

Distribution in Marketing

Unit: Entrepreneur Skills and Business Concepts

Problem Area: Define the Role of Marketing and Advertising in Business

Lesson: Distribution in Marketing

■ **Student Learning Objectives.** Instruction in this lesson should result in students achieving the following objectives:

- 1** Define distribution, and give an example of a distribution channel.
- 2** Explain the push strategy, the pull strategy, and levels of distribution intensity.
- 3** Explain the benefits manufacturers and retailers get from using wholesale distribution for marketing.

■ **Resources.** The following resources may be useful in teaching this lesson:

Dalao, Bernadette. "The Ten Types of Wholesalers: Understanding Their Functions, Strategies, and the Role They Play," *The Ground Report*. Accessed March 22, 2011. <<http://www.groundreport.com/Business/The-Ten-Types-of-Wholesalers-Understanding-Their-F/2868350>>.

"Distribution-Channel Strategy," *tutor2u*. Accessed March 24, 2011. <http://tutor2u.net/business/marketing/distribution_channel_strategy.asp>.

"How Does Wholesale Distribution Work?" *eHow Money*. Accessed March 23, 2011. <http://www.ehow.com/how-does_4587432_wholesale-distribution-work.html>.



“Why Do Businesses Use Wholesale Distributors?” *Articlesbase*. Accessed March 31, 2011. <<http://www.articlesbase.com/business-articles/why-do-businesses-use-wholesale-distributors-738048.html>>.

■ **Equipment, Tools, Supplies, and Facilities**

- ✓ Overhead or PowerPoint projector
- ✓ Visual(s) from accompanying master(s)
- ✓ Copies of sample test, lab sheet(s), and/or other items designed for duplication
- ✓ Materials listed on duplicated items
- ✓ Computers with printers and Internet access
- ✓ Classroom resource and reference materials

■ **Key Terms.** The following terms are presented in this lesson (shown in bold italics):

- ▶ distribution
- ▶ distribution channel
- ▶ exclusive distribution
- ▶ intensive distribution
- ▶ pull strategy
- ▶ push strategy
- ▶ selective distribution
- ▶ wholesaler

■ **Interest Approach.** Use an interest approach that will prepare the students for the lesson. Teachers often develop approaches for their unique class and student situations. A possible approach is included here.

Ask students the following questions: What is your favorite drink? What company makes your favorite drink? Where is your favorite drink usually sold, or where do you usually buy it? Do you know how your favorite drink gets from the company that makes it to the place that sells it?

Allow students to share their answers. Hold a discussion leading into the role distribution plays in getting products into the market for customer consumption.

CONTENT SUMMARY AND TEACHING STRATEGIES

Objective 1: Define distribution, and give an example of a distribution channel.

Anticipated Problem: What does distribution mean, and what is an example of a distribution channel?

- I. Once a manufacturer has created a product, a need exists to get the product into the market for customer access. Processes and capacities are needed that will move the product from its “birthplace” to its “marketplace.” This move is called distribution. There are various channels for distribution. Often the manufacturer has the expertise to make a product but not the expertise to position and sell the product in the market. Generally a retailer has the capacity to position and sell a product but not the ability to manufacture or bring the product into the retail store. Therefore, distribution and distribution channels often include parties other than the manufacturer and the retailer who help move a product from the maker to the seller.
 - A. **Distribution** is the process of moving a product from the manufacturer into the market to reach the customer. For example, manufacturers of beverages distribute products so that thirsty people can purchase the beverages easily.
 - B. **Distribution channel** is the specific method for moving a product into the market. A beverage company produces soda for restaurants. The manufacturer must move the soda from the manufacturing plant into the restaurants, where it can be consumed. How does the soda move from the manufacturing plant into the restaurants? One answer is through a distribution channel popular with the food industry, a wholesaler.
 1. A **wholesaler** is a dealer to whom the manufacturer sells/distributes bulk amounts of a product. The wholesaler then moves the product to retailers, who move the product to customers. Example: Coca-Cola makes soda. The wholesaler moves bulk amounts of Coca-Cola to restaurants. The restaurants place the soda within reach of customers. This represents the general distribution channel process. However, there are several types of wholesalers, and there are variations within the process.
 - a. Some wholesalers purchase manufactured products and then resell them to retailers.
 - b. Others do not actually “own” the manufactured products but help ship the products to retailers.
 - c. Another variation is found in some more recognizable wholesalers, such as Sam’s Club and Costco. These wholesalers operate their own retail stores for selling to customers.

