

UNIT 4: MARKETING PRINCIPLES

1

WEEK NINE
LECTURER: N. QUARRIE

Learning Outcome Three (3)

2

- LO3 Understand the individual elements of the extended marketing mix

Objective

3

- By the end of this lesson you should be able to:
- 3.2 explain how distribution is arranged to provide customer convenience



Overview

4

- The marketing of a product includes more than just advertising the products created. A very important aspect of marketing is the distribution of the products created to consumers.
- For the duration of this session I will be explaining-
Place: customer convenience and availability;
definition of channels; types and functions of intermediaries; channel selection; integration and distribution systems; franchising; physical distribution management and logistics; ethical issues

Distribution: Definition

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- “The path through which goods and services travel from the vendor to the consumer or payments for those products travel from the consumer to the vendor (BusinessDictionary.com, n.d.)”

Types of Marketing Channels

6

- “Direct selling is the marketing and selling of products directly to consumers away from a fixed retail location (Boundless, 2016)”
- “An intermediary (or go-between) is a third party that offers intermediation services between two trading parties (Boundless, 2016).
- “Dual distribution describes a wide variety of marketing arrangements by which the manufacturer or wholesalers use more than one channel simultaneously to reach the end user (Boundless, 2016)”
- “A reverse channel may go from consumer to intermediary to beneficiary (Boundless, 2016)”

Distribution Channels: Intermediaries

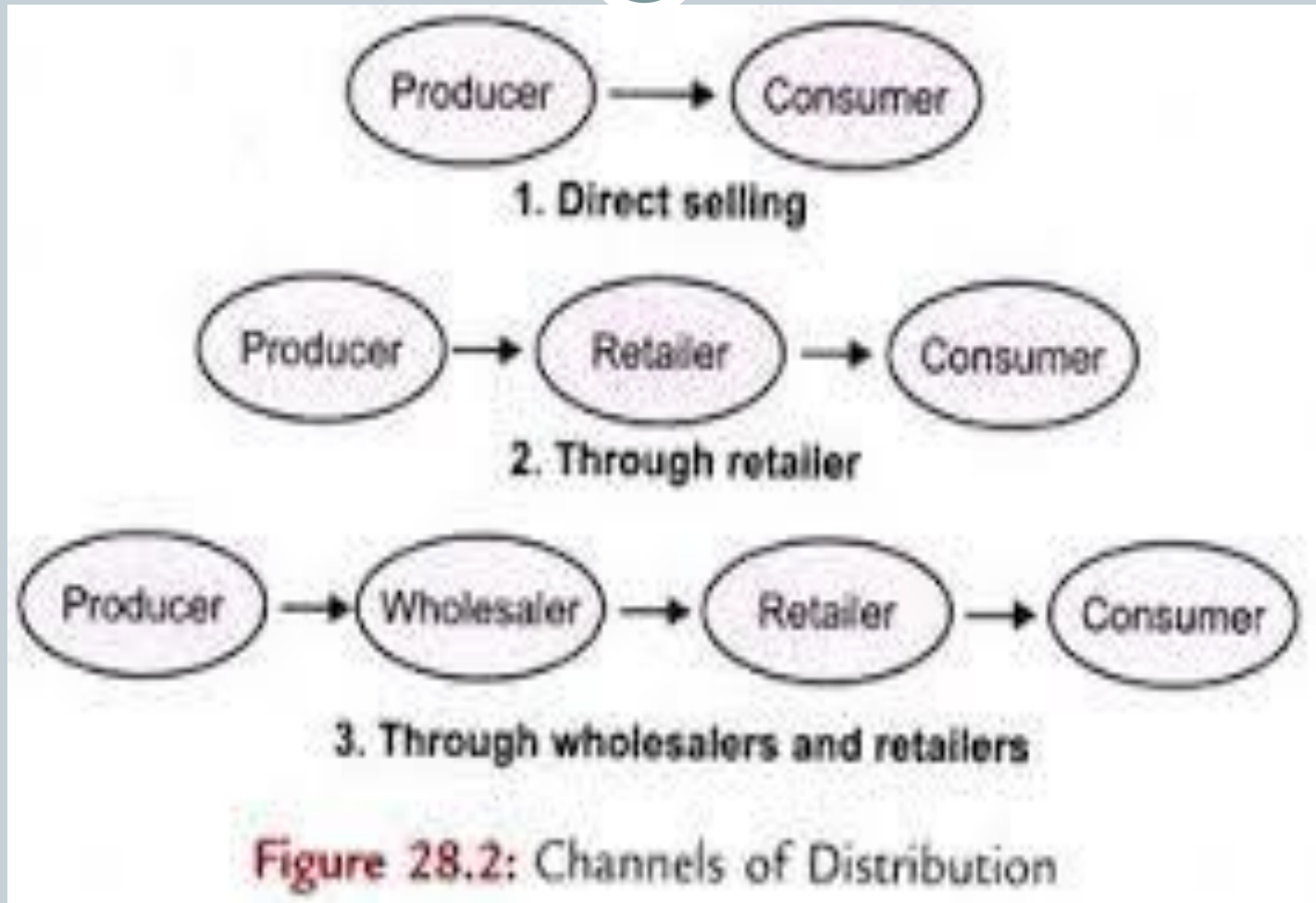
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- “A distribution channel can be as short as a direct transaction from the vendor to the consumer, or may include several interconnected ***intermediaries*** along the way such as wholesalers, distributors, agents and retailers (BusinessDictionary.com, n.d.)”
- “Each intermediary receives the item at one pricing point and moves it to the next higher pricing point until it reaches the final buyer. Coffee does not reach the consumer before first going through a channel involving the farmer, exporter, importer, distributor and the retailer (BusinessDictionary.com, n.d.)”

