Distribution on the International Market

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Abstract: Selling products is the processing of confirming the reason of being of any company producing the goods. Knowledge of this process involves a series of quantitative and qualitative assessments on sales volume (at a time or in a certain period of time), the ways by which products reach the beneficiaries, the transfer of time required, up to stocks of finished goods, the costs made from completion of production until the product reaches the customer, etc. All these elements are embedded in a series of concepts, such as those of: movement of goods, sales, marketing etc. In marketing, they are united under the concept of distribution.

Keywords: distribution, sales, economic transaction, decision, marketing mix

Introduction

Generally distribution involves transfer of goods from manufacturer to consumer. However, conceiving it as just the whole economic and technical – organizational processes regarding the directing and transmitting of the flow of goods and services from manufacturer to consumer or, simply, as an ensemble of operations through which a product coming out of the machine is available to the consumer, would mean an unacceptable restriction of its content.

Viewed through the prism of marketing, the distribution gains a much more complex content, it encompasses both physical and economic circuit of the product from manufacturer to beneficiary, as well as the system of relations (of sale and purchase, concession, consignment etc.) established between manufacturers, traders, buyers, transporters, other market agents etc. Analytically, distribution is defined by:

- **path (route)** that goods undergo between the moment when the manufacturing is done and the entry in the final consumption;
- **distribution channels** (participants in the successive movement of goods along this route);
- **the flow of physical operations** that goods are subjected to on that route (sorting, prepackaging or packaging, handling, transportation, storage etc.) that raise the their value (and price);
- **economic operations** (sale and purchase, concession, consignment etc.) implied by their successive passing through each link, until entry into consumption, through which the successive transfer of ownership on goods from one market agent to another is accomplished;
- **physical distribution or logistics**, with all components of the technical system that perform the operations (network units, equipment and machinery, personnel etc.);
- **the chain of decisions** that transfers imply, closely correlated to those regarding the other components of the marketing mix.

It follows that in the running of the distribution process different participants, with specific roles and interests, integrated in a highly complex structure are involved.

On the other hand, distribution can be conceived as an ensemble of interrelated flows comprising [1, 354-355]:

- **the flow of negociations** that occur between participants in the distribution system (regarding quantities, quality characteristics, prices, terms, ways of transportation, installation conditions and technological tests, after-sale services, the routes the goods will undergo, technical and economic transformations it will sustain etc.);
- **the flow of tenure transfers** (from manufacturer to wholesalers, from wholesalers to retailers etc.) through the sale – purchase of the product;
- **the communication flow**, composed of the ensemble of all information flowing between the links of the distribution system, both ways, before, during and after its completion;
- the promontional flow, consisting of all kinds of promotional activities that make it possible to transfer goods from one link of the system to another (not only between the manufacturer and final buyer);
- the flow of physical operations to which the product is subjected on its way from the manufacturer to the consumer (which ensures its physical distribution);
- the flow of discounts that occur between the links of the system (including cashing and payment operations, agreements of payment terms, trade mark up, payment instruments used, currency of transactions etc.).

Typically, the physical transfer and ownership right of the product is not accompanied by the cashing on the spot of its value, which induces a certain risk of financial block and some difficulties in meeting the contractual terms.

All these flows are required to be optimized, since it is the only way to reach:
- full satisfaction of customer needs;
- minimizing distribution costs;
- synchronizing deliveries with the demand;
- improving relations between participants in the distribution process;
- decreasing the time to achieve transfers;
- increasing the efficiency of the distribution activity etc.

Therefore, the distribution includes the physical and economic circuit of goods, relations between market agents, the actions of a heterogeneous system of intermediaries etc.

