

Question No.4 Explain various factors affecting the choice of the channels of distribution in international marketing. Which criteria you would generally keep in mind while selecting international channels of distribution for your product.

Solution: The following are some factors, which affect the choice of distribution channel, that need to be considered before taking a decision whether to go for direct or indirect export. Factors Indirect Direct The Market Dispersed Small potential sales Consumer market Concentrated Large Potential Sales Industrial Market The Product Non-Technical Product Consumer Goods Technical Product Industrial Goods Marketing Skill of The Company Company Lacks Marketing skill and experience Company possess marketing skill and experience Degree of Control Company desires little control Company desires high degree of control Financial Condition of the company Weak financial condition Strong Financial condition hannels of distribution for your product. Solution: The following are some factors, which affect the choice of distribution channel, that need to be considered before taking a decision whether to go for direct or indirect export. Following are some additional points to be considered for distribution channel choice: 1. Characteristics of the Product i) Unit Value – In general, direct sales are preferred for items of high unit value.

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ii) Bulk and weight – If bulk transportation is possible, direct exporting is preferred.

iii) Perishability – The more perishable is the product, the shorter should be the distribution channel.

iv) Fashion goods are usually sold direct to retailers.

V) Standardization – Indirect sales are recommended for standardized products.

vi) Stages of market development – New products are promoted by direct sales. Indirect sales may be adopted for established products.

2. Who is the Buyer ?

i) Government Departments – In some countries, government departments buy commodities directly, often on a long-term basis

. ii) Industrial Buyers – Large industrial companies often buy, direct from producers, their requirements of raw materials, spares and components.

iii) Distributors – A distributor buys and holds large stocks of a product in return for an exclusive right to sell the product in the area represented by him.

iv) Wholesalers – Some large wholesalers may prefer to buy directly from producers.

v) Large Retail Stores – Large departmental stores may prefer to buy their requirements directly from producers.

3. Volume of Sales Expected, i.e., the existing and the potential future size of the market. The larger the size, the shorter will be the distribution channel.

4. Firm's Own Resources – How much resources in terms of finance, skill, time and attention the firm can devote to exporting will also determine the distribution channel choice. Resource rich firms can opt for direct export. While resource scarce firms can export their products through intermediaries.

Criteria for Selection of Distribution Channel

1. Costs involved – How much investment is required on the part of the firm moving its products through a particular channel ?

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2. The behaviour of the competitors, i.e. what are the firms in similar line doing ?

3. Possibilities of getting appropriate feedback from customers regarding the response to the product.