



SALURAN DISTRIBUSI

Physical distribution channel types and structures

Channel alternatives: manufacturer-to-retail

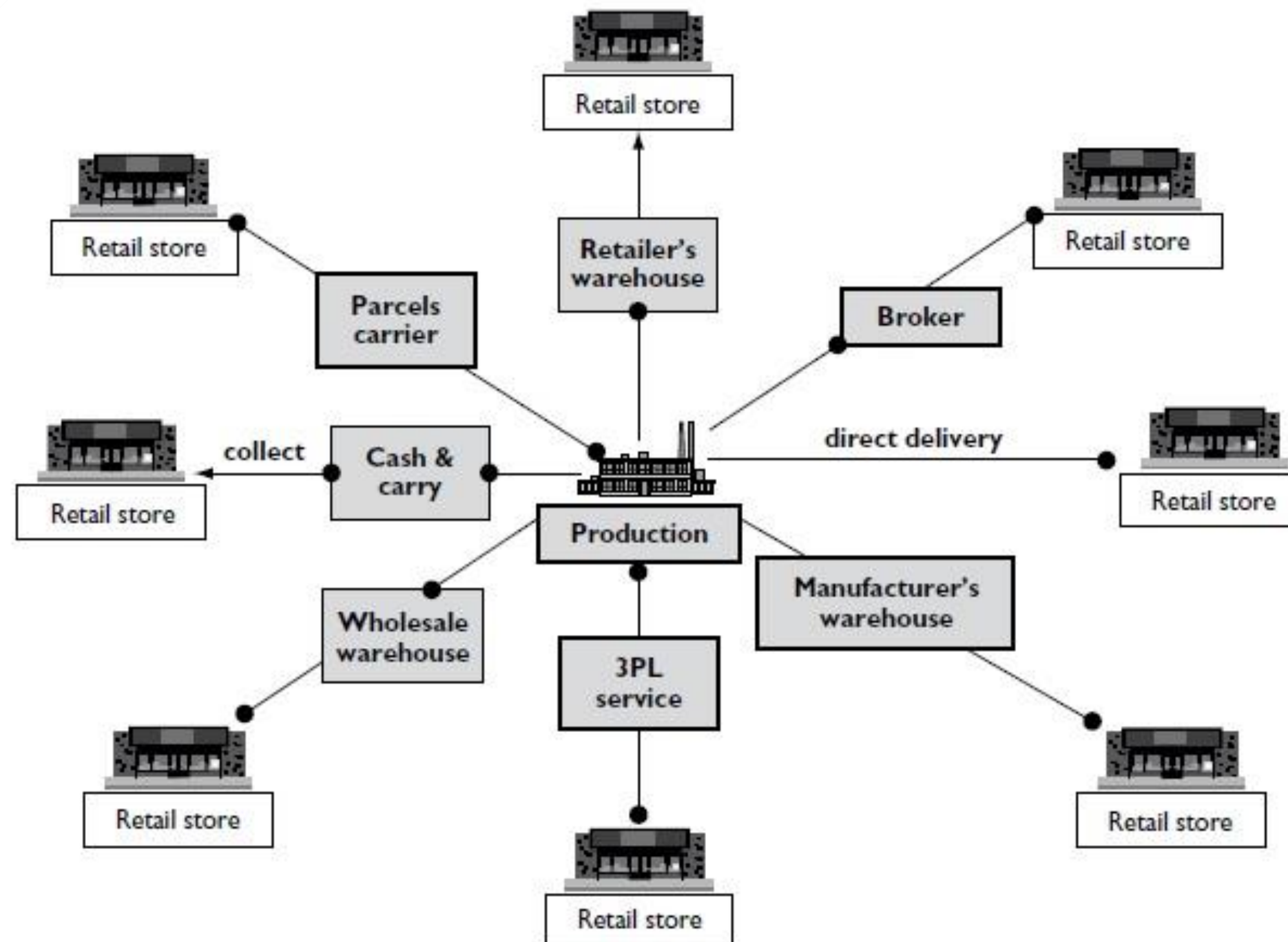


Figure 4.1 Alternative distribution channels for consumer products to retail outlets

- Manufacturer direct to retail store. The manufacturer or supplier delivers direct from the production point to the retail store, using its own vehicles.
- Manufacturer via manufacturer's distribution operation to retail store. This used to be one of the classic physical distribution channels and was the most common channel for many years. Here, the manufacturer or supplier holds its products in a finished goods warehouse, a central distribution centre (CDC) or a series of regional distribution centres (RDCs).

