Distribution
Career-Sustaining Level

Key Topics:
- Distribution Defined
- Types of Distribution Activities
- Importance of Distribution
- Factors Affecting Distribution Decisions

Instructor Section
Competency Number: DS:001
Your students will be amazed! You may even be a bit surprised yourself. Most of us have never really thought about the amazing feats of logistics experts as they get products from the Pacific Rim, central Africa, South America, Ohio, California, and New York—to our home towns and ultimately into our own hands.

Logistics. Odds are you never heard the word until college. Maybe not even then. But, increasingly in this global economy, logistics and transportation plays a critical role in our quality of life. Logistics is a critical aspect of marketing. Whether it's the incredible success of Wal-Mart, the dramatic expansion of catalog-based retail, just-in-time inventory, or the computerized order picking operation in the warehouse—logistics has come of age.

Like many other fields of endeavor, the distribution function is carried out by professionals who make a significant contribution to maintaining and improving our standard of living. They are management professionals on the cutting edge—using the latest equipment, supporting technological breakthroughs, and attempting to break down barriers to expanded international trade. Transportation and logistics are a key element in making worldwide products accessible to each of us at reasonable prices and within reasonable time frames.

Our consortium of sponsors for this LAP Module are proud of the work they support and pleased to make this Distribution LAP available to students nationwide. Our fraternities throughout the nation can help bring this LAP alive. Give us a call and we'll work to arrange individual speakers and real-life experiences that can give students a real taste of what distribution is about. After all, you've not lived until you've crawled into the cargo hold of a 747, watched an automated computer routing system at work, or seen the flow through a large warehouse.

Call us. We'll give you a sample of exciting career opportunities that most students will never know!

This Learning Activity Package is sponsored in part by
- Colorado Community College and Occupational Education System • Jefferson County Schools • American Society of Transportation and Logistics • Council of Logistics Management • Delta Nu Alpha • Denver Transportation Club
OBJECTIVES

COMPETENCY: Explain the nature and scope of distribution (DS.001)

A. Identify the activities that make up the marketing function of distribution.
B. Explain the role of distribution in marketing.

INSTRUCTIONS FOR GROUP LEARNING ACTIVITIES

This activity involves a group presentation on the nature of marketing, the marketing concept, and the important role that marketing plays in our society. Ten transparencies (pages 15–33), two application exercises, and the following notes are provided for your use.

Two evaluation instruments are contained in the LAP. The practice test, found on pages 47–48, is designed to help students determine whether they are capable of achieving the stated objectives. The posttest, pages 53–56, is designed to measure the degree to which students are capable of achieving each of the stated objectives. Keys for both instruments are contained in the LAP.

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A. 1. **What is distribution?**
   A. All the activities involved in moving or transferring the ownership of goods or services from producers to consumers.
   B. It is the connecting link between producers and consumers.
   C. Its main goal is making sure that the right product is at the right place at the right time for purchase by the consumers or industrial users.
   D. Products are made available by distribution.
   E. Different activities of distribution must work together if a business is to be successful and the needs and wants of consumers are to be met.
   F. Successful marketers provide consumers with what they want in the fastest, most efficient way.

2. **Types of distribution activities:**
   A. Packaging
      1. Defined as enclosing products in appropriate wrappings or containers
      2. Must take place before most goods can be handled or moved
      3. Purposes served by packaging:
         a. Protects products until they reach consumers
         b. Helps to sell products by making them appealing to consumers
         c. Can make products easier to ship or to store
      4. Examples of packaging activities:
         a. Wrapping
         b. Bottling or boxing

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DISTRIBUTION 3
### Group Learning Activities (cont'd)

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| A 2 (cont a)        | c. Color-coding  
d. Price-marking  
e. Placing in appropriate containers  
f. Adding cushioning materials  
g. Attaching shipping tags |

