

Distribution Channel Structure

Welcome to our presentation on distribution channel structure. Learn about the types of channels, the role of intermediaries, how to design your own structure, and more.



by **Mohamed Ali.V.M Assistant Professor, SNS B-SPINE**



Channels in Distribution



Manufacturer

Producer creates products and services for end customers, but does not interact with them directly.



Wholesaler

Intermediary that buys products in bulk from manufacturers and sells them to retailers.



Retailer

Sells products directly to end customers, often located near or in residential areas.



Customer

The end-user of the product or service, who purchases it from retailers.

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Types of Distribution Channels

Direct Channel

Manufacturer sells products directly to the end customer. Examples include online shopping and mail-order catalogs.

Indirect Channel

Wholesaler and/or retailer sell products to the end customer. Examples include brick and mortar stores and ecommerce marketplaces.

Multichannel

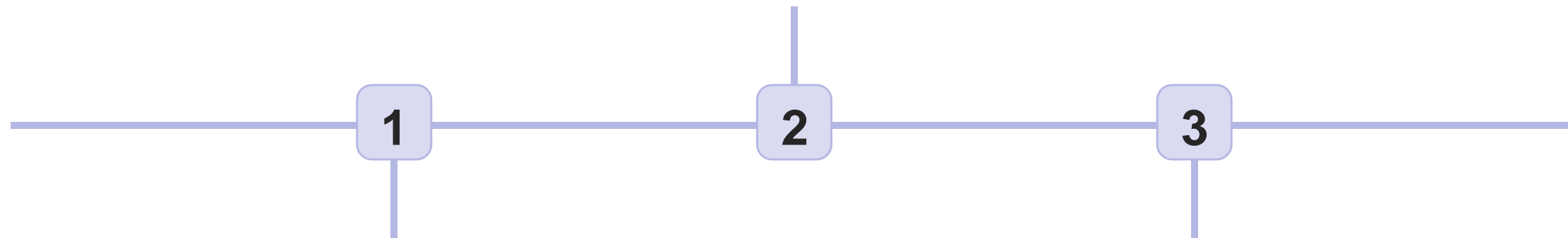
Combination of direct and indirect channels to reach customers. Examples include hybrid models, like manufacturers selling products through third-party retailers.

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The Role of Intermediaries

Logistics & Distribution

They distribute products and manage inventory, saving manufacturers time and money.



Product Promotion

Intermediaries can promote products and create brand awareness.

Data Analysis

Intermediaries collect and analyze data on consumer behavior to inform manufacturers' marketing strategies.

Designing a Distribution Channel Structure



Geography

Consider the location of your target customers and select channels that reach them effectively.



Technology

Use technology to manage distribution and improve communication with intermediaries.



Diagram

Create a visual representation of your structure to help optimize the flow of products and services.

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Factors to Consider When Choosing a Distribution Channel

Product Complexity

Simple products can be sold directly to customers, while complex ones may need help from intermediaries.

Cost & Time

Consider the cost, time, and effort of distribution channels for your specific product.

Relationships

Consider the relationships with intermediaries and make sure they share your goals and values.

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Challenges in Distribution Channel Management

1 Conflict

Intermediaries may compete instead of cooperate with one another or may even act against your interests.

2 Control

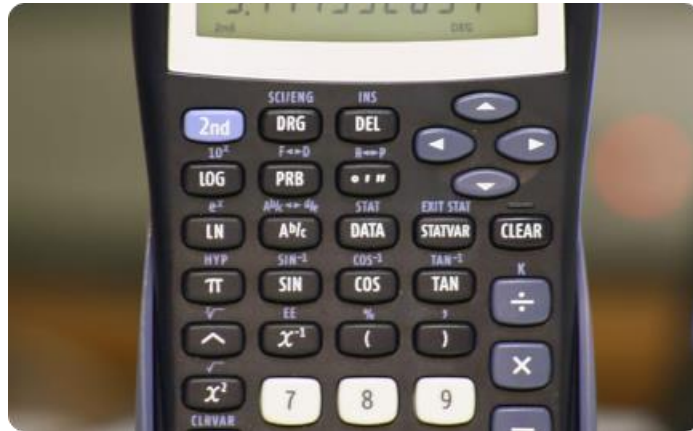
You may risk losing control over the quality and consistency of your products.

3 Costs

Distribution can be costly, with fees and logistics expenses for the intermediaries to be managed.

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Measuring Distribution Channel Effectiveness



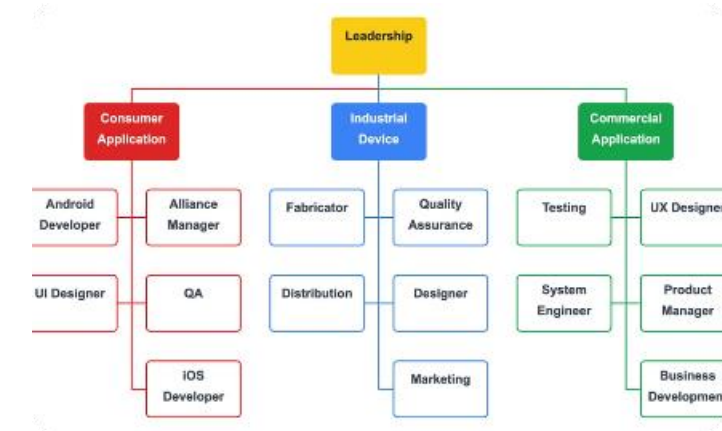
ROI Calculations

Closely track ROI, sales, profit margins, and other relevant metrics for each channel.



Surveys

Ask customers about their experience with your product and your distribution channels, to learn from their feedback.



KPIs

Set Key Performance Indicators for each distribution channel, to stay on track and ensure overall success.

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