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MANAGEMENT OF DISTRIBUTION CHANNELS

Abstract. A distribution channel is a system of enterprises, people, activities, information, and resources involved in delivering a good or service to customers. Distribution channel activities transform natural resources, raw materials, and components into a finished good delivered to end customers. Distribution management involves understanding what customers want and how they behave in order to establish trading channels with producers and intermediaries. In general, this paper lays a framework for designing, analyzing and implementing distribution channel models. The main goals of this paper are to present the way distribution channels are created and organized, and how they deliver customer value through long-lasting, mutually satisfying relationships. In particular, this research is intended to provide a background for distribution channel choices with respect to segmentation, targeting, product positioning and competition. This paper begins with an overview of a distribution channel system. This is followed by an outline of distribution channel functions used across enterprise organizations. Channel conflicts are considered at the end.

Keywords: producer, intermediary, functions, optimization, relationship, customer

INTRODUCTION

The management process consists of four primary functions: planning, organizing, leading and controlling. It is a set of ongoing decisions made during managerial activities (Robbins and Coulter, 2017, p. 9). Distribution management coordinates and integrates activities so they may be completed efficiently and effectively. A key goal of distribution is to build and develop programs to communicate with and provide value to customers, and to jointly establish business connections. Distribution management is an integral part of production, and is essential to market success. Distribution bridges the time, place, and possession gaps that separate goods and services from those who need or want them. The following hypotheses are formulated: (H1) distribution channels add value for customers; and (H2) an enterprise can build effective channel systems and functions. The hypotheses will be tested as the topics and issues are introduced and discussed through the use of exploratory research and conclusive research (Malhotra, 2019, p. 66–67).

Exploratory research provides insight into the nature, scope and course of distribution channels. It involves a critical assessment of the literature which enables selecting a framework of theoretical deliberations and research findings which will be then used to provide a generalized approach to organizing and managing distribution channels. The comparative analysis enables the identification and correction of distribution problems.

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Conclusive research assists decision-makers in determining, evaluating and selecting the best course of action to be taken in a situation encountered in a distribution channel. The descriptive analysis delineates the basic distribution concepts and processes in a market. The causal analysis is used to obtain evidence of cause-and-effect.

One of the chief roles of distribution is to convert prospects into profitable customers. Instead of just serving markets, distribution must also make markets. The choice of channels has an effect on every marketing decision. For example, the pricing depends on whether the producer uses online discounters or stores. Also, sales force and advertising decisions depend on how much training and motivation the merchants need. Distribution decisions include long-term commitments between enterprises and as a set of policies and procedures. Distribution choices depend on the producer's strategy regarding segmentation, targeting, and positioning (Zimmer, b.d). The main components of trade relationships between producers and customers are price policies, conditions of sale, territorial rights, and specific services performed by each party. Distribution management should reduce operating costs and decreases the purchasing cost. Retailers rely on distribution for a fast delivery of expensive products in order to avoid holding costly in-store inventories any longer than necessary.

Distribution maximizes customer value and allows the producers to gain a sustainable competitive. This means making a conscious effort to develop and operate distribution networks in the most effective ways possible. Distribution activities cover everything from product development, production, and logistics, as well as the information systems needed to coordinate these activities. Every product that reaches an end user encompasses the cumulative effort of many enterprises. The producers that make up the distribution network are linked together through information flows.

In turn, physical flows involve the transformation, movement, and storage of goods (Griffin et al., 2011, p. 570–571). Natural resources, raw materials, and components are transformed into finished goods that are delivered to end customers. This is the most perceptible aspect of distribution networks. Information flows allow the various distribution partners to coordinate their long-term plans, and to control the day-to-day movement of products up and down from producers to customers.

The constituents for relationships are customers, employees, distribution partners (channels, suppliers, distributors, dealers, agencies), and members of the financial community (shareholders, investors, analysts). The producers must create prosperity among all these constituents and balance the returns to key stakeholders. To develop strong relationships with them requires understanding their capabilities and resources, needs, goals, and desires.

Managing a distribution network means making increasing investments in information technology (IT) and software. The producers work out strategies and design comprehensive resource planning systems to manage cash flow, production, human resources, purchasing, and other major functions within a common framework (Michalski, 2019, p. 23–24). They traditionally focused on the side of the value network that looks toward the customer, adopting customer relationship management software and practices. In the future, they will increasingly participate in and influence upstream activities. Many producers lack the financial resources and expertize to sell directly to customers. Therefore, intermediaries make goods widely available and accessible to target markets through contacts, experience, specialization, and scale of operation.

