

Isabella's government class team has been assigned a group presentation. She and the three other group members have divided the responsibilities according to their strengths—Isabella will do the reading and create an outline, Ben will take the outline and create a software presentation, Alicia will proof the presentation for spelling and grammar, and Erik will make the presentation and lead the class discussion. Isabella, Ben, Alicia, and Erik are all using their knowledge of their topic, and their "customers" are their teacher and the rest of their class. They've worked together to deliver that knowledge in the most efficient, effective way possible.

Channels work well when they're properly managed and when channel members strive together to achieve a common goal. Each member adds value to the product as it makes its way to the final consumer.



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## Getting the Job Done: It's a Group Effort

### Channels of distribution

Businesses have many different options for moving their **products** to the consumers and businesses who want to buy them. These routes are known as **channels of distribution**. We all benefit from channels of distribution. As consumers, we benefit when we are able to purchase certain products, in certain quantities, when and where we want to. For example, you may live in Cincinnati but, at the grocery store down the street, you can buy a single bar of chocolate produced in Switzerland. Have you ever thought about the path that chocolate bar took to get into your hand?

- ▶ *Channel management is responsible for determining which channels of distribution to use to get products to customers.*



## Quick Definitions:

- **Ultimate consumers**—people who personally use products to satisfy their own wants
- **Industrial users**—businesses that buy materials, services, or goods that will be used to make other goods or services in the operation of their business
- **Intermediaries**—businesses that help in the operation of the distribution channel. They move consumer goods from the producer to the consumer. They are called middlemen
- **Producers**—people who make or provide goods and services
- **Wholesalers**—channel members who help to move goods between producers and retailers by buying goods from producers and selling them to retailers
- **Retailers**—businesses that buy consumer goods or services and sell them to ultimate consumers

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**Promoting products.** Promoting a product, especially a new one, can be expensive. When a producer sells its products through intermediaries, the costs and responsibilities associated with product **promotion** can be shared. Retailers often assume a large portion of promotion responsibilities. Think about your local supermarkets and discount stores—most likely, they produce weekly flyers featuring a variety of products available or on sale. These retailers may pay the full costs to produce the flyers, or they may share expenses with some of the products' manufacturers. Shared promotion activities within the channel can lower channel members' individual costs while producing the same results.



- ▶ *Although retailers are typically responsible for promoting products, some manufacturers assist them with their efforts.*

# Design Time: Making Channel-Management Decisions

## Prime performance

Sometimes, waterways are referred to as channels. Picture water flowing through a channel. What happens if something clogs the channel, such as trash or debris, or if something blocks the channel completely, such as a dam? The water doesn't move through efficiently. The same principle applies to channels of distribution. A few conditions must exist for channels to be effective.

First, the channel members must share a common goal. That is, marketers designing channels. Channel strategies must first recognize the importance of the task and then make informed decisions regarding distribution patterns as well as the selection of channel members and assignment of their responsibilities.

Second, channels are effective only if channel members share a common goal or goals. Channel members should share a commitment to the quality of the product and to satisfying the target market's needs and wants. After all, no business in the channel will be successful if the products don't sell.

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▲ *Channels of distribution are only effective if every channel member shares a common goal.*