



SNS COLLEGE OF PHARMACY AND HEALTH SCIENCES

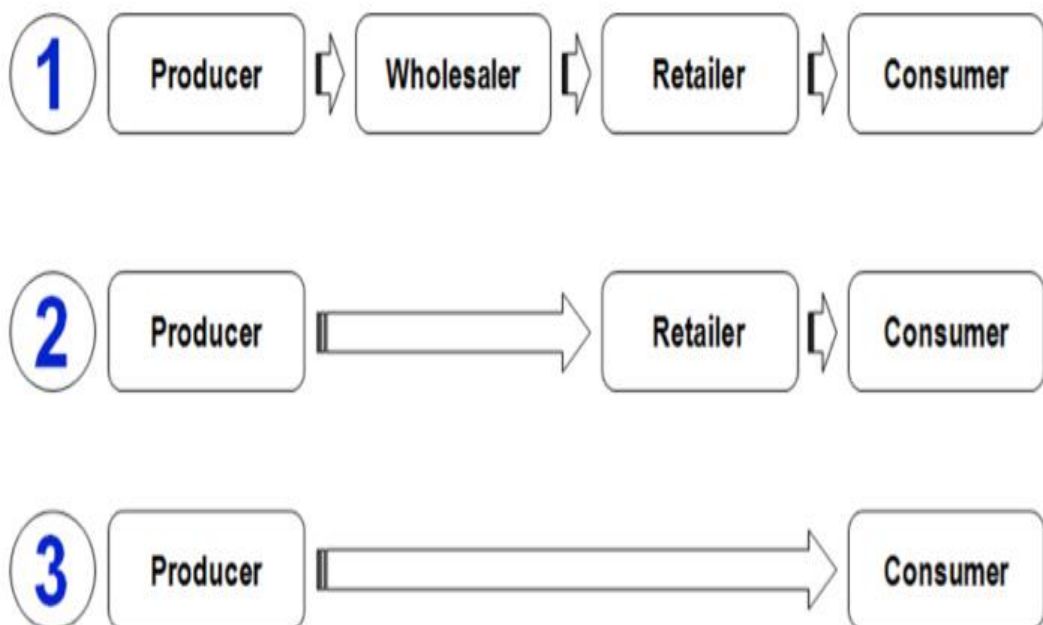
Sathy Main Road, SNS Kalvi Nagar,
Saravanampatti Post, Coimbatore - 641 035,
Tamil Nadu.



CHANNELS OF DISTRIBUTION

A distribution channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the final buyer or the end consumer. Distribution channels can include wholesalers, retailers, distributors, and even the Internet.

DIFFERENT CHANNELS OF DISTRIBUTION



ADVANTAGES OF DISTRIBUTION CHANNEL

- Cost Saving
- Time Saving
- Customer Convenience
- Customers can buy in small quantities
- Resellers help in boosting sales
- Customers receive financial support
- Resellers provide valuable information

DISADVANTAGES OF DISTRIBUTION CHANNEL

- Revenue loss
- Loss of Communication Control
- Loss of Product Importance

FACTORS INFLUENCING CHOICE OF DISTRIBUTION CHANNEL

1. Market Related Factors
2. Product Factors
3. Company Factors
4. Channel Related Factors
5. Environmental Factors.

MIDDLEMAN

The term middleman is an informal word for an intermediary in a transaction or process chain. A middleman will facilitate interaction between parties, typically for a commission or fee. Examples of middlemen include wholesalers, retailers, agents and brokers.

FUNCTIONS OF MIDDLEMAN

- A middleman plays the role of an intermediary in a distribution or transaction chain who facilitates interaction between the involved parties.
- Middlemen specialize in performing crucial activities involved in the purchase and sale of goods in their flow from producers to the ultimate buyers.



WHOLESALER

A wholesaler will sell his product in bulk quantities to retailers, allowing the retailer to take advantage of a lower price than if he were to buy single items. The wholesaler will typically buy goods direct from the manufacturer, but could also buy from a reseller.

