



Co-funded by the
Erasmus+ Programme
of the European Union



**Use your skills.
Be a changemaker.**

Community Innovation: From Idea to Implementation

International Online Seminar: **Session 9 – Distribution Channels – Prof. Dr. Dirk Funck**

Tuesday, 7th of December 2020, 16.00 – 17.30



Commission
Outlet
Control
Consumer
Customer
Direct
Retailer
Exports
Stocks
Specialist
Wholesaler
Broker
Overseas
Long
short
Distribution
Choice
Channel
Bulk
Agent
Producer
Costs
Distributor
Royalties
Coverage
Competitiveness

Distribution-Channels

1. Fundamentals
2. Understanding the value added chain – case study „Teacampaign“
3. Designing the right Multi-Channel-System
4. Platforms – a highly relevant channel for (social) start ups

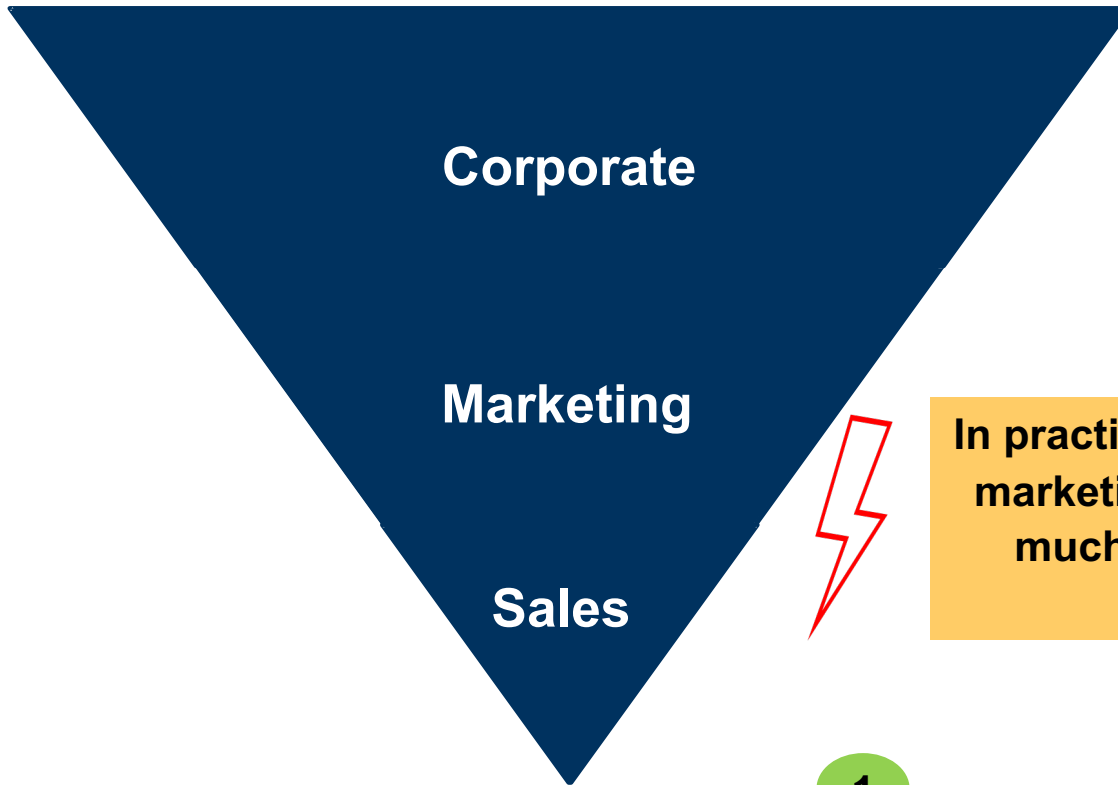
Distribution-Channels

1. Fundamentals

2. Understanding the value added chain – case study „Teacampaign“
3. Designing the right Multi-Channel-System
4. Platforms – a highly relevant channel for (social) start ups

What are possible ways / channels to sell a product?

The Strategy Hierarchy – in Theory and in practice



In practice, the relationship between marketing and sales depends very much on the company and the industry!

1



2



3



Marketing and Sales

Marketing

1. Marketing **is one to many.**
2. Marketing tells the stories.
3. Marketing develops reputation.
4. Marketing keeps the stories circulating.
5. Marketing analyses data and brings the average result.
6. Marketing studies what experience customers expect when they buy or try a product, service or solution.

Sales (& Distribution)

1. Sales is about **one to one.**
2. Sales is where the stories come to life.
3. Sales develops relationships.
4. Sales keeps in touch with individuals.
5. Sales deals with details. It cannot be averaged.
6. Sales professionals talk to their customers and tap into their Facebook, LinkedIn and other digital pages.

Customer Journey (Chart: Jan Aaps; Online-Course 5th Nov. 2019)



Where do customers finally buy the product?

