

The Marketing Mix - Place



Chapter 41 SDP

Distribution channels

Place - how products should pass from the manufacturer to the final customer and it's where people can buy products.

Channel of distribution - the chain of intermediaries a product passes from producer to final customer

Why is the choice of distribution channel important?

- Consumers seek easy access to their goods
- Manufacturers seek outlets for their products
- Businesses want to consider the cost of distribution

Factors influencing distribution choice:

- Industrial products vs. consumer goods
- Geographical dispersion of the target market
- Level of dispersion required by consumers
- Technical complexity of product
- Unit value of the product
- Number of potential customers

Recent trends in distribution channels:

- Increased use of the internet for direct selling
- Highly competitive channels as an alternative to well-established channels
- Businesses using a variety of different channels
- Increasing integration of services

When deciding on appropriate channel strategies...

- Identify the product or service to be sold
- Identify the target market
- Identify the distribution channels available
- Identify the costs of each channel
- Identify the benefits of each channel
- Identify the risks of each channel
- Identify the control of each channel
- Identify the legal requirements of each channel
- Identify the social requirements of each channel
- Identify the environmental requirements of each channel
- Identify the economic requirements of each channel
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Choosing appropriate distribution channels

Cost: businesses will choose the cheapest distribution channels.

The market: the size of the market will influence the choice.

Control: for some producers it's important to have control over distribution.

Distribution Channels

Channel Type	Examples	Possible benefits	Possible Drawbacks
Direct selling to customer	Direct sales, e-commerce, direct mail	Control over price and promotion, immediate feedback, no intermediaries	High cost, limited reach, no economies of scale
Single-intermediary channel	Wholesaler, retailer, distributor	Specialized expertise, economies of scale, wider reach	Loss of control, higher costs, limited reach
Two-intermediaries channel	Manufacturer, wholesaler, retailer, distributor	Wide reach, specialized expertise, economies of scale	High costs, loss of control, limited reach

PLACE - Marketing Mix

Understanding the importance of place in the marketing mix

To know and understand the following options:

- channels of distribution
- methods of distribution

Direct Selling

- Organizing and managing sales efforts
- Direct sales

Wholesaling

- Wholesaler is a business that sells goods in large quantities to other businesses, not to individual consumers
- They make a profit on the goods they sell

Retailing

- Wholesaler
- Wholesaler to retailer
- Wholesaler to wholesaler
- Wholesaler to consumer

Agents or brokers

- Wholesaler
- Wholesaler to wholesaler
- Wholesaler to consumer

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- Increased cost of the internet for direct selling
- Highly competitive channels as an alternative to well-established channels
- Businesses using a variety of different channels
- Increasing integration of services

When deciding on appropriate channel strategies:

- Identify the product to be sold (specific to each market)
- Identify the target market
- Identify the distribution channels available
- Identify the distribution channels used by competitors
- Identify the distribution channels used by the manufacturer
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- Identify the distribution channels used by the manufacturer

Choosing appropriate distribution channels

Cost: businesses will choose the cheapest distribution channels.

The market: the size of the market will influence the choice.

Control: for some producers it's important to have control over distribution.

Distribution Channels

Channel Type	Examples	Possible benefits	Possible Drawbacks
Direct selling to customer	Direct sales, e-commerce, direct mail	Control over price and profit, immediate feedback, direct communication with customer	High cost of distribution, limited reach, no intermediaries to assist
Single-intermediary channel	Wholesaler, Retailer	Wholesaler handles stock and price the wholesaler handles the product, Retailer handles the product, Retailer handles the customer	Intermediate adds a profit mark to the product, Product has many potential channels to get to customer, Wholesaler adds a profit mark to the product
Two-intermediaries channel	Manufacturer, Wholesaler, Retailer	Wholesaler handles stock and price the wholesaler handles the product, Retailer handles the product, Retailer handles the customer	Intermediate adds a profit mark to the product, Product has many potential channels to get to customer, Wholesaler adds a profit mark to the product

PLACE - Marketing Mix

Understanding the importance of place in the marketing mix

To know and understand the following options:

- channels of distribution
- methods of distribution

Direct Selling

- Organizing and managing sales efforts
- Direct selling is selling directly to the customer
- Direct selling is selling directly to the customer

