

Marketing Essentials



Chapter 21

channels of distribution

Section 21.1 Distribution

Section 21.2 Distribution Planning

**Before You Read**

REFLECT How do bananas reach your local grocery store?

OBJECTIVES

- **Explain** the concept of channel of distribution.
- **Identify** channel members.
- **Compare** different channels of distribution.

THE MAIN IDEA

This chapter explores the marketing mix decision of place, which is where and how a product is distributed.

VOCABULARY

- channel of distribution
- intermediaries
- wholesalers
- rack jobbers
- drop shippers
- retailers
- brick-and-mortar retailers
- e-tailing
- agents
- direct distribution
- indirect distribution

Distribution

Graphic Organizer

Routes Taken to Distribute Products

Consumer Products	Industrial Products
A.	A.
B.	B.
C.	C.
D.	D.

Distribution

Graphic Organizer

Routes Taken to Distribute Products

Consumer Products	Industrial Products
A. Manufacturer/Producer Directly to Consumer	A. Manufacturer/Producer Directly to Industrial Users
B. Manufacturer/Producer to Retailer to Consumer	B. Manufacturer/Producer to Industrial Distributors to Industrial Users
C. Manufacturer/Producer to Wholesaler to Retailer to Consumer	C. Manufacturer/Producer to Agents to Industrial Distributors to Industrial Users
D. Manufacturer/Producer to Agents to Wholesaler to Retailer to Consumer	D. Manufacturer/Producer to Agents to Industrial Users

Distribution: How It Works

**To make a place decision,
marketers must decide on a channel
of distribution.**



channel of distribution

The path a product takes from its producer or manufacturer to the final user.

Distribution: How It Works

Merchant intermediaries take title of goods and services. Agent intermediaries do not.



intermediary

Middleman business involved in sales transactions that move products from the manufacturer to the final user.

Distribution: How It Works

Wholesalers

Rack Jobbers

Drop Shippers



wholesaler

A business that obtains goods from manufacturers and resells them to organizational users, other wholesalers, and retailers, also called distributors.



rack jobber

One who manages inventory and merchandising for retailers by counting stock, filling the shelves when needed, and maintaining store displays.



drop shipper

One who owns the goods he or she sells, but does not physically handle the actual products.

Distribution: How It Works

Retailers

Brick-and-Mortar Retailer

E-Tailing



retailer

A business that buys goods from wholesalers or directly from manufacturers and resells them to consumers.



brick-and-mortar retailer

A traditional retailer who sells goods to customers from a physical store.



