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**Distribution**

**Health Care Marketing**

# Learning Objectives

- Understand the concept of channel structure and the alternative channels available
- Know the various levels of distribution intensity and the implementation issues of each
- Understand vertical marketing systems and their application in health care.
- Describe the nature of channel leadership and the source of channel power.
- Recognize the application of retailing in health care strategy

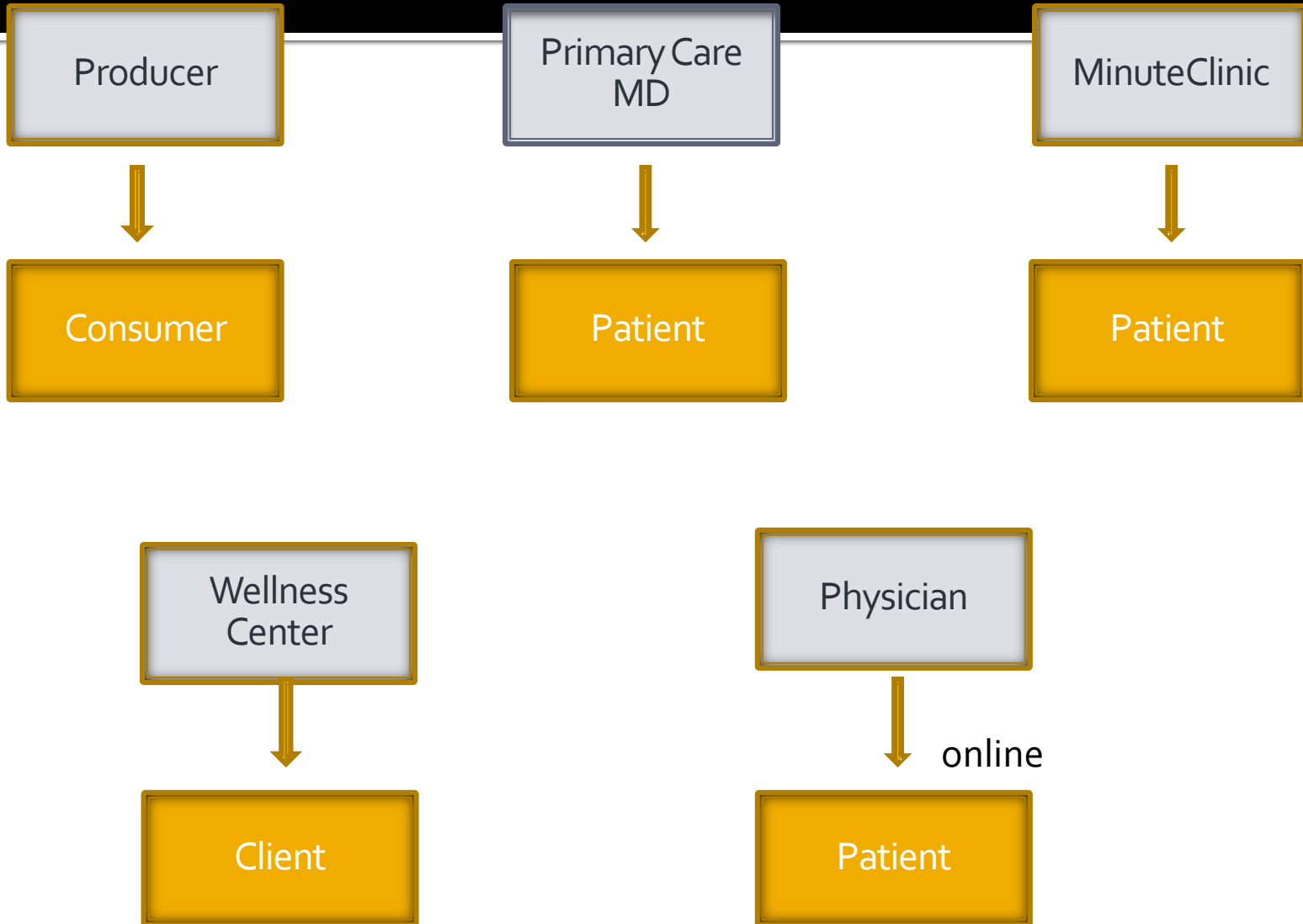
# Basics of Distribution

- Core part of marketing mix
- How & where the product/service is accessed by the customer
- Channel of distribution – path the product takes from producer to end user
- Marketers must decide:
  - How should product/service be distributed?
  - Who within channel should perform each function?
  - How much coverage of market is needed?
  - How can the channel be controlled?

