

أكاديمية



ام  
ريز نس

# المحاضرة السابعة

**MARKETING PLANE  
SEVENTH PART  
PLACE AND DISTRIBUTION  
STRATEGIES**



**By**

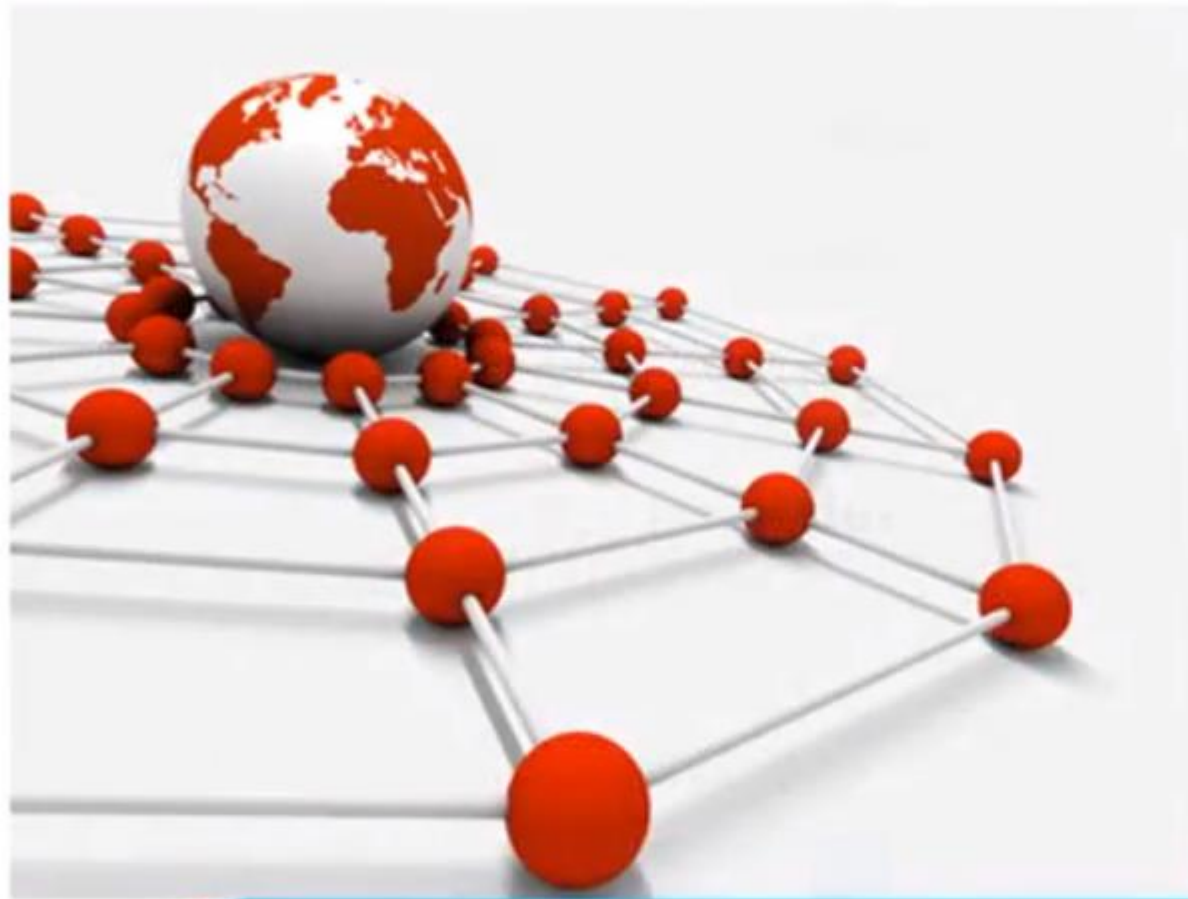
**Dr. Mohamed El-Bitar**

## ***Place or distribution***



- ☐ ***Place is concerned with the selection of distribution channels used to deliver goods to the consumer.***
- ☐ ***Cost associated with distribution and logistics constitutes 30% of the total cost.***

