CHAPTER ONE
INTRODUCTION

In the past 10 years, the global market has witnessed a surge in demand as economies such as Brazil, Mexico, India and China have opened up and begun rapid development, welcoming globalization with élan. The consumer durables industry has always exhibited impressive growth despite strong competition and constant price cutting, and the first contraction since the 2001 dot-com bust has been due to the global recession. Given the strong correlation between demand for durables (both new and replacements) and income, the industry naturally suffered during the 2008-2009 period. However, projections for the recent years are very optimistic, as consumers resume spending, and producers launch new enticing variants to grab new customers. Leading players include LG, Samsung, Sony Corporation, Toshiba Corporation, Whirlpool Corporation and Panasonic Corporation.

Developing countries such as India and China have largely been shielded from the backlash of the recession, as consumers continued to buy basic appliances. In fact, China has been ranked the second-biggest market in the world for consumer electronics. Despite the recession, their strong domestic economy and growing high-income population have buoyed demand leading to aggressive market growth for durable goods. Durable goods are those which don’t wear out quickly, yielding utility over time rather than at once. Examples of consumer durable goods include electronic equipment, home furnishings and fixtures, photographic equipment, leisure equipment and kitchen appliances. They can be further classified as either white goods, such as refrigerators, washing machines and air conditioners or brown goods such as blenders, cooking ranges and microwaves or consumer electronics such as televisions and DVD players. Such big-ticket items typically continue to be serviceable for three years at least and are characterized by long inter-purchase times.

The Consumer Durables industry consists of durable goods and appliances for domestic use such as televisions, refrigerators, air conditioners and washing machines. Instruments
such as cell phones and kitchen appliances like microwave ovens are also included in this category. The sector has been witnessing significant growth in recent years, helped by several drivers such as the emerging retail boom, real estate and housing demand, greater disposable income and an overall increase in the level of affluence of a significant section of the population. The industry is represented by major international and local players such as BPL, Videocon, Voltas, Blue Star, MIRC Electronics, Titan, Whirlpool, etc. The consumer durables industry can broadly be classified as follows:

Table No. 1

<table>
<thead>
<tr>
<th>Consumer Durables</th>
</tr>
</thead>
<tbody>
<tr>
<td>White Goods</td>
</tr>
<tr>
<td>• Refrigerators</td>
</tr>
<tr>
<td>• Washing Machines</td>
</tr>
<tr>
<td>• Air-conditioners</td>
</tr>
<tr>
<td>• Microwave Ovens</td>
</tr>
<tr>
<td>• Chimneys</td>
</tr>
<tr>
<td>Kitchen Appliances / Brown Goods</td>
</tr>
<tr>
<td>• Mixers</td>
</tr>
<tr>
<td>• Grinders</td>
</tr>
<tr>
<td>• Iron</td>
</tr>
<tr>
<td>• Electric Fans</td>
</tr>
<tr>
<td>Consumer Electronics</td>
</tr>
<tr>
<td>• Mobile Phones</td>
</tr>
<tr>
<td>• Televisions</td>
</tr>
<tr>
<td>• MP3 Players</td>
</tr>
<tr>
<td>• DVD Players</td>
</tr>
<tr>
<td>• VCD Players</td>
</tr>
<tr>
<td>• Speakers and Audio Equipments</td>
</tr>
</tbody>
</table>

Definition of White Goods

Appliances are divided into white goods and brown goods. Brown goods are typically household electrical entertainment appliances such as:

- CD, VCD and DVD players
- Televisions
- Camcorders
- Hi-fi and Home theatre

White goods comprise major household electrical appliances including:

- Refrigerator and freezer
- Air conditioner
- Washing Machine
• Dryer
• Microwave Oven
• Vacuum Cleaner
• Dish washer

Brown goods were traditionally finished with wood, or looked like wood, or Bakelite; at least televisions and music systems were. This has been changed now, but the name has stuck, even for goods that are unlikely ever have been provided in a wooden case (e.g. camcorders).

**White goods** were typically painted or enameled white, and many of them still are white. Back in the days, the color white represented such values as cleanliness, warmth, grace, and perfection. And the original manufacturers wanted their products that are mostly used in the kitchen or the living room to portray those qualities. The addition of new items to these categories show that the categories still serve a purpose in marketing, perhaps because they divide into traditional gender roles in the house suggesting “gadget/novelty/power” marketing for brown goods and “practicality/reliability” marketing for white goods.

This is the British English definition of **white goods**: “These are large pieces of electrical equipment used in people’s homes, for example washing machines and fridges”.

**White goods** are the goods that are painted white or enameled white. These products were previously manufactured with a white enamel finish but are now colored. White goods include household appliances, such as, Water Heater, Refrigerator, Clothes Dryer, Air Conditioner, Dish Washer, Microwave Oven, Washing Machine etc. In the modern period, these products are available in a variety of decorator colors. White goods do not include the entertainment appliances, such as, Televisions, Home cinema, Camcorders, CD, and DVD players. These products are included in the Brown goods category. The major players in the White goods sector are LG Electronics India Ltd., Samsung India, Whirlpool, and Videocon. (www.citeman.com).

Today most of the premium home appliance products including air conditioners, refrigerators, washing machines and dishwashers have gone multi-color as well as white, and the market seems to embrace the new variety. Thus, the traditional thinking of “home
appliances are white” can be no more true in the near future with the versatile tastes of consumers if “Colorful White Goods” are unveiled in the market.

The term white ware (Energy Star.govt.nz) is also used for these items, primarily where British English is spoken, although definitions for the term "white goods" can differ. In the United States, the term white goods more commonly refer to linens rather than appliances. (Merriam-Webster Online Dictionary) The White Goods are also called as Major Appliances. Major appliances are differentiated from small appliances because they are large, difficult to move, and generally fixed in place to some extent. They are often considered fixtures and part of real estate. Another frequent characteristic of major appliances is that they may have substantial electricity requirements that necessitate special electrical wiring to supply higher current than standard electrical outlets can deliver. This limits where they can be placed in a home.

Major appliances have become more technically complex from the control side recently with the introduction of the various Energy Labeling rules across the world. This has meant that the appliances have been forced to become more and more efficient leading to more accurate controllers in order to meet the regulations.

Major appliances may be roughly divided as follows:

- Refrigeration equipment
  - freezer
  - refrigerator

- Stoves
  - cooker, also known as range, stove, oven, cooking plate, or cooktop
  - microwave oven

- Washing equipment
  - washing machine
  - clothes dryer
  - drying cabinet
  - dishwasher

- Miscellaneous
  - air conditioner
  - water heater
Industry Size, Growth & Trends

The white goods segment covers goods like refrigerators, Washing machines and Air conditioners. Leading players LG, Samsung, Whirlpool have concerned nearly 70 per cent of the market now. This is a sea change from 56 years ago when BPL and Videocon had a fair share of the cake.

The air conditioning market is witnessing a healthy growth of over 20 per cent during the last couple of years. The total air conditioning industry is estimated to be around Rs 3,000 of this non ducted products size would be Rs 1800 crore and the ducted products share would be Rs 1200 crore (Rama Rao, 2011).

The washing machine had a dream run till 1998 growing at a Growth Rate of over 20 percent during 1993-1998. The sales growth has not been impressive thereafter. Prices too have remained stagnant. a number of factors especially the scarcity of water, availability of cheap labor, buyers’ preference for other essential household items etc., have contributed to this negative trend. The competition rose, meanwhile with the entry of MNCs. In the semi automatic segment, Videocon, LG, and Whirlpool are fighting for the top honor followed by BPL, Samsung, National, IFB, Godrej etc. In the fully automatic category, Whirlpool Videocon, BPL, LG and Samsung are fighting it out for a respectable share of the market. With low penetration levels (just 13 percent in urban areas, 0.7 percent in rural areas as against 48 per cent in China) the washing machine segment should see lot of action in the years ahead (Rama Rao, 2011).

The consumer durable market in India was estimated to be around US$ 4.5 billion in 2006-07. More than 7 million units of appliances have been sold in the year 2006-07 with color televisions (CTV) forming the bulk of the sales with 30 per cent share of volumes. CTV, refrigerators and Air-conditioners together constitute more than 60 per cent of the sales in terms of the number of units sold. In the refrigerators market, the frost-free category has grown by 8.3 per cent while direct cool segment has grown by 9 per cent. Companies like LG, Whirlpool and Samsung have registered double-digit growth in the direct cool refrigerator market. In the case of washing machines, the semi-automatic category with a higher base and fully-automatic categories have grown by 4 per cent to 526,000 units and by 8 per cent to 229,000 units, respectively. In the air-conditioners segment, the sales of window ACs have grown by 32 per cent and that of split ACs by 97
per cent. Since the penetration in the urban areas for products is already quite high, the markets for both CTVs and refrigerators are shifting to the semi-urban and rural areas. Increased consumer demand is expected to boost the white goods segment to achieve production levels of US$ 5.09 billion by the end of 2007-08 against US$ 4.54 billion in 2006-07, with a growth rate of 12.5 per cent.

**Air-Conditioners**

Growth in the white goods segment was largely driven by the Air-conditioner (AC) segment. Within this, split ACs have been the main growth drivers, recording a growth of over 90 per cent in 2006. Growth, at a slower rate of 32 per cent, has also been experienced in the segment of window ACs. The window AC segment is slightly less organized as compared to split AC segment. The market for air-conditioners is divided quite uniformly across customer.

**Washing Machines**

The sales of washing machines have grown from about 780,000 units to 1,948,000 units during the period, fiscal year 1999 to 2007, registering a near 12.2 per cent annual growth rate. The washing machine market may be segmented into semi-automatic and fully automatic machines. Semiautomatic washing machines enjoy a dominant share of 85 per cent. Fully automatic washing machines have been gaining share as a consequence of product improvement, competitive pricing and resultant convenience. However, semi-automatic machines will continue to play a major role in the Indian market for quite some time. Fully automatic washing machines have been the growing at 44.5 per cent and semi-automatic segment, at about 18 per cent. The entry of MNCs has widened the range with a proliferation of models, while ensuring technology upgradation. A visible impact of this churn has been the exit of a few established players from the market.