FUNCTIONS OF WHOLESALER

- (i) Buying and Assembling
- (ii) Warehousing
- (iii) Grading and Packaging
- (iv) Transportation
- (v) Financing
- (vi) Risk Bearing
- (vii) Providing Marketing Information
- (viii) Dispersion of Goods

SERVICES OF WHOLESALERS TO RETAILERS

1. Wholesalers keep wide assortment of goods as stock. So, the retailer can purchase the product of his choice. Moreover, the retailer need not hold huge stock of goods. So, his inventory is kept at minimum.
2. The wholesalers enjoy the economies of bulk purchase. Moreover, they purchase at lower prices and store goods during the period of low demand. Wholesalers share a part of the benefits with the retailer.
3. The retailer may have limited resources and wholesalers extend credit facility to the retailer and thus come to their rescue.

4. Wholesalers advise retailers on the matters of vital interest.
5. If a retailer buys from the manufacturer, there will be inordinate delay in getting the supplies. Wholesalers avoid this problem by ensuring prompt delivery of goods out of the stock they maintain.
6. The wholesalers inform retailers about the new arrival of goods in the market.

TYPES OF WHOLESALERS

- Merchant Wholesalers.
- Speciality Wholesalers.
- Internet Wholesalers.
- Full-Service Wholesalers.
- Limited Service Wholesalers.
- Discount Wholesalers.

RETAILER

A person or business that sells goods to the public in relatively small quantities for use or consumption rather than for resale.

FUNCTIONS OF RETAILERS

- (1) Buying and Assembling
- (2) Warehousing or Storing
- (3) Selling
- (4) Credit Facilities
- (5) Risk Bearing
- (6) Grading and Packing
- (7) Collection and Supply of Market Information

(8) Helps In Introducing New Products

(9) Window Display and Advertising

SERVICES PERFORMED BY RETAILERS

Retailers provide important services to both the wholesalers and the consumers.

(I) Services To Wholesalers:

(a) They supply invaluable information with regard to tastes, preferences, fashions and demands of the customers to the wholesalers who in turn transmit the same to the producers which is of immense utility to them.

b) By taking over the function of retailing from the wholesalers and manufacturers, retailer's relieve them from selling goods in small quantities to the consumers.

(c) Many retailers usually place orders in advance with the wholesalers which is very helpful in planning the purchases of the wholesalers.

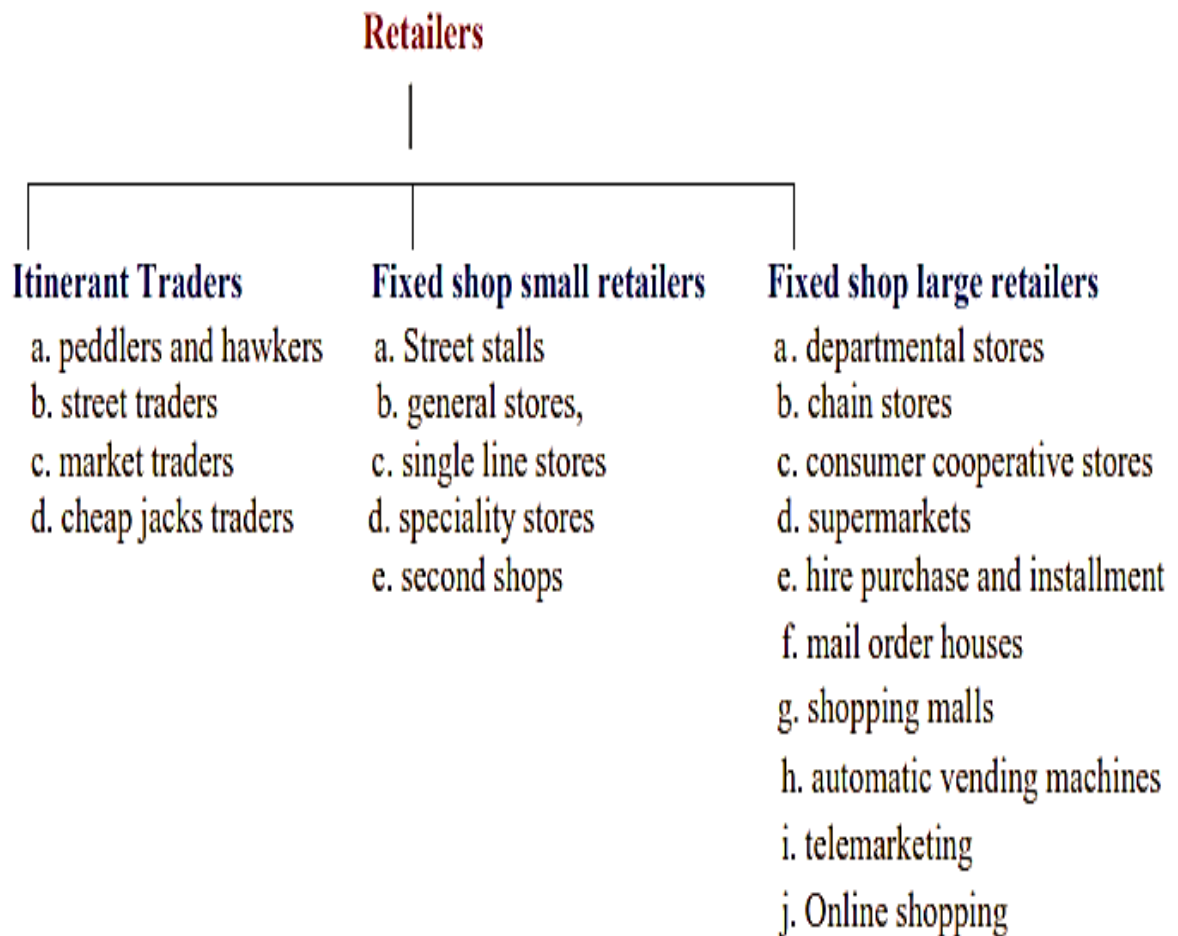
(d) Sometimes retailers make advance payments for the goods to be received from the wholesalers. In this manner, they help in financing the wholesale trade.