# *Place or distribution*



- ❖ **What is a Distribution Channel?**
- ❖ **What is the function of distribution?**
- ❖ **What are types of distribution channels?**
- ❖ **What is the distribution channels decision?**
- ❖ **What are different types of intermediaries?**
- ❖ **What are types of marketing channels?**
- ❖ **What are types of distribution strategies?**
- ❖ **What the factors affecting channel decision?**
- ❖ **What are transportation modes?**
- ❖ **What is the shape of supply chain?**
- ❖ **What are the indicators of sales effectiveness?**

# ***What is a Distribution Channel?***



- ❖ **Set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user.**
- ❖ **Refers to processes that start when the product finished till delivered to consumer.**
- ❖ **Avon cosmetics for example broke new ground by selling products door to door rather than through department stores and pharmacies**
- ❖ **By so doing the company opened up an entirely new market among women who were house-bound for whatever reason.**

# ***What is the function of distribution?***



## **Transport:**

- ✓ This function may be provided by supplier, distributors or may be subcontracted to a specialist.
- ✓ For perishable products transport planning is vital.

## **Stockholding and storage:**

- ✓ A good stock or inventory control system is designed to avoid stock outs harm whilst keeping stockholding cost low.

# ***What is the function of distribution?***

## **Local knowledge:**

- ✓ As production has tended to become centralized in pursuit of economies of scale the need to understand and to be close to local markets has grown.

## **Promotion:**

- ✓ Whilst major promotional campaigns for national products are likely to be carried out by the supplier, the translation of the campaigns to local level is usually the responsibility of distributor.

## **Display for sale:**

- ✓ The presentation of the product at the local level is the responsibility of the distributor.

# ***What are types of distribution channels?***



## **Consumer channels**

**Example:**

- ✓ producer → retailer → consumer.
- ✓ Manufacture → wholesaler → retailer → consumer

## **Business to business**

**Example:**

- ✓ producer → industrial distributor → business consumer.

## **Multiple channels**

**Example:** pharmaceutical industry sells to hospital directly and to consumers indirectly through drug retailers.

## ***What is the distribution channels decision?***

- ❖ Choosing distribution channels is important for any organization.
- ❖ Distribution channels are two types:
  - ☐ **Direct distribution: "active type"**
  - ☐ **Indirect distribution: "passive type"**

## *Types of distribution channels decision*

### Direct distribution: “active type”

- ✓ The product goes directly from producer to consumer without the use of intermediary.

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### Direct distribution: “active type”

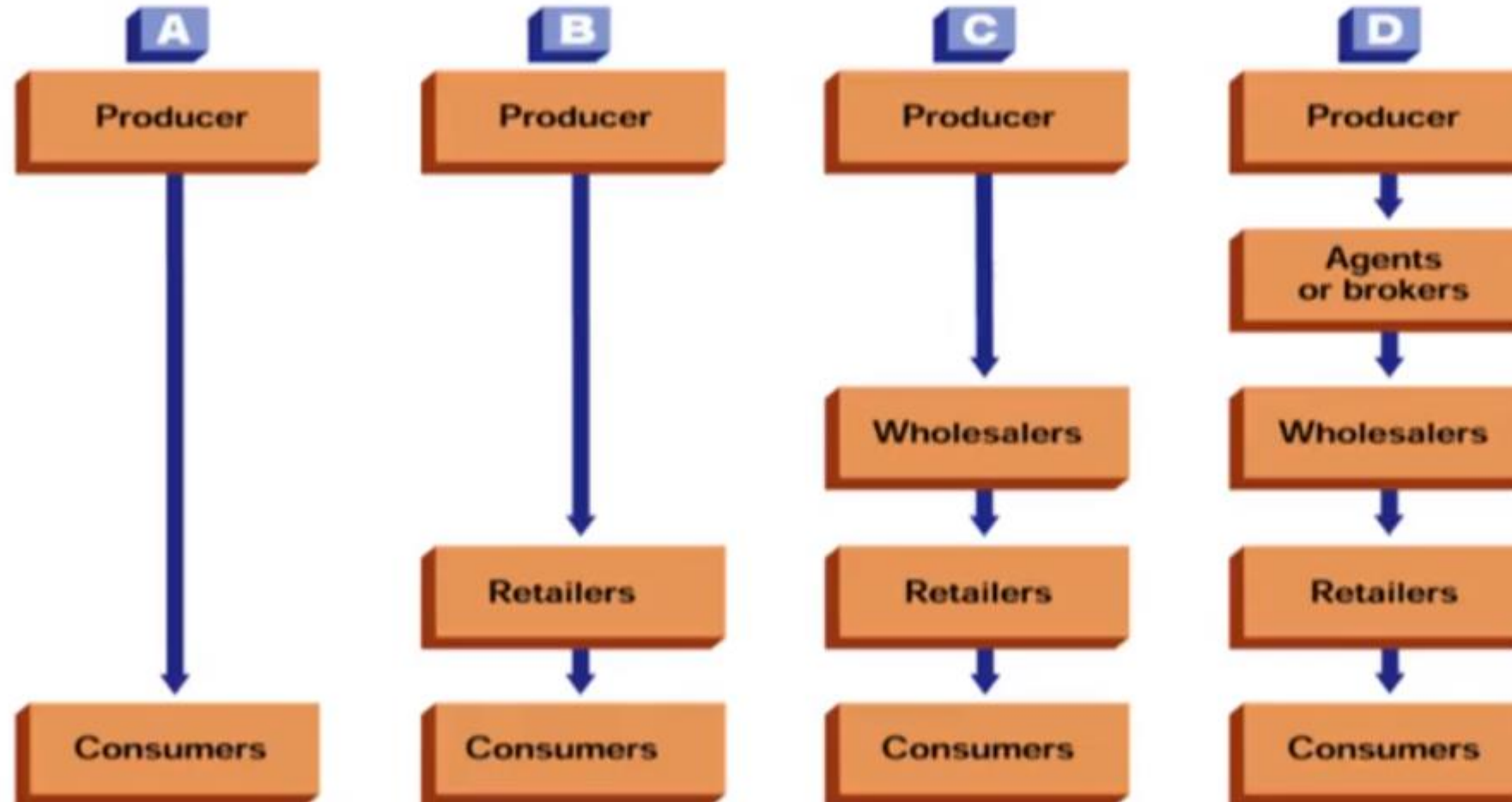
- ✓ The product goes directly from producer to consumer without the use of intermediary.

