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Introduction to Physical Distribution


For Internal Circulation and Academic
Purpose Only

Programme Educational Objectives

- *Our program will create graduates who:*
 - *1. Will be recognized as a creative and an enterprising team leader.*
 - *2. Will be a flexible, adaptable and an ethical individual.*
 - *3. Will have a holistic approach to problem solving in the dynamic business environment.*

Sales and Distribution Management Course Outcomes

- CO1- Given a situation of Festival, student manager will be able to identify appropriate Sales Forecasting method to be adopted by a company.
- CO2- Given a situation of opening a new outlet, student manager will be able to draft a sales plan.
- CO3- Given a situation of Selling products / services, student manager should be able to explain Personal Selling Process.

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- CO4-Given a criteria of newly launched company, student manager should be able to design an effective Sales Compensation Plan for Sales Executive.
 - CO5-Given a criteria of distribution channel of a company, student manager should be able to outline different levels of Marketing channel used by the company.
 - CO6-Given a situation, student manager should be able to explain the process of Reverse Logistics.

UNIT III – PHYSICAL DISTRIBUTION

Objectives:

- Students should understand the physical distribution process
- Different forms of channels used - Unconventional channels
- Channel Intermediaries & Integrated Marketing Channels – Horizontal, Vertical, Multi channel.
- **Ref. Book –**
- **Sales & Distribution by Havalkar & Cavale**

UNIT III – PHYSICAL DISTRIBUTION

- Definition, Importance – participants in physical distribution process
- Different forms of channels - Functions of Marketing Channels, Unconventional channels – Channel Intermediaries – Wholesaling and Retailing, Channels for Consumer goods, Industrial Goods & Services .
- Integrated Marketing Channels – Horizontal, Vertical, Multi channel.
- Marketing Systems – International Marketing Channels.
- Marketing Channel Policies and Legal Issues.

Distribution

- The movement of goods and services from the source through a distribution channel, right up to the final customer, consumer, or user, and the movement of payment in the opposite direction, right up to the original producer or supplier.
- It is defined as the **management of all activities which facilitate movement and co-ordination of supply and demand in creation of time, place utility in goods.**

Physical Distribution

It is concerned with the **flow of goods to the ultimate consumers** which includes **transportation, warehousing and inventory management.**

It is the group of activities associated with the **supply of finished product from the production line to the consumers.**

Philip Kotler: **Involves planning, implementing, & controlling the physical flow of material & final goods from the point of origin of use to meet customer need at a profit**

Physical Distribution

In essence, it is the "science" of business logistics whereby the proper amount of the right kind of product is made available at the place where demand for it exists at the time it exists.

- Viewed in this light, **It is the key link between manufacturing and demand creation.**

Objective of Physical Distribution

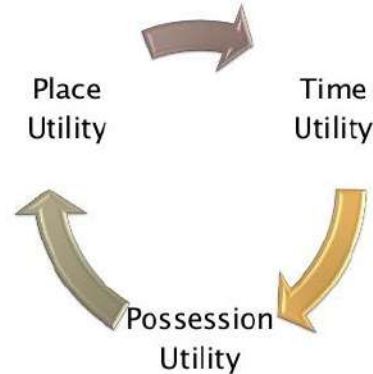
1. Getting the right product, at the right place, at the right time, in right quantity, and the right customer at the lower cost
2. Attain customer satisfaction
3. Profit maximization
4. Proper co-ordination of distribution activities
5. To provide better service at lower prices
6. To increase profit margin

Objective of Physical Distribution

- **Meeting standards of customer service for**
 - Timeliness of order fulfillment
 - Accuracy of order fulfillment
- **Reducing total distribution costs**
 - Inventory levels against warehousing costs
 - Materials costs versus transportation costs
 - Distribution costs against customer service standards
 - Overall goal is to achieve the lowest total distribution cost compatible with the firm's customer service objectives.
- Reducing cycle (process completion) time
- Faster processes for increased customer service

Importance of Physical Distribution system

- Creation of Place, Time & Possession



- Improved Customer Service –

**To make products
available in the right
place at the right time
in the right quantities**

Importance of Physical Distribution system

- **Cut in Distribution Cost –**

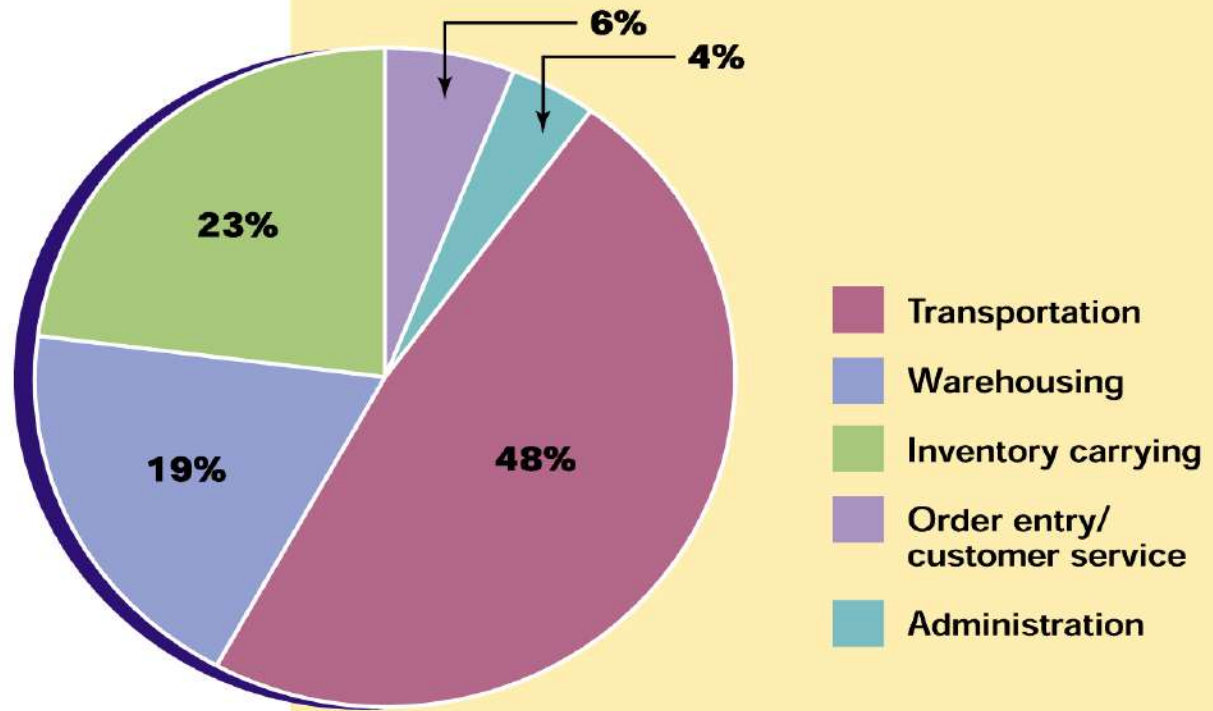
Experts have estimated that the physical distribution costs are in the range of 20 to 25 percent of the price.

If the total physical distribution costs are taken, transportation accounts for 45 percent; warehousing 25 percent; inventory carrying costs 10 per cent; receiving and shipping costs 5 percent; packing 6 percent; administration 5 per cent and order processing 4 percent.

- **Price stabilisation:**

Physical distributional components are capable of bringing about much desired price stabilisation.

Cost of Distribution Functions



Components of Distribution

1. Channels of Distribution 2. Physical Distribution.

Channels of Distribution mean the intermediaries or the process through which the products are transferred from the producers to ultimate users. They are distributors, retailers, agents, bankers etc.

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