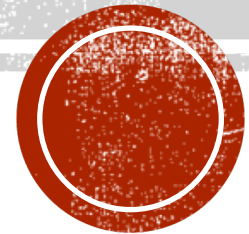


# DISTRIBUTION

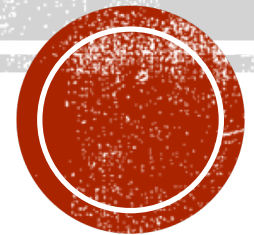
Samuel Mayol

MCF en Marketing



# THE DISTRIBUTION FUNCTION

1<sup>ère</sup> Partie



# INTRO: GENERAL ASPECTS OF DISTRIBUTION

Any company, whatever its sector of activity, whether it is aimed at the end consumer, professionals or other companies, must distribute its products through a distribution network.

<https://youtu.be/tNJ5Qq7msaU>

Commercial activity: economic function which consists in buying goods to resell them in the same physical state under conditions of time, place, quantities and assortment more appropriate for final consumption by possibly offering additional services

- This activity includes various tasks (logistics and commercial) that can be assumed by producers or distributors.
- Distribution is defined as “all the activities carried out from the moment the finished product has been manufactured and is waiting to be sold until it is held by the final consumer
- ” The world of distribution is particularly complex: It involves many actors It is very scalable Currently, the world of distribution is experiencing a revolution: that of e-commerce.
- <https://youtu.be/MMIZKloNvd8>

# EXEMPLES

- <https://www.youtube.com/watch?v=KbtF8XL9zkY>
- [https://www.francetvinfo.fr/replay-radio/ca-nous-marque/ca-nous-marque-la-clientele-populaire-est-la-bienvenue-a-la-samaritaine-eleonore-de-boysson\\_4660727.html](https://www.francetvinfo.fr/replay-radio/ca-nous-marque/ca-nous-marque-la-clientele-populaire-est-la-bienvenue-a-la-samaritaine-eleonore-de-boysson_4660727.html)
- <https://www.youtube.com/watch?v=M6a--xS6g-E>

# I. DISTRIBUTION FUNCTIONS.

## 1. Wholesale function

“activity which consists, exclusively or principally, in reselling goods to traders, processors or users. The goods may be resold as is or after transformation, treatment or packaging, as is usually practiced in the wholesale trade.

[https://youtu.be/\\_sni7pqxl5c](https://youtu.be/_sni7pqxl5c)

- Leads to the purchase and storage of products in large quantities to resell them in smaller quantities (splitting)
- Wholesalers are classified according to the nature of the products distributed:
  - Wholesalers in food and agricultural products
  - Wholesalers of everyday non-food products
  - Wholesalers in industrial products

## 2. The detail function

- "Sale made, according to the customs of the profession, at a retail price and relating to quantities which do not exceed those which a consumer can buy for his ordinary needs".
- Good geographic market coverage; better accessibility of products by consumers

### 3. The logistics function

- Sometimes called physical distribution Set of techniques that allow: The circulation and management of information flows (orders, invoices, etc.) between professional partners
- The delivery and availability of products (producers, distributors, consumers)
- <https://youtu.be/wlDNGztLXQU>

- At IKEA, logistics is considered a strategic issue
- Delivery of stores at 6 a.m. to install them directly on the shelves
- Only 60% of depot supplies Strong growth in logistics costs (transport, handling, storage) in recent years.
- They represent between 20 and 30% of the turnover of companies
- Constant efforts to reduce these costs: EDI (Electronic Data Interchange)
- <https://youtu.be/4-pkghHoSlQ>

## 4. The logistics function

- Assortment
- Funding
- Services

[https://youtu.be/d\\_6C0lJmlU8](https://youtu.be/d_6C0lJmlU8)

- The commercial actions of distributors influence the choice of customers towards a specific brand or product to a greater or lesser extent.

## II. DISTRIBUTION POLICY

### 1. Distribution channel

All the stakeholders who move the product from its production stage to the consumption stage. In other words, the management of the flow that will bring the product from the production unit to the consumer customer.



Two main modes of distribution in the food industry:

- Direct distribution (from producer to consumer),
- Indirect distribution (including 1 or more intermediaries).



## Direct distribution

Direct agro-food distribution is currently quite limited and is limited to non-store sales by the producer (sale at the farm), by producer cooperatives, in provincial markets or at fairs or exhibitions.

The +/- products concerned are wine, poultry, fruit and vegetables.

Note for summer fruits the picking – sale.



Special case of direct (or similar) non-store sales

Distance selling (VAD) door-to-door sales,

The sale in meeting,

The steps, producer cooperatives, Factory sales.