**Online-Store
(Multi-Lable)**

**Online-Market-
Places**

department store

**weekly
market**

**Online-Store
(Brand)**

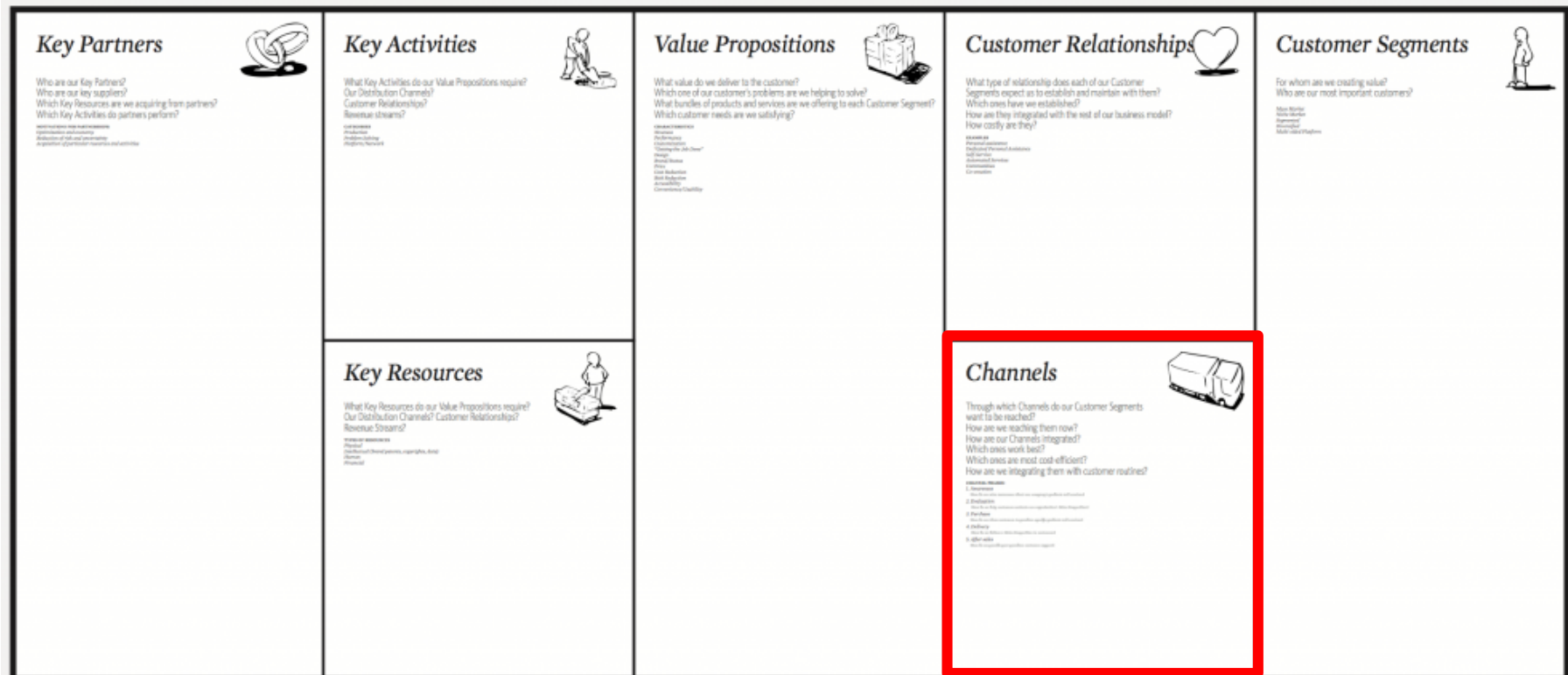
specialist shop

mail order

Well, it depends ...

**Which is the right
(Multi-)Channel-Concept
for your product or service?**

Distribution Channels – one of the key-elements in your business model



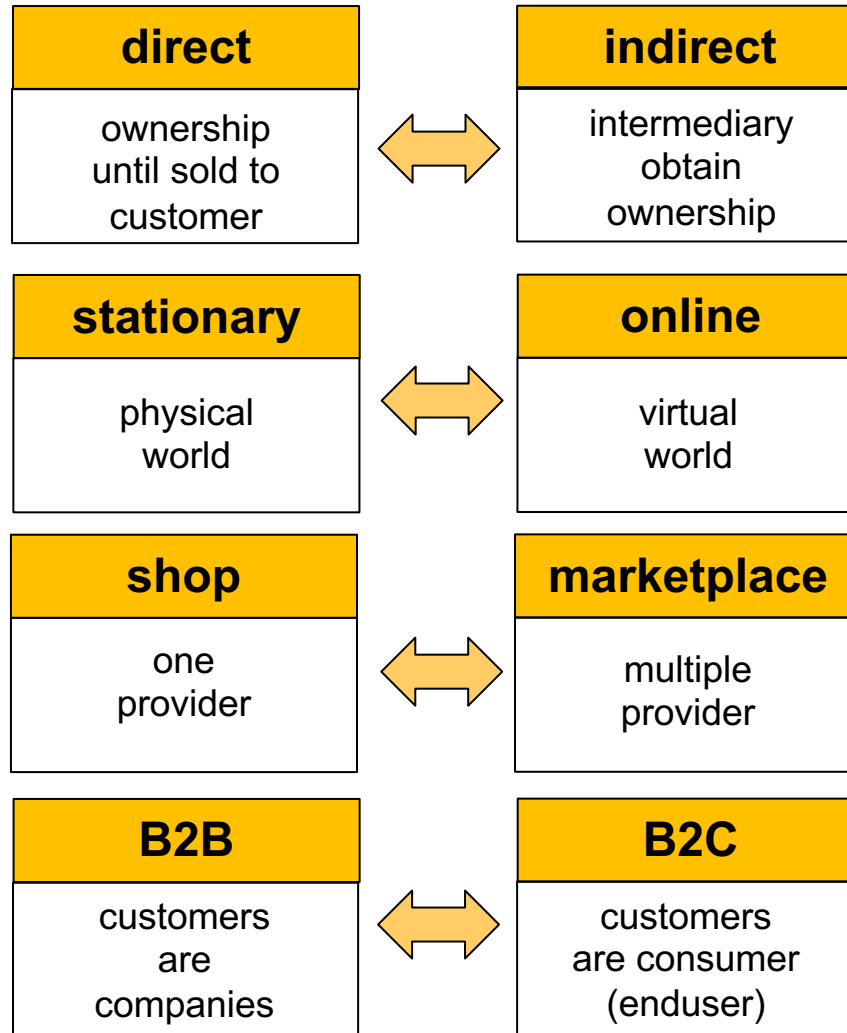
Cost Structure

What are the most important? Which Key Resources are most important? Which Key Activities are most important?

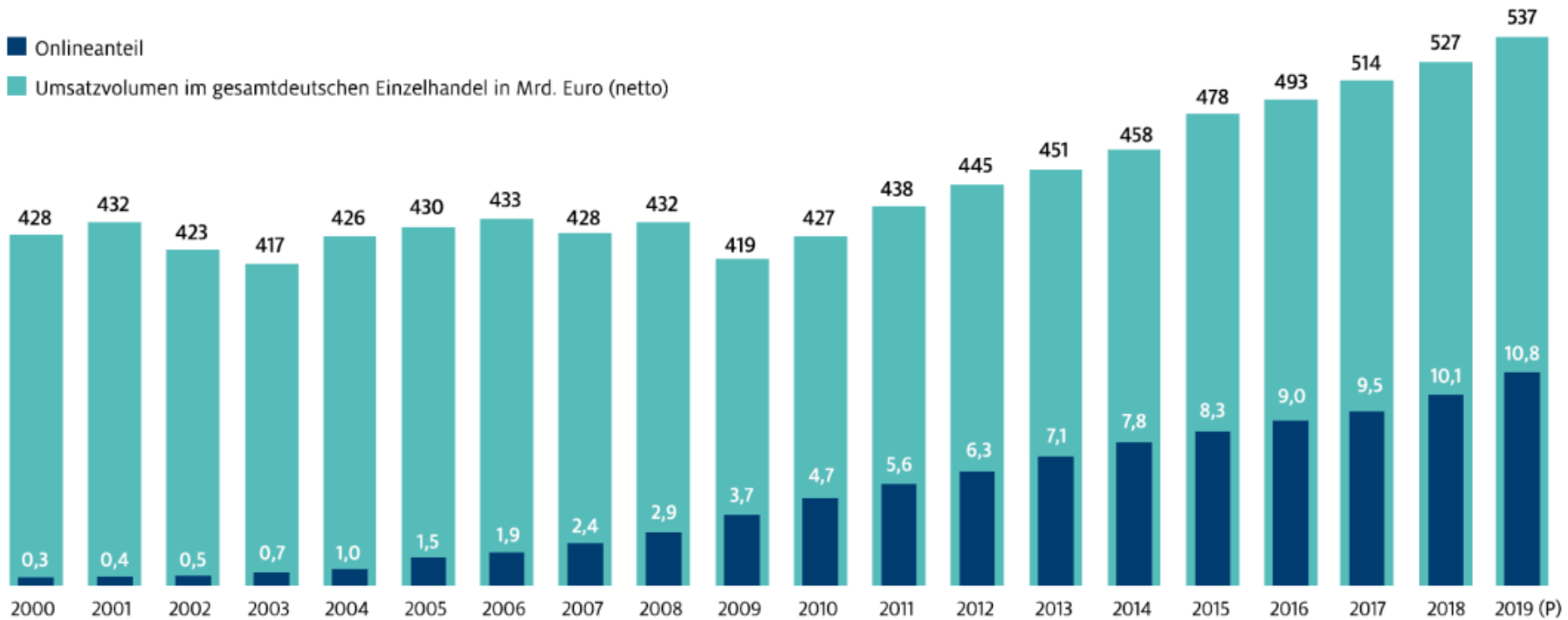
- Through which channels do our customer segments want to be reached?
- How do other companies reach them now?
- Which one works best?
- Which ones are most cost efficient?
- How are we integrating them with other customer routines?



