Channel of Distribution Analysis
CHAPTER – 5

CHANNEL OF DISTRIBUTION ANALYSIS

5.1 INTRODUCTION:

Channels of distribution are of vital importance to all types of company or firms. It is "an organized network (system) of agencies and institutions which in combination, perform all the activities required to link producers with users and users with producers to accomplish the marketing task." Decision regarding channel affect product design & quality, product innovation and development, packaging and branding, Pricing method and strategic, and advertisement, personal selling, sales promotion and publicity.

The present chapter deals with the concept and significance of marketing channels, factors affecting channels choice, distribution policies, developing a channel strategy, physical distribution system in relating to H.M.T. (watches).

5.2 CONCEPT AND SIGNIFICANCE OF MARKETING CHANNELS:

The basic concept underlying the distribution network is called the channel of distribution. The term channel of distribution to mean a set

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1 Marketing Management – K. R. Paramahansa, Paramahansa foundation Bangalore, P-145
2 (I) "A channel of distribution for a product is the route taken by the title to the goods as they more from the producer to the ultimate consumer or Industrial user."
   (W. station fundamental of marketing P-354)
   (II) "Any sequence of institutions from the producer to the consumer, including one or any number of middlemen is called a channel of distribution.
   (Mecarthy, - Basic marketing P - 324)
of specialized marketing institutions through which products and services are distributed to final consumer as well as those through which good and services are distributed to ultimate customers. The first and last component of this channel system are the producer and the final buyer respectively. They are integral part of the channel. There are two types of middlemen generally involved in a marketing channel namely participants and facilitators. The persons or organizations that take title to the product can be referred to as participants in the channel, consumers, retailers, whole seller, exporters, importers, manufacturers are among the participant group. On the other hand, facilitators are those who do not take title to the product, but plays an important role in moving products in the channel. Where as facilitators come under the purview of marketing channels/physical distribution channel of distribution combines both marketing channels and physical distribution.

An appropriate marketing channel is significant for management for different reasons. Decisions on marketing channels influence the product decisions of the enterprise product decision include decisions regarding quality, design, size, colour combination, development packaging, labeling, branding etc. In addition, policies concerning channel are related to production decision also. Fluctuation in production, for example, can be reduced by proper selection of channels. Greater production stability tends to eliminate or reduce problems of inventory.

(III) "Marketing channels are the distribution networks through which produces products flow to the market." 
(CHAD, still & Govoni : fundamental of modern marketing P — 225)

control that face all the channel members\textsuperscript{4}. Decisions on marketing channels also affect the price which final buyer will pay. Marketing channel selection also influence promotional activities of the enterprise, which include advertising, sales promotions, personal selling & publicity.

It is thus; obvious that marketing channel is a vital part of marketing mix. When a manufacturer selects his channels, at the same time, he makes a number of other decisions in relation to price, product, promotion. The size and nature of a company/firms market are influence by the location of channel members. So a company must be take decision strictly regarding to the channel of distributions as per the circumstances of that company because due to lack of confirmation of it, a company cannot take decision about product, price & promotions.

5.3 AFFECTING FACTORS OF MARKETING CHANNELS :

Selection of a distribution of channel is very important for marketing a products of a distribution of channel is not selected by a proper way or consciously then consumer do not get the product in fair price /reliable value. A manufacturer should be know about the affecting factors when the takes decision regarding to the selection of distribution. The choice is based upon an analysis of the following affecting factors\textsuperscript{5}. (i) The consumer (ii) Product consideration (iii) Manufacturer consideration (iv) Market consideration (v) Middle men consideration (vi) Government Regulation (vii) Environment consideration\textsuperscript{6}

\textsuperscript{4} G.E. Miraole and G.S. Albaum op. cit. P - 315.
\textsuperscript{5} Marketing management - S.C. Jain, Sahitaya Bhawan Agra P. 303
\textsuperscript{6} Marketing management - K.R. Paramahansa - Paramahansa Foundation Bangalore P - 150
(i) The Consumer:-

The major determinant of channel structure is if the product is intended for the consumer or industrial market. Most of the consumer make their purchase from retail stores, whereas industrial purchasers prefer to deal directly with manufacturers. The geographical location and need of a firm also affect channel choice. Direct sales can be concentrated where the firm's potential market is concentrated in a few regions. A small number of potential buyers also increases the feasibility of direct channels. Consumer goods are purchased by every household everywhere. Since they are numerous, geographically dispersed, and purchase a small volume at a given time, middlemen must provide the products to them. Consumer buying behavior patterns will also influence channel decisions. It increases the use of mail order homes and greater willingness to purchase from door-to-door salespersons will affect a firm's marketing channel.

