Distribution Strategy

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Overview

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- Channel Strategy
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- Physical Distribution
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- Ethical Issues
Distribution

**Definition**

Distribution is one of the four aspects of marketing. A distributor is the middleman between the manufacturer and retailer. After a product is manufactured it is typically shipped (and usually sold) to a distributor. The distributor then sells the product to retailers or customers.

Distribution Channels

- To **reconcile** the needs of producers and consumers
- To **improve efficiency** by reducing the number of transactions and creating bulk
- To **improve accessibility** by lowering location and time gaps between producers and consumers
- To improve **specialist services** to customers
How a channel intermediary increases distribution efficiency

Distribution Channels

Consumer Channels

Distribution Strategy
Distribution Channels

- **B2B Channels**

  - Producer → Agent → Distributor → Business consumer

- **Services Channels**

  - Service provider → Agent → Consumer or business customer
Channel Strategy

Channel strategy decisions involve

- selection of the most effective distribution channel
- most appropriate level of distribution intensity and
- degree of channel integration

Channel Selection

- Market factors
  - Buyer behaviour, buyer needs, willingness of channel intermediaries, location of customers

- Producer factors
  - Lack of financial resources, product mix, desired degree of control

- Product factors
  - Direct distribution

- Competitive factors
  - Innovative approach, salesforce or producer-owned distribution network, direct marketing
Channel Strategy

Distribution Intensity

- **Intensive Distribution**
  - Aims to achieve saturation coverage of the market by using all available outlets

- **Selective Distribution**
  - A producer uses a limited number of outlets in a geographical area to sell its products

- **Exclusive Distribution**
  - Only one wholesaler, retailer or industrial distributor is used in a geographic area.

Channel Integration

- **Conventional marketing channels**
  - Hard bargaining and, occasionally, conflict

- **Franchising**
  - A producer and channel intermediaries agree each member’s rights and obligations

- **Channel ownership**
  - Total control over distributor activities
Channel Management

Channel management is an effective implementation of the key channel strategy decisions.

Managing conflict

Sources of channel conflict
- Differences in goals
- Differences in desired product line
- Multiple distribution channels
- Inadequacies in performance
Channel Management

Managing Conflict

_Avoiding and resolving conflict_
- Developing a partnership approach
- Training in conflict handling
- Market partitioning
- Improving performance
- Channel ownership
- Coercion

Physical Distribution

Definition

Physical Distribution defined as a set of activities concerned with the physical flows with materials, components and finished goods from producer to channel intermediaries and consumers'
Physical Distribution System

Customer Service
- What level of customer service should be provided?

Order Processing
- How should the orders be handled?
Physical Distribution System

Inventory Control
• How much inventory should be held?

Warehousing
• Where should the inventory be located and how many warehouses should be used?

Physical Distribution System

Transportation
• How will the products be transported?

Materials handling
• How will the products be handled during transportation?
Ethical Issues

- Slotting allowances
- Grey markets
- Exclusive dealing
- Restriction in supply

Thank you for your attention!
Sources

- "Principles and Practice of Marketing“ 5th edition, David Jobber
- www.wikipedia.org