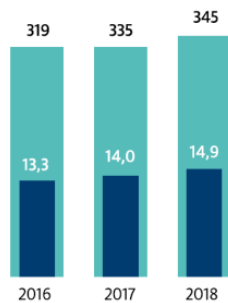
Distribution-Channels: Terms and Definitions



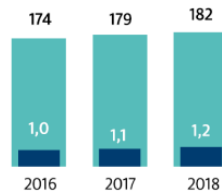
Retail-Turnover in Germany



NONFOOD



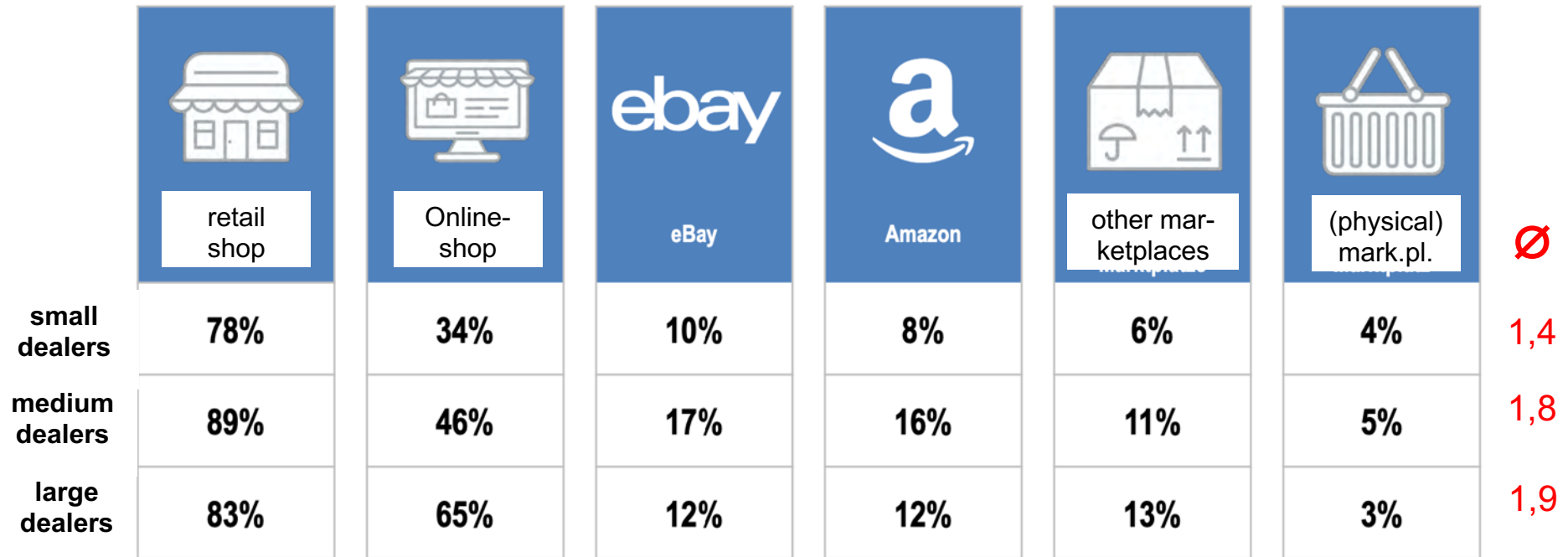
FOOD



Lebensmittel inkl. Getränke, inkl. Tabakwaren

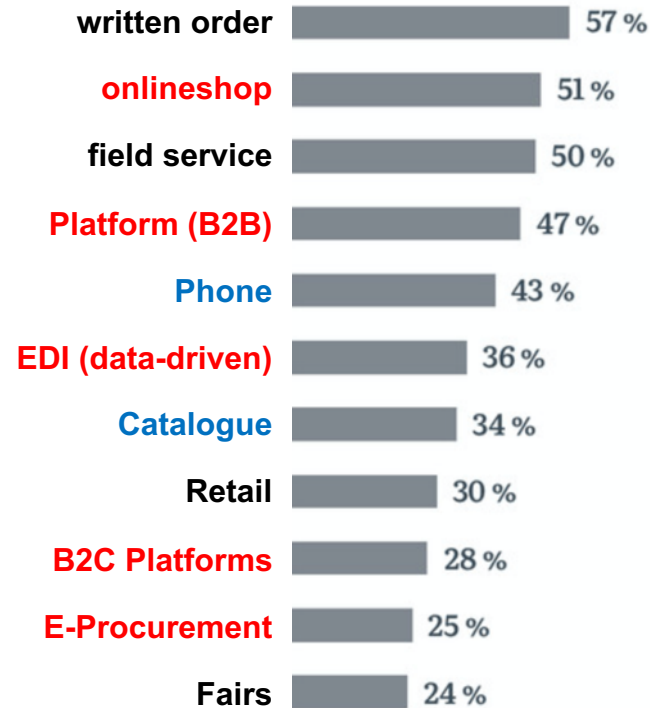
HDE Online-
monitor 2019

B2C-Channels: relevance in Germany



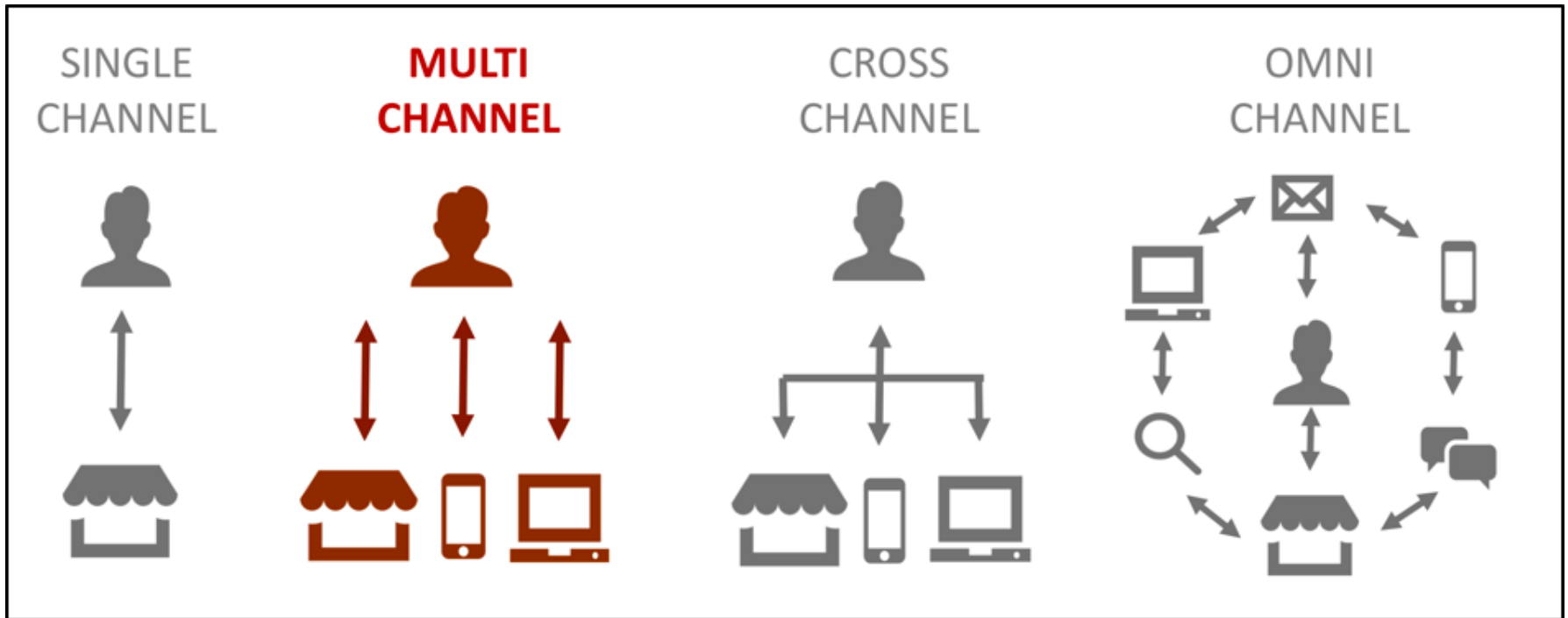
Channels: Where to buy and sell (multiple answers)

Sellers-Perspective: Where does your company sell today?



INTERNET WORLD BUSINESS 8/20 Quelle: © 2019 ibi research: „Online-Kaufverhalten im B2B-E-Commerce“ – powered by Creditreform, eCube und Spryker; 144 ≤ n ≤ 165 Experten

Multi-, Cross- or Omni-Channel?



Distribution-Channels

1. Fundamentals
- 2. Understanding the value added chain – case study „Teacampaign“**
3. Designing the right Multi-Channel-System
4. Platforms – a highly relevant channel for (social) start ups

Distribution channels - or better: the value added chain possible are many actors and a complex structure



<https://de.depositphotos.com/217908690/stock-photo-diagram-long-short-direct-distribution.html>