(ii) The Product Consideration:-

Products play an important role in determining optimum marketing channels. Perishable products such as fresh produce and fruit, and fashion products with a short life cycle, typically move through relatively short channels direct to the retailers or to the ultimate customers. Complex products such as, custom-made installations or
computers equipment to the buyer. As a general rule, the more standardized a product the longer the channel by wholesalers. Convenience goods and industrial goods suppliers with typically low unit prices are frequently marketed through relatively long channels. Installation and expansion products provide through shorter channels or direct channels to the ultimate purchaser.

(iii) The Manufacturer Consideration:-

Companies with adequate resources financial marketing and managerial will be less completed to utilized middlemen in marketing their products. A financially strong manufacturer can hire its own sales forces warehouse its products and grants credit to the retailer or consumer. Managerial experience and ability also effect the manufacturer consideration. In it if a manufacturer have lack of managerial ability then he will be fully depend upon the middlemen. The manufacturer need of control over the product will also influence channel selection of aggressive promotion for the firm's/company's product at the retail level is desired, the manufacturer will choose the shortest available channel.

(iv) Market Consideration:-

For selection of the perfect marketing channels it is necessary that following factors should be kept in mind like (i) it is necessary to classified the product into consumer goods and industrial
goods of it will be consumer goods then middlemen will be maximum and if it is industrial goods then channel will be shortest or direct channel to the ultimate consumer. (ii) It is necessary to know about the consumer habits, it means they are buying on credit or cash. (iii) Channel of distribution will be shortest if the order size is maximum and it will be longer when order size is minimum.

(v) **Middlemen Considerations:**

Middlemen services are affect to this consideration. Middlemen should be selected who gives the better services to the customer and manufacturer both. It is depend upon the availability of the middlemen for that purpose and that particular region. If the perfect middle mans are not found then manufacture should be change his marketing channel. Number of customer and design consideration is also effect the market consideration, it means if number of customers are maximum then channel will be longer and if customers are minimum then channel will be shortest.

(vi) **Governmental Regulations:**

In the some of the product distribution area Govt. makes the regulation and the company or firms are bounded to follow the regulation or rules viz Medicine manufacturing concerns are sound to take the decency to the Govt. price decide the marketing of the medicine in the market.
(vii) Environmental Consideration:

Firm should be kept in view about the competitive factor. The nature and extent of competition also affects the channel choice. An industry made up of a longer number of competitors with similar products will after experience intense competition, particularly at the retail level.

As per as H.M.T. (watches) is concern, it keep the following factors in mind while selecting a particular channel – Goodwill of buyer or Distributors, Financial resources of that channel.

5.4 DISTRIBUTION POLICIES

Before taking the decision regarding to the channel strategy, distribution policies are made here these are some distribution policies:

(i) The policy of extensive distribution.
(ii) The policy of exclusive agency.
(iii) The policy of selective distribution.

(i) The Policy Of Extensive Distribution:

In this policy, Manufacturer consult with those middlemen who are ready to sale the products. But before selection of the middlemen, it is necessary to assure about the financial background of the middlemen. Basically this policy is adopted at the case of convenience product viz – Cigarettes, Hatch box, soap, tea, sugar etc. To imitate this policy, a manufacturer can be select the maximum middlemen, by which ultimately consumer will be get the product nearest shops.

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8 S.C. Jain, Marketing management – Sahitya Prakashan Agra P. 312
ii) The Policy Of Exclusive Agency: -

In this policy, Manufacturer makes the agreement on writing and verbally to the middlemen that he will be a authorized dealer in that particular region but along with that manufacturer put the term of condition to that dealer that he will be full fill the fixed target of sale in that region. If he will not full fill this term of condition, then agreement between them will be concealed. In this policy a manufacturer cannot select a single man dealership under the MRTP act 1969.

iii) The Policy Of Selective Distribution: -

This policy is made with both of the two policy. So in this policy, both of the policies characteristics contains in it. In this policy have selected both the whole seller and retailer channel in a particular region.

As for as H.M.T. (watches) is concern, it follows the selective distribution policies, because H.M.T. selected the whole seller/dealer and retailer for selling the watches. Now company have concentrated on building retail channel and tracking consumer requirement on the new policy which have implemented in the year of 1999 - 2000 on the policy name 'Bharti shop'.

5.5 Developing A Channel Strategy: -
The selection of an appropriate channel of distribution is a major determinant of an organization's success. The selection of channel strategy is guided by the firm's target market's and marketing of actives, the channel chosen should enable the firm to reach its target markets. Channel of distribution strategy must be carefully integrated with all components of the marketing program.

