

Distribution channels in international marketing

[Business](#), [Marketing](#)



Marketing is one of the major functions that any business has to perform irrespective of its nature and structure. All the manufacturing, merchandising and service organizations are involved in selling and administering. Thus, besides other departments, the business organizations also have to consider the role of product, placement, pricing and promotion. Today's organizations have managed to go global and face the tough competition existing in the business sector worldwide.

For this purpose, they need to design their marketing mix according to the nature and scope of their products and operations i. e. whether they are operating locally or internationally. The essay here focuses on the choice of distribution channels that the companies have to make in order to sell their product and strengthen their market share internationally. The Distribution Component of Marketing Mix The concept of marketing mix defines four important elements (commonly known as 4 Ps): Product, Price, Promotion and Place. All these elements are of equal importance and serve their own purpose in their relevant capacities. However, the ' Place' element extends a big definition.

It refers to all those different channels of distribution which take the product or service from manufacturer to the final consumer. A specific definition states that a channel of distribution is that path or a route of movement of goods and services which transfers them to the final consumer (AssociatedContent, 2008). These channels may or may not consider the intermediaries in the process of providing product to the end users. In many businesses, the distribution channel involved moves from producer to the final consumer directly.

This is usually practiced where the industries are engaged in the direct buying and selling of raw material and auxiliary goods with each other.

- Producer to retailer and final consumer

The FMCG sector usually follows the distribution channel where the finished goods are moved from manufacturers to retailers and through retailers, they are transferred to the final consumers. Consumer goods are distributed through this channel as it helps build strong personal relationship with consumers and sell a large variety of goods and services. Moreover, it helps build retailer brands.

- Producers to wholesalers and retailers and then to the consumer

In this chain of intermediaries, the wholesaler plays an important role of breaking 'bulk' for the producer and consumers. The wholesaler buys from the producers and sells to retailers in large quantities usually. The retailer then sells the final product to the consumers. Along with selling the product, the wholesaler also provides storage facilities and reduces or sometimes eliminates the contact cost between producer and the final consumer. He is also able to provide large sales force and undertake to perform some of the administrative activities such as marketing of the product.

- Producers to agents, wholesaler and retailer and to the final consumer

A new intermediary, named as Agent, is added in this chain of distribution network. An agent is a middleman who brings the buyers and sellers together by securing orders without having any title to goods. This intermediary is mostly used in marketing and selling the goods in international markets. The agents charge the commission or a percentage

of money for their services and are experienced, trained and well-motivated people. Also read about Open-access Goods

Distribution Channels for Apple iPhone

There are different ways of marketing and selling a product locally or internationally.

The marketing and distribution of international products is facilitated by intermediaries or middlemen. Most of the times, the intermediaries represent their sellers or buyers and perform their ultimate jobs on behalf of their clients for a fee or commission (P. Graham Jeffery, 2005). Certain factors like culture, language, time differences and competition are taken into account while marketing the products in foreign countries. Apple iPhone is a well known product and an established brand having a high market share and has moved higher up on the scale of market growth.

It comes from a range of multimedia-enabled smartphones which are introduced by Apple Inc. The high-speed internet connectivity and wi-fi facilitates multitasking, video display and recording and has many more features such as a touch-screen etc (Apple Inc. 2010). The company has provided all the smart features in one cell phone to the consumers and has maintained a particular segment of consumer population in international markets. For marketing such a high-quality and sophisticated brand, there are many factors that need to be taken into account while deciding on its distribution channel. They include:

i. The target market

For products like iPhone, it is very important to carefully segment the target market in order to capture the right class of customers. While deciding on the target market structure, the size of segment, growth rate, its competition, sales potential and expected profit margin should be kept into view. For Apple iPhone, the target market and market share has increased globally while leaving Blackberry and Microsoft Windows Mobile behind on second and third place respectively. The distribution channel has been selectively designed exclusively by tying it up into a single cell phone network.

