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Right time, right place, right quantity, right condition

What do we mean by 'place'?

Place is one of the 4Ps (part of the marketing mix) and refers to how an organisation gets the right product to the right place in the right quantity, in the right condition at the right time. Place is about marketing channels and distribution/logistics, and is just as important in a business-to-business market as it is in a business-to-consumer market.

Have you, as a customer, saved your money to purchase a specific product or service, gone to the store to purchase it only to be told 'Sorry, we're out of stock'? What about buying something, getting it home, unwrapping all the packaging only to find that it's damaged or there are pieces missing?

If you work for a business that places orders for deliveries from other organisations, how often do they fail to deliver on time or with the correct number of items delivered?

The role and importance of place

The role and importance of place has grown in significance over the years for a number of different reasons. A great deal of money is spent on getting the products to the right place at the right time. Wherever costs are high, there is always potential for savings. If your company ships goods, try to find out just how much it costs to get your products from A to B. This is particularly important if you factor products in from overseas. If you are purchasing space on container vessels, wagons, or trains, whatever the mode of transport, there are inevitable costs, financial and logistical.

As more and more organisations turn to the Far East for manufactured goods, the process of how to logistically manoeuvre the freight half way around the world to markets in the West has increased in importance and significance.

Example: When it goes awry it can be costly, as Microsoft discovered when its supply chain couldn't ship enough Xbox 360 consoles into the EU for the Christmas 2006 launch. It resorted to 'flying in' units from China. Its willingness to meet the customer demand is laudable, but the disruption to the planned delivery method had financial and environmental implications.

This area of the marketing arena can really affect the level of satisfaction of a customer. From a B2B perspective, if your suppliers fail to deliver your orders on time and in the correct quantity and quality, the chances are you will look for an alternative source. Alternatively, if you as the customer fail to continually deliver customers' orders on time and with insufficient quantity and quality, the chances are you will be dropped pretty quickly.

Most organisations today operate in a highly competitive domain, so if you are incapable of performing to high standards there are others who can and will win your orders away from you. Simply put, this area of 'place' can help you achieve a competitive advantage. If you actually carry out what you state you will, deliver on time in the right numbers and quality and provide excellent customer service, the chances are you will start to win the confidence and trust of your customers. It is surprising how many times organisations fail to deliver on their promises.

To try to understand 'place' further, it's easier to split it down into two sections: marketing channels and distribution logistics. Let's first consider marketing channels.

Marketing channels

Basically, they are the channels through which your products reach your customers and there are a number of different ways this can be done. Channel design is important and there is a need to have a look at some of the key factors to be considered when designing a marketing channel; see Figure 6.1.

Figure 6.1 A marketing channel

One of the first considerations is how long the channel is going to be. Do you want to distribute your product directly to the customer or indirectly? Direct distribution has been augmented by the use of new technologies to such an extent that a wide range of organisations now sell direct. An example of this is recording artists bypassing the retailers and shipping direct (see www.xtcidearecords.co.uk for a good example).

A company may choose to distribute its product to its customer directly. This is often known as a 'zero level' channel as there are no (zero) other businesses involved in getting your product to the customer. This is a method, as the closer you are to your customers, the better. You will get to know your customers, start forming a relationship with them, receive timely feedback and, perhaps even more important, you will retain control over how your product reaches the customer and the entire marketing strategy.

Using an intermediary is a one-level channel (see Figure 6.2) because there's only one level (another business) between the manufacturer and customer. An intermediary helps move the product through the channel so it becomes available to the right customer. Intermediaries can be a retailers, wholesalers, agents or franchisors.

