

Distributing and Promoting Products

chapter # 13

Introduction

- **In this chapter we**
 - look at the concept of *place*, the *distribution mix*, and the different channels and methods of distribution
 - look at *promotion* and discuss the considerations in selecting a promotional mix
 - discuss the tasks involved in personal selling and various types of sales promotions.

learning objectives

- 1. Explain the meaning of distribution mix and identify the different channels of distribution*
- 2. Describe the role of wholesalers and the functions performed by e-intermediaries*
- 3. Describe the different types of retailing and explain how online retailers add value for consumers on the Internet*
- 4. Define physical distribution and describe the major activities in the physical distribution process*

learning objectives

- 5. Identify the objectives of promotion, the considerations in selecting a promotional mix, and discuss the various kinds of advertising promotions*
- 6. Outline the tasks involved in personal selling and describe the various types of sales promotions*

The Distribution Mix

- **Distribution Mix**

- combination of distribution channels by which a firm gets its products to end users

Intermediaries and Distribution Channels

- **Intermediary**

- individual or firm that helps to distribute a product

- **Wholesaler**

- intermediary who sells products to other businesses for resale to final consumers

- **Retailer**

- intermediary who sells products directly to consumers

Intermediaries and Distribution Channels

- **Distribution Channel**

- network of interdependent companies through which a product passes from producer to end user

- **Direct Channel**

- distribution channel in which a product travels from producer to consumer without intermediaries

Retail Distribution

- Requires a large and costly amount of floor space for storing and displaying merchandise at brick-and-mortar facilities.
- Wholesalers relieve the space problem by storing merchandise and restocking store displays frequently.

Wholesale Distribution

- **Wholesalers**

- independent operations that buy products from manufacturers and sell them to various consumers or other businesses
- usually provide storage, delivery, and additional value-adding services, including credit, marketing advice, and merchandising services, such as marking prices and setting up displays

Distribution by Agents or Brokers

- **Sales Agent**

- independent intermediary who generally deals in the related product lines of a few producers and forms long-term relationships to represent those producers and meet the needs of many customers

- **Broker**

- independent intermediary who matches numerous sellers and buyers as needed, often without knowing in advance who they will be

