



# **Distribution / Marketing Channel For Tourism and Hospitality**

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Over the past three decades,  
the overwhelming emphasis  
in the Marketing Mix has  
been on:

Product Strategy with  
Pricing Strategy  
and Promotional Strategy  
also being stressed.

But..... Marketing Channel  
Strategy (**Place**); the fourth  
“P” in the Marketing Mix has  
been largely neglected



# Marketing Channel Strategy is Growing in Importance. Why?

## Five Reasons

- (1) Search for Sustainable Competitive Advantage
- (2) Growing Power of Retailers in Marketing Channels
- (3) The Need to Reduce Distribution Costs
- (4) The Increased Role and Power of Technology
- (5) The New Stress on Growth

# What is a Marketing Channel?

Marketing channel ( distribution channel) is the **network** of individuals and organizations involved in getting a product or service from the producer to the customer. It creates **time, place, and possession utilities** for consumers.

# Why Use Marketing Intermediaries?

- Selling through wholesalers and retailers usually is much more **EFFICIENT** and cost **EFFECTIVE** than direct sales

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# The Importance of Marketing Channels

- Intermediaries make **distribution** and **selling** processes more **efficient**.
- Intermediaries **offers supply chain partners** more than they could achieve on their own.
  - Market Exposure
  - Technical Knowledge/Information Sharing
  - Operational Specialization
  - Scale of operation

