

PLACE DECISION

A channel of distribution comprises
of a set of institutions which
perform all of the activities utilised
to move a product and its title from
production to consumption

Bucklin - Theory of Distribution Channel Structure (1966)

Marketing Distribution Channels

- Push Strategy: Is used in case of Low brand equity, brand choice is made in store and product is an impulse purchase item.
- Pull Strategy: For products with high brand equity and high involvement purchase

Channel Flow

- Zero Level
- One Level
- Two Level
- Three Level

Channel Functions

- Making the product available to the customers
- Breaking the lot
- Sharing the cost
- Easy selling
- Pooling of financial resources

Six basic Issues in channel management decisions

- Direct or indirect channels
- Single or multiple channels
- Length of channel
- Types of intermediaries
- Number of intermediaries at each level
- Which intermediaries?

CHANNEL DESIGN DECISION

1. Analyzing Customer's Desired Service Output Levels:
 - i) Lot Size
 - ii) Waiting and delivery time
 - iii) Spatial Convenience
 - iv) Product Variety
 - v) Service Backup

2. Establishing Objectives and Constraints:

3. . Identifying Major Channel Alternatives:

i) Types of Intermediaries

ii) Number of Intermediaries

iii) Terms and Responsibilities of Channel Members

4. Evaluating Major Alternatives:

i) Economic Criteria

ii) Control and Adaptive Criteria

Selection consideration

- Market segment - must know the specific segment and target customer
- Changes during PLC - different channels are exploited at various stages of plc
- Producer-distributor fit - their policies, strategies and image
- Qualification assessment - experience and track record must be established
- Distributor training and support

Assignment

Mithaiwala has been a popular name in selling sweets through its own stores mostly milk based sweets. The operation started from Varanasi and later grew to 6 districts in and around Varanasi with 20 stores. All the stores have been operating on Company owned and Company operated model.

The younger son of the promoter after completing his Management education from leading B School of the US joined the business. After having an initial encounter of the firms operations, he decided to hire your consulting firm to design the distribution network for the Mithaiwala sweets with the target of ensuring their presence in 12 states of Northern and Central India.

Their current annual turnover is 20 crores and the operating margin of the industry is 25%.

CHANNEL MANAGEMENT DECISION

- Selecting Channel Members
- Training Channel Members
- Motivating Channel Members
 - Coercive Power
 - Reward Power
 - Legitimate Power
 - Expert Power
 - Referent Power
- Evaluating Channel Members
- Modifying Channel Members

CHANNEL INTEGRATED SYSTEM

- Vertical Marketing System: A conventional marketing system comprises of an independent producer, wholesaler and retailer. Each is a separate business seeking to maximize its own profit. "A vertical marketing system comprises of the producer, wholesaler and retailer acting as a unified system." One channel member, the channel captain, owns the others and enjoys so much power so that they all cooperate.
 - Corporate VMS: A corporate VMS combines the successive stages/levels of distribution under a single ownership. Eg. HCL distributing for NOKIA, Panasonic distributed through Videocon
 - Administered VMS: This coordinates the successive stages/levels of distribution through the size and power of one of the members. Eg. HCL for NOKIA
 - Contractual VMS: It consists of independent firms at different levels of distribution integrating their programs on a contractual basis to obtain more economies or sales impact that they could achieve alone.

HORIZONTAL MARKETING SYSTEMS

- In this, two or more unrelated companies put together resources or programs to exploit an emerging marketing opportunity.

As:

- Mitsubishi being sold through the dealer network of Hindustan Motors
- Post Offices selling insurance and mutual funds
- McDonald's selling CocaCola beverages.

MULTICHANNEL MARKETING SYSTEMS

- When a single firm uses two or more marketing channels to reach to one or more customer segments.

CHANNEL CONFLICTS

- Types of Channel Conflicts:
 - Vertical Channel Conflicts
 - Horizontal Channel Conflicts
 - Multichannel Channel Conflicts
- Causes of Channel Conflicts
 - Goal Incompatibility
 - Unclear Roles

Managing Channel Conflicts

- Co-optation
- Mediation
- Arbitration
- Diplomacy

Exercise

ABC Ltd has been having a popular brand name “Management Lessons” in providing management entrance coaching primarily in south India. In order to expand their business in north India, they first targeted state capitals and introduced a new franchise in Lucknow, the state capital of Uttar Pradesh.

XYZ enterprises was selected after interviewing several parties based on the investment capability, their status in the local market, their previous experience and their strength to suit the further expansion plans of ABC Ltd. The terms of agreement were that XYZ was supposed to share 25% of the fees of each student and ABC Ltd would lend the name, training of the staff and the course content.

The operation started with a fanfare but after 2 years of operations XYZ Enterprise realised that there is hardly any benefit left to be derived with it from its affiliation with ABC Ltd. and felt that sharing the fees is now a liability. First they started showing lesser enrolments and saved money. Later when ABC Ltd realised this ill practice, initially they contested this fact and stopped paying the fees share at all. ABC Ltd threatened to stop the franchise rights but thriving on sheer strength of XYZ Ltd. XYZ Ltd also knew that any legal proceedings by ABC would provide XYZ Enterprise another time to continue its operations till settlement.

As Marketing Manager of ABC Ltd, what course of action would you propose????????????