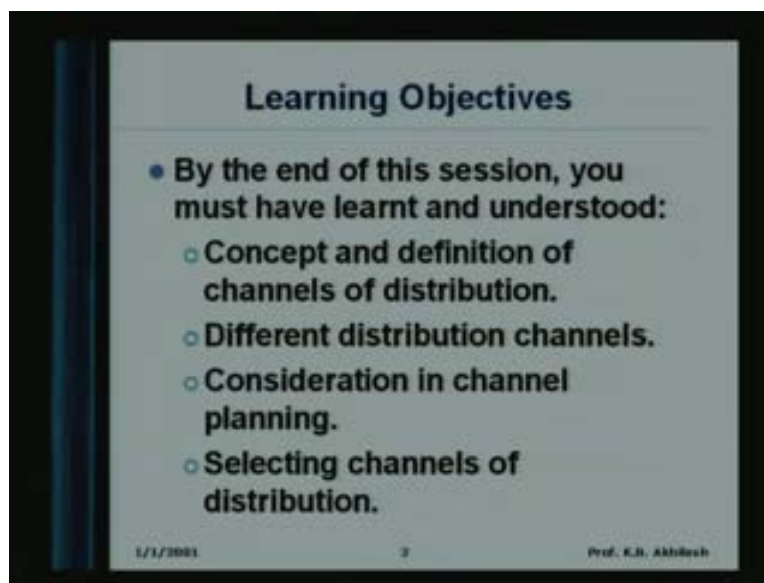


**Concept of Management and Evolution of Management thought**  
**Prof. K. B. Akhilesh**  
**Department of Management Studies**  
**Indian Institute of Science, Bangalore**

**Lecture - 15**  
**Marketing Functions: Channels of Distribution**

Today, we will look at the marketing functions and within the marketing functions; we will look at the channels of distribution. We are seeing from the beginning various functions of management, principles of management and from planning to control and to leadership and we also looked at the international dimension of management.

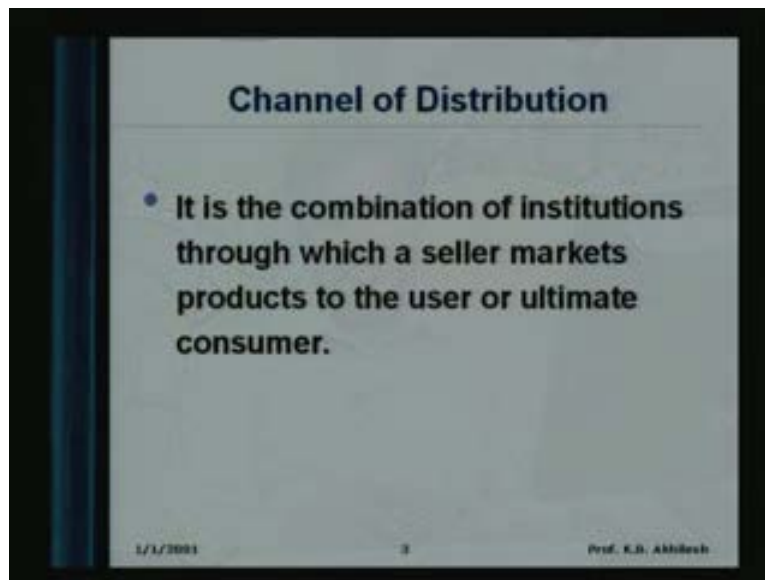
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So the channels of distribution if you see, it is one of the critical things and every organization has to understand its business model, the nature of its products, nature of its, you know consumers or the customers and then link the organizational products to the consumers and customer expectations and provide meaningful experiences. In this direction, what you need to learn are the following, end of this session you must have learnt and understood, concept and definition of channels of distribution, different distribution channels and where and how one should use these channels, consideration to channel planning or what is that we need to think in

selecting and appropriate channel depending on the organizational model and the practices and also how to select given the several choices, several alternative. When you see channel of distribution, what is that we are trying to talk about? It is the combination of institutions the combination of various practices through which a seller, markets, products to the user or ultimate consumer.

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So the key words are this right, there is a seller there are there is an effort of marketing of the products and to the end user or the ultimate consumer that is what it is the simple statement but as we go into the details, we will see what are the concerns and what are the issues before any any organization. See **the** when we talk about the channel of distribution of products, the essential links that connect the producers and the customers. So there is a producer and the customer and the link, these are the three things we need to look at.

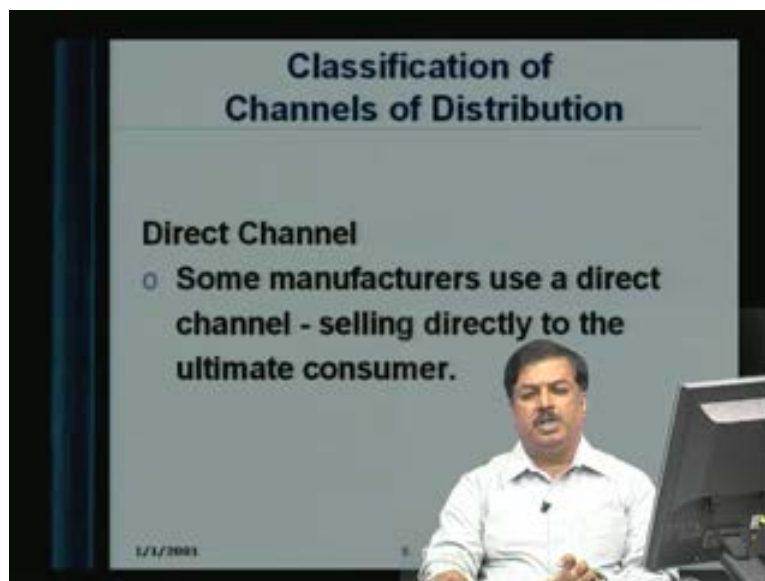
So when we see this how do we classify this, the simplest and the first kind of a choice is the direct channel direct channel is some manufacturers use the, they know their customer. So they carry their goods and then they go and distribute it directly, you could have seen many of the people who are in the handicrafts kind of a business, what do they do? They manufacture they do

not manufacture too many things but they call it as made to order, so they know the consumer and then, they know the customer and then they directly deal with them.

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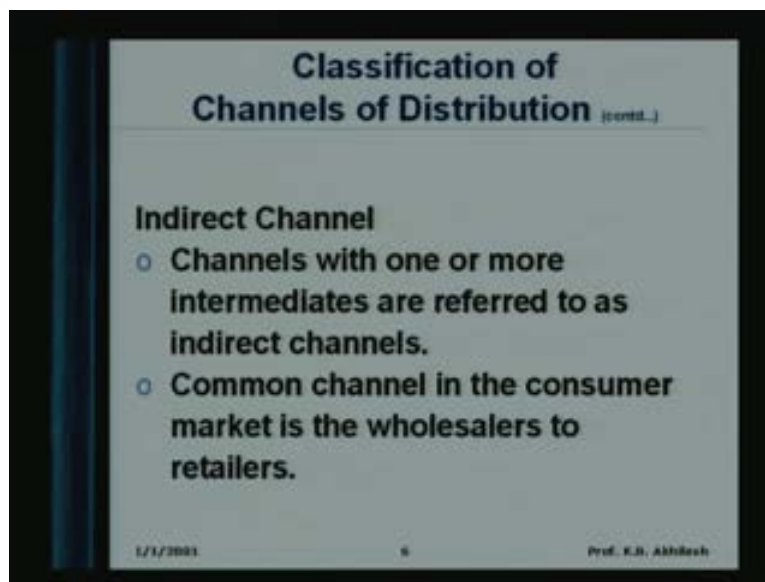


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So there are no middle men, in a direct channel they are mid institution or middle men but it is the directly connected between the customer and the manufacturer. When we are talking about indirect channels, channels with one or more intermediates are referred to as indirect channels. So that means we are talking about some wholesaler, some reseller or some distributor. So we talk at different levels, so that means we are talking about that there is a channel consisting of several intermediaries in the marketing situation.

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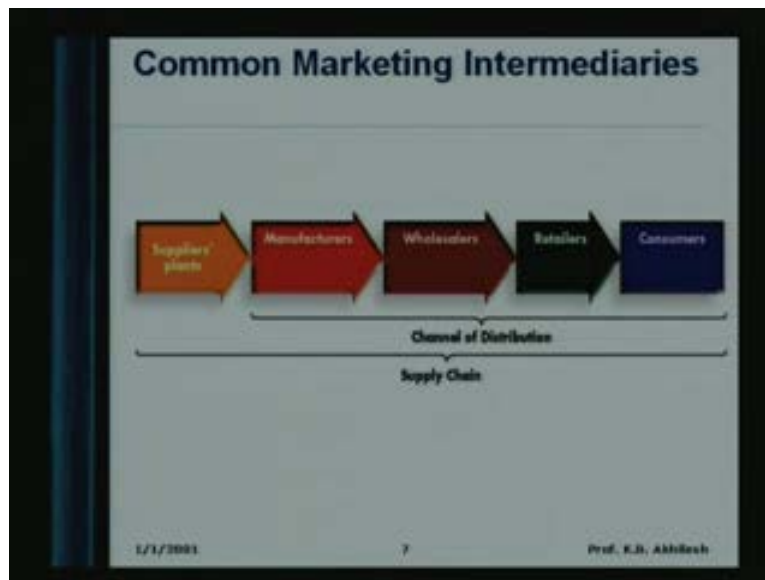


So the consumer market is basically there is a wholesalers to the retailers and the retailers to the to the customers. Take for example, take for example, in the **in the** garment sector, the garment sector there is a wholesaler, the wholesaler collects all the things from the different producers or from one producer and then hands it over to the to the different retailers. So the retailer speak depending on their requirements or he may also have a sub dealers.

So the wholesaler for whole India as a region and then each state, you have a statewide distributors and then a district wide distributors and then to the retailer and then retailer to the customer. So that means in the channel we have several institutions, several participants could be the wholesaler, sub dealers, dealers and things like that. So when you are talking about channels

with one or more intermediaries, we are referring to as a indirect channels and then common channel in the consumer market is basically from wholesaler to the retailers to the customers. So **the** that means we are talking about a marketing intermediaries in a kind of a chain of activities.

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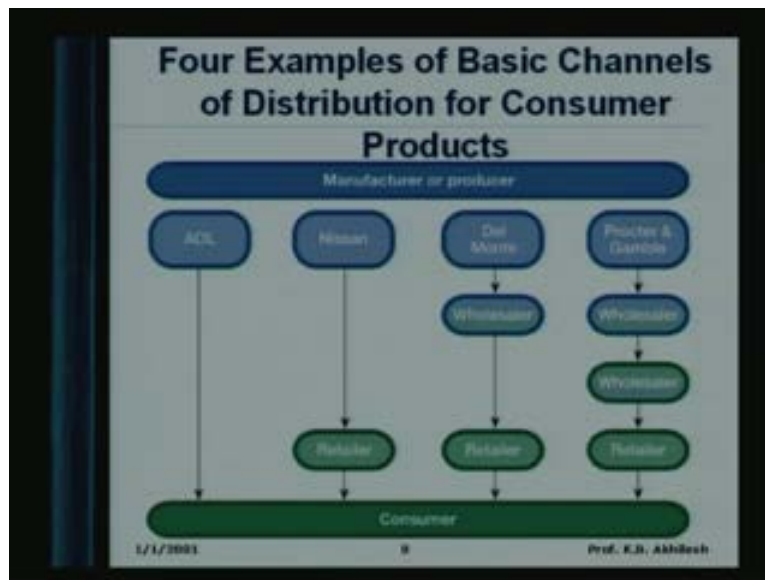


So we have suppliers or we have the suppliers plants, from supplier plants we are moving to the manufacturers, from manufacturers we are talking about wholesalers, wholesalers to the retailers and retailers to the consumers and today, we are referring these to the supply chain and then the supply chain we are talking about from manufacturer to the consumer as the channel of distribution that is from the factory, it has to move, the goods will move to the **to the** wholesalers and the wholesalers will keep it and then there, they may be one wholesaler or several of the wholesalers depending upon how the company would perceive it as and then they distribute it to the retailers and then the retailing also is supported by the wholesalers through advertisement, through medias, through support for advertising and publicity where the consumers go to the retailers and buy whatever the products or services.