# Basics of Distribution

- In health care, channel of distribution is often the path of referrals among providers
  - Distribution decisions are not always under direct control of health care marketers
- Channel length: number of people or organizations (intermediaries) between producer and end user

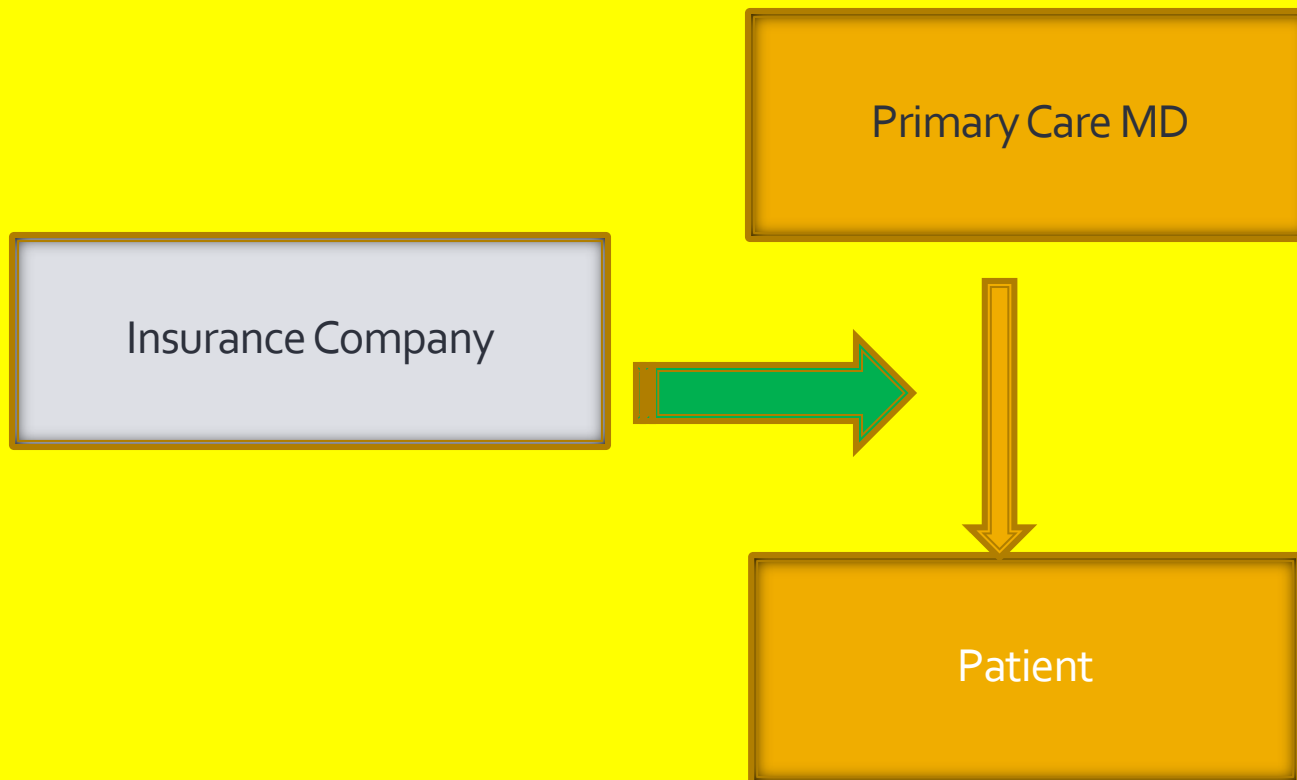