- Manufacturer via retailer distribution centre to retail store. This channel consists of manufacturers either supplying their products to national distribution centres (NDCs) or RDCs for final delivery to stores, or supplying them to consolidation centres, where goods from the various manufacturers and suppliers are consolidated and then transported to either an NDC or RDC for final delivery.

- Manufacturer to wholesaler to retail shop. Wholesalers have acted as the intermediaries in distribution chains for many years, providing the link between the manufacturer and the small retailers' shops
- Manufacturer to cash-and-carry wholesaler to retail shop. Another important development in wholesaling has been the introduction of cash-and-carry businesses.
- Manufacturer via third-party distribution service to retail store. Third-party distribution, or the distribution service industry, has grown very rapidly indeed in recent years, mainly due to the extensive rise in distribution costs and the constantly changing more restrictive distribution legislation that has occurred.

- Manufacturer via small parcels carrier to retail shop. This channel is very similar to the previous physical distribution channel, as these companies provide a 'specialist' distribution service where the 'product' is any small parcel.
- Manufacturer via broker to retail store. This is a relatively rare type of channel, and may sometimes be a trading channel and not a physical distribution channel.

Channel alternatives: direct deliveries

- Mail order. The use of mail order or catalogue shopping has become very popular. Goods are ordered by catalogue, and delivered to the home by post or parcels carrier.
- Factory direct to home. The direct factory-to-home channel is a relatively rare alternative. It can occur by direct selling methods, often as a result of newspaper or magazine advertising.

- Internet and shopping from home. Shopping from home via the internet is now a very common means of buying products. Initially, physical distribution channels were similar to those used by mail order operations – by post and parcels carrier.
- Factory to factory/business to business (B2B). The factory-to-factory or business-tobusiness channel is an extremely important one, as it includes all of the movement of industrial products, of which there are many.

Channel alternatives: different structures

It can be seen from the list of alternative channels that channel structures can differ very markedly from one company to another. The main differences are:

- the types of intermediaries (as shown above);
- the number of levels of intermediaries (how many companies handle the product before it reaches the final customer);
- the intensity of distribution at each level (are all types of intermediary used at the different levels or just selective intermediaries?).

