

Marketing Essentials



Chapter 22

physical distribution

Section 22.1 Transportation

Section 22.2 Inventory Storage



Before You Read

CONNECT What channels of transportation are used to deliver your favorite products to you?

OBJECTIVES

- **Describe** the nature and scope of physical distribution.
- **Identify** transportation systems and services that move products from manufacturers to consumers.
- **Name** the different kinds of transportation service companies.

THE MAIN IDEA

Success in today's business environment requires companies to deliver products efficiently and effectively to their customers around the world.

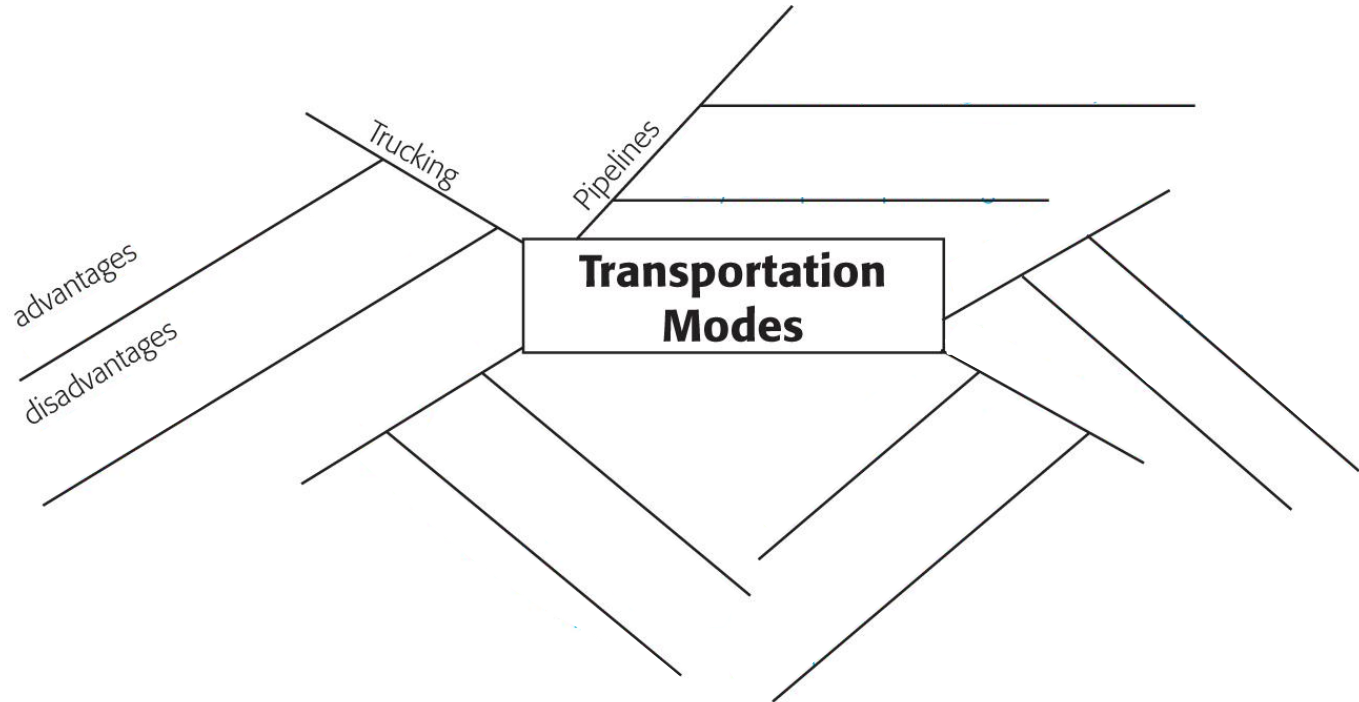
VOCABULARY

- physical distribution
- transportation
- common carriers
- contract carriers
- private carriers
- exempt carriers
- ton-mile
- carload
- freight forwarders

