**Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Marketing - Ch. 4 Distribution & Global Marketing**

The MIXES

* Marketing Mix
  + Product
  + Price
  + Place
  + Promotion
* Product Marketing Mix
  + Basic Product
  + Features
  + Packaging
  + Support Services
  + Brand
  + Image

**4.1 Distribution Channels**

* The **term** marketing that became popular in the last half of the 20th century.
* Prior to that time, when companies wanted to improve the exchange process, they concentrated on **distribution**.

**Distribution**

* Very important in ensuring **customer** **satisfaction**.
* Customers will be **dissatisfied** if they
  + **cannot** **locate** the product,
  + **cannot** **conveniently** **obtain** it,
  + or **receive** it **late or damaged**.

Distribution is the Marketing Mix Element that determines the **best** **methods and procedures** to use so prospective customers can

* **locate**,
* **obtain**,
* and **use** a business’s **products** and **services**.

Reducing Discrepancies

* The **goal** of marketing is the **successful exchange** of products and services between businesses and their customers.
* No matter how **good** a product is, a company cannot make a **profit** unless it **fills orders correctly** and **delivers the product undamaged** and **on-time** to the correct locations.
* **Successful** exchanges are **not easy** to carry-out.
* **Producers** manufacture products at a specific **time** and in a particular **location**.
  + That time and location **do not typically match** the place and time **consumers** **need** the product.
* **Distribution systems** are **designed** to get the types and quantities of products customers want to the locations **where** and **when** they want them.

Direct & Indirect Distribution

* **Channels** of Distribution - **routes** **products** **follow** moving from the producer to the consumer.
  + **Direct** Distribution – when producers sell directly to the consumer
  + **Indirect** Distribution – when distribution **involves other businesses** in addition to the producer.
* Channels products follow may be **short & simple** or **long & complex**.
  + **Shortest** **path** is for the **producer** to **sell directly to the user.**
  + **Longest** **path** can include many **middle men**:
    - a retailer,
    - a wholesaler,
    - and other businesses.
* **Adding** businesses to the **channel** makes the channel **more complex** and **difficult to control**.
* Using **businesses** that have particular **expertise** in
  + transportation,
  + product handling,
  + or other distribution activities
  + may result in **improved** **distribution** or actual
  + **cost** **savings**.
* **Activities** that need to be performed as a **product** **moves** from producer to consumer will help to determine the **number** and **types** of businesses in the channel.

**Direct** Channels

* **Direct** Distribution (direct marketing) – when the **producer sells** and distributes its products **directly** **to** **consumers**.
* The company is responsible for the equipment, activities, and personnel needs to complete all of the **distribution activities**.
  + That can include
    - salespeople,
    - warehouses,
    - trucks,
    - customer service, etc.
* The company may **share some of the activities** with the consumer.

**Indirect** Channels

* Indirect Channels are **needed** when producers **cannot, or choose not to**, perform all marketing activities.
* Much **time** could be **wasted** if all exchanges occurred **directly** between producers and consumers.

*Think about it…*  
-What if *YOU* had to **locate** and **contact**   
each and every manufacturer of **every** product you needed or wanted?

* **Agree** on a **price**,
* Find a **way** to **get** the **product** from the business **to your home**?
* You would spend most of your time just **obtaining** the things you NEED.

Other businesses entering your Channel of Distribution can **save** you a lot of **time**.

* You can **visit** just **one business** to purchase many of the products you need in the same shopping **trip**.
* The business should not only **save** you **time**, but be effective at **locating and purchasing** the needed products and finding the most efficient ways to ship them to their locations.
  + If they do not do this **you will go elsewhere**.

Wholesalers & Retailers

* Wholesalers and retailers are the m**ost common** types of businesses involved in **indirect** **channels** of distribution.
* Many **specialized** marketing **businesses**
  + sales and telemarketing businesses,
  + transportation companies,
  + businesses that provide financing and credit.

**Checkpoint Question**

* + What is the difference between direct and indirect distribution?

Important **questions** that should be answered in **planning distribution**.

* **Where** will the customer want to **obtain** the product?
* **Where** will the customer **use** the product?
* Are there **special** **requirements**
  + to **transport**,
  + **store**,
  + or **display** the product?
* **When** should distribution **occur**?
* **Who** should be **responsible** for **each** type of **distribution** **activity**?

