

Sales and Distribution Management

Course Code : MGMT4036

UNIT – 4 & 5

Part - II

Marketing Channel & Designing Channel System

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Content

Part – II

Unit 4 : Marketing Channel

- Importance;
- Structure;
- Flow,
- wholesaling: Functions; Classification; key tasks,
- Retailing: organized Retail in India; Types of Retailer; Role of Retailer, E-Tailing

Unit 5 : Designing Channel System

- Channel Design;
- Channel Planning,
- Selecting Channel Partners: Change; training; Motivating; Evaluating,
- Channel Management: Use of Power; Channel Conflict, Channel Information System.

✓ Vertical Market System (VMS)

- Formally or informally coordinated distribution channel where its independent members work together to achieve greater efficiency and economies of scale, and to eliminate channel-conflict arising out of disparate individual objectives.
- **Three common types of VMS are:**

1 Administered : Coordination between production and distribution firms is achieved by the size and influence of the dominant firm, without a formal agreement or ownership.

2 Contractual : Independent production and distribution firms formally agree to integrate their resources. Franchising is an example of this type.

3 Corporate: Production firm owns a retail chain (forward integration) or a retail chain owns a production firm (backward integration).

✓ Horizontal market system (HMS)

- The term horizontal integration describes a type of ownership and control.
- It is a strategy used by a business or corporation that seeks to sell a type of product in numerous markets.
- Horizontal integration in marketing is much more common than vertical integration is in production. Horizontal integration occurs when a firm is being taken over by, or merged with, another firm which is in the same industry and in the same stage of production as the merged firm, e.g. a car manufacturer merging with another car manufacturer.
- In this case both the companies are in the same stage of production and also in the same industry. This process is also known as a "buy out" or "take-over".
- The goal of Horizontal integration is to consolidate like companies and monopolize an industry.

✓ Channel Management and its Programs

- The process by which a producer or supplier directs marketing activity by involving and motivating parties comprising its channel of distribution.
- Channel Management. Yet another sales and marketing phrase that is thrown around like everyone knows what it means. But so few companies really comprehend channel management in a way that really helps them.
- It's really no wonder.
- Sales channels (being the conduits by which we distribute our products to the end-user) come in many shapes—from direct, to the web, to the traditional retail environment. And, we're just doing whatever we can to get any business from any of them! But is that the most efficient and effective approach? That's where Channel Management comes in.
- Channel management, as a process by which a company creates formalized programs for selling and servicing customers within a specific channel, can really impact your business—and in a positive way!
- To get started, first segment your channels by like **characteristics (their needs, buying patterns, success factors, etc.)** and **then customize a channel management program that includes:**

✓ Channel Management and its Programs Cont...

1. **Goals** - Define the specific goals you have for each channel segment. Consider your goals for the channel as whole as well as individual accounts. And, remember to consider your goals for both acquisition and retention.
2. **Policies** - Construct well-defined policies for administering the accounts within this channel. Be sure to keep the unique characteristics of each segment in mind when defining policies for account set up, order management, product fulfillment, etc.
3. **Products** - Identify which products in your offering are most suited for each segment and create appropriate messaging. Also, determine where your upsell opportunities lie.
4. **Sales/Marketing Programs** - Design support programs for your channel that meet their needs, not what your idea of their needs are. To do this, you should start by asking your customers within this segment, —how can we best support you in the selling and marketing of our products?|| That being said, the standard considerations are product training, co-op advertising, seasonal promotions, and merchandising. Again, this is not a one-size fits all, so be diligent about addressing this segment's specific needs in these areas.

Defining a channel management strategy for each segment allows you to be more effective within each segment, while gaining efficiency at the same time. Still, maintaining brand consistency across all channel segments is critical to your long-term success. So find a good balance between customization and brand consistency and you'll be on your way to successful channel management.

✓ Wholesaling

- Wholesaling is the process of selling goods and services to a client who will in turn resell those products to other consumers.
- Wholesalers can include retailers, organizations who market services to members, and companies that sell the purchased products under their own brand.
- Generally, wholesaling involves providing the customer with a discounted rate per item in exchange for buying the item in large amounts.

