

# Marketing Channels and Distribution



**Manish Kumar**

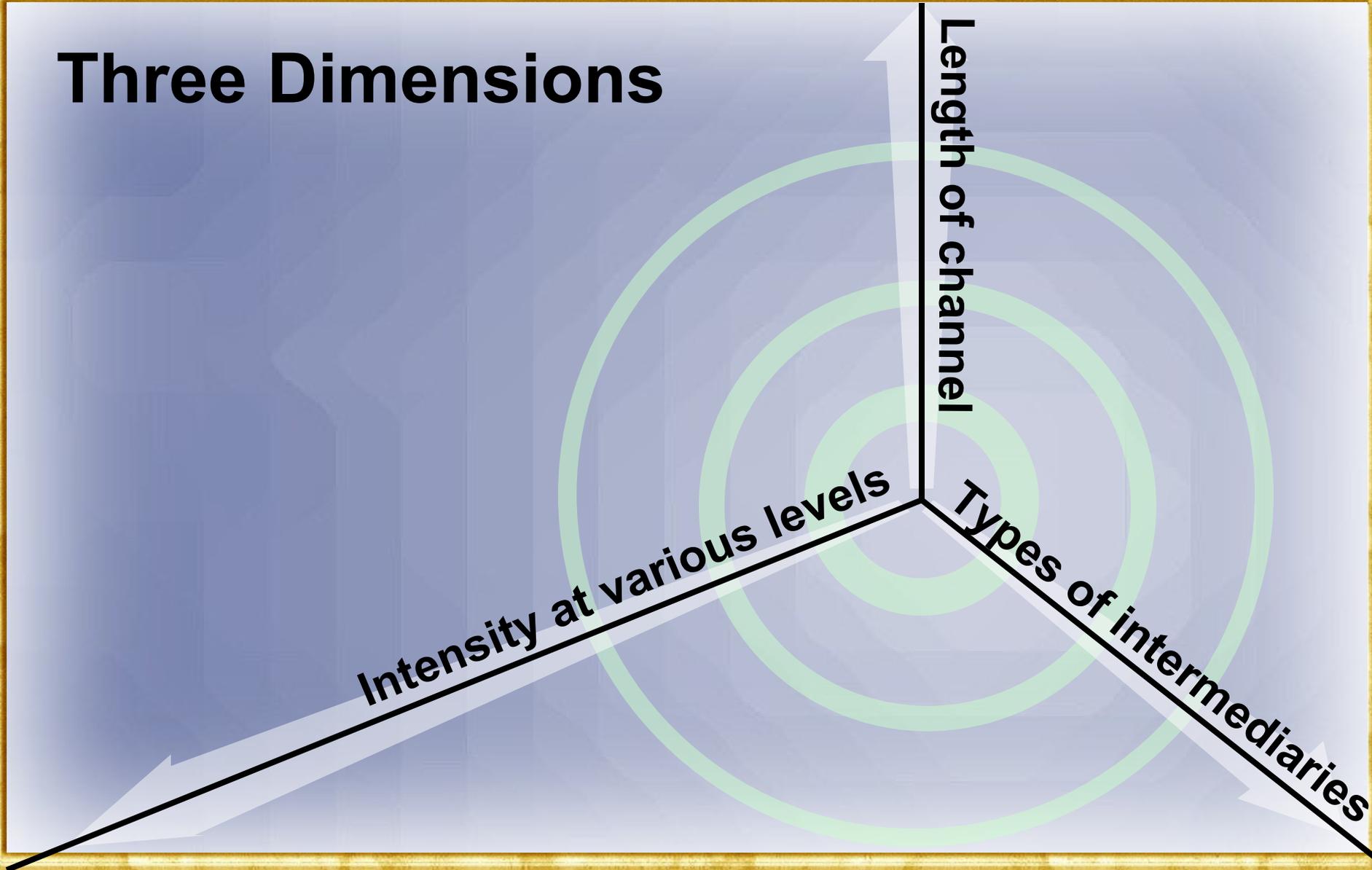


# What is a Marketing Channel?

Marketing channel  
(a.k.a. distribution  
channel) - network of  
organizations that  
create time, place, and  
possession utilities for  
consumers

