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| Topic: | MODULE 3 OVERVIEWBASIC CONCEPT: PLACEMENTVIEW FROM THE QUADDIGITAL CONCEPT 1: NEW RETAILCASE STUDY: TESLADIGITAL CONCEPT 2: DESKTOP MANUFACTURINGExercise: Thingiverse.comMODULE 3 REVIEW QUIZHONORS ASSIGNMENT: THINGIVERSE.COM | Semester & Section: | 8TH B |
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| Our third P is placement.  This aspect of the marketing mix focuses on making  a product conveniently accessible to potential customers.  For most products, placement  involves the physical movement of a product from  manufacturer through a series of  marketing channel intermediaries ending  with the independent retailer.  This retailer then provides a number of  important functions like displaying the product  upon it shelves and educating its staff  about it's features so they can  help sell it to potential customers.  Coke is a great example of a firm that has effectively  employed this aspect of the marketing mix.  Coke distributes is product, really it's formula,  to a network of over 250  bottling partners around the world.  These distributors mix the coke formula  with water, bottle it,  and ship these bottles or  cans to a network of warehouses,  which in turn distribute this product to  over 16 million retailers  in more than 180 countries around the world.  These retailers include not only grocery stores,  but also convenience stores,  restaurants, movie theaters, and vending machines.  It is nearly impossible to  walk into a store in most parts of  the world and not to be able to  buy a bottle or a can of Coke.  That's good placement.  The placement portion of the marketing mix has a number  of key concepts including inventory management,  logistics, and sales force management.  In this module, we will focus on  two fundamental concepts, distribution and retailing.  The distribution channel used by most firms is  typically outsourced to a series of independent firms,  like an importer, a wholesaler, and a retailer.  For example, take a look at  the distribution channel for imported flowers.  The distribution process is often lengthy and requires  substantial resources in terms of both time and money.  Each member of this channel is  typically independent from the other members.  So each participant is trying to maximize  their revenues while minimizing their cost.  As a result, conflicts and  misunderstandings among channel members often arise.  In order to properly manage this channel,  a manufacturer needs to carefully  select and closely monitor each of his channel partners.  This is a very difficult and costly endeavor that  typically drives up the price of this products.  The retailer is typically  the final step in the distribution chain.  Selecting the type and number of  retailers is an important decision  because it affects the type and number of  customers that can acquire a product.  For example, firms that produce  luxury goods like Louis Vuitton employ  an intensive placement strategy by making their products  available at only a few exclusive retailers.  In contrast, lower priced consumer goods  like toothpaste and shampoo,  typically employ an extensive  placement strategy by making  their products available to as  many different retailers as possible.  Now, retailers also vary  in terms of their degree of customer service.  Some retailers, like convenience stores,  are largely self-service operations  where customers locate  and stark products with  almost no assistance from the retailer.  In contrast, full-service retailers,  like high-end department stores,  take a much more active role in assessing  a customer's needs and  locating the right product for them.  With few exceptions such as Dell Computers,  most products are sold through  an extensive network of distributors and retailers.  These firms play important functions by  helping get this product into the hands of customers.  Now, these functions are not free.  Typically, a manufacturer receives  about 60-70 percent the products retail price.  Thus, traditional product placement is  a very expensive proposition for  both firms as well as customers.  This traditional approach is beginning to break  down due to the rise of digital tools.  Today, many firms are supplementing or  even bypassing physical retailers by making  their products directly available at  either an online retailer like  Amazon.com or on their own website.  Now, this trend has been going on for some time,  and online sales are growing very rapidly.  Even products that we traditionally want to touch or try  out at a store are now being sold online.  A great example of this is Casper,  which is a very innovative new firm  that sells mattresses online.  That's right, mattresses online.  So the first time that a customer gets to try out  this mattress is after it's delivered in their home.  Now, if a mattress can be sold online,  just about any product can  bypass traditional physical stores.  Now, this growth of online retailing is probably not too  surprising to most participants in this course.  However, what maybe surprising is the fact that  digital tools are now  capable of not only replacing the retailer,  but the entire distribution channel.  Today, even large online retailers like Amazon.com  have to physically ship  products from the manufacturer to the customer.  However, newly emerging tools such as  3D printers are now making it  possible to eliminate the distributor,  by allowing a firm to ship  a digital design rather than a physical product.  A nice example of this is,  I have one right over here, bakers' cube.  Now, this is all in one measuring tool  for baking cookies and cakes.  The digital design for this product is  freely available on Thingiverse.com.  So anyone in the world with access to  a 3D printer can now print this out almost for free.  So in this new digital marketing environment,  we are moving from long channels for  physical goods to short channels for digital goods.  In this module, we'll discuss how new digital tools like  3D printers are starting to  change how products are being distributed.  I think you'll find this discussion quite fascinating,  and it may alter the way you think  about this aspect of the marketing mix.  In today's digital world,  just about any product can be purchased online.  For example, Amazon.com sells  nearly 600 million different products.  Many of these products would be rather  difficult to locate at a physical retailer.  For example, if you were a University of Illinois fan,  living in Chennai, India,  it would probably be quite difficult to find  this University of Illinois scarf at your local retailer.  However, you can easily buy this product from  Amazon along with about 7,000 other Illinois items,  including T-shirts, hats, and sunglasses.  Addition to large online mass marketers like Amazon,  there are also many highly  successful online retailers that  specialize in specific product categories  such as eyeglasses,  shoes, and even wedding dresses.  