Channels of Distribution

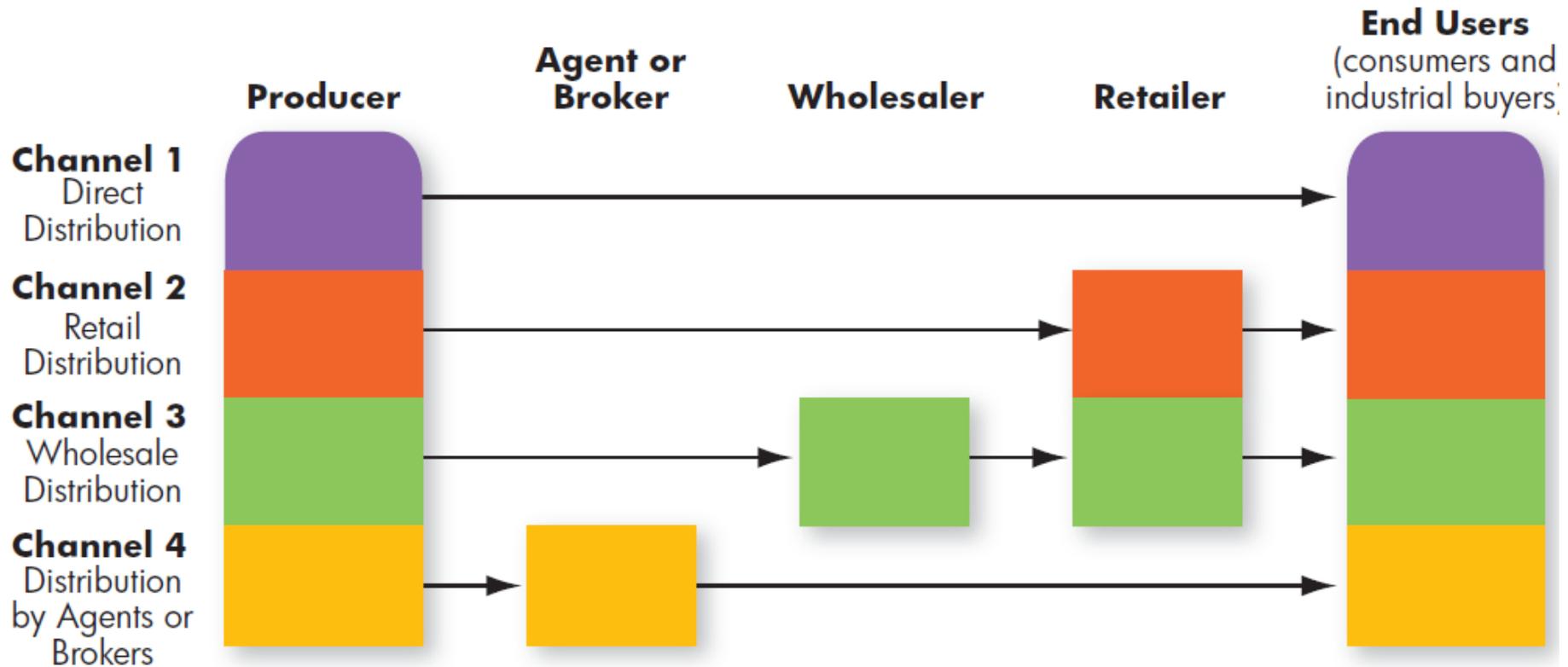


FIGURE 13.1 Channels of Distribution

The Value-Adding Intermediary

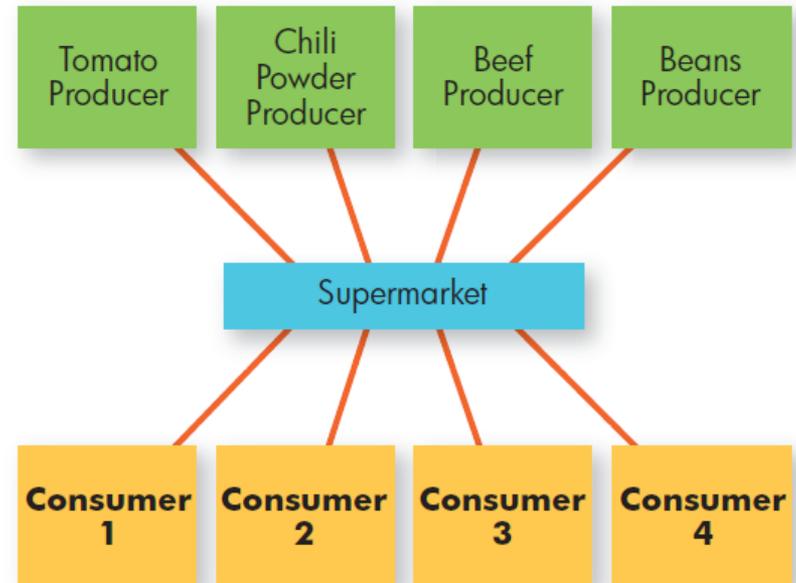
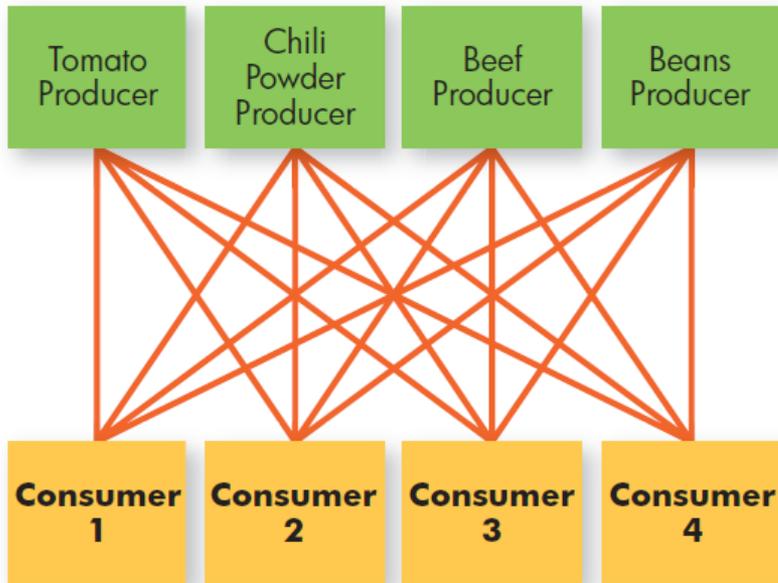


