

Module 1: Marketing

Lesson 2 - Marketing Mix: Place

OVERVIEW

This marketing mix lesson explores the concept **place**. Students will gain an understanding of how businesses distribute products and services while learning about how supply chain factors impact the way companies get those products and services to consumers.

OBJECTIVES

1. Define place.
2. Explain the importance of distribution and its role in the function of place as part of the marketing mix.
3. Differentiate between e-commerce and brick-and-mortar.
4. Understand the business dynamics of delivery service.
5. Describe the concept of retail.

KEY TERMS

Place

Distribution

Retail

E-Commerce

Micro-Transactions

Brick-and-mortar

Social commerce

This Lesson Bundle Includes:

- Introduction to Place - Lesson Outline
- Introduction to Place - Slide Presentation
- Industry Application - Related Links

Lesson 2 - Marketing Mix: Place

MARKETING MIX: PLACE

What is the Marketing Mix?

The four components of the marketing mix are **product**, **place**, **promotion**, and **price**.

What is Place?

Place refers to the process of making a product available to consumers. Marketing professionals must identify where consumers shop to make these decisions. It takes careful consideration to determine which locations will offer the best opportunity to maximize sales by providing opportunities for consumers to purchase goods and services in the places they shop.



DISCUSSION TOPIC

Place is an important component of the marketing mix, and a critical function of marketing. For businesses to maximize profits, they must establish an effective distribution strategy and supply chain management.

Think about the last few purchases you made.

- Were you in a store?
- What type of store was it?
- Have you purchased a product online?
- Have you purchased a product using an app or through social media?
- How long before you made the purchase until you received the actual product?

Decisions businesses make as it relates to place impact how and when you have the products you purchase in hand.

Distribution

Distribution refers to the path goods and services take en route to the end consumer (the individual who uses the product or service). The end consumer is not necessarily the person or persons who purchase the product or service, but rather the person or persons who use the product or service.

For a business to succeed, it must develop effective distribution strategies. Ineffective distribution can lead to unhappy customers. Think about a time when you ordered something online and the shipment was delayed or an order went unfulfilled. How satisfied were you as a customer?



Retail

Retail refers to the sale of goods and services to individual consumers for their personal use. Typically, purchases are made in small quantities when compared to wholesaling and are not meant for redistribution or resale. Retail transactions typically occur online or at a physical, brick-and-mortar store.

Retail is big business. According to the National Retail Federation, retail is the nation's largest private-sector employer, with 52 million Americans working in the industry. The organization suggests that, "Anyone whose job results in a consumer product – from those who supply the raw materials to factory workers to the truck drivers who deliver goods to stores – counts on retail for their livelihood."¹ NRF forecasts that sales will grow by between 6% and 8% to more than \$4.9 trillion in 2022, and that doesn't even include automobiles, gas stations, and restaurants.²



Retailers

A **retailer** is an individual or business from which consumers can purchase goods and services directly. Retailers rarely produce or manufacture their own products, but instead purchase those goods from a distributor, wholesaler, or directly from the manufacturer and typically do so in small quantities rather than buying in bulk.

¹ <https://nrf.com/insights/economy/about-retail-jobs>

² <https://nrf.com/topics/economy/state-retail>

Types of Retail Businesses:

Grocery stores and supermarkets

- Grocery stores and supermarkets offer food, household goods, and other consumer products.
- Publix is a grocery store that sells household items like garbage bags and food items like produce while offering to-go food options from the deli.

Department stores

- Department stores offer a variety of goods and services in one location.
- Macy's is a department store that offers everything from clothing and fragrances to furniture and home goods.

Big box stores

- The term "big box" refers to stores that offer specialty products within a large consumer category.
- Lowe's is a big box store that offers an expansive selection of home improvement products.

Convenience stores

- Convenience stores offer quick and easy access to consumer goods and could include local pharmacies or gas stations.
- 7-Eleven is a convenience store where consumers can quickly buy gas, grab a snack and a soda (or Slurpee) and get back on the road.