Wholesaling

- Wholesaling is the sale of goods in large quantities to other businesses, not to the final consumer
- Wholesaling is the sale of goods in large quantities to other businesses, not to the final consumer

Retailing

- Wholesaler
- Supplier
- Wholesaler
- Supplier
- Wholesaler
- Supplier

Agents or brokers

- Agents or brokers are intermediaries who represent the manufacturer in selling their products
- Agents or brokers are intermediaries who represent the manufacturer in selling their products



PLACE - Marketing Mix

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To know and understand the following options:

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- methods of distribution



Distribution channels

Place - how products should pass from the manufacturer to the final customer and it's where people can buy products.

Channel of distribution - the chain of intermediaries a product passes from producer to final customer

Why is the choice of distribution channel important?

- Consumers need easy access to firm's products
- Manufacturers need outlets for their products
- Retailers need to consider the cost of distribution



When deciding an appropriate channel strategy...

- Should the product be sold directly to customers?
- How long should the channel be?
- Should electronic methods be used?
- How much will it cost to keep stocks in warehouses?
- How much control does the business want to have?
- How will the distribution channel selected support the other components of the marketing mix?



Factors influencing distribution choice:

- Industrial products v.s. consumer goods
- Geographical dispersion of the target market
- Level of service expected by consumers
- Technical complexity of product
- Unit value of the product
- Number of potential customers



Recent trends in distribution channels:

- Increased use of the internet for direct selling
- Large supermarket chains act as wholesalers as well as retailers
- Businesses using a variety of different channels
- Increasing integration of services



Channel of distribution - the producer to final customer

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When deciding an appropriate channel strategy...



Prezi



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Recent trends in distribution channels:

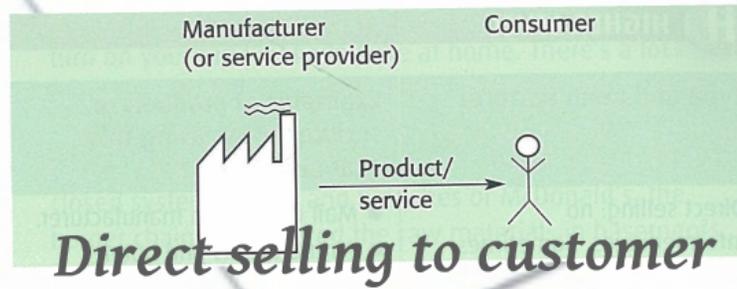
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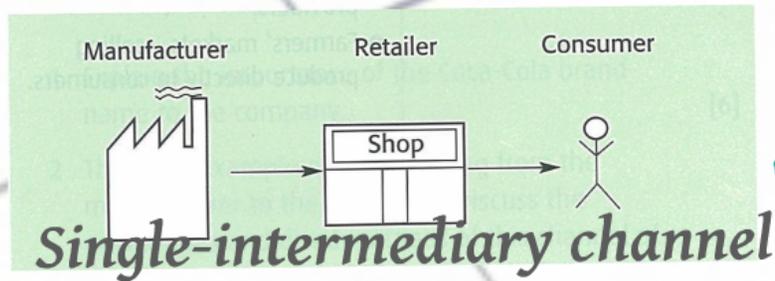
COSTCO
WHOLESALE



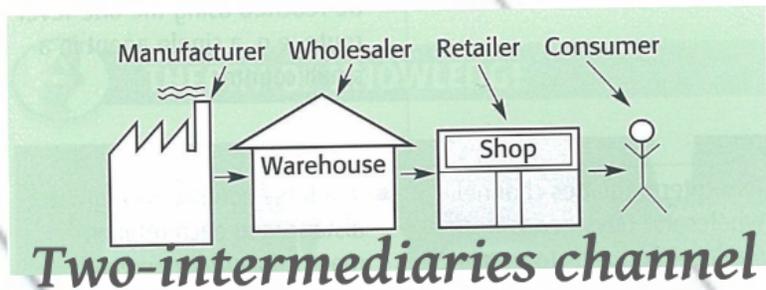
Distribution Channels



Examples	Possible Benefits	Possible Drawbacks
 Mail order from manufacturer Airplane tickets and hotel accommodation sold online Farmers' markets	<ul style="list-style-type: none"> No intermediaries (lower cost) Complete control Quicker than other channels Fresher food Direct contact with consumers (market research opportunity) 	<ul style="list-style-type: none"> All storage costs paid by producer No retail outlets (customers can't try products) May be inconvenient No advertising/promotion paid by intermediaries No direct after-sales service Can be expensive to deliver



