

International MBA

Marketing and commercialization in international environments.

Lesson 5. Distribution and Logistics

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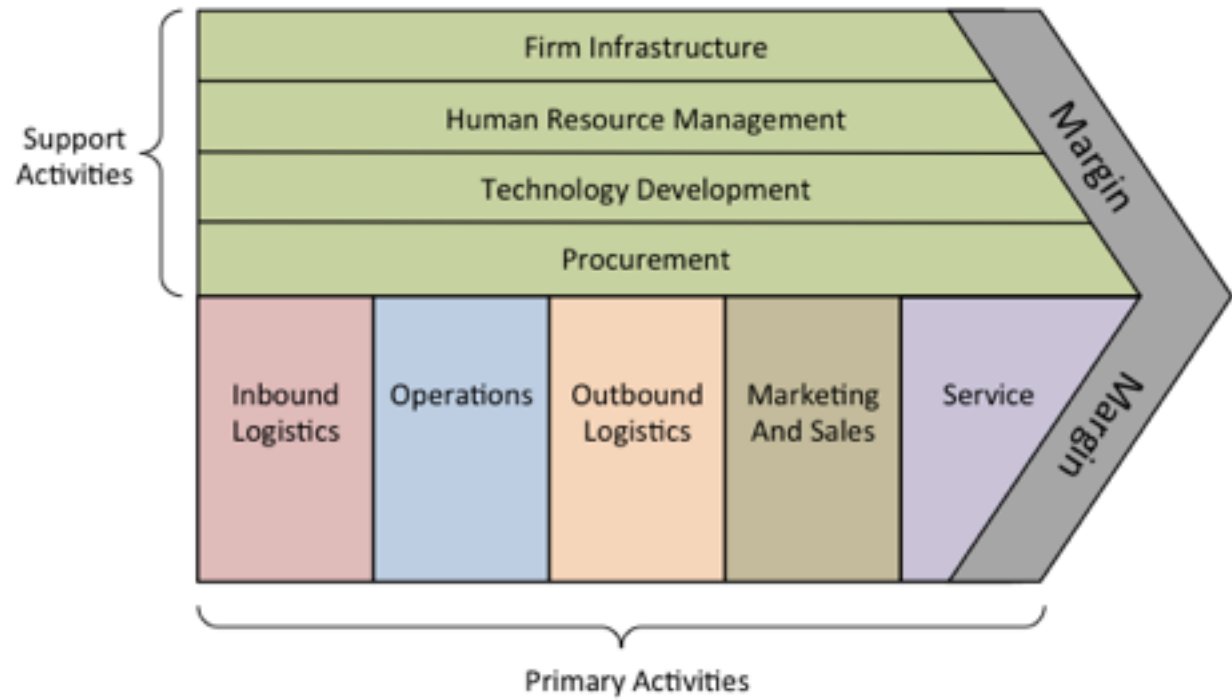
1. Distribution channels

What is value chain?

Porter's VALUE CHAIN

A value chain is a set of activities that an organization carries out to create value for its customers.

*Michael Porter, 1985
book "Competitive Advantage"*



1. Distribution channels

Porters's VALUE CHAIN

Primary activities

- **Inbound Logistics:**

arranging the inbound movement of materials, parts, and/or finished inventory from suppliers to manufacturing or assembly plants, warehouses, or retail stores

- **Operations:**

concerned with managing the process that converts inputs (in the forms of raw materials, labor, and energy) into outputs (in the form of goods and/or services).

- **Outbound Logistics:**

is the process related to the storage and movement of the final product and the related information flows from the end of the production line to the end user

- **Marketing and Sales:**

selling a product or service and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

- **Service:**

includes all the activities required to keep the product/service working effectively for the buyer after it is sold and delivered.

