



Param Pujya Dr. Babasaheb Ambedkar Smarak Samiti's

**Dr. Ambedkar Institute of Management Studies & Research**

Deeksha Bhoomi, Nagpur - 440010 (Maharashtra State) INDIA

NAAC Accredited with 'A' Grade

Tel: +91 712 6521204, 6521203, 6501379

Email: info@daimsr.in


# Types of Channels of Distribution

# Programme Educational Objectives

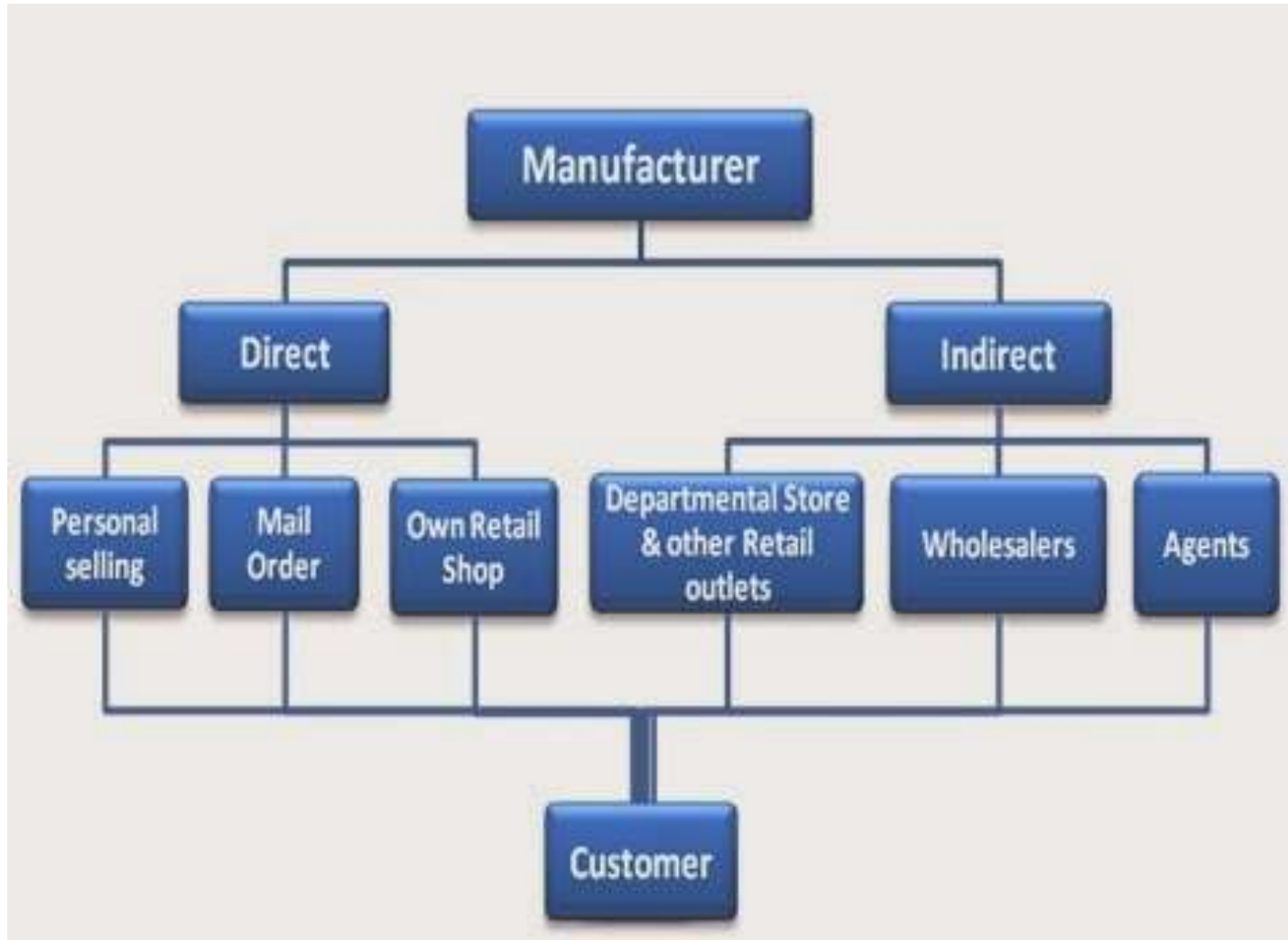
- *Our program will create graduates who:*
  - *1. Will be recognized as a creative and an enterprising team leader.*
  - *2. Will be a flexible, adaptable and an ethical individual.*
  - *3. Will have a holistic approach to problem solving in the dynamic business environment.*

