

UNIT 5

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PHYSICAL DISTRIBUTION:

Physical distribution is the group of activities associated with the supply of finished product from the production line to the consumers. The physical distribution considers many sales distribution channels, such as wholesale and retail, and includes critical decision areas like customer service, inventory, materials, packaging, order processing, and transportation and logistics. You often will hear these processes be referred to as **distribution**, which is used to describe the marketing and movement of products.

Accounting for nearly half of the entire marketing budget of products, the physical distribution process typically garnishes a lot of attention from business managers and owners. As a result, these activities are often the focus of process improvement and cost-saving initiatives in many companies.

Importance of Physical Distribution

The **importance of physical distribution** to a company can vary and is typically associated with the type of product and the necessity it has to customer satisfaction. Strategically staging products in locations to support order shipments

and coming up with a rapid and consistent manner to move the product enables companies to be successful in dynamic markets.

Physical distribution is managed with a **systems approach** and considers key interrelated functions to provide efficient movement of products. The functions are interrelated because any time a decision is made in one area it has an effect on the others. For example, a business that is providing custom handbags would consider shipping finished products via air freight versus rail or truck in order to expedite shipment time. The importance of this decision would offset the cost of inventory control, which could be much more costly. Managing physical distribution from a systems approach can provide benefit in controlling costs and meeting customer service demands.

Functions of Physical Distribution

The **key functions** within the physical distribution system are:

- Customer service
- Order processing
- Inventory control
- Transportation and logistics
- Packaging and materials

The **customer service** function is a strategically designed standard for consumer satisfaction that the business intends to provide to its customers. As an example, a customer satisfaction approach for the handbag business mentioned above may be that 75% of all custom handbags are delivered to the customer within 72 hours of ordering. An additional approach might include that 95% of custom handbags

be delivered to the customer within 96 hours of purchase. Once these customer service standards are set, the physical distribution system is then designed to attain these goals.

Order processing is designed to take the customer orders and execute the specifics the customer has purchased. The business is concerned with this function because it directly relates to how the customer is serviced and attaining the customer service goals. If the order processing system is efficient, then the business can avoid other costs in other functions, such as transportation or inventory control. For example, if the handbag business has an error in the processing of a customer order, the business has to turn to premium transportation modes, such as next day air or overnight, to meet the customer service standard set out, which will increase the transportation cost.

Inventory control is a major role player in the distribution system of a business. Costs include investment into current inventory, loss of demand for products, and depreciation. There are different types of inventory control systems that can be implemented, such as first in-first out (or FIFO) and flow through, which are methods for businesses to handle products.

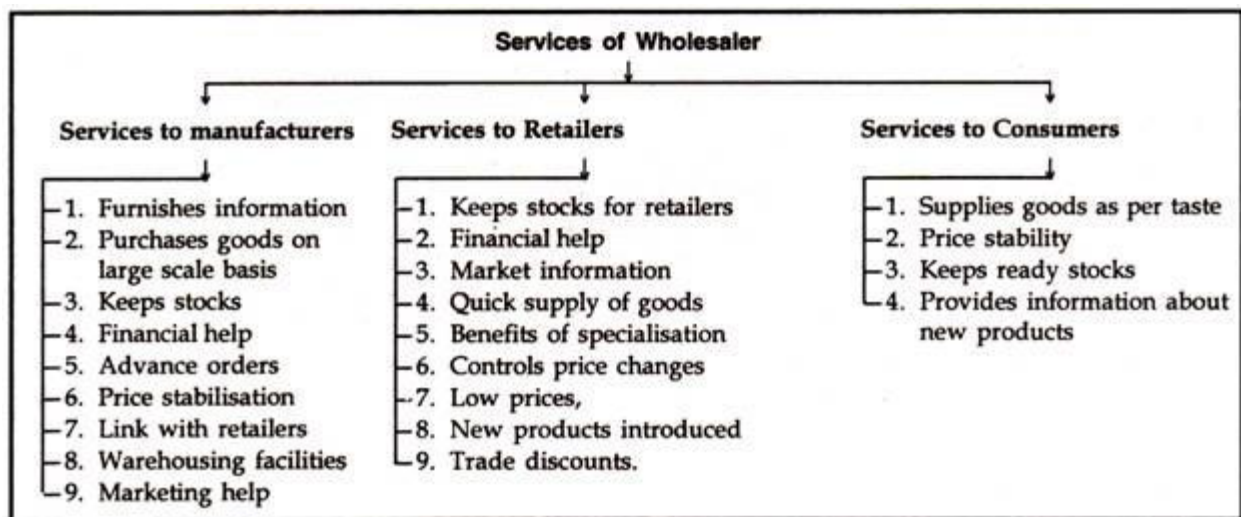
WHOLESALE:

