CHAPTER – IV

CHANNELS OF DISTRIBUTION

After having studied the evolution and the development of marketing, an attempt is made in this chapter to study the important types and suitability of a channel choice and preferred buying patterns for cosmetics products.

The important object of the marketing process is to deliver the goods to the consumers. The process involves a number of functions. The following two functions are more important. Firstly, the creation of demand and secondly the supply of goods to meet the demand. The creation of demand depends on the advertising and sales promotion activities. The distribution function depends on the management of the system of distributing the goods. This system is known as channels of distribution. The channel of distribution is the process through which the goods or products are transferred from the producers to the ultimate consumers. In other words, distribution channels are the systems of economic institution through which a producer of goods delivers them to the users.

The development of the channels of distribution depends on:

a. The number of customers using the products.
b. The functions which the channel is expected to perform
c. The cost of alternative channels and
d. The importance of controlling the marketing process.
The popular channels of distribution process are as follows:

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<th>Distribution Channel</th>
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<td>Manufacturer → Wholesaler → Retailer → Consumer</td>
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<td>ii)</td>
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The first and the foremost person in the channel of distribution is the manufacturer. A manufacturer is predominantly engaged in the production of commodities and the distribution function of commodities is undertaken by other middlemen. In practice a manufacturer devotes lesser attention on distribution of goods, as there are other specialised intermediaries for distributing the commodities. Moreover the nature and style of the functioning of a manufacturer is not suitable for distribution of commodities. Whenever large scale purchases take place, the manufacturer directly distributes the commodities to the consumer.

Next in order comes the ‘wholesaler’. The Wholesaler is an important intermediary in the process of distribution of goods from producer to the consumer. He acts as a middle man between the producers and the retailers. A wholesaler is the person who sells commodities to such persons and institutions who purchase commodities either for resale purpose or for use. Goods are many times directly sold to the consumers by the wholesalers but the volume of business is insignificant.

The services of the wholesalers are inevitable in the distribution of goods. The services of the wholesalers will be maintained as long as there are a small number of
producers, concentrated in a few localities, spread out over large areas. As middlemen, the 
wholesalers’ service is shaped by the vast economic task of co-ordinating production 
and consumption. This is a task imposed by the problems of time, distance, and product 
variation.

With a few expectations, the wholesaler is generally a local business man catering 
to a local area and he is thus in a position to identify prospective users and determine the 
extent of their needs. Many wholesalers have promotional departments through which 
they issue a variety of direct mail pieces, large bulletin etc, and the wholesalers also act to 
stimulate customers’ interest by maintaining showrooms.

Another important intermediary in the channel of distribution is the ‘Retailer’ The 
retailer is the last link in the marketing of the channel of distribution. The retailer sells a 
variety of goods in small quantities to the final consumers. Retailing is an activity 
directly related to the sale of goods. A retailer stands in between the wholesalers and the 
ultimate consumers. He aims to satisfy the buyers and acts as a good buying agent for his 
customers. He is both a marketer and a customer. He is a specialist in selling goods to the 
ultimate consumers. The retailers create place, time and possession utilities.

Before studying the existing channels of distribution of cosmetic products, one 
has to necessarily study the characteristics of cosmetic products. The characteristics of 
the products do exert a major influence in deciding the type of channel for distributing 
the products. A distribution channel consists of producer middlemen and consumer
among whom the product passes. In other words the nature of the product is also an important factor deciding the suitable channels choice.

The characteristics of cosmetic goods are given below:

1. Cosmetic products typically have a low unit price.
2. Cosmetic products are not bulky.
3. Cosmetic products are purchased frequently and have a continuous demand.
4. The consumer has adequate knowledge of particular cosmetic product wanted, before going out to buy it.
5. Cosmetic products are purchased with minimum efforts.
6. Cosmetic products are mostly accessible to the consumers.
7. In the case of cosmetic products consumers usually wish to compare quality price and style in the several stores before purchasing the goods.
8. Cosmetic products are those for which majority of the consumers have a strong brand preference.
9. Cosmetic products are those for which majority of the consumers are willing to expand special time and effort in purchasing them. Many consumers are willing to forego more accessible substitute in order to procure the wanted brand.

