

# Factors Affecting Channels of Distribution in Marketing Management

## Factors Influencing Channel Selection:

Every producer, in order to pass on the product to the consumer, is required to select a channel for distribution. The selection of the suitable channel of distribution is one of the important factors of the distribution decisions.

**The following factors influencing the selection of the channel of distribution:**

### *1. Factors Pertaining to the Product:*

The selection of proper channel of distribution can only be made keeping in view the nature, qualities and peculiarities of the product.

**The following factors concerning the product, affect the selection of the channel of distribution:**

- i. Price of the Product – The products of a lower price have a long chain of distributors. As against it, the products having higher price have a smaller chain. Very often, the producer himself has to sell the products to the consumers directly.
- ii. Perishability – The products which are of a perishable nature need lesser number of the intermediaries or agents for their sale. Most of the eatables (food items), and the bakery items are distributed only by the retail sellers.
- iii. Size and Weight – The size and weight of the products too affect the selection of the middlemen. Generally, heavy industrial goods are distributed by the producers themselves to the industrial consumers.
- iv. Technical Nature – Some products are of the nature that prior to their selling, the consumer is required to be given proper instructions with regard to its consumption. In such a case less of the middlemen are required to be used.

v. Goods Made to Order – The products that are manufactured as per the orders of the customers could be sold directly and the standardized items could be sold off only by the middlemen.

vi. After-Sales Service – The products regarding which the after-sales service is to be provided could be sold off either personally or through the authorized agents.

## *2. Factors Pertaining to the Consumer or Market:*

**The following are the main elements concerned with the consumer or the market:**

i. Number of Customers – If the number of customers is large, definitely the services of the middlemen will have to be sought for. As against it, the products whose customers are less in number are distributed by the manufacturer himself.

ii. Expansion of the Consumers – The span over which are the customers of any commodity spread over, also affects the selection of the channel of distribution. When the consumers are spread through a small or limited sphere, the product is distributed by the producer himself or his agent. As against it, the goods whose distributors are spread throughout the whole country, for such distributors, services of wholesaler and the retailer are sought.

iii. Size of the Order – When bulk supply orders are received from the consumers, the producer himself takes up the responsibility for the supply of these goods. If the orders are received piece-meal or in smaller quantities, for it the services of the wholesaler could be sought. In this way, the size of the order also influences the selection of the channel of the distribution.

iv. Objective of Purchase – If the product is being purchased for the industrial use; its direct sale is proper or justified. As against it, if the products are being purchased for the general consumption, the products reach the consumers after passing innumerable hands.

v. Need of the Credit Facilities – If, for the sale of any product, it becomes necessary to grant credit to any customer, it shall be helpful for the producer that for its distribution, the services of the wholesaler and retailer businessmen be sought. In this way, the need of the credit facilities too influences the selection of the channel of distribution.

## *3. Factors Pertaining to the Middlemen:*

**The following are the main factors concerned with the middlemen:**

i. Services Provided by Middlemen – The selection of the middlemen is made keeping in view their services. If some product is quite new and there is the need of its publicity and

promotion of sales, then instead of adopting the agency system, the work must be entrusted to the representatives.

ii. Scope or Possibilities of Quantity of Sales – The same channel should be selected by means of which there is the possibility of more sales.

iii. Attitude of Agents towards the Producers' Policies – The producers generally prefer to select such middlemen who go by their policies. Very often when the distribution and supply policies of the producers are being disliked by the middlemen, the selection of middlemen becomes quite limited.

iv. Cost of Channel of Distribution – While selecting the channel of distribution, the cost of distribution and the services provided by the middlemen or agents too must be kept into consideration. The producers generally select the most economical channel.