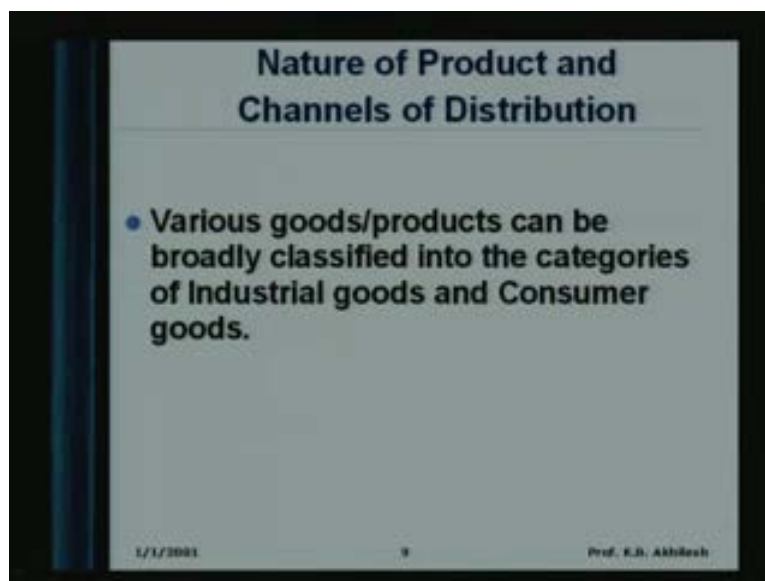
As we can see there could be many examples of the basic channels of distribution but if you look at the consumer market. So you have given an example of AOL, then you have Nissan, then I

have the the Del, then also the Proctor and Gamble and the Proctor and Gamble becomes what we people talk about the FMCG kind of a product that is fast moving consumer goods product and then you also see the other varieties.

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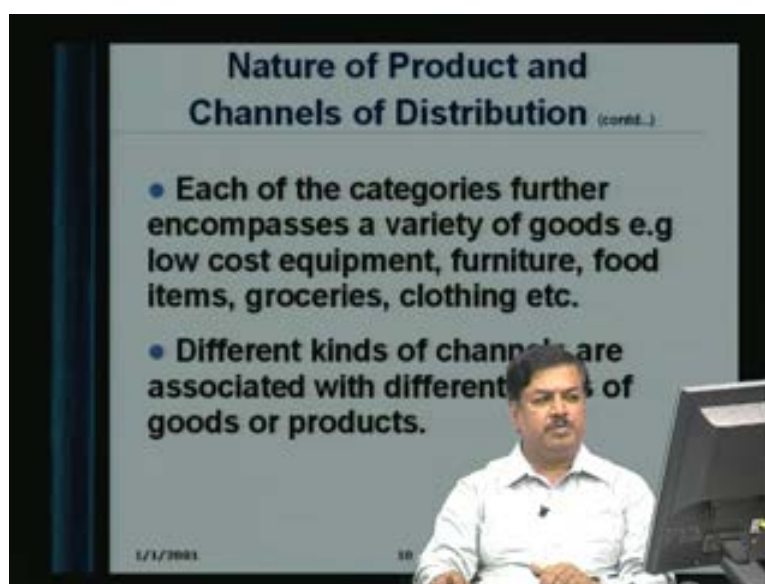
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So you know one you have a direct to the consumer, the customer, the other side is the you do have a retailer and then to the customer then in the third example, you have the wholesaler, retailer and the customer but you can also have a wholesaler then another wholesaler that is at the so nationwide then you have the statewide may be district wise and then the retailer and then finally, to the consumer. So the various choices could be there depending upon how many are intermediaries are required. As you can see the nature of product becomes very critical in this whole game, the various goods and products can be broadly classified into the categories of industrial goods and the consumer goods, say for example, the ace designers in Bangalore they manufacture CNC machines, HMT manufacturers, tractors.

So when you see this there is a possibility to imagine that they can directly go to the customers and then hand it over but who are these customers, the customers could be A, the end customer is user by himself or the customer could be an another industry who is uses his machine, manufacturers something else but the broadly what we classify in this is there is an industrial versus the consumer goods. Industrial goods do requires the different kind of channel and the support and the consumer goods requires a different effort at the wholesaler or at the retailers level.

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**Nature of Product and Channels of Distribution (contd.)**

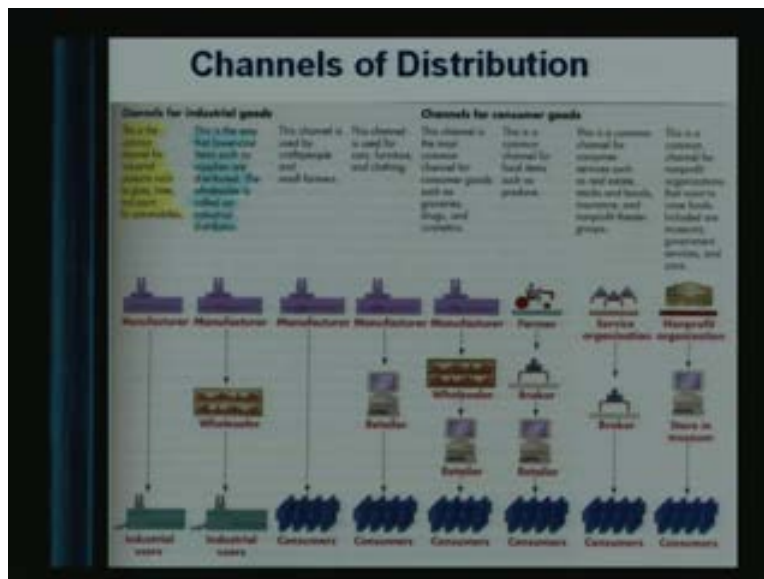
- Each of the categories further encompasses a variety of goods e.g low cost equipment, furniture, food items, groceries, clothing etc.
- Different kinds of channels are associated with different types of goods or products.

1/1/2001 10

So, each of these categories further encompasses into the varieties of goods right. We can talk about the low cost equipment it could be the furniture, it could be the food items, it is the groceries, it is clothing. So that means there are items which are perishable in nature and there are items which are non-perishable in nature, so that means you can hold you can keep it, there is shelf life where it is possible to store and keep it for a longer period of time another effort could be to distribute as quickly as possible.

Look at for example “milk”, so the milk is that it has a clear shelf life within which the whole distribution has to take place. So that means from the dairies it has to be collected and then the **the the** dairy as a kind of a wholesaler has to distributed to the various retailers and the retailers may have the next level of retailers who will pick again their own quota and then distributed to the consumers at different residential houses. So that means depending on the products, the channels need to be adjusted and then we need to work out an effective organization for delivery and satisfaction.

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So it is very clearly, it is dependent upon the nature of our products and the kind of services



this is a table which gives an you know the details of how you can look at the industrial goods and also the channels for consumer goods. So there is as I given that explanation earlier so there is industrial goods can go through directly from manufacturer to the end industrial user or it could be from manufacturer to the wholesaler to the end user or manufacturer directly to the consumers or manufacturers through the retailer and to the consumer. So that means the 4 possibilities for every organization within the industrial goods.

Similarly, when you see the consumer goods the similar choices will be there, the manufacturer can produce through his wholesalers, wholesalers send it to the retailers and then to the consumers or you have think about like this farmer. So farmers it goes to the the kind of a wholesale trading markets and then it gets through the wholesale or what we call as this mundi markets from there it gets into the retailers and then from retailers to the consumers.

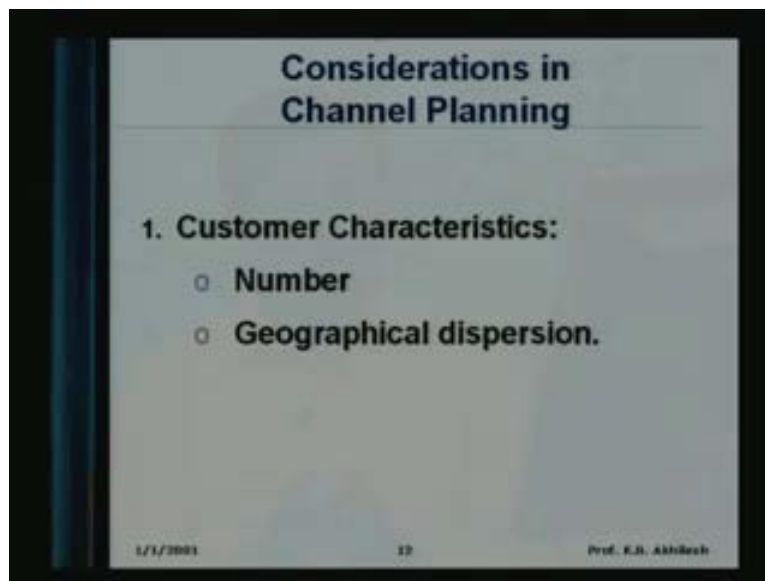
Similarly, you can service organization then you go through some agents, you know or through some brokers or through who can support the organization in terms of identifying the customer requirements and then it is delivered to the consumers. We will also see in non-profit organization, in a non-profit organization you will find it is distributed through different exhibitors or different subgroups which will talk about the services of the organization and then at the end you have the consumers.

So we are trying to see is very clearly the different channels and combinations exist but basically we are looking at providing services from marketing point of view either organizations can take responsibility to deal with their consumers, customers directly or through create 2 or 3 layers of institutions which will deliver the goods manufactured at the site to the respective consumers. The question always comes how widely these customers are distributed where are the locations and also how long you can hold this product that means the speed with which it has to move from manufacturing plan to the end, end customer or the end consumer.

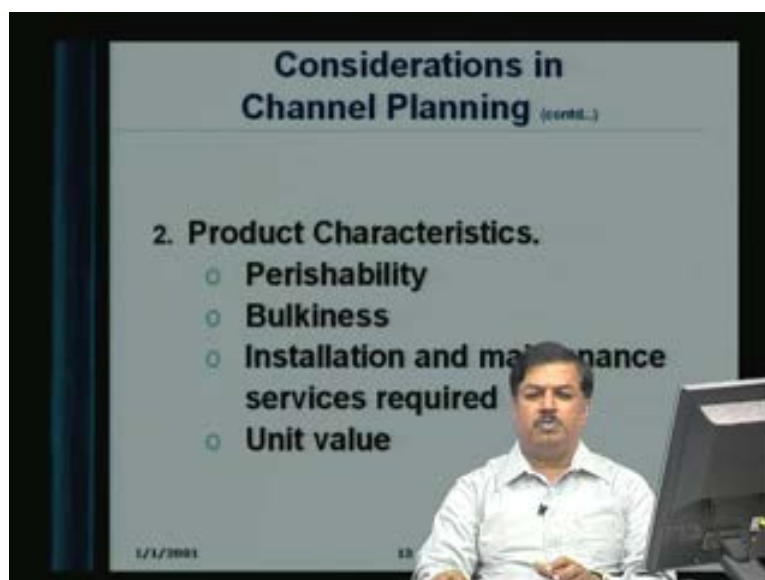
So that is where we are going to talk about really what are the important considerations, considerations in channel planning the key issue is what are the customer characteristics both in terms of the number as well as the geographical distribution. Very interestingly, we will find in

industrial goods, the numbers are limited, the number of consumers you can always list and it is known and you can also estimate what is that they have specific requirements are. But geographically, they may be distributed if you look at a machine manufacturing company their customers could be all over India possible or may be different parts of the globe.

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So the numbers are important numbers obviously is going to be much more limited and you always have a complete picture of their characteristics whereas when it comes to the consumer goods, the number is much much more and the geographical dispersion also can be estimated or the geographical demands can be estimated. So the consideration is to know the number of customers and also to know how they have distributed.

Similarly, we also have to look at the product characteristics, the product characteristics when you start seeing the most critical one is the perishability, perishability is what we are talking about is how long you can keep it and what is the minimum time required. So that it can be move from one manufacturing site to the to the end one, look at this any milk product what I mentioned to you earlier, it could be the vegetables on the other side or fruits. So when you look at some of these things, it is always within the period of anywhere between 24 hours to a week's time, it has to be moved from one end to the other. Otherwise, then you will see that quality of your end products are not going to be the same.

So the freshness and the quality may not be liked, if it takes more time as you are seeing there will be lot of wastage in the process that means it affects the **the** business performance itself and also the second important variable apart from the perishability is the bulkiness. They how big it is, if you look at some of the industrial products are big. So that means the recently I visited one of the machinery manufacturers who makes a honing machine and they make one machine may be per month or maximum two machines per month.

