

## COMPARING THE EFFICIENCY OF DISTRIBUTION METHODS IN HOME APPLIANCE INDUSTRY

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### ABSTRACT

**D**istribution channels strategy is extremely important for the success of business operations in any branch of business. The goal and purpose is to satisfy the consumer and get continued business from him/her. The primary purpose of this qualitative research is to compare the time, cost and physical efficiency of the distribution channel system of a company in home appliance industry.

For this purpose, five managers from a world-wide known home appliance producer and seller were surveyed with a survey instrument with open-ended questions and then interviewed on the answers to the questions. Survey and interview questions included questions about the advantages and disadvantages of different distribution channels used by the company. Data were summarized in a table and discussed to propose managerial actions to other managers in similar industries.

**KEY WORDS:** channel distribution, cost effectiveness, time effectiveness, physical effectiveness, channel member satisfaction, etc.

## 1. INTRODUCTION

Distribution channels are increasingly regarded as one of the most critical elements in marketing, as they determine the competitiveness and profitability of organizations (Christopher, 1991; Gattorna, 1990; Stern and El-Ansary, 1992). A channel of distribution or trade channel is defined as the path or route along which goods move from producers or manufacturers to ultimate consumers or industrial users. In other words, it is a distribution network through which producer puts his products in the market and passes it to the actual users. This channel consists of: producers, consumers or users and the various middlemen like wholesalers, selling agents and retailers (dealers) who intervene between the producers and consumers. Therefore, the channel serves to bridge the gap between the point of production and the point of consumption thereby creating time, place and possession utilities.

Distribution channels are defined and classified. Their development is explained and new possibilities of their development in contemporary conditions are indicated. In this sense, a variety of distribution channels exists, as well as the contemporary understanding of managing supply chains and value creation networks. The importance of distribution channels is analyzed both for individual economic operators, i.e. groups and for the aggregate national economy. These types of analyses start with the share of big firms and groups, both on national and international levels. This is the case of relationships between different economic operators within value creation chains. This is why earlier concepts of the role and importance of commerce in national economy are losing their importance.

**4.1.1 One of the most popular distribution methods is direct marketing where the companies want the whole process of distribution under their control. Direct marketing is where the goods are sold directly from the product direct to the customer (R.Mullin, 2002). A producer does not have to share its profits with intermediaries in this method. So it can be said that it is a lower cost channel in many cases. The producer controls the whole marketing process and as a result can protect and maintain its brand image. Customers are increasingly using direct sales though the internet and can purchase from the comfort of their own home. However, it can be expensive to set up these channels and all the cost of distribution such as storage and damage rest on the producer. In addition, a recent trend is for customers to search online for products and then purchase them physically from outlets after making comparisons on price.**

Other distribution channels include working with different types of middlemen such as wholesalers and retailers. Even though technology made direct marketing methods easier and more popular, some products still need to be sold through different intermediaries. This paper aims to analyze and compare the advantages and disadvantages of different distribution channels so that a comparison can be made among them.

### 1.1. The research problem

Most managers are not familiar with the importance of distributing goods and services from producers to final consumers. Successful sale of products depends mostly on timely and proper distribution. Therefore, distribution is an organized activity, and the main task is to bring the products to the consumer on time, to a specific location, and in a form suitable for use. Also, its purpose is to provide a wide range of products and services that customers are looking for and at a price they are willing to pay.

The basic concept of marketing channel of distribution is - marketing channel is the network of organizations that creates time, place, and possession utilities (K.Rolnicki, 1998). It consists of the sales channel and facilitating channel. The main question is how do you most efficiently get your product or service to the people that need it and are willing to pay for it? Using a marketing channel may be a solution. Channel marketing describes the organizations that work together to get the product or service to the end

user (T.Berry, D.L.Wilson, 2001). Many producers of products and services do not sell directly to their end users. They use a marketing channels. In its most simplistic form, a marketing channel performs the work of moving goods from producers to consumers. A marketing channel includes one or more marketing intermediaries who perform a variety of functions. Each channel member: provides value, performs a function, and expects an economic return. Channel marketing most often relates to the sale of products. However, it is not limited to the distribution of physical goods. Providers of services and ideas also benefit from channel marketing.

Marketing channel decisions are among the most critical decisions facing an organization (S.Onkvisit, 2004). The chosen channels intimately affect all other marketing decisions. The organization's pricing depends on whether it uses mass merchandisers or high-quality boutiques. The firm's sales force and advertising decisions depend on how much training and motivation the dealers need. Channel marketing intermediaries exist because they offer value in making goods and services more available and accessible to the targeted markets. Channel intermediaries offer contacts, experience, specialization, and economies of scale to organizations that cannot offer these attributes on their own (C.W.Lamb, J.F.Hair, C.D.MacDaniel, 2008). Marketing channels allow producers to realize the benefits that only larger organizations may be able to support.