Teaching Strategy: Use VM–A and VM–B to demonstrate terms and concepts presented in this objective. Have students visit the Internet resource “How Does Wholesale Distribution Work?” (see Resources) for general knowledge about the processes and risks of wholesale distribution. Have them visit the Internet resource “The Ten Types of Wholesalers...” (see Resources) to read about variations of this distribution channel.

Objective 2: Explain the push strategy, the pull strategy, and levels of distribution intensity.

Anticipated Problem: What are the push strategy, the pull strategy, and levels of distribution intensity?

- II. A fundamental difference between the push strategy and the pull strategy is that the push strategy focuses on ways to distribute (or push) the product from the manufacturer into the market, creating a need for supply chaining capacities, whereas the pull strategy focuses on ways to place alluring product information in front of the customer to draw (or pull) the customer to the product, creating a need for advertising capacities. Pushing is moving the product out to the customer. Pulling is attracting the customer to the product. For example, beverage companies push drinks to where thirsty people exist, whereas car dealers create advertising to attract people to car lots. Also, with respect to pushing a product, there are three general levels of distribution intensity: intensive distribution, selective distribution, and exclusive distribution.
 - A. Marketing strategies
 1. The **push strategy** is the marketing strategy designed to send a product into distribution channels so the product is conveniently available to the customer.
 2. The **pull strategy** is the marketing strategy designed to draw the customer to the product instead of sending the product out to the customer.
 - B. Levels of distribution intensity in pushing a product
 1. **Intensive distribution** is distribution at a level where the product is sent out through many channels to saturate the market. For example, Coca-Cola products are distributed intensively at restaurants, at sporting events, at schools, at gas stations, in vending machines at a variety of places, etc.
 2. **Selective distribution** is distribution at a level where the product is sent out through a limited number of channels to more specifically target buyers looking for the product. For example, authentic baseball jerseys are usually found at professional baseball gift shops and specialty sporting goods stores rather than at general retail stores.
 3. **Exclusive distribution** is distribution at a level where the manufacturer distributes a product through only one or a select few channels. For example, Apple used AT&T as the exclusive distributor of the iPhone in the United States when the product was first released.

Teaching Strategy: Use VM–C and VM–D to demonstrate terms and concepts presented in this objective. Have students visit the Internet resource “Distribution-Channel Strategy” (see Resources) to read about market, producer, and product factors influencing the choice of distribution channels and level of intensity.

Objective 3: Explain the benefits manufacturers and retailers get from using wholesale distribution for marketing.

Anticipated Problem: What benefits do manufacturers and retailers get from using wholesale distribution for marketing?

- III. Following are reasons manufacturers and retailers use the wholesale distribution channel.
- A. **Benefit #1: Saves time, money, and resources.** Having a wholesaler complete the steps of transporting a product from the manufacturer to the retailer saves time, money, and resources for both the manufacturer and the retailer. For example, when the wholesaler provides the trucks, drivers, and employees for loading and unloading the product, the manufacturer and the retailer do not need to acquire these components. Paying a wholesaler is less expensive for the manufacturer and the retailer than providing their own transportation equipment and personnel.
 - B. **Benefit #2: Increases capacity.** By using a wholesaler as the distribution channel, both the manufacturer and the retailer are benefiting from the capacities of the wholesaler. That is, they can move the product without having to develop the capacities themselves.
 - C. **Benefit #3: Increases geographic reach.** Wholesalers may disperse products to a wider geographic area, even globally. The distribution chaining and geographic reach provided by wholesalers benefit manufacturers and retailers who might not be able to reach as far geographically using their own capacities.
 - D. **Benefit #4: Increases choice.** Since wholesalers may be connected to many retailers, manufacturers are offered more choices for places to sell their products. Also, since wholesalers often carry a wide range of products, retailers get the opportunity to offer more choices.

Teaching Strategy: Use VM–E through VM–H to present concepts in this objective. Have students visit the Internet resource “Why Do Businesses Use Wholesale Distributors?” (see Resources) to read more about the rationale of this distribution channel. Assign LS–A.

Review/Summary. Use the student learning objectives to summarize the lesson. Have students explain the content associated with each objective. Student responses can be used in determining which objectives need to be reviewed or taught from a different angle. Questions at the ends of chapters in the textbook may also be used in the Review/Summary.