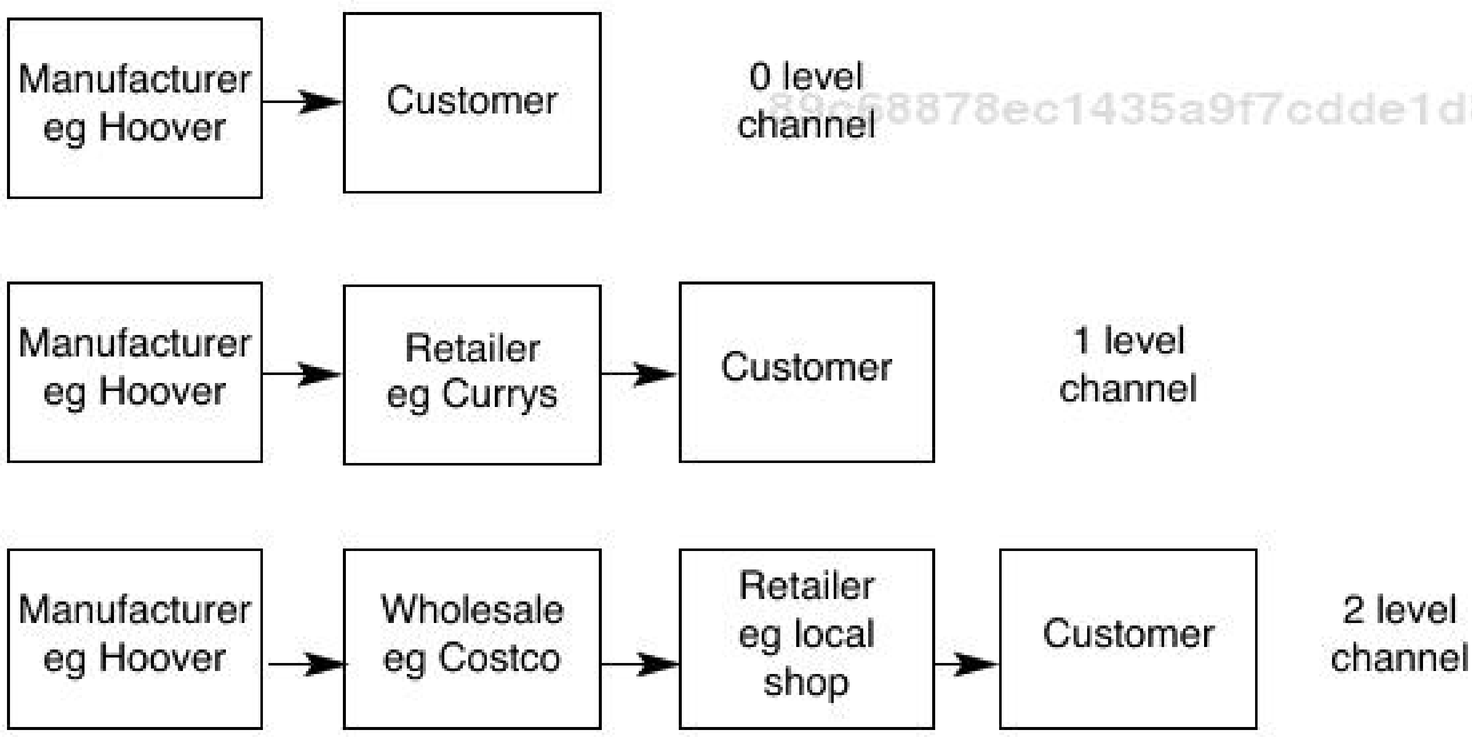

Figure 6.2 0, 1 and 2 level channels

Why use an intermediary?

There are many reasons. For example, retailers and wholesalers already have an established network of outlets to reach a certain set of customers. That is why many organisations such as Heinz use retailers, like Tesco, to sell their products. If Heinz had to reach its customers directly, establishing its own network of stores would cost millions. Why not use an existing network of stores that are already established in the marketplace?

Convenience is also an important factor. As well as using existing retailers and therefore, using somebody else's resource (saving you lots of money!) you are also providing your customer with further convenience. A retailer such as Tesco has stores in most cities and towns in the UK. Your customer hasn't far to travel to reach your product.

If your organisation is not primarily involved in retail, for example if you work for a manufacturing organisation, leave the retailing to the experts. Let the wholesalers get on with wholesaling, leaving you, your time and resources focusing on what you do best. Use the existing pool of skills, knowledge and resources to the best of your ability.

You can also have a two-level channel (see Figure 6.2). This where there are two intermediaries between the manufacturer and customer. Some manufacturing organisations will sell their products to a large wholesaler. Smaller retailers then buy their products from the larger wholesalers and sell them in their stores to the end-user.

So, when it comes to channel design you have a number of choices to make. Do you prefer a shorter or longer marketing channel? Do you wish to distribute your products directly or indirectly? Key factors affecting these choices include costs, convenience, customer requirements and control.

The longer your channel, the further removed you generally are from the end-user. Imagine you work for a manufacturing organisation and you have designed a two-level channel. Gaining immediate feedback from the consumer market is not an easy task. Generally speaking, if a customer has a problem with your product, he or she takes it back to the retailer with their complaint. The retailer in turn complains to the wholesaler and then, eventually, the complaint will be filtered back to you in the manufacturing organisation.

You can also potentially lose aspects of control over your marketing strategy. You may have undertaken research in the consumer market to deduce what price point you need to hit, how it should be positioned in the marketplace, etc. However, you can't dictate these points to your intermediaries. As soon as they pay for their order from you, they take title of the product and ultimately control.

This then brings the strength of your relationship into the spotlight. If you truly intend to use intermediaries in your channel, they can offer you great skill, resources and expertise and can share risks. However, from a long-term perspective, you should view them not just as intermediaries, but as partners in your business.

You may work for a successful manufacturing organisation that has great skill, resources and knowledge, but if you can't get your product to market, you have no business. Alternatively, you may work for a retailer, again with great flair and experience in its field, but if you have no product to sell in your outlets, you have no business. You need each other. Time and resource needs spending on developing and strengthening your relationship. Trust and confidence should be central to a long-term relationship, but that is easier said than done. If you choose to design and use a one- or two-level channel, conflict must be avoided at all costs – again, this is easier said than done.