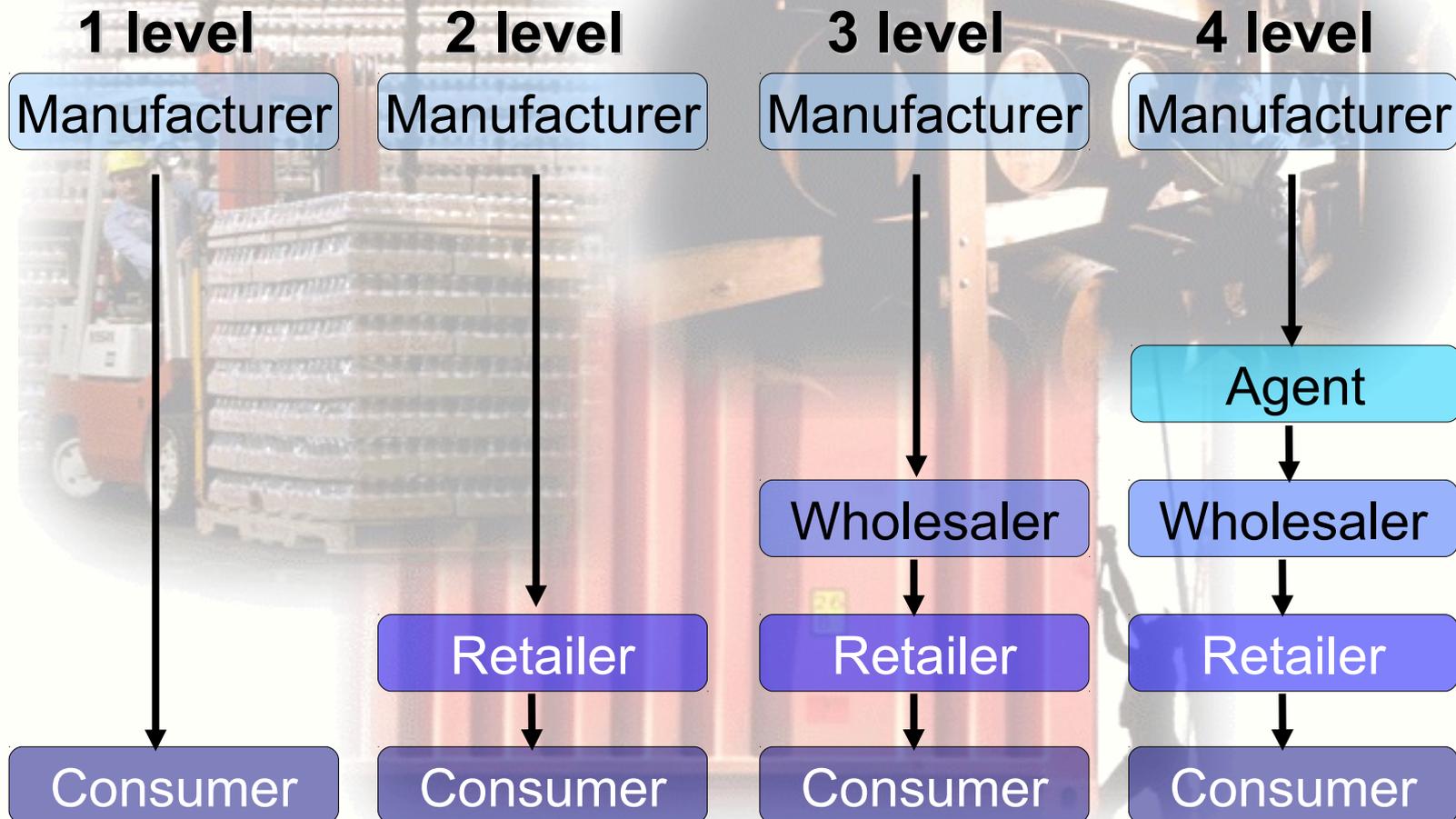
# Channel Structure

## Three Dimensions



# Channel Structure

## Length of marketing channel



# Channel Structure

**Intensity at various levels**

**Exclusive  
Distribution**

A photograph of a warehouse interior. A forklift operator wearing a yellow hard hat and a light blue shirt is driving a red and white forklift. The forklift is carrying a wooden pallet stacked high with numerous clear plastic bottles. The background shows rows of tall metal shelving units filled with more bottles.

**Selective  
Distribution**

A photograph of a wine cellar. A person is standing in the center, looking at a large wooden barrel. The cellar is filled with rows of similar wooden barrels stacked on wooden racks. The lighting is warm and focused on the person and the barrel they are examining.

