

A marketing channel



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Introduction

“ A marketing channel can be define as the structure linking a group of individuals or organisation trough which a product or service is made available to industrial user or consumer”(brassington. F and prttitt. s , 2003)1 .

The intermediaries such as agents, wholesalers and retailers play an important role in the process of getting products and services to the end user, i. e. the consumers. In terms of the four major elements of a marketing strategy, product, place (or method of distribution), price, and promotion, the selection of a marketing channel affects both place and promotion, because it describes the path that goods or services take in moving from producer to consumer (Scarborough, M & Zimmerer T 1996).

This report is for the new strategic option on marketing and distribution channels for chaud sound, same but so far successful Scottish manufacturer for high quality domestic audio equipments.

There is a need for change in the marketing and distribution channel, as chaud sound make a commitment to enhance the production facility and have to find alternative channel to support the new strategy.

Presently chaud is using the exclusive marketing and distribution strategy, which will be incompatible with the new strategy for enhancement of production volume. Strategy should be to overcome problem of bottleneck, as production will be higher then sale, there is a need for getting space in

the shelf conveniently to all kind of consumer classes to achieve higher sales.

The limitation in writing this report is closure of university library and finding the relevant material for research. Being new to the city and culture it takes a bit problem for me to communicate and discuss topics with my class mate but the people are so cooperative including teachers and students which helps me over come my hesitation.

Distribution:

It can be define as, “ a process of moving products from its manufacturers to its customers. Distribution involves different channels and intermediary like wholesalers, retailers, distributors, dealers, franchisees, agent and brokers.” (Brassington & Pettitt, 2003, p. 472-474)

Explanation of Distribution Available:

With the use of different intermediary products are moved into the market. Right decision plays an important role keeping in mind that organisation is dealing with the customers or business to business goods. In addition to this different channels of distribution are required for different products.

Here are the different options available for the distribution which a manufacturing company can adopt to move its product to the customers.

Direct supply channel: In the direct supply channel only producer and customers are involved. They both deal directly with each other. Different ways are being used by the various manufacturers to sell their products to the customers for example by a mail order, company outlets, door to door

selling, telephonic order, internet selling and many other innovative ways of direct interaction between them. Direct selling is done on high-value products and services. It helps in making contact with target customer and strengthening relationships.

The advantages in adopting this type of channel are:

- Good control in marketing and selling strategies.
- People prefer to purchase through direct selling as they get maximum satisfaction.

“ According to recent surveys, 74 percent of Americans have purchased goods or services through direct sales.”

Disadvantage of direct selling are:

- It is the most expensive sales channel as it demands higher staff and premises costs.
- Travel time and costs can be significant. A travelling salesperson might spend a whole day on the road for just one meeting. Where possible, plan trips so that several customers in the same area can be visited.

Short channel of distribution: In the short channel producer, retailer and customers are involved. Manufacturers who are really conscious to make their product exclusive adopt this channel. Strong manufacturers select strong retailers to deal in huge quantities. Product reaches customers through retailers.

Advantages if short channel:

- The flow of information between manufacturers and retailers become effective.
- Retailers can get special prices and control over the delivery arrangements.

Disadvantages in adopting short channel are:

- Customers who like to purchase directly will be ignored.
- Information will not reach customers directly.

Long channel of distribution: Involvement of producer, wholesaler, retailers and customers took place. This channel is more effective for the smaller manufacturers and retailers who would like to involve wholesalers. It is because they do not have that much resource to reach a wide range of customers. Wholesalers buy large quantity of products from the manufacturers and split them into many small retailers. By doing this wholesalers provide vital range of products under one roof. For the manufacturers, wholesalers play a role of marketers. From the wholesaler product goes to retailer then to the customers.

“ In some situations wholesalers might act on behalf of relatively large manufacturers trying to sell large volume of frequently recorded products to a wide retailer network. For example, Daily national news papers are delivered from the presto the wholesalers.”(Brassinton & Pettitt, 2003)

Advantages for adopting long channel are:

- Small manufacturer's products can easily reach to the wide range of customers.
- Retailers can get numbers of product under one roof.

Disadvantages for long channel are:

- There will be no control over pricing.
- Customer service may not be satisfactory.

Producers-agents-wholesalers-retailers-customers: In this channel the involvement of four intermediaries shows that this is the longest and the most circumlocutory channel. Manufacturers who are interested in entering the global market mostly adopt this channel. In this channel the main role is played by the agent. This is due to the local knowledge which agents have for selling the products in a specific country. They get incentives on the sale they made. Manufacturers have faith on the abilities of the agents. Product goes from agent to the wholesaler then to the retailers and customer buy from them.

Advantages for adopting this type of channel:

- Helpful for establishing a broad network.
- Different expertise plays role for the product promotion.

Disadvantages of this channel:

- High cost for the manufacturers for product distribution.
- Intermediaries show loyalty to the best selling products.

In these channel, activities are done by negotiation, compromising and recognising that both need each other. Any channel being adopted should reflect market and product characteristics. There are factors has to made in consideration by the manufacturers before selecting a channel, such as market coverage, quantity to be sold, target market, demand etc. This helps

in selecting the intermediaries and identifying the needs and wants of the customers providing them maximum satisfaction.