Discount stores

- Discount stores offer heavily discounted consumer goods and other products at low price points.
- Dollar General is a discount store where shoppers can purchase everything from food to household goods and decor at low prices.

Warehouse stores

- Warehouse stores offer big discounts but sell products in bulk.
- Costco is a warehouse store where consumers can find avocados at a cheaper price point per piece than they might normally find at a grocery store, but they will need to purchase the product in bulk.

"Mom-and-Pop" stores

- Mom-and-Pop stores are small businesses that are typically independently or family-owned.
- Mom-and-Pop store stores could include anything from a small independent candle store to a family-owned local restaurant.

E-tailers

- E-tailers are online retailers.
- Amazon, Alibaba, and Etsy are all examples of e-tailers, but many traditional retailers would now also be categorized as e-tailers as most now sell goods and services to consumers online.

COMMON TYPES OF RETAILERS



GROCERY STORES & SUPERMARKETS



DEPARTMENT STORES



BIG BOX STORES



CONVENIENCE STORES



DISCOUNT STORES



WAREHOUSE STORES



"MOM-AND-POP" STORES



E-TAILERS



Other examples of types of retail businesses include:

- Restaurants
- Clothing stores
- Hair salons
- Car dealerships
- Book stores
- Art dealerships

Walmart is by far the biggest retailer in the world with sales of more than \$543 billion, more than double Amazon's sales. Walmart conducts retail and/or e-commerce operations in 24 different countries around the world, operating approximately 10,500 stores including supermarkets, department stores, warehouse stores (branded as Sam's Club), and grocery stores. The company employs nearly 1.6 million associates in the U.S. alone.³

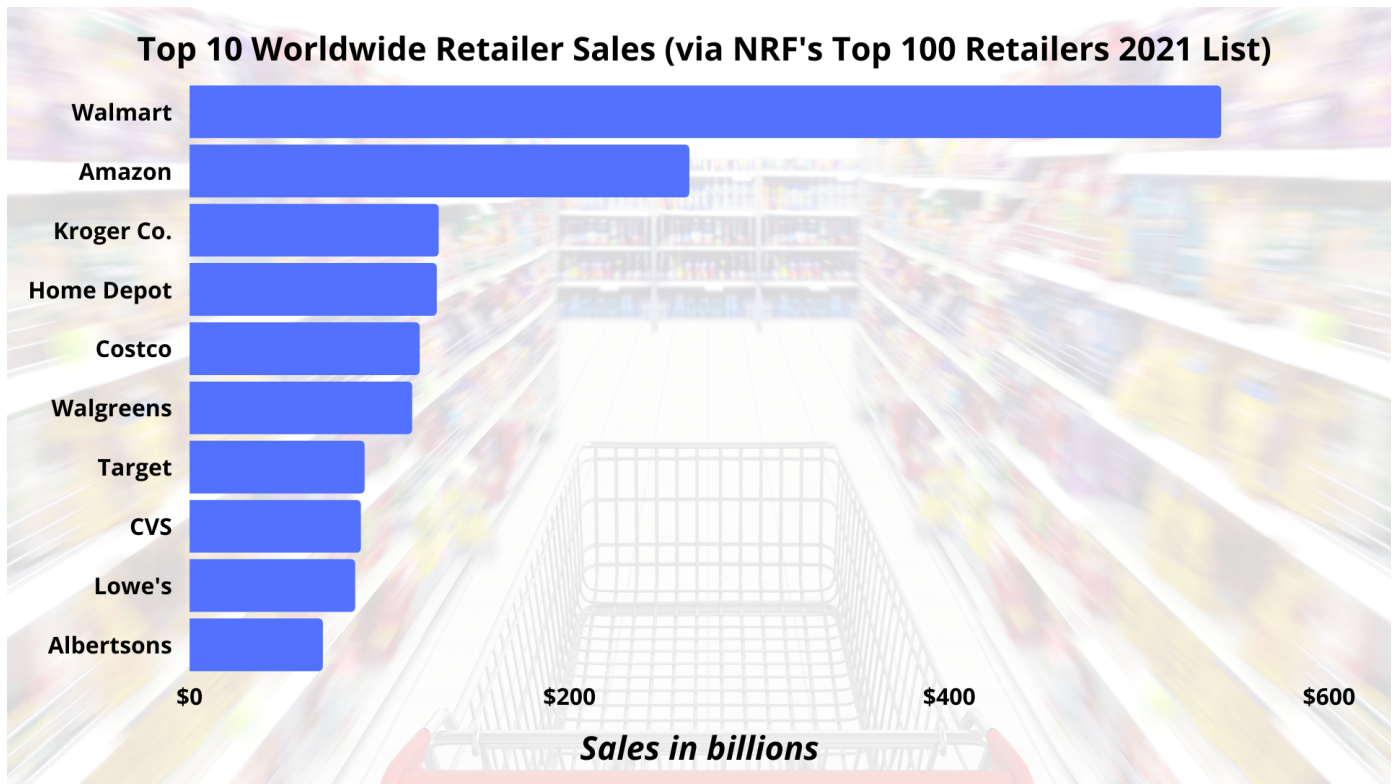
The top retailers in 2021:

1. Walmart - \$543.17 billion
2. Amazon.com - \$263.16 billion
3. The Kroger Co. - \$131.57 billion
4. Home Depot - \$129.89 billion
5. Costco Wholesale - \$121.12 billion
6. Walgreens - \$117.74 billion
7. Target - \$92.4 billion
8. CVS - \$89.94 billion
9. Lowe's - \$87.54 billion
10. Albertsons - \$69.73

[Click here for the NRF's complete Top 100 list.](#)

³ <https://corporate.walmart.com/about>





E-Commerce Retail vs. Brick-and-Mortar Retail

E-Commerce

E-Commerce refers to a consumer's ability to purchase goods and services online or through other digital platforms.

As technology has evolved, the popularity of e-commerce has exploded. Consumers are now as likely to purchase goods and services online as they are to make purchases in person. E-commerce is evolving at a rapid pace due to emerging technologies (AI, Web3, the metaverse, and digital products like NFTs) and the growth of cryptocurrency.

E-Commerce purchases could include:

- A SiriusXM subscription in your car
- A Hulu subscription
- Purchasing a pair of jeans from Macy's online
- Buying a pair of limited edition sneakers on a reseller website like Stock X

Micro-transactions are a type of e-commerce in the gaming sector where a customer purchases in-game items.

Micro-transactions are a significant revenue stream for many companies. For instance, in the game, Fortnite players can purchase digital products (power-ups, avatar skins, etc.) using V-Bucks—Fortnite's exclusive online currency. Fortnite, as a game, is free to play, but the company's revenue stream comes entirely from micro-transactions.

- According to data from [Payments Journal](#), the global online microtransaction market is estimated to be roughly \$33.4 billion.
- Also according to [Payments Journal](#), League of Legends, an online game played by 115 million people globally, a significant portion of the game's \$1.75 billion annual revenue is generated from micro-transactions.



Brick-and-Mortar Retail

Brick-and-mortar refers to traditional physical retail storefronts where customers shop and purchase products and services in person.

Brick and mortar retail purchases could include:

- Purchasing a t-shirt at Urban Outfitters
- Buying a Keurig at Target
- Purchasing the latest iPhone at an Apple Store

Retail Growth and Decline

Some analysts think e-commerce could slow the growth of physical retail, resulting in the closures of many brick-and-mortar stores. Other statistics suggest that post-pandemic we could see a resurgence in brick-and-mortar retail stores.

Statistics indicating a decline of Brick-and-Mortar retail:⁴

- Since 2008, 56,000 stores, or 10.7% of the discretionary retail footprint, have closed in the U.S. and 670,000 net jobs (9.6% of the total) have been lost.
- In this same timeframe, 41% of brick-and-mortar retailers have seen their profit margins decrease.
- Also in this same timeframe, e-commerce has grown at 10.5% per annum.
- For every job created in e-commerce, four and a half jobs are lost by brick-and-mortar retailers.
- Continued e-commerce expansion could eliminate another 500,000 jobs and 30,000 brick-and-mortar retail stores by 2025.