**Refrigerators**

Refrigerators are one of the most sought after appliances in Indian middle class homes. The refrigerator market has two segments: Direct Cool and the relatively new Frost-Free type. The market for refrigerators in 2006-07 was about 6.5 million units. The growth of refrigerator segment is projected to be between 18 to 22 per cent over the next 5 years. A critical success factor for the refrigerator market, given its widespread use, is deeper
reach into the market and increased penetration. Recently, the market is getting reinforced by the replacement segment as well.

Table No. 2

<table>
<thead>
<tr>
<th>Key Consumer Durables – Share by Volumes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colour Television sets</td>
</tr>
<tr>
<td>Refrigerators</td>
</tr>
<tr>
<td>Air-conditioners</td>
</tr>
<tr>
<td>Washing Machines</td>
</tr>
<tr>
<td>Others</td>
</tr>
</tbody>
</table>

(Source: Edelweiss Report on Industrial Production, 2007)

Vacuum Cleaners
Vacuum Cleaners are forming an emerging segment in the Indian market, still at a nascent stage. The drivers for demand have been the improvement in lifestyle and higher aspirations of urban middle class and the top income brackets. While the market has been growing, this segment is not expected to reach significant volumes soon. Part of this could be attributed to the lifestyle compatibility of Indian customers with the product. In the large majority of Indian houses, for instance, floors are not carpeted and the product will have to meet dual requirements of sweeping and mopping. Another impediment to the adoption of vacuum cleaners has been the availability of cheap domestic help in most cities.

Trends Favoring the Growth of the Consumer Durables Industry
The key trends that impact the Indian Consumer Durables Industry today are reflected in the in the following sections:

Increasing Share of Organized Retail
The urban and rural markets in India are growing at an annual rate of 7 to 10 per cent and 25 per cent respectively. One of the key enablers of this growth has been the increasing penetration of organized retail. While there are established distribution networks in both rural and urban India, the presence of well-known brands and organized sector is
increasing. At present, around 96 per cent of the more than 5 million retail premises of all types in India are smaller than 50 square meters. This situation is, however, transforming. Shopping malls are becoming increasingly common in Indian cities, and based on plans announced by key developers, a proliferation of new malls is expected over the next three years. Although many of the new malls would be much smaller than their western counterparts, Indian consumers will have a far larger number of attractive, comfortable, brand-conscious outlets to shop. As a result, the organized retail industry is expected to cover a market share of 15 to 18 per cent by the end of 2010, from just 3 per cent at present. This will have a positive impact on the consumer durables industry.

**Narrowed Price Gap and Increased Affordability of Products**
Advanced technology and increasing competition is narrowing the price gap between products in this sector, which has driven demand and enabled high growth. Products that were once beyond the reach of the middle class Indian are now affordable to many. Growth in demand for products, once considered luxuries, such as air-conditioners, washing machines and high end CTVs, is a reflection of this phenomenon.

**Entry of Large Players Increasing Competition**
With potential heavyweight retail stores like E Zone and Reliance Digital, the high-end segment has been exposed to a new form of purchase, allowing the consumer to feel the product in a suitable ambience. Part of the growth momentum in high-end segments of consumer electronics could be attributed to the competitive evolution of organized retail, stimulating the demand through exposure to high end shopping experiences.

**Income Growth and Structural Changes**
Apart from steady growth in income of consumers, consumer financing has become a major driver in the consumer durables industry. In the case of more expensive consumer goods, retailers are marketing their goods more aggressively by providing easy financing options to the consumers by partnering with banks. While this is aimed at the lower and middle income groups, the higher income groups are also being attracted by opportunity.

**Critical Success Factors for Manufacturers in the Sector**
All key segments of the Indian consumer durables industry are growing and the industry offers an attractive investment option. Success would require players to address a few key factors, based on the industry drivers and trends.
Rupee Appreciation
Raw material cost constitutes more than 75 per cent of expenditure incurred by consumer durable manufacturers in India. The rapid appreciation of rupee vis-à-vis the US dollar in 2007 is expected to ease raw materials costs for Indian manufacturers and benefit those addressing the domestic market.

Distribution and Service Network
As the market spreads out from saturated urban regions to low penetration rural areas and tier II/III towns, distribution network and brand recognition will continue to play ever more significant roles in determining market share and profitability. The market for consumer durables is moving towards a stage where it could soon be defined “as broad as it can be reached”. The central government plans of making electricity available for all by 2012 will also open up immense opportunities for the consumer durables segment.

Product Technology
While the market is continuously expanding, there are several concerns that will have to be addressed while moving the focus towards tier III towns and rural areas. Total cost of ownership would be a key factor. From an organized industry’s perspective, success would be determined by superiority of product technology, which could provide added benefits to the customer, for example; low power consumption and low cost of operation.

Innovation in Advertising and Promotions
Increasing competition and technology adoption has led to a situation where the basic function of most of the consumer durable goods has been largely commoditized. This has created a situation where identifying a unique differentiating factor and promoting it effectively has become imperative. The advertising and promotions spends in the industry have been growing steadily.

Profile of Major Players in White Goods Industry
LG Electronics India Private Limited
LG Electronics India Pvt. Ltd., a wholly owned subsidiary of LG Electronics, South Korea was established in January 1997 in India. It is one of the most formidable brands in consumer electronics, home appliances, IT hardware and mobile communications space.
In India for a decade, LG has earned a premium brand positioning and is the acknowledged trendsetter for the industry. LG Electronics India Limited (LGEIL) has achieved a turnover of Rs 8250 crore in 2006. LGEIL's manufacturing unit at Greater Noida is one of the most eco-friendly units among all LG manufacturing plants in the world. The second Greenfield facility is located at Ranjangaon, Pune has the capacity to manufacture GSM Phones, Color Televisions, Microwave Ovens, refrigerators and Optical Disc Drives. This is India's first mobile phone manufacturing unit and also Asia's largest Optical Disc Drive manufacturing plant.

LG Electronics swept awards in the consumer durable category at CNBC Awaaz Consumer Awards 2007. Elated at receiving the awards, Mr. Moon B Shin, Managing Director, LGEIL said “LG has set benchmarks in excellence in consumer durable standards and it was an honor to receive these awards especially because it comes directly from the consumers. It is the overwhelming response that we have received from our customers that LGEIL has able to scale these heights in the consumer durable industry. It has been our endeavor to create an exceptional brand which showcases the principles of the company and I am confident that we will continue to grow and scale up our design and delivery, to preempt present and future needs of our customers.” LG India has a market share of 25.6% in washing machines, 28.9% in air conditioners, 25.6% in Color Televisions, 24.8% in refrigerators and is the market leader in all these categories, as per ORG data, Jun 2007.

LG Electronics, Inc.(LG), a global leader and technology innovator in consumer electronics, mobile communications and home appliances, employing more than 84,000 people working in 112 operations including 81 subsidiaries around the world. With 2008 global sales of '44.7 billion, LG comprises of five business units - Home Entertainment, Mobile Communications, Home Appliance, Air Conditioning and Business Solutions. LG is one of the world's leading producers of flat panel TVs, audio and video products, mobile handsets, AC, Washing Machines etc. LG's efforts continue to enhance the global presence of the LG brand and to maximize profitable growth. In particular, LG Electronics will focus on achieving profitable and sustainable growth in the mobile communications and home entertainment sectors to strengthen its leadership in the IT industry, while at the same time increasing its market share.
in the home appliance, air-conditioning and business solutions sectors.

**Major Products / Services of LGEIL**

1. Home Entertainment: LCD TVs, Plasma TVs, Audio, Video, Optical Storage
2. Mobile Communications: Mobile handset (CDMA/GSM/3G), Mobile Accessory, PCB and WLL
3. Home Appliance: Washing Machines, Refrigerators, Cooking Appliances, Vacuum Cleaners
4. Air Conditioning: Residential Air Conditioners, Commercial Air Conditioners, Home Solution, Compressors
5. Business Solutions: Monitors, Commercial Displays, Car Infotainment, Security Business

**Samsung Electronics India Limited**

Samsung India is the hub for Samsung's South West Asia Regional operations. The South West Asia Headquarters, under the leadership of Mr. J S Shin, President & CEO, looks after the Samsung business in Nepal, Sri Lanka, Bangladesh, Maldives and Bhutan besides India. Samsung India which commenced its operations in India in December 1995 enjoys a sales turnover of over US$ 1Bn in just a decade of operations in the country.

Headquartered in New Delhi, Samsung India has widespread network of sales offices all over the country. The Samsung manufacturing complex housing the manufacturing facilities for Colour Televisions, Mobile phones, Refrigerators and Washing Machines is located at Noida, near Delhi. Samsung 'Made in India' products like Colour Televisions, Mobile phones and Refrigerators are being exported to Middle East, CIS and SAARC countries from its Noida manufacturing complex. In November 2007, Samsung commenced the manufacturing of Colour televisions and LCD televisions at its state-of-the-art manufacturing facility at Sripurumbudur, Tamil Nadu. The Company is also manufacturing fully automatic front loading washing machines at its Sripurumbudur facility. With the start of the second millennium, Samsung begins its second century.

The digital age has brought revolutionary opportunities and changes to global business. The Samsung Group has responded to these changes and is currently upgrading its
business structure, management perspective, and corporate culture to meet global standards. At Samsung, every challenge is taken as an opportunity, and is believed that they are perfectly positioned as one of the world's recognized leaders in the industry of digital technology.

Their commitment of being "World's Best" has won the number one global market share for thirteen of the products. Always a step ahead, They're making historic advances in research and development of overall semiconductor line, including flash memory and non-memory, custom semiconductors, DRAM and SRAM. One example is Samsung Electronics, which remains one of the world's "top 10" in US patents for four consecutive years, with 13,000 researchers representing a US$ 1.7 billion investment in Research and Development.

Financially, Samsung is committed to being the World's Best, with the Samsung Card, a payment solution selected as the "Best Card Company in the New Millennium" by Master Card. The Samsung Card secured more than 1 million members within one year through the release of "Aha Loan Pass," the first loan-only card in Korea. Euro money has also selected Samsung Securities as the "Best Security Company" for the 3rd consecutive year, and Samsung Life Insurance was ranked as "10th Largest Company" by Fortune's "Global 500" in the Life/Health insurance category.

They are also actively promoting their brand value, a key engine of business growth. Samsung's brand value was increased to US$8.31 billion in 2002 from US$6.37 billion in 2001 and was recognized by Interbrand Corporation as a fastest growing global brand.

