



Management of distribution channels

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ABSTRACT

One of the main issues that marketing managers are faced with it is decisions about the distribution of goods. Decisions about the structure of the distribution channel are important in at least in two dimensions. First, the decision has a direct effect on other marketing strategic planning decisions (including pricing policy, advertising, packaging, etc). Second, decisions regarding distribution channels require long-term commitment. It takes several years to be deployed a desired distribution system and can't be changed easily. Distribution means delivering the product to the consumer at the right time and place. In marketing Association of America's definition distribution channel is the structure of the organizational units within the company and outside the company, brokers, wholesalers and retailers that market goods or services. Distribution channels always include the manufacturer and the final consumer, the main duty of distribution system is that place goods to potential customers in the right time and place. Today managers becoming more important due to the distribution issue, according to the distribution, physical distribution and management of it and the cost and interaction between analysis, planning, and control of service levels are physical tasks of distribution management. Companies achieve competitive advantages using distributed systems.

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Introduction

One of the major challenges of marketing directors, and producers is how to transfer the target markets for manufactured goods. Decisions about the way of transfer goods to the place of purchase or consume is such major decisions of marketing managers. These decisions will determine what part of the duties related to the sale of goods shall be transferred to the intermediaries and distributors and manufacturer how lost part of surveillance and control over their products. This allows manufacturers with saving money and time spend its funds to her main job and gain more revenue. (Sabkara, M, 2008)

Definition of Distribution and Distribution Channels

Distribution: One of components of marketing mix that in simplest task transfer the product from the production place to the purchase place to the customer. In other words, the main task of distribution management is placing the goods in hand of potential customers at the right time and place. (Roosta, A. Venus, D. Ebrahim, Abdul. ", 2009)

Distribution channels: a collection of affiliate organizations and individuals that place product or service to end-customers. Distribution channels connect the goods producers and customers to each other. Intermediaries form the components of the distribution channel.

Definition of distributors:

1. The words of distributor encompass a wide range of different means and refer to different people. There are basically two different types of distributors. At one end of the spectrum, there are general distributors who can provide a variety of different goods in different geographic regions. On the other side, there are specialist distributors that offer information and technology services and applications of handful products. Public Distributors titles like. (Philip Kotler, Aemestrang Gary 2012).

- Wholesaler

- Distributors of general shopping
- Association distributors
- Storekeeper distributors

Components of distribution networks include:

- 1 - Manufacturers and importers of goods to networks
- 2 - Wholesale that is intermediary between producers and final distributors.
- 3- Exclusive agent
- 4- Retailers that are final supplier of goods and services to consumers.
- 5- on sale at retail
- 6 - Other elements of the retail distribution
- 7 - Consumer that export goods from storage and use.

Distributed channel selection strategies

The simplest method is direct sales but it may not be possible and also the intermediaries are used. Severity level selection and extent of distribution can affect the number of intermediaries. Generally, three types of strategies are in this area: (Malehi, M and Noruzzadeh, A, 2011).

Widespread distribution policy

Normally widespread distribution policy when used by manufacturers that the client is in need of instant gratification and not looking for a specific brand. Retailers typically control the extent of conducting the broad distribution policy. For example, items such as toothpaste, Products groups of FMCG (fast consumer goods) are like this. (Gosili, A, Ghasem Khani, S, Mousavipour, S, Tahmasebi, p, Zoruvfian, r. Sadeghikhaneghah, S, foruzandeh, 2004)

Exclusive distribution policy

1. The use of one or a small number of wholesalers or retailers in any geographic area called the Exclusive Distribution Policy. This distribution system let to manufacturers that control the retail sector. Thus, manufacturers can better determine the retail

price and control how to propaganda about it. Also, in this strategy the number of intermediaries are much lower than the two other types, and used more on specialty products such as cars and special clothing, because the loyal customers in this product are ready for long distance travel to achieve the desired product with the utmost interest. (Faraji, M, Alidadi, Y. Lotfi, A. 2011).

Selective distribution

In this way of distribution, retailers are selected to provide the desired product in different areas. The number of Intermediary in this manner is lower and is greater than the sole distribution. This distribution strategy used in appliances and store goods. Because customers of this goods do not expect these types of such products must find a place in your life.

