

A2 LEVEL Section C

FACT FILES

Technology & Design

For first teaching from September 2011

For first award in Summer 2013

Selling the Product

Part 3 (Place)



tech
nology
and
design

FACT FILE

3.17 Selling the Product Part 3 (Place)



Learning Outcomes

Place to include:

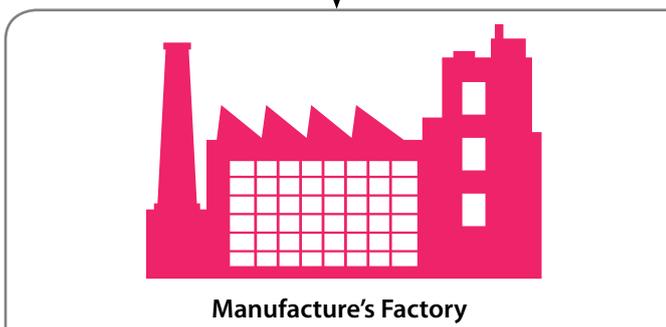
- geographical placing – Internationally and regional differences difficulties and barriers to trading;
- physical placing – getting the product to the right place at the right time;



Course Content

Place is the term that we give to distribution. Distribution is the process of getting the firm's product to the market. This is a crucial element of the marketing mix – a firm might have the best products in the market but if the market cannot access the products then the firm will not be successful. Roughly one fifth of the cost of a product is spent getting it to the consumer, however this can vary. To establish placement, a business needs to identify places that offer the best reach and greatest audience accessibility.

This diagram shows a typical route for a product to take from manufacturing to the consumer.



continued on next column



Where can a business sell its products from?

Company's can either use **direct** or **indirect** sales to distribute their product:

Direct Sales – Direct to the customer

Indirect Sales – To the customer via, for e.g. a wholesaler, etc.

Here are some methods of distributing a Product:

- Wholesalers;
- Agents;
- Personal selling;
- Authorized dealers;
- Retailers; and
- Direct sellers.



Choosing appropriate outlets/ distributors

Outlets and distributors are the places and people that sell a firm's products. There are a variety of factors to take into account when choosing appropriate outlets for a product such as:

- The type of product;
- The market;
- Quality and frequency of sales;
- Geographical location;
- Cost; and
- Competition.

Type of product

The characteristics of a product need to be taken into account. For example Coca Cola do not ship their product to the UK from the USA. Instead, they ship over the syrup and the actual product is then made in the UK using British water.

The market

It is important that potential customers can access the product. High streets are accessible by public transport and car, so more customers can shop there.



Quantity and Frequency of sales

If only a few low cost items are being delivered it would not be cost effective to send them hundreds of miles. If a product is regularly being delivered then a firm might invest in a delivery system.

Geographical Location

How far is the market from the firm? Regional markets are far more accessible than international markets.

Cost

This is very important for a business. The business must ensure that the chosen outlet or distribution is cost effective. If the distribution method is expensive this will reduce the cost contribution being made to a company's product.

Competition

Businesses consider the distribution methods used by other competitors. In fact, some company's use the same distributors as their competitors.

Geographical placing

International trade and Regional Trade

- International trade is the exchange of Products or services between International borders.
- Regional trade is the exchange of products or services within a country.



Similarities between international and regional trade

- The motivation and the behaviour of parties involved in both types of trade do not fundamentally change.

Differences

- International trade is more expensive than regional trade. The reason for this is the border, which usually imposes additional costs such as tariffs and time costs. This is down to border delays and expenses associated with country differences such as language, legality or culture.
- Production factors such as capital and labour are typically more portable within a country than across countries. Therefore international trade is mainly restricted to trading, goods or services.



Barriers and Difficulties of International trade

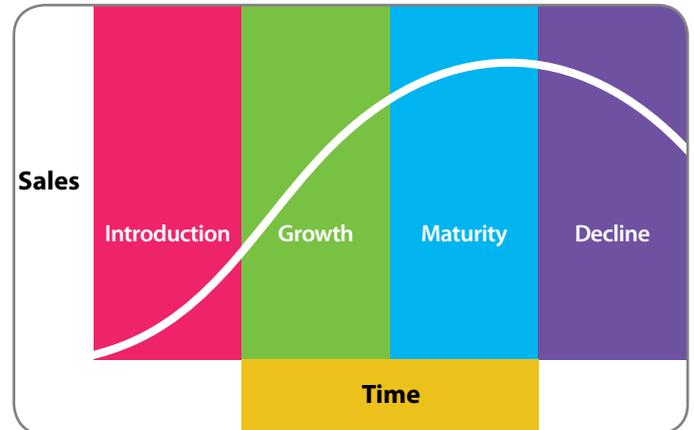
1. Consumer is unable to pay directly to the manufacturer.
2. Consumers may not accept the delivered product due to it not meeting the original specification.
3. The manufacturer is risking credit. i.e. the buyer receiving goods before payment.
4. Transaction may be interrupted by government.
5. Any political problems could risk destroying the transaction.
6. War and other unforeseeable events can have a negative impact.
7. A risk of unfavourable exchange rate movement.
8. Customs procedures are not consistent worldwide.
9. Burdensome certification and testing requirements that are not required by domestic manufacturers.
10. Influence peddling - A country interfering with fair trade practices at your company's expense.
11. Bribery or corruption could affect the company competing fairly in that country.

Country	Currency	Rate 1	Rate 2
CANADA	CAD	0.9512	0.8883
CHINA	CNY	7.3169	6.0910
EURO	EUR	0.6644	0.6100
JAPAN	JPY	109.00	102.00
SINGAPORE	SGD	1.3712	1.2630
HONG KONG	HKD	7.0043	6.4072
NEW ZEALAND	NZD	1.1646	1.0675
MALAYSIA	MYR	3.2536	2.7818

Product Life Cycle and Marketing and Distribution

As a product follows the product life cycle curve, decisions about Marketing, Distribution and Price begin to vary and change.

Below is a table showing the variation in Marketing etc, against the Product Life Cycle.



Distribution will be selective in the introduction stage. In the maturity stage, greater distribution will play a larger role in profitability.



Revision questions

1. Explain **three** important aspects a company should consider when choosing a distributor or outlet.
2. International trade is constantly on the rise. Can you discuss **four** barriers or difficulties a company may face when trading internationally?
3. Compare distribution methods used throughout the life cycle of a product.

