

Objective 4.09

Channel of Distribution

Steps to select channels of distribution

- 1. Identify how competitors' products are sold
- 2. Analyze SWOT for business
- 3. Examine costs and sale options
- 4. Determine which matches your marketing strategy
- 5. Prioritize distribution choices

Factors that affect choice of channel of distribution

- 1. Nature of market: what market segment does producer want to reach. Changes in consumer buying behavior can influence
- 2. Nature of product
- 3. Nature of the company: what can the firm afford in terms of distribution
- 4. middlemen: it needs to be someone with experience, contacts, financial strength, and integrity; this method is preferred

Factors that affect choice of channel of distribution

- **Nature of product:**
 - product: complex, expensive, perishable (short channels), but inexpensive & standard (longer channels)
 - a) industrial/consumer production: small number of customers, personalized attention, training required
 - b) perishable nature: direct channel especially if dairy, bread, meat
 - c) seasonality: sale is subject to seasonal variations
 - d) technicality: when complex, business machines

Factors that affect choice of channel of distribution

- **Nature of company (market – the segment want to reach, consumer behavior influences, and size and location)**
- a) producer: broad product line, use shorter channel
- b) consumer: number, geographic location, purchase pattern
- c) intermediaries: strengths & weaknesses and differences in functions performed & facilities
- d) competitors: it could be a customary channel used by all operating in the field

Factors that affect choice of channel of distribution

- **channel members**
- a) middlemen/agents: engaged in process of transfer of title of goods
- b) marketing intermediaries: operating between producer and the consumer or industrial purchaser
- c) wholesaling intermediaries: selling primarily to retailers, other wholesalers, or industrial users
- d) retailers: selling goods & services to individuals for their own use rather than the resale

Channels for consumer goods & services

- **Channel A:** 5 ways direct distribution is used for consumer goods
- 1. selling products at the production site
- 2. sales force call on consumers at home
- 3. using catalogs or ads to generate sales
- 4. sales representative (telemarketing)
- 5. using internet to make online sales

Channels for consumer goods & services

- **Channel B:** used for merchandise that dates quickly or needs servicing. Distribution of goods & services goes from manufacturers/producers to retailers to consumers
- **Channel C:** used for staple goods, items that are always carried in stock and whose styles do not change frequently. Distribution of goods and services goes from manufacturers/producers to wholesalers to retailers to consumers

Channels for consumer goods & services

- **Channel D:** manufacturers who wish to concentrate on production and leave sales & distribution to others. Distribution of goods and services goes from manufacturers/producers to agents to wholesalers to retailers to consumers
- **Channel E:** manufacturers who do not want to handle their own sales to retailers. Distribution of goods & services goes from manufacturers/producers to agents to retailers to consumers

Channels for industrial products goods & services

- **Channel A:** distribution for major equipment used in manufacturing and other businesses. Goods & services goes directly from manufacturers/producer to industrial user
- **Channel B:** small standardized parts & operational supplies needed to run a business. Goods/Services goes from manufacturer/producers to industrial distributors to industrial users

Channels for industrial products goods & services

- **Channel C:** small manufacturers who do not have time or money to invest in a direct sales. Goods/services goes from manufacturer/producer to agents to industrial distributors to industrial users
- **Channel D:** when manufacturer does not want to hire its own sales once. Goods/Services go from manufacturer/producer to agents to industrial users

Types of Distributions

- 1. selective: only distribute to small number of customers
 - Boutique/specialty, geographic location, minimum order, image of store
- 2. exclusive: creates / enhances certain image for the products
- 3. Limited: exclusivity (limiting quantity of goods available; limited editions)
 - Ex: Nordstrom's and Saks Fifth Avenue
- 4. Mass: sell to as many customers as you can
 - Ex: JC Penney and Wal-Mart