Intro to Business

Chapter 10, Section 3 (Part II) – Placement

How Did I Get Here?

Distribution (Placement)

- Determining the best methods and procedures to use to allow customers to find, obtain and use a product/service
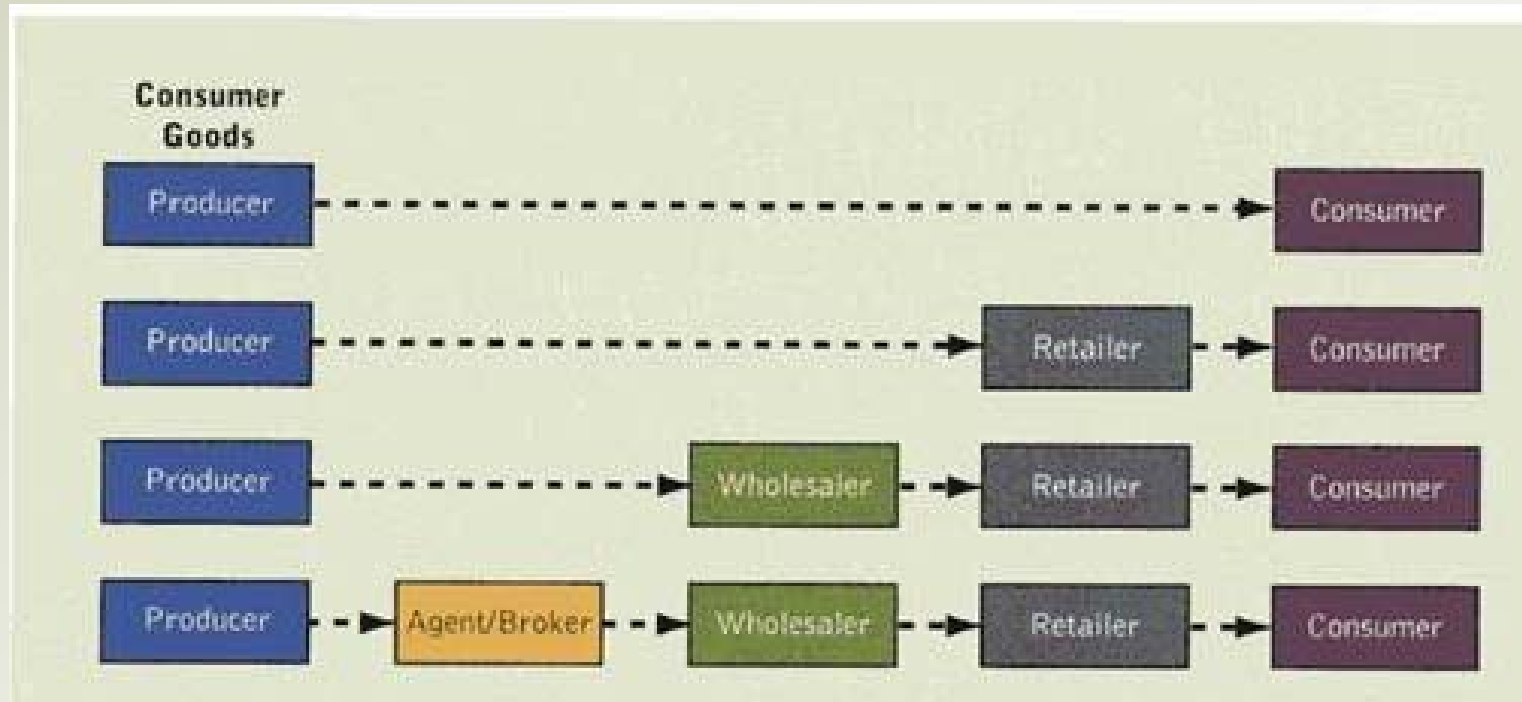
Channel of Distribution

☐ Route a product follows and the businesses involved in moving a product from producer to final consumer