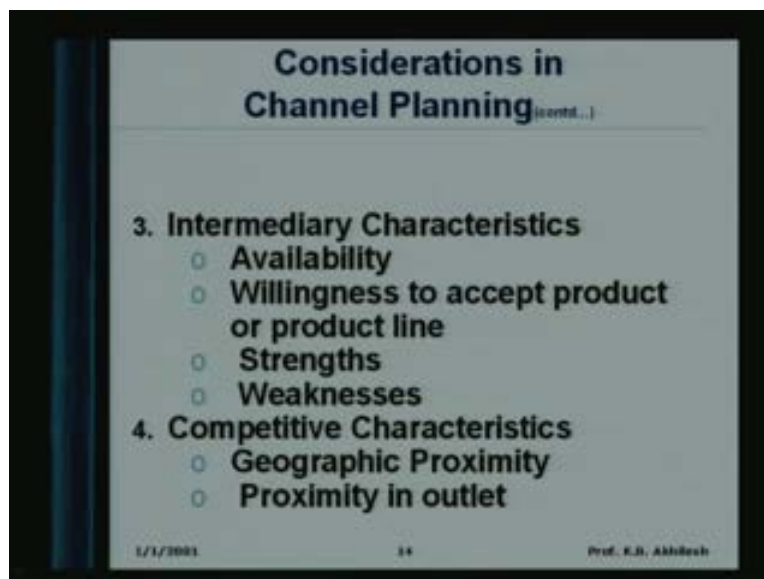
So that means when they make it, **it** takes enormous time to move out of the factory and then it take some time to move it to the customer side that is basically, we are talking about the industrial machinery, industrial products and then it take sometime to make sure that it is working at the customer place. Generally, in these things you do not have the intermediaries but it is the organization deals with with the customer directly and the customer also would like to deal with the organization directly without any middle men.

So that is where the the next important issue will come is about the you know the installation and the maintenance services required. In consumer goods there is no issues of any maintenance or

particularly, in a in the food items, so it is sold and then the **the** product need to be consumed, so there is no intermediary or inter between or you know intermediary things whereas let us take that somebody is selling air conditioners, TV's. So the immediately a customer who buys a TV or an air conditioner also would ask a question do you have somebody would come and install this in my house.

So that means you require a support personal and a support person has to go open the product put it in the consumer's place and then so the most of the household items do require that kind of an end support where the the customers only know how to use it and may not have that kind of a knowledge, how to install this. So that initial installation making sure that the items are working in the customers place require product support and also sometimes the product requires maintenance, maintenance at different periods. Take for example, the cars the cars do require regular maintenance depending on the use and depending on the the where and tare of the **of the** product.

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So that means you need to have the retailers and the retailers also are supported with service centers, service centers, maintenance centers become very critical in working out the channel and

the channel partners and also the unit value. So the higher value items always need to be handled carefully and the carefully in the sense that the more you have the intermediaries, you are likely to lose substantially. So the question is whether you want to have the intermediaries or not, so the higher value items normally it is traded through a broker or to the sometimes directly to the end customer and similarly, we also have to look at the intermediary characteristics who are these intermediaries and what do they do really.

So when you see that there are basically looking at intermediary characteristics has availability means how many people are available and how many are able to handle some of these things. We also talk about the willingness to accept product or the product line, so that means they have to identify with the product, they must have the product knowledge and then we must also know some of their strengths and weaknesses. So this intermediary characteristics are very critical because they represent the organization, they represent the product, they represent the complete the **the** strengths and weaknesses of the product itself.

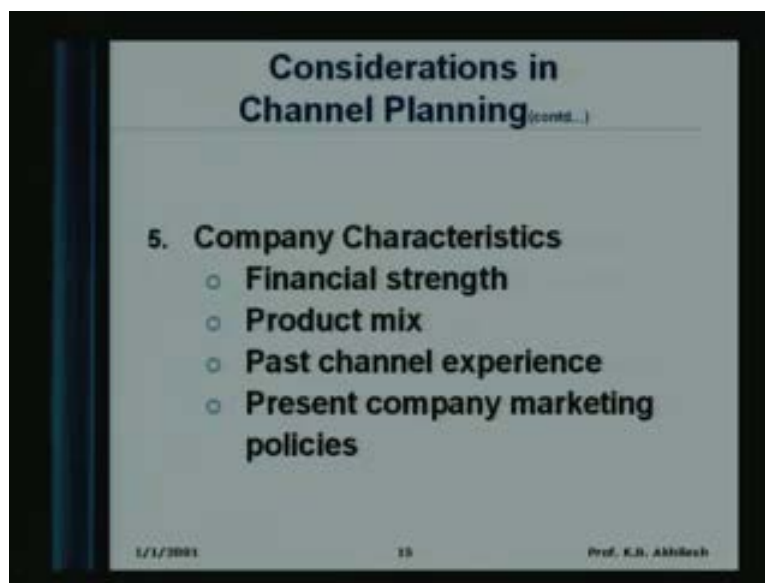
So that means their strengths come with respect to the where they identify with the products and services of the company and also you must know some of their weaknesses, some are odd sellers some are you know they can they you know they sell based on their credits. So, what is that they are trying to do in terms of their strengths and weaknesses one need to understand? and similarly one we also need to see the competitive characteristics, competitive characteristics are what are the geographic proximity? So is it too many people are may putting in the same place as our suppliers or the retailers and the wholesalers or we are also have to see the proximity in terms of the outlet.

So if you create too many outlets in a close proximity then we are running into issues of competition amongst our own sellers of our products I think that may be **may** may not be desirable at all but in some products it may be desirable that you own people are there distributed at different points. So depending upon the products, depending upon the product characteristics, depending upon the kind of intermediaries available and the nature of the organization, we have to work these details and unless we put our thoughts into all these and that is where our own strengths becomes that means the company organizational strengths becomes much more

important. One of the key things is the financial strength of the company, financial strength of the company is to give credit to the your intermediaries, in some it is possible to give credit period of 3 months, in some situations you expect the customers to pay full money and then wait for their products.

So depending upon the demand and the supply and the kind of a competitive positioning of the product itself one has to use this kind of a choice of how much you can sustain, your presence in the market through giving credits or not giving credits at all. I think this is an important choice what the company has to or the organization has to explore with. In many consumer goods, perishable goods if you see consumer goods, can run very effectively through a good credit base systems with that means your retailer would sell and then paid back to you with the period of 45 days to 3 months. So that means the retailers credit worthiness becomes very critical.

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So you are understanding of your credit, the retailers in terms of what is that they can hold on and how reliable they are and what is the kind of a relationship you need to have with your retailers all these becomes very critical. I think that is where the wholesaler roles will come into picture if your organization not able to understand your retailers better you leave these choices to

the wholesaler because the wholesaler will maintain the required relationship with his retailers and then he absorbs certain risk, what the company would take otherwise if you are dealing directly with your retailers, the other important thing is the product makes.

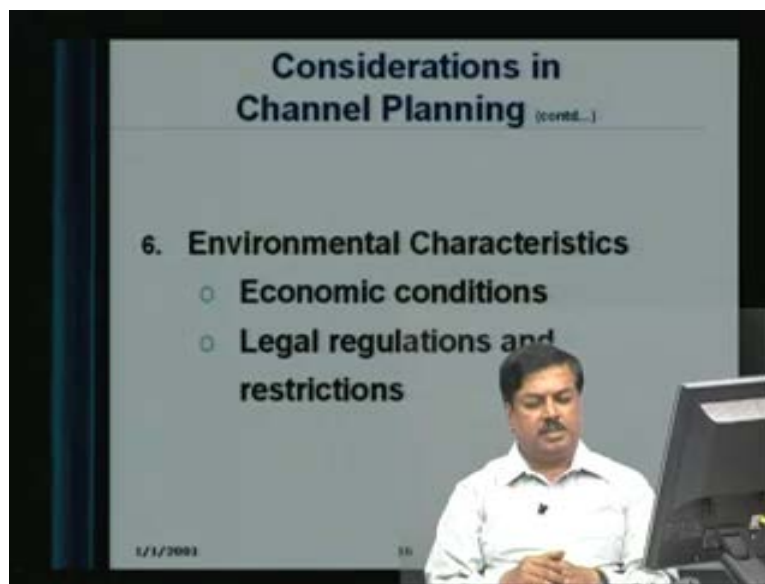
So that what is the kind of variety are able to provide if as an organization I have only one product, I have only one line of choice then to that extent that I can standardize my procedures and practices but if I have different variants, different products that means I am, I have to see whether all the products should be handed over to the same retailer or same wholesaler or I distribute it that means a company which is in different regions and also getting into different raw products.

Let me take for example, housing. So in the housing complexes or in the housing business as a wholesaler you may be building, standardized flats for the medium middle, medium income groups you can also be building high income groups, high in kind of a flats and independent houses and that is the time where you really have to see if you want to go to have your channel partners or you want to have your retailers to do this means that means, you have to see what is the past experience and whether you should have different channel partners, one towards high and homes, high and independent bungalows to a middle level flats.

So these are the kind of a choices depending upon the company characteristics one needs to understand and also look at the present company marketing policies, what is their organizational marketing policies? Do you push or do you create a kind of a pull opportunity? So that means do you use all the opportunities to force the selling situations or you allow people to ask for demand for. So how is the competitive positioning what I told you about the product as well as the perception about the company itself matter substantially. If your products are in high demand or you are going to have a limited supply, then organization would think 100 times to have any partners or have any intermediaries but if you think that you do not have the expertise and you do not understand the end customer but you have a great expertise in production and in manufacturing or in implementing then you would like to have more partners, more intermediaries to reach out to the customers.

I think that is where company characteristics, company strengths becomes one of the important characteristics or a consideration in deciding the channel planning. Then, we also have to see some of the environmental characteristics, environmental characteristics in terms of the economic conditions, economic conditions may be always you know supporting in terms of inflationary conditions. When you see in an inflationary economy, what is that your what is that your intermediaries would do.

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So they would buy at a price from you but they would like to hold it and then select at a different point of time because they can book their profits or on the high inflation rates prevailing and that kind of a situation whereas in a low inflation situation and when they know that demands are fluctuating then they may not hold anything at all but all the time they would be making the customer to wait.

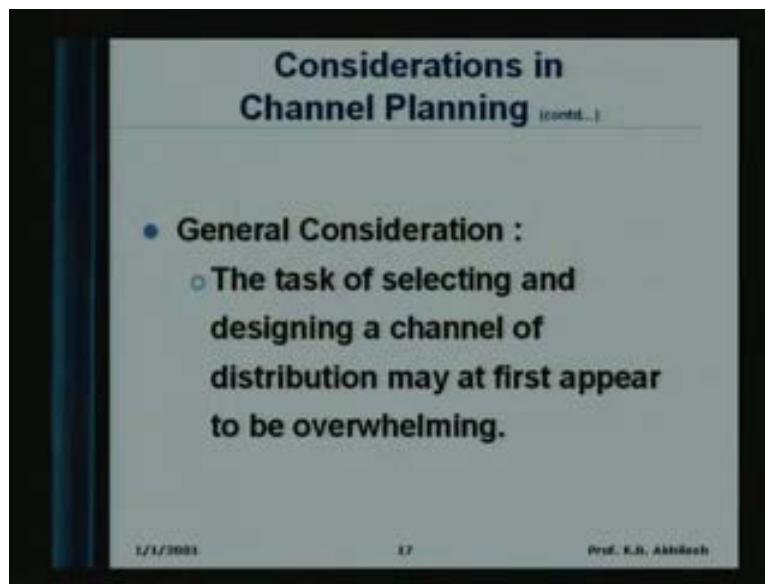
So they would collect the money and then wait for the you know wait for the you know products to move to their places and then create its own kind of a bottle next to service the end customers and similarly, there legal regulations and the restrictions. The legal regulations and restrictions makes to see what are the, what are the margins available and then what kind of contract you can



have, what kind of contract you can enforce? I think these things again become very very important but in a when lot of small traders are involved look at for example, cigarettes, look at for example many of these high and consumer items which are all extremely small value that means very few things you can really enforce and that becomes a more of a cash transaction.

So the organizations would like to have a little legal things enforceable at this point of time but still you need to maintain several records and then, you need to ensure that all the legal compliances and a different acts are followed particularly vat related things.

