

Business channels are channels that companies use to communicate and reach customers in order to deliver value proposition.

Communication, distribution and sales channels comprise your company's interface with customers and play an important role in the customer's experience. These channels have the following advantages:

They raise awareness among customers about a company's products and services.

Help customers evaluate a company's value proposition.

Allow customers to purchase specific products and services.

Delivering a value proposition to customers

Providing post purchase customer support.

We have two types of channels

1. Direct distribution channel

2. Indirect distribution channel

### **1. Direct distribution channel**

It is organized and managed by a company that sells directly to consumers. The company sells directly to consumers without involving vendors.

The company keeps all aspects of delivery in-house instead of using vendors and is responsible for ensuring that customers receive their purchases successfully.

They require significant capital investment, warehouses, logistics systems, trucks and delivery staff.

If all those are available, the rest is likely to be shorter, more efficient and less costly.

Direct distribution gives companies more control over the whole process which seems to be less complicated.

It is less costly because when you involve the middle men, there are some costs which are also to be incurred in the process.

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Direct channel has many types of sales:

#### **Face to face**

This happens like in the farmers market where farmers take their produce to the market and sell



directly to the consumers who are in the market.

#### Door to door sales

This is a traditional way of distribution where a producer may hire traveling salesman who goes to the field where the consumers are and try to sell the product on the spot if the product is easy to carry around and is portable. if the product is not portable the salesman talks to the consumer about the product and if the consumer agrees to buy the product the salesman will order it and its brought to the nearest branch where the consumer will pick it from.

#### Courier or post office services

It is one of the oldest method of distribution out there but its still relevant upto date as many companies use both the courier services and post office to ship their products directly to the consumers.

#### Telemarketing sales

Customers will advertise their products on the television, getting into details of the features of the product, its prices, uses and availability. the customers interested in it can then place orders via fax, email or by telephone then the product will be delivered via the couriers

#### Direct online

Uses the power of Internet where you directly market to many consumers without leaving your office or open a retail store. one uses their own website via Google ads or via social media. the customers then can place a direct order on your site or via email and then you ship the goods to them via post courier services or via own vehicles

We have examples of companies using this channel

- a) Amway
- b) Apple
- c) Avon
- d) Walmart
- e) Bowflex
- f) Charles swab



### **Advantages of direct channel**

- 1.if you use a web-based channel then you are connected to consumers all over the world and you also keep your overhead low.
- 2.Since there are no intermediaries you get to enjoy higher profit margins on your products.
- 3.You are able to provide your customers with a convinient solution thats available 24hours and hence your customers will appreciate that.

### **Disadvantages of direct channels**

- a)indirect channels of distribution have extensive global networks that involve numerous wholesalers and retailers.it is difficult for direct distribution channel to compete with such extensive network.you cannot easily sell as much of your product on your own as you could do if you used a large distribution network.
- b) customers are usually asked to bear the shipping costs which becomes inconvenient for them to bear.

### **2.Indirect distribution channel**

Indirect distribution involves intermediaries that perform a company's distribution functions.it frees the manufacturer from certain start up costs and responsibilities that can cut into the time it needs to spend on running the business.

With the right vendor relationship an indirect distribution channel can be much simpler to manage compared to direct distribution channel.

Indirect distribution channel also adds new layers of costs and bureaucracy which can increase costs to the consumer.indirect distribution channel can be short or Long depending on the number of intermediaries in distribution chain.

### **Participants in indirect distribution**

#### **Agents**

An agent is characterized because it does not acquire ownership of the product since its function is only to connect companies that want to sell a product and others that want to market or distribute it.

Agents are used when importing products are sold they are relationship links for the conclusion of commercial agreements between the parties.

## **Wholesalers**

They are those who buy the commodity from the producing company in large quantities, store it, and then sell it to the intermediaries. They acquire ownership of the goods so they assume the function of promoting, financing and marketing the product. They carry out negotiation process and agreements on prices and conditions of the good that they commercialize.

Wholesalers sell the products to retailers so they don't come into contact with the end user of the product. This allows them to have a relationship with a large number of retailers dispersed in different geographical regions which allows the product to have a strong presence in the market.

## **Retailers.**

These distributors are the ones who come into contact with the final consumers since they sell in small quantities of the product. Retailer is dedicated to the attractive placement and display of the product it sells to stimulate and motivate the purchase of the product.

## **Advantages of indirect distribution channel**

Lower storage cost: production companies leave their product stocks early and these are stored with wholesalers who have the adequate infrastructure to store large quantities of products.

Greater efficiency: due to the level of reach that is achieved, due to the fact that indirect distributors have a large number of establishments or also if franchises are used; which allows the commercialization of the product in a greater number of points of sale.

## **Disadvantages of indirect distribution channel**

Higher prices for the consumer: each link in the chain gets a profit margin, which makes the final price of the product higher.

Less control by the company: since each intermediary manages its own administrative, delivery, logistics policies, etc. Which can compromise the quality and image of the product.

Longer times: if there are many intermediaries, the passage of the product through the different links in the chain causes a delay in the process time or becomes more complicated.

In conclusion, it can be said that having indirect distribution channels has a series of advantages and disadvantages. Therefore, the company must carry out a clear and objective evaluation to determine if the opportunities obtained in the advantages are greater than the risks that can be had in the disadvantages of the process.



In summary the following are the key differences between direct distribution channel and indirect distribution channel;

In direct distribution channel the company maintains ultimate control over distribution of the products while in indirect distribution channel the company has less distribution control and depends on others.

In direct distribution channel we have greater initial costs but efficiencies may develop over time and lower them while in indirect distribution channel the sharing costs can lessen financial impact and good vendor relationships may lead to more savings.

Direct channel has direct connection with customers, which can support brand loyalty while in indirect distribution channel the company depends on intermediaries for good customer interaction which can backfire if vendors have problems.

In direct distribution channel the company is responsible for all aspects of distribution while in indirect distribution channel others handle distribution of products.

In direct distribution channel it may be difficult with distribution responsibilities while in indirect distribution channel it's easier to maintain since distribution is handled by others.

In direct distribution channel the company is potentially more streamlined due to direct route while in indirect distribution channel the company may take longer, depending on situations with vendors.

In direct distribution channel the company can control the customer experience and build brand awareness while in indirect distribution channel distribution problems might adversely affect relationships and view of company.

Direct channel companies keep more profit while in indirect distribution channel they share profit with others.

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