Examples	Possible Benefits	Possible Drawbacks
 Holiday companies selling holidays via travel agents Large supermarkets that hold their own stocks	<ul style="list-style-type: none"> Retailer holds stocks and pays for storage Retailer has product displays and after-sales service Convenient locations Producers can focus on production 	<ul style="list-style-type: none"> Intermediary takes a profit mark-up (higher price) Products lose some control Retailers may sell products of competitors Delivery costs to retailer



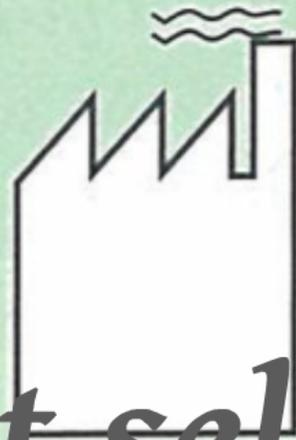
Examples	Possible Benefits	Possible Drawbacks
 In a large country with great distances to each retailer, many consumer goods are distributed this way (e.g. soft drinks, electrical goods, books)	<ul style="list-style-type: none"> Wholesaler buys in bulk from producer Reduces stock-holding costs of producer Wholesaler pays for transport costs to retailers Wholesalers 'break bulk' Enter foreign markets (producer has no direct contact with retailers) 	<ul style="list-style-type: none"> Intermediaries take a profit mark-up (higher price) Producer loses further control Slows down distribution



Distr

Manufacturer
(or service provider)

Consumer



Product/
service



Direct selling to customer

Manufacturer

Retailer

Consumer

on Channels

Examples



Mail order from manufacturer



Airline tickets and hotel accommodation sold online



Farmers' markets

Possible Benefits

- No intermediaries (lower cost)
- Complete control
- Quicker than other channels
- Fresher food
- Direct contact with consumers (market research opportunity)

Possible Drawbacks

- All storage costs paid by producer
- No retail outlets (customers can't try products)
- May be inconvenient
- No advertising/promotion paid by intermediaries
- No direct after-sales service
- Can be expensive to deliver

Examples



Holiday companies selling

Possible Benefits

- Retailer holds stocks and pays for storage
- Retailer has product displays

Possible Drawbacks

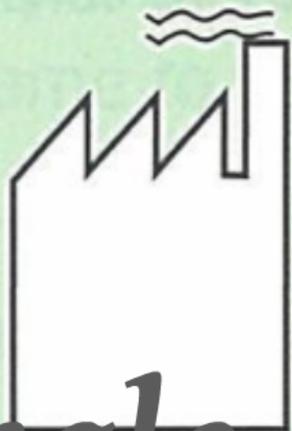
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- Products lose some control

Direct selling to customer

Manufacturer

Retailer

Consumer



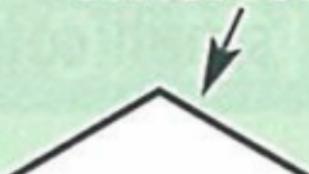
Single-intermediary channel

Manufacturer

Wholesaler

Retailer

Consumer





Airline tickets and hotel accomodation sold online



Farmers' markets

- Fresher goods
- Direct contact with consumers (market research opportunity)

- Can't try products
- May be inconvenient
- No advertising/promotion paid by intermediaries
- No direct after-sales service
- Can be expensive to deliver

Examples



Holiday companies selling holidays via travel agents



Large supermarkets that hold their own stocks

Possible Benefits

- Retailer holds stocks and pays for storage
- Retailer has product displays and after-sales service
- Convenient locations
- Producers can focus on production

Possible Drawbacks

- Intermediary takes a profit mark-up (higher price)
- Products lose some control
- Retailers may sell products of competitors
- Delivery costs to retailer