**DISCUSSION.** Ask students to identify different ways in which goods they buy are packaged for sale.

### 3 Stock Handling

1. Defined as the loading, unloading, and handling of goods  
2. Must be done carefully in order to prevent any damage to goods  
3. Many warehouses use mechanized devices to lift, move, and rearrange goods in order to make the job easier for workers and to prevent damage to the goods  
4. Types of stock-handling activities:  
   a. Receiving: the process of counting and checking goods as they are received  
   b. Sorting: categorizing goods by type, stock number, or other identifying characteristics  
   c. Assembling shipments: gathering together goods requested from within the company or by outside customers

**DISCUSSION.** Ask what types of stock-handling activities have been done by students in the class.

### 4 Transportation

1. Defined as the act of moving anything from one place to another or the method by which it is moved  
2. Usually the most expensive part of distribution  
3. Marketers try to find the method that will give customers the best service at the most reasonable rate  
4. Major forms of transportation:  
   a. Rail carriers  
      1* Used to carry heavy, bulky goods for relatively low fees
Distribution

... all the activities involved in moving or transferring ownership of goods or services from producers to consumers
Packaging...

enclosing products in appropriate wrappings or containers
DIRECTIONS TO THE INSTRUCTOR

Individual Activities

These activities are designed to reinforce individual student understanding of the nature and scope of distribution. Read the two exercises, and select the one which better meets the individual's needs.

1. Duplicate the handout entitled "Which Hat Do I Wear?" found on page 37. When the student has completed the activity, provide her/him a copy of the answer guide found on page 43.

2. Duplicate the handout entitled "A Sound System" found on page 38. When the student has completed the activity, give him/her a copy of the answer guide found on page 44.

Group Activities

These activities are designed to provide group reinforcement of the concepts related to the nature and scope of distribution. Read the two activities, and select the one better suited to the group's needs.

1. **Preparation:** Duplicate the handout entitled "Distribution Scramble" found on pages 39–40—one per student.

   **Process:** Divide the class into two-member teams. Explain that each team is to complete the "Distribution Scramble" handout. The first team to complete the handout should be given a reward. When all teams have completed the activity, review their responses. An answer guide is found on page 45.

2. **Preparation:** Duplicate the handout entitled "Distribution Magic" found on page 41—one per student.

   **Process:** Divide the class into small groups of three or four students each. Ask each student to read the case. The groups should then respond to the questions. They should write their responses in the spaces provided. When all groups have completed the activity, discuss group responses as a class. Compare strengths and weaknesses of the responses.
WHICH HAT DO I WEAR?

Directions: Listed below are brief job descriptions of employees in the field of distribution. Read each job description, and decide which distribution activity it describes. On a separate sheet of paper, write down the distribution activity. When you have finished, ask your instructor for a copy of the answer guide.

1. My area of distribution involves loading, unloading, receiving, sorting, and assembling shipments. I operate mechanized equipment to lift, move, and rearrange goods.

2. Goods spend some time with me. Some stay a long time, while others pass through more quickly. Protection of goods is also my responsibility.

3. Making goods more appealing to consumers and making them easier to ship are typical purposes of my area of distribution.

4. Moving goods from one location to another is my responsibility. I represent the most expensive part of distribution.

5. Making sure the distribution system operates efficiently in my area of distribution. I make decisions concerning all areas of the distribution system.

6. Some call me the “watchdog” of the distribution system. I keep track of stock on hand, sales, and ordering. Computerized point-of-sale equipment helps my area of distribution be more accurate.
DISTRIBUTION SCRAMBLE

Directions: Fill in the blanks by unscrambling the following terms.

a. nsrtiidbiuto
b. gpnaigka
c. oktsc dnaninh1
d. torttanopirasn
e. gasowinheru
f. ynitvneoroclotn
g. nampyoc zeis
h. rdupcot
i. eddnam
j. gretta ekatrm
k. fperreence
l. sawl
m. eelly fo resciev
n. cotnimetpol

Directions: Using the unscrambled terms, complete each statement.