To a consumer, product is more than just a product. Consumers are buying more than a set of physical attributes. They are having want satisfaction in the form of product benefits. The various considerations that are weighed by the consumers are 1.Price, 2.Brand, 3.Packaging, 4.Product warranty, 5.Physical characteristics of goods, 6.Product quality, 7.Colour, 8.Sellers reputation and 9.Seller’s service. Hence consumers of cosmetics are contacted for getting their goods through the channels of distribution.
While wholesalers and wholesale salesmen are the chief suppliers of cosmetics to retailers, the qualitative aspects of their services need a probe. Mere arithmetical number and percentages may not throw a light in this respect. Hence the researcher in order to study their aspects has to use observations and interview techniques. Ten shops of different categories in Chennai and Trichy along with an interview with 25 users in both the places were undertaken for observation and direct meeting. The following facts have been gathered.

i. Wholesalers come in sporadic intervals and supply. They take the requisition order and make immediate supply.

ii. The wholesalers or salesmen seldom to count or verify the existing stock of the retailers.

iii. They do not persuade for higher purchase by the retailer.

iv. They do not leave any pamphlets or leaflets regarding new product introduction or any quality improvement in the existing product.

v. Generally they are in a hurry. So they have to go to various shops in the city and around as well.

vi. They do not give any advice regarding shop display.

vii. Even when there are a few customers the wholesaler interacts with them.

**Channel of Distribution**

Only the retailers play a vital role in the channels of distribution in rural areas. They buy cosmetics from the wholesalers or manufacturers of towns or cities. As already said retailers and consumers in the rural areas were approached to get first hand information about the buying place of cosmetics, their preference, brand loyalty, the
products that are moving in large quality etc. Data collected from them are being utilized in the Chapter V and some important findings and observations have been arrived at. So a detailed discussion on the channel of distribution in rural areas is not included in this chapter.

Exhibitions in big cities of India and world are periodically held for demonstration of two wheelers, washing machine, and home need appliance textiles. It is worthwhile that cosmetic producers may hold such fairs deploying various new lines of cosmetics that are being held perhaps due to the influence of countries and to popularize them. For this purpose, salesmen may be trained and explored in the fair.

With this in view when the researcher made observation and interviewed in such shops the following facts were emanated.

1. The customers have purchased in certain shops due to acquaintance and familiarity.
2. In such shops, display is not attractive.
3. Various articles are jumbled and customers are not able to readily identify their choice nor could the retailer salesman trace in a short time.
4. The shops are too small and customers found it difficult to reach the salesman.
5. No separate section for cosmetics is kept and
6. The salesman is not able to explain the method of using of hair blackener or room sprayers etc.
These situations led to the earlier print that not only the wholesalers but also retailer salesman needs education and training. The wholesalers may have a lamp for retailer salesman to impart salesmanship and consumer approach.

As the study relates to analyse the demand pattern of cosmetics in Tamilnadu, it is necessary to define demand, which depends on the income and preference of the consumers.

Granting that the consumers have wherewithal and preference, the channel of distribution is a significant factor in marketing as it fulfils the aspirations of the prospective buyers by its regular supply.

There are various channels of distribution and the successful marketer should choose the right and cost effective channel as well. India is a populous country with its explosive population teeming over one billion spread over both in towns and the vast area of villages as well. There is also a pronounced difference in income, education, way of living and languages.

In such a country do the marketers of various cosmetics with different brands and price variations reach the consumers? Has the channel any specific appeal to cosmetic sales? The researcher was inquisitive to enquire this vital aspect of sales management. Thus the study of channels of distribution is very useful to know the demand pattern of cosmetics in urban and rural areas.
Preferential Buying Patterns of Cosmetics

Urban Areas

Channels of distribution both in urban and rural areas have been discussed in the last chapter. In this Chapter the preferential buying pattern of cosmetics in the urban areas is taken up for analysis and interpretation.

