

How to use: Learn, cover, write and check

Topic 2.2.4 Place

Key Vocabulary

Distribution – how ownership changes as a product goes from producer to consumer

Producer – the business or individual who makes the product / service

Wholesaler – a business that buys in bulk from a producer and sells onto to retailers in smaller quantities

Retailer – a shop or chain of shops, usually selling from a building on the high street or shopping centre

Agent – a business that sells something on behalf of the producer but never owns the product, e.g. a travel or estate agent

Customer – the person or business who buys the product

e-tailer – an electronic retailer

Mark-up – the additional amount added to the price of the product as it moves through the distribution channel

Third-party platform – an e-commerce website or service that is run by an unrelated business where businesses can sell their products

Core Knowledge

Place is NOT to be confused with location. *It is about how the product gets to the consumer and which other businesses it needs to pass through, not the physical location of the premises.*

The more third parties (intermediaries) in the channel, the greater the markup and so the higher the price for the consumer

Channels of Distribution - The more parties the higher the costs

Direct channel of distribution:

Producer to Consumer

Traditional channel of distribution:

Producer to Wholesaler to Retailer to Consumer

Modern channel of distribution:

Producer to Retailer to Consumer

E-tailer:

Producer to E-tailer to Consumer

Be aware:

- Remember that not ALL customers have access to the internet or like online shopping, so selling exclusively online may not be appropriate for all businesses
- Amazon is a third party – a significant number of its products are produced by other businesses

Wider Business World

Amazon – an example of a third party retailer

Booker – an example of a wholesaler

NEXT – a business that is a retailer and e-tailer

ASOS – an e-tailer

Synoptic Links

Technology – has enabled more businesses to become e-tailers, and for small businesses to use third-party platforms

Globalisation – using third party platforms enables more businesses to sell worldwide

Customer needs – channels can meet needs of convenience

Market segmentation – the channel needs to be appropriate for the market segment