CHANNELS OF DISTRIBUTION

Under this chapter, I will discuss the following:

Meaning of channels of distribution, Types of channels of distribution, selection of channel – wholesalers, Retailer, Business format franchising, mail order, internet and Benefits of channels of distribution.

CHANNEL DECISIONS:

The Distribution mix is defined as the particular combination of channels or institutions through which a manufacturer distributes his product at any time and usually a manufacturer tends to use one particular combination predominantly (B. Mather: The Marketing Channel, J. Wiley 1977).

Raymond Lorey (Industrial Marketing: Cases and Concepts, Pretice Hall, Eaglewood Cliffs, New Jessey, 1976) states that "...... a distribution system....... is a key external resource. It represents a significant corporate commitment to a large number of independent companies whose business is distribution – and to particular markets they serve...." which leads Kotler (1984) to state channels with an eye on tomorrow likely selling environment, as well as today's.

3.1 MEANING OF CHANNEL OF DISTRIBUTION

A marketing channel or channel of distribution is defined as a path traced in the direct or indirect transfer of ownership of a product as it moves from a producer to ultimate consumers.

Manufacturers use a combination of channels depending upon the products and the territories. The intermediaries (Middlemen) differ considerably in their capabilities, operational sizes, operating costs and their role in the marketing system.
Channel decision is, therefore a complex issue for the manufacturer who has a large area to be covered with many products. The marketing channels fulfill the function of matching the segments of demand. The choice of channel is, therefore, dependent upon the size and capacity of the supplier and the market demand. It is also related to the complexity of the marketing operations.

Developing suitable marketing channels for distribution is a long-term activity and cannot be achieved overnight. The channels should provide adequate market coverage to ensure that the users get the products at the right time keeping in mind the distribution costs. The selection of middlemen like distributors, dealers and agents is another important activity in marketing the business interests of the company and are expected to build goodwill for the manufacturer. They have an important but also in portraying the image the company to the ultimate user. Financial resources, necessary experience to handle the products, warehousing and showroom facilities and local reputation are all factors requiring careful consideration for choice of intermediary.

Several alternative channels of distribution are usually identified by manufacturers and a balance of cost and distributional efficiency forms a basis of choosing the marketing channel. After choosing the channel, it is necessary to motivate channel members on a regular basis and also evaluate their performance periodically. Review of channel decisions is generally done by managements with a view to improve the distribution system and enlarge the coverage of products to the users.

3.2 TYPES OF CHANNEL OF DISTRIBUTION:

The channel of distribution is designed to overcome the main gaps of time and place that separate goods and services from those who want to use them. This can be called
logistics management, which is about having the correct product or services in the right place at the right time.

**CHANNEL 'LENGTH', CHANNEL 'LEVELS' CHANNEL 'MEMBER':**

The length of a channel of distribution reflects the number of levels interposed between the production of a commodity or service and its final exchange with consumers.

The breadth of a channel of distribution is related to the total numbers of different channels (Such as retailers) to be used at each level (figure).

**CHANNEL LENGTH**

Manufacturer --&gt; Wholesaler -----&gt; Retailer ----&gt; Customers

[Diagram showing the channel length with middlemen in between]

**CHANNEL BREADTH**

Manufacturer

[Diagram showing a tree-like structure with multiple retailers branching out]

**Figure:3.1 Channel Length & Breadth.**
CHANNEL LEVELS:

All marketing intermediaries in a distribution chain do not operate at one and the same level they operate at different tiers each distinctive tier of intermediaries is referred to as level in the channel and each link in each level of the channel is referred to as 'channel member'.

1. Zero-Level Channel: It consists of a manufacturer selling directly to the final customer. The major examples are internet selling, mail order telemarketing and manufacturers-owned stores.

2. A One-level channel: It contains one selling intermediary, such as a retailer.

3. A two-level channel

4. A three-level channel

FIGURE 3.2

Industrial Distributors:

They perform the function of taping title and undertake sales in their own name in the area in which they are located. Industrial distributors may be further classified into 'general line' and 'limited line distributors'.

'General line Distributors' handle a variety of industrial supplies and minor equipment & sell to a broad spectrum of customers. The distributors, who specialize in a very few items are termed, "limited line distributors".

