

Chapter MP3 script 34

The Marketing Mix: Distribution

In this recording we summarise the content of chapter 34 The Marketing Mix: Distribution. Studying this chapter should help you explain the purpose of distribution as a variable in the marketing mix; define what a channel of distribution is (including functions) and key considerations in channel strategy and decision-making; discuss the types and roles of intermediaries; explain the importance of supply chain management; .

Introducing the chapter, the authors start with 1. Having looked at three major elements in the marketing mix – product, price and promotion – we can now turn to the fourth and last element: place/distribution. The organisation must make the product available (distribute) to potential customers. Place or distribution is essentially about how to place the optimum amount of goods and/or services before the maximum number of members of your target market, at times and locations which optimize the marketing outcome, i.e. sales. In this chapter we focus on the aspect of the marketing mix that deals with making products available in the quantities desired, to as many customers as possible and keeping the total inventory, transport and storage costs as low as possible. The distribution system exists for two prime reasons, (1) to establish and maintain customer relationships and (2) to distribute goods and services.

2. In a society that expects everything to be right here, right now, 24 hours per day and 365 days per year, the marketing mix variable of place has evolved considerably. Compare for example, developments in banking-how we now manage our money (ATMs and Internet banking); how we buy tickets for entertainment, shows or travel and how we buy food (fast-food restaurants, drink and snack dispensing machines). Distribution channels are important because they enable sales and therefore revenue generation and permit the company to deliver offerings that meet customer expectations. Distribution activities help the organisation add value - however, distribution may be costly. Consequently, the marketing manager must make many trade-offs when deciding upon the best channel strategy.

3. Distribution ranges from production and manufacturing to logistics, warehousing and the final delivery of goods to the customer. In this chapter we first consider and evaluate distribution channels before discussing logistics and supply chain management. Finally, briefly, we evaluate the impact of internet technologies on distribution. As with all marketing mix decisions, distribution and channels are also dependent upon the target market. We will discuss market segmentation and its relationship with all of the marketing mix variables in chapter 36..

The key concepts discussed within this chapter are:

Distribution channel - Interlinked stages and organizations involved in the process of bringing a product or service to the consumer or industrial user.; Place or distribution - Is essentially about how you can place the optimum amount of goods and/or services before the maximum number of members of your target market, at times and locations which optimize the marketing outcome, i.e. sales.; .

Other terms discussed include:

Channel cannibalisation; Direct distribution channels; Disintermediation; Intermediary; Logistics; Place/distribution variable; Supply chain; Supply chain; supply chain management; .

Summarising and concluding, the author(s) make the following comments - 23. Distribution or place is the marketing mix variable referring to activities which aim to make products available to customers when and where they want to purchase them. Activities are organised within distribution channels which may be direct, indirect or hybrid. In the case of the direct channel, the manufacturer distributes products and services to the end consumer. In the case of the indirect channel, the manufacturer makes use of intermediaries as a link between themselves and the ultimate consumer. Each channel has differing advantages and disadvantages, particularly in terms of economics,

coverage and control. The distribution channel is responsible for many functions and their joint efforts may be captured under the general banner of supply chain management. This latter concept promotes the coordination of all business entities engaged in the activities of providing customers with the products or services demanded. Internet technologies have impacted upon the supply chain to enable both e-procurement, upstream, and e-commerce downstream. Such technologies reduce transaction costs and enable two-way communication with consumers. They also enable manufacturers to adopt direct channels or hybrid models that can lead to channel conflict and cannibalisation..

We have now reached the end of the chapter 'The Marketing Mix: Distribution'.

There are a number of references for this chapter where further reading opportunities are identified for you.