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## E-Content BBA402- Marketing Management

Lecture 25- Place, Distribution channel

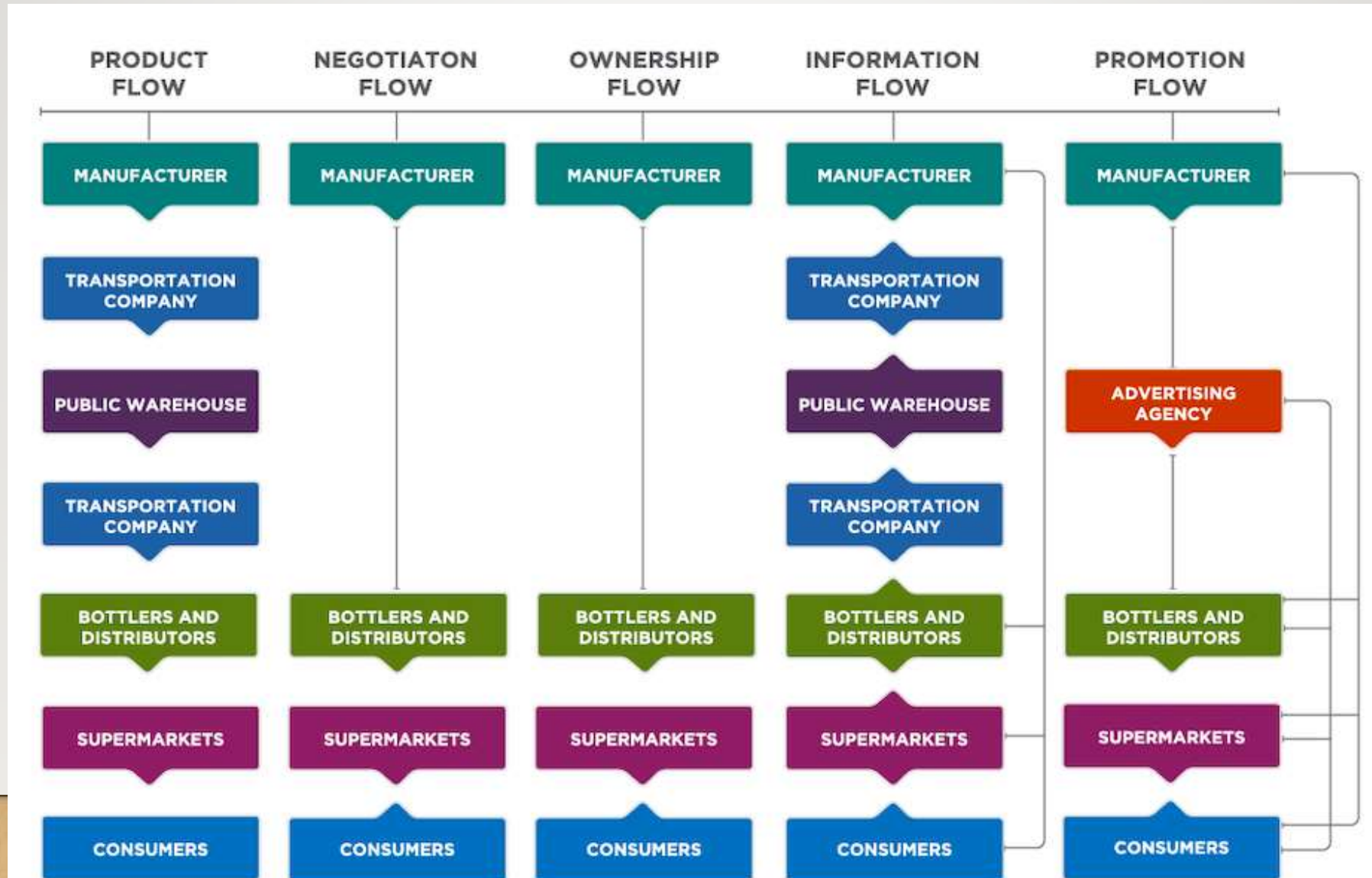
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# Distribution Channels