Three Alternative Models of Distribution

There are three alternative models of distribution that are discussed below.

Intensive distribution: In this type of distribution products are spread in the whole market. Product can be seen in many outlets. Customers find it easy to get the product from any corner. This helps them in saving time and energy. But on the other hand manufacturers face difficulties in measuring the sales and how the product is being displayed.

For example, if the coke cans are placed in the ice box then customers would not be able to reach. So they have to be placed in the shelves.

This distribution has a long channel which includes manufacturers-wholesaler-retailer-customer. Here product availability is much more considered and not the type of outlet where the product is being placed. Manufacturers have to face high distribution cost.

Selective distribution: In this model products are placed in the selective store. This will be in a small number found in a specific geographic area. Customers have to search for the best product and do comparison. Here products need help from any of the intermediaries because of product contents which should be guided. Manufacturers have to invest on the displays and on the extra services provided with the products.

Branded and luxury products are placed at selective stores. They are well monitored and good assistance is given regarding the products.

Exclusive distribution: In this model products are placed in only one outlet in a specific area. This may have very large investments on the displays, showrooms, highly qualified employees and services after purchase.

Sometimes company directly deals with the customers or agent can also be involved. Manufacturers and intermediaries should cooperate to give the best standard and show their best efforts. This approach helps in making the product more valuable.

“ For example, Kodak announced in early 2007 that the firm’s new line of EasyShare printers would be available only in Best Buy stores for the first three months.” (<http://www.yourdictionary.com/business/exclusive-distribution>, accessed January 4 2010).

Recommendation For Chaud Sound In Taking Actions

Chaud sound is a small but successful Scottish manufacturer of high quality domestic audio equipment which is currently working on an exclusive distribution. This means that there are limited outlets where products are placed but were not reachable to all the customers. Retailers are playing significant role by providing excellent facilities to the customers. On the other large investment is done on this channel.

As company had planned to increase their manufacturing and want to expand their retailer network, there has to be a change in distribution channel. Being a marketing manager of Chaud sound, I would like to recommend the company to adopt selective distribution channel. This will increase the intermediary and wholesaler will also be involved.

Distribution channel currently used is:

By adopting the above channel company will directly deal with the wholesaler. As company have good a reputation in the market so they have to select wholesaler very carefully. Wholesaler who has good experience, market value, excellent turnover, financially strong and good service provider should be selected.

Retailers are getting small quantities of products by ordering through phone of fax. By using the recommended channel company will supply products to the wholesaler in a bulk quantity and retailers can get the product according to their requirements and needs. Instead of waiting for the delivery they can go to the wholesalers and get the product. Retailers should also be selective, who got standardised ways of selling and provide good services to the customers. Retailers should have knowledge to provide assistance to the customers. Instead of single outlet retailer there would be multiple retailers in a geographical area. In this way product placement will get expand and product will be reachable to all the customers.

Company will deal with wholesaler and sometimes wholesaler will take certain decision on behalf of the Chaud Sounds. The investment of company will become less in many ways.

In the current policy company's sales team recruit the retailers and visit them regularly for providing trainings makes more expenses but through the selective distribution company's team only focuses on the wholesalers and seldom visit the retailers. Advice for the promotional activities will be given to the wholesaler and they will forward it to the retailers. There will be no

need for the company to visit each retailer. For Chaud Sound selective distribution policy will be effective and will give good turnover when adopted.

ADVICE TO “ CHAUD SOUND” ON IMPLEMENTATION ISSUES AND WAYS TO TACKLE THESE ISSUES

Being the most successful Scottish manufacturer of audio equipment they have to select the best intermediary. The quality of the product should increase not decrease. As the company has to moving from executive to selective distribution they have to very careful in satisfying the customers and not letting down the image. Products will be widely available so they have to well managed and properly placed. Being a marketing manager of Chaud Sound I would advice the company on some implementation issues and ways to tackle these issues.

1. Criteria for selecting intermediaries: It is very important for Chaud Sound to select the desired intermediaries. Selection is done very carefully as channel represent the company. The wholesaler and retailers which are going to be select should have good market value, excellent turnover, financially strong and good service provider. Should have a similar product line of audio equipments. Before selection these things should be kept in mind.
2. Providing training opportunities: After selecting the intermediary Chaud Sound should provide a well maintain training program to them. This training program will include knowledge about the audiophile equipments and ways

to give the maximum satisfaction to the customers. Technical teaching should also be given.

3. Intermediaries to be motivated: For motivating the intermediaries company should provide different programs such as marketing research, character building program to develop their performance. On their performance company should give rewards and incentives to the intermediaries.

4. Judgement of intermediaries: Company should evaluate performance of the intermediary timely. It can be done by measuring the average sales, noting product delivery timing to customer, treatment after complaints from customers. If they are functioning well then company should give some discounts to them on their performance.

5. Adjustments in channel: Company should keep an eye on the distribution channel. If the channel is not working to the expectation of the company then some changes should be done. If market gets change or customer change their ways of buying effect the channel. Intermediaries should be effective in carrying out these changes. Need of the customer should be focused if company is going to increase its manufacturing.

References:

Brassinton, F., & Pettitt, S. (2003). Principles of Marketing, 3, p 477.