They succeeded in achieving the global competitiveness through continually improving their financial structure and profitability. Reducing production costs and working hard to maintain their brand image have greatly contributed to the progress, and Samsung Electronics has secured a nation's credit rating from S&P and Moody's, while Samsung Fire also has been recognized by S&P for its stability and growth potential, receiving its second consecutive ‘A’ rating.

The quick pace of their development is reflected in the management philosophy "We will devote our human resources and technology to create superior products and services, thereby contributing to a better global society."

Their active participation in sporting events has helped promote community spirit, as well
as return corporate profits to society. As a Worldwide Olympic partner in the wireless
equipment sector for the 2000 Sydney Olympics, Samsung provided 25,000 advanced
digital wireless telecommunication devices including mobile phones. They have also
served in that capacity at the 1999 Nagano Winter Olympics, and used to be a Worldwide
Olympic Partner in the 2006 Torino Olympics and the 2008 Beijing Olympics. Samsung
is an active contributor to the Asian Games, Samsung Nations Cup Riding Competition,
Samsung Running Festival, Samsung World Championship (a U.S. LPGA Tour), and
many other sporting events around the world.
In 2000, Samsung started its management program with a new twist and aimed to stay
ahead of the great waves of digital changes now engulfing the world. They expect
nothing less than to lead the digitalization of society with their advanced technologies,
competitive products, and professional human resources.

**Videocon Industries Limited**

An Indian multinational company, which involved in the key sectors of Consumer
Durables, Display & Color Picture Tube, CRT Glass, Oil & Gas is named as Videocon
Industries Limited. The Company was incorporated in 4th September of the year 1986 as
Adhigam Trading Private Limited for the business of trading in paper tubes. For
manufacture the products under the Videocon, the company have 8 plants situated in
Paithan, Bhalgaon, Bangalore, Hosur, Kolkata, Maheshwaram, Mand and Bharuch. The
Company's Black & White and Color TV, Washing Machines released in the year 1987.
In September of the year 1988, the company decided to diversify in the business of lease
financing, hire purchase and investment activities. The home entertainment systems,
electronic motors and air conditioners were partaken under Videocon during the year
1989-1990. The Management of the Company underwent a change in the year 1990-91
by way of transfer of equity shares to the Videocon Group. VIL had outfitted the
refrigerators and coolers in the period of 1991. The name of the company was changed
from Adhigam Trading Private Limited to Videocon Leasing & Industrial Finance
Limited in 14th February of the year 1991. During the year 1995, the company made its
footprint in glass shells for CRT segment. After a year, in 1996, VIL had diversifies into
oil sector, the crude oil was the most concentrated one in the same period. The Company
had formulated and released compressors and compressor motors in the year 1998. The notable thing in the company's saga was happened in the year 2000; VIL had taken over the Philips color TV plant. Petrocon India Limited was amalgamated with the Company effect from 31st March of the year 2004; this resulted in the Company getting into oil and gas business. With merger of Petrocon, the company had become a member of the consortium that operates the Ravva Oil and Gas fields. The company had changed its name to Videocon Industries Limited from Videocon Leasing & Industrial Finance Limited. Videocon Securities Limited became subsidiary of the company with effect from 15th June of the year 2004. During the year 2005, the company took over the three plants of Electrolux India and in the same year, VIL had acquired the Thomson Color Picture Tube and also had taken over Hyundai Electronics. Since December of the year 2005, Eagle Corporation Limited became a wholly owned subsidiary of the company. As at 21st July of the year 2006, EKL Appliances Limited (formerly: Electrolux Kelvinator Limited) amalgamated with the company. To offer international long-distance (ILD) services in India, US telecom giant Verizon had tie up with Videocon Industries in February of the year 2007. In November 2007, VIL had acquired Planet M for Rs 2 billion. Planet M is the music and entertainment retail arm of media house Bennett, Coleman & Company. In August of the year 2008, West Bengal government had invited Videocon to set up the Rs 80 billion FAB projects in the state. To strengthen and maintain & its leadership status, the Videocon group has clearly charted out its course for the future. Aggressive development is in full swing at the R & D Centres to bring out state-of-the-art technologies including True Flat, Slim, Extra Slim, Plasma & LCDs, at the earliest. In the Oil & Gas business, having all the basic operator capabilities of a prospecting entity, the group is looking to add more explorations and production depth as also oil-bearing assets. The group will also get into gas distribution in India significantly.

**Business Interests of Videocon**

**Consumer Electronics & Home Appliances:** Videocon enjoys leadership position in consumer products like Colour Televisions, Washing Machines, Air Conditioners, Refrigerators, Microwave ovens and numerous other home appliances. Videocon's refrigerator manufacturing enjoys synergy with its in-house compressor manufacturing technology in Bangalore.
Display Industry and its Components: After the acquisition of Thomson in 2005, Videocon has emerged as one of the largest Color Picture tube manufacturers in the world. It has plants in Mexico, Italy, Poland and China and manufactures a range of high-tech products such as slim CPT, extra slim CPT and High Definition 16:9 formats CPT.

Color Picture Tube Glass: Videocon is one of the largest CPT Glass manufacturers in the world. It has plants in Poland and India. Videocon's CPT Glass manufacturing complements its Color Picture tube manufacturing business.

Oil and Gas: Videocon Group has interests in oil & gas exploration, prospecting and intends to get into gas distribution. It produces 7% of all oil in the private sector in India. Videocon's Ravva oil field has one of the lowest operating costs in the world and it produces 50,000 barrels of oil per day. Videocon is also actively looking for exploration and production opportunities in countries like Oman, Australia and the Timor Sea near Indonesia.

Major Achievements of Videocon Industries Limited
- The largest panel production facility in the world under one roof providing very high economies of scale
- One of the world's largest and most respected CRT glass manufacturers
- Firing the largest furnace of its kind in the world with a tank size of 3300 sq ft
- One of the few companies in the world to convert sand to TV
- One of the largest and most acknowledged CPT manufacturer in the world
- Manufactured India's first rust-free Washing Machine

The Godrej Group
The Godrej Group is one of the respected business houses of India. The group has diverse business interests ranging from engineering to personal care products. Companies operating under the Godrej Group are involved in a host of businesses - from locks and safes to typewriters and word processors, from refrigerators and furniture to machine tools and process equipment, from engineering workstations to cosmetics and detergents, from edible oils and chemicals to agro products. Godrej Group is also well-known for its philosophy and initiation of labor reforms.
The Godrej Group was established in 1897. Its founder, Ardeshir Godrej, was a staunch nationalist and believed that India cannot win freedom unless it is economically self-reliant. Beginning with security equipment and soaps, the group diversified into a wide variety of consumer goods and services.

**Godrej Group Companies**


**Godrej Consumer Products Ltd (GCPL)**: Godrej Consumer Products is a leading player in the Indian FMCG market with interests in personal, hair, household and fabric care segments. Godrej Consumer Products is the largest marketer of toilet soaps in the country with leading brands such as Cinthol, Fairglow, and Godrej No 1. The company is also leader in the hair colour category in India and offers a vast product such as Godrej Renew Coloursoft Liquid Hair Colours, Godrej Liquid & Powder Hair Dyes to Godrej Kesh Kala Oil, Nupur based Hair Dyes. Its liquid detergent brand Ezee is the market leader in its category.

**Godrej Industries Ltd.**: The company is India's leading manufacturer of oleochemicals. It also has major presence in food products such as refined oil and fruit beverages.

**Geometric Software Solutions**: It is a CMMI Level 5 Company and the leading PLM services provider.

**Godrej Infotech**: The company is engaged in the business of developing customized software solutions and implementing ERP, CRM, SCM software.

**Godrej Agrovet**: Godrej Agrovet is one of the largest producers and marketers of animal feeds and innovative agri-inputs India.
Godrej Sara Lee: It is a joint venture between the Godrej Group and Sara Lee Corporation, USA. The company is the world's largest manufacturer of home insecticides. Its brand HIT is very popular in India.

Godrej Efacec: The Company provides warehousing, automated storage and retrieval system solutions.


The Godrej Group also has overseas establishments in Malaysia, Singapore, Vietnam, Oman, and Sharjah.

Major Achievements of Godrej Group
- In 1897, Godrej introduced the first lock with lever technology in India.
- In 1902, Godrej made the first Indian safe.
- In 1955, Godrej produced India's first indigenous typewriter
- In 1989, Godrej became the first company to introduce PUF (Polyurethane Foam)
- Introduced India's first and only 100% CFC, HCFC, HFC free refrigerators

Whirlpool India Limited
Whirlpool, right from its inception in 1911 as first commercial manufacturer of motorized washers to the current market position of being world's number one manufacturer and marketer of major home appliances, has always set industry milestones and benchmarks. The parent company is headquartered at Benton Harbor, Michigan, USA with a global presence in over 170 countries and manufacturing operation in 13 countries with 11 major brand names such as Whirlpool, KitchenAid, Roper, Estate, Bauknecht, Laden and Iginis. The company boasts of resources and capabilities beyond achievable feat of any other in the industry.
- Whirlpool initiated its international expansion in 1958 by entering Brazil. However, it emerged as truly global leader in the 1980's. This encouraging trend brought the company to India in the late 1980s. It forayed into the market under a joint venture with TVS group and established the first Whirlpool manufacturing facility in Pondicherry.
- Soon Whirlpool acquired Kelvinator India Limited in 1995 and marked an entry into Indian refrigerator market as well. The same year also saw acquisition of major share in
TVS joint venture and later in 1996, Kelvinator and TVS acquisitions were merged to create Indian home appliance leader of the future, Whirlpool India. This expanded the company's portfolio in the Indian subcontinent to washing machines, refrigerator, microwave ovens and air conditioners.

- Today, Whirlpool is the most recognized brand in home appliances in India and holds a market share of over 25%. The company owns three state-of-the-art manufacturing facilities at Faridabad, Pondicherry and Pune. Each of these manufacturing set-ups features an infrastructure that is witness of Whirlpool's commitment to consumer interests and advanced technology.
- In the year ending in March '09, the annual turnover of the company for its Indian enterprise was Rs.1, 719 Crores.
- The company's brand and image speaks of its commitment to the homemaker from every aspect of its functioning. It has derived its functioning principles out of an undaunted partnership with the homemakers and thus a slogan of “You and whirlpool, the world's best homemaker” dots its promotional campaigns. The products are engineered to suit the requirements of 'smart, confident and in-control' homemaker who knows what she wants. The product range is designed in a way that it employs unique technology and offers consumer relevant solutions.

