9 Place and Physical Distribution

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Physical distribution decisions are vitally important to the overall marketing strategy. Physical distribution, also known as 'logistics', consists of all activities involved in moving the right amount of the right product to the right place at the right time at the right price. Physical distribution is the combined term used for the connected functions that include transportation, holding inventory, warehousing and storage, handling the product, including picking and packing it in the warehouse ready to meet the order processing, and then physically transferring the product from the producer to the end customer. This can be direct or through an intermediary such as an agent, wholesaler, retailer or distributor. Marketers decide the most appropriate channels for their products and services to reach their target market. Additionally, they must consider how to manage relationships across the supply chain and how to ensure that physical distribution activities create value for consumers.

It is wise to differentiate between a marketing channel and a distribution channel. A marketing channel is the transfer of ownership between organizations and communication flows between those organisations but a distribution channel is concerned with the transport of products between physical locations.

Physical distribution considers the delivery of goods to the final customer and takes account of inventory control: how much to order, when to order and where to hold the product. Distribution is about product scheduling, warehousing and transportation choices. In logistics, this is known as the supply chain. If you imagine that the customer is standing downstream waiting for the product to reach them, then everything else is upstream. The terms upstream and downstream are frequently used in logistics to talk about the product or service in relation to the next customer in the supply chain.

The ten Ps of distribution

Distribution channel choices directly impact all marketing decisions and vice versa. The chosen channel must take into account target market needs, be accessible and provide the appropriate level of service in order to sell and distribute the product and meet after sales requirements. This can be shown in terms of the ten Ps of distribution: Product, Place, Payment, Price, Processes, Packaging, Positioning, Promotion, Profit and Physical evidence.

The **product** is strongly tied to selecting the correct marketing channel intermediaries. If the product is mass-produced, and mass-sold with a mid-price-range, then it is likely that it would need to be delivered to a wide variety of places. Perishable and convenience products like milk need specialist chiller handling and daily deliveries to supermarkets and a range of convenient outlets, whereas popular toys might only need to be delivered on a weekly basis to both specialist and other stores where they might be bought on impulse. In contrast, durable goods such as electronic items or furniture (classed as shopping goods) require less frequent delivery to fewer locations since consumers are willing to travel to specialist outlets to view and gain access to pre- and post-sales advice. High-cost, top-of-the-line products that are sold through high-end department and specialty stores may only need deliveries every couple of weeks or have delivery patterns triggered by product demand. Pricing in such stores will reflect the higher levels of service and sales offered whereas mass merchandising markets (such as Wal-Mart) provide customers with low prices.

Aspects of the **place** are covered above but there are also online e-demand business models that provide same day delivery (Asos), next day delivery (Amazon) and pre-booked delivery slots (Tesco online shopping). Online shopping is increasingly popular, with anything from high-end luxury goods through to fast food being ordered online. Some of these carry a cost implication for the customer and others are built into the product attributes. For example, Asos offer high fashion and even same day accessibility within some cities with a safe return option. Agents can act as channel intermediaries and also provide home delivery. This is seen with Virgin Vie Home or Desert Diamonds products. In these examples the agents meet customers in private, often home settings, where a host throws a get-together and attendees are encouraged to sample products and make orders that are honoured either at the time of booking or shortly thereafter.

There are implications for the number of stopping points between a manufacturer/producer and the end customer, as each step can create a delay and can add costs to the overall delivery process. Sometimes these delays have only negative consequences but at other times, each stopping point might provide additional services that are valued by the customer. Such value added services and the functions in the distribution channel are discussed later.

Payment and payment terms are among the advantages offered by intermediaries in that can provide value added services to ensure that the manufacturer and consumer are not involved directly with each other regarding the financial transaction.

Many organizations have used **processes** as a way of creating competitive advantage. For example, Dell Computers, who deliver direct to the customers' homes, have also customized the product line to meet customer expectations with software and warranty options. Another innovative aspect of their operations is that online customer orders trigger inventory and production, with customers paying in advance of delivery. Online processes have developed services that speed up customer delivery and transaction ease in ways that offer significant competitive advantage over bricks and mortar (an organisation that possesses physical buildings, warehouses, storage facilities or shops) businesses. One such example is the US broker Charles Schwab, whose online financial services have seen investors look to them in the same way as they used to consider banks for holding their savings. Transaction ease and process visibility can provide a product with a distinct market position.

How products are **packaged** affects how well those products can be showcased or delivered throughout the length of the channel chain. Packaging is not just about how the product looks (that is branding), but how easily it can be handled in single and multiple units. The packaging should provide the product with protection during its journey and ensure that it can be stored, stacked and racked in the most effective way. Packaging adds value for the consumer in terms of product information. Often packaging contains barcoding for pricing process ease. Everyday items in supermarkets are often in shelf-ready packaging (SRP), or retail-ready packaging (RRP), which has allowed a range of products to be delivered to a retailer in ready-to-sell outer packaging that can be put directly on the shelf without requiring further handling, thus reducing costs. With shelf space at a premium it makes sense that space is optimized by ensuring the product is packaged to maximize space. Supermarkets and other retailers use merchandising units (MUs). MUs are off-fixture displays holding things such as a large number of egg boxes and they can be pre-filled by the manufacturer or co-packer, and delivered to supermarkets ready for immediate display and sale. European Union (EU) legislation has regulations on packaging; the Packaging and Waste Directive sets out recovery and recycling targets and deadlines for EU Member States and obliges them to address the recovery and recycling of used packaging.