




INSTITUTE OF LAW, JIWAJI UNIVERSITY, GWALIOR
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SEMESTER – VI
SUBJECT - INTERNATIONAL MARKETING
UNIT-4 – TOPIC - INTERNATIONAL DISTRIBUTION MEANING
AND IMPORTANCE

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International Distribution

Distribution is the course that goods take between production and the final consumer. This course often differs on a country by country basis and MNCs will spend a considerable amount of time in examining the different systems that are in place, the criteria to choose distributors and channels and how distribution segment will be employed. Distribution channels are the link between producers and customers. It is acknowledged that effectiveness of marketing depends among other factors, on making the product available at the right places, at the right time and at the minimum possible cost. A distribution channel is defined as "the path traced in the direct and indirect transfer of title to a product as it moves from a producer to the ultimate consumer or industrial user."



A distribution channel, in other words, is a set of firms and individuals that take title, or assist in transferring title to a particular good or service as it moves from the producer to the consumers. Channels of distribution consist of two categories of intermediaries or middlemen, namely:

- i) merchants who take title to the goods
- ii) agents who do not take title to the goods but assist in the transferring of the title.

Each member of a channel is a link in a distribution network of organizations that - extends from the producer to the users of products and services.



Though it is found that some firms perform all channel functions, typically several organizations are linked together in a distribution channel to carry out the various activities including storage, transportation, sales contract, service, sorting and re-packing. The channels of distribution available in a country depend on its stage of economic development. The economic development of a country may influence the channels of distribution in the following way.

i) The more developed countries have more levels of distribution, more specially stores and supermarkets, more department stores and more stores in the rural areas.

ii) The influence of foreign agents declines with economic development.



iii) The manufacturer - wholesaler - retailer functions become separated with increasing economic development.

iv) Financing function of wholesalers decline and wholesale markets increase with increasing development.

v) The number of small stores declines and the size of the average store increases with increasing development.


vi) Retail margins improve with increasing economic development.

Direct and Indirect Channels

When the Companies have to market abroad they use two principal distribution channels:

(i) direct selling and (ii) indirect selling.

Direct selling is employed when a manufacturer develops an overseas channel. This channel requires that the manufacturer deals directly with a foreign party without going through an intermediary in a home country. The greatest advantage of direct selling channel is the active market exploitation, since the manufacturer is more directly committed to its foreign markets.



Indirect selling also known as the local or domestic channel is employed when a manufacturer in the United States for example, markets its product through another US firm that acts as the manufacturer's sales intermediary (middleman). As such, the sales intermediary is just another local or domestic channel for the manufacturer because there are no dealings abroad with a foreign firm. By exporting through an independent local middleman, the manufacturer has no need to set up an international department.

Example: The channel is simple and inexpensive. The manufacturer incurs no start up cost for the channel and is relieved of the responsibility of physically moving goods overseas. Because the intermediary very likely represents separate clients who can help share distribution costs, the costs on moving the goods are further reduced.

THANK YOU