

STRATEGIC MARKETING [MB MC 45]
MBA IV (MARKETING SPECIALIZATION)

UNIT – V
DISTRIBUTION STRATEGY

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❖ **What is a Distribution Channel?**

A distribution channel (also called a *marketing channel*) is the path or route decided by the company to deliver its good or service to the customers. The route can be as short as a direct interaction between the company and the customer or can include several interconnected intermediaries like wholesalers, distributors, retailers, etc. Hence, a distribution channel can also be referred to as a set of interdependent intermediaries that help make a product available to the end customer.

Channels of distribution have been defined in different ways by different authors:

According to **Philip Kotler**, “Every produces seek to link together the set of marketing intermediaries that best fulfil the firms’ objective. This set of marketing intermediaries is called marketing channel also trade channel and channel of distribution.”

According to **William J. Stanton**, “A channel of distribution for a product is the route taken by the title of the goods as they move from the producer to the ultimate consumer or the industrial user.”

According to **American Marketing Association**,” The structure of intra company organisation units and extra company agents and dealers, wholesaler and retailer, through which a commodity, product or service is marketed.”

❖ Objectives of Channels of Distribution:

Objectives are the starting point of any activity. They are the intended goals which prescribe scope and suggest direction to the efforts of the manager. Channel objectives also suggest direction for framing channel policies and strategies, selection of distribution channels etc. They flow out of the overall objective of the firm. The main objective of any distribution system is to make available the product at right place in right quantity and at right time.

It makes available the goods to the consumer as per his requirement. Apart from the main objective, distribution channel has other objectives like production and safety of the product, quick disposal of the product at the low cost, low inventory control of the channel and marketing intelligence. It is important to note that channel objectives vary in different environmental conditions and market conditions. It also varies from one time period to another.

❖ Role / Functions of Distribution Channels

In order to understand the importance of distribution channels, you need to understand that it doesn't just bridge the gap between the producer of a product and its user.

- Distribution channels provide time, place, and ownership utility. They make the product available when, where, and in which quantities the customer wants. But other than these **transactional functions**, marketing channels are also responsible to carry out the following functions:
- **Logistics and Physical Distribution:** Marketing channels are responsible for assembly, storage, sorting, and transportation of goods from manufacturers to customers.
- **Facilitation:** Channels of distribution even provide pre-sale and post-purchase services like financing, maintenance, information dissemination and channel coordination.
- **Creating Efficiencies:** This is done in two ways: *bulk breaking* and *creating assortments*. Wholesalers and retailers purchase large quantities of goods from manufacturers but break the bulk by selling few at a time to many other channels or customers. They also offer different types of products at a single place which is a huge benefit to customers as they don't have to visit different retailers for different products.

- **Sharing Risks:** Since most of the channels buy the products beforehand, they also share the risk with the manufacturers and do everything possible to sell it.
- **Marketing:** Distribution channels are also called marketing channels because they are among the core touch points where many marketing strategies are executed. They are in direct contact with the end customers and help the manufacturers in propagating the brand message and product benefits and other benefits to the customers.
- **Negotiation:**
Numbers of middlemen are there due to stiff competition. As a result intermediaries have to negotiate the various activities of business.
- **Payment:**
The payment flows backwards i.e. from the consumer to producer. Middlemen help the manufacturer by providing advance payments to meet their working capital requirement for goods and services.
- **Information:**
Information flow takes place from intermediary to manufacturer. Since middlemen are in close contact with the consumers they provide valuable information about the market to the manufacturer.