Transportation

Graphic Organizer

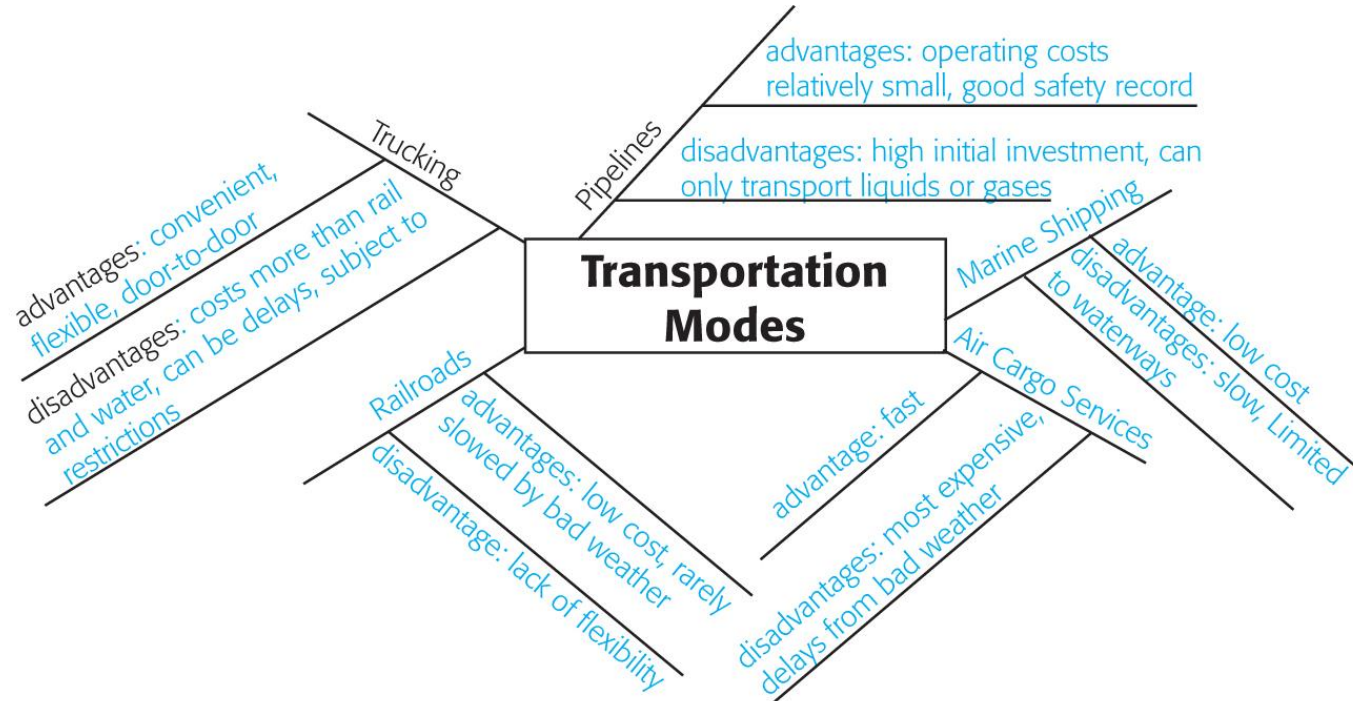
Advantages and Disadvantages of Each Type of Transportation System



Transportation

Graphic Organizer

Advantages and Disadvantages of Each Type of Transportation System



The Nature and Scope of Physical Distribution

Physical Distribution

Key link between a business and its customers

Goods can be stored in convenient locations

Also known as logistics

Each link in the system affects the other links

Needs to be as efficient and cost effective as possible



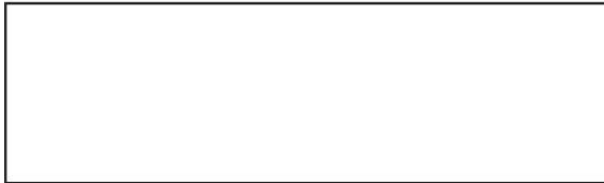
physical distribution

Activities for delivering the right amount of product to the right place at the right time.

The Nature and Scope of Physical Distribution

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Three Factors Affecting Transportation Costs



== Total Transportation
Costs

The Nature and Scope of Physical Distribution

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Three Factors Affecting Transportation Costs

Distance Between Source
and Destination

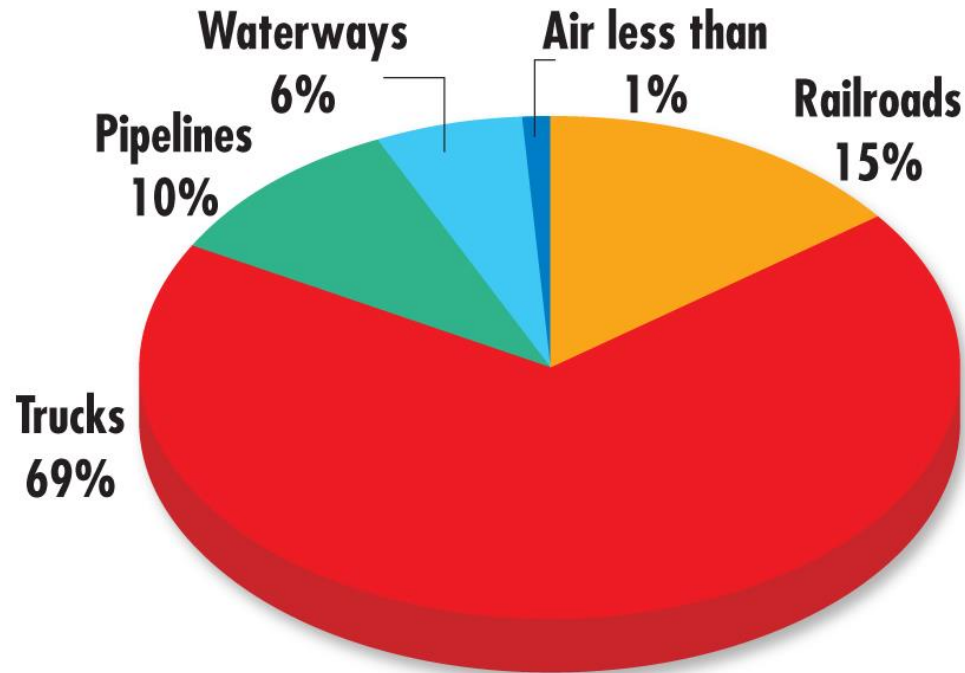
Means of Transportation

Size and Quantity of Product
Being Shipped

== Total Transportation
Costs

Types of Transportation Systems

Percentage of Freight Shipped by Each Type of Single-Mode Transportation in the United States



Types of Transportation Systems

Trucking

Types of Carriers

Common Carriers

Contract Carriers

Private Carriers

Exempt Carriers



common carrier

Trucking company that provides transportation services to any business in their operating area for a fee.



contract carrier

A for-hire trucking company that provides equipment and drivers for specific routes, per agreements between the carrier and the shipper.



private carrier

A trucking company that transports goods for an individual business.