Statistics indicating possible growth of Brick-and-Mortar retail:⁵

- Some data suggests that, in 2022, brick-and-mortar growth is actually outpacing e-commerce.
- In 2022 brick-and-mortar stores saw more growth than e-commerce for the first time.
- Despite the rapid growth in e-commerce, which has increased by 70% in the past three years, physical retail establishments in the U.S. have also continued to increase.
- According to the National Retail Federation, 80% of all shopping still happens in physical stores.

E-Commerce retail may actually be helping to fuel the growth of brick-and-mortar retail sales. NRF surveys indicate that 9 of the top 10 e-commerce websites are run by retailers that also operate brick-and-mortar stores.⁶

Digital & Interactive Shopping Experiences

With emerging technologies like AI, Web3, the metaverse, and digital products in the form of NFTs, along with the continued growth of cryptocurrency, e-commerce is poised to continue to grow at a rapid pace. **Social commerce** has become more common, allowing consumers to shop and make purchases through various social media platforms.

The overall shopping experience continues to improve as consumers browse digital storefronts with evolving technology. For example, consumers today can order anything they want using any Amazon Alexa-enabled device.

⁴ https://www.allianz-trade.com/en_global/news-insights/economic-insights/retail-in-the-u-s---towards-destructive-destruction.html

⁵ <https://www.census.gov/retail/index.html>

⁶ <https://nrf.com/topics/economy/state-retail>



Other examples of technology's impact on e-commerce:

- Virtual shopping tools
- Social commerce applications
- Artificial Intelligence (AI)
- Interactive shopping experiences



DISCUSSION TOPIC

As technology evolves, social commerce will continue to grow. Inevitably, consumers will see more and more shoppable experiences pop up in social media feeds.

Ask your students to think about the social media platforms they frequent. Have they seen anything that allowed them to browse a product or product features directly from the social media feed? Were they prompted to make a purchase? How did they feel about the whole experience?



NOTES

Your *Marketing Insights from SCC* curriculum will take a deeper dive into the concepts of distribution and supply chain in module two, lesson five.



KEY TAKEAWAY

Place refers to the process of making the product available to the customer. Marketing professionals must identify where consumers shop to make these decisions.

Careful consideration must be given to determining which locations will offer the best opportunity to maximize sales by providing opportunities for consumers to purchase goods and services in the places they shop.



INDUSTRY APPLICATION

Connect your classroom with industry examples by reviewing the following news stories relating to concepts covered in this lesson:

Retail - [See Inside Facebook's First-Ever Physical Retail Location](#)

Retail - [The NRF Top 100 Retailers List \(2021\)](#)

Place - [Target Plans To Open More Than 250 Ulta Beauty Shops In Its Stores This Year](#)

E-Commerce - [Girl Scout Cookie Sales Are Going Increasingly Online. Is There A Downside?](#)

Supply Chain - [Starbucks Is Experiencing An Ingredient Shortage That Affects 25 Menu Items](#)

Virtual Shopping - [Amazon will let you try on digital versions of shoes you want to buy](#)

Artificial Intelligence - [Why Pinterest acquired AI firm The Yes in 2022](#)

KEY TERMS DEFINED:

Place: The process of making a product available to the customer.

Distribution: The path goods and services take en route to the end consumer (the individual who uses the product or service).

Retail: The sale of goods and services to individual consumers for their personal use.

E-Commerce: A consumer's ability to purchase goods and services online or through other digital platforms.

Micro-transactions: Purchases made in the gaming sector where consumers purchase in-game items.

Brick-and-mortar: A traditional physical retail storefront where customers shop and purchase products and services in person.

Social commerce: E-Commerce where consumers make purchases through various social media platforms.