❖ **Benefits of Wholesaling**

Wholesaling offers a number of benefits to a customer:

- The customer does not have to maintain manufacturing facilities to produce goods or services that are offered to the general public for sale. This can make it possible for the wholesale customer to maintain a relatively low overhead in the market, which in turn increases the customer's ability to be competitive with larger companies. The wholesale client also saves money in terms of employee wages and benefits, since the company can operate with a smaller work force.
- Going with a wholesaling solution also allows the customer to secure goods and services for resale at a lower unit price. Assuming the terms for payment are agreeable, this means that a wholesaler can resell the products at a reasonable profit and use payments from consumers to pay the wholesale provider in a relatively short period of time. This has the advantage of not tying up the assets of the wholesaler in covering Accounts Payable items, since the turnaround on the Receivables is adequate to handle the cost of securing products for resale.

✓ Retailing

- Retailing involves selling products and services to consumers for their personal or family use.
- Department stores, like Burdines and Macy's, discount stores like Wal-Mart and K-Mart, and specialty stores like The Gap, Zales Jewelers and Toys 'R' Us, are all examples of retail stores.
- Service providers, like dentists, hotels and hair salons, and on-line stores, like Amazon.com, are also retailers.
- Many businesses, like Home Depot, are both wholesalers and retailers because they sell to consumers and building contractors.
- Other businesses, like The Limited, are both manufactures and retailers.
- Regardless of other functions these businesses perform, they are still retailers when they interact with the final user of the product or service.

“According to kotler, Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non-business uses.”

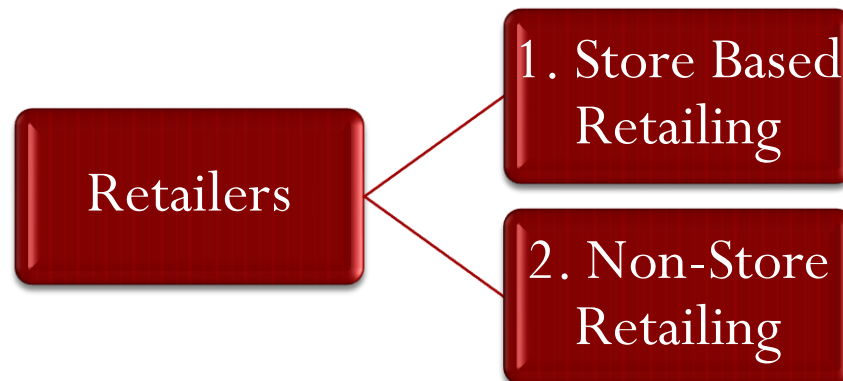
A process of promoting greater sales and customer satisfaction by gaining a better understanding of the consumers of goods and services produces by a company.

✓ Retailing Cont...

