CHAPTER FIVE

PHYSICAL DISTRIBUTION

Physical distribution includes all the activities associated with the supply of finished product at every step, from the production line to the consumers. Important physical distribution functions include customer service; order processing, inventory control, transportation and logistics, and packaging and materials.

It is bringing product to the market and giving it to the final consumer.

According to Mossman and Norton, Distribution is the operation which creates time, place and form utility through the movement of goods and persons from one place to another.

Philip Kotler – Physical distribution involves planning, implementing and controlling the physical flow of materials and final goods from the point of origin to the point of use to meet customer requirements at a profit".

Distribution covers seven R-s. (Right product, Right quantity, Right Condition, Right time, Right place, Right Customer and Right cost).

Objectives of Physical Distribution:

1. To minimize the distribution cost
2. To fill the gaps between the producer and the consumer
3. To provide time and place utility to goods
4. To increase sales volume and profit margin
5. To provide customer satisfaction
6. To minimize the inventory level.

Importance of Physical Distribution:

Some of the benefits or importance of physical distribution system are:

1. Creation of time and place utilities to goods
2. Reduction in cost of Distribution
3. Reduction of Selling price
4. Co-ordination between Demand and Supply
5. Better Customer Services
6. Stability of Prices
7. Increased Market Share

Logistics Management and Physical Distribution:

Logistics management is the part of supply chain management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customer's requirements.

It is the management of several activities necessary to ensure the availability of raw materials and parts for manufacturing and the timely supply of finished products to the ultimate consumers.

Logistics functions are:

- Warehousing, transportation, inventory
- Creation of place and time utilities
- Physical distribution

Supply Chain Management:

Supply chain management (SCM) is the management of the flow of goods and services. It includes the movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption.

Elements of Distribution Mix:

Elements of distribution Mix are:

1. Channels of distribution 2. Warehousing 3. Transportation 4. Inventory

Physical Distribution Decisions or Activities:

Physical distribution involves a number of interrelated activities. Some of them are:

1. Order Processing 2. Warehousing 3. Inventory Control 4. Transportation

Components of Distribution System:

Distribution system has two components.

1. Physical distribution - It is the broad range of activities for the movement of finished goods from the end of the production line to the consumer.
2. Channel of Distribution – The word channel is derived from the French word 'canal' means an artificial path way used for transport and irrigation. In marketing channel of distribution means the path or network or the pipeline through which the products are made available to the consumers. According to Philip Kotler, "Channel is a set of independent organizations involved in the process of making a product or service available for use of consumption.

Difference between Physical Distribution and Channel Distribution

Physical Distribution	Channel Distribution
1. Broader Concept 2. Includes channel distribution 3. Concerned with transportation, storage, warehousing, packing etc 4. It is a technical function as it ensures the availability of product at the right time in the right place.	1. Narrow concept 2. Only a part of physical distribution 3. It is a process through which goods move from the producer to the consumer. 4. It is a chain of middlemen involved in the distribution of goods. 5. It is path through which goods flow to the consumers

Definitions of Channel Distribution

W.J. Stanton – A distribution channel consists of set of people and firms involved in the transfer of title to a product as the product moves form producer to the ultimate consumer or business user.

American Marketing Association – Channel distribution is the structure of intra-company organization units and extra company agents and dealers, wholesalers and retailers through which a product or service is marketed.

Functions of Channel Distribution:

The main functions of channel of distribution or marketing channels are:

1. Information Gathering
2. Consumer Motivation
3. Placing Orders
4. Negotiating
5. Financing and Risk-bearing
6. Inventory Management
7. Services
8. Marketing Research
9. Demand Forecasting
10. Merchandising
11. Introducing New Product
12. Grading and Standardization
13. Marketing tasks

Channel Levels:

Channel level refers to the intermediary in marketing distribution channel between the producer/manufacturer and the end consumer. Every channel level plays a role in making the goods available to the end consumer. The number of channel levels between the producer and consumer could be 0,1,2,3 or more.

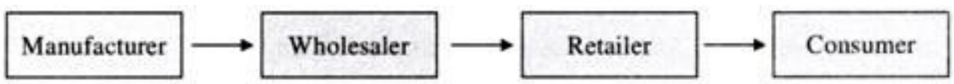
(i) A Zero Level Channel:
A zero level channel, commonly known as direct marketing channel has no intermediary levels. In this channel framework manufacturer sells goods directly to the customers.

The remaining channels are known as indirect-marketing channels.