Levels of distribution channels

1. Manufacturer and the final customer constitute part of distribution channels. A number Intermediary used during the show of channels. Channel "zero level", which is also called direct marketing channel is composed of one manufacturer and the final consumer. Channel "level one" involving an intermediary such as a retail sales. Channel "level two" has two Intermediary and channel "level three" has three Intermediaries. From the perspective of producers whatever the number of intermediaries is more, information about the final consumer and controls on them are more difficult. Sometimes companies use multi-channel systems, Multi-channel marketing system is a system that in it company uses two or more marketing channels to reach different market segments according to market share at the same time. The number of distribution channels depends on to a variety of markets. Each of the markets requires special conditions in their distribution. Sometimes a variety of different brands of a product from a manufacturer has different distribution methods. This is for creating excellence for the labels that are distributed through special channels. A clock can be sold through supermarkets, and also through jewelry. Normally it is expected that distribution channels cause movement and transfer the goods from producer to consumer. But recently the reverse channel distribution has great concern. Recycling processes are a good example of the reverse channel. In this process, the waste is sent back to the manufacturer. In some countries, in addition to beverage vending machines, other machines return some of drink prices in case of returning empty cans. This gives entrepreneurs the opportunity that with management and recognizing the final consumer achieve interesting points in this regard. (Bahman Foruzandeh, Amookhteh Esfahan publication in 2012).

Distribution channels

Always one of the problems in active companies in the field of broadcast industry is incorrect image in spreading process. General process of distribution and distribution companies include eleven public processes. Noteworthy point is that personnel in various units may be involved in a process, for example, in warehousing process in addition to store manager, sales manager and business analyst will be involved in the company. Correct understanding of distribution process is as basics principle in the consulting services. Among activities involved in this type of distribution are the dimensions that include:

1. Branch management, sales management, scheduling, accounting, and selling collector, billing, ordering, transportation, distribution and warehousing, supply of goods, administration and management. (Parviz Dargi, Amir Hossein Sarafrazyan, marketing publications, Tehran 2012).

Factors affecting the distribution policy

1 - The amount of stay away from market and create the ineffective or inefficient communication problems and the lack of precise information on the changes in that market.

2 - awareness of the target distribution system and assess the financial resources, organizing the sufficient staff to penetrate the market and organizing resources according to relevant laws and existing distribution channels

3 - The amount of control over the distributors and classification of distribution channels based on it

4 - Identify the different distribution channels, including chain stores, wholesalers, retailers and etc.

5 - Evaluation of the methods of distribution exclusive or special representation in certain areas or the wide distribution method

6 - The completion of distribution process and describes the duties and responsibilities of each of the intermediates so that any necessary action not omit a distribution.

7 - The reviews of terms and the agreement that each intermediates based on it perform an activity. (Chaharbalesh, M, 2007).

Stages of design distribution channels

Desirable distribution channel is a channel that will meet customers' needs and be competitive. The stages of designing the distribution channel are as follows:

1. Analyze of customer service needs: at this stage, the customer needs analyzed carefully, purchase amount, waiting time, the number of suppliers, diversity of products and expected support services for customer are specified at this stage.

2. Setting goals and identify the limits of distribution channels: the goals of distribution channels are determined at this point according to the characteristics of each product. Decision about whether directly or indirectly through the distribution channel at this point is taken. In addition, in this stage the limitations in the distribution system are characterized. The restrictions are competing firms distribution channels and laws and regulations governing.

3. Determine the available options (available channels distribution): after consideration of the services requested by our customers and distribution channels setting goals, at this stage the available channels in the market should be identified. Types of available intermediaries, the number of required agents, and the conditions and responsibilities of each of the intermediaries can be identified at this stage.

4. Evaluate and select various options: each of them according to three main criteria of economic controls and compliance with the conditions evaluated and reviewed after determining the applicable distribution channels. Then according to the results of the assessment appropriate channel or distribution channels should be selected.

5. Contract and control: after determination of the distribution channel or channels required personal in the selected channel should be determined and educated, motivate them and eventually they can be assessed. Since marketing environment and the product life cycle are not fixed, we should always be ready to change provisions and perform corrective actions on the selected channel.

