Place

by Sophia

WHAT'S COVERED

We've discussed the role of place in the 4 P's (place, price, promotion, and product), so what is the right place? Think about how things are marketed to you. Where do they end up? How are they positioned? What makes you want to buy them? How do you know to go there? This tutorial will focus on place, which is one of the 4 P's in the 4 P's marketing model. Our discussion breaks down as follows:

1. Place in the Marketing Mix

As you know, place is part of the four P's:

- Product
- Price
- Place
- Promotion

Place refers not only to where something ends up on the shelf or in the store, or even what store it ends up in. Places refer to the distribution, meaning everything it takes to get that product to where you're going to buy it, including where it ends up on the shelf.

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2. The Distribution of Goods

Distribution is defined as the system of providing a product or service accessible to consumers and businesses for consumption. Essentially, how do you get it to the business to sell and the consumer to buy? There are several levels of the distribution of goods that we'll discuss today.

Wholesale is the distribution of goods on a broad scale to be sold to other parties. A wholesaler might buy a product from a manufacturer, and then that wholesaler will distribute those goods on behalf of the manufacturer to retailers around the country--your corner store, the local discount store, or the grocery store. All of these places get their product from wholesalers, who buy it from the manufacturers, then distribute it.

Retail is another level, which refers to selling items to be used and not sold again. This is where the product meets the end user at the store where you and I buy it.

↪ EXAMPLE A gallon of milk is sourced from the farmer. It's then taken to a processor and perhaps even sold to a wholesaler, who warehouses it and distributes it, based on the need from retail stores. In the retail stores or grocery stores, it ends up on the shelf, and you buy it. You don't typically sell it again; you're buying it to use it, and that's what retail is.

Intermediaries are businesses in the supply chain that bridge the gap between the wholesaler and the retailer.

↪ EXAMPLE A delivery company like UPS, FedEx, or some other freight company, would be an intermediary between wholesale and retail.

TERMS TO KNOW

Distribution
The system of providing a product or service accessible to consumers and businesses for consumption.

Wholesale
The distribution of goods on a broad scale to be sold by other parties.

Retail
Selling items to be used and not sold again.

Intermediaries
A business in the supply chain that bridges the gap between wholesale and retail.

2a. Warehousing and Just In Time Distribution

Now typically, with wholesale and intermediaries, you also have warehousing. Businesses will warehouse something in order to have product on hand. That way, when a retail store needs it, they can simply fill the order in shipping.

There is also something called "just-in-time" distribution where businesses try to time the amount and the orders of products that they have. They have just the bare minimum in the store or the warehouse. This way, they don't need a big warehouse. They're not holding on to something, waiting for orders; they are simply buying things in anticipation of orders, based on past experience, so that they have just enough to fill the order when it comes--in other words, filling the order just in time.

2b. Distribution Channel

In a distribution channel, as far as place is concerned, there are choices that a business can make. They don't have to use intermediaries, warehousers, or wholesalers. A company can go directly to the consumer and ignore the middlemen, the wholesaler, and the retailer altogether.

↪ EXAMPLE Avon and other direct sale agencies are examples of this direct-to-consumer distribution. Other retailers, such as Gap or Joseph A. Bank, are places that sell their own company's products only.

Or, a business can choose to use wholesalers and retailers, like the case of getting goods to a convenience store, which sources things from a lot of different wholesalers. The supply channel, or the distribution of the product, is more than just wholesale and retail. There are a number of things that are involved with getting something from production to the consumer.

3. Benefits of Intermediaries

So, what are the benefits of using intermediaries? What's the value added for going through all these machinations when you could just send the product directly to the customer?

Intermediaries can add value through:

- Efficiency: By distributing large orders of goods from wholesalers to a number of retailers.
- Consistency: A single shipping channel can be used for all retailers.
- Inventory management: If one retailer sells fewer goods and another retailer sells more, an intermediary can transfer goods between stores to balance inventory.
- Financing: Some intermediaries allow retailers to pay later for goods which can help smaller companies manage their cash flow.

IN CONTEXT

Consider the farmer. If there were no middlemen, the farmer would have to grow the wheat, mill it, bake it, sell it to the consumer, warehouse it, and distribute it. He wouldn't be able to specialize in simply growing wheat. His operation would be a lot more complicated.

By using intermediaries, the farmer can grow the wheat on the farm and send it to the mill where they grind it into flour. That flour is then sold to the baker, who bakes the bread and then distributes it to the grocer, and finally to the consumer.

Note, each level of intermediary in the supply chain will add value. Flour is more valuable than wheat because it's more specialized. Bread is more valuable than flour, again, because there's effort put into it and it's more specialized. Therefore, a simple two-cent bag of wheat will be more valuable when it's bread sold to the consumer.

In addition, each particular level of intermediary in the chain has to make a profit. Therefore, we add value, but we also add cost. It costs money to run the mill, the bakery, and the grocery. Each one not only adds value, but also adds cost.

4. Benefits of Big Box Retailers

What do you think are the benefits of big box retailers like Home Depot, Best Buy and Walmart?

Well, for one thing, it's one place where multiple products can be brought together. From the consumer's point of view, they don't have to run all over town to get the things that they need. They can simply go to one place that either specializes in a large selection of one type of product, like Home Depot, or a large selection of a lot of different products, like Walmart.

Now, instead of running all over town to get many different items, all the consumer has to do is go to one store. It makes things a lot easier and a lot more convenient for the customer.

SUMMARY

Today we learned about **place in the marketing mix**. We learned that place isn't necessarily just where products end up. It also encompasses **the distribution of goods**, how they get from the manufacturer to consumer. In our discussion about the distribution of goods, we learned about wholesaling, warehousing, and "just-in-time" warehousing where orders are timed against the orders of the customers to make sure they have just enough to fill them. This allows a business to fill orders in a "just-in-time" type of way.

We learned about the **benefits of intermediaries**, and how each person in a supply chain adds value--but necessarily cost--to a product. Lastly, we learned about the **benefits of big box retailers**, who provide that one-stop shopping experience where consumers can simply go into one store and get everything that they need.

Good luck!

Source: adapted from sophia author james howard

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