Let us examine the conditions existing in urban market at present. The urban market has almost reached a near saturation level that further tapping them with a high profit margin has become difficult. Secondly, competition is becoming high in urban markets compelling many firms to incur heavy cost in promotional expenditure. Thirdly the awareness level of urban consumers is high and hence product features have to be changed quite often. Needless to say that this process needs huge investment, which will have a negative impact on profitability. Thus, except perhaps for easy reach the urban markets have become only a little growth segment.

Consumer behaviour is an important area in marketing research. The study on consumer behaviour includes perception, attitudes, behaviour, and the like and dislike. Some of the characteristic features of Indian consumers are given below:

1. **Geography:** India ranks seventh in the world in terms of size. There are various regions namely great mountain, indo-jangetic plain, the desert and southern peninsula. Temperature in extreme north is low as compared to the south and north regions.
2. **Population:** India is one of the world’s highly populated countries. Further distribution of population is also unequally divided among the states of India. Relating to density of population also there is diversity among the different regions/states depending upon the topography, climate and level of economic development. Knowledge about the density of the population will help the marketing executives in developing appropriate priorities and alternative marketing strategies.

4. **Urban-Rural composition:** About 80% of India’s population is rural whereas 20% is urban. However post independence period has seen a gradual shift of people towards urbanization. During the period, the urban population increased almost four times whereas rural population could only double itself. This rate of increase in urban population has been more pronounced in the states of Gujarat and Maharashtra. This shift towards urbanization is mainly due to seeking better job prospectus, higher income and consequently better standard of living. This urban-rural feature will have a bearing on the consumption pattern of the consumers.

5. **Gender composition:** With increasing education, the role of women has undergone significant changes. The profile of women has changed from that of a housewife to working woman. Today the urban housewife is an active partner and plays a major role in the purchase decisions of her family along with her husband. Thus understanding of the gender composition helps the marketing executive to know who are likely to make purchase decisions.

6. **Age:** This is another important factor to be kept in mind while segmenting the market so that suitable marketing strategies may be developed. On account of wide exposure to various communication media like television, private channels magazines etc., Children are also participating in buying decisions relating to their clothes, T.V, bags, etc., An analysis of the Indian consumers will not be complete without a mention of the urban teenagers and youth market. They are more
modern, less obsessed of tradition and religion. They have an inclination towards the western culture and are quick to seek novelties and new fashions. Rather than saving money for the future, they believe in spending it for pleasure. This group of customers gets easily motivated by modern products. This segment comprising teenagers and youth is fast emerging as a distinct market.

7. **Literacy Level:** Depending upon the level of literacy amongst the target consumers, the marketers will have to design a suitable communication mix for promoting a particular product or service. With the efforts of government to bring down the level of illiteracy in the country, there would be an increase in the level of literate consumers in the coming years.

8. **Income level:** Purchasing power or income has a direct effect on the potential demand for the product. Income levels can be analyzed on the basis of two income concepts, namely a) disposable income (income minus taxes) i.e., take home pay available for personal consumption expenditure. (b) discretionary income, which is the income, left after paying the taxes and meeting expenses related to food, clothing, shelter and the often-necessary items.

9. **Religion:** India can also be divided on the basis of religion being followed by the people viz., Hinduism, Islam, Christianity, Buddhism, Jainism etc. In addition to this there are various sects, sub sects, castes and sub castes also. Each religion has certain habits and set of customs, rituals and practices, which are being followed for several generations.

10. **Marketing concept** starts with the consumers needs and in the behaviour of meeting those needs. Every action of a person is based on needs. The problem is to learn how a customer takes into consideration when he chooses a particular product. Such a study is concerned with consumer behaviour.

11. In a simple way we can say that behaviour is the **response of stimuli.** The usual stimulus is the need for which there is an action called response. The study of consumer behaviour attempts to find answers for the following questions.
(a) Who are the consumers?
(b) What do they buy?
(c) Where do they buy?
(d) How do they buy?
(e) Why do they buy? and
(f) When do they buy?

