

Channels for distribution/realization/implementation

Focal points

I: Essence

The distribution channel is a set of marketing intermediaries that facilitate the placement of goods and services. At both ends of each distribution channel are the manufacturers and consumers, with marketing intermediaries in between, which can be:

1. **Wholesalers**

Firms or individuals that buy products from manufacturers and sell them to retailers or other wholesalers and producers.

2. **Retailers**

Firms or individuals that sell goods and services to end consumers.

3. **Brokers**

Intermediaries who do not take ownership of the products but trade them on a commission basis; they simply connect buyers and sellers, usually used for goods and markets where it's difficult to find potential buyers or sellers.

4. **Agents**

Representatives of the manufacturer or wholesaler, selling their products to respective consumers; they also do not take ownership of the products being sold; once the broker identifies and connects potential buyers and sellers, the agent's task is to negotiate the terms of the deal and conclude it if authorized to do so.

The process of placing a company's products is usually supported by other companies and individuals who are not direct participants in the distribution channels. These include:

- insurance companies
- advertising agencies
- transportation and warehousing firms
- financial institutions
- marketing research companies.

II: Channel types

The successful selection of a distribution channel is often crucial. With the wrong choice, the product may fail to reach the consumer or may reach them in poor condition, untimely, and not at the most convenient point of purchase.

Two types of distribution channels are recognized for use:

1. **Direct channels**

These involve direct contact between the manufacturer and the consumer, meaning the manufacturer sells its products directly.

Direct channels are preferred for selling a small number of high-value and technically complex products (industrial goods and services), when the manufacturer has a limited and geographically targeted market and desires to maintain close contact with consumers.

2. *Indirect distribution channels*

The placement of goods and services is carried out with the help of intermediaries. They are most commonly used for the sale of consumer goods and services. They are characterized by their length, depending on the number of consecutive intermediate links, and their width, determined by the number of independent links at each stage of the channel.

III: Factors of choice

The choice of the most suitable distribution channel for the company depends on several factors, including:

1. *Company Characteristics*

Financial resources, product assortment, production scale, competitiveness, market strategy, desire for control over the distribution process, experience, and others.

2. *Market Characteristics*

The choice of distribution channel is largely influenced by the preferences, desires, and habits of consumers. Additionally, factors such as market saturation, density of consumer distribution, average income levels, etc., should be considered. In cases where the company targets more than one segment, this may require the use of multiple distribution channels.

3. *Product Characteristics*

The type of product, its unit price, production and demand seasonality, need for technical servicing and support, storability, transportability, etc., are all factors that influence the choice of distribution channel.

4. *Competitive Factors*

When choosing a distribution channel, the firm should consider the distribution channels used by its competitors, their relationships with intermediaries, the strengths and weaknesses of their distribution strategies, customer satisfaction with their strategies, etc.

5. *Distribution Channel Characteristics*

When choosing a distribution channel, the firm should assess how well it can perform its functions. To do this, it's important to evaluate the reputation of individual intermediaries, their access to necessary technical resources and services, the availability of qualified personnel, etc. Additionally, it's crucial to consider the cost structure of the intermediaries and the portion of profits they will require.

IV: Stages of selection process

Choosing a distribution/realization/implementation channel passes several stages, as:

1. Determining the reasons for changes in distribution channels

Reasons may include:

- Introduction of a new product,
- changes in the firm's marketing mix,
- shifts in preferences and habits of target consumers,
- entry into new geographic markets,
- high costs and low efficiency of the existing channel,
- changes in the functions of intermediaries,
- and others.

2. Determining the target market

The decision on this issue is specific to each market. Therefore, defining the company's target market, i.e., who will buy, is an important step in the process of selecting a distribution channel for its products.

3. Determining consumer preferences, habits, and desires

After identifying potential product consumers, their preferences, habits, and desires should be determined.

- Where would they prefer to buy it?
- In what quantities?
- Do they prefer on-site delivery?
- Do they value after-sales service?
- Do they prefer to pay in full or in installments?

and so on.

4. Geographic localization of future consumers

Depending on which geographic regions the products will be targeted towards, the density of consumers there, the market absorption capacity, etc., different distribution channels are developed, and different decisions are made regarding transportation and storage.

5. Formulating the objectives of the distribution channel

The objectives may be related to delivery time, ensuring convenient consumer access to the product, covering geographic territories, satisfying consumer preferences, and much more. However, they may also be related to the level of distribution intensity.

6. Identification and evaluation of the choice

At this stage, various possible distribution channel options for specific products are considered, evaluated, and analyzed in terms of the firm's costs and resources.

7. Selection of channel participants

After deciding on the number and type of participants in the channel, it is necessary to determine specifically who they should be.

8. Evaluation of channel performance

The choice of distribution channel is a dynamic process. The performance of the selected channel should be continuously evaluated and adjusted in response to changes in consumer preferences and habits, as well as the company's objectives.