

5.5 SELECTING THE APPROPRIATE CHANNELS OF DISTRIBUTION

The factors to be considered before choosing a suitable channel of distribution are listed below:

- *Product Considerations:* The nature and type of product have an important bearing on the choice of distribution channels. For example, perishable goods need speedy movements and hence shorter channel or route of distribution. For durable goods, longer and diversified channels may be used. Similarly, for technical products requiring specialized selling and serving talents, the shortest channel should be used.
- *Market considerations:* The nature and type of customers and size of market are important considerations in the choice of channel of distribution. For example, if the market size is large, there may be long channels, whereas in a small market direct selling may be profitable. The nature and type of consumers include factors such as desire for credit, preference for the stop shopping, demand for personal services, amount of time and effort the customer is willing to spend. It also includes factors like age, income group, sex, and religion of customers.
- *Company considerations:* The nature, size and objectives of the business firm also play an important role in the selection of distribution channel. It includes financial resources, market standing, volume of production, desire for control of channel, services provided by manufacturers, etc. For example a company with substantial financial resources need not rely too much on the middlemen and can afford to reduce the levels of distribution. Similarly a company desiring to exercise greater control over channel will prefer a shorter channel.
- *Middlemen considerations:* The cost and efficiency of distribution depend largely on the nature and type of middlemen. It includes characteristics of middlemen such as availability, attitudes, services, sales potential, costs, etc. For example, if the terms and conditions of engaging wholesalers are unfavourable, a manufacturer may like to channelize his products through semi wholesalers or retailers, thereby, bypassing wholesalers. However, the determining factor would be the differential advantage involved in the choice.

To conclude, the channel generating the largest sales volume at lower unit cost will be given top priority. This will minimize distribution cost.