

Place/Physical Distribution Concept Channels of Distribution

3 Marks Questions

1. Ajay was appointed as the marketing head of 'Alfa Enterprise', manufacturer of toothpaste and toothbrushes. His target sale was 2000 units a month. Apart from thinking about various channels of distribution to achieve the target, he himself started visiting schools in backward areas. He found that even after taking various steps and counselling, some school children had not started brushing their teeth. He investigated and found that they could not afford to buy toothbrush and toothpaste. So, with due permission, he started donating 200 toothbrushes and toothpastes every month to such schools. .

(i) Identify the channel of distribution Ajay would adopt for distribution of toothpaste and toothbrushes and justify it by giving one reason.

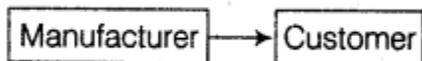
(ii) State any two values, which Ajay wants to communicate to the society. (HOTS; VBQ; Delhi 2013)

Ans. The company would like to develop a direct contact with the children, as the geographic area is concentrated at one place. The units to be distributed are small in number. These factors will help in deciding the channel used

(i) Ajay, marketing head of Alfa Enterprise, adopted the zero level channel in order to distribute the toothpaste and toothbrushes. By this mode of distribution, goods are made directly available to the customer without involving any intermediary.

Channel adopted by Ajay is justifiable as this will help in creating straight and direct relation with customer and this will help to achieve the target.

Direct Channel (Zero level)



(ii) Ajay communicated the following values:

- By donating toothbrushes and toothpastes, he is satisfying the social responsibility of business.
- Secondly, he is promoting the concept of healthy lifestyle among the children.

2. What is meant by 'direct channels of distribution'? List any four methods of direct distribution. (Delhi 2009; All India 2009)

Ans. When goods are made directly available by the manufacturer to the consumer, it is known as direct channel or zero level channel. No intermediary is involved in the transaction, e.g. selling through internet, non-retail outlets, mail order selling, selling through own work force, etc.

Methods of direct distribution are: (Any four)

- (i) Tele marketing
- (ii) Internet selling
- (iii) Mail order selling
- (iv) Selling through own workforce
- (v) Door-to-door selling

3. What is meant by 'indirect channels of distribution'? Explain any two indirect Channels Of distribution. (Delhi 2009; All India 2009)

Ans. Indirect channels of distribution means making goods available from the point of production to the point of consumption by employing one or more intermediaries.

Two Indirect channels of distribution are:

- (i) **One level channel** (Manufacturer-> Retailer-> Consumer) In this form of arrangement, one intermediary i.e. retailers is used between the manufacturers and the customers. That is, goods pass from the manufacturer to the retailers who in turn sell them to the final users.
- (ii) **Two level channel** (Manufacturer -> Wholesaler-> Retailer-> Consumer) This is the most popular distribution network for consumer goods like soaps, oil, clothes, rice, sugar and pulses. Here, the wholesaler and retailer functions as connecting links between the manufacturer and consumer.

4. What is meant by channels of distribution? Explain the types of channels of distribution. (All India 2009)

Ans. Channels of distribution means the path through which the ownership as well as possession of goods transfer to the consumer from the producer. There are two types of channels of distribution

- (i) **Direct channel** When goods are made directly available by the manufacturer to the consumer, it is known as direct channel or zero level channel. No intermediary is involved in the transaction, e.g., selling through non retail outlets, mail order selling, selling through own work force, etc.
- (ii) **Indirect channel** When a manufacturer employees one or more intermediary to move goods from the point of production to the point of consumption. The distribution network is called indirect. This may take any of the following forms:

- **One-level channel** Manufacturer->Retailer-> Consumer.
- **Two-level channel** Manufacturer-> Wholesaler-> Retailer->Consumer.
- **Three-level channel** Manufacturer->Agent->Wholesaler-> Retailer Consumer.