(e) Without the services of the retailers a new product cannot be introduced in the market supplied to him by the wholesalers.

(II) Services to Consumers:

- (a) The retailers assemble variety to produce from the wholesaler and place them at the doorstep of the consumers and provide them a convenience of choice.
- (b) They provide credit facilities to the consumers thereby helping them in times of difficulty.
- (c) They extend personalised service to the consumers and try to give them maximum satisfaction.
- (d) They introduce new products to the consumers and also guide them as to their uses.
- (e) They extend free home delivery and after sales service to the consumers.
- (f) They allow cash discount to the consumers on the products sold.
- (g) They buy and stock products best suited to the consumers.
- (h) They give valuable advice regarding the use and maintenance of the products delivered by them.
- (i) They cater to the needs of every type of consumer by keeping in view their paying capacity.
- (j) They supply fresh products to the consumers.
- (k) They usually take back the goods which do not suit to the consumers and replace them.

TYPES OF RETAILER



ITINERANT OR MOBILE RETAILERS

They keep moving from place to place to sell their goods. They do not have any fixed place of business.

FEATURES OF ITINERANT RETAILERS

- (a) They move from street to street to contact the customers.
- (b) They sell low value goods of daily use like toys, fruits, vegetables.
- (c) They mostly sell non-branded and local items.
- (d) They do not sell at fixed prices.

TYPES OF ITINERANT RETAILERS

(i) Hawkers and Peddlers:

They carry goods themselves in basket or on shoulder bags or on push carts. They move about in residential areas and call out names of articles which they are selling. They are hawkers, they don't have enough capital and cannot store goods in bulk. Their main advantage is that they provide convenient service to the consumers and the limitation is that they deal in such products which are unreliable in terms of quality, price and durability.

(ii) Market Traders:

They sell their goods at different places on fixed market days, e.g., Mondays, Wednesdays. They mainly cater to lower income group of customers and deal in low priced and cheap consumer items of daily use.

(iii) Street Traders:

They spread their goods on pavements at busy street corners or near railway stations or bus terminals. They deal in newspapers, magazines, eatables, stationery items etc. They do not move from place to place with their goods.

(iv) Cheap Jacks:

They have temporary shop structures. They change their place of business after some time. They remain in one locality for a temporary period only, depending upon the prospects of their business. They deal in consumer goods of daily use as well as services such as repairs of watches, shoes etc.

FIXED-SHOP RETAILERS

They have permanent establishments to sell their goods either in local markets or in malls.

FEATURES

- (i) They have greater resources than these of itinerant retailers.
- (ii) They deal in variety of products.
- (iii) They provide better services as compared with those provided by the itinerant to the customers such as providing guarantees, credit facilities and home delivery etc.
- (iv) They have greater credibility and goodwill in the minds of customers.

