

Efficient movement of finished goods marketing essay



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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 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.

A SYSTEM APPROACH

Physical distribution can be viewed as a system of components linked together for the efficient movement of products. Small business owners can ask the following questions in addressing these components:

Customer service what level of customer service should be provided?

Transportation how will the products be shipped?

Warehousing where will the goods be located? How many warehouses should be utilized?

Order processing how should the orders be handled?

Inventory control how much inventory should be maintained at each location?

Protective packaging and materials handling how can efficient methods be developed for handling goods in the factory, warehouse, and transport terminals?

These components are interrelated: decisions made in one area affect the relative efficiency of others. For example, a small business that provides customized personal computers may transport finished products by air rather than by truck, as faster delivery times may allow lower inventory costs, which would more than offset the higher cost of air transport. Viewing physical distribution from a systems perspective can be the key to providing a defined level of customer service at the lowest possible cost.

CUSTOMER SERVICE

Customer service is a precisely-defined standard of customer satisfaction which a small business owner intends to provide for its customers. For example, a customer service standard for the above-mentioned provider of customized computers might be that 60 percent of all PCS reach the customer within 48 hours of ordering. It might further set a standard of delivering 90 percent of all of its units within 72 hours, and all 100 percent of its units within 96 hours. A physical distribution system is then set up to reach this goal at the lowest possible cost. In today's fast-paced, technologically advanced business environment, such systems often involve the use of specialized software that allows the owner to track inventory while simultaneously analyzing all the routes and transportation modes available to determine the fastest, most cost-effective way to delivery goods on time.

TRANSPORTATION

The United States' transportation system has long been a government-regulated industry, much like its telephone and electrical utilities. But in 1977 the deregulation of transportation began with the removal of federal regulations for cargo air carriers not engaged in passenger transportation. The deregulation movement has since expanded in ways that have fundamentally altered the transportation landscape for small business owners, large conglomerates and, ultimately, the consumer.

Transportation costs are largely based on the rates charged by carriers.

There are two basic types of transportation rates: class and commodity. The class rate, which is the higher of the two rates, is the standard rate for every commodity moving between any two destinations. The commodity rate is <https://assignbuster.com/efficient-movement-of-finished-goods-marketing-essay/>

sometimes called a special rate, since it is given by carriers to shippers as a reward for either regular use or large-quantity shipments. Unfortunately, many small business owners do not have the volume of shipping needed to take advantage of commodity rates. However, small businesses are increasingly utilizing a third type of rate that has emerged in recent years. This rate is known as a negotiated or contract rate. Popularized in the 1980s following transportation deregulation, contract rates allow a shipper and carrier to negotiate a rate for a particular service, with the terms of the rate, service, and other variables finalized in a contract between the two parties. Transportation costs vary by mode of shipping, as discussed below.

TRUCKING FLEXIBLE AND GROWING The shipping method most favored by small business (and many large enterprises as well) is trucking. Carrying primarily manufactured products (as opposed to bulk materials), trucks offer fast, frequent, and economic delivery to more destinations in the country than any other mode. Trucks are particularly useful for short-distance shipments, and they offer relatively fast, consistent service for both large and small shipments.

AIR FREIGHT FAST BUT EXPENSIVE Because of the relatively high cost of air transport, small businesses typically use air only for the movement of valuable or highly-perishable products. However, goods that qualify for this treatment do represent a significant share of the small business market. Owners can sometimes offset the high cost of air transportation with reduced inventory-holding costs and the increased business that may accompany faster customer service.

WATER CARRIERSLOW BUT INEXPENSIVE

There are two basic types of water carriers: inland or barge lines, and oceangoing deep-water ships. Barge lines are efficient transporters of bulky, low-unit-value commodities such as grain, gravel, lumber, sand, and steel. Barge lines typically do not serve small businesses. Oceangoing ships, on the other hand, operate in the Great Lakes, transporting goods among port cities, and in international commerce. Sea shipments are an important part of foreign trade, and thus are of vital importance to small businesses seeking an international market share.