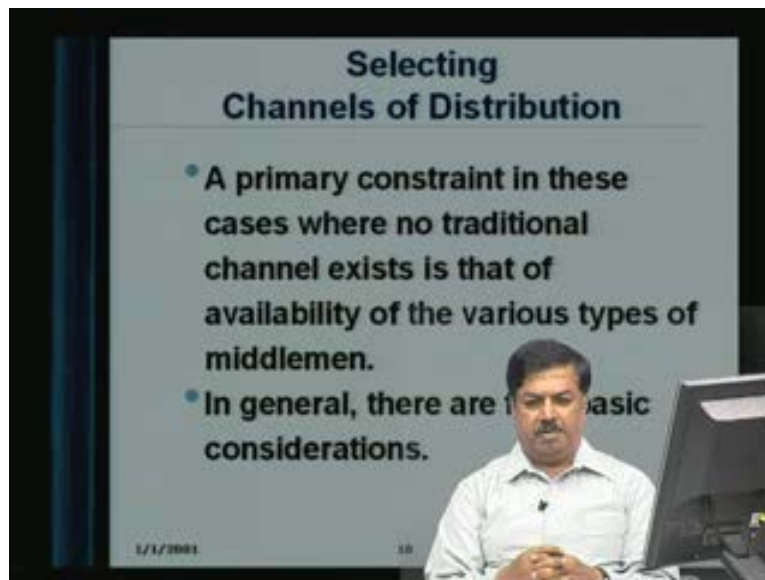
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So it becomes one to see how to ensure this kind of a compliance and identify those channel partners who are fit to maintain these records and meet the overall expectations as well and there are some general considerations, the basically to is to see the task of selecting and designing a channel of distribution may at first way appears to be very very overwhelming kind of a task are too complicated. But the, this is a critical task to be performed by every organization and particularly, the constraint could be that there is no traditional channel exist that of that means there are various middle men are available then how do you see, in certain areas the there are people and there are established groups of people and then you only will go through that but in many situations, you do not know who could be the the best wholesalers many of the new

technology products are running into these issues who should be our channel partners, how they should be identified.

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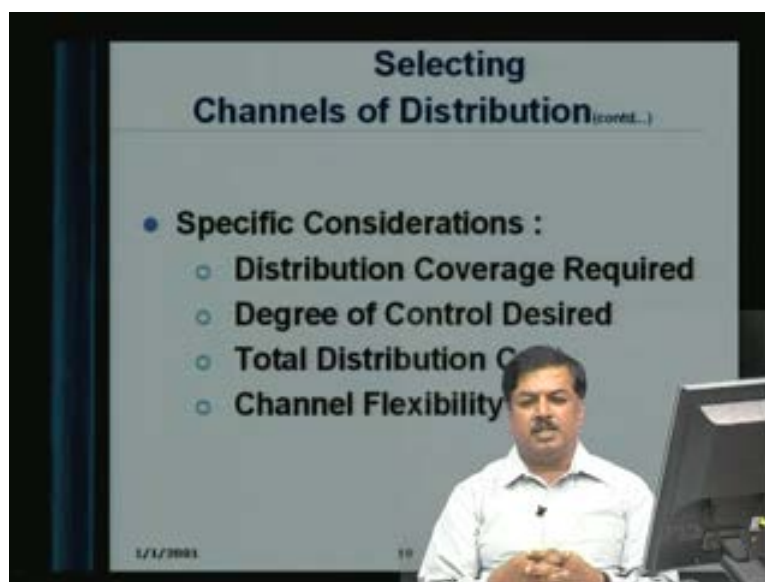
**Selecting Channels of Distribution**

- A primary constraint in these cases where no traditional channel exists is that of availability of the various types of middlemen.
- In general, there are 10 basic considerations.

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**Selecting Channels of Distribution (contd...)**

- **Specific Considerations :**
  - Distribution Coverage Required
  - Degree of Control Desired
  - Total Distribution Cost
  - Channel Flexibility

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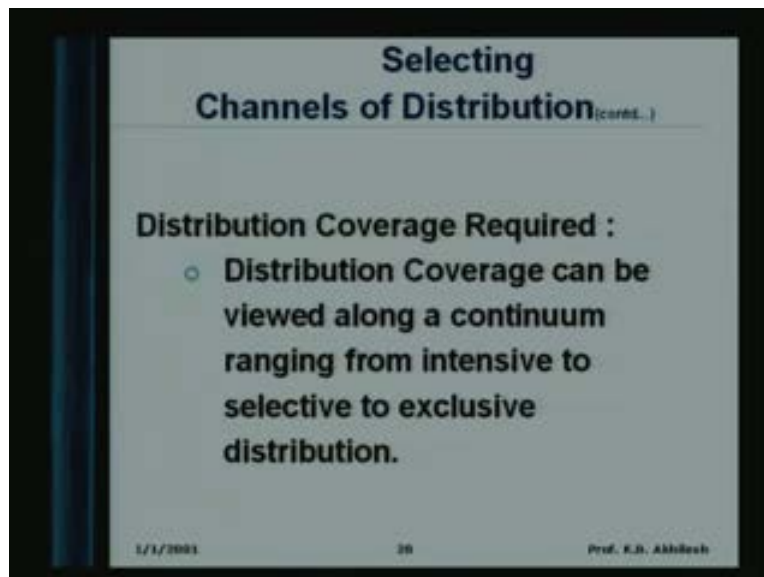
So some of them go even go through that mode of franchisees, so that is where the kind of consideration what it could be as I mentioned to you earlier what is the distribution coverage required and that means you must see, what is that area one can comfortably deal with where people have to be identified the goods have to be moved and then the goods have to be made available on a regular basis. So take for example, the newspaper, so the newspaper coverage if you see it has to be distributed to the every nook and corner. So that means you need to have a retailer who should be able to distribute within the number of hours available that means assuming that the the newspapers are reading in the midnight say by 12'o clock or you know may be around 1'o clock early in the morning.

So that means from then onwards morning would 5, 5:30 it should be distributed to all the end consumers, you know end consumers. So that means one need to see how it should be collected how it should be pushed how it should be distributed. Another important thing is the degree of control desired, the degree of control in terms of the end customer gets exactly whatever he is there in your minds. So that means he gets the correct information he gets the right product that your distributor does not move one product against the other.

So that means you need to see what is that you have to have control the end, end group or you would like to leave it to the distributor. So that you can assume that by training or by any other mechanism he will deliver. Similarly, what are the what is the total distribution cost, so the cost of distribution cannot be more than the cost of production itself. So that means you need to see how it should be sent sometimes through sea, sometimes through by air, sometimes it is through is through by road. So one need to work out exactly how it should be sent.

So you have the distribution cost and similarly do you have any channel flexibility, do you have different modes, different methods of distribution. So unless this is specific considerations are well understood, when you see this distribution coverage required, we are talking about very continuum of ranging from very intensive to selective to exclusive kind of a distribution. In intensive distribution, the manufacturer attempts to gain exposure through as many wholesalers and retailers as possible.

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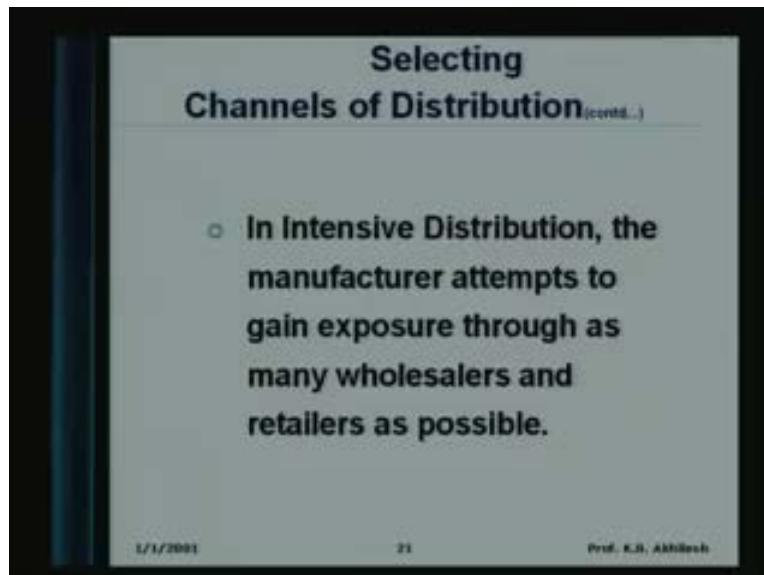
**Selecting Channels of Distribution (contd.)**

**Distribution Coverage Required :**

- **Distribution Coverage can be viewed along a continuum ranging from intensive to selective to exclusive distribution.**

1/1/2001 20 Prof. K.B. Akhlesh

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**Selecting Channels of Distribution (contd.)**

- **In Intensive Distribution, the manufacturer attempts to gain exposure through as many wholesalers and retailers as possible.**

1/1/2001 21 Prof. K.B. Akhlesh

So that means you work through the work through very specifically with all the all your channel partners whereas in selective distribution the manufacturer limits the use of intermediaries to the one's believe to best available. So that means you will not go through everybody, you will select very carefully and then these typically what is called as the franchisee kind of a thing.

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**Selecting Channels of Distribution (contd.)**

- In Selective Distribution, the manufacturer limits the use of intermediaries to the ones believed to be the best available.

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**Selecting Channels of Distribution (Contd.)**

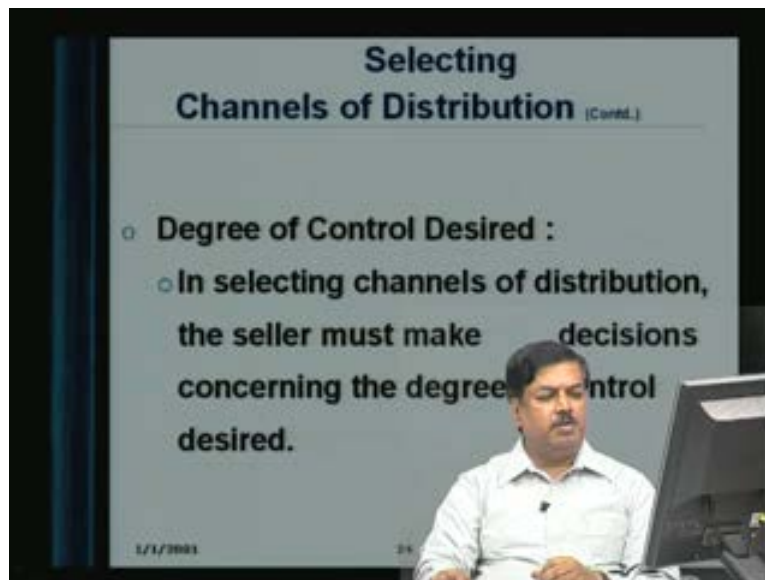
- In exclusive distribution, the manufacturer severely limits distribution.
- In exclusive distribution, intermediaries are provided exclusive rights with particular territory.

1/1/2001 23

Similarly, in an exclusive distribution we know the manufacturer severely limits the distribution things. So that means they represent the color of the organization, the schema of the organization and how it should be delivered. Take for example coffee day, you know when you look at this coffee day kind of an experience that means it is a very exclusive kind of a very standardized

kind of a distribution channel and that is the time where they are given set of rights to do business within that kind of a particular territory.

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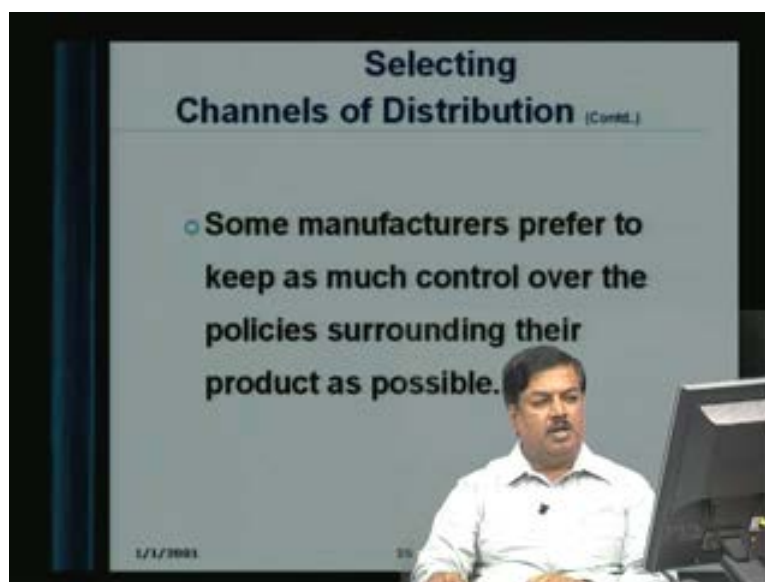


**Selecting Channels of Distribution (Contd.)**

- Degree of Control Desired :
  - In selecting channels of distribution, the seller must make decisions concerning the degree of control desired.