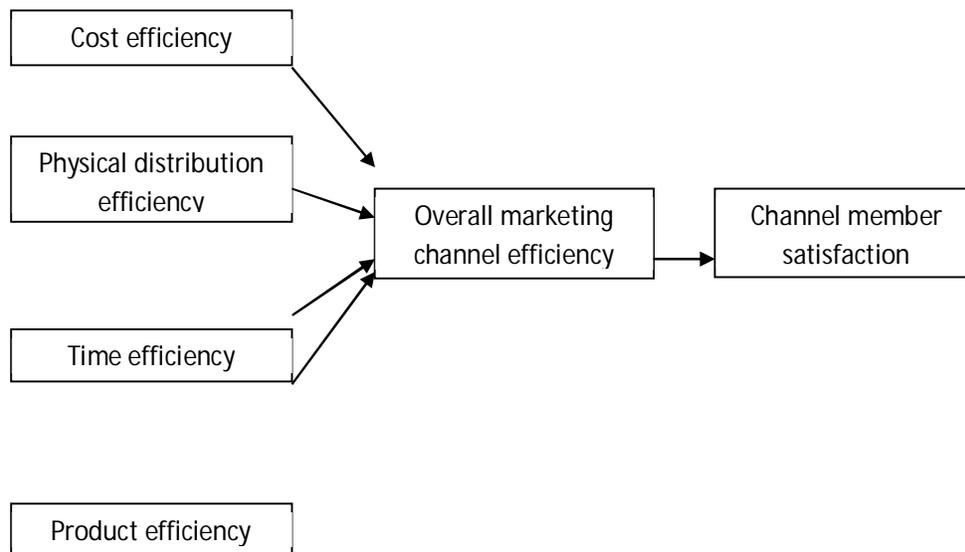
#### 4.1.2

##### *1.2. Research questions, subject and aim*

The importance of distribution channels in any branch of business is extremely important. The goal and purpose is to satisfy the consumer, i.e. the customer with a product that has been created entirely by his / their wants and needs. However, the point is not only to create products. The **primary purpose** of this qualitative research is to compare the time, cost and physical efficiency of the distribution channel systems of a company in home appliance industry. We will analyze each of them. For example, time efficient provides a cost effective solution to improve sales effectiveness. Qualitative researchers aim to gather an in-depth understanding of human behavior and the reasons that govern such behavior. Naturally, the distributions must take into account the distribution methods, place and location, and many other factors that will affect the psyche of the consumer decision to purchase.

This qualitative research aims to compare time, cost and physical factors that affect the efficiency of distribution channels, but also to get some ideas from managers about the questions like; What alternative channel systems are available for home appliance products? What is the most appropriate channel system for home appliance products? What are factors that show overall channel efficiency for home appliance products? Which factor has the strongest influence of the overall channel efficiency? In other words, the primary purpose of this research is to develop a model of an efficient system of marketing channel, to create a good and efficient marketing channel. We will illustrate an example of the model:

Table 1: Model / marketing channel efficiency



All of these factors will be analyzed. The aim is to come to the satisfaction, and this model will be created. Also, we can numerate some of the scientific methods that will be used: *First Analysis and synthesis method will be used for analysis of distribution channel in the corporation, the way how they sell their products, are the consumers satisfied, etc.* Results of statistical analysis will be presented in the form of tables and diagrams.

A distribution channel or marketing channel is how a company provides their goods to their target market. Most companies do not sell their goods directly to consumers. They sell through intermediaries and these intermediaries constitute a distribution channel. Profits can be impacted depending on the number of channels used. There is potential for conflict when multiple channels are used. The fewer number of levels a company uses to supply their goods, the more effective it is to achieve its aims.

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This paper aims to understand and compare different methods of distribution based on data from a home appliance company. Competitive advantage can be defined as the ability of an enterprise to create an added value compared to some of the ways that their competitors cannot or will not accomplish. One way of maintaining benefits for a longer period of time and are well established distribution channels.

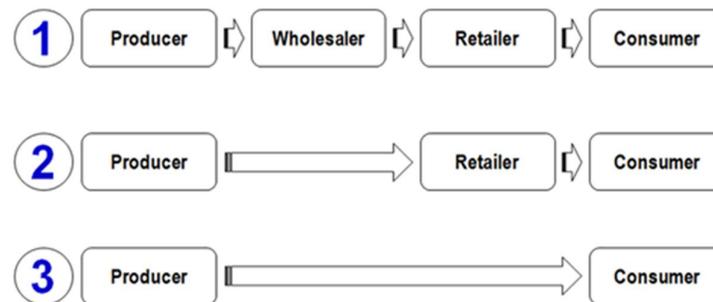
## 2. IMPORTANCE OF MARKETING DISTRIBUTION CHANNELS

Marketing distribution channels are one of the four elements of marketing and the decision about them is bringing in the line with the decision of the assortment, pricing policy and promotion. With the increasing development of the market the division of work is performed, so most manufacturers do not sell their products directly to end users.