<https://youtu.be/2loa6P6nbpM>



Indirect distribution It now concerns most of the distribution agri-food and non-food

A long circuit:

Producer+(traders)+wholesalers+retailers,

A short circuit: Producer+retailers.



## 2. RETAILING

- The ancestor of self-service: Ed. LECLERC in 1949 in Landerneau (50m<sup>2</sup>)
- The 1st Hypermarket: Carrefour in 1963 in Pontault Combault Birth of "French-style" mass distribution:
- Everything under one roof: From fresh produce to household appliances
- <https://youtu.be/SwG7rg9Y220>



In parallel, the collapse of the retail trade and the desertification of city centers.

But is the expansion of supermarkets the only cause of this decline?



Growth of self-service and mass distribution This is the most significant development of the last 50 years:

Hypermarkets (>2,500 m<sup>2</sup>): 31% of agri-food trade (20% of total trade), ~1,100 stores,

The Super (400 to 2500m<sup>2</sup>): 26% of the food industry for ~8100 stores,

Superettes and similar are represented by 24,000 convenience stores.

<https://youtu.be/5R1k4ySqDrA>



- In a few decades, we have seen a reversal of the producer/distributor balance of power in favor of the latter.
- Large-scale distribution has continued to develop and, even better, to concentrate in even more pressing structures (Carrefour+Promodes, Monoprix+Prisunic, etc.) which weigh heavily on trade in France.



### 3. LAWS

1958: The decree of June 24

Signed by Charles de Gaulle, then Chairman of the Council, this text prohibits the refusal to sell by manufacturers to distributors, the fixing of the minimum resale price, discriminatory price increases, agreements hindering competition... It resumes at the identical to the terms of a decree of 1853, annulled by the Council of State. And opens the way to mass distribution.

1996: The Galland law

This text concerns fairness and the balance of commercial relations. This catch-all law notably modifies the 1996 ordinance (the refusal to sell is no longer a civil offence, the prohibition of resale at a loss is extended to advertisements, the practice of abusively low prices is repressed). It specifies payment deadlines and regulates delistings.

1973: The Royer law

The law of December 27, 1973 is a general text of orientation of trade and crafts. Repressing, for example, misleading advertising, it is best known as the pillar text in commercial town planning. To open without prior authorization, the thresholds are set at 1,000 m<sup>2</sup> of sales area for projects planned in municipalities with less than 40,000 inhabitants, and at 1,500 m<sup>2</sup> for municipalities with more than 40,000 inhabitants. Through authorizations, it influences the focus of points of sale according to their sales area. Still in force, it was profoundly modified, in particular by the Raffarin law of 1996.



## 2008: The LME

The law on the modernization of the economy caps payment terms at sixty days from the date of issue of the invoice, or forty-five days from the end of the month. And it restores freedom in price negotiations between distributors and suppliers. With the aim of eliminating the system of rear margins. The LME also contains an increase in the authorization threshold from 300 to 1,000 m<sup>2</sup>. This operates a return to the law prior to the Raffarin law.

And also...

1960: The Fontanet circular of March 31 defines the illicit practice of prices imposed by suppliers and extends it to recommended prices.

1963: The law of July 2 prohibits resale at a loss and misleading advertising.

1971: The decree of September 16 imposes mandatory display of the price of products displayed for sale to the public.

1978: The Scrivener circular of January 10 specifies the threshold for resale at a loss.

1986: According to the Balladur ordinance, prices are once again “determined freely by competition, except for exceptions such as books”. Refusal to sell is decriminalized.

1996: The "Raffarin law" of July 5 lowers the threshold beyond which authorization is required to 300 m<sup>2</sup> of sales area.

2001: The law on new economic regulations (NRE) refers to the “moralisation of commercial practices”.

2003: The Dutreil circular 1 allows distributors to pass on the selling price of commercial cooperation services.

2005: The law of August 2 (known as Dutreil 2) allows distributors to pass on part of the discounts obtained in the form of back margins in the selling price.



# EGALIM LAW

The EGalim law (Law n° 2018-938) was adopted by the parliament on October 2, 2018 and promulgated on November 1, 2018.

This law stems from the Estates General of Food (EGALIM, launched on July 20, 2017) announced by the President of the Republic Emmanuel Macron in order to consult the French people (156,000 participants) on questions relating to food such as:

- How can we support the transformation of our agriculture?
- How to better inform consumers?
- How to strengthen food safety?
- How to promote the French food model? How to improve animal protection and eliminate animal abuse?
- How to have better product traceability? ...