1. Distribution channels

Porters's VALUE CHAIN

Support activities

- **Infrastructure:**
consists of activities such as accounting, legal, finance, control, public relations, quality assurance and general (strategic) management.
- **Technological Development:**
pertains to the equipment, hardware, software, procedures and technical knowledge brought to bear in the firm's transformation of inputs into outputs.
- **Human Resources Management:**
consists of all activities involved in recruiting, hiring, training, developing, compensating and (if necessary) dismissing or laying off personnel.
- **Procurement:**
the acquisition of goods, services or works from an outside external source

1. Distribution channels

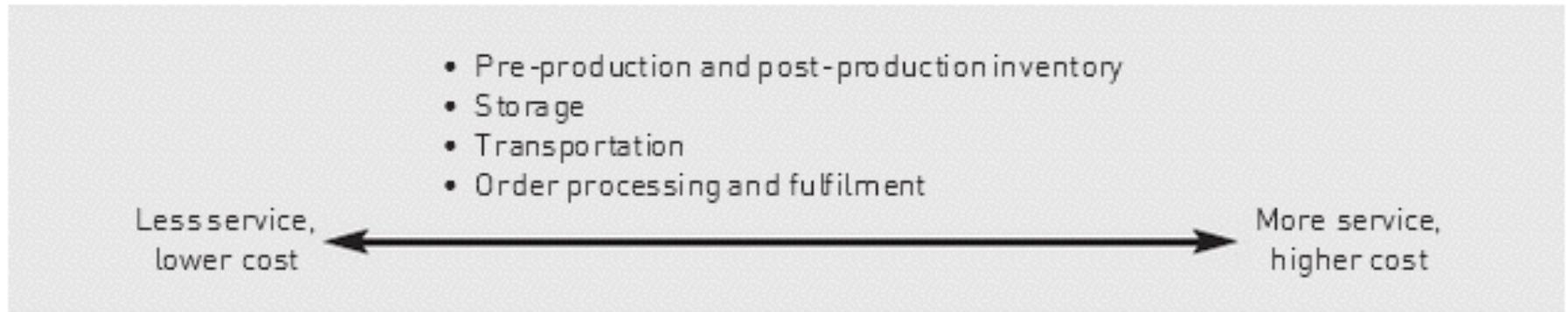
International Logistics

International logistics is the design and management of a system that controls the forward and reverse flow of materials, services, and information into, through, and out of the international corporation.



