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| Strategic Marketing  **Ma’am Zaeema Asrar**  23-June-2020  **Bushra Afsar Ali Roll # 17**  Class: M.com Previous  Topic: Distribution Planning |

**Distribution Planning:**

“Distribution planning is the systematic decision making regarding the physical movement of goods and services from producer to consumer as well as related transfer of ownership of them.”

**Channel of Distribution:**

A distribution channel (also called a marketing channel) is the path or route decided by the company to deliver its good or service to the customers

**Factors of Selecting a Channel of Distribution:**

Following factors must be considered while choosing a channel of distribution:

* Consumer.
* Characteristics—numbers, concentration, average purchase size.
* Needs—shopping locations and hours, assortment , sales help and credit.
* Segments —size, purchase behavior.
* The Company
* Goals—controls, sales, profit, timing
* Resources—function, specialization, efficiency
* Expertise—function, flexibility, service needs.
* Experience—distribution methods, channel relationship.
* The Product
* Value—price per unit
* Complexity—technical nature
* Perishability—shelf life, frequency of shipment
* Bulk—weight per unit, divisibility
* The Competition
* Characteristics—number, concentration, assortment. Customer.
* Tactics—distribution methods, channel relationships.
* Distribution Channels
  + Alternatives—direct, indirect
  + Characteristics—number of intermediaries, function performed ,tradition
  + Availability—exclusive arrangement, territorial restrictions
* Legalities—current laws, pending laws.

**Types of Channel of Distribution:**

There are two types of channel of distribution.

**Direct Channel of distribution (Manufacturer to Customer):**

It doesn’t involve the inclusion of an intermediary and the manufacturer gets in direct contact with the customer at the point of sale. For example, bakers, jewellers, etc.

**Indirect Channel of Distribution (Selling through Intermediaries):**

When a manufacturer involves a middleman/intermediary to sell its product to the end customer, it is said to be using an indirect channel.

**Functions of Channel of Distribution**

Channel performs the following functions;

* Distribution
* Marketing Research
* Buying
* Pricing
* Product planning
* Promotion
* Customer Service

**Logistic: Marketing logistics** involve planning, delivering and controlling the flow of physical goods, **marketing** materials and information from the producer to the **market**. The aim is to meet customer demands while still making a satisfactory profit.

Transportation and inventory management are two central aspects of logistics strategy.

**Transportation:**

**Transportation** is indispensible function of **marketing**. **It means “the** process of physical movement of products and people from one place to another place. .” **Transportation** greatly facilitates the performance of **marketing** functions like buying, assembling, selling, storage and warehousing etc.

**Forms of Transportation:**

* **Railroads:** The most used kind of transportation around the globe. The train is a unique kind of transportation because they can go vast distances, affordably and take a much shorter time than ships
* **Motor Carriers:** Motor carries predominantly transport small shipments over short distances. Motor carries are more flexible and faster than rail.
* **Waterways:** Long ago, traveling to faraway places can only be obtained by ship. While ships are for the ocean world, boats are for the world of rivers and lakes.
* **Pipelines:** Within pipelines there is a continuous movement and there are no interruptions, inventories, and intermediate storage sites.
* **Airways:** Airways are the fastest. They reduced the quantity of time needed to explore throughout regions. High-value perishable and emergency goods are transported through air shipment.

**Inventory Management:**

Inventory management is the supervision of non-capitalized assets, or inventory, and stock items. It deals with the flow and allocation of products.

**Inventory management techniques:**

To improve Inventory management, companies are applying either or both of two complementary concepts:

* **Just-in Time inventory system:**  In which products arrive as they are ordered by customers, and which is based on analyzing customer behavior.
* **Electronic data Interchange**: Computer are being used to exchange information between supplier and their customers.

**Warehousing:**

Warehousing involves the physical facilities used to store, identify, and sort goods in expectation of their sale and transfer.

**Types of Warehouses:**

1. **Private Warehouse:** These warehouses are privately owned—usually by retail corporations or engineering companies that need the private space to store their inventory
2. **Public Warehouse:**  A public warehouse is a business that provides short or long-term storage to companies on a month-to-month basis. Public warehouses offer companies a range of labor solutions including picking, packing, inventory control software and dedicated workforce.
3. **Bonded Warehouses:** A [bonded warehouse](https://www.easyship.com/blog/what-is-a-bonded-warehouse) is a type of warehouse that can store imported goods before customs duties are required to be paid on them.