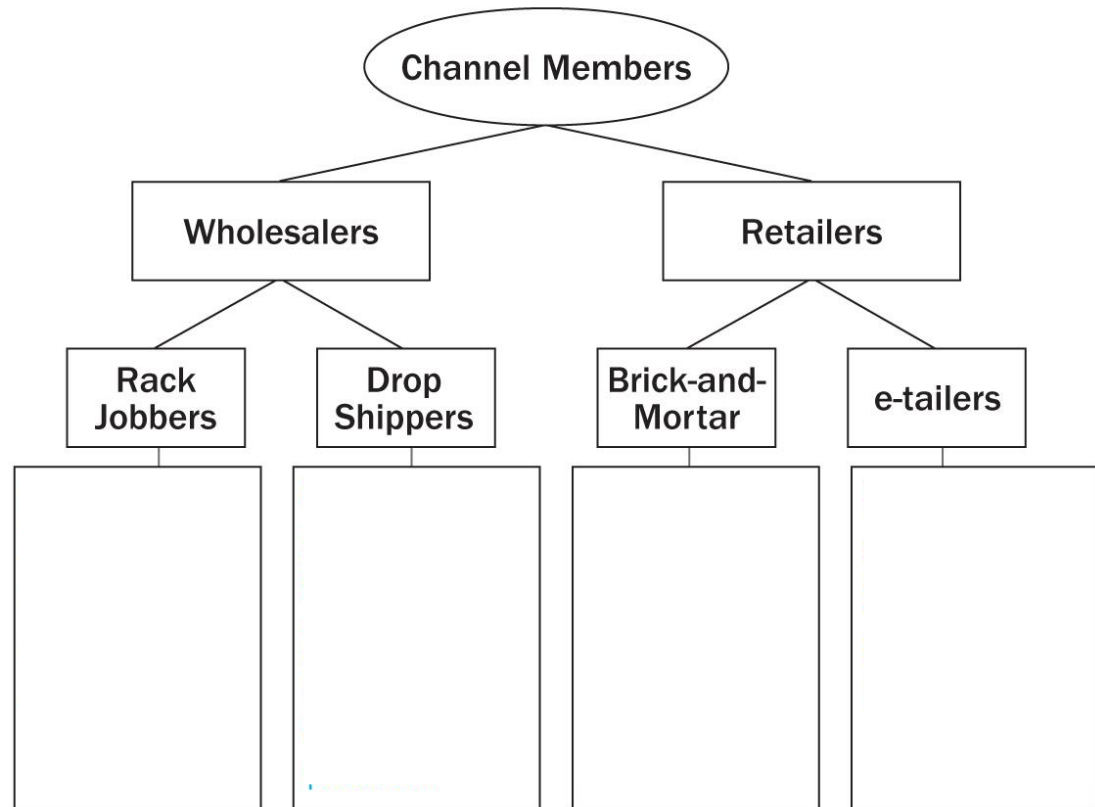
e-tailing

Online retailing that involves retailers selling products over the Internet to customers.

Distribution: How It Works

Graphic Organizer

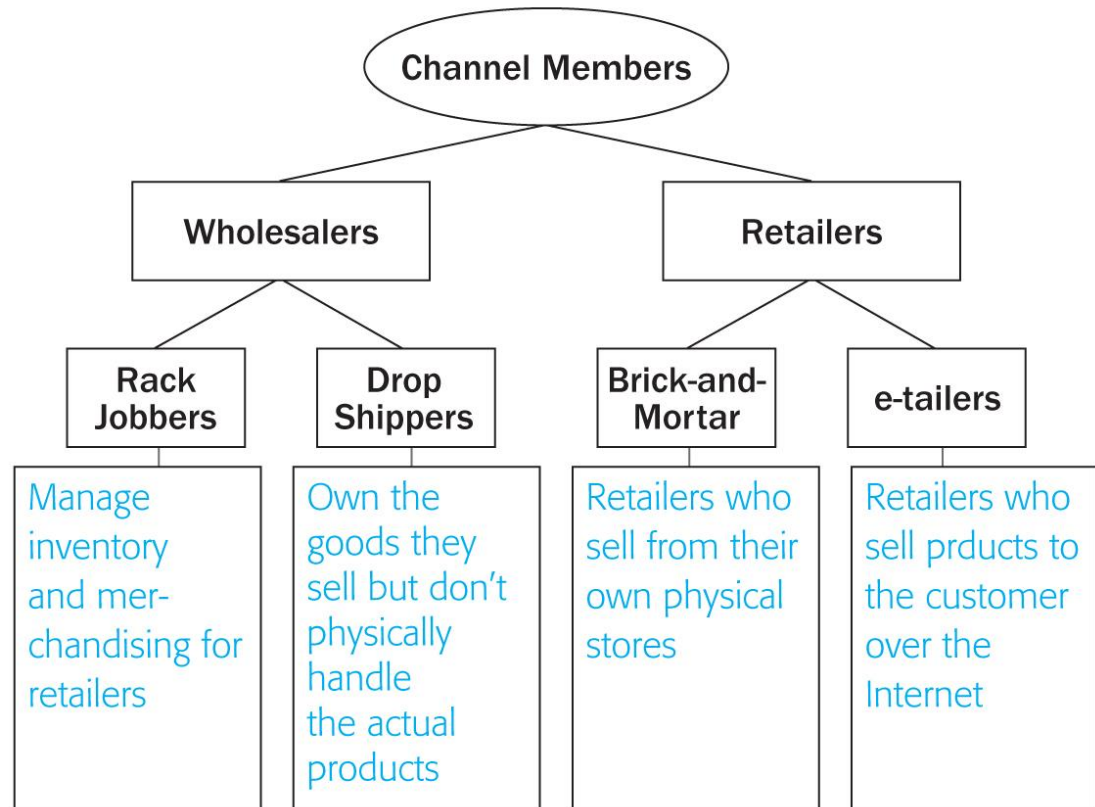
Descriptions for
Rack Jobbers,
Drop Shippers,
Brick-and-Mortar,
and E-Tailers.