4/5 Marks Questions

5. What is meant by physical distribution? Explain its major components. (Compartment 2014)

or

What is meant by physical distribution of goods? State any three components of physical distribution of goods. (All India 2011 c)

Ans. Physical distribution of goods is concerned with making the goods and services available at the right place, so that people can purchase the same. Components of physical distribution of goods are: (Any three)

- (i) **Order processing** A good physical distribution system ensures an accurate and speedy processing of order. Processing of orders involves several steps viz receiving the orders, dispatch of goods, recording it in books, billing, collection of payment, etc.
- (ii) **Transportation** It is the means of carrying goods from manufacturers to consumers. It is one of the 'major elements of physical distribution. It is important because unless the goods are physically made available, at various places the sale cannot be completed.
- (iii) **Warehousing** It refers to the act of storing and assorting products in order to create time utility in them. Need for warehousing arise due to time gap between the production and consumption of goods.
- (iv) **Inventory control** It is an important decision in physical distribution in respect of deciding the level of inventory. High level of inventory ensures product availability when demand arises but increases the cost of carrying the inventory. Thus, a balance has to be maintained between the cost and consumer satisfaction. The level of inventory depends upon estimated demand, sales forecasts, cost of inventory.

6. State the factors determining the choice of channels of distribution. (Foreign 2014)
or

What are the channels of distribution? Explain any two factors determining the choice of channels of distribution. (All India 2008 C)

Ans. Channel of distribution is the path through which ownership as well as possession of goods passes from producers to consumers. Factors determining the choice of channels of distribution are as follows:

- (i) **Marketing related factors** The choice of channels is affected by many market related factors. These are:
 - (a) **Size of market** The number of channel constituents depends largely on the customer base for the products. Larger markets require indirect channels, and vice-versa.
 - (b) **Quantum of trade** Direct channels of distribution are used where the quantity of purchase is big. Indirect channels of distribution are used mainly where the size of purchase is small and widely spread.
- (ii) **Product related factors** Before deciding channel of distribution for a product, various product related factors are to be considered. These are:
 - (a) **Nature of the product** Customised products require direct marketing as they involve interactions between the buyer and the seller. Whereas, standardised products are sold through a number of efforts. Similarly consumer goods require indirect channels while industrial goods require direct distributions.
 - (b) **Product complexities** Technologically complex products are sold directly whereas,

to sell simple products, indirect channels may be employed.

(c)**Perishability of the product** Zero or one level channels are preferred for perishable products to avoid the delay in delivery as compared to non-perishable products.

(d)**Price of the product** High priced products are mostly sold directly whereas, cheap or inexpensive products are sold with the help of a large number of intermediaries.

7. Give the meaning of channels, of distribution. State any three functions of channels of distribution. (Delhi 2011 C; All India 2011 C)

Ans. Channels of distribution It refers to the path through which the ownership as well as possession of goods transfer to the consumers from the producers. The three main functions of channels of distribution are as follows:

(i) **Sorting** Middlemen procure goods of different nature, size and quality from several sources. They sort these goods into homogeneous groups on the basis of size and quality.

(ii) **Accumulation** Middlemen build up a stock of products for maintaining continuous flow of supply to customers.

(iii) **Allocation** It involves breaking homogeneous stock into smaller marketable lots.

8. What is meant by 'indirect channels of distribution'? Explain which indirect channel of distribution would you adopt for consumer goods and why? (Delhi 2008 C)

Ans. Indirect channels When a manufacturer employs one or more intermediary to move goods from the point of production to the point of consumption, the distribution network is called indirect channels.

Channels of distribution for consumer goods

(i) Consumer products are usually standardised, less expensive, less bulky, non-technical bought products. These can be better distributed by long network of channels, involving many middlemen.

The life of consumer goods is perishable. If the products are perishable (e.g. fruits, vegetable, dairy products), their life is short. Therefore, either direct selling or shorter channels are suitable for such products

(ii) Non-perishable products like toiletry products (e.g. soap, toothpaste, hair oil, etc.) groceries (vegetable oil, tea leaf, etc), fabrics require longer channels to reach widespread customers.

(iii) For costly goods, shorter channels are preferred while products of small value can be sold through long channels.