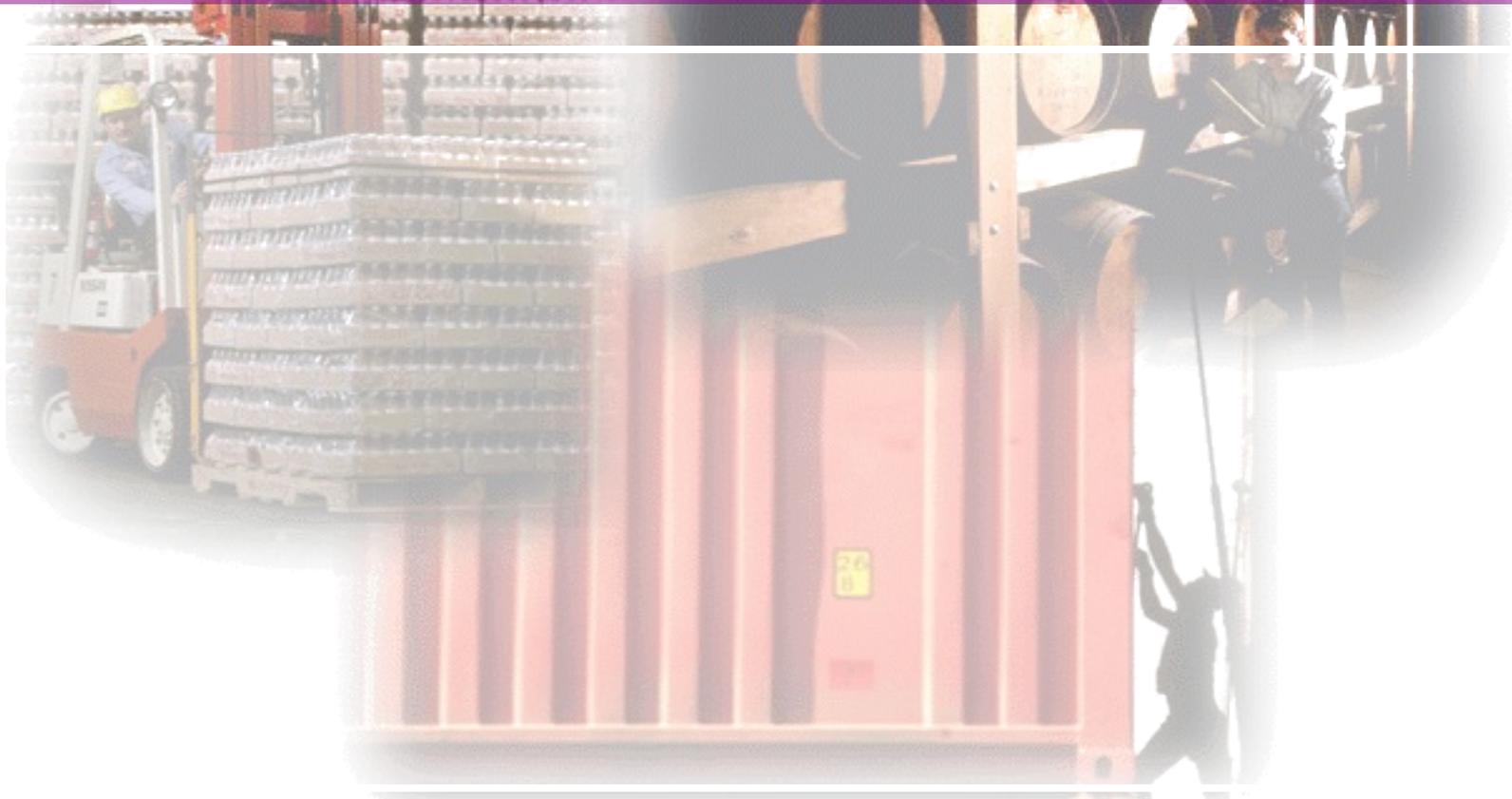
**Intensive  
Distribution**

A photograph of a large industrial facility, possibly a factory or a large warehouse. A person is standing in the foreground, looking towards the camera. The background is filled with tall, vertical structures that look like large pipes or columns, and the lighting is bright and somewhat overexposed.

