

**Marketing Management - II**  
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**Lecture No. W6-L3**  
**Different Channel Options**

So welcome to another session of sixth week discourse on marketing management part two we are discussing about places the third P in the marketing mix which means as we discussed channels of distribution marketing channels or as we call the issues relating to channel partners and channel structure determination we were discussing yesterday about direct and indirect channels.

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That you have on your screen and as you see or as we concluded yesterday that direct and indirect channels have strengths and weaknesses and there are different considerations on the basis of which we decide about direct or indirect or mix of channel structures so direct channels are preferable as you see on the screen when information needs are high so obviously in industrial goods and services in btwob marketing.

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## **Channel Options**

### **Instances When Direct Channels Are Preferable**

- Information needs are high.
- Customization is important.
- Quality assurance matters.
- Purchase orders are large.
- Transportation and storage are complex.

Where large value decisions are taken or complex technological decisions are taken or even when in case of buying high value cars or other consumer durables of you know the critical dimension like say a high value computer direct channels are often preferred. Because customers will be looking for a lot of information for making a comparative judgment and they may need some minor customization or customer may want to do some trial.

And to get some firsthand experience and information so when information needs a high customization is important and quality in operation is very important. Because it may be critical whether it is the btwob or even in the btwoc a dimension say for example a car the proper operation quality is very important. Because it is related to a passenger safe safety and other issues and if the purchase order is large the value is large now this largeness is contextual.

So, like 8 lakhs to be spent for buying a high end car or 10 lakhs to be spent for a new SUV will be a high value decision a large purchase order in the context of a normal middle class, upper middle class family. But if a company is buying cars for its own fleet or for its staff transportation and they are buying 20 cars then that the value of one car may not be a large in that context.

So direct channels are also often important when these items are to be properly stored and the end quality or quality in use depends a lot on how it is stored and transported. For examples, many critical medicines or many critical medical devices and they are actually direct channels often become operative because those medicines or devices must be properly stored

properly transported and also there will be information and assistance needed by the intermediary user like the paramedics or the doctors and therefore in such cases direct channels are often in use.

These days of course the web based information communication technology based services often reduce the initial information search load of customers. Because they can use various kinds of tools available on the web for comparative judgment formation because they can use various kinds of tools available on the web for comparative judgment formation because they get a nice comparative chart for say for different types of high end Smartphone's which will facilitated.

Their decision making and in that case from direct channel and it can easily shift to indirect channel. Indirect channels are also very important when customer will go in and buy different related products. So, for staple convenience products for food grains for consumables in the kitchens for other kinds of beverages customer may be buying at the same time rice and wheat and Atta and edible oil and personal care products.

So, in these are all related grocery shopping or daily need and in this case actually indirect channels are preferred. Because the distributors or the retailers they will be having a range of different products of the same category and customer maybe makes it convenient for the customer to go in and pick up all. These also availability at the doorstep or in the nearby area so this the indirect channels of say local stores kirana stores supermarkets nearby supermarkets these become important because of this convenient availability.

And also in cases like consumer durables etcetera like a washing machine or a TV often the customer may need some installation help or some kind of support after acquisition and in this case also indirect channels are preferred. Because that allows the manufacturer to serve a large number of customers spread over a bigger area and they this can locate number of retailers number of sales and service providers. So that it is very convenient for the customer to go in and ask seek help.

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So, factors that influence choice of direct or indirect channels are profitability level of intermediary commitment customer loyalty etc., and we will discuss about conflicts and competition within the channel and also from the channel partners against your own product it is more and more happening as large size retailers are emerging and they often will create what they are what is known as store brand.

So, you may be actually you may be a top brand say for floor cleaning or bathroom cleaning liquid or you may be a major brand for say detergent however the big stores big format retailers often will introduce products which will be competing directly with your brand will be put on the shelf next to your prominent brand and will be priced cheaper and the store.

Because of the overall trust it earns from the customers are often able to influence the customers to buy the store brands in preference to your brand because of the more attractive price the offer. And this is an instance where your channel partners of today may become your competitors tomorrow and often you will not be actually eliminating that particular channel.

But you will accept the coexistence of your brand and the store brand because that is kind of reality and of course you are aware of this word disintermediation particularly. After the advent of electronic commerce and mobile commerce this word has often be used. because technology based new format channels are often eliminating several steps in the hierarchy of channels that we discussed yesterday.

I will discuss a few interesting cases in this context that how channels should be chosen how a current channel may be problematic for a new product and so on. So, I will discuss this case of for TTK.

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**Discussion**

1. TTK Prestige and Microchef case.  
Utensil-Durable-TTKP Showroom
2. Disintermediation is becoming more common in many industries.

Name some examples of products or services that are now selling directly to consumers and bypassing traditional channel members such as retailers.