**Selecting** a **Channel** of **Distribution**

* Channels of distribution range from **simple** to **complex**.
  + Producers must decide which best fit their needs.
* **Producers** prefer to use as **few** **channels** and channel **members** as possible.
* **Producers** may need to use more than one channel to achieve the **widest distribution** for their product or to **sell to different target markets.**

**Factors** businesses consider when deciding **which** channels to use.

* **Distance**
* **Perishability**
* Special **handling**
* **Number** of customers

Distance

* The **closer** the **customer** the **fewer** **channel** **members** will be needed.
* As distance between producer to consumer increases, the more channel members will be needed.

Perishability

* **Highly perishable** products require **rapid** and **careful** handling.
* Some products are marketed **directly to the consumer** or through a **very short channel**
  + - seafood,
    - fresh fruit,
    - and flowers.

Special Handling

* If a product is **delicate** or **easily damaged** it will require **special handling** and **shipping** **procedures or equipment**.
* That product will likely pass through as **few** **channel members** as possible.
  + Manufacturers of complex medical equipment sell **directly** to hospitals.

Number of Customers

* The **greater the number** of **customers**, the **more channel members** there will be.
* If a manufacturer of **customized construction equipment** sells to a few large contractors, a **short channel** will be used.

Transportation

* Businesses must determine **how to physically transport** the products from the producer to the consumer.
* Factors to consider in shipping include the
  + **size**,
  + **shape**
  + and **weight** of the goods.
* Some products are **fragile** and may need **special care** in handling.
* Transportation choices will **differ** for medical supplies needed in a **few hours** vs. building materials needed in **several weeks**.

**Cost** is another shipping-related issue.

* In addition to basic transportation charges there are various **other costs**
  + **packaging** products for shipping,
  + **insurance**,
  + and possibly **storing** products **before**, **during** and **after** delivery to the buyer.
* Most **common methods** of **transportation**
  + railroads,
  + trucks,
  + airplanes,
  + and ships.
* A business may use **more than one type** of transportation depending on the **requirements** for shipment.

Product Handling

* Product handling is very **important** in to avoid
  + **delay**,
  + **lost**,
  + or **damaged** shipments.
* Most products are **handled several times** on their way from **producer to consumer**.
* Businesses look for ways to **improve packaging**.
  + More **efficient procedures** for packing and unpacking.
  + **Better** **equipment** for **handling** and **storing** products.
* Keeping track of all products is an   
  important part of product handling.
* Businesses and customers want to know
  + **where** **products are** in the **distribution channel**
  + and **when** they will be **delivered**.
* Careful record keeping is essential to route products correctly.
* Most businesses use bar coding to track products during distribution.

Storage

* Consumers don’t usually buy products **as soon as they are produced**.
* Manufacturers and other channel members must **store** the **products** until they are **ready** for **distribution** and **sale**.
* **Buildings**, such as warehouses and distribution centers, are needed to **store large quantities** of **products** **until** they can be **sold**.
* **Handling** products and **storing** them for a long time is **expensive**.

More efficient handling with less risk of damage is very important.

* **Moving** **products** increases the **chances for damage**.
* Many companies use mechanical equipment with **robots** to handle products.
* Computers **control** both the equipment and the robots as products are **moved** into **storage and shipment**.

Order Processing

* Customers place orders in a number of ways.
  + Visiting a retail store or a website.
  + Submitting an order using a salesperson, order through mail, telephone, computer or fax.
* When an order is **received**, employees **process** the order and **bill** the customer.
* If customers have **questions or problems** with the order, employees must **handle** them in a **friendly and courteous fashion**.
* **Most** companies now have **automated order processing** using a computer and the internet.
* This allows the manufacturer, channel member, or customers to **track the order** and where it is at any time.

**Checkpoint Question, pg. 92**

* + What are the major factors to be considered when a business selects a channel of distribution?
  1. **– Wholesalers & Retailers**

In order for a **product to be sold**, all of the **marketing functions** need to be performed.

In a **Direct Channel**

* The **manufacturer** and the **customer** are the only ones who **perform the functions**.
* They can be **shifted and shared**, but **cannot** be **eliminated**.
* An indirect channel will be **needed** if the producer or consumer is **unwilling or unable** to perform some of the functions.