Manufacturer's Sales Agents:

They generally do not take title to goods but operate on commission basis.
Manufacturer’s Sales Branches and Sales Offices:
They are closely knit and well-controlled offices to sell the products of the parent organization. The Sales branches maintain all facilities, storage, finance, after-sales service etc.

Typical channels for Industrial Goods:

![Diagram of channels for Industrial Goods]

FIGURE:-3.3

TATA COMMUNICATION CHANNELS OF DISTRIBUTION

![Diagram of TATA communication channels]

FIGURE:-3.4

TATA’s own channel of marketing & distribution will be through Tata Exclusive Store:-
These centers will be the direct outlets/show rooms of TATA and will act as customer interface for:-

➢ Registration, activation, de-activation of all types of TATA telecom services.
➢ Sales of recharge coupons, various other customer services.

- Bill Payments
- Commercial/TR activities for change of number, DNP, RNP, safe custody, change of address etc.
- Commercial enquiries about facilities, value – added services, activation, deactivation, change of number, DNP, RNP, Change of address etc.
- Customer complaints related to service billing etc.
- Demonstration of facilities.
- General enquiries (such as various brands of cell phones and the procedure to do follow for using the particular model, where can cell phones be purchased from etc) related to any telecom services.

The centers will entertain walk-in-customers & answer queries on telephone as well.

The service counters are proposed to be manned throughout-sourced/internal manpower and supervised by TATA office of appropriate rank.

There may be a TATA's on-line terminal at each centre, manned by TATA staff, for on the spot activation and provisioning of other value added services.
TATA INTERMEDIARIES:

1. Tata exclusive Store
2. Franchisee's showroom (exclusive basis)
   a. Sub Franchisee outlets (non exclusive basis)
3. Retailers selling prints.
4. True value shoppers.

(i) 'Franchisee'

TATA Franchisee showroom (each centre to act as franchisee – cum-marketing associate) may be required to perform broadly two functions in a designated geographical territory fixed by TATA.

(a) To act as customer interface for wall – in – customers

(b) To do marketing of TATA Indicom service through field sales force in addition to this.

(c) Franchisee shall sell TATA products and service.

(d) Franchisee shall sell all types of post paid and pre-paid services. The centre will responsible for:

(e) Registration of all type of Telecom services and recharge coupons by franchises and other services of TATA offered to them.

(f) Answering queries related to various facilities, value added services, new launches, schemes, promotions future services modes of payment, payment centers etc.

(g) Approaching and getting the prospective customers from allocated territory.

(h) Acting as interface between franchisee & TATA for all matters related to services provided at franchisee show room.
(i) Demonstrating the services and product counseling customers, educating the customers/prospective customers, TATA retailers.

(j) Each franchisee will set up its own network of sub franchisees and retailers for marketing of TATA products & services.

(i) (a) **Sub Franchisee:-**

Sub franchisees may be selected by appointed franchisee in consultation with TATA. TATA may also specify locations where appointment of sub franchisee will be mandatory for franchisee sub franchisee will perform all work on behalf of franchisee as above compensation to sub franchisee will be provided by the franchisee & TATA will not be a party directly & indirectly between franchisee and sub franchisee at any point of time.

(b) **Responsibilities of Franchisee:**

Franchisee will generate demand for providing services permitted by TATA to Franchisee. TATA Franchisee will target both individual and corporate customers. Franchisee will receive, attend and rectify complaints and provide after sales services. Franchisee will receive advertising material from TATA for displaying them and distribution to sub-franchisee and retailers. Franchisee will promote TATA brands at his own cost. Franchisee will store SIMs, instruments and other telecom stores. Franchisee will prepare MIS as per TATA format and will give to GM (Mktg.) Circle Office as per frequency specified. Franchisee will arrange for special promotional events as per TATA guidelines at his own cost. Franchisee will prepare list of franchisee and retailers and will inform to TATA from time to time. Franchisee will
verify the credentials of new customers. Franchisee will have to provide exclusive TATA showroom as per TATA’s design at his own cost.

**Retail Selling Point:**

Retail point will act as outlets for TATA prepaid cash coupons such as recharge coupons, IT cards etc. Compensation to retailers will be responsibility of franchisee. TATA will not be a party directly/indirectly between franchisee appointed.

