

## **PLACEMENT/ DISTRIBUTION/MARKETING CHANNEL**

### **INTRODUCTION**

Producing something that consumers would like to buy is only part of the story people can only buy products that are available and easily obtained.

In terms of the seven Ps distribution is the means by which place is determined. Marketers therefore spend considerable effort on finding the right channels of distribution and on ensuring that the products reach consumers in the most efficient way business-to-business marketing distribution is often the real key to success Business buyers may buy through agents or wholesalers rather than direct from producers so that tapping into a good distribution network is the most important step a company can take

### **Physical distribution**

Is concerned with the ways organizations get physical products to a point where it is most convenient for consumers to buy them. Logistics takes a wider view: originally based on military terminology, logistics is concerned with the process of moving raw materials through the production and distribution processes to the point at which the finished product is needed. This involves strategic decision-making about warehouse location, materials management, stock levels and information systems. Logistics is the area in which purchasing and marketing overlap.

In some ways the physical distribution of a product is part of the bundle of benefits that make up the product. Conversely the Supermarket purchase may include benefits (the fun of shopping around, the excitement of finding a real bargain), the benefits derived from the distribution method are different.

The purpose of any physical distribution method is to get the product from its point of production to the consumer efficiently and effectively. The product must arrive in good condition and fit the consumer's need for convenience or cheapness, or choice or whatever else the particular target market thinks is important. Thus from a marketing viewpoint the subject of distribution covers such areas as transportation methods, wholesaling. Retailing, direct mail marketing and even estate-gate shops.

Physical distribution is to do with transportation methods, distribution strategy decisions are about which outlets should be used for the product

**Transportation methods**  
 Transportation methods vary according to speed, cost and ability to handle the type of product concerned. As expensive as it is, but in some because the firm's capital is tied up, fruit, standby airfreight.

The transportation method chosen for a particular product will depend on the factors listed below. In all these cases, there will be trade-offs involved. Greater customers service will almost always be more expensive greater reliability may increase transit time, as will greater traceability because in most cases the product will need to be checked on and off the transport method chosen. As with any other aspect of marketing activity the customer's overall needs must be taken into account, and the relative importance of those needs must be judged with some accuracy if the firm is to remain competitive.

Factor	Explanation and examples
The physical characteristic of the product	If the product is fragile (e.g. sheet glass) distribution channels need to be short and handling minimized. For perishable goods (e.g. fruit) it may be cheaper to use standby airfreight than to ship by sea, because there will be less spoilage en route.
The methods used by the competition	It is often possible to gain a significant competitive edge by using a method which is out of the ordinary. For example, most inner city courier companies motorbikes to deliver urgent documents, but a few use bicycles. In heavy traffic bicycles are often quicker and can sometime use routes that are not open to powered vehicles so deliveries are quicker.
The costs of the various channels available	The cheapest is not always the best for example computer chips are light but costly and therefore it is cheaper to use airfreight than to tie up the company's capital in lengthy surface transportation.
The reliability of the channel	Emergency medical supplies must have 100% reliable transportation as must cash deliveries
The transit time	This also applies to fruit and computer chips

<b>Security</b>	Highly valuable items may not be easily distributed through retailers. Direct delivery may work much better.
<b>Traceability</b>	The ease with which a shipment can be located or redirected. For example oil tankers can be diverted to deliver to different refineries at relatively short notice. This allows the oil companies to meet demand in different countries.
<b>The level of customer service required</b>	Customers may need the products to be delivered in exact timings (for example in just-in-time manufacturing) The meals on wheels service is another example, it is essential that deliveries are 100% reliable.

