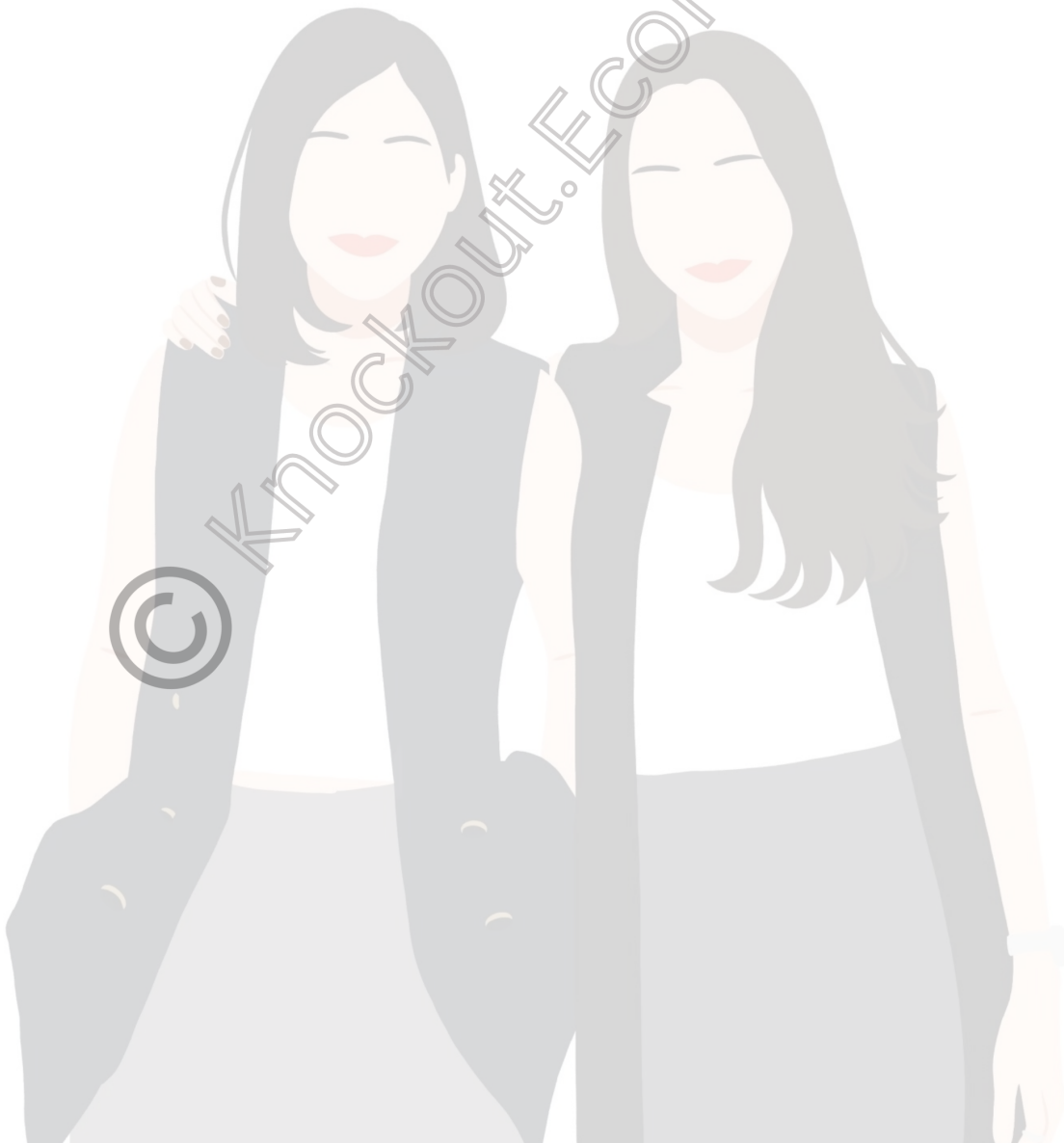


Chapter 15 Place

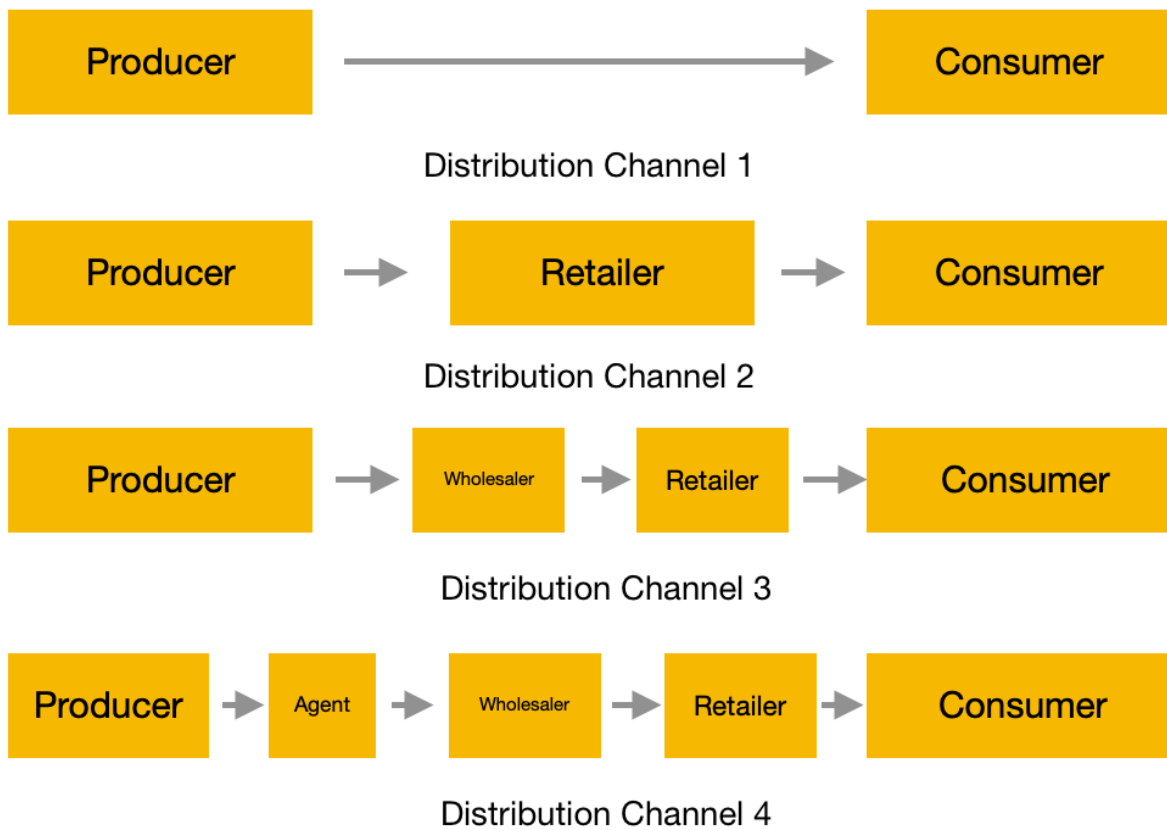
Key terms

1. Distribution channel: the means by which a product is passed from the place of production to the customer or retailer.
2. Agent : an independent person or business that is appointed to deal with the sales and distribution of a product or products.
3. E-commerce: the buying and selling of goods and services using computer systems linked to the internet.

