

Sales and Distribution Management
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Lecture – 36
Distribution Channel Management: Distribution Channels: Part I

[FL]. Today, we will be beginning with the last week of our classes of the course on Sales and Distribution Management which is week 8 and this is the first lecture in module 8 of our course on Sales and Distribution Management. We shall be beginning our discussions on distribution channel management from now on and the first topic which we shall be discussing in two parts is distribution channels.

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So, in this particular topic, we shall be discussing several topics we will start with an Introduction and then we will move on to defining a distribution channel, what is a distribution channel; why do we need distribution channels; what the functions of distribution channels; what are channel flows and then, we will also talk about the classification of distribution channels.

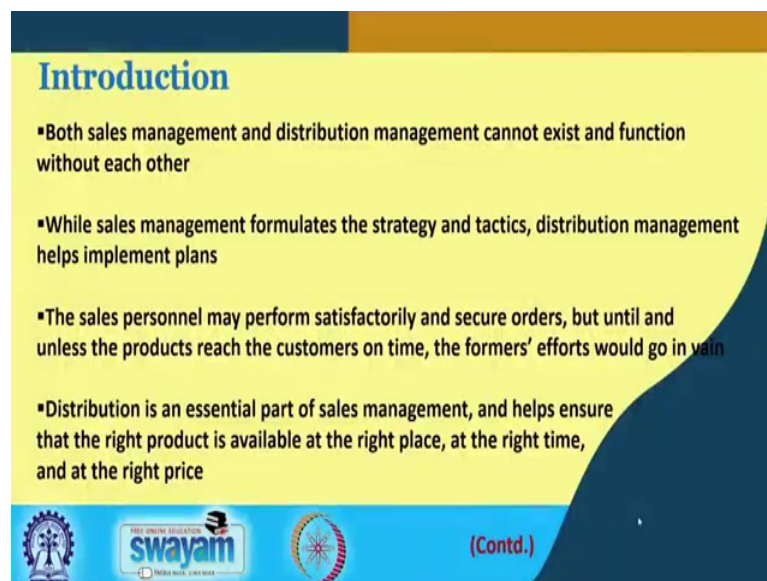
This is what we shall come you know do in this first lecture and in the subsequent lecture which would be part two, we shall be talking about the types of distribution networks, where we will speak about marketing channels in consumer markets and for services and for industrial products. We shall also talk about patterns of distribution, we will discuss

what are the different types of channel intermediaries; how do you design a distribution channel strategy and what are the factors which affect the design of marketing channels and what are the factors which affect the selection of channel partners.

So, let us now begin with a brief introduction about what are marketing channels. We also refer to them as trade channels and we will speak about what are channel partners or channel intermediaries or trade channel members; these are all of them are the same. So, when we talk about a distribution channel; the distribution channel is also referred to as a trade channel or a marketing channel and the various players in the channel are referred to as the channel partners or channel members or trade channel members or marketing intermediaries.


So, we will be now discussing you know about what a distribution channel is or over what a trade or a marketing channel is. So, I repeat when we talk of a distribution channel, it is synonymous to a trade channel or a marketing channel and the various players you know who are responsible for, you know for making the good or the service available to us through these different, you know channels are referred to, as you know channel partners or channel members or trade channel members or marketing intermediaries. So, let us discuss what a distribution channel is?

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Introduction

- Both sales management and distribution management cannot exist and function without each other
- While sales management formulates the strategy and tactics, distribution management helps implement plans
- The sales personnel may perform satisfactorily and secure orders, but until and unless the products reach the customers on time, the formers' efforts would go in vain
- Distribution is an essential part of sales management, and helps ensure that the right product is available at the right place, at the right time, and at the right price

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Now, let us begin with our discussion on distribution management. Now, in the first lecture itself we had mentioned that both sales and distribution management are

intertwined, they cannot exist and function without each other and the sales person may perform very well on the field, he may secure orders, he may perform satisfactorily, But until unless the product reaches the customers on time, the formers efforts would go totally and totally in vain and that is where you know the importance of the distribution management you know is realized.

It is a very very crucial function that must be addressed so that you know the right product is available at the right place, at the right time and at the right price to the customers. So, while sales management formulates the strategy and tactics, distribution management helps implement these plans and both sales and distribution management go hand in hand.

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- Distribution management deals with all activities associated with the distribution of goods and services
- It is an important aspect of sales management which aims at creating time, place and acquisition (possession) utility for customers
- Distribution management holistically comprises the set of all those activities which facilitate the transfer of goods by creation of an efficient and effective supply chain
- In order to create and retain a class of satisfied customers, companies must ensure that right products reach the right customers, at the right time, at the right place, and at the right price

Now, distribution management deals with all those various activities which are associated with the distribution of goods and services. It is a very very important aspect of sales management and the basic objective here is to create time, place and acquisition utility for customers. We shall be discussing about time, place and acquisition utility subsequently.