- **Application.** Use the included visual master(s) and lab sheet(s) to apply the information presented in the lesson.
- **Evaluation.** Evaluation should focus on student achievement of the objectives for the lesson. Various techniques can be used, such as student performance on the application activities. A sample written test is provided.
- **Answers to Sample Test:**

Part One: Matching

1. f
2. g
3. c
4. a
5. d
6. e
7. b
8. h

Part Two: True/False

1. F
2. T
3. T
4. T
5. F
6. T

Part Three: Short Answer

Answers should closely resemble two of the following: Saves time, money, and resources; increases capacity; increases geographic reach; increases choice.

Distribution in Marketing

► **Part One: Matching**

Instructions: Match the term with the correct definition.

- a. distribution
- b. wholesaler
- c. distribution channel
- d. exclusive distribution
- e. push strategy
- f. selective distribution
- g. pull strategy
- h. intensive distribution

- _____ 1. Distribution at a level where the product is sent out through a limited number of channels to more specifically target buyers looking for the product
- _____ 2. The marketing strategy designed to draw the customer to the product instead of sending the product out to the customer
- _____ 3. The specific method for moving a product into the market
- _____ 4. The process of moving a product from the manufacturer into the market to reach the customer
- _____ 5. Distribution at a level where the manufacturer distributes a product through only one or a select few channels
- _____ 6. The marketing strategy designed to send a product into distribution channels so the product is conveniently available to the customer
- _____ 7. A dealer to whom the manufacturer sells/distributes bulk amounts of a product
- _____ 8. Distribution at a level where the product is sent out through many channels to saturate the market



▶ Part Two: True/False

Instructions: Write *T* for true or *F* for false.

- _____ 1. It is generally easier for a manufacturer to move a product to retail stores than to use a wholesaler as a distribution channel.
- _____ 2. A wholesaler is an example of a distribution channel.
- _____ 3. Wholesalers save money for retailers and manufacturers since it costs retailers and manufacturers more to move products themselves than it costs to pay wholesalers to move products.
- _____ 4. The push strategy is a marketing strategy whose goal is to send a product out to retailers.
- _____ 5. With intensive distribution, a product is sent to one retailer.
- _____ 6. With exclusive distribution, a product is sent to one retailer.

▶ Part Three: Short Answer

Instructions: Answer the following.

What are two benefits to manufacturers and retailers of using a wholesale distribution channel to move products into the market?

DISTRIBUTION

- ◆ **Distribution** is the process of moving a product from the manufacturer into the market to reach the customer.
- ◆ Example: Coca-Cola is distributed from the production plant to vending machines, gas stations, stores, restaurants, sporting events, etc.



DISTRIBUTION CHANNEL

- ◆ **Distribution channel** is the specific method for moving a product into the market.
- ◆ Example: Using a wholesaler is one distribution method. The wholesaler purchases a beverage product from the manufacturer and resells the beverage to retailers, who then sell to consumers through vending machines or stores. The wholesaler may be responsible for shipping the soda from the plant to the retailers.



PUSH AND PULL MARKETING STRATEGIES

- ◆ The **push strategy** is the marketing strategy designed to send a product into distribution channels so the product is conveniently available to the customer.
- ◆ The **pull strategy** is the marketing strategy designed to draw the customer to the product instead of sending the product out to the customer.
- ◆ Which strategy do you think fits best with distribution?



THREE LEVELS OF DISTRIBUTION INTENSITY

- ◆ **Intensive distribution:** Distribution at a level where the product is sent out through many channels to saturate the market.
 - Example: Coca-Cola products are distributed intensively at restaurants, at sporting events, at schools, at gas stations, in vending machines at a variety of places, etc.
- ◆ **Selective distribution:** Distribution at a level where the product is sent out through a limited number of channels to more specifically target buyers looking for the product.
 - Example: Authentic baseball jerseys are usually found at professional baseball gift shops and specialty sporting goods stores rather than at general retail stores.
- ◆ **Exclusive distribution:** Distribution at a level where the manufacturer distributes a product through only one or a select few channels.
 - Example: Apple used AT&T as the exclusive distributor of the iPhone in the United States when the product was first released.

BENEFIT #1: SAVES TIME, MONEY, AND RESOURCES

Having a wholesaler complete the steps of transporting a product from the manufacturer to the retailer saves time, money, and resources for both the manufacturer and the retailer. For example, when the wholesaler provides the trucks, drivers, and employees for loading and unloading the product, the manufacturer and the retailer do not need to acquire these components. Paying a wholesaler is less expensive for the manufacturer and the retailer than providing their own transportation equipment and personnel.



