

Distribution Strategy

“They Said It”

“The universe is really big. It’s even bigger than Wal-Mart.”
 —Richard Belzer (b. 1944)
 American comedian

Distribution channel - path through which products—and legal ownership of them—flow from producer to consumers or business users.

Physical distribution - actual movement of products from producer to consumers or business users.

Distribution Channels

Figure 13.5 Alternative Distribution Channels



Distribution Channels using Marketing Intermediaries

Direct Distribution

- Direct contact between producer and customer.
- Most common in B2B markets.
- Often found in the marketing of relatively expensive, complex products that may require demonstrations.
- Internet is helping companies distribute directly to consumer market.

Distribution Channels Using Marketing Intermediaries

- Producers distribute products through *wholesalers* and *retailers*.
- Inexpensive products sold to thousands of consumers in widely scattered locations.
- Lowers costs of goods to consumers by creating market utility.

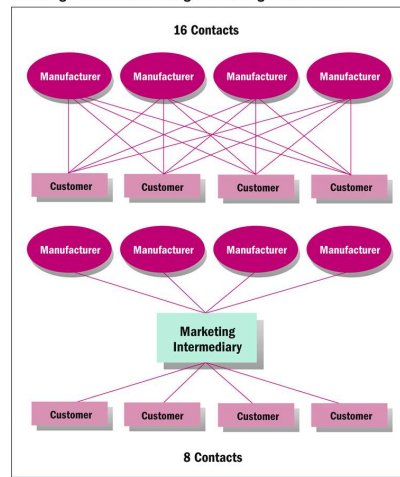
"They Said It"

"You can do away with the middleman, but you can't do away with the functions he or she performs."
—American business saying

Marketing Intermediaries

Figure 13.6

Reducing Transactions through Marketing Intermediaries



Wholesaling

- **Wholesaler** - distribution channel member that sells primarily to retailers, other wholesalers, or business users.
- **Manufacturer-Owned Wholesaling Intermediaries**
 - Owned by the manufacturer of the good.
 - *Sales branch* which stocks products and fills orders from inventories.
 - *Sales office* which takes orders but does not stock the product.

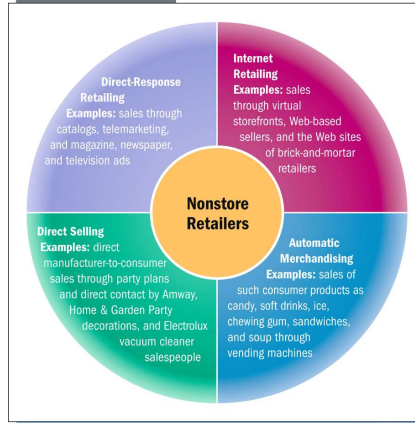
Retailers

- **Retailer** - channel member that sells goods and services to individuals for their own use rather than for resale.
- Final link of the distribution channel.
- Two types: store and non-store.

Non-Store Retailing

- Direct response retailing
- Internet retailing
- Automatic merchandising
- Direct selling