(iv) Products may be simple or complex. Simple products can be sold by a normal seller but to sell a technically complex product, a qualified and trained salesman is required who can give expert

(v) advice and counsel customers at the point of sale. Therefore, direct or short channels are preferred.

6 Marks Questions

9.'Choice of an appropriate channel of distribution is a very important marketing decision, which depends on various factors'. Explain any three such factors.(All India 2013)

or

'Choice of channels of distribution depends on various factors.' Explain any four factors which affect the choice of channels of distribution. (All India 2013; Delhi 2012c)

Ans. Factors which affects the choice of channel of distribution are as follows:

(i) Marketing related factors

The choice of channels is affected by many market related factors. These are:

(a)**Size of market** The number of channel constituents depends largely on the customer base for the products. Larger markets require indirect channels, and vice-versa.

(b)**Quantum of trade** Direct channels of distribution are used where the quantity of purchase is big. Indirect channels of distribution are used mainly where the size of purchase is small and widely spread.

(ii) Product related factors

Before deciding channel of distribution for a product, various product related factors are to be considered. These are:

(a)**Nature of the product** Customised products require direct marketing as they involve interactions between the buyer and the seller. Whereas, standardised products are sold through a number of efforts. Similarly consumer goods require indirect channels while industrial goods require direct distributions.

(b)**Product complexities** Technologically complex products are sold directly whereas, to sell simple products, indirect channels may be employed.

(c)**Perishability of the product** Zero or one level channels are preferred for perishable products to avoid the delay in delivery as compared to non-perishable products.

(d)**Price of the product** High priced products are mostly sold directly whereas, cheap or inexpensive products are sold with the help of a large number of intermediaries.

(iii) **Company characteristics** The important company characteristics affecting the choice of channels of distribution include the financial strength of the company and the degree of control, it wants to hold on other channel members.

(a)**Degree of control** Manufacturers ambition to control the channel of distribution affects its selection. Consumers should be approached directly by such type of manufacturer, e.g. electronic goods sector with a motive to control the factors service levels provided to the customer at the point of sale are resorting to company owned retail counters.

(b)**Financial strength** A company which has strong financial base can evolve its own channels. On the other hand, financially weak companies would have to depend upon middlemen.

Company desiring control on distribution of goods and services should use short



channels.

(iv) **Competitive factors** The choice of channel is also affected by the channel selected by the competitors in the same industry.

10. 'Physical distribution includes some components for physically moving the goods from manufacturers to the customers.' Explain these components. (All India 2012)

Ans. Components of physical distribution Physical distribution of goods is concerned with making the goods and services available at the right place, so that people can purchase the same. Components of physical distribution of goods are: (Any three)

- (i) **Order processing** A good physical distribution system ensures an accurate and speedy processing of order. Processing of orders involves several steps viz receiving the orders, dispatch of goods, recording it in books, billing, collection of payment, etc.
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11. Name the element of marketing mix in which a set of firms and individuals creates possession, place and time utility and helps in market offering. Also explain any five important functions performed by this element. (HOTS; Delhi 2011; All India 2011)

Ans. Place Mix/Physical Distribution Functions performed by this elements are:

- (i) **Sorting** Middlemen procure supplies of goods from a variety of sources, which is often not of the same quality, nature and size. They sort these goods into homogeneous groups.
- (ii) **Accumulation** This function involves accumulation of goods into larger homogeneous stocks for continuous flow of supply.
- (iii) **Allocation** It involves breaking homogeneous stock into smaller marketable lots e.g. once cashew nuts are graded and large quantities are built, these are divided into convenient packs of say 1kg, 500gms, to sell them to different types of buyers.
- (iv) **Assorting** Middlemen build assortment of products for resale. There is usually a difference between the product lines made by manufacturer and the assortment or combinations desired by the users, e.g. a cricket player may need a bat, a ball, wickets, gloves, helmet, a t-shirt and a pair of shoes.
- (iv) **Product promotion** Mostly advertising and other sales promotion activities are performed by manufacturers. Middlemen also participate in certain activities such as demonstrations, special displays, contests, etc. for increasing the sale of products.