To better understand magnitudes ..

How high is the profit of large scale food supermarkets like Aldi, Rewe, EDEKA, Kaufland or Lidl?

Please estimate **the average profit of 100 € turnover (net)** of these companies in Germany (after all costs, interests and taxes):

More than 50 €

30 - 50 €

20 - 30 €

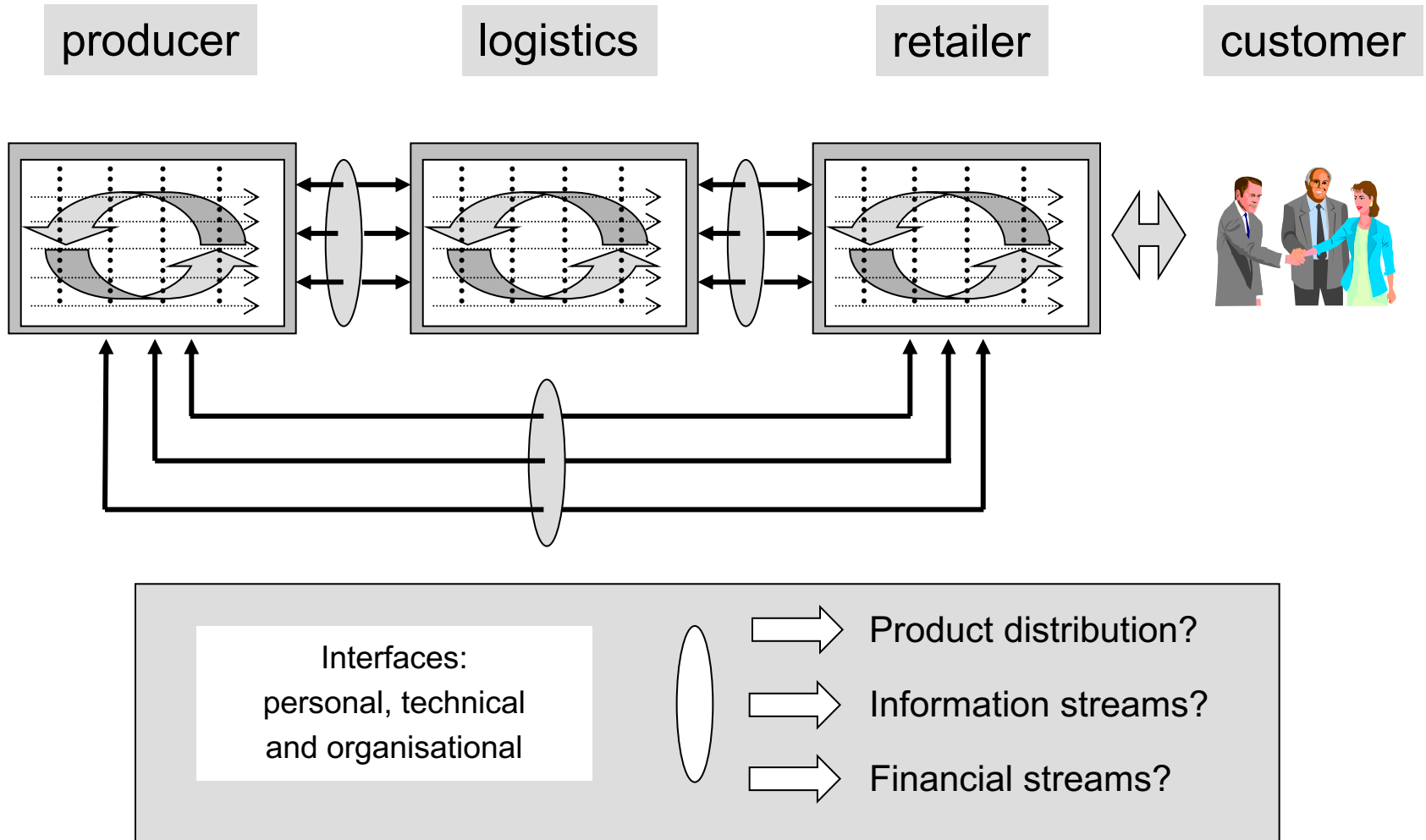
10 - 20 €.

5 - 10 €.

2 - 5 €.

less than 2 €.

(simple) value added chain and distribution functions



Transparence
Price-Building &
Quality Control

Social:
Fair wages, better working
conditions,
fair prices

Highest Quality:
Darjeeling First Flush

Ecology:
Reduced CO2-Emissions
and packaging,
Biological standards

Value for money:
No unnecessary costs
for distribution

Entrepreneurship:
Spin-Off from University
(Berlin)

We cherish simplicity

Our customers value the power of our simple but radical approach: we save on transportation, packaging, storage, a broad assortment and thus are able to offer pure Darjeeling tea at an affordable price while always having an eye on our working environment and our fair supply chain. These principles work together to make an exclusive product not only affordable but attractive.