# Sales and Distribution Management Course Outcomes

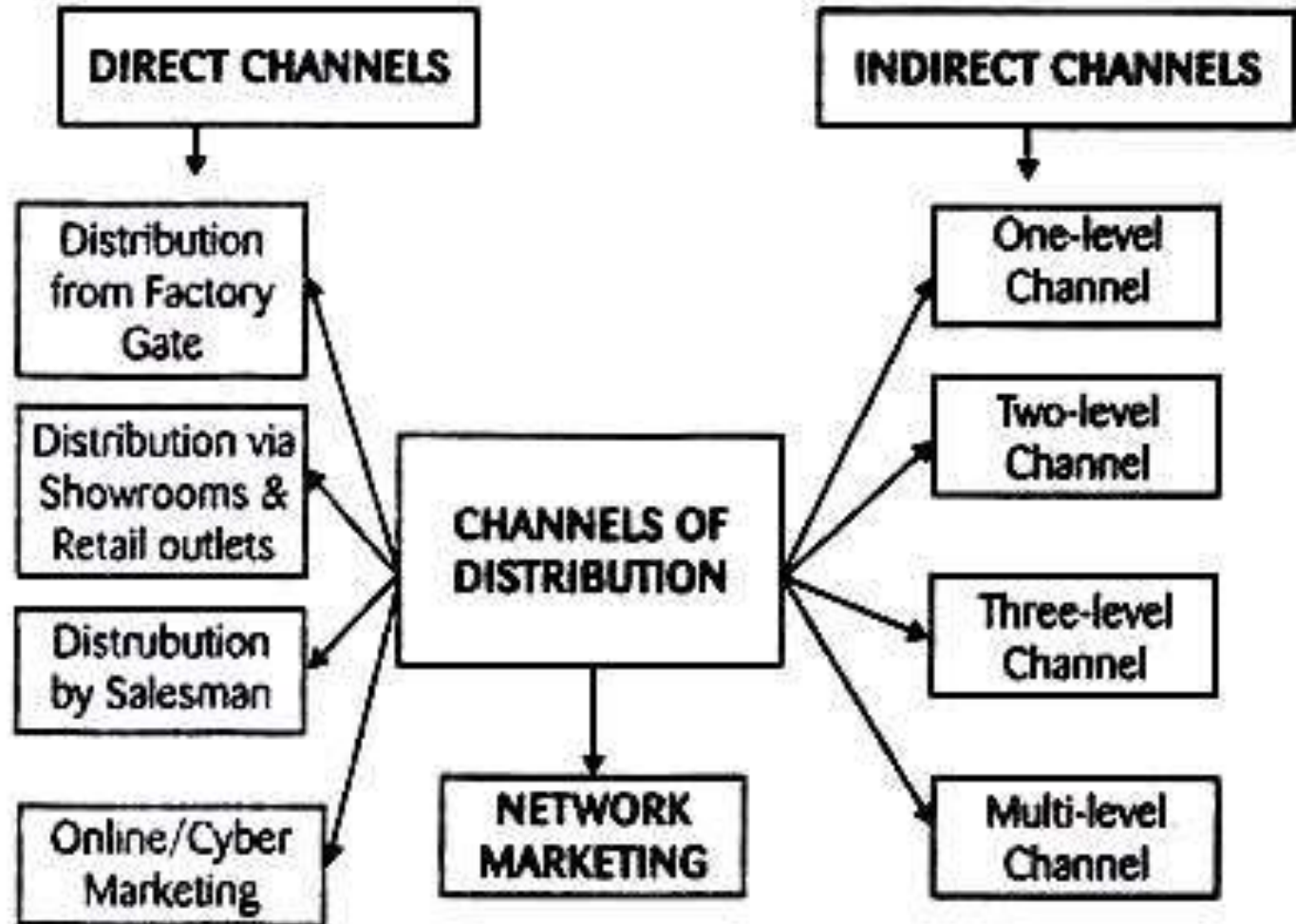
- CO1- Given a situation of Festival, student manager will be able to identify appropriate Sales Forecasting method to be adopted by a company.
- CO2- Given a situation of opening a new outlet, student manager will be able to draft a sales plan.
- CO3- Given a situation of Selling products / services,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

