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# MARKETING CHANNEL FRAMEWORK



# Introduction

Marketing channels are sets of **interdependent organizations** and agencies involved in the process of making a product or service available for use or consumption by the consumer or business user

The combination of these **interdependent organisations** is referred to as a channel framework or channel structure.

A channel structure is a group of channel members to which a set of distribution tasks has been allocated.

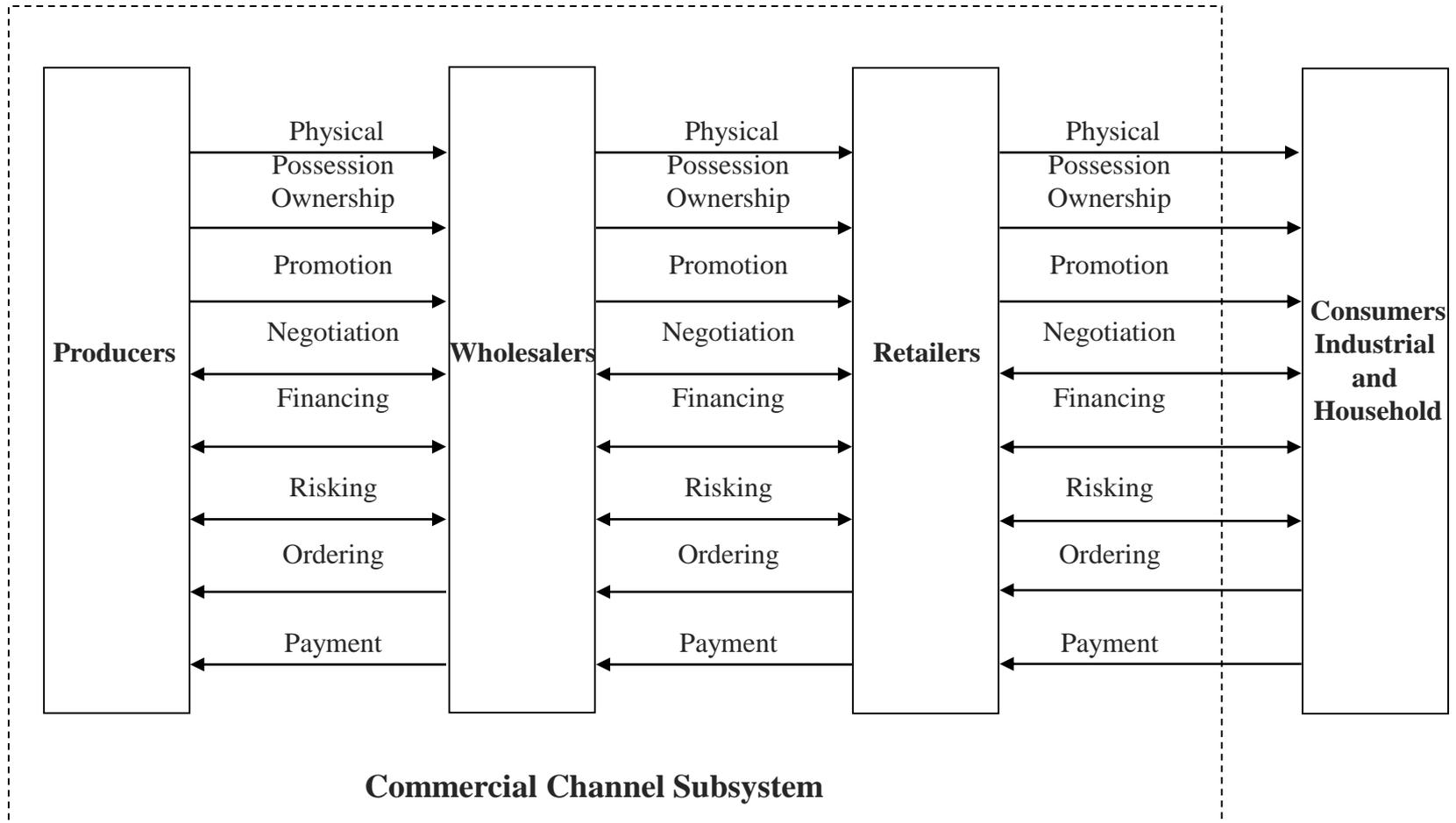
The presence or absence of a particular type of channel member in company's channel structure is dictated by its ability to perform the necessary **distribution tasks** in such a way that it adds value to the channel system