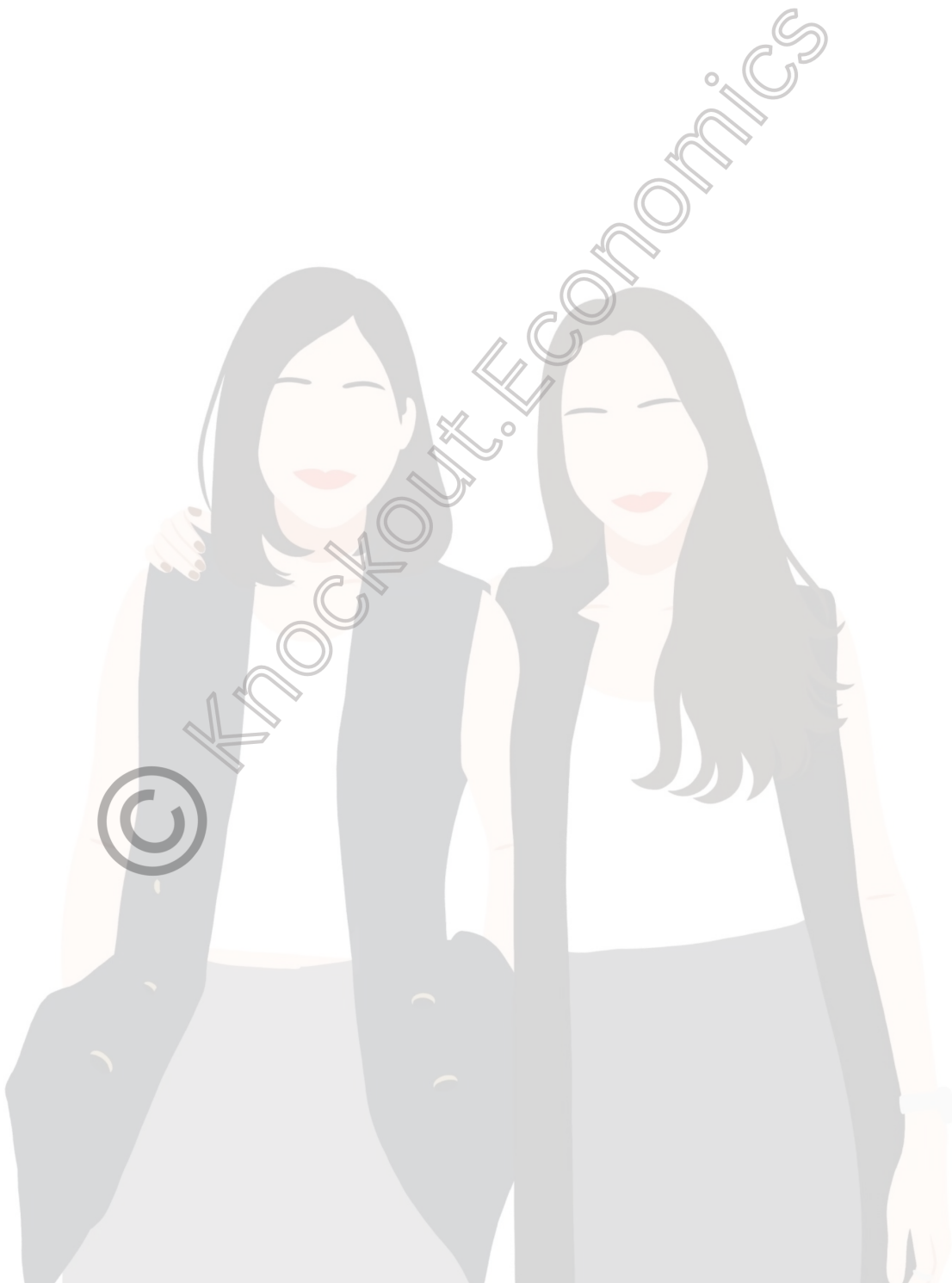


1. **Distribution Channels & Advantages and disadvantages of different channels**

Distribution channel: the means by which a product is passed from the place of production to the customer or retailer.



Distribution Channel	Advantages	Disadvantages
Distribution Channel 1	<ul style="list-style-type: none"> • It is simple. • It is suitable for products e.g. agriculture products • There is a lower price if sold directly to customers. 	<ul style="list-style-type: none"> • Customers do not live near the factory. • It may be very expensive to send products by post and therefore not cost effective.
Distribution Channel 2 Eg. supermarket	<ul style="list-style-type: none"> • Producers sells large quantities to retailers • Reduce distribution cost comparing channel 1 	<ul style="list-style-type: none"> • Cannot direct contact with customers
Distribution Channel 3	<ul style="list-style-type: none"> • Wholesaler saves space for small retailers and reduces storage cost. • Small retailers can buy products in small quantities from wholesalers. • It may give credit to customers to pay later. • Wholesalers may deliver to the small retailer. It saves transport costs. • Wholesalers can give advice to the small retailer. 	<ul style="list-style-type: none"> • May be more expensive for a small shop to buy from a wholesaler than bought straight from the manufacturer. • Wholesalers may not have the full range of products to sell. • Take longer for fresh produce to reach the shops and may not be as good quality.
Distribution Channel 4	<ul style="list-style-type: none"> • Agents know local conditions well and able to select the most effective places in which to sell. 	<ul style="list-style-type: none"> • Less control over the way the products sold to consumers