DESIGNING A DISTRIBUTION CHANNEL

A distribution channel view sees markets as destination points and amounts to a linear view of the flow of ingredients and components through the production process to their ultimate sale to customers. The enterprise should first choose the target market, and then design the distribution channel backward from that point. This strategy has been called demand channel planning.

To design a distribution channel system, producers analyze customer needs and wants, establish channel objectives and constraints, and identify and evaluate major channel alternatives. Customers may choose the channels based on price, product assortment, and convenience, as well as their own shopping goals (economic, social, or experiential). The channel design should optimize coverage, customization, and control while minimizing cost and conflict (Marketing, 2015).

The producers must be aware that different customers have different needs during the purchase process. There are three types of shoppers:

- service/quality customers who care most about the variety and performance of products and services,
- price/value customers who are most concerned about spending wisely,
- special customers who primarily seek stores that suit people like themselves or groups they aspire to join.

Each distribution channel member must be treated respectfully and given the opportunity to be profitable. The main components in trade relationships are price policies, conditions of sale, territorial rights, and specific services to be performed by each party. The price policy calls for the producer to establish a price list and schedule of discounts and allowances that intermediaries see as equitable and sufficient. Conditions of sale refers to payment terms and producer guarantees. Most producers grant cash discounts to distributors for early payment. They might also offer a guarantee against defective products or price declines, creating an incentive to buy larger quantities. Distributors define territorial rights and the terms under which the producer will enfranchise other distributors. They normally expect to receive full credit for all sales in their territory, whether or not they did the selling. Mutual services and responsibilities must be carefully spelled out, especially in exclusive-agency channels.

A producer needs to view its intermediaries the same way it views its end users. It should determine their needs and wants, and tailor its channel offering to provide them with superior value. Carefully implemented training, market research, and other capability-building programs can motivate and improve intermediaries' performance. Many producers try to arrange a long-term partnership with distributors. They clearly communicate what they want from distributors in the way of market coverage, inventory levels, promotion development, account solicitation, technical advice and services, and information and may introduce a compensation plan for adhering to the policies. Producers may also feel they are inequitably sharing the burdens of adopting it and not getting as much as they deserve from retailers.

To streamline the distribution channel and cut costs, producers and retailers organize their relationships in three areas:

- demand-side management or collaborative practices to stimulate consumer demand by promoting joint marketing activities,
- collaborative practices to optimize delivery with a focus on joint logistics and supply chain activities,
- enablers and integrators, or collaborative information technology and process improvement tools to support joint activities that reduce operational problems and allow greater standardization.

Producers are also shaping separate offers, services and messages to individual customers, based on information about past transactions, demographics, psychographics, and media and distribution preferences. By focusing on their most profitable customers, products, and channels, these enterprises hope to achieve profitable growth, capturing a larger share of each customer's expenditures by building high customer loyalty. They estimate individual customer value and design their offerings and prices to make a profit over the customer's lifetime.

Because attracting a new customer may cost usually five times as much as retaining an existing one, the relationship also emphasizes customer retention. Producers build customer share by offering a larger variety of goods to existing customers, training employees in cross-selling and upselling. Enterprises are deepening their arrangements with key suppliers and distributors, seeing them as partners in delivering value to final customers.

The producer can estimate whether more money is made upstream or downstream, in case it can integrate backward or forward. It is more aware of disturbances anywhere in the distribution channel that might change costs, prices, or supplies. The producers can go online with their business partners to speed communications, transactions, and payments; reduce costs; and increase accuracy.

A new producer typically starts as a local operation selling in a fairly circumscribed market, using a few existing intermediaries. Identifying the best channels might not be a problem; the problem is often to convince the available intermediaries to handle the producer's line. If the producer is successful, it might branch into new markets with different distribution channels. In smaller markets, the producer might sell directly to retailers; in larger markets, through distributors. In rural areas, it might work with general-goods merchants; in urban areas, with limited-line merchants.

Early customers might be willing to pay for high-value-added channels but later, the customers will switch to lower-cost channels. The distribution channel system evolves as a function of local opportunities and conditions, emerging threats and opportunities, producer resources and capabilities, and other factors. No distribution channel strategy remains effective over the whole product life cycle. In competitive markets with low entry barriers, the optimal distribution channel structure will inevitably change over time. The change could mean adding or dropping one distribution channel or channel members or developing a totally new way to sell goods (Qlutch, b.d).