Figure 13.7 Types of Nonstore Retailing



Retail Stores

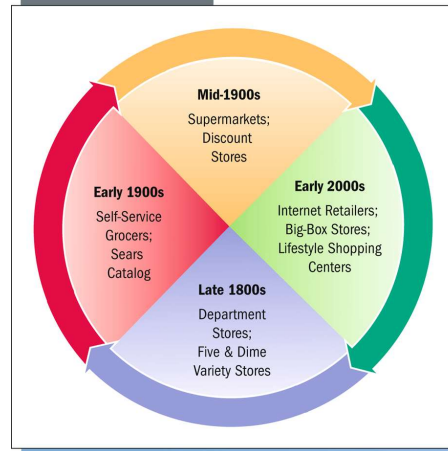
Table 13.2 Types of Retail Stores

Store Type	Description	Example
Specialty store	Offers complete selection in a narrow line of merchandise	Bass Pro Shops, Dick's Sporting Goods, Williams-Sonoma
Convenience store	Offers staple convenience goods, easily accessible locations, long store hours, and rapid checkouts	7-Eleven, Mobil Mart, QuikTrip
Discount store	Offers wide selection of merchandise at low prices; off-price discounters offer designer or brand-name merchandise	Target, Wal-Mart, Nordstrom Rack, Marshalls
Warehouse club	Large, warehouse-style store selling food and general merchandise at discount prices to membership cardholders	Costco, Sam's Club, BJ's
Factory outlet	Manufacturer-owned store selling seconds, production overruns, or discontinued lines	Adidas, Coach, Pottery Barn, Ralph Lauren
Supermarket	Large, self-service retailer offering a wide selection of food and nonfood merchandise	Safeway, Whole Foods Market, Kroger
Supercenter	Giant store offering food and general merchandise at discount prices	Wal-Mart Supercenter, Super Target
Department store	Offers a wide variety of merchandise selections (furniture, cosmetics, housewares, clothing) and many customer services	Dillard's, Nordstrom, Macy's, Neiman Marcus

Wheel of Retailing

Figure 13.8

The Wheel of Retailing



How Retailers Compete

- 1) Identifying a Target Market
- 2) Selecting a Product Strategy
- 3) Selecting a Customer Service Strategy
- 4) Selecting a Pricing Strategy
- 5) Choosing a Location
- 6) Building a Promotional Strategy
- 7) Creating a Store Atmosphere

✓ Retail Locations

- ✓ Planned Shopping Center
- ✓ Shopping Mall
- ✓ Regional Mall
- ✓ Lifestyle Mall

✓ Distribution Channel Decisions and Logistics

- What specific channel will it use?
- What will be the level of distribution intensity?

Selecting Distribution Channels

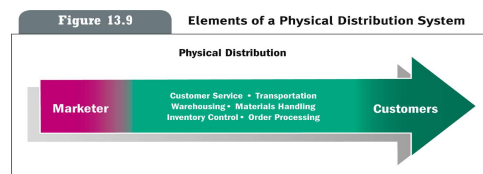
- ✓ Complex, expensive, custom-made, or perishable products move through shorter distribution channels involving few—or no—intermediaries.
- ✓ Standardized products or items with low unit values usually pass through relatively long distribution channels.
- ✓ Start-up companies often use direct channels because they can't persuade intermediaries to carry their products.

Distribution Intensity

- **Intensive distribution** - firm's products in nearly every available outlet. Requires cooperation of many intermediaries.
- **Selective distribution** - limited number of retailers to distribute its product lines.
- **Exclusive distribution** - limits market coverage in a specific geographical region.

Logistics and Physical Distribution

- **Supply chain** – complete sequence of suppliers that contribute to creating a good or service and delivering it to business users and final consumers.
- **Logistics** – the activities involved in controlling the flow of goods, services, and information among members of the supply chain.
- **Physical Distribution** – the activities aimed at efficiently moving finished goods from the production line to the consumer or business buyer.



Comparison of Transportation Modes

Table 13.3

Comparison of Transportation Modes

Mode	Speed	Dependability in Meeting Schedules	Frequency of Shipments	Availability in Different Locations	Flexibility in Handling	Cost
Truck	Fast	High	High	Very extensive	Average	High
Rail	Average	Average	Low	Low	High	Average
Water	Very slow	Average	Very low	Limited	Very high	Very low
Air	Very fast	High	Average	Average	low	Very high
Pipeline	Slow	High	High	Very limited	Very Low	Low

Customer Service

- **Customer service standards** measure the quality of service a firm provides for its customers.
- **Warranties** are a firm's promises to repair a defective product, refund money paid, or replace a product if it proves unsatisfactory.
- Internet retailers have worked to humanize their customer interactions and deal with complaints more effectively.