**Textbook: *Marketing* – 3rd Edition Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Chapter 13: Getting Products to Customers**

I. The Marketing Mix Elements: Product, Price, Place, Promotion

A. Distribution as a part of the marketing mix involves the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_ used to make the product available to customers.

B. The most challenging and complex part of marketing is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

C. The oldest and most basic part of marketing is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

D. For most products and services, distribution activities account for over \_\_\_\_\_\_\_\_\_\_\_ of the total marketing costs.

E. The\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ function involves determining the best methods and procedures to use so that prospective customers can locate, obtain, and use a business’s products and services.

II. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the path a product takes from the producer to the ultimate consumer. It is made up of the organizations and individuals who participate in the movement or exchange of products from the producer to the final consumer.

A. In a \_\_\_\_\_\_\_\_\_\_\_\_\_ channel, the producer sells the product directly to the final consumer. A direct channel of distribution is often selected when:

* 1. There are a small number of customers.
  2. Customers are located in a small area.
  3. The product is complex or requires a lot of service.
  4. The producer wants to maintain control over the marketing mix for the product.

B. And \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ channel includes other businesses (AKA middlemen or intermediaries) between the producer and the consumer.

III. Distribution Channel Members

A. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ takes responsibility to identify channel members, assign distribution activities, help member agree on performance standards, and facilitate communication.

B. All the businesses involved in sales transactions that move products from the manufacturer to the final user are called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or middlemen Examples include wholesalers, retailers, and agents.

C. Intermediaries \_\_\_\_\_\_\_\_\_\_\_\_\_\_ the number of transactions required by manufacturers to reach their final customers.

D. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and brokers are independent businesses that do not own the goods they represent.

E. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ act as intermediaries by bringing buyers and sellers together.

IV. Wholesaling Manages the Middle

A. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are companies that assist with distribution activities between businesses.

B. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ buy in large quantities from manufacturers, store the goods, and then resell them to other businesses. Their customers are called retailers.

* 1. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, or merchant, wholesaler takes title to the goods they sell and provide a full range of services including credit for their customers.
  2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ manage inventory and merchandising for retailers by counting stock, filling it in when needed, and maintaining store displays. They provide the display racks and bill the retailer only for the goods sold.
  3. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is a wholesaler who owns the goods, but never handles these large, bulky orders. Instead, the goods go from the producer directly to the buyer.
  4. Wholesale \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are businesses that offer a variety of consumer products to members through a warehouse outlet. These initially targeted small businesses, but sell primarily to final consumers today.

V. Wholesale and retail \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ purchase goods for resale—they forecast customers’ needs and buy the necessary products. Buyers must plan far in advance of the selling season to know how much of each item to purchase.

A. In business (particularly in wholesaling) the \_\_\_\_\_\_\_\_\_\_\_\_\_\_ rule means that 80% of sales will come from 20% of the customers.

B. The opposite is also true, 80% of customers will account for only 20% business sales.

C. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_markets include nonprofit organizations that do not compete in the business world. Examples include hospitals, schools, colleges, churches, civic clubs, and foundations

D. During the buying season, a buyer may want to know the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (OTB), or the amount of money left for buying goods. OTB is calculated as follows: planned purchases – (goods received + goods ordered)

VI. From the Video: Modern Marvels: The area where deliveries are made:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

VII. The Role of Retailing

1. The final business organization in an indirect channel of distribution for consumer products is a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is a loss of products due to theft, fraud, negligence, or error.

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1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ retailers offer products from one category of merchandise or closely related items.
2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ retailers offer products from several different categories.
3. Another example of a mixed merchandise retailer is a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that offers consumers a wide variety of choices in a very large retail store.
4. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is a \_\_\_\_\_\_\_\_\_\_\_\_\_ retail chain that is focused on one or few categories of merchandise and offers a wide selection of merchandise in these categories at relatively low prices.
5. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ have services as their primary offering with a limited number of for sale that compliment the service.
6. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ involves selling directly to the consumer at home rather than requiring consumers to travel to a store.
7. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is a business relationship in which the developer of a business idea sells others the rights to the business name.
8. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ develops the basic business idea and operating procedures.
9. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ purchases the rights to open and operate the business according to the franchisers plans and procedures.
10. Increased use of technology (bar codes and optical character readers) allows retailers to track and reorder inventory efficiently.
11. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or SKU, refers to the items or groups of related items in a unit of inventory control.
12. The use of technology has allowed for the unique or non-traditional distribution of some products to the consumer.
13. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ terminal can track sales, prices, merchandise shortages, returns and provide detailed customer data.
14. Many consumers are attracted to shopping as an exciting social experience.
15. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are the elements of the shopping environment that are appealing to customers, attract them to a store, and encourage them to buy.
16. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is a similar term that refers to the coordination of all the physical elements in a business that are used to project the right image to customers.

VIII. Physical distribution, also known as logistics, is the process of efficiently and effectively moving products and materials through the distribution channel.