How much is 250 g First Flush?

TEEKAMPAGNE

Home Shop Ihr Konto Zur Kasse

Ihr Warenkorb » Übersicht

Warenkorb

Produkt	Preis	Menge	Zwischensumme
Darjeeling First Flush FTGFOP1, 2019, 250g, Bio Naturland Lieferzeit: 5 bis 10 Tage*	10,50 EUR	1 Entfernen	10,50 EUR

Zwisch **10,50 €**

[Einkauf fortsetzen](#) [Warenkorb aktualisieren](#)

Tee Gschwendner

Suchbegriff... [Suchen](#)

Mein Konto [18,90 €*](#)

Tee-Shop Matcha Tee-Zubehör Tee-Geschenke Tea Taster Blog Info Franchise [Fachgeschäfte](#)

VERSANDKOSTENFREI - Bestellen Sie für weitere 1,10 €, um Ihre Bestellung versandkostenfrei in Deutschland zu erhalten!

[Weiter shoppen](#) [Zur Kasse](#)

oder [Direkt zu PayPal](#)

Artikel	Variante	Anzahl	Stückpreis	Summe
 Darjeeling Nr. 9 TGFOP 1 Himalaya First Flush 250 g Artikel-Nr.: 215_250	250 g v	1 v	18,90 €* 18,90 €	

+ 80%

18,90 €
250 g



Tee Gschwendner

Plantation	Harvest & Packaging
Area Presentation	Buying & Selling
Logistics Company	Transport
Exporter	Buying & Selling
Logistics / Fulfillment	Packaging Transport
Importer	Buying & Selling
Tee Gschwendner	Buying
Logistics / Fulfillment	Packaging Transport



Franchise Or



TEEKAMPAGNE

10,50 €
250 g



Plantation	Harvest & Packaging
Logistics Company	Transport
TEEKAMPAGNE	Buying
Logistics / Fulfillment	Packaging Transport



- Direct distribution.
- Reduced variety of products.
- Reduced variety of packages.
- No stores. Own Online-Shop.

> reduction of transaction costs
> price difference of 80%

TEEKAMPAGNE



for purchasing
17,60 €

...including sea freight
0,40 €



...for insurance, income tax, value-added tax
1,30 €



...for quality control and analyses for pesticide residues
0,85 €



...for filling, packaging, labelling
1,50 €



...for organic inspections and certifications
0,52 €



...for office, computer applications
1,53 €



...for information material, public relations
1,65 €



...for labour costs for office and consignment
3,10 €



...for reserve funds, investments
1,86 €

SUMMARISED

17,60	58,84%
1,30	4,35%
0,85	2,84%
1,50	5,02%
0,52	1,73%
1,53	5,12%
1,65	5,52%
3,10	10,36%
1,86	6,22%

29,91	100%
2,09	7% VAT

32,00 €/per KG plus shipping

calculation Teecampaign 1kg organic tea 2018

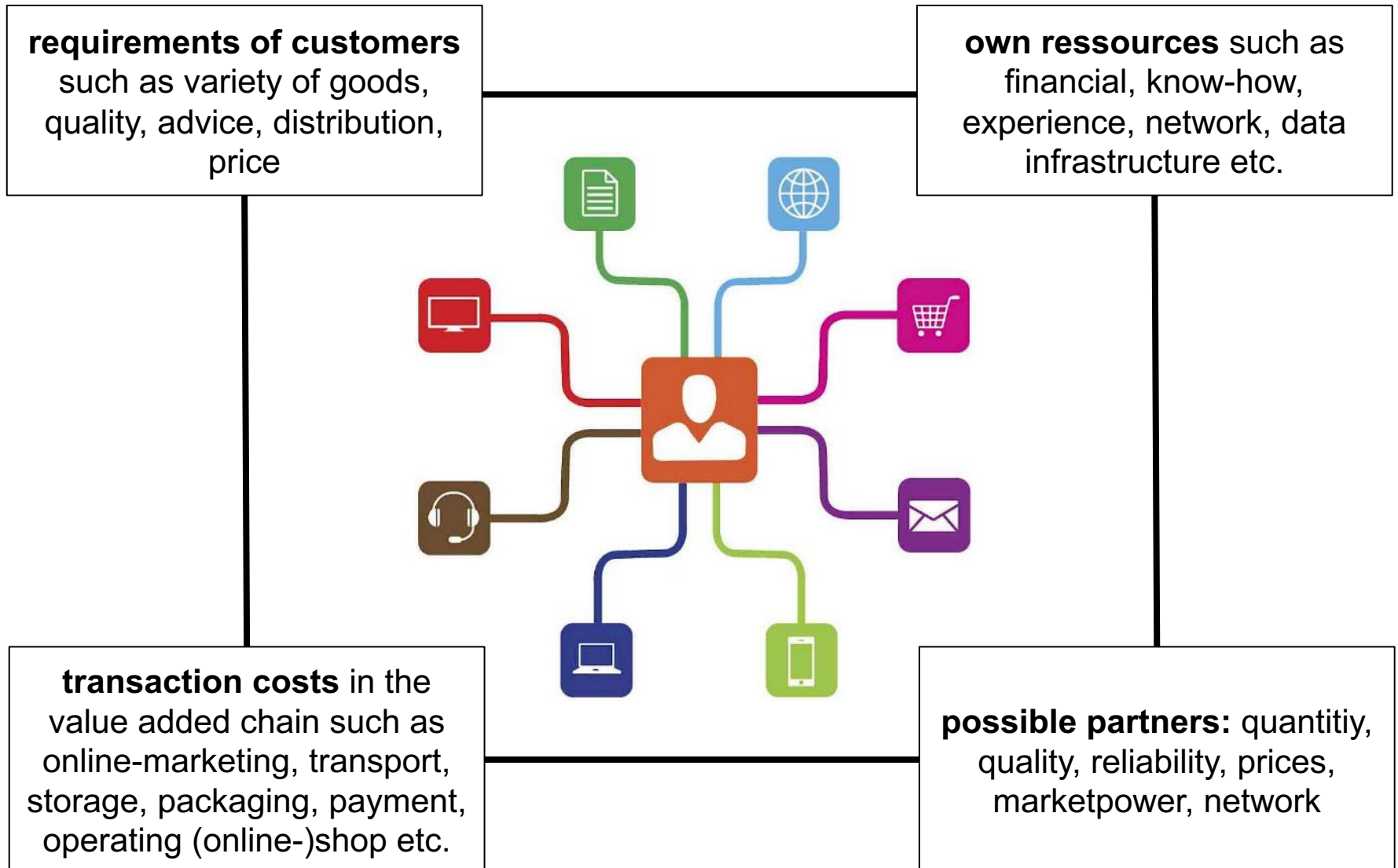
1kg Organic Tea (gross price)	32,00 €	107,0%
VAT (7%)	2,09 €	7,0%
1kg Organic Tea (net price)	29,91 €	100,0%
Purchasing fair trade	17,20 €	57,5%
see freight direct distribution	0,40 €	1,3%
filling, packaging, labelling	1,50 €	5,0%
overall purchasing costs	19,10 €	63,9%
gross profit	10,81 €	36,1%
labour costs	3,10 €	10,4%
quality control bio-standards & transparency	0,85 €	2,8%
organic inspections	0,52 €	1,7%
advertising no stores, high customer loyalty	1,65 €	5,5%
office, pc-applications	1,53 €	5,1%
insurance, income tax etc.	1,30 €	4,3%
overall other costs	8,95 €	29,9%
profit, reserve	1,86 €	6,2%