(ii) A One Level Channel:
A one level channel contains one selling intermediary. In consumer markets, this is usually a retailer.

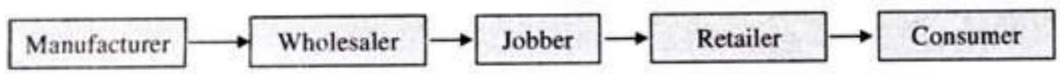
(iii) A Two Level Channel:

A two level channel encompasses two intermediary levels – a wholesaler and a retailer.



(iv) A Three Level Channel:

A third level channel, as the name implies, encompasses three intermediary levels – a wholesaler, a retailer and a jobber.



Note: Because of the negative connotations of the word “jobber,” (wholesaler who deals with brokers and not directly with the public) they are now referred to by the more politically-correct term – “Off-price specialists.”

Designing Distribution Channel:

Selecting or designing a suitable distribution channel involves the following steps:

1. Identifying the target consumers
2. Analyzing customer needs
3. Establishing channel objective
4. Identifying and evaluating channel alternatives
5. Selecting channel members.

Factors Influencing Channel Distribution

There are a number of channels used for distributing goods to the final consumers. Selection of appropriate channel is an important decision for the proper distribution of products. Some of the factors which influence the channel decision are:

I . Market Considerations

Many factors in the market influence the selection of distribution channel. Some of them are:

1. Nature of the Market 2. Number of Potential Customers 3. Size of Order
   4. Concentration of Buyers 5. Buying habits of the Consumer

II. Product Considerations:

Product considerations in the selection of marketing channels are:

1. Perishability 2. Bulk and Weight 3. Unit Value 4. Technical Nature 5. Standardization.

III. Middlemen Considerations:

1. Availability of Middlemen 2. Type of Middlemen 3. Sales Potential 4. Channel 5. Cost of Channel

IV. Company Considerations:

1. Financial Strength 2. Experience and ability 3. Volume of Production 4. Control of Channel.

Distribution Policies or Intensity of Distribution:

The level of distribution intensity the marketer chooses often depend on factors such as the size of the target market, pricing and promotion and production capacity, in addition to the amount of service the product will need after its purchase if applicable. Accordingly there are three kinds of distribution polices. They are:

1. Intensive or Mass Distribution- This consists of producer selling his goods and services through as many outlets as possible.
2. Selective Distribution – This strategy consists of producer distributing the products though a few selected middlemen only.
3. Exclusive Distribution – This means producer granting exclusive right to sell the product in a specified area to a particular dealer.

Channel Management:

Channel Management refers to the selection, training, motivation and periodical evaluation of the intermediaries that constitute the channel. It involves the following activities.

1. Selecting Channel members – Channel management begins with the selection of suitable middlemen.
2. Training Channel Members – This means giving training to the middlemen in the field of product presentation, consumer motivation, grievance redressal, customer retention etc.
3. Motivating Channel Members – Middlemen should be motivated to improve their performance.
4. Evaluating Channel Members – Performance of the middlemen should be evaluated periodically. Standards like sales volume, inventory level, delivery time, debt collection etc should considered.
5. Modifying Channel System – Producers should modify the distribution channel as and when needed according to the trends in the market and market conditions.

Modern Trends in Marketing Channels:

Recent trends of marketing channels are:

1. Vertical Marketing System – It is a distribution system where a particular channel of distribution is treated as an integrated unit, ie., the producer, wholesaler and retailer functioning as a unified system.
2. Horizontal Marketing System - A horizontal marketing system is a distribution channel arrangement whereby two or more organizations join together for marketing purposes.

3. Third Party Delivery – Here the task of delivery of goods is given to a specialized agency and the producer does not interfere into it.
4. Multi Channel Marketing System – According to this a producer uses several channels simultaneously to distribute the goods.
5. Multi Level Marketing System – Here goods are delivered to the customers through distributors at different levels. In this the distribution is done on a chain basis.