Distribution Channels

Source: (YourArticleLibrary.com: The Next Generation Library, n.d.)

8



Distribution Channels: Functions

9

- **Agents/Brokers**
- “Agents or brokers are individuals or companies that act as an extension of the manufacturing company. Their main job is to represent the producer to the final user in selling a product. Thus, while they do not own the product directly, they take possession of the product in the distribution process. They make their profits through fees or commissions (Boundless, 2016)”

Distribution Channels: Functions

10

- **Wholesalers**
- “Unlike agents, wholesalers take title to the goods and services that they are intermediaries for. They are independently owned, and they own the products that they sell. Wholesalers do not work with small numbers of product: they buy in bulk, and store the products in their own warehouses and storage places until it is time to resell them. Wholesalers rarely sell to the final user; rather, they sell the products to other intermediaries such as retailers, for a higher price than they paid. Thus, they do not operate on a commission system, as agents do (Boundless, 2016)”

Distribution Channels: Functions

11

- **Retailers**
- “Retailers come in a variety of shapes and sizes: from the corner grocery store, to large chains like Wal-Mart and Target. Whatever their size, retailers purchase products from market intermediaries and sell them directly to the end user for a profit (Boundless, 2016)”

Integration and distribution systems; franchising; physical

distribution management and logistics; ethical
issues

12

- Discussion using the example available at the following link:
- Lbix.com. (n.d.). *Integrated Distribution System - Leading Brands, Inc.* [online] Available at: <http://www.lbix.com/operations/> [Accessed 9 Nov. 2016].

References/Additional Reading List

1. YourArticleLibrary.com: The Next Generation Library. (n.d.). *Channels of Distribution of Goods: Zero, One and Two Level Channels*. [online] Available at: <http://www.yourarticlelibrary.com/goods/channels-of-distribution-of-goods-zero-one-and-two-level-channels/41095/> [Accessed 9 Nov. 2016].
2. BusinessDictionary.com. (n.d.). *Distribution Channel*. [online] Available at: <http://www.businessdictionary.com/definition/distribution-channel.html> [Accessed 9 Nov. 2016].
3. Boundless. (2016). *Functions of Intermediaries*. [online] Available at: <https://www.boundless.com/marketing/textbooks/boundless-marketing-textbook/marketing-channels-11/channel-intermediaries-77/functions-of-intermediaries-389-4029/> [Accessed 9 Nov. 2016].
4. Lbix.com. (n.d.). *Integrated Distribution System - Leading Brands, Inc.* [online] Available at: <http://www.lbix.com/operations/> [Accessed 9 Nov. 2016].
5. Boundless. (2016). *Types of Marketing Channels*. [online] Available at: <https://www.boundless.com/marketing/textbooks/boundless-marketing-textbook/marketing-channels-11/marketing-channels-in-the-supply-chain-76/types-of-marketing-channels-387-4051/> [Accessed 9 Nov. 2016].