# Channel Structure

## Intensity at various levels

Exclusive Distribution



# Channel Structure

## Intensity at various levels

### Selective Distribution

Selectively distributed brands are available in multiple retail outlets in a particular market. Shopping products, or those that consumers seek out, are sold through selective distribution.

# Channel Structure

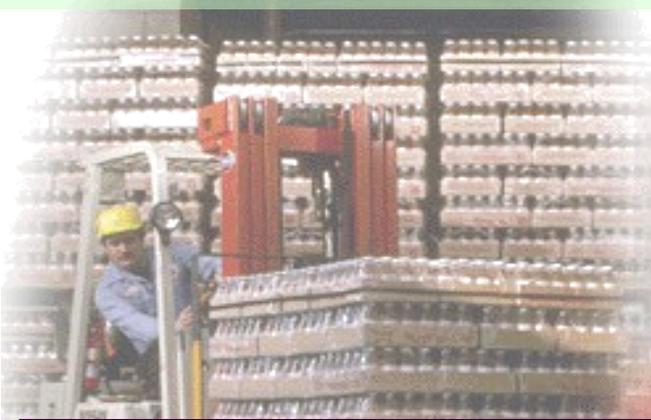
## Intensity at various levels

### Intensive Distribution

Used when convenience products are sold through virtually every available retail outlet in a particular market, e.g. soft drinks, candy, gum, cigarettes

# Channel Structure

## Types of intermediaries



**Merchant  
Middlemen**



**Functional  
Middlemen**

# Channel Structure

## Types of intermediaries

**Do not take title to products; they simply facilitate the exchange process by performing buying and/or selling functions.**