### Distribution channel

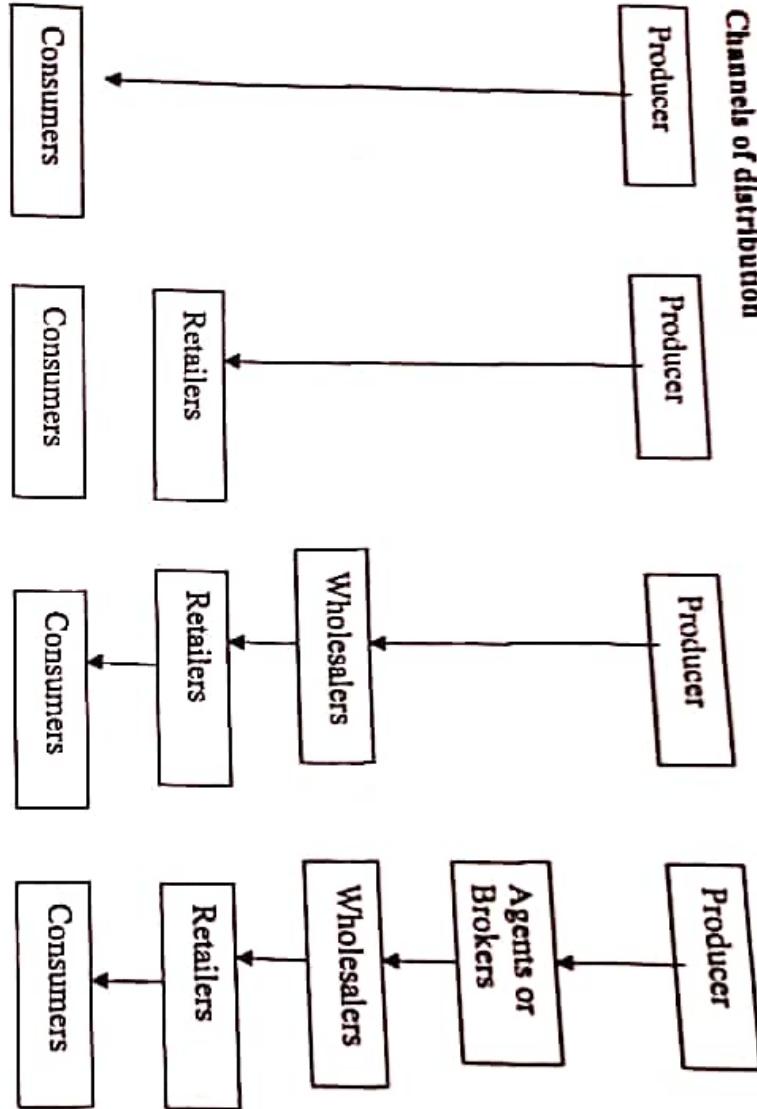
Transportation method is also affected by the channel of distribution, or marketing channel. Products are rarely delivered directly from producer to consumer, but instead pass through the hands of wholesalers, agents, factors or other middle men. For example, it is hardly likely to be very efficient for an importer to deliver directly to every small grocery business in the country. (It would be even less efficient to deliver to each consumer.) The importer will probably employ an agent (who will be working for several manufacturers) to take orders from wholesalers. The importer will bulk-deliver the goods to the wholesalers, who will then break the delivery down to send out to the retailers. The wholesaler.

Either will deliver to the retailer along with the products of many other importer and manufacturers or will offer a cash—and—carry service so that the retailers can make all their supplies purchases in one trip. The net result is a great saving in time, since the trucks are not going perhaps hundreds of miles with one case of tuna on board.

In fact, food frequently passes through lengthy and complex distribution system. Each intermediary in the process performs a useful function, increasing the efficiency of the exchanges. Table shows some of the functions carried out by intermediaries.

'Cutting out the middleman' is popularly supposed to be a way of buying things cheapest. In fact, for most products where agents and wholesalers are used, the savings made by greater efficiency more than cover the cost of the extra mark-up on the product. This means that cutting out the middleman is more likely to increase the cost of the product.

### Channels of distribution



## RETAILERS.

Retailers are those middle-men who sale directly to final consumers.  
They fulfil other functions as other middle men;

- Ordering
- Creating assortment
- Presenting the merchandise
- Storing and packaging
- Shipping and financing.

The variety in retailing across countries is greater than in wholesaling.  
In some countries e.g Italy & Algiers, retailing is composed largely of small specialty houses carrying a narrow line of products. By contrast, in northern Europe countries there are many stores with a broad assortment of products. The large Japanese chain of department stores, mitsukoshi, maintains retail outlets around most major capitals in the world and attracts an average of 100,000 customers per day.  
The Bazaars of middle East, contain as many shops as customers on some days.

