Marketing Channels

According to Lamb, Hair & McDaniel, (2011)

The term channel is derived from the Latin word canalis, which means channel. A marketing channel can be considered as a conduit or a large pipeline through which products, their properties, communication, financing, payment and risk that come with, flow to the consumer. Formally, a marketing channel (also called a distribution channel) is a business structure of interdependent organizations involved in the process of having a product or service available for use or consumption by end customers or business users. Marketing channels facilitate the physical movement of products from one location to another, representing a "place" or "distribution" in the marketing mix (product, price, promotion and place) and encompass the processes related to having the product appropriate in the right place at the right time.

Numerous types of organizations participate in marketing channels. Channel members (wholesalers, distributors and retailers, also called intermediaries, resellers or agents) negotiate with each other, buy and sell products and facilitate the exchange of ownership between the buyer and the seller in the course of moving the manufacturer's product into the hands of the final consumer. As products move along channels, their members facilitate the distribution process by providing labor specialization and division, overcoming discrepancies and providing contact efficiency.

Channel Intermediaries and Their Functions

Intermediaries on a channel negotiate with each other, facilitate the exchange of ownership between buyers and sellers, and physically move products from the manufacturer to the final consumer. The most prominent difference that divides intermediaries is if they assume ownership of the product.

Assuming ownership means that they own the merchandise and control the terms of the sale; For example, the price and delivery date. Retailers and wholesalers are examples of intermediaries who assume ownership of products in the marketing channel and resell them. Retailers are companies that sell mainly to consumers.

Wholesalers are organizations that facilitate the movement of products and services from manufacturers to producers, resellers, governments, institutions and retailers. All wholesalers assume ownership of the products they sell and most of them operate one or more warehouses where they receive the products, store them and later re-ship them. Customers are mostly small retailers or medium-sized retailers, but wholesalers also market with manufacturers and institutional customers.

Channel Structures

A product can follow various routes to reach its end consumer. Companies are looking for the most efficient channel of the various alternatives available. Marketing a consumer convenience product, such as chewing gum or candy, differs from a specialty product, such as a Mercedes-Benz. The two products require very different distribution channels.

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Channels for Consumer Products

Producers use the direct channel to sell without intermediaries to consumers. Direct marketing activities, including telemarketing, mail ordering and catalog purchases, and electronic retail forms such as online shopping and home shopping tv networks, are a good example of this type of channel structure.

REFERENCE:

Lamb, C., Hair, J. and McDaniel, C. (2011). Marketing. Ohio: Cengage Learning.