

# Unit 9

Place: distribution strategies that  
balance coverage and control

# Road Map: Previewing the Concepts

- Explain why companies use distribution channels and discuss the functions these channels perform.
- Discuss how channel members interact and how they organize to perform the work of the channel.
- Identify the major channel alternatives open to a company.
- Explain how companies select, motivate, and evaluate channel members.
- Discuss the nature and importance of marketing logistics and supply chain management.

# What is place?

- Place or distribution strategy is about making products available to customers when and where they prefer to evaluate, select, buy, consumer and dispose of them.
- Distribution channels are the means by which products flow from producer/provider to customer/consumer.
- “Where” and “When” decisions are critical.

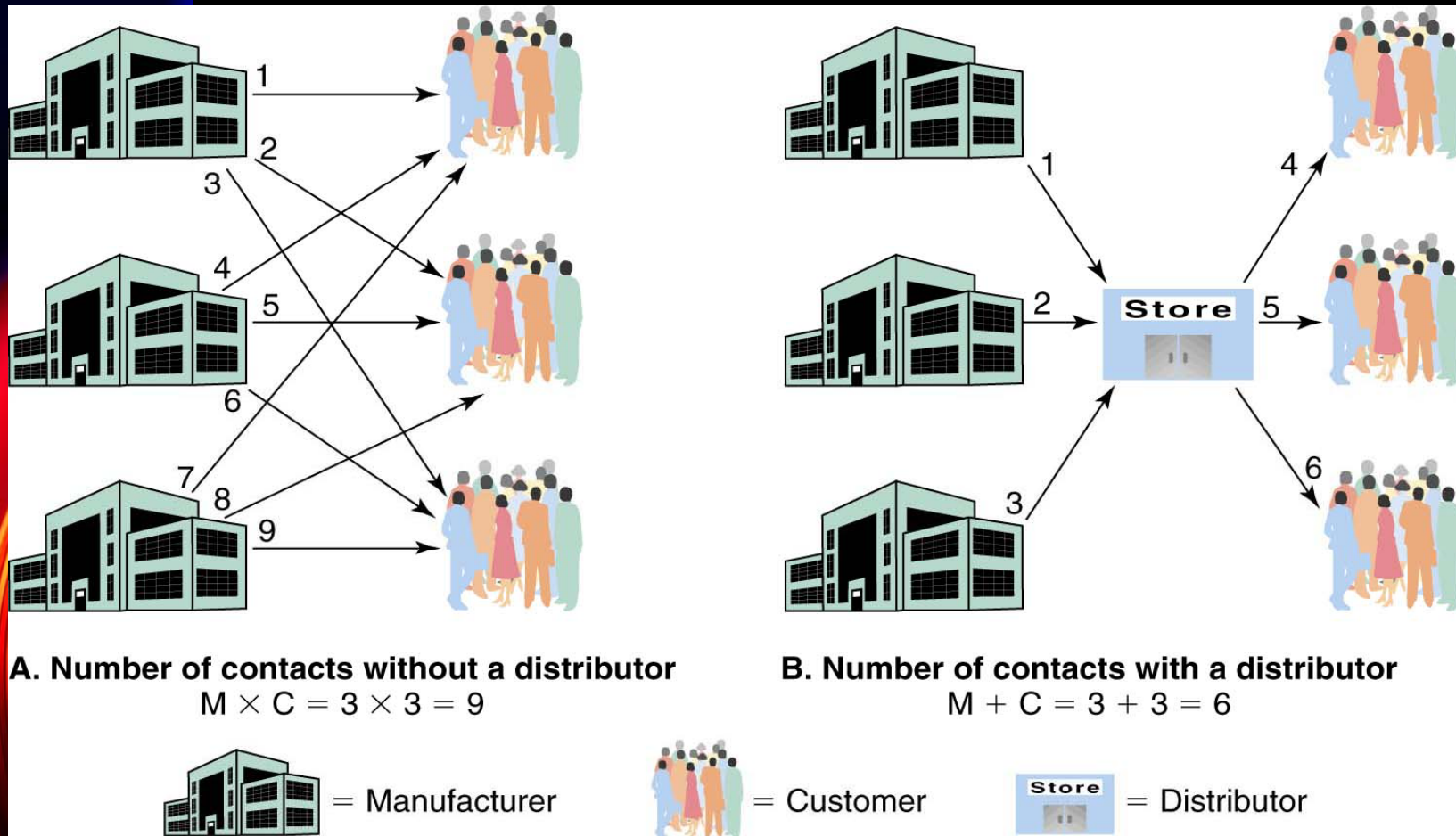
# What is a Distribution Channel?

Set of interdependent organisations involved in the process of making a product or service available for use or consumption by the consumer or business user.