One of the most important factors in order for a company to be successful with its export is that the distribution channel between the company and end consumers serves excellent.<sup>1</sup> The choice of channel is often made haphazardly, with limited information. The decisions about the choice of distribution channels are far-reaching, long-lasting and they don't change easily. Costs of establishing and implementing sales channels are quite high, and they are not subject to frequent changes. Failure of sales channels is very harmful, and often threatens business firms. For all these reasons, a special approach to the choice of distribution channels is needed. The question always is, why are brokers in the sale of goods needed? Whether intermediaries unnecessarily increases the cost price by adding their costs and planned profits? Does the intermediaries difficult and complicate the sale? The answers to these questions lie in the knowledge of the manufacturer or another seller that uses and benefits received from agents are more than the price that he pays for the brokers service. A mediator is specialized in providing certain services and he can do it better and more efficiently, at a lower cost than the manufacturer or seller of goods.

A distribution channel can have several stages depending on how many organisations are involved in it:<sup>2</sup>

**Table 2: Distribution channel stages**



Source: [http://www.tutor2u.net/business/gcse/marketing\\_distribution\\_channels.html](http://www.tutor2u.net/business/gcse/marketing_distribution_channels.html)

<sup>1</sup> Root, F. R., (1998). *Entry Strategies for International Markets*. New York: Lexington Books.

<sup>2</sup> [http://www.tutor2u.net/business/gcse/marketing\\_distribution\\_channels.html](http://www.tutor2u.net/business/gcse/marketing_distribution_channels.html)

### **3. RESEARCH METHODOLOGY**

#### **Respondents, survey instrument and data collection**

Personal interviews were conducted in May 2013. Target group was managers from a world-wide known home appliance company. Answers to the questions were anonymous. Number of respondents was five. Three respondents were male and two respondents were female. One manager was under the age of thirty, two were aged between thirty and fifty and two were aged above fifty. All managers were college graduates. Two managers were from the marketing and communication department, two were from sales department and one was from administration department. Survey instrument included questions about limited demographic data, job experience of managers, and questions and advantages and disadvantages of different distribution channels based on their experience in their company. First, survey instrument with open ended questions were sent to the managers and they were asked to answer the questions openly in their free times. Then follow up questions were asked personally to probe and clarify their answers.

### **4. RESEARCH FINDINGS**

Answers to the research questions are summarized in the following section.

#### **Interview question one: During one week, how much are you involved in the process of product distribution in your company?**

From the first question, how much are the managers involved in the process of product distribution we can conclude that two two of them are involved few hours of each day, two two of them are involved every day, and one manager once or twice a week.

Distribution refers to how you deliver your product to the customer. If you are in a service business, it may be the way you deliver yourself to the customer to perform the service. You may use one, more than one or various combinations of sales and distribution methods. Additionally, different products from the same company may require different methods. It is very important to be involved in the whole process of product distribution, if we want to deliver to the customer the product that they ordered, with the quality they require, based on just-in-time management. Quality should be on the first place. We assure quality throughout the distribution process by focusing on the following three areas: packaging design management, distribution quality management, and distribution failure reduction. The main goal is to satisfy the customer's wants and needs. You need to know every step in the product distribution. There are two managers who are involved in the process of product distribution every day, both employed in the marketing and communication department. This department is responsible also for distribution - charged with the responsibility of receiving items that are ordered from vendors, and directing those items to the proper division or department within a company. The idea is to create a situation where all goods are accounted for from the time they are delivered, up to and including the moment they are issued to a specific unit within the business. The use of a distribution department makes it very easy to manage costs and reduce the potential for waste, as well as minimize the possibility of production being delayed due to goods being forwarded to the wrong department at the time of delivery. Those who are involved in the process of distribution management make arrangements to forward the goods received to the proper divisions or departments within the company. Once the goods are delivered to the right department, the distribution personnel record the date and time of the delivery, who received the goods, and then marks the transaction as complete.

**Interview question two:**

**When choosing the best channel marketing strategy, taking into consideration the nature of the product you are selling, you are taking into account the following: target market, distribution cost, desired service level, product type, positioning.**

Here is to conclude that every manager has its own opinion and strategy. Sales managers would take into consideration distribution cost, product type, target market and positioning; marketing manager takes target market and positioning; office manager – target market, distribution cost and product type; and national key account manager is for target market, distribution cost and positioning. If we summarize all these answers, we can conclude that there are 4 answers for target market, 4 for distribution cost, 3 for positioning, and 2 for product type.