BENEFIT #2: INCREASES CAPACITY

By using a wholesaler as the distribution channel, both the manufacturer and the retailer are benefiting from the capacities of the wholesaler. That is, they can move the product without having to develop the capacities themselves.



BENEFIT #3: INCREASES GEOGRAPHIC REACH

Wholesalers may disperse products to a wider geographic area, even globally. The distribution chaining and geographic reach provided by wholesalers benefit manufacturers and retailers who might not be able to reach as far geographically using their own capacities.



BENEFIT #4: INCREASES CHOICE

Since wholesalers may be connected to many retailers, manufacturers are offered more choices for places to sell their products. Also, since wholesalers often carry a wide range of products, retailers get the opportunity to offer more choices.



Restaurant Wholesaler

Purpose

The purpose of this activity is to investigate an example of a restaurant wholesale distributor.

Objectives

1. Investigate a wholesale distributor.
2. Answer questions about the wholesaler based on information on its website.

Materials

- ◆ lab sheet
- ◆ Internet-connected computer with word-processing software or paper and writing utensil.

Procedure

1. Visit the website of Dutch Valley Foods, a restaurant wholesale company, at www.dutchvalleyfoods.com.
2. Answer questions in this lab.

Questions

1. Based on information on the homepage of the website, name two manufacturers (also called vendors) who distribute their products through Dutch Valley Foods.
2. Based on information on the homepage, name two types of retailers to whom Dutch Valley Foods distributes products.
3. Click the “Product Catalog” link on the homepage. List five types of bulk food items distributed by Dutch Valley Foods to retailers.



4. Click on the “Vendor List” link on the homepage. This identifies the manufacturers who distribute bulk foods through Dutch Valley Foods. Click on the “Amish Country Popcorn” vendor link. How many types of popcorn products does Amish Country Popcorn distribute through Dutch Valley Foods?
5. Click on the “Company Info” link on the homepage. To retailers in how many states does Dutch Valley Foods ship products? Name three of those states.
6. Click on the “Company Info” link on the homepage. What method of transportation does Dutch Valley Foods use to move products? How does this capacity help manufacturers and retailers?
7. Click on the “Company Info” link on the homepage. If a retailer wants to place an order but is located in a state to which Dutch Valley Foods does not deliver using its own trucks, how is the order delivered?
8. Pretend that you own a retail grocery store called Healthy Foods that sells Bob’s Red Mill 10 Grain Cereal. Draw a flowchart or picture that shows the journey the cereal took from its “birthplace” to its “marketplace” in your store, assuming that Dutch Valley Foods was the wholesale distributor.

Restaurant Wholesaler

1. Answers must include two of the following: Hershey, Kraft, General Mills, Conagra, Dawn, Ocean Spray, Domino, and National Starch. (These are listed on the homepage.)
2. Answers must include two of the following: “country stores,” “bulk food stores,” bakeries, restaurants, farmers markets, roadside stands, supermarkets, the gift basket industry, chocolatiers, and food manufacturers. (These are listed on the homepage.)
3. Answers must include five of the following: bakery; bird, pet foods; cereals; chocolate, carob, yogurt; dairy; flour, grains; pickled, jarred goods; personal care products; packaging and supplies; prepack; sauces, condiments, flavorings; snacks, snack mixes; beverages, drink mixes; candy; cheese products; cookbooks, instructions; dried fruits, vegetables; gelatins, puddings; jellies, jams, spreads; nuts, seeds, beans; pasta; salt; seasonings, soup mixes; sugars, sweeteners.
4. 16 types of popcorn products.
5. 27 states (plus the home state of Pennsylvania). Answers must include three of the following: AR, CT, DE, FL, GA, IA, IL, IN, KS, KY, MA, MD, MI, MN, MO, NC, NE, NJ, NY, OH, OK, PA, SC, TN, VA, VT, WI, WV.
6. Dutch Valley Foods uses trucks to ship products. This helps manufacturers and retailers since they do not have to provide the trucks themselves.
7. By “common carrier” or United Parcel Service.
8. The flowchart or picture would show the following: Bob’s Red Mill manufacturing plant → Dutch Valley Foods wholesalers → Healthy Foods grocery store.