# Why are Marketing Intermediaries Used?

- The use of intermediaries results from their greater efficiency in making goods available to target markets.
- Offers the firm more than it can achieve on its own through the intermediaries:
  - Contacts,
  - Experience,
  - Specialisation,
  - Scale of operation.
- Purpose: match supply from producers to demand from consumers.

# A Distributor Reduces the Number of Channel Transactions (Fig. 11-1)



# Key Channel Attributes

- Economics

- Recognises exactly where the costs and profits of each distribution alternative are, or should be, made in any channel.

- Coverage

- Optimises the availability of the product to the targeted segments.

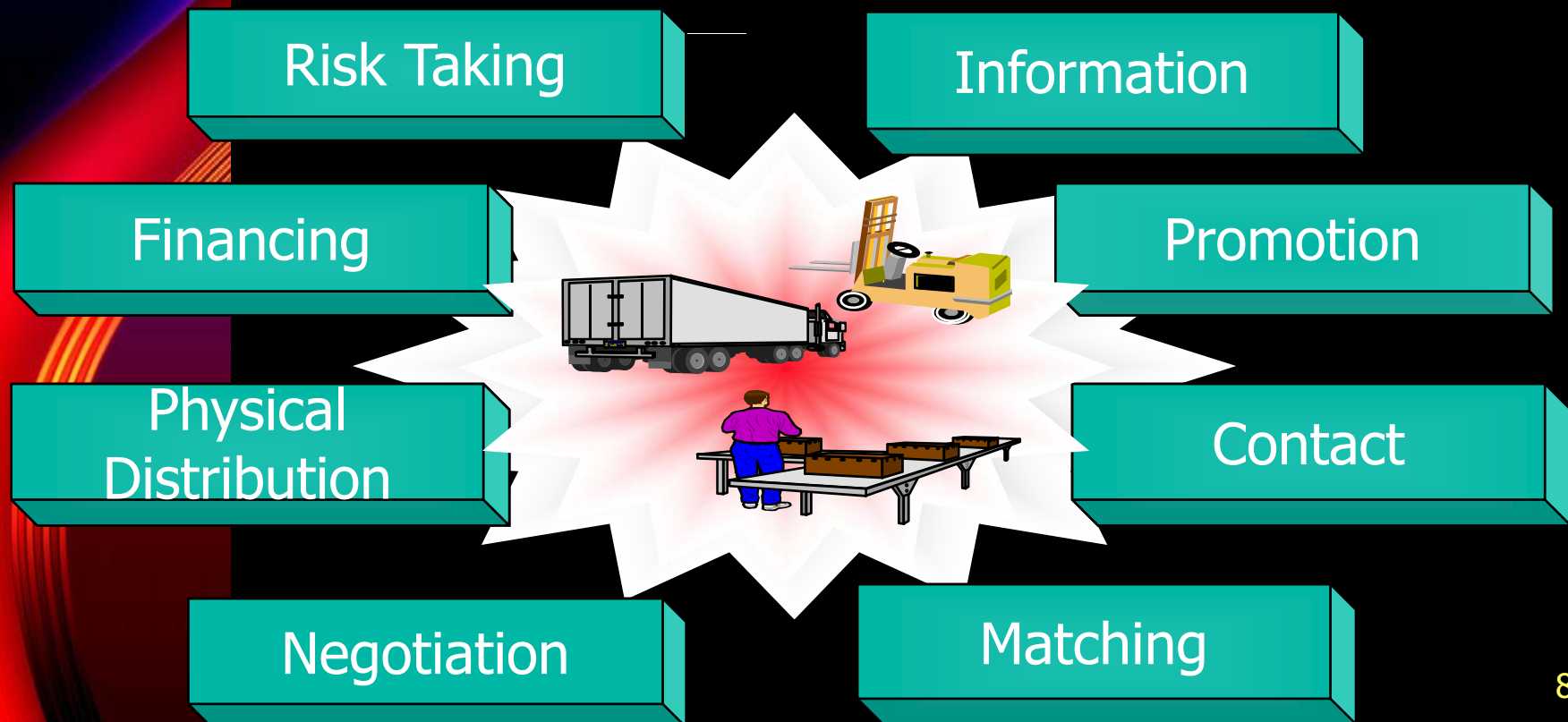
- Control

- Optimum distribution to customers whilst not surrendering too much decision-making authority over the value proposition to other members of the channel.



# Distribution Channel Functions

These Functions Should be Assigned to the Channel Member Who Can Perform Them Most Efficiently and Effectively.