The producer must periodically review and modify its channel design and arrangements. The distribution channel may not work as planned, customer buying patterns change, the market expands, new competition arises, innovative distribution channels emerge, and the product moves into later stages in the product life cycle. Adding or dropping individual distribution channel members requires an incremental analysis. Increasingly detailed customer databases and analysis tools can provide guidance into those decisions. A basic question is: what would the producer's sales and profits look like with and without this intermediary? Perhaps the most difficult decision is whether to revise the overall distribution channel strategy.

Many independent retailers have developed specialty stores serving special market segments. The result is a polarization in retailing between large vertical marketing organizations and independent specialty stores, which creates a problem for producers. They are strongly tied to independent intermediaries but must eventually realign themselves with the high-growth vertical marketing systems on less attractive terms. Furthermore, vertical distribution systems constantly threaten to bypass large producers and set up their own production.

Another method of channel development is the horizontal distribution system in which two or more unrelated producers put together resources or programs to exploit an emerging marketing opportunity. Each producer lacks the capital, know-how, production, or marketing resources to venture alone, or it is afraid of the risk. The producers might work together on a temporary or permanent basis or create a joint venture enterprise. Most enterprises have adopted multi-channel distribution solutions (Kotler and Keller, 2012, p. 433). Adding more channels gives producers three important benefits:

- increases market coverage: not only are more customers able to shop for the products in more places, but those who buy in more than one channel are often more profitable than single-channel customers,
- lower channel cost: selling by phone is cheaper than personal selling to small customers,
- customized selling, such as by adding a technical sales force to sell complex equipment.

A broader view sees an enterprise at the center of a value network—a system of partnerships and alliances that it creates to source, augment, and deliver its offerings. A value network includes an enterprise's suppliers, their suppliers, and its immediate customers and their end customers. Demand channel planning yields several insights:

- the estimate whether more money is made upstream or downstream,
- the awareness of disturbances anywhere in the distribution channel that might change costs or prices.

Enterprises can go online with their business partners to speed communications, transactions, and payments; reduce costs; and increase accuracy. Information technology reduced the length of the chain to some extent by cutting down on middlemen.

DISTRIBUTION CHANNEL SYSTEMS

Most producers do not sell their goods directly to final users; between them stands a set of intermediaries performing a variety of activities. Distribution channels are sets of interdependent enterprises participating in the process of making a good or service available for industrial use or consumption. They are the set of pathways a product follows after production, culminating in purchase by customers. The number of intermediary levels is used to designate the length of a channel. In entering new markets, producers often closely observe what competitors are doing, identifying major distribution channel options. Distribution forces can handle complex products and transactions, but they are expensive.

Figure 1 presents the configuration of a consumer channel distribution solution. The producer can use the number of intermediary levels to designate the length of a channel. A zero-level channel, also called a direct distribution channel, consists of a producer selling directly to the final customer (Michalski, 2018, p. 261). Many producers now sell directly to customers in more than one ways, via online channels and catalogs. A one-level channel contains one selling intermediary, such as a retailer. A two-level channel contains two intermediaries. In consumer markets, these are typically a wholesaler and a retailer. A three-level channel contains three intermediaries. For instance, in the meatpacking

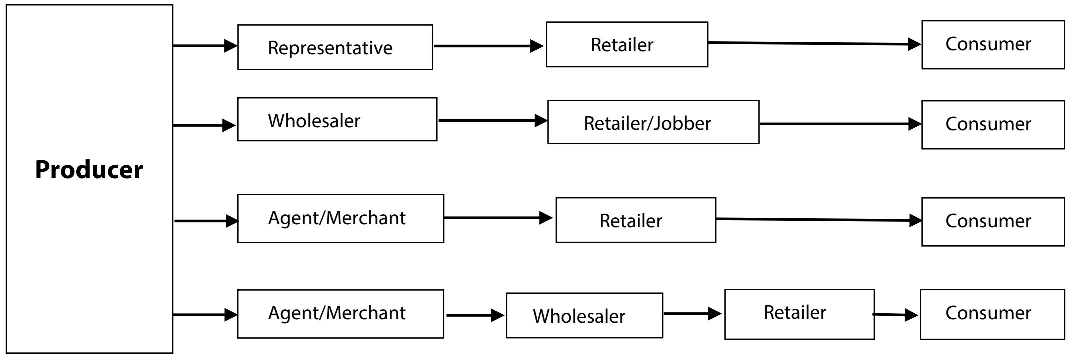

Fig. 1. Consumer distribution configuration
Source: own elaboration.

industry, wholesalers sell to jobbers (essentially small-scale wholesalers) who sell to small retailers.