‘Wholesaler’ has been derived from the word ‘Wholesale’ which means to sell goods in relatively large quantities or in bulk. A wholesaler, in the words of S.E. Thomas ‘is a trader who purchases goods in large quantities from manufacturers and sells to retailers in small quantities.

Characteristics of a Wholesaler:

- (i) He buys in bulk quantities from producers and resells them to retailers in small quantities.
- (ii) He usually deals in a few types of products.
- (iii) He is a vital link between the producer and the retailer.
- (iv) He operates in a specific area determined by producers.
- (v) He does not display his goods but keeps them in godowns. Only samples are shown to intending buyers.
- (vi) A wholesaler may be an individual or otherwise a firm.
- (vii) A wholesaler generally sets up distribution centre in parts of the country to make available goods to the retailers.

Services of Wholesaler:



(A) Services to Manufacturers/Producers:

- (i) Wholesaler furnishes information to the manufacturer about consumer behaviour, the changes in the tastes and fashions and also the latest demands of the customers.

(ii) Wholesaler enables a manufacturer to get benefit of economies of large-scale production by manufacturing on a large-scale basis.

(iii) Wholesalers relieve producers from keeping stock since they usually make forward dealings with producers.

(iv) Wholesalers render financial assistance to manufacturers and also provide long-term soft loans to them.

(v) Wholesaler helps manufacturers in maintaining an even pace of production by placing advance orders for periods which are usually characterised by slack demand.

(vi) Wholesalers help in price stabilisation since they stock goods in the slack season and sell them when the demand is high.

(vii) Wholesalers enable the manufacturers to save their capital by not tying it up in stocks. Instead, capital can be utilised for production activities.

(viii) Wholesalers are an important link between the manufacturers and the retailers.

(ix) Wholesalers provide warehousing facilities for goods till they are required by the retailers.

(x) Wholesalers take over the marketing functions from the manufacturers, thereby enabling them to concentrate on production.

(B) Services to Retailers:

(i) Wholesalers relieve retailers from keeping huge stocks with themselves since a retailer can approach a wholesaler for the replenishment of his stocks whenever they are exhausted.

(ii) Wholesalers provide financial assistance to retailers by selling goods to them on credit.

(iii) Wholesalers provide necessary market information to retailers regarding the type, quality and price of goods.

(iv) Wholesalers enable retailers to obtain supplies more quickly than they could by placing orders directly to manufacturers,

(v) Wholesalers provide the benefits of specialisation to retailers.

(vi) Wholesalers help retailers to take favourable advantage of price fluctuations.

(vii) Wholesalers enable retailers to share the economies of transport.

(viii) Wholesalers bring to retailers in bulk, but charging less prices.

(ix) Wholesalers bring to the notice of retailers new products through advertisements and travelling salesmen.

(x) Wholesalers give trade discounts on the bulk purchases to retailers.

(C) Services to Consumers:

(i) Wholesalers make available the goods according to consumers' needs, tastes, fashion and demand.

(ii) Wholesalers maintain stability of price by adjusting demand and supply and factors in the economy.

(iii) Wholesalers make large-scale production of goods possible, thereby keeping the overall price level low.

(iv) Wholesalers have always ready stocks with them and the consumers do not have to wait for the replenishment of stocks.

(v) Wholesalers provide knowledge of new products to consumers.

