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Definition of distribution channels

The path through which goods and services travel from the producer to the consumer or payments for those products travel from the consumer to the producer. A distribution channel can be as short as a direct transaction from the producer to the consumer, or may include several interconnected intermediaries along the way such as wholesalers, distributors, agents and retailers. Each intermediary receives the item at one pricing point and moves it to the next higher pricing point until it reaches the final buyer.

Importance of distribution channels

- 1 . They create exchange efficiency by reducing the number of contacts needed.
- 2 . The distribution channels can perform many functions like transportation, storage, selling, scale of operation and advertising better than the manufacturers.
- 3 . Large manufacturing companies can reduce their costs and time required to reach their products with the help of distribution channels.
- 4 . These can offer promotion and financial support.

Types of distribution

Direct and Indirect

In marketing, goods can be distributed using two main types of channels: direct distribution channels and indirect distribution channels.

Direct distribution

A distribution system is said to be direct when the product or service leaves the producer and goes directly to the customer with no middlemen involved. This occurs, more often than not, with the sale of services.

Example :

both the car wash and the barber utilize direct distribution because the customer receives the service directly from the producer. This can also occur with organizations that sell tangible goods, such as the jewelry manufacturer who sells its products directly to the consumer.

Indirect distribution

Indirect distribution occurs when there are middlemen or intermediaries within the distribution channel. In the wood example, the intermediaries would be the lumber manufacturer, the furniture maker, and the retailer. The larger the number of intermediaries within the channel, the higher the price is likely to be for the final customer. This is because of the value adding that occurs at each step within the structure.

Types of intermediaries

These are the middlemen that ensure smooth and effective distribution of goods over your chosen geographical market. Middlemen are a very important factor in the distribution process. let us take a look at the types of middlemen we usually find.

Agents

Agents are middlemen who represent the produces to the customer.

Wholesalers

Wholesalers buy the goods from the producers directly, One important characteristic of wholesalers is that they buy in bulk at a lower rate than retail price, They store and warehouse huge quantities of the products and sell them to other intermediaries in smaller quantities for a profit, Wholesalers generally do not sell to the end consumer directly, They sell to other middlemen like retailers or distributors.