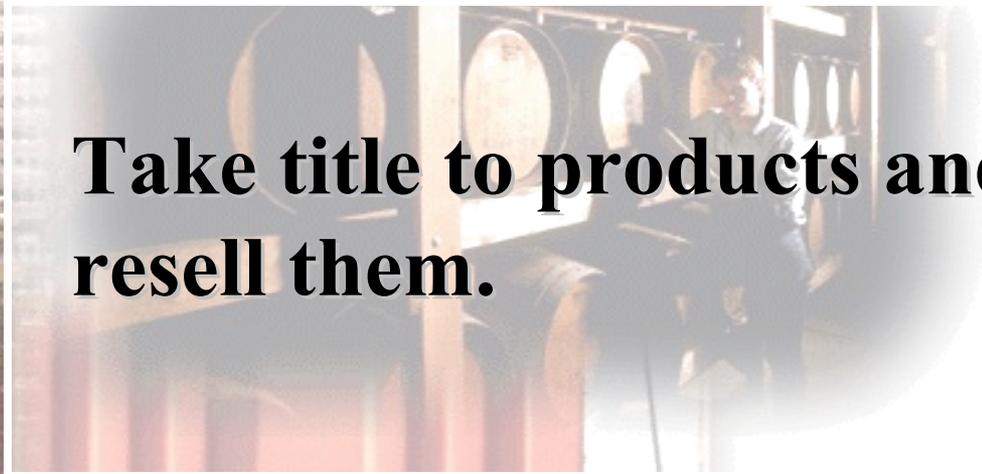
**Functional  
Middlemen**

# Channel Structure

## Types of intermediaries

**Take title to products and resell them.**

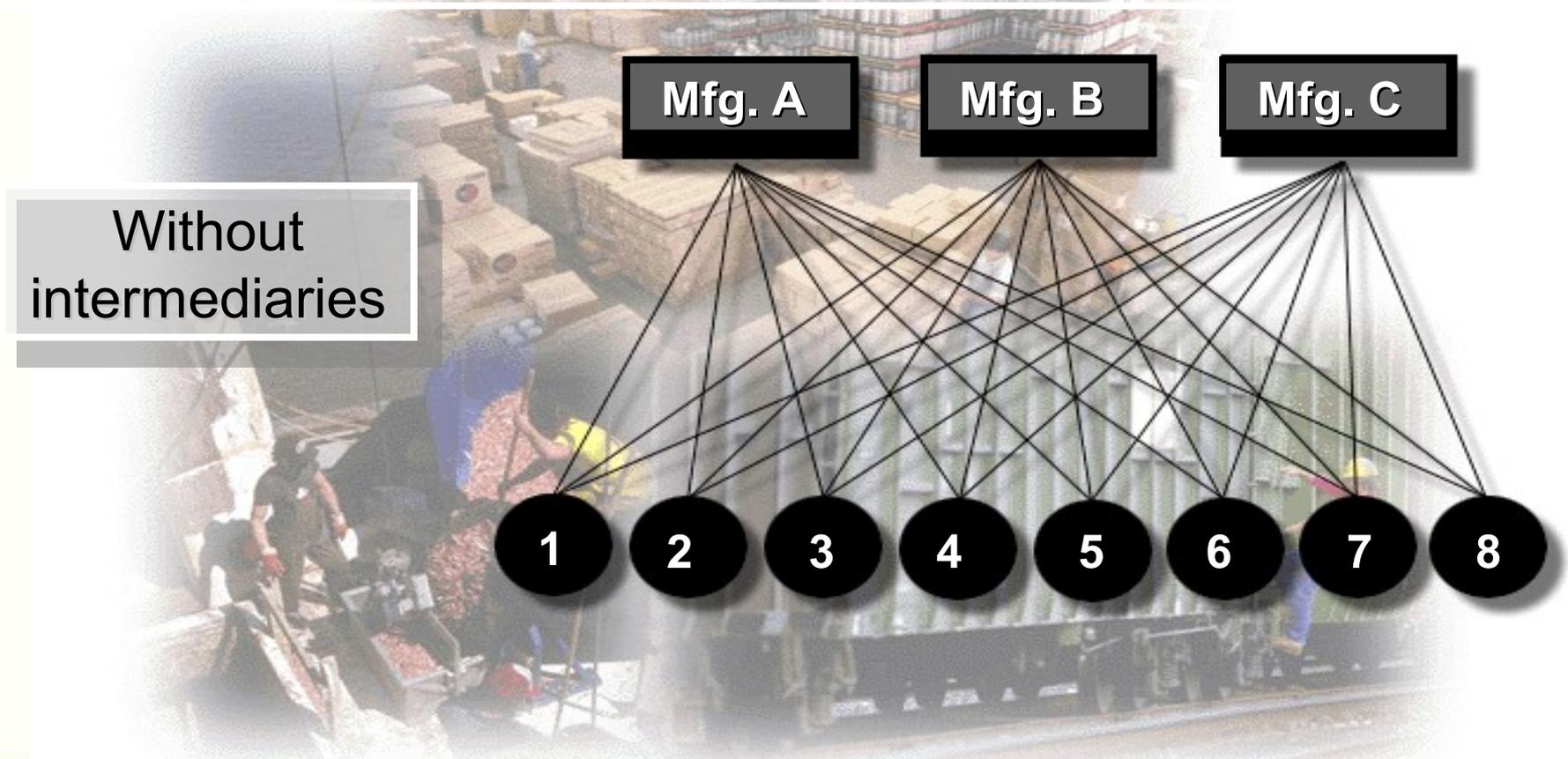
**Merchant  
Middlemen**



# Channel Structure

## Economics of distribution tasks

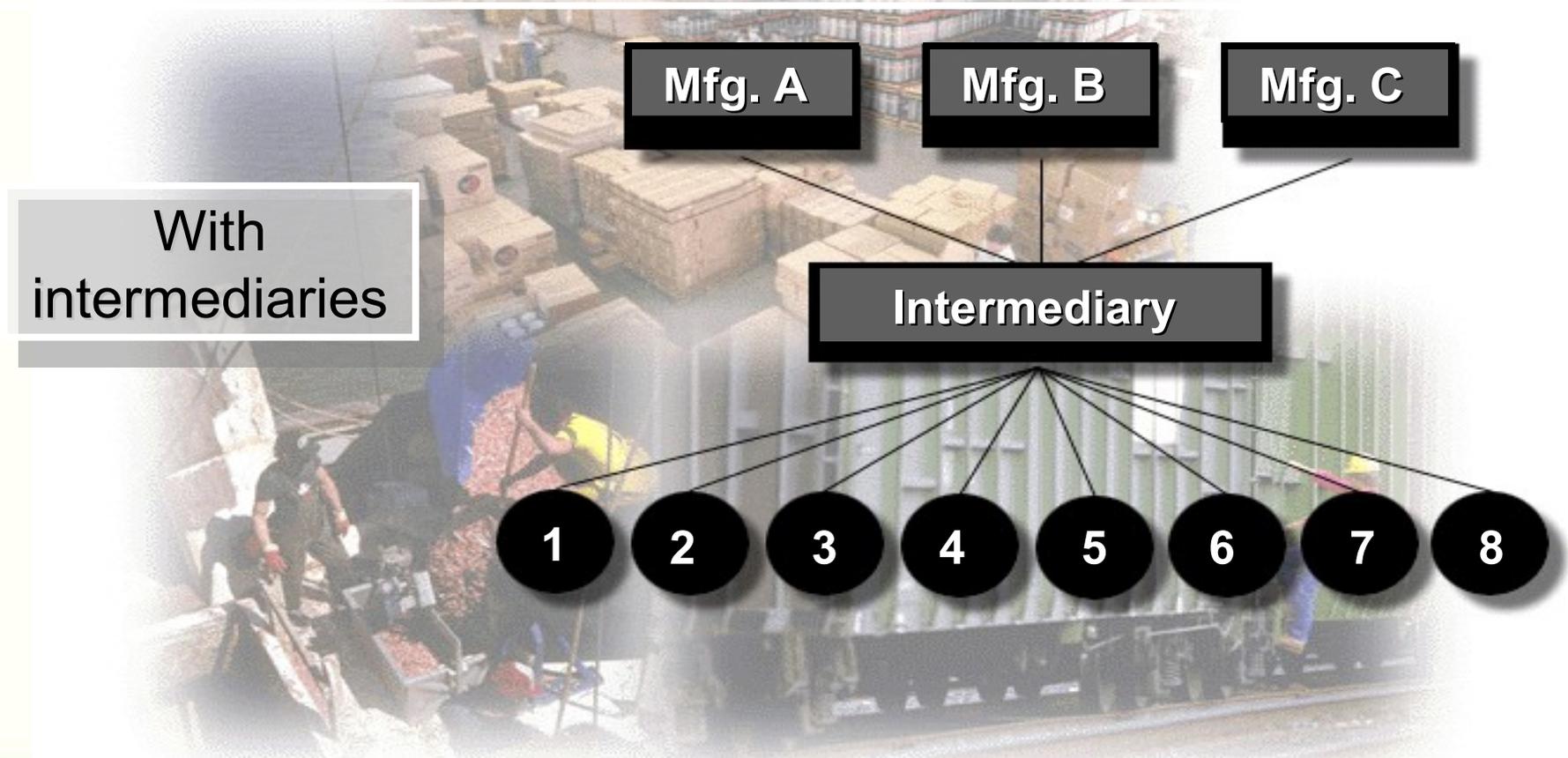
### Transaction efficiency



# Channel Structure

## Economics of distribution tasks

### Transaction efficiency



# Channel Structure

Management's desire for control

The shorter the channel structure the higher the control

Needed when a manufacturer must protect product image, etc.

# Marketing Channel Flows

## Product Flow

The movement of the product from manufacturer through all parties who take physical possession