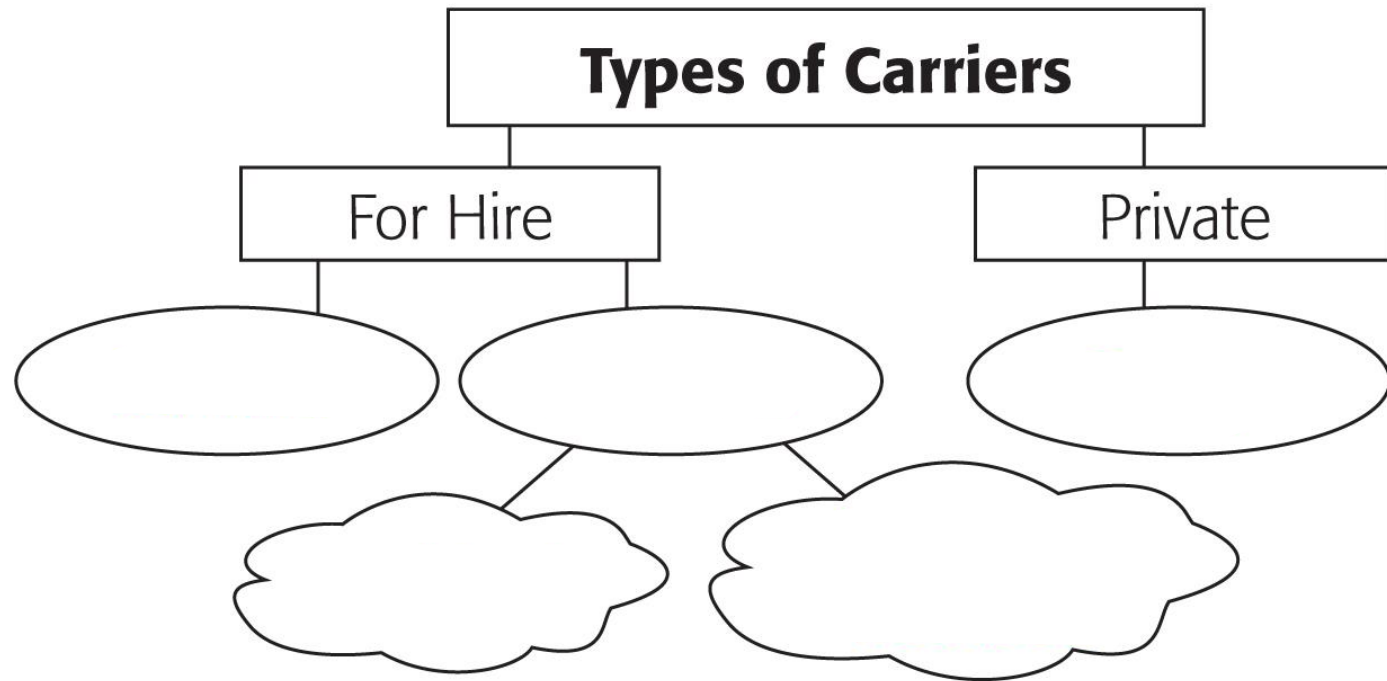
exempt carrier

A trucking company that is free from direct regulation of rates and operating procedures.

Types of Transportation Systems

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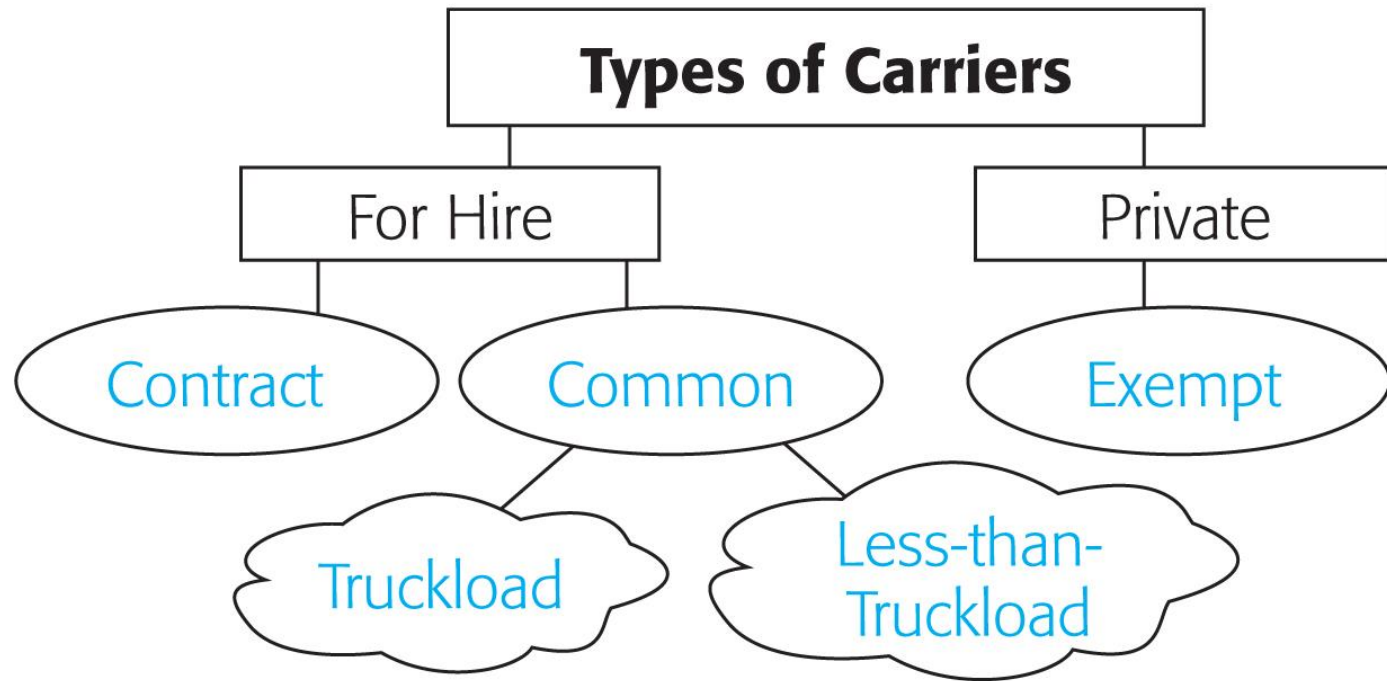
Relationship Among the Different Types of Carriers