Fixed Retailers are of Two Types:

- i. Fixed-Shop Small Retailers, and
- ii. Fixed-Shop Large Retailers.

i. Fixed-Shop Small Retailers:

(1) General Stores:

- (a) These are set up in residential areas.
- (b) They stock all kinds of products needed by local residents for their daily use.
- (c) They remain open for long hours at convenient timings.
- (d) They provide credit facilities to regular customers if required.

(2) Specialty Stores:

- (a) They are located in central place in each locality.
- (b) They generally specialise in a single type of product instead of dealing in different lines of products.
- (c) A few examples of them are Stores dealing in children's garments only, Stores dealing in educational books only.

(3) Street Stall Holders:

- (a) They are located at the street crossings or on the main roads.
- (b) They setup their stalls by fixing shelves on a wall or placing a table or making a platform to sell and display goods.
- (c) They sell low priced goods such as pens, magazines, cheap hosiery items etc.

(4) Second-Hand Goods Shops:

- (a) They deal in used goods like clothes, books, furniture etc.
- (b) Persons with modest means purchase goods from such stores.
- (c) They store rare articles such as old postage stamps and antique items and sell them at higher prices.

(5) Seconds Stores:

- (a) These shops sell goods which are not according to standards specification. These are sold as seconds.
- (b) They have some minor defects in them and these defects are not visible. These are sold at a heavy discount.
- (c) These shops are situated at market places.
- (d) Even the manufacturers also open retail outlets to dispose of such goods. Readymade garments, sports goods, shoes etc. are sold in these shops.
- (e) Sometimes these stores are set up temporarily by taking premises, hall or banquets on hire.

(6) Single Line Stores:

- (a) These stores sell only one line of products.

- (b) They provide different designs, styles, and sizes of quality of the same product.
- (c) For example stores selling shoes will have all varieties and sizes of footwear meant for kids, gents and ladies.

ii. Fixed-Shop Large Retailers:

These retailers deal in large stock of goods.

The characteristics of such stores are:

- (1) They require huge amount of investment.
- (2) They are generally located at a central place or in shopping malls.
- (3) The footfall of customers is very high in such stores.

The most common type of large scale retailers are as follows:

- (a) Departmental stores
- (b) Multiple shops chains stores
- (c) Mail order retailing
- (d) Consumer Co-operative store
- (e) Super markets

DEPARTMENTAL STORES

It is a large retail store in which a wide variety of products are sold through separate departments under one roof.

FEATURES OF DEPARTMENTAL STORES

- (1) Central location in a big local market.
- (2) Many units or departments in the same shop under one roof.

(3) Centralised ownership, management and control.

(4) Different varieties of goods stored and sold. Therefore, customers get a better choice.

(5) Personal services like telephone booth, restrooms, restaurant etc. are provided.

ADVANTAGES

(i) Centralised Location

(ii) Convenience in Buying

(iii) Attractive Services

(iv) Economies of Large Scale

(v) Heavy Expenditure on Sales Promotion

LIMITATIONS

(i) Lack of Personal Attention

(ii) High Operating Cost

(iii) Inconvenient Location

(iv) High Possibility of Loss

MULTIPLE SHOPS / CHAIN STORES

These are retail shops owned and controlled by a single big organisation. Most of them are also the manufacturers. They are located in different parts of the cities throughout the country. They deal in similar products at uniform prices.

Examples– (i) Bata, (ii) McDonald, (iii) Big Apple, (iv) Reebok, (v) Reliance Fresh, and (vi) Adidas.

FEATURES

- (i) These are located in fairly populous localities, where sufficient number of customers can be approached.
- (ii) All the branches are controlled by the head office which is concerned with formulating the policies and getting them implemented.
- (iii) Manufacturing and procurement of goods is centralised at the head office.
- (iv) Sales are decentralised.
- (v) All sales are strictly made on cash basis.
- (vi) Multiple shops have identical display, decoration, layout plans etc.

ADVANTAGES

- (i) Economies of Large Scale
- (ii) Standardised Products
- (iii) No Bad Debts
- (iv) Transfer of Goods and Spreading of Risk
- (v) Elimination of Middlemen
- (vi) Lower Cost
- (vii) Flexibility

LIMITATIONS

- (i) Limited Variety of Goods
- (ii) Lack of Services
- (iii) Lack of Initiative
- (iv) Large Capital Investment and Heavy Overheads
- (v) Chances of Fraud

MAIL ORDER BUSINESS

These are retail outlets that sell their goods through mail. There is generally no direct contact between the buyers and the sellers in this type of trading.