# Types of Channels of Distribution

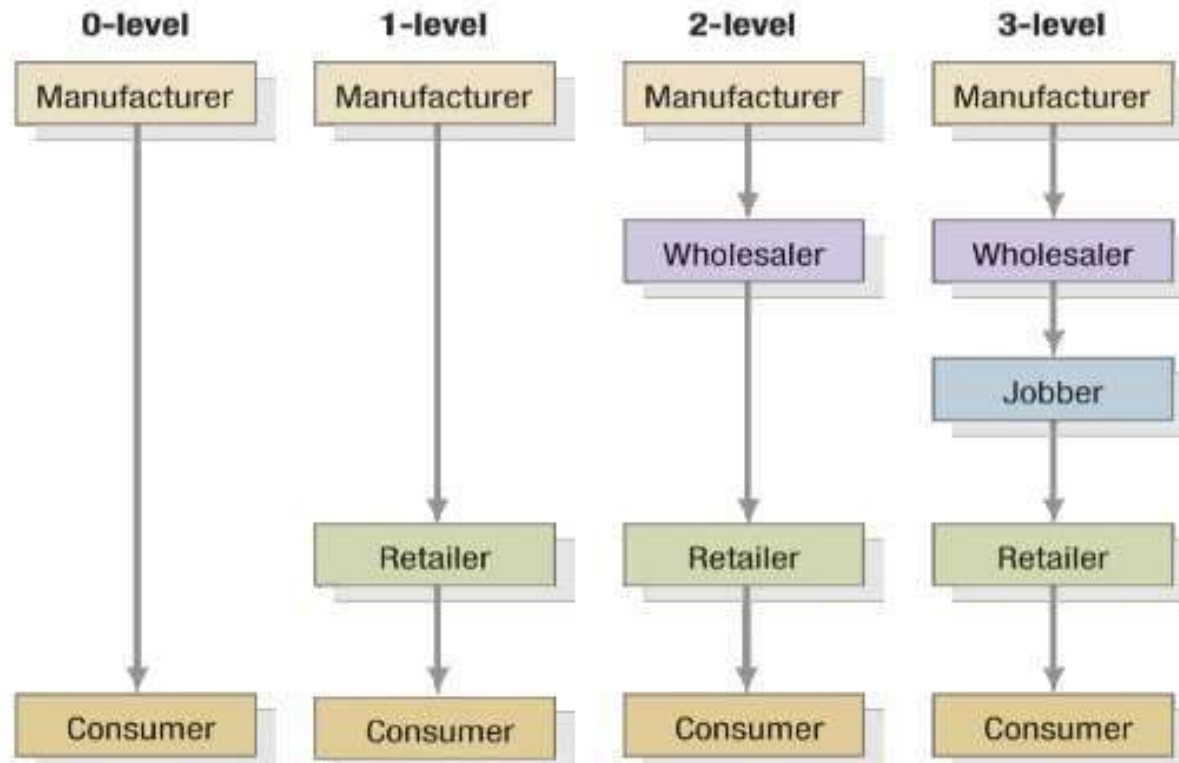


# Direct/Indirect Channel of Distribution



# Levels of Distribution Channel

## Levels of Distribution Channel



# Types of Distribution

## Levels of Distribution Intensity

Intensity Level	Objective	Number of Intermediaries
<b>Intensive</b>	Achieve mass market selling. Convenience goods.	<b>Many</b>
<b>Selective</b>	Work with selected intermediaries. Shopping and some specialty goods.	<b>Several</b>
<b>Exclusive</b>	Work with single intermediary. Specialty goods and industrial equipment.	<b>One</b>



# Types of Distribution

- **Intensive distribution**

When the company is having a mass marketing product, then it uses intensive distribution. Intensive distribution tries to cover as much of the market as it can. Typical FMCG and consumer durable products are best example of intensive distribution strategy.

