

Channels of Distribution

International Distribution

Direct & Indirect Selling Channels

Types of Intermediaries

Issues Related to International Distribution

- Using Established Channels: Channels that already exists
 - Could charge high prices
 - Could be blocked by competition
 - Channel partnership is a long-term decision: Company may be bound indefinitely to the channel choice.
- Building Own Channels:
 - Necessary if there are no channels/ or existing channels do not conform to company needs.
 - Expensive
 - Time-consuming

Using Home-Country Middlemen: The Company is likely not to be involved in managing the marketing mix in the host market

- **Export Management Companies:**
 - Highly specialized in certain industries and/or regions. Mostly represent smaller businesses. E.g. Amex
 - Works as a “company's export department”
- **Trading Companies:**
 - Large Companies that specialize in intermediary services (risk reduction, financial assistance)
 - The Japanese Model: sogo shoshas or general trading company (more investment holdings)

International Distribution Using Home-Country Middlemen

- Home-Country Brokers and Agents:
 - Middlemen who bring international buyers and sellers together in the company's home country.
 - Do not carry title to the product/ commission based
 - Manufacturer's export agent: represent a manufacturer
 - Buying offices: buyers located in the firm's home country, representing different international firms

International Distribution Using Home-Country Middlemen

- Cooperative Export Arrangements:
 - Also known as piggybacking and mother henning e.g. car manufacture market tires
 - Involve exporters agreeing to handle export functions for unrelated companies on a contractual basis
 - Complementary export agents export complementary products on a commission basis.
 - Complementary export merchants take title to the complementary products that they export.

International Distribution Using Home-Country Middlemen

- Export merchants:
 - Intermediaries who take title to and possession of the products they carry.
 - Responsible for shipping and marketing the products in the target market.
 - Carry competing brands
 - Examples:
 - Export jobber, who carries commodity goods, but does not take physical possession of the goods.
 - Norazi agent, who deals in illegal and/or gray market products.

International Distribution

Using Foreign-Country Middlemen

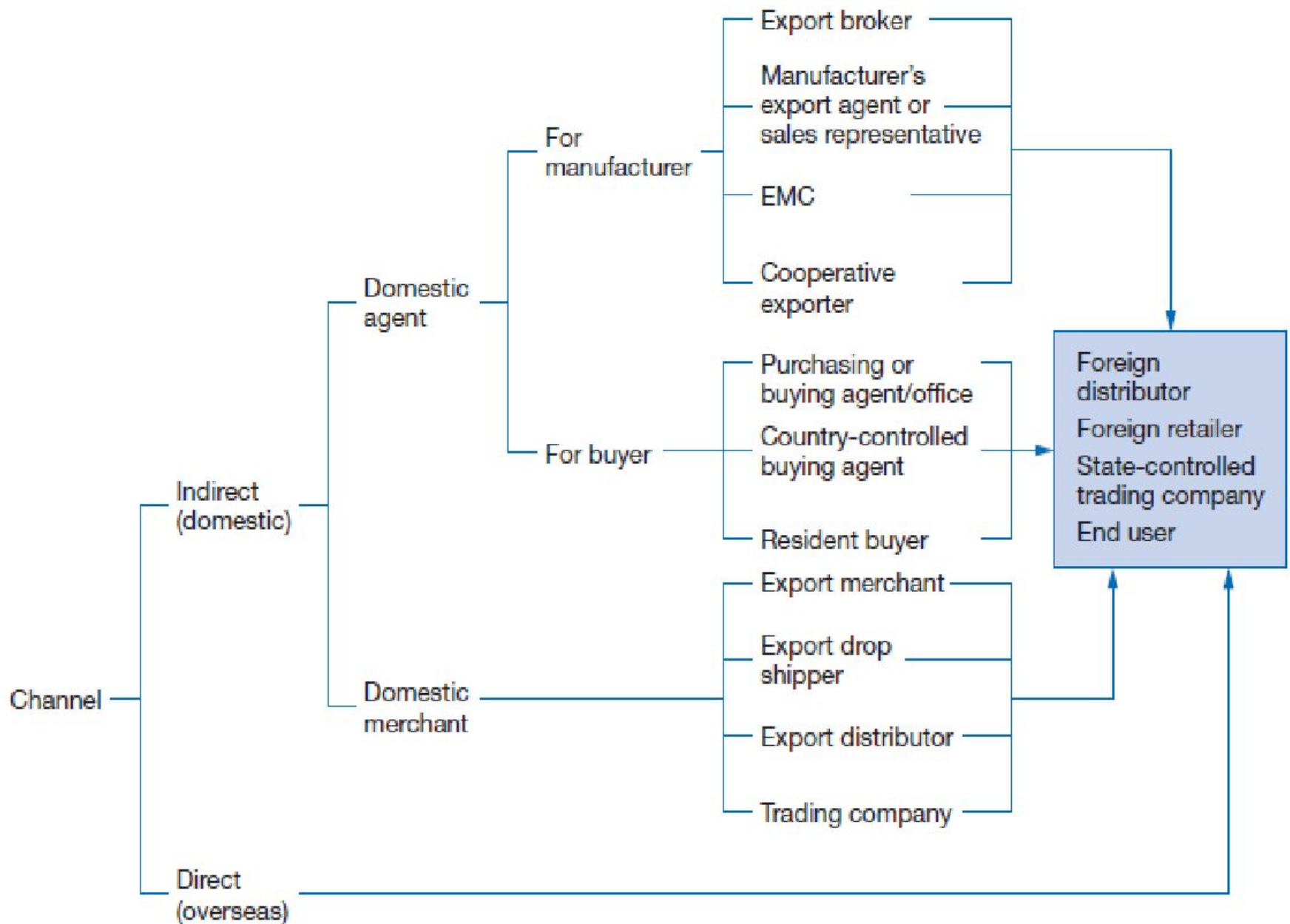
Using Host-Country Middlemen: The Company is likely to have a presence in the host country