The "Agriculture and Food" law comprises 69 articles, counts more than 300 hours of debate in Parliament and more than 5,000 amendments examined in bills.



## 4. PURCHASING CENTERS AND REFERENCING

The name purchasing centers is inappropriate, they are in fact referral centers created by distribution or catering companies to act as intermediaries with suppliers. They have 2 essential roles: Negotiate the best prices with suppliers, Put suppliers in competition and collect and select the different offers. All on behalf of the member distributors they represent.



## SEO criteria:

- The relative weight of the supplier or brand,
- The anteriority of commercial relations,
- The supplier's logistics control,  
Financial criteria.



## Referral centres:

- Carrefour, Lucie (System U and Leclerc),
- Intermarché, EMC Distribution (Casino),
- Auchan, Provera (Cora)



What is "the entry fee"?

It is a sum paid by the supplier to be able to have a new product or a new range of products referenced.



## 5. OTHER MEANS OF INDIRECT DISTRIBUTION

Independent trade: It brings together general, specialized or craft food stores that are financially and legally independent. These are often family businesses where the merchant owns the store.

Associated trade: It brings together independent companies within a network (franchise, cooperative, voluntary chain, group)



## 6. MARKETING VARIANTS OF INDIRECT DISTRIBUTION

- Intensive distribution, which aims to multiply the number of points of sale, is suitable for impulse purchase products,
- Selective distribution, which aims to entrust the marketing of a product to a specialist, is adapted to so-called sought-after products,
- Exclusive distribution, which aims to limit marketing to approved points of sale, is suitable for luxury products.



## 7. DISTRIBUTION TACTICS

- The pull tactic
- The push tactic

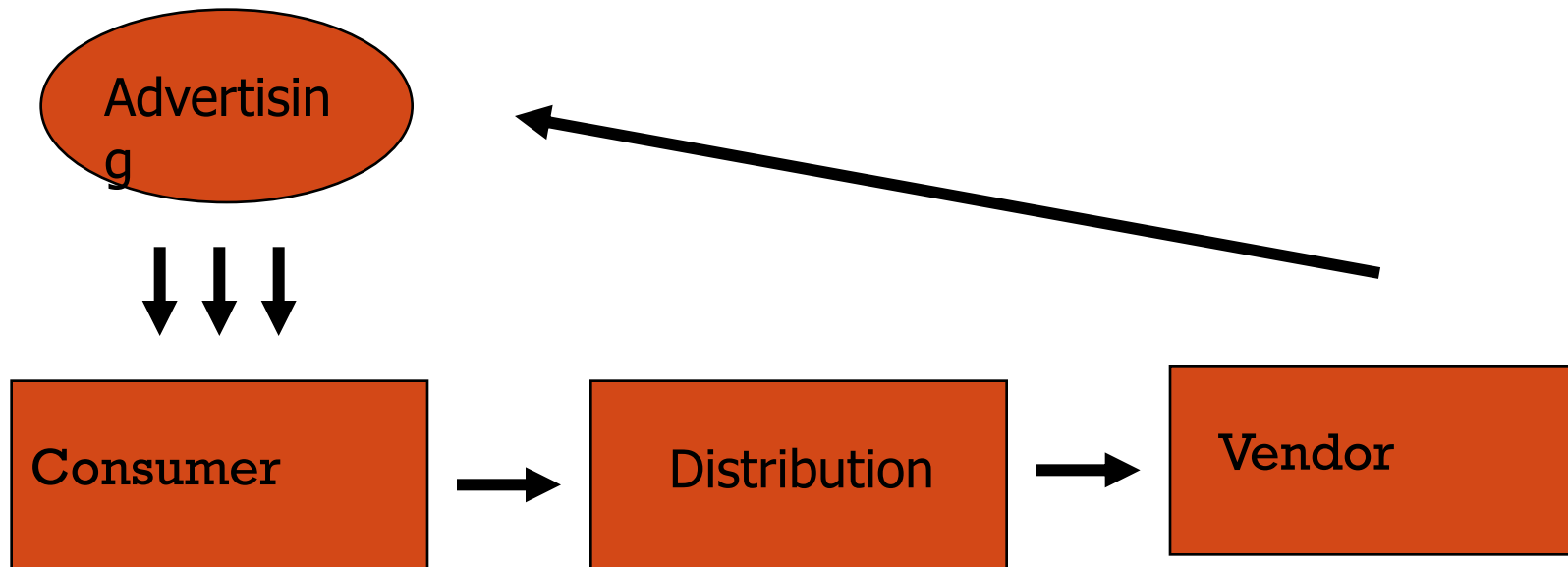


## PULL TACTICS

It aims to provoke consumer demand through an intense communication policy.