When deciding where to focus your channel marketing strategy, look at customers' interests and determine where your company can fill gaps. In order to choose the best channel marketing strategy, several considerations need to be taken into account. The target market, distribution costs, desired service level, product type, and product identity or positioning are all important factors. A channel marketing strategy works best when it is in alignment with an organization's main goals. Before a firm can design an effective channel marketing strategy, it needs to consider who it is trying to reach. The attitudes, perceptions, lifestyles and shopping patterns of the target consumer are critical. For example, a company that manufactures high-quality shoes made with premium leather would probably not want to distribute its product through a discount retailer. Instead, the choice of a mid- to high-end department store would better suit the product's image and reach those customers who would more likely be looking for that type of shoe. Distribution costs come into play when considering the options of using a wholesaler or internal staff to sell directly to retail accounts. Some firms even choose to bypass the retailer and sell directly to the end consumer, which is called direct marketing. An adequate supply of internal resources and efficiency is necessary to employ a direct marketing approach. While distribution costs will typically be higher when using a wholesaler, they may be more efficient and have an established network of relationships in place.

**Interview question three:**

**Which of the following distribution channels is used by your company? Direct company to the final customer channel (online sales); direct company to the final customer channel (sales through company shops); Retailer channel (online retailer sales); Retailer channel (sales through retailer shops); Wholesaler channels (sales through wholesalers and retailers); other**

Every company has its own distribution channel, but the most common channel is sales through company shops – direct company to the final customer channel. On the second place is online sales and sales through retailer shops.

Distribution channels often require the assistance of others in order for the marketer to reach its target market. But why exactly does a company need others to help with the distribution of their product? Wouldn't a company that handles its own distribution functions be in a better position to exercise control over product sales and potentially earn higher profits? Also, doesn't the Internet make it much easier to distribute products thus lessening the need for others to be involved in selling a company's product? In this questionnaire is online sales at the second place. While on the surface it may seem to make sense for a

company to operate its own distribution channel (i.e., handling all aspects of distribution) there are many factors preventing companies from doing so. While companies can do without the assistance of certain channel members, for many marketers some level of channel partnership is needed. For example, marketers who are successful without utilizing resellers to sell their product (e.g., Dell Computers sells mostly through the Internet and not in retail stores) may still need assistance with certain parts of the distribution process (e.g., Dell uses parcel post shippers such as FedEx and UPS). In Dell's case creating their own transportation system makes little sense given how large such a system would need to be in order to service Dell's customer base. Thus, by using shipping companies Dell is taking advantage of the benefits these services offer to Dell and to Dell's customers. Every distribution channel has its advantages and disadvantages, and it is very hard to decide which one is the best. The point of every channel is to make the product available to customers. Distribution channels are an important part of any organization to deliver their products and services to consumer properly. This is a set of interdependent organizations or parties involved in the process of making a product or service available for consumption or use by consumer or end users.

The following tables show us the summary of research data.

## ONLINE SALES

**From your past experience from your organization, how do you evaluate strengths / weaknesses of direct company to the final customer channel?**

Marketing manager		National key account manager		Sales manager	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
Reduced employee costs, easier management / buy products every day 24/7 / good cooperation with physical distribution companies is best strength	The cost of running online site (hosting, domain) are big / You have to work 24/7 and always be available / Physical distribution is sometimes endangered by unexpected situations	Not expensive / fast / delivery is 24h after the order	Cost of maintaining the website are expensive / Problems with loading the page, slow internet connection / After receiving product and finding something broken, its difficult to physically return product to the company	High income – sell local and internet clients / operate 24 hours / buy products that are not on shelves anymore	Customs can return or delay the product and that client won't buy from you any more / Always available to customer / Finding customers in the hardest part
Office manager		Sales manager			
Advantages	Disadvantages	Advantages	Disadvantages		
Low cost - no rent and labor costs / access whole day / physical delivery to home address	Expenses for updating programs, web update, server / Not access to internet / laptop / For some products you have to wait long for distribution	Lower cost of delivery / faster sales to final customer / limit of sending smaller quantities, you don't have to wait to gather more requests	High storage cost / Takes a lot of time to deliver products to customers / Low efficiency of distribution (not able to reach all customers)		

## SALES THROUGH COMPANY SHOPS

**From your past experience from your organization, how do you evaluate strengths and weaknesses of direct company to the final customer channel?**

Marketing manager		National key account manager		Sales manager	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
You can sell everything in one place and people always tend to buy more than originally/ People buy and carry with them immediately/ Easy access to company shops	Big store maintenance  Costs / People have no time to load all products on spot, they are always in hurry / Sometimes you don't have delivery trucks and people drop of buying	If you have your shop, you don't need to pay the rent / Fast – you can immediately buy the product / Location of the shop – if you don't have connection in the surrounding	Rent, security, labor costs / Crowd in the shop-slower / You cannot control all the shops and the placements of the products	When owning shop – reduced maintenance costs / On spot product show – time saving / People usually carry out what they bought	Employee and shop costs / Lose time when people return products / Difficult access of delivery truck from storage to store
Office manager			Sales manager		
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
You don't have to pay the delivery of products / Customers are familiar with where they can buy the product they are searching for / Good company location	More costs – worker which will work in the shop the whole day / Crowded shop / Bad access to the shop	Lower cost of distribution / The product get to customer on expected time / The product doesn't lay too long in storage; the company uses its own delivery trucks	Increasing cost of transport (in case of expected/unexpected costs), accidents, fuel, etc / Transport of goods can be slowed by accidents / The customers cant sometimes find parking space to get into the shop	Lower cost of transport (in case of expected/unexpected costs), accidents, fuel, etc / Transport of goods can be slowed by accidents / The customers cant sometimes find parking space to get into the shop	Increasing cost of transport (in case of expected/unexpected costs), accidents, fuel, etc / Transport of goods can be slowed by accidents / The customers cant sometimes find parking space to get into the shop