## *Types of distribution channels decision*

Indirect distribution: “passive type”

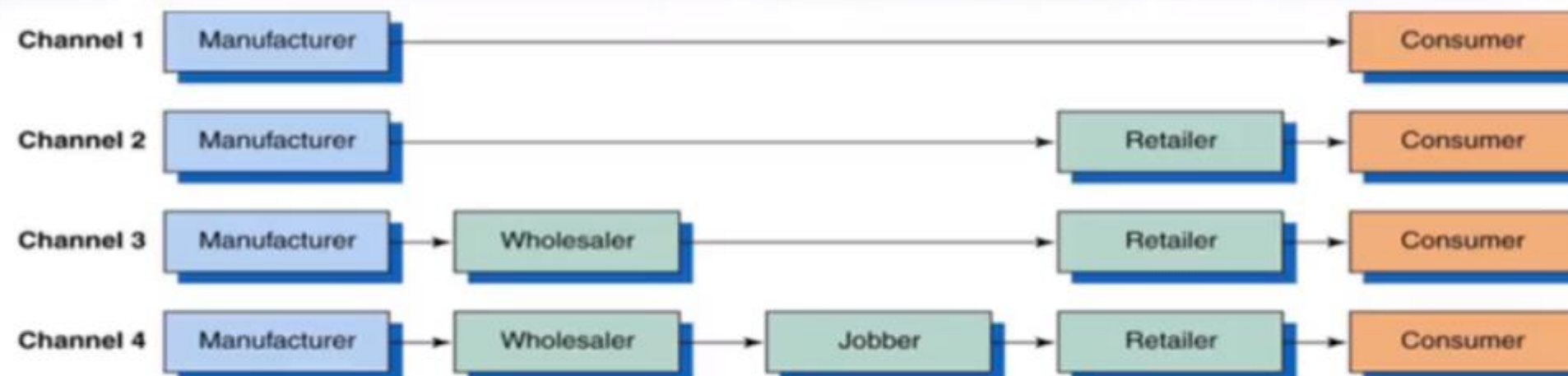
- ✓ The product goes indirectly from producer to consumer with the use of intermediaries like wholesaler, retailer.....

