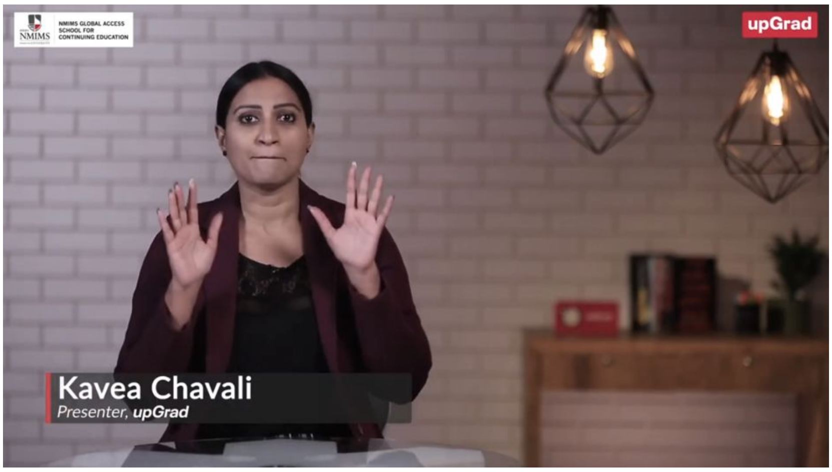
Transcription

Place Strategy



I'm sure if I asked which is your favourite brand of instant noodles, most of you will end up saying Maggie. I remember whenever I used to feel hungry during my hostel life, Maggie was the answer to my Hunger as it was easily available. Be it in the Hills, base camps on mountain tops in remote areas or as midnight snack, Maggie is always available in every part of the country. Now one major factor contributing to the popularity of Maggie is it's availability. Let's hear from Professor Chavvi about the importance of choosing a place for your product.

When you think of Maruti Suzuki, you think of brands like the Maruti 800, Maruti Alto, the Swift and the Swift Dzire. When you think of Honda on the other hand, you think of Honda City, Honda Civic. That becomes a problem when Suzuki tries to fight brands like Honda and Ford. When you're selling SUVs and premium sedans, you can't have customers seeing you as a brand of small cars. What do you do as Suzuki?

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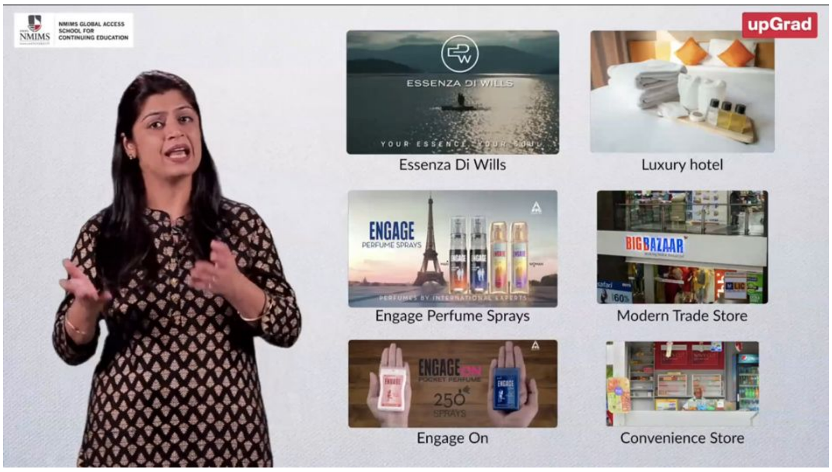
In 2015, Maruti Suzuki launched Nexa, a new dealership format for its premium cars. Now, these cars were being sold through traditional dealerships at the same price, had the same features and even the same promotional strategy. Then why does the PLACE of availability make such a difference?

The 3rd P of the marketing mix – the Place refers to how your product or service reaches your consumer and where he or she picks up your product from. Much like your product and pricing strategy, your Place strategy would also start with your consumer.

- Where do they shop from?
- Where do they look for product information?
- Where do they have the maximum purchase intent?



Let's understand this with an example. ITC has multiple brands and formats for body fragrance. There's Essenza De Wills, a range of premium perfumes, There's Engage deodorants and perfumes and then there's Engage On, a range of pocket perfumes. Where do you think ITC should make the 3 brands available?

