

Lecture Notes

Class - B. Com Hons Sem VI

Sub Code – BCH- 6.2

Sub – Principles of Marketing

Topic – Distribution in Marketing – Part 1

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Learning outcome from this lecture note

- Meaning of Distribution Channel
- Concept of Distribution Channel
- Objective of Distribution Channel
- Need for Distribution Channel

Distribution Channels

Distribution channels are also known as marketing channels or marketing distribution channels.

Distribution Channel – Meaning

In the field of marketing, channels of distribution indicate routes or pathways through which goods and services flow, or move from producers to consumers.

We can define formally the distribution channel as the set of interdependent marketing institutions participating in the marketing activities involved in the movement or the flow of goods or services from the primary producer to the ultimate consumer.

In other words, *A distribution channel is the network of individuals and organizations involved in getting a product or service from the producer to the customer.*

Concept of Distribution Channels

The prime of object of production is its consumption. The movement of product from producer to consumer is an important function of marketing. It is the obligation of the producer to make goods available at right place, at right time right price and in right quantity.

The process of making goods available to the consumer needs effective channel of distribution. Therefore, the path taken by the goods in its movement is termed as channel of distribution.

Distribution channels are the network of organizations, including manufacturers, wholesalers, and retailers, that distributes goods or services to consumers. *A distribution channel is the network of individuals and organizations involved in getting a product or service from the producer to the customer.* Distribution channels are also known as marketing channels or marketing distribution channels.

Distribution channel can be as short as a direct transaction from the vendor to the consumer, or may include several interconnected intermediaries along the way such as the followings –

1. Wholesalers
2. Distributors
3. Agents and
4. Retailers

The above mentioned are the channels of distribution. A channel of distribution or trade channel is defined as the path or route along which goods move from producers or manufacturers to ultimate consumers or industrial users. In other words, it is a distribution network through which producer puts his products in the market and passes it to the actual users.

This channel consists of:

1. Producers
2. Consumers or end users and
3. Various middlemen like wholesalers, selling agents and retailers, dealers etc., intervene between the producers and consumers.

Therefore, the channel serves to bridge the gap between the point of production and the point of consumption thereby creating time, place and possession of utilities.

Objectives of Channels of Distributions

1. Receiving Fast and Accurate Feedback of Information:

In order to maintain and provide an efficient distribution system and service, a good and regular, relevant information is necessary. It which includes inventory levels, sales trends, damage reports, service levels, cost monitoring etc.

2. Making the Product Readily Available to the Market Consumers:

To ensuring the product is represented in the right type of outlet or retail store is an important objectives of channels of distribution. Having identified the correct marketplace for the goods, the company must make certain that the appropriate physical distribution channel is selected to achieve this objective.

3. Achieving a given Level of Service:

Once again, from both the supplier's and the customer's viewpoints, a specified level of service should be established, measured, and maintained. The customer normally sees this as crucial and relative performance in achieving service level requirements is often used to compare suppliers and may be the basis for subsequent buying decisions.

4. Enhancing the Prospect of Sales being Made:

The most appropriate factors for each product or type of retail store will be reflected in the choice of channel. The general aims are to get good positions and displays in the store; and to gain the active support of the retail salesperson, if required. The product should be "visible, accessible, and attractively displayed".

Channel choice is affected by this objective in a number of ways:

- (i) Does the deliverer arrange the merchandise in the shop?
- (ii) Are special displays being utilised?
- (iii) Does the product required to be installed, demonstrated or explained?
- (iv) Is there a special promotion of the product is required?

5. Minimising Logistics and Total Costs:

Costs are very crucially significant as they are reflected in the final price of the product. The selected channel will reflect a certain cost and this cost must be assessed in relation to the type of product offered and the level of service required.

6. Achieving Co-Operation with Regard to any Relevant Distribution Factors:

These factors can either be from the supplier's or the receiver's point of view and include minimum order sizes, unit load types, product handling characteristics, materials handling aids, delivery access (e.g., vehicle size), and delivery time constraints, etc.

Need for Selecting an Appropriate Channel of Distribution

It is a fact that the distribution channels are greatly required by the manufacturers. The need for selecting an appropriate channel can be understood on the basis of the parameters considered, which highlight the fact for need of selection of distribution channels.

- a. Attention – Little attention of companies to their distribution channels may damage results such as profit, brand, number of customers etc.
- b. Imaginative distribution systems – Companies can use imaginative distribution systems to take competitive advantage. For example Dell, Flipkart.com etc. Dell is the best example of revolution in Distribution channel. Dell is selling its products directly to the consumer rather than through retailer.
- c. Difficult to Replace – Companies can change their products, advertising and Pricing easily but not their distribution channels. It is not an easy task to change distribution channel, franchisees, dealers and retailers.
- d. Value Addition – Distribution Channel Members can provide greater efficiency in making availability of goods to the target markets through

their Contacts, Specialization, experience, and scale of operation. This can add value to the product or service at each level of distribution.

- e. Reduced number of Channel Transactions – Marketing intermediaries or channel members help to reduce the number of channel transactions.
- f. Information – Gathering and distributing information is very helpful.
- g. Promotion – Communication to the consumer regarding product information and offers through advertising and promotion.
- h. Financial support – Offering financial support for example Purchase on credit, exchange options, purchase using payment plans.
- i. Other – Financing, Physical Distribution and Risk Taking are other parameters that influence a channel selection decision Reduces Distribution cost and time.
