

PHYSICAL DISTRIBUTION

MEANING

- A channel of distribution or trade channel is the route or path along which products flow from the point of production to the point of ultimate consumption or use.
- It starts with the producer and ends with the consumer. In between there may be several intermediaries or middlemen who operate to facilitate the flow of the physical product or its ownership from the producer to the consumer.
- In the words of STANTON “A distribution channel consists of the set of people and firms involved in the transfer of title to a product as the product moves from the producer to the ultimate consumer.”
- A channel of distribution shows three types of flows:
 - a) Products flow downwards from the producer to the consumers.
 - b) Cash flows upwards from customers to the producer as payment for products.
 - c) Marketing information flows in both directions.

IMPORTANCE

- ❖ Important element of marketing mix
- ❖ Influences sales volume and profits
- ❖ Determines where and when the product will be available to users
- ❖ Helps in reducing the effects of fluctuations in production

TYPES

1) Manufacturer-consumer (Direct selling):

- Shortest and simplest channel
- No middleman between the producer and consumer
- Producers sell directly to customers through door-to-door salesmen , direct mail , own retail stores, e.g.. BATA India Ltd.
- Used generally for selling shoes , clothes , books, etc.
- Very fast and economical
- Expert services of middlemen are not available
- Large investment is required

2) Manufacturer-retailer-consumer:

- Manufacturer sells to one or more retailers who sell to consumers
- This channel is popular when retailers are big and buy in large quantities ,e.g. departmental stores , super markets.
- Generally used for distribution of consumer durables and products of high value like automobiles, home appliances,etc.
- Relieves manufacturer of the burden of selling and provides control over distribution.

3) Manufacturer-wholesaler-retailer-consumer:

- Traditional or normal channel
- Suitable where producers have limited finance and narrow product line
- Channel used in case of consumer durables which are not subject to frequent changes in fashion.

4) Manufacturer-agent-retailer-consumer:

- Used when retailers are few or geographically concentrated
- Commonly used to sell agricultural products, machinery and equipment, etc.

5) Manufacturer-agent-wholesaler-retailer-consumer:

- Longest channel
- Producer hands over entire output to the agent who sales them to wholesalers
- In case of cloth this channel is widely used
- Results in wider distribution of products