## *Types of distribution channels decision*

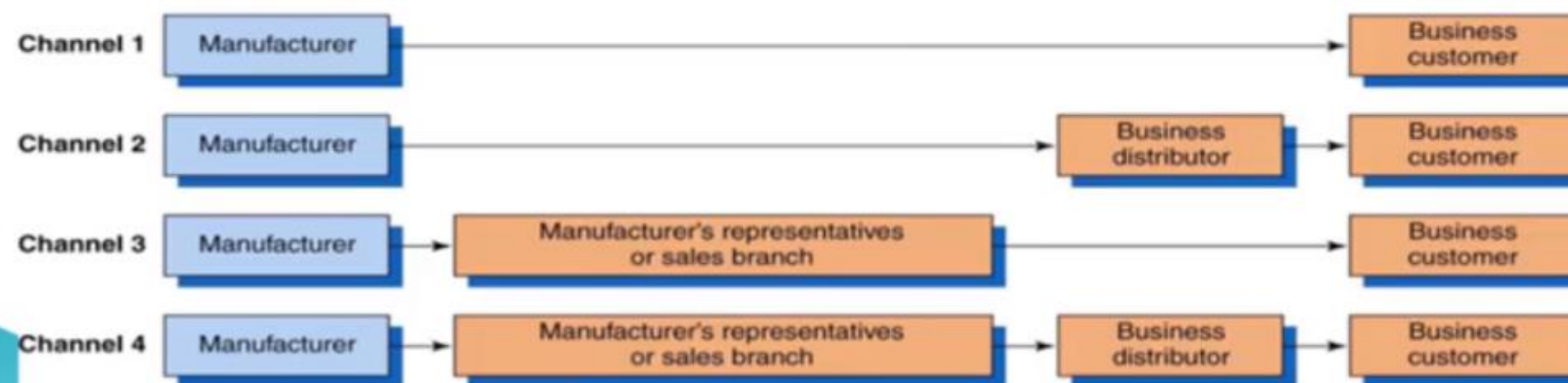


***Typical Marketing Channels for Consumer Products***

# Types of distribution channels decision



A. Customer marketing channels



B. Business marketing channels

## Typical Marketing Channels for Business Products

## *What are different types of intermediaries?*



- ✓ An intermediary (middleman) is someone who mediates or brings about a settlement between 2 persons. Or any intermediary between manufacturer and end user markets.

✓ الوسيط هو الشخص الذي يتوسط أو يعمل تسوية بين شخصين.  
أو هو أي وسيط بين الشركة المصنعة وأسواق المستخدم النهائي.

# What are different types of intermediaries?



## Retailers:

- They are any intermediary who sells directly to consumers.

### تجار التجزئة:

- أي وسطاء من الذين يقومون بالبيع مباشرة للمستهلكين. «يملك البضاعة»

## Wholesalers:

- They are any intermediary who stock products from potentially computing manufacturer to sell on to other intermediaries usually to retailers; usually applies to consumer markets.

### تجار الجملة:

الوسطاء الذين يقومون بتخزين المنتجات من المصنعين المحتملين لبيعها إلى وسطاء آخرين عادة لتجار التجزئة؛ وعادة ما ينطبق ذلك على الأسواق الاستهلاكية. «يملك البضاعة»

# *Types of intermediaries*

## Agents or broker:

- Any intermediary with legal authority to act on behalf of the manufacture.
- Differ from distributors in that they do not purchase and resell the goods but earn a commission on their sales.

## الوكيل:

- هو أي وسيط له سلطة قانونية للعمل نيابة عن المصنع.
- يختلفون عن الموزعين حيث أنهم لا يشترون ويبيعون السلع ولكنهم يكسبون عمولة على مبيعاتهم.

## Dealers:

- An even more imprecise term that can mean the same as distributor, retailer, wholesaler and so forth.

## التاجر:

- مصطلح غير دقيق يمكن أن يعني نفس معنى الموزع، وتاجر التجزئة، وتاجر الجملة وما إلى ذلك.

## *Types of intermediaries*

### Franchisees:

- Are independent organizations, which in exchange for “bundle of money” an initial fee and a share of sales revenue are allowed to trade under the name of parent organization e.g. KFC, McDonald’s.