# Distribution Tasks

# Distribution tasks are referred to as channel flows

The term channels flows refers to the functions that channel members play.



**The arrows above show flows of activity in the channel  
(All of the flows are indispensable i.e. you can eliminate the middleman but  
you cannot eliminate his functions).**

- 1. Physical possession** - This refers to channel activities pertaining to the storage of goods, including transportation between channel members. The costs of running warehouses and transportation products from one location to another are physical possession costs.
- 2. Ownership** - The ownership flow shows the transfer of title of the product as it is passed along from the manufacturer to final consumers. When a channel member takes title to goods, it bears the cost of carrying the inventory.
- 3. Promotion** - The promotion flow refers to the flow of persuasive communication in the form of advertising, personal selling, sales promotion, and publicity.
- 4. Negotiation** - The negotiation flow represents the interplay of the buying and selling functions associated with the transfer of title of the products. Negotiation is a two-way process involving mutual exchange between buyer and seller about the terms of sale.

## **Financing**

Financing can take place through either forward flow of financing or backward flow of financing. Forward flow of financing takes place when producers or middlemen offer products to customers on credit. Backward flow of financing takes place when middlemen or customers pay for products in advance.

## **Risking**

In the movement of goods from the manufacturer to the ultimate consumer, there are a number of risks that are faced especially with the channel member that has title to the goods at that moment. Risk related cost include, theft, pilferage, damage, fire, warranties, insurance and after sales service that attempt to mitigate concerns about unforeseeable future events such as product failures.

## **Ordering**

Ordering is the activity of asking for goods or services from a company, store, or manufacturer. Therefore in this flow it involves the customers making orders from middlemen and middlemen making orders from the manufacturers.

## **Payment function**

The payment flow involves the transfer of funds for the delivery of goods or products.



# Assembling a set of Interdependent Organisations

# Channel Structures/Framework

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**Channel Structures** are the different combinations of sets of interdependent organizations that a channel manager can include in a channel system in a bid to ensure delivery of his product/service to the final consumers.

The role of a channel manager is to design, modify and maintain efficient and effective channel structures. This role involves the selection of channel members to perform the marketing flows.

# Channel Structures

- Marketing channel structures may be **direct** or **indirect**.
- A direct channel is a distribution channel in which a producer delivers his product/service to an ultimate user without any intermediary.
- An indirect channel is one in which includes the use of intermediaries to deliver a product/service to an ultimate user.
- They can also classified using the concept of levels.

# Consumer Marketing Channels

**Channel Level** ⇒ A layer of marketing intermediaries that perform some work in bringing the product and its ownership closer to the final buyer.

