
Distribution

2017-18

DISTRIBUTION

Success of business depends on its *location*

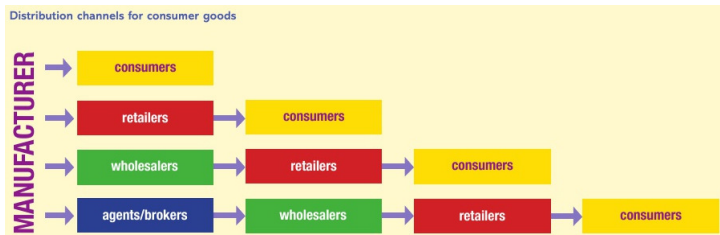


- ▶ Size: 125 000 m^2
- ▶ Open 27/7
- ▶ Every year visited by 1m cars and 165000 trucks

DISTRIBUTION CHANNELS

Distribution channel: route taken by product from producer to customer

- ▶ 2 approaches:
 1. sell *directly* to customers
 2. use *intermediaries* (e.g., retailers, wholesalers, ...)



DIRECT SELLING

- ▶ The internet
- ▶ Direct mail
- ▶ Door-to-door selling
- ▶ Mail order catalogues
- ▶ Direct response adverts
- ▶ Shopping parties
- ▶ Telephone selling

DIRECT SELLING

ADVANTAGES *vs.* DISADVANTAGES

- ▶ Advantages:
 - ▶ no intermediaries
 - no additional costs
 - more profit
 - ▶ reach customers who do not go to shops
- ▶ Disadvantages:
 - ▶ customers cannot *physically see* products
 - ▶ people *don't like* direct mail, unwanted calls, D2D sales



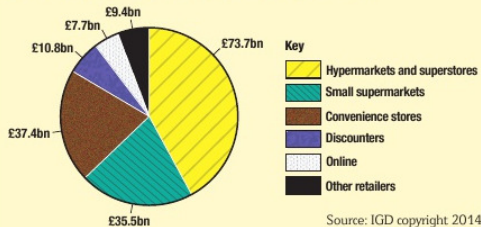
RETAILING

Retailing: buying goods from manufacturers and wholesalers, and selling in *small quantities* to consumers

- ▶ *services* provided by retailers (e.g., *breaking bulk*, convenient location, additional services)
- ▶ common types of *retail outlet*
- ▶ *size* of retail market (e.g., UK grocery market)
- ▶ distribution methods/channels used in grocery market

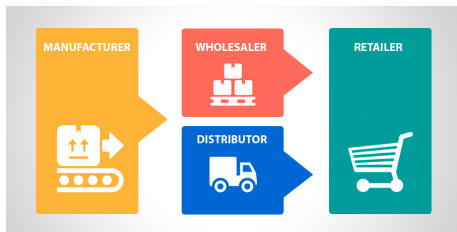
Retailer	Description
Independents	Mainly small shops, though some can be quite large, such as newsagents, grocers and specialists (e.g. jewellers).
Supermarkets	Large chain stores selling up to 20,000 lines, including food and non-food products.
Department stores	Large stores divided into separate departments, such as menswear, lingerie, electricals and cosmetics.
Multiples	Chains of stores selling common goods, e.g. Next, WHSmith, Boots, H.Samuel and Jaeger.
Online retailers	Wide-ranging, from giants such as Amazon selling many goods, to small independents.
Superstores	Sometimes called hypermarkets – very large stores selling a wide variety of goods, often very cheaply.
Kiosks/street vendors	Small outlets, usually specialists, selling limited ranges in airports, stations, malls, etc.
Market traders	Usually sole traders selling from market stalls in streets, squares and market halls – can be temporary or permanent.

Distribution channels used in the grocery market



WHOLESALING

Wholesaling: buying from manufacturers and selling to retailers



- ▶ break bulk, repack goods, store goods, ...
- ▶ wholesaler will stock goods
- ▶ retailers have choice among stock of goods

AGENTS OR BROKERS

Agents/brokers: intermediary that brings together buyers and sellers

- ▶ Example: travel agents, airlines, tour operators, ...
- ▶ Advantage of using agents:
 - ▶ reduces *risk* of selling overseas
 - ▶ agents have *knowledge of country and local markets*

CHOOSING THE APPROPRIATE DISTRIBUTION CHANNEL

- ▶ *Nature of the product:*
 - ▶ *services*
 - ▶ *fast-moving goods*
 - ▶ *high-quality products*
 - ▶ *products requiring explanation & demonstration*
- ▶ *Cost: choose cheapest distribution*
- ▶ *Market:*
- ▶ *Control:*

CHANGES IN DISTRIBUTION TO REFLECT SOCIAL TRENDS

- ▶ Online distribution
 - ▶ Business to consumers (B2C)
 - ▶ Business to business (B2B)
- ▶ Changing from product to service

BENEFITS TO CONSUMERS OF ONLINE DISTRIBUTION

- It is cheaper because online retailers often have lower costs
- Consumers can shop 24/7
- There is generally a huge amount of choice
- People can shop from anywhere if they have access to the internet

BENEFITS TO BUSINESSES OF ONLINE DISTRIBUTION

- E-tailers may not have to meet the costs of operating stores
- Lower start-up costs – both fixed and variable costs are lower
- Lower costs when processing transactions – many systems are automated
- Less paper is needed for documents, such as invoices and receipts
- Payments can be made and received online using credit cards or PayPal
- B2C businesses can offer goods to a much wider market – e.g. global
- Businesses can serve their customers 24/7
- Businesses have more choice of where to locate their operations

KEY TERMS

- ▶ **Agent or broker:** An intermediary that brings together buyers and sellers
- ▶ **Breaking-bulk:** Dividing a large quantity of goods received from a supplier before selling them on in smaller quantities to customers
- ▶ **Direct selling:** Producers selling their products directly to consumers
- ▶ **Distribution:** The delivery of goods from the producer to the consumer
- ▶ **Distribution channel:** The route taken by a product from the producer to the customer

KEY TERMS

- ▶ **E-commerce:** The use of electronic systems to sell goods and services
- ▶ **Intermediaries:** Links between the producer and the consumer
- ▶ **Retailer:** A business that buys goods from manufacturers and wholesalers, and sells them in small quantities to consumers
- ▶ **Wholesaler:** A business that buys goods from manufacturers and sells them in smaller quantities to retailers