For example — stationery items, small appliances, medicines, books, cosmetics, toilet goods, readymade jewellery, footwear, watches and other branded products.

TRADING PROCEDURE

Step 1 – Advertisements to provide information about the products

Step 2 – Order receiving and processing of goods

Step 3 – Receiving payments

SUITABILITY

This trading is suitable when,

- (a) Goods are well identified and well known by brand name and are of standardised quality.
- (b) There is a popular demand by the customers scattered over wide areas.
- (c) Products do not require any demonstrations.
- (d) Goods are durable and do not get spoiled in transit.

UNSUITABILITY

This trading is not suitable if-

- (a) Goods are perishable, e.g., – milk, fruits etc.
- (b) Goods are bulky, e.g., – televisions, refrigerators etc.
- (c) Customers are illiterate.

ADVANTAGES

- (i) Small Investment
- (ii) No Bad Debts
- (iii) Wide Reach
- (iv) Direct Contact
- (v) Convenience

LIMITATIONS

- (i) Lack of Personal Touch
- (ii) High Promotional Cost
- (iii) No after Sales Services
- (iv) No Credit Facilities
- (v) Delayed Delivery
- (vi) Possibility of Abuse

TYPES OF MAIL ORDER BUSINESS

Mail order business may be of three types:

(a) The Manufacturing Mail Order Houses:

This type of mail order house is set up by the manufacturer himself in order to sell the goods to the customers directly by mail. The middlemen are eliminated.

(b) Departmental Mail Order House:

This is also known as mail order business of the departmental store. Most of the departmental stores operate a separate mail order section which supplies goods to the customers by mail on receiving their orders.

(c) Middlemen Mail Order House:

These are also known as the mail order house proper. They do not manufacture the goods themselves but purchase directly from the wholesalers or manufacturer for supplying them to customers by post.

CONSUMER CO-OPERATIVE STORES

A consumer cooperative store is a retail unit owned and controlled by consumers. Any consumer can join the consumer cooperative store by buying its shares. Each member has only one vote irrespective of his shareholding. Members get dividend in proportion to their shares held in the cooperative store. Cooperative stores are run by the consumers themselves for their mutual benefits.

ADVANTAGES

1. Consumers get goods of good quality
2. Goods are sold without adulteration
3. Goods are sold in correct measurement. Irregularities found in measurement of goods are avoided.
4. Middlemen are eliminated
5. Prices are comparatively cheaper
6. Regular supply of goods is assured.
7. No credit is allowed. So, there is no fear of bad debts.
8. Consumer cooperatives are located conveniently in residential areas, thus they are quite accessible.

DISADVANTAGES

1. There is paucity of funds
2. Often the managers and salesmen do not possess the requisite skill.
3. Accounts may not be kept on scientific basis.
4. Managing persons are not honest. They invariably swindle funds or divert stocks.
5. Members do not evince a keen interest in the functioning of the consumer cooperatives.
6. Stock keeping is expensive.
7. Enough publicity is not given.
8. Members do not cooperate with the authorities of consumer cooperatives.
9. Door delivery and other facilities are not proper.
10. People in the management of cooperatives are bureaucratic.
11. There is lack of coordination with other cooperatives.

SUPERMARKET

A supermarket is a large retailing shop where goods are displayed in such a way that buyers select products for themselves. Buyers collect their product off the shelves invariably in a trolley and get them billed by the counter clerk.

FEATURES OF A SUPERMARKET

1. It operates on self service basis.
2. Prices are comparatively lower.
3. Credits are not extended to customers.
4. It offers large varieties of goods.
5. The profit margin is lower.
6. Customer service is minimum.
7. Sales are not compelled.
8. Neat display of goods is quite attractive.

ADVANTAGES OF SUPERMARKETS

1. Supermarkets are located in busy centres
2. Buyers get quality goods at lower prices
3. Profit margin is lower
4. Customers get a wide assortment of goods
5. Shopping is convenient
6. There is no risk of bad debts.