A motive is a drive or an urge for which an individual seeks satisfaction. Thus any urge moving or prompting a person to purchase decision is called a buying motive. According to S.A Sherlekar “Buying motive is the reason why a person buys a particular product. It is the driving force behind the buying behaviour and may be based on psychological or physiological wants”. Thus a motive or purpose of the purchase is the mental instinct. It is not imposed or created. It comes from within the man. Some of the buying motives, for example, are food and danger, to be superior, social approval, efficiency, style and beauty, curiosity etc.

“A motive is an inner urge moves or prompts a person to action” – Davar. According to M.J. Stanton “A motive may be defined as a drive or an urge for which an individual seeks satisfaction. It becomes a buying motive when the individual seeks satisfaction through the purchase of something”.

According to McCarthy buying motives are of eight types as follows:

1. Satisfaction of sense
2. Preservation of species
3. Fear
4. Rest and recreation
5. Pride
6. Sociability
7. Striving and
8. Curiosity.

Figure 4.1 Factors influencing Consumer Behaviour

Rural Areas

Demand pattern of cosmetics in urban areas has been discussed in the last chapter. An attempt is made in this chapter to analyse the demand pattern of cosmetics in the rural areas.
The rural markets are green pastured for any marketer provided his marketing plans are attempted to specialties or rural markets. The rural markets are estimated to be growing fastly compared to the urban markets. Being a new market it could be easily mended provided the manufacturers develop an insight into the behavioural patterns of rural consumers. The potentiality of rural markets is said to be like a “woken up sleeping giant”. These facts are substantiated in the study of market growth conducted by the Operations Research Group (ORG) during a six-year period 1983-1989. The study revealed that the off take of rural markets for packaged consumer products is accounted as Rs.2, 083 crores in 1989.

A number of factors have been recognized as responsible for the rural market boom in existence. They are

1. Increase in population and hence increase in demand. Every year the rural population has also gradually increased.
2. A marked increase in the rural income due to agrarian prosperity.
3. Large inflow of investment for rural development programmes from government and other sources.
4. Increased contact of rural people with their urban counterparts due to development of transport and wide communications network.
5. Increase in literacy and educational level and resultant inclination to sophisticated lives by the rural folks.
6. Inflow of foreign remittances and foreign made goods into rural areas.
7. Change in the land tenure systems causing a structural change in the ownership patterns and consequent changes in the buying behaviour.
It is stated that the environment of rural markets in India are fascinating and challenging. They offer a large scope on account of their sheer size and demand base. But in spite of the large size and high potential for providing a good market the rural markets pose many complex problems like poor communication and distribution facilities, low literacy level, thinly populated and scattered markets, poor standard of living and socio-economic and cultural backwardness.

The rural market in India started showing their potential since 1960. This coincided with the Green Revolution. Many manufacturers were hesitant to enter into rural market for a long time, as they believed that

a) Rural-folks cannot be convinced of the uses of the products and hence a need for manufactured product cannot be created in rural areas.

b) Difficulties in having a free accessibility to these distant markets forced the manufacturers to think that these markets be served economically and profitably.

Prosperity in rural areas is very much reflected in the buying and consumption habits of rural-folks. Their inclination to spend on the modern gadgets has increased as a result of their increase in purchasing power. This necessitates an appraisal of the rural marketing environment, which is an outgrowth of various socio-economic and cultural forces. For evolving an appropriate and effective marketing strategy understanding the rural environment is quite essential.

Recently attempts were made to define the distinct differences between the urban and rural markets on the basis of the various socio-economic factors. The dominant
economic peculiarities of rural India may be recognized in terms of the source of income, the frequency of receipts of income caused by the dependence on rains, the seasonal nature of income and the consumption. These differentiations affect the consumption pattern of rural consumers.