- Distribution channels cover all the activities needed to transfer the ownership of goods and move them from the point of production to the point of consumption
- These activities include:
  - product flow
  - negotiation flow
  - ownership flow
  - information flow
  - promotion flow



# Five Flows in the Marketing Channel for Monster Beverages



## Channel Partners

- The producer of the product: a craftsman, manufacturer, farmer, or other producer
- The user of the product: an individual, household, business buyer, institution, or government
- Middlemen at the wholesale and/or retail level



# Channel Functions

- **Transactional functions:** buying, selling, and risk assumption
- **Logistical functions:** assembly, storage, sorting, and transportation
- **Facilitating functions:** post-purchase service and maintenance, financing, information dissemination, and channel coordination or leadership

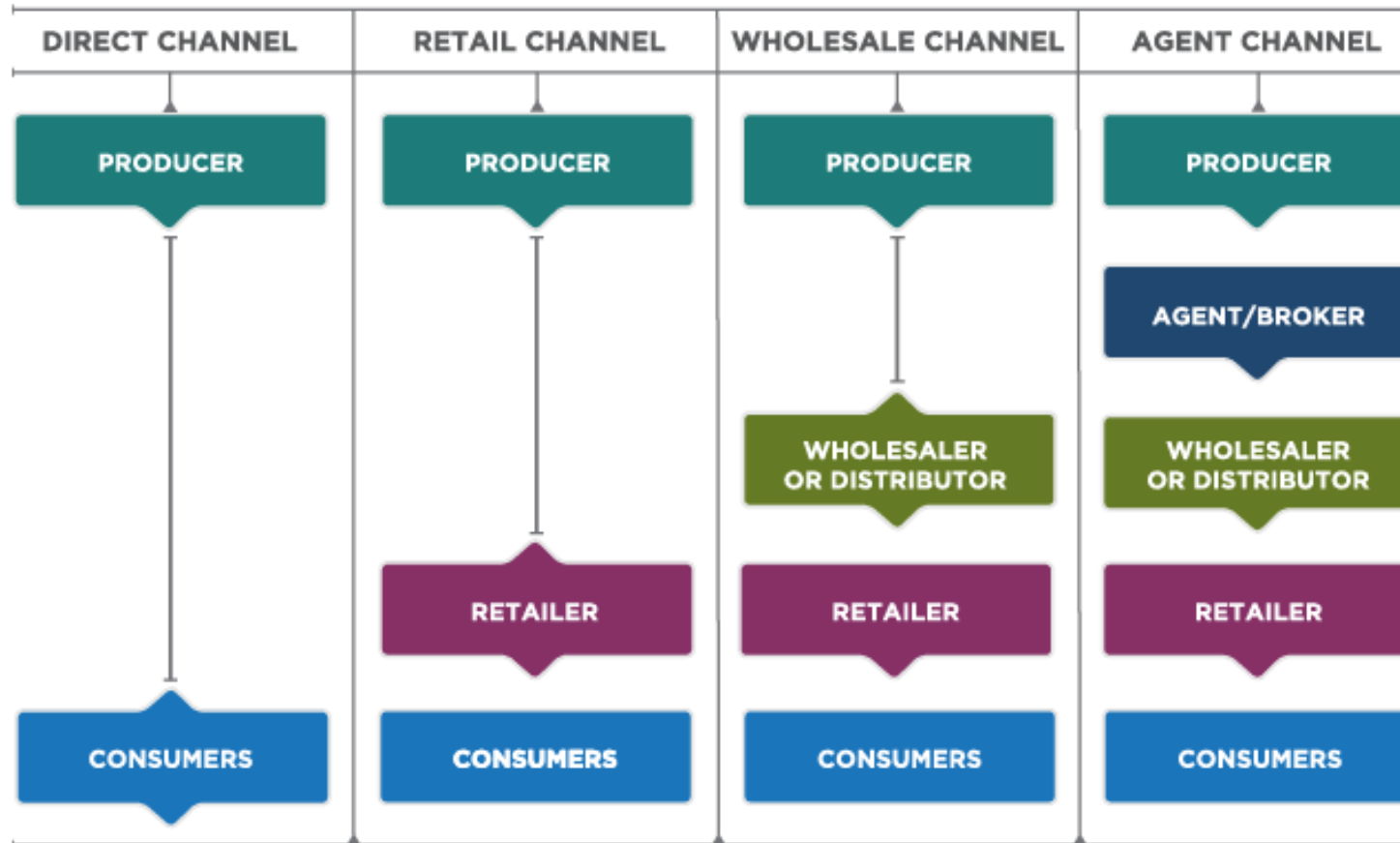
# Channel Structures

While channels can be very complex, there is a set of channel structures that can be identified in most transactions:

- Direct channel
- Retail channel
- Wholesale channel
- Agent channel

# Marketing Channels for Consumer Products

## MARKETING CHANNELS FOR CONSUMER PRODUCTS



# Supply Chain vs. Marketing Channel

The supply chain and marketing channels can be differentiated in the following ways:

- The supply chain is broader than marketing channels.
- Marketing channels are purely customer facing.
- Marketing channels are part of the marketing mix.



# Channel Management: Analyze the Consumer

- First, to whom shall we sell this merchandise immediately? Second, who are our ultimate users and buyers?
- In both cases, certain basic questions apply: There is a need to know what the customer needs, where they buy, when they buy, why they buy from certain outlets, and how they buy
- Manufacturers must also discover buying specifications for resellers

# Channel Objectives

What must the channel achieve?

Examples:

- Growth in sales by reaching new markets and/or increasing sales in existing markets.
- Maintenance or improvement of market share
- Achieve a pattern of distribution by a certain time, place, and form
- Reduce costs or increase profits by creating an efficient channel

# Specify Distribution Tasks

What functions does the channel need to perform? Examples:

- Store inventory
- Deliver goods
- Provide credit
- Handle product returns

# Evaluate and Select Channel Alternatives

There are four considerations for channel alternatives:

1. Number of levels
2. Intensity at the various levels
3. Types of intermediaries at each level
4. Application of selection criteria to channel alternatives

In addition, it is important to decide who will be in charge of the selected channels.



# Evaluate Channel Member Performance

It is important to evaluate the performance level of the channel members, but channel members are independent business firms, rather than employees and activities under its control, these firms may be reluctant to change their practices

# Approaches to Support Third Party Sales Success

- Understand and align incentives
- Provide exceptional sales support
- Create demand for your product