Examples



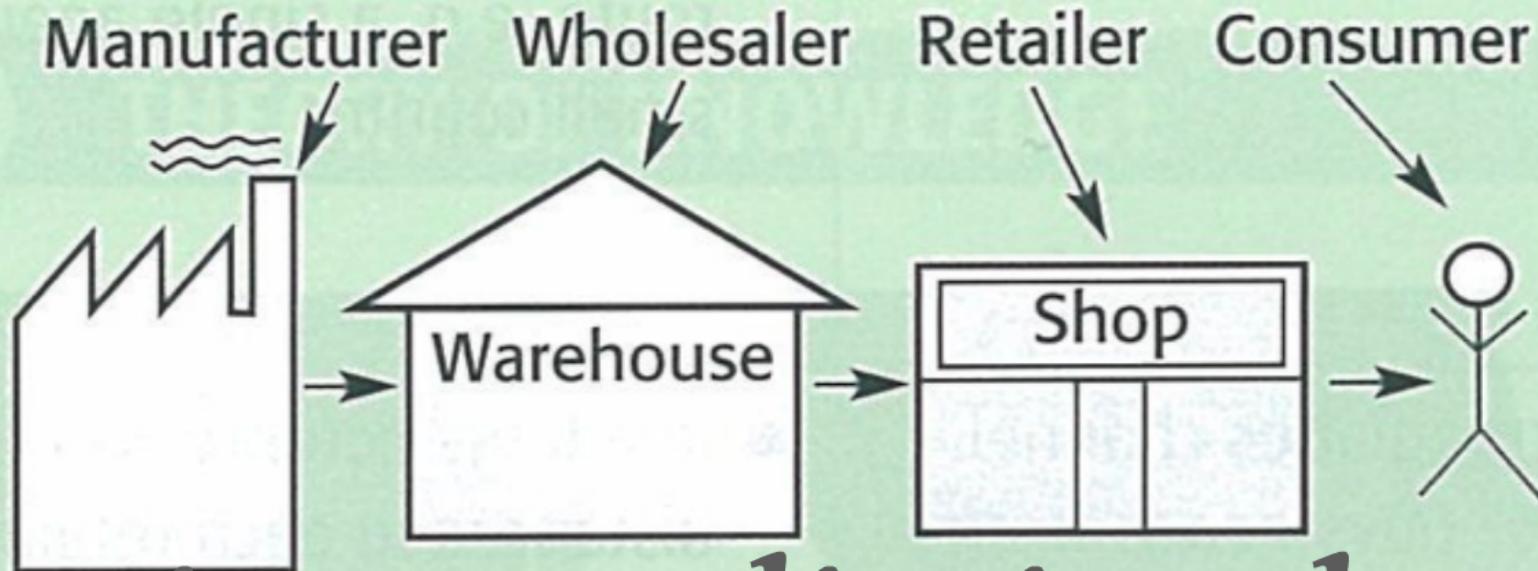
Possible Benefits

- Wholesaler buys in bulk from producer
- Reduces stock-holding costs of producer

Possible Drawbacks

- Intermediaries take a profit mark-up (higher price)
- Producer loses further control
- Slows down distribution

Single-intermediary channel



Two-intermediaries channel

Holiday companies selling holidays via travel agents



Large supermarkets that hold their own stocks

Retailer has product displays and after-sales service

- Convenient locations
- Producers can focus on production

- Retailers may sell products of competitors
- Delivery costs to retailer

Examples



In a large country with great distances to each retailer, many consumer goods are distributed this way (e.g. soft drinks, electrical goods, books)

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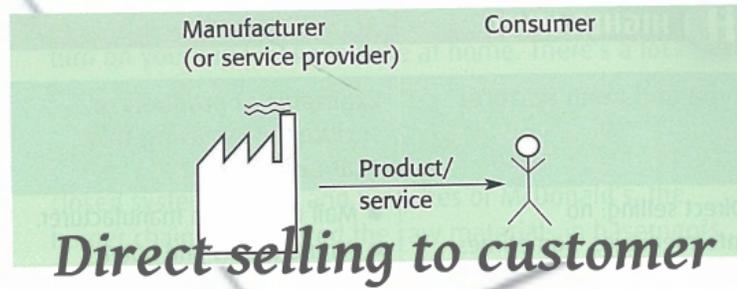
- Wholesaler buys in bulk from producer
- Reduces stock-holding costs of producer
- Wholesaler pays for transport costs to retailers
- Wholesalers 'break bulk'
- Enter foreign markets (producer has no direct contact with retailers)