### Selling Directly to Consumers



### Selling through Retailers

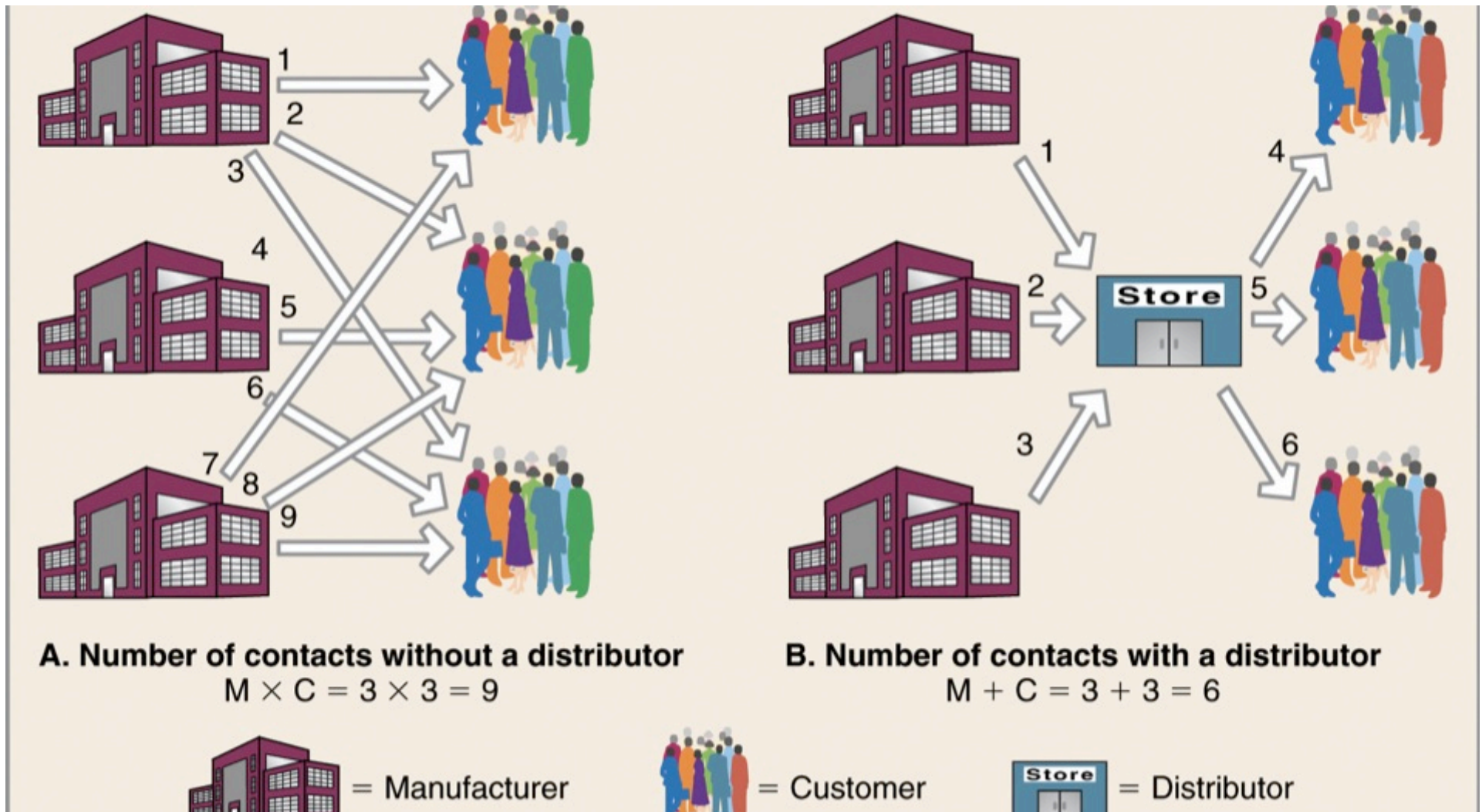


### Selling through Wholesalers





## Channel Efficiency: How Intermediaries Reduce the Number of Channel Transactions







# Functions of Distribution Channel

- *Information*: gathering and distributing marketing research and intelligence information about the marketing environment
- *Promotion*: developing and spreading persuasive communications about an offer
- *Contact*: finding and communicating with prospective buyers
- *Matching*: shaping and fitting the offer to the buyer's needs, including such activities as manufacturing, grading, assembling, and packaging
- *Negotiation*: agreeing on price and other terms of the offer so that ownership or possession can be transferred
- *Physical distribution*: transporting and storing goods
- *Financing*: acquiring and using funds to cover the costs of channel work
- *Risk taking*: assuming financial risks such as the inability to sell inventory at full margin



# Channel Innovations

- **Horizontal Marketing System**

- Two or more companies at one channel level join together to achieve a marketing goal.

- Joint Ventures
- Alliances and Partnerships
- Co-Marketing, Co-Distribution and Co-Branding

- **Multichannel Distribution System**

- Reaching customer segments through multiple marketing channels. (i.e. hybrid system)

- Example: You can buy Starbucks coffee from Starbucks' stores or from the Supermarket

# Franchise Organizations

## Advantages

- Brand Name Recognition
- Standardized Processes and Procedures
- Avoids startup hassles – safer bet
- Quick access to capital and huge expansion potential



## Disadvantages

- Over-saturation and territorial issues
- Marketing fund disputes
- Quality (vs. Company-owned)
- Little room for “entrepreneurial creativity”



# starwood

Hotels and  
Resorts



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FOUR POINTS  
BY SHERATON

THE LUXURY COLLECTION  
*Hotels & Resorts*



Le MERIDIEN

aloft  
A VISION OF W HOTELS

WESTIN  
HOTELS & RESORTS

W  
HOTELS

Le Méridien Tahiti, French Polynesia

spg.  
Starwood  
Preferred  
Guest

Le MERIDIEN

aloft

FOUR POINTS

WESTIN

THE LUXURY  
COLLECTION



W  
HOTELS

Sheraton

ST REGIS

element





# How many intermediaries?

## – Intensive distribution

- Sell product and services in as many outlets as possible.

## – Exclusive distribution

- Granting a limited number of outlets the exclusive right to sell product.

## – Selective distribution

- Somewhere in between Intensive and Exclusive Distribution.

*Does the company always get to choose?*



# International Channel Decision

- Every country has its own unique distribution system that has evolved over time.

## Examples

### – Japan:

- complex, multi-layered distribution s
- hard for Western firms to penetrate.

### – India and China:

- inefficient distribution systems despite their enormous size.
- “separate countries” within a country
- Poorer but improving transportation infrastructures