But in order to can create and retain a set of you know, set of satisfied customers, companies must ensure that the right products reach the right customers at the right time, at the right place and at the right price and it is here that you know distribution management it becomes something; an efficient distribution management becomes

something which is extremely important for an organization. It is an important aspect of sales management and holistically comprises the set of all those activities which facilitate the transfer of goods by creation of an effective and efficient supply chain.

So, it is very very crucial that companies give a lot of attention to the distribution channel and to you know and devise a distribution management strategy. So that you know, they can ensure that the efforts put in by the sales force do not go in vain and the orders that are secured can be delivered on time, at the right place, at the right price as and when customers want it.

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Meaning of a Distribution Channel

- Distribution management may be defined as the management of activities which facilitate the movement of goods and services so as to create time, place and acquisition (possession) utility, and ensure that the right kinds of products are available at the right time and the right place
- Distribution management includes all the aspects ranging from transportation management to storage management to inventory management
- Companies rely on distribution channels as channel members can reach customers across a wide geographical reach, and are more core competent in selling to customers

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Now, what is the meaning of a Distribution Channel? Now, distribution management may be defined as the management of activities which facilitate the movements of goods and services so as to create time, place and acquisition utility, and ensure that the right kinds of products are available at the right time and at the right place. We are all in the previous slides also and even now, we have been we are emphasizing upon the right time, the right place, the right product and the right price.

Because this actually goes with the fundamental concept of logistics management and it is very very essential that in today's day needs whether it is huge amount of competition. You know customers are able to get what they want at the right place, at the right time, in the right quantities as and when they want it and at the right price.

So, distribution management actually you know includes all those aspects ranging from transportation management, to storage management, to inventory management and so forth. So, all important issues with respect to order processing, warehousing, transportation you know and inventory management collectively are taken care of under distribution management.

Companies rely on distribution channels as channel members can reach customers across a wide geographical reach and are more core competent in selling to customers. You know it is absolutely not possible for a company to have its own warehouses, it have its own transportations, have its own outlets from where it can sell and so, it relies on the trade on the channel partners or on the you know channel intermediaries or marketing intermediaries to help them do this task. Because the channel members or the trade channel members and the marketing intermediaries are more core competent; not only you know in matters, you know of storage and warehousing and transportation, but also with respect to selling to the end customers.

Now, when we are talking about distribution management and the various activities, these have you know hold good for both the b to b and the b to c scenario. In distribution management is critical not only for industrial, not only for consumer buying or consumer markets, but also for industrial markets and organizational buying. Because you know whether it is the end consumer or whether it is a b to b consumer, both of them would require that the right product reaches them at the right time and the right place and in the right quantity. And so, you know distribution management takes care of both the b to b as well as the b to c customer segments.

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- The key facets of distribution management are realized through a distribution channel which is defined as:
“the structure of intra-company organization units and extra company agents, dealers, wholesalers and retailers through which a commodity, product or service is marketed” - American Marketing association (AMA)
- “Marketing channels are sets of interdependent organizations involved in the process of making a product or service available for use or consumption”. - Stern and El-Ansary
- “Set of independent organisations involved in the process of making a product or service available for use or consumption by the customer or industrial user”
– Kotler & Armstrong

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Now, the key facets of distribution management are realized through a distribution channel which is defined as “The structure of intra-company organization units and extra company agents, dealers, wholesalers and retailers through which a commodity, product or services marketing”. This is how the American Marketing association defines the distribution channel.

So, when we are talking about what is a distribution channel, it is the structure of intra-company organization units and extra company agents, dealers, wholesalers and retailers through which a commodity, product or service is marketed. Kotler and Armstrong have also defined you know that the marketing intermediaries or the trade channel or the distribution channel as a “Set of independent organizations involved in the process of making a product or a service available for use or consumption by the customer or the industrial user”.

So, that is where we can see that you know distribution channels are relevant not only for the b to b or the b to c, but they are relevant for both, they are relevant for both the b to c scenario as well as the b to b scenario. Stern and El-Ansary have given very popular definition about marketing channels and they say that “Marketing channels are set of interdependent organizations involved in the process of making a product or a service available for use or consumption”.