Intermediaries, such as wholesalers and retailers, buy, take title to, and resell the products. They are called merchants. Brokers, producers' representatives and sales agents search for customers and may negotiate on the producer's behalf but do not take title to the goods; they are called agents. Transportation enterprises, independent warehouses, banks and advertising agencies assist in the distribution process but they neither takes title to goods nor negotiate purchases or sales. They are called facilitators.

In business to business (B2B) transactions (Fig. 2), an industrial goods producer can sell through producer's representatives or its own sales branches directly to industrial users or sell indirectly to customers through industrial intermediaries. Channel choices depend on the producer's strategy with respect to segmentation, targeting, and positioning. Each channel targets a different segment of customers and should deliver the right products in the right places in the right way at the least cost.

Distribution channels can create sales, but the producer loses direct contact with customers. Several customers can share the cost of producer' representatives, but the selling effort is less intense than they provide. The alternatives for a distribution channel differ in three aspects: the types of intermediaries, the number needed, and the terms and responsibilities of each (Gustafsson and Rask, b.d., p. 3). Sometimes a producer

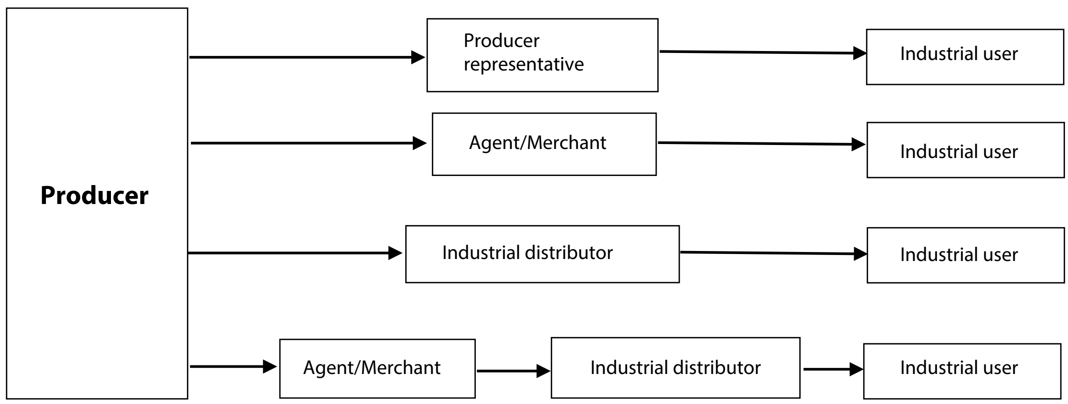

Fig. 2. Industrial distribution configuration
Source: own elaboration.

chooses a new or unconventional distribution channel because of the difficulty, cost, or ineffectiveness of working with the existing one. When a producer delegates some of the selling efforts to intermediaries, it relinquishes control over how and to whom products are sold.

Three strategies based on the number of intermediaries are the exclusive, selective and intensive distribution (Kotler and Keller, 2012, p. 424). Exclusive distribution means limiting the number of intermediaries. It is appropriate when the producer wants to maintain control over the service level and outputs offered by the resellers, and often includes whole dealing arrangements. The producer hopes to obtain more dedicated and knowledgeable selling. Exclusive deals are becoming a mainstay for specialists looking for an edge in markets increasingly driven by price.

Selective distribution relies on only some of the intermediaries willing to carry a particular product. Whether established or new, the producer does not need to worry about having too many outlets. It can gain adequate market coverage with more control and less cost than intensive distribution. Producers are sometimes tempted to move from exclusive or selective distribution to a more intensive distribution to increase coverage and sales. This strategy may help in the short term, but if not done properly, it can hurt long-term performance by encouraging retailers to compete aggressively (Chevrier, 2018, p. 3). Price wars can erode profitability, dampening retailer interest and harming brand equity.

Channels must not just serve markets, they must also make markets. Distribution channels boost service because customers expect the correct product assortment and quantity to be delivered (Table 1). Providing greater service outputs also means increasing channel costs and raising prices. Obtaining information about end users and exercising control becomes more difficult for the producer as the number of channel levels increases.