RAILROADS LONG DISTANCE SHIPPING Railroads continue to present an efficient mode for the movement of bulky commodities over long distances. These commodities include coal, chemicals, grain, non-metallic minerals, and lumber and wood products.

PIPELINESPECIALIZED TRANSPORTERS

Pipelines are utilized to efficiently transport natural gas and oil products from mining sites to refineries and other destinations. In addition, so-called slurry pipelines transport products such as coal, which is ground to a powder, mixed with water, and moved as a suspension through the pipes.

INTERMODAL SERVICES Small business owners often take advantage of multi-mode deals offered by shipping companies. Under these arrangements, business owners can utilize a given transportation mode in the section of the trip in which it is most cost efficient, and use other modes for other

segments of the transport. Overall costs are often significantly lower under this arrangement than with single-mode transport.

Of vital importance to small businesses are transporters specializing in small shipments. These include bus freight services, United Parcel Service, Federal Express, DHL International, the United States Postal Service, and others.

Since small businesses can be virtually paralyzed by transportation strikes or other disruptions in small shipment service, many owners choose to diversify to include numerous shippers, thus maintaining an established relationship with an alternate shipper should disruptions occur. Additionally, small businesses often rely on freight forwarders who act as transportation intermediaries: these firms consolidate shipments from numerous customers to provide lower rates than are available without consolidation. Freight forwarding not only provides cost savings to small businesses, it provides entrepreneurial opportunities for start-up businesses as well.

WAREHOUSING

Small business owners who require warehousing facilities must decide whether to maintain their own strategically located depot(s), or resort to holding their goods in public warehouses. And those entrepreneurs who go with non-public warehousing must further decide between storage or distribution facilities. A storage warehouse holds products for moderate to long-term periods in an attempt to balance supply and demand for producers and purchasers. They are most often used by small businesses whose products' supply and demand are seasonal. On the other hand, a distribution warehouse assembles and redistributes products quickly, keeping them on

the move as much as possible. Many distribution warehouses physically store goods for fewer than 24 hours before shipping them on to customers.

In contrast to the older, multi-story structures that dot cities around the country, modern warehouses are long, one-story buildings located in suburban and semi-rural settings where land costs are substantially less. These facilities are often located so that their users have easy access to major highways or other transportation options. Single-story construction eliminates the need for installing and maintaining freight elevators, and for accommodating floor load limits. Furthermore, the internal flow of stock runs a straight course rather than up and down multiple levels. The efficient movement of goods involves entry on one side of the building, central storage, and departure out the other end.

Computer technology for automating warehouses is dropping in price, and thus is increasingly available for small business applications. Sophisticated software translates orders into bar codes and determines the most efficient inventory picking sequence. Order information is keyboarded only once, while labels, bills, and shipping documents are generated automatically. Information reaches hand-held scanners, which warehouse staff members use to fill orders. The advantages of automation include low inventory error rates and high processing speeds.

INVENTORY CONTROL

Inventory control can be a major component of a small business physical distribution system. Costs include funds invested in inventory, depreciation, and possible obsolescence of the goods. Experts agree that small business

inventory costs have dropped dramatically due to deregulation of the transportation industry.

Inventory control analysts have developed a number of techniques which can help small businesses control inventory effectively. The most basic is the Economic Order Quantity (EOQ) model. This involves a trade-off between the two fundamental components of an inventory control cost: inventory-carrying cost (which increases with the addition of more inventory), and order-processing cost (which decreases as the quantity ordered increases). These two cost items are traded off in determining the optimal warehouse inventory quantity to maintain for each product. The EOQ point is the one at which total cost is minimized. By maintaining product inventories as close to the EOQ point as possible, small business owners can minimize their inventory costs.

ORDER PROCESSING

The small business owner is concerned with order processing because it directly affects the ability to meet the customer service standards defined by the owner. If the order processing system is efficient, the owner can avoid the costs of premium transportation or high inventory levels. Order processing varies by industry, but often consists of four major activities: a credit check; recording of the sale, such as crediting a sales representative's commission account; making the appropriate accounting entries; and locating the item, shipping, and adjusting inventory records.