Planning and implementing a channel strategy involves the following three main inter-related decision-making areas:

1. Type of distribution channel.
2. Design of channel configuration.
3. Channel management.

(1) The Type Of Distribution Channel:

This includes decision as to how the channel will contribute to corporate and marketing strategy, establishment of channel objective and selection at the type of channel utilized. There are two major types of distribution channels:

i. Conventional channel system.

ii. Vertical marketing system:
   a. Corporate system.
   b. Administer system.
   c. Contractual system.

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Before discussing the aforesaid ‘types of distribution of channels’, it is necessary to discuss about the number of channel levels. Each middlemen that performs some work in bringing the product and its title closer to the final buyer constitutes a channel level\(^\text{11}\). Distribution of channel can be classified into two:

(I) Consumer goods marketing channel.

(II) Industrial goods marketing channels.

Consumer goods marketing channels of different length, which have exhibited in the Table 5.1 (a), Marketing channels are such as: - Zero level channel, one level channel, two level channel and three level channel.

Zero level channel contains manufacturer selling directly to consumers, such as a retailer. One level channel contains one selling intermediary, such as a retailer. Two level channel contains two intermediaries. In consumer markets, they are typically a wholesaler and a retailer. A three level channel contains three intermediaries for instance of wholesaler, retailer industrial marketing channels have exhibited in the Table 5.1 (b). The industrial goods manufacturer can use its sales force to sell directly to industrial customers or it can sell to industrial distributors who sell to industrial customers or it can be sell through manufacturer’s representatives or its own sale branches directly to industrial customers.

As for as H.M.T. (watches) channel of distribution is concern, it has backing of a good distribution network. H.M.T. is not following a particular distribution channel level, but it is following mix different - different channels, which have exhibited in the Table 5.2(a). The first

(CONSUMER MARKETING CHANNELS)

(I) Zero level Channel

\[ \text{Manufacturer} \rightarrow \text{Consumer} \]

(II) One level channel

\[ \text{Manufacturer} \rightarrow \text{Retailer} \rightarrow \text{Consumer} \]

(III) Two level channel

\[ \text{Manufacturer} \rightarrow \text{Wholesaler} \rightarrow \text{Retailer} \rightarrow \text{Consumer} \]

(IV) Three level channel

\[ \text{Manufacturer} \rightarrow \text{C & F} \rightarrow \text{Wholesaler} \rightarrow \text{Retailer} \rightarrow \text{Consumer} \]

(TABLE - 5.1 (a) )
INDUSTRIAL MARKETING CHANNEL

manufacturer —► Industrial customer

manufacturer —► Industrial distributors —► Industrial customer

manufacturer —► Manufacturer's representative —► Distributor —► Industrial customer

manufacturer —► Manufacturer's branches —► Distributors —► Industrial customer

(TABLE 5.1 (B))
channel is H.M.T. gives the direct supply to shop tunnel, in the another and it is called as block. In the distribution level, H.M.T. himself deliver the order, when ever be any Organization / Institutions gives the order for supply of the watches. Second channel level contains two intermediaries like – RDS/elf and retailer. Third channel level contains EDS canteen stores, unit canteen. Four levels contains only retailer this level has come to an existence in the year 2000 under the channel policy of ‘Bharati Shop’. Fifth channel level contains showroom (called as Time art). Sixth channel level contains Time art, Franchise. As per as H.M.T. (watches) management view is concern that distributors seventh level contains whole seller & retailer are performing their function satisfactorily.

H.M.T. export its watches to many countries viz – Malaysia, Singapore, Hong Kong & (for east countries) Oman, Qatar, Dubai (Middle east), Baharain, Netherland, U.K., neighbor countries like – Nepal, Bhutan, Bangladesh & Srilanka through it subsidiary company H.M.T. (I) Ltd.. And in the export the distribution of channel is just to be same as native channel. Exporting distribution of channel have exhibited in the Table 5.2(b).

(a) Conventional Channel System: -

Conventional channel systems are those in which members have joined by natural agreement and are not coordinated on by formal basis. In this system members are loosely aligned and natively autonomous. This channel has been described as a highly fragmented network in which vertically aligned firms bargain with each other at firm at arm’s length,
H.M.T. (WATCHES) CHANNEL LEVEL

(I) H.M.T. → Shop tunnel / Block → Consumer

(II) H.M.T. → RDS → Retailer → Consumer

(III) H.M.T. → C.S.D. → Unit Canteen → Jawans

canteen stores

(IV) H.M.T. → Retailer → Consumer

(V) H.M.T. → Showrooms (Time art) → Consumer

(VI) H.M.T. → Time Art → Franchise → Consumer

(VII) H.M.T. → Wholeseller → Retailer → Consumer

TABLE 5.2(a)
H.M.T. (WATCHES) EXPORT CHANNELS

(I) H.M.T. → Shop tunnel / Bluck → Consumer

(II) H.M.T. → Wholesaler → Retailer → Consumer

(III) H.M.T. → Time art → Wholesaler → Consumer

(IV) H.M.T. → Time art → Franchise → Consumer

(TABLE – 5.2(b))
terminate relationship with impunity and otherwise behave mutinously. This potentially inefficient system of distribution goods is gradually being replaced by nautically marketing channel.