The Company Portfolio consists of:
- Washing Machines
- Refrigerators or Fridge
- Microwave Ovens
- Air Conditioners

**Whirlpool Home Appliances**

Besides this the company also manufactures state-of-art Electronic Home Appliances like 100% dryers. With a market share of 25%, Whirlpool Of India Ltd. enjoys the status of one of the most recognized Home Appliance Brands. It is the single largest Refrigerators Brand in India and prides to be the second largest of Washing Machine Brands In India. Whirlpool Of India Ltd. is also listed on the Bombay Stock Exchange (BSE).
Whirlpool India Customer Care
The mission of the company is described as "Every Home, everywhere, with pride, passion and performance". Consumer satisfaction and Customer Care are the keystones for the company's brand building strategies. The Customer Care is taken care of by the Authorized Service Centers spread all across the length and breadth of India. Whirlpool has its Customer Care Centers in the entire north, south, east and west of India; with individual local numbers dial able from the local network for all cities along with an all India number to be dialed from

IFB Industries Limited
IFB Industries Limited originally known as Indian Fine Blanks Limited started their operations in India during 1974 in collaboration with Hienrich Schmid AG of Switzerland. The product range includes Fine Blanked components, tools and related machine tools like Straighteners, Decoilers, Strip Loaders and others. The Engineering divisions are located at Kolkata and Bangalore. The Bangalore unit, apart from Fine Blanked components, manufactures motors for White goods as well as automotive applications. Its major house hold products are:

1) Washing Machine
   • Front loader washing machine
   • Top loader washing machine
2) Microwave Oven
   • Solo Microwave Ovens
   • Grill Microwave Ovens
   • Convention Microwave Ovens
3) Kitchen Appliances
   • Chimneys
   • Built-in-ovens
   • Hobs
4) Dishwasher
   • Domestic Dishwasher
• Commercial Dishwasher
5) 100% Clothes Dryer
• Washer Dryer Combo
6) Others
• Modular Kitchen
• Commercial Laundry
• Additives & Accessories

IFB India Ltd. has become a household name for superior quality engineering products. These products are preferred mainly because it plays a crucial role in enhancing the daily living standards. Home appliances and Kitchen appliances are two such segments where it holds the key. Availability of numerous products in these two areas have gone a long way in enhancing the living standards of a common man. Today, it is because of the appliances that people are able to deal with their otherwise busy work schedules. In home appliances category, there are some products that has found immense acceptance among people.

Highlights of IFB

• The company has excellent facilities for tool design and tool making enabling the company to meet up the expectations of all the automobile manufacturers in the country as well as some overseas customers, by supplying high quality fine blanking components on schedule.
• Quickest possible delivery. The company’s philosophy is to deliver the parts in fully finished conditions at the customer’s delivery point and thanks to the company’s innovative capability in post fine blanking operations like grinding, CNC machining, forming and specialized techniques.
• This company’s mission is to be an enabler to the customer in design of the components during initial stage of product development.
• Support to customers on technical problems.
• Highest level of quality control.
• Regular monitoring of customer satisfaction.
India is on track to become one of the world’s largest markets for consumer goods. Thanks to rapidly rising household incomes, its middle class is beginning to rival that of China. Even better, one-quarter of India’s population is between the ages of 20 and 35 - a high spending segment in many markets. India has been host to consumer multinational companies (MNCs) for several decades. Indeed, quite a few Indians think of Unilever, Nestle and Philips Electronics as Indian companies. Still, for many other MNCs, India is relatively new territory with a number of interrelated factors that make distribution particularly challenging.

**Drivers of Distribution Complexity**

**Dispersed Population:** India’s billion-plus people are spread out across the seventh-largest land mass in the world. Thirty cities have populations of more than 1 million - but account for less than 15 percent of the total population. Despite increasing urbanization, nearly 70 percent of India’s citizens still live in rural areas. These people constitute 30 to 50 percent of the market for basic consumer goods.

**Retailing Density:** With more than 12 million retail outlets, India has one of the highest retailing densities in the world.

**Channel Intermediaries:** Most distribution models in India involve many intermediaries between companies and their retailer customers and have varying costs and benefits. The wholesaler model - for instance, in which large, powerful wholesalers buy products from manufacturers and sell them to the retailers that they finance - gives producers little control over the distribution channel but provides considerable reach. By contrast, under the distributor model, the distributor acts as an extension of the manufacturer and operates exclusively within a specified territory.

**Infrastructure Complexity:** Only a few full-service distribution companies operate in India and intermediaries must transact business along a relatively poor transportation system.

**Unorganized Markets:** In several sector of the consumer industry, business is largely unorganized and consists of small local companies. These producers thrive where product complexity and manufacturing investment are low and taxes are high. They often deal in
Cash and use recycled or substandard components. They offer retailers very high margins but have little control over pricing discipline or channel practices. The strategies that companies are developing to deal with these factors have become sources of competitive advantage. Choosing the right distribution model-or combination of models-and managing the channels carefully are therefore key for succeeding in India’s complex retail environment.

**Significance of the Study**

Now days industrial concerns sprang up rapidly; a great variety of new products and services strengthened the rapidly developing consumer market (Thomas & Holden., 1995). The businessmen realized that it was not enough if they somehow made a one-time sale of their product, to the consumer (Srivastava, 1991). The most producers do not sell their goods, directly to the final users. Between producers and the final users stands a marketing channel. Thus, distribution channel has a key role in the development of marketing and it provides variety of goods in the markets for producers and manufacturers (Sherlerkar, 1997). As such, they are able to transfer the best of information from markets, customers, competitors, goods, situation in the market, suggestion for new brand (product) to manufacturers or producers (Sharma, 1995). White goods are heavy commodities and need good distribution as these are high end commodities. Since the plants indulged in manufacturing or assembling is really less, the reach of the company is dictated by the distribution network that it follows. Certain companies do not have their own warehouses and are completely reliant on the CFAs and other dealers. Products whether they are assembled here or manufactured here are both distributed in the same manner; the first level is the Carrying and Forwarding Agent for every big city, who supplies further to the sub dealers. The physical storage of goods is must as sub dealer mostly sell to the walk in customers and for the institutional sales, orders are taken and supply is made directly from the CFA. Modes of transport are mainly two: roadways and railways, most of them are transferred through roads or railways bogies or a combination of both. The transport is hired; no company can afford its own transport facilities. For exports from the country the sea route is mainly followed and there are no intermediaries except for the transport needed to take the goods from the
factory to the ports. For imports also, once they enter the country through sea route or airways, they are send to company’s manufacturing and assembling plant by the hired transport. Thus, distribution plays very significant role in the white goods industry in the absence of many factories at various locations. (Bee Management Consultancy, 2005)

The Indian consumer durables industry has witnessed a considerable change in the past couple of years. Changing lifestyle, higher disposable income coupled with greater affordability and a surge in advertising has been instrumental in bringing about a sea change in the consumer behavior pattern. Apart from steady income gains, consumer financing and hire-purchase schemes have become a major driver in the consumer durables industry.

In the case of more expensive white goods, such as refrigerators, washing machines, microwave ovens etc. retailers are joining forces with banks and finance companies to market their goods more aggressively. In addition, change in policy, such as the WTO FTA in 2005 resulted in zero customs duty on imports of all telecom equipment, thereby improving the pricing and affordability of imported goods.

The biggest threats to the local industry going forward are supply-related issues pertaining to distribution and infrastructure, as well as demand issues due to competition from imported goods. The lack of well developed distribution networks makes it especially challenging to penetrate the fastest growing rural areas economically. In addition, regular power cuts and poor road linkages make systematic production, assembly and delivery problematic.

MNCs hold an edge over their Indian counterparts in terms of superior technology combined with a steady flow of capital, while domestic companies compete on the basis of their well-acknowledged brands, an extensive distribution network and an insight in local market conditions. The largest MNCs incorporated in India are Whirlpool India, LG India, Samsung India and Sony India and homegrown brands are Videocon, Godrej Industries and IFB.

The industry’s future remains robust, the researchers and the stakeholders will benefit from a holistic learning experience; many of the researches on sales, distribution, marketing and advertising related roles will necessitate a good on-the-job learning of target audiences, who may well be a totally new segment, based in never-before visited
Class II and III towns. In addition, those with technical backgrounds will be able to leverage their knowledge and experience to constantly develop and innovate the product variants. With more MNCs growing their Indian businesses, there is great potential to also learn best-in-class systems and marketing skills including distribution systems.

Bonaglia et al. (2008) sheds light on the process that has allowed a firm from a developing economy to transform itself successfully from an original equipment manufacturer to an own original brand manufacturer multinational enterprise. They studied the case of Arcelik, a consumer electronics MNE from Turkey and identify four factors for successful internationalization: rapid strategy execution, investment to build technological capabilities and organizational adaptation, focus on international marketing capabilities and distribution networks and leverage on business group resources.

As a strategic marketing tool, the field of distribution channels had been, for many years, taken a “back seat” of the other three strategic areas of the marketing. Channel strategy as somewhat of a “leftover” after the more “important” product, price and promotional strategies had been considered. But in recent years this relative neglect of distribution channels has been changing – in many cases to a keen interest in the area. Why has this happened? At last, following developments underline this shift in emphasis.

1. Greater difficulty of gaining a sustainable competitive advantage.
2. Growing power of distributors and retailers in marketing channels.
3. The need to reduce distribution costs.
5. The increasing role of technology.

The increasing awareness among customers about product and services might influence dealers’ practices in due course specially in distribution. The focus on holistic solution approach rather than standalone product might result in fierce competitiveness among dealers. Consequently there is a surge to reach to the market place with innovative products.

In order to retain and increase market share in retail segment it is essential that white goods companies penetrate in growing markets. In order to have an edge in market, the right design and management of their distribution channels are essential for companies. A proper and methodical system is essential for their growth as effective distribution
channel system to that committed and motivated dealers are established. The performance of channel members is required to be critically assessed to find out the gaps in existing system.

The present study has tried to examine the various issues like selection of channel members, their performance appraisal, conflict among channel members, motivational aspects and emerging distribution channels in white goods industry.