1. Distribution channels

Logistics Objectives



1. Distribution channels

Logistics Network

Individual deliveries



Milk-run operations



1. Distribution channels

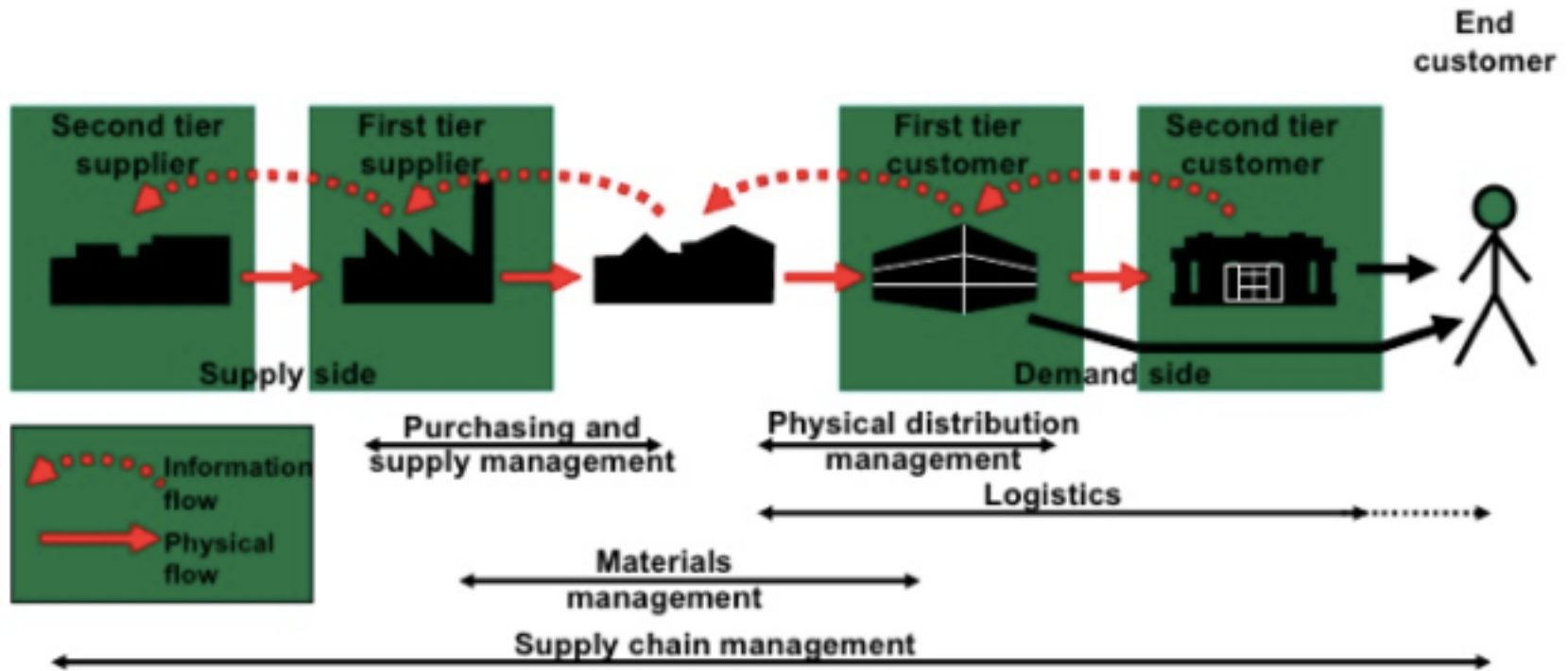
Supply Chain

A **supply chain** is a system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer.



1. Distribution channels

Supply Chain Management



1. Distribution channels

Supply Chain Management

Supply chain management (SCM) is known as the process of production and