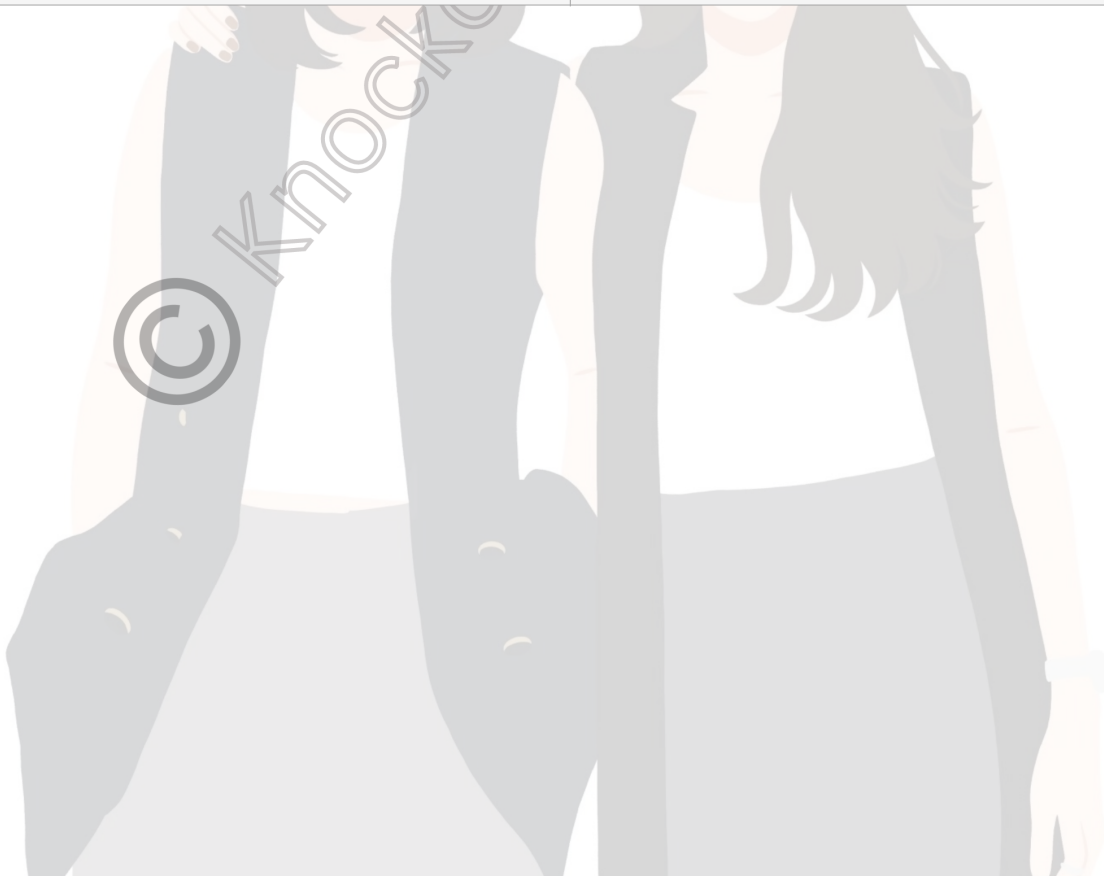
Methods of distribution

Method of distribution	Description
Department stores	A large store sells a variety of products from a wide range of suppliers.
Chain Stores	Two or more stores which have the same name and characteristics.
Discount Stores	Retail stores offering a wide range of products at discount price.
Superstores	New very large-out-of-the town which sell wide range of products
Supermarkets	Retail grocery stores with dairy products, fresh meat , packages food and non-food departments
Direct Sales	Products are sold directly from the manufacturing to consumers (Distribution Channel 1)
Mail order	Customers look through catalogs or magazines and order via post.
Internet / e-commerce	Businesses can sell products through websites or online channels.

2. E-commerce

: is buying and selling of goods and services using computer systems linked to the internet.

Opportunities of e-commerce to business	Opportunities of e-commerce to consumers
<ul style="list-style-type: none">• It is cheaper method as less fixed cost eg. rent fee / wage• Order can be taken from overseas ⇒ increase market share, revenue and profit• Business can also easily make online purchase of supplies and material from other business	<ul style="list-style-type: none">• It is more convenient for consumers, they can purchase products from anywhere and anytime.• Can compare price and products between websites.• Payment can occur easily by using a credit card.• Consumers can access more variety of products



Threats of e-commerce to business	Threats of e-commerce to consumers
<ul style="list-style-type: none"> • Competition is high since other businesses can easily do the same. • Website design must be attractive ⇒ increasing cost • Transportation costs per product sold are likely to be higher than selling through traditional shops. • There is no face-to-face contact with consumers which can provide useful market research feedback. • “ Return” goods can increase cost to firms. • E-commerce is not suitable for some products eg. hairdressing 	<ul style="list-style-type: none"> • Some customers cannot access the internet. • Computer systems failure or weak internet connection can interrupt process purchasing products. • Products cannot be seen, touched or tried on. • There is no face-to-face contact with sales staff so consumers may lack some data. • Many consumers are concerned about identity theft or fraudulent use of credit cards if they buy goods online.

2. **Recommend and justify an appropriate distribution channel in given circumstances**

Factors affecting distribution channels

2.1 What type of product is it?

Eg. Agricultural products ⇒ distribution channel 1

2.2 Is the product very technical?

: If products need technical knowledge eg. aeroplane engine, direct selling from the manufacturer will probably be selected.

2.3 How often is the product purchased?

: If it is bought every day ⇒ retail outlets could be used.

2.4 How expensive is the product?

: If the products are expensive ⇒ it will probably be sold through only a limited number of outlets.

2.5 How perishable is the product?

: If the product goes rotten quickly eg. fruit /bread ⇒ it will need to be widely available in

many shops so that it can be sold quickly.

2.6 Where are the consumers located ?

2.7 Where do competitors sell their products?

: Each manufacturer will probably sell their products in the same outlets as their competitors so that they can compete directly for customers.

