

## *The Role of Distribution in the Marketing Mix*

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**Abstract:** *The manufacturer must be involved in the transfer of the product to the final consumer both by organizing a system for distribution and by negotiating with specialized distributors the conditions in which the activity will be held - thus being established the most efficient selling formulas for everyone involved in the distribution chain (including consumers).*

*Selling products is the process that confirms the existing reason for any company producing goods. Knowledge of this process involves a series of quantitative and qualitative assessments related to: sales volume (at a time or in a certain period), the means by which products reach the beneficiaries, the time required to transfer, stocking of finished products, production expenses incurred from the time of the end of the production until the product reaches the beneficiary etc. All these elements are embedded in a series of concepts, such as those of: movement of goods, sales, marketing etc. In marketing, they are united under the concept of distribution.*

**Keywords:** *marketing mix, distribution, sales volume, distributors, customers*

### **Introduction**

Due to the place it occupies in the company's activity, distribution plays a leading economic and social role in attaining its economic and marketing objectives. Through its ends, the economic cycle of the products is put to an end, and thus products regaining, under the form of money, the resources invested in production and in the process of selling, as well as an eventual profit, and consumers get in the possession of the goods they need. Otherwise, production and consumption would not be possible.

Being positioned between producer and consumer, distribution is the one that allows consumer's satisfaction in goods they required, its economic utility consisting in the circulation of goods.

### **1. Distribution Role**

The continuous strengthening of the role of distribution in the modern economy is driven by both the increase and diversification of supply and demand of goods and the increasing consumer's demand across the quality and efficiency required for their manufacture.

The growth and diversification also determines *an increase in the distances* between the points of production and those of consumption and of the volume of activities involved in moving products in space. As a specialized activity, distribution comes to overcome the difficulties that arise for manufacturers due to the influences mentioned above.

In distribution, the product undergoes some **changes** that can be grouped into three categories: [4, 41-48]

1) *physical changes* (packaging, sharing products in smaller quantities, transport and storage), which are handled by *the industrial function* of distribution;

2) *temporal and spatial transformations*, related to the *proper function of the distribution*, which cover items such as:

- *the place* where to find the product;
- *the batch* to be delivered;
- *the assortment* (list proposed at the same place and same time);
- *the date* on which the product will be delivered etc.

3) *commercial and psychological transformations*, which ensures demand agreeing upstream to the downstream.

Distribution, as a whole of the activities taking place in time and space, from the end of production until the moment the product, enters to final consumption, holds **the intermediation role between production and consumption**, ensuring the completion of the activity of any producer and obtaining from the part of the consumer the commodity that satisfies their necessity. In other words, the distribution's role is crucial in **allowing the flow of business processes**, it ensuring the financial resources necessary to restart the economic activity.

However, by selling the goods, there ***must be recovered the costs incurred by the manufacturer and distributors and profit should be obtained*** – as the ultimate goal of any entrepreneur.

The role of distribution to ensure continuity of the flow of goods consists of: [5]

- *achieving optimal correlation and synchronization between supply and demand* - by providing customers the products when (and where) they want;
- *changing of the appearance or composition of the supply* to make it more attractive to users through operations of bottling, packaging, packaging, etc.;
- *changing the physical possession of goods* - their ownership transfer from manufacturers and distributors to consumers;
- *moving the product to place of demand* - through rational organization of the physical flow of goods;
- *minimizing costs*, making at the disposal of the consumer the desired product.

Distribution can bring along many ***advantages***, both for the individual producer and for the society:

- helps *reduce transaction costs and expenses*, the distributor's services being based on the supplies of many manufacturers (not being specialized, whether the manufacturer should provide single distribution, costs would be much higher);
- enables the improving the assortment offered to consumer, as retailer offers several products to many producers;
- better responds to consumers' expectations, who demand precise services, individualized and personalized.

Summarizing, distribution plays, at the economy level, several roles:

- ensures operational transfer of products from the producer to the consumer;
- adds value to the product;
- preserves goods properties;
- increases the occupancy of labour resources;
- improves the economic efficiency of the trading activity of products.

The role of distribution is also highlighted by the functions that it performs in the economic circuit: [5]

- 1) *the function to change the ownership* of the product, which is exercised by trade and sale;
- 2) *the change function of the spatial position*, which ensures the movement of goods from manufacturer to retailer and then to consumer - including additional handling operations;
- 3) *the storage function*, while allowing adaptation of supply to demand evolution;
- 4) *the function of sorting and packaging*, which turns the batch into lots for sale;
- 5) *the promotion feature*, distributors giving consumers information about products, forms of selling, advertising etc.
- 6) *the service function*, which is exercised through activities directly related to: negotiation, sale, delivery, installation, repair etc.;
- 7) *the financial function*, distributor buying products from the manufacturer in large quantity, giving their full price, which enables business continuity even before the product reaches the consumer - the distributor is thus the one who finances the producer to restart production;
- 8) *the social function*, meaning to activate the means that disposes the manufacturer in order to assure the protection of consumer's interests and their education.

Philip Kotler [2, 936] proposed the following way of systematizing distribution functions:

- *collecting information* necessary for planning and sharing;
- *elaborating and transmitting promotional messages*;
- *negotiating*, respectively concluding agreements regarding the exchange conditions;
- *taking orders* submitted by the manufacturer to customers according to their requirements;
- *financing the stocks* necessary to the exchange;
- *billing and paying* the distribution operations;
- *ownership transferring* from the manufacturer to beneficiary, respectively to the consumers;
- *transporting, storing and preserving* goods throughout the distribution circuit;
- *assuming, respectively supporting the risk* associated with distribution.