Distribution Channels for Consumer Products:

Some of the important consumer goods and channels normally adopted for distribution of these goods are:

1. **Agricultural Products –** Three types of channels are used for distributing agricultural products

   a. Independent Channels of Distribution: Some of the independent channels of distribution are:

      Producer → Hawkers
      Producer → Big Farmers → Wholesalers→ Retailers→ Consumers
      Producer → Co-operative Societies

   b. Controlled Channels of Distribution. Some of them are:
      Producer → Food Corporation
      Producer → Govt. Purchase centers → Retail shops→ Consumers
      Producer → Co-operative Societies

   c. Retail Chains: Some companies buy directly from the producers and distribute to the consumers. Eg. Reliance fresh take from the farmers and sell to the consumers
      Producers → Reatil Chains →Consumers

2. Manufactured Goods- Different types of channels of distribution are adopted for different types of manufactured products. Some of the ways of the distribution of manufactured goods are

   a. Truck, Motor Cars and other vehicles – These products are technical in nature and needs effective after sale service and are distributed through authorized dealers.
      Manufacturer →Authorized dealer →Consumer

   b. Radio, TV, Fan etc – These products are also technical in nature and needs after sales service. There are two types of channels for distributing these products.
      1. After sale services are provided by authorized dealers on behalf of the manufacturers.
      2. After sales services are provided by the seller on his behalf.

      Manufacturer →Authorized dealer →Consumer
      Manufacturer →Authorized Distributors →Authorized dealer →Consumer

   c. Vacuum Cleaner – These goods are technical in nature and needs demonstration and after sale service. The best channel of distribution is direct marketing. This can be also given through authorized dealers.
      Manufacturer →Consumer
      Manufacturer →Authorized dealer →Consumer

   d. Furniture – Furniture can be sold either directly or through retailers
      Producer → Retailers →Consumers

Manufacturer →Consumer

e. Textiles – Different channels of textile distribution are:
Manufacturer →Consumer
Manufacturer →Authorized showrooms →Consumer
Manufacturer →wholesalers → Retailers →Consumer
Manufacturer →Distributors →wholesalers → Retailers →Consumer

f. Tooth Pastes, soaps, Cosmetics etc. – Different channels adopted for distributing these items are:
Manufacturer →Authorized Distributors →wholesalers → Retailers →Consumer

g. Shoes, Chapels etc. are distributed through two channels.
Manufacturer →wholesalers → Retailers →Consumer
Manufacturer →Branch shops →Consumer

Marketing Middlemen:

Middlemen or intermediaries are individuals or firms who stand in between the producers and the final consumers. They perform several marketing functions and assist the movement of goods from producers to the consumers. They act as connecting link between the producers and the consumers.

Functions of Middlemen:

1. Act as link between the consumer and the producer
2. Helps in the efficient distribution of goods
3. Create time, place and possession utilities
4. Perform functions of concentration, equalization, storage, advertisement, transportation etc.
5. Gives marketing information to both the producers and the buyers
6. Provides financial assistance to producers and consumers
7. Undertakes marketing risks and helps to stabilize prices.

Types of Middlemen:

Middlemen can be divided into two groups.

1. **Agent Middlemen** – Agent middle men are those middlemen who perform various marketing functions without taking the title to the goods. Eg. Brokers, commission agents, selling agents etc

2. **Merchant Middlemen** – They are those who perform various marketing functions by taking the title to the goods. Marketing middle men are wholesalers and retailers.

Wholesalers:

A wholesaler is an intermediary entity in the distribution channel that buys in bulk and sells to resellers rather than to consumers. They are the connecting link between the producer and retailers.

Characteristics of a Wholesaler:

1. He is the intermediary between the wholesaler and retailer
2. He is a merchant middleman
3. He generally deals with one or a few classes of goods in large quantities
4. He is expert in the class of goods which he deals.

Functions of Wholesalers:

Various functions performed by a wholesaler are:

i. Buying and Assembling:
ii. Warehousing
iii. Grading and Packaging:
iv. Transportation
v. Financing:
vi. Risk Bearing:
vii. Providing Marketing Information:
viii. Dispersion of Goods:

Types of Wholesalers

1. **Merchant Wholesalers** – These wholesale suppliers, own and produce a product or service and resell their products to resellers, retailers, distributors and other wholesalers.
2. **General Wholesalers** - Wholesalers that fall into this category usually buy large quantities of products from one or more suppliers and resell in smaller quantities to distributors, retailers and resellers.
3. **Speciality Wholesalers** - This type of wholesaler will resell products in a specific industry or product category, but may have products from multiple suppliers.
4. **Specific Product Wholesalers** - These are wholesalers who supply specific type of product for example footwear or computers.
5. **Discount Wholesalers** – This type of wholesaler will supply significantly discounted stock. Generally the stock is discounted because the products are discontinued lines, returned goods or refurbished goods.
6. **Drop Ship Wholesalers** - This type of wholesaler will complete the sale of a product but will have it dispatched from their supplier directly to their customer without actually handling the goods.
7. **On-line Wholesaler** - Wholesalers who sell their products on-line offer discounted prices as they can reduce their overheads such as rent and rates of physical premises.