## ONLINE RETAILER SALES

**From your past experience from your organization, how do you evaluate strengths and weaknesses of retailer channel?**

Marketing manager		National key account manager		Sales manager	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
More focus on smaller groups of products increases chances of earning/ 24/7 working time, no price checking and loss of time / You choose what to sell and where to sell it	You invest in starting online retailers sales but the earnings may be missing because of internet access / 24/7 working time / People are dependent on delivery working hours to receive ordered products	Larger choice of purchase – implicated to more profit / 24 hours access / Good placements	Higher end price of the product / Slower – communication with the producers / You cannot control them	No rent, only cost of web / Order taking system always is on / Much more convenient to customers	Nobody knows you exist you have to pay for internet marketing / Always keep up with latest trends, lose time / Since its online, not lot of people have internet access
Office manager		Sales manager			
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
More profit, more choice for purchase / Available in every time / The product is shipped to a customer designated address	Some online shops will not accept international credit cards / Spending lot of time for finding a solution to pay / Bad access to shop	Company is able to sell products fast to customers, in large quantity, and produce more income / Possibility of faster sale / Ability to deliver on many addresses with reduced fuel expenses and to more locations			Smaller number of online shoppers reduces income / Delivery doesn't depend on your company but on retailer shop / You can't control the physical distribution to final customer, you never know when It is delivered

## SALES THROUGH RETAILER SHOP

**From your past experience from your organization, how do you evaluate strengths and weaknesses of retailer channel?**

Marketing manager		National key account manager		Sales manager	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
No shipping cost / Try and see the product and if you like to buy it, no losing time for return / Multiple shops in one place	Competitors can check your prices and adjust his, you lose profit / Long lines, crowded place / Parking restrictions might be imposed	They respect recommended process on the shelves and are interested in discount and promotional activities / Mostly well organized / Big number of shops all around the town (people can physically reach all products)	Very expensive / If we don't promote products, nobody will see them on shelf's / You cannot control the out of stock of the products	Reduction in staff costs through improved handling / Saves time to customers, buying in one place / Higher level of transport safety in loader and truck transportation	Lot of competitors on market, reduced profit / Selecting sites, servicing customers / Complicated transport process

Office manager		Sales manager	
Advantages	Disadvantages	Advantages	Disadvantages
A typical specialty store gives attention to a particular category and provides a higher level of sale / If you need a product you can buy it immediately / Customers take delivery of the products so you don't incur delivery costs	High costs – retailer seeks for high cost for selling products in shop / Delivery of products to retailer / Location of shop is out of the town	The customer comes in retail shop and has entire product line at his disposal to choose from / Everything is in one place, people save time / Ability to deliver big quantities on all locations	Bigger expenses, if retailer shops have benefits from competitors / Product can lay too long on shelf's / Unreliability towards transport companies, damage if goods

## SALES THROUGH WHOLESALERS AND RETAILERS

**From your past experience from your organization, how do you evaluate strengths and weaknesses of wholesaler channels?**

Marketing manager		National key account manager		Sales manager	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
You buy big, you sell big / Save time by selling big / More shops of wholesaler and retailer - more available to customers	Big costs of delivery large quantities to satisfy wholesales / You depend on their time to sell your products / Retailers are too far away from target customers	If you have more channel participants, you increase the chances to sell more products / Save time by delivering big quantities to wholesaler and retailer / Product is more available	More participants in distribution channel means more cost / More time to spend in communication with them	More channel people / participants involved makes product more out there to people / Organizing just in time delivery / Big transport tucks carry big loads	People expect lower prices even if market can't handle it / Custom – they delay trucks sometimes for days / Not good communication in organizing – transport from one to another
Office manager			Sales manager		
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
The costs for the company end at the moment when they sell to wholesalers and retailers / Saving time for promotion – they do it for you / They have their own physical distribution and make product available	Labor cost – more participants means more expensive / It's hard to perform in timely manner when more participants / Physical availability of the wholesale and retail centers	Lower costs of transport, advertising, product availability is good / Saving time to get the product to customers / Variety of products available to more customers		The cost of product lay in storage if sales drops, wholesaler and retailer don't pay attention to sell your products / The time for delivery depends on wholesaler and retailer / You can't control physical distribution from wholesalers to retailers and to final customer and it affects customers	