Technological innovations, such as increased use of the Universal Product Code, are contributing to greater efficiency in order processing. Bar code systems give small businesses the ability to route customer orders efficiently and reduce the need for manual handling. The coded information includes all the data necessary to generate customer invoices, thus eliminating the need for repeated keypunching.

Another technological innovation affecting order processing is Electronic Data Interchange. EDI allows computers at two different locations to exchange business documents in machine-readable format, employing strictly-defined industry standards. Purchase orders, invoices, remittance slips, and the like are exchanged electronically, thereby eliminating duplication of data entry, dramatic reductions in data entry errors, and increased speed in procurement cycles.

PROTECTIVE PACKAGING AND MATERIALS HANDLING

Another important component of a small business physical distribution system is material handling. This comprises all of the activities associated with moving products within a production facility, warehouse, and transportation terminals. One important innovation is known as unitizing or combining as many packages as possible into one load, preferably on a pallet. Unitizing is accomplished with steel bands or shrink wrapping to hold the unit in place. Advantages of this material handling methodology include reduced labor, rapid movement, and minimized damage and pilferage.

A second innovation is containerization, the combining of several unitized loads into one box. Containers that are presented in this manner are often unloaded in fewer than 24 hours, whereas the task could otherwise take days or weeks. This speed allows small export businesses adequate delivery schedules in competitive international markets. In-transit damage is also reduced because individual packages are not handled en route to the purchaser.

FURTHER READING:

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SEE ALSO: Distribution Channels; Transportation

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Importance of physical distribution

by ADMIN on MARCH 28, 2007

Physical distribution / marketing logistics form a pivotal part of the marketing task. It is physical distribution that confers place-utility and time-utility to a product by making it available to the user at the right place and at the right time thereby it maximizes the chance to sell the product and strengthen the company's competitive position.

If any product made in any place could be consumed in it's entirely at the very place of production and at the very time of production, there would be no need for physical distribution of that product. But such products are very rare. In practice, almost every product gets consumed at places and times that are different fro those of their manufacture. They have to be carried to places of consumption; they have to be stored; and they have to be distributed.

Where Production Locations and Markets are distanced, Physical Distribution becomes more crucial. In some cases, production locations are totally dictated by considerations like proximity to sources of raw material. As a result, the points of production might be far away from the markets for the product. In some cases, huge production capacities get established at a given location on consideration of technology and economies of scale. In all <https://assignbuster.com/efficient-movement-of-finished-goods-marketing-essay/>

such cases, the product has to be marketed over an extended territory; it has to be transported over long distances, stored for a considerable length of time and sold.

There are products, which are impacted by the seasonality factor- either production is continuous but demand is seasonal, or demand is continuous but production is seasonal. Here too, physical distribution becomes particularly crucial. It has to perform the balancing act between production and consumption.

Helps Build Clientele

It is physical distribution that determines the customer service level to a large extent. As a result, it serves as a vital tool in building clientele / market for the product. And conversely, ineffective physical distribution leads to loss of customers and markets.

A Promising Area for Cost Reduction

Physical distribution is a fertile area for cost savings. Over the years, in most businesses, physical distribution costs have grown into a sizeable chunk of the total costs and now ranks second among all cost elements, next only to material costs. And surprisingly, it has remained one of the neglected areas of cost control.

The Dark Continent:

Peter Drucker has rightly compared physical distribution to the ‘dark continent of Africa of Napoleon’s days’. He said, ‘we know about physical distribution today just as much as what Napoleon’s contemporaries

knew about the interior of Africa. We know it is there and we know it is big and that's all'. The message is obvious. Physical distribution is the most promising area for cost control.

more at <http://www.citeman.com/1665-importance-of-physical-distribution.html#ixzz258EK3EJO>

Warehousing

Warehousing Warehousing is the second major component of physical distribution. Warehousing management has two distinct and equally important parts: 1. The physical job of creating and running the network of storage points and 2. The managerial task of controlling inventory levels without sacrificing service levels. Role and Importance of Warehousing Points below explain the role and importance of warehousing. Like transportation warehousing too vests the product with time utility and place uti...

