

5.1 Distributing product

PRODUCT
DISTRIBUTION
PROMOTION
PEOPLE
FINANCE
RISK
GROWTH

- > *Direct selling*
- > *Distribution channels*
- > *Working with distributors*
- > *Think creatively!*

The fourth 'P' of the marketing mix is 'place'. To make a sale you have to be able to put your goods physically in the hands of a customer, and that means selling goods face to face or through a distribution network. There are a wide range of options for distribution. The right choice depends on the nature of your customers, the nature of your products, your costs, and the maturity and scale of your business.

Direct selling

Direct selling puts you directly in touch with your consumers, and enables you to hear their feedback as you sell. It enables you to keep stock fresh, and generates quick cash.

Direct selling options include

- > selling direct to consumers at produce markets
- > selling direct to consumers through a roadside stall or retail outlet
- > mail order
- > telemarketing
- > internet sales

However, direct selling requires a large amount of time that could be invested in developing your business and researching and developing your markets and products. To move large volumes of product you will need to access distribution channels.

Distribution channels

A distribution channel is a path between your production facility and your end consumer. Owning or having access to a distribution channel is so essential that major companies will often acquire businesses just to get their hands on the channel. Neverfail purchased Piccadilly Springs to own their brand and their South Australian distribution network, not their water. In turn, Coca-Cola purchased Neverfail to own their brand and their home distribution network.

In most industries the distribution channels tend to be fairly well established. This does not mean that this part of the marketing mix should not be reviewed. Changes to the distribution channel or changes to the way in which you sell to the channel can open up big new opportunities.

Possible distribution channels include

- > aggregators or consolidators
- > distributors
- > commission agents
- > wholesalers

- > franchises
- > specialist retailers
- > food service
- > chain stores and supermarkets
- > shops within shops
- > network marketing
- > vending machines

Ask yourself

- > How and where will the product be placed so that consumers have access to it and how will the sale be made?
- > Will you be using wholesalers, distributors, retailers or going direct to the consumer?
- > Is a combination of distribution points appropriate and if so how will you balance the flow of product, discounts given, and territories covered by each distribution point?

The distribution points are your immediate purchasers. They should be treated as customers in their own right, and require as much consideration regarding buying habits as you give end users. Specific communication campaigns can address the distribution channel and have even more success than those which address the consumer. A distribution strategy is crucial in reaching consumers.



<i>Method</i>	<i>Cost</i>	<i>Time required</i>	<i>Market size</i>	<i>Margins</i>	<i>Customers</i>
Produce markets	Low	High	Location-specific	High	Love to browse—suited to nostalgia, quirky products, handmade appeal
Owner-operated retail	High capital and operating costs	High	Location-specific	Medium	With the right concept in the right place, retail can be a real winner
Door to door sales	Low	High	Limited by your travel range	High	May be regarded as intrusive
Mail order	Medium	Medium	Large	Low-high, depending on business model	A very crowded channel, but works well with a loyal customer base
Telemarketing	Medium	Low-high, depending on whether outsourced or not	Large	Low-high, depending on business model	May be regarded as intrusive
Internet	Low-medium, depending on the sophistication of the website	Medium	Potentially global	Low-high, depending on business model	A very crowded channel, must be supported by innovative marketing in other media
Distributors and agents	Medium	Medium	Large	Low-medium	Retailer preferences
Wholesalers	Medium	Medium	Large	Low-medium	Retailer preferences, although food barns are increasingly open to retail consumers
Franchises	High	Medium	Large	Low	Suited to broadly popular products which can be consolidated as a range
Chain stores, supermarkets	High	Medium	Large	Low	Ability to deliver volume is critical
Specialist retailers	Low-medium	High	Location-specific, possibly in a range of locations	Low	Retailer preferences; a premium image is often important
Food service	Medium-high	Medium	A clearly defined market segment	Low-medium	Consistent supply and quality is essential
Network marketing	Medium-high	High	High	High	Suited to a specific consumer segment
Vending machines	Medium	Medium	A wide range of locations are possible	High	Suited to impulse purchases, snack food
Exporting	Medium-high	High	Global	Low-high, depending on business model	Increasingly accepting of international trade

Working with distributors

If you cannot afford sales staff, particularly when selling interstate, you may like to consider appointing a distributor.

Finding a good distributor can be difficult, and it may be helpful to ask around—to see who has worked well for other non-competing businesses.

An effective distributor will have

- > food industry experience
- > an existing non-competing product range
- > good current contacts

It is wise to have a written agreement that includes

- > the defined territory
- > the distributor's flexibility to negotiate discounts or vary payment terms
- > any specific administrative and other obligations
- > payment terms—calculation and timing
- > termination arrangements
- > an agreed review date

Support distributors with information, encouragement—and prompt payment.

Exporting

Selling at a distance interstate or overseas can open up huge markets, and huge opportunities. Is your business ready to take this step?

» 5.4 Gearing up for export

Think creatively!

While the information presented here may be helpful, the best results will always come from thinking carefully about your customers and ultimate consumers, and the most effective path to them. Examples of creative approaches might include

- > selling your product as a whole food experience, or an ingredient, rather than a stand alone good
- > joint venturing with other firms selling complementary products
- > affinity marketing in partnership with charitable organisations or clubs
- > packaging your product within established brands

Books

Mary Ferguson and Don Brand, *Business Basics and the Concepts of Marketing* (Food South Australia)

Peter Hingston, *Effective Marketing in Australia* (Dorling Kindersley)

Websites

www.southaustralia.biz/Events_Calendar/Checklists/SelectingADistributionChannel.pdf