Chapter 10

DISTRIBUTION AND CHANNEL MANAGEMENT

-- SOLVED QUESTIONS --

1. **Why is justified intermediation?**

   Intermediation is justified on the basis of two advantages for the manufacturer. On the one hand, the number of necessary contacts to reach the consumer is reduced. Secondly, distributors greatly simplify the distribution process, ensuring the conservation and location of products on the shop shelves.

2. **Can I use multiple distribution channels simultaneously?**

   Yes. It is more frequent to use, jointly, various alternative systems of distribution. Danone also recently inaugurated its first own physical shop, when Danone had always had middlemen for the distribution of its products.

3. **What is a distribution channel?**

   To go from the producer to the consumer, the good or service must go through some means. This means is the distribution channel. The term “channel” suggests a path or a route through which the products flow from their origin to its consumption or use at the final destination.

4. What advantages does the absence of intermediaries?

The advantages derived from the direct relationship between the manufacturer and the consumers are significant. Among them, the following can be pointed out:

a) Access to customer information

A complex structure of distributors totally eliminates customer relationships, making it difficult to build an information system that will allow us to know, in an exact way, what their habits, preferences, needs and attitudes are. This information, at times, is part of an agreement the distributor and the manufacturer can reach, but in the majority of cases the distributor, aware that this information is essential for their activity also, does not easily accept.

b) Lowering of costs

Commercial distribution is a very important cost for the marketing departments. Costs are lowered as the number of middlemen and their size decreases. The negotiating capacity with a large distribution chain is very little, except for a few leading brands, whereas the relationships with smaller distributors can be more fluent.

c) More control over the marketing variables

When the distribution chain is long, with many different middlemen in the process, the manufacturer loses control on the marketing variables, especially on prices and promotions.

5. What is associated commerce?

Associated commerce is an association of retailers, which, while retaining their independent juridical nature, associate to reduce risks and create synergies among each other. The most relevant distribution forms of associated commerce are the shopping malls, volunteer chains and franchises.

6. What elements make up the merchandising?

Merchandising has three basic pillars:

a) The placing of the sales point
b) The management of the shelf
c) The sales point animation

7. Why the shelf is important?

The shelf where the products are exhibited is the star of sales point management. The shelf functions are:

a) Attract attention
b) Offer the product and make it accessible
c) Make choice easier
d) Provoke the buying act

8. What are the basic manufacturer's distribution strategies?

These distribution decisions may be summed up in two groups:

a) Market coverage strategies.
b) Negotiation and relationship strategies with the distributor.

In the former one, the manufacturer decides with which channel and with which organizations, within each channel, it will “cover” the market and reach potential consumers.

In the relationship and negotiation strategies with the distributor, the manufacturer’s marketing department decides the way in which it relates to the channel, that is, the planning of the negotiation and joint activation of the demand.

9. What is the ECR philosophy?

The ECR (Efficient Consumer Response) philosophy is an agreement between manufacturers and distributors to be more efficient in the market supply process. It therefore encompasses product placement on the shelf and merchandise transport to the storage, and customer knowledge and service.

10. What is a routine category?

They are those categories which have an important role, but not relevant, in the choice of establishment as the commercial formula for the buy. The products in these categories are purchased in a repetitive way, and above all, service and process are what is sought.