Types of Transportation Systems

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Relationship Among the Different Types of Carriers



Types of Transportation Systems

Advantages of Truck Transportation

- ▶ Convenient door-to-door delivery
- ▶ Rapid delivery reduces the need for large inventories

Disadvantages of Truck Transportation

- ▶ Cost more than rail and water carriers
- ▶ Susceptible to delays

Types of Transportation Systems

Trains transport nearly 15 percent of the total ton-miles of freight shipped in the United States.

Rates charged for less-than-carload shipments are more expensive.



ton-mile

Movement of one ton (2,000 pounds) of freight one mile.



carload

Minimum number of pounds of freight needed to fill a boxcar.

Types of Transportation Systems

Advantages of Railroad Transportation

- ▶ Low cost
- ▶ Requires less energy than motor carriers
- ▶ Seldom slowed by bad weather

Disadvantages of Railroad Transportation

- ▶ Lack of flexibility of delivery locations

Types of Transportation Systems

Advantages of Marine Shipping

- ▶ Low cost

Disadvantages of Marine Shipping

- ▶ Slow
- ▶ Freight must be off-loaded onto railroad cars or motor carriers
- ▶ Affected by bad weather

Types of Transportation Systems

Advantages of Pipelines

- ▶ Low operational costs
- ▶ Safety record
- ▶ Low instances of damage or theft
- ▶ Not subject to weather delays

