



CHRIST
(DEEMED TO BE UNIVERSITY)
BANGALORE · INDIA

Marketing Management

Unit 3 - Distribution Strategy

MISSION

CHRIST is a nurturing ground for an individual's holistic development to make effective contribution to the society in a dynamic environment

VISION

Excellence and Service

CORE VALUES

Faith in God | Moral Uprightness
Love of Fellow Beings
Social Responsibility | Pursuit of Excellence

Value Delivery Network

The network made up of the company, suppliers, distributors, and ultimately customers who “partner” with each other to improve the performance of the entire system.

Channels of Distribution

- Channel of distribution (marketing channel)
 - A sequence of marketing organizations that directs a product from the producer to the ultimate user
- Middleman (marketing intermediary)
 - A marketing organization that links a producer and user within a marketing channel
 - Merchant middleman—takes title to products by buying them
 - Functional middleman—helps in the transfer of ownership of products but does not take title to the products
 - Retailer—buys from producers or other middlemen and sells to consumers
 - Wholesaler—sells products to other firms

Nature & Importance of Marketing Channels

- Channel choices affect other decisions in the marketing mix
 - Pricing, Marketing communications
- A strong distribution system can be a competitive advantage
- Channel decisions involve long-term commitments to other firms
- How Channel Members Add Value
 - Intermediaries require fewer contacts to move the product to the final purchaser.
 - Intermediaries help match product assortment demand with supply.
 - Intermediaries help bridge major time, place, and possession gaps that separate products from those who would use them.

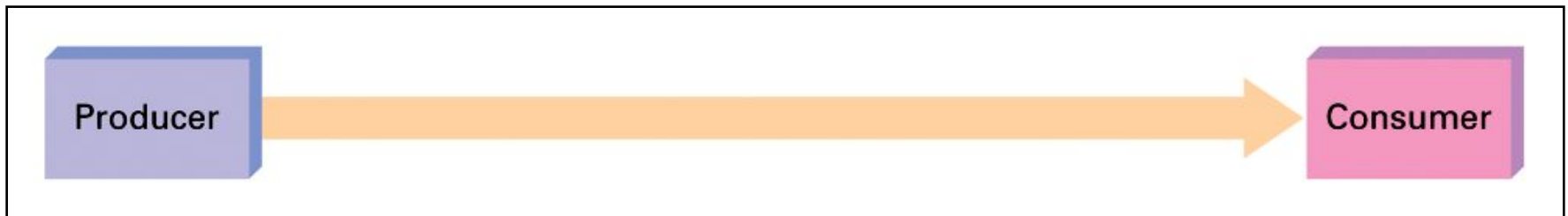
Key Functions Performed by Channel Members

- Information
- Promotion
- Contact
- Matching
- Negotiation
- Physical Distribution
- Financing
- Risk taking

Channels for Consumer Products

Producer to consumer (direct channel)

- No intermediaries
- Used by all services and by a few consumer goods
- Producers can control quality and price, do not have to pay for intermediaries, and can be close to their customers
- Examples: Dell Computer, Mary Kay Cosmetics



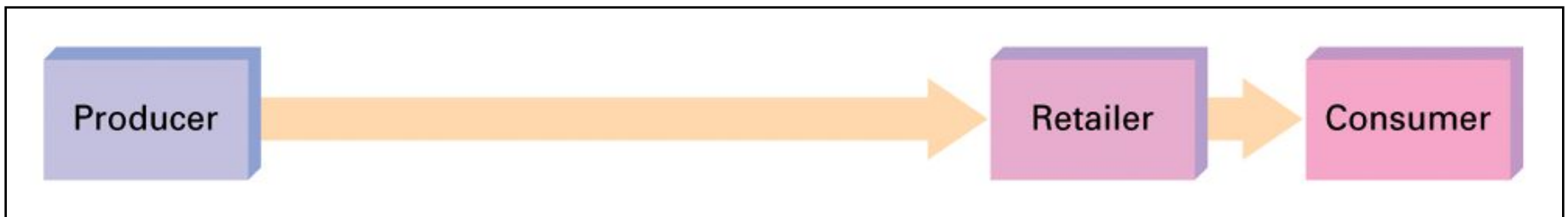
Channels for Consumer Products contd...

