

Knockout.Economics by Kru P'Eve & Kru P'Da

IGCSE -Business studies

Marketing mix - Place



- Executive summary IGCSE Business studies
- Series of exam questions each chapter
- Exam Strategies and exclusive tips to achieve A* from Knockout.Economics
- Exclusive Key Terms for IGCSE Business studies exam



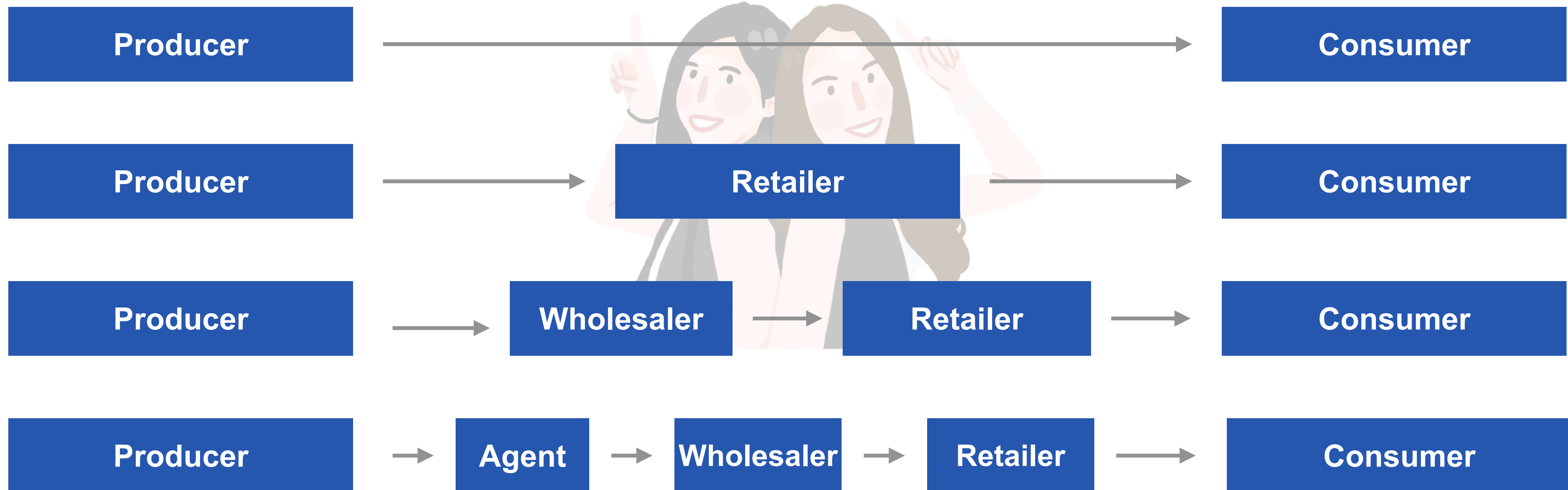
Overview

1. The different distribution channels
2. E-commerce
3. Recommend and justify an appropriate distribution channel in given circumstances