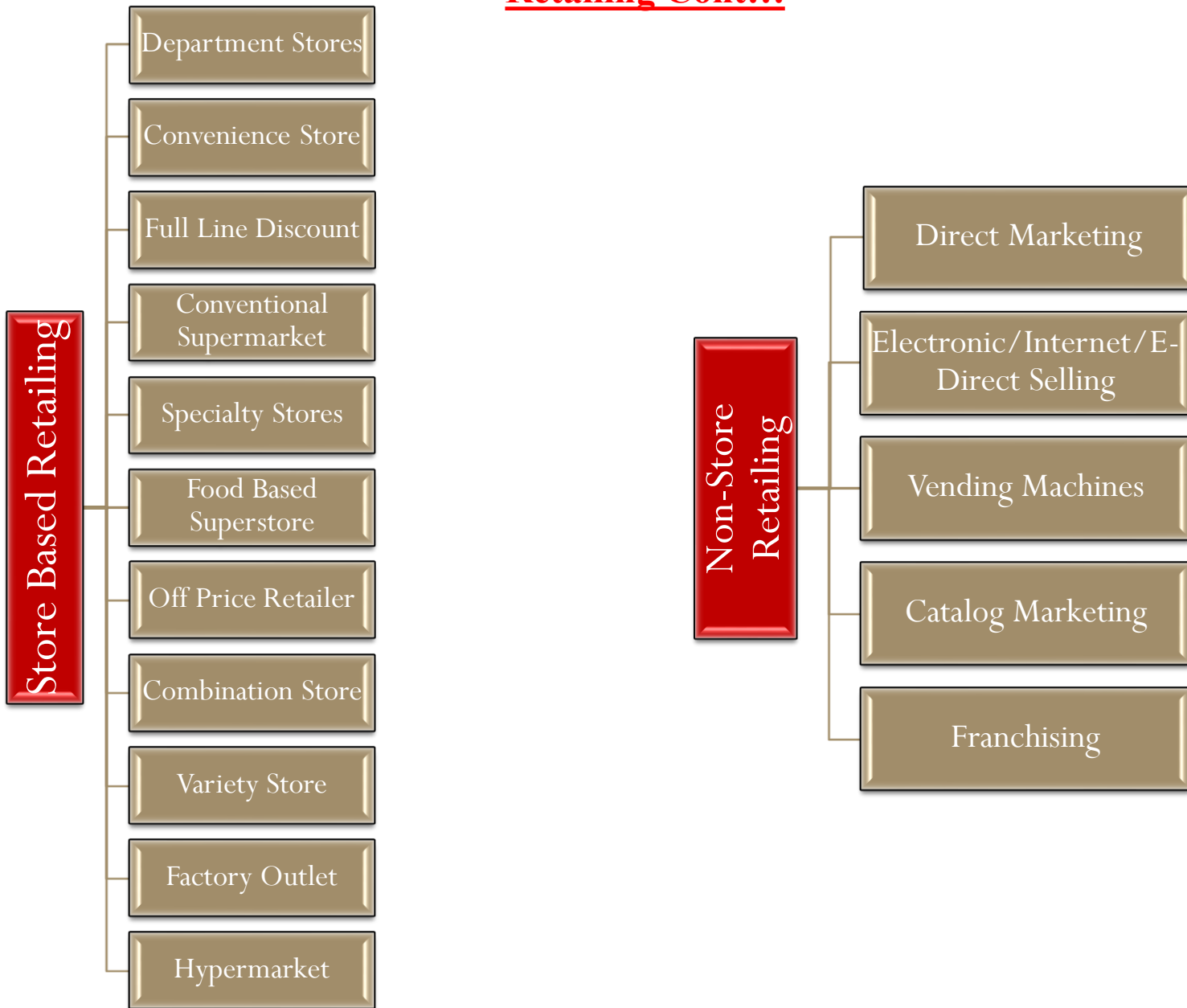
❖ Characteristics of Retailing:-

1. Direct interaction with customer/end customers.
2. Sales volume large in quantities but less in monetary value.
3. Customer service plays a vital role.
4. Sales promotions are offered at this point only.
5. Retail outlets are more than any other form of business.
6. Location and layout are critical factors in retail business.
7. It offers employment opportunity to all age

❖ Types of Retailers:-



✓ Retailing Cont...



✓ Retailing Cont...

❖ **Functions/ Role of retailers in terms of Distribution of goods:-**

All retailers deal with the customers of varying tastes and temperaments. Therefore, they should be active and efficient in order to satisfy their customers and also to include them to buy more.

The functions of retailers in terms of distribution of goods as:

1. **Buying and Assembling of goods:** - retailers buy and assemble varieties of goods from different wholesalers and manufacturers. They keep goods of those brands and variety which are liked by the customers and the quantity in which these are in demand.
2. **Storage of goods:** - to ensure ready supply of goods to the customer retailers keep their goods in store. Goods can be taken out of these stores and sold to the customers as and when required. This saves consumers from botheration of buying goods in bulk and storing them
3. **Credit facility:** - Although retailers mostly sell goods for cash, they also supply goods on credit to their regular customers. Credit facility is also provided to those customers who buy goods in large quantity.

✓ Retailing Cont...

4. **Personal services:** - retailers render personal services to the customers by providing expert advice regarding quality, features and usefulness of the items. They give suggestions considering the likes and dislikes of the customers. They also provide free home delivery service to customers. Thus, they create place utility by making the goods available when they are demanded.
5. **Risk bearing:-** the retailer has to bear many risk, such as risk of:
 - a) Fire or theft of goods.
 - b) Deterioration in the quality of goods as long as they are not sold out.
 - c) Change in fashion and taste of consumers.
6. **Display of goods:-** Retailers display different types of goods in a very systematic and attractive manner. It helps to attract the attention of the customers and also facilitates quick delivery of goods.
7. **Supply of Information:** - Retailers provide all information about the behavior, tastes, fashions and demand of the customers to the producers through wholesalers. They become a very useful source of information for marketing research.