- Producer to retailer to consumer
 - Producers sell directly to retailers when retailers (Wal-Mart) can buy in large quantities
 - Most often used for bulky products for which additional handling would increase selling costs, and for perishable or high-fashion products that must reach consumers quickly



Channels for Consumer Products contd...

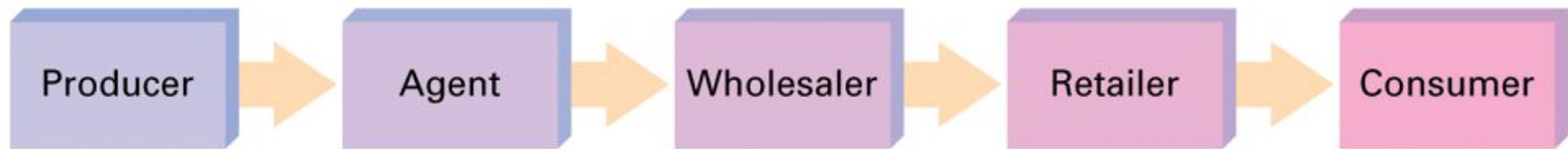
- Producer to wholesaler to retailer to consumer
 - The traditional channel
 - Used when a producer's products are carried by so many retailers that the producer cannot deal with them all



Channels for Consumer Products contd...

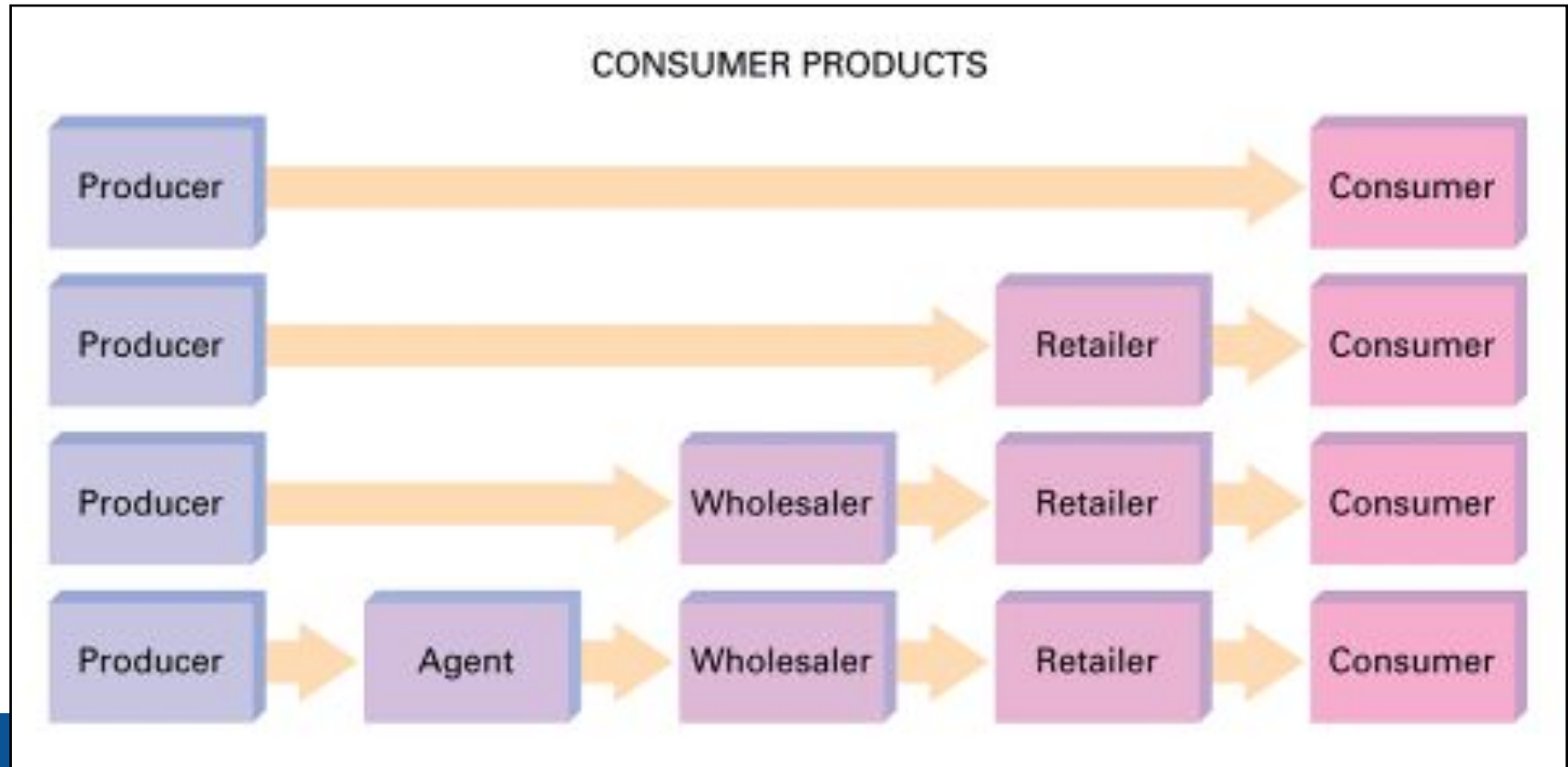
Producer to agent to wholesaler to retailer to consumer