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Meaning of a Distribution Channel

- Distribution management may be defined as the management of activities which facilitate the movement of goods and services so as to create time, place and acquisition (possession) utility, and ensure that the right kinds of products are available at the right time and the right place
- Distribution management includes all the aspects ranging from transportation management to storage management to inventory management
- Companies rely on distribution channels as channel members can reach customers across a wide geographical reach, and are more core competent in selling to customers

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Now, we started with the importance of distribution management. And if you go back the previous slide, we said that distribution management is defined as the management of activities which facilitate the movement of goods and services so as to create time, place and acquisition, utility and ensure that the right kinds of products are available at the right time and at the right place. And we also mentioned the critical issues which need to be dealt with respect to order processing, inventory management, warehousing, transportation etcetera and this entire task you know is actually taken care of by the distribution channel.

So, distribution management is something which is you know implemented or executed at the you know grass root level by the channel members or by the trade channel members or by the marketing intermediaries. So, while a company may design distribution management strategy, the actual implementation and execution happens with and through the marketing intermediaries or the trade channel members or the distribution channel.

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- The key facets of distribution management are realized through a distribution channel which is defined as:
“the structure of intra-company organization units and extra company agents, dealers, wholesalers and retailers through which a commodity, product or service is marketed” - American Marketing association (AMA)
- “Marketing channels are sets of interdependent organizations involved in the process of making a product or service available for use or consumption”. - Stern and El-Ansary
- “Set of independent organisations involved in the process of making a product or service available for use or consumption by the customer or industrial user”
– Kotler & Armstrong



So, while broad guidelines for distribution management may be laid by the company itself or by the organization, it is given form and shape, it is executed by members of the distribution channel. And that is where you know the definition from the American Marketing Association becomes very relevant, where they speak of a distribution channel as a structure of intra-company organization units and extra company agents, dealers, wholesalers, retailers through which a commodity product or services marketed.

So, the broad guidelines may be actually laid out by the company, but it is the marketing channel members or the trade channel members of the marketing intermediaries, who are you know the interdependent organizations, who are involved in the process of making the good or service available to the customer or to the industrial user.

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Why do we need Distribution Channels?

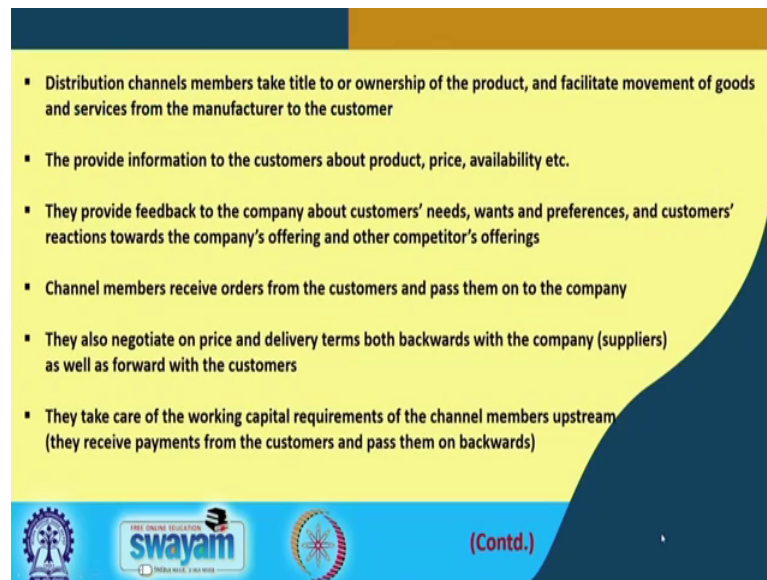
- Distribution channels play an important role in ensuring that the product assortment reaches the end consumers at the right place, at the right time, and at the right price
- The channel members perform important functions, be it physical reach and distribution, information gathering, feedback, order placing, negotiation, financing, risk bearing, inventory management, after-sales service, customer relationships etc.
- Distribution channels bring buyers and sellers together, and foster sharing of information, and distribution of products to the customers

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Now, why do we need a distribution channels. Now, distribution channels play a very important role in ensuring that the product assortment reaches the end customer, at the right place, at the right time and at the right price. And channel members perform very very important functions, they actually have a physical reach and you know; and they able to distribute the products to the customers. They play a big role in gathering information, providing feedback to the company, placing orders, negotiations, financing. They also bear risks, they play a role in inventory management, they provide after sales service to the customers and they also play a very key role in developing and maintaining customer relationships.

Distribution channels bring buyers and sellers together and they foster sharing of information and distribution of products to the customers. The customer is goes to the change it to the dealer or to the distributor to the retailer and he seeks information about products, about brands, about the variants, the features, the benefits, the pricings etcetera and the distribution channel members, then actually encourage you know the prospect towards a purchase; you know also the distribution routes in terms of both transportation and warehousing and you know overall movement of products is designed in such a way that there is a cost reduction.

