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MARKETING

Functions of Distribution Channels

Channels of distribution smoothen the flow of goods by creating possession, place and time utilities. They facilitate movement of goods by overcoming various time, place and possession barriers that exist between the manufacturers and consumers. The important functions performed by middlemen are as follows:

1. **Sorting:** Middlemen procure supplies of goods from a variety of sources, which is often not of the same quality, nature, and size. For example, a wholesaler of cashew nuts may procure a large quantity from different cashew nut producing areas, which would contain nuts of varied quality and sizes. He/She then sorts the nuts into homogenous groups on the basis of the size or quality.
2. **Accumulation:** This function involves accumulation of goods into larger homogeneous stocks, which help in maintaining continuous flow of supply.
3. **Allocation:** Allocation involves breaking homogenous stock into smaller, marketable lots. For example, once cashew nuts are graded and large quantities are built, these are divided into convenient packs of say 1 kg, 500 gms and 250 gms, to sell them to different types of buyers.
4. **Assorting:** Middlemen build assortment of products for resale. There is usually a difference between the product lines made by manufacturers and the assortment or combinations desired by the users. For example, a cricket player may need a bat, a ball, wickets, gloves, helmet, a T-shirt, and a pair of shoes. Perhaps no one manufacturer produces these products in desired combination. Middlemen procure variety of goods from different sources and deliver them in combinations desired by customers.
5. **Product Promotion:** Mostly advertising and other sales promotion activities are organised by manufacturers. Middlemen also participate in certain activities such as demonstrations, special displays, contests, etc., to increase the sale of products.
6. **Negotiation:** Channels operate with manufacturers on the one hand and customers one, the other. Arriving at deals that satisfy both the parties is another important function of the middlemen. They negotiate the price, quality, guarantee and other related matters with customers so that transfer of ownership is properly affected.

7. Risk Taking: In the process of distribution of goods the merchant middlemen take title of the goods and thereby assume risks on account of price and demand fluctuations, spoilage, destruction, etc.