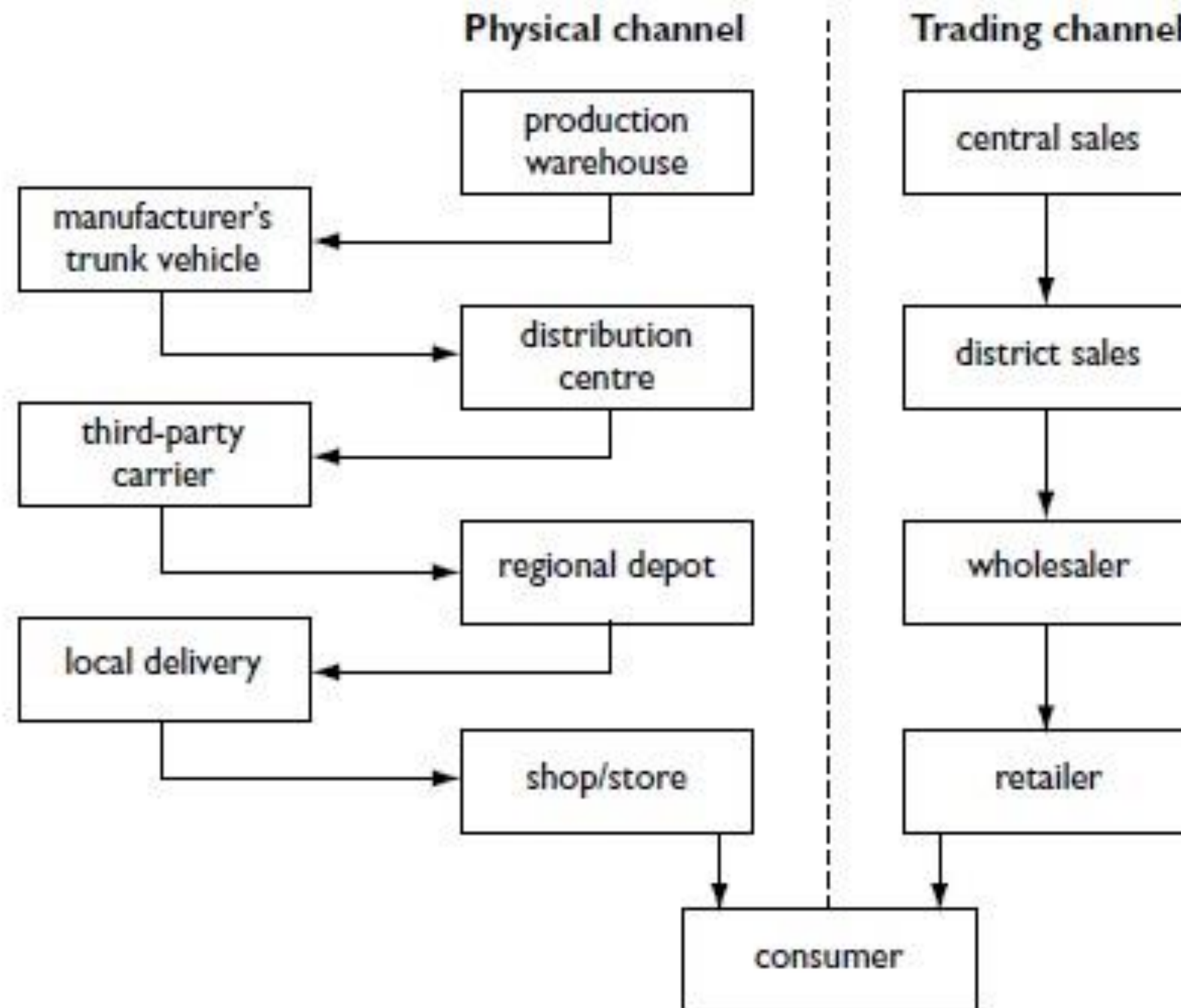


Figure 4.2 Typical channel of distribution, showing the different physical and trading routes to the consumer

routes to the consumer

Figure 4.2 Typical channel of distribution, showing the different physical and trading

Channel selection

Channel objectives

- Channel objectives will necessarily differ from one company to another, but there are a number of general points that are likely to be relevant to most companies.
- To make the product readily available to the market consumers at which it is aimed. Perhaps the most important factor here is to ensure that the product is represented in the right buying environment for customers. For a consumer product this might be, for example, retail store and internet.

- To enhance the prospect of sales being made. This may be the responsibility of either the sales team or the logistics team. It can be achieved in a number of ways.
- To achieve cooperation with regard to any relevant distribution factors. These factors may be from the supplier's or the receiver's point of view, and include minimum order sizes, unit load types, product handling characteristics, materials handling aids, delivery access (eg vehicle size) and delivery time constraints, amongst others.

- To achieve a given level of service. Once again, from both the supplier's and the customer's viewpoints, a specified level of service should be established, measured and maintained.
- To minimize logistics and total costs. As always, cost is very important, as it is reflected in the final price of the product.
- To receive fast and accurate feedback of information.

Channel characteristics

- As well as identifying the relevant channel objectives, as described in the previous section, there are a number of channel characteristics that also need to be considered. These include market, product and competitive characteristics.

Market characteristics

- The important consideration here is to use the channels that are the most appropriate to get the product to the eventual end user. The size, spread and density of the market is important.

