

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?

- Consumer reach and access to final customer
- Manufacturer reach and access to final customer
- Manufacturer reach and access to final customer

When deciding on appropriate channel strategies...

- Consider the product and its specific needs
- Consider the market and its needs
- Consider the company and its needs
- Consider the competition and its needs
- Consider the distribution and its needs

Factors influencing distribution choice:

- Industrial products vs. consumer goods
- Geographical dispersion of the target market
- Level of service expected by customers
- Technical complexity of products
- 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 as a distribution channel
- Specialized distribution channels for different products
- Increasing integration of services

Distribution Channels

Channel	Examples	Possible benefits	Possible drawbacks
Direct selling to customer	Door-to-door sales, direct mail, telemarketing, e-commerce	Control over the sales process, direct communication with customers, no intermediaries	High costs, limited reach, no access to established distribution networks
Single-intermediary channel	Wholesaler, retailer, distributor	Access to established distribution networks, reduced costs, increased reach	Loss of control over the sales process, limited communication with customers
Two-intermediaries channel	Manufacturer, wholesaler, retailer, distributor	Access to established distribution networks, reduced costs, increased reach	Loss of control over the sales process, limited communication with customers

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.

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

- Representative selling
- Home order sales
- Door-to-door sales
- Telemarketing
- E-commerce

Wholesaling

- Wholesaler acts as a middleman between manufacturer and retailer
- Wholesaler buys in bulk and sells in smaller quantities
- Wholesaler provides services such as storage, transportation, and financing

Retailing

- Manufacturer's
- Wholesaler's or distributor's
- Specialty and general merchandise
- Online retailers
- Specialty retailers

Agents or brokers

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- Consider the market and its needs
- Consider the company and its resources
- Consider the competition and its resources
- Consider the distribution environment

Factors influencing distribution choice:

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- Specialists using a variety of different channels
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- Wholesaler provides storage and transportation services
- Wholesaler provides credit to retailers

Retailing

- Manufacturer's own retail outlets
- Independent retailers
- Cooperative retailers
- Chain stores
- Specialty stores

Agents or brokers

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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
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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
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Channel of distribution - the producer to final customer

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Recent trends in distribution channels:

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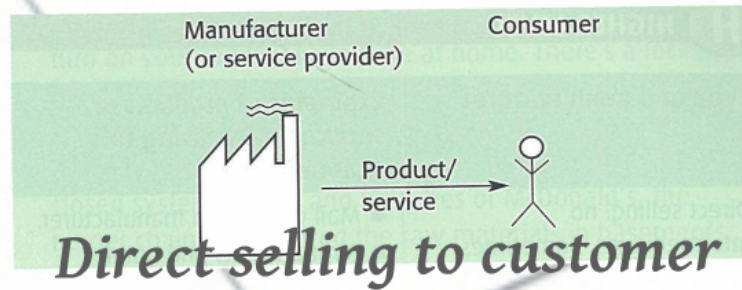
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Distribution Channels



Examples

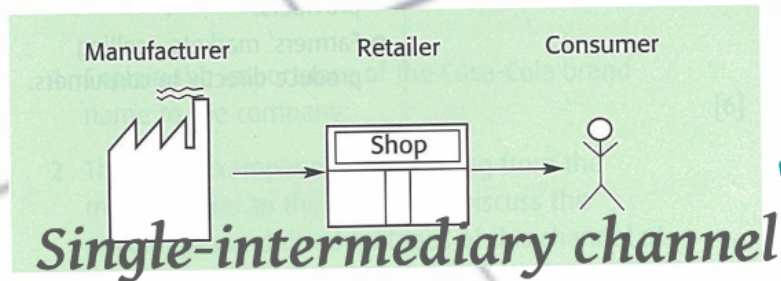


Possible Benefits

- 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

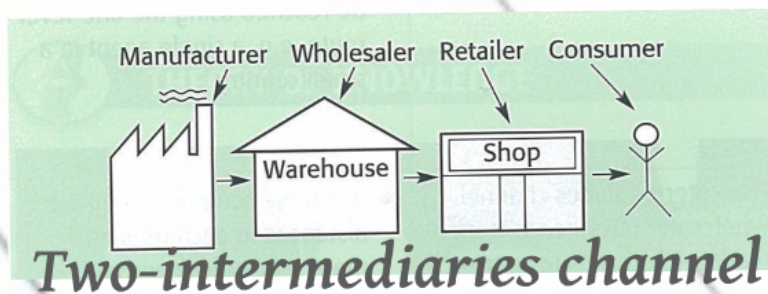


Possible Benefits

- 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
- Wholesaler pays for transport costs to retailers
- Wholesalers 'break bulk'
- Enter foreign markets (producer has no direct contact with retailers)

