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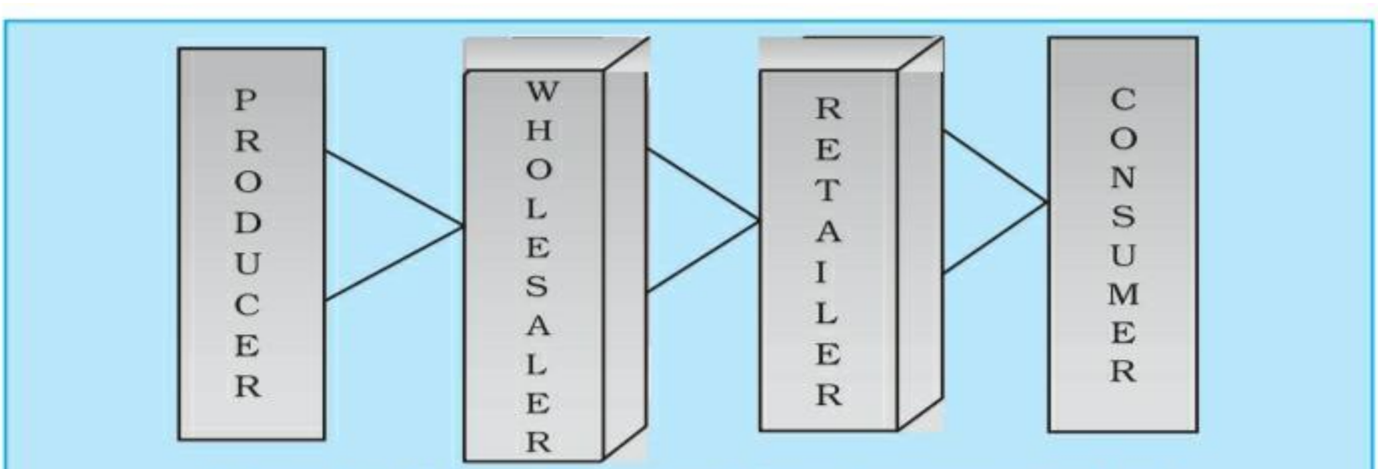
MARKETING

PHYSICAL DISTRIBUTION

The fourth important element of marketing mix is the physical distribution of products and services. It is concerned with making the goods and services available at the right place, so that people can purchase the same. There are two important decisions relating to this aspect—one regarding physical movement of goods from producers to consumers or users and two, regarding the channels or using intermediaries in the distribution process. These are described as follows:

Channels of Distribution



Channels of Distribution used for a Consumer Product

In case of large number of consumer products, the potential buyers are scattered over a wide geographical area. In order to contact these people efficiently and effectively, it is important to take the help of number of intermediaries as contacting them directly may not be cost effective and may be difficult even otherwise. For example, a manufacturer of detergent powder in Gujarat would find it very difficult to directly approach customers, say in Delhi, Thiruvananthapuram, Bhuvaneshwar, Hyderabad Srinagar and other far off places. Therefore, he/ she would supply a large quantity of his/her product to a big merchant, say in Hyderabad. This big merchant would then supply detergent powder to relatively small sellers in various towns of Hyderabad. These sellers would, in turn, resell the goods to customers. In this manner, goods are distributed from the place of production to the place of consumption. These people, institutions, merchants, and functionaries, who take part in the distribution function, are called 'Channels of Distribution' (see figure on channels)

Channels of Distribution are set of firms and individuals that take title, or assist in transferring title, to particular goods or services as it moves from the producers to the consumers. In other words, channel refers to a team of merchants, agents, and business institutions that combine physical movement and title movement of products to reach specific destinations.

Mostly goods and services are distributed through a network ofmarketing channels. For example we buy merchandise of our need such assalt, bulb, tea, sugar, soap, paper, books, flour, etc., from retail sellers.

The channels bring economy of effort. This can be better understood with the help of an example. Let us say you have to buy four things, viz., Sugar, Bulb, Coffee and Ink. Most probably you would walk into a General Merchant's Shop and buy all the articles form one place. Imagine what would happen if there were no middlemen or general merchants available. In that case you would have to buy directly from the manufacturers of these products. You will have to make four contacts, each with the producer of Sugar, Bulb, Coffee and Ink. Compared to this, there was only one contact when all the things were bought from the same general merchant. Now let us assume that there are four customers needing the same four articles. In all sixteen contacts would have to be made. In case middleman are used, as shown in the part II of the figure, only eight contacts could be needed. Thus, use of middlemen brings economy of effort. This situation is illustrated in the preceeding figure.

B Apart from the economy of effort, middlemen help to cover large geographical area and bring efficiency in distribution, including transportation, storage and negotiation. They bring convenience to customers as they make various items available at one store and also serve as authentic source of market information as they are in direct contact with the customer.