**True Value Shoppers:**

Tata Indicom has five exclusive True Value shoppers to cater to the people of Dhanbad. Tata Indicom has put up "towers at different location for better networking voice clarity. This launch is a key milestone in pursuit of realizing the Tata dream of housing nationwide presence”. The True value shoppers in Dhanbad are located at Hirapur, Bank More, Saraidhela, Busstand & Govindpur.
RELIANCE CHANNELS OF DISTRIBUTION

PCO  LBA  USP  Retailer  Point  Franchisee  Distributors  Reliance  Retail

(1.3 lacks)  of  [WWE]  170  Web  Point

FIGURE:-3.5  Sale  (850)  World

RELIANCE INFOCOMM INTERMEDIARIES:

**PCO:-**

Reliance started the PCO operations on April 1, 2004. The initial target was one lack lines in 32 cities, which reliance achieved in just five months. The subsequent target was 3.5 lacks lines, which was reached in march-2005 in just under one year – a record for fastest acquisition for any operator in the PCO business.

**LBA:-**

An LBA or local business associates should be a small entrepreneur who is able to manage a field team. Investment for him is not heavy. He has to pay a small security deposit for STD and another one for local lines.

Reliance Infocom has 3.5 lakh STD lines in just few days. PCO comes under a different category of service.

**USP:-**

Our positioning initiatives interactivity elements best customer service world-class contents and user-friendly nature of worker USPs.
Reliance provide door to door service in delivering prepaid vouchers to the customers and ensure a better quality of network and service for the same tariffs offered by the other operators.

**Retailers:**

With the distribution network in place the team is new focused on increasing sales of RIM through concerted efforts and special programs. Reliance is now aiming at doubling the customer base. Reliance have seventeen retail outlets, including the web world, Reliance have a team of sixteen feet on street (FOS) staff who were initially stationed in retail outlets to educate the retailers on reliance products. Now the FOS team visits the field to set up a to reliance services. Recently, reliance had a similar program with the navy personnel. They make comparison charts with rates of other service providers and explain to their retailers how their services are better and give more value for money.

Reliance have a gamut of schemes for retailers, Reliance have worked with retailers for handset exchange melons, both within Reliance outlets and at general market outlets, An arch is put and the retailer’s visibility and business significantly increase. Reliance has retailer engagement programs at WWE as well as NS69 towns. Reliance have had SEP, ad hoc programs and incentive programs for the counter staff.

Reliance web world is a world-class, nationwide chain of retail outlets for all Infocomm products and services. Currently reliance have 236 web worlds across 111 cities, out of which 60 are in integrated mode, where all the three key modules of customer convenience, Broadband and Java green are present.

Sales and collection the Web World is expanding its horizons. The emerging trend shows a clear synergy between the Broadband center and Java green nationwide
chain of gourmet coffee bars. The focus is to create a new business model for digital users.

Web Worlds web world expresses and the retailers are selling the R connect for data usage to many customers craze for R connect is quite high here. They have made presentations to schools, colleges, including engineering & technical colleges.

**Point of Sales (POS):**

Reliance also have some outsourced retail channel in the form of point of sales (POS). They provide a good reach in the most cost effective manner. There are also occasions when Reliance have to physically chase the customer in the case reliance use push competent of a channel in the form of independent sales agents (ISAs) and Direct sales Agents (DSAs) each of these channels therefore plays an important role on terms of establishing a connect with the customer for bringing to him her the benefits of the products depending on the kind of product, its shelf life its packaging (POS). They occasions when Reliance have to physically chase the customer in this case reliance use push competent of a channel in the form of independent sales plays an important role on terms of establishing a connect with the customer for bringing to him her the benefits of the products depending on the kind of product, its shelf life its packaging, its distribution and the customer profile.

Reliance POS, and motivated on a regular basis to ensure a strong commitment. They are designing on organizational structure to manage the channel under the recently articulated CIOV concept. Reliance has designed a frontline field supervision unit which is a self managed three person team. They are one for all and all for one. These three people hold expertise on different subject matters but jointly work. They get together to form a zone. These people are their critical resources in
Channels of Distribution

terms of managing the consistency of experience on the field at the next level which is the cluster level we actually maintain the verticals who are specialties in catering to individual channel easements, so that the best potential can be extracted from the given territory, in terms of individual channel performance as there are certain aspects of channel performance, which are only visible at a higher level of aggregation.