In an **Indirect** **Channel** **wholesalers** and **retailers** are the **major businesses** involvedin the **marketing functions.**

* They provide the marketing **functions** that are **not completed** by the **producers and consumers**.
* Common indirect channels of distribution
  + a **manufacturer**,
  + a **wholesaler**,
  + a **retailer** who **sells** the product of several manufacturers,
  + and the **consumers** who **purchase** from retailers.

**Wholesalers**

* Wholesalers are companies that **assist** **with distribution** activities between businesses.
* They
  + **seldom sell** products to individual consumers.
  + provide **marketing activities** as a part of the channel of distribution between producers and retailers.

**Benefits** of Wholesalers

* May be able to **provide** marketing activities **better** or at a **lower cost** than the manufacturer or retailer.
* A **small retailer** is not usually able to buy in large quantities but a wholesaler can.
* Wholesalers **combine orders** of several small retailers to make the purchase.
* Shipments to several businesses in the same location are combined to **save transportation costs**.

**Storage** Facilities

* **Manufacturers** **produce** products on a **regular** **business** throughout the year, but **consumer demand** may be seasonal.
* Many manufacturers don’t have the **space to store** their **products** until they can be sold, so they often use **wholesalers** who **specialize in storage.**

**Wholesale** Activities

* Typical wholesaling activities include:
  + **buying,**
  + **selling,**
  + **transporting**
  + **and storing products.**
* Wholesalers often
  + **accumulate products** of **many** manufacturers,
  + **develop assortments** for the retail customers they serve,
  + and then **distribute** the to them.
* Some wholesalers provide **specialized services**
  + **financing** inventories of manufacturers until they can be sold.
  + **extend credit** to some of the retailers to enable them to make purchases.

Wholesalers can be an important **source of information** for other channel members.

* Offer marketing **research** and marketing **information services**.
* **Provide** manufacturers and retailers **data** that will help **improve** their operations and decision making.
* Assist manufacturers in **determining** the **needs** of retailers and consumers .
* Provide market and product **information** to **retailers**.
* **Promote** their **products** using catalogs, salespeople, or internet sites.
* **Process orders** rapidly and keep track of quantity and location of products using **computer technology**.
* New **methods** of storing and handling products reducing
  + product **damage**,
  + **cost** of distribution
  + and the **time** needed to get products from the manufacturer to the customer.
* Additional services to customers such as
  + 24-hour ordering,
  + emergency deliveries,
  + specialized branding and packaging services
    - allowing smaller retailers to have their own brand names on their products.

**Checkpoint Question, pg. 96,**

* + What benefits do wholesalers provide to small retailers?

The **Role** of **Retailers**

* The retailer is the **final business** in an indirect channel of distribution for consumer products.
* **Accumulate products** customers need by **buying from** manufacturers or wholesalers.
* **Display** a **variety** of products and information so customers can **evaluate** them.
* Have **salespeople** assist customers with making informed purchase decisions.
* **Provide** many **services** that make it easier for customers to shop and buy,
  + Accept credit cards, providing other credit choices, and offering product delivery, installation, and repair services.
* Retailers offer **benefits** to **wholesalers** and manufacturers.
* Besides selling the products of manufacturers, they **complete many other marketing functions**.
  + Store inventory, assume risk and provide financing.
  + Some even take responsibility for transporting products from the manufacturer to their stores.
* Retailers have **large budgets** to **promote** the products they sell.

Types of **Retailers**

* Single or Limited-line Stores
* Mixed Merchandise Stores
* Superstores
* Non-Store Retailing

**Single** or **Limited-Line** Stores

* Offer products from **one category** of **merchandise** or closely related items.
* Examples:
  + Food, hardware, apparel, lawn & garden candle shops, etc.

**Mixed** Merchandise

* Offer products from **several** different categories.
* Examples
  + supermarkets,
  + department stores,
  + large drug stores, etc.

Superstores

* Very large stores that offer a wide variety of products.
* Most superstores are **mixed merchandise** businesses offering a variety of product categories so consumers can use them for **one-stop shopping**.
  + Examples: Sam’s Club & Costco
* Other superstores sell products in a **limited category** but offer consumers **many choices** of brands, products and features within that category, such a Best Buy.

**Non-Store** Retailing

* **Sells directly** to the **consumer’s** **home** rather than requiring the consumer to travel to a store.
* Common Forms
  + online sales
  + catalog sales
  + door-to-door selling
  + vending machines
  + telephone sales
  + televised shopping clubs
  + direct mail selling.
* **Internet sales** have become the most popular form of non-store retailing.