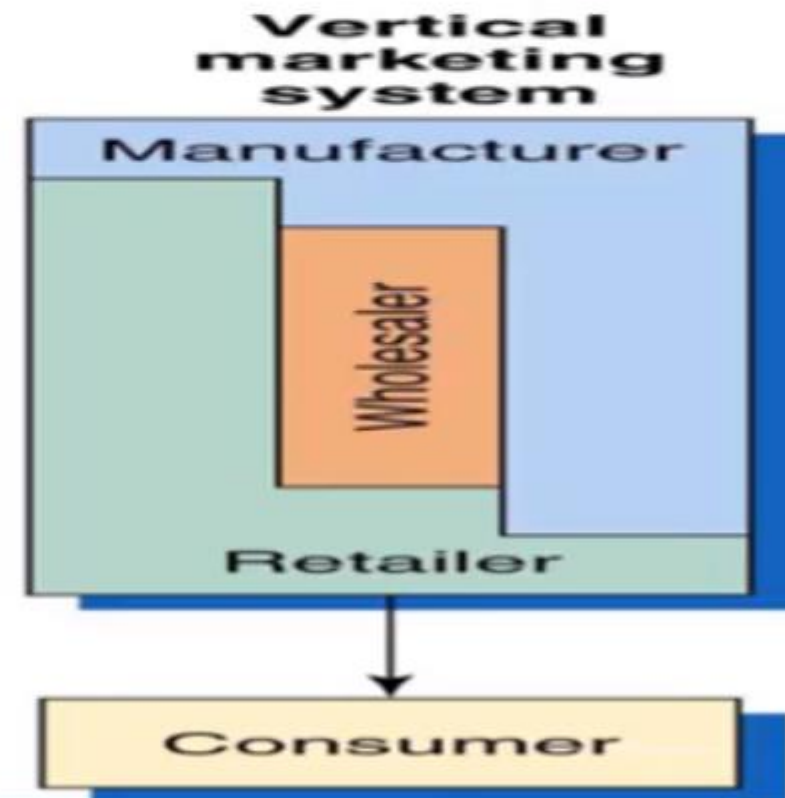
### حقوق استغلال العلامة التجارية:

- من منظمات مستقلة، وذلك في مقابل «حزمة من الاموال» رسوم أولية وحصّة من عائدات المبيعات ويسمح للتجارة تحت اسم المنظمة الأم على سبيل المثال. كنتاكي، ماكدونالدز.

# *What are types of marketing channels?*



- There are 3 types of marketing channels:  
• هناك 3 أنواع من قنوات التسويق:



## *Types of marketing channels?*

### 1-Conventional:

- Multi-level distribution channel in which members work independently of one another.

### 1-التقليدية:

- قناة توزيع متعددة المستويات يعمل فيها الأعضاء بشكل مستقل عن بعضهم البعض.

# *Types of marketing channels*



## **2-Vertical: (VMC= Vertical Marketing System)**

- Usually there is one leader for all of them.
- Channel in which there is cooperation among channel members at two or more different levels of the channel.

### **2-عمودي: (نظام التسويق الرأسى)**

- عادة ما يكون هناك قائد واحد لهم جميعا.
- القناة التي يوجد فيها تعاون بين أعضاء القناة على مستويات مختلفة أو أكثر من القناة.
- خطورة حدوث الاشتباك أو الصراع بين مستويات هو الحد الأدنى.

## *Types of marketing channels*

### 3-Horizontal:

- Two or more firms (intermediaries) at the same channel level agree to work together to follow new marketing opportunities.
- Example: Banks in grocery stores.

### 3-افقى:

- يتفق اثنان أو أكثر من الشركات (الوسطاء) على العمل نفس القناة معا لمتابعة فرص التسويق الجديدة.
- مثال: البنوك في متاجر البقالة.

# ***Ways to ensure vertical integration***



## **I. Corporate VMS**

- **Common Ownership at Different Levels of the Channel i.e. Sears.**
- **Here one member of the marketing channel may simply purchase the operations of other members/levels of the channel.**
- **Levi Strauss was originally a manufacturer of clothes.**
- **The company created a corporate vertical marketing system by integrating forward and opening its own retail clothing stores to sell its merchandise.**

## ***Ways to ensure vertical integration***

### **iii. Contractual VMS**

- Here channel relationships and co-ordination are achieved through formalized agreement and contracts.
- Example: Franchising (KFC).