Distribution: How It Works

Graphic Organizer

Descriptions for Rack Jobbers, Drop Shippers, Brick-and-Mortar, and E-Tailers.



Distribution: How It Works

Two Types of Agents

**Manufacturers'
Representative**

Brokers



agent

One who acts as an intermediary by bringing buyers and sellers together.

Distribution: How It Works

Channels of Distribution

Direct
Distribution

Indirect
Distribution



direct distribution

A channel of distribution that occurs when the producer sells goods or services directly to the customer with no intermediaries.



indirect distribution

A channel of distribution that involves one or more intermediaries.

Distribution: How It Works

Graphic Organizer

Comparing Distribution Channels for Consumer Products and for Industrial Products

Consumer	Industrial
↓	↓
↓	↓
↓	↓
↓	↓

Distribution: How It Works

Graphic Organizer

Comparing Distribution Channels for Consumer Products and for Industrial Products

Consumer	Industrial
Manufacturer/Producer	Manufacturer/Producer
↓	↓
Agents	Agents
↓	↓
Wholesalers	Industrial Distributors
↓	↓
Retailers	
↓	↓
Consumers	Industrial Users

Examples of Channels of Distribution

Graphic Organizer

Cross out the members that do not belong in a particular channel.

Distribution Channels—Consumer Products

A	B	C	D	E
Manufacturer/ Producer	Manufacturer/ Producer	Manufacturer/ Producer	Manufacturer/ Producer	Manufacturer/ Producer
Agents	Agents	Agents	Agents	Agents
Wholesalers	Wholesalers	Wholesalers	Wholesalers	Wholesalers
Retailers	Retailers	Retailers	Retailers	Retailers
Consumers	Consumers	Consumers	Consumers	Consumers

Distribution Channels—Industrial Products

A	B	C	D
Manufacturer/ Producer	Manufacturer/ Producer	Manufacturer/ Producer	Manufacturer/ Producer
Agents	Agents	Agents	Agents
Industrial Distributors	Industrial Distributors	Industrial Distributors	Industrial Distributors
Industrial Users	Industrial Users	Industrial Users	Industrial Users

Examples of Channels of Distribution

Graphic Organizer

Cross out the members that do not belong in a particular channel.

Distribution Channels—Consumer Products

A	B	C	D	E
Manufacturer/ Producer	Manufacturer/ Producer	Manufacturer/ Producer	Manufacturer/ Producer	Manufacturer/ Producer
Agents	Agents	Agents	Agents	Agents
Wholesalers	Wholesalers	Wholesalers	Wholesalers	Wholesalers
Retailers	Retailers	Retailers	Retailers	Retailers
Consumers	Consumers	Consumers	Consumers	Consumers

Distribution Channels—Industrial Products

A	B	C	D
Manufacturer/ Producer	Manufacturer/ Producer	Manufacturer/ Producer	Manufacturer/ Producer
Agents	Agents	Agents	Agents
Industrial Distributors	Industrial Distributors	Industrial Distributors	Industrial Distributors
Industrial Users	Industrial Users	Industrial Users	Industrial Users

**After You Read****Section 21.1**

1. **Identify** the term that describes the path a product takes from producer to final user.