Checkpoint Question, pg. 97

* List four types of retail businesses

**Business Math Connections**

* Manufacturers **offer discounts** to channel members for providing various marketing functions.
* The **discounts** are often stated as a **percentage** of the suggested retail price and are expressed as 40/15.
  + The first **number 40 is the percentage discount for a retailer.**
  + The second number **15 is the percentage discount for a wholesaler**.
* Using the 40/15 discount rate, what price would a retailer and wholesaler pay for a product that retails for $860?
* **Solution**:  
  Using the 40/15 discount rate, what price would a retailer and wholesaler pay for a product that retails for $860?

Selling price – (selling price x retailer discount) = retailer price

$860 - ( $860 x .40 ) = $516.00

Retail price – (retail price x wholesaler discount) = wholesaler price

$516 - ( $516 x .15 ) = $438.60

**4.3 – Global Marketing**

Ask yourself this…

* How do you feel when you are on vacation and see a restaurant franchise you are familiar with?
* How do you feel when you see a restaurant name you are not familiar with?
* As the US becomes more diverse, will fast-food franchises need to provide different marketing mixes to meet the needs of **different cultural and ethnic groups**?

**Global Marketing**

**The Marketing Mix**

On the Scene, pg. 99

* Fast-food franchises are well-known for using the **same** **marketing mix** in each city.
* Restaurants look the **same** in **every locatio**n and offer the same **product choices**, **prices**, and **hours of operation**.
* Even the **advertisements** are the **same**.
* However, when the companies open locations in other **countries** they often have to make **dramatic changes** in the **products**, **services**, **prices**, and **types of promotion** used.

**What do you think?**

* Why do franchises try to **keep** their **marketing mix** the **same** from location to location to location?
* Why do you think it may be necessary to make **major changes** in the marketing **mix** when moving into **international** markets?

**You** live in a **Global Economy**.

* Look at the products you use every day.
  + **Where** are they made?
  + **What** **companies** were involved in developing, distributing, pricing and promoting the products?
* It’s **difficult** to identify a product that doesn’t have an **international connection.**
* Many **jobs** depend on the **international economy**.
* The US is the **largest producer** of goods and services in the world today.
* However, it is also the **largest importer** of products produced in other countries.

**International** Trade **Markets**

* Very important in obtaining products for **distribution and sale** to US customers
* Without out it the **economy** would be much **smaller** with **fewer jobs**.
* Nearly **20 percent** of all goods and services produced in the US are **sold** in **other countries**.
* An estimated **1 out of every 15** US jobs is directly involved in international business.
* International trade involves thousands of **products** and trillions of **dollars**.
* Only a **small percentage of companies** worldwide are actually directly involved in international business.
* About **10 percent of US businesses**, and a much smaller percentage of businesses worldwide, **sell** products and services **in other countries**.
* Businesses often consider international trade when
  + **sales** and **profits** begin to **fall** in their own **countries**
  + they begin to face competition from businesses from **other countries** in their current markets.
* Unfortunately, this **may be too late** to successfully enter international markets.
* Businesses should consider **international markets any time** they are studying possible new markets to enter.

Exporting and Importing

* This is how most businesses become involved in international business.
* **Exporting** is **selling** products and services to markets in other countries.
* **Importing** is **buying** products and services that are produced in other countries.

**Indirect** Exporting & Importing

* Other companies with **expertise** in **international** **business** are a part of the business’s channel of distribution.
* Indirect exporting allows the business to **use** an **export company** to make the **sales**.
* A business will **purchase** from an **importer** rather than purchasing directly from the **foreign producer**.

**International Full-Service** or **Limited-Service** Businesses

* **Full-service** business completes **most or all** of the marketing functions.
  + The company **purchases** products, provides **transportation** to another country, and **stores** the products until they are sold.
  + It would have a sales force to contact potential customers and may offer credit or financing.
* **Limited-service** business **completes one or a very few** marketing activities and relies on other companies for **other functions**.
  + Once an order has been placed, another business is responsible for transporting the products from one country to another.

**Joint Ventures** & **Multinational** Businesses

* Businesses heavily involved in international business often **change** the way they **operate** in **other countries**.
* Rather than just exporting or importing products, they **establish operations** in the **countries** where they have markets. It may be difficult or very expensive to establish new businesses in several countries
* Business owners may not be confident that they have the knowledge and experience for successful foreign operations.
* One way to overcome those problems is by establishing a joint venture.