## Negotiation Flow

Interplay of buying/selling tasks associated with title transfer

# Marketing Channel Flows



## Ownership Flow

Movement of title of the product

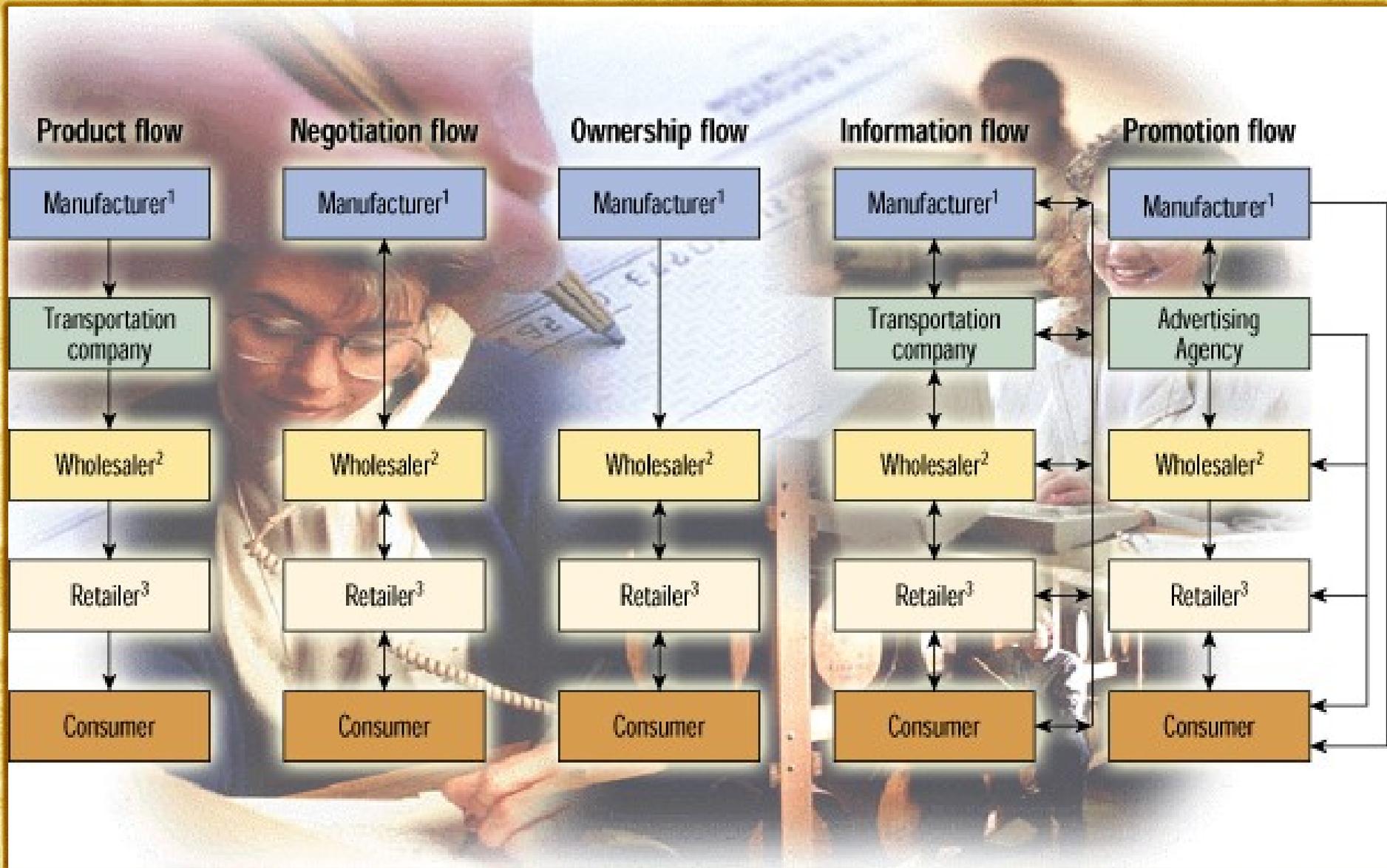
## Information Flow

Information to and from the manufacturer

## Promotion Flow

Flow of persuasive communication (advertising, personal selling, etc.)

# Marketing Channel Flows



# Marketing Channel Management

Formulating  
channel strategy

Design channel  
structure

Select channel  
members

Motivate channel  
members

Coordinate with  
marketing mix

Evaluate member  
performance

Realize only the place 'P'  
provides protection from  
imitation

Distribution strategies can  
provide sustainable  
competitive advantage

# Marketing Channel Management

Formulating  
channel strategy

Design  
channel structure

Select channel  
members

Motivate channel  
members

Coordinate with  
marketing mix

Evaluate member  
performance

Set distribution  
objectives

Specify tasks to be  
performed by the  
channel

Consider alternative  
structures

Choose optimal  
structure



# Marketing Channel Management

Formulating  
channel strategy

Design  
channel structure

Select channel  
members

Motivate channel  
members

Coordinate with  
marketing mix

Evaluate member  
performance

Optimal structure identified by  
considering:

Market variables

Product variables

Company variables

Intermediary variables

Behavioral variables

External environment variables

# Marketing Channel Management

Formulating  
channel strategy

Design channel  
structure

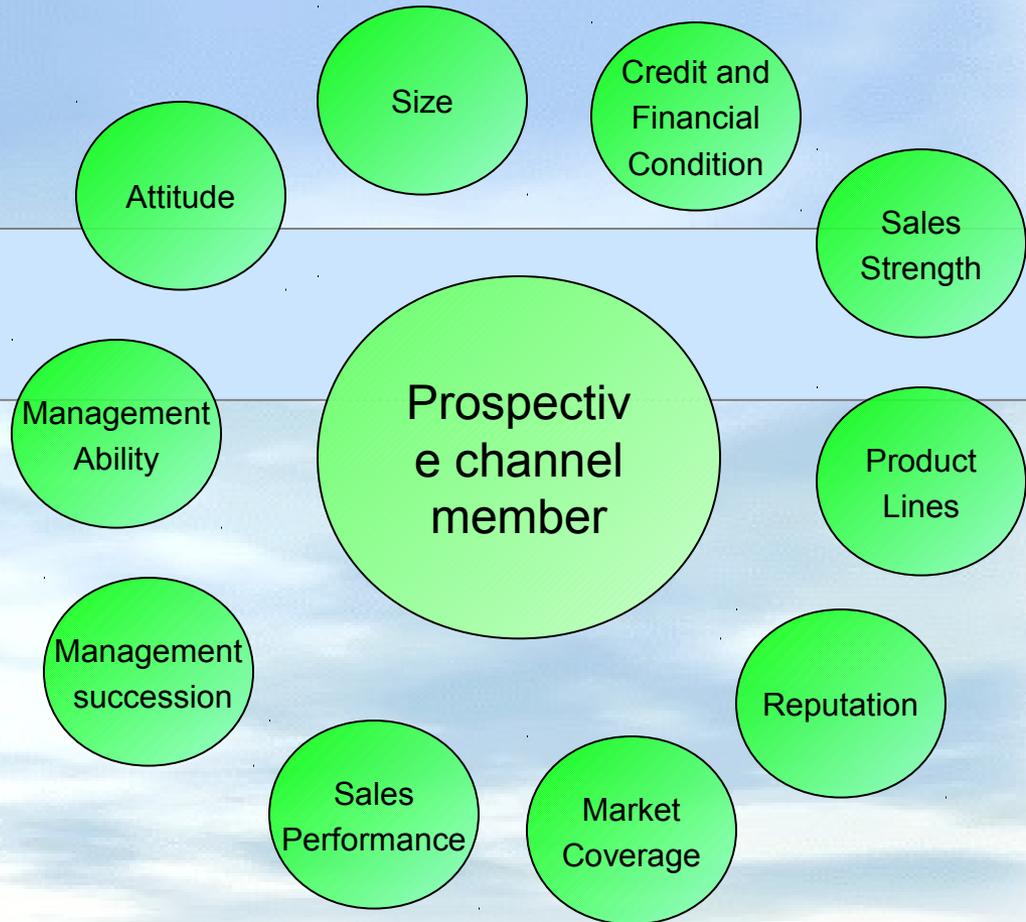
Select  
channel members

Motivate channel  
members

Coordinate with  
marketing mix

Evaluate member  
performance

## Develop selection criteria



# Marketing Channel Management

Formulating  
channel strategy

Design channel  
structure

Select  
channel members

Motivate channel  
members

Coordinate with  
marketing mix

Evaluate member  
performance

Find prospective channel  
members

Evaluate prospective channel  
members

Convert prospectives into  
actual channel members

# Marketing Channel Management

Formulating  
channel strategy

Design channel  
structure

Select channel  
members

Motivate  
channel members

Coordinate with  
marketing mix

Evaluate member  
performance

Learn about the needs and  
problems of channel members

Advisory committees

Offer support

Informal support

Strategic alliances, partnerships

Provide ongoing leadership

Continuing focus

# Marketing Channel Management

Formulating  
channel strategy

Design channel  
structure

Select channel  
members

Motivate channel  
members

Coordinate  
with marketing mix

Evaluate member  
performance

## Product and Channel

Retailers (a channel member)  
play an important role in  
product positioning

Personal selling

# Marketing Channel Management

Formulating  
channel strategy

Design channel  
structure

Select channel  
members

Motivate channel  
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Coordinate  
with marketing mix

Evaluate member  
performance

## Pricing and Channel

Relevant to channel members:

- Profit margins available to channel members
- Pricing policies
- Incentives

# Marketing Channel Management

Formulating  
channel strategy

Design channel  
structure

Select channel  
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Motivate channel  
members

Coordinate  
with marketing mix

Evaluate member  
performance

## Promotion and Channel

Promotions interface with  
channel members

Point-of-purchase displays

Inventory levels

Sales person training

# Marketing Channel Management

Formulating  
channel strategy

Design channel  
structure

Select channel  
members

Motivate channel  
members

Coordinate with  
marketing mix

Evaluate  
member performance

Assessment of success of  
channel members in  
implementing strategies

Requires good information  
flows between members

Point-of-sale systems