It is due to this potential loss of control, lack of immediate feedback and reliance on other organisations, that there has been growth in direct distribution. With the development of the internet and other related digital technologies, many organisations have turned to using their own retail stores or selling online. However, although websites can be created to attract customers and facilitate their purchasing, you still need to develop and maintain an effective delivery system to customers to achieve complete satisfaction. Making it easy for customers to order products from the comfort of their home may be a key advantage, but if the delivery service fails to get goods to them on time and in one piece, you can lose customers.

Market coverage

Once you have decided upon the length of the channel and whether you intend to use intermediaries or not, you also need to consider the amount of market coverage you require for your product.

Broadly speaking you have three distribution strategic choices: exclusive, intensive or selective distribution. Let's consider each of these.

Exclusive distribution

This is where you purposefully limit the availability of your product to the market, which affords an image of exclusivity. For example, you don't find Aston Martin cars being sold in every town or city in the UK. The product is purposefully limited in its availability to emphasise its exclusive appeal.

Intensive distribution

This is the complete opposite of exclusive distribution. This strategy is often used by companies distributing convenience and 'habitual use' products such as toilet rolls, milk and potatoes. A wide spread of distribution (intensive coverage) is required as customers often need these products on a daily basis. Availability and convenience are key issues to consider here.

Selective distribution

This lies somewhere between intensive and exclusive distribution. You require good coverage for your product but not to the extent of the intensive approach or limited availability as with the exclusive approach. You wish to select certain key stores to distribute your product. Organisations distributing televisions and CD players use this particular strategy.

If you decide to use an indirect approach to your distribution (using intermediaries) it is always useful to establish a solid relationship with the intermediaries and determine who does what. This ensures that the channel runs smoothly; conflict within the channel between intermediaries can lead to real problems.

Terms, tasks and responsibilities

One of the key sources of conflict is lack of communication and 'stepping on other's toes'. So, clearly define the roles, terms and relationships early on.

Distribution logistics

This part of 'place' refers to the practical realities of how we physically move products from one place to another. There are a number of issues that need to be considered.

Transport

Products can be transported using air freight, cargo ships, railways, lorries, cars, motorbikes.... A lot of time and effort needs to be given to deciding how you are going to transport your products from one intermediary to another. Costs, convenience and ability all need to be taken into account.

The role of packaging is also important here as damaged goods are often a source of complaint. The packaging needs to be robust enough to withstand the journey and the mode of transport used.

Warehousing

Many organisations store products in warehouses and as they receive orders, the products are picked from the appropriate location in the warehouse, put on board transport and delivered to the customer. Where you locate your warehouses and how many you have is a key decision. Again, this can be a costly venture. A lot of thinking needs to go into how many and where the warehouses are to be located.

Order processing

In a B2B situation an order processing system is usually required. This system also wraps itself around inventory management. Stock is costly, particularly if it is finished goods sitting in a warehouse. Costs in terms of insurance and security start to increase at this stage. Stock needs to be converted into sales quickly to create income and liquidity for the business.

However, how you manage your stock is not an easy task, particularly today. If a key client approaches you to fulfil an order quickly and you don't have the stock, the chances are you will have to let them down, causing the customer to go to a competitor. Alternatively, you may decide to hold some stock to accommodate any rush orders that may arise, particularly at peak periods. However, if those 'rush' orders never materialise, your stock will start costing you money.

Organisation and time management are crucial skills in this area of marketing and you will need to work closely with the warehouse and production management teams. Why? Because, quite simply, if orders fail to materialise based upon contracted or promised terms, customer dissatisfaction will follow, and they will look to your competitors to furnish their orders instead. The same can be said in the B2C market. There is so much competition and choice out there for the customer, if you don't satisfy them, your competitors will.

Key points

- **The role of place is particularly important and is involved with getting the right products to the right place at the right time in the right condition. Failure to do so can result in customer dissatisfaction.**
- **There are two key points to consider when studying place: marketing channels and physical logistics.**

- Decisions as to whether to use intermediaries or not are important.
- Key reasons why intermediaries are often used include: they are skilled, have knowledge and there is an existing resource, saving you money and time.
- A number of organisations prefer to distribute directly (zero-level channel) for the following reasons: more control, being closer to the customer, easier to elicit feedback from the customer, often lowers price to consumer (cutting out the middleman) and further flexibility.
- Logistics includes decisions relating to warehousing: number, size and location, transport, internal ordering systems, etc.

Activities

- Go to your kitchen cupboard and pull out six items. Can you trace where you bought them from? Did you buy them direct? If so, why? What advantages were there for you in shopping this way? Or, did you go to a retailer, wholesaler, etc? Why do you think the companies responsible for these products/brands use these intermediaries?

Questions

1. Why has the use of direct distribution increased in recent years?
2. What are the advantages of using intermediaries in channel design?
3. With what class or type of product would an exclusive distribution strategy be used?

4. What benefits does a long channel design afford?
5. How can customer dissatisfaction materialise from this aspect of marketing?

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