1. The different distribution channels

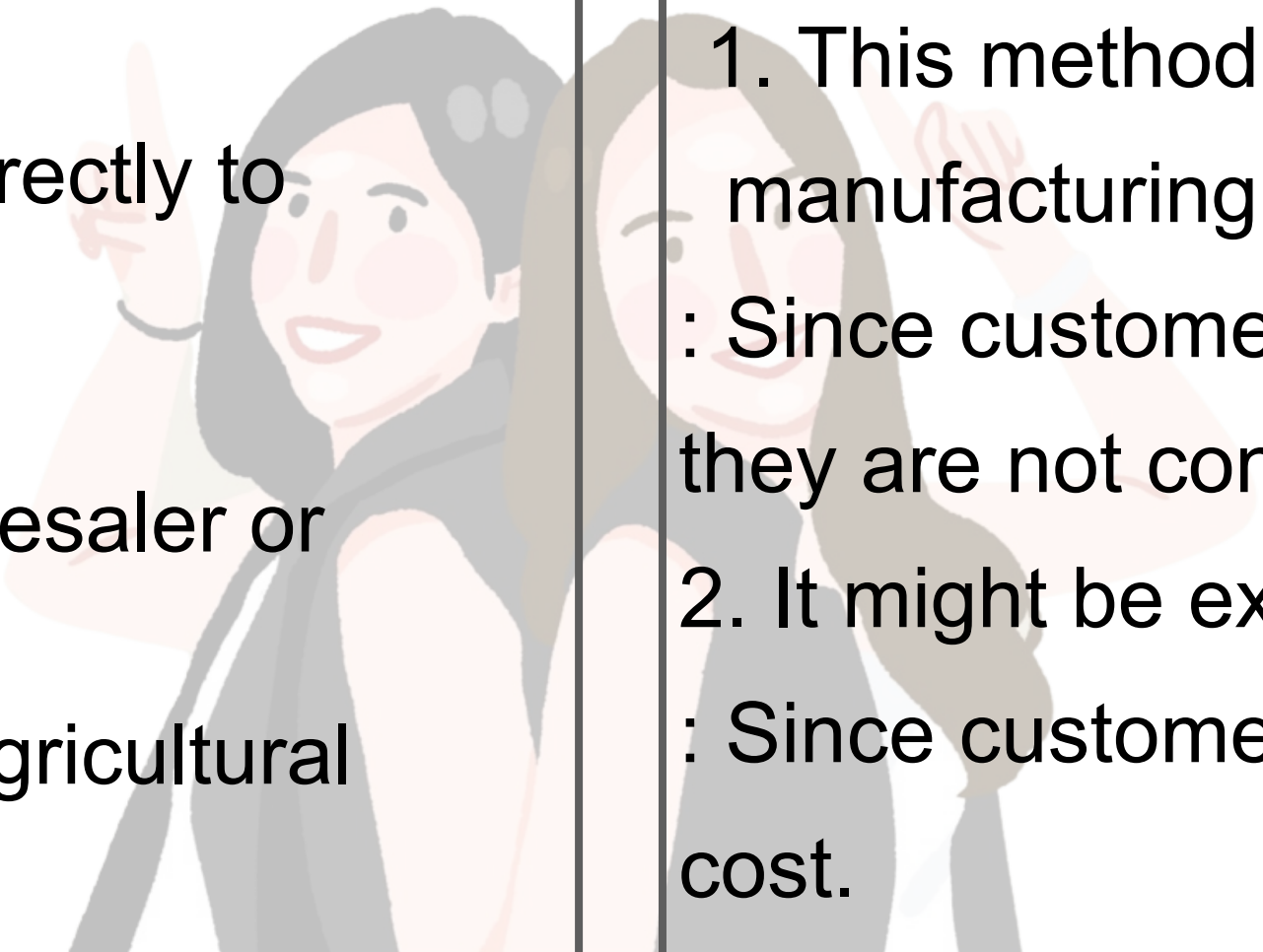
Distribution channel: is the flow that goods or services follows from production or manufacturing to the final customers.



1. The different distribution channels

Distribution 1 : Producer to consumer

Advantages

1. It is very simple way.
: Since the producer can send products directly to consumer.
 2. The price of products will be lower.
: Since there are no third parties e.g. wholesaler or retailer.
 3. It is suitable for some goods, such as agricultural products.
: Consumers can obtain any fresh products directly from farmers.
- 

Disadvantages

1. This method is not practical for most products e.g manufacturing products.
: Since customers might stay far away from factory and they are not convenient to buy products.
2. It might be expensive.
: Since customers need to pay extra for transportation cost.

1. The different distribution channels

Distribution 2 : Producer to retailer to consumer

Advantages

1. Producers can sell large quantities of product to retailers.
2. It is easier for consumer to access products.

Disadvantages

1. Producers cannot communicate with customers directly.
: As a result, firms don't have any relationship with customers.
Or It is difficult to receive feedbacks from customers.
: As a result, firms cannot quickly respond to the customer demand.

1. The different distribution channels

Distribution 3 : *Producer to wholesaler to retailer to consumer*

Advantages

1. Small retailers can buy any raw material in small amount from wholesalers.
: Since some products might have short shelf life which is easier to be perishable such as milk, vegetable etc.
Or
: Small retailers can reduce storage cost.
2. Retailers can receive any suggestions from wholesalers.
3. Retailers can receive credit term from wholesaler.
: Retailers can receive raw material and allow to pay later.