## PULL TACTIC

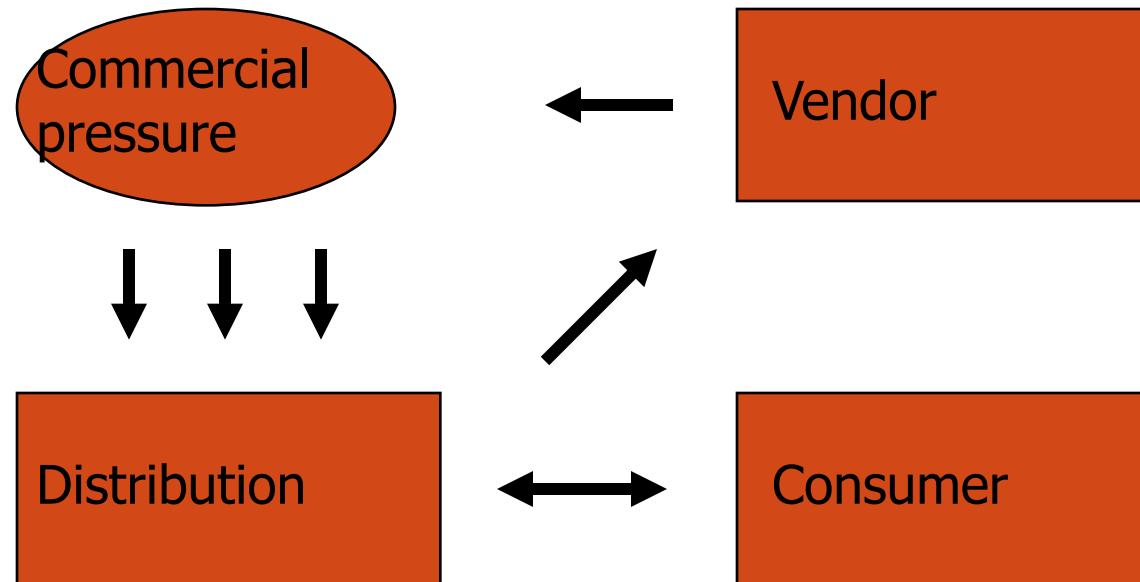


## PUSH TACTICS

It aims to promote the promotion of the product through commercial and marketing pressure on distribution.



## LA TACTIQUE PUSH



## 8. The main Supplier x Distributor conflicts

They relate essentially to 2 points:

- Remuneration and commercial conditions,
- Shelf access: referencing and merchandising



## 9. TRADE MARKETING

This is a solution to reduce conflicts! Implementation of synergistic means for the common interest of the brand of the supplier and the retailer.

In concrete terms, this consists of converging and pooling the logistics, IT, marketing and merchandising tools of the supplier and the distributor for the greater benefit of both.

<https://youtu.be/vrWQ1L4Ssbs>

<https://youtu.be/sFD86KbnMWQ>



Negotiated Marketing  
focused on:

The transaction,

The brand,

The product, price  
negotiation,

The transfer of costs, short-  
term profit,

An adversary confrontation. =  
Standardized and conflicting  
reports

Trade Marketing focused on:

The relational, customer  
expectations,

Category Management,

The service,

Cost reduction,

The medium/long term profit,

The partnership. = Customized and  
optimized reports



<b>Distributor interests</b>	<b>Supplier Interests</b>
Inventory optimization	Better sales forecast management
Economy of logistics	Better forecasting production management
Optimization of linear management	Decline in trade disputes
Augmentation des ventes	Optimization of commercial actions
Stabilization – Transparency of relations	Stabilization – Transparency of relations



### III. TYPES OF POINTS OF SALE AND THEIR EVOLUTION

- A type of point of sale is defined by all of its physical and marketing characteristics: concept, sales area, nature and size of the assortment, location, method of sale
- Ex.: hypermarket = concept of “everything under one roof”

<https://youtu.be/9nYMPrlE78w>

## 1. LOCAL SHOPS

- Traditional shops convenience stores
- Convenience stores
- It is possible to distinguish between small local shops and local discounts.

<https://youtu.be/d4fhU0dvJ6M>

## 2. LARGE AND MEDIUM-SIZED SUPERMARKETS (GMS)

- GSA: supermarkets mainly food
- Supermarkets (SDV from 400 to 2500 m<sup>2</sup>)
- Malls : TGS 2500 to 5000 m<sup>2</sup>
- Hypermarkets over 5000 m<sup>2</sup>
- GSS: specialized supermarkets, DIY, textiles, sports, gardening...