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- Distribution channels members take title to or ownership of the product, and facilitate movement of goods and services from the manufacturer to the customer
- They provide information to the customers about product, price, availability etc.
- They provide feedback to the company about customers' needs, wants and preferences, and customers' reactions towards the company's offering and other competitor's offerings
- Channel members receive orders from the customers and pass them on to the company
- They also negotiate on price and delivery terms both backwards with the company (suppliers) as well as forward with the customers
- They take care of the working capital requirements of the channel members upstream (they receive payments from the customers and pass them on backwards)

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Channel members take title to or ownership of the product and they facilitate the movement of goods and services from the manufacturer to the end customer. They provide or even to the industrial customer, they provide information to the customer about the product, about the price, about the availability. They provide feedback to the company about customers needs, wants, preferences and customer reactions towards the company's offerings as well as the competitor's offerings.

Channel members also receive orders from the customers and pass them on to the company. They negotiate on price and delivery terms both backwards with the company or with I mean the vendors, the supplier as well forwards with those customers. They take care of the working capital requirements of the channel members, upstream you know and they receive payments from the customers and pass them on backwards. So, in this way they take care of the working capital requirements of the channel members upstream.

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- Channel members arrange for credit facilities for the customers downstream
- They also bear risk with respect to storage and transportation (tangible risk), as well as success and failure of new products, and its impact on their goodwill and reputation (intangible risk); they undertake risks associated with ownership of the product; they handle damaged goods, as well as after sales warranties and guarantees
- They arrange for promotion of the product, be it local advertising, displays and hoardings, POP stimuli, personal selling, demonstrations etc.
- Channel members also cater to customer complaints and after sales; and contribute towards building good relations with customers

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And they also play a very important role in arranging credit facilities for customers downstream. So, both upstream and downstream, when they collect payments and remit the same, they are actually trying to meet the needs of the working capital of the channel members upstream and when they arrange for credit facilities, they are trying to help the customers downstream.

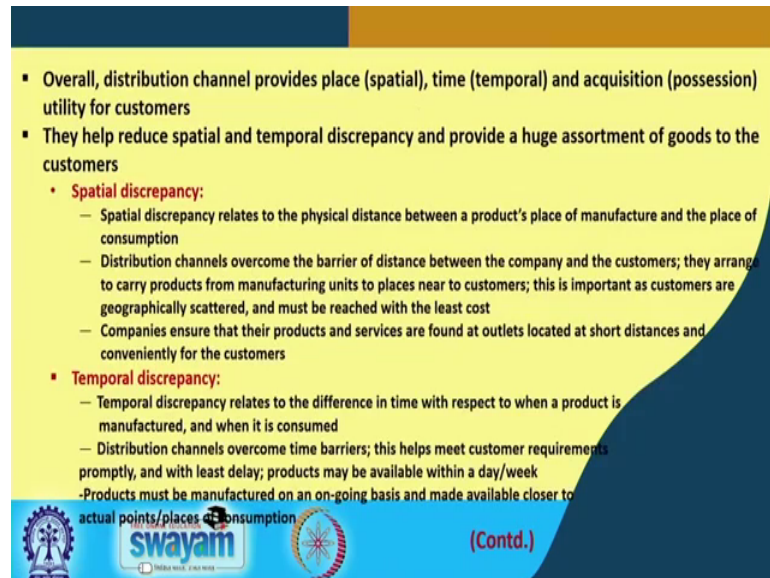
They also bear risk with respect to storage and transportation. Of course, this is more of a tangible risk. And there is another risk which they take which is more intangible and relates to their goodwill and reputation; especially in the case of new products because you know the success and failure of a new product could actually impact their goodwill and reputation.

So, if a product succeeds, it is ok; but if a product does not succeed or is not well accepted by the people or there is a problem with the quality or you know other issues, in those cases the reputation of the channel member also you know gets affected. So, they undertake risks associated with ownership of the product, they handle damaged goods as well as warranties and guarantees after sales.

Also channel members arrange for promotion of the product be it local advertising, displays hoardings, point of purchase stimuli they arrange for you know demonstrations, they handle the entire personal selling effort and channel members also cater to customer complaints and after sales services and they contribute towards building good relations

with the customers. So, in this way channel members play you know a big role and they have perform a large number of functions.