Services of Wholesalers:

Wholesalers render valuable services to manufacturers, retailers and to the society. Some of them are:

Services to Manufacturers:

1. Enables the manufactures to concentrate on production
2. Helps them to get the benefit of large scale production by purchasing goods in large quantities.
3. Help to get information of the market and its changing conditions.
4. Relieves the manufactures form the trouble of keeping stocks of goods.
5. Undertakes promotional activities like advertizing, sales promotion etc.
6. Gives financial assistance to the manufactures by giving ready cash
7. Wholesalers undertake many of the marketing risks and provide relief to the manufacturers.

Services to Retailers:

1. Helps to get goods quickly and more conveniently.
2. Provides wide variety of goods and products.
3. Gives financial assistance to the retailers by selling goods on credit basis.
4. Gives expert advice to the retailers regarding the goods and products.
5. Takes up promotional activities which help the retailers to sell the goods on time.
6. Brings to the notice of the retailers the new types of goods entering the market.
7. Wholesalers help to stabilize prices and save the retailers form the loss due to price fluctuation.

8. Wholesalers bears all the risks associated with the storage and distribution of goods.

Service to the Society:

1. The Wholesalers passes on to the society the benefit of specialization of marketing activities.
2. Wholesalers raise the standard of living of the people by introducing new products in the market.
3. They undertake marketing research which is much beneficial to the society.
4. They maintain stable price level which has much benefit to the society.

Retailers:

Retailers are traders engaged in retailing. Retailing is the process of cutting goods into smaller quantities and selling them to the final consumers. They are the last link in the chain of distribution and are the connecting link between the wholesalers and consumers.

The word 'retail' is derived from a French word with the prefix 're' and the verb tailer meaning to cut again.

Ostow and Smith (1985) Retail store is a business which regularly offers goods for sale to ultimate customer. A retail store buys, stores, promotes and sells the merchandise.

Wal Mart (USA) is the largest retail store in the world and has an annual turnover of 400 billion dollars.

India has about 12 million retail stores, ie., one store for every hundred customer. The retail sector is the second largest employer in India after agriculture.

Characteristics of Retailers:

The main characteristics of Retailers are:

1. Buys goods from wholesalers/producers and sells them to final consumers.
2. Last link in the chain of distribution
3. Sells goods to the final consumer
4. Sells goods in small quantities
5. Sells wide varieties of goods
6. Goods and products are made accessible to the consumers.

Functions of Retailers:

Some of the functions of Retailers are:

(1) Buying and Assembling
(2) Warehousing or Storing
(3) Selling
(4) Credit Facilities
(5) Risk Bearing
(6) Grading and Packing
(7) Collection and Supply of Market Information
(8) Helps in Introducing New Products
(9) Window Display and Advertising

Services Performed By Retailers:
Retailers provide important services to both the wholesalers/Manufactures and the consumers.

Services to Wholesalers/Manufacturers:
1. They supply invaluable information with regard to tastes, preferences and demands of the customers.
2. Retailers relive the wholesalers from selling goods in small quantities to the consumers.
3. Many retailers usually place orders in advance with the wholesalers which are very helpful in planning.
4. Sometimes retailers make advance payments for the goods to be received from the wholesalers.
5. Retailers introduce new products in the market supplied by the wholesalers.

(II) Services to Consumers:
1. The retailers get variety of goods from different producers and wholesalers.
2. They provide credit facilities to the consumers thereby helping them in times of difficulty.
3. They extend personalized service to the consumers and try to give them maximum satisfaction.
4. They introduce new products to the consumers and also guide them as to their uses.
5. They extend free home delivery and after sales service to the consumers.
6. They allow cash discount to the consumers on the products sold.
7. They buy and stock products best suited to the consumers.
8. They give valuable advice regarding the use and maintenance of the products delivered by them.
9. They cater to the needs of every type of consumer by keeping in view their paying capacity.
10. They usually take back the goods which do not suit the consumers and replace them.

Types of Retailers:

Retailers are broadly divided into two groups. They are Itinerant traders and fixed shops.

