

3.12: Describing Retailers and Channels

Learning Objectives

- Define single channel, multi-channel, and omnichannel retailing

Marketing channels, also known as distribution channels, are the ways that products or services get from the producer to the consumer. All of the activities in between are part of a product's distribution channel. This includes:

1. Logistics: assembly, warehousing, and transportation
2. Facilitation: channel coordination, marketing, promotion, financing, and post-purchase service and maintenance
3. Transaction buying and selling

These activities support the exchange of goods, transferring products and services to the consumer, and transferring payments back to the producer. Over time, only value-added activities remain part of a given channel to reduce costs and ensure efficiency.

Earlier, we described the distribution channel for a can of soup. After being produced, it will be warehoused either on-site at the manufacturing facility or at a central distribution center until it is ordered by a retailer. Once ordered, it will be shipped to their warehouse and bundled with other items to be trucked to an individual store. At the store, it will be unboxed and put on the shelf to be available for shoppers.

This example reflects not only the functional activities (logistics, facilitation and transaction), but also identifies groups involved:

- Producers (manufacturers, farmers or craftsmen)
- Intermediaries (warehousers, logistics providers, wholesalers, financiers or credit providers, retailers, etc.)
- Consumers (the individual or institution making the buying decision. Note that the focus is on the individual making the buying decision because the end users of some items, such as baby or pet care products, are not engaged in the transaction.)

It is worth noting that not all groups are involved in each marketing channel. In fact, marketing channels are distinguished by how the individual groups manage logistics, facilitation and transaction. The four marketing channels are as follows:

- Direct: Producer to consumer
- Indirect: Producer to intermediary to consumer
- Dual: Distribution to consumers through multiple channels, often determined by the producer and their development of intermediaries as channel partners
- Reverse: User to beneficiary (Note: this is an uncommon channel and one that most applies when existing goods are recycled or repurposed to re-enter the market.)

In direct distribution channels, producers market and sell their products directly to the consumer. In doing so, the producers absorb the activities and costs associated with logistics, such as warehousing and distributing their goods. However, as a trade-off, the producer has greater control over the marketing, pricing and promotion of their items. Further, because they interact directly with the consumer, they can benefit from unfiltered feedback, allowing them to optimize products, services, promotional activity or other elements of the customer experience.

Direct channels are common in commercial settings, especially where products and services are customized for individual customers, like enterprise software or industrial components. Tesla is an example of a manufacturer using a direct channel in the consumer space, as they market their cars directly to consumers without going through a dealer network. Catalogue marketing is another good example of direct channels in consumer goods. Similarly, the internet serves as a direct channel that many brands have used to broaden their reach.

Indirect channels are very familiar to us because it's what we most commonly associate with retail, especially in the grocery industry. In indirect channels, producers sell part of their inventory to a collection of wholesalers and retailers who market the product to consumers. While the inclusion of wholesalers and retailers as intermediaries does add some complexity, it also has critical benefits. It allows the individual producers and intermediaries to specialize, increasing efficiency and reducing cost. It also mitigates risk for producers because they don't own the entirety of their inventory. For the intermediaries, they will realize greater revenue for the product than the producer would have, but they've also taken on some risk by buying the product.



Dual distribution describes any marketing arrangement where the manufacturer uses multiple channels to distribute a product. For instance, they may sell directly to end users as well as through other companies for resale. Think about Apple products, which can be purchased through a direct channel either on Apple's website or at the Apple Store or through an indirect channel at a mass retailer like Target or specialty retailers like Verizon or AT&T stores.

Understanding channels, their implicit activities and their actors, is important because it helps us understand:

1. How products or services get to the end user and payments are transferred back to the producer
2. How channel partners mitigate risk and add value to the supply chain
3. How and why firms select specific marketing channels
4. How elements of the marketing mix (product, price, place and promotion) can be affected.

? Practice Questions

<https://assessments.lumenlearning.co...sessments/9152>

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