

It's your grandparents' anniversary, and you've decided to

make them a special dinner including some of their favorite foods. You'll be serving lobster and garlic mashed potatoes with a fresh fruit salad for dessert. The day of the dinner, you make a trip to the local grocery store to pick up all the ingredients you'll need. You might not realize it, but you've just greatly benefited from several channels of distribution. What if you'd needed to purchase each item directly from its producer? You might have had to travel to Maine to pick up the lobster, to Idaho for the potatoes, and to Florida or California for the fruit!

Channels of distribution make life easier for consumers and businesses every day. They save time and money, and they allow us to enjoy a variety of products from around the world. Find out more about channels of distribution—who participates in them, how they work, and the benefits they provide.



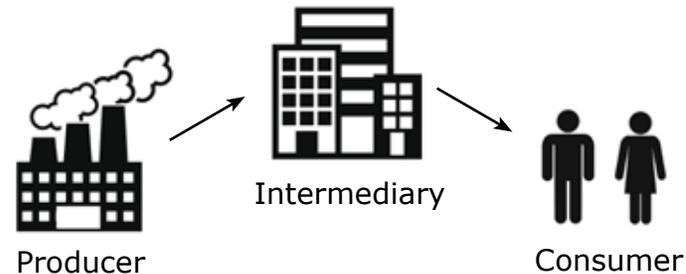
Channel Basics

Have you ever had to travel a considerable distance to purchase a product you wanted? Perhaps you found the perfect used car—it was the make and model you wanted, had low mileage, and was listed at an affordable price. The only trouble was that you had to drive 200 miles to get it. In this case, your time and effort were probably worth it. You might not want to deal with the hassle one time. But, what if this circumstance happened often? You would soon find that the goods and services you need are not always available to those produced in your own geographic area. Fortunately, there are channels of distribution. Because of these channels and their participants, products from many different locations are available right where you live.

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Getting the goods

Channels of distribution are the paths, or routes, that goods and services take from the producer to the ultimate consumer or industrial user. These paths aren't physical, however. Although goods do travel to their destinations along highways and railroads, the term channels of distribution doesn't refer to those types of routes. Instead, it refers to businesses or people who perform a variety of functions to enable products to be in the right places at the right times.



All good things must come to an end

A channel of distribution ends, then, when the good or service has reached the ultimate consumer or industrial user. A channel also ends when changes are made to the form of the good. For example, the channel of distribution for the milk, flour, eggs, and sugar purchased by a bakery ends when the items are combined to make doughnuts. However, a new channel of distribution for the doughnuts begins.

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Intermediaries

Many products take paths that include channel members in addition to the producer and the ultimate consumer or industrial user. These channel members are known as **intermediaries** or **middlemen**. They operate between the producer and the consumer or user to help in the movement of goods and services. Let's take a look at the different types of intermediaries:



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▲ *The channels of distribution for the doughnut ingredients end when the items are combined to make doughnuts. But, a new channel of distribution for the doughnuts begins!*

Channels for services

Think about **services** for a minute. They are intangible activities that are performed by other people for money. They are productive acts that satisfy economic wants. Because services are intangible, producers aren't concerned about having to ship and store them. Usually, services are consumed when they are produced. Therefore, most services follow a direct channel of distribution—they move directly from the service provider to the consumer or user. For example, if you want your dog's hair cut, you take him to a dog groomer. The service is provided directly on your dog. This service could not be provided by channel members. Can you name other services that move directly from the service provider to the consumer or industrial user?

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Agents can assist with the distribution of services. This channel would begin with the service provider, move to the agent, and then to the consumer or user. An example of this indirect channel would be the services provided by entertainers who work with agents to promote and sell their skills. Travel agents, insurance agents, and stock brokers are also channel members involved in the distribution of specific services.



▲ Some services, like dog grooming, move directly from the service provider to the consumer.