

Answer on Question #40261 – Marketing – Other

Small businesses need to find a way to serve their customers, wherever they are located. That's why selecting a distribution channel is an important aspect of building a competitive advantage for businesses of every size, according to Shorey Consulting. Distribution channels include your own direct sales force, retailers, distributors and the Internet. The right distribution channel ensures that customers in different locations around the country, or around the world, can buy your products and get the right level of service from your company. To select the right distribution channel for your business, you need to consider what a channel can offer, including location and reach, skills and resources, management costs and degree of control.

Reach

The channel you choose must be easily accessible for customers and prospects. If you sell products locally, choose a retailer or distributor in your area who knows the local market. If you are expanding and want to sell your products in other states, choose a distribution network that provides coverage of your chosen markets. Selling products around the world is now a practical reality for businesses of any size, thanks to the Internet. The cost of setting up a website that any customer with Internet access can reach is very low compared to the cost of setting up or managing a global distribution network.

Skills

You want your customers to receive the best possible service. That's not easy when you are dealing with customers through a third-party distribution channel. If you sell high-value, complex products to business customers, you need sales people with good product knowledge and the ability to build relationships with customers. A direct sales force may be the right solution if your customer base is small. If you have a large group of business customers around the country, look for a distributor network selling similar products. They will have the skills and knowledge to sell your products, particularly if you provide their sales team with product training.

Customers

Using a distribution channel doesn't just give you a method of delivering products to your own customers; it could also give you access to a much larger customer base. Look for a distributor or retail network that sells products that are complementary to your own. By offering sales incentives to the distributor, you can tap into their customer base and grow your own business.

Control

Control is an important factor in channel selection. Check if the distribution network is selling products that are competitive to yours. If it is, you need to motivate the network to give preference to your products. You also need to ensure that the network is willing to operate to the standards of customer service you set. Allocate a member of your team to monitor and manage the performance of the distribution channel. It is the people in the channel who control the relationship with your customers, so the right choice is critical.

Advantage

Sometimes the obvious distribution channel may not be the best choice. According to Multimedia Marketing, channel innovation can give you a strong competitive advantage, as customers look for faster, cheaper and easier ways of buying products.

"Perishable goods are both time and temperature sensitive," Steve Gunning, managing director at IAG Cargo, revealed. "If either are not right, the goods will spoil. UK airports have excellent facilities for keeping perishable goods within the optimum temperature range: between four and five degrees centigrade, and these are being built increasingly closer to airports to ensure that the goods can be taken from the aircraft to the customer faster than ever." Exporters need to ensure that the destination airports they are shipping to have similar facilities and only work with air cargo carriers that can provide a consistent end-to-end cool chain for their produce. It is important these facilities are available in the exporter's entire target market to ensure that their produce reaches shops in a consistent condition, regardless of where they have been shipped to.

Exclusive distribution: Exclusive distribution is an extreme form of selective distribution. That is, the producer grants exclusive right to a wholesaler or retailer to sell in a geographic region. This is not uncommon in the sale of more expensive and complex agricultural equipment like tractors. Caterpillar Tractor Company, for example, appoints a single dealer to distribute its products within a given geographical area.

Channels for Industrial Goods include:

- Producer to industrial user. This is a direct channel for industrial users, commonly employed by manufacturers of large installations, such as generators.
- Producer to industrial distributor to industrial user. This channel of distribution is commonly used to market accessory equipment, such as typewriters or operating supplies which include typewriting papers, pens, and office materials.
- Producer to agent to industrial user. This is preferably used when an industrial product is new in the market. Agents are middlemen who have market contacts and can provide sufficient information on possible markets.
- Producer to agent to industrial distributor to industrial user. This trade channel is feasible when agents cannot directly sell to industrial users. Since these agents or brokers shall render services only on demand, a regular, fixed income can be minimized instead; commissions may be given as they render services during season.