

## DISTRIBUTION CHANNELS

### Distribution (business)

Distribution is one of the four Aspects of Marketing.

*A distribution business is the middleman between the manufacturer and retailer or (usually) in commercial or industrial the business customer.*

After a product is manufactured by a supplier/factory, it is typically stored in a distribution company's warehouse. The product is then sold to retailers or customers. The other three parts of the marketing mix are product management, pricing, and promotion.

### Channels

A number of alternative 'channels' of distribution may be available:

- Selling direct
- Mail order (including Internet and telephone sales)
- Retailer
- Wholesaler
- Agent (who acts on behalf of the producer)

Distribution channels may not be restricted to physical products.

They may be just as important for moving a service from 'producer' to consumer in certain sectors; since both direct and indirect channels may be used. Hotels, for example, may sell their services (typically rooms) direct or through travel agents, tour operators, airlines, tourist boards, centralized reservation systems, and so on.

There have also been some innovations in the distribution of services. For example, there has been an increase in franchising and in rental services - the latter offering anything from televisions through to DIY tools. There has also been some evidence of service integration, with services linking together, particularly in the travel and tourism sector: for example, links now exist between airlines, hotels and car rental services. In addition, there has been a significant increase in retail outlets for the service sector; outlets such as estate agencies and building society offices, for example, are crowding out the traditional grocers and greengrocers from the high street.

### Vital Questions....Explanation

Traditionally, distribution has been seen as dealing with logistics: how to get the product or service to the customer.

It must answer questions such as:

- Should the product be sold through a retailer?
- Should the product be distributed through wholesale?
- Should multi-level marketing channels be used?
- How long should the channel be (how many members)?
- Where should the product or service be available?

- When should the product or service be available?
- Should distribution be exclusive, selective or extensive?
- Who should control the channel?
- Should channel relationships be informal or contractual?
- Should channel members share advertising (referred to as co-op ads)?
- Should electronic methods of distribution be used?
- Are there physical distribution and logistical issues to deal with?
- What will it cost to keep an inventory of products on store shelves and in channel warehouses (referred to as filling the pipeline)?