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- Overall, distribution channel provides place (spatial), time (temporal) and acquisition (possession) utility for customers
- They help reduce spatial and temporal discrepancy and provide a huge assortment of goods to the customers
 - **Spatial discrepancy:**
 - Spatial discrepancy relates to the physical distance between a product's place of manufacture and the place of consumption
 - Distribution channels overcome the barrier of distance between the company and the customers; they arrange to carry products from manufacturing units to places near to customers; this is important as customers are geographically scattered, and must be reached with the least cost
 - Companies ensure that their products and services are found at outlets located at short distances and conveniently for the customers
 - **Temporal discrepancy:**
 - Temporal discrepancy relates to the difference in time with respect to when a product is manufactured, and when it is consumed
 - Distribution channels overcome time barriers; this helps meet customer requirements promptly, and with least delay; products may be available within a day/week
 - Products must be manufactured on an on-going basis and made available closer to actual points/places of consumption

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Now, over all distributions channels provide place, time and acquisition utility for customers. We discussed this in the previous slide as well that the channel members provide for place, time and acquisition utility. So, let us discuss this in little more. Now, when we talk about place utility, what we are trying to talk of is something which is spatial discrepancy. Spatial discrepancy relates to the physical distance between a products, place of manufacture and the place of consumption by the consumer.

So, it is basically you know related to the physical distance between the products place of manufacture or you know the factory, where it is being produced or manufactured and the place of consumption that is the place where it is being consumed by the customer. So, distribution channels overcome the barrier of distance between the company and the customer. They arrange to carry the products from the manufacturing units to places near the customers and this is very important that customers are geographically scattered across the country, across the world and they must be reached with the least cost, the products must reach you know them at the least cost as possible.

Now, companies ensure that their products and services are found at as many outlets as possible or even if the outlets are less, they are actually located at distances conveniently located for a customer to access. Now, for example, you know a particular company may

be making soaps and the factory for you know the manufacture of the soap is in Uttar Pradesh. On the other hand, the customers for the soap may be scattered across the country. A person who is in West Bengal cannot be expected to go to Uttar Pradesh to buy 1 or 2 units of soap and that is why it becomes you know the responsibility of the company to ensure that the soap reaches the customer at West Bengal or at Himachal Pradesh or wherever he is.

So, here we see that through a distribution channel and through the different tasks of storage, warehousing, transportation, you know and physical distribution and physical ownership. The product reaches the customer wherever he is despite the fact that it may be manufactured several and several miles away.

So, that is how companies use the trade channel members or the channel partners to reduce the physical distance between the products place of manufacture and the place of consumption. This is what we mean by the spatial discrepancy and companies must ensure that customers are provided with the place utility and the Spatial discrepancy is dealt with in the right in the best possible manner.

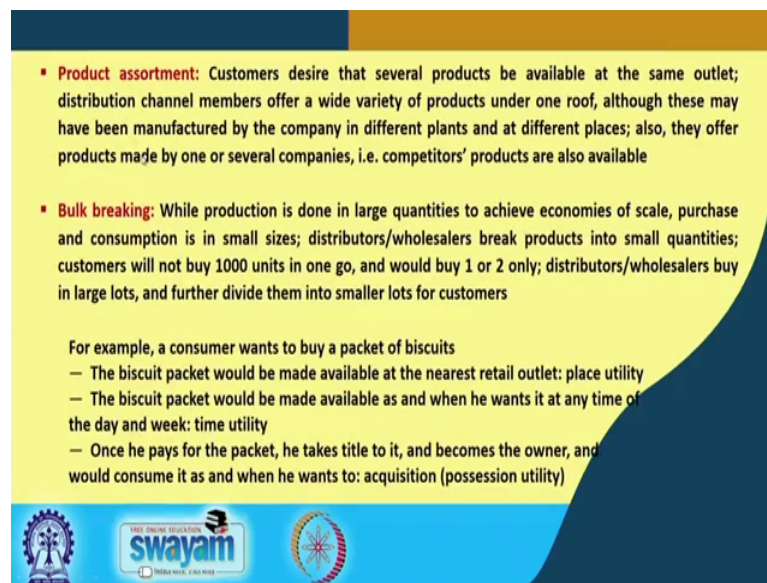
The second thing which we talk of is time utility and here, we will speak about Temporal discrepancy. Now, temporal discrepancy relates to the difference in time with respect to when a product is manufactured and when it is consumed. Now, distribution channels are also overcome time barriers. This helps customer requirements being met promptly and with the least delay. Products may be available to customers within a day or within a week or within a month as and when they ask for and so, products must be manufactured on an ongoing basis and made available closer to actual points or places of consumption as and when the customer wants it.

We all know that customers demand with respect to products is not always smooth, it can be erratic. However, production must go on and on because you know based on the market demand, based on the company's demand, companies must plan their production schedule such that the production is ongoing and based on requirements in you know in the states or in territories, the products can reach the customers as and when customers wanted them.