## *What are types of distribution strategies?*



- Distribution strategy means the number of intermediaries and/or outlets to be covered within a particular region.
- There are 3 main distribution strategies:

- استراتيجية التوزيع تعني عدد الوسطاء و / أو المنافذ التي ينبغي تغطيتها في منطقة معينة.
- هناك 3 استراتيجيات توزيع رئيسية:

# ***Types of distribution strategies***



## **Intensive Distribution:**

- ✓ A firm uses a large number of resellers in an area.
- ✓ Its goals are to have wide market coverage, channel acceptance, and high total sales and profits.
- ✓ Involves blank coverage of distributors in one segment of the total market.
- ✓ Availability is more important than any other consideration in customer's purchase decision.
- ✓ Products such as gum, milk and soft drinks (convenience products) are intensively distributed.
- ✓ Per-unit profits are low.

## ***Types of distribution strategies***

### **Selective Distribution:**

- ✓ A firm employs a moderate number of resellers in an area.
- ✓ It tries to combine some channel control and a solid image with good sales volume and profits.
- ✓ The producers select a group of retail outlets from amongst all retail outlets.
- ✓ Products such as cars, pianos and products with high price (shopping products) are sold in this way.

# ***Types of distribution strategies***

## **Exclusive Distribution:**

- ✓ A firm severely limits the number of intermediaries and outlets in an area.
- ✓ It seeks a prestige image, channel control, and high profit margins and accepts lower total sales.
- ✓ This strategy is used for (specialty products) like for example Rolex watches.
- ✓ Exclusive distribution is therefore often used in the marketing of expensive capital and or technical products in B2B markets.

## ***Types of distribution strategies***

***Select a distribution channel for each of the followings:***

- ✓ 1. Rolls Royce cars (Exclusive)
- ✓ 2. Cigarettes (Intensive)
- ✓ 3. Mid-priced high-fi systems (Selective)

# *What the factors affecting channel decision?*

*ما هي العوامل التي تؤثر على قرار القناة؟*



Factors determining the choice of distribution strategy:

العوامل التي تحدد اختيار استراتيجية التوزيع:

## 1-Customers:

- The number of potential customers.
- Customer buying habits.
- Customer geographical locations.

## 1-العملاء:

- عدد العملاء المحتملين.
- عادات شراء العملاء.
- المواقع الجغرافية للعميل.

## *What the factors affecting channel decision?*

ما هي العوامل التي تؤثر على قرار القناة؟

### 2- Product characteristics:

- ✓ Some product characteristics have an influence on the design of the channel of distribution:

### 2- خصائص المنتج:

- ✓ تؤثر بعض خصائص المنتج على تصميم قناة التوزيع:

## *factors affecting channel decision*

العوامل التي تؤثر على قرار القناة

### perishability:

- Fresh fruits, newspaper should be distributor very quickly so, the speed of delivery is the key factor in the design of the distribution system.

### القابلية للتلف او الفناء :

- الفواكه الطازجة، الصحف اليومية يجب أن يكون التوزيع بسرعة كبيرة جدا، وسرعة التسليم هو العامل الرئيسي في تصميم نظام التوزيع.

## ***What the factors affecting channel decision?***

**ما هي العوامل التي تؤثر على قرار القناة؟**

### **4-The channel chosen by the competitors:**

- ✓ Channels used by competitors/opportunities for innovation and competitive advantage.

### **4-طريقة التوزيع التي يتبعها المنافسين:**

- ✓ القنوات التي يستخدمها المنافسون / الفرص المتاحة للابتكار والميزة التنافسية.

## *What the factors affecting channel decision?*

ما هي العوامل التي تؤثر على قرار القناة؟

### 5-The supplier's own characteristics:

- ✓ Strong financial base gives the supplier the option of buying and operating their own distribution channels.
- ✓ The market position of the supplier is also important; distributors are keen to be associated with the market leader.

### 5- الخصائص الخاصة بالمورد :

- ✓ توفر القاعدة المالية القوية للمورد تجعل لديه خيار شراء وتشغيل قنوات التوزيع الخاصة به.
- ✓ موقف المورد من السوق هو أيضا مهم لان الموزعين حريصون على أن يكونوا مرتبطين مع الشركة الرائدة في السوق.