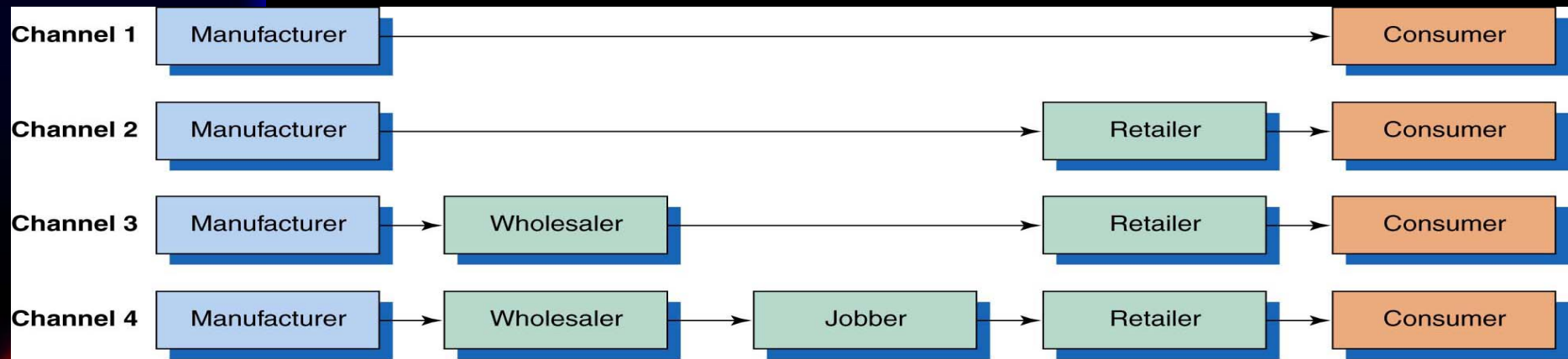




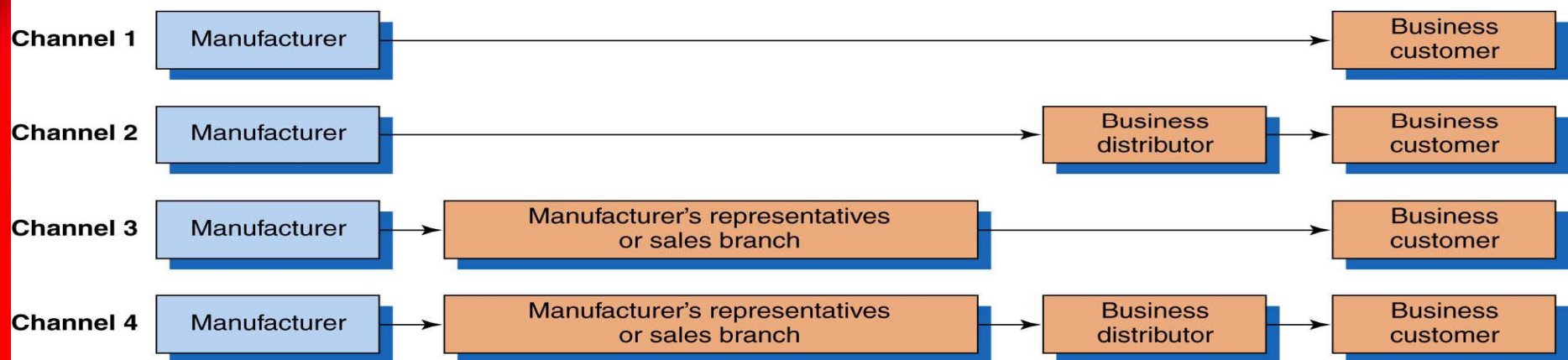
# Interactive Student Assignments

- List and briefly discuss the marketing channel functions that are involved in completing and fulfilling transactions.
- Which functions apply most in each of the following situations?
  - A retailer puts in a rush re-order for a needed Tết item that is in short supply.
  - An Internet marketer seeks ways to identify and contact its market.