- Now Essenza Di Wills has a premium and exclusive positioning. ITC sells Essenza primarily in their luxury hotels and through Wills Lifestyle stores. The brand is shown to the consumer in glass cases and displayed alongside other premium merchandise.
- Engage Deos on the other hand retails in modern trade stores such as Big Bazaar and Spencers, in general trade stores or the kirana stores and online as well. The brand is positioned as a fragrance for daily use and so, sells where the consumer purchases detergent and soap.
- Engage On, the pocket perfume is positioned as a convenience product. Consumers can't be expected to walk into an ITC hotel or a Big Bazaar to pick up the product. ITC sells Engage On in convenience stores alongside their cigarettes, candy and snacks.

This is a marketer ensuring that their brand is available where their consumer can recognise his need, see the brand, map the brand to the unmet need and finally, purchase the brand.

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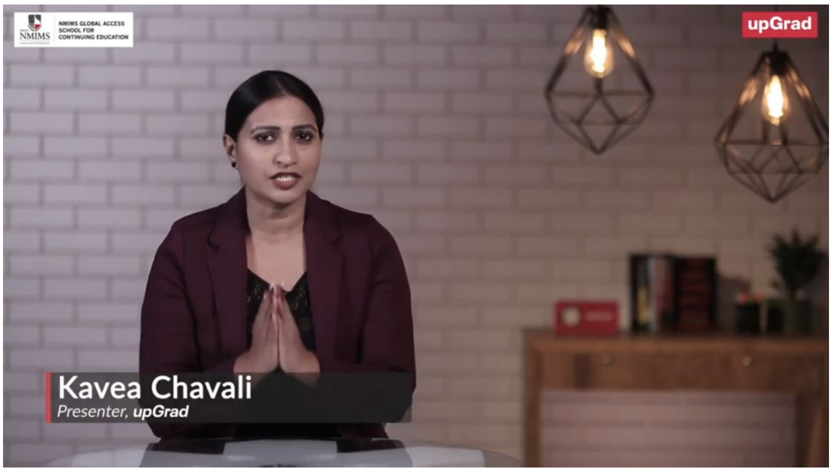
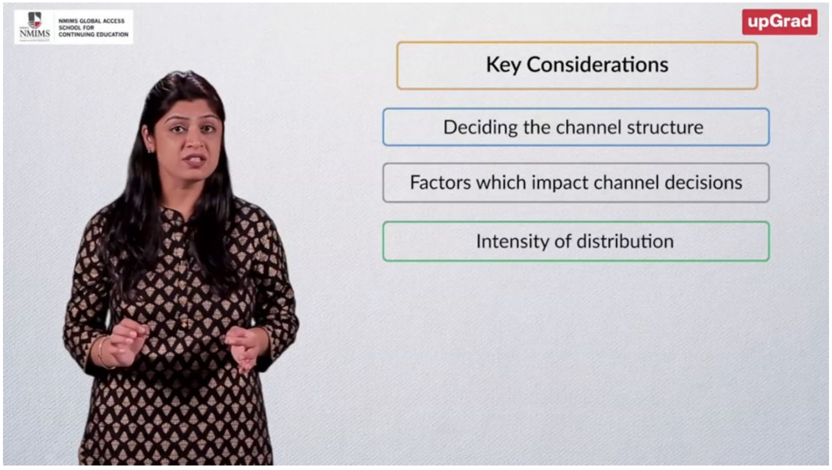


Now that you have learnt about the importance of choosing the right distribution channels you must now learn the 3 importance consideration regarding the choice of the distribution channels. Let's hear more from Professor Chavvi on how to decide this structure of a distribution channel, the factors that impact the structure and the depth of the selected structure of a distribution channel.



Let us take a look at the three important considerations that you need to keep in mind as a marketer for managing your channels.

- The first important aspect is deciding on your channel structure.
- The second important aspect is to understand the factors which impact your channel decisions.
- And the third important aspect and indeed a very important one, is to understand what exactly should be the intensity of your distribution.

Let us take a look at each of these in detail. Starting with the first one, how do I decide that what should be the structure of my distribution channel? A channel distribution structure can range from anything between a zero level to one level, two level, three level, or even more than that. A zero-level channel also known as a direct marketing channel is when the manufacturer decides to sell directly to the final customer.