In order to achieve these functions there are necessary certain resources, larger ones or less large ones. Thus, if the producers will decide to fulfil by themselves these functions, then their costs (but prices also) will be higher, and when specialized distributors will fulfil them, the prices could be lower (even if the middlemen will pretend higher amounts of money in order to cover the costs of their own activity). That is why it is important that functions be spread to those participants involved in the distribution that can fulfil them in the most efficient way. Specialists noticed some tendencies that have been manifested lately in this direction: [1, 365]

- greater participation within the manufacturer's distribution;
- restricting the role of agents intermediaries (brokers, commission agents) by taking functions by other vendors;
- merging the functions of wholesale and retail in the operation of a single firm.

In every stage of the product life cycle, distribution faces specific problems. Thus, in the stage of the launch of a new product, distribution plays a limited role, very important being promotion. Instead, in the growth phase, the distribution is the one that plays the main role, the marketing objective pursued by the company is not acquiring notoriety, but market share growth.

There have been identified three main factors that impact on distribution costs: [6]

- the length of the distribution channel - the longer the distribution channel is, the costs involved have a higher share price at which the product is purchased;
- the value of the product - distribution costs (as a percentage of product value) is inversely proportional to the value of the product;
- the firm size - between firms producing the same goods, the larger the quantities of distributed products by a firm are, the cheaper becomes the distribution per product unit.

Distribution achieves its functions through all its components (that need to be addressed systemically, taking into account their mutual influences).

## 2. Tendencies

Analysing the changes occurring with the increased role played by distribution, there have been identified a number of trends in terms of: *specialization, concentration, integration, efficiency etc.*

**1) Increasing specialization.** The deepening of the division of labour and broadening its product range in production, encourages specialization in distribution. Even if the effects of this trend are mostly positive, acquiring them may face some specific obstacles. Thus, with the growing demands, the consumer claims ample opportunities, which cannot be provided but within the framework of a high experienced trading activity. On the other hand, the same consumer wishes to minimize the time involved for purchasing goods, which can be achieved mainly through the distribution offered by broad profile stores.

Regarding the *specialization criteria*, some of them are part of the standard (distribution functions, nature of the goods), others are specific ones. For instance, major distribution experience linked to *wholesalers* and *retailers* is possible both outside and inside the same structure (if it is more efficient). In terms of distribution the specializing of the distribution links according to *the nature of the goods* it may become deepen taking into account to their *common destination* or according to *the way they associate* with the consume. There are cases in which, for good reasons (to mitigate seasonal

variations in demand, attracting a request random, increase sales etc.), basic profile of the distribution links being *enlarged* with goods coming not only from neighbouring sectors, but from anywhere. There can be happening that within large trading units the product nomenclature to count hundreds of thousands of positions covering almost all categories of goods. However, including these cases, specialization is manifested, but within them (at the level of districts or departments), which may exceed the specific one of small independent units. For such situations *multi-specialization* is the used term.

**2) Increasing concentration** has its source, including the distribution, in the undeniable advantages of the scale economy. In the distribution sector, this trend has some peculiarities, manifested less pronounced than in production - given its role as link between production, with an ever-increasing degree of concentration, and consumption with a large scattering in space. In general, *the degree of concentration in distribution channels decreases as we get closer to consumers*. In perspective, the trend of increasing concentration although it seems to widen, it will occur at the company level and at the level of the operative unit (store, warehouse, etc.). Thus, at company level there is possible to register very high levels of concentration (through the accumulation of capital, takeovers, and mergers). But at the level of operative units, the degree of concentration evolves noticeably slower, given that the number of hyper and supermarkets will be further reduced.

**3) Increased level of integration** is in distribution (as in other fields), among others, the result of the merger, the trend manifesting itself both in terms of vertical integration and horizontal one .

a) *Vertical integration* consists in associating some distribution participants to obtain certain benefits, such as streamlining the flow of goods to the consumer, correlation of promotional activities and others, reducing distribution costs, etc. It is initiated by the manufacturer, wholesaler or retailer, and it may be *total* or *partial* (comprising the entire channel or part of it), assuming varying *degrees of cohesion and autonomy* of the components of the integrated structures. As *trends* there should be noted:

- more pronounced commitment from the part of the producers in the sphere of distribution, both through their own units, and through cooperation in various forms with commercial firms;
- *diminishing the role of certain intermediaries* (brokers, forwarders, etc.) by taking their specific functions by other vendors;
- assuming the functions of the wholesale and those of retailers by the same company - what happens either in the case of retail firms, which have a network with a large storage capacity and outlets, or in the case of companies specialized in marketing products with high price and relatively low range - like cars, appliances, etc.).

b) *Horizontal integration* involves the association of some middlemen of *the same link of the distribution channel*. If this case there do not occur great changes in the spread of the functions of distribution, enlarging only their scale and yield.

**4) The increase of costs** in distribution is a trend with major implications in the development of this process. By successive mark-ups, expansion and increasing and the growth of complexity have made of it a factor of growth of the final price paid by consumers of products. Thus, currently, especially in developed countries, these costs represent about half the price of goods - thus existing some products (mineral water, milk, vegetables and fresh fruit imported raw materials, etc.) for which the distribution share be much higher than the production costs.

### Conclusions

The explanation for this trend lies in the lower growth rate of labour productivity in the sphere of distribution (due to the slowness penetration of technical progress), as well as in the evolution of the number and of the complexity of services that middlemen bring to producers and consumers. It must not be forgotten, however, the fact that through the services of the participants in distribution, goods acquire time, place, possession and information utilities and through the creation of the conditions of proximity, promptly supply, wide variety assortment, after-sales service etc., the buyer realizes significant savings of time and money (however causing them to accept price increases on account of distribution).

## References

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