# Types of Distribution

- **Selective distribution**

A company like Armani, Zara or any other such branded company will have selective distribution. These companies are likely to have only limited outlets. For example – In an urban city, Armani might have 2-3 outlets at the maximum whereas Zara might have 4-5.


# Types of Distribution

- **Exclusive distribution**

If Zara has 4-5 outlets in a city, how many outlets would a company like Lamborghini have? Probably one in a region of 5-7 cities. If a company wants to give a big region to one single distributor then it is known as exclusive distribution strategy.

# Nexa: How Maruti hit pay dirt

- A **niche for premium models** in its dealer network faced scepticism, but paid off.
- How does a market leader cope with mid-life anxieties about staying relevant in a changing demographic landscape? The company that put India on the automotive world map and has churned out millions of cars over the past three decades — Maruti Suzuki, which was grappling for an answer, seems to have found it.
- “About two years ago, we had around 46-47% market share... the remaining 53-54% customers were not coming to us,” said R.S. Kalsi, the company’s senior executive director, marketing and sales.
- “In our research, we found that young customers – the third generation customers, who may already have a Maruti Suzuki vehicle in their family... they think of Maruti Suzuki as dad’s car or grandfather’s car,” he said. Mr. Kalsi is the man who spearheaded the strategy to target, and bring in, the premium segment of customers.

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- That is how the Nexa was conceived, he said. Nexa is company's line of showrooms that sells its premium car portfolio.
  - This attempt by the company to change itself from the 'not-so-premium automaker' was met with scepticism from not just outside the company, but inside too. This was also not its first attempt at dominating the segment. Maruti Suzuki had earlier failed to capture the high-value segment with its Kizashi, and the Vitara.
  - The move was seen to be interfering with Maruti Suzuki's core strength — the about 1,800-strong dealer network at the time. "We had planned to introduce 50 outlets in the first year and I was told: 'You are compromising on the network strength'. I was told that it's a gamble, some of my peers said if this project doesn't go through my career may be at stake."


## ***‘Gained footfalls’***

However, as more models were introduced — Ciaz, Baleno and Ignis — and the channel expanded, footfalls into Nexa rose, which has also reflected in sales.

- “After the first 50 showrooms were in place and fully operational, we saw the Nexa bet paying off. People were appreciating the [value of the] showrooms. It wasn’t a typical Maruti Suzuki experience... As for the dealers... for any new initiative, there a couple of people who are on board, the others wait and watch for the results before joining. This happened here also,” Mr. Kalsi said.