Disadvantages of Pipelines

- ▶ Leaks can damage the environment

Types of Transportation Systems

Advantages of Air Cargo Services

- ▶ Speed
- ▶ Reduced inventory expenses and storage costs

Disadvantages of Air Cargo Services

- ▶ High cost
- ▶ Mechanical breakdowns
- ▶ Weather delays

Transportation Service Companies

**U.S. Postal
Service**

**Express
Delivery
Service**

**Bus
Package
Carriers**

**Freight
Forwarders**



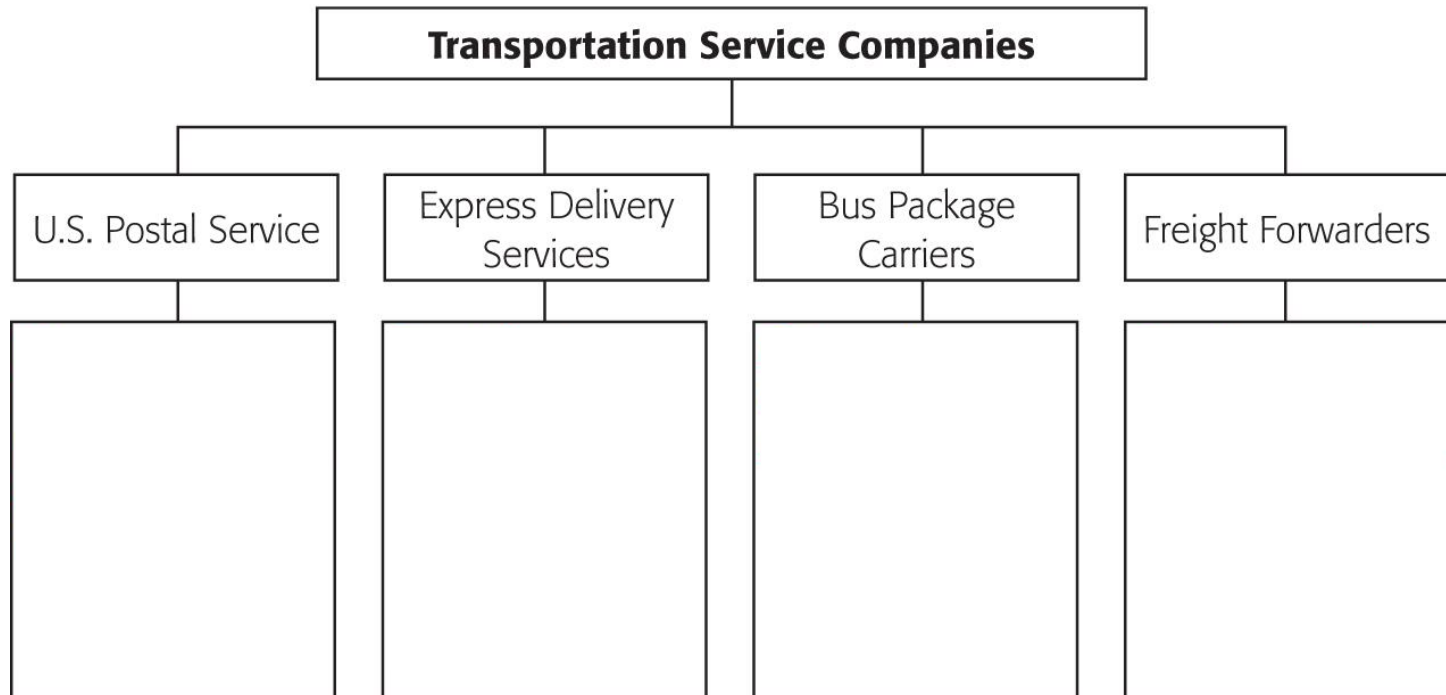
freight forwarder

A private company that combines less-than-carload or less-than-truckload shipments from several businesses and delivers them to their destinations.

Transportation Service Companies

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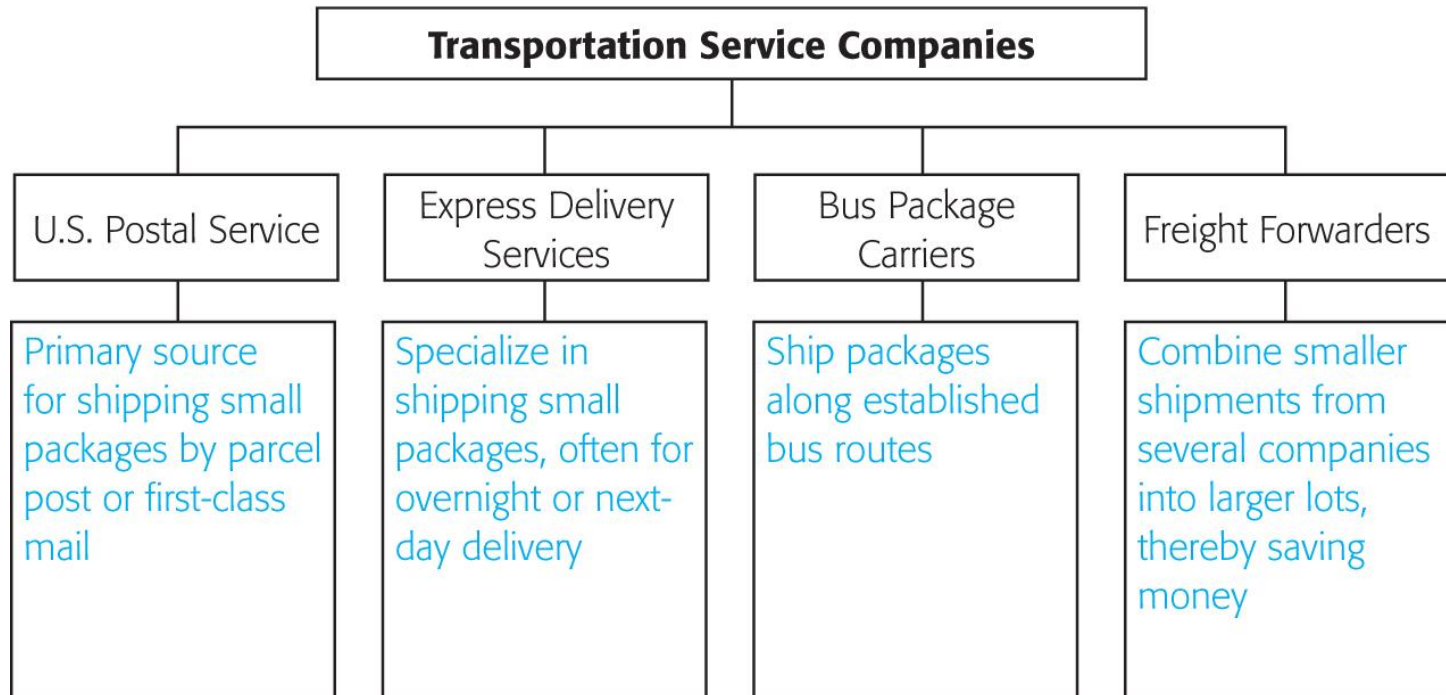
Descriptions of Each Type of Transportation Service Company



Transportation Service Companies

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Descriptions of Each Type of Transportation Service Company



**After You Read****Section 22.1**

1. **Explain** why transportation is related to customer service.

Transportation is related to customer service because choosing the right mode of transportation can make a product more affordable for a customer or can make the product more desirable (for example, if it arrives faster or on time.)

**After You Read****Section 22.1****2. Differentiate** between common, contract, and private carriers.

Common carriers provide truck transportation services to any business in their operating area for a fee. Contract carriers are for-hire trucking companies that provide equipment and drivers for specific routes, according to agreements between the carrier and the shipper. Private carriers transport goods for an individual business.

**After You Read****Section 22.1**

3. **List** the benefits of intermodal transportation.

Intermodal transportation such as piggyback or fishyback services combine the advantages of truck transportation with the lower costs of rail and marine transportation.

Inventory Storage



Before You Read

CONNECT How might the law of supply and demand relate to inventory storage?

OBJECTIVES

- **Explain** the concept and function of inventory storage.
- **Identify** the types of warehouses.
- **Discuss** distribution planning for international markets.

