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Placement:
Key Factors in Choosing a Distribution Channel

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A marketing strategy is something that every single food and agriculture-related business needs to have in place in order to succeed in the marketplace. Many business owners in the food and agriculture sector in New York State and elsewhere are hesitant to set up an actual marketing strategy because they simply do not know how to go about developing it. As a result, New York State food businesses are often concerned about how to market their products and services.

In response, Sandra Cuellar-Healey and Miguel Gómez from the Dyson School at Cornell University developed a set of “Marketing Modules” to improve the marketing skills of food business managers and owners in New York State. The distribution or “placement” module describes the activities necessary to make your product or service available to your customers when and where they need it. The full module consists of a concept summary article, a PowerPoint example and a PowerPoint presentation slide set for educators. The complete set of modules can be accessed at:

<http://hortmgt.gomez.dyson.cornell.edu/Research%20Projects/Marketing-Modules.html>.

The article below is an excerpt from the distribution module that describes how firms can think about matching its products and services, the firm’s business plan and the target market with the necessary distribution strategies and channels.

Key Distribution Factors

Product Factors

The type of product and how it is positioned and priced all have an impact on how it should be distributed. In general, highly sophisticated products (e.g. computers and products of high unit value) are distributed directly to buyers. Unsophisticated or standardized products with low unit value (e.g. table salt and sliced white bread) are typically distributed through indirect

channels. Your product might be available year round or seasonal, it might be fragile or sturdy, it might be durable or perishable, general purpose or specialized, etc. You need to know your products' requirements and identify the organizations that can provide needed functions in the most cost-effective way.

The lifecycle stage of your product is also important for distribution. For example, intermediaries might hesitate to carry a new product (i.e. the introductory stage), so accomplishing distribution through them might be challenging. In the growth stage it is important to gain market share as rapidly as possible. It may be to your advantage to have as many distributors as possible under these circumstances. In the maturity stage of a product's life, distribution efficiency is the key and, during the decline stage, distribution efforts are usually reduced significantly.

Firm Factors

The financial, human and technological characteristics of your firm have an important bearing on the distribution channel choice as well. Firms that can't afford to have their own sales force, for example, might use agents or brokers to reach wholesalers or other buyers. On the other hand, a firm that produces multiple products for a particular target market might be better off using a direct channel.

Price Factors

The price at which you seek to sell your product also impacts how you need to distribute it. For example, the inclusion of intermediaries in your distribution strategy may affect your product's pricing since each member of the channel seeks to make a profit for their contribution to the sale of your product. If there are too many intermediaries the eventual selling price may be too high to meet your sales targets.

Customer Factors

In selecting a distribution channel for your product, you need to choose the approach that reaches your customers in the most effective way possible. You need to know who your potential buyers are, where they buy, when they buy, how they buy, and what they buy.

Another key factor is the level of distribution coverage needed to effectively address your customer's needs. Distribution coverage is measured in terms of the intensity with which the product is made available. The density or number of stores in a particular geographical area and the type of intermediaries used constitute the basics of distribution coverage. In the case of products that are purchased by a customer at a physical outlet, there are three main levels of distribution coverage: mass (or intensive) coverage, exclusive coverage and selective coverage. Mass coverage means that a firm tries to place its products or services in as many outlets as possible. Exclusive coverage is the exact opposite of mass coverage with only one retail outlet in a particular geographical area carrying the firm's product. In selective coverage a firm selects a few retail outlets in a specific area to carry its products.

Further information on the marketing modules and how to develop your marketing strategy is found at: <http://hortmgt.gomez.dyson.cornell.edu/Research%20Projects/Marketing-Modules.html>.

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“Smart Marketing” is a marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews elements critical to successful marketing in the food and agricultural industry. *Please cite or acknowledge when using this material.* Past articles are available at <http://marketingpwt.aem.cornell.edu/publications.html>.