Itinerant Traders:

They are traders who do not have a fixed place of business. They move from place to place to sell their products. T hey are also known as mobile traders and they include:

1. Hawkers – Who carry goods in wheeled vehicles and sell them at the doors of consumers.
2. Pedlars – Who carry goods on their heads and sell.
3. Cheap Jacks – Who sell their goods in small shops at residential areas, but their shops are not permanent. They shift from one place to another according to the demand for the product.
4. Street traders – Those who sell their goods in busy street corners or footpaths of busy streets.
5. Market Traders- Those who sell the goods in market places on certain days.

Fixed Shops

This refers to retail traders who have a fixed place of business and a permanent store. Fixed shops can be divided into two groups: Small scale retailers and large scale retailers.

Small Scale or Small shop retailers:

Small shops or small scale retailers are those who carry on business at a fixed place on a small scale basis. They carry on business with a small amount of capital and their turnover is also small. Some of the small scale retailers are:

1. General Stores – These are shops which sell wide variety of goods needed by the people for their day to day use.
2. Second hand goods shops – These shops sell only second hand goods at a low rate with the aim of attracting low income groups. Eg. Books, furniture, cars etc.
3. Discount houses/Stores – These are shops where goods are sold at a price less than the list price.
4. Independent Retailers - Independent retailers are businesses that are privately owned.
5. Street stall holders - A street stall is a typically temporary structure erected by merchants to display and shelter their products in a street market or other setting.

Large Scale or Large shop Retailers

Large scale retailers are those retailers who carry out the business in a large scale. They are generally located in towns and cities to cater to the needs of the urban population. Usually they directly do the business with producers avoiding wholesalers. Some of the large scale retail shops are:

1. **Departmental Stores** - Large retail establishment with an extensive assortment in variety and range of goods, organized into separate departments. All departments are housed under the same roof to facilitate buying, customer service, merchandising, and control.

   Features of Departmental Stores:
   i.Large Scale Retail establishment.
   ii. Different departments are functioning under the same roof.
   iii. Attracts large number of customers as it provide different requirements under the same roof.
   iv. Purchases are decentralized and sales are centralized.
   v. Goods are sold on cash and no credit.
   vi. Provides also other facilities (Recreation, rest room, canteen)
   vii. Operating cost is high and so it is expensive
   viii. It is a theatre of retailing.

   Advantages of Departmental Stores:
   i. Customers can make all the purchases from the same shop with wide choices.
   ii. Bulk purchasing and large scale operations are possible.
   iii. One department advertises for other departments.
   iv. Due to its central location in the city, it attracts large number of customers.
   v. Customers gets other facilities (recreation, restaurants …)

   Disadvantages of Departmental Stores:
   i.Operational cost is very high which increases the price of the product.
   ii. No personal contact with customers.
   iii. Normally it is catering to the rich.
   iv. Management of all the department is not easy and not very flexible in operation.

2. **Multiple shops** - A multiple shop system consists of a number of branch shops owned by a single business firm. This is an attempt on the part of the manufacturers or the wholesalers to establish a direct link with the consumers by avoiding middlemen.
   "A multiple shop consists of a number of similar shops owned by a single business firm." —James Stephenson

   Features of Multiple Stores:
   i. Large retail organization and deals with one or limited varieties of articles.
   ii. Same or identical articles are sold in all the branches.
   iii. Purchase is centralized and sales are decentralized.
   iv. Flexible with regard to starting a store and closing unprofitable stores.
   v. Normally no credit facilities are given.
   vi. External appearances of all branch ships are similar.

   Advantages of Multiple Stores:
   i.Bulk purchasing, centralized control.
   ii. No debts as everything is sold on cash.
   iii. Less Advertisement cost and bulk purchase can reduce the cost of the products.
   iv. Flexibility in operation.
   v. It combines the functions of wholesaling and retailing.

   Disadvantages of Multiple Stores:
   i. No personal contact with customers.
   ii. No credit given and only less variety of goods are available.
   iii. As all the staff members are paid employees and so may not be committed.
   iv. Sudden change of fashion, taste etc can affect all the branches.
   v. Heavy investment is needed to establish many branches.

   Difference between Department Stores and Multiple Shops:

Sl.No	Department Stores	Multiple Shops
1.	Number of Departments in the same building.	Branches at different places.
2.	Deals with different types of goods.	Deals with one or limited number of goods.
3.	Located at the main spots of the towns.	Spread at different places in the town.
4.	Attract Customers.	Go near to the customers
5.	Serves mainly the rich people.	Serves everyone.
6.	High price for the products.	Low price for the products.
7.	Purchase decentralized, sales centralized.	Purchase centralized, sales decentralized.
8.	Flexibility in operation.	Less flexibility in operation.
9.	Running expense high.	Running expense Low.
10.	Provides number of services to customers	Services provided are limited.