## ***What the factors affecting channel decision?***



- 6-Organizational objectives and resources.**
- 7-The target market (local, national or international).**
- 8-The level of expertise required when dealing with customers.**
- 9-Costs and profitability of channel alternatives.**
- 10-Legal and regulatory considerations.**
- 11-Budget.**

# ***What are Transportation Modes?***



**Rail:** Nation's largest carrier, cost-effective for shipping bulk products, piggyback

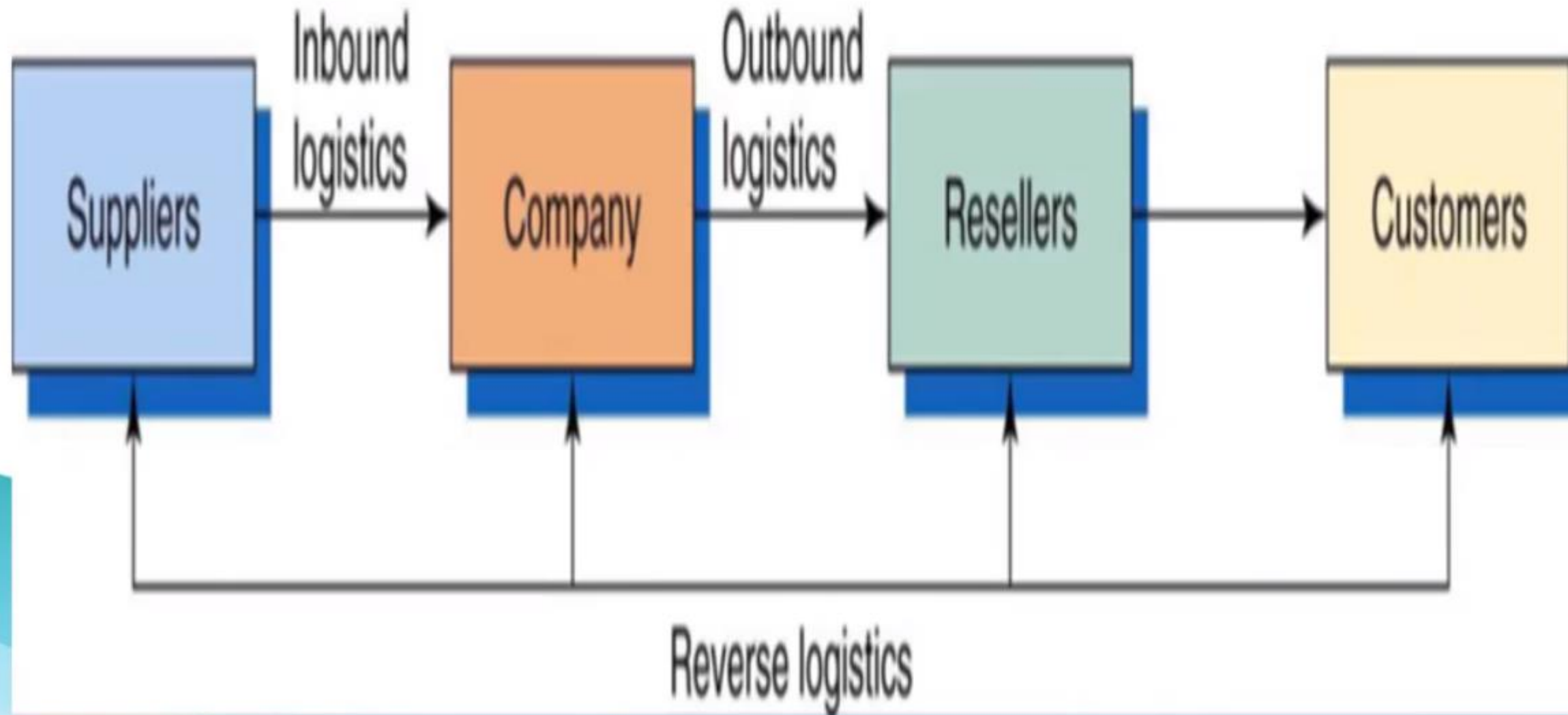
**Truck:** Flexible in routing & time schedules, efficient for short-hauls of high value goods.

