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Channel

For Internal Circulation and Academic
Purpose Only


Programme Educational Objectives

- *Our program will create graduates who:*
- *Will be recognized as a creative and an enterprising team leader.*
- *Will be a flexible, adaptable and an ethical individual.*
- *Will have a holistic approach to problem solving in the dynamic business environment.*

Sales and Distribution Management

Course Outcomes

- CO1- Given a situation of Festival, student manager will be able to identify appropriate Sales Forecasting method to be adopted by a company.
- CO2- Given a situation of opening a new outlet, student manager will be able to draft a sales plan.
- CO3- Given a situation of Selling products / services, student manager should be able to explain Personal Selling Process.

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- CO4-Given a criteria of newly launched company, student manager should be able to design an effective Sales Compensation Plan for Sales Executive.
 - CO5-Given a criteria of distribution channel of a company, student manager should be able to outline different levels of Marketing channel used by the company.
 - CO6-Given a situation, student manager should be able to explain the process of Reverse Logistics.

Channel

- “Channel” word is derived from the Latin word canalis (canal). **A marketing channel can be viewed as a canal or pipeline for products for journey from manufacturer to end user.**

- Channels serve two primary functions: selling to the customer and delivering customer experience including products and services themselves.

- Individuals and firms involved in the process of making a product or service available for use or consumption by consumers or industrial users are known as **Channel Members.**

“Marketing channel or channel of distribution is a set of interdependent organization involved in the process of making a product or services available for use or consumption by the consumer or business user”.

Channel Management

- It is defined as a process where the company develops various marketing techniques as well as sales strategies to reach the widest possible customer base. The channels are nothing but ways or outlets to market and sell products. The ultimate aim of any organization is to develop a better relationship between the customer and the product.

Channel management helps in developing a program for selling and servicing customers within a specific channel. The aim is to streamline communication between a business and the customer.

- A channel strategy considers factors such as **customer habits, competitive environment and constraints such as costs and capabilities**

Channel Strategy

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- **Retail** - Opening physical locations to reach customers.
- **Ecommerce** – Selling through your website and other digital channels such as a mobile app.
- **Bricks and Clicks** – Combining your ecommerce and retail operations such that they compliment each other. For example, retail locations may be used for delivery and customer service for online orders.
- **Value Added Reseller** - Partners that incorporate your products or services in their own products.
- **Franchising** - Retail locations that you don't own but exercise significant control over through contractual agreements.