#### *4. Factors Pertaining to the Producer or Company:*

**The following factors, concerning the producer, affect the selection of the channel of distribution:**

i. Level of Production – The manufacturers who are financially sound and are of a larger category, are able to appoint the sales representatives in a larger number and thus could distribute the commodities (products) in larger quantities. As against it, for the smaller manufacturers, it becomes necessary to procure the services of the wholesalers and the retail traders.

ii. Financial Resources of the Company – From the financial point of view, the stronger company needs fewer middlemen.

iii. Managerial Competence and Experience – If some producer lacks in the necessary managerial experience or proficiency, he will depend more upon the middlemen. The new manufacturers in the beginning remain more dependent upon the middlemen

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# Factors Affecting Channels of Distribution

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By Suparna M | Channels of Distribution

Everything you need to know about the factors affecting channels of Distribution! Learn about:  
A. Factors Influencing Channel Selection 1. Factors Pertaining to the Product 2. Factors Pertaining to the Consumer or Market 3. Factors Pertaining to the Middlemen 4. Factors Pertaining to the Producer or Company B. Factors to Consider When Choosing a Distribution Channel 1. Environmental Factors 2. Financial Factors 3. External Factors C. Criteria for Selection of Distribution Channel 1. Nature of the Market 2. Nature of the Product 3. Degree of Competition 4. Size of the Organisation 5. Degree of Control 6. Financial Strength 7. Cost of Marketing 8. Environmental Factors.

*Different factors affect the choice of a distribution channel and differ from firm to firm. The choice of suitable distribution channel is one of the most important decisions to be taken while marketing products because at the end of the day it will be the channel that will have an impact on the time and costs of distribution and the volume of the sales generated by the company. Channel infrastructure has also been found to impact pricing and promotion efforts of the distributors and often they clearly indicate the role to be played by the intermediaries in the distribution chain.*

**This article will also help you to get the answers of:**

1. Factors Affecting Channels of Distribution
2. Explain the Factors that Influence Choice of Distribution Channel
3. Factors Influencing Channel Selection in Marketing Management
4. Factors Influencing Channel Selection
5. Factors to Consider When Choosing a Distribution Channel
6. Criteria for Selection of Distribution Channel
7. Factors that Determine Selection of a Channel of Distribution

*Some of the major factors affecting selection of channel are organization objectives, type of product, nature and extent of market, existing channel for comparable product, buying habits of consumers and channel availability. Company objectives need to be known before designing a channel that whether it wants to have mass appeal and rapid penetration of its products or it wants to be a niche player.*

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## **Factors Affecting Channels of Distribution – Factors to Consider When Choosing a Distribution Channel**

Some of the major factors affecting selection of channel are organization objectives, type of product, nature and extent of market, existing channel for comparable product, buying habits of consumers and channel availability. Company objectives need to be known before designing a channel that whether it wants to have mass appeal and rapid penetration of its products or it wants to be a niche player.

In the context of type of products, it is generally understood that perishable products should have shorter distribution channel while the FMCG items need to have a wide reaching, intensive distribution channel. The distribution of consumer and industrial products requires different sets of channel structures.

In certain cases, a company may choose an existing channel of distribution for a relatively new product. The buying habits of consumers need to be properly known for setting up distribution channel.

The choice of suitable distribution channel is one of the most important decisions to be taken while marketing products because at the end of the day it will be the channel that will have an impact on the time and costs of distribution and the volume of the sales generated by the company.

Channel infrastructure has also been found to impact pricing and promotion efforts of the distributors and often they clearly indicate the role to be played by the intermediaries in the distribution chain.

**We will delve into the various factors to be considered while choosing a distribution channels in greater detail:**

## ***1. Product Related Factors:***

The nature and type of products have an important role to play in the choice of the channel.

**Some of the main characteristics of the products that are to be considered in this matter are:**

### **i. Unit Value:**

Products of low unit value are generally sold through intermediaries as direct selling of such products have a negative impact on companies in question. Low priced and high turnover articles like cosmetics and stationery items have been found to flow through long channels.

### **ii. Perishability:**

Perishable products like eatables have a short channel length as they cannot be stored for long. Similarly products of seasonal nature have short channel lengths. Products that are subject to frequent changes in style and other aspects are also distributed through short channels. Products that are considered durables are sold through agents and merchants.

### **iii. Bulk and Weight:**



Heavy or bulky products are distributed through shorter channels so as to minimize the product handling costs.

**iv. Standardization:**

Customized products are found to have short channels as they require direct contact between the producer and the consumers. Standardized products on the other hand are found to be sold through various intermediaries.

