, multilevel marketing channel and online retail channel to sell its products. By using multichannel marketing system, a company can increase its market coverage, lower its selling costs and customize its selling. But, new channels could introduce more conflict and control problems.

LOR3

Retailing includes all the activities involved in selling goods or services directly to end users for personal, non-business use. A retailer or retail store is a business enterprise whose sales volume comes from retailing. Some of the major types of retailers are:

Specialty Store: Store with narrow product lines with a deep assortment such as furniture store, jewellery store, bookstore, apparel store, sporting goods store and florist.

Departmental Store: Store with several product lines typically clothing, accessories and home furnishing and linen where each product line is operated as a separate department managed by specialized buyers.

Supermarket: This is a large, low-cost, low-margin, high volume self-service store designed to meet the total need for food and grocery products.

Convenience Store: This is a relatively small store located near residential area, open long hours, seven days a week carrying a limited line of high turnover products.

Discount Store: Store which sells standard or specialty merchandise at lower prices with lower margins and high volumes.

Off price Retailer: When a store sells left over goods, overruns, irregular merchandise which is bought at less than regular wholesale price and sold at less than retail. Independent off price retailers, factory outlets and warehouse clubs are types of off price retailer.

Superstore: This is a store with huge selling space, aimed at meeting customer's total needs for routinely purchased food and non-food products. Hypermarkets, combination store and category killer are types of superstore.

Catalogue Showroom: They have broad selection of high mark-up, fast moving, brand name goods sold through a catalogue at discount prices.

LOR4

It includes all the activities involved in selling goods and services to those who buy for resale or business use. Wholesalers are efficient in performing variety of functions like selling and promoting of goods, buying and assortment building, bulk breaking, warehousing inventories, transporting goods, financing customers and suppliers, absorbing risk, gathering marketing information and providing management services and counselling to retailers. Wholesaling has grown in recent years due to number of factors.

Types of Wholesaling

The major types of wholesalers are:

Merchant Wholesalers: These are independently owned businesses that take title to the merchandise they handle. They are full service and limited service wholesalers. They could be jobbers, distributors and mill supply houses.

Brokers and Agents: These are intermediaries who facilitate buying and selling, on commission of 2 to 6 percent of the selling price. They generally specialize by product line. Brokers bring buyers and sellers together and assist in negotiation. E.g. real estate brokers. Agents represent buyers or sellers on a permanent basis.

Manufacturers' and Retailers' branches and offices: Wholesaling operations are conducted by the sellers or buyers themselves by dedicating branches or offices rather than independent wholesalers.

Specialized Wholesalers: Wholesalers with expertise in dealing with specific type of products. For E.g. agricultural assemblers, petroleum bulk plants and terminals and auction companies.