

Study Material

Class - B. Com Hons Sem VI

Sub Code – BCH- 6.2

Sub – Principles of Marketing

Topic – Distribution in Marketing – Part 5

Prepared by - Dr. G. Vijayalakshmi.

Faculty of Commerce, Karim City College.

Learning outcome from this lecture note:

- Intensity of Distribution Channel
- Advantages of Distribution Channel
- Disadvantages of Distribution Channel

Distribution Channel – Intensity of Distribution

Once, the company decides the general channels to be used, it has to decide on the number of middlemen in each channel, i.e., intensity of distribution.

There are three alternatives:

1. Extensive Distribution:

We have maximum number of retail outlets for mass distribution of convenience goods as consumers demand immediate satisfaction and that too at the most convenient retail shops. Extensive or broadcast distribution is essential when the price is low, buying is frequent and brand switching is a common phenomenon.

Extensive distribution secures rising sales volume, wider consumer recognition and considerable impulse purchasing. But it creates problem of motivation and control and it may generate unprofitable sales due to higher marketing costs.

2. Selective or Limited Distribution:

When special services are needed, e.g., TV sets or a right prestige image is to be created, e.g., certain cosmetics to be sold only through chemists, we have selective distribution. The number of outlets at each level of distribution is limited in a given geographic area.

When we have limited number of middlemen, they can spend more on sales promotion and offer maximum cooperation in the company's promotion campaign. If the product has long useful life and consumer brand preference can be established, selective distribution will be more profitable.

3. Exclusive Distribution:

When final buyers do not need any product service, mass or extensive distribution is adopted. If the amount of product service expected by final buyers is considerable, exclusive distribution is preferable. Here, we have one wholesaler or one retailer for a given market to handle the right of distribution in that market. Similarly, if your brand has not only brand preference but also brand insistence and consumers refuse to accept substitutes, selective or even exclusive distribution is feasible.

Exclusive distribution creates a sole agency or sole distribution-ship in a given market area. Such types of distribution are very useful in the sale of consumer speciality goods, e.g., expensive men's suits. Exclusive distribution privileges offer tremendous loyalty of dealers and substantial sales support from dealers. However, the main sacrifice involved is the rising sales volume that might be obtained through wider or extensive distribution. The manufacturer can have greater control over prices and markets and he can get maximum co-operation from middlemen. Exclusive dealer can carry complete stock and offer after-sale-service to the buyers of products.

Some Advantages of Distribution Channels

When a customer is considering buying a product he tries to access its value by looking at various factors such as its delivery, availability etc., which are directly influenced by channel members. Similarly, a marketer too while choosing his distribution members must access what value the member is adding to the product.

Some advantages of distribution channel are as under:

1. Results in Customer Convenience – Channel distribution provides accumulating and assorting services, which means they purchase from many suppliers the various goods that a customer, may demand. Secondly, channel distribution is time saving as the customers can find all that they need in on\$ retail store and the retailer.
2. Customers can buy in small quantities – The phenomenon of breaking bulk quantities and selling them in smaller quantities is known as bulk breaking. The customers have the benefit of buying in smaller quantities and they also get a share of the profit the retailer makes when he buys in bulk from the supplier.
3. Customers receive financial support – Resellers offer financial programs to their customers which make payment easier for the customer. Customers can buy on credit and using a payment plan etc.
4. It is Cost Saving – Distribution channel partners are specialists in what they do therefore, they perform at much lower costs than companies trying to run the entire distribution channel all by itself.
5. It is Time Saving – Time of delivery is reduced due to efficiency and experience of the channel members. For example, the grocery store receives deliveries from the wholesaler in amounts required and at a suitable time and often in a single truck. In this way cost as well as time is saved.
6. Channel members also help in boosting sales – Resellers often use persuasive techniques to persuade customers into buying a product thereby increasing sales for that product. They often make use of various promotional offers and special product displays to entice customers into buying certain products.
7. Channel members provide valuable information – Manufacturers s rely on the intermediaries to provide information which will help in improving the product or in increasing its sale. High- level channel members often provide sales data. On all other occasions the manufacturer can always rely on the reseller to provide him with customer feedback.

8. Bigger Reach – A channel of distribution makes it possible to deal with customers that the company could not economically reach with own sales force or store. A network of distributors or retailers provides ready-made coverage of other regions or the whole country without the company having to invest.
9. Increased Market Knowledge – Distributors provide company with local market knowledge, enabling it to enter new markets quickly and effectively without the cost of market research or marketing programs
10. Increased Core Competency – A small business needs to focus its resources on product development and generate revenue. Using channel distribution allows a small business to focus on those core competencies without having to hire new personnel
11. Results in increased Efficiency – the intermediaries help to develop a single line of contact for each customer. That line of contact would include order placement, defective product returns, payment collections, product questions and product returns. All this helps in increasing the efficiency of the manufacturer.
12. Results in Growth – An international channel distributor can help a small business reach markets all over the world

Disadvantages

1. Loss of Product Importance due to delay – In case of transportation delays, the product loses its importance in the channel and the sales suffer.
2. More importance to competitor's product – Similarly a competitor's product may enjoy greater importance as the channel members might be getting a higher promotional incentive.
3. Lack of Communication Control – Manufacturer loses control over what message is being conveyed to the final customers. The reseller may engage in personal selling in order to increase the product sale and communicate

about the product to his customers. He might exaggerate about the benefits of the product this may lead to miscommunication problems with end users.

4. Revenue loss – The manufacturer sells his product to the intermediaries at costs lower than the price at which these middlemen sell to the final customers. Therefore the manufacturer goes for a loss in revenue.
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