

Channel distribution

Business



Decisions as to which path to take must take into account, among others, the resources available, the market itself whether local or foreign, the price of the goods, and geographical feasibility. Avon and Tupperware, for example, sells its products directly to consumers whilst Procter and Gamble sell through retailers like supermarkets. Insurance and travel industries sell through agents.

Producers must also take into account factors such as the most effective distribution channel, the most appropriate level of distribution intensity, and degree of channel integration. In the first, considerations such as buyers' expectations, geographical location and clustering of target consumers, producers' resources, nature of the goods, and the channels that are being used by competitors are taken into consideration. The second consideration involves the number of channels to be used per area, which may be intensive, selective, or exclusive and should be dependent on the resources of the producer, the image it wants to project, and its main priorities. Tyrell Potato Chips, for example, sells only to specialist retailers that give it an upmarket image and allow it to gain a 35% profit margins not duplicated by its competitors. Finally, the third consideration will depend on how much the producer wants to get involved in the distribution and sales of the goods. It can opt to choose the conventional methods, franchising such as the practice of McDonald's, Starbucks, Body Shop, and Benetton, or to go all the way by buying all channels involved to gain total control. An example would be Pepsi in buying Kentucky and Pizza Hut allowing it to serve Pepsi products only in these fast-food chains.

Management strategies are also used in the following: channel selection; motivation; training; evaluation, and; managing conflict. On the other hand, <https://assignbuster.com/channel-distribution/>

retailing management involves retail positioning (choice of target markets and differential advantage), store location (e. g. Starbucks on the side of the streets where commuters wait for rides), product assortment (e. g. scrambled merchandising such as McDonald's DVD rentals, Gap's CD mixes, Starbucks' music, and Tesco's Starbucks coffee); price, and store atmosphere (e. g. Body Shop's green exterior projects environment caring image). Finally, the following are taken into account in the physical distribution of goods: customer service (e. g. FedEx and UPS allow customers to track down their packages through the internet); order processing; inventory control; warehousing (the trend is for a smaller number of warehouses but bigger such as done by Dixons, Boots, and MFI); transportation or the means by which goods are carried to intermediaries or consumers (e. g. the new RFID technology allowing the scanning of containers and items simultaneously within a certain radius), and; materials handling (how products are moved within warehouses, plant and depot – automation increase speed and lower errors). For example, Cahill May Roberts has done away with paperwork and is now using Vocollect technology.