

THE VILLAGE INTERNATIONAL SCHOOL
20224

Resource Person: Mrs. SHEBA MARY JOHN Ref. Book: CBSC STUDY MATERIAL	Hand Out No: Subject: Marketing Topic: Place and Distribution
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Name of the Student: _____ Class & Section: ___XII /	Roll No.: _____ Date: _____
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QS 1. What are the functions performed by the Channel of Distribution?

Functions performed by channels of distribution

Channels of distribution help in smooth flow of goods by creating possession, place and time utilities. The functions performed by the middlemen in distribution channels may be grouped into three categories as follows:

- 1) Transactional Functions
- 2) Logistical Functions
- 3) Facilitating Functions

1) **Transactional Functions:** the primary function of distribution channel is to bridge the gap between production and consumption for which various transactions performed formovement of the goods from one place to another are called transactional functions. **Buying, selling and risk bearing functions** come under this category. Buying takes place as producers sell the goods and intermediaries buy them. Later intermediaries sell the goods and consumers buy them. Because of this buying and selling by the channel participants, title to goods changes hands and goods flow from producer to consumer.

2) **Logistical Functions:** The functions involved in the physical exchange of goods are called logistical function. The goods are produced by producer /manufacturer and assembled in different assembly lines. Assembling refers to the process of keeping the goods, purchased from different places, at a particular place. **Assembling of goods** is done only after they have been bought. Not only assembling but also **storage, grading, sorting and transportation** are essential for physical exchange of goods which forms logistical functions of physical distribution. Grading and packing of goods facilitate handling and sale of goods promptly. Proper storage of goods prevents loss or damage as well as helps regular supply of goods to consumers whenever they want. Transportation makes goods available at places where buyers are located. In the channel of distribution all these functions are performed so that goods may reach the market place at proper time and may be conveniently sold to the ultimate consumers.

3) **Facilitating Functions:** These functions facilitate both the transaction as well as physical exchange of goods. These facilitating functions of the channel include **post-purchase service and maintenance, financing, market information** etc. Sellers provide necessary information to buyers in addition to after sales services and financial assistance in the form of Sale on credit. Similarly, traders are often guided by manufacturers to help them in selling goods, while the traders also inform manufacturers about the customers' opinions about the products. Thus, a channel of distribution performs a variety of functions such as buying, selling, risk bearing, assembling, storage, grading, transportation, post-purchase service and maintenance, financing, market

information, etc. Some other important functions are **product promotion** which involves advertising and sales promotion activities organized by manufacturers. Middlemen are also involved in various activities like demonstration of product, display and contest etc. to increase the sale of products. **Negotiation** takes place between manufacturers and customers before closing a deal. Negotiation in terms of quality of product, guarantee, after sale services and finally price takes place before the transfer of ownership is done.

KNOWLEDGE ASSESSMENT

Fill in the blanks:

- Q1. The primary function of a distribution channel is to bridge the gap between _____ and _____.
- Q2. Buying, selling and _____ is a part of transaction function.
- Q3. A close study of the _____ is extremely essential. A sound marketing plan depends upon thorough market study.
- Q4. A customer bought a product and has defect and post purchase service is desired by customer then _____ function of channel of distribution is performed.
- Q5. Four participants of distribution system are manufacturers, intermediaries, facilitating agencies, and _____.
- Q6. _____ is also known as channel, distribution or intermediary.
- Q7. It is important that the product is made _____ at a place where the customer would like to buy it.
- Q8. Middlemen are also involved in various activities like demonstration of product, display and contest which form a part of _____ function.
- Q9. _____ refers to the process of keeping the goods, purchased from different places, at a particular place.
- Q10. In _____, middlemen procure supplies of goods from a variety of sources, which is often not of same quality, nature and size and groups them in homogenous groups.

Ans: 1 production and consumption 2. Risk bearing 3. Market 4. Facilitating 5. Consumers 6. Place 7. Available 8. Product promotion 9. Assembling 10. Sorting

QS 2. Explain the types of Distribution Channel.

A manufacturer can choose from direct distribution channel to indirect distribution depending upon the kind of product or market they serve. The **two main types of distribution channels** are as follows: I. Direct Channel II. Indirect Channel

I. Direct Channel (Zero level)

The most simple and the shortest mode of distribution is direct channel. In this channel, the manufacturer directly provides the product to the consumer. In zero level there are no intermediaries involved, the manufacturer is selling directly to the customer. This is called the 'direct channel' or direct selling. In this the manufacturer or producer supplies the product to the customer through its own retail outlets and salesmen present there (e.g. McDonald, Patanjali stores). Another option is delivering directly to customer either by hand or by the option is using the medium of post office. Similarly, mail order selling, you obtain orders from your customers who respond by mail or telephone to your advertisements or to letters mailed directly to their houses.