**Water:** Low cost for shipping bulky, low-value, non-perishable goods, slowest form.

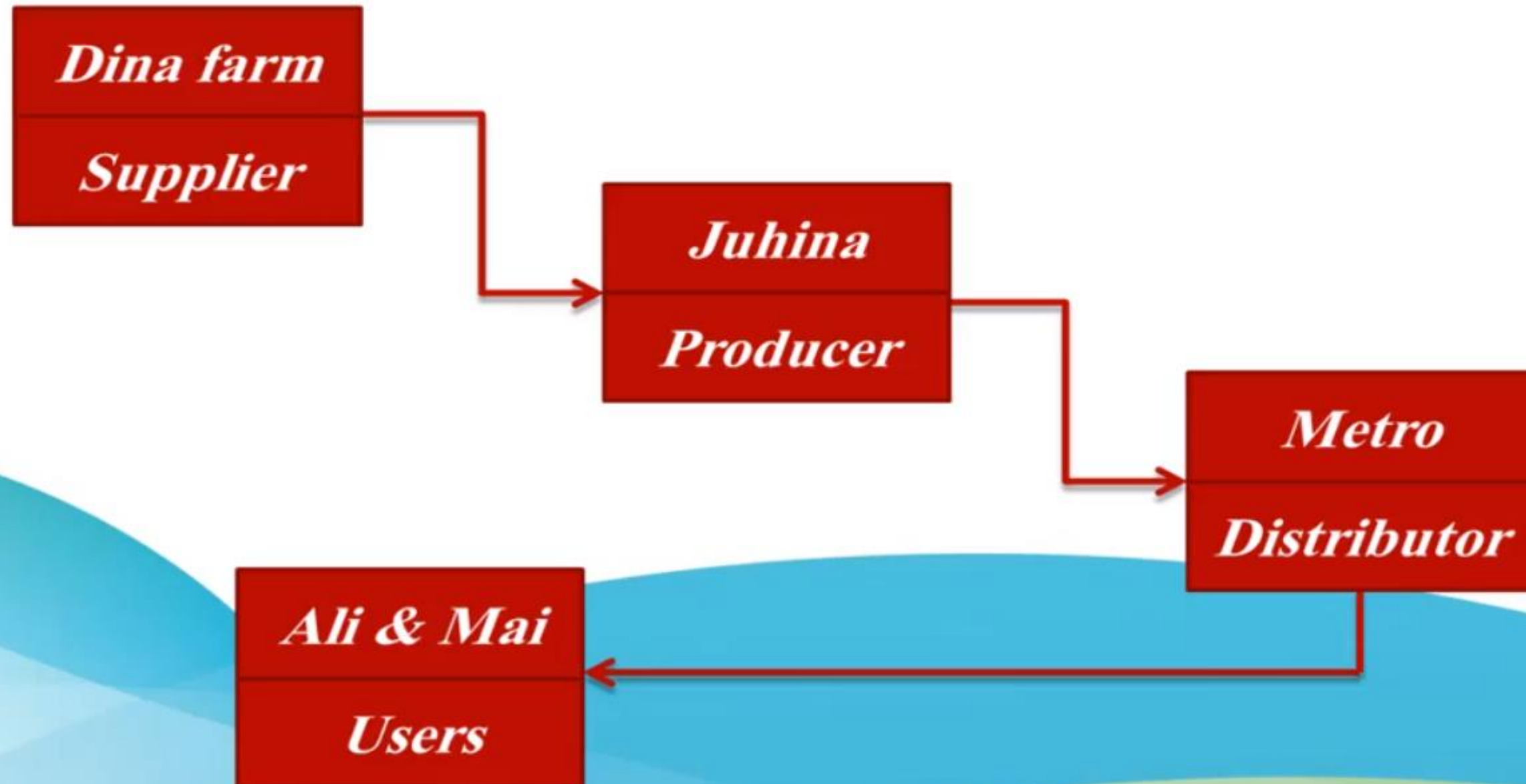
**Pipeline:** Ship petroleum, natural gas, and chemicals from sources to markets

**Air:** High cost, ideal when speed is needed or distance markets have to be reached.

# *What is the shape of supply chain?*



*What is the difference between supply chain and distribution channel?*



## ***What is the difference between supply chain and distribution channel?***

- ❖ The process starts with supplier and ends with consumer called **supply chain**.
- ❖ The process starts with producer and ends with consumer called **distribution channel**.
- ❖ So distribution channel is a part of supply chain.

## ***What is the Indicators of Sales Effectiveness?***



- **Number of people passing by.**
- **% who enter store.**
- **% of those who buy.**
- **Average amount spent per sale.**