✓ E-tailing or Electronic retailing

- It is defined as the use of the internet to sell goods and services online. It is the practice of selling retail goods on the internet. It is the abbreviated version of “electronic retailing” which essentially constitutes business to consumer transaction.
- Electronic retailing includes a broad range of companies and industries. However, there are similarities between most E-tailing companies that include an engaging website, online marketing strategy, efficient distribution of products or services, and customer data analytics.
- Successful e-tailing requires strong branding. Websites must be engaging, easily navigable, and regularly updated to meet consumers’ changing demands. Products and services need to stand out from competitors’ offerings and add value to consumers’ lives. Also, a company’s offerings must be competitively priced so that consumers do not favor one business over another on a cost basis only.
- E-tailers need strong distribution networks that are prompt and efficient. Consumers cannot wait for long periods for the delivery of products or services. Transparency in business practices is also important, so consumers trust and stay loyal to a company.
- There are many ways companies can earn revenue online. The first income source is through the sales of their product to consumers or businesses.

✓ E-tailing or Electronic retailing Cont...

- However, both B2C and B2B companies could earn revenue by selling their services through a subscription-based model such as Netflix, which charges a monthly fee for access to media content.
- Revenue can also be earned through online advertising. For example, Facebook earns revenue from ads placed on its website by companies looking to sell to Facebook users.

❖ Major E-tailers in India Namely,

1. Amazon India

2. Flipkart

3. Snapdeal

4. India Mart

5. Book My Show

6. Myntra

7. Firstcry

8. Nykaa

9. 1mg

10. Paytm Mall

✓ Channel information systems

- Channel information systems comprise an information database and the hardware and networks that help in the collection, processing and transmission of information.
- The hardware, software and networks vary depending on the application requirements of channel members.
- They vary for business-to-business applications, retailing applications, business to consumer applications and interactive applications for consumers.
- Transaction-Based Information System (TBIS), Continuous Replenishment Program (CRP), Efficient Consumer Response System (ECR), Point-of-Sale Systems (POS), Quick Response System (QR), Electronic Data Interchange (EDI) etc., are some commonly used information systems.

✓ The future trends in sales and marketing

Future Trends in Sales & Marketing

"The problems we face today cannot be solved by the same level of thinking that created them." - Thomas Young

The only certainty in our future is change, which often happens before we are prepared. Here are a few hot marketing trends that can help you better plan for the new millennium. - Albert Einstein

❖ Customers are in the Driver's Seat

- Customers will drive business outcomes in the future even more than they do today. An incredible amount of buying options puts real power in the hands of the customer.
- If organizations cannot meet customer needs or add value, the customer can easily move on.
- Customer service and sales teams are the voice of the customer and should drive marketing strategies. Investing in excellent customer service will help organizations to prosper.
- The goal is to partner with the customer. Partnerships are built on trust, immediate problem-solving, frequent contact, honest communications, and a win-win relationship.
- Relationships of this nature meet needs and add value to the customer. No longer can customers be thought of as a tool for personal gain. Rather, the focus must be on the customer's gain and making their needs the key issue.
- Customers are the reason businesses exist. Many organizations tend to forget this over time. The future will force them to realize the real boss, the customer.

❖ Prepare for the Internet

- The Internet is the most powerful marketing tool in history. It could be the most powerful development since the assembly line, the automobile or the telephone.
- This is an excellent opportunity to expand your marketing reach.
- The future will be a time of immediate and personalized satisfaction. Customers want it now and the Internet will satisfy that gratification.
- The Internet is not a quick fix solution; it takes much time and effort to gain rewards.

However, the rewards are huge for those that jump on board.

❖ Technology will Over-Promise and Under-Deliver

- Do not look to technology to make marketing easier.
- It will make it more challenging.
- Technology can offer false hope because no one really knows which technologies will take off and which will stagnate.
- It is best to approach the promise of high-tech cautiously and following extensive research.
- There are no quick fixes.
- Any business tool requires hard work and a substantial investment, before you see substantial rewards

❖ Creativity: The Spark that Grows Business

- Companies that are proactive innovators and create new value will thrive.
- Tap into organizational creativity and develop strategies that will result in new areas of business prosperity.
- These business leaders will create change and force competitors to adapt or fall behind.

❖ Other Trends:

- Increased cost of direct mail will result in more targeting.
- Telemarketing will increase to generate leads.
- Pricing will be more important and closely tied to customer's perceived value.
- Supply will continue to exceed demand and keep prices and inflation low.
- Global selling will continue to rise
- People will be more selective about their work and only work in areas they enjoy.

THANK YOU