# Direct Channels of Distribution



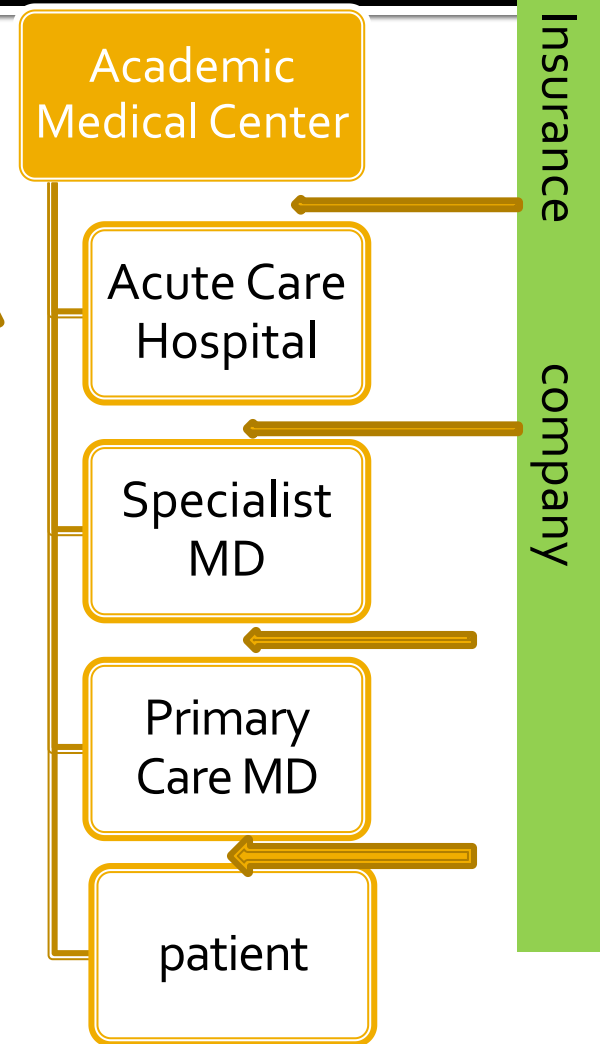
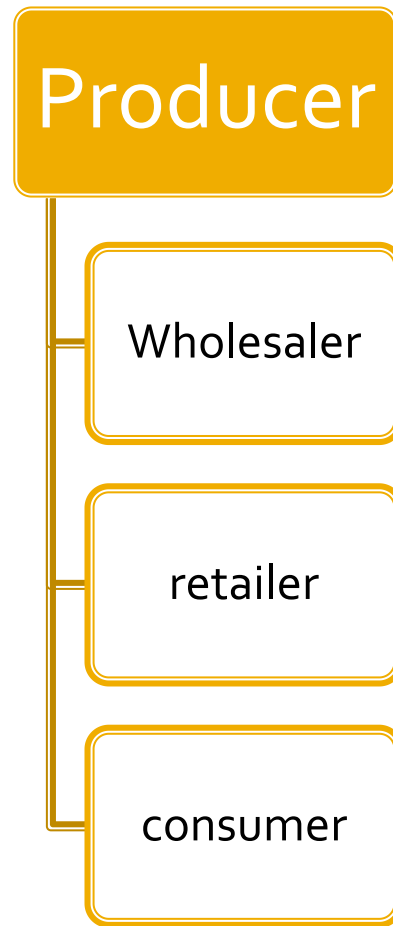
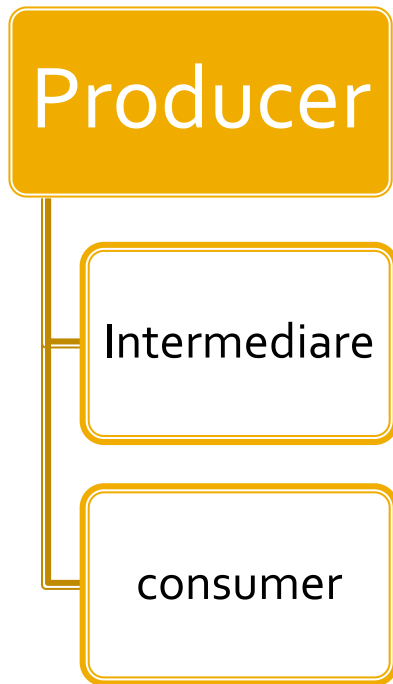
# Intermediaries

- A person or organization who facilitates the distribution of goods to the consumer
- Resellers (wholesalers and retailers)
- Logistics companies (shipping companies)
- Financers (banks and insurance companies)