MANUFACTURER —————> CONSUMERS

II. Indirect Channel:

In this channel, a manufacturer doesn't sell directly to the consumer rather chooses various intermediaries to sell a product to the consumer that is why called indirect channel. When a manufacturer/producer employs one or more intermediary to move goods from point of production to point of consumption also called indirect marketing channel. The company may sell to a wholesaler who further distributes to retailers (retail outlets). This may raise product costs since each intermediary will get their percentage of the profits. This channel may become necessary for large producers who sell through hundreds of small retailers.

a. One level channel (Manufacturer-Retailer-Consumer): In this only one intermediary is involved. Normally the manufacturer supply goods directly to retail which finally sell to the end consumer. In this case the producer ascertains the requirements of retailers at periodical intervals and goods are supplied accordingly. As and when required, the retailer may also procure goods from the producer's godown located in that region. For Example: Maruti Udyog selling its cars through company approved retailers like DD Motors is called indirect channel.

b. Two level channel (Manufacturer-Wholesaler-Retailer-Consumer): When the manufacturer can use the services of the wholesaler as well as the retailer. This is the most common adopted distribution network for consumer goods. In this case the manufacturer may supply his products in bulk to wholesalers. The retailer may buy periodically from the 'wholesaler and sell the same to the consumers located in his locality. As there are two middlemen (both wholesaler and retailer) in this channel, it is referred to as two level channels (2 level channel) and helps in covering a larger market. For Example: Consumer goods like oils, cloths, sugar, pulses and soaps etc sold through nearby retail outlets also called mom and pop shops. Another example can be FMCG being sold through big retailers like BIG BAZAAR.

c. Three level channel (Manufacturer-Agents-Wholesaler-Retailer-Consumer): Another alternative channel of distribution consists of mercantile agents, wholesaler and retailer. In this case, the manufacturer deals with a mercantile agent. Then the wholesalers buy the goods from the agents and sell the same to retailers. In turn the retailer sells it to the ultimate consumers. This type of channel is referred to as three level channel as there are three types of middlemen involved in the distribution. This level is used particularly when the manufacturer carries a limited product line and has to cover a wide market where an agent in the major areas are appointed who further contact wholesalers and retailers. We have understood that there are a number of channels of distribution prevalent. From the producer's point of view, more the number of middlemen used, lesser is the cost of distribution, distribution vary from one type of product to another.

Qs3. Explain the Marketing Intermediaries for a product distribution channel.

Marketing intermediaries are also known as middlemen or distribution intermediaries form an important part of the product distribution channel. The people and the organizations that assist in the flow of goods and services from manufacturer to consumer are known as marketing intermediaries.

The four basic types of marketing intermediaries are agents, wholesalers, distributors and retailers.

Middlemen: Anybody acting as an intermediary between the manufacturer and consumer.

Agents: The agent as a marketing intermediary is an independent individual or company whose main function is to act as the primary selling arm of the producer and represent the producer to users. Agents take possession of

products but do not actually own them. Agents usually make profits from commissions or fees paid for the services they provide to the producer and users.

For Example: travel agents, insurance agents and the organizers of party-based selling events of Tupperware.

Wholesalers: Wholesalers are independently owned firms that take title to the merchandise they handle. In other words, the wholesalers own the products they sell. Wholesalers purchase product in bulk and store it until they can resell it. Wholesalers generally sell the products they have purchased to other intermediary usually retailers, for a profit.

Distributors: Distributors are similar to wholesalers, but with one key difference. Wholesalers will carry a variety of competing products, for instance Pepsi and Coke products, whereas distributors only carry complementary product lines, either Pepsi or Coke products. Distributors usually maintain close relationships with their suppliers and customers. Distributors will take title to products and store them until they are sold.

Retailers: The retailer will sell the products it has purchased directly to the end user for a profit. A retailer takes title to, or purchases, products from other market intermediaries. Retailers can be independently owned and operated, like small “mom and pop” stores, or they can be part of a large chain, like Aditya Birla’s More Mega Stores.

KNOWLEDGE ASSESSMENT 2

State True or False for the following statements:

1. A distribution channel can be defined as the activities and processes required to move a product from the producer to the consumer.
2. Distribution channel intermediaries are middlemen who play a crucial role in the distribution process.
3. These middlemen facilitate the distribution process through their money and transportation.
4. An agent actually gains ownership of the product and usually makes money from commissions and fees paid for their services.
5. Wholesalers are also independent entities who actually purchase goods from a producer in bulk and store them in warehouses then goods are resold in smaller amounts at a profit.
6. Wholesalers seldom sell directly to only end users.
7. A distributor carries products from a single brand or company.
8. A distributor has close relationship with the producer and consumer.
9. Retailers stock the goods and sell them to the ultimate end user at a profit.
10. Retailers perform set of activities that add value to the product.

Ans: 1. T, 2. T, 3. F, 4. F, 5.T, 6.F, 7. T, 8. F, 9. T, 10. T