RETAILER:

A **retailer** is a person or business that you purchase goods from. Retailers typically don't manufacture their own items. They purchase goods from a manufacturer or a wholesaler and sell these goods to consumers in small quantities.

Functions of retailers

Generally, retailers are involved in the following functions:

1. Function of breaking bulk

Retailers break up large quantities into smaller units such as individual cans, bottles, packets, appropriate for consumer use.

2. Function of creating place utility

Retailers create place utility by transporting goods to the point of consumption.

3. Stocking Varieties of goods

Retailers buy varieties of goods from various manufacturers or wholesalers. Thus, a retailer provides a wide range of choice enabling the consumers to select the products of their choice.

4. Providing credit facilities to customers

Retailers grant credit facilities to consumers and thus increase their short-term purchasing power.

5. Providing information to customers and wholesalers

Retailers act as a link between the buyers and wholesalers / manufacturers. In the distribution channel, retailers are in direct contact with customers. Retailers supply market information to manufacturers either directly or through wholesalers.

6. Estimating the demand and arranging the purchase of the product

Retailers create demand for products by communicating with their customers. This demand creation is quite helpful for manufacturers and wholesalers.

7. Acting as consumer's agent

The retailers anticipate the wants of the consumers and then supply them the right kind of goods at a reasonable price. Their job is to make the consumer's buying as easy and convenient as possible.

8. Marketing functions

Retailers perform several marketing functions such as sales promotion, advertising and point of purchase display. They induce customers to buy products of reputed companies.

9. Connecting link

The retailers are the connecting link between the wholesaler and the ultimate consumer.

Transportation:

Transportation is a means of moving goods and people from one location to the other. In **marketing**, it involves the movement of goods from the place of production to the place of consumption. Goods can be moved from the factories to the wholesalers and to the retailers where the consumers come to buy them.

Modes Of Transportation

There are various means to carry products from one place to another. Land transport, water transport, air transport and pipeline transport are the major means of transportation. Each of them has its own features, merits and demerits.

Proper means of transportation should be selected according to necessity, the nature of goods, cost, time for transportation, reliability, capacity, access, security etc. We can classify and describe the different modes of transportation in the following ways mentioned below:

1. Land Transport System

Land transport is the oldest and more practiced system. The means, which are used to carry people and goods through land transport are called land transportation. Land transportation is again divided in two classes as road transport and railway transport.

i. Road Transport

Road transport is being used from ancient time and it is very useful and important. The means of road transport are: a). men and labors, b). animals such as mule, horse, sheep, goat, camel etc. c). cart, lorry etc. d). the modern automobile such as motor, bus, truck, tractor, tempo, trolley bus, jeep etc are also used to transport people and goods. People, cloths, paper materials, books, machines and machinery, animals, fresh fruits and other goods are transported from one place to another.

Labors or porters are used to carry goods to remote places where modern means of transport have not reached. In some places horse, mule, sheep, goat, camels etc. are used to transport goods. Rickshaw, cycle, cart, lorry etc are also used in transporting goods and people. But the means of transport like bus, truck, tractor, motor, etc. have become very popular means of transporting goods and people. Nowadays, motor, truck, bus, jeep etc. have become synonyms of road transport.

ii. Railway Transport

The other important means of land transport is railway. It is used to transport goods and people from one place to another. Development of railway transport helps much to develop industry, commerce and whole economy of any country. It

is very useful in transporting big and heavy goods and materials. Mostly railway is used in transporting big and heavy materials such as big machines, coal, food grain, chemicals, automobiles, iron , steel etc.

2. Water Transport System

Water transport is taken as an ancient means of transport, It was developed and used to transport goods and people from one country to another before the development of air transport. It is also operated to transport goods from one part to another of any country through big canals, rivers or sea. Water transport is a system of transporting goods and people from one place to another by ship, boat, steamer, motorboat etc. through canals, rivers, lake, sea, ocean etc. Water transport is suitable to transport petroleum products, chemicals, iron, machines, tools, heavy equipment, coal and several heavy goods.