Coming to the span of control, one retail person can be expected to handle not more than five to seven web world expresses because there are fairly large numbers of tasks inside that establishment. Then these are the POS, ISAs and DSAs.

Franchisees:-

If we look at the WWE Franchisee they are providing complete customer care on behalf of the company for Example, if the customer has a problem, he or she first approaches the WWE where the information relating to his or account is available on the clarify.

Today, with increasing stability in areas like customer satisfaction, sales and collection, the web world is expanding its horizons. The emerging trend shows a clear synergy between the Broadband center & Java Green – the nationwide chain of gourmet coffee bars. The focus is to create a new business model for digital users. An integrated web world is aimed to demonstrate the model for digital users. An integrated web world is aimed to demonstrate the cutting edge in this regard is the bandwidth. The Broadband capabilities of web worlds cater to both retail and enterprise segments. Like imagination, the range of applications remains unrestricted. On comparing the web world with just any other cyber cafe in the locality, one realizes that the service delivery of web worlds stands unparalleled.
Reliance is offering real broadband internet surfing, together with value added services like video chat, Multi-player online gaming & Digital delivery of material from the corporate focus, they provide unified video conferencing & virtual office, something that is lacking in the run-of-the mill cyber cafes. Broadband is globally defined in terms of speeds in excess of 256 kbps in the real sense. All the videoconference is on 768 Kbps connectivity. Typically surfing in cyber cafes takes a lot of time, and the connectivity gets worse during the peak hours. In reliance web world however, Reliance have a very good estimate of usage, peak slots so on. Also, unlike other cyber cafes, Reliance charge the customers on the basis of minutes used. The internet charge for example is 50 paisa per minute, gaming is 70 paisa per minute, video chat is Rs one per minute and so on.

Reliance web worlds have hosted numerous job interviews, sales meets, medical conferences, e-learning, digital parties, e-get-togethers with film stars & matchmaking through multi-location video chat & video conferencing.

The web world network hosted India's first multi-player gaming competition in association with Microsoft in December-2003, and it transformed the way TV news broadcasters gathering (DENG) facility for live news coverage from nearly 100 cities across the country.

A new initiative is exam registration for various institutes through our web worlds. Along with a third party business partner, Reliance and trying to combine ten to twelve management institutes for online registration. It will be a one stop solution. Students will come to Reliance web world, apply online, upload the necessary data, take a print out of the application, and make the payment here itself. The fee will be transferred to the institute. We are in close discussion with XLRI Jamshedpur on this.
This will streamline the process of application for institutes and at the same time from students point of view, they can simply come to one rite and apply for may be ten institutes at one go. A part from this Reliance infrastructure is widely used especially by the IT industry, for recruiting new candidates online, reveals Bob Dexter, web world head Tamil Nadu circle.

The web worlds have also emerged as a popular destination for celebrating birthday parties recently one year old ronak was able to eat his birth day cake in the presence of his grandfather Amarjit who appeared on the screen during a video conference while ronak was at a reliance Web world outlet in Calcutta his grandfather was at a pune web world over a thousand kilometers away. The web worlds are now maintaining a database of their customers, birthdays and have tried to sell this new proposition to their existing customer feedback for upgrading the broad band requirements and the idea is to multiply the number of Broadband centers.

One of the several remarkable usages of the Web worlds was when their Juhu and Ahmadabad Web worlds were involved in matchmaking. The two families spoke at length to each other following which the boy and the girl were made to talk in private. Interestingly this later materialized in the Exchange of wedding vows. Pt has a tureen prompted reliance to negotiate with two leading matrimonial agencies for a tie up then since a lot of children visit reliance web worlds, reliance have come up with a ten day infotainment program called the little genius program for the children which imparts basic know how computers & internet world excel, e-mail, video chat and so on.

More than so percent usage of the Web World is for gaming, which has today become an internal part of entertainment. The gaming community is very unique in the sense that the games always play in groups of five or six and they have similar
competence levels in order to sustain interest in the sessions. “Bangalore is not new to
gaming. Gaming parlors with a good ambiance have existed in Bangalore however
with the rollout of the Broadband center in our Web worlds reliance wanted to get this
community of games to come to their Web worlds. The basic advantage that reliance
has over the gaming parlors is that one can indulge in genuine online, multi player,
multi-location gaming. This means that a person sitting in Delhi can play against a
person in Bangalore as Reliance are on a wide area network, the gaming parlors that
are on a local area network Reliance also score in terms of Reliance ambiance.