Differentiation with regard to the nature and structure of the villages, and their socio-economic characteristics restrict treating the whole rural India as one. So the rural sector is dissected into three development stages, viz. primitive, developing and urban analogous. The changes that take place as the village graduates from primitive stage to urban analogous, consumption characteristics and consumption behaviour of consumer also underwent changes.

The ‘psyche’ of rural consumers in rural India is a true reflection of the ‘psyche’ of village in relation to consumer behaviour. So it is necessary for the market to understand the rural consumer and the size and composition of rural demand and marketing plans should be in turn with these qualities aspects.

The changes in the rural market may be due to the change in attitude and way of life of the rural consumers. The composition of the demand has been changing significantly. Many new products have entered into the consumption baskets of the rural consumers. The relative share of different categories of product in the consumption baskets has also been recording welcome change knowing the exact size and composition or rural markets for consumables and durables which will keep the marketers to start the next course of action.
Rural marketing problems arise out of peculiar dynamics of the rural markets in India. The uniqueness of rural consumers, the uniqueness of the structure of the rural markets and the peculiarities of the distributional infrastructure in rural areas are some of the issues to be dealt with. They are special to the rural markets and hence they require a unique handling.

Practically in every aspect of marketing, rural markets pose certain special problems, but the following are found to be important from the marketing management point of view.

1. Distribution logistics, storage, transport and handling
2. Location and degree of concentration of demands.
3. Dealers’ attitude and motivation.
4. Consumer motivation and buying habits.
5. Mass communication media, their reach and influence and
6. Organised alternatives.

Still there are many villages that are not connected by rail or road. Further storage facilities in rural areas are inadequate and of poor quality. Again in rural areas the concentration of consumers is less and widely dispersed and to find right type of deal is difficult.

One also faces a degree of conservatism and reluctance on the part of rural people to take major risks. Another problem in marketing in rural areas is their low level of literacy, which makes it difficult to communicate with them through various medias.
Thus rural market with multifold problems and with a successful footing a marketer has to grasp these problems and provide innovative solutions to them.

**Developing Market Mix for Rural Markets**

In order to develop market mix in rural marketing, the following things are essential.

1. **Identifying and Selecting Target Markets:** This is a very important task for a marketer who has to deal with rural markets. It is a two way process of exchange, if we visualize the input-output marketing typology. The criteria for rural-urban differentiation should be analysed to have a clear perception on the dominant factors that influence rural consumer behaviour. The factors to be considered in this respect are given below:

1. Occupation
2. Environment
3. Size of community
4. Density of population
5. Heterogeneity and homogeneity of the population
6. Social differentiation and stratification
7. Mobility and
8. System of interaction

Thus the marketer has to adopt a totally different approach in locating and identifying the target market and relevant market segments for his products.
2. **The Product Mix:** As far as product mix is concerned the basic question is whether products intended for urban elite class can be marketed to rural consumers or do we need product mix modifications to suit the variables of rural markets such as their per capita income, habits and attitudes of rural people and product utility values.

3. **The Price Mix:** It should be remembered that redesigning of products should be strictly in consonance with maintaining a low cost for the products. Refill packs are good examples. The pricing strategy suit the quantum of frequency of income receipt of rural people, which is quite different from the urban counterparts. It must be specifically noted that low price should not in anyway affect the quality of the products. Rural consumers are highly quality conscious even at the cost of high price and the belief that cheap quality for rural illiterate is an old concept.

4. **The Distribution Mix:** Rural marketing problem is essentially a distribution problem. Considering the vastness of the rural markets, about six lakhs villages spread over the length and breadth of the country, it has been stated by experienced marketing men that distribution cost to serve rural markets, tends to be high due to number of facts viz., poor communication facilities, less off take and highly scattered distribution outlets. Thus distribution becomes a major problem. This is evident from an empirical study that though rural consumers are aware of substitutes they are compelled to accept the product available in retail outlets.

