

Seed Enterprise Management Institute (SEMI)

International Training on Seed Marketing
(Distribution Strategy and Planning)

VENUE: University of Nairobi, CAVS

Seed Enterprises Management Institute

University of Nairobi
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Introduction



- Most producers do not sell their goods directly to the final users.
- Between producers and users stands a set of intermediaries performing a variety of functions.
- These intermediaries constitute a marketing channel (also called a distribution or a trade channel).
- Formally, distribution channels are sets of independent organizations involved in the process of making a product or service available for use or consumption. They are the set of pathways byproduct or service follows after production, culminating in purchase and use by the final end user.

Examples of intermediaries are:

- Wholesalers
- Retailers
- Supermarkets
- Brokers
- Manufacturers' representatives
- Sales agents or agents
- Transportation companies
- Independent warehouses
- Banks
- Advertising agencies and public relations firms also called facilitators.
- Marketing research firms.



IMPORTANCE OF DISTRIBUTION CHANNELS

- A distribution channel system or a marketing channel system is the particular set of marketing channels employed by a firm.
- Decisions about the marketing channel system are also make markets.
- among the most critical facing management.
- Distributors can collectively earn margins that account for 30% to 50% of the ultimate selling price.

DISTRIBUTION CHANNELS contd.....

- One of the chief roles of marketing channels is to convert potential buyers into profitable orders.
- Marketing channels must not just serve markets, they must also make markets.
- The distribution channels chosen affect all the other marketing decisions.
- The company's pricing strategies depend on whether it uses mass merchandisers or high-quality boutiques.

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DISTRIBUTION CHANNELS contd.....

- The firms sales force and advertising decisions depend on how much training and motivation dealers need.
- In addition, channel decisions involve long term commitments to other firms as well as asset of policies and procedures
- In managing its intermediaries, the firm must decide how much effort to devote to push versus pull marketing.

DISTRIBUTION CHANNELS contd.....

- A push strategy involves the manufacturer using its salesforce and trade promotion money to induce intermediaries to carry, promote and sell the product to end users.
- Push strategy is appropriate under the following conditions:
 - where there is low brand loyalty in a category
 - ii) brand choice is made on the store
 - iii) the product is an impulse item
 - iv) product benefits are well understood



DISTRIBUTION CHANNELS contd.....

- A pull strategy involves the manufacturer using advertising and promotion to persuade consumers to ask intermediaries for the product, thus inducing intermediaries to order it
- -pull strategy is appropriate:
 - When there is high brand loyalty
 - High involvement in the category
 - When people perceive differences between brands
 - When people choose the brand before they go to the outlet
- Top marketing companies such as Nike, Lutel and Coca-cola skillfully employ both push and pull strategies.

THE ROLE OF MARKETTING CHANNELS

-Why would a producer delegate some of the marketing jobs to intermediaries?

Many producers lack the financial resources to carry out direct marketing. for example: general motors sells its cars through more than 8000 dealer outlet in North America alone. Even General motor would be hard pressed to raise the cash to buy out its dealers.

-Producers who do establish their own channels can often earn a greater return by increasing investments in their own business.

-in some cases, direct marketing simply is not feasible.

-the William Wrigley for company would not find it practical to establish small retail gun shops throughout the world or to sell gun by mail order or internet

-Wrigley finds it easier to work through the extensive network of privately owned distribution organizations.

-Intermediaries normally achieve superior efficiency in making goods widely available and accessible to target markets .

-through their contacts, experience and specialization and scale of operation

,intermediaries usually offer the firm more than it can achieve on its own.

CHANNEL FUNCTIONS AND FLOWS

- A marketing channel performs the work of moving goods from producers to consumers.
- It overcomes the time, place and possession gaps that separate the goods and services from those who need or want them.
- Members of the marketing channels perform a number of key functions
- See the table below:
- Channel member functions
- Gather information about potential and current customers, competitors and other actors and forces in the marketing environment.
- Develop and disseminate persuasive communications to disseminate information and stimulate purchasing.

CHANNEL FUNCTIONS AND FLOWS

Reach agreements on price and other terms so that transfer of ownership or possession can be effected.

Place orders with manufacturers

Acquire the funds to finance inventories at different levels in the marketing channels

Assume the risk connected with carrying out channel work.

Provide for the successful storage and movement of physical products.