1. Enclosing products in appropriate wrappings or containers is known as ____________.
2. Keeping track of the amount of stock on hand, sold, and on order is called ____________.
3. The quantity of a good or service that buyers are ready to buy at a given price at a particular time defines ____________.
4. Government regulations which affect businesses are ____________.
5. Companies must decide what ____________ they wish to offer in order to select an appropriate distribution system.
6. All the activities involved in moving or transferring the ownership of goods or services from producers to consumers are called ____________.
7. A factor in deciding on storage space, staffing, and shipping methods is ____________.
8. Placing goods in a safe location until they are needed or are ready to be sold is called ____________.
9. Loading, unloading, and handling of goods is called ____________.
10. Moving anything from one place to another or the method by which the goods are moved is known as ____________.
11. The number of services which a company offers its customers and the speed at which the services are performed is called ____________.
WHICH HAT DO I WEAR?—ANSWER GUIDE

1. My area of distribution involves loading, unloading, receiving, sorting, and assembling shipments. I operate mechanized equipment to lift, move, and rearrange goods. **Stock handling**

2. Goods spend some time with me. Some stay a long time, while others pass through more quickly. Protection of goods is also my responsibility. **Warehousing**

3. Making goods more appealing to consumers and making them easier to ship are typical purposes of my area of distribution. **Packaging**

4. Moving goods from one location to another is my responsibility. I represent the most expensive part of distribution. **Transportation**

5. Making sure the distribution system operates efficiently is my area of distribution. I make decisions concerning all areas of the distribution system. **Management of distribution**

6. Some call me the “watchdog” of the distribution system. I keep track of stock on hand, sales, and ordering. Computerized point-of-sale equipment helps my area of distribution be more accurate. **Inventory control**
DISTRIBUTION SCRAMBLE—ANSWER GUIDE

a. nartidihtu = distribution
b. gpnaicgka = packaging
c. oktsd naginh = stock handling
d. torttanoprasn = transportation
e. gagwinheru = warehousing
f. ynitvno = inventory control
g. nampyog zei = company size
h. rdupcot = product
i. ednam = demand
j. grettekatrm = target market
k. sperence = preference
l. sawi = laws
m. eelvforesciev = level of service
n. cotnimetpoe = competition

Fill-in-the-Blanks

1. Enclosing products in appropriate wrappings or containers is known as packaging.
2. Keeping track of the amount of stock on hand, sold, and on order is called inventory control.
3. The quantity of a good or service that buyers are ready to buy at a given price at a particular time defines demand.
4. Government regulations which affect businesses are laws.
5. Companies must decide what level of service they wish to offer in order to select an appropriate distribution system.
6. All the activities involved in moving or transferring the ownership of goods or services from producers to consumers are called distribution.
7. A factor in deciding on storage space, staffing, and shipping methods is company size.
8. Placing goods in a safe location until they are needed or are ready to be sold is called warehousing.
9. Loading, unloading, and handling of goods is called stock handling.
10. Moving anything from one place to another or the method by which the goods are moved is known as transportation.
11. The number of services which a company offers its customers and the speed at which the services are performed is called level of service.
12. The distribution methods used by a company's competition can affect the distribution decision.
13. Most companies set up their distribution systems based on the characteristics of their product.
14. The business must know who the target market is for their product, where it is located, and the size of orders expected in order to determine the best methods for distribution.
15. Many companies base their distribution decisions on customer preference.
PRACTICE TEST

Directions: Answer each of the following questions. Use a separate sheet of paper to record your responses.

OBJECTIVE A

1. All the activities involved in moving or transferring the ownership of goods or services from producers to consumers are known as ___________. (2 points)
2. What is the main goal of distribution? (2 points)
3. What is packaging? (2 points)
4. What are three purposes served by packaging products? (6 points; 2 points each)
5. List two examples of packaging activities. (4 points; 2 points each)
6. What is stock handling? (2 points)
7. The process of counting and checking goods as they are received is known as ___________. (2 points)
8. Categorizing goods by type, stock number, or other identifying characteristics is known as ___________. (2 points)
9. Gathering together goods requested from within the company or by outside customers is known as ___________ shipments. (2 points)
10. Identify three major forms of transportation used in the distribution of goods. (6 points; 2 points each)
11. Placing goods in safe locations until they are needed or ready to be sold is known as ___________. (2 points)
12. Why are warehouses important in distribution? (2 points)
13. What are two reasons that goods may need to be placed in storage? (4 points; 2 points each)
14. The distribution activity that involves keeping track of how much stock is on hand, how much has been sold, and how much should be ordered is known as ___________. (2 points)
15. What are three areas for which distribution managers must make decisions? (6 points; 2 points each)