## 5. DISCUSSION

Distribution, also known as placement, is one of the classic “4 Ps” of marketing (product, promotion, price, placement a.k.a. “distribution”). Distribution channels play a key role in companies entire marketing strategy — they help expand their reach to penetrate certain market. Companies can sell through a single channel or through multiple channels that may include: Direct/Internet:Selling through own e-commerce website; Direct/Sales Team:One or more sales teams that employ directly. Company may use multiple teams that specialize in different products or customer segments; Direct/Catalog:Selling through own catalog; Retail:Retailers sell directly to end-users via a physical store, a website or a catalog; Wholesaler/Distributor:A company that buys products in bulk from many manufacturers and then resells smaller volumes to resellers or retailers; Value-Added Reseller (VAR):A VAR works with end-users to provide custom solutions that may include multiple products and services from different manufacturers; Consultant:A consultant develops relationships with companies and provides various types of services; they may recommend a manufacturer’s product or simply purchase it to deliver a solution to their client; Dealer:A company or person who buys inventory from either a manufacturer or a distributor, then resells it to an end-user; Sales Agent/Manufacturer’s Rep: Company can outsource your sales function to a company that sells different manufacturers’ products to a group of similar customers in a specific territory.

To create a good distribution program, company needs to focus on the needs of it's end-users: If users need personalized service, company can utilize a local dealer network or reseller program to provide that service; If users prefer to buy online, company can create an e-commerce website and fulfillment system and sell direct; can also sell to another online retailer or distributor that can offer product on their own sites; Company can build it's own specialized sales team to prospect and close deals directly with customers.

Wholesalers, resellers, retailers, consultants and agents already have resources and relationships to quickly bring specific product to market. If company is selling through these groups instead of (or in addition to) selling direct, treat the entire channel as a group of customers – and they are, since they’re buying company's product and reselling it. By understanding their needs and delivering strong marketing programs; company can maximize everyone’s revenue in the process.Manufacturers must realize that superior distribution support can help differentiate products and services in the marketplace, add value and amplify profitability. Since distributors can be used to enhance a manufacturer’s competitive position in the marketing channel, distributor selection will continue to be an important issue for the foreseeable future.

If we collective analyze the research findings from quantitative research conducted for the purpose of this thesis, we conclude the following:

- ✦ **Online sales – advantages** - Internet has revolutionized the way we do our shopping. Because of the numerous advantages and benefits of shopping online more and more people these days prefer online shopping over conventional shopping. Where else can you do shopping even a midnight wearing your night suit? You do not have to wait in a line or wait till the shop assistant is ready to help you with your purchases. You can do your shopping in minutes even if you are busy apart from saving time and avoiding crowds. Online shops give us the opportunity to shop 24 x 7 and also reward us with a ‘no pollution’ shopping. There is no better place to buy information products like e-books. Immediately after the payment is made one can download the information. The choices you can get for products are amazing. One can get several brands and products from different sellers at one place. You can get in on the latest international trends without spending money on airfare. When you shop online, you can shop from retailers in other parts of the country or even the world without being limited by geographic area.

Online shops make comparison and research of products and prices possible. Online stores also give you the ability to share information and reviews with other shoppers who have firsthand experience with a product or retailer. Using the references of cost, time and physical distribution efficiency in the area of online sales most managers' answers were approximately in the same direction. In terms of cost efficiency, the advantages of online sales are lower costs of delivery, easier management, which means reduced employee costs, no rent and labor cost, etc. In terms of time efficiency, the main advantage is that you are online 24 hours, 7 days in a week. At least, the physical distribution efficiency – strengths are that the delivery is mostly 24hours after the order; you can buy products that are not on shelves, the delivery is to home address, etc.

- ▲ **Online sales – disadvantages** - When considering cost efficiency the definite answer among all of the managers were that the main disadvantage of online sales are high costs for maintenance the web site, for hosting, domain, etc. Also, you need to be online 24 hours, 7 days in a week, because you never know when will be an order from customers. Bad internet, problems with loading the page or slow connection can slow down the purchase. In terms of physical distribution efficiency, the disadvantage is that you are sometimes not able to reach all customers, and for some products you have to wait long for distribution. From the perspective of customers, you usually have to wait long periods of time to receive the purchased product. Sometimes, this can even take up to a month or longer if being shipped from overseas. There could be delays on the delivery, or miscommunication and you can't go to the store or get in contact with someone face to face. Usually, there is no one to ease your frustration about any delays that occur. Also, the disadvantage are shipping costs on your item – the costs can be extremely high in comparison to what you paid for the product, sometimes making the purchase not worth it. Also, sometimes looks can be deceiving. You don't get to test the product before you buy it. What might have looked beautiful to you in picture might not live up to your expectations once received. Then what? If it's an online store that doesn't have a local store in your area, returning the product will be a huge hassle.
- ▲ **Sales through company shops – advantages** - When we analyze the answers from managers, according to cost, time and physical distribution efficiency, we see that the answers go in the same direction. In case of selling products through company shops, customers save lot of time, because they are familiar with where they can immediately buy the product they are searching for. Buying goes fast and they save their time. Here we can also point out that the advantage of selling products through company shops is that you can sell whatever you want in that shop. All products are great arranged in shelves, and the customers have variety in choosing their product. The human psyche is such that the customers come to the shop to buy for example just milk, but there are always unforeseen products, which ends in 99% with purchase. In most cases, there is one statement – why not to buy?! In terms of cost efficiency, the distribution costs are lower, because you don't need to distribute the products, it means, you don't need to pay the delivery of products. Also, if you have your shop, you save money for paying rent. Taking into account the physical distribution efficiency, the main advantage is that products doesn't lay too long in storage – company uses its own delivery trucks, and the access is easy to company shops.
- ▲ **Sales through company shops – disadvantages** - The disadvantages of selling through company shop, regarding the cost efficiency, are the store maintenance costs. Also, there occur rent costs, because you need a shop, security to ensure the safety of products, labor costs – you need to have staff which will work in the shop, etc. In terms of time efficiency, the weaknesses are slower selling because of the crowd in the shop. When considering physical distribution efficiency the definite answer among all of the managers was bad access to the shop. The customers can't sometimes find a parking to get into the shop – and waiting for a free place is waisting their time, because they are usually in hurry. So, most of them