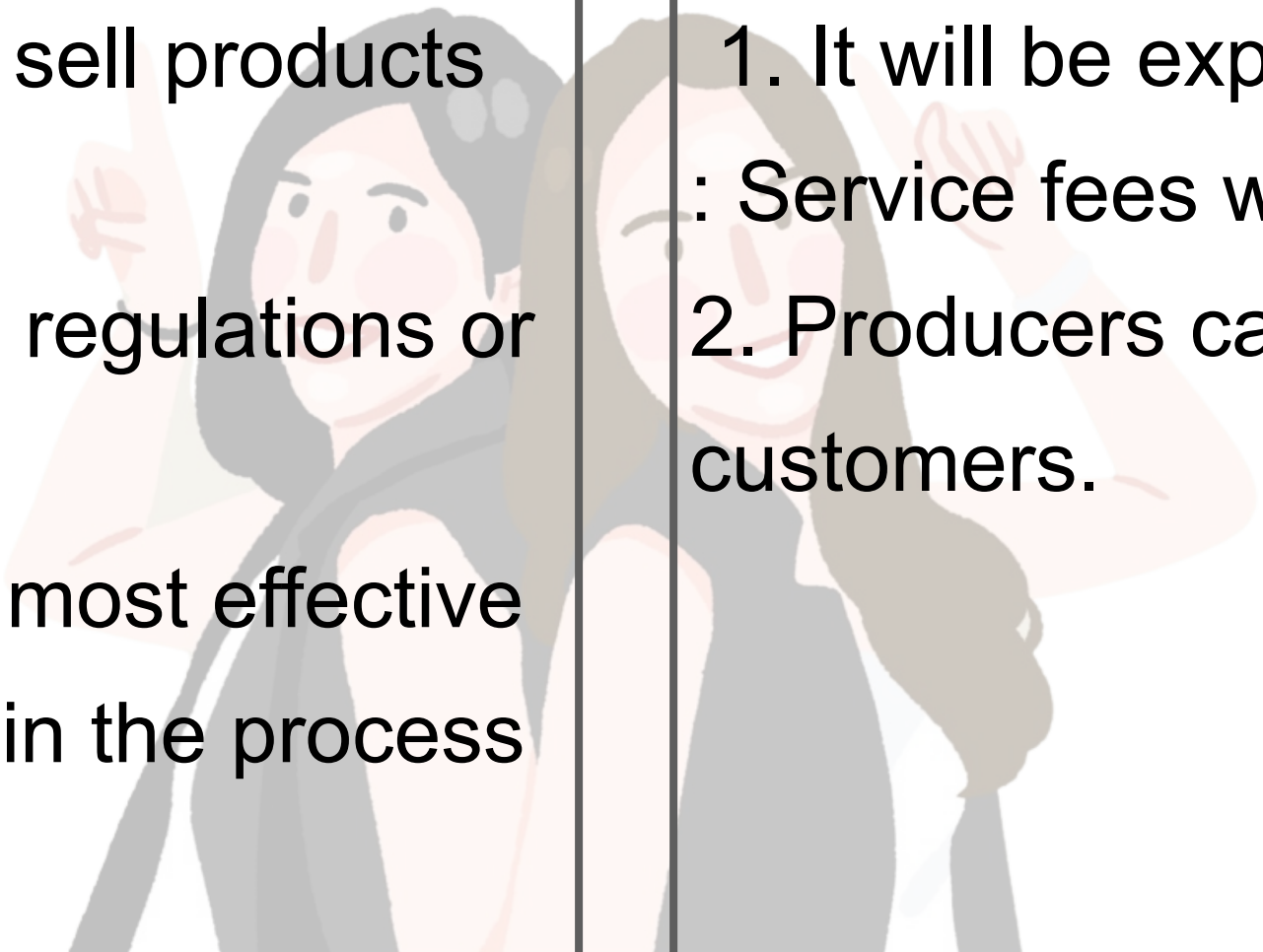
Disadvantages

1. Wholesalers may sell raw material in higher price when comparing with original producer.
2. It is not suitable for some products such as agricultural products.
: Since this method might take longer time transportation to the retailers and consumers.
: As a result, some goods might not be as good quality.
3. Wholesalers may have limited range of products.