OBJECTIVE B

16. Why is distribution important to each of the following factors? (24 points; 3 points each)
   a. Costs
   b. Time and place utility
   c. Sales volume
   d. Capital
   e. Customer
   f. Profits
   g. Product success
   h. Competition
17. How do each of the following factors affect decisions management must make about distribution:

   a. Company size
   b. Product
   c. Demand
   d. Target market
   e. Customer preference
   f. Laws
   g. Level of service
   h. Competition
   i. Intermediaries
   j. Cost

Suggested Criterion Level: 80 points
PRACTICE TEST KEY

OBJECTIVE A

1. All the activities involved in moving or transferring the ownership of goods or services from producers to consumers are known as distribution. (2 points)

2. The main goal of distribution is to make sure that the right product is at the right place at the right time for purchase by the consumers or the industrial users. (2 points)

3. Packaging is defined as encasing products in appropriate wrappings or containers. (2 points)

4. Three purposes served by packaging are as follows: (6 points; 2 points each)
   a. Packaging protects products until they reach consumers.
   b. Packaging helps to sell products by making them appealing to consumers.
   c. Packaging can make products easier to ship or to store.

5. Responses should include any two of the following examples of packaging activities: (4 points; 2 points each)
   a. Wrapping
   b. Bottling or boxing
   c. Color-coating
   d. Price-marking
   e. Placing in appropriate containers
   f. Adding cushioning materials
   g. Attaching shipping labels

6. Stock handling is defined as the loading, unloading, and handling of goods. (2 points)

7. The process of counting and checking goods as they are received is known as receiving. (2 points)

8. Categorizing merchandise by type, stock number, or other identifying characteristics is known as sorting. (2 points)

9. Gathering together goods requested from within the company or by outside customers is known as assembling shipments. (2 points)

10. Answers should include any three of the following major forms of transportation: (6 points; 2 points each)
    a. Rail carriers
    b. Motor carriers
    c. Water carriers
    d. Pipelines
    e. Air carriers

11. Placing goods in safe locations until they are needed or ready to be sold is known as warehousing. (2 points)

12. Warehouses are crucial to the distribution system because most goods spend at least some time in storage. (2 points)
13. Answers should reflect any two of the following reasons that goods may need to be placed in storage:
   (4 points; 2 points each)
   a. They may be products that are produced year-round but sold only in certain seasons of the year.
   b. They may be products that sell better after they have been aged.
   c. They may be products that are being produced at a faster rate than they are being sold.
   d. They may be products that are being held in the hope that their prices will go up.
   e. They may be products that have been purchased in larger amounts than are needed in order to get the best price.

14. The distribution activity that involves keeping track of how much stock is on hand, how much has been sold, and how much should be ordered is known as **inventory control**.
   (2 points)

15. Answers should reflect any three of the following areas for which distribution managers must make decisions:
   (6 points; 2 points each)
   a. The channel of distribution
   b. The scope of distribution
   c. The warehouse
   d. The method of transportation
   e. The level of stock
   f. The information system

**OBJECTIVE B**

16. Answers should reflect the following reasons that distribution is important to each factor identified:
   (24 points; 3 points each)
   a. **Customers**
      Distribution activities make up about half of the total marketing costs for a product. These costs are expected to increase in the future.
   b. **Time and place utility**
      Without distribution, most sales could not take place because distribution puts products where consumers can buy them at the right time for the sale or where they can be held in storage until the time for the sale arrives.
   c. **Sales volume**
      When orders are filled quickly and accurately, and items are seldom out of stock, sales generally increase. On the other hand, if delivery takes too long or costs too much, sales generally decrease.
   d. **Capital**
      Efficient inventory control can keep a business from having too much of its capital tied up in stock. It can also help to identify slow-selling merchandise that ties up capital.
   e. **Customers**
      An efficient distribution system can help a business retain customers.
   f. **Profits**
      Efficient distribution can increase overall profits. When a company can reduce its distribution expenses without reducing its service to customers, the company's profits can be greater.
POSTTEST

Directions: Identify the correct answer to each of the following questions. Use a separate sheet of paper to record your responses.