In Kenya,

- Supermarkets e.g Tuskys, Nakumatt, Naivas
- Shopping malls in Nairobi/Jamia mall
- Shops selling Mobile phones, Airtime in Moi avenue, Tom mboya street
- Open markets in Gikomba, Wakulima, Barma, Dagorretti markets

## WHOLESALERS CARRY OUT THE FOLLOWING FUNCTIONS:

- Negotiate with suppliers.
  - Promotional activities: advertising, sales promotion, publicity, providing a sales force.
  - Warehousing, storage and product handling.
  - Transport of local and sometimes long-distance shipments.
  - Inventory control.
  - Credit checking and credit control.
  - Pricing and collection of pricing information, particularly about competitors.
  - Channel of information up and down the distribution network, again particularly with regard to competitors' activities.
- All of these functions would have to be carried out by each manufacturer individually if the wholesaler did not exist; by carrying them out on behalf many manufacturers the wholesaler achieves economies of scale, which more than cover the profit taken.
- The wholesaler also provides services to the retailers, as follows

- Information gathering and dissemination.

- One-stop shopping for a wide range of products from a wide range of manufacturers.

Facilities for buying relatively small quantities.

#### **Functions of channel members**

<b>Sorting out</b>	Separating out heterogeneous deliveries into homogeneous ones. For example sorting a tomato crop into those suitable for retail sale and those suitable only for juice production
<b>Accumulation</b>	Aggregating small production batches into amounts big enough to be worth shipping. Forwarding agents will arrange for small exporters to share a container,
<b>Allocation</b>	Breaking down large shipments into smaller amounts. A wholesaler receiving a truckload of baked beans will sell them on a case at a time. This is also called bulk breaking.
<b>Assorting</b>	Combining collections of products that will appeal to groups of buyers. For example clothes shops stock clothes from many manufacturers, food cash and carry wholesalers will specialize in all the products needed by caterers and grocers including shop signs and plastic knives and forks.

#### **Critical thinking**

If cutting out the middle man is such a bad idea, why do companies often advertise it as if it's an advantage? And if it reduces efficiency, why have so many developed interactive websites so that people can order online?

Is it actually cheaper to order online (taking account of delivery costs!) or is it more about convenience? And how convenient is it, in fact, when one may have to visit several websites to buy items which are available in one convenient retail store - why not just stop on the way home from work and browse? Perhaps it depends on one's personal circumstance.

Direct producer-to-consumer channels are typical of personal services such as hairdressing, where use of intermediaries would be impossible, and of major capital purchases such as houses or home

improvements. This is because these products cannot be broken down into smaller units, or assorted, or accumulated. There is therefore no function for the middlemen to fulfill.

If the distribution network is efficiently managed, goods come down the channel and information goes up. Retailers can feed back information about what consumers need, either formally (by carrying out a monitoring exercise and passing the information to the manufacturer or wholesaler) or informally (since retailers order only what is selling, producers can infer what is required by the consumers). A good salesperson will also act as an information channel, and will find out from the retailers what they think consumers want, as well as convey information from the manufacturers to the retailer.

Major manufacturers often have several distribution channels, catering for different market segments. Food processing firms will usually have separate channels for caterers and for retailers, car manufacturers may deal directly with large fleet operators rather than operating through their retail dealer network, and electronics manufacturers may have one channel for consumer products and another for defense products.

#### Functions of channel members

#### Categories of channel members

Channel member	Functions
Agents	Agents usually act purely as a sales arm for the manufacturer, without actually buying the products. The agent never takes title to the goods agency sales representatives call on major retailers and on wholesalers on behalf of a number of manufacturers and take orders and arrange delivery. This saves the manufacturer the cost of operating a large sales force to carry perhaps only a small product range
Wholesalers	Wholesalers actually buy the goods from the manufacturer, or through an agent then sell the goods on to the retailers or sometimes the final consumers.
Retailers	A retailer is any organization that offers goods directly to consumers. This includes mail order companies, door to door salespeople and e-commerce organizations selling over the internet