



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



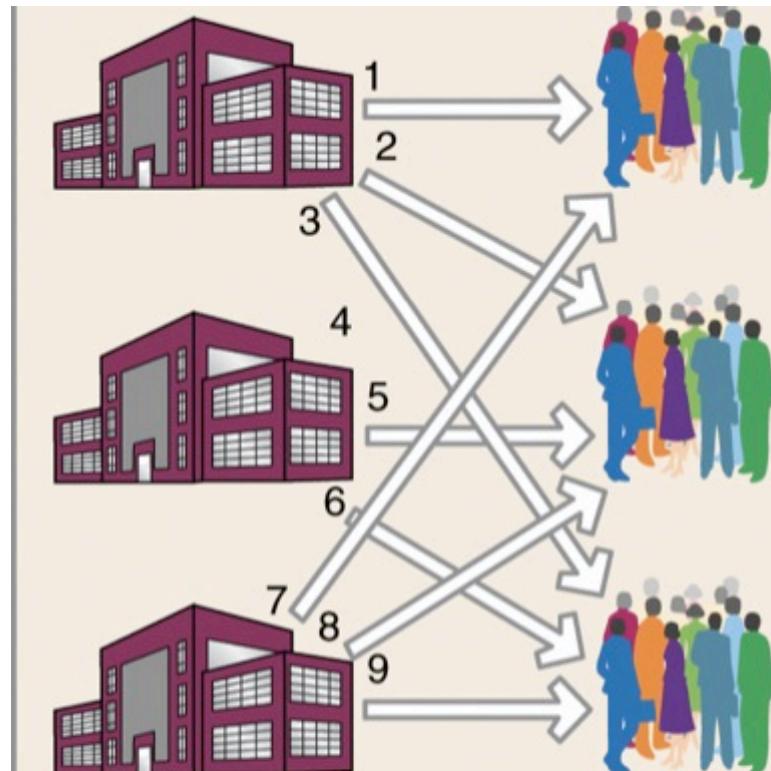
Selling through Retailers



Selling through Wholesalers



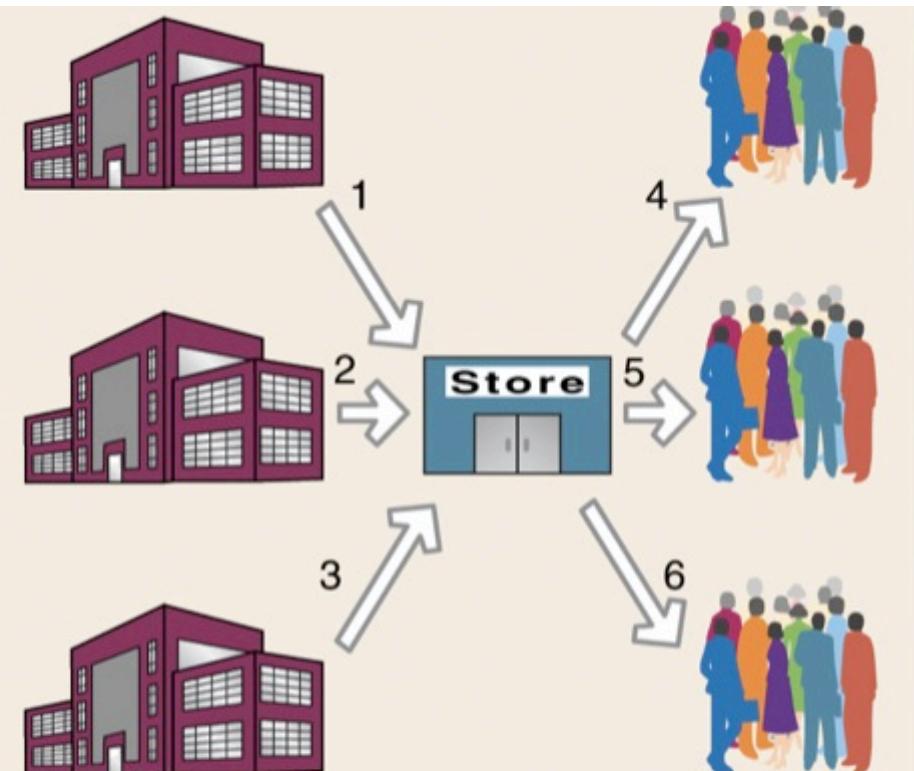
Channel Efficiency: How Intermediaries Reduce the Number of Channel Transactions



A. Number of contacts without a distributor
 $M \times C = 3 \times 3 = 9$



= Manufacturer



B. Number of contacts with a distributor
 $M + C = 3 + 3 = 6$



= Customer



= Distributor



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”





spg.
Starwood
Preferred
Guest





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 systems
 - 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