

Factors Affecting the Choice of Channel (The 6 C's)

Factor	Description
Cost	Each step of the channel of distribution adds cost. Each channel member is supposed to add more value than cost. If a channel member adds more value than cost, suppliers and customers will become dependent on that channel member. If a channel adds more cost than value, either suppliers or customers will attempt to take over the functions of the inefficient channel member.
Capital requirement	The amount of money needed to finance each step of the distribution process. Some intermediaries provide financing by way of trade credit to their customers.
Control	Channel leadership requires that conflict and power in the channel be used for the benefit of the overall channel. While conflict can be dysfunctional, leading to dissipation of effort and resources, it can also be positive, serving as a change agent for improvements in the channel. The degree of channel control or leadership that can be exercised is a balance of benefits for the party being subjected to control, and that party's tolerance for control. Payoffs from control can come from reduced competition, better marketing programs and product innovation, and the provision of resources that benefits the controlled intermediary.
Coverage	Determining the right level of distribution coverage comes down to an analysis of the benefits (e.g., more sales) versus the cost associated with gain the benefits. There are three main levels of distribution coverage - mass coverage, selective and exclusive. Mass coverage (also known as intensive distribution) strategy attempts to distribute products widely in nearly all locations in which that type of product is sold. Under selective coverage the marketer deliberately seeks to limit the locations in which this type of product is sold. Some high-end products target very narrow markets that have a relatively small number of customers. The target market may lead the marketer to sell their products through a very select or exclusive group of resellers.
Character	A business needs a moral base in order to treat its customers fairly. Members of the channel must have honesty and integrity, in order to keep a good reputation among customers and suppliers. A company with poor character cheats and defrauds its customers, and soon finds itself out of business.
Continuity	The degree to which a channel relationship is expected to last into the future.