**Objectives of the Study**

- To study the present state of channels of distribution in white goods industry.
- To study the working of emerging channels of distribution like telemarketing, e-marketing etc.
- To analyze the factors in selection procedure of distribution intermediaries influencing the white goods companies.
- To understand the causes of conflicts within the channel of distribution, techniques to resolve the conflicts and determine the factors to motivate them.
- To evaluate the performance of the distributors from company’s point of view.
- To determine the motivators as per the distributors’ perception that is responsible for their performance.
- To study the effectiveness of distribution channels from distributors’ point of view.
- To study the effectiveness of distribution channels from customers’ point of view.

To justify the objectives of the study, a clear understanding of marketing channels, its meaning, functions, types, importance, cost etc. is must. The purpose of business is to satisfy the needs of its customers. A business that fails to do this in a competitive economy will not survive, because customers will go elsewhere. Businesses that are good at satisfying customer needs have the best opportunities to grow and prosper (Doyle, 1998). Satisfying customer is the most important and difficult task for business in recent years. So if any business does it better, customers will go there. One way to achieve customer’s satisfaction is the classical marketing mix model "4Ps", namely, product, promotion, price, and the fourth "P" of the marketing mix is called place (Gummessson,
1999, Doyle, 1998). Producing new products that customers want, pricing them correctly and developing well-designed promotional plans are necessary, but they are not sufficient conditions for customer satisfaction. The final part of the jigsaw is distribution, the Place element of the marketing mix (Jobber, 2001).

**Definitions of Marketing Channel or Channel of Distribution**

Marketing channels can be viewed as sets of interdependent organizations involved in the process of making a product or service available for consumption or use. “Marketing channels are sets of independent organizations involved in the process of making a product or service available for use or consumption” (Rostogi, 2000). And yet, the channel of distribution relates to the path taken by the title to the goods, not the goods themselves. They flow through a pattern of physical distribution, which can be significantly different from the channel of distribution and is a complex problem of distribution, but are a part of physical distribution. Distribution is the means by which products are moved from producer to the ultimate customer (Webster, 1991).

Marketing channels can be defined as the set of external organizations that a firm uses to achieve its distribution objectives. Essentially, a channel is the route, path, or conduit through which products or things of value flow, as they move from the manufacturer to the ultimate user of the product (Stern et al., 1969). The marketing channel (interorganizational network of institutions comprised of agents, wholesalers, and retailers), by performing a variety of distribution tasks, plays a significant role in the flow of products from producers to consumers and on company profitability. Thus, manufacturers are increasingly concerned about the level of performance their channel institutions provide (Rosenbloom, 2004).

**Distribution channels** move products and services from businesses to consumers and to other businesses. Also known as marketing channels, channels of distribution consist of a set of interdependent organizations — such as wholesalers, retailers, and sales agents — involved in making a product or service available for use or consumption. Distribution channels are just one component of the overall concept of distribution networks, which are the real, tangible systems of interconnected sources and destinations through which
products pass on their way to final consumers. As Howard & Gershon noted in Production and Operations Management, a distribution network consists of two parts:

1) A set of locations that store, ship, or receive materials (such as factories, warehouses, retail outlets)
2) A set of routes (land, sea, air, satellite, cable, Internet) that connect these locations.

Distribution networks may be classified as either simple or complex. A simple distribution network is one that consists of only a single source of supply, a single source of demand, or both, along with fixed transportation routes connecting that source with other parts of the network. In a simple distribution network, the major decisions for managers to make include when and how much to order and ship, based on internal purchasing and inventory considerations.

In short, distribution describes all the logistics involved in delivering a company's products or services to the right place, at the right time, for the lowest cost. In the unending efforts to realize these goals, the channels of distribution selected by a business play a vital role in this process. Well-chosen channels constitute a significant competitive advantage, while poorly conceived or chosen channels can doom even a superior product or service to failure in the market.

**Channel Functions and Flows**

Under the systems approach the channel is now recognized as a (Porter, 1985) system involving flow of: (a) Information (b) Promotion (c) Negotiation (d) Ordering (e) Financing and (f) Risk taking.

(a) **Information**

Middlemen have a role in providing information about the market to the manufacturer. Developments like change in customer demography, psychology, psychography, media habits and the entry of a new competitor or a new brand and changes in customer preference are some kind of information that manufacturers want. Since these middlemen are close to the customer and present in the market, they can provide this information without spending cost.

(b) **Promotion**
The development and dissemination of persuasive communications designed to attract customers to the offer. Promoting the product/s in his territory is another function that middlemen perform. Many of them design their own sales incentive programs aimed at building customer traffic at their outlets.

(c) Negotiation
The attempt to reach final agreement on price and other terms so that transfer of ownership or possession can be affected is called negotiation.

(d) Ordering (Physical flow)
Marketing-channel members communicate of intentions to buy to the manufacturers.

(e) Financing (Payment Flow)
The acquisition and allocation of funds required to finance inventories at different levels of the marketing channel.

(f) Risk Taking (Title)
The assumption of risks connected with carrying out the channel work. The most middlemen take title to the goods and services and trade in their own name. This also enables middlemen being in physical possession of the goods, which enable them to meet customer demand at the very moment it arises.

Emergence of Marketing Channel in Marketing
The emergence and arrangement of the wide variety of distribution oriented institutions and agencies, typically called intermediaries, because they between production on the one hand and consumption on the other hand, can be explained in terms of four logically related steps in an economic process. Intermediaries arise in the process of exchange because they can improve the efficiency of the process. Channel intermediaries arise to adjust the discrepancy of assortment through the performance of the sorting processes. Marketing agencies hang together in channel arrangement to provide for the reutilization of transactions. Channels facilitate the searching process. The steps are explained below.

1. Efficiency Rationale for Intermediaries
In primitive cultures, most household needs are produced within the household. At an early stage in the development of economic activities, however, exchange replaced production as a means of satisfying individual needs. Exchange is facilitated when there
is a surplus in production over current household requirements, and when this surplus cannot be held for future consumption because of the perishable nature of the products or the lack of storage facilities. Thus, if numerous households are able to effect small surpluses of different products, a basis for exchange is developed. These conditions of exchange are more easily met when production becomes specialized and the assortment of goods broadened. Obviously, one must account for differences, indirect and direct communication costs, in the effectiveness and efficiency of the institutions involved in the transaction, and in the quality of the contact between the channel members.

2. Discrepancy of Assortment and Sorting

In addition to increasing the efficiency of transactions, intermediaries smooth the flow of goods and services by creating possession, place and time utilities. These utilities enhance the potency of the consumer’s assortment. One aspect of this smoothing process is that intermediaries engage in sorting function. This procedure is necessary in order to bridge the discrepancy between the assortment of goods and services generated by the producer and the assortment demanded by the consumer. It includes the following activities:

- Sorting out: This involves breaking down a heterogeneous supply into separate stocks that are relatively homogeneous.
- Accumulation: Concerns bringing similar stocks from a number of sources together into a large homogeneous supply.
- Allocation: Refers to breaking a homogeneous supply down into smaller and smaller lots.
- Assorting: This is the building up of an assortment of products for resale in association with each other.

3. Reutilization

Each transaction involves ordering of, and paying for goods and services. The cost of distribution can be minimized if the transactions are reutilized; otherwise every transaction is subjected to bargaining, with an accompanying loss of efficiency. Moreover, reutilization facilitates the development of the exchange systems. It leads to standardization of goods and
services whose performance characteristics can be easily compared and assessed. Because of reutilization, a sequence of marketing agencies can perform more efficiently together in a channel.

4. Searching
Buyers and sellers are engaged in a double-search process in the market place (Yahyavi, 2010).

Levels of Marketing Channels
Channel structures range from two to five levels.

The simplest is a **two-level structure** in which goods and services move directly from the manufacturer or provider to the consumer. Two-level structures occur in some industries where consumers are able to order products directly from the manufacturer and the manufacturer fulfills those orders through its own physical distribution system.

In a **three-level channel structure** retailers serve as intermediaries between consumers and manufacturers. Retailers procure products directly from the manufacturer, and then sell those products directly to the consumer.

A **fourth level** is added when manufacturers sell to wholesalers rather than to retailers. In a four-level structure, retailers procure goods from wholesalers rather than manufacturers. Finally, a manufacturer's agent can serve as an intermediary between the manufacturer and its wholesalers, creating a **five-level channel structure** consisting of the manufacturer, agent, wholesale, retail, and consumer levels. A five-level channel structure might also consist of the manufacturer, wholesale, jobber, retail, and consumer levels, whereby jobbers service smaller retailers not covered by the large wholesalers in the industry.

Distribution decisions focus on establishing a system that, at its basic level, allows customers to gain access and purchase a marketer’s product. However, marketers may find that getting to the point at which a customer can acquire a product is complicated, time consuming, and expensive. The bottom line is a marketer’s distribution system must be both effective (i.e., delivers a good or service to the right place, in the right amount, in the right condition) and efficient (i.e., delivers at the right time and for the right cost). Yet, as we will see, achieving these goals takes considerable effort.
Type of Channel Members

Channel activities may be carried out by the marketer or the marketer may seek specialist organizations to assist with certain functions. We can classify specialist organizations into two broad categories: resellers and specialty service firms.

Resellers

These organizations, also known within some industries as intermediaries, distributors or dealers, generally purchase or take ownership of products from the marketing company with the intention of selling to others. If a marketer utilizes multiple resellers within its distribution channel strategy the collection of resellers is termed a Reseller Network. These organizations can be classified into several sub-categories including:

- Retailers – Organizations that sell products directly to final consumers.
- Wholesalers – Organizations that purchase products from suppliers, such as manufacturers or other wholesalers, and in turn sell these to other resellers, such as retailers or other wholesalers.
- Industrial Distributors – Firms that work mainly in the business-to-business market selling products obtained from industrial suppliers.

Specialty Service Firms

These are organizations that provide additional services to help with the exchange of products but generally do not purchase the product (i.e., do not take ownership of product):

- Agents and Brokers – Organizations that mainly work to bring suppliers and buyers together in exchange for a fee.
- Distribution Service Firms – Offer services aiding in the movement of products such as assistance with transportation, storage, and order processing.
- Others – This category includes firms that provide additional services to aid in the distribution process such as insurance companies and firms offering transportation routing assistance.

Roles and Functions

Channel marketing has its own set of terminology regarding each of the players. It often
varies by industry. Here is a list of some of the most common functions of intermediaries.

