**All Your Favorite Channels**

Just as you can reach one city by many different routes, so can producers reach consumers and
industrial users through many different channels. Some routes are short, involving just the producer and the consumer or industrial user. These short routes are known as **direct channels** of distribution. Other routes are longer, involving the use of intermediaries. These routes are called **indirect channels** of distribution. Let’s learn more about the most common routes for consumer goods, industrial goods, and services.

**Channels for consumer goods**

There are five basic channels of distribution for consumer goods. They are:

 ***Producer to consumer.*** With this type of channel, goods move straight from the producer to the consumer (direct distribution). This is the simplest of all channels. It can take place where the good is produced—a pumpkin farm, for example. It can take place in warehouses or outlets owned by the producer. Or, it can take place through producers’ catalogs or online sites. By selling goods directly to consumers, producers are able to maintain tight quality control of selling, installation, and servicing. However, the producer retains all distribution costs. For some more information on direct distribution, read Forest Time’s article “What Is a Direct Channel of Distribution?” at <http://smallbusiness.chron.com/direct-channel-distribution-42213.html>.

Certain wholesalers, such as Sam’s Club and Costco, open their doors to ultimate consumers as well as retailers, creating a unique producer to wholesaler to consumer channel.

 ***Producer to retailer to consumer.*** When it is not possible for a producer to reach a large number of consumers on a direct basis, the producer will often decide to distribute products through intermediaries. Retailers can provide wide distribution of products to consumers and at lower costs than producers can on a direct basis. Most retailers who deal directly with producers buy in large quantities due to the size of their businesses and the great demand for products. Large department stores and retail chains are among those that usually deal directly with producers.

 ***Producer to wholesaler to retailer to consumer.*** Since many producers cannot offer small shipments, they often require buyers to place large orders for goods. However, most retailers cannot buy the large quantities required. This is why producers use wholesalers to sell to smaller retailers. This is the most common channel of distribution for consumer goods.

 Wholesalers buy large quantities from producers and divide them into smaller units for sale to retailers. The wholesaler is able to provide the retailer with a variety of products from which to choose. This helps the producer as well because large, bulk sales can be made to a few wholesalers rather than to many retailers.

 ***Producer to agent to retailer to consumer.***Some producers do not want to take the responsibility, or spend the time or money to sell their goods, but they are prepared to handle many other marketing functions. These producers contract with an agent to sell the goods to retailers. The agent’s job is to bring buyer and seller together. Once the sales are made, the producer assumes responsibility for processing the goods to the retailers. This channel is frequently used by producers to reach large retailers.

 ***Producer to agent to wholesaler to retailer to consumer.*** To reach small retailers, producers will contract with agents to sell their goods to wholesalers. Wholesalers, in turn, buy large quantities of the goods and sell smaller amounts to many small retailers. When using this channel, producers are able to share their responsibilities for distribution with a maximum number of intermediaries.

You can learn more about the U.S.’s biggest retailers by visiting the National Retail Federation’s web site at <https://nrf.com/resources/annual-retailer-lists/top-100-retailers>.

**Channels for industrial goods**

Goods that will be used to make other goods or services or will be used in the operation of a business are known as **industrial goods**. They are consumed by industrial users.

 Channels of distribution for industrial goods are separate from those used for consumer goods, but they are quite similar. Retailers, however, do not appear in any of the channels for industrial goods. The most common routes for these goods to take from producer to user are:

 ***Producer to industrial user.*** This is the direct distribution route for industrial goods. It is also the most common route for them to follow, since most large industrial goods, such as airplanes or manufacturing equipment, require installation or special servicing. Producers feel that they are best qualified to provide these special considerations.

 ***Producer to industrial distributor to user.*** Industrial distributors function in much the same way as wholesalers for consumer goods. They buy large quantities of goods and raw materials from producers and sell small quantities to industrial users. Unlike wholesalers, however, they tend to specialize in selling a limited number of products. They frequently carry small, standardized parts and operating supplies that industrial users need on a continuous basis. By having supplies on hand, they are able to help industrial users obtain goods faster than they could from producers. Chemicals and machine parts often move through this channel.

 ***Producer to agent to user.*** Producers who do not have their own sales forces contract with agents to promote and sell their goods to industrial users. Shipment of goods is direct from the producer to the industrial user since the agent does not take title to the goods. This channel is used frequently for construction equipment and other industrial goods with unit prices high enough to justify selling directly to industrial users.

 ***Producer to agent to industrial distributor to user.*** When a good’s unit cost is not high enough to justify selling directly to industrial users, industrial distributors will be added to the channel. The industrial distributor buys large quantities of a good from an agent and sells smaller quantities to industrial users. This route is often used by small producers of items such as building supplies.

**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 to have your dog’s haircut, you take him to a dog groomer. The groomer performs the service directly on your dog. This service could not be handled through channel members. Can you name other services that move directly from the service provider to the consumer or industrial user?

 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.

**Summary**

A direct channel of distribution goes from the producer straight to the consumer or user. Indirect channels of distribution involve intermediaries. Channels for consumer goods and industrial goods are separate but similar. Channels for services are usually direct, but they can sometimes involve agents.