(b) Vertical Marketing System:

Vertical marketing systems are professionally managed and centrally programmed network preengineered to achieve operating economic and maximum impact. Three types prevail: Corporate, Contractual, and Administered.

(i) Corporate System:

When there is single ownership of each stage of the marketing channel a corporate vertical marketing system exists.

(ii) Administered System:

Channel coordination is achieved though the exercise of economic and political power by a dominant channel member in an administered marketing system.

(iii) Contractual System:

The most significant form of vertical marketing is the contractual vertical marketing system. Instead of common ownership of channel components that characterized the corporate vertical marketing system or relative power of a component of an administered system the contractual vertical marketing system is characterized by formal
agreements between channel members. In practice there are three types of agreements: - The wholesaler – sponsored voluntary chain represents an attempt by the independent whole seller to preserve a market for the firm’s products through the strengthening of the firm’s retail customer\textsuperscript{12}. A second types of contractual marketing system is the retail corporative, which is established by a group of retailers who set up a wholesaling a operation to better compete with the chains. Another type of contractual vertical marketing system is the franchise; a franchise is an agreement where by franchise agree to meet the operating requirements of manufacture and other franchiser.

2. Designing The Channel Configuration : -

Specific channel alternatives that correspond to a given channel strategy must be identified and evaluated on a comprehensive basis. Using the appropriate criteria, one or more channels must be selected and specific channel participant must then be chosen. The major stages in channel design are shown in the exhibited Table – 5.3. Major stages in the channel design are such as:

(I) Identification of channel alternatives.

(II) Evaluation & selection to be used.

(III) Selection of channel participant.

(1) Identification Of Channel Alternatives: -

A particular type of channel eliminates some alternatives; within each type there is more than one channel configuration. There are

(CHANNEL DESIGN DECISION AND DECISION CRITERIA)

 IDENTIFICATION OF CHANNEL ALTERNATIVES

- Intensity of distribution
- Access to end-users
- Prevailing distribution practices
- Necessary activities of functions

 EVALUATION AND SELECTION TO BE USED

- Revenue - cost analysis
- Time horizon for development
- Control considerations
- Legal constraint
- Channel availability
- Select the channel

 SELECTION OF CHANNEL PARTICIPANT

- Market coverage
- Capabilities
- Intermediary needs
- Function provided
- Availability

TABLE (5.3)

following decision criteria: - Intensity of distribution. Access to end users. prevailing distribution practices. necessary activities and functions.

(a) Intensity Of Distribution:

The number of intermediaries relative to a saturation level that are marketing a manufacturer’s brand in a trading area is designated as the distribution intensity being used for the brand. Into unity alternatives include exclusive selective & intensive distribution though many intermediaries. In a exclusive distribution arrangement, the whole seller, distributors or retailer does not market competing brands. Instead the brand is carried by only one firm in a trading area with selective distribution, a product is available in more than a single only or chain, but not everywhere that such a product might be carried. Convenience goods, which, by definition must be available at many location within easy reach of consumers. Thus such products as cigarettes, changing matchbox are intensively distributed.

(b) Access To End Users:

The Intermediaries that might be used to reach the market can be identified. Attention should also be given to the geographic coverage and the approximate sales potential provided by each channel configuration.

(c) Prevailing Distribution Practices:

Consideration of the channel practices used for similar products or services can be useful in identifying the types and functions of

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various intermediaries. However be, channel alternatives considered should not be restricted to those currently used in a particular industry because other options may also be feasible.

(d) Necessary Activities And Function:

A company should also identify the functions (Customer contact, Transportation, Storage etc.) required to make the product available to end users in the market place. The function that the firm can perform best should be separate from those appropriate for intermediaries. Assessment of the channel flows (Physical, ownership, financial, information and risks ) needed to serve target markets provides additional insight into necessary activities of functions in distribution channel. Management should keep in mind about the demographic segmentation like buyer status (upper level society & lower level & middle level society buyers) while deciding the channel levels. A company also should be considered about affecting factors of the channel strategy. A company selects multiple channels. The practice of distributing a manufacturer's brand thought more than one distribution channel may create problems for the producers of the members of one channel object to having the product distributed in another channel. To determine whether alternatives of interest to a firm are feasible, each such, alternatives should be further investigated with regard to access to end users.

