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# शक्ति उत्थान आश्रम लखीसराय बिहार

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### MARKETING

### Types of Channels

Indirect Channels When a manufacturer employs one ormore intermediary to move goods from the point of production to the point ofconsumption, the distribution network is called indirect. This may take any of the following forms:

1. Manufacturer-Retailer Consumer (One Level Channel): In this form of arrangement one intermediary i.e., retailers is used between the manufacturers and the customers. That is, goods pass from the manufacture to the retailers who, in turn, sell them to the final users. For example, Maruti Udyog sells its cars and vans through company approved retailers. This type of distribution network enables the manufacturers to cover wide area of market while retaining control over the Channels.

2. Manufacturer-Wholesaler-Retailer- Consumer (Two Level Channel): This is the most commonly adopted distribution network for most consumer goods like soaps, oils, clothes, rice, sugar and pulses. Here the wholesaler and retailer function as connecting links between the manufacturer and consumer. Use of two middlemen in the channel network enables the manufacturer to cover a larger market area.

3. Manufacturer-Agent-Wholesaler- Retailer-Consumer (Three Level Channel): In this case, manufactures use their own selling agents or brokers who connect them with wholesalers and then the retailers. Thus, one more level is added to the levels discussed in the proceeding arrangement. It is done particularly when the manufacturer carries a limited product line and has to cover a wide market. An agent in each major area is appointed, who in turn contact the wholesalers.

### Factors Determining Choice of Channels

Choice of appropriate channel of distribution is a very important marketing decision, which affects the performance of an organisation. Whether an organisation will adopt direct marketing channels or long channels involving number of intermediaries is a strategic decision. The choice of channels depends on various factors, which are discussed as follows:

1. Product Related Factors: The important product related considerations in deciding the

channels include whether the product is an industrial or a consumer product, whether it is a perishable or a non-perishable product, what is the unit value of the product and the degree of complexity of the product. Industrial products are usually technical, made to order and expensive products purchased by few buyers. These products require shortchannels i.e., direct channel or involving few middlemen. Consumer products, on the other hand, are usually standardised, less expensive, less bulky, non-technical and frequently bought products. These can be better distributed by long network of channels, involving many middlemen. Perishable products like fruits, vegetables, and dairy products are best sold through short channels, while non-perishable products like toiletry products (e.g., soap, toothpaste, hair oil etc.), groceries (vegetable oil, tea leaf etc.), fabrics require longer channels to reach widespread consumers. If the unit value of a product is lowas in case of most convenience products, long channels are preferred while in case of high value products, shorter channels may be used. Similarly, in case of complex products requiring technical details as in case of most industrial or engineering products, short channels are preferred but if the product is a non-complex one, it is sold through long channels, involving number of intermediaries.

2. Company Characteristics: The important company characteristics affecting the choice of channels of distribution include the financial strength of the company and the degree of control it wants to hold on other channel members. Direct selling involves lot of funds to be invested in fixed assets say for starting own retail outlets or engaging large number of sales force. Indirect selling through intermediary does not involve deployment of huge funds on these aspects. Thus, if the firm has plenty of funds it may go for direct distribution. If spare funds are not available, it may go for indirect channels. Similarly if the management want to have greater control on the channel members, short channels are used butif the management do not want more control over the middlemen, it can go in for longer channel or large number of intermediaries.

3. Competitive Factors: The choice of channel is also affected by the channel selected by competitors in the same industry. If the competitor's have selected a particular channel say Chemist shops for the sale of toiletry products like hair oil, the other firm may also like to select the similar channel. In some cases producers may want to avoid the channels used by competitors. For example if other cosmetic producers have chosen big retail stores for the sale of their products, a particular firm may like to adopt door to door selling. Thus, it will depend upon the policy of the firm – whether it wants to go with the competitors or be different from them. The changing global marketing environment has lead to adoption ofnewer channels.

4. Market Factors: Important market factors affecting the choice of channel of distribution include size of market, geographical concentration of potential buyers and quantity purchased. In case the number of buyers is small, like for most industrial products, short channels are used. But if the number of buyers is large, as in case of most convenience products like soft drink, toothpaste etc., longer channels involving large number of intermediaries are used. If the buyers

are concentrated in a small place, short channels may be used but if the buyers are widely dispersed over a large geographical area, longer channels may be used. Similarly if the size of order is small, as in case of most consumer products, large number of intermediaries may be used. But if the size of order is large, direct channels may be used.

5. Environmental Factors: Other important factors affecting the choice of channels of distribution include environmental factor such as economic condition and legal constraints. In a depressed economy marketers use shorter channels to distribute their goods in an economical way.