ABSTRACT

At one time there was no such thing as marketing distribution channels. Blacksmith, stonemason, saddler, carpenter, hosier and tailor all knew their customers personally. They were in a position to discuss the size, the shape, the design, the color and the price of the goods they made with the people who bought and used them. A dialogue existed between producer and consumer. Marketing channels always emerge from the demands of a marketplace. However, markets and their needs are always changing. It's true, then, that marketing channels operate in a state of continuous evolution and transformation. Channels of distribution must constantly adapt in response to changes in the global marketplace. Remember: Nothing endures but change.

At the beginning of the nineteenth century, most goods were still produced on farms. The point-of-production had to be close to the point-of-consumption. With the coming of the Industrial Revolution, producer and consumer personal contact came to an end. Changes in production led to changes also in distribution. The greatly increased production of goods which resulted from mechanization required a mass market for their consumption, and distribution became a major undertaking. The manufacturer was no longer able to undertake the distribution of his products to the consumer. He invested his capital in premises, machinery and raw materials. He had neither the means nor the desire to distribute the product; nor was it necessary for him to do so. A distributive trade grew up to serve every industry. The Industrial Revolution prompted a major shift in Indian populace from rural communities to emerging cities. These urban canters produced markets that needed larger and more diverse bundles of goods and services. At the same time, burgeoning industrialization required a larger assortment of production resources, ranging from raw materials to machinery parts. The transportation, assembly, and reshipment of these goods emerged as a critical part of production.

After World War II, Advancements in production and distribution methods focused on cost-containment, inventory control and asset management. Marketers soon shifted from a production to a sales orientation. Attitudes like "a good product will sell itself" or "we can sell whatever we make" receded. Marketers confronted the need to expand sales and advertising expenditures to convince individual customers to buy their specific brands. The classic four Ps classifications of marketing mix variables product, price, promotion and place emerged as a marketing principle. Distribution issues were relegated to the place domain. This new selling orientation inspired the development of new intermediaries as manufacturers sought new ways to expand market coverage to an increasingly mobile population. The selling orientation required that more intimate access be established to a now more diversified marketplace. In response, wholesale and retail intermediaries evolved to reach consumers living in rural areas, newly emerging suburbs and densely populated urban centers. Wholesalers, with warehouses in major cities, purchased the manufacturer's products in bulk, stocked them and organized their distribution to retailers throughout the country. On the one hand, the wholesaler largely financed the manufacturing operation, while, on the other, by the extension of credit to retail shopkeepers; he financed much of the retail distribution of consumer products.

One of the major problems facing any manufacturer is to gauge the likely demand for the goods he proposes to make. Once the direct contact between producer and consumer had been broken, it was upon the distributive trade, in particular the wholesaler, which the producer relied for his market information. This function the wholesale houses performed exceedingly well. Through their teams of salesmen they served retailers in cities and towns throughout the country; the success of the retailer's business depended upon his knowing and anticipating the needs of his clientele, and this information was fed back via the 'travelers' to the buyers of the wholesale houses. These buyers therefore had a 'feel' of the market. They were generally greatly experienced in the various commercial aspects of the classes of goods in which they specialized. It was they who decided the particular 'lines' of goods which were to be bought from the manufacturers, the quantities which were to be stocked, subdivided into their natural categories according to the nature of the goods, such as size or width, color, design and quality. It was they who decided the price at which the goods would be bought from the manufacturer and the price at which they would be sold to the retailer. By so doing, they effectively set the general price level at which goods would be sold to the consumer. How important is a customer dialogue? Sophisticated database and interactive technologies enable channel members to quickly identify changes in customers' preferences. This, in turn, allows manufacturers to modify product designs nimbly.