# Number of Channel Levels



**A. Customer marketing channels**

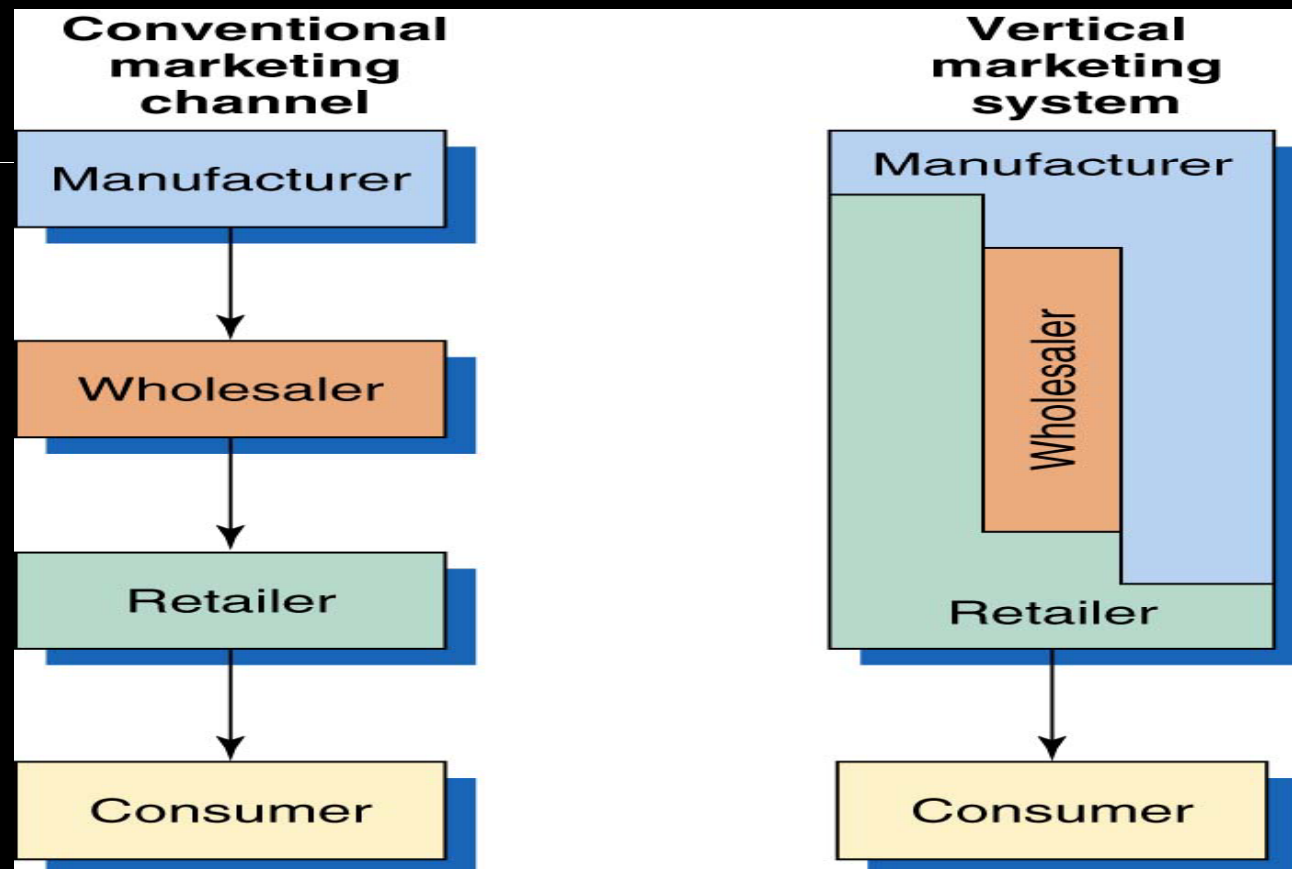


**B. Business marketing channels**

# Channel Behaviour & Organization

- The channel will be most effective when:
  - each member is assigned tasks it can do best.
  - all members cooperate to attain overall channel goals and satisfy the target market.
- When this doesn't happen, conflict occurs:
  - Horizontal Conflict occurs among firms at the same level of the channel, i.e. retailer to retailer.
  - Vertical Conflict occurs between different levels of the same channel, i.e. wholesaler to retailer.
- Each channel member's role must be specified and conflict must be managed.

# Conventional Distribution Channel Vs. a Vertical Marketing System



# Innovations in Marketing Systems

## Horizontal Marketing System

Two or More Companies  
at One Channel Level  
Join Together to  
Follow a New  
Marketing Opportunity.

Example:

Ninomaxx in Diamond  
Plaza, Highlands  
Coffee inside  
Bookstore

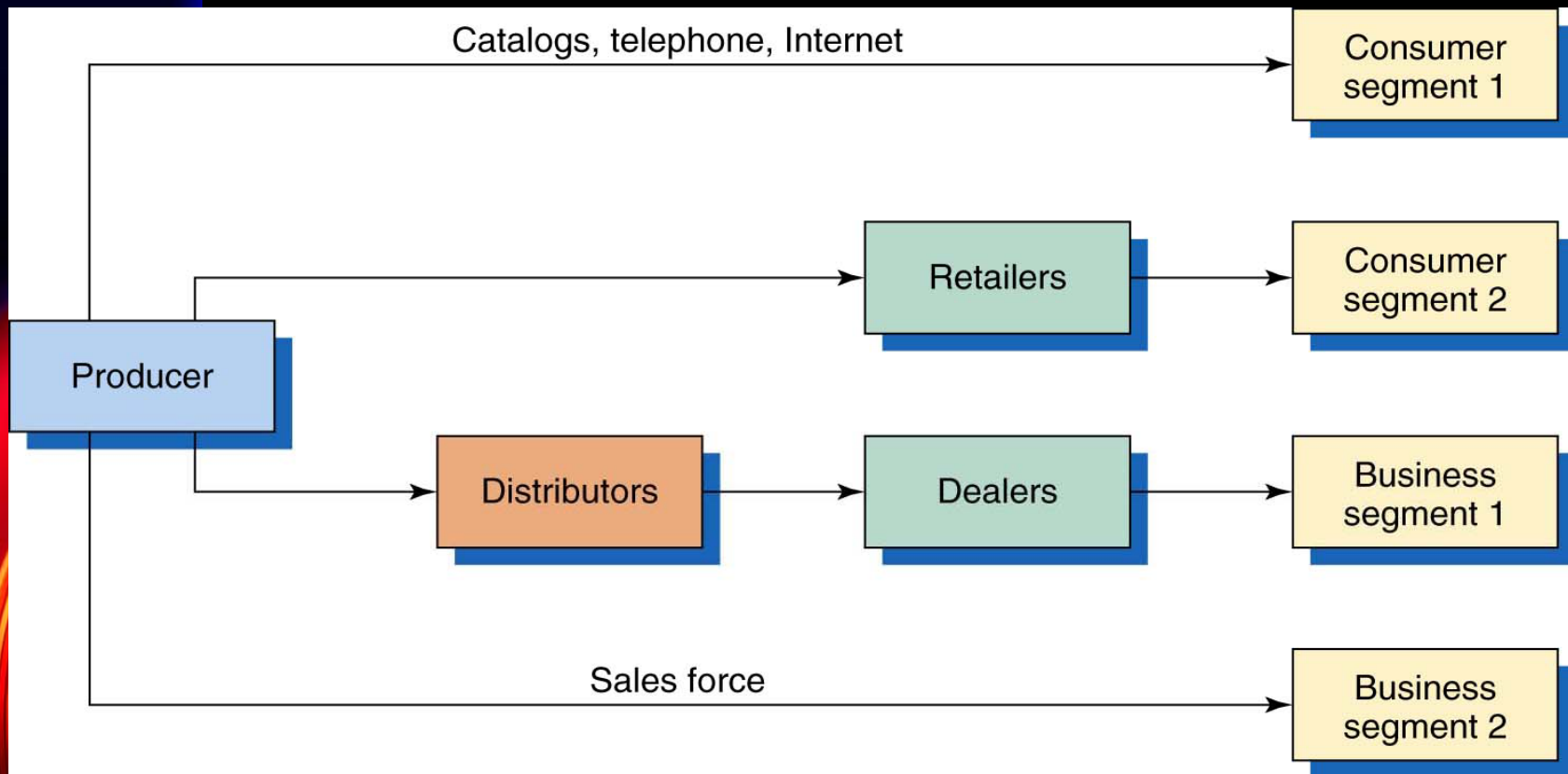
## Hybrid Marketing System

A Single Firm Sets Up  
Two or More Marketing  
Channels to Reach One  
or More Customer  
Segments.

Example:

Retailers, Catalogs,  
and Sales Force

# Hybrid Marketing Channel



# Changing Channel Organisation

A Major Trend is Toward Disintermediation  
Which Means that Product and Service  
Producers are Bypassing Intermediaries  
and Going Directly to Final Buyers or That  
New Types of Channel Intermediaries are  
Emerging to Displace Traditional Ones.