logistics of a company, which must take place from the beginning of procurement of raw materials in order to create products and the final delivery of such products to their distribution centers and ultimately their points of sale.

Why companies should care about SCM?

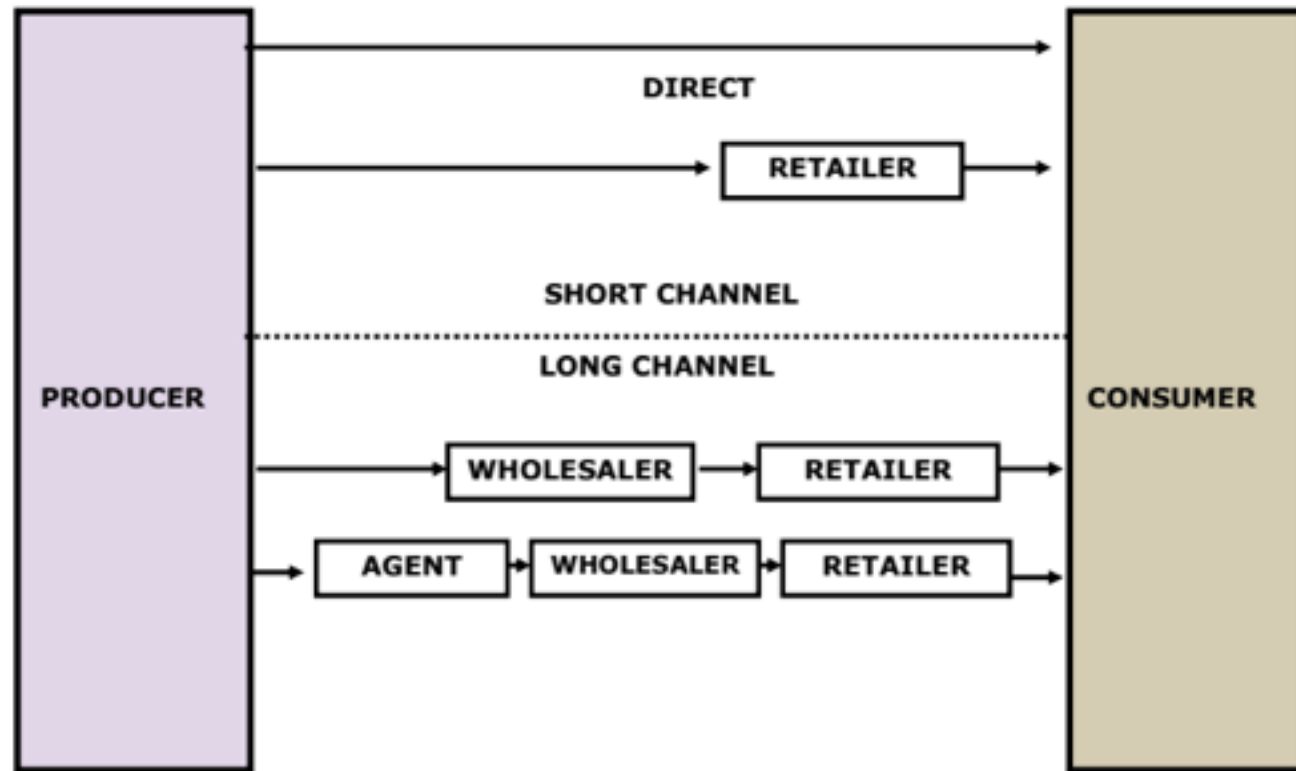
- reduction of transportation spendings
- increasing amount of sales and commercial growth
- increasing customer satisfaction
- positive effect on overall organizational performance

