chapter 12
Distribution Strategy: NNA
Chapter Agenda

1. Significance of Distribution
2. Convenience Construct
3. Navigation Construct
4. Multi-channel Marketing
5. Distribution Options
Significance of Distribution

- Distribution strategy is about making the supply of a product/service available to the consumers:
  - It can be physical, such as supplying hard copy of an accounting software package to a customer in a box.
  - It can be a service such as going to teach at a school.
  - It can be virtual, such as uploading an accounting package to a customer via the internet.
  - It can be through marketing intermediaries such as selling soap through retailers and distributors.
Significance of Distribution

• Consumers are continuously looking for “convenience” in order to receive a product/service.
• This has given rise to more innovative distribution strategies.
Convenience Construct

Access
Search
Possession
Transaction

CONVENIENCE
Convenience Construct

• **Access:** signifies how easily can a consumer reach out to the company, their products and services.

• Accessibility factors include: car parking, location, hours of opening, telephone, mail, internet.

• Consumers increasingly want access to products and services as fast and direct as possible with very little hassle.
Convenience Construct

• **Search**: signifies how *easily the consumer can find their desired product/service.*

• For example: The internet medium has helped search and find their desired product very easily.

• Better trained sales staff who understand fashion can act like personal shoppers to help consumers find the right outfit that suits them.

• Better organized merchandise can help consumers find products easily. For example, we can use color coded tags to help customers quickly spot their sizes.

• Providing signs in the shop can give consumers a direction in terms of where they need to go to find their product.
• **Possession:** signifies having *merchandise in stock and available* on a timely basis so that consumers can possess the product for themselves.

• Lens Crafters prepares glasses on the same day, generally in one hour.

• Nordstrom clothing store guarantees that advertised products will always be in stock.

• FMCG companies such as Unilever and P & G find it difficult to distribute products in rural areas where there are no proper roads to reach to.

• Airline services to a specific destination exists everyday.

• 24/7 hospital services.

• Through the internet, search might be easy, but possession can take a few days.
Convenience Construct

• **Transaction**: signifies the speed and ease with which consumers can pay money and possess the product or modify transactions before and after the purchase.

• **Tesco** has self service check out boots.

• **Sainsbury’s** use of electronic sensors to track customer traffic to predict checkout requirements.

• The utilization of credit and debit card services in different outlets can help in the ease of transaction.

• Modifying airline ticket dates, doctor’s appointment, and the return of products.

• Pure internet retailers have problems with returns compared to physical shops.
Significance of Navigation

• At the heart of the buyer’s perspective is navigation. Navigation is the process of helping consumers find direction in a variety of information and choices in both physical and e-commerce platforms in order to satisfy their needs.

• If you want to buy a shirt, for instance, you have a million different choices and, to make comparisons among them, you have to hop in your car and drive to malls and downtown department stores. A broad search is time-consuming, difficult, and, inevitably, incomplete.

• Navigation is the battlefield on which competitive advantage will be won or lost.
• **Navigation** is the battlefield on which competitive advantage will be won or lost. The better the navigation, the greater will be the sales because the consumers are able to find what they are looking for very easily.
Navigation Construct

Reach
Affiliation
Richness
Range

SUSTAINABLE COMPETITIVE ADVANTAGE (SCA)
Navigation Construct

• **Reach:** is the ability of the consumers to reach the firm, and also the ability of the firm to reach their products and services to their consumers effectively.

• **Affiliation** is the transparency and trust between retailers and their customers. For example: millions of customers allow amazon.com to store their names, address, and credit card details so that they can make repeat purchases with just a click of the mouse. If they do not trust the company, consumers will shop elsewhere.
**Navigation Construct**

- **Range**: signifies the degree to which different categories of products/services are provided by the company with each category having depth of different variants/types.

- **Richness**: is the degree to which a retailer can match customer’s exact needs and wants. Local marketing and Individual marketing can enhance the richness of a company. Example: travel packages can be customized, tailors, grocery shops.
Multi-Channel Marketing occurs when a single firm uses two or more marketing channels to reach customer segments.
Philip Van Heusen utilizes multi channel marketing to sells its products to different customer groups.
Multi-Channel Marketing

• Discussion 1: If you asked to design the channel for a new airline brand in Bangladesh, how are you going to utilize multi-channel marketing?
**Distribution Options**

- **Direct**
  - Internet
  - Telephone
  - Mail
  - Catalogue
  - Own channel

- **Salesforce**
  - Own
  - Another firm’s
  - Contract

- **Intermediary**
  - Franchise
  - Wholesaler
  - Agent/Merchant
  - Distributor
  - Partner
Principal Channels
Grey Marketing

• Grey marketing is when distributors purchase goods from authorized dealers or directly from the manufacturer, and resell the same goods in another market at a lower price.
Issues in Grey Marketing

• The Company pursuing grey marketing can face legal challenges as unauthorized imports might not meet local import regulations.
• Price Discounting can affect the image of the brand and can create loss in profits.
• Poor service can also have a negative impact on brand image.