- Agent—functional middlemen that do not take title to products and are compensated by commissions paid to the producers
- Often used for inexpensive, frequently-purchased items, for seasonal products, and by producers that do not have their own sales forces



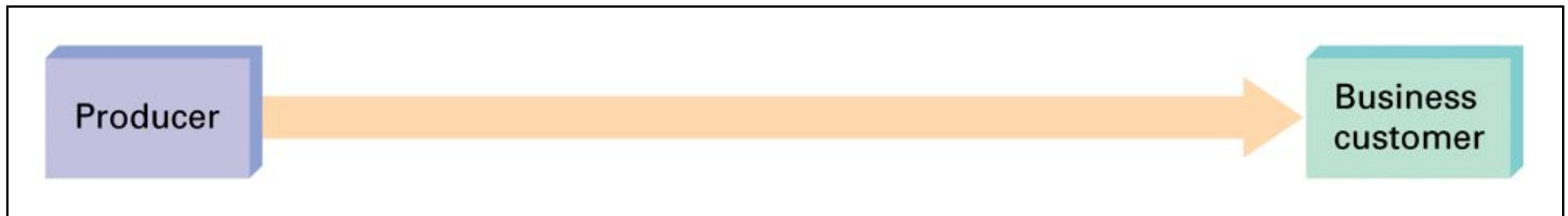
Channels for Consumer Products contd...

- A manufacturer may use multiple channels
 - To reach different market segments
 - When the same product is sold to consumers and businesses
 - To increase sales or capture a larger market share



Channels for Business Products

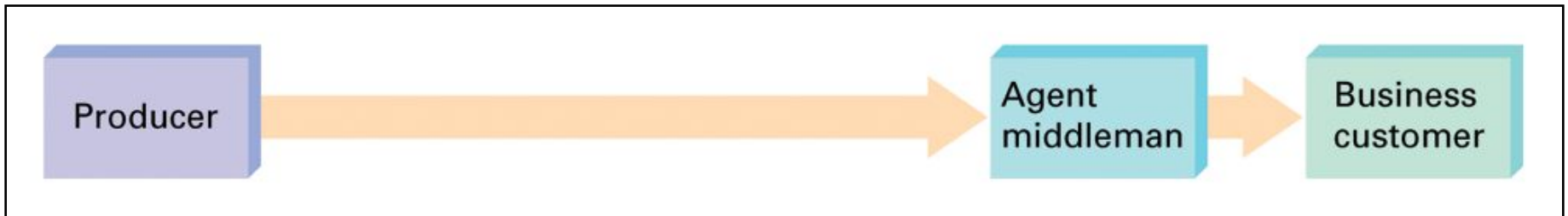
- Producer to business user
- Usually used for heavy machinery, airplanes, major equipment
- Allows the producer to provide expert and timely services to customers



Channels for Business Products (cont'd)