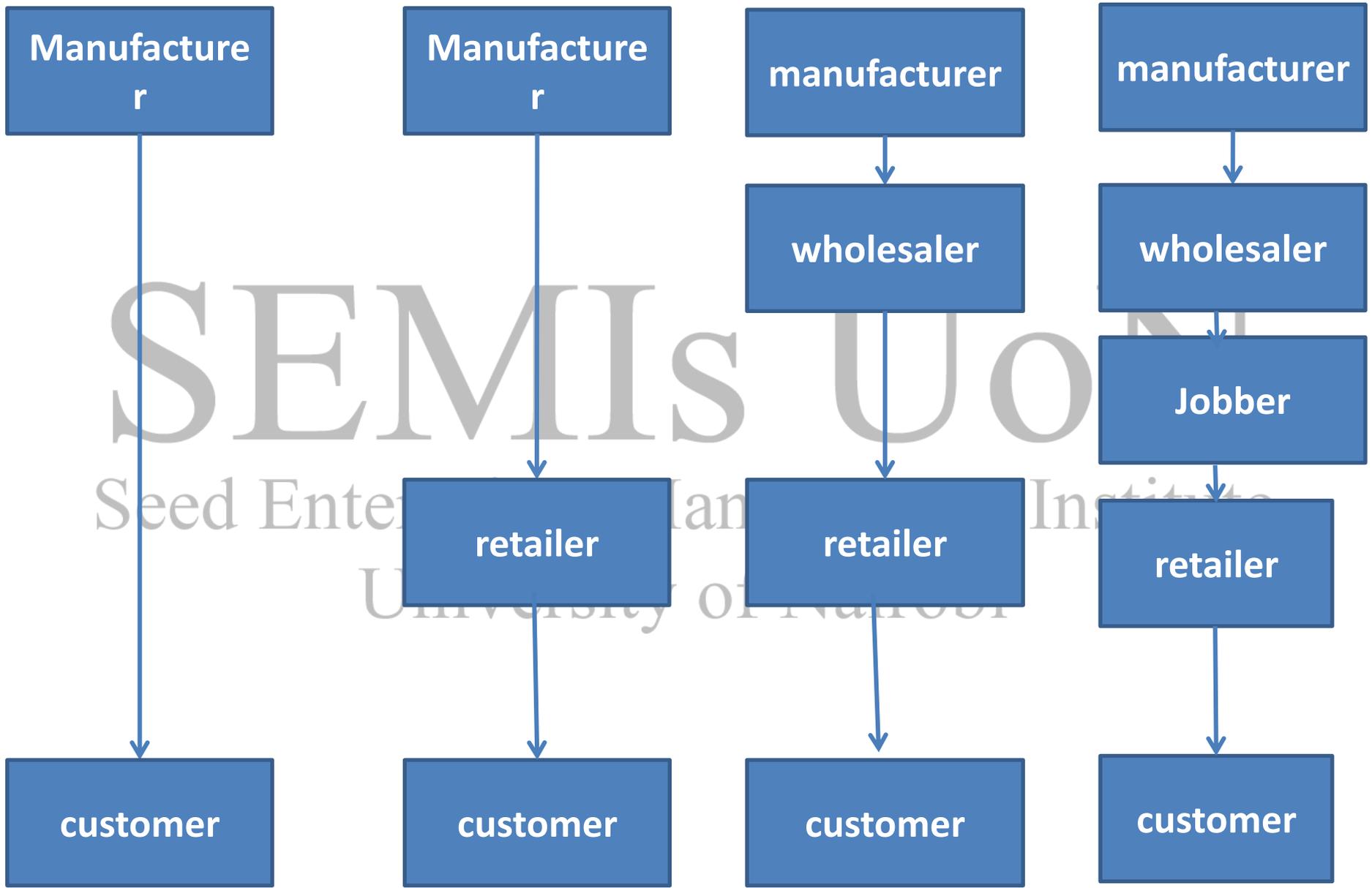
CHANNEL FUNCTIONS AND FLOWS contd.

- Provide for buyers payment of their bills through banks and other financial institutions.
- Oversee actual transfer of ownership from one organization to person to another.
- Some functions (physical, title, promotion) constitute a forward flow of activity from the company to the customer
- Other functions (ordering and payment) constitute a backward flow from customers to the pany.
- Still, others (information, negotiation, finance and risk taking) occur in both directions.

CHANNEL LEVELS

- The producer and the final customer are part of every channel.
- -we will use the number of intermediary levels to designate the length of the channel.
- -A zero level channel (also called a direct marketing channel) consist of manufacture selling directly to the final customer.
- -A one level channel contains one selling intermediary, such as retailer.
- -A two level channel contains two intermediaries. In consumer markets these are typically a retailer and wholesaler.
- - A three level channel contains three intermediaries : wholesalers, jobbers and retailers.

Customer Marketing Channels



CHANNELS CONTD.....

- from the producers point of view, obtaining information about end users and exercising control becomes more difficult as the number of channel levels increases.
- channels normally describe a forward movement of products from source to user.
- one can also talk about reverse-flow channels .they are important in the following cases.
 - (1) To reuse products or containers (such as refillable chemical carrying drums)
 - (2) To refurbish products(such as circuits boards and computers) for resale
 - (3) To recycle products (such as papers)
 - (4) To dispose off products and packaging (waste products)

MARKETTING PLANNING STEPS

- Marketing Audit / situation Analysis
- Marketing Mission
- Strategic priorities “Today’s businesses”, “ Tomorrow’s breadwinner” and in-between category
- Marketing strategy- segmentation and positioning
- The marketing mix
- Action plan
- Budget
- Organization structure