1/1/2001 24

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**Selecting Channels of Distribution (Contd.)**

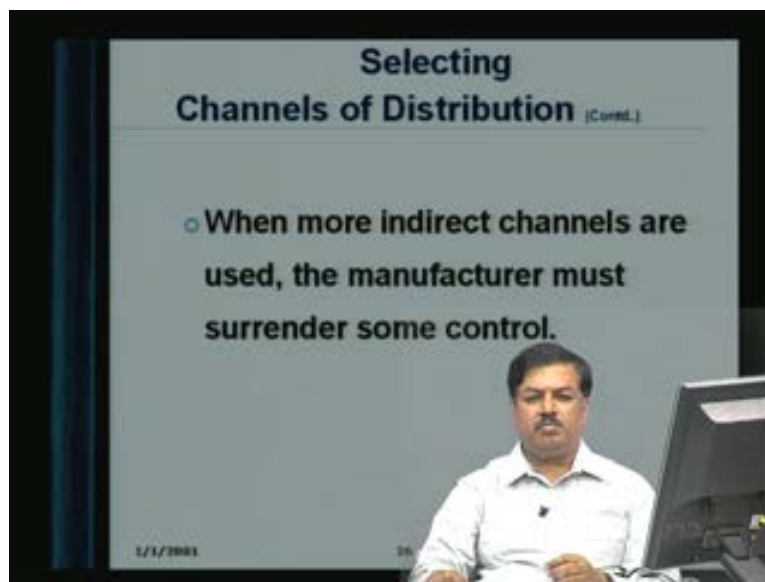
- Some manufacturers prefer to keep as much control over the policies surrounding their product as possible.

1/1/2001 25

So that means you define the area the scope of work and also try to standardized many of the mechanisms whatever you would use which according to you would benefit these the quality of service or the quality of delivery of the of the products and when we see the degree of control desired, the seller must make these decisions of as I said earlier how much to have this and also the policies surrounding their product as possible for example, some products must be sold only to certain groups and you also know some products are preferred by certain age group of people.

So if it is if you know the profile of the customers and also similarly, the use of this take for example the pharmaceuticals and drugs kind of a thing so that means you have to have a control at the end and so you have to use some kind of a regulatory things. So that means they have to identify the doctor they have to identify the patients name and why this and also write down the batch name and many things which the retailer have to do before issuing the bill. So that means they capturing of the required information is very important and it is very critical.

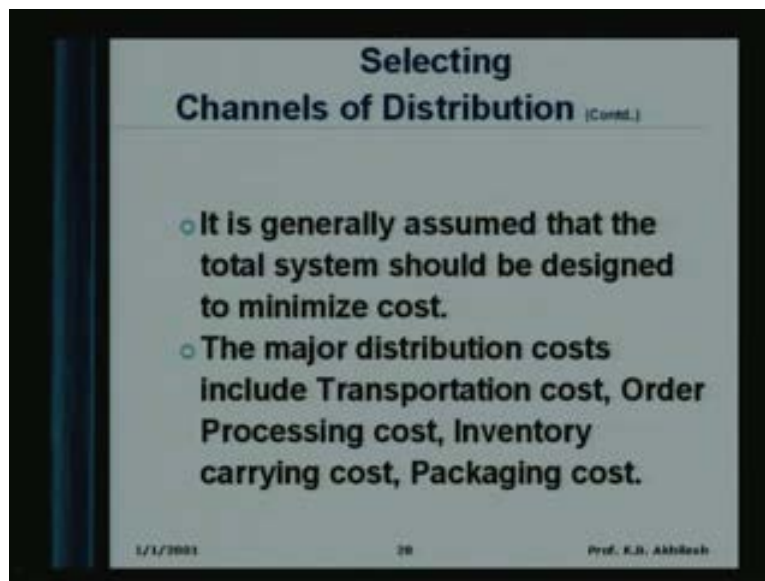
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So that means the control one organization need to have has to be supported through of these practices of providing the batch number, providing the the details of date of manufacturing etcetera and when we are talking about this whenever you use many of the indirect channels, the

really the manufacturer has no control. So that means you surrender the control but you make a wishful thinking that some of these practices will be will be done and then wherever you see the selection of this generally assume that the the total system should be designed to minimize the cost.

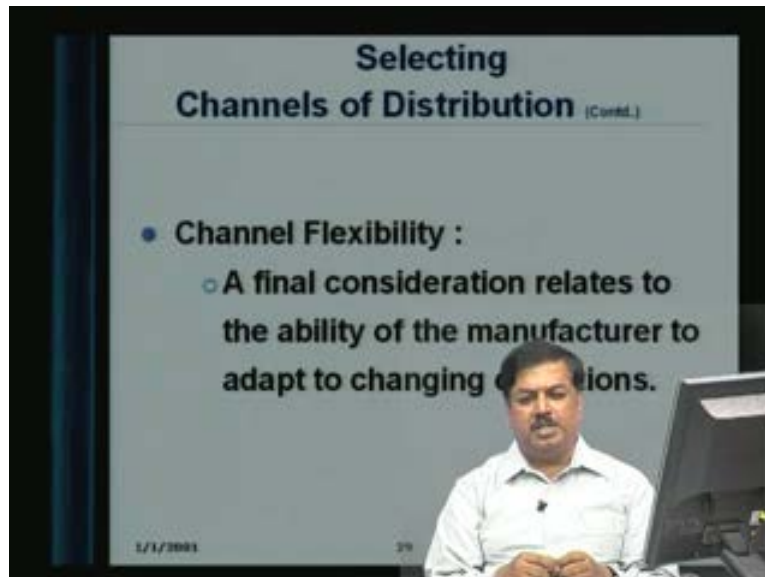
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So the cost is an important consideration and when you see the cost consideration it is the distribution cost and the distribution cost includes the transportation cost order processing cost, inventory carrying cost, packaging cost. So that means each of these things must be understood so otherwise your pricing will go away and your badges will come down drastically at the end of the day, you may not make any profits at all unless you work through very systematically. Similarly, the channel flexibility the consideration is the if there are changing conditions coming because of the customer expectations, you must know how to meet some of those things but if you make a contract with the with few of the intermediaries and the intermediaries are not able to support when you get into a bind that bind means neither you are able to go through a new new channel partners or you may not be able to close the contract with the existing wholesalers or the the other dealers.



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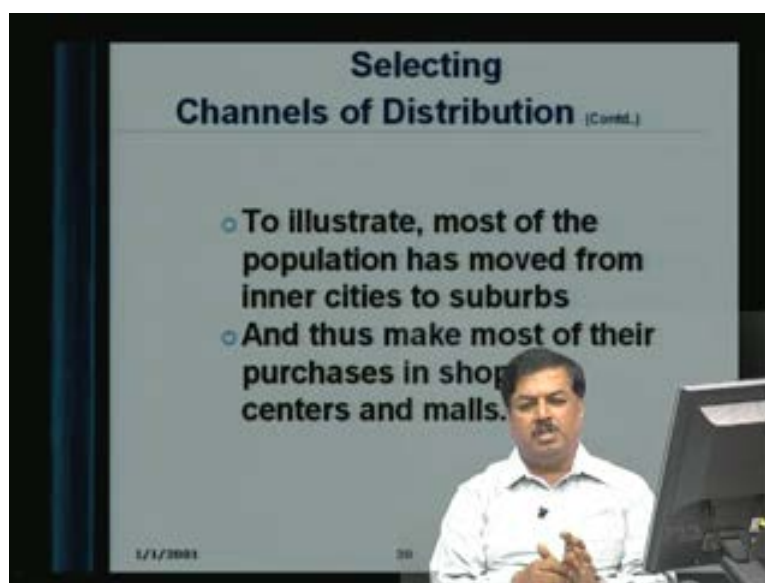
**Selecting Channels of Distribution (Contd.)**

- **Channel Flexibility :**
  - A final consideration relates to the ability of the manufacturer to adapt to changing conditions.

1/1/2001 29

So it is extremely important to see how to keep this kind of a flexibility. So the organizations try to work through, through giving targets, through giving incentives also providing some disincentives they try and keep their flexibility.

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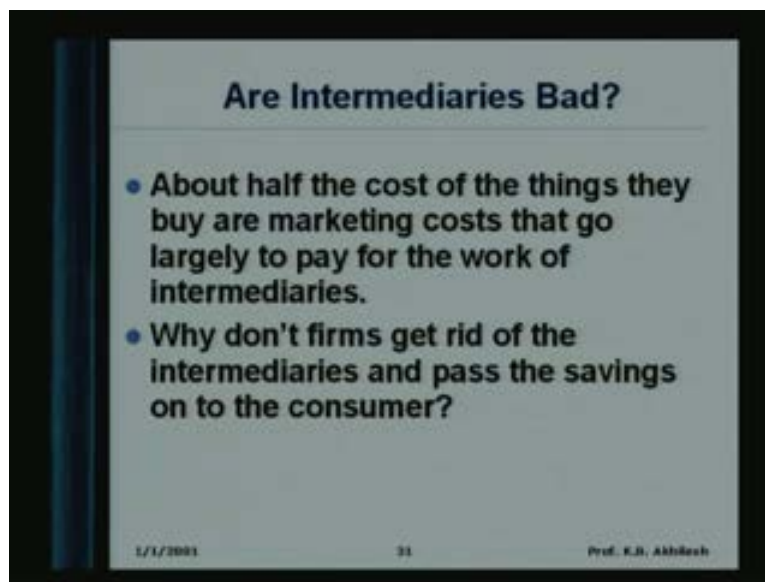
**Selecting Channels of Distribution (Contd.)**

- To illustrate, most of the population has moved from inner cities to suburbs
- And thus make most of their purchases in shopping centers and malls.

1/1/2001 30

So most of the you know times if you see sometimes the population has moved from inner cities to the suburbs. So that you know they also they may change their priorities, they may start making their shopping in various centers and the malls. So that means you have you have given set of rights to some people but it is no longer, it will be useful or effective. So that means you need to think in terms of your channel partners in the malls as we have seen new shopping centers. So you must establish a different order or different kind of presence.

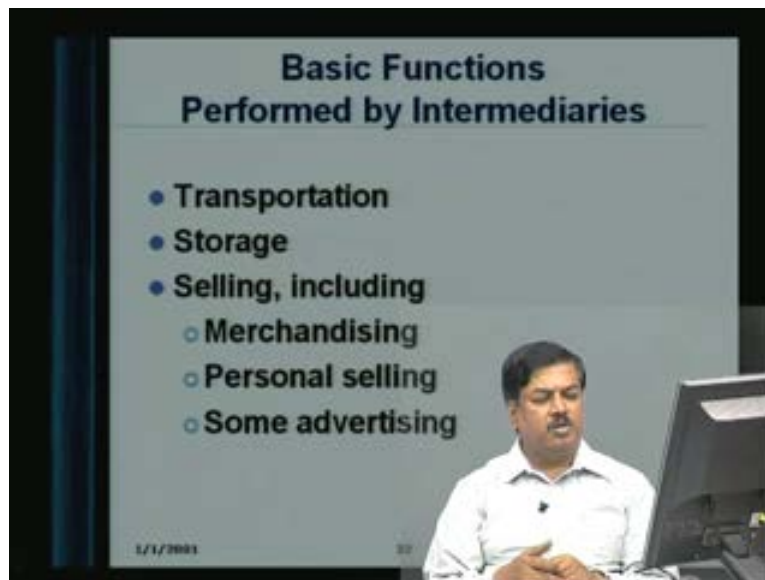
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So you must see how to and that is where the organizations need to keep these intermediaries and the wholesalers and the retailers and that kind of an organization intact. If you see last important point is that kind of an intermediaries, how much you know what is that they are or intermediaries bad, if you ask these kind of a question half the cost of the things they buy or marketing cost and that go largely to pay for the work of the intermediaries. So the question is always organizations this you know think about getting rid of the intermediaries and pass the savings onto the consumer. So you have seen where people would be announcing that at the wholesale prizes and the wholesale prizes you are talking about that look, I am passing on some of the benefits which I would otherwise pay for the retailers or some of the intermediaries. As you see, the intermediaries perform several functions, they perform transportation, they perform

the storage functions, they also sell ,you know sell they sell in including in terms of merchandising personal selling and sometimes to in the advertising.