The scope of Digital distribution of information & entertainment is endless. Reliance is also providing a Digital suitcase or uploading/downloading data files. Applications in the making are instant personalized music CD burning (My Music) and the central streaming of digital movies. Reliance have CD burning facilities at all their Web worlds intact every Reliance Web world has a business service center where you have fax, color printing, lamination and seining facilities. In the centralized streaming of movies the movies will be streamed from their Internet Data center across the Web worlds. Reliance Web worlds are equipped to play the role of mini theatres.

Reliance has something like 7000 points of sale (Pos) and directs selling
Agents (DSAs) and around 770 distributors. Reliance also plans to open 850 WWE,
which will be the direct company channel through their distributors and their Pos.
They also cater to very large number of retailers who indirectly deal with them. They
are hoping that by the end of March their numbers will go up to 1.3 lacks. Reliance is
currently at around 75000.

If look at the WWE franchisees, they are providing complete customer care on
behalf of the company for example, if the customer has a problem. He or she first
approaches the WWE where the information relating to his or her account is available on the clarify.

**Channel Partners:**

The channel partners are generally outside the formal boundaries of the organization. This is simply necessitated by the degree of specialization needed for any operation. When it comes to actually interacting with the customer, it is not always worthwhile for an organization to create such a large infrastructure to directly deal with the customers. There are specialist agencies that are physically to catch in the desire area, in constant touchy with the customers, enjoying credibility and are far more suitable, it is far more cost effective for an organization in terms of managing its overall value chain. There is cost consideration, competency considerations and there is the question of managing the other interests of value chain. It follows the concept of division of labor and specialization.

Considering the indispensability of channel partners, one must be clear about the criteria to determine their choice.

In this respect, the reach of the channel partner plays a critical role, whether the channel partner is having his shop in the right place or not. It is also depends on the degree of experience. Selling a telecom product for example requires a comprehensive knowledge base.

**Retail Point:**

Retail point will act as outlets for Reliance prepaid cash coupons such as recharge coupons, it cards etc. Compensation to retailers will be responsibility of
franchisee. Reliance will not be a party directly/indirectly between franchisee appointed.

A need has been felt to have additional distribution channel apart from company owned outlets. This is all the more necessary as Reliance is facing increasing competition in all types of services and has to respond quickly for delivery of its services as well as to respond to customer inquiry and complaints so as not only to maintain its market share in the emerging telecom scenario but also to expand and acquire new market segments.

Reliance aim is to own outlets (customer service centers) STD/ISD PCOs were the first alternate channel for availability of its services to consumers later on marketing agents were appointed to sell its ITC cards in the year 2002 Reliance appointed dealers and distributors to sell its them newly introduced post paid & pre paid cellular services under the proposed policy there will be franchisees selling all Reliance services, which includes cellular basic WLL internet, ITC cards etc. instead of having separate dealers and distributors for different services the type of services offered by the franchisees includes providing new connection in cellular basic, fixed line, WLL, internet, value added services of cellular and basic & selling of recharge coupons and ITC cards in addition to generating demand and meeting targets for providing services offered by Reliance the franchisees will have to do after sales services including receiving attending & rectifying complaints and selling added on products if approved by Reliance the franchisees will have to do after sales services including receiving attending and rectifying complaints and selling add on products if approved by Reliance.

The selection of Franchisees and the control of its functioning in Reliance is to be undertaken by telecom circle H/Q by inviting EOI.
Reliance Web World:

Reliance Web World is a world-class, nationwide chain of retail outlets for all Infocomm products & services. Unfolding initially as a customer convenience interface for all reliance Infocomm products the web worlds, with the introduction of Java green & the Broadband center have today evolved into a one-shop for digital information entertainment & communication.

The transition has been gradual but is something that was envisaged right at the conceptual stages "Currently". Reliance has 236 web worlds across 111 cities, out of which 60 are in the integrated mode, where all the three key modules of customer convenience, Broadband and Java Green are present. Our current scope is 241, and of the 241 web worlds are build to function in an iterated mode however, the simultaneous roll out of all the modules was not viable till some time ago. In January, it was around 17 lacks per month. So the entire store had to be dedicated to RIM.

