

FACTORS DETERMINING CHANNEL OF DISTRIBUTION

(A) PRODUCT RELATED FACTORS :

NATURE OF PRODUCT : If the product is of general nature like cosmetics, whose customers are spread then long channel is required but if product is customized or industrial then channel will be shorter or direct ie manufacturer to customer directly.

Perishability : If the product is of perishable nature then shorter channel is preferred. However if product is of non perishable nature then longer channel is preferred.

Unit value of product : If product is having low unit value ,then longer channel is preferred but if it is having high unit value then shorter channel is preferred

Product complexity : If product is complex or is of technical nature then shorter channel is preferred but if product is non technical then short channel is preferred.

(B) COMPANY RELATED FACTORS :

Financial position: If company is having good financial position ,then shorter channel is preferred ie its own retail outlet otherwise company will go for longer channel

Core competence : If the company is focusing on its core ability in production of goods then it will not prefer retailing or selling through longer channel,rather it will prefer shorter channel.

Degree of control : If company wants to control its sale and market segment then company will prefer shorter channel because retailers will sale the product of other companies also .Thats why in such case to have good control on sales and market company will prefer shorter channel ie its own channel.

(C) COMPETITIVE FACTORS : Some time company follow their competitors then in such case they follow same channel as their competitors are following but if company is having their own distribution policy then company will follow different distribution policy.

(D) MARKET RELATED FACTORS :

Market Size : If company wants to cover large no. of customers in bigger market then it will follow longer channel but if company wants to cover less no. of customer or limited no. of customer or niche market then company will follow shorter channel of distribution.

Geographical distribution : If customers are spread in large geographical area then longer channel is preferred but if customers are concentrated to limited area then shorter channel is preferred.

Quantity Purchased : If less no. of customers purchased the product in bulk then shorter channel is preferred but if more no. of customers purchase in small quantity then longer channel is preferred.

(E) ENVIRONMENTAL FACTOR :

Legal environment: Some times government imposes certain restriction on trade activities, which effect the choice of channel like selling of weapons in such case shorter channel is preferred.

Economic Condition : When there is recession in market or country then during such times to reduce distribution cost, company prefer shorter channel.

CHANNEL STRATEGY OR CHANNEL MANAGEMENT STRATEGIES

A channel strategy is a vendor's plan for moving a product or a service through the chain of commerce to the end customer.

Channel Management strategy is finding and **managing** Partners to ensure a continued supply of goods from the Company to its Consumer. • A good **Channel Strategy** takes into account Competing Products, Supply Chain health, Budget constraints and Partner Relationships

In simple sense we can say taking above mentioned factors , we decide which type of channel (long or short) or which channel member (particular whole seller / particular retailer) is suitable for company.