### Table No. 3

<table>
<thead>
<tr>
<th>TITLE</th>
<th>ROLE</th>
<th>CARRY INVENTORY</th>
<th>OFFER FINANCING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broker</td>
<td>Brings buyers and sellers together</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Distributor</td>
<td>Allocates goods to wholesalers or to retailers, depending on the industry</td>
<td>Yes</td>
<td>Potentially</td>
</tr>
<tr>
<td>Facilitator</td>
<td>Assists in the distribution process</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Manufacturer’s Representative</td>
<td>Represents and sells for several manufacturers to perform the same functions of an internal sales force</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Merchant</td>
<td>Purchases inventory to resell</td>
<td>Yes</td>
<td>Potentially</td>
</tr>
<tr>
<td>OEM</td>
<td>Original Equipment Manufacturer: Initial producer of a product who agrees to allow another entity to include, remanufacture, or label products or services under their own name and sell through their distribution channels</td>
<td>No</td>
<td>Potentially</td>
</tr>
<tr>
<td>Retailer</td>
<td>Sells directly to the end user</td>
<td>Yes</td>
<td>Potentially</td>
</tr>
<tr>
<td>Sales Agent</td>
<td>Searches for customers and negotiates on the producer’s behalf</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Wholesaler</td>
<td>Sell to merchants who then resell to end user</td>
<td>Yes</td>
<td>Potentially</td>
</tr>
</tbody>
</table>

### Importance of Distribution Channels

As noted, distribution channels often require the assistance of others in order for the marketer to reach its target market. While on the surface it may seem to make sense for a company to operate its own distribution channel (i.e., handling all aspects of distribution)
there are many factors preventing companies from doing so. While companies can do without the assistance of certain channel members, for many marketers some level of channel partnership is needed. For example, marketers who are successful without utilizing resellers to sell their product (e.g., Dell Computers sells mostly through the Internet and not in retail stores) may still need assistance with certain parts of the distribution process (e.g., Dell uses parcel post shippers such as FedEx and UPS). In Dell’s case creating their own transportation system makes little sense given how large such a system would need to be in order to service Dell’s customer base. Thus, by using shipping companies Dell is taking advantage of the benefits these services offer to Dell and to Dell’s customers.

Benefits Offered by Channel Members

When choosing a distribution strategy a marketer must determine what value a channel member adds to the firm’s products. Customers assess a product’s value by looking at many factors including those that surround the product (i.e., augmented product). Several surrounding features can be directly influenced by channel members, such as customer service, delivery, and availability. Consequently, for the marketer selecting a channel partner involves a value analysis in the same way customers make purchase decisions. That is, the marketer must assess the benefits received from utilizing a channel partner versus the cost incurred for using the services. These benefits include:

- **Cost Savings in Specialization:** Members of the distribution channel are specialists in what they do and can often perform tasks better and at lower cost than companies who do not have distribution experience. Marketers attempting to handle too many aspects of distribution may end up exhausting company resources as they learn how to distribute, resulting in the company being “a jack of all trades but master of none.”

- **Reduce Exchange Time:** Not only are channel members able to reduce distribution costs by being experienced at what they do, they often perform their job more rapidly resulting in faster product delivery. For instance, consider what would happen if a grocery store received direct shipment from EVERY manufacturer that sells products in the store. This delivery system would be chaotic as hundreds of trucks line up each day to make deliveries, many of which would consist of only a few boxes. On a busy day a truck
may sit for hours waiting for space so they can unload their products. Instead, a better
distribution scheme may have the grocery store purchasing its supplies from a grocery
wholesaler that has its own warehouse for handling simultaneous shipments from a large
number of suppliers. The wholesaler will distributes to the store in the quantities the store
needs, on a schedule that works for the store, and often in a single truck, all of which
speeds up the time it takes to get the product on the store’s shelves.

- **Customers Want to Conveniently Shop for Variety**: Marketers have to understand
what customers want in their shopping experience. Referring back to our grocery store
example, consider a world without grocery stores and instead each marketer of grocery
products sells through their own stores. As it is now, shopping is time consuming, but
consider what would happen if customers had to visit multiple retailers each week to
satisfy their grocery needs. Hence, resellers within the channel of distribution serve two
very important needs: 1) they give customers the products they want by purchasing from
many suppliers (termed accumulating and assortment services), and 2) they make it
convenient to purchase by making products available in single location.

- **Resellers Sell Smaller Quantities**: Not only do resellers allow customers to purchase
products from a variety of suppliers, they also allow customers to purchase in quantities
that work for them. Suppliers though like to ship products they produce in large
quantities since this is more cost effective than shipping smaller amounts. The ability of
intermediaries to purchase large quantities but to resell them in smaller quantities
(referred to as bulk breaking) not only makes these products available to those wanting
smaller quantities but the reseller is able to pass along to their customers a significant
portion of the cost savings gained by purchasing in large volume.

- **Create Sales**: Resellers are at the front line when it comes to creating demand for the
marketer’s product. In some cases resellers perform an active selling role using
persuasive techniques to encourage customers to purchase a marketer’s product. In other
cases they encourage sales of the product through their own advertising efforts and using
other promotional means such as special product displays.

- **Offer Financial Support**: Resellers often provide programs that enable customers to
more easily purchase products by offering financial programs that ease payment
requirements. These programs include allowing customers to: purchase on credit;
purchase using a payment plan; delay the start of payments; and allowing trade-in or exchange options.

- **Provide Information:** Companies utilizing resellers for selling their products depend on distributors to provide information that can help improve the product. High-level intermediaries may offer their suppliers real-time access to sales data including information showing how products are selling by such characteristics as geographic location, type of customer, and product location (e.g., where located within a store, where found on a website). If high-level information is not available, marketers can often count on resellers to provide feedback as to how customers are responding to products. This feedback can occur either through surveys or interviews with reseller’s employees or by requesting the reseller allow the marketer to survey customers.

**Costs of Utilizing Channel Members**

- **Loss of Revenue:** Resellers are not likely to offer services to a marketer unless they see financial gain in doing so. They obtain payment for their services as either direct payment (e.g., marketer pays for shipping costs) or, in the case of resellers, by charging their customers more than what they paid the marketer for acquiring the product (termed markup). For the latter, marketers have a good idea of what the final customer will pay for their product which means the marketer must charge less when selling the product to resellers. In these situations marketers are not reaping the full sale price by using resellers, which they may be able to do if they sold directly to the customer.

- **Loss of Communication Control:** Marketers not only give up revenue when using resellers, they may also give up control of the message being conveyed to customers. If the reseller engages in communication activities, such as personal selling in order to get customers to purchase the product, the marketer is no longer controlling what is being said about the product. This can lead to miscommunication problems with customers, especially if the reseller embellishes the benefits the product provides to the customer. While marketers can influence what is being said by training reseller’s salespeople, they lack ultimate control of the message.

- **Loss of Product Importance:** Once a product is out of the marketer’s hands the importance of that product is left up to channel members. If there are pressing issues in
the channel, such as transportation problems, or if a competitor is using promotional incentives in an effort to push their product through resellers, the marketer’s product may not get the attention the marketer feels it should receive.

**Channel Arrangements**

The distribution channel consists of many parties each seeking to meet their own business objectives. Clearly for the channel to work well, relationships between channel members must be strong with each member understanding and trusting others on whom they depend for product distribution to flow smoothly.

For instance, a small sporting goods retailer that purchases products from a wholesaler trusts the wholesaler to deliver required items on-time in order to meet customer demand, while the wholesaler counts on the retailer to place regular orders and to make on-time payments.

Relationships in a channel are in large part a function of the arrangement that occurs between the members. These arrangements can be divided in two main categories:

1. Independent Channel Arrangements
2. Dependent Channel Arrangement

**Independent Channel Arrangements**

Under this arrangement a channel member negotiates deals with others that do not result in binding relationships. In other words, a channel member is free to make whatever arrangements they feel is in their best interest. This so-called "conventional" distribution arrangement often leads to significant conflict as individual members decide what is best for them and not necessarily for the entire channel.

On the other hand, an independent channel arrangement is less restrictive than dependent arrangements and makes it easier for a channel members to move away from relationships they feel are not working to their benefit.

**Dependent Channel Arrangements**

Under this arrangement a channel member feels tied to one or more members of the distribution channel. Sometimes referred to as "vertical marketing systems" this approach makes it more difficult for an individual member to make changes to how products are distributed. However, the dependent approach provides much more stability and
consistency since members are united in their goals. The dependent channel arrangement can be broken down into three types:

- **Corporate** – Under this arrangement a supplier operates its own distribution system in a manner that produces an integrated channel. This occurs most frequently in the retail industry where a supplier operates a chain of retail stores. Starbucks is a company that does this. They import and process coffee and then sell it under their own brand name in their own stores. It should be mentioned that Starbucks also distributes their products in other ways, such as through grocery stores and mail order. As we will see in more detail later, Starbucks is using a multi-channel structure to market their products.

- **Contractual** – Under this arrangement a legal document obligates members to agree on how a product is distributed. Often times the agreement specifically spells out which activities each member is permitted to perform or not perform. This type of arrangement can occur in several formats including:
  - Wholesaler-sponsored – where a wholesaler brings together and manages many independent retailers including having the retailers use the same name
  - Retailer-sponsored – this format also brings together retailers but the retailers are responsible for managing the relationship
  - Franchised – where a central organization controls nearly all activities of other members

- **Administrative** – In certain channel arrangements a single member may dominate the decisions that occur within the channel. These situations occur when one channel member has achieved a significant power position. This most likely occurs if a manufacturer has significant power due to brands in strong demand by target markets (e.g., Procter & Gamble) or if a retailer has significant power due to size and market coverage (e.g., Wal-Mart). In most cases the arrangement is understood to occur and is not bound by legal or financial arrangements.

**Level of Distribution Coverage**

The marketer must take into consideration many factors when choosing the right level of distribution coverage. However, all marketers should understand that distribution creates costs to the organization. Some of these expenses can be passed along to customers (e.g.,
shipping costs) but others cannot (e.g., need for additional salespeople to handle more distributors). Thus, the process for determining the right level of distribution coverage often comes down to an analysis of the benefits (e.g., more sales) versus the cost associated with gain the benefits.

Additionally, it is worth noting that for the most part distribution coverage decisions are of most concern to consumer products companies, though there are many industrial products that also must decide how much coverage to give their products.

There are three main levels of distribution coverage - mass coverage, selective and exclusive.