**Retailing:**

**Definition:**

Retailing is the final stage in a channel of distribution. It encompasses the business activities involved with the sale of good and services to the final consumer for personal or household use.

**According to Philip Kotler;**

“Retailing includes all the activities involved in the selling of good or services to the final consumer for personal and non-business use.”

**According to Candiff and Still;**

“Retailing consists of those activities involved in the selling directly to the ultimate consumers”

**Key Functions Performed by a Retailer:**

Following are the basics functions performed by retailer:

* **Warehousing and Storing:** The retailers perform the functions of warehousing and storing. They store the goods in bulk and make them available as per the requirement of the consumer.
* **Assembling of Goods:**  Retailer performs dual functions of buying and assembling the goods from various suppliers and offering them for sale.
* **Grading and Standardization:** A retailer performs the crucial function of grading and standardization for all those goods which at times are either left ungraded or unstandardized by the wholesalers or manufacturers so that the customers readily accept the goods
* .**Providing information:** A retailer provides information to the consumer via ads, displays, signs and sales personnel and also provides market research support (feedback of customers) to the manufacturers for continuous improvement in service delivery.
* **Providing other facilities:** Retailer facilitate and complete transaction by having appropriate location, hours, credit policies and other services like delivery.

**Types of Retailers:**

Retailer can be categorized by ownership, store strategy mix and non- store operations.

1. **By Ownership:**
2. **Independent Retailer:** An independent retailer operates only one outlet and offer personal services, a convenient location and close customer contact. For example flower shop, laundry shop etc.
3. **Retail Chain:** A retail chain involves common ownership of multiple outlets.it usually has central purchasing and decision making. For example: subway, pizza hut, McDonald’s etc.
4. **Retail Franchising:** A retail Franchising is the contractual arrangement between two persons franchisor (manufacturer, wholesaler or service sponsor) and franchisee (retailer) which allows latter to use established name and operates under specific rules. For example: Dunkin Donuts, Pizza hut, KFC etc.
5. **Leased Department:** It is a section of retail store rented to an outside party called lessee who operates a department under stores rules and pays certain percentage of sale to lessor.
6. **By Store Strategy Mix:**
7. **Convenience Store:** A retail store that carries a limited selection of basic items, as packaged foods and drugstore items, and is open long hours for the convenience of shoppers.
8. **Conventional Supermarket:** A conventional supermarket is a large self- service food store.
9. **Food based Superstore:** A food based supermarket is a diversified supermarket that sells food and other products to one stop shopper.
10. **Combination Store:** Retail outlet combining a supermarket and a general store.one type is supercenter (hypermarket).
11. **Specialty Store**: A specialty store emphasizes one kind of product such as hair services or stereo equipment.
12. **Category Killer:** A category killer is an especially large specialty store.
13. **Traditional Department Store:** A traditional store is a fashion leader with many customer services.
14. **Full line discount store:** A Full line discount stores are retailers that provide name-brand products at a lower cost than other stores. This system also necessitates lots of variety and a wide assortment so that sales can be driven up more easily.
15. **Membership warehouse club:** A membership club offers deep discount to its member customers.
16. **By Non-Store Operation:**
17. **Direct Marketing:** Direct marketing occur when customers first exposed to a good or service by non-personal mediaand then orders by mail and phone or PC.
18. **Vending Machine:** It uses coin or card operated machinery to dispense goods such as beverages and services such as life insurance policies at airports. It allows 24 hours service.
19. **Direct Selling**: Direct selling refers to selling products directly to the consumer in a non-retail environment. Instead, sales occur at home, work, online or other non-store locations.

**Importance of Retailing:**

* It helps in economic growth.
* It provides employment opportunities.
* It moves the economy in motion.
* Provides the customer a basics platform to encounter with goods and a shopkeeper.

**Wholesaling:**

**Definition:**

Wholesaling is the sale of merchandise in bulk to a retailer for repackaging and resale in smaller quantities at a higher price.

**According to Philip Kotler;**

“Wholesaling consist of the sale and all activities in selling goods or services to those who buy for resale or business use.”

**Function of Wholesalers:**

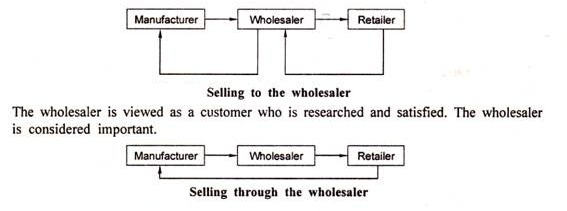
Wholesalers carry out tasks ranging from distribution to risk taking.