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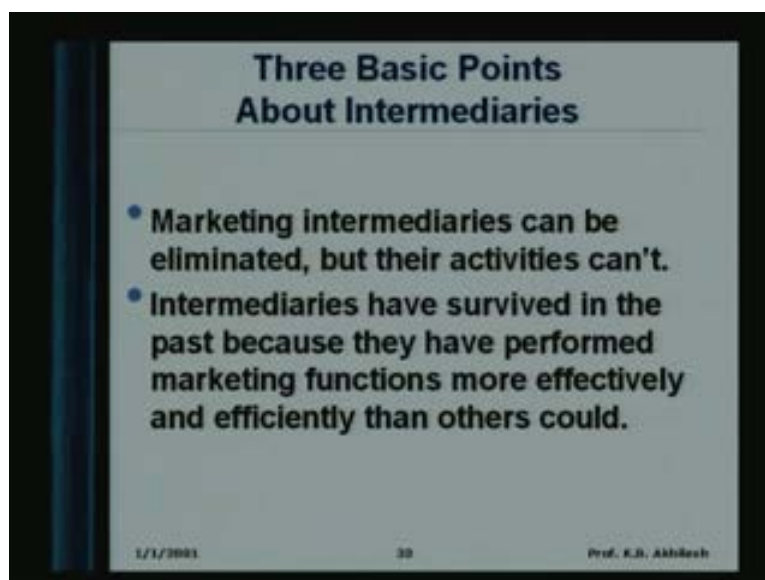


**Basic Functions Performed by Intermediaries**

- Transportation
- Storage
- Selling, including
  - Merchandising
  - Personal selling
  - Some advertising

1/1/2001 30

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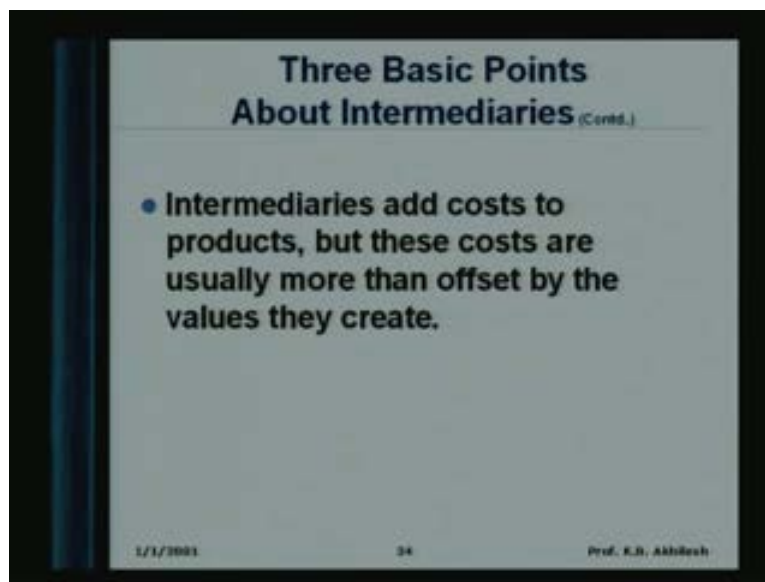
**Three Basic Points About Intermediaries**

- Marketing intermediaries can be eliminated, but their activities can't.
- Intermediaries have survived in the past because they have performed marketing functions more effectively and efficiently than others could.

1/1/2001 30 Prof. K.B. Akhlesh

So the intermediaries are important the choice is that the organization can do all of these, some of these or none of these and then, so you can you know you can only eliminate the intermediaries, is not it. So what you are talking about but the activities you cannot I think this is the first statement or the first principle and intermediaries have survived in the past because they have perform this much more efficiently, much more effectively than what others can do or what you can do.

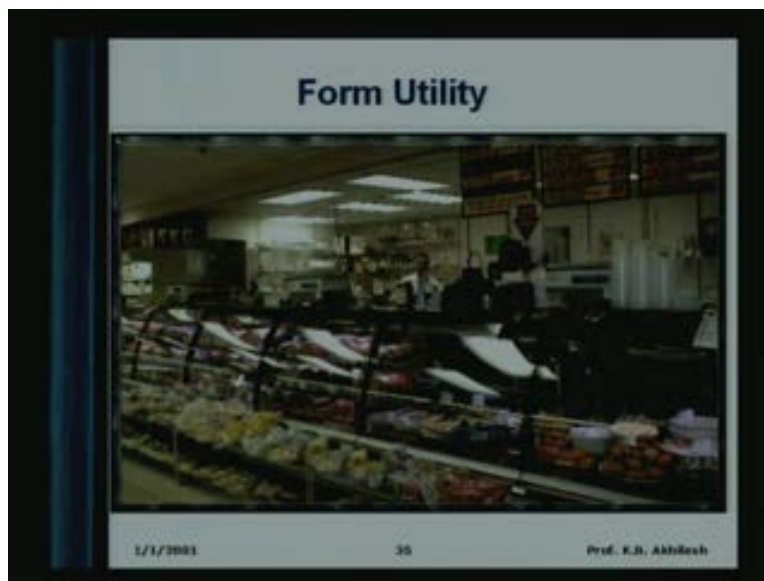
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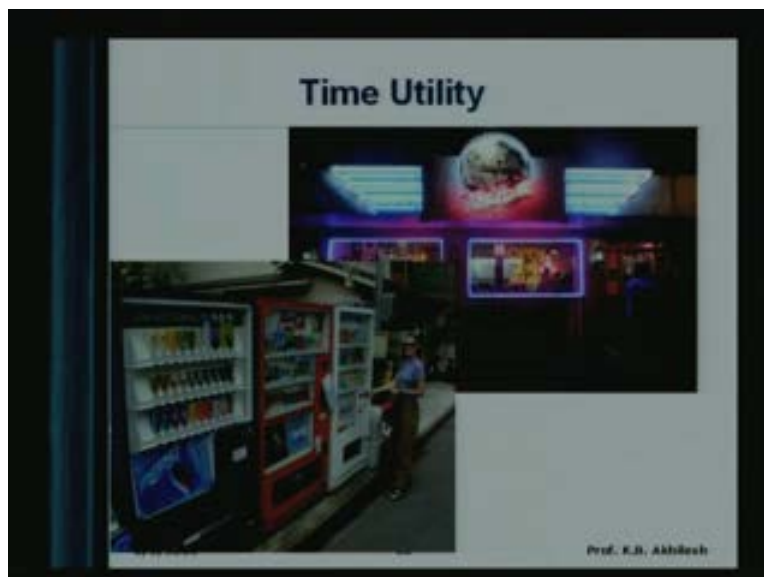
So that is where that their presence and their activities are must and similarly, the **the** cost are no doubt are involved they, they do come with the kind of the money which you have to pay whether you would have got it as a profit otherwise but they also bring value to the table, they bring the value to the table you know they that means they create much more value than what they, what they spend or what they what you would pay for them. So that means they add to this speed, they add to the image, they add to the quality of service, they add in the overall sense, they represent you in different places otherwise, you had know view of the market, situation or what the markets can do for you. So that is where you know the people are talking about this different kinds of utilities I am only trying to shows through some pictures.

So there is a kind of a form utility in terms of the color, feel, smell kind of a thing and there are things which are called as the time utility, the within which you test to be used and the with comes with specific shelf life then there are place utility. So the very clearly where this is made available, very close to the what places or it is in the railway station or it is in the airport.

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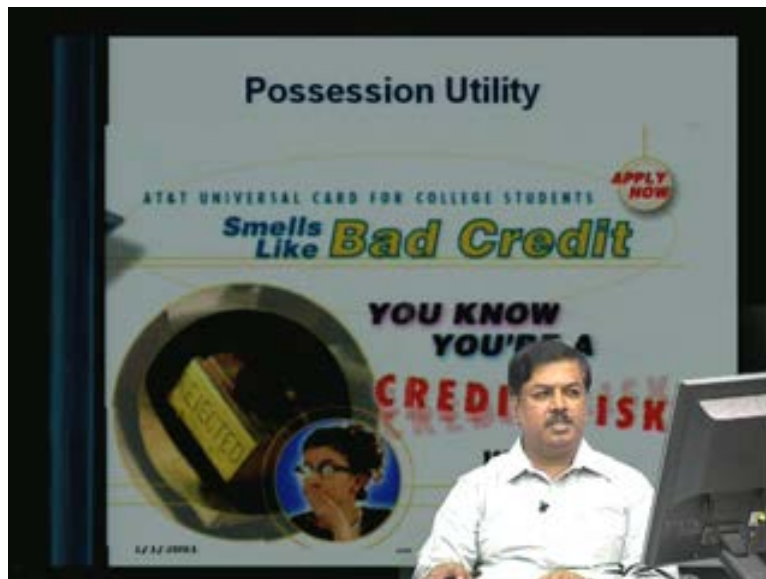
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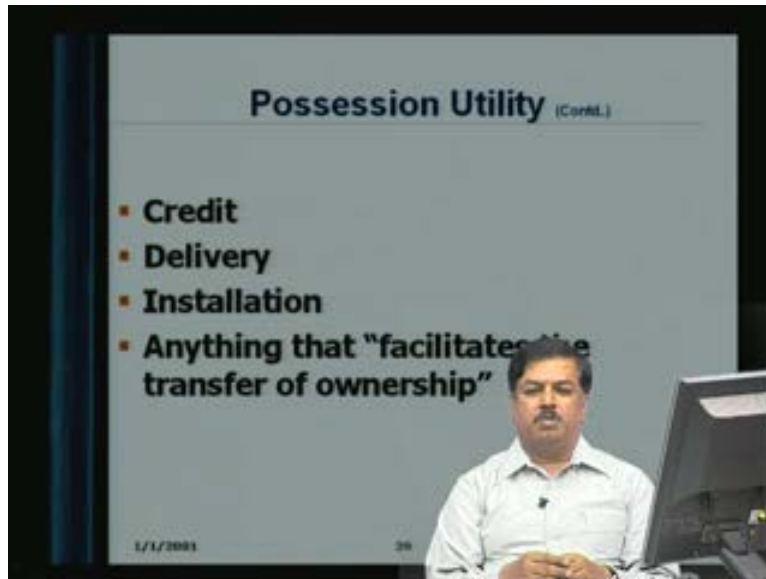
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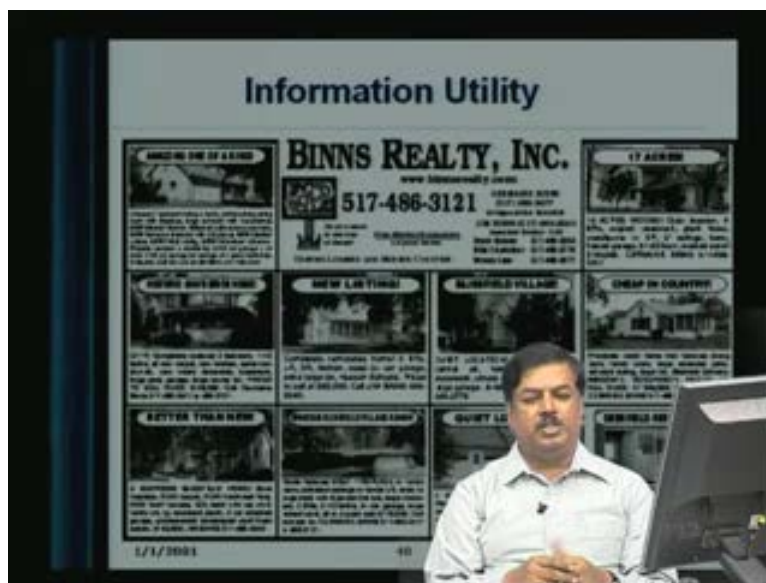
So there are place utility and then the your person has to be there to serve and meet the customer expectations or sometimes it is the, it is the possession utility the that is particularly, when they want to have it? It should be it should be made available and the so it becomes the speed with

which they should have, it is the facilities, what facilitates the transfer of ownership. We have talked about that TV or any of the technology linked products.

