

FMCG Distribution Channels

Let's first define some concepts to understand what we will talk about and to speak the same language.

The distribution channel is a distribution system for goods, part of the marketing channel, consisting of firms involved in the purchase, movement and sale of goods as they move from manufacturer to consumer (product promotion is the manufacturer's responsibility). The sales channel is characterized by parameters such as depth and width.

The depth of the channel is determined by the number of intermediaries who transfer goods to each other before it is purchased by the consumer. Channel width is the number of independent participants in the distribution channel at each of the stages of distribution (definition).

In other words, the distribution channel is a built system consisting of intermediaries, which solves the problem of popularization and promotion of goods, on the one hand, and movement of goods - on the other. Two parallel self-sufficient, solving these problems channel, not necessarily compete with each other. Ideally, in terms of marketing and cost effectiveness, each of the channels should work for its target customer. As soon as several sales channels (chains of intermediaries) start to work on the same customer, at different stages of development of the brand's relations with customers, first to a greater coverage and better presence, at the expense of own resources of intermediaries. Then, to a shrinking presence, moreover, carried out by the holder of the brand.

However, the presence or absence of parallel channels, as well as their expediency, is another matter. Now, a few words about what are the sales channels in the FMCG.

The channel of regional distribution and sales through retail and HoReCa points is a system of independent intermediaries transferring goods to each other and distributing it in a certain territory.

As a rule, the channel is oriented

on certain groups of goods,

on specific suppliers

on independent and non-system retail and (or) on LKA and RKA (see below);

The industry distribution channel is a system of federal (national) operating extraterritorially, distributors who distribute goods to consumers in certain industries, sectors of the economy, state-owned companies and natural monopolies.

Vertically integrated distribution systems - a system of geographical territorial distribution, based on: a management company; logistics distribution center; a company with a centralized channel

promotion; Retail locations:

open to the franchise;

independent legal entities;

under the control of one legal entity;

In a number of cases, the integrated system includes: production companies; financial institutions.

Very often, marketers and trade marketers call such a system "networks", because of the network structure visible to them, subordinated to a single center. Vertically distribution systems

geographically differ in:

Local retailers (Local Key Account, LKA) - distributing within one region (city, urban agglomeration, territorial region) and having up to 100% of all cash units in it;

Regional retail networks (Regional Key Account, RKA) - distributing within one or several, often adjacent regions (in this case, grown from LKA);

National retail networks (National Key Account, NKA) - distributing on the territorial basis, but certainly appearing in each of the regions of presence, as LKA or RKA. A single center can determine policies, principles of marketing and sales, but it can also delegate rights in terms of logistics, sales and marketing to the level of its LKA.

Own distribution system, built specifically for the brand, based on:

at the decision-making center and the single sales division and its own or contract centralized or regional logistics and marketing services;

at the decision-making center and a system of separated territorial marketing and sales offices;

Link to article: [FMCG Distribution Channels](#)