CHANNEL-DESIGN DECISIONS:

In developing channels of distribution, producers always have to struggle with what is ideal and what is available. Most produces do not sell directly to their end consumers in today's market. They can make choices about where to produce the goods, based on lower costs and other considerations, together with decisions about which markets to sell the goods in and how to get the goods to the consumers. Consumers of services actually participate in the service delivery process and the method chosen by the service provider for service delivery will form part of the service itself. Distribution, or the 'place' element, of the marketing mix is concerned chiefly with two main issues; accessibility and availability. The inseparably nature of services
means that services must be accessible to customers & potential customers in order for exchanges to take place following are the factors which services marketers need to take into account in determining a distribution strategy:

1. Determining channel objectives and Constraints.
2. Product characteristic.
3. Customer Preferences.
4. Accessibility and Availability.
5. Middlemen Characteristics.
7. Target market.
8. The importance of Geographical Location as part of the service.
10. Levels of technical skill or expertise required to deliver the service satisfactorily.
11. Legal & political restrictions on foreign operations:
13. Environment Characteristics:

3.3 SELECTION OF CHANNEL:

Whilst it has been established that services organizations will not necessarily use channels in the same way as manufacturers of physical products, various types of intermediaries are sued in many service situations. Care must be taken when selecting intermediaries or channel members. Their direct contact with the ultimate user of the service means that they can influence levels of quality and customer satisfaction. This is a more complex issue in services marketing because of the role of the service
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provider in the service delivery process and is the main concern of channel management in services marketing. Factors which influence the selection of channel members include the standing of prospective intermediaries, their image, personnel and location. Channel members should be of sound financial standing and reflect the quality and image of the service offered. They need to have the appropriate facilities, resources & personnel to be able to deliver the service effectively. The Selection of channel members is made after weighing the following elements:

1. Proven ability to develop sales volume.
2. Sufficient organization to provide adequate market coverage,
3. Technical knowledge of the product line,
4. Established contact with potential buyers
5. The image of the institution.

(a) WHOLESALER:

The wholesaler remains an important link in the commercial network even though there is an increasing tendency for manufacturers to supply the final consumer directly, in which case the manufacturer must assume the role and functions of the wholesaler (i.e., develop a vertical marketing system). A wholesaler attempts to reconcile supply & demand and in doing so he helps to relieve the manufacturer of this task. A wholesaler pays less attention to promotion, atmosphere, and location because they are dealing with business customers rather than final consumers. They usually cover a large trade area.
### MAJOR WHOLESALER TYPES:

1. Merchant wholesalers:
   
   (a) Full-service wholesalers
   
   (b) Limited service wholesalers

2. Brokers and Agents

3. Manufacturer's and Retailers' Branches and offices

4. Miscellaneous wholesalers

### MERCHANT WHOLESALERS:

Independently owned businesses that take title to the Merchandise they handle. They are called jobbers, distributors, or mill supply houses and fall into two categories: full service & limited service.

### FULL SERVICE WHOLESALER:

Full service wholesaler carries stock, maintain a sales force, offer credit, make deliveries, and provide management assistance. There are two types of full service wholesaler:

1. **Wholesale Merchants:** They sell primarily to retailers and provide a full range of services. General merchandise wholesalers carry several merchandise lines. General -line wholesalers carry one or two lines. Specialty wholesalers carry only part of a line.

2. **Industrial distributors:** An industrial distributor sells to manufacturers rather than to retailers and provides several services- carrying stock, offering credit, & providing delivery.
**LIMITED SERVICE WHOLESALERS:**
Offer fewer services to suppliers of customers.

**Cash-and-carry wholesalers:**
They have a limited line of fast moving goods & sell to small retailers for cash.

**Truck wholesalers:**
Truck wholesalers primarily sell and deliver a limited line of semi-perishable merchandise to supermarkets, small grocery stores, hospital, restaurants, factory, cafeterias, and hotels.

**Drop Shippers:** Drop shippers operate in bulk industries, such as coal, lumber, and heavy equipment. Upon receiving an order, they select a manufacturer, who ships the merchandise directly to the customer on the agreed upon terms & time of delivery.