As for as H.M.T. (watches) is concern, H.M.T. have adopted the selective distribution policies & exclusive policy through different

\(^{16}\)Ibid - p 156.
intermediaries. In this distribution arrangement, H.M.T. is selling its watches through showrooms, franchise, wholesaler & currently, it has came a ‘Bharti shop’ Strategy for selection of the retailers under some specific term of condition. Previous this strategy is follow by the Titan H.M.T. is also selling watches through Swiss time showroom, H.M.T. have made an agreement with Swiss time for selling its watches, this is only exclusive policy of H.M.T.

One of H.M.T. strength is its distribution system in Indian territory, export supply is only a weak problem of H.M.T. H.M.T. has a first company, which have attempted this distribution system, in which the type of consumer that H.M.T. is targeting is two types. First one is the upper class society, who is price sensitive and looks at a watch as a fashion accessory. The second is middle & lower class society customers is a little price sensitive in that he wants to compare brands before actually buying any of them. H.M.T. have designed its retail network and franchise to suit the buying behaviors of these two segments. H.M.T.'s retail outlets are two types – Multipart showrooms viz – Swiss time and exclusive outlets. The exclusive showrooms are called as ‘Time art’. These showrooms are focused on the upper class of society customers, who is willing to buy a watch as an accessory and for who premium shopping experience where he is pampered is important. Multi brand watches are sold by Swiss time showrooms, these outlets are not owned by H.M.T. but are contractually bound to company in that, they have to stock H.M.T. watches different brands. In addition they can stock other company brands, but only the one's recommended by H.M.T. The
advantages of this strategy are two-fold. One, the company is targeting the lower & middle class of society customers who would like to company brands before buying. This provides an easy means of comparison with other brands stock in the name out city. H.M.T. have provides this facilities, in which he sales its watches through retailer, franchise, wholesaler etc.

The channel of distribution strategy are decided in the organization level. In the organization level, this decision is taken by J.H..G. (MKT), and at the time of deciding of the channel of distribution, management keeps the following factors reach ness to the out lets, volume & marketing feedback.

(II) Evaluation And Selection Of Channels: -

If a company has identified several alternatives and wants to select the one that will best satisfy the firm's long-run objectives, the evaluation of channel alternatives should include revenue cost analysis, length of time, control, legal constraint and channel availability15.

(a) REVENUE COST ANALYSIS: -

For evaluating channel alternatives a should be know about the economic performance of each alternative each channel alternatives will produce a different level of sales and costs. The first issue is whether more sales can be produced through the channel alternatives. Most managers believes that company sales forces will sell more, because company
representative concentrate on the company products, they are better trained to sell and they are more aggressive because their future are depend on the company. They are more successful because most of the customers prefer to deal directly with the company on the other hand, a sales agency could conceivably sell more than a company alternatives/sales/ores. Along with this fixed cost of engaging a sales agency are lower than those of establishing a company sales office but cost rise faster through a sales agency because sales agents get a longer commission than company sales forces.

(b) TIME FOR DEVELOPMENT:

Speed in channel development is important to gain or product market position in many lives of business. A management desired that a channel may be more attractive if it can be developed quickly relative to another alternatives. It often requires several years befor new channel reach the size and configuration.

(c) CONTROL CONSIDERATION:

The firm can exercise in each of the channels that the extent of management control. In addition to management control, bargaining, processes, potential coalitions of participants, flexibility in responding to changing conditions, communication flows and avoidance of possible conflicts may be relevant in the channel choice process. The long-term nature of the channel should be recognized by management.

"Marketing Management, Philip Kotler, 3rd ed. 1987 P - 42"
(d) LEGAL CONSTRAINTS: -
Channel decisions are affected by the some of the legislation, which are following as

(I) The extent of product or brand exclusiveness that can be granted to sellers.

(II) Geographic restriction on intermediary coverage (and possible penalties).

(III) Other restrictions and requirements.

(IV) The consistency of term and arrangements between resellers.

(V) State and local lows and regulations.

(e) Channel Availability: -
Management available determine that there is any possibility of being able to enter a channel that is under consideration. At the cost stage it can be appropriate to contact members of the channel alternatives to make a more comprehensive evaluation of a availability. This step is sometimes include in the selection of channel alternatives.