A. Factors involved in selecting the best transportation methods include:

1. location where the product is to be delivered

2. type of product to be shipped

3. speed of delivery

B. The main physical distribution activities are:

1. transportation 2. storage 3. product handling

IX. Railroads are useful for carrying large quantities of heavy bulky items.

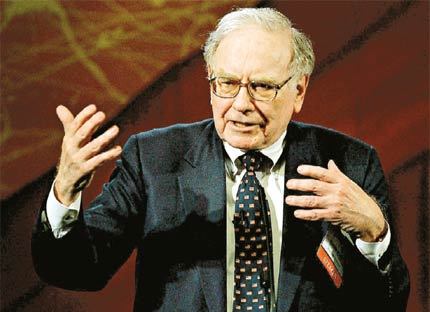
A. Trains transport nearly 38 percent of the total intercity \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (the movement of one ton of freight one mile) of freight. Trains are important for moving heavy and bulky freight, such as coal, steel, lumber, chemicals, grain, farm equipment, and automobiles, over long distances.

B. A\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ refers to one boxcar full of freight.

C. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_service gets its name from carrying loaded truck trailers over land on railroad flatcars. This can also be done by ships.

D. Advantages: relatively low costs, large quantities, seldom slowed or stopped by bad weather

E. Disadvantages: lack of flexibility—pick up and delivery available only at established stations



X. Warren Buffett Buys Burlington Northern Santa Fe Railroad for $26 Billion

*"They do it in a cost-effective way and extraordinarily environmentally friendly way.  BNSF last year moved on average, it moved a ton of goods 470 miles on one gallon of diesel.  It releases far fewer pollutants into the atmosphere.  It saves enormously on energy consumption and, you know, it diminishes highway congestion.  Rails last year moved 40 percent, more than 40 percent, over the country.  They moved more than all those trucks, just the four big railroads.  It's a very effective way of moving goods.  I basically believe this country will prosper and you'll have more people moving more goods 10 and 20 and 30 years from now, and the rails should benefit.  It's a bet on the country, basically."*

**Warren Edward Buffett** is an American investor and businessman. He is one of the most successful investors in the world, the primary shareholder and CEO of Berkshire Hathaway.

XI. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are the most flexible of the major transportation methods.

A. Trucks are the most frequently used form of transportation. (But not the most ton miles!)

B. Businesses use trucks for virtually all \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (within a city) shipping and for 26 percent of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (between cities) freight traffic in the United States.

C. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ provides transportation services to any business in its operating area for a fee.

D. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ provides equipment and drivers for specific routes, according to agreements with the shipper.

E. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ transports goods for an individual business. Starting a private carrier fleet can require significant capital, but a business that regularly ships a large amount of merchandise may like the flexibility of owning its own means of transporting its products.

F. Advantages: door-to-door delivery, reduced packaging costs for some products, rapid deliveries.

G. Disadvantages: susceptibility to delays due to traffic jams, equipment breakdowns, and traffic accidents, size and weight restrictions enforced by states.

XII. Ships and Boats

A. Transportation by water is particularly important for international product shipments.

B. Almost all overseas freight is transported by ships and barges because of the low cost.

C. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_shipping is shipping from one port to another on connecting rivers and lakes. The St. Lawrence Seaway, the Mississippi and Ohio rivers, and the Great Lakes are important internal shipping routes.

D. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_shipping is shipping between ports along the Atlantic or Pacific coasts or from one coast to the other.

E. Advantages: low cost, the cheapest form of freight transportation.

F. Disadvantages: slowest form of freight transportation, not appropriate for perishable items, inconvenient for shippers far from ports, can be affected by bad weather.

XIII. Airplanes – the fastest, but most expensive, mode of transportation.

A. Currently, air transportation is less than \_\_\_\_\_\_\_ percent of the total ton-miles of freight shipped. Items shipped by air include:

* + 1. overnight mail
    2. emergency parts
    3. precisions instruments
    4. medicines
    5. perishable food products

B. Advantages: speed, overnight delivery possible, reduces inventory expenses and storage costs.

C. Disadvantages: the most expensive form of transportation, possible delays from mechanical breakdowns and bad weather.

XIV. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are expensive to construct and can be difficult to maintain.

A. Pipelines are most frequently used to transport \_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

B. There are more than 200,000 miles of pipelines in the United States.

C. Small coal and wood particles can be mixed with water into a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and through a pipeline.

D. Advantages: best safety record among major transportation systems, products move slowly, but continuously, little damage or theft, no delays due to bad weather

E. Disadvantages: high initial investment for construction, potential for environmental damage

XV. Combining Methods

* 1. Products often move through long channels of distribution.
  2. It is likely that many products will be transported using a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_of methods.
  3. Oil from Saudi Arabia is moved to the US by ship, then transported to refineries by pipeline. The finished product, gas, is transported by truck to service stations.

XVI. Storage and Product Handling

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_is the marketing function of holding goods until they can be sold.
2. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_is a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_designed to store large amounts of product until it can be used or sold.
3. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ warehouse is a facility designed to meet the specific needs of its owner.
4. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ warehouse offers storage facilities to all individuals and companies.
5. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ warehouse stores products requiring a federal tax payment.
6. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is a facility used to accumulate products from several sources and the regroup, repackage, and send them as quickly as possible to the locations where the will be used.