

Distribution Channels

The whole marketing process involves producing, pricing, distributing and promoting goods and services to existing and potential customers at a profit. If you cannot successfully distribute your product or service to your customers, all of your other marketing efforts may be useless. You must effectively move your product or service from producer to consumer in a timely and cost-effective way.

As an entrepreneur, whether you are a producer or service provider, you must match your ability to produce and supply goods and services with the needs and demands of the various market segments or target groups you have identified. There are four basic types of distribution channels:

1. Producer to consumer
2. Producer to wholesaler to customer
3. Producer to retailer to customer
4. Producer to wholesaler to retailer to customer
5. Producer to broker to wholesaler/retailer to customer

The supply channel you use depends primarily on your product/service and your target customers. For example, if you produce perishables or offer a service you would want to get these directly to the consumer; however, if you have written a book, it would probably be to your advantage to go through a wholesaler to get to book retailers.

Many producers of consumer goods use the producer to wholesaler to retailer to customer method of distribution because it allows them exposure to the wide networks that wholesalers have already established. You may also decide that you would rather use a broker for your product, but of course a broker will charge a fee and therefore add to the final price of the product.

Most professional services are distributed from the provider directly to the consumer. Sometimes the help of an outside referral service may be enlisted but again, be warned that this will add to the price. You could also distribute your products through a travelling salesperson who would then expose your product to a much larger area.

A good starting point is to determine what distribution channels your competitors are using since that quite often dictates what method you must use. From here, you could try to determine if there are any ways that you could streamline the channels which would allow you to undercut those competitors or improve on the distribution to the customer in any way.