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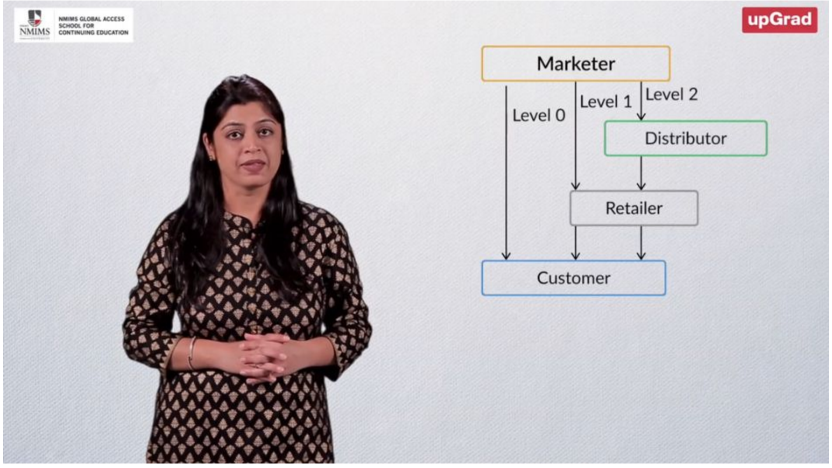

The best examples are the door to door sales by a company like Eureka Forbes, a home party arrangement offered by companies like Tupperware or Oriflame, a meal order that you receive, any kind of telemarketing initiatives by brands, or the TV selling Skye shops, or in fact internet selling wherein the marketer directly links up with you through a company website, or a manufacture owned retail outlet. All of these are initiatives where the marketer is directly reaching out to you, the customer.

As against that, the marketer may also decide to bring in a level in between one level, two levels or more than that. These levels could comprise the wholesaler or retailer or jobber, a CNF agent, a stocker, any of these, some of these, all of these to reach out to you as a customer.

And finally, there is also something which flows back into the system as a reverse flow channel wherein sometimes products are sent back for reuse or disposal or sometimes packaging material is sent back as an e-waste, or sometimes recycling products such as paper need to be sent back to the manufacturer.

Let us take a look at the various factors that effect a marketer's choice of the channels. These factors can broadly be put into the following three categories,

- the marketing related factors
- the product related factors
- the manufacturer related factors

Marketing related factors are those factors which are related to the buyer's expectations to buy from a type of outlet. For instance, let us take a case of a purchase of medicines. OTC medicines are expected to be in a pharmacy store. Have you ever wondered why? Well, that's because that is where you, the customer expects the product to be. If I place those medicines in a Pan shop or in a grocery outlet, are you going to buy from there? Chances are no.

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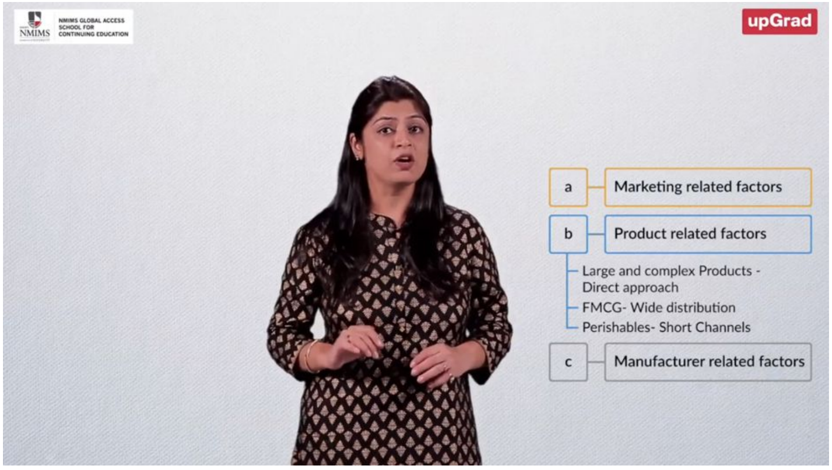
The next important aspect is the willingness of the channel intermediaries to market a product. So, no matter how much I cajole a retail outlet, like a grocery shop or a Pan shop to stock that OTC medicine, will he be willing to come on? Chances are a no.

The next important aspect is related to the profit margins that are demanded by the channel intermediaries.

And finally, the location and the geographic concentration of my customers. If the location and the geographical dispersion of my customers is far and wide, I have no option as a marketer, but to make my product readily available everywhere.

Next, let us take a look at the manufacturer related factors. These are the factors that stem from the resources that the manufacturer has available to take on channel operations. So, the marketers' product mix, which is the range of products that he makes is a very important aspect of how far he would want to go. Next is the set of product related factors.



And finally, the product related factors. So, for large and complex products, quite obviously a marketer would need a distribution which follows a direct approach of reaching out to the customer because the products, the technicality of the products or the complexity of the products warrant or one-to-one interaction with the customer. Likewise, FMCGs would need a wide distribution to reach out to the masses because they have a fairly dispersed population.