OBJECTIVE A

1. Moving or transferring the ownership of goods or services from producers to consumers is called ______________________ activities.
   a. selling  c. transportation  
   b. distribution  d. shipping  (4 points)

2. What is the main goal of distribution?  (4 points)
   a. To make goods appealing to customers and easy to ship or store  
   b. To keep track of how much stock is on hand, sold, and on order  
   c. To place goods in safe locations until they are needed or are ready to be sold  
   d. To make sure that the right product is at the right place at the right time for purchase

3. In order to protect products from damage during shipping, producers should use proper ______________________.  (4 points)
   a. labeling  c. routing  
   b. packaging  d. tagging

4. Which of the following is a purpose of packaging:  (4 points)
   a. To count and check goods as they are received  
   b. To protect products until they reach consumers  
   c. To gather together goods requested from within the company or by outside customers  
   d. To categorize merchandise by type, stock number, or other identifying characteristics

5. Receiving goods, sorting goods, and assembling shipments are all activities that make up the distribution activity of ______________________.  (4 points)
   a. transportation  c. packaging  
   b. shipping  d. stock handling

6. The most expensive part of distribution is  (4 points)
   a. stock handling  c. transportation  
   b. warehousing  d. inventory control

7. A business that sells heavy, bulky goods is most likely to ship those goods by ______________________.  (4 points)
   a. rail  c. air  
   b. truck  d. pipe
OBJECTIVE A

1. **Distribution.** Distribution activities serve as the link between and among businesses by enabling goods to be moved from one place to another where they are needed. Transportation is the method used for moving goods from place to place. Shipping is one method of transportation. Selling is responding to consumer needs and wants through planned, personalized communications in order to influence purchase decisions and ensure satisfaction. (4 points)

2. **To make sure that the right product is at the right place at the right time for purchase.** Distribution is the connecting link between producers and consumers. Products are actually made available by distribution. Making goods appealing to customers and easy to ship or store are goals of packaging. Placing goods in safe locations until they are needed or ready to be sold is the definition of storage. Keeping track of how much stock is on hand, how much has been sold, and how much should be ordered is the definition of inventory control. (4 points)

3. **Packaging.** Packaging protects the product during shipping and makes it easier to ship and to store. Packaging also provides the product with customer appeal. Labeling or tagging products is necessary for identification but does not protect them in shipping. Routing is the path the product takes during shipping. (4 points)

4. **To protect products until they reach consumers.** Before most goods can be handled or moved, they must be packaged in some way. Packaging activities include wrapping, bottling or boxing, color-coding, price-marking, placing in appropriate containers, adding cushioning materials, and attaching shipping tags. Counting and checking goods as they are received are examples of receiving responsibilities. Categorizing merchandise by type, stock number, or other identifying characteristics defines sorting. Gathering together goods requested from within the company or by outside customers defines assembling shipments. (4 points)

5. **Stock handling.** Stock handling is the process of receiving goods, sorting them so that they are in the right place, and assembling orders for shipment to their final destination. Transportation is the act of moving anything from one place to another by which it is moved. Shipping is another term for transporting. Packaging is a distribution activity that involves enclosing products in appropriate wrappings or containers. (4 points)

6. **Transportation.** Because transportation is the most expensive part of distribution, marketers must try to find the transportation method that will give customers the best price at the most reasonable rate. Many small companies depend on outside companies for this service and must pay a higher price than if they owned their own shipping services. Stock handling, warehousing, and inventory control are all components of the distribution process. (4 points)

7. **Rail.** Rail carriers are generally used to carry heavy, bulky goods because they have the capability and charge relatively low fees. Trucks and other motor vehicles are used to haul a wide variety of goods of ordinary weight. Airlines are used for fragile, perishable, or emergency shipments because they are fast even though expensive. Pipelines carry only liquids or gases. (4 points)