A producer needs to view its intermediaries the same way it views its end users. It should determine their needs and wants and tailor its channel offering to provide them with superior value (Zimmer, b.d). Carefully implemented training, market research, and other capability-building programs can motivate and improve intermediaries' performance. The producer must constantly communicate that intermediaries are crucial partners in a joint effort to satisfy end users of the product. Through their contacts, experience, specialization, and scale of operation, intermediaries make goods widely available and accessible to target markets, usually more efficiently than the producer (Galkin, 2015, p. 95). Furthermore, many producers lack the financial resources and expertise to sell directly on their own.

Distribution channels normally describe a forward movement of products from source to user, but reverse-flow channels are also important to:

- reuse products or containers (such as refillable chemical-carrying drums),
- refurbish products for resale (such as circuit boards or computers),

Table 1. Distribution channel output

Output	Features of outputs
Lot size	The number of units the channel permits a typical customer to purchase on one occasion
Waiting and delivery time	The average time customers wait for the receipt of goods Customers increasingly prefer faster delivery channels
Manner of purchase	The degree to which the distribution channel makes it easy for customers to purchase the product
Product variety	The assortment provided by the distribution channel. Normally, customers prefer a greater assortment because more choices increase the chance of finding what they need, although too many choices can sometimes create a negative effect.
Service backup	Add-on services (credit, delivery, installation, repairs) provided by the channel

Source: own elaboration.

- recycle products (such as paper), and dispose of products and packaging.

Reverse-flow intermediaries include manufacturers' redemption centers, community groups, trash collection specialists, recycling centers, trash-recycling brokers, and central processing warehousing. Reverse-flow channels lead to better-planned overall production and distribution, which can cut costs and give a more attractive final product. They are also important to reuse products or containers, to refurbish products for resale, to recycle products and to dispose of products and packaging.

DISTRIBUTION CHANNEL FUNCTIONS

Distributions channel management integrates supply and demand management within and across enterprises, and links major functions and processes into a cohesive and high-performing trade model. Essential functions (storage and movement, title, and communications) constitute a forward flow of products from the producer to the customer. Auxiliary functions (ordering and payment) constitute a backward flow from customers to the producer. Mutual functions, e.g. information, negotiation, finance, and risk taking, occur in both directions (Combe, 2006, p. 59). Figure 3 shows the typical functions of a distribution channel. All channel functions have three things in common: they use up scarce resources, can often be performed better through specialization, and can be shifted among channel members. The question for producers is not whether various channel functions need to be performed, but rather who is to perform them. Shifting some functions to intermediaries lowers the producer's costs and prices, but the intermediary must add a charge to cover its work. If the intermediaries are more efficient than the producer, the prices charged to customers should be lower. If customers perform some functions themselves, they should enjoy even lower prices. Changes in distribution channels thus largely reflect the discovery of more efficient ways to combine or separate the functions (Griffin et al., 2011, p. 574).

The distribution channel could run a preselling campaign informing prospects about the products through advertising, direct mail, telemarketing and trade shows.