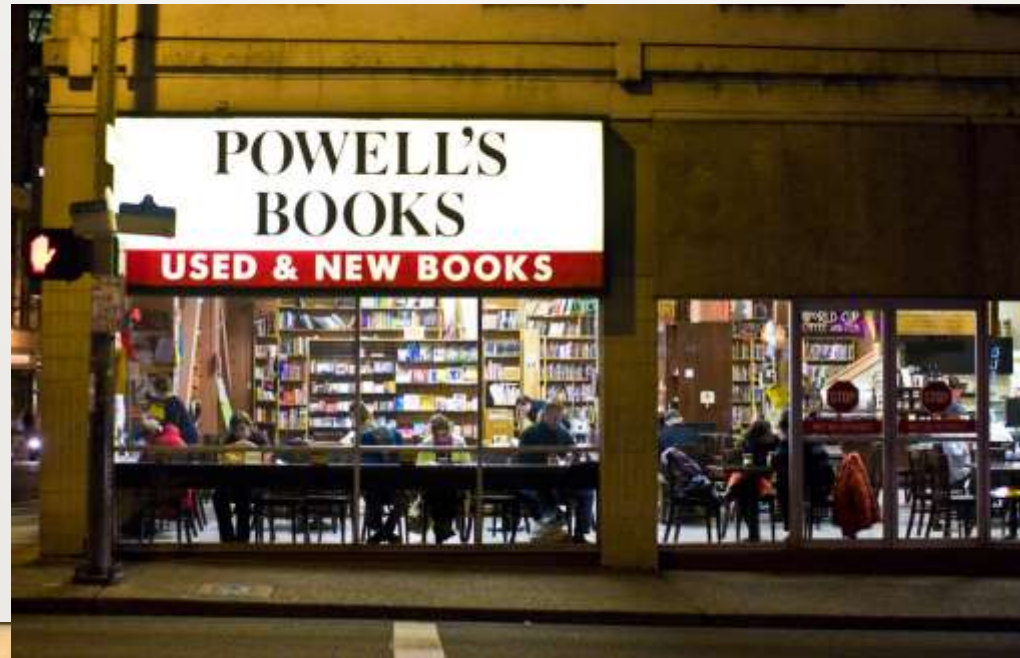


# Common Service Outputs

- **Special convenience:** Can I get the product at or near the location where I want it?
- **Timing of availability:** Do I need the product immediately or am I willing to wait?
- **Quantity:** Am I willing to buy in bulk or buy multiple items?
- **Assortment and variety:** Do I have a very particular need or a flexible need? Am I looking for one or many options?
- **Service:** Do I require assistance or support through the purchase process?
- **Information:** Do I need information to make a purchase?

# Retail

- Retailing involves all activities required to market consumer goods and services to ultimate consumers who are purchasing for individual or family needs



