Channel length in international marketing

The length of the channel refers to the number of intermediaries in a particular distribution channel between the producer and the consumer. A distribution channel can be long or short. Long channel- Involves many intermediaries Short Channel- Involves few intermediaries working in succession to provide the consumer with goods. Factors influencing marketing channel strategies: Characteristic factors of the short channel Feature of long-channel market factors Geographically concentrated business users Geographically concentrated Extensive technical knowledge and regular service required little Technical knowledge and regular service not required Large order Perishable durable product factors Standardized complex Cars Factors producers manufacturers or producer has sufficient resources to perform channel functions Manufacturer does not have enough resources to carry out term channel functions Broad Product Line Limited limited product line Major control channel important competitive factors Manufacturing is satisfied with the performance of marketing intermediaries in the promotion Manufacturer feels dissatisfied with the performance of marketing intermediaries in the promotion This article has been researched and written by the Business Concepts Team. It has been reviewed and published by the MBA Skool Team. The content of MBA Skool has been created for educational and academic purposes only. Browse the definition and meaning of more similar terms. The Management Dictionary covers more than 2000 company concepts from 6 categories. Search and explore: Business concepts Prev: Channel distribution.. Next: Channel levels.. Share this page in: Some of the important distribution channels are: (i) Channel Length (ii) Channel Width (iii) Channel Conflict (iv) Channel Conflict Management (v) Motivating Channel Members. (i) Channel length: Channel length refers to independent member levels along a distribution channel, i.e. a direct distribution channel is a short channel and indirect distribution involves a long channel. Sometimes, a company shortens its channel by acquiring a company at another stage, such as a merger manufacturing with a wholesaler. This can allow the company to be more self reliant, ensure supply and control channel members, reduce distribution costs. (ii) Channel width: Channel width refers to the number of independent members at any distribution stage. In a narrow channel, a manufacturer or service provider is sold through a few wholesalers or retailers, on a wide channel, sold across many. (iii) Channel Conflict: In any channel layout, there are three types of conflicts: (a) Vertical level conflict (b) Level conflict (c) Multichannel conflict (a) Vertical level channel conflict: This occurs when the channel member at one level conflicts with another member on the next highest or bottom For example, a conflict between wholesaler and manufacturing is a vertical level conflict. Retailers in a city in conflict with the rights dealer are also a vertical level conflict. During 1989-1990 in India, an example of vertical conflict was the non-cooperation and boycott of pharmaceutical companies by their wholesaler and chemists. (b) Horizontal level conflict: Conflict at the same level between channel members is called horizontal level conflict. Retail conflict in price issues or territory hops are examples of conflict at the horizontal level. (c) The multi-level channel conflict: When intermediaries conflict with manufacturing using both direct and indirect means of distribution, it is called multi-level channel conflict. For example, a company may have its own franchise production or showroom in an area where there is also a distributor for manufacturing products; in this case the farmer is direct distribution and the subsequent is indirect distribution. Conflict can occur when the showroom processes its products lower than the distributor and retailers. (iv) Managing the channel conflict: To minimize channel conflict, the manufacturer can follow the following steps: 1. Communication: An effective salary to minimize the conflict of the channel is to have periodic communication between the manufactures and the members of the channel. Many CEOs can spend enough time with their channel members to understand market dynamics and communicate brand positioning strategies. 2. Dealership Councils: Another way to resolve the dispute is through the formation of dealership councils, which can resolve issues in channel conflicts. 3. Superordined goals: To evolve the super ordinate goal of maximizing customer satisfaction also resolves the channel conflict. Here, channel members are motivated to perceive customer satisfaction as the ultimate goal, which in turn leads to maximizing profits for all stakeholders. 4. Arbitration and Mediation: Often, the channel conflict can be resolved through arbitration and mediation by manufacturing. Sometimes a government agency like the media drug controller between pharmaceutical companies and the most robust. (v) Motivate channel members: An important challenge for the vendor's day-to-day life is to keep channel members motivated to give their best performance. The motivation of the channel members is done through (a) Financial Rewards (b) Non-financial rewards. Companies like Reliance, Videocon are known for sponsoring vacations for their high-profile distributors in foreign tourist locations. Non-financial rewards are insolvency, public recognition for higher performance. Bajaj Electrics and Philips are known for advertising recognize their high-performance distributors at their annual general meetings (AGMs). Channel levels consist of industrial marketing channels. A common factor between the two channel levels is that both include the producer as well as the end customer. 1) Zero Level Channel / Direct Marketing Channel Consists of a manufacturer that sells directly to the end consumer. This could mean door-to-door sales, direct mail or telemarketing. Dell online sales is a perfect example of a zero-level marketing channel. 2) A level channel As the name suggests, the channel of a level has an intermediary between the producer and the consumer. An example of this can be the insurance policy in which there is an insurance agent between the insurance company and the customer. Even e-commerce is an excellent level example of a channel, in which companies join directly with e-commerce portals and then sell to the market. 