(f) Selecting The Channel: -
A channel involving a long commitment should be greatly superior on economic or control grounds. Economic considerations typically play a important rule in channel choice. Testing alternatives

channel design in different geographical areas may be useful in this context. Market testing result for review by management and it may identify potential problems before full-scale adoption of a particular channel design. In selecting a channel system, Management should consider two major consequences of the decision. First does the proposed channel offer the best available link to the firm's target markets? That is the system of intermediaries appropriate for implementing the company's marketing strategy? Once established, the channel will impose various constraint of the marketing program. Program elements that may be effected include distribution intensity, pricing polices and customer services. Second is the alternative financially attractive? If the channel is developed properly, does it offer a high probability of meeting sales, market share, profit contribution and other corporate and marketing objectives. Ultimate management reach a decision based on judgment and experience coupled with various supporting analysis.

As for as H.M.T. is concern it has very high level of penetration in both urban and rural areas. It has 10,000 distributors and 50,000 outlets, it has 31 company showroom and 90 franchise and exclusive showroom viz. "Swiss Time" showroom "Time Art". H.M.T. will soon have 1000 franchise outlets ticking across the country to exclusively promote its brand. These will not exactly be oblique but have the friendly, neighborhood favors for the leisurely buyer, according to H.M.T. chairman and managing Director Mr. N. Ramanuja. These outlets are already managing Banglore.

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1 Page p-158
H.M.T. is also follow the economic criteria's and control consideration. When ever be H.M.T. selected the channels then it totally consider about the sales performance and cost analysis. Sales performance of the different channels has been exhibited in the Table 5.4. As per the table first to fifth channels sales performance is 65%, 2%, 20%, 5% and 8% respectably.

H.M.T. channel decisions are affected by the Govt. regulations and policies. Here there are following Govt. regulation and policies, which are affected, to the H.M.T. channel decision:

1. The recent budget increased the excise duty on watches having ex – factory price over Rs 600 from 10% to 13% will adversely affect the H.M.T. because majority of their watches are price over 600/= Rs. H.M.T. has only one option of passing off the increase to the customers so as to maintain their margin. Not with & standing H.M.T. cannot increase the price conceivably because Govt. rules regarding PE’s put on it.

2. Exemption of export from the purview of MAT will result marginal benefit for H.M.T.

(III) Selection Of Channel Participants:

The selection of the middlemen is Indispensable a matching process. Whether the manufacturer or seller find it easy or difficult to recruits middlemen, they should at least determine what characteristics distinguish the better middlemen. Before selecting the middlemen some of the manufacturer evaluate the performance of the of the intermediaries
**SALE’S RATIO OF DIFFERENT CHANNEL’S**

<table>
<thead>
<tr>
<th>DIFFERENT CHANNELS OF H.M.T.</th>
<th>SALE’S RATIO (ON %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H.M.T. → RDS /C &amp;F → Retailer → Consumer</td>
<td>65%</td>
</tr>
<tr>
<td>(I)</td>
<td></td>
</tr>
<tr>
<td>H.M.T. → Shop Tunnel / Bluck → Consumer</td>
<td>2%</td>
</tr>
<tr>
<td>(II)</td>
<td></td>
</tr>
<tr>
<td>H.M.T. → C.S.D. canteen → Unitcanteen → Jawans</td>
<td>20%</td>
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<tr>
<td>(III)</td>
<td></td>
</tr>
<tr>
<td>H.M.T. → Showrooms / Time art → Consumer</td>
<td>5%</td>
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<tr>
<td>(IV)</td>
<td></td>
</tr>
<tr>
<td>H.M.T. → Time art → Franchise → Consumer</td>
<td>8%</td>
</tr>
<tr>
<td>(V)</td>
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</tbody>
</table>

*(TABLE - 4.5)*
in the preceding few years, their financial position, selling capacity, reputation/ goodwill in the market. The selection decision should be examined from the point of view of both participants. Here some of the important factors that is important for a manufacturer/seller.

(a) Contact and relationship of intermediaries with customers in target market.
(b) Capabilities, reputation and past performance for sales and service.
(c) Match of function provided with producers needs.
(d) Potential contribution of producers product or service to intermediary’s needs (profit contribution, gaps in the existing products).
(e) Financial state and management ability.

As for as H.M.T. is concern, H.M.T. gives the public notification for different intermediaries. Viz :- for selection of e & F/RDS, its gives an advertisement in the news papers for interested people, who are eagerness to work as e & F/RDS. Invites gazetteer, H.M.T. gives the term of condition of working. First company call then propos at of interested candidates along with Rs 100. Demand draft. Alter that company selected the few candidate and try know about them some information like- financial position, market goodwill, specific place for godowns and showroom for sale the watches alter that company demand 100000 Rs as a

\[ \text{Marketing Management} - K. R. Paramanahansa, P - 158. \]
security money for selection as an e-Marq agent. Before selection of the suitable candidates H.M.T. have made a selection committee who decides the selective candidates, in this committer there are following authority: -

- General manager (Marketing)
- Finance manager
- AGM (Marketing) etc.