**Rack Jobbers:**
Rack jobbers serve grocery and drug retailers, mostly in non food items. They send delivery trucks to stores, and the delivery people set up displays, price the goods, set up point of purchase displays, and keep inventory records.

**Producers' Cooperatives:**
Producers cooperatives assemble farm produce to sell in local markets. Co-op profits are distributed to members at the end of the year.
**Channels of Distribution**

**Mail-order wholesalers:**
Mail-order wholesaler send catalogs to retail, industrial, and institutional customers featuring jewelry, cosmetics and other small items. Orders are filled and sent by mail, truck, or other means of transportation.

**BROKERS AND AGENTS:**

**BROKERS:**
A broker is an intermediary who brings buyers and sellers together while assisting in negotiation. Brokers are paid by the party who hired them, rarely become involved in financing or assuming risk, and are not long-term representative so buyers or sellers. The most familiar examples are real estate brokers, insurance brokers, and security brokers.

**AGENTS:**
Represent either buyers or sellers on a more permanent basis.

**MANUFACTURERS' AGENTS:**
Manufacturers' agents represent two or more manufacturers of complimentary lines. They enter into a formal written agreement with each manufacturer covering pricing policy, territories order-handling procedure, delivery, Service & warranties, and commission rates.

**SELLING AGENTS:**
Selling agents have contractual authority to sell manufacturers' entire output in such product areas as textiles, industrial machinery and equipment, coal and coke, chemicals, and metals.
Channels of Distribution

PURCHASING AGENTS:
Purchasing agents generally have a long-term relationship with buyers of make purchases for them, often receiving, inspecting, warehousing and shipping merchandise to buyers.

COMMISSION MERCHANTS:
They take physical possession of products and negotiate sales.

MANUFACTURERS AND RETAILERS:
BRANCHES AND OFFICES:
Whole sailing operations conducted by sellers or buyers themselves rather than through independent wholesalers. Separate branches and offices can be dedicated to sales or purchasing. Sales branches and offices are set up by manufacturers to improve inventory control, selling, and promotion.

MISCELLANEOUS WHOLESALERS:
A few specialized types of wholesalers are found in certain sectors of the economy. These include agricultural assemblers, petroleum bulk plants and terminals, and auction companies.

RETAILERS:
A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing. A retailer tends to have less influence on what products to stock because customers may collectively insist on a particular brand. In addition, there has been a move towards scrambled merchandising which means that retailers, who once specialized in a particular product line now sell many nontraditional lines,
as well merchandising consists of the use of display & promotional devices specifically at the point of sale, such as free samples, cut-price offers, interior displays, loss leaders.

**MAJOR RETAILER TYPES:**

Department Store: The development of these stores began in the UK in about 1860. The store consists of a collection of shops under one roof; customers are often attracted by the palatial surroundings, the comfort and the convenience of one-stop shopping, and the enormous variety of products which are on sale. The shoppers are not forced to buy and can wander around the store at their leisure. Each department is run as a separate business and is under the control of a manager.

**SPECIALITY STORE:** Narrow product line with a deep assortment. A specialty store can be of the following types:

(a) Single line store: A clothing store would be a single-line store.

(b) Limited line store: A men's clothing store would be a limited-line store.

(c) Super specialty Store: A men's custom-shirt store would be a super specialty store.

**SUPER MARKETS:**

The concept of Supermarket developed in the 1920s in the USA. A supermarket is a self-service store with a floor area of more than 2000 eq. ft. and more than three checkouts. There is emphasis on food and household goods, at very competitive prices. The food is often pre-packed & easily identifiable, although there is usually a service counter for products such as cheese, bacon, etc. Some supermarkets have
developed clothing & other departments & have even installed petrol pumps, in order to improve profitability.

**CONVENIENCE STORE:**
Relatively small store located near residential area, open long hours, seven days a week, and carrying a limited line of high-turnover convenience products at slightly higher prices, plus take out sandwiches, coffee, soft drinks.

**DISCOUNT STORE:**
Standard merchandise sold at lower prices with lower margins and higher volumes. Discount retailing has moved into specialty merchandise stores, such as discount sporting–goods store, electronics stores, and books stores.

