

# DISTRIBUTION, MARKET STAGE AND STAGE OF CONNECTION WITH THE CUSTOMER

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*Abstract:*

*In this paper we develop the concept of distribution on automobile distribution. We consider the distribution as a neglected and fragmented sector of the automobile industries. We also analyzed the distribution from Great Britanie, SUA, Japan, France and West Europe.*

***Distribution : a neglected sector of automobile industry***

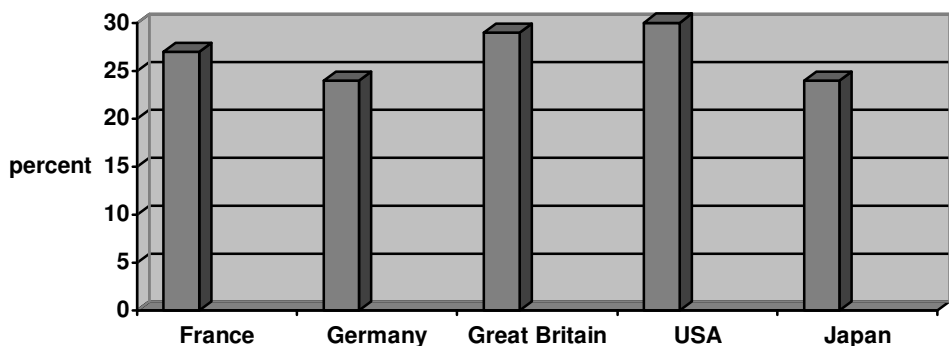
In the automobile industry, a distinctive attention is paid to design, evolving and production. A new design requires a 1- 2 million dollars cost.

But the automobile must have a buyer, an owner and an operator. Some buyers come to take automobiles straightway from the assembling factory – an often used method in North America and which has gradual developed in Europe. Yet, most of the cars are individually sold through a suppliers network on an organized market.

The complex and massive distribution structures were created in

order to quickly and efficiently alienate the automobiles production but also to efficiently satisfy individual demands. The sense of this sector for industry is quantitatively presented through the appraised costs in graph 1. You can easily notice that the distribution cost represent almost 30% from the sale price in SUA, while this index doesn't outrun 23% in Japan.

Obviously, these differences are inter alia supplied by factors as the number of inhabitants or population density but also by the peculiarities of the different distribution systems which were practiced.



**Figure 1. The distribution cost in the automobile industry as a percentage from the sale price**

Distribution and the connection with the final buyers are absolutely vital for the automobile producers. This is an area full of tensions and of problems which require to be solved in the future. In most of the cases this is the main part of industry which has been developed in the last years.

### ***Distribution – fragmented sector of the automobile industry***

Automobile industry continue to be mainly led by relational little networks having personal independence and authorized dealers.

Although there are some peculiarities of the main regions and countries in the world, the basic principles are relatively semblable. Automobile producers allege that is difficult to directly present and sell their products to the customers. That's why they resort to authorized distribution networks which ensure not only their products sale but also the service and the mending. These distribution networks were generally used on the market to commercialize only one well-known trade mark.

In USA, the partnerships between the automobile supplier generally require and enable multiple authorizations, which means that a dealer may sell more than one automobile trade mark; this is a specific american form. In Europe this manifestation is more rare, the native producers using exclusive dealers for each automobile trade mark. Generally speaking, the most advanced methods in the automobile distribution area are in USA, followed by Japan and Great Britain, the distribution structures from the European continent remaining the most traditionalistic.

Despite of the different approaches, there are global foundation in the practices assumed by dealers.

From Rover in Great Britain to , Toyota or Nissan in Japan, to Ford or General Motors in SUA , the sold automobiles average for one dealer

fluctuates between 250-450 cars per year. An important exception is Mercedes-Benz in Germany which has its personal unbinding network, this being as productive as the global average. Other exceptions are :Renault, Peugeot and Citroën with their extended under-dealer networks.

### ***The traditionalistic European distribution***

The typical dealer partnerships from Europe are small, family businesses with one or two authorized unbinding agencies and a single producer. These networks consolidation was slow and longlasting. In France are more than 50.000 leading and „under” dealers, most of them having six or less employees.

The main automobile producers recognize the high cost of the very dense distribution structures but they also treat these structures using strong defensive obstacles against the competition. That's why the producers oppose against multiple authorization and against extended dealer groups.

A semblable but less extended structure is also in Germany. Here are about 15.000 main dealers ,most of them family businesses and there is also a second line of under-dealers and services. There are also some producers ,as Mercedes-Benz that have a personal specialized distribution network. Another German producers exception is BMW, which had a consistent strategy concerning the distribution network enlargement and the increasing of the unbinding agencies quality.

In Italy is practiced a multiple dealer authorization for automobiles produced within the framework of the same group : eg. Fiat Group with its trade marks Fiat, Lancia, Alfa-Romeo a.s.o.

A different situation appears in continental Europe for the important brands. The automobile producers sell

in countries where they don't produce cars, and the distribution networks are shorter and more consolidated than in their own countries. In some cases, the important distribution companies gradually accumulated an appreciable power. When a dealer network was created from the beginning it often gets a great authority delegation inclusively the prototype and its production.