DISADVANTAGES OF SUPERMARKETS

1. As supermarkets are located at important centres, rent for its premises is higher.
2. Operating costs are higher.
3. Supermarket service may not be suitable to villages and small towns.
4. Huge capital is needed.
5. There is scope for mismanagement.
6. Due to low pay, employees leave the job in search of better prospects. High employee turnover prevents the supermarkets from building personal relationship with customers.
7. All goods cannot be displayed. It is difficult to sell some goods in pieces.
8. People's ignorance and lack of education act against the functioning of the supermarkets.

DIFFERENCE BETWEEN DEPARTMENT STORES & MULTIPLE SHOPS

| Basis of difference | Department stores | Multiple shops |
|----------------------------|--|--|
| Variety of products | They offer a wide variety of products to customers. | They deal in a single line of product and specialise in it. |
| Customer services | They offer a wide variety of customer services. | They offer limited customer services. |
| Location | They are located in central parts of cities so as to attract a large number of customers. | They have multiple locations—that is, they are spread across cities or towns. |
| Pricing policy | They do not follow a fixed pricing policy as the prices of products vary across departments. | They follow a fixed pricing policy across all the shops that are part of a particular chain. |
| Cost of failure | They have a very high cost of failure because of the huge initial and operating expenses. | They have a limited cost of failure because the initial investment is not very large and the losses of one shop can be covered by the profits of others. |

DIFFERENCE BETWEEN WHOLESALER & RETAILER

| Wholesalers | Retailers |
|--|--|
| (1) They are connecting links between the manufacturers and the retailers. | (1) They are connecting links between the wholesalers and the customers. |
| (2) They purchase goods in large quantities from the manufacturers. | (2) They purchase goods in small quantities from the wholesalers. |
| (3) They deal in limited number of products. | (3) They deal in variety of products for meeting the varied needs of consumers. |
| (4) They need more capital to start their business. | (4) They can start business with limited capital. |
| (5) The display of goods and decoration of premises is not necessary for them. | (5) They lay more emphasis on window display and proper decoration of business premises in order to attract the customers. |

CLEARING & FORWARDING AGENTS (C&F AGENT)

Clearing and Forwarding agents are a link between the owners of goods and owners of means of transport. They help cargo owners in efficient movement of goods to the buyers by completing a number of procedural and documentary formalities.

C&F agents are experts when it comes to getting the goods cleared through customs formalities, coordinating with the carrier and taking care of all shipping and delivery related activities.

ROLE OF C&F AGENTS

Export-import procedures are very complex and time-consuming. Therefore, every exporter should avail the services of Clearing and Forwarding (C&F) agent who are expert and well versed with the customs and shipment procedures. For smooth and timely shipment of goods, the exporter must appoint a competent C&F agent who is able to, inter alia, provide the following services.

Essential Services:

- (a) Transportation of goods to docks and arrangement of warehousing at port.
- (b) Warehousing facilities before the goods are transported to docks.
- (c) Booking of shipping space or air freighting and advice on relative cost of sending goods by sea and air.
- (d) Arrangement for loading of goods on board.
- (e) Equipped with information on shipping lines and freight to different destinations, and various charges payable by exporters.
- (f) Obtaining marine insurance policies.
- (g) Preparation and processing of shipping documents, Bills of Lading, Dock Receipt, Export Declarations, Consular Invoice, Certificate of Origin, etc.
- (h) Forwarding of banking collection papers.

Desirable Services:

- (a) Storage facilities abroad, at least in major international markets, to warehouse the goods in case importer refuses to take delivery on any account.
- (b) Can trace the goods, if shipment goes astray, through his international connections.
- (c) Arrangement for assessing the damage to shipment enroute.

ROLE OF RETAILERS IN PHARMACY

A pharmacy (also called "drugstore" or "community pharmacy" or "chemist") is a retail shop which provides prescription drugs, among other products. At the pharmacy, a pharmacist oversees the fulfillment of medical prescriptions and is available to give advice on their offerings of over-the-counter drugs. A typical pharmacy would be in the commercial area of a community.

RESPONSIBILITIES OF PHARMACIST

Community-based pharmacists responsibilities include:

- checking and dispensing of prescription drugs,
- providing advice on drug selection and usage to doctors and other health professionals,
- counseling patients in health promotion, disease prevention and the proper use of medicines.