The path a product takes from producer to final user is the channel of distribution.

**After You Read****Section 21.1****2. Explain** the function of intermediaries.

The function of intermediaries is to reduce the number of contacts required to reach the final user of the product.

**After You Read****Section 21.1**

3. **Name** the two distribution channels.

Channels of distribution are either direct or indirect.

Distribution Planning



Before You Read

CONNECT How might a marketing plan include distribution?

OBJECTIVES

- **Explain** distribution planning.
- **Name and describe** the three levels of distribution intensity.
- **Explain** the effect of the Internet on distribution planning.
- **Describe** the challenges of international distribution planning.

THE MAIN IDEA

You must know how distribution decisions affect an entire company and how decisions affect international markets and e-marketplaces.

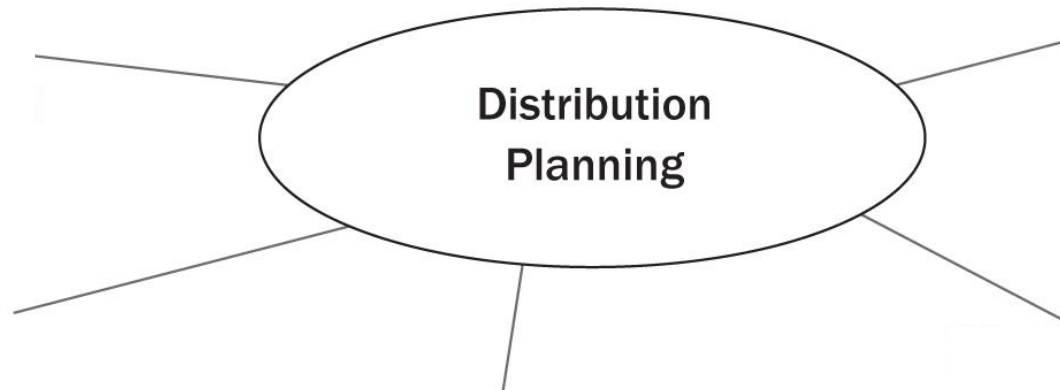
VOCABULARY

- exclusive distribution
- integrated distribution
- selective distribution
- intensive distribution
- e-marketplace

Distribution Planning

Graphic Organizer

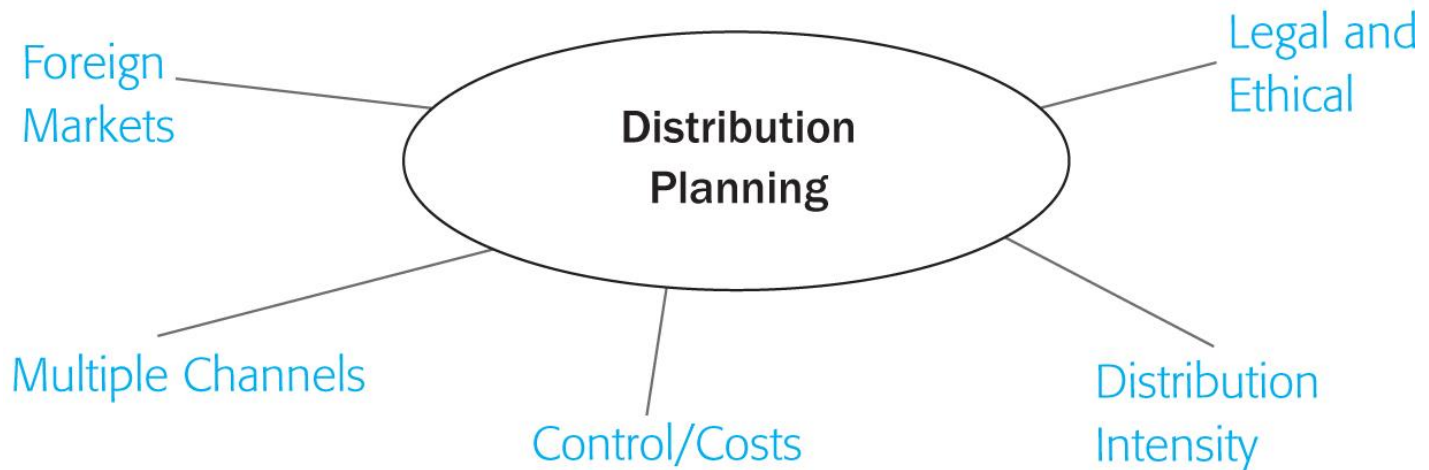
Main Components of Distribution Planning