Every step in the distribution-structure should create value according to your mission and for you customers and beneficiaries

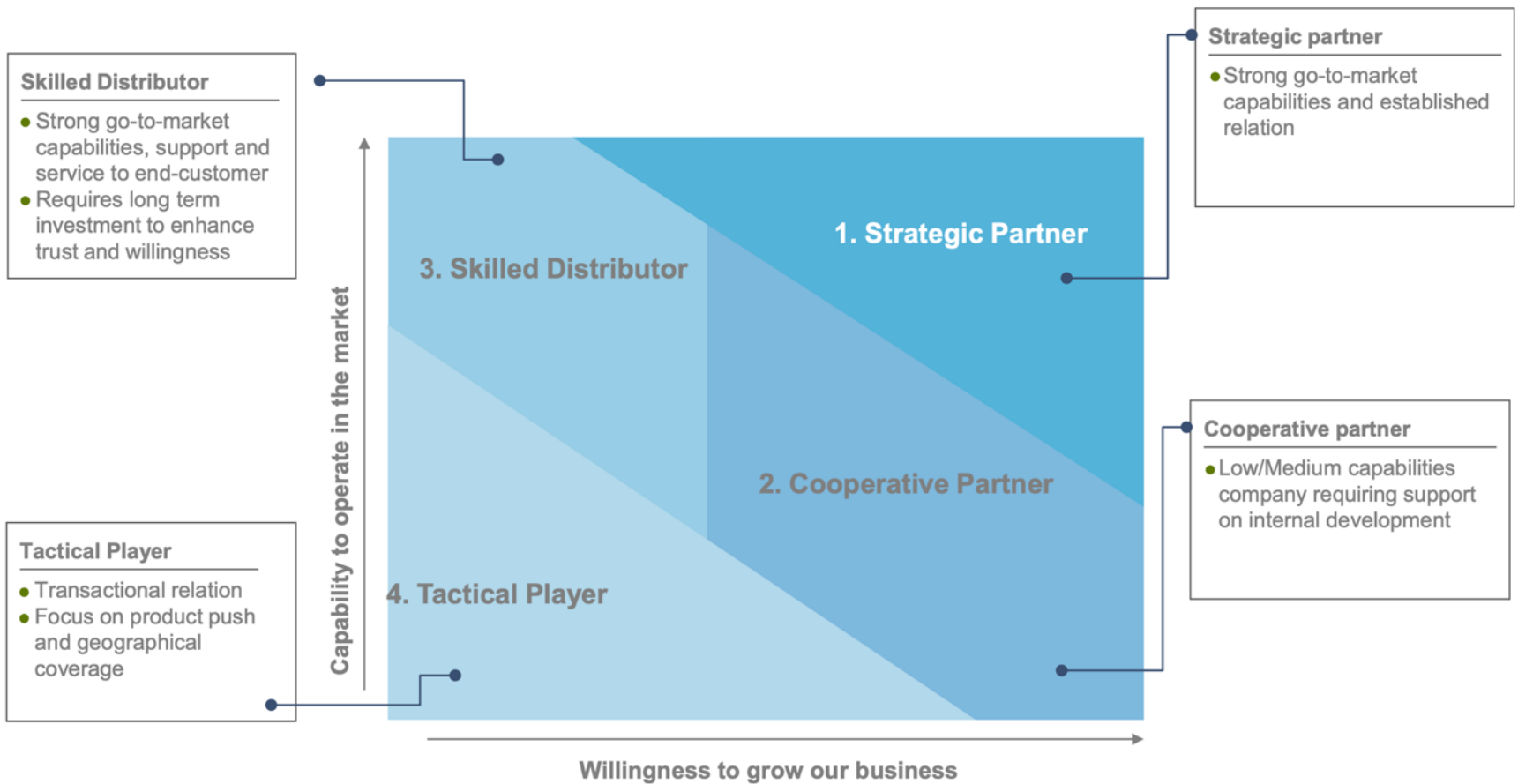
Distribution-Channels

1. Fundamentals
2. Understanding the value added chain – case study „Teacampaign“
- 3. Designing the right Multi-Channel-System**
4. Platforms – a highly relevant channel for (social) start ups

How to define your Multi-Channel-Distribution-System?



Distributor Capability and Willingness



Moretti, Distribution Strategy, 2019, p. 67.

Designing your multi-(cross-/omni-)channel-distribution

1. Define your **target group** as precise as possible.
2. Understand your **customers journey**: which are the relevant **touch points** where they expect to see, hear about or feel your products. What are the relevant gains, pains and jobs of your customers during the whole purchasing process? (finding, selecting, advising, buying, paying, delivering, after sales services).
3. Select those **partners** in the distribution channel which have the best **coverage of your target group** and which serve them best. Don't forget the **transaction costs**.
4. **Indirect Distribution**: work together with the **capable** and **willing** partners and build up **long-term** relationships.
5. Some **recommendations**:

B2C	Indirect Distribution (others are selling your products)		direct distribution (you sell your products to your customers)		
	physical stores	online-shop	market places	own online shop	own physical store
new or small business	search for specialised stores addressing your target group; gain experience	second choice: search for specialised shops and become listed	first choice: search for specialised platforms and become listed	beware of high transaction costs and low turnover at the start (needs time)	very high transaction costs and low turnover (can be relevant in special cases - e.g. local & touristic supply)
established growing business	search for specialised stores and become listed	search for specialised shops and become listed	search for further platforms and become listed	first choice: establish your brand and address your customers directly	only makes sense with high brand recognition and high market potential

Distribution-Channels

1. Fundamentals
2. Understanding the value added chain – case study „Teacampaign“
3. Designing the right Multi-Channel-System
- 4. Platforms – a highly relevant channel for (social) start ups**

Marketplaces "DACH"