1. Distribution channels

Distribution Channels Classification

on Macro level

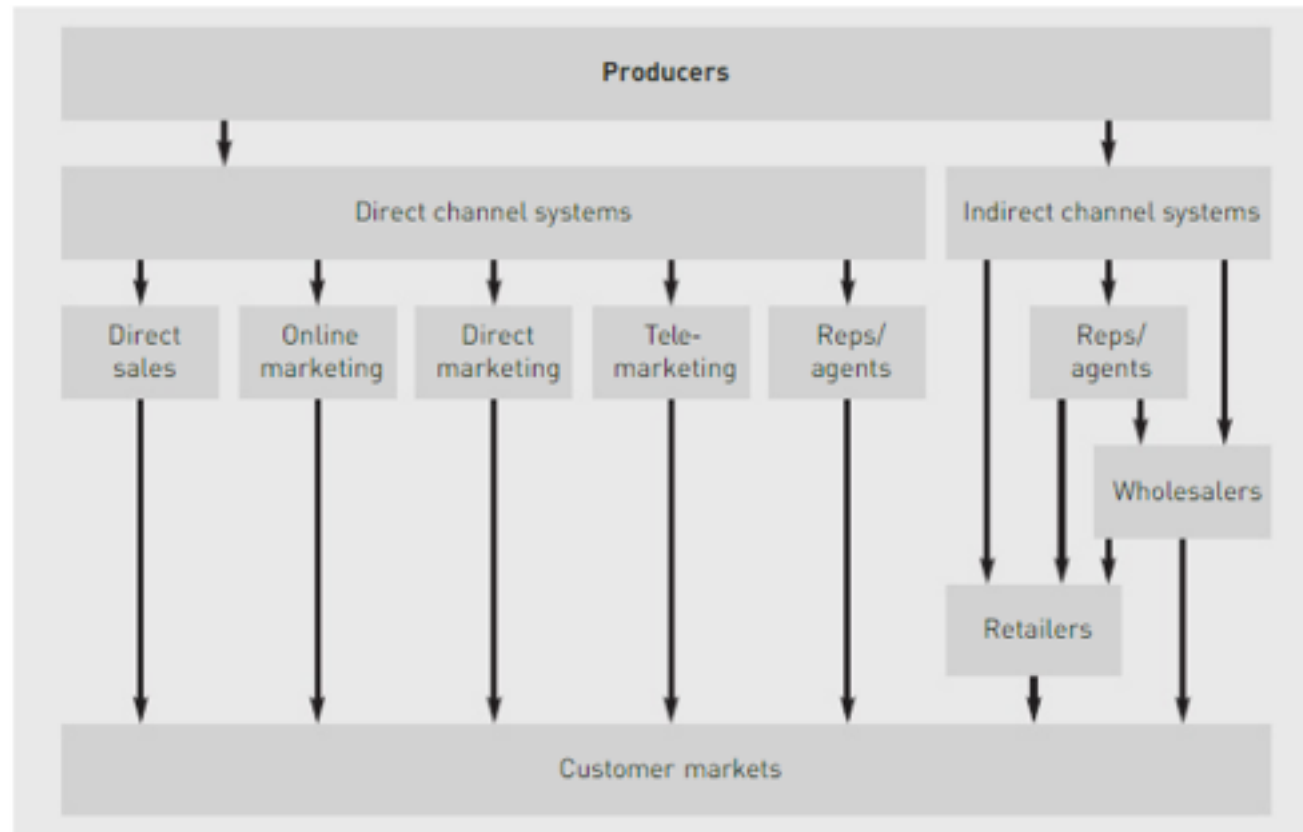
- Indirect distribution - Long Channel
- Direct distribution - Short channel