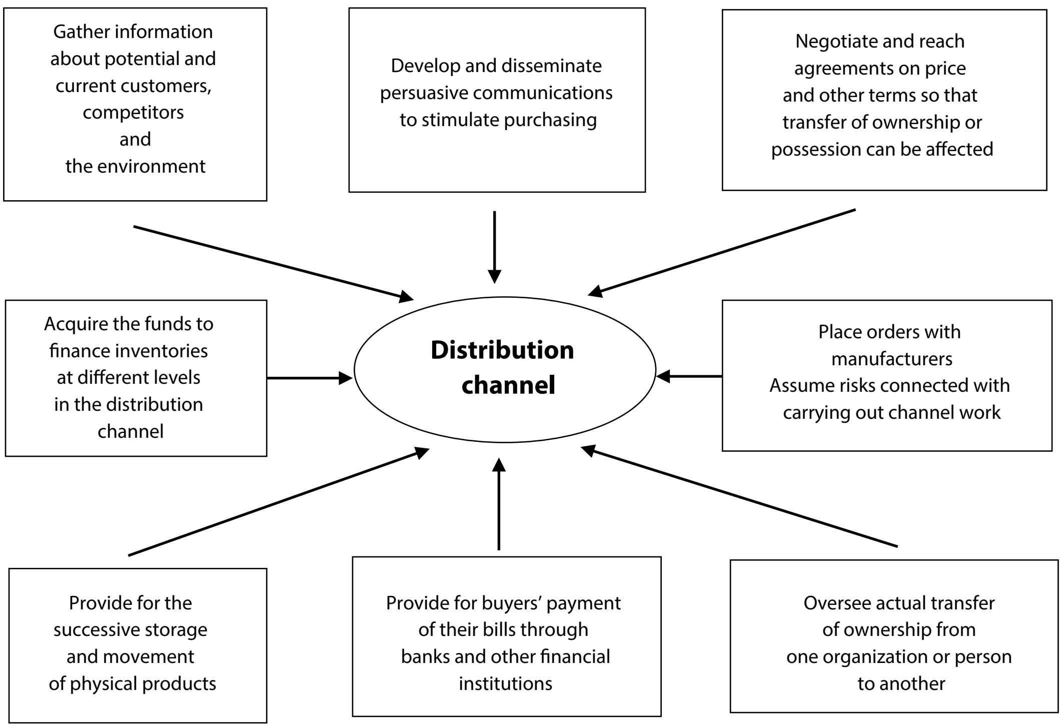

Fig. 3. Functions of a distribution channel
Source: own elaboration.

Producers should use different sales channels for different-sized business customers – a direct sales force for large customers, telemarketing for midsize customers, and distributors for small customers – but be alert for conflict over account ownership. Using an integrated strategy means choosing communication options that reinforce and complement each partners. An enterprise might selectively employ services of television, radio, and use print advertising, public relations, events and Website communications. Each part must also deliver a consistent brand message at every contact.

On the Internet, customers can directly contact the distributors. The Internet is inexpensive but may not be as effective with complex products. Customers who live near the store purchase less frequently through the catalog, but their online purchases remain unchanged. As it turned out, customers who like to spend time browsing are happy to either use a catalog or visit the store; those channels are interchangeable. Customers who use the Internet, on the other hand, are more transaction-focused and interested in efficiency, so they are less affected by the introduction of stores. Returns and exchanges at the stores are found to increase because of ease and accessibility, but the extra purchases made by customers returning or exchanging at the store offset any revenue deficit.

E-commerce uses websites to transact or facilitate online sales of products and services. Online retail sales have exploded in recent years. Online retailers can predictably provide convenient, informative, and personalized experiences for vastly different types of customers and enterprises. By saving the cost of retail floor space, staff, and inventory, online retailers can profitably sell low-volume products to niche markets.

Enterprises that manage integrated channels must be sure their channels work well together and match each target customer's preferred ways of doing business. Customers expect channel integration, which allows them to:

- order a product online and pick it up at a convenient retail location,
- return an online-ordered product to a nearby store of the retailer,
- receive discounts and promotional offers based on total online and offline purchases.

A conventional distribution channel consists of an independent producer, wholesaler(s), and retailer(s). Each is a separate business seeking to maximize its own profits, even if this goal reduces profit for the system as a whole. No channel member has complete or substantial control over other members. A vertical distribution system, by contrast, includes the producer, wholesaler(s), and retailer(s) acting as a unified system. Vertical systems arose from strong attempts made by distribution channel members to control channel behavior and eliminate conflict over independent members pursuing their own objectives. They achieve economies through size, bargaining power, and elimination of duplicated services.

Producers are increasingly taking a value channel view of their businesses. Instead of limiting their focus to their immediate suppliers, distributors, and customers, they are examining the whole distribution channel that links raw materials, components, and manufactured goods and shows how they move toward the final consumers. They look at customer segments and consider a wide range of new and different means to sell, distribute, and service. Integrated channels occur when a producer uses two or more distribution channels to reach customer segments (Kotler and Keller, 2012, p. 415).

Producers must periodically evaluate intermediaries' performance against such standards as sales quota attainment, average inventory levels, customer delivery time, treatment of damaged and lost goods, and cooperation in promotional and training programs. A producer may occasionally discover it is overpaying particular intermediaries for what they are actually doing. Producers should set up functional discounts in which they pay specified amounts for the distribution channel's performance of each agreed-upon service. Underperformers need to be counseled, retrained, motivated, or terminated.

Various aspects of optimizing the distribution channel include liaising with suppliers to eliminate bottlenecks; sourcing strategically to strike a balance between lowest material cost and transportation; implementing just-in-time techniques to optimize manufacturing flow; maintaining the right mix and location of factories and warehouses to serve customer markets; and using location allocation, vehicle routing analysis, dynamic programming, and traditional logistics optimization to maximize the efficiency of distribution.