THE MAIN IDEA

Inventory storage allows a business to keep its products in a safe location until they are needed or ready to be sold.

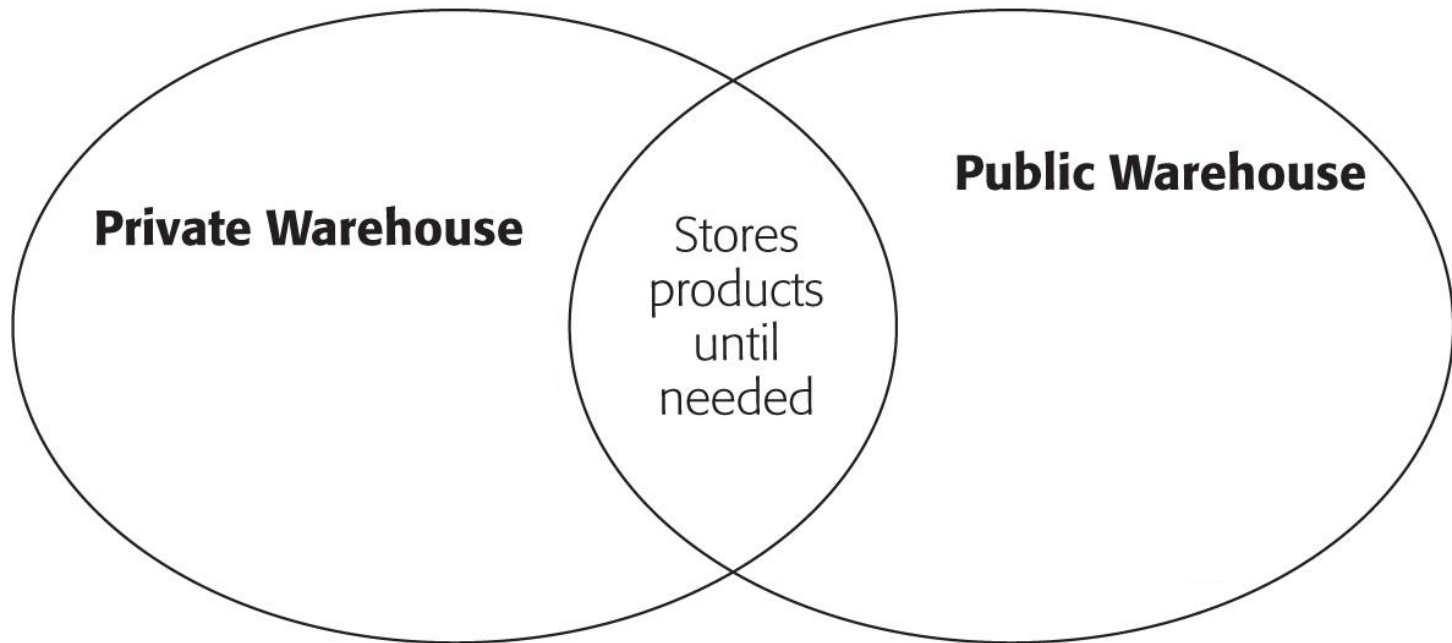
VOCABULARY

- storage
- private warehouse
- public warehouse
- distribution center
- bonded warehouse

Inventory Storage

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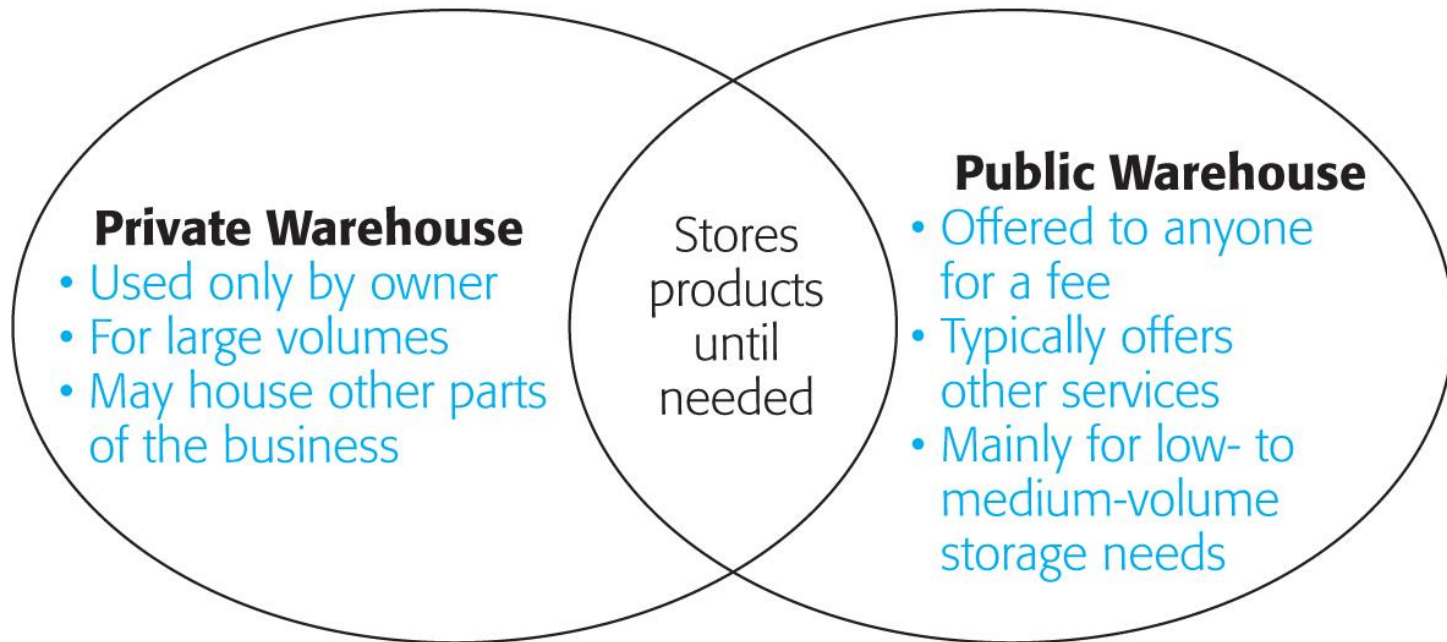
Notes About Different Types of Warehouses