Distribution Planning

Graphic Organizer

Main Components of Distribution Planning



Distribution Planning

Understanding Distribution Planning

Distribution Planning

A producer uses multiple channels when its product is for both consumer and industrial markets.

Manufacturers and producers weigh the control they have over distribution versus costs and profitability.

A manufacturer must decide how much control it wants over the sales function.

Understanding Distribution Planning

Three Levels of Distribution Intensity

**Exclusive
Distribution**

**Selective
Distribution**

**Intensive
Distribution**



exclusive distribution

A business that obtains goods from manufacturers and resells them to organizational users, other wholesalers, and retailers, also called distributors.



selective distribution

Distribution in which a limited number of outlets in a given geographic area sell a manufacturer's product.



intensive distribution

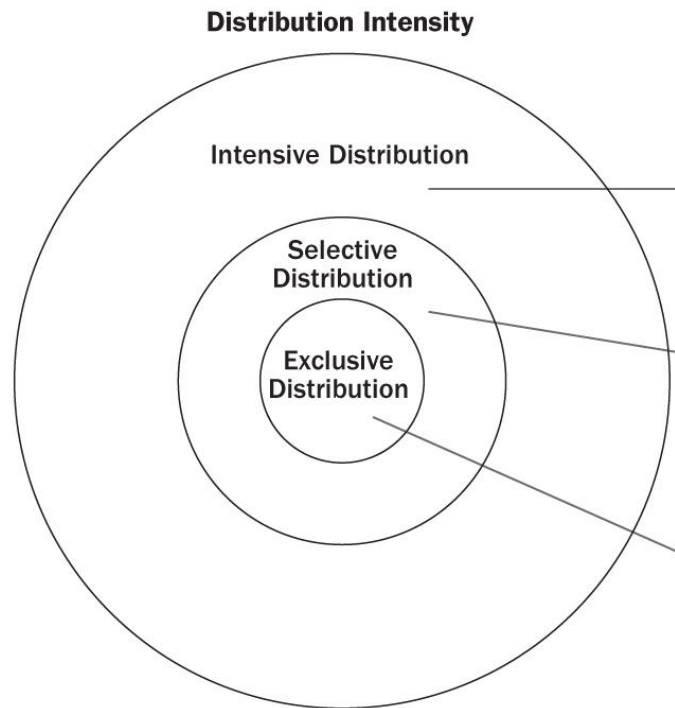
Distribution that involves the use of all suitable outlets to sell a product.