Technology has risen to meet the demand, to help manage complex distribution systems and product design efforts, and to organize finance and information technology. A broader view sees a producer at the center of a value network – a system of partnerships and alliances that a firm creates to source, augment, and deliver its offerings. Managing a distribution channel means making increasing investments in information technology (IT) and software (Hockett, 2017). Producers provide products, services, and information that add value for customers and other stakeholders. Enterprises engage in a distribution channel by exchanging information about market fluctuations and production capabilities.

If all proper information is accessible to any relevant enterprise, it helps to optimize the entire channel rather than to sub-optimize based on a local interest (Stiglitz, 2002, p. 219). This will lead to better-planned overall production and distribution, which can cut costs and give a more attractive final product, leading to better sales and better overall results for the enterprise involved. Distribution channel management maximizes customer value and tries to achieve a sustainable competitive advantage. Retailers must realize that quality checks of the products they purchase need to be performed to mitigate the risk of any safety issues. A good retail strategy that offers customers a positive shopping experience and unique value, if properly adapted, is likely to find success in markets. The producer must periodically review and modify its channel design and arrangements. The producer clearly communicates what it wants from its distributors in the way of market coverage, inventory levels, marketing development, account solicitation, technical advice and services, and marketing information, and may introduce a compensation plan for adhering to the policies. Optimizing the distribution chain include:

- liaising with suppliers to eliminate bottlenecks,
- sourcing to strike a balance between lowest material cost and transportation, and implementing just-in-time techniques to optimize products flow,
- maintaining the right location of factories and warehouses to serve markets,
- vehicle routing analysis and logistics rationalization to maximize the efficiency of distribution.

DISTRIBUTION CHANNEL CONFLICTS

No matter how well the channels are designed and managed, there can be some conflict, because the interests of independent enterprises do not always coincide. Channel conflict is generated when one member's actions prevent another partner from achieving its goal (Griffin et al., 2011, p. 564). Channel coordination occurs when members are brought together to make advance to achieve common goals, as opposed to their own potentially incompatible goals. Usually members need to examine three questions: what types of conflict arise in channels? What causes a conflict? What can enterprises do to resolve it?

There are a number of causes for conflict management (Table 2). Some channel conflict can be constructive and lead to better adaptation to a changing environment, but too much is dysfunctional. The challenge is not to eliminate all conflict, which is impossible, but to manage it better. In some cases, a convincing strategic justification that they serve distinctive segments and do not compete as much as they might think can reduce potential for conflict among channel members. Developing special versions of products for different channel members (branded variants) is a way to demonstrate that distinctiveness.

Dual compensation pays existing channels for sales made through new channels. Channel members can come to an agreement on the fundamental goal they are

Table 2. Typical causes of distribution channel conflicts

Cause of conflict	Characteristic features
Goal incompatibility	The producer may want to achieve rapid market penetration through a low-price policy. The wholesaler, in turn, may prefer to work with high margins and pursue short-run profitability.
Unclear roles and rights	Territory boundaries and credit for sales often produce conflict.
Differences in perception	The producer may be optimistic about the short-term economic outlook and may want intermediaries to carry higher inventory. Intermediaries may be pessimistic.
Intermediaries' dependence on the producer	The fortunes of exclusive sales are affected by the product and pricing decisions.

Source: own elaboration.

jointly seeking, whether it is survival, market share, high quality, or customer satisfaction. They usually do this when the channel faces an outside threat, such as a more efficient competing channel, an adverse piece of legislation, or a shift in customer desires.

New channels typically introduce conflict and problems with control and cooperation. Two or more may end up competing for the same customers. Producers need to think through their channel construction and determine which channels should perform which functions. When conflict is chronic or acute, the parties may need to resort to stronger means. Diplomacy takes place when each side sends a person or group to meet with its counterpart to resolve the conflict. Mediation relies on a neutral third party skilled in conciliating the two parties' interests. In arbitration, two parties agree to present their arguments to one or more arbitrators and accept their decision. If nothing else proves effective, a channel partner may choose to file a lawsuit.

Enterprise are generally free to develop whatever channel arrangements suit them. In fact, the law seeks to prevent them from using exclusionary tactics that might keep competitors from using a channel. With exclusive distribution, only certain outlets are allowed to carry a seller's products. Requiring that these dealers not handle competitors' products is called exclusive dealing. Both parties benefit from exclusive arrangements. The seller obtains more loyal and dependable outlets, and the dealers obtain a steady supply of special products and stronger seller support. Exclusive arrangements are legal as long as they do not substantially lessen competition or tend to create a monopoly, and as long as both parties enter into them voluntarily.