3) Channel two levels of channel two involves the movement of goods from the company to an intermediary, from the intermediary to another and then to the customer. This is also commonly known as breaking the bulk in the FMCG market. A two-thyd marketing channel widely used especially in the FMCG and the durable consumer industry consisting of a wholesaler and a retailer. So goods go from company to distributor, distributor to retailer and retailer to consumer. 4) Three-level channel Once again observed in both the FMCG and the durable consumer industry, the three-th level channel can combine the roles of a distributor on top of a retailer and retailer. The most stodding distributor and extends it to distributors who in turn give it to retailers. In the three-level channel, the example can be taken from the ice cream market. Due to the required manufacturing levels, ice cream markets have C& agents. F they have the ice cream in refrigerated cold storage. These ice creams are transported to local distributors who also have refrigerated cold storage. Next, dealers transport to local distributors that they will have 10-12 small freezers. And finally it is transported to the retailer that will have 1-2 freezer of each company. Also read psychological prices and their application in marketingThese are perfect representations for channel levels between the consumer marketing channel and an industrial marketing channel. Some of the factors that influence channel decisions in the international market are as follows: international marketing channels deal with the channels in which goods and services pass to reach their foreign consumers. This means that manufacturers and consumers must be located both in the manufacturing country and consumers or have a presence in both countries. Courtesy of image: usgoldnews.com/wp-content/uploads/2013/06/International-market.jpg The choice of to use is a fundamental decision for the manufacturer where a number of factors and objectives should be considered as the basis for this decision. The international seller needs a understand the characteristics of the market and must have established operational policies before starting the selection of channel intermediaries. The following points must be addressed before the selection process: 1) Identify specific target markets within and in all countries. 2) Specify the marketing goals in terms of volume, market share, and profit margin requirements. 3) Specify financial and personnel commitments for the development of international distribution. 4) Identify control, duration of channels, conditions of sale and ownership of the channel. There are a number of objective and subjective factors that vary from company to company that govern the choice or selection of distribution channel. But there are some that stand out and influence the channel of choice of distribution in all cases. They are as follows: 1) Factors relating to the characteristics of the product: The product manufactured by a company itself is a governing factor in the selection of the distribution channel. The characteristics of the product are as follows: i) Industrial/consumer product: When the product that is manufactured and sold is industrial in nature, the direct distribution channel is useful due to the relatively small number of customers, need for personalized attention, technical ratings of the seller and after-sales service, etc. However, in the case of an indirect distribution channel consumer product, such as wholesalers, retailers, it is the most appropriate. ii) Perishables: Perishable goods, such as vegetables, milk, butter, bakery products, fruits, marine foods, etc. require direct sales, as they must reach the consumer as easily as possible after production due to the dangers associated with repeated handling delays. iii) Unit value: When the unit value of a product is high, it is usually economical to choose the direct distribution channel, such as the company's own sales force than intermediaries. On the contrary, if the unit value is low and the amount involved in each operation is generally small, it is desirable to choose an indirect distribution channel, that is, through intermediaries. iv) Obsolescence of style: When there is a high degree of obsolescence in products such as fashion pieces, it is desirable to sell directly to retailers specializing in fashion items. v) Weight andNicity: When the products are bulky, large and technically complicated, it is useful to choose direct distribution channel. vi) Standardized products: When the products are standardized, each unit is similar in shape, size, weight, color and quality, etc. is useful for choosing the indirect distribution channel. On the contrary, if the product is not standardized and is produced in order, it is desirable to have a direct distribution channel. vii) Purchase frequency: Products purchased with need a direct distribution channel in order to reduce the cost and distribution burden of these viii) Novelty and market acceptance: For new products with a high degree of market acceptance, there is usually a need for an aggressive sales effort. Therefore, indirect channels can be used by appointing wholesalers and retailers as sole agents. This can ensure channel loyalty and aggressive selling by intermediaries. ix) Seasonally: When the product is subject to seasonal variations, such as wool textiles in India, it is desirable to appoint unique sales agents who undertake production sales through reservation orders from retailers and direct mills to ship goods as soon as they are ready for sale on demand. x) Product breadth: When the company is manufacturing a large number of product items, it has more capacity to deal directly with customers, as the breadth of the product line improves its ability to get the sale. 2) Factors related to company characteristics: The choice of distribution channel is also influenced by the company's own characteristics in terms of size, financial position, reputation, past channel experience, current marketing policies and product mixing, etc. In this sense, some of the main factors are the following: i) Financial strength: A financially sound company can participate in the direct environment. On the contrary, a financially weak company must