FIGURE 13.2 The Value-Adding Intermediary

Distribution Strategies

- **Intensive Distribution**
 - strategy by which a product is distributed through as many channels as possible
- **Exclusive Distribution**
 - strategy by which a manufacturer grants exclusive rights to distribute or sell a product to a limited number of wholesalers or retailers in a given geographic area

Distribution Strategies (cont.)

- **Selective Distribution**

- strategy by which a company uses only wholesalers and retailers who give special attention in sales effort to specific products

Channel Conflict and Channel Leadership

- **Channel Conflict**

- conflict arising when the members of a distribution channel disagree over the roles they should play or the rewards they should receive

- **Channel Captain**

- channel member who is most powerful in determining the roles and rewards of other members

Wholesaling

- **Merchant Wholesalers**

- independent wholesaler who takes legal possession of goods produced by a variety of manufacturers and then resells them to other organizations

- **Full-Service Merchant Wholesalers**

- merchant wholesaler that provides credit, marketing, and merchandising services in addition to traditional buying and selling services

Wholesaling (cont.)

- **Limited-Function Merchant Wholesaler**
 - merchant wholesaler that provides a limited range of services
- **Drop Shippers**
 - limited-function merchant wholesaler that receives customer orders, negotiates with producers, takes title to goods, and arranges for shipment to customers

The Advent of the E-Intermediary

- **e-Intermediary**

- Internet distribution channel member that assists in delivering products to customers or that collects information about various sellers to be presented to consumers, or they help deliver online products to buyers

- **Syndicated Selling**

- e-commerce practice whereby a website offers other websites commissions for referring customers

The Advent of the E-Intermediary

(cont.)

- **Shopping Agent (e-agent)**
 - e-intermediary (middleman) in the Internet distribution channel that assists users in finding products and prices but does not take possession of products

Types of Brick-and-Mortar Retail Outlets

- **Department Store**

- large product-line retailer characterized by organization into specialized departments

- **Supermarket**

- large product-line retailer offering a variety of food and food-related items in specialized departments

- **Specialty Store**

- retail store carrying one product line or category of related products

Types of Brick-and-Mortar Retail Outlets

(cont.)

- **Bargain Retailer**
 - retailer carrying a wide range of products at bargain prices
- **Discount House**
 - bargain retailer that generates large sales volume by offering goods at substantial price reductions
- **Catalog Showroom**
 - bargain retailer in which customers place orders for catalog items to be picked up at on-premises warehouses

Types of Brick-and-Mortar Retail Outlets

(cont.)

- **Factory Outlet**

- bargain retailer owned by the manufacturer whose products it sells

- **Wholesale Club**

- bargain retailer offering large discounts on brand-name merchandise to customers who have paid annual membership fees

- **Convenience Store**

- retail store offering easy accessibility, extended hours, and fast service

Non-store Retailing

- **Direct-Response Retailing**
 - form of non-store retailing in which firms directly interact with customers to inform them of products and to receive sales orders
- **Mail Order (catalog marketing)**
 - form of non-store retailing in which customers place orders for catalog merchandise received through the mail

Non-store Retailing (cont.)