Wholesaler performs the following functions;

1. **Buying and Assortment Building:** The wholesalers purchase the bulk of different types of products from different manufacturers and prepare proper assortments of these products. In this way customers are conveniently facilitated by the saving time and effort.
2. **Warehousing:** Wholesalers also provide warehousing facilities to reduce the Inventory costs and risks of manufacturers and customers.
3. **Transportation:** The wholesalers are much closer to the customers as compared to the manufacturers, so they can provide quick transportation services
4. .**Financing:** Wholesalers also provide [**financing**](https://www.businessstudynotes.com/category/finance/) to its buyers by allowing them credit. They also make immediate orders and quick bill payments to the manufacturers.
5. **Adjustment for Defective Goods:** Process returns and makes adjustment for defective merchandise.
6. **Bearing Risk:** The damaging, theft and spoilage costs are taken by the wholesaler by absorbing the relative risks associated with products.
7. **Market Information:** Provide marketing and research supports for manufacturers, service providers and retail or institutional consumers.
8. **Other Functions:**

* Wholesaler purchase in large quantities hence reducing total physical distribution cost.
* Provide trained sales force.
* He handles financial Records.

**Relationship of wholesaler with Supplier and Customer:**



**Types of Wholesalers:**

Following are the three main types of wholesaler:

1. Manufacturer /Service provider wholesaling

2. Merchant Wholesaling

3. Agent and Brokers.

1. **Manufacturer/Service Provider Wholesaling:**

In manufacturer wholesaling, a producer does all the wholesaling function itself. In this case a firm has its own sales offices and wholesale activities are done at these offices. Sales office may be conveniently located in a market place. This type of arrangement is preferred when the manufacturer desires more control on marketing and/or customers who may be few in number and each is a key account.

1. **Merchant Wholesaling:**

Wholesaling business that works independently and take the title of products it handles. In different industries they are known as distributors, jobbers and mill supply houses.

Merchandise wholesalers are further divided into the following two types.

**1.** Full Service Wholesalers

**2.**  Limited Service Wholesalers

1. **Full Service Wholesalers:** They are involved in provision of full line services like

* Carrying Stock
* Maintaining a Sales Force
* Offering Credit
* Making Deliveries
* Providing Management Assistance
* Offer research and planning reports
* Give installation and repair service.

They are further classified as under.

* General merchansidise wholesaler
* Specialty merchandise wholesaler
* Rack jobber
* Franchise Wholesaling
* Industrial Distributors

1. **Limited Service Wholesalers:** They offer fewer services than full service wholesalers. They are classified into the following categories.

* Cash & Carry Wholesalers
* Truck Wholesalers
* Drop Shippers
* Rack Jobbers
* Producer Cooperatives
* Mail Order Wholesalers

1. **Agents and Brokers:**

These [**types of wholesalers**](https://www.businessstudynotes.com/others/discuss-wholesalers-and-the-types-of-wholesalers/) do not take the title of products and they only facilitate the buying and selling of products. They obtain a commission on the selling price of the products and are specialized by customer types or product line. They are further divided into the following two types.

1. Brokers
2. Agents
3. **Brokers:** Brokers are involved in the assistance of negotiation by bringing the seller and buyer closer to each other. Examples of brokers include real estate brokers, food brokers, security brokers and insurance brokers.
4. **Agents:** Agents represent either seller or buyer on a much more permanent basis than the brokers. They are further classified into the following types.

* Manufacturer Agents
* Selling Agents
* Purchasing Agents
* Commission Merchant

**Importance of Wholesaling:**

* Wholesaling is a significant aspect of distribution because of its impact on the economy, its functions in the distribution channel and its relationship with suppliers and customers.
* The importance of wholesalers is quite significant in the [**Marketing**](https://www.businessstudynotes.com/category/marketing/)of goods or services and that is why they connect with almost all manufacturing products.
* Wholesaling provides an expanded consumer market potential in terms of geographical locations and consumer purchasing power while at the same time providing a cash flow for the manufacturer.
* Wholesaling has the capability to adjust the distribution of goods from surplus to deficit areas.
* From cost prospective, wholesalers have a great impact on prices. Operating costs for wholesalers include inventory charges, sales force salaries, rent charges and costs of advertising etc.