Currently H.M.T. has started a new concept of distribution on the name of “Bharti shop” and “Bharati” “Showroom”. Bharti shop concept has started for retailer as a petty distribution. H.M.T. was given an advertisement in different news paper all over the India. In it advertisement H.M.T. has given the slogan “If you are much interested to sell the watches, we are ready to service different watches” and here theme were some term of condition of the H.M.T. :-

1. Shop should be located in the market and its area should be minimum 100 to 200 square feet.
2. Watches supply will be made on the condition of cash down and purchase it.
3. Candidate should be capable of maintain his showroom.

H.M.T. gives the 15 days time to take the proposal of the interested candidate along with Rs 100/- as application money so H.M.T. is adopted the different criteria of selection of intermediatrise.

3. Channel Management: -

For evaluating and selecting channels and channel participants provides a necessary framework for channel management. The channel is
much more difficult to manage than a single organization due to different objectives of channel participants. Nonetheless operating policies and procedures must be developed for a channel. Temporary responsibility, financial support, pricing, promotions, training and servicing are some of the area that must be worked out with channel intermediaries. When policies, procedures are not explicit, conflicts and problems will often occur, written contracts are sometimes used to indicate the responsibility of both parties – for franchise system, automobile dealership manufacturer representatives.

**MOTIVATION OF INTERMEDIARIES:**

Motivation of channel members is essential to achieving the producer’s channel objectives. Motivation must be provide to the intermediaries. Producers vary greatly in how they handle their distributor relations. It can be distinguish three approaches: Cooperatives, Partnership and distribution programming.

Most producers see the problems and try to finding way to pursue cooperation. They will use the carrot and stick approach. They will use such positive motivators as higher margins, special deals, cooperative advertisement allowances, and display allowances, sales contest. Some sophisticated companies try to forge a long – run “partnership” will their distributors or retailers for take the partnership relation between both respondent. Producers/seller are try to know what does the distributor or

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22 Ibid – P. 160.
intermediaries wants and manufacturer seek an agreement from its distributors on these policies and may base compensation on their adhering to these policies distribution programming is an advanced arrangement. He common defines this as building a planned, professionally managed, vertical marketing system that incorporates the needs of both the manufacturer and distributors

H.M.T. gives the different types of incentives and motivation to the intermediaries time to time, viz:

1. H.M.T. gives the Trade discount on demand draft, on which intermediary has demanded for supply of the watches.
2. H.M.T. gives the F.O.R. to the distribution & CRF, retailers etc.
3. H.M.T. gives the payment side to the distributor CRF for instance & H.M.T. gives the 30 - 60 days payment side to the RDS/ ERF after deliver the watches to RDS / ERF.
4. H.M.T. paid the total advertisement expenses which have incurred by the intermediaries.
5. Time to time meeting & conference are often used to communicate information about new policies and provide feedback from channel members concerning problems and try to solve them.

24 Perspectives for distribution programming – M. C. Common P 32.
PHYSICAL DISTRIBUTION SYSTEM (SIGNIFICANCE & OBJECTIVE(S)):

Physical distribution system is a process, which is performed by the management of any company or manufacturer. In this process, the management strategically manages the movement and storage of materials, parts and finished inventory from suppliers, between enterprise facilities and to customers. These activities include transportation, warehousing, material handling, inventory control and customer services. Physical distribution activities and decisions are important for all kinds of manufacturers, wholesalers and retailers affecting both customer satisfaction and bottom line profit performance.

In essence physical distribution is the science of business logistics where by the proper amount of the right kind of product is made available at the place where demand for it exists. Viewed in this light, physical distribution is the key link between manufacturing and demand creation. A company or manufacturer can be attract additional customer through better services or lower prices, but this could happen whenever the company or manufacturer makes the improvement in its physical

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25 (a) "Physical distribution is the actual handling and moving of goods within individual firms and along channel system."
(Basic marketing – A Managerial approach, E.J. Meethys).
Richard D. Irwin Inc. 1964 P - 391)
(b) "Physical distribution involves the management of the physical flow of products and the establishment and operation of flow system”.
(c) “Physical distribution involves the actual movement and storage of goods after they are produced and before they are consumed.”
(Basic Marketing – Curdiff & Still, P - 344)
26 Wendell M. Stewert – quoted from principle of Marketing, Richend Buskirk P - 403.

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distribution. So physical distribution facilities it proper ways after reducing the cost and increase the demand of supply.

