

Managers must think about **Place**- making goods and services available in the right quantities and locations, when customers want them. And when different target markets have different needs, a number of place variations may be required.

A **channel of distribution** - any series of firms or individuals who participate in the flow of products from producer to final user or consumer.

The product classes help us decide how much market exposure we'll need in each geographic area.

Widespread distribution is needed to make products available when the need strikes.

Heterogenous shopping goods should have outlets that provide information- knowledgeable salespeople who can provide insights about different brands and models and online stores with videos or information. **Homogeneous** shopping goods favor low cost retailers as customers focus mostly on low prices.

Business product classes reflect what buyer think about the products and how they are used. Accessory equipment and maintenance, repair and operating (MRO) supplies are used frequently, requiring widespread distribution.

Yet as products mature, they typically need broader distribution to reach different target customers. Marketing managers need to keep the future in mind when they develop Place objects.

One of the most basic Place decisions producers must make is whether to handle the whole distribution job themselves - perhaps by relying on direct to customer e-commerce selling or opening their own stores- or use wholesales, retailers and other specialists.

If a firm is in direct contact with its customers, it is more aware of changes in customer attitudes. It is in a better position to adjust its marketing mix quickly because there is no need to convince other channel members to help. Sometimes intermediaries that have the best contact with the target market may be hesitant to add unproven vendors or new products.

In the United States, the Census Bureau publishes detailed data concerning wholesales and retailers, including breakdowns by kinds of business, product line, and geographic territory.

Many business products are sold direct to customer. Service firms often use direct channels.

Firms that produce physical goods turn to specialists to help provide the services customers expect. Most consumer products are sold through intermediaries.

Increasing number of firms rely on **direct marketing**-direct communication between a seller and an individual customer using a promotion method other than face to face personal selling. Consumers of household goods prefer to shop for certain products at specific places. Direct distribution usually requires a significant investment in facilities, people, and information technology. A company that has limited financial resources or that wants to retain flexibility may want to avoid that investment by working with established intermediaries.

Intermediaries may further reduce producers need for working capital by buying the producer's output and carrying it in inventory until it is sold. Some wholesalers play a crucial role by providing credit to customers at the end of the channel.

The most important reason for using an indirect channel of distribution is that an intermediary can often help producers serve customer needs better and at a lower cost. Marketing managers should carefully evaluate each target market's needs and determine the customers willingness to pay. A firm should also understand its capabilities and those of willing intermediaries. When a company serves multiple target markets, it may choose to sell direct and through intermediaries.

The assortment of products customers want may be different from the assortment and quantity of products companies produce. Producers are often located far from their customers and may not know how the best to reach them. Customers in turn may not know about their choices. Specialists often help provide information to bring buyers and seller together.

Intermediaries who are close to their community are often able to anticipate customer needs and forecast demand more accurately. This information can help reduce inventory costs in the whole channel-and it may help the producer smooth out production.

Discrepancy of quantity- means the difference between the quantity of products it is economical for a producer to make and the quantity final users or consumers normally want
Discrepancy of assortment- means the difference between the lines a typical producers makes and the assortment final consumers or users want.

Regrouping activities- adjust the quantities or assortments of products handled at each level in a channel of distribution. There were four regrouping activities: accumulating, bulk-breaking, sorting and assorting.

Adjusting quantity discrepancies by accumulating and bulk-breaking

Accumulating involves collecting products from many small producers.

Accumulating is especially important in less developed countries and in other situations, like agricultural markets, where there are many small producers. Accumulating is also important with professional services because they often involve the combined work of a number of individuals, each of whom is a specialized producer.

Bulk-breaking involves dividing larger quantities into smaller quantities as products get closer to the final market. Wholesalers may sell smaller quantities to other wholesalers or direct to retailers. Retailers continue breaking bulk as they sell individual items to their customers.

Adjusting assortment discrepancies by sorting and assorting

Sorting means separating products into grades and qualities desired by different target markets.

Assorting means putting together a variety of products to give a target market what it wants. This usually is done by those closest to the final consumer or user-retailers or wholesalers who try to supply a wide assortment of products for the convenience of their customers.

Specialists develop to adjust separations and discrepancies if they need to be adjusted. Sometimes spotting such a need creates an opportunity.

Ideally, all of the members of a channel system should have a shared *product market commitment* with all members focusing on the same target market at the end of the channel and sharing the various marketing functions in appropriate ways. In traditional channel systems, the various channel members make little or no effort to cooperate with each other. Specialization can make a channel more efficient -but not if the specialists are so independent that channel doesn't work smoothly.

Vertical conflicts occur between firms at different levels in the channel of distribution. A vertical conflict may occur if a producer and a retailer disagree about how much promotion effort the retailer should give to the producer's product. *Horizontal conflicts* occur between firms at the same level in distribution channel. Other firms manage conflict by offering different products through each channel.

Channel captain - a manager who helps direct the activities of a whole channel and tries to avoid or resolve channel conflicts.

The channel captain arranges for the necessary functions to be performed in the most effective way. Sometimes producers take the lead in channel relations. Typically this occurs when the producer is larger, dominates a category, or wields a powerful brand name. In this case, intermediaries usually take a backseat and support the producer. They often negotiate a situation that is profitable for both parties, but the producer usually has a stronger hand.

Sometimes wholesalers or retailers take the lead. They are closer to the final user or consumer and are in an ideal position to assume the channel captain role. Intermediaries find that the ability to gather, analyze, and interpret big data that generates insights about their customers' needs gives them unique insights. They can then seek out producers who can meet these needs with products at reasonable prices.

In these situations the retailer often suggests new products suppliers should make and influence pricing.