Inventory Storage

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Notes About Different Types of Warehouses



The Storage of Goods

Storage

Facilitates the movement of products through the distribution channel as products are sold

Products are stored until sold

Products are stored if production exceeds consumption

Products are stored safely and securely at convenient locations

Storage adds time and place utility to products

Internet-based stores require warehouse space



storage

The holding of goods until they are sold.

The Storage of Goods

Types of Warehouses

Private Warehouse

Public Warehouse

Distribution Center

Bonded Warehouse



private warehouse

A storage facility designed to meet the specific needs of its owner.



public warehouse

A storage and handling facility offered to any individual or company that will pay for its use.



distribution center

A warehouse designed to speed delivery of goods and to minimize storage costs.



bonded warehouse

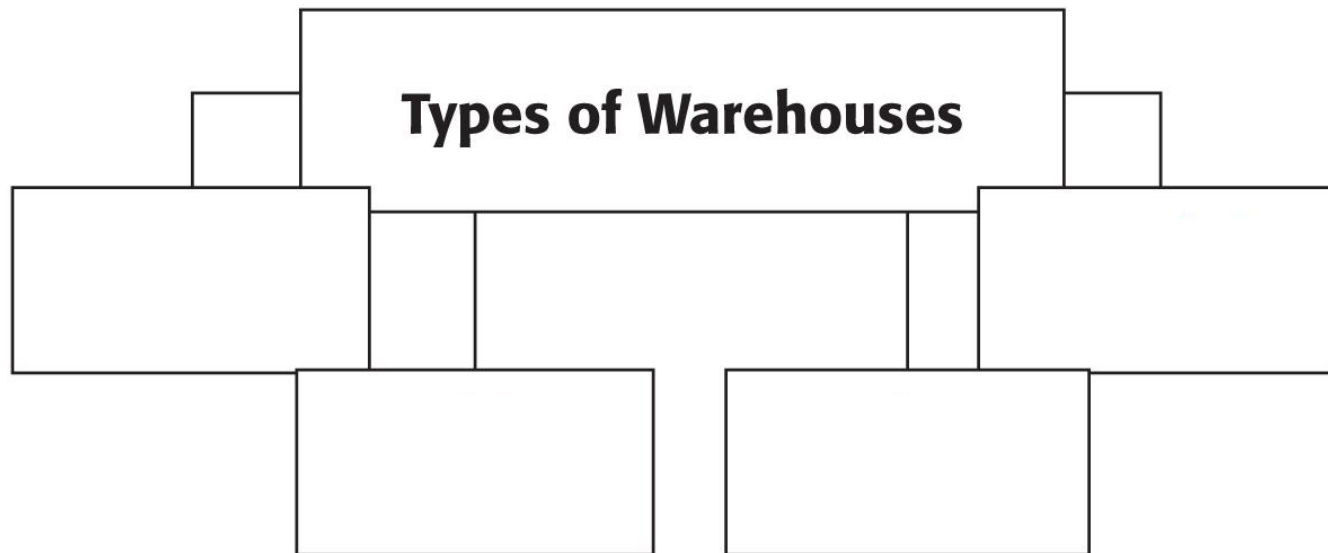
A public or private warehouse that stores products requiring payment of a federal tax.

Inventory Storage

The Storage of Goods

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Name the Types of Warehouses