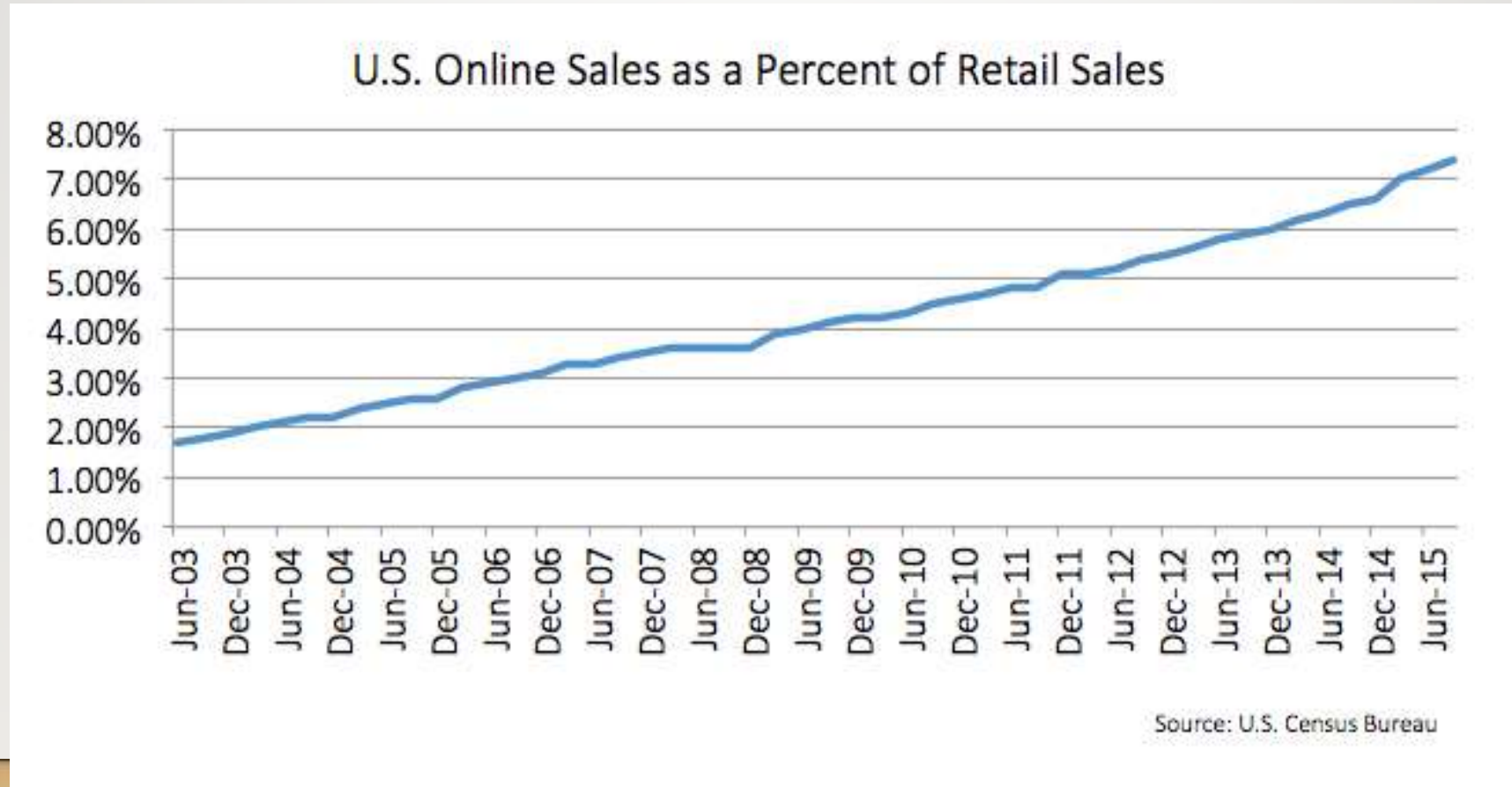


# Types of Retail

- Online
- Catalog
- Franchise
- Supermarket
- Malls and shopping centers
- Chain store
- Department store
- Warehouse store
- Non-store (right)



# Online Sales are Growing, but Still Under 10%



Retailers create a shopping experience through presentation and personnel



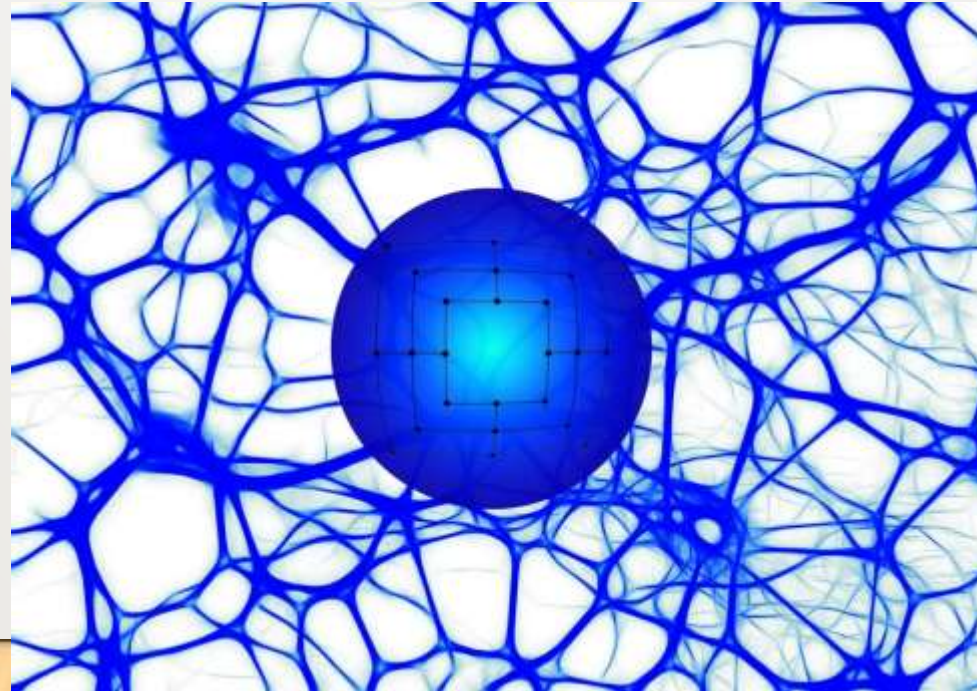
# Supply Chain Management

- The supply chain includes everything from product development, sourcing of materials, actual production, and transportation logistics
- Supply chain management activities maximize customer value and allow the company to gain a competitive advantage



# Integrated Supply Chain Management

Within the supply chain organization sourcing, demand planning, inventory planning, warehousing, logistics, and order-fulfillment functions must work together



## Practice Question

- Here is a supply chain for peanut butter
- How would a diagram of a marketing channel be similar? Different?



# Quick Review

- What are channels of distribution? Why do organizations use them?
- How do channels affect the marketing of products and services?
- What are the types of retailers? How are they used as a channel of distribution?
- How does integrated supply chain management support an effective distribution strategy?