1. The different distribution channels

Distribution 4 : *Producer to agent to wholesaler to retailer to consumer*

Advantages

1. Some producers may not know how to sell products in other countries.
- : Producers may not know about laws and regulations or customer tastes in another market.
 - : Agents will be the guidance to select the most effective locations in which to sell and will facilitate in the process of distribution.
- 

Disadvantages

1. It will be expensive.
- : Service fees will be charged from the agents.
 - 2. Producers cannot control over the process is sold to customers.

1. The different distribution channels

The methods of distribution also included

Department stores

A large retail store carrying a wide variety of merchandise such as clothing, housewares, etc.

Discount stores

A store that sells products at lower than usual price.

Supermarkets

A large shop which sells all kinds of food and some household products.

Direct sales

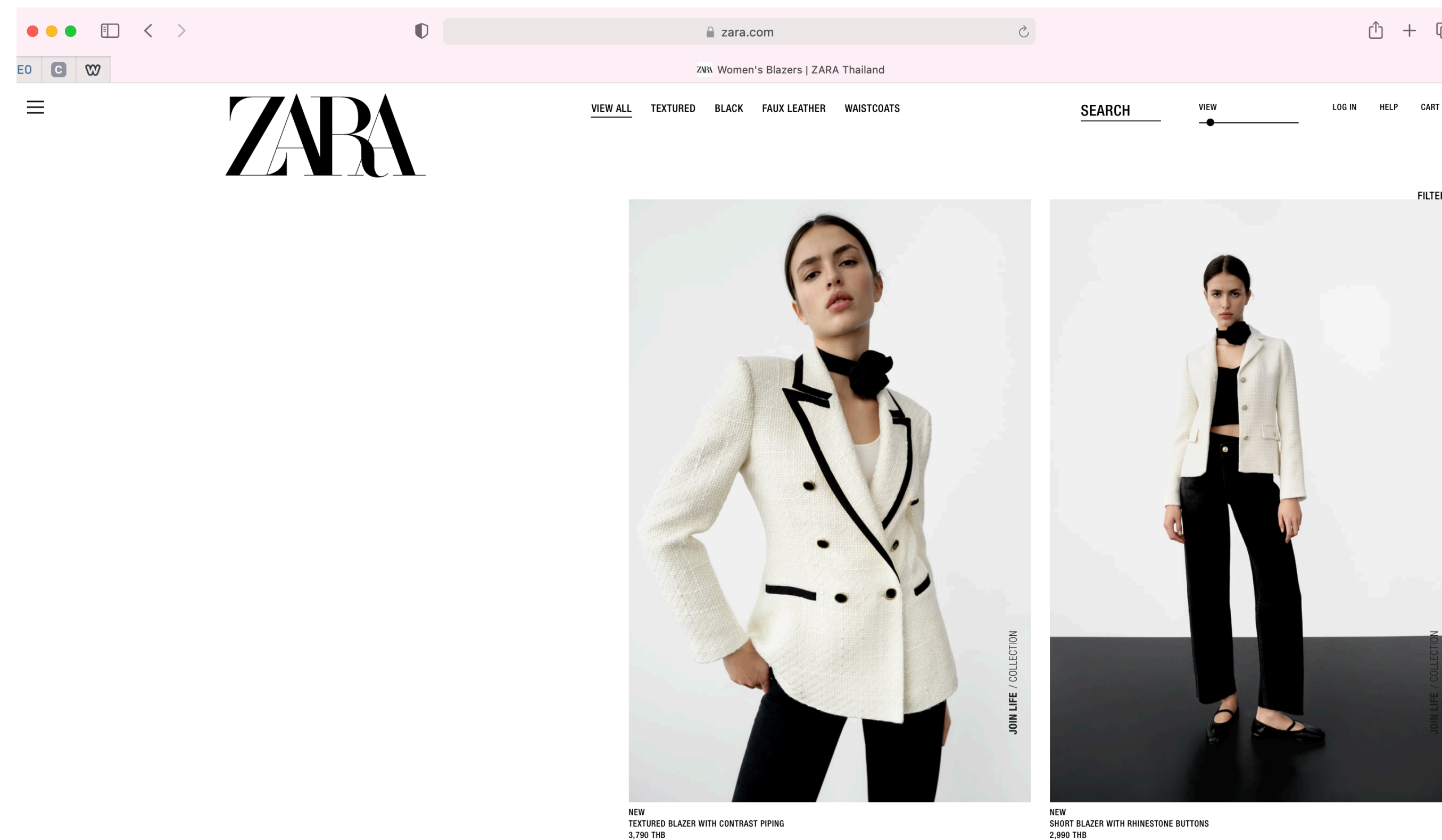
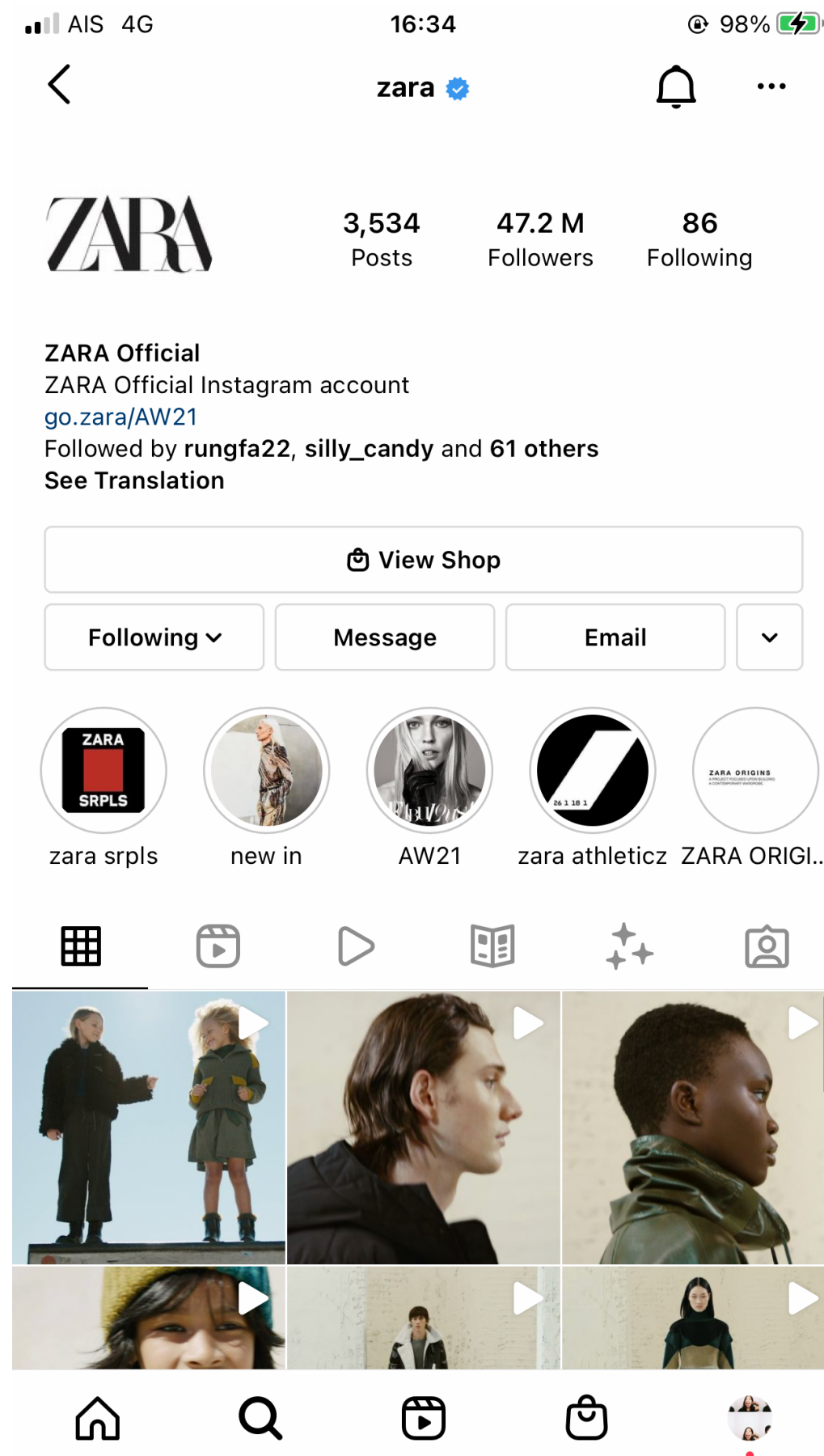
When business sells goods directly to customers. For example, telephone, door-to-door sales etc.