### ***Distribution in Great Britain***

In Great Britain the distribution networks are meaningful different. The automobile producers have less dealers in comparison with the sales volume at national level, than the countries from continental Europe. This makes the yearly average of a dealer income to be higher than the European one.

This country market took the peculiarities of this region. Thus, 70% from the new automobile market derive from the native models sales. Automobile companies sell a great number of automobiles to governmental companies, public enterprises, service companies or to distributors.

Although the concession duty offered in Great Britain by the car factories was diminished, the custom of providing cars to employees still remains. This fact appeared because the automobile factories offered fiscal advantages for the both sides. In this conditions, employees at medium and high level are expecting to get a new car in two or three years and also to maintain it with minimum financial efforts. For many people the fuel is in the packet.

The automobile market and cars sold to companies, distorted distribution system in Great Britain.

The automobile producers in Great Britain sell both to distributors (direct sales) and agents, such as leasing or renting companies.

The distribution network is concentrated. The first 100 dealer group hold 20% from distribution, the first 10 control 40 % from the market. So they possess the most productive unbinding agencies. Even so, the car producers control dealers because these are not allowed to have a big number of contracts of a certain trade mark.

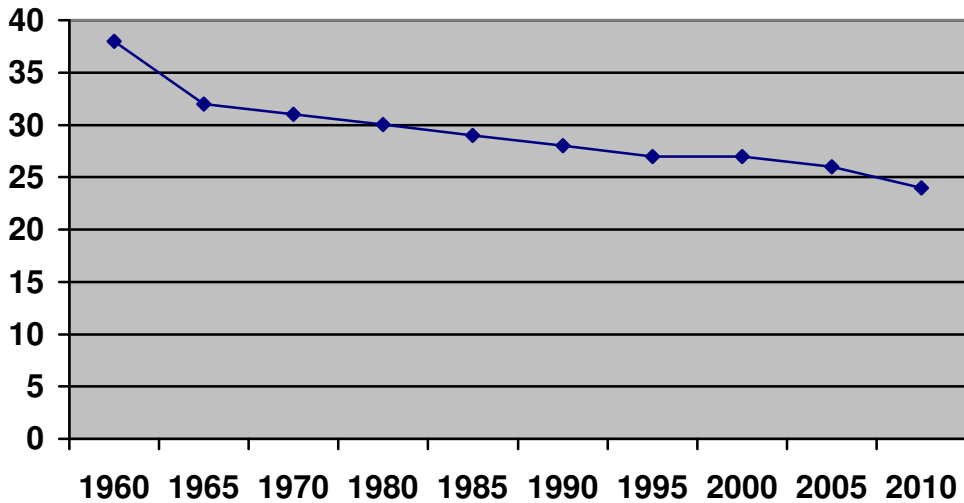
### ***The American distribution system***

In USA, automobile trade has a similar structure to the European one. Some dealer groups produce a great sale volume. Although the productivity average per dealer isn't too different than the European one, it is affected by the big number of inhabitants and by the low population density.

In the last 30 years, the number of unbinding agents has declined. This sector evolving is presented in graph 2. The regress registered is due to the increasing of competition pressure. The minimum viable size for an unbinding agency is continually increasing. A one third from the carriage cars from SUA are placed in California.

Market researches show that American buyers take in consideration a half from the brands existing on the market, but they focus on only three or four of them for buying. This customer approach is based on a verbal information taken from the public at large and reverberates customer's immature experience in that country. Moreover, crowded places such as carriages enable the less known brands to make themselves noticed by the customers. This perspective is directly contradictory to the concept of maintaining a brand loyalty for life. It is also contradictory to automobile producers ideas who would like to see the customers looking for better and better models when they get rich.

No. agencies  
[thou units]



**Figure 2. The aggregate number of dealers in SUA**

The only major attempt of bringing out a big change for the traditionalistic American distribution system had by an automobile producer, was Saturn, which use large distribution territories created from the beginning.

#### ***Distribution in Japan***

Japan distribution began on different supports. Each producer was trying to closely control the market. The sales were often made by the direct customer. The sale agent comes to the future buyers home and offers them a drive test to persuade them to buy it. In 1985, 80% of car sales were "door to door" sales. The separate networks were established for each production line within the framework of each brand. Toyota has developed Toyota, Toyopet, Corolla, Auto and Vista as its networks, Nissan has Nissan, Sunny, Cherry and Princ while Honda has Clio, Primo and Verno.

This approach was efficient as long as the national market was growing. The more saturated and expensive the market became the more difficult was considered by producers. They tried to lure a new staff so they began to recruit sale agents – women. As the market became more aggressive the techniques began to erode.

The rationalization and simplification take place in all sale processes. Opening big exhibitions, automobile producers increase the sales for their own unbinding stores. These exhibitions goal is to promote the new car models on the market. The most significant development is the trial of absorbing the customer into the automobile demand system, the Japanese IT being based on a big unbinding chain. This is based on the interactive communication technology. This kind of development leads to virtual unbinding a distribution concepts.