Possible Drawbacks

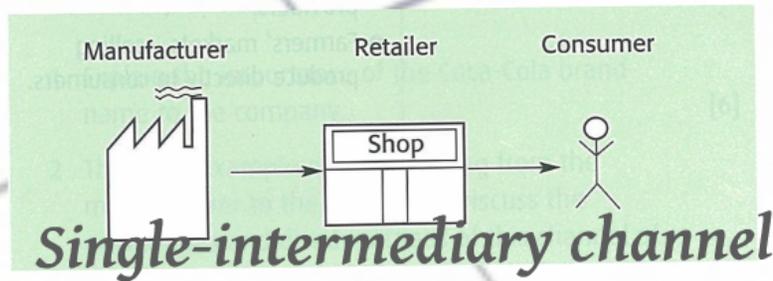
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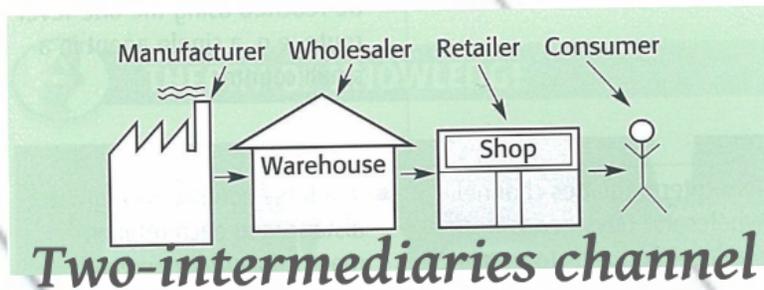
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Direct Selling

Telephone selling
Mail order catalogues

Door-to-door selling
Direct response adverts

Shopping parties
The internet

Direct mail

Retailing

- Independents
- Superstores or hypermarkets
- Kiosks and street vendors
- Online retailers
- Market traders
- Supermarkets
- Department stores
- Multiples

Wholesaling

Wholesalers buy in bulk quantities, repack goods, redistribute in smaller quantities, store goods and provide delivery services.

They usually buy from manufacturers and sell to retailers;

Cash and Carry stores: customers come to the store, buy goods, pay cash and take goods away with them.

Agents or brokers

The role of agents or brokers is to link buyers and sellers.

Ex: travel agents, estate agents, insurance.



Direct Selling

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Distribution Channels

Channel Type	Example	Possible benefits	Possible Drawbacks
Direct selling to customer	Direct selling to customer	<ul style="list-style-type: none"> Direct contact with customer Control over the sales process Higher profit margins Direct feedback from customer Direct control over the sales process 	<ul style="list-style-type: none"> High cost of sales force Need for specialized sales force Need for specialized training Need for specialized equipment Need for specialized facilities Need for specialized services
Single-intermediary channel	Single-intermediary channel	<ul style="list-style-type: none"> Reduced cost of sales force Reduced need for specialized sales force Reduced need for specialized training Reduced need for specialized equipment Reduced need for specialized facilities Reduced need for specialized services 	<ul style="list-style-type: none"> Loss of control over the sales process Loss of direct feedback from customer Loss of direct control over the sales process Loss of direct control over the sales process
Two-intermediaries channel	Two-intermediaries channel	<ul style="list-style-type: none"> Further reduced cost of sales force Further reduced need for specialized sales force Further reduced need for specialized training Further reduced need for specialized equipment Further reduced need for specialized facilities Further reduced need for specialized services 	<ul style="list-style-type: none"> Loss of control over the sales process Loss of direct feedback from customer Loss of direct control over the sales process Loss of direct control over the sales process

PLACE - Marketing Mix

Understanding the importance of place in the marketing mix

To know and understand the following options:

- channels of distribution
- methods of distribution

Direct Selling

- Organized selling
- Individual selling
- Door-to-door selling
- Home party selling
- Direct selling

Wholesaling

- Wholesaler is a business that sells products in large quantities to other businesses, not to individual consumers.
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Retailing

- Wholesaler
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Agents or brokers

- Wholesaler
- Wholesaler
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