- **Telemarketing**

- form of non-store retailing in which the telephone is used to sell directly to consumers

- **Direct Selling**

- form of non-store retailing typified by door-to-door sales

Online Retailing

- **Online Retailing**

- Non-store retailing in which information about the seller's products and services is connected to consumers' computers, allowing consumers to receive the information and purchase the products in the home

- **e-Catalog**

- Non-store retailing in which the Internet is used to display products

Online Retailing (cont.)

- **Electronic Storefront**

- commercial website at which customers gather information about products and buying opportunities, place orders, and pay for purchases

- **Cybermall**

- collection of virtual storefronts (business websites) representing a variety of products and product lines on the Internet

Leading Online Retailers in Selected Consumer Products Categories

table 13.1 Leading Online Retailers in Selected Consumer Products Categories*

Consumer Product Category	Online Retailer
Mass Merchandise	Amazon.com
Office Supplies	Staples Inc.
Computers and Electronics	Apple Inc.
Video and Audio Entertainment	Netflix Inc.
Home Repair and Improvement	W.W. Grainger Inc.
Apparel and Accessories	L.L. Bean Inc.
Home Furnishings and Housewares	Williams-Sonoma Inc.
Toys	Toys “R” Us Inc.
Health and Beauty	Amway Global
Sporting Goods	Cabela’s Inc.

*Adapted from “Top 500 Guide,” Internet Retailer (2012), at www.internetretailer.com/top500/list/.

Interactive and Video Retailing

- **Video Retailing**
 - *nonstore retailing to consumers via home television*



Physical Distribution

- **Physical Distribution**

- activities needed to move a product efficiently from manufacturer to consumer

Warehousing Operations

- **Warehousing**

- physical distribution operation concerned with the storage of goods

- **Private Warehouse**

- warehouse owned by and providing storage for a single company

- **Public Warehouse**

- independently owned and operated warehouse that stores goods for many firms

The Importance of Promotion

- **Promotion**

- aspect of the marketing mix concerned with the most effective techniques for communicating information about and selling a product

- **Positioning**

- process of establishing an identifiable product image in the minds of consumers

Promotional Strategies

- **Pull Strategy**

- promotional strategy designed to appeal directly to consumers who will demand a product from retailers

- **Push Strategy**

- promotional strategy designed to encourage wholesalers or retailers to market products to consumers

The Promotional Mix

- **Promotional Mix**

- combination of tools used to promote a product

Five Stages in the Buyer Decision Process

1. Consumers first recognize the need to make a purchase
2. Consumers search for information about available products
3. Consumers compare competing products
4. Buyers are ready to purchase products
5. consumers evaluate products and note (and remember) their strengths and deficiencies