3. **Mail Order Business** – Mail Order Business is the business done through post or mail. They do not visit the seller's shop or inspect the goods before buying. Orders are received from the customers through post and goods are sold through post.
4. **Consumer's Co-Operative Stores** – These are retail stores owned and operated by consumers themselves on co-operative principles. These stores aim at supplying quality consumer goods at

reasonable prices. The main motto of these stores is service than profit making. The capital is subscribed by the members in the form of shares.

5. **Super Markets or Super Bazars**- They sell variety of goods under a single roof. Mainly consumer goods sold here at whole sale rates. These stores are operated either by self-service or with separate counters served by salesmen. The difference between a super Bazar and Super-market is that the former is organized by co-operative society and the latter is generally owned by a private individual.
6. **Franchising** – It is a form of retail selling. Here the producer gives the right to market his products to a franchisee.
   Arrangement where one party (the franchiser) grants another party (the franchisee) the right to use its trademark or trade-name as well as certain business systems and processes, to produce and market a good or service according to certain specifications.
   The franchisee usually pays a one-time franchise fee plus a percentage of sales revenue as royalty, and gains (1) immediate name recognition, (2) tried and tested products, (3) standard building design and décor, (4) detailed techniques in running and promoting the business, (5) training of employees, and (6) ongoing help in promoting and upgrading of the products.
7. **Public Distribution System** – This is the intervention of the Government in the marketing of essential commodities to the public at reasonable price. It is regulated and controlled by the Government.
8. **Margin Free Markets** – It is a recent type of retail stores. They charge only a small margin of profit and sell at a price less than the prevailing market prices. They function like a mini super market selling different items and are generally located near residential areas. They sell quality branded products at less than the MRP.
9. **Hypermarkets** – It is a large scale retail store bigger than a supermarket. It was developed in France in 1970 and is now popular in other parts of the world. It combines the feature o supermarkets, speciality shops and general stores. Hypermarkets being very large in size are normally situated at the boundaries of towns and cities. They operate on the principle of self service and it is a giant supermarket.
10. **Convenience Stores** – These are small retail stores located near residential area. They deal in limited range of products which consumers need daily and are open for long hours on all days of a week. These shops become very convenient for the needy customers to get their daily requirements.

Other Retail Stores:

Modern marketing scenario is in the process of ongoing development. New types of retail shops are emerging due to liberalization, changes in regulations, globalization etc. The modern types of retail stores developed to different target markets are known as **retail formats**. The different types of these stores are:

1. **General Merchandise Retail Stores**: They carry wide variety of products and these include Super markets, Hyper markets which are nothing but giant-sized super markets and discount stores.

2. **Speciality shops** – These shops sell only particular type of goods and get specialized in it and normally charge a slightly higher price. Eg. Toys, books, furniture etc.

3. **Shopping Malls** - A shopping mall is a modern, chiefly North American, term for a form of shopping place, in which one or more buildings form a complex of shops representing merchandisers with interconnecting walk ways that enable customers to walk from unit to unit. These malls deal with

several bases and product categories. They provide a large variety of goods and services. In short shopping malls are modern day shopping centers.

4. **Destination Stores** - Destination stores are retail stores that combine several attributes to make it very attractive to the consumers.

   It is basically a giant store that provides their customers elements like, large categories of department stores, large size of shopping malls, discount deals of discount stores, unique and innovative ways of displays and interactions, fun of recreation centers etc. It appeals to the consumer to such an extent that it diminishes the line between a store and fun destinations in consumer's mind.

5. **Retail Chain** – A retail chain operates multiple retail outlets under common ownership in different cities and towns. Some of the retail chains in India are Spenser, McDonald, Nilgiris, Reliance fresh etc.

6. **Mom and Pop Stores -** A small, independent, usually family-owned, controlled, and operated business that has a minimum amount of employees, has only a small amount of business volume, and is typically not franchised, therefore open for business only in a single location.

7. **E-Tailors** – These are Electronic retailers who sell products through internet. There are number of online retailers of which amazone.com is the most famous. Indian aviation ticket is the biggest e-tailing market.

8. **Discount Stores** – It is a self service retail format that offers variety of products at lower prices. It deals with national branded products and private branded products like appliances, house wares, clothing, sports etc.