Distribution takes different forms [2, 111]. These are:
1) exclusive distribution, which is based on a single distributor or representative, practiced especially for high-value goods, as well as exports;
2) intensive distribution, that (to have a broad overlay of the market) consists in delivering products by all means available, seen in the case of current use goods that can be bought from various sources (shops, kiosks, bars etc.) - here the manufacturer having a weak control on the distribution chain;
3) selective distribution, which is based on the idea that there is a limited number of intermediaries that can satisfy the needs of customers regarding direct sales, promotion and service. This type of distribution is used for special, durable, industry standard goods. For an efficient selective distribution manufacturers must carefully the network for intermediaries and choose those who share the company’s goals and reach the customer target;
4) reverse distribution, which involves the recovery in productive purposes of some components that remained after consumption (packages, recyclable materials etc.) in which case the cycle is consumption – distribution – production. To reduce costs with manufacturing goods and protection of natural resources, especially non-renewable ones, worldwide there is a particular concern to recover, reuse and recycle everything you can.

Compared to domestic distribution, the one on the international market must take into account a number of economic, social – cultural, political and legislative features on each national market overlapped.

An international distribution network is only a complex system of agencies, institutions or firms among which relations are established with the purpose of transferring goods from the manufacturer in a country to consumers in other countries.

In general, distribution channels on the international market do not differ much from those encountered on the domestic market – the most significant differences recorded only in the organization and operation of channel components, in the content of economic operations that occur within them, in numerous political and administrative barriers that occur frequently etc.
1. Influence Factors

Designing an international distribution market should take into account a number of factors, such as: the requirements concerning operative serving of customers; nature and destination of goods; conjuncture of foreign market; economic development level of the importer’s country; characteristics of the international commercial flows; methods of information used by manufacturers to identify customers’ requirements; economic efficiency of the import – export activity; international specialization in sales etc.

1) **Requirements of final consumers** is a key factor in achieving international distribution, they can be known either through direct information (own agents or companies specialized in foreign market study), or with the support of intermediaries or traders (information from the final links of the distribution channels – which is why manufacturers will seek to be as close as possible to them).

2) **The nature and destination of goods** directly influences the types of distribution channels that are to be used. Thusly, for products intended for industrial users certain channels are used, and for those intended for final consumers other channels. Also, products of a high complexity are often achieved for users already known, being distributed on short channels, while mass products, destined for a large number of consumers, are distributed on longer channels. Typically, when using long channels, for many manufacturers final consumers are unknown, which is why the problem of their operative serving is transferred to intermediaries. Therefore, it won’t always be solved in favour of the manufacturers. Hence the importance of national choice not only of the type of channel, but of the intermediaries involved in the distribution of goods on that channel.

3) **The conjuncture of foreign markets** also influences the selection of distribution channels on the international market, given the fact that harnessing a favorable conjuncture requires finding channels that allow the fastest transfer of the goods.

4) **The level of economic development of the importer’s country** influences the distribution the more, to the extent of the national markets’ development, a specialization and extension of distribution channels used by manufacturers to meet the demand in different geographic areas. In these circumstances, when reaching a certain level of economic development takes place and a maturation of markets, that makes possible a larger satisfaction of consumers’ requirements and a simplification of distribution channels.

5) **Characteristics of of the international commercial flows** is also a factor in the distribution of goods on the foreign market. The development of the manufacturing of goods and improvement of the political climate after the 1990’s have determined significant modifications, quantitative and qualitative, of the flow of goods on the international market (following the abolition of commercial barriers between countries in the Eastern and Western Europe).

6) On the other hand, **specialization in sales** (territorial, on products or customers) requires the emerging of distribution channels whose content depends on its nature and understanding between the parties that, because of its existance, will have to cooperate with each other.

   a) **Territorial specialization** is achieved following agreements through which manufacturing firms undertake to distribute products only in certain areas, ensuring for each one secure and stable markets.

   b) **Specialization by products** occurs as a result of agreements through which firms in different countries surrender one in favor of the other in selling products in order to simplify the classification of exported products **without reducing the volume of the export**. It is found especially in the case of high technical complexity products (unique complex machinery, installations, special equipment etc.) to which trading on the international market special operations are necessary (concerning commercial negotiation, promoting, conducting trials etc.) that would require, for each importer, big costs. The existance of firms specialized in the export of such products provides manufacturers with some benefits, such as: labour productivity growth in the activity of distribution and lowering of costs, reduction of promotion costs, improving the image of manufacturing firms etc.

   c) **Specialization by customer** is based on agreements between manufacturers concerning surrendering (one for the other) sales to certain customers, leading to: organization of distribution networks in a smaller number of categories of customers; a better
knowledge of their specific requirements; achieving permanent relations; reducing commercial costs etc.

