# Unit 6 Assignment: Distribution Strategy

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# BU 615-7 Marketing and New Product Development

In business the overall goal is to identify and fulfil the need of the target market and do so profitably. In order to fulfil that need, the product or service must actually reach the target market. Product, Price, Promotion, and Place: outlines the evolution of the marketing strategy.

1. Product – a tangible good to meet the need of the target market.
2. Price – Anticipated compensation for providing the product.
3. Promotion – Advertisement of the product to make the target market aware of its existence and its ability to need their need(s).
4. Place – Delivery or the act where customer and product are bought to together.

Upon reaching the fourth stage of the Four Ps marketing evolution, a distribution strategy must be devised. A distribution strategy is a plan to make a product or service available to customers.

Once again, this is directly related to the Four Ps: Product, Price, Promotion, and Place. The four Ps are a part of the business’ marketing strategy. This portion of the marketing strategy deals with place within the four Ps. The goal of the distribution strategy is to move the product from one place to another place to make it accessible to the end-user. The starting place is the manufacturer and ending place is the consumer. The method incorporated to move the product is a distribution channel. The distribution channel can consist of several tools used to move or deliver the product. Such tools are truck, train, plane, ship, internet. In short, we are dealing with land, sea, air, and cyberspace. Cyberspace differs from land, sea and air in that we are working with digital goods or service.

“A distribution channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the final buyer or the end consumer.” (Kenton, 2019)

There are four components that can make-up a distribution channel.

1. Producer- the producer creates of manufacturer the product or is the originator of the service. A producer usually creates the product in large quantities and most times, do not offer individual pricing.
2. Wholesaler – the wholesaler purchases the product from the producer and makes it available to retailers in smaller quantities. The wholesaler sells the product for the purpose of resale.
3. Retailer – the retailer makes products available to the consumer. Retailers can purchase from producers or wholesalers.
4. Consumer – the consumer is the actual user of the product.

The four components fall into two major categories. Those two major categories are:

1. Direct Channel
2. Indirect Channel

The direct channel involves the product traveling from producer directly to the consumer. The indirect channel involves points or stops along the journey to the consumer. The points between the manufacturer and the consumer are intermediaries or “middlemen” in layman terms. Among the two categories of channels are a few variations. The three types arrangement with the of distribution channels are:

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| **Channel Structures** | |
| **Direct Channel** | **Indirect Channel** |
| *Manufacturer* to *Consumer* | *Manufacturer* to *Wholesaler* to *Retailer* to *Consumer* |
|  | *Manufacturer* to *Retailer* to *Consumer* |

*Examples of indirect and direct channels*

1. Manufacturer to Wholesaler to Retailer to Consumer is an indirect channel structure for there are intermediaries involved. An example of this type of structure would be a coffee farmer that sells product to a roaster. The roaster may make the product available to stores, restaurants, hotels, and coffee shops, who in turn sell to consumers.
2. Manufacturer to Retailer to Consumer is an indirect channel structure. An example of this type of structure would be the Manufacturer Nautica selling its products to Macy’s, who in turn sells to consumers.
3. Manufacturer to Consumer is a direct channel structure that removes all the intermediaries and makes its products available directly to the consumer. To demonstrate this model, Nautica can be a good example once again. There are shopping locations were Nautica and other manufactures have outlets or outlet malls where products are made available directly to the consumer. Many consumers frequent these outlets in hopes of benefiting from the cost savings of purchasing directly from the manufacturer.

There is one model of an indirect channel that is what I would term to be somewhat of a hybrid. This model in seen with companies such as Costco, BJ’s and Sam’s club. Those businesses occupy two areas in the indirect channel structure. Costco, BJ’s and Sam’s club are wholesalers that act as retailers for its members. These companies purchase goods in bulk. Purchases in large quantities decreases the unit cost. Those goods are then made available to sale to consumers as opposed to being passed on to another business for retail sale. It’s an excellent marketing strategy that cuts out one of the middlemen tiers and offers the cost savings to its memberships.

Costco buys its merchandise directly from the manufacturer. Products are shipped directly to Costco warehouses or to a depot, which reallocates the shipments to Costco warehouses within 24 hours. This process eliminates several steps such as using a distributor and other intermediaries, eliminating costs associated with storage, additional freight, and handling.

In selecting a channel structure, it is highly desired to select the structure that is the most cost effective. Are companies limited to having to select only one structure? As demonstrated within the example with Nautica, some companies use a combination of the distribution channel structures.

Throughout this paper, the distribution strategy has been applied to manufacturing business. How might the strategy be applied to a service business? In my examination, it appears that the direct and indirect structures can be applied yet only one of the indirect channels applies to the service business.

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| **Channel Structures for Service Businesses** | |
| **Direct Channel** | **Indirect Channel** |
| *Service Provider* to *Consumer* | *Service Provider* to *Franchiser* to *Consumer* |
|  | *Service Provider* to *Referral* to *Consumer* |

The indirect channel is not truly an indirect channel structure. It is not indirect for a franchiser falls under the umbrella of the parent company and identifies itself in an indistinguishable manner. It can successfully be argued that a franchiser is in fact a direct channel. In essence, a franchise is an outside entity that is using the name and business model to mimic and deliver the same service. I have selected to identify franchises as a sort pseudo-intermediary though being almost indistinguishable, with the exception being on paper.

Another indirect channel involves referrals. An excellent good example that can best illustrate this dynamic would be the services performed by a doctor. Many of us have a primary physician. The primary physician attends to most of our health needs in a general sense. There are times the primary physician will refer us to a specialist. Those times involve a “closer look” and therefore the doctor will refer the patient/customer to a specialist, i.e. another doctor that is an expert in the area of medicine. Through this indirect method of doctor referral, the customer reviews the service that is needed.

Another example of a referral within the indirect distribution channel for services would be Angie’s list, Home Advisor, Houzz, Porch, and Thumbtack. Service providers operate through those business to locate customers and customers can do the same in their search for services. “HomeAdvisor and Angie’s List provide for homeowners, they are also valuable marketing channels for contractors. Rather than growing their business only through referrals and traditional advertising, contractors can sign up with these marketplaces and instantly connect with potential clients (“leads”) who need their services.” (Palermo & Palermo, 2019). Personally, I have utilized both Angie’s List and Homeadvisor for home services. I think both are excellent services. It can be a daunting task to comb through the internet and find a quality professional to perform the service that is needed. Angie’s List and Homeadvisor do an excellent job of taking the ”pain” out of locating a group of professionals to select from. It’s almost as if the professionals come to you with their bids to be awarded your business.

Imagine having to entering the work word plumber into a Google search engine. The list of plumbers are endless. Now you have to start calling or emailing or perhaps attempt to send a message on the website. What is their availability? Can they perform the necessary service? Angie’s List and Homeadvisor will have the professionals call you. Their information, reviews and bids are all viewable for your particular need within the mobile app or website dashboard under your account.

In conclusion, companies are in business to fulfil the needs of customers and to do so in a profitable manner. In order to fulfil needs, the product or service must be made available. Within the four Ps, place addresses the delivery of the service or availability of the product. This is accomplished via a distribution strategy. A distribution strategy uses distribution channels to move the service or product from the service provider or the manufacturer to the end consumer.

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