In countries like the US and China,  over 80 percent of  all consumers engage in online shopping,  at least occasionally, and  low-price items like books and clothing,  are more likely to be purchased  online than in a physical store.  Even large expensive objects  are now being purchased online.  For example, a few years ago,  my wife and I were recently remodeling our house,  and we purchased our staircase from an online vendor.  So online retailing has become  a considerable threat to traditional physical retailers.  This online competition has forced  several well-known retailers across  a wide variety of product categories,  including music, books, and electronics,  to go out of business.  Here in the US, many indoor shopping malls are closing,  and most have at least a few vacant stores.  Due to this threat of online retailing,  physical retailers have had to  change how they do business.  For example, most retailers  have established websites that allow  customers to both obtain information about  their products and also buy them online.  In addition, a growing number of  retailers such as Walmart,  have made it easy for customers to order  online and then pick up their products at the store.  Some retailers have even decided,  if you can't beat them, join them.  They're now selling their merchandise  through popular online shopping websites,  like Amazon or Alibaba.  Also, several physical stores are starting to use  digital tools to enhance the shopping experience.  In this video lecture,  we'll focus on how physical retailers are  adapting in response to this new digital world,  to form a new retail landscape.  Here are a few examples of this new landscape.  Best Buy vending machine.  Like many big-box retailers,  Best Buy has had difficulty combating online retailers.  In contrast to Amazon.com,  Best Buy has a much higher set of fixed costs.  Like the lease for its buildings,  the cost of energy,  and the salary of its sales staff.  So big-box stores like Best Buy  are shrinking in size to bring these costs down.  Best Buy has taken the size reduction to the extreme,  by installing vending machines stocked with  a variety of digital products like smartphones, cameras,  and headphones across many high traffic locations,  like hotels, airports, and train stations.  At present, Best Buy has installed over 100  of these machines across the US.  Tesco virtual stores.  The British mega retailer Tesco,  has installed a set of virtual stores at  bus stops and subway stations in Seoul, South Korea.  In essence, these stores are simply  a large screen that displays various products.  Shoppers just need to download a Tesco app,  they can use this app to scan  the barcode for any item they want to purchase.  The items that they scan are then delivered  to their home and ready when they arrive.  The Tesco app is one of  the most popular shopping apps in Korea,  and this virtual store concept is now being  copied by other retailers in other countries.  B8ta. This new California-based retailer  of consumer electronics is quickly  expanding as locations across  more than a dozen US states and  also a growing presence internationally.  Some of these stores are stand-alone  and others are located within larger retailers,  like department stores and home improvement stores.  B8ta has very little physical inventory,  and all of its products in their stores are displayed  out-of-the-box and customers are  encouraged to touch and try them out.  Each product also has a tablet next to it,  that provides product information  and allows for easy ordering.  Their stores also have a number of cameras that keep  track of what products customers  are browsing and touching.  Perhaps the most interesting feature of b8ta,  is that it doesn't make any money from customer sales.  Instead, manufacturers pay b8ta  to carry their products in their stores.  These three stores are great examples of  a new emerging phenomenon that I call new retail.  In essence, new retail is a collection  of strategies, some physical,  some digital, that physical retailers are  using to react to  the changes of operating in a digital world.  Now, there are lots of interesting issues  surrounding retailing in a digital world.  For the purpose of this discussion,  I'd like to focus on  three key observations about  this new retailing landscape.  First, location, location, location.  According to many real-estate experts,  location is the single most important factor  when it comes to selling a home.  Thus, it is better to have  a bad house in a good neighborhood,  than a good house in a bad neighborhood.  The importance of location also extends to retailing.  A substantial body of research shows that  online retailing is heavily affected by location.  For example, people who have access to  well-priced physical stores are  less likely to shop online.  Thus online shopping is more likely to occur among  consumers living in small towns like Champagne,  than those living in big cities like Chicago.  Thus the appeal of the digital is  strongly influenced by one's physical environment.  Second, purchase versus information.  In addition to providing a means of purchase,  digital retailers also provide  a considerable amount of product information.  For example, Amazon.com provides a product description,  extensive technical information, and  also user reviews for most of the products that it sells.  So consumers that visit  digital retailers can not only purchase products,  but also obtain information about them.  Now, they can also do the same for physical retailers.  In recent years, there's been lots of  discussion about the showrooming phenomena,  in which customers first visit  a physical store but then buy a product online.  Perhaps you've done this yourself.  Indeed here in the US,  about two out of every three customers who buy online,  first go to a physical store to examine a product.  Now although showrooming does happen, in reality,  more people engage into webrooming,  which they first obtain information about  a product online and then buy it in a physical store.  Third, digital and physical.  We tend to think of digital and physical  as two entirely separate things.  Indeed these two forms of retail are  quite different in many ways.  However, as shown by  the Tesco example that we just discussed,  a growing number of retailers are seeking  ways to blend the two together.  This blending of the digital and the  physical is often referred to as omni channel marketing.  It is based on the idea that retailers need to take  advantage of the strengths  of each of these two shopping channels.  For example, physical retailing is more  effective for returning products  and obtaining customer service.  While online retailing is superior in  terms of conducting product research  and getting the best price.  So a growing number of retailers are seeking to have  a presence in both of these two channels. |