   Some of the advantages of Discount Stores are quick turn over, variety of products, self service and Low price, but it offers only limited services.

   Different types of Discount Stores are:

   i.Full-Line Discount Stores: - It carries wide variety of goods and deals with branded products. Here they use the strategy of moderate to low prices on large quantities of purchase and lower service to stimulate high turnover.

   ii. Discount Speciality Retailer – These stores deals with particular product line and they specializes in a single line. They sell the product at discount rates to have high turnover. These stores are also known as category killers as they take the business away from small, high cost retailers.

   iii. Off-Price Retailers – They deal with surplus products from the manufactures, balance stock at the end of a fashion season, goods with minor mistakes etc and offer the product to the customers at high reduction. Their customer service is limited and also do not have credit facilities.

   iv. Warehouse Clubs – It is a new form of mass merchandise, large scale, high volume, low overhead retail format. They have limited range of products and sells in large quantities at a low price. They also give only few services to the customers.

v. Value Retailers – These are general merchandise discount stores. Those who demand well known national brands but cannot afford to buy larger packages are the customers of value retailers. Some of the main features are low prices, limited services, high and quick turn over etc.

Non Store Retailing

Non-store retailing is the selling of goods and services outside the confines of a retail facility. It is a generic term describing retailing taking place outside of shops and stores. The different types of non-store retailing are direct selling, direct marketing and automatic vending.

1. Direct Selling – This refers to sale of product to ultimate consumers through face-to-face sales presentations at home or in the work place. This is traditionally known as door-to-door selling.

2. Direct Marketing – It is a system in which the producers and consumers come into direct contact and business is done directly without any intermediaries.
It is any activity which creates and exploits a direct relationship between the seller and the customer.

Features of Direct Marketing:

1. It goes directly to an identified person or household
2. It is interactive
3. It makes use of customer database
4. The responses can be accurately measured
5. It creates relationship between marketers and customers

Growth of Direct Marketing:

Some of the reasons for the growth of direct marketing are:

1. Change in the life style and technological advancement
2. More women entering the work force
3. Credit card explosion

Difference between Direct Marketing and Advertising:

Direct Marketing	Advertising
1. Promotes selling to individuals 2. Marketer controls the product till the delivery 3. It is used to get immediate response 4. Effectiveness can be easily measured 5. Build personal relationship with each consumer	1. Promotes mass selling 2. No personal relationship 3. Marketers lose control over the products as it enters distribution channel 4. Used to build image, loyalty etc 5. Difficult to measure the effectiveness

Forms of Direct Marketing

Different types of direct marketing are:

1. **Catalogue Marketing** – Here the organization provides a catalogue from which the customers make selection and place order by mail or telephone.
2. **Direct –Response Marketing** - Direct response marketing, is designed to evoke an immediate response and compel prospects to take some specific action, such as opting in to your email list, picking up the phone and calling for more information, placing an order or being directed to a web page. Payment is usually done by credit card.
   Eg. Calling toll free number, filling up a form in the magazine or newspaper etc.
3. **Television Home shopping** – This type of marketing was developed with the advent of cable TV. Shopping channels are television speciality channels targeted towards home shop consumers by broadcasting product demonstrations or explanations.
4. **Kiosk Marketing** – Kiosks are information and ordering machines placed in stores, airports and other locations. These machines provide information about the products and customers can order any product through it.
5. **Vending Machines** – Retailing through vending machines is becoming popular in towns and cities. A vending machine is a machine that dispenses items such as snacks, beverages, alcohol, cigarettes, lottery tickets etc to customers automatically, after the customer inserts currency or credit into the machine.

Telemarketing (Electronic Retailing)

Telemarketing is a non-store method of direct marketing in which a salesperson solicits prospective customers to buy products or services, either over the phone or web conferencing appointment scheduled during the call. It is a personal selling wherein the interaction occurs over the telephone and other telecommunication media.

One form of telemarketing is telephone retailing where marketers sell goods and services through telephone. It is similar to a cold call. Cold call is a method of prospecting in which sales people telephone or go to see potential customers without appointments.

Types of Telemarketing:

Telemarketing can be divided into two types.

1. Outbound Telemarketing – This is the process in which the company contacts the potential customers to sell its product or services.
2. Inbound Telemarketing – This a process of placing order by customers through making calls to the company. Many companies have toll-free numbers to serve the customers better.