Possible Drawbacks

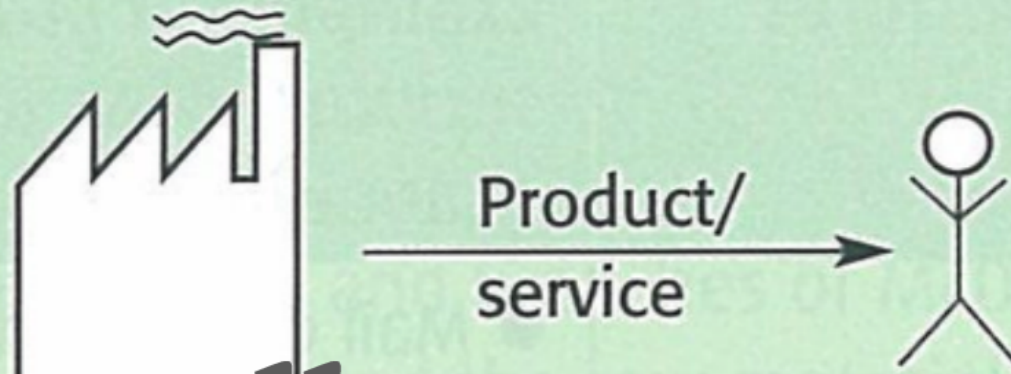
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- Producer loses further control
- Slows down distribution



Distr

Manufacturer
(or service provider)

Consumer



Direct selling to customer

Manufacturer

Retailer

Consumer



Prezi

on Channels

Examples



Mail order from manufacturer



Airline tickets and hotel accommodation sold online



Farmers' markets

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Examples



Holiday companies selling

Possible Benefits

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

Possible Drawbacks

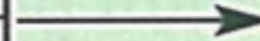
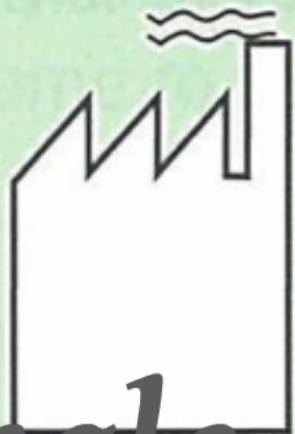
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Direct selling to customer