# Channel Design Decisions

Analysing Consumer Service Needs

Setting Channel Objectives & Constraints

Identifying Major Alternatives

Types of  
Intermediaries

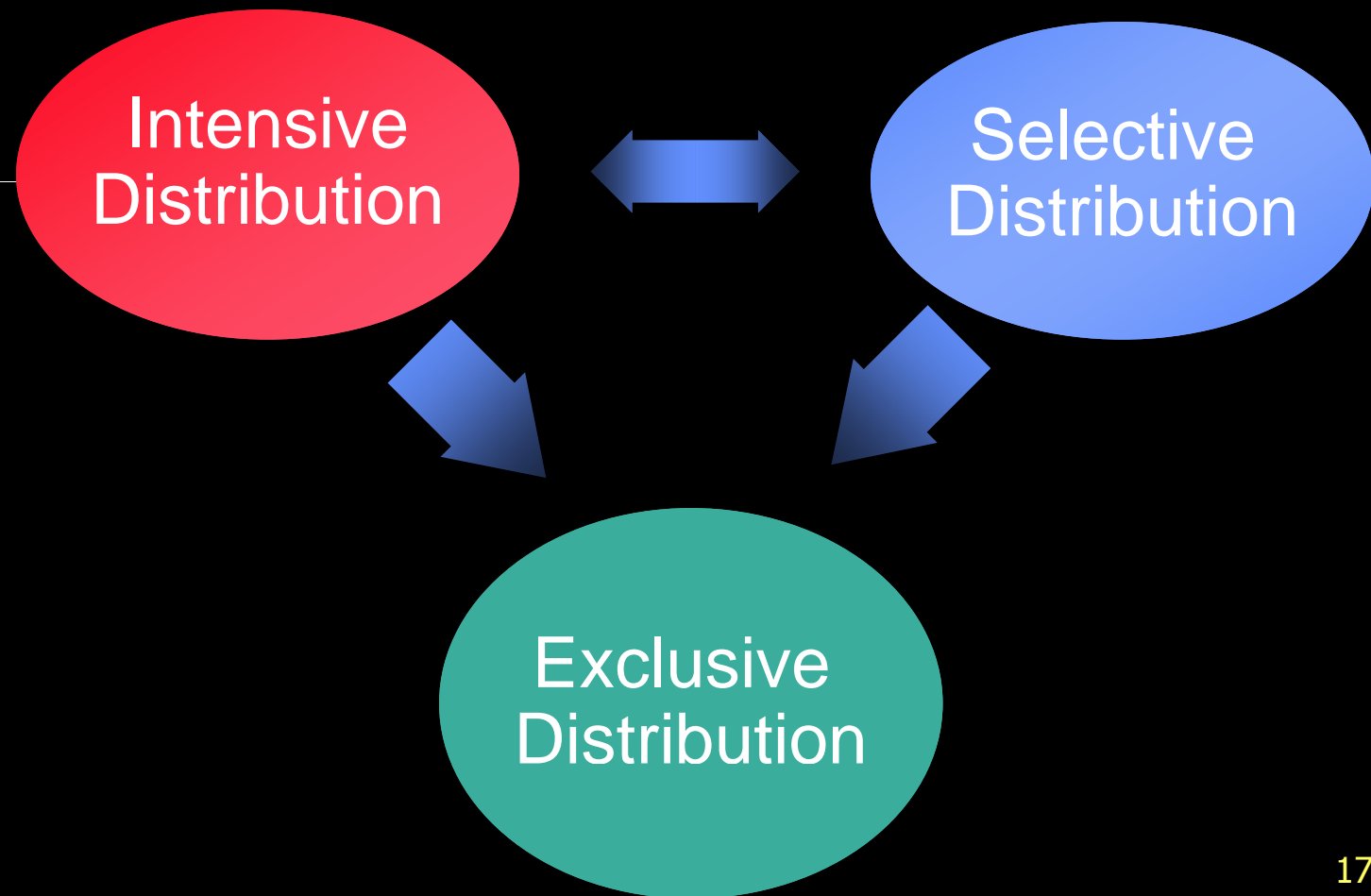
Number of  
Intermediaries

Responsibilities of  
Intermediaries

Evaluating the Major Alternatives

Designing International Distribution Channels