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Inventory management – some crucial factors

Inventory management – some crucial factors Inventory management is the third major component of physical distribution task. It will be obvious that without effective management of finished product inventory it is impossible to run any business efficiently and profitably. Inventory is Inescapable: Carrying inventories is inescapable in most business. This is because the producing and consuming activities take place at different times in different locations and at different rates. Inventories are...

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Sales promotion budget

Sales promotion budget 1. Direct Fixed and Variable Costs: The direct fixed costs are costs of physically distributing samples placing advertisements and point of purchase material etc. Variable costs are payment made to the retailer for each coupon redeemed. 2. Likely market response: The marketer it is suggested should analyze six types of market responses. These are: a Redemption rates b Displacement rates c Acquisition rates d Stock up rates e Conversion rates f Product line effects Le...

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Importance of physical distribution Physical distribution / marketing logistics form a pivotal part of the marketing task. It is physical distribution that confers placeutility and timeutility to a product by making it available to the user at the right place and at the right time thereby it maximizes the chance to sell the product and strengthen the company's competitive position. If any product made in any place could be consumed in it's entirely at the very place of production and at the ...

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Transportation

Transportation The importance of transportation in physical distribution emanates from a variety of factors. Transportation confers 'time utility' and 'place utility' to the product; it determines the company's customer service; it also has a crucial bearing on the other elements of physical

distribution and marketing like warehousing inventory control and channel management. Finally transportation is a very important cost element in most businesses. Assessment of the Transportation Re...

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Outsourcing marketing logistics

Outsourcing marketing logistics In recent times firms have been taking to non conventional approaches in the matter of physical distribution / management of marketing logistics. Complete outsourcing of marketing logistics is perhaps is perhaps the most noteworthy of them all. Globally outsourcing of physical distribution and channel services has become the inthing in recent years. Firms strike arrangement with external logistics service providers and allow them to function as their extended arm ...

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Designing a marketing logistics system

Designing a marketing logistics system The Steps involved in designing a physical distribution system as shown below. The first step distribution objectives of the firm must be properly articulated and the minimum service level to be guaranteed in delivery must be clearly specified. In fact the guaranteed minimum service level in delivery is the key to a physical distribution system. It is also the touchstone for measuring the efficiency of the system. Component Functions of Physical Distributio...

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Materials Management – An integrated View[HYPERLINK “ http://www. citeman. com/index. php? p= 4546”](http://www.citeman.com/index.php?p=4546)

Materials Management An integrated View The various components of the management of materials were discussed such as: 1. Purchasing 2. Inventory Control 3. Storage and materials handling 4. Physical Distribution of materials Each of these is equally important and although some division of responsibility and authority is necessary for dealing with them we cannot treat them as isolated water tight compartments. The decisions taken by a purchasing executive will have to be tempered or modified by ...

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Marketing logistics

Marketing logistics Physical distribution / Marketing Logistics Physical distribution is the process of delivering the product to the marketing channels and consumers. It encompasses the various activities involved in the physical flow of the product from the producer to the consumer. Marketing logistics is somewhat larger in scope compared to physical distribution. It covers physical distribution plus a part of the task of marketing channels. While physical distribution takes care of functions ...

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Physical distribution marketing logistics needs – a system approach

Physical distribution marketing logistics needs a system approach As the functions are interdependent the cost there of are also closely interrelated. Very often one function subsidizes another For example if the firm is prepared <https://assignbuster.com/efficient-movement-of-finished-goods-marketing-essay/>

to incur increased costs on transportation it may be in a position reduce its warehousing/inventory cost. This is because in such a case the firm can use the fastest mode of transport and rush the stocks to the desired warehouse unmindful of the transportation cost. Obv...