The Consumer Buying Process and the Promotional Mix

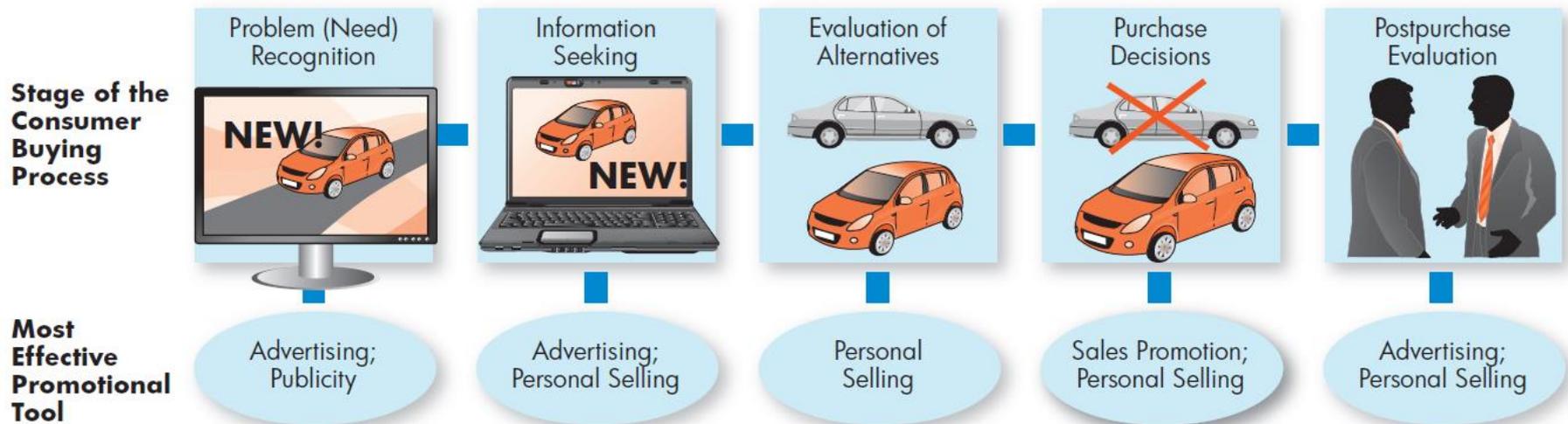


FIGURE 13.3 The Consumer Buying Process and the Promotional Mix

Advertising Promotions

- Advertising
 - *promotional tool consisting of paid, nonpersonal communication used by an identified sponsor to inform an audience about a product*

Top 10 U.S. National Advertisers

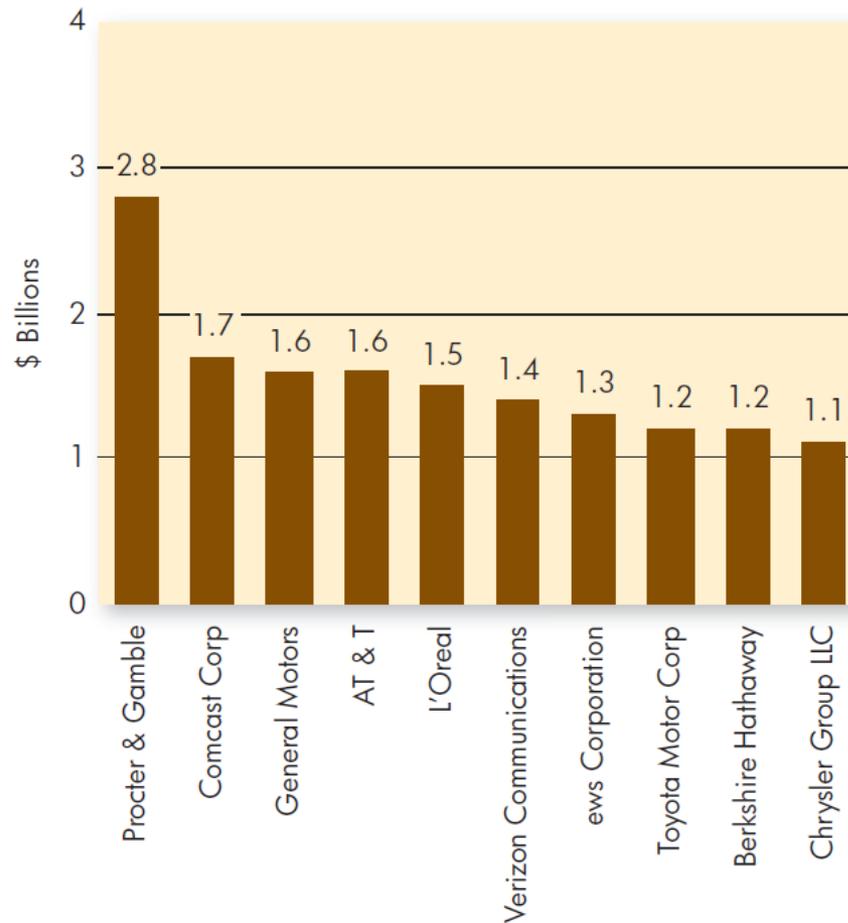


FIGURE 13.4 Top 10 U.S. National Advertisers

Advertising Promotions

- **Advertising Media**

- variety of communication devices for carrying a seller's message to potential customers

