

Distribution

Distribution is how the business gets its products to the customers. It does this through four main distribution channels:

- ▶ Wholesalers
- ▶ Distributors / Sales Agents
- ▶ Retailers
- ▶ Direct

Wholesalers “**break bulk**” – they buy in large quantities from manufacturers and then break them into smaller quantities to sell to retailers. This reduces transport costs to the manufacturer (few journeys to wholesaler rather than many journeys to retailers) and retailers can order in smaller amounts from wholesalers.

Agents provide a link between sellers and buyers. They are not employed by the company but sell the products or services for a commission. The best examples of an agent are a travel agent or an estate agent. For instance the travel agent will sell travel companies holidays to potential holidaymakers and take a cut of the sales revenue.

Some businesses miss out the wholesaler, especially large multiples such as supermarkets. They can order directly from the producer and then use their own system of distribution. The advantage for a producer is that they get greater control over the marketing of their product.

Other businesses use direct marketing as their key distribution channel. This is where they **sell directly to the customer**. The most common channels for direct marketing are:

- ▶ Direct mail
- ▶ E-mails
- ▶ Mail-order catalogues
- ▶ Telephone sales

Selling overseas - exporting

Many businesses sell into overseas markets. This is known as “**exporting**”. Exporting is not easy, for the following reasons:

- ▶ **Exchanges rates** can change, making the prices of goods coming into or going out of the country sometimes more expensive, sometimes much cheaper.
- ▶ **Language barriers** mean that it can be difficult to communicate with potential buyers.
- ▶ **Different cultures** mean that products are not suitable for certain countries, e.g. on religious grounds.
- ▶ **Trade barriers**, such as quotas, tariffs and legislation exist which can make it difficult to actually place the product in that country, or certainly make it more expensive to sell there.

The UK’s membership of the Europe Union (EU) has reduced the effect of trade barriers for UK businesses.

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The EU is a **Single Market** that has the freedom of movement of goods and services within the market. The UK is part of the European Single Market which means it should not face any barriers to trade, e.g. quotas and tariffs, which would add costs to their exports.

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