# '3 lakh cars this year'

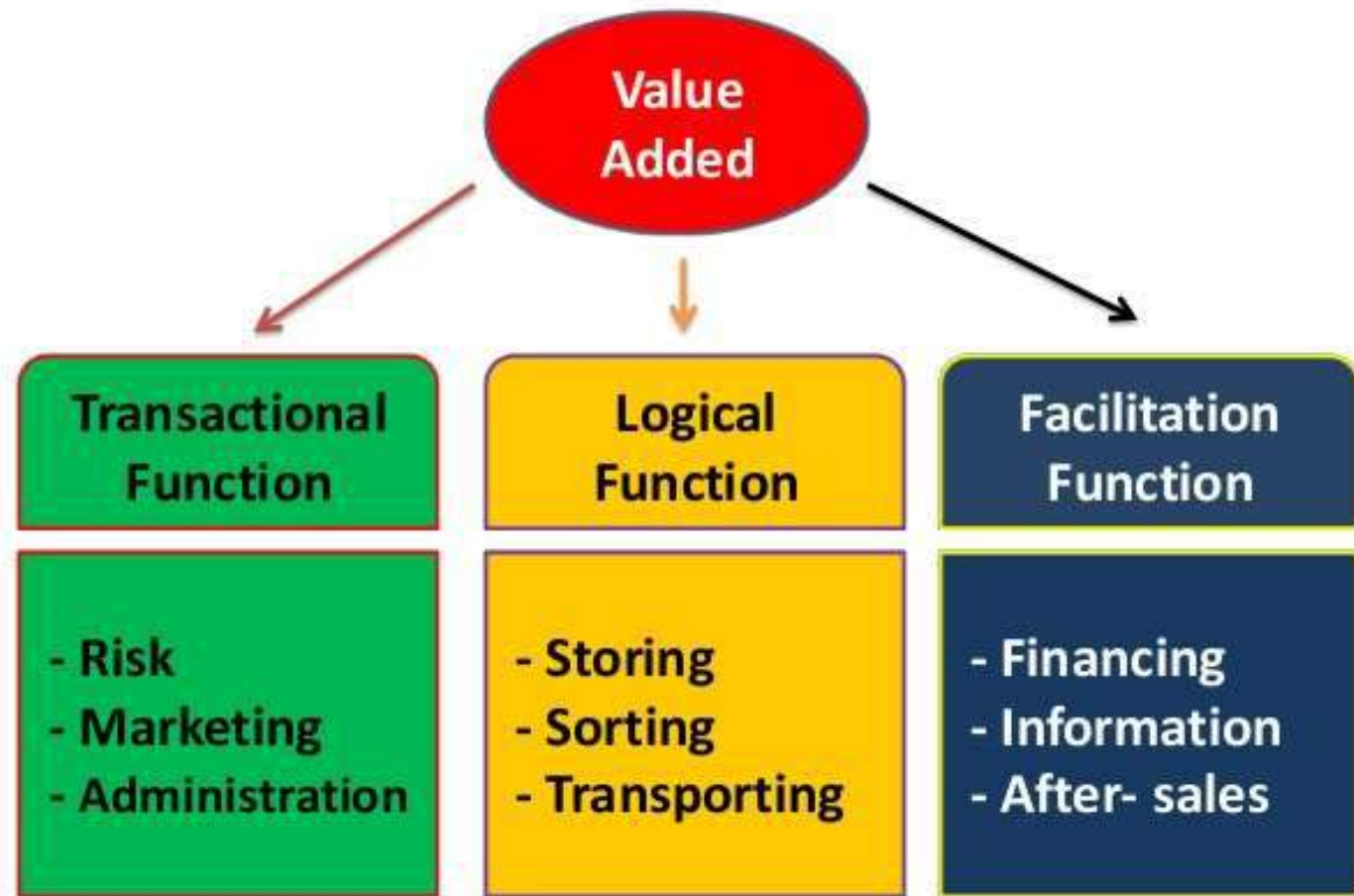
- Maruti Suzuki now has 280 Nexa showrooms and has sold 300,000 vehicles through the channel till now. Riding on the success of the channel, the company said it expected to sell 300,000 vehicles through Nexa in the current fiscal.
- Abdul Majeed, partner, PwC, said, “There are two aspects for any firm: product and distribution. Distribution plays a very important in connecting with the customers... they had products (like Vitara) earlier but could not convey it to the customer through distribution.”
- “Obviously, those buying entry-level vehicles are very different from those wanting premium vehicles... their thinking and aspirations are very different. Maruti Suzuki was very strongly associated with small cars..,” he added.

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- Mr. Kalsi agreed, saying, “We brought in a powerful portfolio of products in the last 4-5 years.” But that needed to be coupled with a great buying experience.
  - Digitisation was the first step. “About 75% of customers research online. We wanted to provide them with a seamless experience from where they left the research.
  - “Second, it is a pampered generation. They have travelled, been to the best restaurants... When they go to a bank, they deal with a relationship manager. Ours was a time when we used to stand in three queues just to withdraw money from the teller,” Mr. Kalsi said. Nexa helped combine these kinds of new-age experience.



- When a customer returned to a showroom, the RM knew whether she prefers a cup of black coffee or orange juice, Mr. Kalsi said, adding that the experience went beyond buying. “For example, we have a lounge in the Delhi Airport that customers can use; the Mumbai one is in process. There are fashion shows we do...We keep them engaged.”
- Besides the experience, it also helped the company focus. “Being a company with such a widespread product portfolio, we have to segregate the products as per the profile of the customer.”
- For Maruti, the segregation was not just price-based. “Premium is not just price but also features and feel,” Mr. Kalsi said. For the company, the Nexa customer is “more sophisticated, mature, wants exclusivity, has exposure to a higher class of life and was earlier uncomfortable visiting our showrooms.”

# Functions of Marketing Channels



**Marketing Channel Functions Performed by Middlemen.**

# Flows in the Marketing Channels

## Five Marketing Flows in the Marketing Channel