B2C > 140

Logos include: DOUGLAS, AbeBooks.com, CROWDFOX, Groupon, Etsy, chinabrands, kelkoo, zazzle, factorymarket, PKW.de, shpock, SUGARTRENDS, hood.de, amazon, METRO, WUNSCH CATERING, mobile.de, JOOM, INTERSPORT, auto.de, Bang good, CONRAD, NELLY.COM, VIDE-DRESSING, ALZURA LOCAL, ManoMano, EUROINCS, shopzilla, REWE, Lozuka in Siegen, CarGurus, CATCH, Reverb, unisport, CHECK24, WESTWING, yomonda, fairmondo, LocaFox, wayfair.de, catch, villatech, HAM, schuhe.de, spartoo, Allyouneed SUPERMARKT, AUTO SCHUTZ, Conforama, نون noon, billiger.de, digitec.ch, lenando, KAUF IM ALLGÄU, SHOPRUNNER, oyatego, FONG, osos, villatech, La Redoute, Chrono24, SPORT24 MARKEN, mirapodo, limango, ricardo.ch, eBid, kauf flux, HOF LADEN SAUERLAND DE, DHgate.com, wish, ebay, duo, Back Market, engelhorn, home24, gebraucht.de, CHRONEXT, microspot.ch, Pinterest, ECUN, shopping.at, uvinum, zalando, TikTok, markt.de, Veepee, ABOUT YOU, MEDIA-SATURN, oyategolocal, frugo, AliExpress, TEILoHABER, avocadostore, HierBeiDir.com, e-shop direct.com, Hertie, GALAXUS, atalanta, minto, Yopodo, bonanza, P Δ M N O, ZVAB.com, real, Internetkaufhaus24, COSMETICS MEGASTORE, GUN, LOCAMO, SHEIN, GALERIA KARSTOFF KAPPA, lyst, COOLSHOP, bizrate, houzz, facebook, myToys, webauto.de, idealo, breuninger, stockX, surfdome, Rakuten, craigslist, Disoogs, vidaz.de, otm, PIXMANIA, spreadshirt, BIKE-TEILE, vova, WILLHABEN, Instagram, ecom consulting, gominga THE REVIEW COMPANY, FARFETCH, GETPRICE, RESTPOSTEN.de, SportScheck, thalClub

SOCIAL & CONTENT COMMERCE > 15

Logos include: houzz, ABOUT YOU, facebook, HierBeiDir.com, Etsy, JOOM, Snapchat, Instagram, TikTok, shpock, zalando, CATCH, NELLY.COM, YouTube, factorymarket, WESTWING, Pinterest, Vestiaire Collective

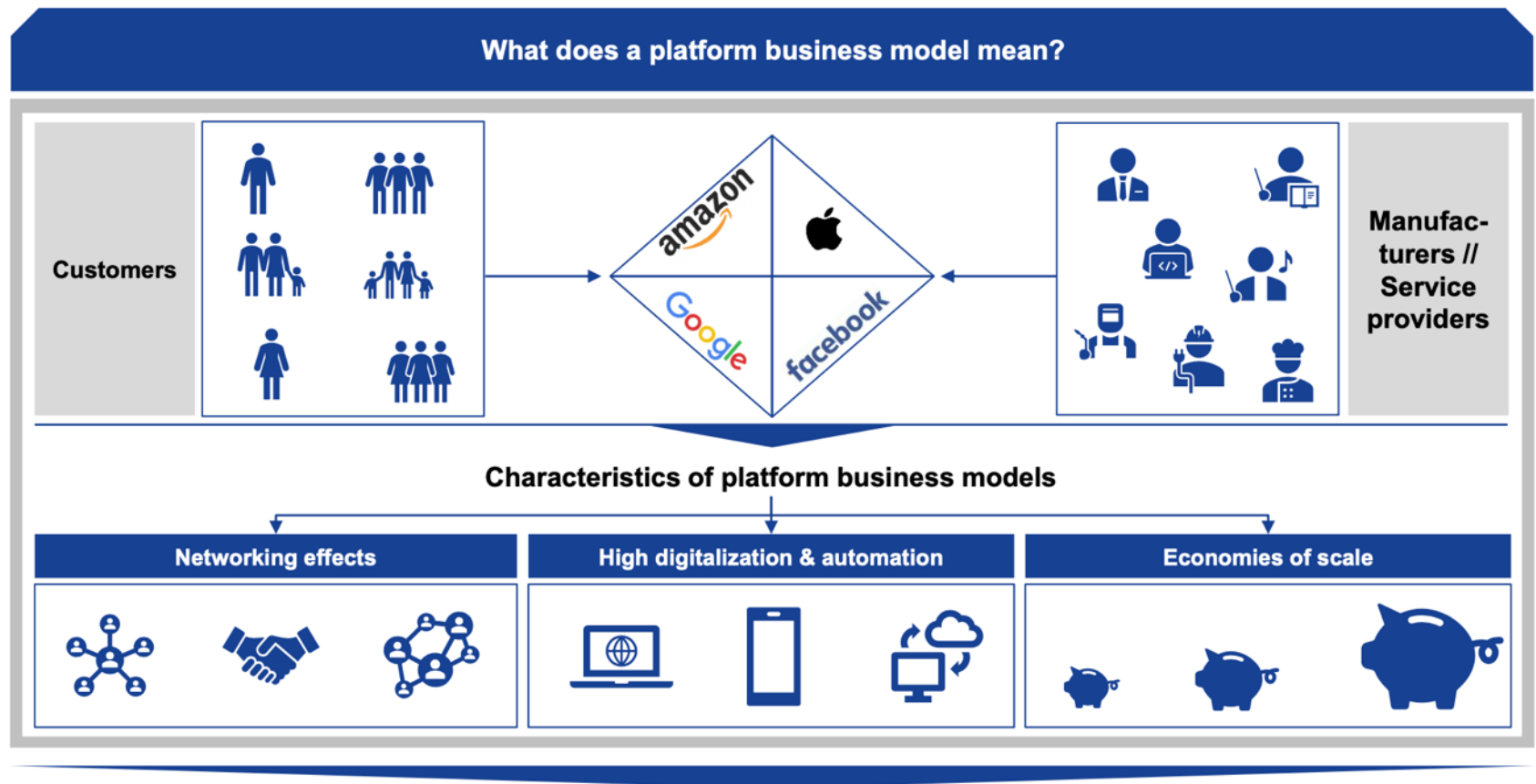
B2B > 40

C2C > 40

PRICE COMPARISON PLATFORM > 10

Logos include: PIXMANIA, oyatego, CROWDFOX, PriceRunner, billiger.de, idealo, shopzilla, bizrate, CHECK24, kelkoo, GETPRICE, thalClub

characteristics of platform businesses



- **Platform business models** offer a **digital marketplace** for **services** from different **organizations** and individual **businessmen** with specific **self-service processes**
- **USPs of platforms** are **networking effects**, high **digitalization** level and **economies of scale**

Meet the maker: Platform for sustainable products



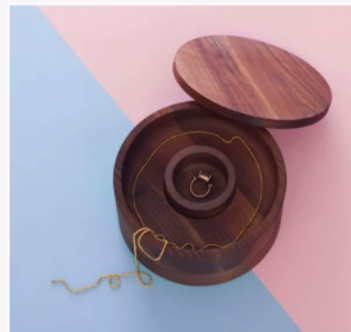
<https://www.mtmfair.com/en/>

EN | DE

GO TO TRADE AREA

PRODUCTS SHOPS BRANDS FEATURES

MTMfair - the global trading platform for
**ETHICAL INTERIOR &
LIFESTYLE PRODUCTS**



EARTH-Hero: platform for sustainable products

15% off all Pet Products and Outdoor Goods Use code SHIPOUTDOORS
Some exclusions apply. See FAQs for details.


SHIP TO: | REGISTRY | LOGIN | CART

IMPACT | BLOG | ABOUT v | BRANDS

What are you shopping for?