decides to shop online, to avoid crowded shop, crowded streets, no free parking place, etc.

- ▲ **Online retailer sales – advantages** - Using the references of cost, time and physical distribution efficiency in the area of online retail sales most managers' answers were approximately in the same direction. For most of them the advantage of online retail sales in area of cost efficiency was related to company making more profit by providing more choice for customer, focusing on smaller groups of products increases its chance of earnings. This, according to managers' is more emphasized while company is not using real facilities therefore has no cost of rent, the sell is more faster when the buyer is one click of a mouse away from the product. When considering time efficiency the definite answer among all of the managers was the principle of being able to work 24/7, company makes its product available at any time or date, customer doesn't need any additional time consuming information, the ones provided on the web are sufficient enough and is able to buy product on spot. The physical distribution efficiency was analyzed in a way the managers were taking into consideration the spread out net of fast deliveries (just in time concept) and to make the product available to customer as soon as possible. In the matter of minutes, according to its procedures of shipping, the company is able to pack the product and send it to designated address of a buyer. The next step depends on the delivery system of company's own delivery system of the one from hired company. As a general perception of this kind of sales, taking into consideration cost, time and physical distribution efficiency we can conclude that company that is using this kind of sales can have many advantages in profit making and market winning when placing its products and making them available 24/7. The today market shows that many companies are using this kind of sales in order to get close to the customers "never leaving their house for purchase", simple being online all the time.
- ▲ **Online retailer sales – disadvantages** - The disadvantages for the online retail sales were mostly moving around the area of possibility that people may have no access to the internet and therefore are not possible shoppers of company's products. Although it's hard to imagine someone today not having internet access, depending of the product and area the company is selling, it is a huge disadvantage to have to depend only the those having internet access. As managers stated, the company may have bigger costs while trying to find target market and customers. It may have to invest in advertising and getting the people's awareness and attention for the product trying to sell. Those cost today are huge and company is risking of investing with no return on investment of making profit. As for time efficiency, the online retail sales, as mentioned before as advantage, now in the case of disadvantage, you have to work 24/7. Someone from the company has to always look after the page and respond to the order. Although, there are now many software that can perform the procedure, a person has to check it once in a while to avoid customer not being satisfied if something went wrong. And of course, people always expect you to be up to date with the products, so the company need to be at alert all the time and investigate the market for new ideas and product solutions. When explaining the physical distribution efficiency, there are two approaches, when company is using its own delivery system, then being able to control the process of delivery to final customer and predict future deliveries. When not using its own delivery system, but hiring another company to do it, you are slightly dependent on their capabilities and procedures of delivering and the final customer doesn't want to know if you have problems with them, they want to get products on time.
- ▲ **Sales through retailer shops – advantages** - The advantages of people buying at retailers shops is the availability of the products at the place of sales, the customer comes in retail shop and has entire product line at his disposal to choose from. Company has no shipping cost since it sells on spot. Mostly, selling through retailer shops gives the company the opportunity to choose particular category of product and place it to the customers for their satisfaction. The sales person is able to offer the explanation to the

customer and possibly convince them to the purchase. People are often in these shops interested in discounts and promotional activities. Company using one place for selling the products is a time saving advantage. People try the products on spot and don't lose additional time for returning when no fit. Especially this type of sales advantage is that when you need a product you go and buy it, no need to wait for it delivery. Shops of this kind are mostly well organized and saves customer time. Physical distribution efficiency allows the company to deliver big quantities on all locations of the shop and don't have to worry about not being able to have it in store at customers desire. Company is able to disperse products to many retailer shops, making it more available to final customers.