6. Choice of distribution channel partners: before selecting channel members we should paid to assess clients' demands of channels. And after the mixed designed channels, the next step is determine a proper distribution channel, evaluation, selection and contract signing with the best channel partners.

7. Search method: for most products and markets, an important source is references and key customer reviews that distributors

work with them in the market and also the use of distributor lists in geographical location on the Internet, EU agencies and other resources. (M. Webster, R. Beach, I. Fouweather, 2014).

Assessment

By knowing that channel members are the independent business objectives, programs, key customers, and their special products, and it is better that we should look for the best distributors that have closest match with each other, Issues that should be examined when evaluating a distributor:

- Covered markets
- suitability of the product portfolio
- Regional coverage
- Capacities Sale
- Stability control
- Marketing capacities
- Operational Capacity
- Local Services
- Ease of business
- Fame

The quality of service in distribution channels depends on several factors that include:

- 1 - Volume Purchase: whatever the purchase amount is less, the services that should be offered is more often.
- 2 - Lack of focus on market: whatever distribution channel is more decentralized, more services should be provided.
- 3 - Waiting time: Waiting for immediate delivery means expected services in distribution channels is more.
- 4 - Variation of goods: whatever the composition of the product in channels is more, the requirements service level will be higher.
- 5 - Support and service: whatever the service rate is increased with goods, distribution channels should be more effort to provide better service.

Evaluation of channel members

After selecting the sales channel, marketing managers should control their distributors and ongoing daily activities and support them and improve their relationships with their distribution channel partners, identify their needs and coordinate company sales objectives in channel.

Such evaluation criteria include:

1. Sales quotas
2. Average of inventory level
3. Timely goods delivery to customers
4. How to deal with faulty goods or missing
5. How to collaborate on programs and advertising now
6. How to provide customer service

Mode of transport

In many companies, the bulk of the physical distribution system comprises sending a product to the customer. Manager must decide on the shape and the shipping company. Sometimes it can be a combination of different forms of transport used. Appropriate decision is significant in six key criteria:

The speed of reliability, frequency of service, availability, flexibility in various material handling and costs.

Handling

Choosing the appropriate equipment can minimize the losses from the breaking, movement of goods, corrosion product and also transports boxes. Transport properties, the construction of reservoirs and routes of movement are effective in choosing a particular form of removable devices. The most common means of transportation are: trolleys and conveyors, forklifts and lift trucks.

Information Systems

Computerized information system is essential to improve the physical distribution system. The cost of procurement of such systems is declining. Such systems will connect information producers to the client and inductor. (B. Bilgen. H.-O Gunther, 2010).

Characteristics of a good distribution system

- 1 - The market price is equals to the cost of production plus a profit for producers, sales agents and shipping costs.
- 2 - Consumer achieve to the required product by spending less time-consuming.
- 3 - Goods are distributed in stores in the shortest time possible.
- 4 - Not allowed to hoard (store goods in the market only for restore order, continuous and timely supply)
- 5 - Do not let to the sales in high price
- 6 - Install a price tag on all goods
- 7 - Not much difference between large chain stores and retail units
- 8 - Careful and constant monitoring in order to stabilize prices
- 9 - Having complete freedom to meet their needs through the use of the correct pattern. (. Yari, AR. Moslehi, A. Mosazadeh, N 2009)

Conclusions

The growth and the increasing importance of distribution in recent years and having efficient distribution channels can be considered a competitive advantage for manufacturers. Diverse needs of our customers and specialized companies in the production due to the lack of distinction in the product and product diversification in a company has led producers leave distribute component of their goods to distributors. In this context, the challenges of marketing managers are the selection of the appropriate channel. Marketing managers after searching in market and identify potential candidates check the following conditions:

Type of products that companies are distributing, their reputation in the market, financial performance, management performance and etc. then chooses the company that has the closest match and has their contracts. In this context, they do such activities to improve the effectiveness of distribution channels, including programs for promotional activities and participate in exhibitions and ultimately to the performance evaluation based on the sale of such items and act customer and if the channel has not desired standards, choose more appropriate intermediaries.

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