Customers who use the Internet, on the other hand, are more transaction-focused and interested in efficiency, so they are less affected by the introduction of stores (Lepper, 2013). Returns and exchanges at the stores are found to increase because of ease and accessibility, but the extra purchases made by customers returning or exchanging at the store offset any revenue deficit. Producers that manage integrated channels clearly must make sure that they work well together and match each target customer's preferred ways of doing business. Customers expect channel integration, which allows them to order a product online and pick it up at a convenient retail location, return an online-ordered product to a nearby store of the retailer and receive discounts and promotional offers based on total online and offline purchases. Obtaining information about end users and exercising control becomes more difficult for the producer as the number of channel levels increases. As Internet and other information technologies advance, service industries such as banking, insurance, travel, and stock buying and selling are operating through new channels (Gregor and Kaczorowska-Spychalska, 2018, p. 51, 93). Distribution channels also keep changing. Besides live and programmed entertainment, entertainers, musicians, and other artists can reach prospective and existing fans online in many ways through websites and social community sites such as Facebook and Twitter. For delivering their messages to voters, politicians can also choose a mix of channels e.g. mass media, rallies, coffee hours, spot TV ads, direct mail, billboards, faxes, e-mail, blogs, podcasts, websites, and social networking sites. Nonprofit service organizations such as schools develop educational dissemination systems and hospitals develop health delivery systems.

CONCLUSIONS

The primary objective of distribution channels is to fulfill customer demands through the most efficient use of resources, including distribution capacity, inventory, and labor. A distribution channel overcomes the time, place, and possession gaps that separate goods and services from those who need or want them. Management seeks to match demand with supply and do so with the minimal inventory. The hypotheses that distribution channels are shaping the value added to customers and that an enterprise can design effective channel systems and functions have been proven.

Optimizing the distribution channel include liaising with suppliers to eliminate bottlenecks; finding a balance between lowest product cost and transportation; implementing just-in-time systems to optimize products flow; maintaining the right location of factories and warehouses; and relying on vehicle routing analysis and logistics rationalization tools. Incorporating distribution channels successfully leads to a new kind of competition on the market, where rivalry is no longer between enterprises but rather between distribution channels. Efficient distribution channel enables a producer to be more competitive in the marketplace. Every channel alternative needs to be evaluated against economic, control and adaptive criteria.

Each distribution channel has unique strengths and weaknesses. The producer must constantly communicate that intermediaries are crucial partners in a joint effort to satisfy end users of the product. The producer must periodically review and modify its distribution channel design and arrangements. On the Internet, customers can directly contact the distributors. This has reduced the length of the channel to some extent by cutting down on middlemen. Some of the benefits are cost reduction.

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ZARZĄDZANIE KANAŁAMI DYSTRYBUCJI

Abstrakt. Kanał dystrybucji jest to system przedsiębiorstw, pracowników, działalności, informacji i zasobów zaangażowanych w przemieszczanie dóbr i usług do nabywców. Działalność kanału dystrybucji polega na przekształcaniu bogactw naturalnych, surowców i składników w gotowe produkty, które są dostarczane ostatecznym nabywcom. Zarządzanie dystrybucją obejmuje takie działania jak zrozumienie potrzeb i postepowania nabywców w celu tworzenia kanałów współpracy z producentami i pośrednikami handlowymi. Ogólnie rzecz biorąc, artykuł przedstawia podstawowe zasady projektowania, analizy i wdrażania modeli kanałów dystrybucji. Głównym celem artykułu jest pokazanie, w jaki sposób kanały dystrybucji są tworzone, organizowane i jak dostarczają wartości nabywcom przez długotrwałe wzajemnie zadowalające związki. W szczególności badania zmierzają do podania przesłanek wyboru kanałów dystrybucji z uwzględnieniem segmentacji rynku docelowego, zapewnienia pozycji przedsiębiorstwom na rynku i konkurencyjności. Artykuł rozpoczyna się przeglądem systemów kanałów dystrybucji. Następnie nakreślono funkcje kanałów dystrybucji, które znajdują zastosowanie w organizacji przedsiębiorstw. W zakończeniu rozważaniom poddano sposoby rozwiązywania konfliktów w kanałach dystrybucji.

Słowa kluczowe: producent, pośrednik, funkcje, optymalizacja, powiązania, nabywca