

Functions of Distribution Channels

Distribution channels perform a number of functions that make possible the flow of goods from the producer to the customer. These functions must be handled by someone in the channel. Though the type of organization that performs the different functions can vary from channel to channel, the functions themselves cannot be eliminated. Channels provide time, place, and ownership utility. They make products available when, where, and in the sizes and quantities that customers want. Distribution channels provide a number of logistics or physical distribution functions that increase the efficiency of the flow of goods from producer to customer. Distribution channels create efficiencies by **reducing the number of transactions** necessary for goods to flow from many different manufacturers to large numbers of customers. This occurs in two ways. The first is called **breaking bulk**.

Wholesalers and retailers purchase large quantities of goods from manufacturers but sell only one or a few at a time to many different customers. Second, channel intermediaries reduce the number of transactions by **creating assortments**—providing a variety of products in one location—so that customers can conveniently buy many different items from one seller at one time.

Channels are efficient. The *transportation and storage of goods* is another type of physical distribution function. Retailers and other channel members move the goods from the production site to other locations where they are held until they are wanted by customers. Channel intermediaries also perform a number of **facilitating functions**, functions that make the purchase process easier for customers and manufacturers. Intermediaries often provide **customer services** such as offering credit to buyers and accepting customer returns. Customer services are oftentimes more important in B2B markets in which customers purchase larger quantities of higher-priced products.

Distribution channels are not limited to products only even the services provided by a producer may pass through this channel and reach the customer. Both direct and indirect channels come into use in this case. For instance, the hotel industry provides facility for lodging to its customers, which is a non-physical commodity or a service.