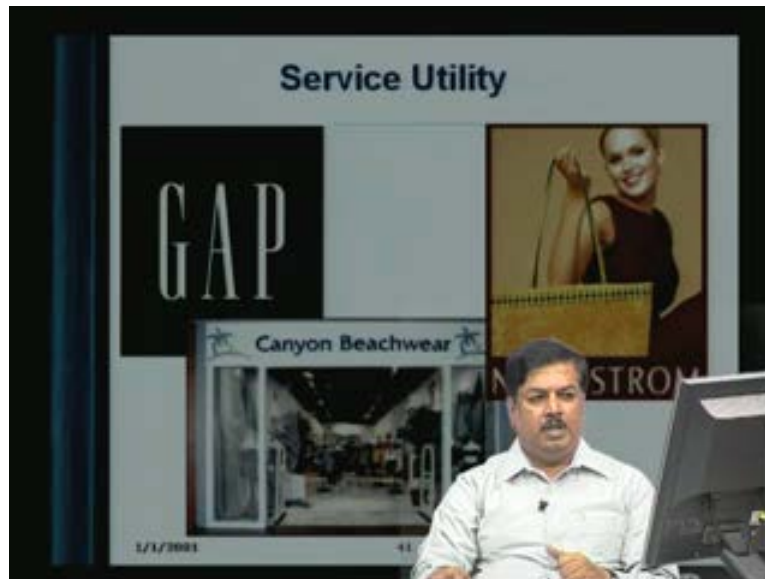
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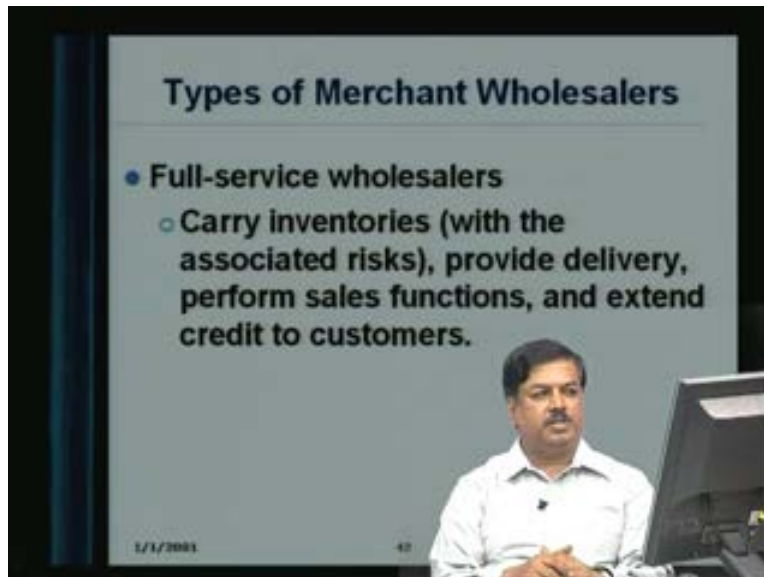


So it is, it always comes with the credits, it is the delivery, it is the installation and also the the quickness with which it can be put to use at the customer place and also the in terms of the information utility. So today, we are talking about making available through the web, making available through in many other mechanisms but then they show the pictures, they explain what it contains, they also provide the variety and the user can depending on the requirement can respond to these situations, the other important thing is the service utility sorry, the service utility if you see that it is the brand able to represent the brand, able to represent that quality of service with which always the brand comes and creating that kind of a brand equity in the market, market situations. There are people with full service wholesalers, the full service wholesalers what do they do? They carry inventories with the associated risk.

So that means whether it is perishable or otherwise, the product may have demand or otherwise, they but at a risk, they also provide delivery, they also performs this sales functions, they also extend credit to the customers at their own risk. So that means the full service wholesalers are one kind where they transfer their the company risk to themselves and then act as a kind of a buffer and represent the company to all the intermediaries and the end customers.



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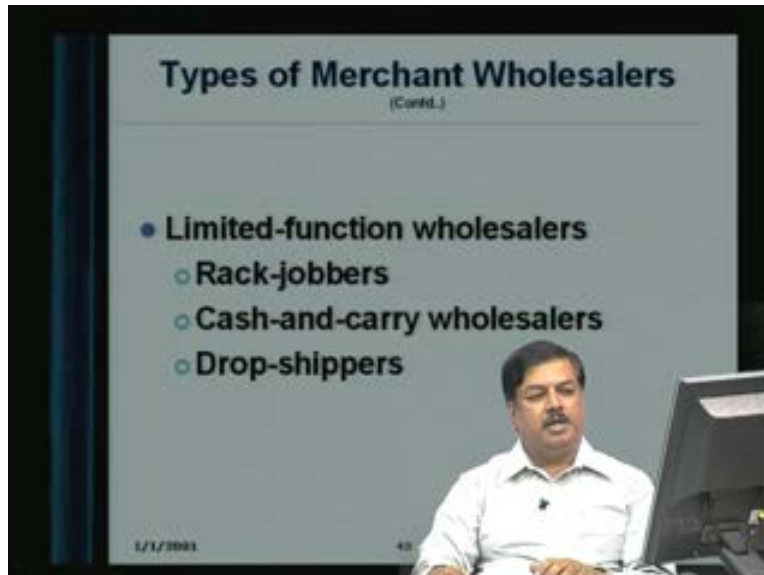


**Types of Merchant Wholesalers**

- **Full-service wholesalers**
  - Carry inventories (with the associated risks), provide delivery, perform sales functions, and extend credit to customers.

1/1/2001 40

(Refer Slide Time: 46:27)



**Types of Merchant Wholesalers**  
(Contd.)


- **Limited-function wholesalers**
  - Rack-jobbers
  - Cash-and-carry wholesalers
  - Drop-shippers

1/1/2001 40

Similarly, you have the limited function wholesalers, the limited function wholesalers are they called as the Rack-Jobbers. So that means they will do the limited the you with they keep your products and sell as and when it is demanded and the cash-and-carry kind of a wholesalers that

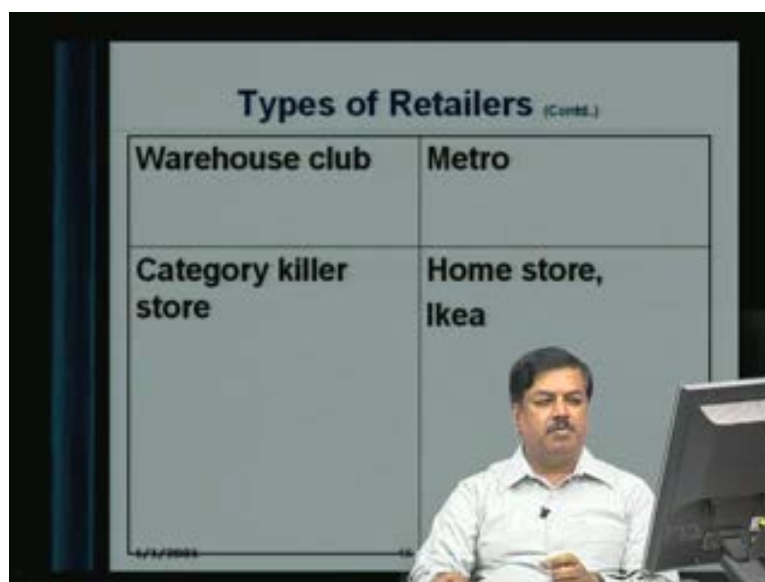
they collect it but then they do not deal with any of the credits and also it is called as the drop-shippers the that means as and when it is required they send it to the **to the** end consumers.

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Type	Examples
Department store	Food world, Fab Mall
Discount department store	Big Bazar

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Warehouse club	Metro
Category killer store	Home store, Ikea

So you will find that types of retailers which you would have seen many, many in the whatever you come through there are departmental stores like this food world and fab mall and kind of a thing then, you also have the discounted departmental stores like this, the big bazaars then you do have many of the earlier kind of a thing then there are people part of this wholesalers club like this metro where they collected the wholesale level and also sell at that wholesale level like a cash-and-carry and then, you also have the category of the the killer store, the home store, the ikea kind where they ikea is as basically wholesale furniture manufacturing but also sells directly to the customers. Then, you also have the convenient stores or what we call as the local stores then you have the specialty stores, specialty stores like jewelries, then the shoes and bicycles.

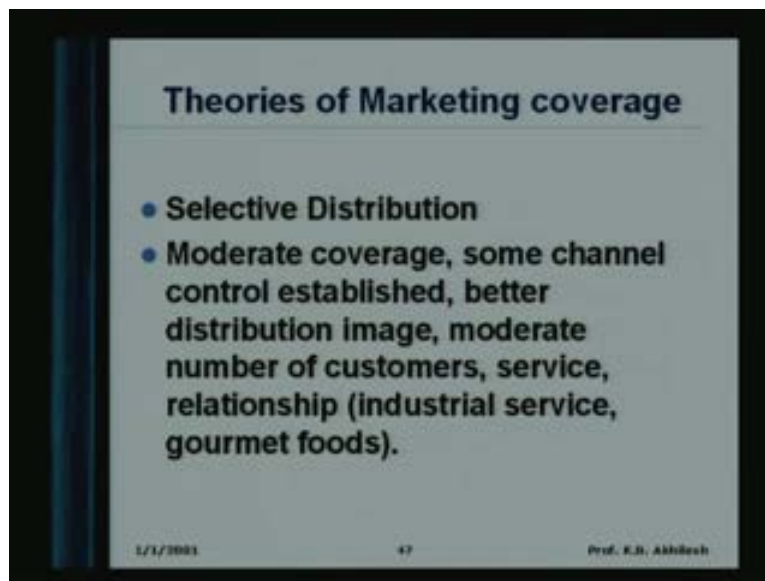
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Type	Examples
Convenience store	Local stores
Specialty store	Jewelry stores, shoe stores, bicycle shops
Outlet store	Nike
Supermarket	Shopper's Stop

So these are specialized kind of a retailers then you have the outlet stores call this you know the think of the Nike or the Reebok and things like that then. you also have some of the supermarkets of like shopper's stop. So when you are talking about this varieties of situations, varieties of retailers possible. So we are talking about the selective distribution selective distribution and so must see where you would like to be present sometimes you want to be high and market, sometimes you want to be at the middle end or sometimes you want to be as friendly as a kind of a neighborhood things possible and similarly, the **the** consideration what we talked

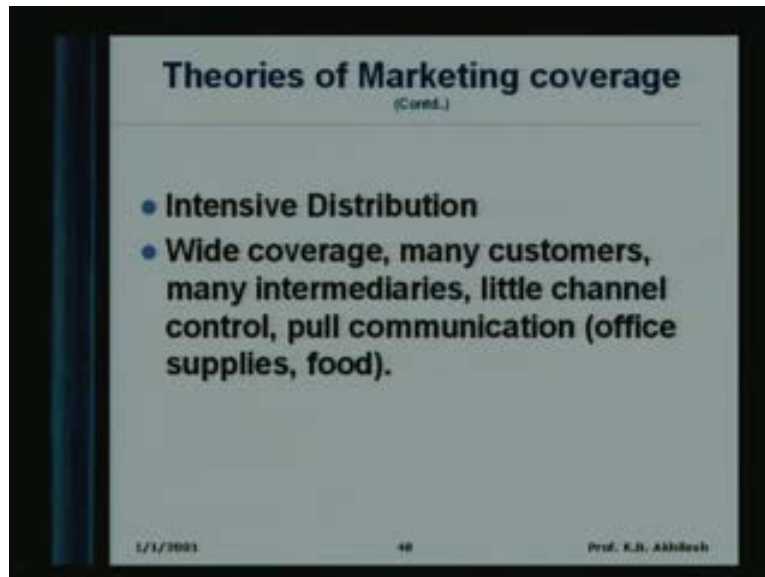
about earlier the moderate coverage, some channel control established, better distribution image moderate number of customers, service relationship all these things becomes very critical in terms of this depending on this kind of you know what we want to do and when we look at the intensive distribution.

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We are talking about this wide coverage many customers, many intermediaries, very little channel control and then the communication is at the pull people ask for what is that they want and then the and similarly, we have also talked about the exclusive distribution, exclusiveness means you know comes with high price also margins are high but few intermediaries and also it becomes prestigious to have that kind of a distribution rights and then, you also would like to have a high control because it is company brand, company image becomes much more important and the customers are well known fewer customers and then you always bother about innovations, loyalty and also providing superior service or special service and also goes with the high fashion, high society kind of a definition.