- **Mass Coverage** - The mass coverage (also known as intensive distribution) strategy attempts to distribute products widely in nearly all locations in which that type of product is sold. This level of distribution is only feasible for relatively low priced products that appeal to very large target markets (e.g., see consumer convenience products). A product such as Coca-Cola is a classic example since it is available in a wide variety of locations including grocery stores, convenience stores, vending machines, hotels and many more. With such a large number of locations selling the product the cost of distribution is extremely high and must be offset with very high sales volume.

- **Selective Coverage** - Under selective coverage the marketer deliberately seeks to limit the locations in which this type of product is sold. To the non-marketer it may seem strange for a marketer to not want to distribute their product in every possible location. However, the logic of this strategy is tied to the size and nature of the product’s target market. Products with selective coverage appeal to smaller, more focused target markets compared to the size of target markets for mass marketed products. Consequently, because the market size is smaller, the number of locations needed to support the distribution of the product is fewer.

- **Exclusive Coverage** - Some high-end products target very narrow markets that have a relatively small number of customers. These customers are often characterized as “discriminating” in their taste for products and seek to satisfy some of their needs with high-quality, though expensive products. Additionally, many buyers of high-end products require a high level of customer service from the channel member from whom they purchase. These characteristics of the target market may lead the marketer to sell their
products through a very select or exclusive group of resellers. Another type of exclusive distribution may not involve high-end products but rather products only available in selected locations such as company-owned stores. While these products may or may not be higher priced compared to competitive products, the fact these are only available in company outlets give exclusivity to the distribution.

So it can be concluded that while the three distribution coverage options just discussed serve as a useful guide for envisioning how distribution intensity works, the advent of the Internet has brought into question the effectiveness of these schemes. For all intents and purposes all products available for purchase over the Internet are distributed in the same way - mass coverage. So a better way to look at the three levels is to consider these as options for distribution coverage that are physically purchased by a customer (i.e., walk-in to purchase).

**Distribution Systems**

Mindful of the factors affecting distribution decisions (i.e. marketing decision issues and relationship issues), the marketer has several options to choose from when settling on a design for their distribution network. The word "may" is stressed since while in theory an option would appear to be available, marketing decision factors (e.g. product, promotion, pricing, target markets) or the nature of distribution channel relationships may not permit the marketer to pursue a particular option. For example, selling through a desired retailer may not be feasible if the retailer refuses to handle a product. For marketers the choice of distribution design comes down to the following options.

1. Direct Distribution Systems
2. Indirect Distribution Systems
3. Multi-Channel or Hybrid Distribution Systems

**Direct Distribution Systems**

With a direct distribution system the marketer reaches the intended final user of their product by distributing the product directly to the customer. That is, there are no other parties involved in the distribution process that take ownership of the product. The direct system can be further divided by the method of communication that takes place when a
sale occurs. These methods are:

- **Direct Marketing Systems** – With this system the customer places the order either through information gained from non-personal contact with the marketer, such as by visiting the marketer’s website or ordering from the marketer’s catalog, or through personal communication with a customer representative who is not a salesperson, such as through toll-free telephone ordering.

- **Direct Retail Systems** – This type of system exists when a product marketer also operates their own retail outlets. As previously discussed, Starbucks would fall into this category.

- **Personal Selling Systems** – The key to this direct distribution system is that a person whose main responsibility involves creating and managing sales (e.g., salesperson) is involved in the distribution process, generally by persuading the buyer to place an order. While the order itself may not be handled by the salesperson (e.g., buyer physically places the order online or by phone) the salesperson plays a role in generating the sales.

- **Assisted Marketing Systems** – Under the assisted marketing system, the marketer relies on others to help communicate the marketer’s products but handles distribution directly to the customer. The classic example of assisted marketing systems is eBay which helps bring buyers and sellers together for a fee. Other agents and brokers would also fall into this category.

**Indirect Distribution Systems**

With an indirect distribution system the marketer reaches the intended final user with the help of others. These resellers generally take ownership of the product, though in some cases they may sell products on a consignment basis (i.e., only pay the supplying company if the product is sold). Under this system intermediaries may be expected to assume many responsibilities to help sell the product.

Indirect methods include:

- **Single-Party Selling System** - Under this system the marketer engages another party who then sells and distributes directly to the final customer. This is most likely to occur when the product is sold through large store-based retail chains or through online retailers, in which case it is often referred to as a trade selling system.
• Multiple-Party Selling System – This indirect distribution system has the product passing through two or more distributors before reaching the final customer. The most likely scenario is when a wholesaler purchases from the manufacturer and sells the product to retailers.

**Multi-Channel (Hybrid) Distribution Systems**

In cases where a marketer utilizes more than one distribution design the marketer is following a multi-channel or hybrid distribution system. As discussed earlier, Starbucks follows this approach as their distribution design includes using a direct retail system by selling in company-owned stores, a direct marketing system by selling via direct mail, and a single-party selling system by selling through grocery stores (they also use other distribution systems).

The multi-channel approach expands distribution and allows the marketer to reach a wider market, however, as we discussed under Channel Relationships, the marketer must be careful with this approach due to the potential for channel conflict.

**Issues in Establishing Distribution Channels**

Like most marketing decisions, a great deal of research and thought must go into determining how to carry out distribution activities in a way that meets a marketer’s objectives. The marketer must consider many factors when establishing a distribution system. Some factors are directly related to marketing decisions while others are affected by relationships that exist with members of the channel. Next the key factors are examined to consider when designing a distribution strategy. We group these into two main categories.

1. Marketing Decision Issues
2. Channel Relationship Issues

**Marketing Decision Issues**

Distribution strategy can be shaped by how decisions are made in other marketing areas.

**Product Issues:** The nature of the product often dictates the distribution options available especially if the product requires special handling. For instance, companies selling delicate or fragile products, such as flowers, look for shipping arrangements that are
different than those sought for companies selling extremely tough or durable products, such as steel beams.

**Promotion Issues:** Besides issues related to physical handling of products, distribution decisions are affected by the type of promotional activities needed to sell the product to customers. For products needing extensive salesperson-to-customer contact (e.g., automobile purchases) the distribution options are different than for products where customers typically require no sales assistance (i.e., bread purchases).

**Pricing Issues:** The desired price at which a marketer seeks to sell their product can impact how they choose to distribute. As previously mentioned, the inclusion of resellers in a marketer’s distribution strategy may affect a product’s pricing since each member of the channel seeks to make a profit for their contribution to the sale of the product. If too many channel members are involved the eventual selling price may be too high to meet sales targets in which case the marketer may explore other distribution options.

**Target Market Issues:** A distribution system is only effective if customers can obtain the product. Consequently, a key decision in setting up a channel arrangement is for the marketer to choose the approach that reaches customers in the most effective way possible. The most important decision with regard to reaching the target market is to determine the level of distribution coverage needed to effectively meet customer’s needs. Distribution coverage is measured in terms of the intensity by which the product is made available.

**Channel Relationship Issues**
A good distribution strategy takes into account not only marketing decisions, but also how relationships within the channel of distribution can impact the marketer’s product.

**Channel Power:** A channel can be made up of many parties each adding value to the product purchased by customers. However, some parties within the channel may carry greater weight than others. In marketing terms this is called channel power, which refers to the influence one party within a channel has over other channel members. When power is exerted by a channel member they are often in the position to make demands of others. For instance, they may demand better financial terms (e.g., will only buy if prices are lowered, will only sell if price is higher) or demand other members perform certain tasks
(e.g., do more marketing to customers, perform more product services). Channel power can be seen in several ways:

- **Backend or Product Power** – Occurs when a product manufacturer or service provider markets a brand that has a high level of customer demand. The marketer of the brand is often in a power position since other channel members have little choice but to carry the brand or risk losing customers.

- **Middle or Wholesale Power** – Occurs when an intermediary, such as a wholesaler, services a large number of smaller retailers with products obtained from a large number of manufacturers. In this situation the wholesaler can exert power since the small retailers are often not in the position to purchase products cost-effectively and in as much variety as what is offered by the wholesaler.

- **Front or Retailer Power** – As the name suggests, the power in this situation rests with the retailer who can command major concessions from their suppliers. This type of power is most prevalent when the retailer commands a significant percentage of sales in the market they serve and others in the channel are dependent on the sales generated by the retailer.

**Channel Conflict:** In an effort to increase product sales, marketers are often attracted by the notion that sales can grow if the marketer expands distribution by adding additional resellers. Such decisions must be handled carefully, however, so that existing dealers do not feel threatened by the new distributors who they may feel are encroaching on their customers and siphoning potential business. For marketers, channel strategy designed to expand product distribution may in fact do the opposite if existing members feel there is a conflict in the decisions made by the marketer. If existing members sense a conflict and feel the marketer is not sensitive to their needs they may choose to stop handling the marketer’s products.

**Need for Long-Term Commitments:** Channel decisions have long-term consequences for marketers since efforts to establish new relationships can take an extensive period of time while ending existing relationships can prove difficult. For instance, Company A, a marketer of kitchen cabinets that wants to change distribution strategy, may decide to stop selling their product line through industrial supply companies that distribute cabinets to building contractors and instead sell through large retail home centers. If in the future,
Company A decides to once again enter the industrial supply market they may run into resistance since supply companies may have replaced Company A’s product line with other products and, given what happened to the previous relationship, may be reluctant to deal with Company A. As another example of problems with long-term commitments, building contractors may be comfortable purchasing kitchen cabinets from industrial suppliers. If Company A decides to change their reseller network they may find it difficult to regain the building contractor customer base, who may continue to purchase from the industrial suppliers but are now purchasing products from Company A’s competitors. In this case, Company A may have to give serious thought to whether breaking their long-term relationship with industrial suppliers is in the company’s best interest.

Establishing Channel Relationships to Motivate Channel Members

Since channel members must be convinced to handle a marketer’s product, it makes sense to consider channel partner’s needs in the same way the marketer considers the final user’s needs. However, the needs of channel members are much different than those of the final customer. There may be issues as follows:

Delivery – Resellers want the product delivered on-time and in good condition in order to meet customer demand and avoid inventory out-of-stocks.

Profit Margin – Resellers are in business to make money so a key factor in their decision to handle a product is how much money they will make on each product sold. They expect that the difference (i.e. margin) between their cost for acquiring the product from a supplier and the price they charge to sell the product to their customers will be sufficient to meet their profit objectives.