### 3. DEPARTMENT STORES

- Points of sale with a large SDV (capable of exceeding 50,000 M2), offering, in assisted self-service, a vast assortment in at least 10 specialized departments
- Very large sales areas on several levels and large number of references.
- Essentially non-food but may contain a mini-market.
- Rather Parisian, they are generally located in city centers
- The leaders: New Galleries, Le BHV, La Samaritaine, Au Bon Marché, Galeries Lafayette, Printemps, etc.

## 4. POPULAR STORES

- Self-service stores that sell everyday food and non-food consumer products, on an average SDV (1600 m<sup>2</sup> on average)
- Created in the 1930s by department stores.
- Small in size on average 1400 m<sup>2</sup> for 7000 to 10000 references.
- Essentially non-food but may contain a mini-market.
- Distribute their private label.
- The best known of the time: Monoprix, Prisunic, Uniprix.

## 5. SPECIALIZED SUPERMARKETS

- They have experienced strong development over the past 2 decades.
- They are often backed by a hypermarket within a Shopping Center.
- Major areas of activity:
  - Household equipment and appliances,
  - DIY And Decoration,
  - Garden and animals,
  - perfumes and cosmetics,
  - Ready to wear,
  - Leisure and Culture,
  - Automotive,
  - Sport stuff.



## **6. WEBSITES**

- Essential means of distance selling and e-commerce
- Will be studied in more detail in the following chapter “methods of sale”

## IV. COMMERCIAL SETS

- Bring together various types of POS: (specialized or not, with variable SDV), service providers (banks, travel agencies, banks, restaurants, etc.) and various activities (libraries, performance halls)
- POS: point of sale
- SDV: sales area

# V. THE MAIN FORMS OF TRADE

## 1. ISOLATED INDEPENDENT TRADE

- Traditional form of commerce which brings together sedentary or mobile local points of sale belonging to independent people
- Convenience trade (or “small trade”) represents 85% of retail product distribution companies, but 30% of turnover.
- Currently, the most successful are those who:
  - Specialize in a type of product and/or on a specific clientele
  - Strongly value their strengths

## 2. ASSOCIATED INDEPENDENT TRADE

- Form of commerce in which independent traders come together to perform various tasks related to logistics and commercial functions
  - groups of merchants
  - franchising: system for marketing products, services or technologies, based on close and continuous collaboration between legally and financially separate companies, the franchisor and the franchisees

### 3 . INTEGRATED TRADE

- Form of commerce grouping together companies that apply, on a large scale, a homogeneous marketing and commercial strategy to a large number of diversified points of sale (supermarkets, hypermarkets, convenience stores, etc.)
- The companies belonging to it combine the wholesale and retail functions
- The points of sale are branches (operated by employees) or affiliated companies (independent linked to the distribution company by distribution contract)

## 4. FRANCHISE

Appearance of a hierarchy between the franchisor and the franchisees  
Production/service franchises

The plant generally offers more extensive advice and assistance services  
To be legal, the franchise contract must be written, permanently updatable,  
filed with national authorities, in accordance with European law.

The franchise provides advantages to each of the partners

<https://youtu.be/RLY6RZDtVdU>



# VI. THE CAUSES OF THE EVOLUTION OF FORMS OF COMMERCE AND TYPES OF POS

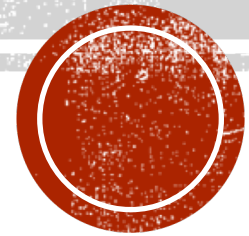
- Life cycle often compared to that of a product
- The developments are the result of various market-related factors:
  - Technical innovations
  - Creativity
  - Consumer expectations
  - Competition
  - Legal environment

# THE CAUSES OF THE EVOLUTION OF FORMS OF COMMERCE AND TYPES OF POS

- Appearance and rapid development of “hard-discount” supermarkets such as Lidl, Aldi, etc. due to the drop in demand, the intensification of competition, technological innovations (productivity gains in logistics)
- Development of online sales linked to technical innovations (ease and speed of connections and data transmissions, progress in the security of remote payments) and consumer expectations (choice, speed of purchases requiring no travel...)