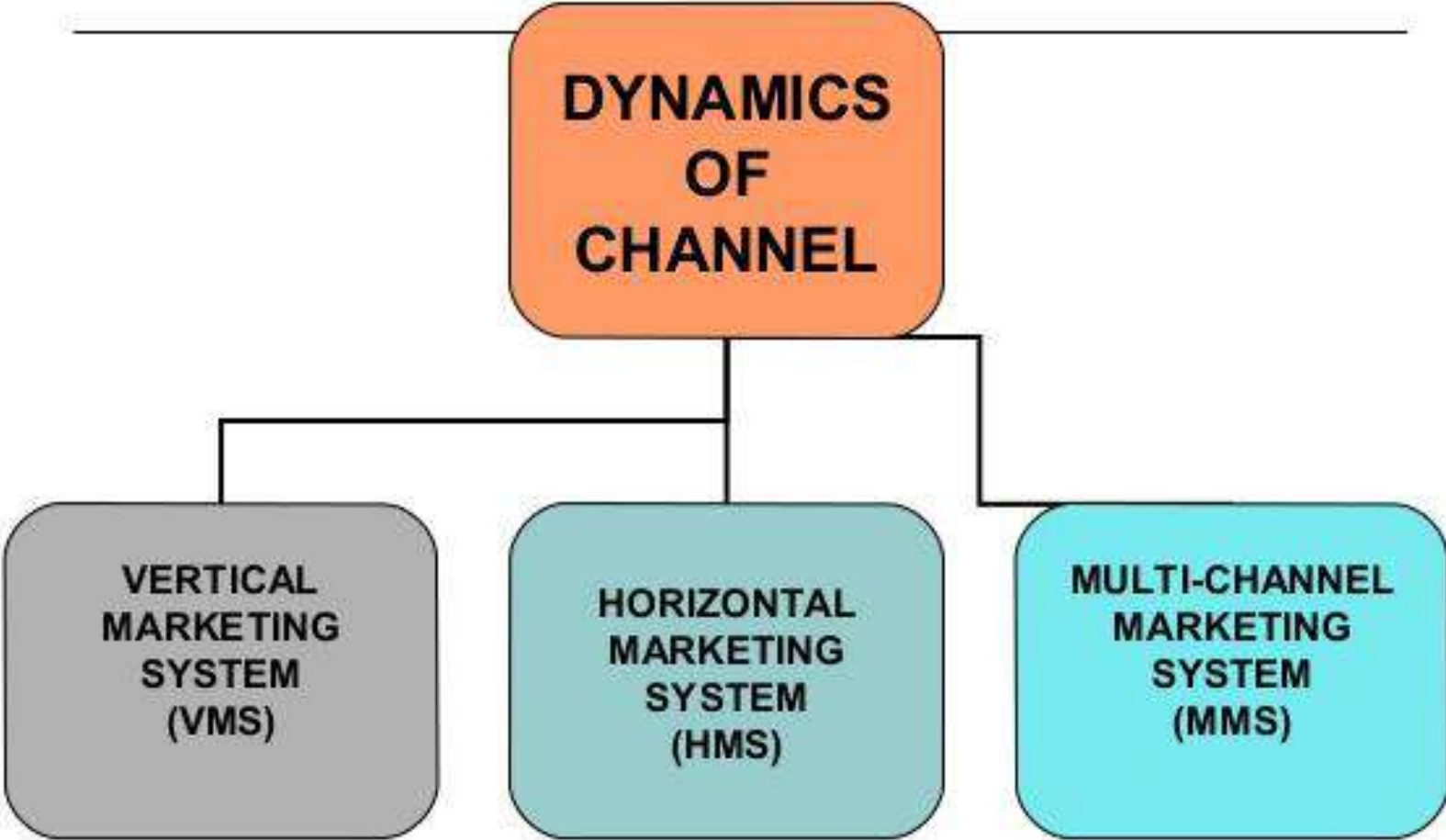
Channel Strategy

- **Licensing** - Granting other firms the right to use your brand and/or intellectual property such as product designs in exchange for fees.
- **Marketing Partners** - Partners such as advertising platforms that help you to reach customers.
- **Distribution Partners** - Partners that help you with distribution including sales and delivery of products, services and customer experience.

Importance of Channel Integration

Channel integration refers to strategies aimed at consolidating — either physically or logically — customer information and its use to provide an all-encompassing view of the customer.

- Bridge the Gap
- Streamline the Physical and Information
- Reduces the Uncertainty, Cost & Risk
- Better Management & Co-ordination



Vertical Marketing System (VMS)

- In a vertical marketing system (VMS), the manufacturer, wholesaler, and retailer proceed as an integrated system. One channel member owns the other or franchises them or has so much power that they all cooperate.
- Vertical integration is the expansion of a company by moving forward or backward within your vertical market or industry.
- ITC buying wheat from farmers to produce Aashirwad atta and Sunfeast biscuits recently.



Vertical Marketing Systems

- Advantages of VMS
 - It is easier to control channel behavior.
 - It is easier to eliminate conflicts that results when independent channel members pursue their own objectives.
 - It improves distribution efficiency by combining the efforts of individual channel members.
 - The economies of scale through the size, bargaining power and eliminating of duplicating services can be achieved.

Horizontal Marketing Systems

- A **Horizontal Marketing system** is a form of distribution channel wherein two or more companies at the same level unrelated to each other come together to gain the economies of scale.
- **Nike and Apple** have entered into a partnership, with the intent to have a Nike+ footwear in which the iPod can be connected with these shoes that will play music along with the display of information about time, distance covered, calories burned and heart pace on the screen.

Horizontal Marketing Systems

Horizontal Marketing Systems.(HMS)

- **Advantages of HMS**

- Horizontal integration of related businesses allows them to achieve economies of the scale by selling more of the same product through geographic expansion.
- Horizontal marketing system includes the economies of the scope through synergies achieved by sharing of resources common to different products, and reduction in the cost of international trade by operating factories in foreign countries.

- **Disadvantages of VMS**

- The integration of business may result in problems related to size such as lack of coordination.
- Conflicts between members.
- Decrease in Flexibility.

Multi Channel/Hybrid

- **Hybrid marketing system**, also called **hybrid channels** (or **multichannel distribution systems**), is a **system** that uses a number of channels and communication methods to serve a target **market**.
- **Brick & Click**

Multi channel Distribution Systems/ Hybrid Marketing System.

- **Advantages.**

- Increase in Market Coverage.
- Lower Channel Cost.
- More Customized Selling.

- **Disadvantages**

- More channel conflicts.
- Problem in Controlling.
- Degree of Freedom.
- Non cooperation among the different channel.