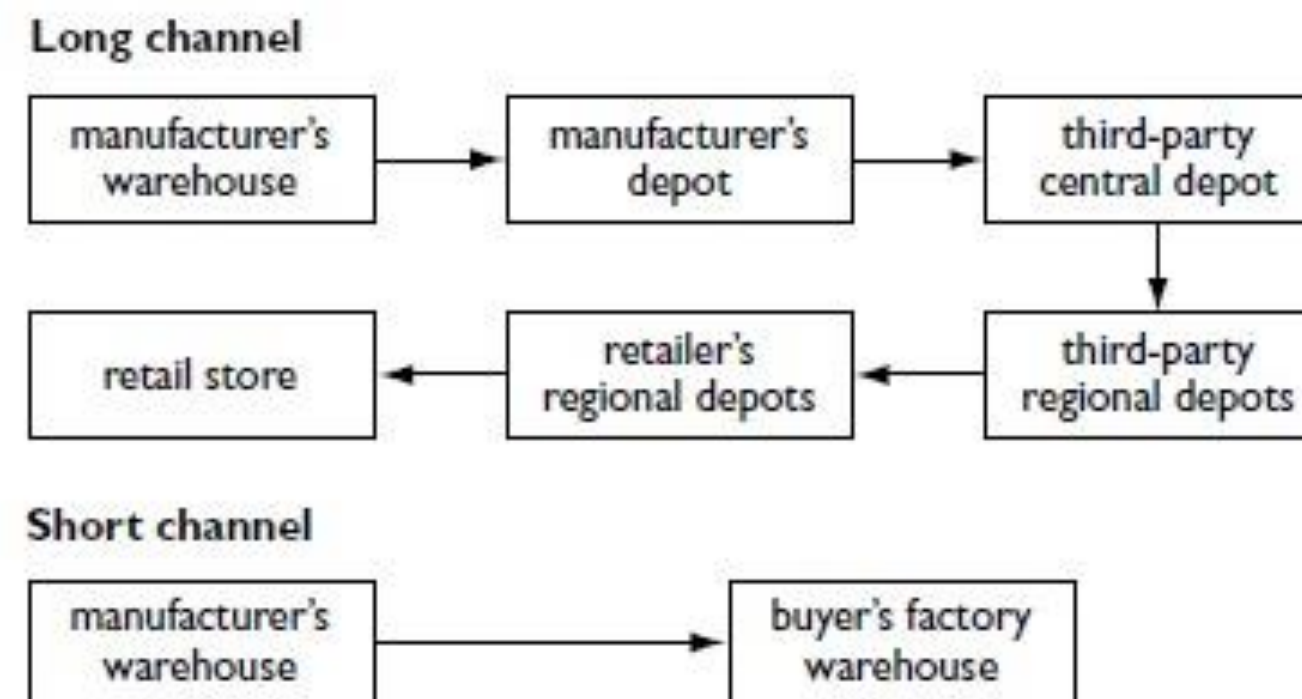


Figure 4.3 'Long' and 'short' distribution channels

Product characteristics

- High-value items are more likely to be sold direct via a short channel, because the high gross profit margins can more easily cover the higher sales and distribution costs that are usual from short channels. In addition, the security aspects of highly priced items (eg jewellery, watches) make a short channel much more attractive because there is less opportunity for loss and theft than with a long channel.

- Complex products often require direct selling because any intermediary may not be able to explain how the product works to potential customers.
- New products may have to be distributed via a third-party channel because final demand is unknown and supply channels need to be very flexible to respond to both high and low demand levels.
- Time-sensitive products need a 'fast' or 'short' channel, for shelf-life reasons in the case of food products such as bread and cakes, and relevance in the case of newspapers and tender documents.

- Products with a handling constraint may require a specialist physical distribution channel, eg frozen food, china and glass, hanging garments and hazardous chemicals.

Competitive characteristics

- Competitive characteristics that need to be considered concern the activities of any competitors selling a similar product. Typical decisions are whether to sell the product alongside these similar products, or whether to try for different, exclusive outlets for the product in order to avoid the competition and risk of substitution. It may well be that the consumer preference for a wide choice necessitates the same outlets being supplied. Good examples include confectionery and most grocery items.

Company resources

- In the final analysis, it is often the size and the financial strength of the company that is most important in determining channel strategy. Only a fairly large and cash-rich company can afford to set up a distribution structure that includes all of its own storage and transport facilities.