EARTHHERO
Choices Make Changes

NEW! ZERO WASTE | CLOTHING + ACCESSORIES | BABY + KIDS | TRAVEL | HOME | OUTDOORS | AUDIO + TECH | PETS | BEAUTY + CARE | GIFTS







Eco-living, made simple.

Shop sustainably with EarthHero!

SHOP ALL NEW

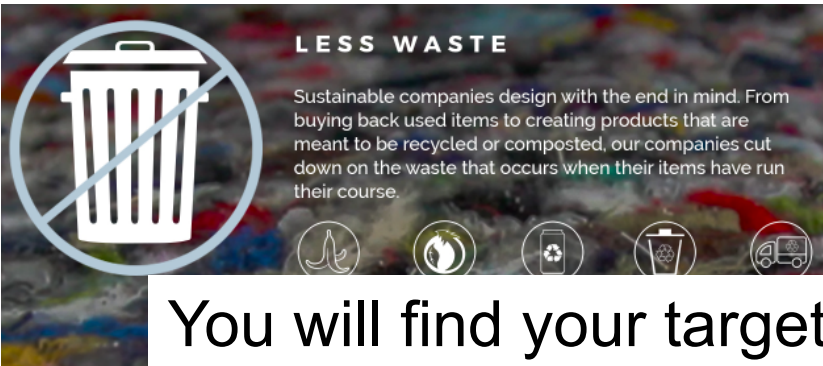
FEATURED PETS + OUTDOORS

 <p>Green Guru 22L Dutchy Urban Pennier \$69.99 ADD TO CART</p>	 <p>Buru Fishnet Flyer Frisbee \$12.00 ADD TO CART</p>	 <p>EarthHero Kewler 32oz Wide Mouth Insulated Stainless Steel Water Bottle \$44.95 SELECT OPTIONS</p>	 <p>Natural Dog Company Paw Protection Dog Balm \$18.00 ADD TO CART</p>
--	---	---	--

IT'S TIME TO CHANGE THE WAY WE SHOP

collective hell yeah

EARTH-Hero: platform for sustainable products



LESS WASTE

Sustainable companies design with the end in mind. From buying back used items to creating products that are meant to be recycled or composted, our companies cut down on the waste that occurs when their items have run their course.

Icons: trash can, leaf, recycling symbol, recycling bin, truck

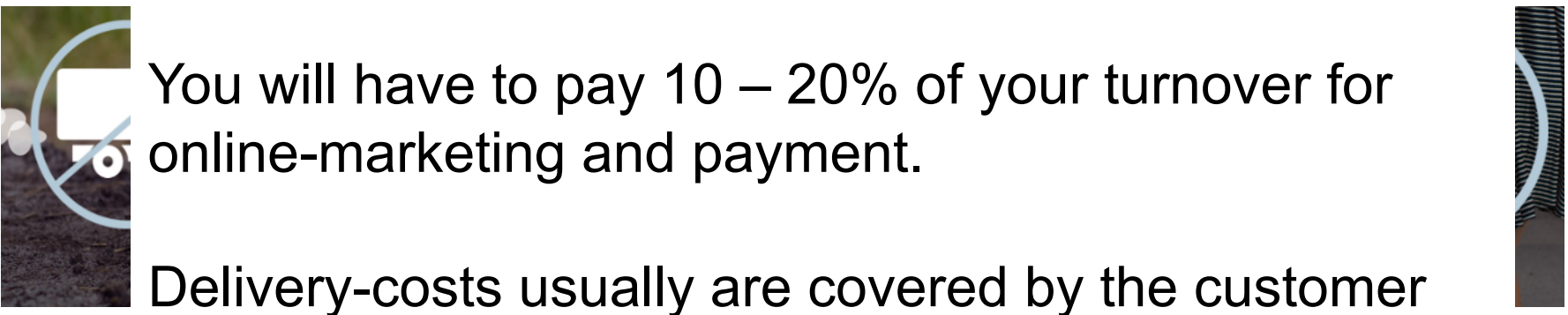


CLEANER PRODUCTION

Our companies are redesigning production by powering their operations with renewable energy sources, using fewer chemicals in their products, and utilizing production waste by recycling and reusing excess materials and ingredients.

Icons: factory, hand holding leaf, recycling symbol, leaf, factory, hand holding leaf, leaf

You will find your target group on this platform!



You will have to pay 10 – 20% of your turnover for online-marketing and payment.

Delivery-costs usually are covered by the customer



BETTER MATERIALS

By turning to renewable, organic, upcycled, and recycled materials, our brands cut down on unnecessary resource extraction, energy, and water usage that accompanies traditional production.

Icons: oil rig, bamboo, sustainability, upcycled cotton, recycled rubber

Organic Hemp Bamboo Sustainably Harvested Wood Upcycled Cotton Recycled Rubber

EARTH-Hero: platform for sustainable products

NEW! ZERO WASTE CLOTHING + ACCESSORIES BABY + KIDS TRAVEL HOME OUTDOORS AUDIO + TECH PETS BEAUTY + CARE GIFTS

Home > Products > Gifts > Gifts for Him > Ethical Wool Felt Slippers- Gray



KYRGIES

Ethical Wool Felt Slippers- Gray

★★★★★ (1 customer review)

\$69.00



Size

EARN UP TO 69 EARTHHERO POINTS FOR THIS PURCHASE!

[ADD TO WISHLIST](#)

	% selling price consumer	% selling price producer	comment
\$69,00	100,0%	127,6%	selling price consumer
\$6,27	9,1%	11,6%	value added tax
\$62,73	90,9%	116,0%	net price consumer
\$8,65	12,5%	16,0%	fulfillment fee
\$54,08	78,4%	100,0%	buying price platform
\$54,08	78,4%	100,0%	selling price producer
\$4,92	7,1%	9,1%	value added tax
\$49,16	71,2%	90,9%	net price
\$43,75	63,4%	80,9%	costs for purchasing, production, marketing and administration etc.
\$5,41	7,8%	10,0%	profit / reserve / invetm.

Looka a platform for your business idea



Looka

All Logo Design Starting a Business Branding Using Looka

Make a logo

STARTING A BUSINESS



60+ Places to Sell Services Online and Grow Your Business



By Erin • 6 min read, May 8, 2020



<https://looka.com/blog/places-to-sell-services-online/>

Fish only where the fishes are!

1. It is the customer who matters.
2. Minimize the transaction costs.
3. Find the right partner(s).



Literature

- **Funck, D. (2021):** Multi-Channel vs. Omni-Channel: Vertriebskanäle bestimmen und kombinieren, in Detscher, S.: Digital Management & Marketing – Wie Unternehmen die Chancen der Digitalisierung am Markt nutzen können, Springer-Verlag, Wiesbaden (available in spring 2021).
- **Gallino, S., Moreno, A. (Hrsg., 2019):** Operations in an Omnichannel World, Cham
- **Moretti, L. (2019):** Distribution Strategy, Cham.
- **Piotrowicz, W., Cuthbertson R. (2019):** Exploring Omnichannel Retailing - Common Expectations and Diverse Realities, Wiesbaden.