# Direct Channels of Distribution



# Indirect Channels of Distribution





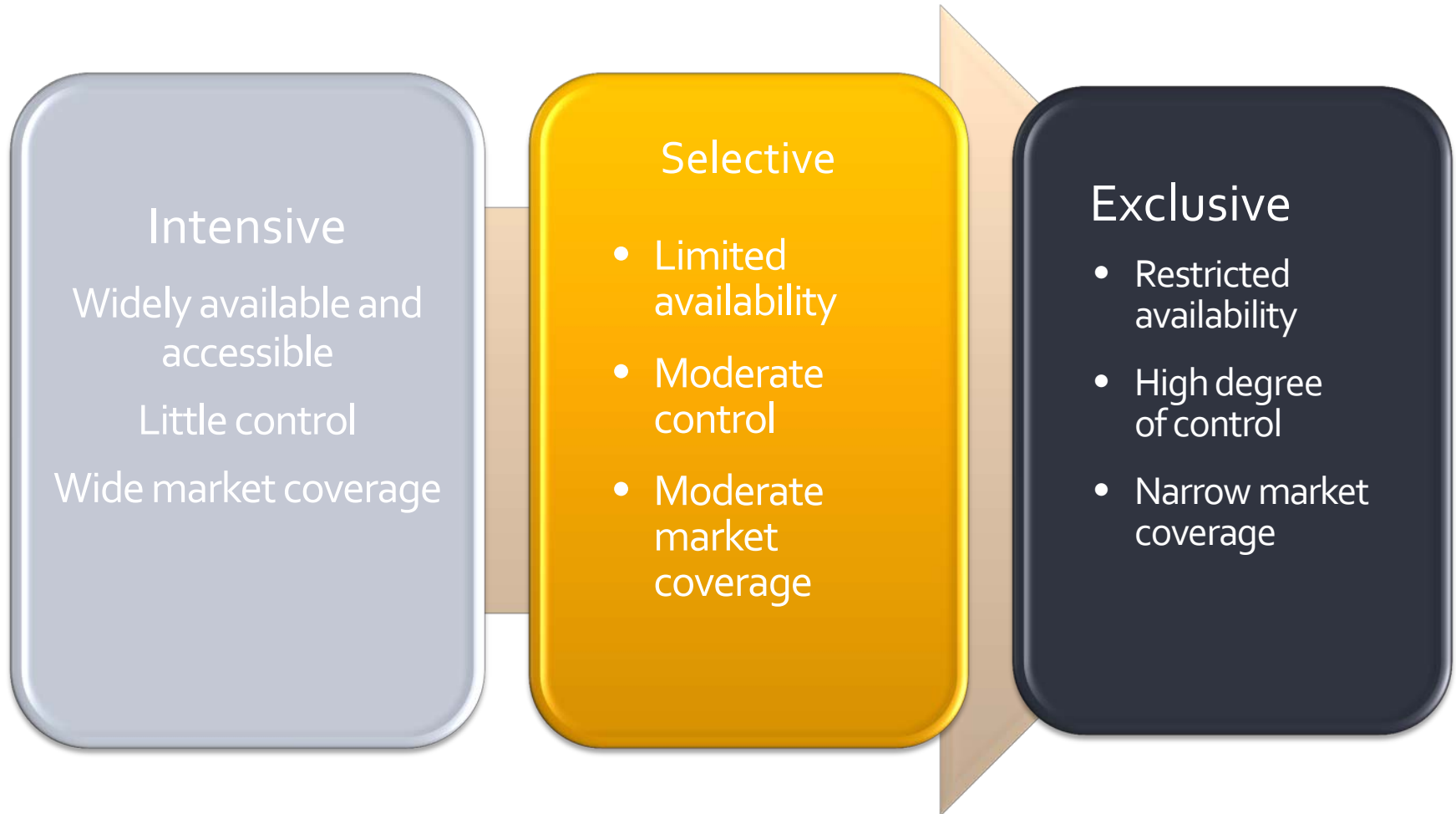
# How Intermediaries Add Value

- Geographic accessibility (Place utility)
- Time accessibility (Time utility)
- Financial Assistance/Affordability (Possession utility)
- Customization to individual needs/wants (Form utility)

# Channel Management

- Organizations must decide how to distribute their products/services to customers
  - How many and which intermediaries to use?
  - How wide?
  - How standardized?
- Distribution decisions directly affect costs, which affects prices
- Must work well with all other elements of the marketing mix
- Potential for conflict among channel members

# Intensity of Distribution



# Vertical Integration

- “Vertical marketing systems”
- Direction
  - Forward integration
  - Backward integration
- Extent of integration
  - Ownership
  - Alliances
  - Contracts/Franchising