Designing a channel structure

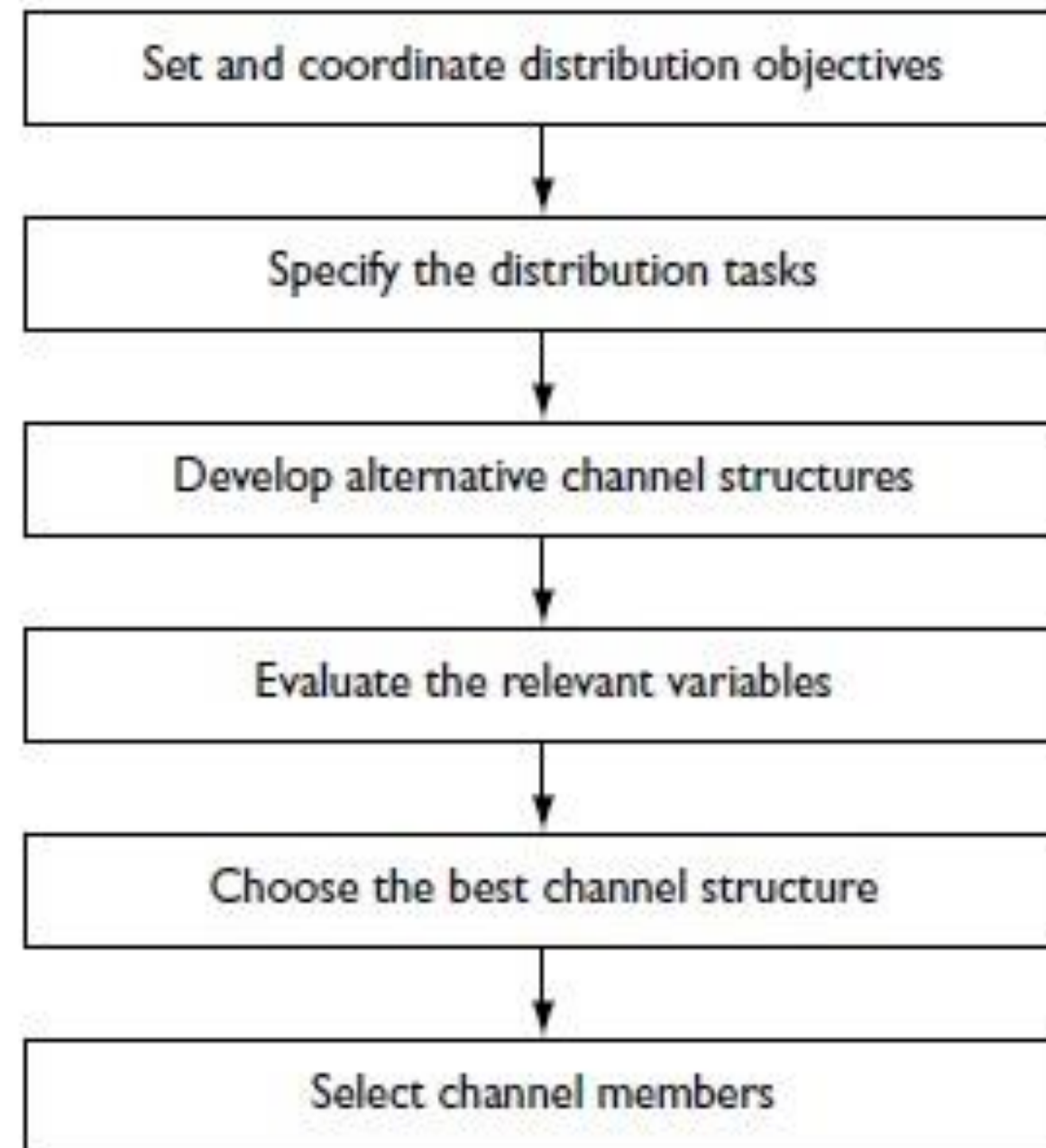


Figure 4.4 An approach to designing a channel structure



REFLEKSI



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Thank you!

Any questions?