- **Media Mix**

- combination of advertising media chosen to carry a message about a product

Total U.S. Media Usage, Strengths, and Weaknesses

table 13.2 Total U.S. Media Usage, Strengths, and Weaknesses

Advertising Medium	Percentage* of Advertising Outlays	Strengths	Weaknesses
Television	33%	Program demographics allow for customized ads Large audience	Most expensive
Internet	18%	Targeted audience Measurable success	Nuisance to consumers Easy to ignore
Direct mail	13%	Targeted audience Personal messages Predictable results	Easily discarded Environmentally irresponsible
Newspapers	13%	Broad coverage Ads can be changed daily	Quickly discarded Broad readership limits ability to target specific audience
Radio	10%	Inexpensive Large audience Variety of ready market segmentation	Easy to ignore Message quickly disappears
Magazines	10%	Often reread and shared Variety of ready market segmentation	Require advanced planning Little control over ad placement
Outdoor	3%	Inexpensive Difficult to ignore Repeat exposure	Presents limited information Little control over audience

Personal Selling

- **Personal Selling**

- promotional tool in which a salesperson communicates one-on-one with potential customers

- **Retail Selling**

- selling a consumer product for the buyer's personal or household use

- **Industrial Selling**

- selling products to other businesses, either for the purpose of manufacturing or for resale

Personal Selling Tasks

- **Order Processing**

- personal-selling task in which salespeople receive orders and see to their handling and delivery

- **Creative Selling**

- personal-selling task in which salespeople try to persuade buyers to purchase products by providing information about their benefits

Personal Selling Tasks (cont.)

- **Missionary Selling**

- personal-selling task in which salespeople promote their firms and products rather than try to close sales

The Personal Selling Process

- **Prospecting**

- step in the personal selling process in which salespeople identify potential customers

- **Qualifying**

- step in the personal selling process in which salespeople determine whether prospects have the authority to buy and ability to pay

- **Closing**

- step in the personal selling process in which salespeople ask prospective customers to buy products

Sales Promotions

- **Sales Promotion**

- short-term promotional activity designed to encourage consumer buying, industrial sales, or cooperation from distributors

- **Coupon**

- sales-promotion technique in which a certificate is issued entitling the buyer to a reduced price

Sales Promotions (cont.)

- **Premium**

- sales-promotion technique in which offers of free or reduced-price items are used to stimulate purchases

- **Loyalty Programs**

- sales promotion technique in which frequent customers are rewarded for making repeat purchases

Sales Promotions (cont.)

- **Point-of-Sale (POS) Display**

- sales promotion technique in which product displays are located in certain areas to stimulate purchase or to provide information on a product

- **Trade Show**

- sales-promotion technique in which various members of an industry gather to display, demonstrate, and sell products

Direct (or Interactive) Marketing

- **Direct (or Interactive) Marketing**
 - one-on-one non-personal selling by non-store retailers and B2B sellers using direct contact with prospective customers, especially via the Internet

Publicity and Public Relations

- **Publicity**

- promotional tool in which information about a company, a product, or an event is transmitted by the general mass media to attract public attention

- **Public Relations**

- company-influenced information directed at building goodwill with the public or dealing with unfavorable events

Applying What You've Learned

1. **Explain** the meaning of distribution mix and identify the different channels of distribution
2. **Describe** the role of wholesalers and the functions performed by e-intermediaries
3. **Describe** the different types of retailing and explain how online retailers add value for consumers on the Internet
4. **Define** physical distribution and describe the major activities in the physical distribution process

Applying What You've Learned (cont.)

- 5. Identify** the objectives of promotion, the considerations in selecting a promotional mix, and discuss the various kinds of advertising promotions
- 6. Outline** the tasks involved in personal selling and describe the various types of sales promotions



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