# THE ORGANIZATION AND MARKETING OF DISTRIBUTION GROUPS

2<sup>ème</sup> Partie



# I — INTEGRATED DISTRIBUTION GROUPS

- A distribution group brings together several establishments or companies with different roles:
- Parent company
- Purchasing center
- Points of sale

# 1. THE PARENT COMPANY

- Owner, in whole or in part, of the other components of the group (central purchasing, warehouses, points of sale, etc.)
- Can also be linked with certain POS by distribution contract (ex.: franchise)
- It defines the general strategy of the group (marketing orientations and axes of development)

## 2. PURCHASING AND REFERENCING CENTERS

- The role of a purchasing center
- Organization whose essential function is to obtain, from suppliers, the best price and purchase conditions (speed and frequency of delivery, payment period, etc.) by highlighting the purchasing potential constituted by the POS park of the distribution group for which he works

<https://youtu.be/pHD5XVHieJY>

## MISSIONS OF A PURCHASING CENTER

- Referencing suppliers according to criteria of price, capacity, production, competence, brand image, etc.
- Build product collections based on price, quality, attractiveness, innovation, etc.
- negotiate purchase terms (permanent and promotional) with vendor sales managers

# MAIN PURCHASING CENTERS IN FRANCE

- Carrefour
- Lucie : Leclerc, Système U
- Casino
- Cora
- Intermarché
- Eurochan : Auchan, Atac

# FUNCTIONING

- Within a purchasing group, product “collections” are established by:
- Buyers
  - Product managers
  - Specific organization according to group strategy:
  - Flexible organization
  - Centralized organization
- Centralization is currently more and more important and the assortments are more and more part of a national brand policy.
- E.g.: the Carrefour central negotiates 90% of the references

### 3. POINTS OF SALE

- Portfolio made up of more or less numerous stores and characterized by their “sales formats”:
- Hypermarkets, supermarkets, local shops, websites...
- Each POS is characterized by its physical and commercial elements

## 4. WAREHOUSES AND PLATFORMS

- Warehouses: goods storage centers
- Platforms: places where the products only pass briefly; allows “regroupings” and “breakups”
- Distributed throughout the national territory to reduce transport costs

## 5. INFORMATION FLOW

- Development of intranets and extranets
- An intranet is a private internal corporate network that uses the Internet
- An extranet is a private network that connects a company (e.g. a distributor) to its main professional partners (e.g. its suppliers)
- In relation to the extranets, electronic marketplaces are being developed (“market place”)
- At the end of 2000, Worldwide Retail Exchange was the largest virtual marketplace in the retail sector: €340 billion in turnover

## II- THE MARKETING OF DISTRIBUTION GROUPS

### 1. DISTRIBUTOR MARKETING BASICS

- Reasons for the development of marketing among distributors:
  - Evolution of forms of commerce
  - Increased competition
  - Loyalty at point of sale declining

- Complex implementation because on several levels:
  - 1st level: the entire distribution group
  - Strategic areas of development
  
- 2nd level: signs
  - At the level of each brand:
  - positioning and brands
  - Supplies
  - Basic merchandising
  - Communication
  
- 3rd level: points of sale
  - Local commercial actions carried out by a determined POS in its catchment area
  - Each POS can carry out “micro marketing” actions
  - The information collected at the store (cash registers, loyalty cards) makes it possible to measure the effectiveness of promotions, to evaluate the impact of new products, to calculate the elasticity of sales according to price levels, etc.
  - Implementation of relationship marketing

## 2. THE POSITIONING OF BRANDS

- Positioning is the place occupied by a brand or a point of sale in the mind of the consumer compared to all the competing distributors according to a certain number of specific criteria.
- E.g.: product quality, staff skills, price level, etc.
- Major concern of distribution groups
  - Competition => need to segment the market and differentiate
  - Consumer expectations: desire for personalization, greater demands in terms of quality, prices, services

# POSITIONING-PRICE

- Among the criteria for choosing POS and brands, price plays an essential role.
- Consequently, the price is an essential variable of the positioning (in particular those of the "hard-discount")
- Appeared in France in 1988, Lidl, Norma, Aldi developed very quickly, which led French distributors to create their own brands (Ed for Carrefour)

## OTHER POSITIONS

- **Consumer Services:**
  - Automatic packaging at checkout
  - Information terminals
  - Payment cards (e.g. Pass card)
  - Custom Credits
- **Choice and quality of products:**
  - Increase in the number of high-end products
  - Doubling of certain spokes
  - Many national brands

### **3. THE DEVELOPMENT OF DISTRIBUTOR BRANDS (MDD)**

- Depending on the positioning, more or less important place given to national brands (big brands)
- MDD objectives:
  - Ensure the competitive positioning of the group
  - Increase the profitability and profitability of points of sale
  - Guarantee the independence of distributors / manufacturers
  - Take consumer expectations into account