Manufacturer

Retailer

Consumer



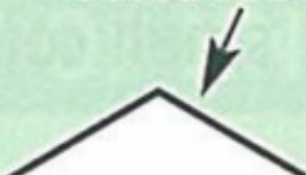
Single-intermediary channel

Manufacturer

Wholesaler

Retailer

Consumer





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Farmers' markets

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Examples



Holiday companies selling holidays via travel agents



Large supermarkets that hold their own stocks

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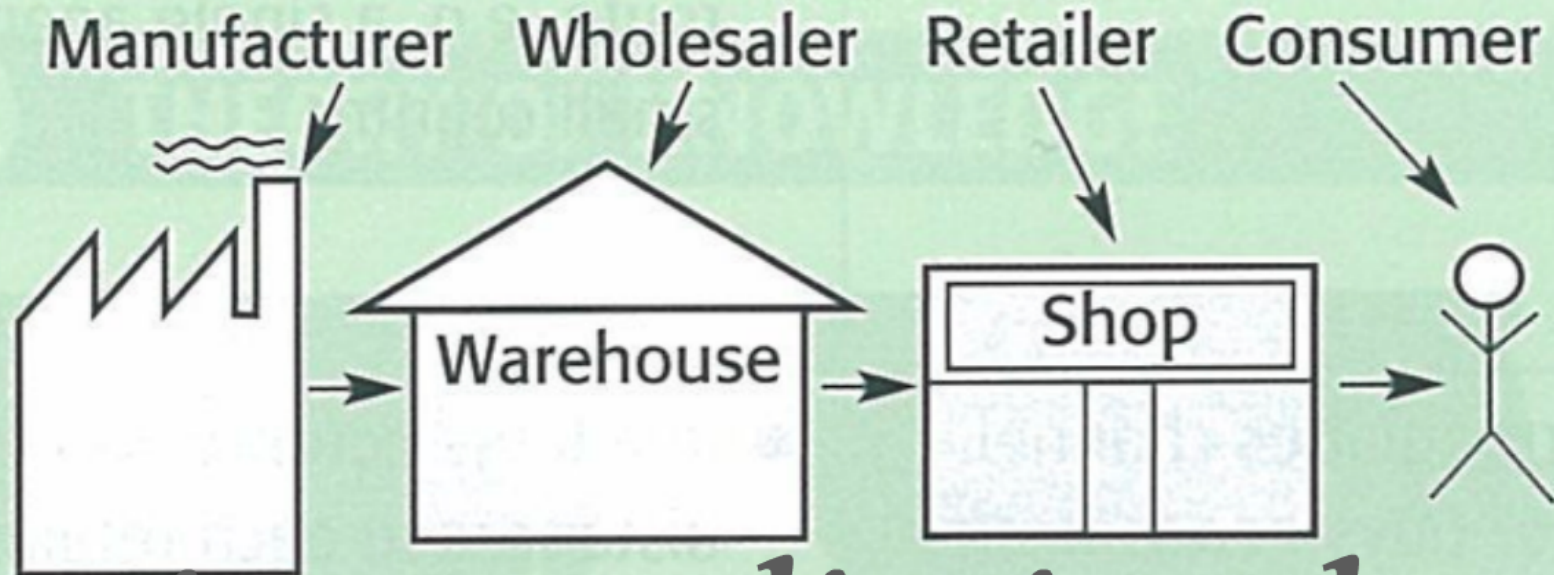


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Single-intermediary channel



Two-intermediaries channel

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Large supermarkets that hold their own stocks

Retailer has product displays and after-sales service

- Convenient locations
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- 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)

Possible Benefits

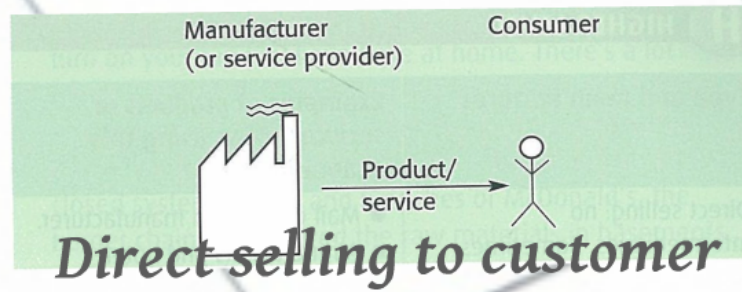
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Distribution Channels



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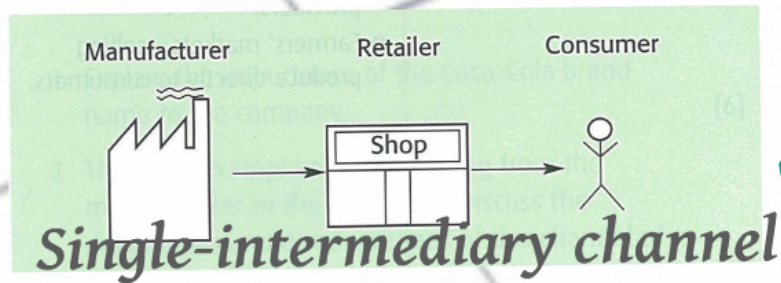


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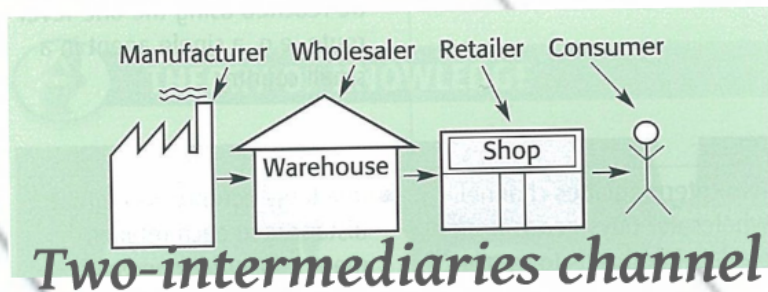


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Direct Selling

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.



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- Direct mail
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- Wholesaler buys in bulk and sells in smaller quantities
- Wholesaler provides services such as storage, transportation, and financing

Retailing

- Manufacturer's own retail outlets
- Independent retailers
- Cooperative retailers
- Chain stores
- Specialty stores

Agents or brokers

- Wholesaler or agent acts as a middleman between manufacturer and retailer
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