Internet

When business sells goods to customers by using online platforms , such as Facebook, Instagram, Official Website, Tiktok etc.

2. E-commerce

E-commerce : is the activity of buying or selling of products on online platforms or over the internet.



2. E-commerce

Opportunities and threats of e-commerce to **business**

Advantages

1. Websites can be used to promote the company.
: This can improve the brand image of company.
2. Firms can expand customer base in other countries.
: Firms can have opportunities to increase sales revenue.
3. It is easier for firm to buy raw material from other business through online platform.
4. Firms can reduce some fixed cost such as rent fee, salary etc.

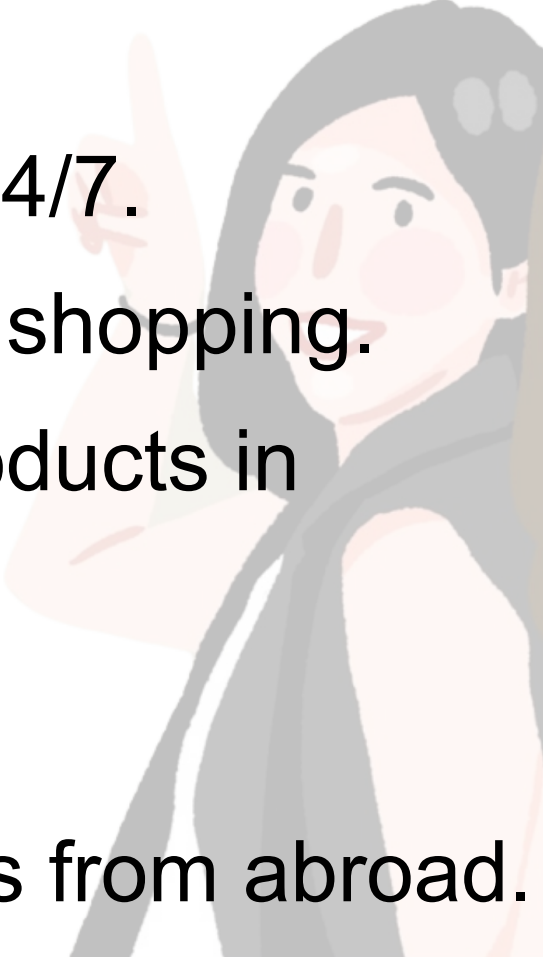
Disadvantages

1. There are high competition in the market.
: Since it is easier to set-up the business.
2. Website design need to be attractive, clear and easy to make transaction and firms need to update contents all the time.
: There will be expensive.
3. Firms need to pay extra cost for customers.
4. There is no face-to-face contact with customers.
: Firms cannot receive feedbacks which can used to develop products in the future.
5. Customers in some countries allow to return products if they are not satisfy.
: It leads to higher business cost.