<https://youtu.be/8Lnd-46Ij-Y>

# III. THE POINT OF SALE

## 1. THE BASIC CHARACTERISTICS OF A POINT OF SALE

General description of the main elements that characterize it: type of POS, sign, product offer, targeted target, sales method, positioning, exterior and interior architecture



## 2. THE CATCHMENT AREA

- Territorial area within which the majority, if not all, of the POS customers are located.
- Depends on many factors:
  - Quantitative and qualitative characteristics of the clientele
  - POS Features
- Environment and infrastructure
- Characteristics of competitors
- The catchment area is divided into sub-areas according to their distance from the POS
  - Either by isochrone curves
  - Either by isometric curves
  - Either by proportions of customers

<https://youtu.be/GpoPTbUxATU>

### **3. THE SALES TEAM**

- Staff in contact with customers is an essential element of customer satisfaction and the image of the point of sale
- Many missions:
  - Commercial
  - Of security
  - Logistics
  - "front office" / "back office"

## **4- THE MARKETING OF THE POINT OF SALE “RETAILING MIX”**

Any point of sale, whatever its size, location, nature or activity, must define a marketing plan: operational marketing actions concerning price, communication, merchandising, supply and logistics.

<https://youtu.be/TMkflCp6Nyw>

# LA FIXATION DES PRIX AU SEIN DU PDV

- From purchase cost, from demand, from competition
- Autonomy which depends on:
  - Attachment to a purchasing center
  - Recommended prices

# EXTERNAL COMMUNICATION ACTIONS

- External signage communication
  - Indicates the location of the store and allows it to be identified
  - Visual identity
  - For a website, is represented by:
    - The referencing of the site in search engines
    - Partnerships: “links”

# COMMERCIAL COMMUNICATION

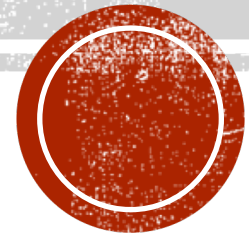
- Attract and retain customers (“create traffic”) by enhancing the positioning and image of the brand and the store or by distributing attractive offers (promotions, events, etc.)
- It is possible to distinguish:
  - Regular national or regional communication campaigns
  - consumer magazines
  - One-off communication campaigns linked to national calendar events
  - Local advertising campaigns
  - Direct marketing and sales promotion

# INTERNAL COMMUNICATION ACTIONS AIMED AT CUSTOMERS

- Point-of-sale information (ILV)
  - All the elements (media, type of information) put in place by the managers of a point of sale in order to:
    - Allow customers to easily find their way around the point of sale
    - Provide information, not specific to a brand, on the characteristics or conditions of use of products or services (Ex.: Leroy Merlin)
- Point-of-sale advertising (POS)
  - All the means of communication used by manufacturers or distributors to promote brands within the store

# MERCHANDISING

3<sup>ème</sup> Partie



# INTRODUCTION

- Clear storage and an attractive presentation of products meet customer expectations and contribute to their satisfaction
- Means of "manipulation" all the more effective as many purchasing decisions are made at the point of sale

<https://youtu.be/6D3gvAMYE3s>

# I. BASIC NOTIONS

## 1. THE NATURE, OBJECTIVES AND AREAS OF MERCHANDISING

Development in conjunction with self-service sales

"set of studies and application techniques implemented, separately or jointly, by distributors and producers, with a view to increasing the profitability of the point of sale and the sale of products, by a permanent adaptation of the assortment to market needs and by the appropriate presentation of the goods.  
»

## **MERCHANDISING CONCERNS 3 ESSENTIAL ASPECTS:**

- Assortment
- Basic merchandising
- Shelf merchandising

# MERCHANDISING RESPONDS TO A PYRAMID OF INTERESTS:

- Consumer interest
- Interest of the producer
- Distributor interest

## **2. PRODUCER AND DISTRIBUTOR MERCHANDISING**

- Assortment and merchandising are the sole responsibility of distributors
- Producers are increasingly involved in shelf merchandising
- But sometimes different objectives

# MOTIVATIONS DU PRODUCTEUR ET DU DISTRIBUTEUR

Producer's motivations	Distributor motivations
Obtain preferential locations	Increase productivity
Extend product life	Renew the assortment
Increase product rotation	Push sales of product families and/or departments
Look for an attractive product presentation	Customer loyalty
Carry out promotional actions	Avoid over-reliance on producers
Present the widest range possible	

# II. THE ASSORTMENT

## 1. THE NOTION OF ASSORTMENT

"Total references offered by a point of sale"

Each reference designates a specific product (type, brand, size, colour, etc.)