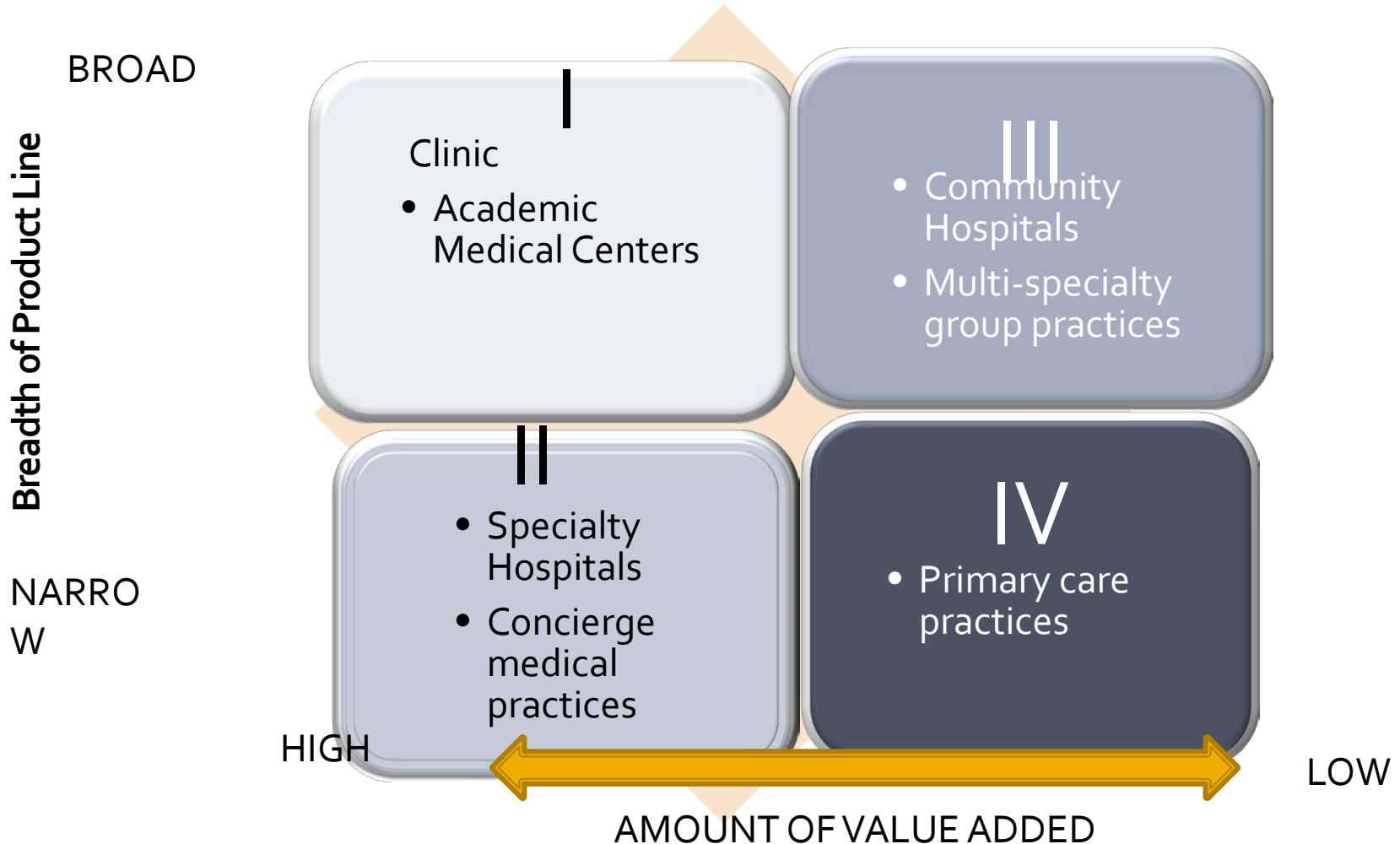
# Vertical Integration

- Vertically Integrated Delivery Systems
- Theoretical advantages:
  - Cost savings through reduction of duplication and improved coordination/continuity of care
  - Improved quality through improved coordination/continuity of care
  - Fewer conflicts among channel members
  - Improved access for patients
  - Easier navigation for patients
  - Increased market power

# Channel Leadership

- Channel commander
- Bases of power
  - Coercive/Reward
  - Referent (brand name awareness)
  - Expertise
  - Economic
- Concerns and limitation on using power
  - Damage to long-term relationships
  - Incentives to vertically integrate
  - Government Commissions

# Retail Positioning Matrix



# Putting It All Together: The Marketing Mix