Distribution Planning

Understanding Distribution Planning

Graphic
Organizer

Describe Each Type of Distribution

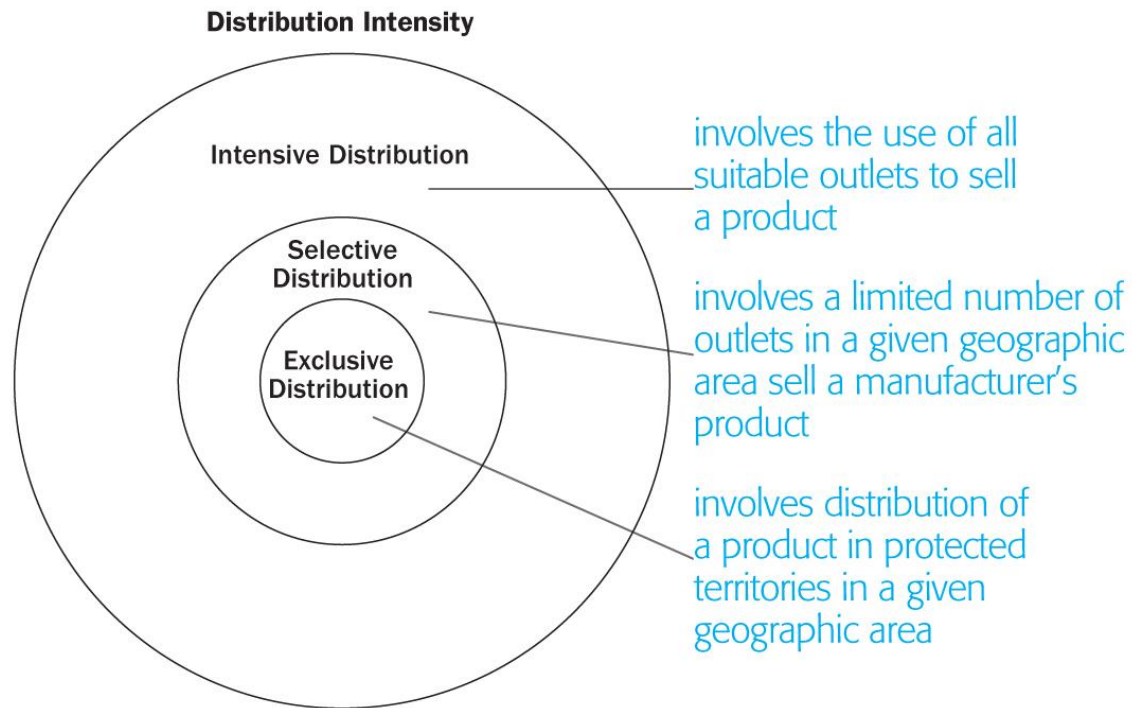


Distribution Planning

Understanding Distribution Planning

Graphic Organizer

Describe Each Type of Distribution



Understanding Distribution Planning

E-Commerce

More than half of all travel bookings were made online in 2010.

E-marketplaces for B2B operations provide one-stop shopping.

E-marketplaces provide smaller businesses with widespread exposure.

Businesses are using social networking to share information about their products.



e-marketplace

An online shopping outlet.

Legal and Ethical Considerations in Distribution

The Clayton Act of 1914 prevents exclusive arrangements that substantially lessen competition, create a monopoly, or in which one party did not commit to the agreement voluntarily.

Distribution Planning for Foreign Markets

Distribution for Foreign Markets

Distribution systems must be adjusted for foreign market environments.

Businesses can experiment with distribution strategies.

There are cultural considerations with distribution systems in a foreign market environment.

Distribution Planning



After You Read

Section 21.2

1. **Explain** why a company would decide to use multiple distribution channels.

A producer uses multiple channels when its product fits the needs of both industrial and consumer markets.

Distribution Planning



After You Read

Section 21.2

2. **List** the reasons a company would choose a direct sales force.

A company would choose a direct sales force when they want complete control over the sales; when they want to establish sales quotas; and when they want to monitor each sales representative's performance.

Distribution Planning



After You Read

Section 21.2

3. **Name** two advantages that e-commerce provides for B2B sales.

E-commerce for B2B operations provide one-stop shopping and substantial savings for industrial buyers. Online catalogs of products supplied by different companies make it easier for corporate buyers to compare prices and get the best deal. E-marketplaces provide smaller businesses with the exposure that they could not get elsewhere.

Marketing Essentials



End of **Chapter 21** channels of distribution

Section 21.1 Distribution

Section 21.2 Distribution Planning