

Subject Content	What students need to learn?
2.2.4 Place	Methods of distribution; retailers and e-tailers (e-commerce)

Definitions

Distribution: How ownership changes as a product goes from producer to consumer

E-tailer: An electronic retailer; in other words purchasing electronically, either by e-commerce, or m-commerce

Retailer: A shop, usually selling from a building in a high street or shopping centre

Methods of Retail Distribution

There are 3 main ways to get products from the producer to the consumer:

The Traditional Channel: The producer sells in bulk to wholesalers, who sell in smaller quantities to small and independent retailers. Without wholesalers, small shops couldn't exist as it would be too expensive for the producer to deliver to all the different shops.

The Modern Channel: This is very important for the grocery sector. The producer delivers huge quantities directly to a supermarket's distribution depot which sends the product to all local supermarkets. This can help the supplier get a higher profit because they are closer to the customer

The Direct Channel: Buying directly from the producer, e.g. the original mail order services or more currently using e-commerce or m-commerce.

Gaining Retail Distribution

First time entrepreneurs are often surprised to find that getting retail distribution is hard, and keeping it is harder. To gain distribution a company need to:

- Show that its brand offers something different for customers
- Show strength in marketing
- Provide a high level of profit to the retailer

To keep stock over a period of years the company will need to:

- Provide regular promotional support to keep sales moving
- Make sure sales continue to grow by advertising

E-tail Distribution or Ecommerce

There are two main types of e-commerce

- Direct sales from producer to consumer such as buying a MacBook computer direct online from Apple
- Sales through an e-tailer such as ASOS

Direct sales are great for the producer, who received the full retail price instead of having to make do with the wholesale price. E-tailers are more important today though. Their shops display products online and have efficient systems to make it easy to purchase, deliver and return products. Because the e-tailer is saving the cost of a physical shop they choose to live with the higher number of returns than a physical shop would get.

	Advantages	Disadvantages
Physical Retail Distribution	<p>Customers can touch, hold, smell and wear products before buying</p> <p>You can choose exactly the type of product you want, e.g. food</p>	<p>Going shopping is time consuming, especially if shopping around is needed</p> <p>Choice can be overwhelming, leading to too much time being spent</p>
Online Retail Distribution	<p>The convenience of being able to order from home or on the move</p> <p>No time wasted driving, parking or shopping</p>	<p>Encourages a lazy nature, it might be better to go outside</p> <p>Delivery charges may increase prices</p>