The product assortment is supplemented by a range of more or less extensive services depending on the POS

# **THE STRUCTURE OF AN ASSORTMENT IS CHARACTERIZED BY 3 ELEMENTS:**

- Height
- Length
- Depth

## 2. DEFINITION AND MANAGEMENT OF THE ASSORTMENT

- challenges
- Profitability and profitability
- Image and positioning
- Customer satisfaction and loyalty

*Keppner's Rules The Right Product*

*At the right price*

*at the appropriate time*

*At the right location*

*In the right quantities*

# **THE DEFINITION OF THE ASSORTMENT**

- To build their assortment, the managers of central purchasing offices and POS adopt the following approach:
  - Definition of needs
  - Determination of market segments
  - Selection of products according to different criteria

### 3. CATEGORY MANAGEMENT

- Objective: to make the store offer clearer and more attractive to consumers
- Reason no longer by brands and references, but by "categories" of products:

"Distinct groups of products or services perceived by the consumer as related or interchangeable to meet their needs"

## **THE "CATEGORY MANAGER" DEFINES:**

- A category marketing strategy
- Areas of producer/distributor partnership

# III. BASIC MERCHANDISING AND GENERAL LAYOUT OF THE RETAIL SPACE

## 1. BASIC MERCHANDISING AREAS

Exclusive domain of the distributor = general layout of the store

Reconciling commercial and logistical aspects

## 2. THE OPTIMIZATION OF CIRCULATIONS: THE "FLOWS OF GOLD"

- Get customers to pass in front of as many shelves as possible without giving them the impression of being forced to follow a compulsory circuit
- Good circulation is called "flow of gold" because it promotes purchases
- Eg: IKEA

# **TRAFFIC OPTIMIZATION**

- Choose the size of the main and secondary aisles
- Define hot and cold areas of the store
- Determine the locations of planned purchases (as opposed to impulse purchases)
- Think about environmental factors

### 3. PROMOTIONAL MERCHANDISING AND POS

- Essential promotion for POS profitability = impulse purchases
- TG: gondola head
- Hot spots: islands
- POS brings together all the means used by manufacturers and distributors to promote brands within the store: panels, shelf stops, displays, interactive or video terminals, mobiles, etc.

## **4. THE DISTRIBUTION OF THE SALES AREA BETWEEN THE DEPARTMENTS**

- Power of attraction, measured by the degree of appeal = division of the number of acts of purchase for a family of products during a given period, by the total number of debits (receipts) of the POS
- Financial performance
- Brand marketing plan

# IV- THE MERCHANDISING OF SHELVES

Installation of products in the shelves

Objectives to be determined:

- place to be given to each reference
- mode of implantation of the articles

“facing”: visible surface, facing the customer, used on a shelf, for the presentation of a product”

# 1. DETERMINATION OF THE PLACE GIVEN TO EACH REFERENCE ON THE SHELF

- Linear and frontal minimum to attribute to a reference
- Need between 2 restockings
- Turnover
- Market share
- Gross margin

# PRESENTATION AND STORAGE OF PRODUCTS ON THE SHELF

- AIDA method
  - Attract the consumer's attention
  - Make shopping easier
  - Ensure clear and legible markup for customers
  - Respect essential physical or logistical constraints

## 2. TRADE MARKETING

- The most sophisticated form of managing manufacturer-distributor relationships.
- Alternative to increasingly conflictual negotiation situations.
- "Trade marketing is integrating into the brand strategy, the brand strategy. »
- Objective: to develop the turnover and the profit of the two partners.

<https://youtu.be/q4ZEYB89YdI>

<https://youtu.be/rFD7ii9pQTM>

# **TRADE MARKETING**

- Affects a large number of functions: logistics, IT, product development, merchandising.
- Information sharing.
- Reduced stock-outs, logistics savings, increased sales.

### **3. EFFICIENT CONSUMER RESPONSE (ECR)**

- It is the most advanced form of partnership which leads to a strategic partnership between producers and distributors.
- The trade or the EDI are tactical.
- Working together to bring better satisfaction to the end consumer and reduce their costs.

## HOW IS THIS SET UP?

- Implementation of computerized inventory management based on cash receipts.
- Electronic data interchange for the transmission of orders
- Deliveries adapted to fluctuations in demand at points of sale.

## 4. EDI

- Transfer of computer data carried out by the coupling of two computers. The information is structured in standardized messages.
- The advantages: lower administrative costs (orders), lower storage costs (just in time), better knowledge of demand (scanned checkouts)