Chapter 7
Channel Management

ABSTRACT

Channel management is a critical and integral part of the marketing management department of the company. The channel partners help the company to move their goods from the manufacturing site to the doorstep of the consumers. This is a complicated process in all areas and countries – particularly in geographically and culturally diverse countries like India. There are a wide variety of intermediaries already existing in the markets and they serve different roles and purposes. The organization has to understand the objectives of each of these types of intermediaries and then plan and design their distribution systems accordingly. There is a cost attached to each layer of the marketing channel, and the companies have to find out the ways and means of getting the maximum benefits from these intermediaries at the optimum cost. The type of marketing channel adopted by the company is dependent on the product-market structure of the company. The distribution systems of FMCG companies are different from those of consumer durables, which are again different from those of industrial products. From time to time, there are conflicts between intermediaries and even between the company and its intermediaries. The key responsibility of resolving the conflicts is with the company, and in many cases, they have laid down policies and practices of resolving conflicts. These conflicts are happening more often as the power balance in the marketplaces are steadily shifting from the manufacturer to the retailers and, in general, to the channels. However, retailers and wholesalers provide invaluable service to the company as well as the consumers and have thus become an important part of the channels and the distribution system as a whole.

LEARNING OBJECTIVES:

- Understanding the marketing channel system
- How to respond to the PESTLE factors
- Sources of power in the system
- Conflicts and management of conflicts
- Understanding retailing
- Understanding wholesaling

INTRODUCTION

Marketing Channel Systems

The functions of a marketing channel are varied and each of the functions are important for the manufacturer, the product, the brands, the channel itself, and the consumers or end customers. As has been discussed earlier, the efficiency of the channel systems often determine the success or failure of a product/ brand and/or company. In the current market scenario, making a difference is becoming increasingly difficult and companies are using their distribution system to differentiate themselves from the competitors. It is important to understand the complete set of responsibilities of the channel system in order to appreciate the nature and magnitude of impact that the marketing channel system can leverage for the company.

Functions

The first and foremost responsibility of the channel system is to make the product available to the target customer or the actual user. The product has to be made available in such a way that it is convenient for the customer to access it easily. The distribution system makes a full assortment of brands and products available within easy reach of the customer. In case of many products, the marketing channel is responsible for delivering after-sales service as well. For many other products, the channel takes on the responsibility of installing the product properly in the customer's preferred location as well. In all these cases the marketing channel handles the customer complaints also – sometimes, they are the frontline people who interacts with the servicing

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