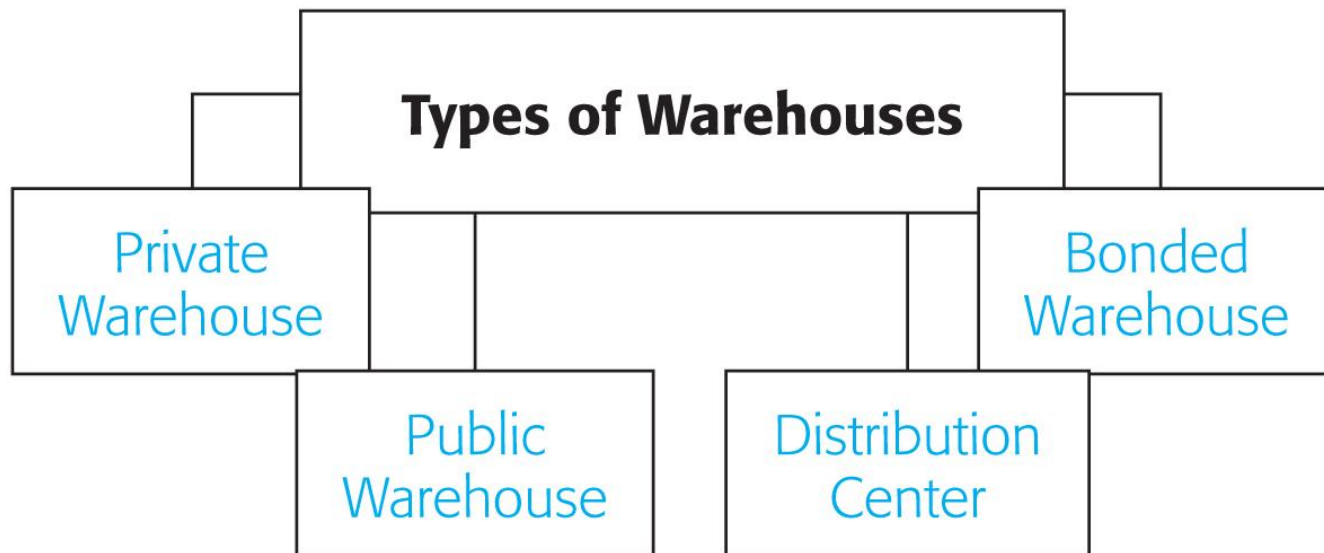


Inventory Storage

The Storage of Goods

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Name the Types of Warehouses



The Storage of Goods

Five Types of Public Warehouse

**Bulk Storage
Warehouses**

**Cold Storage
Warehouses**

**Commodity
Warehouses**

**General
Merchandise
Warehouses**

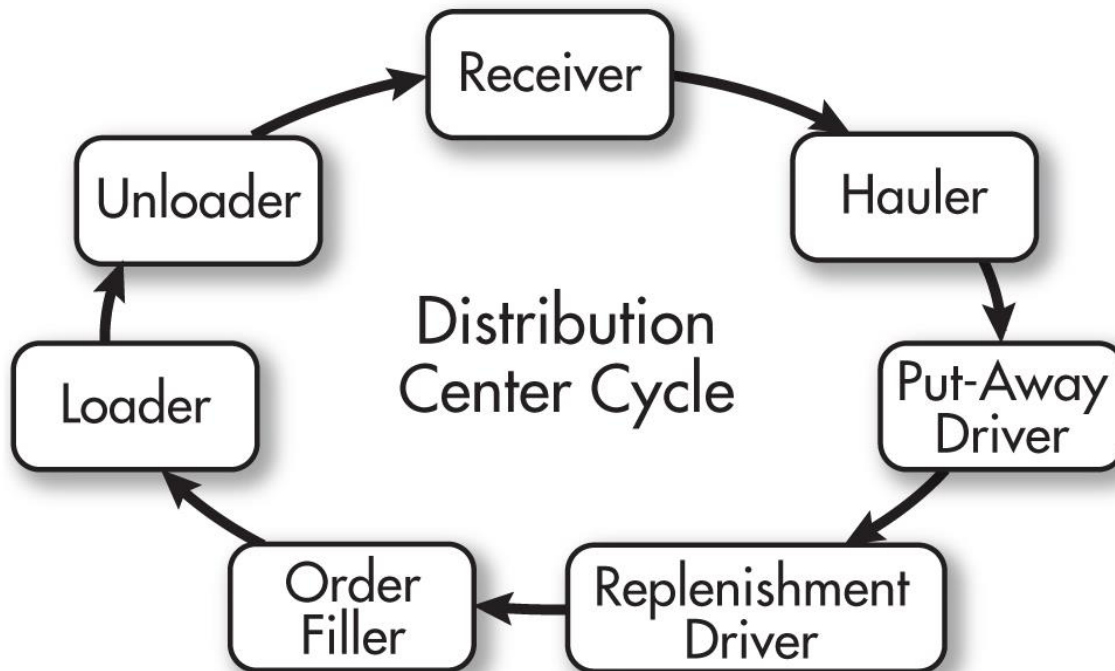
**Household
Goods
Warehouses**

Inventory Storage

The Storage of Goods

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Trace a Product Through the
Entire Distribution Center Cycle



Distribution Planning for International Markets

Distribution Planning for International Markets

Requires more planning

Export and import laws

Conflicting bureaucratic regulations

Language barriers

Complex negotiations

Foreign transportation systems are different with mixed reliability

Distribution Planning for International Markets

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Define These Trade Barriers

Trade Barriers

Tariff
Quota
Embargo

Distribution Planning for International Markets

Graphic
Organizer

Define These Trade Barriers

Trade Barriers

Tariff	tax on imports
Quota	limit, either based on quantity or monetary value, on importing specific goods
Embargo	ban on importing specific goods

Inventory Storage



After You Read

Section 22.2

1. **Explain** the four reasons why merchandise is stored.

Students should list any four of these reasons for storing merchandise: facilitate delivery to purchaser, production has outpaced demand, products require seasonal storage, to take advantage of quantity purchases, and to be located close to purchasers.

Inventory Storage



After You Read

Section 22.2

2. **List** three services that might be offered at a public warehouse.

Students should list any three of these services that might be offered at a public warehouse: shipment consolidation, receiving, unloading, inspecting, reshipping, order filling, and truck terminal operation services.

Inventory Storage



After You Read

Section 22.2

3. **Describe** a bonded warehouse.

A bonded warehouse can be either a public or private warehouse that stores products that require the payment of a federal tax. Products cannot be removed until the required tax is paid.

Marketing Essentials



End of Chapter 22

physical distribution

Section 22.1 Transportation

Section 22.2 Inventory Storage