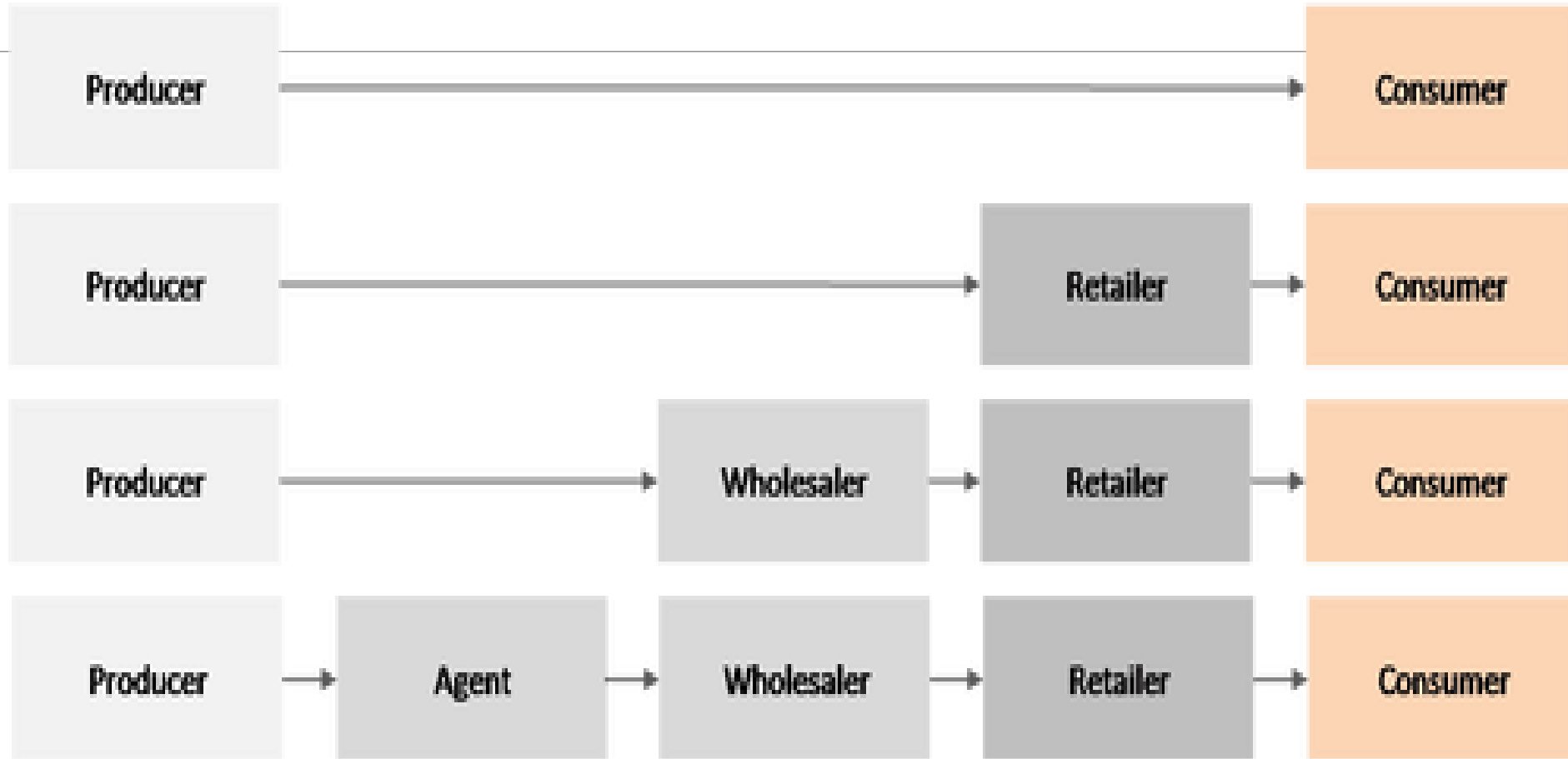
Distributors

Distributors are similar to wholesalers in their function, Except they have a contract to carry goods from only one producer or company, They do not stock a variety of products from various brands, They are under contract to deal in particular products of only one parent company.

Retailers

Retailers are basically shop owners, Whether it is your local grocery store or the mall in your area they are all retailers, The only difference is in their sizes, Retailers will procure the goods from wholesaler or distributors and sell it to the final consumers.

Consumer goods



Advantages and disadvantages of intermediaries in distribution

Advantages

Provide Logistic Support :

Intermediaries are engaged as they provide logistic support, i.e., they ensure smooth and effective physical distribution of goods.

Provide Transactional Functions :

Intermediaries can use their contacts to effectively aid market coverage. This is convenient for both the manufacturer and the end user.

Burden Sharing, Cost and Time Saving

Intermediaries may share many manufacturer responsibilities such as taking care of storage, stock management, setting up sales offices in strategic locations and add-on services (and their associated costs), They also share costs incurred in promotion of products and offer financial programs such as easy payments to customers.

Disadvantages

Loss of Control : You control every step in a direct distribution system, from the initial sales call to the product delivery, Using an intermediary means you lose that control.

Higher Expenses or Lower Revenues : The intermediary buys the merchandise from you and resells it at a higher price to the customer. You receive less revenue than if you had sold the product directly to the customer.

Conclusion

Finally, after short coverage of distribution we understand that distribution is important whenever you're trying to spread your product, it has its advantages/ disadvantages, and intermediaries, direct and indirect contact between, producer and consumer, from my own view of the distribution and intermediaries, I see that every company / manufacture have to deal with an intermediaries if it wants to spread its product in the market but, choose wisely who to deal with or what kind of intermediaries the company / manufacture needs.

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Questions ?