1. Distribution channels

Marketing Channels Classification On micro level

- Direct
- Indirect



1. Distribution channels

Distribution Channels Classification

based on Penetration level

- **Intensive distribution** - mass marketing product.

Provide saturation coverage of the market by using all available outlets

Fast-moving consumer goods (FMCG), Consumer durable product

Danone, Unilever, Apple

- **Selective distribution** - luxury or up-class products

Selecting outlets, normally specialized with the aim to increase value.

Zara and Armani

- **Exclusive distribution** - exclusive products

Only one wholesaler, retailer or distributor is used in one geographic area.

Lamborghini

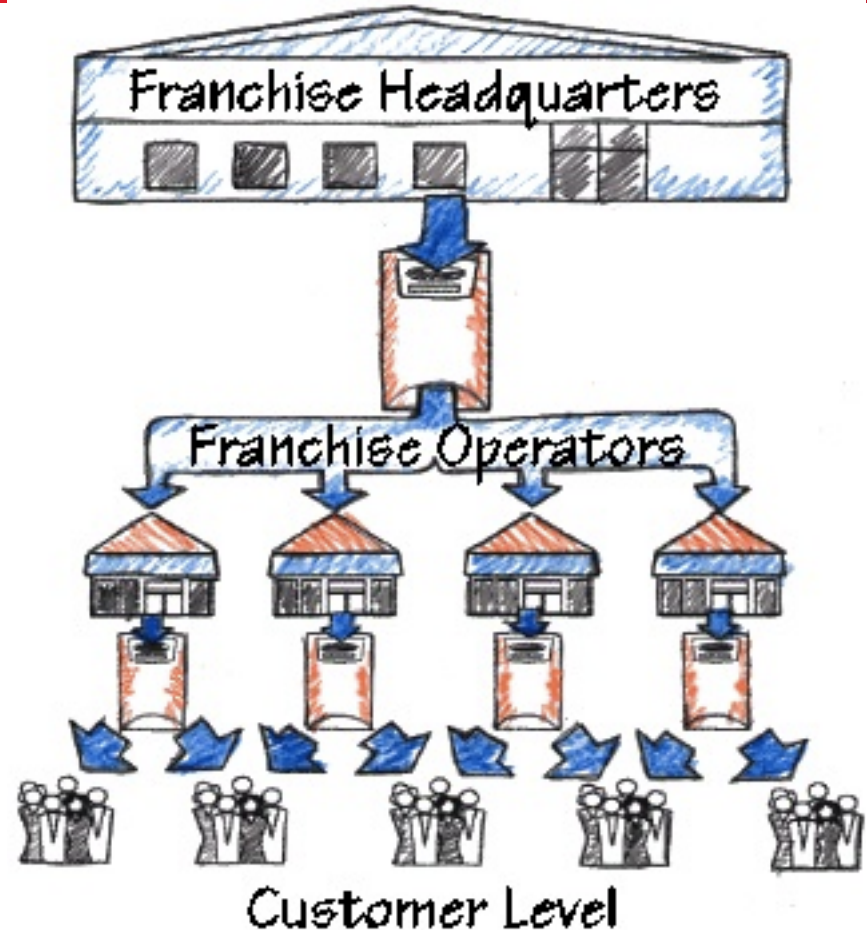
Distribution Channels Classification

	Exclusive distribution	Selective distribution	Intensive distribution
Value added for customer	<ul style="list-style-type: none"> ● Individual attention ● Knowledgeable sales help ● Availability of training, other services 	<ul style="list-style-type: none"> ● Choice of outlets in each area ● Some services available 	<ul style="list-style-type: none"> ● Convenient availability in many areas ● Competition among outlets may lower price
Value added for producer	<ul style="list-style-type: none"> ● Reinforces positioning of expensive or technical product ● Closer cooperation and exchange of information ● More control over service quality 	<ul style="list-style-type: none"> ● Ability to cover more of the market ● Less dependent on a small number of channel members 	<ul style="list-style-type: none"> ● Higher unit sales ● Ability to cover an area completely ● Lower cost per unit
Value added for channel member	<ul style="list-style-type: none"> ● Association with exclusive brands enhances image ● Can become expert in certain product categories and lines ● Can tailor services to targeted customers 	<ul style="list-style-type: none"> ● Benefit from producer's marketing support in the area ● Potential to build sales volume and qualify for higher discounts 	<ul style="list-style-type: none"> ● Attract customers seeking high-volume, high-demand offerings ● Enhance overall merchandise mix
Concerns for producer	<ul style="list-style-type: none"> ● Higher cost per unit ● Potentially reach fewer customers 	<ul style="list-style-type: none"> ● Medium costs, medium control 	<ul style="list-style-type: none"> ● Less control over service quality ● More difficult to supervise ● Possible conflict among channel members

1. Distribution channels

Franchising

Franchising is the practice of the right to use a firm's business model and brand for a prescribed period of time.



1. Distribution channels

7 steps to increase distribution network

1. Keep track of channel dealers
2. Inventory management and tracking
3. Focus on local markets
4. Focus on segmentation (for example, geographic)
5. Marketing expansion or Product expansion
6. Switch channel members when needed
7. Keep a tab on market changes

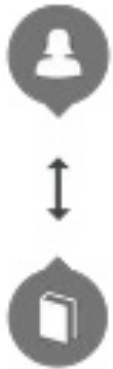
1. Distribution channels

Marketing Channels



1. Distribution channels

Marketing Channels



Single Channel

Customer needs are identified and met by one channel of communication.



Multi Channel

Customer needs are identified and met by different, unconnected channels of communication.



Cross Channel

Customer needs are identified and met by connecting several communication channels into one.



Omnichannel

Customer needs are identified and met by a multiple channels of communication simultaneously.

1. Distribution channels

Transportation decisions

Question	Transportation choices
How quickly must products be at their destination?	Air is speediest; water is slowest
Is steady, predictable receipt of products desirable?	Pipeline allows for fairly steady transport of liquids and gases; water is least predictable
What level of transportation cost is acceptable to the organisation and its customers?	Pipeline and water are least expensive; air is most expensive
Is transportation available from the point of despatch directly to the point of delivery?	Road transport offers the most convenient door-to-door delivery
How do product characteristics affect transportation options?	Water and rail easily and cost effectively accommodate large, bulky products; lorries are often used to transport products that require a temperature-controlled environment

2. Ordering process

From supply chain to information driven value chain

- Order management and applications fulfillment
- perfect order fulfillment as “the percentage of orders meeting delivery performance with complete and accurate documentation and no delivery damage.”