Conventional Channels

Consumer Goods

Producer -> Consumer

Producer - - - - - - - - - - - - - - - - -> Retailer -> Consumer

Producer - - - - - - - -> Wholesaler -> Retailer -> Consumer

Producer - -> Agent/Broker - -> Wholesaler -> Retailer -> Consumer

Need for Channels

- **Differences in Quantity**
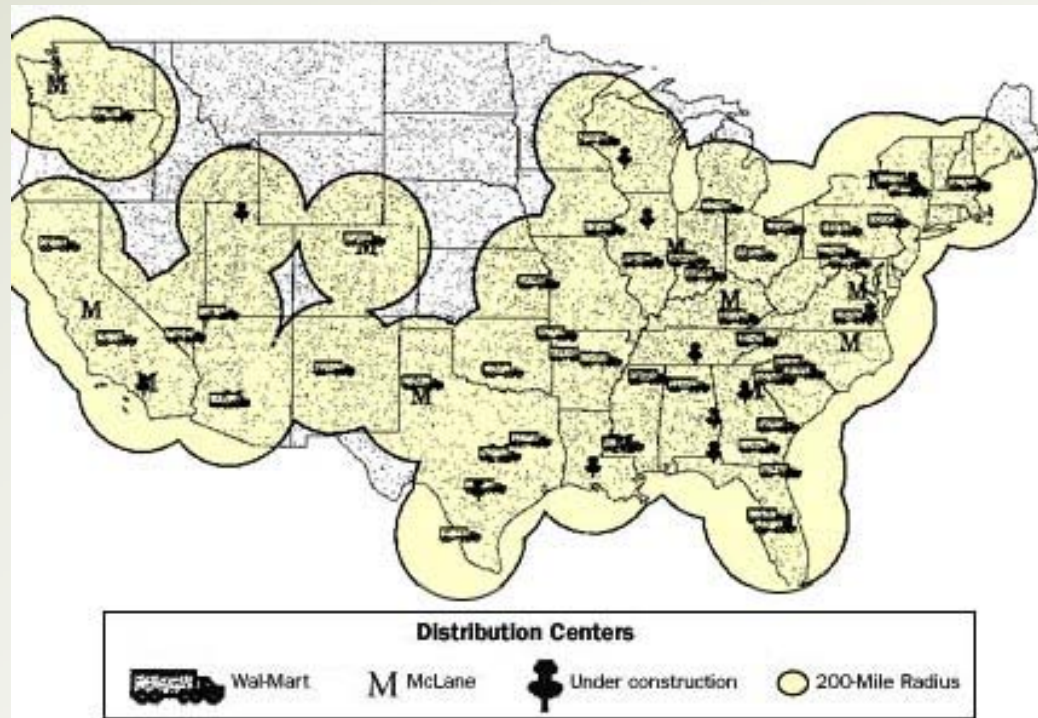 - Example: P&G Pantene Shampoo

- **Differences in Assortment**
  - Consumers want variety of products
  - Example: Dell Computers

Need for Channels

- Differences in Location
  - Reaching customers in different places
  - Example: Wal-Mart Hub & Spoke Network

Distribution Centers

Wal-Mart M McLane Under construction 200-Mile Radius

Distribution Channels...

- Take the large quantities produced and breaks them into quantities people want

- Gather products from many producers to give customers variety they want in convenient locations

- **Move products efficiently from where they are made to where they are sold**

Channels and Channel Members

- Channel Members – Businesses that take part in a channel of distribution

- Channels
  - Direct: products move from producer straight to consumer with no other "help."

  - Indirect: includes one or more other businesses between producer and consumer.

Indirect Channels

- Other businesses, aside from producer, perform one or more marketing functions
  - Transportation
  - Sales
  - Financing

Retailers are the FINAL organization in an indirect channel for consumer products

Channel Considerations

- **Coverage Required**
  - Intensive Distribution vs. Selective Distribution

- **Degree of Control Required**
  - Indirect – we are giving up control of marketing to some degree

- **Cost**
  - Transportation, Processing, Carrying Costs, Packaging, Handling

Activity – Distribution Channels

- 1). Identify a producer and product that uses a Direct Distribution Channel

- 2). Identify a producer and product that follows an Indirect Distribution Channel (include the various channel members)