Physical distribution function is related to the customer services, its consist of providing products at the proper time and location corresponding to the customers needs and wants. So many companies state their objectives "as getting the right place at the right time for least cost". The main objective of physical distribution is maximize the customer services and minimize the cost of distribution. Maximum customer services implies large inventories, premium transportation and multiple warehouse, all of which raise the distribution cost of any company. Minimum cost implies cheap transportation, low stork and few warehouses.

Before designing the physical distribution system, it is necessary to know that what customers wants and what competitors are offering.

H.M.T. (INTERNATIONAL) WATCHES CHANNEL OF DISTRIBUTION MAJOR DISTRIBUTER.

H.M.T.(I) is a subsidiary company have own distribution of channel viz. franchise, Time art, Distributor etc. Here some of the major distributor are:

1. M/S Ashraf Brother, Manama Bahrain.
2. The International watch co. ltd. Dhaka.
3. M/S Tashi commercial, Bhutan.

(4) M/S Jampere Bio Protect Ltd, Finland.

(5) Tennemax marketing service Co. Pink street Shatin, Hongkong.

(6) M/S Doha Marketing services Co. Doha Qatar.


Among them H.M.T. (I) Singapore Branch is own Branch.
CONCLUSION - Channel of distribution is a vital factor or part of marketing mix before taking decision regarding to selecting marketing channel, manufacturer or middle man analyze the following affecting factor Viz- Consumer, product consideration, manufacturer consideration, market consideration, middle man consideration, Govt. regulation, environmental consideration so H.M.T. (Watches) is a concern which is also kept this views like goodwill of buyer or distributor, financial resources of channels.

There are different distributor policies but H.M.T. follows the selective distributor policies, because it selected the whole seller/Dealer and retailer for selling watches currently concern have adopted the new distribution policy in the name of “Bharti Shop”.

H.M.T. (watches) adopted the mix distributor channel which have exhibited in the table – 5-2 (a) & 5-2(b), first table is related to consumer marketing channels & second table is related to Industrial consumer channel H.M.T. also export its product to different countries.

Channel strategy is evaluated and identified on comprehensive basis. There are many channel design have shown in the table 5-3 but
H.M.T. concern have adopted the selective distribution policies and exclusive policy through different intermediaries. H.M.T. is selling its product through showrooms, franchise, whole seller and currently through “Bharti Shop”, H.M.T. distribution system in Indian territory is strong but its export supply is only a week problem of H.M.T. H.M.T. have designed its retail network and franchise to suit the buying behavior of these two segments. H.M.T.'s retail outlets are two types viz- Swiss lime and exclusive showroom are called as “Time art” channel of distribution strategy are decided in the organization lance (in the organization Level JMG (Marketing) for deciding the channel of distribution strategy the following factor kept in view reachness to the outlets, volume & marketing feedback.

H.M.T. (watches), has penetration in the rural & urban market. Whenever H.M.T. selected the channels, It consider about sales performance, sales volume, cost of distribution, etc. For selection of the channels, H.M.T. gives an advertisement in the different news paper for interested peoples who want to join the concern as a c &f or dealer. In his notification concern flash out the term of condition, before
deciding to make contract with the self or dealer, concern want to know about interested people financial position, market goodwill, specific place market, go down & show room. It has 10000 distributor and 5000 outlet lets. Its has 31 company show room and go franchise and exclusive show rooms viz- “Swiss Time” “Time art” Bharti shop H.M.T. will soon have 1000 franchise outlet ticking across the country to exclusively promote its brands H.M.T. (watches) gives the incentives & motivation to the different channel time to time for instance trade discount of demand draft, for, side payment (viz 30 or 60 days ) gap for payment, H.M.T. gives/Paid the total advertisement which are incurred by the c &f, dealer/RDS et c.

Physical distribution function is related to the customer service so companies state their objectives “as getting the right places at the right time for least cost” so H.M.T. also follows the aforesaid objectives of physical distribution the main objective of the physical distribution is maximize the customer service implies large inventories, premium transportation and multiple warehouse, all of which raises the distribution cost of any companies. Minimum cost implies cheap
transportation, low stock and few warehouse before designing the physical distribution system, it is necessary to know that what customers wants and what competitors are offering most produces see the problem and try to finding the way to pursuits “Co-Operation” they will be use the carrot and stick approach. They will use such positive motivators as higher margins, special deals, co-operative advertisement allowances display allowances sales contest some sophisticated companies try to forge a long run “Partnership” with their distributors or retailers.

H.M.T. have made a selective committee who decided the selective candidates in this committee there are following authority – General Manager (Marketing) Finance manager, Assistant General manager (marketing) etc. Through about committee H.M.T. (Watches) Monitor the distributor of channels and any to maintain the effective relation with their network.