rely on intermediaries and therefore must select an indirect distribution channel, such as wholesalers, retailers, with a strong financial background. ii) Marketing policies: Policies relevant to the channel's decision may be related to provision, advertising, after-sales service and prices, etc. For example, a company that likes to have a policy of quick delivery of goods to end consumers may prefer direct sales and thus avoid intermediaries and adopt a fast transportation system. iii) Company size: A large company that manages a wide range of products would prefer to have a direct channel for the sale of its products. On the contrary, a small company would prefer indirect sales by appointing wholesalers, retailers, etc. iv) Past channel experience: The company's past channel experience also influences the choice of channel distribution selection. For example, an old and consolidated company with its past experience of working with certain types of intermediaries wants to opt for the same channel. However, different will be the case in reverse situation. v) Product Mix: The wider the company's product mix, the greater its strength to deal directly with its customers. Similarly, consistency in the mix of products of company guarantees greater homogeneity or uniformity and similarity in its marketing channels. vi) Reputation: Reputation is said to travel faster than man. It is true in the case of companies also that want to select distribution channel. In the case of companies with as Tata Steel, Bajaj Scooters, Hindustan Levers, etc. indirect distribution channel (wholesalers, retailers, etc.) is more desirable and profitable. 3) Factors relating to market or consumer characteristics: market or consumer characteristics relate to purchasing habits, market location, order size, etc. They significantly influence the choice of channel. They are: i) Consumer purchasing habits: If the consumer expects credit facilities or wants personal services from the seller or wishes to make all purchases in one place, the distribution channel can be short or long depending on the company's ability to provide such facilities. If the manufacturer can afford these facilities, the channel will be shorter, otherwise longer. ii) Market Location: When customers are spread over a wide geographical area, the long distribution channel is the most suitable. On the contrary, if customers are concentrated and located, direct sales would be beneficial. iii) Number of customers: If the number of customers is quite large, the distribution channel can be indirect and long, such as wholesalers, retailers, etc. On the contrary, if the number of customers is small or limited, direct sales can be beneficial. iv) Order size: When customers purchase the product in large quantities, direct sales may be preferred. On the contrary, where customers buy the product in small quantities frequently and regularly, such as cigarettes, matches, etc., long (wholesalers, retailers, etc.) distribution can be preferred. 4) Factors related to the considerations of intermediaries: The choice of distribution channel is also influenced by the considerations of intermediaries. They may include the following: i) Sales volume potential: When selecting the distribution channel, the company must consider the ability of intermediaries to ensure a targeted sales volume. The channel's sales volume potential can be estimated through market surveys. ii) Availability of intermediaries: The company must make efforts to select aggressively oriented intermediaries. In case they are not available, it is desirable to wait some time and then pick up. In these cases, the company must manage its own channel, provided that the correct types of intermediaries are not available. iii) Attitude of intermediaries: If the company follows the reseller price maintenance policy, the choice is limited. On the contrary, if the company allows intermediaries to adopt their own pricing policy, the choice is quite wide. A large number of intermediaries would be interested in selling the company's products. iv) Services provided by intermediaries: If the nature of the product requires after-sales services, repair services, as cars, cars, scooters, etc., only those intermediaries that can provide these services must be appointed, otherwise the company will adopt a direct sales channel. v) Cost of Direct sales in general are more expensive and therefore the distribution organized through intermediaries is more economical. 5) Factors relating to environmental characteristics: Environmental factors including competition channels, economic conditions, legal restrictions, tax structure, etc., as indicated below, significantly affect channel choice. i) Economic conditions: When economic conditions are bright, such as inflation, it is desirable to opt for an indirect distribution channel as there is a full mood of hope, market trends are disturbing and favourable. On the contrary, if the market is depressed (such as deflation), a shorter channel may be preferred. ii) Legal restrictions: The legislative and other restrictions imposed by the state are extremely formidable and give final shape to the election of the channel. For example, in India's M.R.TP. Act, 1969 prevents channel arrangements that tend to substantially reduce competition, create monopoly and are otherwise detrimental to the public interest. With these objectives in the backdrop, it avoids exclusive distributor, territorial restrictions, maintenance of reseller prices, etc. iii) Competitors' channel: This also influences the decision of choice of the channel. Mainly, in practice, similar types of distribution channels used by competitors are preferred. iv) Tax structure: A country's tax structure also influences the decision to choose the channel. For example, in India, state sales tax rates vary from state to state and are a significant part of the final price a consumer pays. As a result, it becomes an important factor in the evolution of channel arrangements. Differences in sales tax rates in two different states would not only cause a difference in the price a consumer pays, but also in the selected distribution channel. Therefore, the company should name the channel at this point where sales tax rates are fairly low, as in Delhi, and this would give advantage to buyers in those states where sales tax rates are high. High.