Types of Distribution Channels

Broadly, Channel of distribution is of two type’s viz., (1) Direct Channel (2) Indirect Channel.

1. Direct Channel or Zero Level Channels:

When the producer or the manufacturer directly sells the goods to the customers without involving any middlemen, it is known as direct channel or zero level channel. It is the simplest and the shortest mode of distribution. Selling through post, internet or door to door selling etc. are the examples of this channel. For example, Mc Donalds, Bata, Mail order etc.

Methods of Direct Channel are:

(a) Door to door selling

(b) Internet selling

(c) Mail order selling

(d) Company owned retail outlets

(e) Telemarketing

2. Indirect Channels:

When a manufacturer or a producer employs one or more middlemen to distribute goods, it is known as indirect channel.

Following are the main forms of indirect channels:

(a) Manufacturer-Retailer-Consumer (One Level Channel):

This channel involves the use of one middleman i.e. retailer who in turn sells them to the ultimate customers. It is usually adopted for speciality goods. For example Tata sells its cars through company approved retailers.

(b) Manufacturer-Wholesaler-Retailer-Customer (Two level channels):

Under this channel, wholesaler and retailer act as a link between the manufacturer and the customer. This is the most commonly used channel for distributing goods like soap, rice, wheat, clothes etc.

(c) Manufacturer-Agent-Wholesaler-Retailer-Consumer (Three level channels):

This level comprises of three middlemen i.e. agent, wholesaler and the retailer. The manufacturers supply the goods to their agents who in turn supply them to wholesalers and retailers. This level is usually used when a manufacturer deal in limited products and yet wants to cover a wide market.

Role of Distribution Channel

A channel of distribution performs the work of moving goods and services from producers to consumers. It overcomes the place, time and possession gaps that separate producers from consumers. Marketing intermediaries perform following important functions.

i. Promotion:

Marketing intermediaries attract customers and persuade them to buy goods and services. These intermediaries undertake sales promotion activities through media and personal contacts.

ii. Negotiation:

Intermediaries or middlemen negotiate prices and other terms and conditions between buyer and seller. No sale can take place without an agreement on prices and other terms and conditions.

iii. Information:

Middlemen collect information about demand, competition, etc., from consumers and pass on to manufacturers. They also provide information to consumers about new products, changes in design, style, prices, etc., of existing products.

iv. Ordering:

Intermediaries collect small orders from consumers and on that basis place large orders with manufacturers.

v. Physical possession:

Middlemen take possession of goods from producers and pass on possession to consumers.

vi. Transfer of title:

Middlemen transfer ownership of goods from producers to consumers.

vii. Financing:

Intermediaries provide financial, assistances at different stages of the marketing channel. They buy goods in cash from producers and sell them to consumers on credit.

viii. Risk taking:

Intermediaries assume most of the risks involved in the distribution of goods. They relieve producers from these risks and enable them to concentrate on production.