- ⤴ **Sales through retailer shops – disadvantages** - Most disadvantages were in the area of competitors selling their products in the same retailer shops. Sometimes companies have larger expenses while trying to match their competitors or offer bigger range of products. This can cause the company not achieving the desired profit on this market. When company wants its product to be more visible on the shelves it has to pay larger price and still be competitive on the market. In this process, the company is still facing the possibility of product not selling and laying too long on the shelves with customers not buying it. Also, if the retailer shop is “hot spot” for purchase, alongside of possible profit making, the company is facing the possibility of people walking out and not purchasing because of long lines and crowded place. Also, someone has always be available to the customers if they have some questions, and although that is not the company's concern, it still faces with the lack of knowledge of the staff of retailer shop to present the product in best way and sell it. In the case of physical distribution efficiency, most managers find transport, parking restrictions to customers to be obstacles for purchase. Company can't control out of stock of the product and replacing and filling put the selves can sometimes be a difficult job. Also, many of the shops this type are usually set somewhere outside the town and not many people have access to it.
- ⤴ **Sales through wholesalers and retailers – advantages** - The biggest advantage of this type of sales is that you buy big and you have the opportunity to sell big and earn profit. When having more channel participants you increase the chance to sell more products to many people. It's not only the company that is making the effort to sell, all the participant are doing so. And if they have wider range of customers the potential profit is more certain. The company sells the product to wholesalers and retailers and its concern end there, it saves time by selling big and delivering big to the wholesalers and retailers. It then easier to organize the process of delivery and to make sure you provide them with sufficient quantities of product. Company also uses them to do the promotion, so it saves time and money on that process. Since wholesaler and retailer have many of their own shops, the product is instantly more available to customers with big variety of product. A wholesaler defined as a company who buys in bulk from companies and then resells the products through one of the channels has the advantage of company's minimal involvement and less competition (say, as compared to selling to retailers). The wholesale buyer may combine or even perform basic assembly of company and competitors' products before reselling them.
- ⤴ **Sales through wholesalers and retailers – disadvantages** - According to most managers that were part of this research, it was the disadvantage of being there so many participants that can affect the selling of the product. People are always expecting to buy cheap even when company, wholesaler and retailer can't afford to do so. You face the risk of losing customers for not fulfilling the expected. If product is not selling there is a cost of it laying there and “occupies the place for some other potentially better selling product. When looking after time efficiency most of managers agreed that when facing the more channel participants you face the possibility of hardly performing in timely manner and doing everything on time. The wholesaler and retailer shops are sometimes located in one big place usually far from the center of

the town or city and searches the customer will to go out there and make the purchase. That is why they always have to offer more, better and cheaper to keep customers satisfied and happy and willing to buy.

When we talk about reaching marketing and financial goals, we have to point out „developing a marketing strategy“. Marketing strategy includes all basic and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company and the formulation, evaluation and selection of market-oriented strategies and therefore contribute to the goals of the company and its marketing objectives. A marketing plan is vital to achieving financial objectives. How to increase the sales by 10%? How to achieve this? By increasing the number of units sold, market share, new programs or services, or improving customer awareness? First of all you need to define your target market. The next step is product positioning, then pricing, promotion and at the end promotion and distribution. Its not only te he online sales that will increase the sales and profitability. There are numerous tools that will give you more ‘bang’ for your buck or leverage your time more efficiently. Some of them are: advertising, awards, direct mail, exhibitions, internet marketing, media relations/publicity, newsletters, articles, seminars, sponsorships, cold calling, joint ventures, blogging, social media.

Distribution is the marketing activity that encompasses all the activities that are necessary to produce come from producers to consumers. The goal is that the end user is served with the fastest and best way, with the least cost. From the standpoint of modern marketing concepts, the distribution consists of two areas, namely: choice of the most effective distribution channels and physical distribution, marketing and logistics, consisting of storage, transportation, etc

## 6. CONCLUSION

This paper analzed data from managers of a company in home appliance industry with respect to their views on advantages and disadvantages of different distribution channels used in their company. Structure of business is changing every day and methods that were used previous decades are maybe no longer that effective for today's companies. Distribution is also an important part of business strategy and managers should follow-up changes in this part of business strategy. In this research, data were collected about the comparison of different distribution channels in regards to time, cost, physical distribution and product efficiency. Among the four methods of distribution, direct online company sales, company shops, online retailer sales, retailer shops and sales through wholesalers and retailers, each method has its own advantages and disadvantages. As a general rule, it is known that method of distribution a company will use will depend on many factors including nature of market and product, company resources and purposes in distribution, companies may still have hard time to choose from different methods because they may not evaluate the time, cost, product and distribution efficieny of each method to the company. In this paper, data from an exploratory research was provided to help companies make more informed decisions.

To conclude, it has to be stated that data presented in this paper reflects the views of a limited number of managers from a company, however, further research in needed to get more views from managers from different companies. This can be done with more qualitative and quantitaive research. A quatitative research which will develop a scale to measure the efficieny of different distribution methods will make easier to get views from a number of managers. This way findings of this research can be compared to the ones that can be generalized to larger populations.

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