

Understanding Distribution

Regardless of the marketing brilliance you are able to muster, somewhere down the line the success of your business will be completely dependent on the ability of interested parties to easily and conveniently buy whatever it is you are selling. To this end, much of your attention needs to be focused on how you are going to physically (or digitally) bring your product to market – establishing a system enables customers to gain access to your products. In creating this system the primary objective is to make it both effective – getting the goods to the right place in good condition and in the right quantity, and efficient – getting the goods to the right place at the right time and for the right cost.

This article will look at the challenges and processes for constructing an efficient and effective distribution system. In understanding the role distribution plays you will be better able to integrate it into your overall marketing strategy. The decisions you make regarding your distribution will be highly influenced by other aspects of your marketing strategy, including:

- The products you sell
- The way you promote those products
- The price points you select
- The market you target

The functions of your distribution system, in addition to bringing your products within customer reach include:

- Receiving orders
- Replenishment (perhaps automated)
- Sales reporting (perhaps in real time)
- Shipping
- Display

These functions, part of your logistical infrastructure, will help you understand where your product is, how much of it is in the field, and how it is performing.

In constructing your distribution apparatus you have the option of distributing your products on your own – creating the packaging, shipping and delivery functions in-house. The other option is outsourcing the functions to third party companies that specialize in distribution, including resellers, logistical support, companies, distribution service companies, and other various agents and brokers.

The advantages of doing it in-house include:

- Possible Lower Cost – outside distribution companies take a fee – most often a percentage of sales – in exchange for the services they provide. Accomplishing your distribution needs in-house allows for these costs to be saved, unless the do-it-yourself costs are too high to make the effort worthwhile.
- Communication Control – by doing your distribution in-house you are able to control all aspects of your communications, understanding at all times the location and quantity of product.
- Primacy of Products – using outside distributors that handle a variety of products means that your products are just one of many in their order of priority. By doing

the distribution in-house you are able to assure that your products are of primary importance and receive all the attention they require.

The advantages of using an outsourced distribution system include:

- Possibly Lower Cost – the efficiencies captured by external distribution firms constructed and focused on distribution may mean they can deliver the service – even with their cut – for less than you can do it yourself.
- Wider Distribution – an outsourced company may have established routes with a wider and broader distribution capability than you would initially have yourself.
- Ability to Sell Smaller Quantities Per Customer – your internal efficiencies may only kick in for orders above a certain quantity – an amount higher than many prospective customers may be willing to buy all at once – while an outsourced company can deliver more attractive quantities and still have the efficiencies in place.
- Creation of Opportunities – the outsourced company may have prospective customers that you might not otherwise have reached already on their delivery routes. These unexpected customers are a fringe benefit of the distribution company you select.

The distribution strategies available to you involve the scope of the market you wish to reach. They are:

- Intensive Distribution – the delivery of the product to just about every location that sells your product. The cost of this distribution is very high but should be offset by high volume of sales. You need to make sure your product is right for this type of distribution.
- Selective Distribution – the intentional limiting of outlets that carry your product because of the targeted market you are selling to and the need to place the product where the targets shop.
- Exclusive Distribution – the placement in only one or a few select outlets, creating an exclusive appeal and establishing a close relationship with the outlets.

The distribution of your products is effective when the internal apparatus you construct to support the distribution and the external capacities of the distribution (whether outsourced or in-house) are able to deliver the product in proper condition on time and at a cost that is worthwhile. The relationship you develop with an external distribution firm needs to meet your short term needs while preserving your options for a longer term opportunity.

Distribution completes the marketing paradigm, making sure that the awareness and interest your exposure activities generate are concluded with the purchase of the product or service because it is easily and conveniently available. Ignoring the distribution element could lead to poor availability and a backlash, as consumers are disturbed by the lack of accessibility. Similarly, poor availability could serve your competitors as consumers unable to buy your product purchase your competitor's instead. With this in mind, make sure that just as you are eager to deliver on every marketing promise you make, so too are you able to deliver the product for which you're making them.