## 0-level channel

### Direct Channel



## 1-level channel

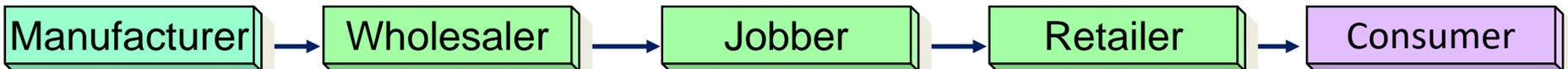
### Indirect Channels



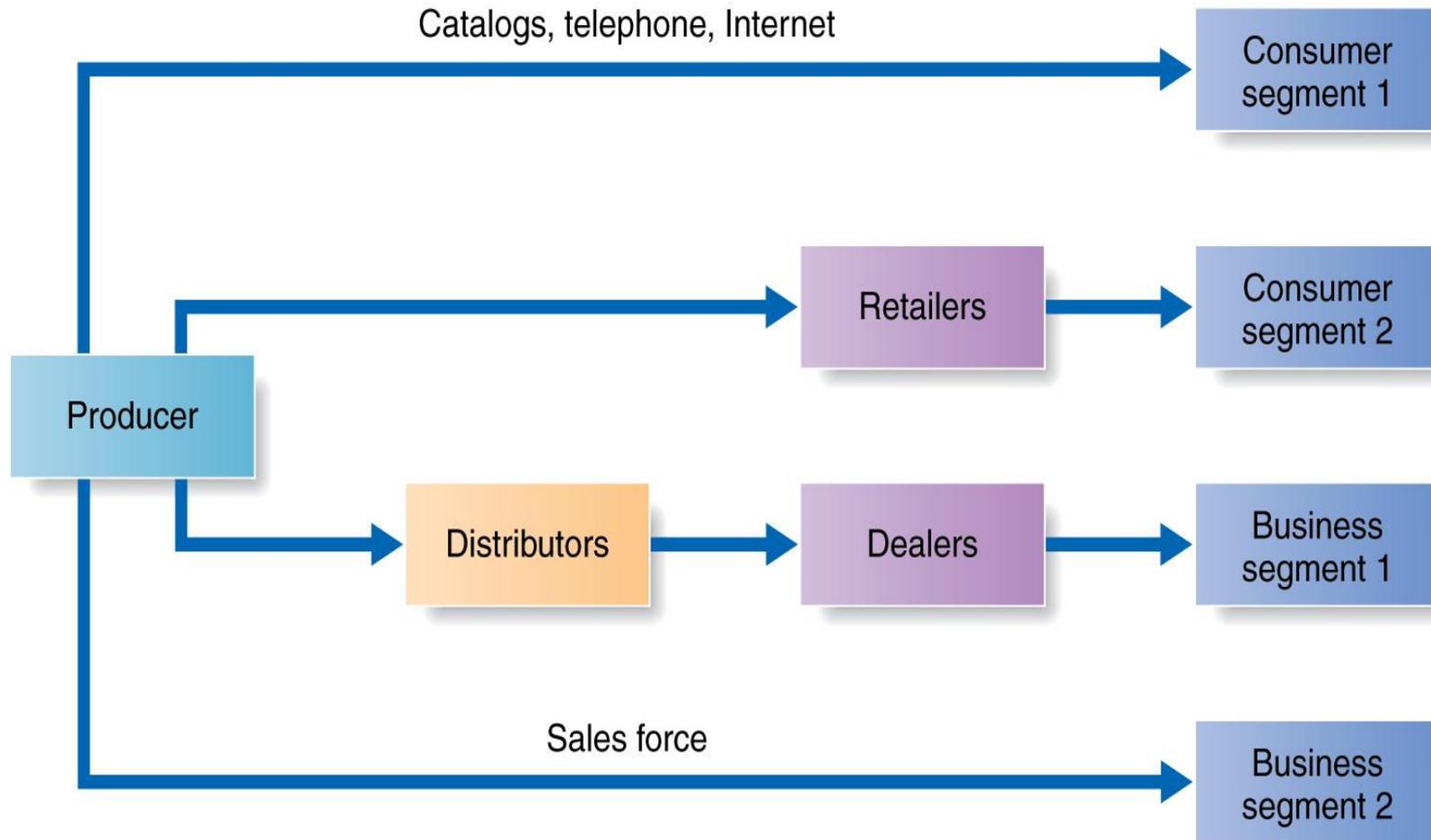
## 2-level channel



## 3-level channel

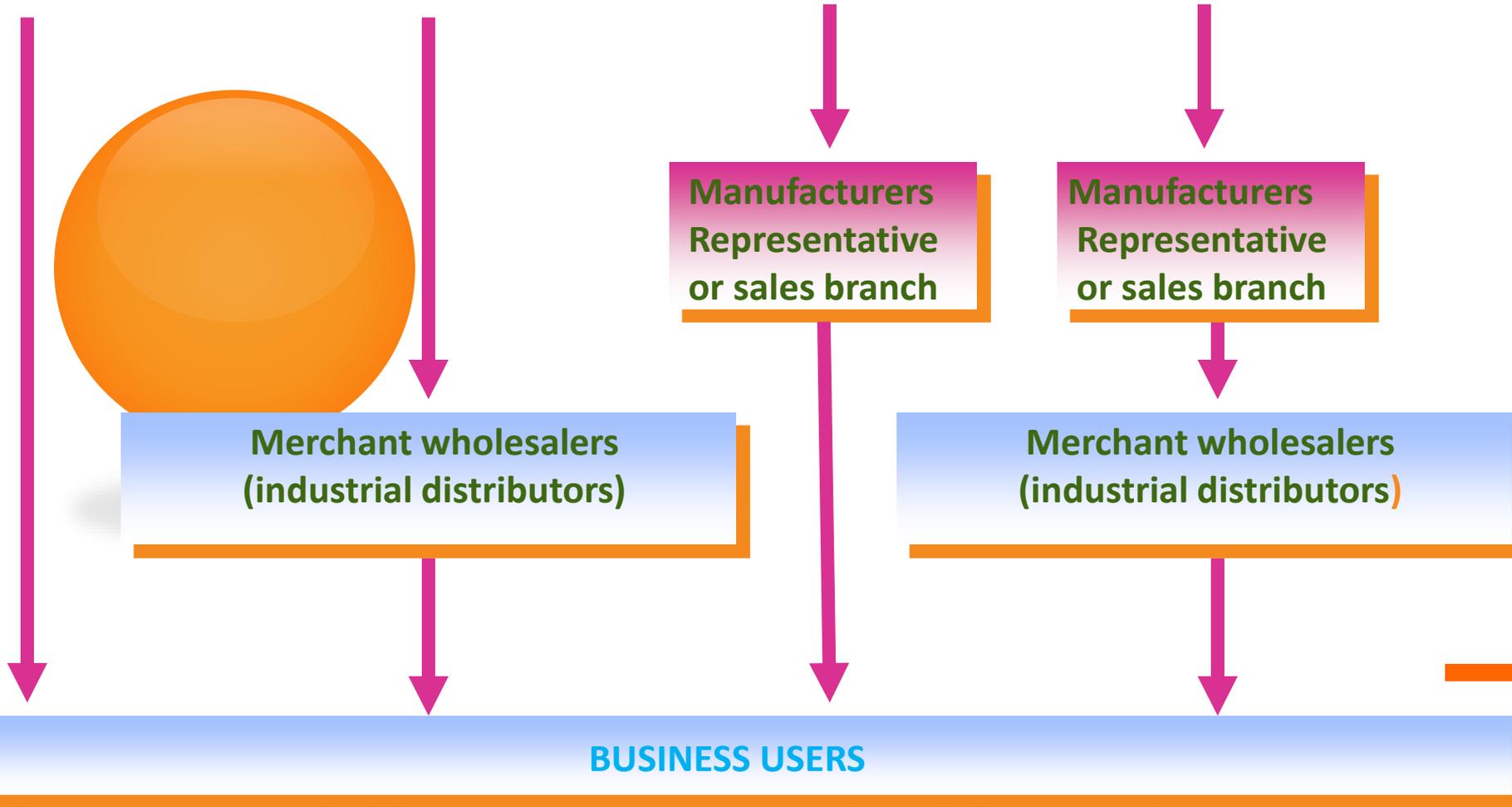


# Multichannel Distribution System



# Business Marketing Channels

**PRODUCERS OF BUSINESS GOODS**



# Service Channels

PRODUCERS OF SERVICES

Agents

ULTIMATE CONSUMERS OR BUSINESS USERS