**OFF-PRICE RETAILERS:**
Merchandise bought at less than regular wholesale prices & sold at less than retail; often leftover goods, overruns and irregulars.

**FACTORY OUTLETS:**
Factory outlets are owned and operated by manufacturers & normally carry the manufacturers' surplus.

**INDEPENDENT OFF-PRICE RETAILERS:**
They are owned & run by entrepreneurs or by divisions of larger retail corporations.
WAREHOUSE CLUBS:

Warehouse club sell a limited selection of brand name grocery items, appliances, clothing & a Hodge Wodge of other goods at deep discounts to members who pay annual membership fees. Wholesale clubs operate in huge, low-overhead, warehouse like facilities and offer rock-bottom prices – typically 20 to 40 percent below supermarket and discount-store prices.

SUPERSTORE:

About 35000 square feet of selling space traditionally aimed at meeting consumer’s needs for routinely purchased food and nonfood items, plus services such as laundry, dry cleaning, shoe repair, check cashing, and bill paying. A new group called category Killers carries a deep assortment in a particular category and a knowledgeable staff.

COMBINATION STORE:

Combination stores are combination food and drug stores that average 55,000 square feet of selling space.

HYPERMARKETS:

Range between 80,000 and 22,000 square feet & combine Supermarket, discount and warehouse retailing. Product assortment includes furniture, large and small appliances, clothing, and many other items.
Channels of Distribution

CATALOG SHOWROOM:
Broad selection of high-markup, fast moving, brand-name goods is at discount prices. Customers order goods from a catalog, and then pick these goods up at a merchandise pick up area in the store. Example: Service merchandise

BUSINESS FORMAT FRANCHISING:
One of the major ways of services provision is through franchising. The parties involved are the franchiser, the franchisee, and the customers. In this category, we will mainly concentrate on business format franchising. In India, This type of franchising arrangement has been successful in the areas of photographic development and printing services (e.g. Restaurants and hotels, tuition & coaching classes, telephone services etc.).

A franchiser runs a trade or service mark and licenses it to the franchises in return for financial compensation. The franchises usually specialize in a particular type of modus operandi which enables standardization in the service delivery and promotion, results in a high degree of customer satisfaction.

The Advantages that a franchise derives are many:

- Rapid expansion of a successful business format can be achieved. In the normal course, expansion would mean high investments in premises and properties.
- Extensive Geographic coverage enables rapid volume growth. Potential customers attach greater credibility to a well known brand name & its facilities.
- The franchisee brings local knowledge about locations, rents, employment & wages, customer characteristics, and local promotional channels etc which usually would be hard to obtain for the franchiser.
The franchisee also derives a number of important benefits such as-

- Reduction of the start-up risk. In the case of both goods and services, the starting up phase is a highly risky proposition. The failure rate of businesses is the highest during the introductory period.

- The standardization in the business format means optimal use of resources and reduction in costs of operation, including trade promotion, and so on.

- The franchisee also benefits from the brand equity and the national level advertising and promotion done by the franchiser.

Thus, both the business partners benefits from this process and it is a very successful business model. There are certain aspects of this business, however, which are crucial for continued success.

**MAIL ORDER:**

A mail order house operates its business through extensive advertising, and through the production of a large, detailed and illustrated catalogue. This method of retailing is appealing more and more to urban buyers who are able to 'shop' within the comfort of their own home, using the retailer's glossy & descriptive catalogue from which to make their selections. Many mail order business offer credit terms and usually all goods are seat on approval before the customer need commit himself.

Canon & Wicrert "mail order business is the business which receives orders through mail and which delivers its Merchandise by mail or by parcel".

**INTERNET**
3.4 BENEFITS OF CHANNEL OF DISTRIBUTION.

BENEFITS OF CHANNEL OF DISTRIBUTIONS:

- They gather information about potential and current customers, competitors, and factors and forces in the marketing environment.
- They develop and disseminate persuasive communications to stimulate purchasing.
- They reach agreements on price and other terms so that transfer of ownership or possession can be effected.
- They place orders with manufacturers.
- They acquire the funds to finance inventories at different levels in the marketing channel.
- They assume risks connected with carrying out channel work.
- They provide for the successive storage and movement of physical products.
- They provide for buyers’ payment of their bills through banks and other financial institutions.
- They oversee actual transfer of ownership from one organization or person to another.