Producer to agent middleman to business user

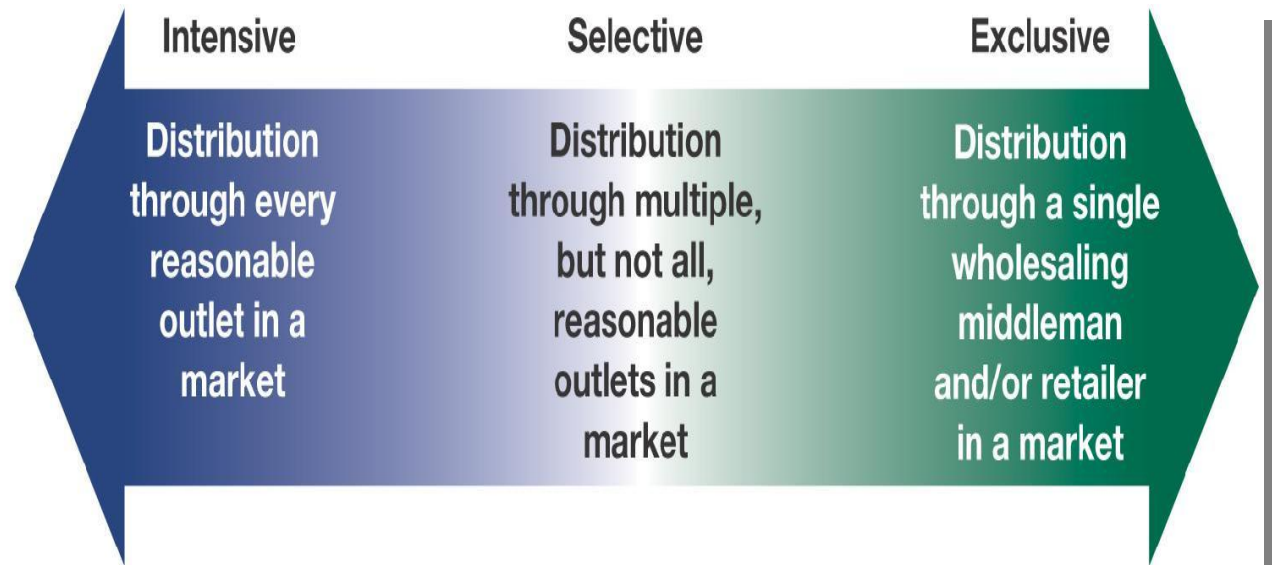
- Usually used for operating supplies, accessory equipment, small tools, standardized parts



Intensity of Distribution

FIGURE 14.4

The Intensity-of-Distribution Continuum.





Distribution Channel

[,di-strə-'byü-shən 'cha-nəl]

A chain of businesses or intermediaries through which a good or service passes until it reaches the final buyer or the end consumer.

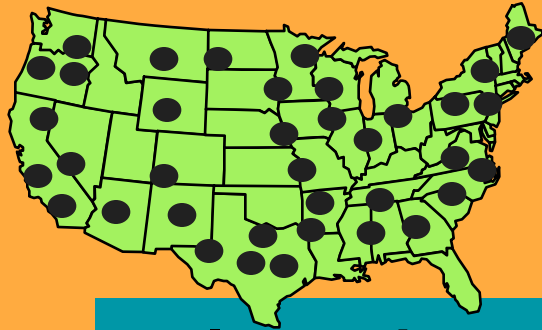


Distribution Channel

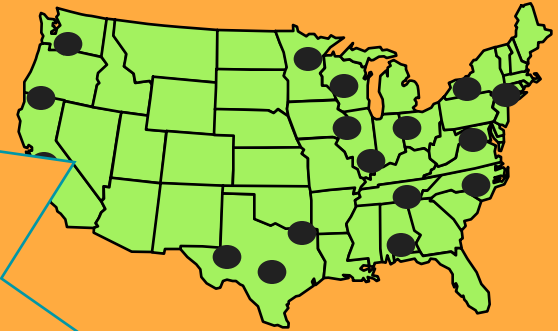
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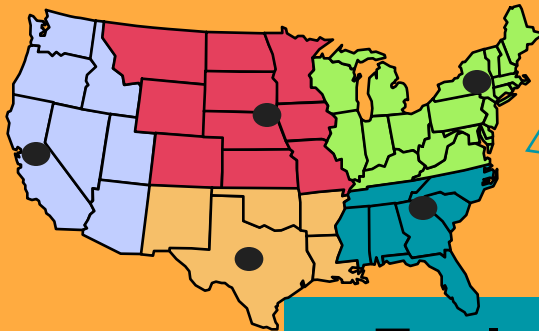
Market Exposure



Intensive



Selective



Exclusive

What
Market
Exposure
Fits the
Marketing
Objective
s

● = number of
outlets

Market Coverage

Intensity of market coverage

- Intensive distribution
- The use of all available outlets for a product to saturate the market

Selective distribution

- The use of only a portion of the available outlets for a product in each geographic area

Exclusive distribution

- The use of only a single retail outlet for a product in a larger geographic area

The System View of Distribution Channels

- A Vertical Marketing System (VMS) is a marketing channel that a single channel member coordinates:
- The whole channel focuses on the same target market at the end of the channel
- Sometimes a large firm will buy up the smaller companies in the channel to have more control over the distribution

Vertical Marketing System

- The channel member manages channel activities to achieve efficient, low cost distribution aimed at satisfying the target market customers.