2. Types of Channels and Distribution Networks

The term *distribution channel* has a physical sense, designating the path, road or physical means that ensures the passage (movement) of goods from manufacturer to consumer [3, 432].

From an economic point of view, the distribution channel, also referred to as *marketing channel*, is defined as an *ensemble of independent organizations, involved in the process of ensuring the availability of the product for consumption*. Not all marketers accept this way of defining it, bringing enough justified arguments. More widely accepted is the definition that considers the channel as a *succession of commercial intermediaries that direct the product from manufacturer to consumer and emphasizes successive transfers of ownership* – definition that makes a clearer distinction between the participants in the distribution process and concrete activities, material resources and human resources that contribute to the achieving of the transfer. In addition, it is at the basis of establishing types of channels, dimensions that characterize channels and efficiency of the distribution activity [3, 432].

Depending on the *number of intermediate levels*, distribution channels on the international market can be: direct, short and long.

1) *The direct channels* are the ones without intermediaries, through which the manufacturer from a country delivers goods to his consumers in another country (conducting the so – called direct exports).

2) *The short channels* appeal to one intermediary, either exporter or importer (a specialized firm that gets supplies directly from the supplier from abroad). On the international market, distribution on short channels is harder to achieve.

3) *The long channels* include at least two intermediaries that can intervene successively in the distribution on the international market (exporters, importers, wholesalers, micgrosist, retailers), which leads to the increasing of distribution cost. They are found, especially in the case of consumption goods, products with seasonal demand, products that require large storage areas etc.

Taking into account the factors that influence the sale of goods on foreign markets, manufacturers can apply to more than one type of *distribution networks*:

- own networks;
- networks through commercial firms;
- networks with intermediaries;
- mixed networks (with intermediaries and commercial firms) [4, 165-175] etc.

1) *Own networks* consist only of short channels, the manufacturer is exporter, and the buyer importer, being recommended when the export of a manufacturer from a country has a significant share in the total of his own export, providing a better use of the capacity of the distribution channel. When he chooses such a network, the manufacturer organizes his own export compartments, as well as structures in importing countries (branches, subsidiaries, companies, shops, offices, warehouses etc.).

2) *Networks through commercial firms* are used only when:

- the share of the export on a certain market is low;
- foreign market is widely known;
- the chances to enter the foreign market with own distribution networks are slim – the competition is strong;
- the social political conjuncture is less favorable etc.

Firms specialized in foreign trade the manufacturer applies to in these situations can operate in his country, importing country or both countries, both covering the costs (and obtaining profit) from the differences between the prices at which they buy and sell the products, and also from differences between currency for purchase and sale.
a) **Domestic traders for export** are: export firms, export jobbers, foreign trade companies, complementary traders.

- **Export firms** are firms that buy (from various manufacturers) goods on the domestic market and then sell them abroad (usually to importing companies) through their own networks.
- **Export jobbers** are different from export traders only in that they are specialized in raw materials and other bulk goods.
- **Foreign trade companies** are either exporting firms based in the manufacturer’s country or their own units of distribution in the buyer’s country and their own procurement units in the manufacturer’s country. Typically, they are preferred by manufacturers with modest ways of information and activity conducting on the foreign markets. For these, companies take almost all international marketing activity, developing research activities of the foreign market, export promotion, preparation of required documentations etc.
- **Complementary traders** are nothing more than agents that are applied to by selling companies on foreign markets, but who (temporarily) don’t have provided a proper recharge of the distribution channels.

b) **Commercial firms that are based in a country different from the manufacturer’s** are divided into: distributors, dealers, importing firms, wholesalers and retailers.