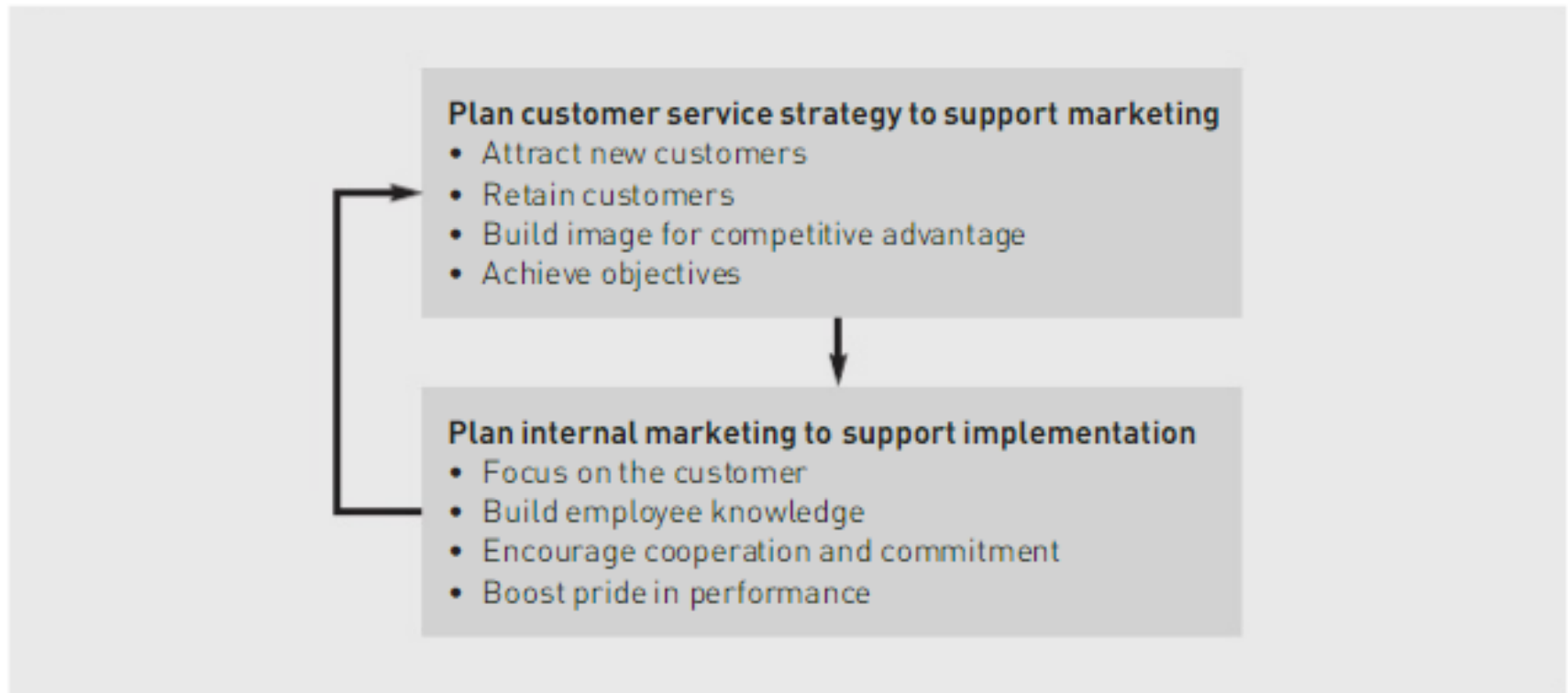
2. Ordering process

Main Tips

- Adopt a True Multi-Channel Approach (omni-channel marketing)
- End-to-End Visibility of Sales Orders
- Get Integrations as a Part of Business Process
- Share Real-Time Shipment Information to Customers
- Inventory Management – Global Visibility of All Inventory
- Automate To Make Best Use Of The Opportunities
- Track Leads Before They Perish
- Get The Essential Writing Works Right
- Sales Intelligence For Being Prepared For The Future

3. Customer service

Customer Service and Internal Marketing



3. Customer service

Customer Service Strategic Decisions

Decision	Purpose
Process	To create a satisfactory experience for customers who expect or require service delivery
Outcomes	To deliver service on time, as promised and with the expected result for customer satisfaction
Timing	To provide needed service before, during or after a purchase
Service recovery	To handle complaints, fix lapses in service delivery, anticipate potential problems and identify areas for improvement
Perception monitoring	To understand how customers perceive the organisation's customer service

3. Customer service

Pre- and post-sale service

service before, during and after purchases

- Point-of-purchase service
- After purchase:
 - To increase repurchase
 - Strengthen customer relationships
- Maintenance or repair service

3. Customer service

Internal Marketing

internal marketing is used to build enthusiastic commitment among the organisation's middle managers, front-line managers and employees

Internal marketing strategy:

- Hiring and training
- Standards
- Communication
- Participation
- Monitoring and rewards

Employees are possible customers.

Employees have direct contact with customers.