5. **Promotion Mix:** An area, which needs a separate strategy, is the appropriate mix of various promotional elements directed towards rural consumers. The
technological advancement in the field of television has made it a powerful medium to expose products on ruralities. Low literacy levels do not warrant heavy advertisement in the print media. However, publicity through special shows, films with the help of mobile vans etc-are still considered to be a good method of promotion. Festival seasons are an important occasion for introducing new products.

Branding as a powerful promotional weapon could be used. People are brand conscious and often brand loyal. Brand loyalty is found to be based on a comparative assessment of tangible and intangible properties of a product. Except in the case of low unit value products brand exerts influence in their purchasing decisions.

For successful marketing in rural areas an integration of traditional and modern methods of selling is required. To communicate effectively with the prospective customers in rural areas, to ensure effective distribution and prompt delivery, firms must grab the specific requirements and needs of the villagers and then plan their strategy to convert the prospective consumers into active consumers. It requires adoption of scientific marketing management principles with sound product plans, pricing policy, proper distribution network and adequate and effective promotional measures. There should also be a mechanism to observe the changes taking place in the rural areas and convert such changes into profitable opportunities.

Consumers prefer cosmetics of different brands. Cosmetics are available to consumers of all segments. The brand preferences of the consumers depend upon many factors like consumer’s income, status, religion, literacy level and the intensity of
advertisements. Consumers with higher income prefer those brands, which are relatively costly. Generally all consumers prefer cosmetics. In other words it is preferred by both men and women, both in urban and rural areas.

**Sales Promotion**

Sales promotion has been increasing in recent years. Several factors have influenced the increase in sales. Some of them are:

1. The manager is under greater importance to increase the sales.
2. More marketing managers are qualified and they adopt various methods for increasing sales.
3. More competitors are seen in the market and they have also adopted various techniques.
4. The trade demand more deals from manufacturers and
5. Advertising efficiency has delivered due to riding costs, media and various other legal restrictions.

Advertising is a non-personal and indirect way of sales promotions. No commercial organizations can survive without information, which can be achieved through advertisements. Hence advertising is necessary. Advertising channelises information to the potential and prospective consumers. The role of advertising has been greatly recognized and its importance cannot be overemphasized. As a matter of fact, advertising has now-a-days become a part and parcel of marketing management. A perfect co-ordination among three promotional activities like advertising, sales promotion and personal selling is desirable.
Advertising is a method of educating the consumers or users. The real objective is to bridge the gap between the manufacturers and the consumers with effective communication. The ultimate purpose of all advertisement is nothing but to sell a product or service. The following are the some of the objectives of advertising:

1. Whenever a new product is introduced, advertising is necessary. The potential consumers can be informed only by means of advertisement. The media like radio, televisions and cinema halls are used to introduce a new product in the market.

2. The second important objective is to create demand for a product or service. In the days of competition, when the availability of substitute products or services produced by various producers, it is necessary to motivate the consumers. Advertising creates a favourable atmosphere and improves the comparative quality, price and other attributes of a product or service.

3. Consumers do not have full information about the availability of products or services and their comparative advantages over other substitute products and services. The important objective of advertisement is to educate the consumers or users.

4. Another objective is to build up brand image and brand loyalty and to make them strong enough not to change a particular brand. This can be achieved through constant advertisements about the brand.

5. The purpose of an advertisement is to inform the consumers about the change in quality design, size and packing or any other feature. The consumers must be informed about the changes or improvements in the product or service. It is possible only through advertising.
6. In a country like India, where nearly 70% of the population is illiterate and lives in rural areas the purpose of advertising is to educate them through mass media in rural areas.

In a cosmetics industry, newspapers, radio, television, magazines, outdoor (billboards) direct mail and yellow pages are playing a very important role in increasing the sales. Advertisements in such media are increasing the sales of cosmetics. They are more useful and unavoidable because they educate the consumers as how to purchase the new brands of cosmetics.

In this age, consumers feel that the product would have no value if the company has not advertised for the product. From the manufacturer’s point of view advertisement is one of the most important factors for increasing the sales of the products.