There are three types of Vertical Marketing System:

- Corporate,
- Administered and
- Contractual.

Corporate VMS

- More than one stage of the distribution channel under one ownership, supermarket chains that own processing plants and large retailers that purchase wholesaling and production facilities.
- Examples: Apple who is responsible for doing everything related with their products

Administered VMS

- Channel members are independent with a high level of inter-organisational management by informal coordination;
- Agree to adopt uniform accounting policies etc., and promotional activities.
- Examples:
 - Wal Mart
 - Kellog
 - Pepsi
 - Coke

Contractual VMS

- Most popular VMS, inter-organisational relationships formalized through contracts that spell out each members rights and obligations.
- McDonald's and KFC.

Factors Determining the Selection of Distribution Channels

- Organizational objectives and resources
- Product attributes and PLC
- Market characteristics
- Buying behaviour
- Competition
- Cost
- Risk

Channel Design Decisions

- ***Step 1: Analyzing Consumer Needs***
 - Cost and feasibility of meeting needs must be considered
- ***Step 2: Setting Channel Objectives***
 - Set channel objectives in terms of targeted level of customer service
 - Many factors influence channel objectives

- **Step 3: Identifying Major Alternatives**

- Types of intermediaries
 - Company sales force, manufacturer's agency, industrial distributors
- Number of marketing intermediaries
 - Intensive, selective, and exclusive distribution
- Responsibilities of channel members

- **Step 4: Evaluating Major Alternatives**

- Economic criteria
- Control issues
- Adaptive criteria

Structuring a Distribution Channel

Important Factors in Building a Distribution Channel

- Costs associated with establishing a direct channel distribution
- Coverage is increased through the use of indirect channels of distribution.
- Control is enhanced using a direct distribution channel.

Channel Behavior and Organization

- **Channel Conflict:** Occurs when channel members disagree on roles, activities, or rewards.

Types of Conflict:

- **Horizontal conflict:** occurs among firms at the same channel level
- **Vertical conflict:** occurs among firms at different channel levels

Wholesaling and Retailing

- **Retailing** includes all the activities in selling goods or services directly to final consumers for personal, non-business use.
- A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing
- **Wholesaling** includes all the activities in selling goods or services to those who buy for resale or business use.

Channel Management Decisions

- Selecting Channel Members
 - Identify characteristics that distinguish the best channel members
- Managing and Motivating Channel Members
 - Partner relationship management (PRM) is key
- Evaluating Channel Members
 - Performance should be checked against standards
 - Channel members should be rewarded or replaced as dictated by performance

Assignment

Emerging channel options

- Omnichannel
- Drop shipping
- Subscription based distribution
- Dark stores
- Micro-fulfilment centers
- Block chain and Autonomous Delivery systems.

Marketing and Distribution of Mushroom

- Sachin and Virag are two enterprising youth. They have passed out from IIM, Bangalore. They thought instead of doing a job, they will launch fresh vegetables in Indian markets. Having learnt of the future conventional foods, they decided to venture into cultivation of mushrooms.
- Mushrooms are known to be the best alternative food for vegetarians. For Sachin and Virag fund raising was a serious handicap for mass production. However, the first trial batch of mushrooms that they produced was bought by Star Hotel in Bangalore. Further, the hotel placed orders for supply of 20 kgs every day.
- Now mushroom industry is run by small entrepreneurs, like Sachin and Virag. Another big player M/s Ashtavinayak Mushrooms, equipped with cold storage facility was more interested in the export market.
- Sachin and Virag have set their sights high. They aim to sell mushrooms in a very big way all over India. Mushrooms have a great market potential and is a perishable food.

What would be your suggestions for distribution channel for mushrooms?