

Chapter 22: The marketing mix: place

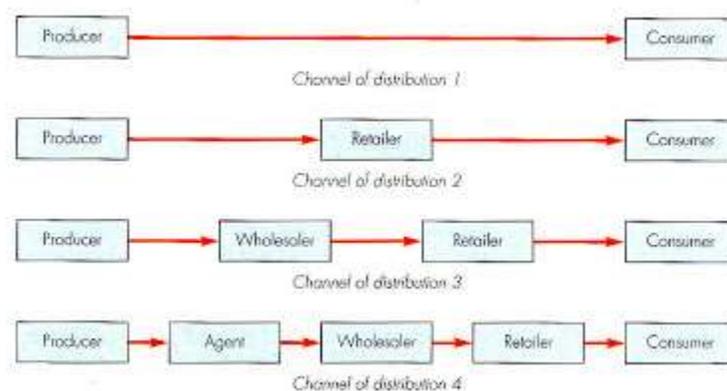
The role of place in the marketing mix

After the product, price, and promotion has been decided, the product/service has to be available to the consumer **where and when they want to buy**. Consumers should be able to get to the product easily, and the product has to be in the right place (e.g. expensive chocolate shouldn't be in a small grocery store) to sell well.

Channels of distribution

Businesses need to know how to get the product to the consumer. They may use a variety of channels of distribution:

- **Channel 1:** The manufacturer sells **directly** to the **customer**. e.g. agricultural goods are sold straight from the farm, businesses buy raw materials from another...
- **Channel 2:** Involves selling to **retailers**. Common when the retailer is large or the product is expensive.
- **Channel 3:** Involves the product going through **wholesalers** as well. Wholesalers **break bulk** so that retailers can buy them in smaller quantities. This is common for perishable items such as foods.
- **Channel 4:** Involve selling the product overseas through an **agent**, who sells them to wholesalers on behalf of the company. This may be because he/she has better knowledge of the local conditions.



Methods of distribution

Methods of distribution for different channels of distribution can include:

- **Department stores:** Usually in the centre of town that sells a wide range of goods from many producers.
- **Chain stores:** Two or more which has the same name/characteristics.
- **Discount stores:** Offers a wide range of products, including branded products, at discount prices. Often all the products are similar.
- **Superstores:** Very large out-of-town stores.
- **Supermarkets:** Very large retail stores with all kinds of goods. (usually daily needs, foods)
- **Direct sales:** Goods are sold directly to the consumer.
- **Mail order:** Customers order via the post by looking at the catalogue
- **Internet/e-commerce:** Customers order via the internet by looking at the website.

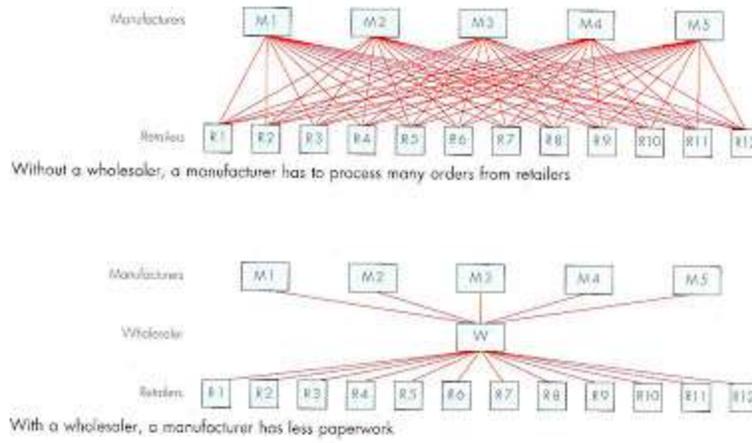
E-commerce

The use of the **internet** to carry out business transactions. Businesses could communicate via **email** as well. Producers as well as retailers can use the internet to sell to customers.

Advantages and disadvantages of a wholesaler

Pros

- Breaks **bulk**.
- Reduces **storage costs** for retailers and producers.
- Fewer **transactions** are needed for the producers. (only a few wholesalers) they no longer need to do as many **deliveries**.
- Gives **credit** to small retailers.
- May deliver to small retailers reducing their **transport costs**.
- **Promotion** carried out by wholesaler instead of producer.
- They give **advice** to retailers/producers on what is selling well.



Cons

- More **expensive** for small retailers.
- May not have the **full range** of products to sell.
- **Takes longer** for perishable products to reach the retailer.
- Wholesaler may be **far** from small shops.

Selecting the channel of distribution to use

When selecting the channel of distribution to use producers need to consider a few things:

- **Type of product?:** Is it sold to other **producers** or **customers**?
- **Is the product very technical?:** Will you need to explain how to use the product? If yes, Channel 1 should be selected (e.g. airplanes)
- **How often is the product purchased?:** If it is bought every day, it should be available in many retail outlets, otherwise people might not bother to buy it at all.
- **How expensive is the product?:** If it is expensive and has an image of being expensive, then it will be sold in a **limited** number of retail outlets.
- **How perishable is it?:** If it is very perishable, it should reach the customers quickly or be available in many outlets so it can be sold quickly.
- **Location of customers?:** Channel 4 might be used for customers overseas. E-commerce would be viable anywhere apart from the countryside.
- **Where do competitors sell their products?:**

Usually producers will sell their product in retail stores where their competitors sell too so that they can compete directly for consumers.

Methods for transporting goods

This is what kind of vehicles are used to transport the products. They should

be**fast** enough for the product to reach its destination in time. However, they must also be **cost efficient** and **safe**. These factors are taken into account when deciding which method of transportation is used.

- **Road haulage:**

- Cheap and fast.
- Require no rail links.
- Can advertise on side of lorries.
- Not cost effective if lorries are not used often, may need to hire a specialist transport business instead.

- **Railways:**

- Even cheaper and faster than road haulage.
- Useful for long distances.
- Goods need to be transported to retail stores by road haulage at the end of the destination.

- **Canal and river:**

- Slow but cheap.
- Good for products far too big/heavy to be transported by road/train.
- Need canals and rivers.

- **Sea freight:**

- Used mainly for international trade.
 - Can carry a lot of products.
 - Products are stored in containers, which can be easily loaded onto lorries.
- Makes it cheap to load and unload the ships.

- **Air freight:**

- Extremely fast but expensive.
- Used for small, expensive, or perishable products.

- **Pipelines:**

- Used to transport liquids or gases over long distances.
- Cheaper than using road haulage for liquids. Roads are not always available.

Drawing up a marketing plan

Finally, after all the four P's of the marketing mix have been decided, the Marketing department will put them together into one **marketing plan**. It will also consider how the 4 P's will be modified or adapted to fit the **overall image** of the product. If this is successful, sales and profits will be likely to increase.

Note: a detailed drawing of the product must be included in the marketing plan.