

Physical distribution  
is the better half of  
marketing marketing  
essay



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Physical distribution is one of the unique functions of marketing. Once the function of exchange is completed, the physical distribution function is responsible for completing the marketing transaction. It involves the handling and moving of raw materials and finished goods from the producer to the final consumer. But the term physical distribution management refers to the process of designing and administering the systems to control the flow of goods. In general the function of physical distribution attempts to accomplish the delivery and is performed and managed by marketing such as dealers, merchants and mercantile agents

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 such important decision areas as customer service, inventory control, materials handling, protective packaging, order procession, transportation, warehouse site selection, and warehousing. Physical distribution is part of a larger process called “distribution,” which includes wholesale and retail marketing, as well the physical movement of products.

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 nationally amount to 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

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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 help assure continued success in a rapidly changing, competitive global market.

## **Activities in the Physical Distribution System**

A system is a set of components or activities that interact with each other. A car engine is a system; if any part malfunctions, the performance of the whole engine suffers. In a distribution system, six interrelated activities affect customer service and the cost of providing it:

**Transportation.** Transportation involves the various methods of moving goods

outside the firm's buildings. For most firms, transportation is the single highest cost in distribution, usually accounting for 30% to 60% of distribution costs. Transportation adds place value to the product.

**Distribution inventory.** Distribution inventory includes all finished goods inventory at any point in the distribution system. In cost terms, it is the second most important item in distribution, accounting for about 25% to 30% of the cost of distribution. Inventories create time value by placing the product close to the customer.

**Warehouses (distribution centers).** Warehouses are used to store inventory. The management of warehouses makes decisions on site selection, number

of distribution centers in the system, layout, and methods of receiving, storing, and retrieving goods.

**Materials handling.** Materials handling is the movement and storage of goods inside the distribution center. The type of materials handling equipment used affects the efficiency and cost of operating the distribution center. Materials handling represents a capital cost, and a tradeoff exists between this capital cost and the operating costs of the distribution center.

**Protective packaging:** Goods moving in a distribution system must be contained, protected, and identified. In addition, goods are moved and stored in packages and must fit into the dimension of the storage spaces and the transportation vehicles.

**Order processing and communication:** Order processing includes all activities needed to fill customer orders. Order processing represents a time element in delivery and is an important part of customer service. Many intermediaries are involved in the movement of goods, and good communication is essential to a successful distribution system.

**Production or Supply Alternatives:** The cost of manufacturing varies widely depending upon the production process used and the volume of production. Ultimately, production decisions are affected by transportation and warehousing costs as well as by manufacturing costs.

**Customer Service:** Stock outs, lengthy delivery times, and excess variability in delivery schedules all result in lost sales. Any change in the distribution structure will have an effect on these and other elements of customer

service. Although the extent of any lost sales is difficult to determine, lost sales must be considered when alternative distribution systems are being evaluated.

## **Elements of Physical Distribution**

The physical distribution encompasses a wide range of Inter-related activities such as order processing, transportation, warehousing, materials handling, packaging, inventory control, plant and warehouse location, information maintenance etc. Broadly, these activities are grouped into four major functions which are as follows:

Order processing

Inventory management

Transportation

Warehousing

### **1. Order processing**

Physical distribution starts with customers order. Order processing is considered as the key to customer service and satisfaction. It includes receiving, recording, filing and assembling of products for dispatch. The amount of time required from the date of receipt of an order upto the date of des patch of goods must be reasonable and as short as possible. For which, most of the companies have adopted Electronic data processing system to provide superior order processing service to the customers.

## **2. Inventory management**

Inventory management refers to the management of products on the move. It is the basic task of the management to plan and control the finished goods after they have been brought out from production centers and before they are delivered to the ultimate consumers. Inventory control is necessary to bring the balance between the inventory costs and desired customer service. Inventory control aims at avoiding, out of stock position, excessive stock position and buying in small quantities.

## **3. Transportation**

The secret of industrial expansion in any country is the development of new markets for products and services. Today in India, almost all the villages are linked up with the urban places due to the tremendous – increase in transportation facilities. Assembling and dispersion of goods is done with the help of one or the other mode of transport.

Hence, transportation can be defined as “ physical movement of men and material from and place to another wherever they are required”.

Transportation does at the very root of the whole marketing, as it helps in moving the goods from point of production to the place where they are required for consumption.

## **Modes of Transport**

The modes of transport are

Road Transport

Rail Transport

Water Transport

Air Transport

There are certain advantages and disadvantages in each mode of transport.

#### **4. Ware housing:**

The commercial system of any country depends on three major systems viz, trade, transport and warehousing. The process of manufacture of goods is continuous but they are not consumed immediately, in almost all the companies. There is always a time gap between production and consumption. For example, the supply of food grains is remarkably high during harvesting of crops, but the total output cannot be consumed immediately. Substantial part of output is kept aside for future demand. Therefore, there is every need to preserve the goods till the period of consumption. Storage adds time utility to the goods by making them available at a time they are required. Storage of goods is usually done at a place called Warehouse. The term warehousing is a combination of two terms 'ware' and 'housing'. The word ware refers to goods. Therefore, warehouses can be defined as the place suitable for preserving the goods and warehousing is the activity involving storage of goods'. Thus the warehousing is an important segment of trade and commerce and it removes the hindrance of time.

## **CONCLUSION**

Along with price and promotion decisions, a decision has to be made on the distribution system. There are two components to this – the physical (order processing storage/warehousing and transport) and the institutional aspects. The latter involves the choice of agents, distributors, wholesalers, retailers, direct sales or sales forces. Again, each has its own advantages and disadvantages.

However, it is in the channel of distribution that the international marketer can encounter many risks and dangers. These involve many transaction costs both apparent and hidden. Risks include loss in transit, destruction, negligence, non-payment and so on. So careful choice and evaluation of channel partner is a necessity.

## **Plagiarism Report**

**Total Plagiarism (%): 15%**

### **Master Document Text**

Q1. “ Physical distribution is the better half of marketing”. Discuss and show the major elements of physical distribution .

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