So, this here really; so, that the customer does not have to wait for his favorite brand to reach him or for his for a product to reach him. So, it is very very important and essential

that production is goes on and is on-going activity and inventory management is taken care off, order processing transportation and warehousing are given attention too, such that you know the customer is able to get what he wants, when he wants it at the right time and as promptly as possible.

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▪ **Product assortment:** Customers desire that several products be available at the same outlet; distribution channel members offer a wide variety of products under one roof, although these may have been manufactured by the company in different plants and at different places; also, they offer products made by one or several companies, i.e. competitors' products are also available

▪ **Bulk breaking:** While production is done in large quantities to achieve economies of scale, purchase and consumption is in small sizes; distributors/wholesalers break products into small quantities; customers will not buy 1000 units in one go, and would buy 1 or 2 only; distributors/wholesalers buy in large lots, and further divide them into smaller lots for customers

For example, a consumer wants to buy a packet of biscuits

- The biscuit packet would be made available at the nearest retail outlet: place utility
- The biscuit packet would be made available as and when he wants it at any time of the day and week: time utility
- Once he pays for the packet, he takes title to it, and becomes the owner, and would consume it as and when he wants to: acquisition (possession utility)

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The third thing which we talk of is Product assortment. Now, customers desire that several products be available to them at the same outlet. For example, if wish to buy or monthly groceries, you will want all your groceries to be available at the same store. If you want your toiletries to be made available, you will you to be bought on a monthly basis. Again, you would want the same shop or the same outlet to sell to you the soaps or shampoos or talcum powder etcetera.

So, customers desire that several products be available to them at the same outlet and distribution channel members offer a wide variety of products under one roof. Although, these may have been manufactured by the company in different plants and at different places also they offer products made by one or several companies that even competitor's products are also available. So, in this case channel members provide to customers a wide assortment, a broad assortment you know which customers would be happy to accept because they can get it from the same store and the customers would get a wide option to choose from the product assortment.

Channel members also play important role in bulk breaking, while production is done in large quantities to especially to achieve economies of scale. Purchase and consumption is always in small sizes. Distributors or wholesalers, they break products into small quantities and customers because we and then sell it on to the customers who may buy only 1 or 2 units. Customers will never buy 1000 units in one go; they would buy 1 or 2.

So, distributors and wholesalers buy in large lots and further divide them into smaller lots for the customers. So, if we talk a little bit about you know the place utility and the time utility and the possession utility, what we talk of is in terms of you know a little bit more you know on them, we can explain with the help of an example. For example, a person wants to buy a packet of biscuits. Now, the biscuit packet would be made available at the nearest retail outlet; although, the biscuits may have been manufactured several and several miles away. So, this brings in the concept of the place utility.

Second the biscuit packet would be made available as and when the customer wants it at any time of the day and or any time of the week and this is here what we refer to as time availability, sorry time utility. And the third is in terms of the possession which is once he pays for the biscuit packet he takes title to it and becomes the owner and would consume it as and when he wants it to. So, that becomes the acquisition or the possession utility.

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Functions of Distribution Channels

- **Physical distribution**
 - Channel members assure extensive market coverage for a company
 - They play an important role by coordinating delivery schedules in such a way that the requirements of the customers are met on time
 - Channel members deal with warehousing and transportation of goods so that goods can be made available to customers in the right quantity, at the right time and at the right place
 - They act as a medium for offering services credit and after sales services assistance as well as managing returns, warranties and guarantees
- **Offer touch points**
 - Customers for a company might be scattered over a large part of the country and the company may not be in a position to meet customer demands with respect to products, and after sales services on its own
 - Distributors, dealers, retailers etc. serve as a means or as 'touch points' on behalf of the company for customers
 - This also decreases the need for company owned touch points or outlets, thereby reducing overall costs for the company

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Now, let us come to the functions of distribution channels and channel members, we have already discussed some of these. Let us go a little more deeper into them. The first

function that they perform is physical distributions. Now, channel members assure extensive market coverage for a company. They play an important role by coordinating delivery schedules in such a manner that the requirements of the customers are met on time. They deal with warehousing, transportation and so the goods can be made available to the customers of the right quantity, at the right time and the right place, and channel members also act as a medium for offering services, you know credit services and after sales assistance as well as managing returns or warranties or guarantees etcetera.

So, in this way channel members or channel partners play a very key role in physical distribution. Second is in terms of you know the touch point or they are offering the touch point. Now customers for a company may be scattered all over the country and the company may not be in a position to meet customer demands with respect to products and after sales service on its own. So, the dealers, the distributors, the retailers, they serve as the touch points on behalf of the company for the customers.

The customers contact these channel members whether they are the dealers or the distributors or the retailers and so, the kind of help and assistance which customers can get from these channel partners or from these trade channel members, decreases the need for the company you know to provide touch points on its own or to provide its own company owned outlets thereby, reducing the overall costs for the company.