The company has placed its products at multiple retailers and cell phone stores. The Apple Inc. operates with the distribution channel of product via retailer and service providers. Apple has also planned to increase its target market by marketing its iPhone and other technology to the business users. Though, the experts and analysts are not affirming to this opinion, however, Apple Inc. is predicting an increased sale and profit margin by taking the planned step (MacDailyNews, 2010).

ii. The availability of channels in the marketplace

The Apple Inc has designed its distribution strategy after observing the availability of the channel and density of competitions at the marketplace. It is exclusively distributed to only the selected mobile carriers in each country where it was launched. Since, the iPhone was first launched in United States; therefore, it is the biggest market for the product. The Apple Inc. is a global brand and thus, is sold and distributed in many foreign countries. Therefore,

its cost of distribution and placement has to be considered and accounted for while making distribution decisions.

Since, the cost of distribution of has to be offset and recovered in the pricing which might make the product more expensive, therefore, the distribution channels chosen for international product should be lesser in number. iPhone is already made up of raw material and parts which are very expensive. The most expensive part of iPhone is its retina display screen which costs the company around \$28. 50 per unit being produced (Schramm Mike, 2010). On this high cost, Apple Inc. manages to keep the cost of distribution low by giving its customers more options of purchasing their selected iPhone on the internet portal.

Apple has even attracted more customers by providing them free shipping on its other products such as Apple TV, iPhone 3GS, iPod Touch, etc. So, it has minimized its cost of distribution and has been attracting millions of new customers to increase its sales. iv. The channels used by competitors The main competitors of iPhone include Blackberry, Nokia and Microsoft Windows Mobile which has already been beaten by the Apple Inc. Nokia, for example, suffered a drop in its sales by 40 percent after a big and tough competition posed by iPhone (Diana ben-Aaron, 2010).

This indicates that Apple has cleverly and confidently managed to overlook and break the strength of the distribution of its competitors. Nokia sells its cell phones through retailers at different locations and countries. It has also launched its online stores and service providers (Nokia, 2006) While distributing the products internationally, the companies have to manage and organize themselves to find out the distribution strategies and channels of

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their competitors selling the similar products. Apple iPhone: PEST Analysis
The Apple iPhone has set itself as a reputed and strong brand in a very sophisticated way.

With the help of PEST analysis of Apple Inc. we can easily conclude the business and operational strength and future direction of the company.

- **Political situation**

Apple is a global business and its products are traded widely all around the world. According to the statistics of 2009, 54% of Apple's sales resulted from countries outside United States. Now, due to geopolitical uncertainties, war on terrorism and other political tensions and propagandas on international forums, it is assumed that the sales of even the most sophisticated brands might go down.

The overall situation of the world is bad and thus the better companies may shut down. America has also been facing political turmoil and crucial circumstances. Further, there government regulations, newer policies and agreements being signed which sometimes becomes a reason to weaken the bilateral relations among countries. These factors may affect the trade adversely. Apple has to keep its head high and its employees motivated to work even in the bad situation.

- **Economic Factors**

The economic situation all over the world is worsening.

Tax burdens, inflation, price hikes, low purchasing power, lower wages and unemployment are taking toll. Recently, the recession broke the backbone of even the most stable businesses. In the face of such crisis, Apple Inc. might

have to compromise on its pricing strategies and customer base. Since, iPhone works on the basis of skimming pricing strategy, the future outlook indicates a shorter segment of such target population which will be able to afford the high-priced luxuries.

- **Social Factors**

The social situation depends upon the lifestyle, cultures and standards being maintained by the people.

The changing lifestyles and increasing awareness about fashion and status is resulting into more competition and a shift in customers' demands and preferences. Thus, established brands like Apple iPhone will have to increase its scope and expenditures on constant market research and development. It will have to cater to the growing needs and constantly changing tastes of customers worldwide.

- **Technological Factors**

Much competition has emerged due to the prevalence of changing technology and quicker obsolescence is taking place.

Thus, to cope up with the competition Apple will have to keep up its pace with the growing technology or else Nokia might take the lead. Conclusion Apple iPhone has become the backbone of the increasing competition. It has posed threats to its competitors and has made them suffer declining sales and earnings. However, the company will have to keep up its pace of working in order to meet the future threats of a new world. Thus, Apple iPhone can be ranked as one of the sophisticated brands which have been able to manage its exclusive distribution, huge profits and a large customer-base at the same time.

It is expected that Apple iPhone will be designing and releasing some of the brand new iPhones for its consumers in future (Moren Dan, 2009). Moreover, iPhone has even helped provide quick services to doctors and better and more informed decisions. So, the physicians of Mount Sinai have claimed “ iPhone is the future of healthcare. ” (Apple, 2010).

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