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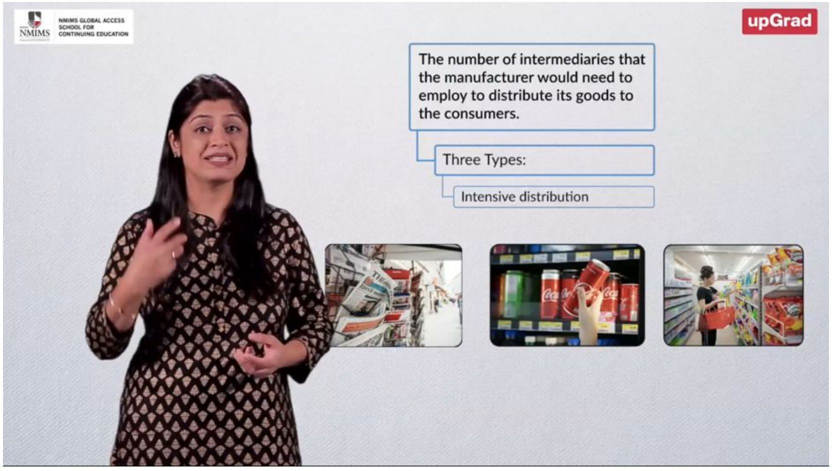
Likewise, perishable products like fruits and vegetables would need a shorter channel so as to replenish their stocks really fast and prevent them from getting contaminated.

Finally, a very important aspect of the channel management rests on determining the intensity of our distribution. Distribution intensity simply implies the number of intermediaries that the manufacturer would need to employ to distribute its goods to the consumers. Distribution intensity can be off the following three types,

- an intensive distribution
- a selective distribution
- an exclusive distribution



Starting with an intensive distribution. So, what exactly do we mean by an intensive distribution? Any channels policy in which a manufacturer of let's say a convenience product, attempts to saturate the market, penetrate the market and it's mostly appropriate for products which are daily use such as a newspaper or snack foods or toiletries, soft drinks, these are the kinds of products that consumers buy frequently. Hence, it requires a distribution which is intensive in nature.

Next is a selective distribution, a channel policy in which a firm chooses only a limited number of intermediaries less than all and more than a few. And the objective is to handle the product line in such a way that it is selectively available in some outlets. The classic example is that of books, furniture or simply furnishings.

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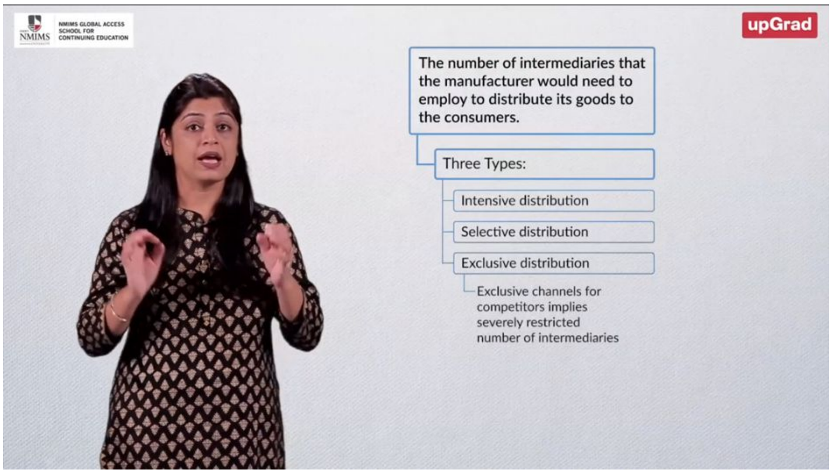

Finally, an exclusive distribution, a channel policy in which a firm severely limits the number of intermediaries willing to carry the product. And this is stemming from the fact that re-sellers agree not to carry competing brands and is ideally appropriate when the manufacturer wants considerable control over the service level and the outputs.

The classic example here is that of designer cloths, wherein the marketer really wants to a limited to very selective exclusive outlets, which carry only an exclusive brand such as Zara, Vera Moda or Louis Vuitton.

Subject Matter Expert: Anuri Mehta

Place: Tea

Let us now talk about the third P of the marketing mix which is the place. So like many other categories and as you all know, a lot of mass brands are available at Kirana stores whereas the brands sitting in the popular and the premium segments are available in the upmarket high street modern trade stores like Big Bazaar and more outlets as mentioned earlier.

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