- Merchant Middlemen:
 - Intermediaries who carry the manufacturer's product line in a particular country.
 - Usually carries title to and has physical possession of the products.

International Distribution

Using Foreign-Country Middlemen

- Agents and Brokers:
 - Bring Seller and buyers together but do not carry title and take possession of the products
 - There are many types of agents and brokers in international markets, such as manufacturers' representatives and managing agents.
 - Act as the manufacturer's sales representatives and are paid on commission.
 - Act as managing agents (also known as compradors), with an exclusive arrangement with the company, representing it in the foreign market; they are paid as a percentage of sales.



Direct & Indirect Selling Channels

- **INDIRECT SELLING CHANNELS**
 - selling through home-country intermediaries
 - simple and inexpensive
 - lack of marketing control

Direct & Indirect Selling Channels

- **DIRECT SELLING CHANNELS**
 - direct contact with overseas intermediaries or consumers
 - requiring more time and cost
 - better control

Agent vs. Merchant

- Taking possession vs. taking title (ownership)
- Compensation: profit/loss vs. fee/commission
- Employee vs. independent contractor

Agent

- may or may not take possession
- never taking title
- compensation: commission
- more difficult to terminate relationships

Merchant

- may or may not take possession
- always taking title
- compensation: profit/loss
- easier to terminate relationships

Types of Intermediaries: Direct Channel

- Foreign Distributor
- Foreign Retailer
- State-Controlled Trading Company
- End User

Types of Intermediaries: Indirect Channel

- Export Broker
- Manufacturer's Export Agent or Sales Representative
- Export Management Company (EMC)
- Cooperative Exporter
- Purchasing/Buying Agent
- Country-Controlled Buying Agent

Types of Intermediaries: Indirect Channel

- Resident Buyer
- Export Merchant
- Export Drop Shipper
- Export Distributor
- Trading Company

Channel Decisions

- Channel length
 - Number of times a product changes hands among intermediaries
- Channel width
 - Number of middlemen at a particular point in the channel
- Number of channels
 - Single channel vs. dual/multiple channels

Determinants of Channel Types

- Legal Requirements
- Product Image
- Product Characteristics
- Middlemen's Loyalty and Conflict
- Local Customs
- Power and Coercion
- Control

Representation Agreement and Termination

- paying attention to agency termination laws
- having agreements in writing
- avoiding evergreen contract

Gray Market

- Causes
 - Price differential
- Legal Dimension
 - Protecting independent U.S. trademark owner
- Ethical Dimension
- Product Quality

Gray Marketing: Manufacturers' Strategies

- Identifying and punishing offenders
- Educating consumers
- Standardized worldwide price
- Multiple brands

Self Work

- Direct and Indirect Selling Channels
- Types of Intermediaries: Direct Channel
- Types of Intermediaries: Indirect Channel
- Channel Development
- Channel Adaptation
- Channel Decisions

Self Work

- Determinants of Channel Types
 - Legal Requirements
 - Product Image
 - Product Characteristics
 - Middlemen's Loyalty and Conflict
 - Local Customs
 - Power and Coercion
 - Control

Self Work

- Selection of Channel Members
- Representation Agreement and Termination
- Black Market
- Gray Market
- Distribution of Services