

D10 Distribution policy – Solutions

1

The choice of distribution provider is closely linked to the sales channel. If products and services are to be sold through in-house distribution bodies, the enterprise employs a direct sales channel. However, in the case of an indirect sales channel, goods reach the customer through an external distribution provider. The intermediary is a potential external distribution provider. Distribution through an intermediary is always concluded through an indirect sales channel.

2

a Just AG products cannot be purchased in any store; they are, instead sold directly (direct sales channel). In this case, Just AG has decided to specialize in the individual advice and party system. With individual advice, the customer receives individual consulting in his or her home while, with parties, the products are presented in a casual setting. In addition, direct buying over the Internet is possible.

b

Advantages of direct sales	Disadvantages of direct sales
<ul style="list-style-type: none"> - Since the enterprise is in direct contact with customers (not only with the intermediaries), market changes can be detected more quickly. - Enterprise is not dependent on intermediaries. - Increased profit margin despite distribution costs. - More control over how products are presented to the customer. 	<ul style="list-style-type: none"> - Enterprise must provide the entire distribution service itself. - Building up an in-house distribution organization requires capital. - Enterprise cannot benefit from the market knowledge of an intermediary.

3

General information on McDonald's franchise model is available at www.mcdonalds.ch.

- a
- Right to own your own restaurant under the McDonald's brand
 - Know-how from McDonald's
 - National advertising
 - Favorable terms when purchasing goods
 - Competent advice
 - Training
- b
- Social skills (experience in dealing with employees)
 - Personal responsibility
 - Entrepreneurial spirit
 - Customer-oriented approach
 - Business experience (human resources management and cost management)
 - Financial resources
- c Individual solution.

4

The main task of physical distribution is the arrangement of delivery service and the transport of goods. The enterprise must consider in principle whether the task of physical distribution will be handled by the enterprise itself or whether a shipping company should be used and this activity outsourced. If an enterprise decides to handle the transport of goods itself, it must be decided needs to be established with which transport mode this should be accomplished.

5

- a Airplane: The goods must arrive at the destination as soon as possible. Air transport is best suited for the distance St. Gallen–Hamburg, although high costs and a large environmental impact will be incurred.
- b Ship: As Rotterdam and Genova are both located on water, transport by ship would be a first consideration. Transport by ship promises relatively low cost and environmental impact, and is particularly well suited for heavy goods. Transport takes rather a long time, but the time factor plays a minor role in the present case.
- c Truck: Due to their proximity, transport by truck would serve for the delivery of fruits and vegetables from Wil to Winterthur, thereby minimizing environmental impact, cost and time.

6

Advantages + / Disadvantages –

Criteria	Mail order	Stationary retail
Time	+ Purchase at any time of day or night – Delivery times may deter customers	– Customer is tied to certain hours of operation
Cost	+ No costs for retail space, sales staff – Cost of packing staff – Postage and packing costs	– Cost of retail space – Cost of sales staff – Travel expenses for customer
Selection	+ Tends to offer greater selection – Certain products may still be displayed in the catalog, even though they have long been sold out	+ Customer can see and touch the goods (e.g., trying on clothes) – Tends to offer smaller selection
Advice	– No personal advice possible – or, at best, over the phone	+ Personal advice + Shopping as an experience
Environment	+ Concentrated storage of goods (presentation not necessary) + Entire assortment can be presented online, making catalog superfluous – Thick, expensive, glossy catalogs (if not presented on a website) – Every third package is sent back	– Distribution is wasteful – Sales area pollutes the environment (electricity and heating) – Every customer needs to drive from their home to the location