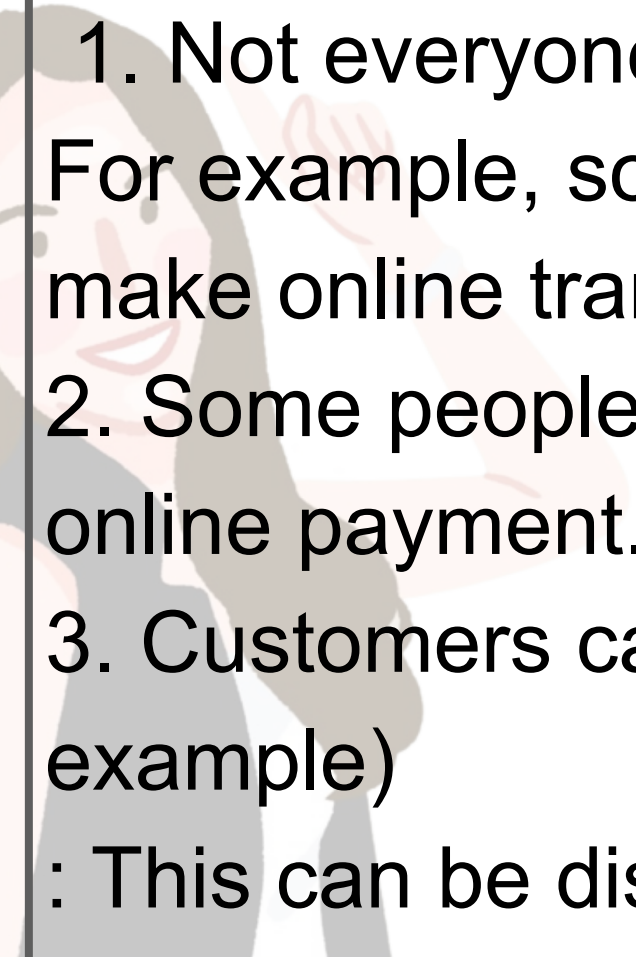
2. E-commerce

Opportunities and threats of e-commerce to consumers

Advantages

1. It is more convenient for customers.
 - : Since customers can make transaction 24/7.
 - : Customers no need to leave home to go shopping.
 2. Customers can compare prices and products in different brands and platform.
 - : Customers can get the cheapest deal.
 3. Customers can easy to access products from abroad.
 - : This can increase choice for customers.
- 

Disadvantages

1. Not everyone can access internet.
For example, some older people may not know how to make online transaction.
 2. Some people are concerned about security system on online payment.
 3. Customers cannot touch, see or try on (shirt, for example)
 - : This can be disappointed and customers want to return products which is often inconvenient.
 4. There is lack of interaction between buyers and sellers.
 5. The delivery will be delayed especially during the big-sales.
- 

3. Recommend and justify an appropriate distribution channel in given circumstances

To decide which distribution channel is the most appropriate for business, firms need to concern

3.1 What type of product is it ?

: If the product is very technical such as aeroplane engine, customers will prefer to get information directly from manufactures.

: As a result, Direct selling will be appropriate in this case.

: Or If the product is easy to be perishable, firms need to distribute goods in many shops so that it can be sold quickly.

: As a result, Selling through retail shops will be appropriate in this case.

3.2 How often is the product purchased ?

: If customers need to access goods everyday e.g. food, it will need to be sold in many retail shops.

: Customers can be easy to access everyday.

3.3 Where are the customer group located?

: If the target group is white-collar workers, firms need to set business around offices or financial centre.

3. Recommend and justify an appropriate distribution channel in given circumstances

3.4 Where are competitors' products sold?

- : Firms choose to sell products at the same retails as their competitors.
- : This can be one choice for customers and increase opportunity to be selected.



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Exercise

1. XYZ makes **breakfast cereals**. The products are sold using **several distribution channels**. XYZ employs **600 production workers**. XYZ has problems with many employees leaving. Following the dismissal of the Operations Manager, the Human Resources Director has to recruit a new manager. She said: 'The person must have good communication skills to help solve the communication barriers XYZ has with employees.'

(A) Identify two distribution channels a business might use. (2 marks)

Command word

Identify : name/select/recognise

Distribution channel 1 :

.....
.....

Distribution channel 2 :

.....
.....

Exercise

2. Paul owns a small farm that **grows oranges**. His farm is based in country X. Raul sells all **500 tonnes** of his **oranges direct to a drinks manufacturer in country Y**.

(A) Explain **two** advantages to Paul's business of selling direct to a manufacturer.(6 marks)

Command word

Explain : set out purposes or reasons / make the relationships between things clear / say why and/or how and support with relevant evidence

Advantage 1 :

.....
.....

Explanation :

.....
.....

Advantage 2 :

.....
.....

Explanation :

.....
.....

Exercise

3. Kate always wanted to be an entrepreneur. She used to work for a business which downsized its workforce 10 years ago. She then decided to start up ABC. She produced a business plan which helped her obtain finance. Kate now designs **customised sports clothes** for **women**. Kate sells these products **directly to customers using e-commerce**. She has a loyal customer base of **25-40 year olds**. However, Kate is worried about **increased competition in this niche market**. One idea she has is to **target different market segments**

(A) Explain **one** advantage and **one** disadvantage to Kate of using e-commerce to sell her products (6 marks)

Command word

Explain : set out purposes or reasons / make the relationships between things clear / say why and/or how and support with relevant evidence

Advantage 1 :

Explanation :

Disadvantage 2 :

Explanation :

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