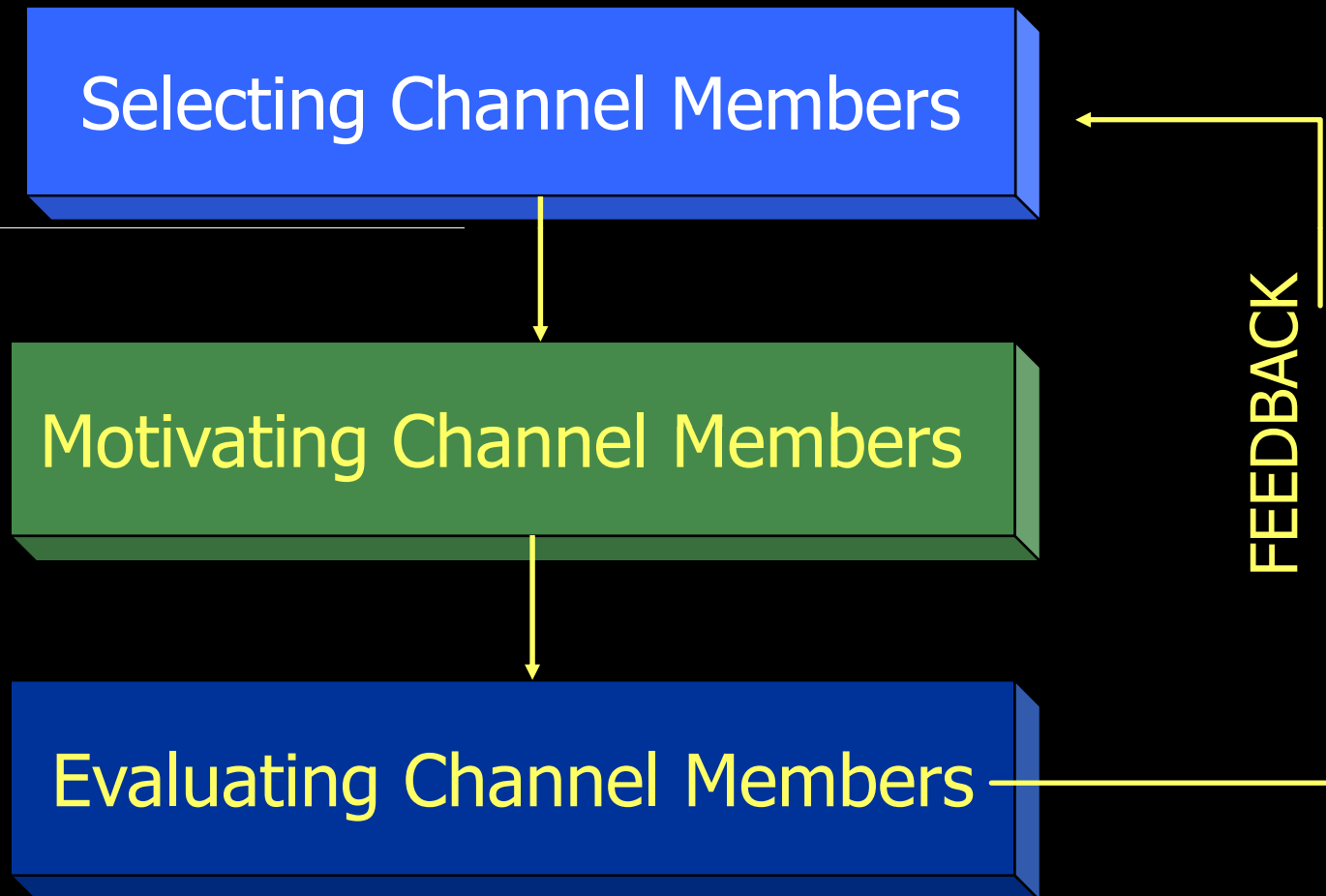
# Number of Marketing Intermediaries



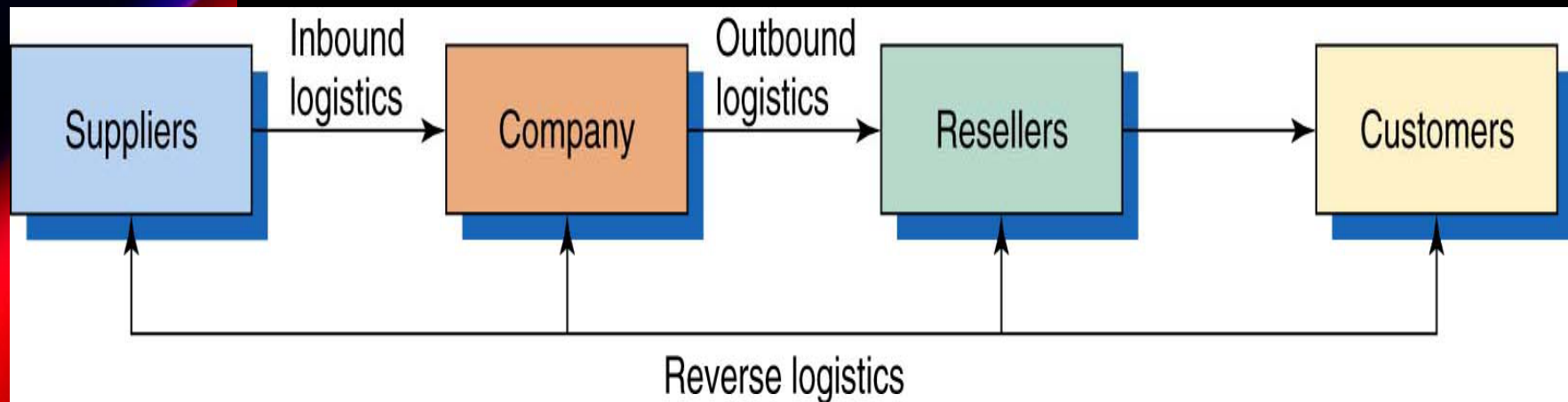
# Discussion Question

- Decide which distribution strategy--intensive, selective, or exclusive--is used for the following products, and why:
  - KFC Chicken Burger
  - Aquafina Bottles (Small)
  - Nike Running Shoes
  - Bottled Cooking Gas
  - Honda Dream