**v. Technical Nature:**

Those products that require demonstration or installation or rigid after sales service are often sold directly to customers.

**vi. Product Line:**

Companies who have wide range of products are often found to set up their own retail outlets since it is economical to them. However those companies that have very few products are often found to sell those through middlemen.

**vii. Age of Product:**

New products or products that are at the introductory stage of the life cycle need greater promotional effort and there are very few intermediaries to handle the same.

## ***2. Market Related Factors:***

The nature and type of customers is an important consideration for the choice of distribution channel.

**i. Consumer or Industrial Product:**

Purpose of buying has an important impact on channel. However goods purchased for industrial use are sold directly through agents. This is because industrial users buy large quantities and manufacturers can effortlessly establish direct contact with them.

**ii. Number and Location of Buyers:**

When the number of customers (both existing and potential) are small the distribution channel covers a small area while in case of products that have large number of products, the channels is widely scattered having many wholesalers and retailers

**iii. Size and Frequency of Order:**

Direct selling is found to be appropriate in case of large and infrequent orders but in case of small and frequent orders, intermediaries are generally preferred. Companies often use different sorts of distribution channels for different types of products in their kitty

#### **iv. Buying Habits of Customers:**

The amount of time and effort customers are willing to spend on a product is an important consideration. Customer expectations have to be considered in a big way while deciding upon channel.

### ***3. Company Related Factors:***

Along with the objectives of a company, the nature and size of a company play an important role in channel decisions.

#### **i. Market Standing:**

Reputed companies often have the liberty to eliminate intermediaries than the lesser known or newly formed companies in the market.

#### **ii. Financial Resources:**

Large firms with sufficient funds have the ability to set up their own retail shops to sell directly to customers but then in case of weak enterprises, they need to depend on middlemen for their products to reach the end user.

#### **iii. Management:**

The competency level and the experience of the management have an influence on channel decision. If management of a company have proper knowledge and experience of distribution, it may prefer direct selling. Firms whose management lack know how about various aspects of business have to depend on middlemen.

#### **iv. Volume of Production:**

Big firms with large output find it suitable to set up their own retail outlets but with companies having small outputs, they find it economical to distribute through middlemen.

#### **v. Desire for Control of Channel:**

Firms interested in exercising proper control on the distribution chain intend at keeping short distribution channels. This helps them to go for aggressive promotions and understand the target audience in a better way. When such desires are absent in companies, they go on to employ middlemen.

#### **vi. Services Provided by Manufacturers:**

When companies plan to sell directly to customers, they have to consider the after sale part too but when firms are not in a position to offer such services, they have to depend on middlemen.

### ***4. Middlemen Related Factors:***

Middlemen or intermediaries play a defining role in the success of distribution policy set up by companies. There are many companies who are not quite confident about the intermediaries and coordinating with them and such companies aim at having direct contact with the end user.

#### **i. Availability:**

When competitive and cost effective middlemen are available, companies will like to go for having suitable number of intermediaries in the distribution chain but then, when such scope is not available, companies move out to have their own sales force reaching out to customers.

#### **ii. Attitudes:**

The success of marketing products depends on the attitudes of the middlemen. When middlemen believe in the policies of the company and are interested to carry on the mission of the company, they work as extensions of the company but then when such attitudes are absent and they rather pose hurdles for the company, firms need to have their own method of distribution.

#### **iii. Services:**

When the middlemen are found to provide such services like financing, storage, promotion etc., it is always better for a company to have the middlemen in the distribution chain.

#### **iv. Sales Potential:**

Intermediaries with proper sales potential are always required by firms since that will ensure greater penetration of products in a cost effective manner.

#### **v. Costs:**

There are costs involved in setting intermediaries and there are costs involved in having own distribution chain but then the two types of costs need careful evaluation and comparison and the necessary decision to be taken.

#### **vi. Legal Constraints:**

In certain products, government regulations play an important role in channel decisions. In cases of drugs and liquors, they are to be distributed only through licensed shops.



Carrying on with the topic of middlemen, there are two major types of middlemen viz. Agent middlemen and Merchant middlemen. Agent middlemen are functional middlemen do not take the ownership and delivery of goods. They only assist in the buying and selling of goods.