Prestige as you know they are the major manufacturer located in south India for a very well known their brand for pressure cooker one of the cooking appliance has been a strong brand over many years. Now as new and competitors entered the market and different other local preferences emerged ttk sometime back was facing sluggish sales.

And financial pressure they needed new products to create additional revenue streams they wanted to leverage their infrastructure for manufacturing product design development and so on and they wanted to create these new products to attract more customers or director the same customers to buy these new products.

So they developed a very interesting and useful product which I think they called it micro chef so it was a pressure cooker which could be put inside microwave oven normally as you know metal products cannot be put inside a microwave oven the normal pressure cookers are made of aluminum or different other alloys based on aluminum and therefore they are also in size because it is pressure cookers put on the burner. So it has a long handle and so on it was not very suitable not at all useful for using the power of the microwave.

The microwave as you know reduces the cooking time and significantly and it is also some ways safer. Because it does not deal with an open flame and so on but metal pressure cookers

cannot be put inside so they came up with a new type of pressure cooker which was made from a form of a polyester plastic. Engineering plastic suitable for withstanding high pressure the design was altered because it was not going to be put on flame. but it was going to be inside microwave and so on so it was a good innovative useful product.

However, TTK prestige was surprised when the product sale was quite sluggish in fact the inventory. They put out into the market was not moving at all then they investigated and they realized that all these years they had been selling through what we call utensil sellers. So, they are channel partners were people who were selling different kinds of kitchen stuff, cutlery crockery and they were also selling these pressure cookers and so on.

And some of them are also like they were selling other forms of kitchen related equipment like burners and so on and they realized that actually this channel was not able to promote this innovative new product and they really neither had the knowledge or that really that kind of interest and so this is a very important point that when you want to create demand for a new product or what we call market pull the channel partners are not the primary players.

Your own sales force, your own sales promotion, your own marketing campaign will have to create the market pull. So, customers come in and ask for the particular stuff now micro chef this new type of pressure cooker was not pushed by the channel partners because there was not a significant market pull. So what TTK prestige did was they completely changed their channel strategy they selected channel partners who were actually dealing electrical goods and consumer durables like refrigerators or television or washing machine or dishwasher and so on.

So they were capable of dealing with this kind of product which was a little bit more technology oriented and needed some additional safety and precaution and usage information and because such consumer durable sellers are normally selling the microwave ovens. So this was a good fit with the microwave oven as an useful accessory. And the sale then when once they shifted their channel strategy.

The sale picked up and the product become quite successful and today you see on the TTK prestige website you will see that they have already introduced multiple variants based on this pressure cooking inside the microwave. And once the TTK realized this importance of the

channel fitment with the nature of product. And they actually later on also created their own showrooms or direct channels where customers could experience new sort of cooking.

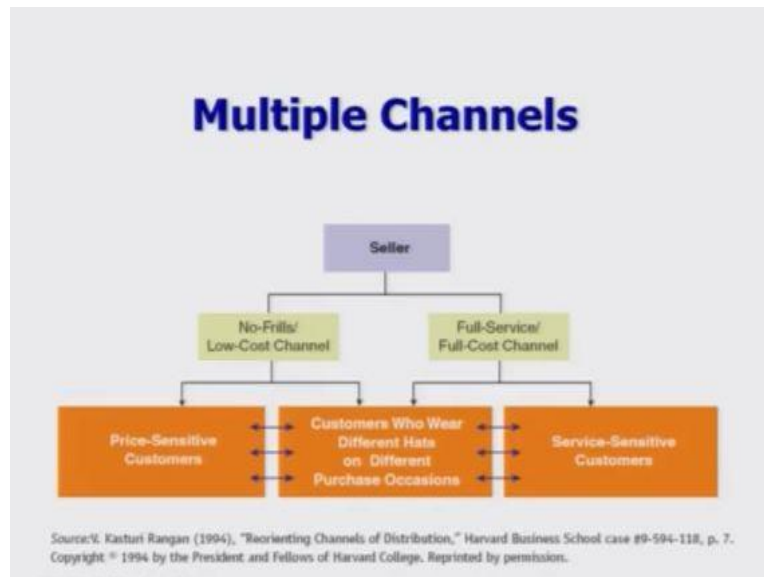
Because TTK prestige created a new strategy around the new kitchen structure in the earlier days in Indian household's kitchen was somewhere in the background. But in today's apartments in urban locations many times the kitchen is an open kitchen or the kitchen is totally visible from your living room or from your drawing room the dining room drawing dining rooms are often combined adjacent to the kitchen.

So, the kitchen now needed to look modern to look good clean and new forms of products were needed there realizing this opportunity TTK based on this new generation kitchen created a whole set of appliances and created their own showroom. So, you can see here that indirect channel choice had to be shifted from the traditional to the nontraditional forty and they had to create their own direct channels as well to succeed TTK.