# Channel Management Decisions



# Supply Chain Management



# Goals of the Logistics System

Higher Distribution Costs;  
Higher Customer Service  
Levels

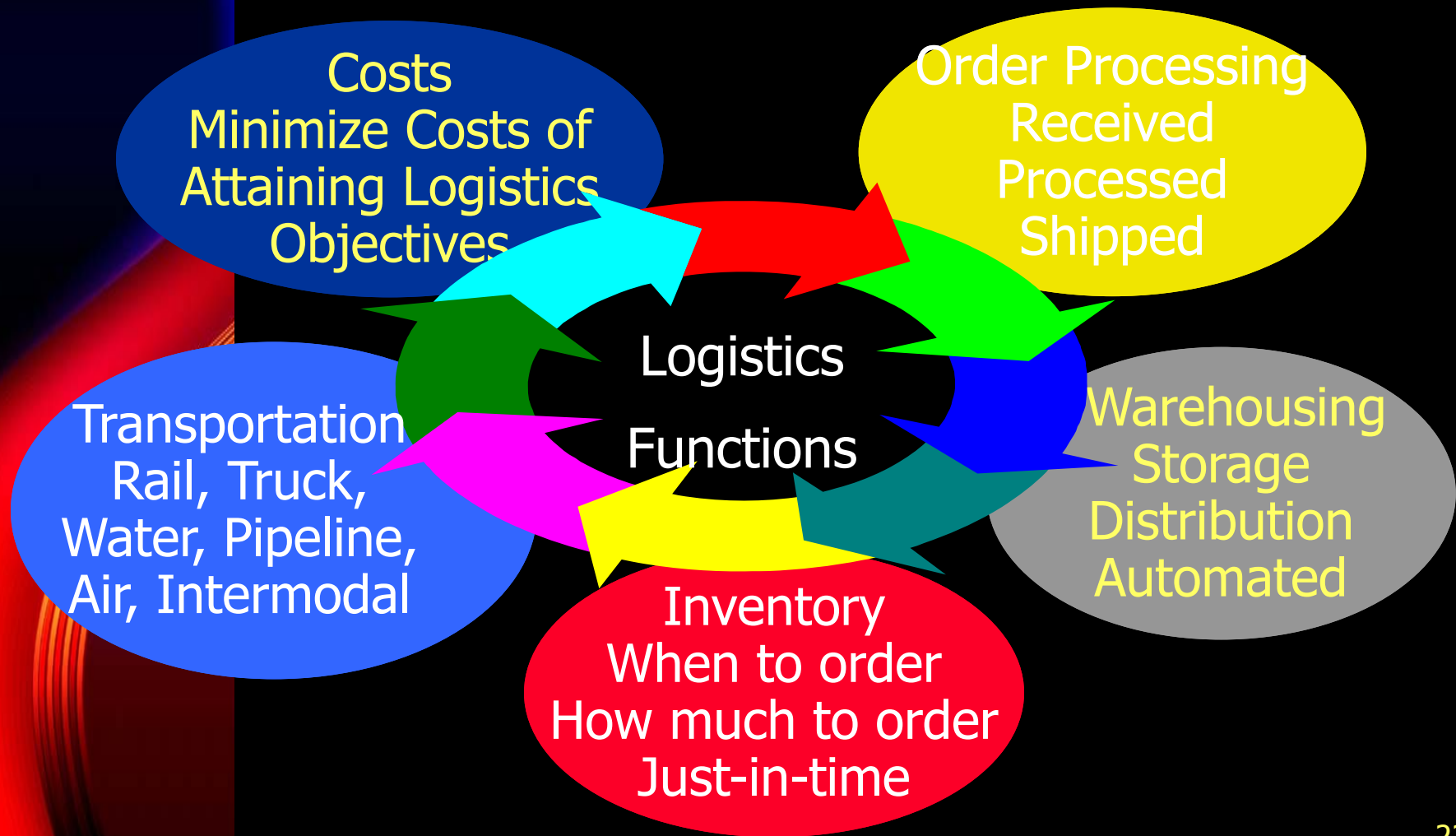
Goal:

To Provide a Targeted Level of Customer Service  
at the Least Cost.

**Maximize Profits, Not Sales**

Lower Distribution Costs;  
Lower Customer Service  
Levels

# Major Logistics Functions





# Integrated Logistics Management

- Concept Recognises that Providing Better Customer Service and Trimming Distribution Costs Requires *Teamwork*, Both Inside the Company and Among All the Marketing Channel Organizations.
- Involves:
  - Cross-functional teamwork inside the company
  - Building channel partnerships
  - Third-party logistics

# Rest Stop: Reviewing the Concept

- Explain why companies use distribution channels and discuss the functions these channels perform.
- Discuss how channel members interact and how they organise to perform the work of the channel.
- Identify the major channel alternatives open to a company.
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