

## The marketing mix: place

### The role of place decisions in the marketing mix

- After deciding on the product and right price, the business has to get the product to the consumer
- The product has to be available when and where the consumers want to buy it
- Where consumers buy the product will affect how well the product will sell

### Distribution channels

- A distribution channel is the means by which a product is passed from the place of production to the customer or retailer

#### Distribution channel 1

Producer → Consumer

- This channel is common when selling from one manufacturer to another
- ✓ This distribution channel is simple, involves manufacturers selling their products directly to the consumer
- ✓ Suitable for certain types of agricultural products
- ✓ Products can be sold by mail order catalogue or via the internet
- × This is usually impractical for most consumers as they do not live near a factory and it difficult to commute there
- × Cannot be suitable for products that cannot be easily sent by post
- × Expensive to send products by post and will not be cost effective

#### Distribution channel 2

Producer → Retailer → Consumer

- Common where retailer is large such as a supermarket, or when products are expensive such as furniture or jewellery
- ✓ Producer sells large quantities to retailers
- ✓ Reduced distribution costs as compared to channel 1
- × No direct contact with customers

#### Distribution channel 3

Producer → Wholesaler → Retailer → Consumer

- This distribution channel involves using a wholesaler, who performs the function of breaking bulk. Breaking bulk is where wholesalers buy products from manufacturers in large quantities and then divide up the stock into much smaller quantities for retailers to buy

- ✓ Wholesaler saves storage space for smaller retailer and reduces storage costs
  - ✓ Small retailers can purchase products in small quantities from wholesaler because they have limited shelf life before they deteriorate
  - ✓ May give credit to customers so they can take the goods straight away to pay at a later date
  - ✓ Wholesaler may deliver to the small retailer thus saving on transport costs
  - ✓ Wholesaler can give advice to small retailers about what is selling well. They can also advise the manufacturer what is selling well
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- × May be more expensive for the small shop to buy from a wholesaler than if they bought straight from the manufacturer
  - × Wholesaler may not have the full range of products to sell
  - × Takes longer for fresh produce to reach the shops and so it may not be as good quality
  - × Wholesaler may be a long way from the small shops

#### Distribution channel 4

Producer → Agent → Wholesaler → Retailer → Consumer

- An agent is an independent person or business that is appointed to deal with the sales and distribution of a product or range of products
  - The agent sells on behalf of the manufacturer
  - This allows the manufacturer to have some control over the way the product is sold to consumers
  - The agent will either put an additional amount on the price to cover their expenses or will receive a commission on sales
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- ✓ Manufacturer may not know the best way to sell the products in other markets and an agent can aid them in this
  - ✓ Agents will be aware of local conditions and will be in the best position to select the most effective places in which to sell
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- × Less control over the way the product is sold to customers

#### Methods of Distribution

<u>Methods of Distribution</u>	<u>Description</u>
Department Stores	A large store, usually in the centre of towns or cities, that sells a wide variety of products from a wide range of suppliers
Chain Stores	Two or more stores which have the same name and have the same characteristics
Discount Stores	Retail stores offering a wide range of products, many branded products at discount prices. Often the product ranges are similar types of products, e.g. electrical goods
Superstores	New very large out-of-town stores which sell a wide range of products
Supermarkets	Retail grocery stores with dairy produce, fresh meat, packaged food and non-food departments

Direct sales	Products are sold directly from the manufacturers to the consumers
Internet/e-commerce	e-commerce is the buying and selling goods and services using computer systems linked to the internet
Mail order	Customers look through a catalogue or magazine and order via the post. Orders can also often be placed by telephone or internet

### Opportunities and threats of e-commerce to business

- ✓ Low cost promotion
- ✓ Global coverage
- ✓ Able to access many consumers
- ✓ Shops might not be needed
- ✓ Business-to-business e-commerce is easier
  
- × Setting up/updating website costs
- × No direct consumer contact
- × Competition from other website
- × Transport costs

### Opportunities and threats of e-commerce to consumers

- ✓ No need to leave the house to go shopping
- ✓ Price comparisons can easily be done to find the cheapest alternative
- ✓ Can access a wider range of goods and services located abroad without high costs
- ✓ Consumers benefit from low prices due to increased competition
  
- × Need internet access, which may be inaccessible or expensive
- × Computer system failure and poor connectivity may lead to frustrated customers
- × Products are not tangible and returning unsuitable goods is often inconvenient
- × There is no face to face contact so it is more difficult to find out more about the product being sold
- × The security threat of identity theft and fraudulent use of credit cards

### Factors affecting the distribution channels

- Technicality of the product
- Price of the product
- How often the product is purchased
- If the product is perishable
- Is it being sold to a producer or a consumer
- If the product is being sold abroad
- Where the consumers are located
- Where the competitors' products are sold