The second point is about disintermediation so this is a point for discussion on the forum and I would request you to think about the different industries that you are familiar with where disintermediation whether due to technology or whether due to rising complexity or whether due to wider need different reasons created which have created forces for disintermediation and so I would like to invite you to briefly post on the forum your experience with this intermediation or what you have observed whether in goods or services.

That there are more approaches to direct selling to the consumer bypassing traditional channel and maybe it will be useful to discuss where it has been successful and where it has been problematic.

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So finally, multiple channels are the reality today so there are sellers and at one end we have no frills low cost channel so price sensitive customers are often taken their initially this low cost channel was considered synonymous with ICT information communication technology based channels like web channels ecommerce.

So like banks wanted to shift their customers more to ebanking as opposed to physical brand banking but over time it has been found that that customers are not same so bank soon found that by focusing totally on economic efficiency trying to persuade everybody to move towards ebanking was not a very good strategy. Because for example high net worth senior citizens actually prefer personal attention and they would like to have physical interaction.

So banks understood that they should accentuate or persuade more customers to move towards ebanking because they are costs of supporting customers for transactions reduce significantly when there is no human interaction necessary and there is a machine based interaction also it is more secure in many ways but they also understood that at the same time they need to have special personal direct interaction with certain types of customers so you will see in today's branches bank branches have become somewhat smaller in size.

Because ATM machines and web based banking or telephone based banking these have reduced the need of the number of tellers the people who give out cash or take cash deposit because these can now be done by machines even a like your passbook printing etc., have now been automated using machines which are very easy to use but on the other hand almost



every bank. Today have relationship managers special areas are designated for high net worth customers or senior citizens where more intense physical interactions are encouraged.

Customers are you know are offered in a way pleasant entertaining interaction so these two ends no frills low cost channels and full service full cost channels are often therefore coexisting. So, the same range of goods and services the same manufactures are same provider. May actually move across this whole spectrum and all different dimensions can coexist for this is for example Ingersoll rand a very well-known company.

And you can go to their website and you can see that they have a range of products from low value low complexity like these handheld appliances to very complex high end high value equipment like earth moving machinery or construction machinery.

And you will you will from the company information how they use different types of channels for different types of products and that will illustrate to you this whole concept of channel mix and coexistence of different levels of channels and different types of channels so today this is the reality hybrid channel design.

That is own sales force outside distributor inside service specialists ourselves self sales support people they are providing all different range of services and this is taken from a very nice article from Harvard business review regarding reorientation of channels of distribution in today's world.

So, this is today's reality so whether you see it from this perspective where we are talking about whole spectrum of channel partners or you look at it this concept of hybrid channel design you have to understand the reality of it to conclude I would like to use this particular diagram or this particular chart where as you see here on this side. We have the marketing channels and methods.

So, we have national account management so these are very high value important accounts key accounts then we have direct sales telemarketing direct mail retail stores distributors dealers and value added resellers so whether for computers or for mobile smart phones or for cameras or for a air conditioners for example air conditioner will be a good one to study.

So you can see that there can be very large industries where you may like to create a preferred vendor relationship. So you may like to become the air conditioner supplier to very large company likes a reliance tatas and spread over much geography and many entities and you therefore have a key account managers dealing with these important large customer relation then there may be direct sales for time to time industrial requirement.

So when if I iit Kanpur is leading a number of air conditioner or a new central air conditioning plant for a new laboratory or for a new classroom facility then the air conditioner and manufacturer will be using most time their own sales force then participate in the tendering process bidding and so on a negotiation but it may actually get fulfilled the supply of the air conditioners to it Kanpur may be done by that manufacturers distributors or local dealers.

There may be value added resellers employed who will to the installation work or who will do some customization work with respect to fitment of the air conditioner in different rooms in different locations and so on. So, the key point is that all these coexist and as I discussed in a previous session in this week that all the players must be on the same page with respect to different responsibilities. So here you see lead generation that means to identify a particular hot lead or a warm possibility direct mail is most often used.

But once the lead has been generated to qualify whether it is an immediate sales requirement we may be using telemarketing channels and for pre sales activities that means to know when the tenders is going to be published and what are the different requirements etc., the pre-sales activities also may happen through telemarketing and maybe sometimes also to buy the visit of the sales representatives then comes the actual tendering process negotiation a bidding negotiation and so on and that stage very often direct sales will be used.

But the post sale service may used but the post sale service may be often will be a combination of the telephone based complaint or customer relationship system along with some service providers and so on. Account management will again become responsibility for the direct sales force and so on. So different responsibilities different channels and a sale process moves from one end to the other end as time progresses or as the sales matures or becomes an after sales case.

So I will end here today do a wrap up of whatever we have discussed so far in the next session. Thank you!