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▪ **Inventory management**

- Efficient and effective inventory management is a pre-requirement for ensuring that goods reach customers on time
- Inventory management helps avoid out of stock situations as well as poor assortment mix situations which might reduce sales and bring a bad name to the company

▪ **Bulk-breaking**

- Bulk-breaking is the process of breaking up of large lots of products into smaller ones
- Distribution channels break bulk, and distribute goods as per the requirements of the retailers at next level
- This eases the process of distributing products as per the needs of the customers
- Also, as every customer buys in small quantities for his own use, bulk breaking is important
- Bulk breaking helps ensure that sufficient quantitative of products is always available to meet the needs of the customers

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Third is in terms of inventory management. Now, effective and efficient inventory management is a pre-requirement for ensuring that goods reach the customers on time. In fact, at the right quantity, at the right time is something which we have been talking of. So, inventory management helps avoid out of stock situations as well as poor assortment makes situations which might reduce the sales for the company and bring a bad name to the organization.

Channel members play a role in bulk-breaking. Bulk-breaking is the process of breaking up large lots of products into smaller ones. So, distribution channels break-bulk and they distribute the goods as per the requirements of the retailers at the next level. And this eases the process of distributing goods as per the requirements of the customers also as every customer buys in small quantities for his own use, bulk breaking becomes very very important. It also ensures sufficient quantity of products is always available to meet the needs of the customers.

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- **Communication**
 - Distribution channels offer a platform for sharing information about company products and services with the customers
 - They offer ground for advertising company's products and services via point of purchase displays, local advertising etc.
 - They supplement the communication efforts by the company and help build a good brand name for the company
- **Market Feedback**
 - Channel members play an important role by communicating the feedback received from the customers to the company
 - They are one of the most important sources for the company with respect to market 'happenings' when it comes to understanding customer needs, wants and preferences, and competitors strategies
 - Retailers at ground level are in touch with the customers; their feedback is of immense importance when it comes to product improvements

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Channel partners play a key role in communication. Distribution channels offer a platform for sharing information about company products and services with the customers. Customers because the channel partners act as touch points, the customers contact them. They seek information about products, brands, prices etcetera and channel partners also offer ground for advertising the company's products and services by a point

of purchase, displays and local advertising. They supplement the communication efforts by the company and help and build a good name for the company.

Channel partners also play a very very important role in providing feedback about the market to the company. Channel members communicate you know the feedback that they have received from the customers to the company. They are one of the most important sources for the company; sources of information for the company with respect to market happenings, when it comes to understanding customer needs, wants and preferences as well as competitive strategies.

Retailers at the ground are in touch with customers. Their feedback is of immense importance when it comes to product improvements or when it comes to you know changes with respect to you know delivery terms or with respect to negotiations on prices etcetera.

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- **Financial risk**
 - Channel members help in countering and/or overcoming financial risk by offering advance payments
 - The credit offered to wholesalers by the company, and to retailers by wholesalers, is done such that it supplements company' sales
 - By taking the responsibility of ensuring that products reach customers on time, the retailers reduce the manufacturer's risk in a big way
- **Guidance and Technical support**
 - Distribution channels help customers in understanding the functions and features of products, as well as the demonstrations provided by them, help educate the customers as to how to use the products
 - They provide information to customers at the point of purchase, and play an important role in overcoming their doubts; they also provide post-purchase support
 - It is their presence in that area which gives assurance to customers to look up to someone in case there are problems or difficulties with respect to the product

Channel partners bear financial risk, they help in countering and overcoming financial risk by offering you know advance payments. The credit offered to wholesalers by the company and to retailers by the wholesalers is done such that it can supplement company's sales by taking the responsibility of ensuring that the products reach the customers on time. Retailers reduce the manufacturers risk in a big way and of course, channel partners also provide a lot of guidance and technical support.

Distribution channels help customers in understanding the functions and features of the product. Channel members or channel partners, they provide demonstrations to customers and help them; you know help you know and educate them with respect to product usage and they provide information to customers at the point of purchase and play a very important role in overcoming their doubts. They also provide support post purchase. So, it is the presence of the channel members in an area which assures customers, you know that they can look up to somebody if there is a problem or there is a difficulty with respect to the product.

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Channel Flows

- **Physical flow:** of goods
- **Title flow:** ownership of goods
- **Payment flow:** payments and financing
- **Information flow**
- **Promotion flow**

Forward flows: Company to customers

- Physical flow (goods and services); Title flow; Promotion

Backward flows: Customers to Company

- Payments, returns, ordering

Both way flows: Company to Customers, and Customers to Company

- Information, Negotiation, Risk taking

Reverse flows: Customers to Company

- Refurbishing, recycling, refilling etc.