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Physical Distribution Management (PDM)HYPERLINK “[http://www. citeman. com/index. php? p= 4530](http://www.citeman.com/index.php?p=4530)”

Physical Distribution Management PDM A customer is served by: 1 identifying an existing or potential need of the customer giving concrete expression and shape to the need through advertising designing the product and pricing it; 2 manufacturing the product; and 3 making the product available to the customer at the right place and time by a proper arrangement of the movements and local storages of the product. Physical Distribution Management function also called Logistics is concerned with item....

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Linear ProgrammingHYPERLINK “[http://www. citeman. com/index. php? p= 4833](http://www.citeman.com/index.php?p=4833)”

Linear Programming Linear Programming is an Operations Research technique which originated during the early 1950s. Having diverse practical applications this technique has benefited immensely various organizations in their production and other operations. Prof. G B Dantzig is one of the pioneers in formulating the procedure of linear Programming. This technique

can be applied in various situations: long range planning production planning warehousing decisions physical distribution marketing and ...

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Concept behind physical distribution[HYPERLINK “http://www.citeman.com/index.php?p=10700”](http://www.citeman.com/index.php?p=10700)

Concept behind physical distribution The concept behind physical distribution is the achievement of the optimum lowest system cost consistent with customer service objectives of the firm. If the activities in the physical distribution system are viewed separately without consideration of their interdependence the final cost of distribution may be higher than the lowest possible cost optimum cost and the quality of service may be adversely affected. Additional variables and costs that are interde...

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What is physical distribution in marketing?

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.

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Read more: http://wiki.answers.com/Q/What_is_physical_distribution_in_marketing#ixzz258KzBFH3

What is the Physical Distribution of Market?

Physical Distribution focuses on an efficient movement of manufacturer to intermediaries and the consumer. Channel and physical distribution decisions are interrelated but channel decisions tend to be made earlier. The aim is to provide intermediaries and customers with the right products, in the right quantities, in the right locations, at the right time. Effective physical distribution save the cost and improve customer service levels. Cost saving can be achieved by reducing inventory levels, using cheaper forms of transport and shipping in bulk. Customer service levels can be improved by fast and reliable delivery, holding high inventory so that a customer have a wide choice and the chance of stock out are reduced, fast order processing and ensuring product arrive in the quantities and quality. Physical distribution management concern the balance between cost reduction and meeting customer service requirement. Trade offs are often necessary, for instance, low inventory and slow, cheaper transportation method reduce the cost but lower customer services levels and satisfaction as well. Determining this balance is a key marketing decision as physical distribution can be a source of competitive advantage.

Distribution (business)

From Wikipedia, the free encyclopedia

Marketing

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Key concepts

Product marketing

Pricing

Distribution

Service

Retail

Brand management

Account-based marketing

Ethics

Effectiveness

Research

Segmentation

Strategy

Activation

Management

Dominance

Marketing operations

Promotional contents

Advertising

Branding

Underwriting spot

Direct marketing

Personal sales

Product placement

Publicity

Sales promotion

Sex in advertising

Loyalty marketing

Mobile marketing

Premiums

Prizes

Promotional media

Printing

Publication

Broadcasting

Out-of-home advertising

Internet

Point of sale

Merchandise

Digital marketing

In-game advertising

Product demonstration

Word-of-mouth

Brand ambassador

Drip marketing

Visual merchandising

v

t

e

Wikibooks has a book on the topic of: Marketing

“ Distribution channel” redirects here. So does “ Channel (marketing)”.

Product distribution (or place) is one of the four elements of the marketing mix. Distribution is the process of making a product or service available for use or consumption by a consumer or business user, using direct means, or using indirect means with intermediaries.

The other three parts of the marketing mix are product, pricing, and promotion.

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Distribution is one of the classic “ 4 Ps” of marketing (product, promotion, price, place a. k. a. “ distribution”). It’s a key element in your entire marketing strategy – it helps you expand your reach and grow revenue.

B2B and B2C companies can sell through a single channel or through multiple channels that may include:

Wholesaler/Distributor Direct/Internet Direct/Catalog Direct/Sales Team

Value-Added Reseller (VAR) Consultant Dealer Retail Sales

Agent/Manufacturer’s Rep

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