Advantages:

1. Marketer can reach number of customers
2. It can be used to supplement door to door and other selling methods.
3. It is a time saving and cheap marketing method
4. Immediate response is obtained through telemarketing.
5. It gives opportunities to target specific market segments.

Disadvantages:

1. When telephone number changes call will go waste
2. When the number is busy, it may be annoying
3. May not get connection when needed.
4. No possibility of examining the goods before the purchase.
5. It lacks privacy.

Advantages of Direct Marketing:

1. Makes shopping more convenient to the consumers
2. Saves time spent on shopping
3. Provides large selection of goods and detailed information about the goods
4. Helps to build personal relationship with customers.
5. Increases the sales
6. Reduces the operating costs
7. Able to main the secrecy of the selling strategy

Disadvantages of Direct Marketing:

1. The consumers do not get the chance to physically examine the goods before purchase.
2. Dishonest traders can cheat the consumers
3. Personal relationship is not always possible with the customers
4. It is a threat to traditional retail stores

Transportation

It helps the organization to exploit the market opportunities. It means the movement of goods and persons from one place to another. It creates time and place utilities.

Functions of Transport:

1. Helps in the growth of Industries.
2. Increases the demand for goods.
3. Creates time and place utilities
4. Stabilizes the price
5. Ensures smooth flow of products.
6. Facilitates large scale of production
7. Increases the mobility of labour and capital.
8. Gives employment to people.

Modes of Transport:

It means, the ways of moving goods from one location to another. Some of the main modes of Transportation are:

1. **Railways:**
   It is used to carry goods of low value, bulky items for long distances. Products like coal, grain, steel etc are transported through railways.

Merits: Large Capacity, Economical for long distance, faster and safer than road transport, dependable and suitable for bulky goods.
Demerits: Large capital investment, costlier for short distance, lacks flexibility; door to door delivery is not possible, inconvenient for rural areas.

2. **Road Transport:**
From bullock carts to heavy duty trucks come under this category. It is used to transport small quantities to short distances.
Merits: Economical for short distance, flexibility, door to door delivery is possible, good for rural areas, less capital investment, convenient and reliable.
Demerits: Limited capacity, slow means of transport, uneconomical for long distance, unsuitable for bulky goods.

3. **Water Transport:**
Transportation done through water. This is of two types. Inland and Ocean transport. It is used for low cost, bulky items like timber, jute, cotton coal etc.

Inland Water Transport: This consists of rivers and canals. Boats and small ships are used for this.
Merits – Economical, suitable for carrying bulk goods, flexible.
Demerits – Slow, limited capacity, serves limited area, not suitable for all seasons.

Ocean Transport: This is of two types- Coastal shipping and overseas shipping.
Coastal shipping – Transporting passengers and goods within the country.
Overseas shipping – Transporting passengers and goods from one country to another.
Merits – Natural waterways, Economical, Large capacity, Safe.
Demerits – Slow, risky, Inconvenience, not suitable for all seasons.

4. **Air Transport:**
Transportation done through air.
Merits – Very fast, suitable for high value, less bulky and perishable goods, high accessibility, unbroken journey over land and sea.
Demerits – Costly, not suitable for bulky goods, Limited Capacity, unreliable during adverse weather conditions.

5. **Pipe Lines:**
Transportation with the help of pipes. Slowest mode of transport and used for petroleum products and chemicals.

Selection of Transportation Modes:
Transport represents one-third of all physical distribution costs. So while selecting the mode, factors such as cost, speed, dependability, flexibility, accessibility, frequency etc should be considered.

Conclusion

Physical distribution is the set of activities concerned with efficient movement of finished goods from the end of the production operation to the consumer.

Physical distribution takes place within numerous wholesaling and retailing distribution channels, and includes important decision areas as customer service, inventory control, materials handling, protective packaging, order procession, transportation, warehouse site selection, and warehousing.

Physical distribution activities have recently received increasing attention from business managers, including small business owners. This is due in large part to the fact that these functions often represent almost half of the total marketing costs of a product. In fact, research studies indicate that physical distribution costs approximately 20 percent of the country's total gross national product (GNP). These findings have led many small businesses to expand their cost-cutting efforts beyond their historical focus on production to encompass physical distribution activities.

The importance of physical distribution is also based on its relevance to customer satisfaction. By storing goods in convenient locations for shipment to wholesalers and retailers, and by creating fast, reliable means of moving the goods, small business owners can assure continued success in a rapidly changing, competitive global market. Thus physical distribution becomes one of the important elements in the whole process of marketing management.

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