Now, we come to channel flows. Now, when we talk about channel partners channel members distribution channel, what actually flows you know in a channel are refers to as channel flows. There is a physical flow of goods, there is a title flow of ownership of goods, there is a payment flow which refers to payments from the customers to you know to the retailers and from the retailers to the wholesalers and from the wholesalers to the manufacturer. It also refers to the financing which takes place you know where the wholesaler may finance the retailer, the retailer may finance the customer.

A flows also happened with respect to information and promotion. Now we can actually classify these flows into forward, backward both ways and reverse. So, forward flows are from the company to the customers and these are generally physical flows of goods and

services and there is also the title flow which is again a forward flow promotion is also a forward flow.

Backward flows are those which are from the customers to the company and they are in form of payments, returns, ordering. We have both way flows where it is from the company to the customers and the customers to the company again. So, it is with; it is it happens in the case of information sharing, negotiations, risk bearing and we also have something called reverse flows, which are; which is again from the customer to the company which is for you know in cases of refurbishing, recycling, refilling etcetera.

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Classification of Distribution Channels

- **Sales channels:** the job of a sales channel lies in increasing the sales of the company; the focus is on information sharing, encouraging buyers towards purchase, negotiating and bargaining, and offering credit facilities to push sales
- **Delivery channels:** the job is to ensure that products reach customers at the right time and at the right place; deals with inventory management, transportation, warehousing and assortment issues
- **Service channels:** the job is to offer after sales services; the focus is on encouraging repurchase by maintaining a satisfied and loyal customer base

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Coming to classification of distribution channels, now the distribution channels can actually be classified in three categories; the sales channels, the delivery channels and the service channels. Sales channels the job of a sales channel here lies in increasing this you know sales of the company. The focus is on information sharing, encouraging consumers towards purchase, negotiating and bargaining and offering credit facilities to push sales. So, here the sales channels main objective is to increase the sales of the company and they do so by encouraging buyers towards purchase.

Now, the buyers here could be again a b to b scenario or a b to c scenario and to actually encourage them, encourage buyers towards purchase the sales channels share information, they negotiate and bargain and offer credit facilities. The second kind of

channels which we speak of is a delivery channel. The job here of the delivery channel is to ensure that products reach the customers at the right time and at the right place.

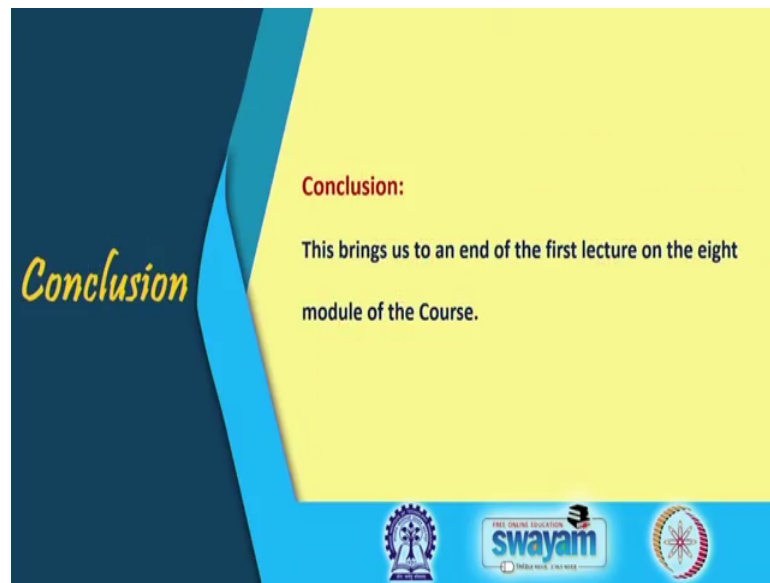
And here, you know issues or issues that that are dealt with are with respect to inventory management, transportation, warehousing and assortment issues. And then, there are service channels where the job is to offer after sales services and the focus here is on encouraging repurchase by providing to customers; services after sales, keeping them happy, keeping them satisfied and creating a loyal customer base.

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So, with this we come to an end of this particular lecture. The references are still Cundiff, Govoni, Puri Sales and Distribution Management, 2017, Pearson India. Havaladar and Cavale, Sales and Distribution Management, 2017, McGraw Hill. Panda and Sahadev, Sales and Distribution Management, 2012, Oxford University Press as well as 2011, Oxford University Press.

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This brings us to an end of the 1st lecture on the 8th module of the course. We shall continue with our discussion on distribution channels in the next lecture.

Thank you.