**Joint Venture** – an agreement between independent companies to participate in common business activities.

* Usually involves a **company** from **each** of the **countries**.
* Two automobile manufacturers may decide to cooperate in producing an automobile that will be **sold in both** countries.
  + Each has an **understanding** of the customers and competition in their **own country**
  + **Each** has production facilities and dealers already **established**.
* A **manufacturer** in one country may develop a joint venture with a **retailer** in another country.

**Activity 4.3 - Find an International Joint Venture**

* Research your chosen business and tell me…
  + name of the joint venture
  + names of both companies that came together to make the joint venture
  + year the joint venture was formed.

Multinational Business

* Companies that **operate in many countries** and regularly engage in international business.
* They think and operate **globally**.
* Their managers understand **how to plan** and **market products successfully** in **many countries** and are continuously **looking** for **new opportunities** throughout the **world**.
* They recognize that consumers in various countries have **different needs** and require **unique marketing mixes**.

**Every time** a product or service is sold to a customer **all of the marketing functions** need to be performed.

* This is true in international business as well.
* Companies often make a **mistake** in believing that **a marking mix that was successful in one country will be successful in another** country.
* While all of the marketing functions will need to be performed, they may be quite **different** when serving customers in **another country**.

**Checkpoint Question, pg. 101**

– What is the difference between exporting and importing?

**7 Marketing Functions** in another country

* Product/Service Management
* Distribution
* Selling
* Marketing-Information Management
* Financing
* Pricing
* Promotion

**Product/Service Management** in another country

* Products and services need to be **designed** to meet the **unique needs** of a **target market**.
* Often **fewer features** and **options** are offered on products **sold in other countries**.
* **Packaging** may need to be **redesigned** to offer additional **protection** for shipping and storage.
* A brand **name may not translate** well into **another language**.
* There may be quite **different expectations** for customer service offered with the product.

**Distribution** in another country

* Distribution procedures are often a **challenge** in international marketing.
* Decisions must be made on
  + **how to move** the **product** from one country to another
  + Distributing products to the locations where it will be sold.
* Activities must be **carefully timed** to be sure products are **available** to customers **when** they want them.
* There may be **laws** that **restrict distribution** or require that local companies participate in the distribution process.

**Selling** in another country

* Each **country’s customs** are very important in selling.
* Salespeople are involved in face-to-face contact with customers must be aware of all **cultural norms**.
  + body language,
  + forms of greetings,
  + being too formal or informal,
  + and cultural customs such as presenting business cards and gifts

play an important role in successful selling.

**Marketing-Information Management** in another country

* **Accurate and adequate** market **information** is essential for planning marketing.
* Marketing **research** will be needed to **identify target markets** and their **needs**.
* Research **procedures** that are useful in one country **may not be acceptable in another**.
* You must to **pay** **particular** **attention** to
  + **cultural** and **social** **differences**,
  + **economic** conditions,
  + **legal** and **political** structures,
  + and differences in **technology**.

**Financing** in another country

* One company may need to **extend credit** or provide **financing** for the company until the **products are sold**.
* **Banks specializing** in **international** **finance** are available to help with financial planning and management.

**Pricing** in another country

* **Prices** to be charged must be **calculated carefully** to cover the **costs** of international business activities.
* Prices must be **acceptable** to **customers** and **competitive** with the products of **competitors**.
* The form of **payment**, **value** of **currency**, and consumer **credit practices** might be quite **different**.

**Promotion** in another country

* **Communicating information** to prospective customers through **advertising** and other **methods** is essential if a product is going to be **successfully sold** in another country.
* Careful choice of **language** and **images** that are **understood** by the **target market**.
* Often images and words **don’t translate** well into another language and culture.

Checkpoint Question, pg. 102

* + Name the 7 marketing functions to be performed in conducting international business.
* 4.3 – Review Questions
* **Checkpoint Question pg. 101**
* What is the difference between exporting and importing?
* **Checkpoint Question pg. 102**
* Name the 7 marketing functions to be performed in conducting international business.
* **Think Critically pg. 103**
* Why do many companies fail to consider international marketing when selecting target markets?
* What are the possible disadvantages of participating in a joint venture with a business from another country?
* Why is managing marketing information such an important function when marketing in another country?
* **End of Chapter Book Questions pgs. 104-106 (1-21)**