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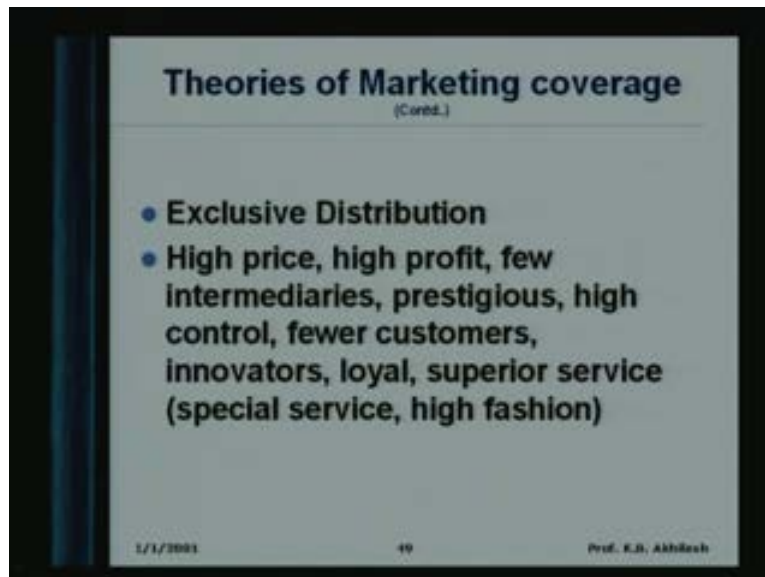


**Theories of Marketing coverage**  
(Contd.)

- **Intensive Distribution**
- **Wide coverage, many customers, many intermediaries, little channel control, pull communication (office supplies, food).**

1/1/2001 48 Prof. K.B. Akhlesh

(Refer Slide Time: 49:43)



**Theories of Marketing coverage**  
(Contd.)

- **Exclusive Distribution**
- **High price, high profit, few intermediaries, prestigious, high control, fewer customers, innovators, loyal, superior service (special service, high fashion)**

1/1/2001 49 Prof. K.B. Akhlesh

(Refer Slide Time: 50:31)



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Intensity Level	Objective and Product Type	Examples
Intensive	-Achieve mass market selling -Convenience goods	Candy, gum, cigarettes, magazine, soda pop

As we were talking about the question is how retailers compete they, they compete in terms of the prize giving the best things possible, they also complete based on the service, these various choices which they can give to their retailers and the customers and also the kind of locational advantage what they have, easy access, parking, various things and then we also have to see in

terms of the selection whether they the brands are known and also the other part of it is the kind of entertainment. So that means what additional things they can provide to the customer, so they make sure that the customer is always engaged. So as we see these retail distribution strategy, we need to see the intensity level, objective and product type and then examples.

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**Retail Distribution Strategy (Contd.)**

Intensity Level	Objective and Product Type	Examples
selective	<ul style="list-style-type: none"><li>·Work with some selected intermediaries</li><li>·Shopping and specialty goods</li></ul>	TVs, Cameras, Personal Computers

1/1/2001 32 Prof. K.B. Abhisek

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**Retail Distribution Strategy (Contd.)**

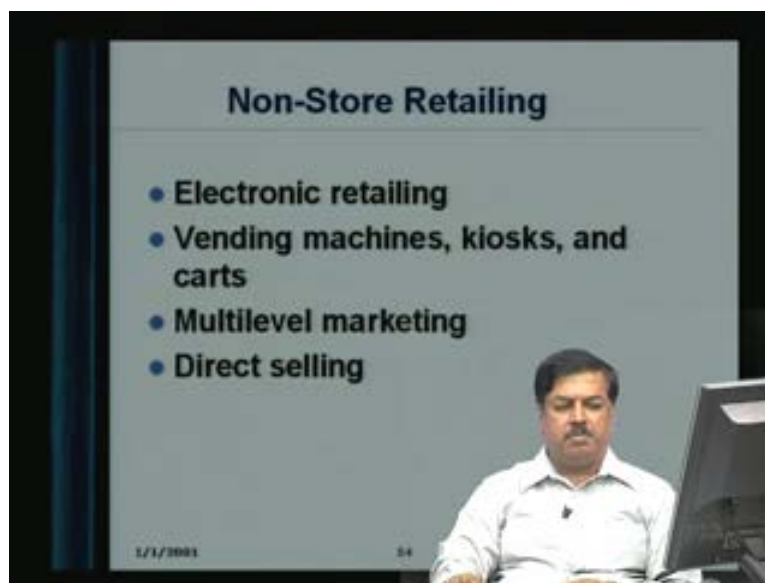
Intensity Level	Objective and Product Type	Examples
Exclusive	<ul style="list-style-type: none"><li>·Work with few intermediaries</li><li>·Shopping, specialty goods and industrial equipments</li></ul>	Designer clothing, Helicopters, Airplanes, Mainframe computers

1/1/2001 33 Prof. K.B. Abhisek

So let me make a quick listing of these things. So when you see at the insensitive level is very high, so achieve this mass market selling and also we are talking about the product type in terms of the convenience goods examples are candy, the gum, the cigarettes, magazines, the soda that is you know the whatever you talking about the coke and things like that, when the intensity level is we can see as a kind of a selective that means we work with some selected intermediaries and then we also have the shopping and the specialty goods.

So, we examples could be this TV's, cameras, personal computers things like that and then when we see this exclusive kind of a thing basically we work with few intermediaries as I mentioned earlier and then shopping specialty goods and then industrial equipments then we are talking about examples has designer clothings, you know you can also talk about the airplanes and the helicopters or it could be the mainframe computers, so these are like exclusive.

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So that means you have to work in a in a manner that you directly deal with the the end customers and then we can also think in terms of the non-store retailing today people are talking about selling electronic goods retailing not necessarily you have it in any store then you can also talk about the vending machines that means in a previous electronic retailing, you can also do



through web today you also have the vending machines. So you **you** go and buy coffee but you know nobody is there put some coins and get your **get your** things and also the soon we will also see shops without any **any** a person is available then you also have the multilevel marketing.

So the people directly sell on the roads or may be in different places then we can also adopt door to door kind of a direct selling, so from wholesalers the direct selling could take place at the different points and then you can also talk about the direct marketing in if is a part of the non-store retailing is the telemarketing or the telemarketing as you seen in the TV's. So they exhibit the product explain all the product usage.

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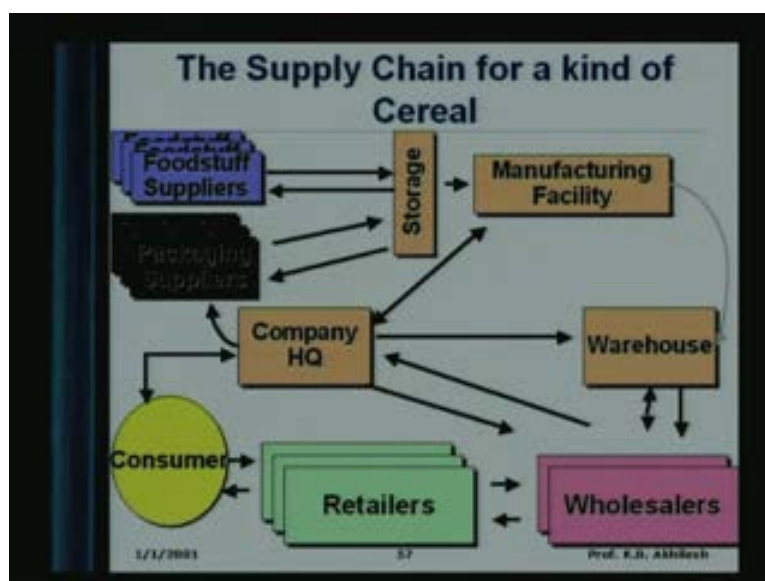
So that people can buy through buy through ordering over phone and also the direct mailing is possible then also the catalogs are sent the books and other things can be can be sold like this through based on the catalogs and then, you also have the online marketing. The online is where you sell through the web like the air tickets are sold through the web today, eBay kind of a thing can sell end to end product in there through the websites. So we are talking about today marketing not only through direct partners and the retailers but also through various methods where you can basically, you are talking about the non-store retailing. So online you will sell it

and then order goes to the manufacturer and directly supply to the end customer. So we are now talking about clearly today the supply chain management. So the supply chain management is whatever we talked about earlier the end to end, reengineering the processes.

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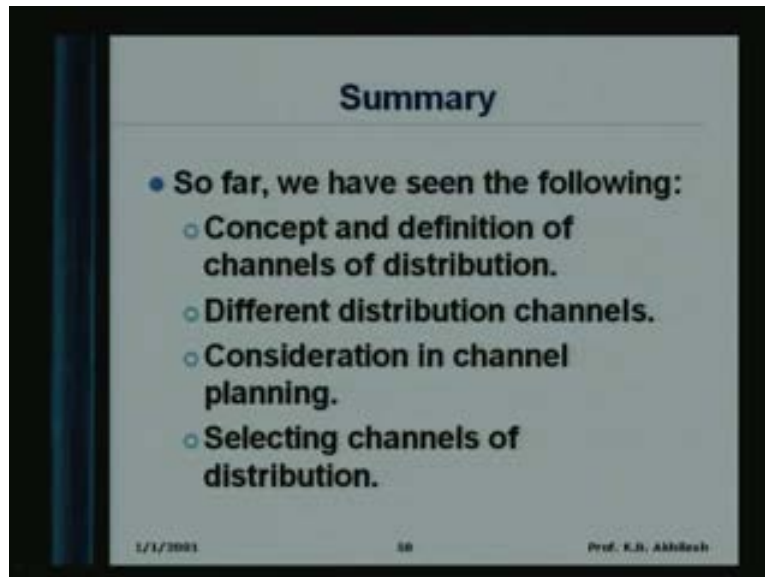


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So that this the entire value chain from producers to consumers to simultaneously, reduce inventories reduce stock-out and line-down you know the situations and keep the cost to the minimum. So we are talking about end to end management of the supply chain today.

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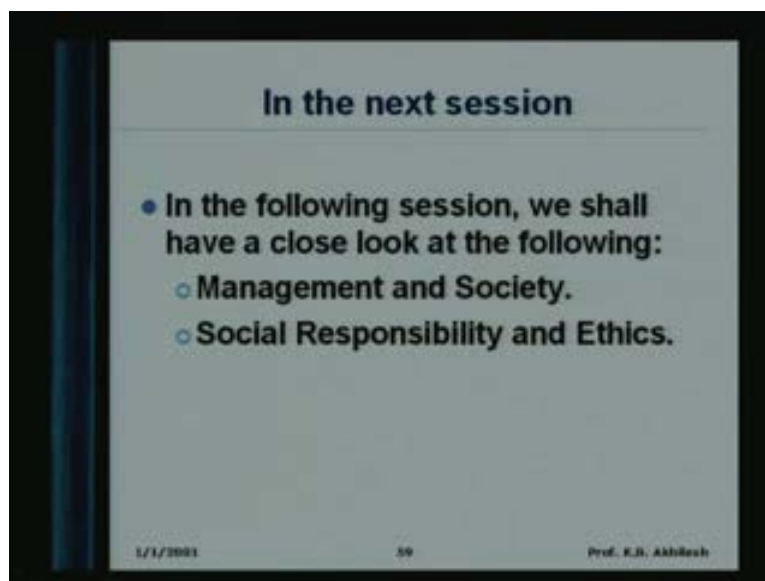


**Summary**

- So far, we have seen the following:
  - Concept and definition of channels of distribution.
  - Different distribution channels.
  - Consideration in channel planning.
  - Selecting channels of distribution.

1/1/2001 58 Prof. K.B. Akhlesh

(Refer Slide Time: 56:38)



**In the next session**

- In the following session, we shall have a close look at the following:
  - Management and Society.
  - Social Responsibility and Ethics.

1/1/2001 59 Prof. K.B. Akhlesh

So we are talking about the foodstuff, the suppliers, the storage, manufacturing facility, the warehouse, the wholesalers to the retailers to the consumer. So we will need to see today, it is a complete chain and then every aspect of this need to strengthen. So that the consumer is at the advantage and the issues which can come at each of these points are well understood. So that company benefits all these through efforts. So far in this lecture what we have tried to do is to look at the concept and definitions of channel and channels have distribution and the different distribution channels the kind of consideration comes before the organization and channel planning and finally, the selecting the channels of distribution and definitely in the next session, we will move on to another important topic about the management and the society and the social responsibility and ethic.