- **The distributors** are specialized companies that ensure (almost entirely) the distribution of a manufacturer on an foreign market. Although the manufacturer has a relatively high degree of control over them, they, however, do not affect their independence.
- **The dealers** are traders that are in long – term relations with the manufacturers, ensuring, typically, their exclusive representation on an foreign market.
- **The importing firms** are sale companies that, without possessing market exclusivity for certain manufacturers, purchase goods directly from manufacturers and sell them abroad to wholesalers and retailers.
- Like on the domestic market, **the wholesalers and retailers** are traders that buy from a market to resell the goods on another market.

3) **Networks with intermediaries** appeal to individuals or companies that mediate the closure of businesses either between manufacturers and consumers, or manufacturers and commercial firms.

In the import – export activity, mediation ensures achieving various transactions, such as: purchases – sales of goods; stock transactions; auctions, charterings or insurances; expeditions and international transportation etc.

Intermediaries can be domestic or foreign.

a) **Domestic intermediaries** - small firms work with them that:

- don’t have direct access to a foreign market;
- don’t have experience in exporting activities;
- are not willing or cannot make special expenses for sales on the foreign market etc.

Apart from the exporting companies, the main export intermediaries that conduct activities on domestic markets are: the exporting agents of the manufacturer, brokers, purchasing offices and sales groups.

- **Manufacturers’ export agents** are intermediaries who take (totally or partially), for a certain period of time, their export activity, having a narrower sphere of activity than export companies.
- **Brokers** are agents that conduct more than one type of intermediary activities, operating by proxy (without coming into the possession of the goods) and being remunerated by applying a coefficient (negociated in the moment of proxy) on the value of the negociated business. When they are specialized in import - export operations, they are usually limited to a lower classification of goods.
- **Purchasing offices** are structures acting on the customer’s behalf, for which they purchase goods from manufacturers. These offices do not establish permanent relations with manufacturers, which is why they cannot be controlled by them concerning distribution.
• **Sales groups** are export organizations that cooperate with manufacturers in order to mediate the sale or even to sell their products (themselves).

b) **Foreign intermediaries** are usually preferred by large firms that do not have their own distribution networks. Being well informed on the foreign market, they provide a high degree of safety for international transactions, as well as a better approach of manufacturers on final consumers. The status of foreign intermediaries can be owned by: brokers, manufacturer representatives, buyer’s agents, factors etc. Their functions are similar to those of the domestic intermediaries for export. The difference lies in the fact that they have better knowledge of specific elements of the markets they act on (language, legislation, traditions, customs etc.)

• **Foreign brokers** may represent either the interests of exporters, or those of the importer customers (or even both categories of interests), their relations with the manufacturers being quasi-permanent – which is why the control over them is much weaker than in the case of brokers on the domestic market. Typically, their responsibilities are limited just to the mediation of the exchange.

• **The representatives of the manufacturer in the importer’s country** are nothing but agents that facilitate the sale of goods on a certain market. Unlike brokers, they conduct other activities as well (information, sales promotion etc.), having a closer and longer relation with the manufacturers.

• **Buyer’s agents** are intermediaries that represent the interests of certain categories of consumers on importing markets, operating in favor of obtaining goods they are specialized in (identifying manufacturers of such goods, establishing relations with them, ensuring correspondence between products and the requirements of the buyers they represent). Like brokers, they have no responsibilities concerning the promotion of products or providing information on the market of manufacturers.

• **Factors** are intermediaries that meet brockerage functions, but with a higher degree of financial involvement (through the fact that they can grant credits to the one they represent).

**Conclusions**

Analytically, distribution is defined as: the road (trail) that goods take between the time of conclusion of the production and the final entry on the market; the distribution channels (the participants to the successive movement of goods along this rout); the physical workflows facing goods on that route (sorting, pre or packaging, handling, transportation, storage, etc.) that raise their value (and price); their economic transactions (selling-buying, leasing, consignment, etc.) supposed at their successive passage through each ring, until the entry into consume, by which it is gained the successive transfer of ownership upon the goods from one market agent to another; the physical distribution or logistics, with all components of the technical system that perform operations (network units, machinery and equipment, personnel etc.); the chain of decisions that transfers involve, closely related to those of other components of the marketing mix.

On the international market other categories of intermediaries can be met.

**References**


**Supplementary recommended readings**


