

Lesson 6.1

The Marketing Mix—Distribution

Goals

- Describe the four basic options of channels of distribution.
- Apply channels of distribution to the specific needs of various types of businesses.
- List factors to consider in the physical distribution of products.

Vocabulary

- supply chain management
- distribution
- channels of distribution
- direct channel
- indirect channel
- physical distribution

Supply Chain Management

- **supply chain management**
 - the coordination of manufacturers, suppliers, and retailers working together to meet a customer need for a product or service

■ **distribution**

- involves the locations and methods that are used to make products available to customers

■ **channels of distribution**

- the routes that products and services take from the time they are produced to the time they are consumed

Direct and Indirect Channels

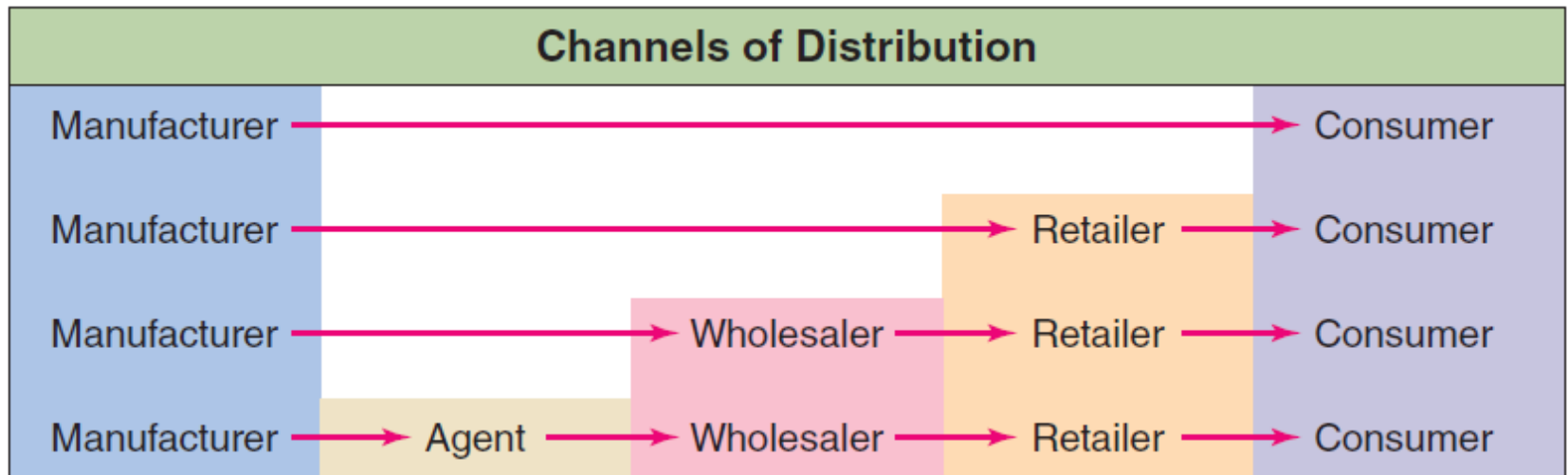
■ direct channel

- moves product directly from the manufacturer to the consumer

■ indirect channel

- uses intermediaries
 - people or businesses that move products between the manufacturer and the consumer

Channel Options



■ Manufacturer to Consumer

- sales methods may include:
 - the Internet
 - direct mail
 - television shopping channels
- no intermediaries
- most cost-effective
- limited sales opportunities

- **Manufacturer to Retailer to Consumer**
 - sales force sells goods to retailers
 - retailers sell goods to consumers
 - offers more sales opportunities

- **Manufacturer to Wholesaler to Retailer to Consumer**
- manufacturer sells large quantities to a wholesaler
 - wholesaler stores and sells smaller quantities to many retailers
- lower production costs can lead to lower prices

- **Manufacturer to Agent to Wholesaler to Retailer to Consumer**
- The manufacturer delegates the sales function to an agent.
- frequently used in international marketing



What are the four basic options of channels of distribution?

Distribute Goods and Services

- Distribution channels will vary based on business needs.
 - market size
 - type of product or service
 - customer needs and wants

Retail Businesses

- Retail businesses can distribute products in a variety of ways.
 - offer the product at a convenient location during convenient times
 - use advertising to reach customers
 - allow for phone or fax ordering
 - develop a website for online purchases

Service Businesses

- Most service businesses sell directly to customers.
 - production and consumption of the service happens at the same time
 - the service needs to be provided to the customer when the customer needs it
 - some service providers sell through retail stores

Manufacturing Businesses

- Manufacturers usually sell products to other businesses.
- The other businesses sell to the final consumer.



Why are channels of distribution different for different types of businesses?

Physical Distribution

- **Physical distribution**
 - transportation
 - storage
 - handling
 - packaging

Transportation

- The best and most cost efficient transportation method should be determined.
- The type of product and the destination of the product will help guide the decision-making process.

Product Storage and Handling

- Benefits of efficient storage include:
 - balancing supply and demand of products
- Other considerations of storage include:
 - adds to the cost of products
 - increases the risk of damage or theft

Packaging

- The purpose of packaging is to protect the product from the time between production and consumption.
- Effective packaging provides value by minimizing product damage.

Receiving Goods to Sell

- All types of businesses must receive goods from suppliers.
- Sources that can be consulted to find suppliers include:
 - The American Wholesalers and Distributors Directory
 - The ThomasNet website
 - Trade magazines



What factors are important to consider in the physical distribution of products?