Other Incentives – Besides profit margin, resellers may want other incentives to entice them especially if they are required to give extra effort selling the product. These incentives may be in the form of additional free products or even bonuses (e.g. bonus, free trips) for achieving sales goals.

Packaging – Resellers want to handle products as easily as possible and want their suppliers to ship and sell products in packages that fit within their system. For example, products may need to be a certain size or design in order to fit on a store’s shelf, or the
shipping package must fit within the reseller’s warehouse or receiving dock space. Also, many resellers are now requiring marketers to consider adding identification tags to products (e.g. RFID tags) to allow for easier inventory tracking when the product is received and also when it is sold.

**Training** – Some products require the reseller to have strong knowledge of the product including demonstrating the product to customers. Marketers must consider offering training to resellers to insure the reseller has the knowledge to present the product accurately.

**Promotional Help** – Resellers often seek additional help from the product supplier to promote the product to customers. Such help may come in the form of funding for advertisements, point-of-purchase product materials, or in-store demonstrations.

**Emerging Marketing Channels**

We are fully acquainted with conventional / traditional channels i.e. Manufacturer > Distributor > Wholesaler > Retailer > Shop-Keeper > Customer. Extent of channel-partners organization varies from products-to-products and organization to organization. Since last 5 years, it has been observed that, many organizations prefer to have contact with customers directly instead of through channel-partners. These channels are referred as Direct Marketing Channels or Unconventional Channels. Direct marketing is de-massified marketing; it deals with customer on a one-to-one basis. The marketer approaches the customers individually, communicates with them on single level basis and even offers products that are modified to suit the requirements of the chosen customers. It supports accurate segmentation and sharper targeting of the market formulation of more fine-tuned marketing strategies; establishing relationship with the customers due to closer contact which results into retention of the same-creation of competitive advantage; cost-effective due to elimination of costs associated with channels, advertising does not involve marketing channels / stores, advertising / mass promotion; facilitates special attention to large accounts-every firm does not have equal weight-age of customers. This type of marketing of products or services can be done by various ways-n-means as follows:
**Tele Marketing:** Telemarketing is a method of direct marketing in which a salesperson solicits to prospective customers to buy products or services, either over the phone or through a subsequent face to face or Web conferencing appointment scheduled during the call. The two major categories of telemarketing are Business-to-business and Business-to-consumer. Telemarketing may be done from a company office, from a call centre, or from home. It may involve either a live operator or a recorded message, in which case it is known as "automated telemarketing" using voice broadcasting. "Robo-calling".

**Guerrilla Marketing:** This is an unconventional system of promotions that relies on time, energy and imagination rather than a big marketing budget. The end users / consumers are referred or targeted unexpectedly. Customers may not be aware about the product / service.

**Buzz Marketing:** Interaction with prospective / potential buyers so as emphasize the product value and benefits. Such efforts create anticipation and excitement amongst the customers.

**Experimental Marketing:** An emotional appeal to the customers towards buying products and or service.

**Viral Marketing:** Marketing is being done through social networks with a goal of creation of brand / product awareness ultimately for Sales and Profits. Internet and Verbal publicity are the examples.

**Multi Level Marketing:** (MLM for short, later referred to as “network marketing” or MLM), as discussed by Webb & Hogan (2002) — any marketing program in which participants pay money to the program promoter in return for which the participants obtain the right to (1) recruit additional participants, or to have additional participants placed by the promoter or any other person into the program participant’s down line, tree, cooperative, income center, or other similar program grouping; (2) sell goods or services; and (3) receive payment or other compensation; provided that: (a) the payments received by each program participant are derived primarily from retail sales of goods or services, and not from recruiting additional participants nor having additional participants placed into the program participant’s down line, tree, cooperative, income center, or other similar program grouping, and (b) the marketing program has instituted and enforces
rules to ensure that it is not a plan in which participants earn profits primarily by recruiting of additional participants rather than retail sales.

**Sky Shops (Home Shopping):** Home shopping (wikipedia) commonly refers to the electronic retailing/home shopping channels industry, which includes such billion dollars television-based and e-commerce companies. There are three main types of home shopping: mail or telephone ordering from catalogs; telephone ordering in response to advertisements in print and electronic media (such as periodicals, TV and radio); and online shopping. In the present study, Home shopping is defined in terms of electronic media.

The home shopping/electronic retailing industry was created in 1977, when small market talk radio show host Bob Circosta was asked to sell avocado-green-colored can openers live on the air by station owner Bud Paxson, when an advertiser traded 112 units of product instead of paying his advertising bill. Hesitant at first, Circosta reluctantly obliged – and to both men's great surprise, all 112 can openers sold out within the hour. Paxson sensed the vast sales potential of home-based commerce, and founded the world's first shopping channel on cable television, later launching nationwide with the Home Shopping Network (rebranded as HSN). Bob Circosta was America's first ever TV hosts, becoming one of the most instantly recognizable salesmen in the Free World.

**Internet Marketing:** Internet marketing allows the marketer to reach consumers in a wide range of ways and enables them to offer a wide range of products and services. E-marketing includes, among other things, information management, public relations, customer service and sales. Effectively, Internet marketing makes business hours 24 hours per day, 7 days per week for every week of the year. By closing the gap between providing information and eliciting a consumer reaction, the consumer's buying cycle is speeded up and advertising spend can go much further in creating immediate leads.

We have watched and witnessed the growth of the Internet over the recent years and while everyone knows the traditional online distribution channels such as newsletters, and electronic press releases, it is time to have a look at some unconventional channels of distribution on the web (www.eisabainyo.net).
Social Networks (Facebook, MySpace, Friendster)
The current trend of the Internet is social interactions, and the trend is here to stay for a while. Multi-million corporations are in the hunt to acquire popular social networking sites because they understand the potential and the impact social networking has on Internet users.
Treating social networks such as Facebook and MySpace as your distribution channels mean reaching to more people and increasing awareness of your website.

Social Bookmarks (del.icio.us, Stumble Upon, Digg)
Social bookmarks enable users to share, organise and store URLs of websites they like and/or find useful. And because social bookmarks are created by users who understand the content of the website they bookmark, it makes it easier for other users to find stuff related to an interest.

Social Media (YouTube, Flickr, Podcasts)
As with social networks and social bookmarks, social media has become increasingly popular among Internet users for the same reasons. Using a social media like YouTube or Flickr as a medium to promote your business could bring a lot of traffics to your website. In an official Press Release about an agreement between CBS and YouTube, it was said that “Today’s agreement demonstrates that YouTube has become a revenue-generating distribution channel for major networks and other media companies.”

Blogs
Blogs are popular because they provide up-to-date information and enables readers to engage in discussions via comments. By using blog as a distribution channel, businesses can build a loyal readership and interact with their customer base.

Widgets and Gadgets (Yahoo! widgets, iGoogle gadgets, Facebook APIs)
Widgets and gadgets deliver dynamic and updated content to the users at any time. They leverage the website’s content to create new opportunities, extend users and strengthen the presence of your brand. And for that very reason, widgets and gadgets have proven to be a very successful method of distribution.

Browser Extensions
Browser extensions such as customized search engine, add-ons, and toolbars provide users with an easy access to your website and the functionalities that it offers instantly
from their favorite browser. It is an effective distribution channel for both the business and end users as it maximizes access and visibility for both parties.

**Search Engines**

According to a survey conducted in 1998 by Georgia Institute of Technology, 85% of users found websites through search engines (Tri-Media). While many believe that “if you build it, they will come”, the truth is, they can only come when they know about it. Therefore, the power of search engine optimisation (SEO) and search engine marketing (SEM) should be used to drive targeted and qualified traffic to your website and improve visibility of your business.

Whether offline or online, if the consumer cannot find a place where he or she can complete the transaction, then regardless of the quality of the rest of the marketing mix, the marketing will be a disaster and sales will plummet. This is why channel management, especially the management of distribution channels, is crucial to those in marketing. Unlike decisions regarding products, pricing, or promotion, distribution decisions require both intra-organizational as well as inter-organizational skills. The product's path to the market frequently involves interaction with external agencies or intermediaries that bridge the gap between the point of production and the point of sale. The advantages of using intermediaries stem from the core economics of supply-chain management: market coverage, customer contacts, lower costs, systematic cash flow, etc. The intermediary adds value to the marketing of the product by bringing in specialization, marketing knowledge, capacity to segment the market, and selling skills that allow the marketer to implement marketing strategies effectively.

Intermediaries providing logistic support increase convenience to both the producer and the consumer by offering effective delivery and pre- and post-purchase customer service as well as facilitating manufacturer services, making them indispensable to most mid- and small-scale producers. Manufacturers quite often see intermediaries as parasites rather than assets. The disadvantages of using an intermediary stem from psychological apprehensions, market antecedents which have created such apprehensions, and lack of managerial skills or resources that are sufficient to balance and manage the intermediary. In nutshell, Distribution decisions are relevant for nearly all types of products. While it is
easy to see how distribution decisions impact physical goods, such as laundry detergent or truck parts, distribution is equally important for digital goods (e.g., television programming, downloadable music) and services (e.g., income tax services). In fact, while the Internet is playing a major role in changing product distribution and is perceived to offer more opportunities for reaching customers, online marketers still face the same distribution issues and obstacles as those faced by offline marketers.

**Chapterization**

To proceed further, the researcher endeavors to present the detailed analysis of effectiveness of Distribution Functions in White Goods Industry by way of organizing the data and findings in following chapters:

**Chapter Two**

The literature review both conceptual as well as empirical provides a new insight to understand the research problem. It steers the study in desired direction to obtain meaningful results. This chapter covers the review of literature regarding distribution channels, selection, management and evaluation of distribution network, factors that motivates channel members channel conflict, framework to resolve the conflict among channel members, emerging and unconventional channels, their impact on marketing strategies, trends in present state of industry and effectiveness of distribution function from customers,’ perspective.

**Chapter Three**

This chapter discusses the research methodology. It includes research design, sampling techniques, research hypotheses, criteria for data collection, instruments used for data collection and procedures adopted to analyze the data and its limitations etc.

**Chapter Four**

In this chapter, data is analyzed with the help of various statistical tools and also include the interpretation.

**Chapter Five**

This chapter deliberates upon the summary, conclusions and evaluation of the research work and the recommendations based upon analysis of distribution channels.