3. Air Transport System

Air transport is the fastest modern means of transport. Air transport was started after First World War, especially after 1918. In the beginning until 1960, only passengers, mails, perishable goods and costly light goods were transported by air transport. But nowadays, air transport system has also become suitable for other industrial and commercial products. According to the research carried out by Air Canada on air fair market, air transport system has been proved cost effective and practical means for transporting industrial and business goods.

The importance of air transport has gradually growing. This is the fastest speed means for transporting passengers and goods to different parts within a country and different countries of the world. Mostly, flowers of different species,

perishable edibles, technical goods, emergency parts and parcels, equipment, mails and other valuable goods are transported by air transport system.

4. Pipeline Transport System

Pipeline is another important means of transport. Raw oil, Petroleum products, processed coal, drinking water, natural gas etc. are transported from one place to another place. Pipeline transport may be constructed underground or underwater. This means of transport is very useful for quick transportation of liquid materials even through high hills or plane land. This is regular and reliable means of transport. It needs less manpower. It does not need packaging service and cost and it can be operated 24 hours. It becomes long lasting in the condition of proper repair. But construction of pipeline system take huge investment and it can transport only liquid materials.

5. Rope-way Transport System

Rope-way is the another means of transport. It can transport people and goods. It can be operated in the places where road construction is impractical and costly. Certain limit of goods or people can be transported with the help of electricity. In the hilly remote countries, rope-way transport system may be suitable means.

E-Marketing

The marketing of products or services by using the internet. E-mails and wireless marketing also fall into the category of e-marketing.

Features of E-Marketing

Big or small, many businesses are using e-marketing because of various features and multiple advantages. Some of the important features are as follows;

E-marketing is Cheaper than Traditional Marketing

If you compare its cost with traditional marketing media such as newspaper ads and billboards, then it's much cheaper and efficient. You can reach a wide range of audience with very limited resources.

Tangible ROI

Small business owners can now check the turnover rate or "action taken" with the help of Infusionsoft. It analyzes multiple things like views of videos, number of emails opened, and per click on the link. Most importantly, it tells us how much sales the business has been made as a result of e-marketing.

24/7/365 Approach

It works 24 hours a day, 7 days a week and 365 days of the year. It doesn't matter whether you're homesick, sleeping, or attending a casual meetings; but e-marketing is always hard at work.

Eliminate Follow-up Failure

Elimination of follow-up-failure is the main secrete behind the success of small business. It is done by entering your business figures into the Infusionsoft, and then its automated marketing system will provide you the custom-tailored information about your business, which areas to improve and what product to discontinue.

Types of E-Marketing

When we talk about digital and email marketing, then there are different type and methods of e-marketing which are as follows;

Email Marketing

Email marketing is considered very efficient and effective because you already have a database of your targeting customer. Now, sending emails about your product or service to your exact targeted market is not only cheap but also very effective.

Social Media Marketing

Social media is a great source of directly communicating with your customers to increase your product awareness. It could be done by any or all of the social media channels such as LinkedIn, Facebook, Instagram, Twitter, Google, and YouTube. Some of the important advantages of social media are as follows;

- Increase product awareness and reputation means more sales.
- Directly communicating with your customers can increase brand loyalty.
- You can increase the number of visits to your website and rank it up in the search engine.
- Targeting the exact audience will help you to know more about your customers' needs.

Video Marketing

It is said that a picture is worth a thousand words, and a video is worth thousands of pictures. You can catch the attention and emotions of your target market by showing them a video clip about your product or service. **Video marketing** is very effective if it conveys the right message to the right audience.

Article Marketing

Engaging quality content by providing valuable information to your targeted market, what people are looking for over the internet to solve a certain problem?

It is a consistent and ongoing process of delivering quality content to your readers. It is not always about selling; you're educating your audience and helping them by adding some value in their lives.

Affiliate Marketing

Affiliate marketing is the process of promoting some products of certain brands and earning your commission out of every sale. It works for everyone; win, win situation.

The Content in the E-Material has been taken from the text and reference book as given in the Syllabus

