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**SCHOOL OF ENTREPRENEURSHIP & BUSINESS SCIENCES**

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PROGRAMME BSROM

LEVEL 1.2

**QN: Channel Selection is influenced by several factors. Outline any five factors and illustrate how these factors can influence the selection of appropriate distribution channels(100marks)**

Channel selection is or involves the choice of institutions that will compromise a system involved with the task of moving goods of value from points of production to points of consumption (Tillman, 2015). Distribution channel is a chain of business through which goods and services passes until it reaches the final buyer or the end consumer at the right time, place and in most attractive way with possible lowest cost such as wholesaler, retailer, distributors etc. Factors that can influence the channel selection are intermediary or middlemen, the nature of the market, the nature of the product, the nature and size of the manufacturing unit and competition.

1. Nature of middlemen or intermediary

A middleman is a marketing organization that connects or links the producer and the user within a distribution channel. They are responsible for price stability, information provider to the manufacturer about the market, matching buyers and sellers and they get commission in return.

1. Availability of desired middlemen

Sometimes appointed middlemen may not be available for the distribution of goods because they may be dealing with competitive products and it may cause the manufacturer to handle the distribution of goods to customers alone

1. Cost of distribution of goods

Cost of distribution through middlemen is one of the main factor to be considered into account by the manufacturer before considering to make use of middlemen. The higher the cost of distribution on higher the cost of product so the manufacturer should carefully select the most economical distribution channel.

1. Services provided by middlemen

Manufacturer’s must select middlemen who provide various marketing services and also middlemen are supposed to ensure various services to customers

2. Nature of the market

The nature and type of market and customers influence a decision for selecting channels of distribution

1. Market size

If the product is to be sold in a large area, then it will require long channel of distribution. A product to be marketed in a limited area will not require more intermediaries

1. Location of buyers

The location of buyers is also important for selecting the type of intermediaries. When buyers are located at thickly or small populated areas then direct selling will be very convenient. When buyers are dispersed in large areas then the use of wholesalers and retailers will be essential

1. Geographical concentration of market

When customers are in one market a shorter distribution channel is used since they supply the goods in that area by opening their own shops or sales depot.

3. Nature of the product

The nature and type of the product includes the physical characteristic of a product and it also helps in determining a decision about channel of distribution.

1. Size and Weight of product

Bulk and heavy products like coal, stones and cement are directly distributed to the users and it involves heavy transportation cost .In order to maximize these cost a short and direct distribution channel is recommended.

1. Standardization

When a product is standardized it will have universal customers and may need more intermediaries for it reach customers that are far away. I f not standardized as per the requirements of the buyer it cannot have intermediaries.

1. Price of the product

High priced products have less intermediaries because the number of buyers is limited while a low priced product have large numbers of buyers and require more intermediaries to reach customers. A manufacturer will be invisible to deal with large number of customers

1. Perishability

Perishable products are distributed using a short channel of distribution so that goods will reach customers without delay because delay will deteriorate their quality.

4. Manufacturer’s consideration

The nature and size of manufacturing unit have a great impact on the selection of a distribution channel

1. Manufacturing reputation and financial stability

The financial stability of the manufacturer helps in selecting the channel distribution. If the manufacturer is financially stable then it helps to give credit to big customers by avoiding intermediaries. If the manufacturer is financially weaker unit cannot operate without middlemen.

1. Volume of production

A manufacturer with large volume of production may prefer open their retail outlets to avoid the use of intermediaries. A small manufacturer will have to depend on intermediaries for selling the products.

1. Industrial conventions

Industrial conventions follow the influence selection of the distribution channel. A particular mode of distribution is adopted in the industry, manufacturing unit in that industry in distribution of their products will be followed.

5. Competition

Competitive behavior may also influence the channel selection decisions. If firm is already established in the market have integrated channel, an entrant into the market may wish to have one also. In this situation, entrants signals the customers that they are committed to serve the market and are willing to offer resources to it .This means that the competitors will copy the establishments of subsidiaries in each other’s markets.

To cap it all, distribution channel selection is influenced by a number of factors such as nature of product, competition, nature of market, the nature of middlemen among others as discussed above.

# Reference

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