THE INSTRUMENTS OF THE MARKET OPEN TO THE GENERAL PUBLIC: THE PRODUCER - DISTRIBUTOR - CONSUMER TRINITY

BELAŞCU Lucian

Abstract:
The main instruments of the market open to the general public are the producers with their markets and their products, the distributors with their companies and their stores and the consumers that buy the products. We can state, with few exceptions, that the instruments of this market are used for everyone. Consequently, the article underlines the evolution of the relations between producers, distributors and consumers with an emphasis on the fact that those all flock around the same concept: front line. It starts with the comparison between the producers nowadays and fifty years ago, and than taking into consideration the second actor that intervenes on the markets opened to the general public, the distributor, which in the same way as the producer, knew and know considerable changes. The last part of the article analyses the behavior of consumers, which represents the market itself.

Keywords: *producer, distributor, consumer, front line*

The market open to the general public is defined as a family of products with equivalent functions or features and a retail volume, both in quantity and business figures, in a determined space and for a determined time frame. The main instruments of this market are: the producers with their markets and their products, the distributors with their companies and their stores and the consumers that buy the products. We can state, with few exceptions, that the instruments of this market are used for everyone and that they are, in fact, the law. The three actors that interact in this market have been subject to very important mutations, in the last fifty years (accelerated in the ’80’s and ’90’s). Comparing contemporary producers with those from fifty years ago is like trying to compare the day to the night. The latter, that still exist in small numbers, have changed fundamentally. A producer in the ‘60’s was a merchant that produced items for the national or regional markets. One would sell their products via an integrated commercial service, distribution networks that were either their own or contract binding on long term. The producer was the one in charge and the distributors observed his orders. He would tell the consumer where to buy his products and he would regard them as his customers rather than his distributors. It was, in fact, a matter of producing and having a network of distribution in order to retail their merchandise quickly. Competition was not important and success was more connected to the history of the producer rather than the level of his performance at that time. Nowadays things have changed and the fast pace of the changes has caused many damages. We can measure this evolution being aware that, in reality, many producers are no longer producing. When attempting to define a profession, we still use words that are not rooted in reality; we can understand the difficulties in adaptation that have been highlighted by the producers. An interesting example can be provided in connection to sports items. In 1985, Adidas was without a doubt the world leader. During a period of five years that followed, Adidas was overtaken by two other producers: Nike and Reebok. The two do not actually make the products they sell: they are in charge with conceiving them and retail. Their sole preoccupation is to create products that the consumers will like, to communicate and meet the needs of the distributors. They are completely separated from the industrial function which is generally difficult. They have suppliers who are the producers from South-East Asia and customers who are their distributors. In this manner, they are able to fast to the fluctuations of their markets. Fifty years ago, producers used to work at a regional and national scale, whereas nowadays they are compelled to run their activity at a European or international scale.

Here is how all the markets open to the general public, the products of which can be shipped without causing any damages, have become international. This means that the products have to be conceived at an international level, and that only variations of these products will allow local adaptations. At the same time, this means that the companies must produce a maximum quantity at a minimum cost. In order to achieve this, they will have products available for all those who can order a good amount of their products. These evolutions show, in fact, that as far as producers are concerned a division of skills can be noticed. One can make a distinction between the trade and marketing-related aspects and the industry-related ones, starting from the premises that those pertaining to the first group are the ones that buy from the second one. Therefore, we are not talking about “producers” but “brands”, on one hand, and “manufacturers” on the other (sometimes both at the same time). This fact was a stepping stone in the mentality of the factories that existed in the ‘60’s and ‘70’s and also the reason why they found it difficult to adapt. The companies were created after this period didn’t have to deal with these issues because they imposed on themselves the principle of the respective separation, from the very beginning. The mutations of brands do not stop here though. Indeed, before all this, the brands would see the consumers as their customers and the distributors were nothing but a conveyor belt. Some of them still use this system and we can generally notice that they are the ones that preserve the industrial integration. The brands estimated that the consumers had the power to choose and eventually say no. Nowadays though, they must keep in mind that before the consumers come the distributors that have the power to choose and say no to the brands. Let’s imagine, for example, that a brand that owns 70% of a certain market by collaborating with all the distributors, one of which owns 50%. If this distributor, for a certain reason decides to remove that particular brand from its stores or if the brand decides to close deals with the distributor in question, it is certain that the brand will lose considerable market value of up to 50%. The distributor will lose too but not as much. In fact, the previous example, although exaggerate, (as no distributor owns 50% of a certain market) is meant to show that brands that have market value as a result of volume are nowadays faced with the distributors that they themselves have marked value as a result of the same thing. Back in the day, the brand would have full control of its market value. To be fully convinced by this, what it takes is to resort to the papers about marketing that were put together for brands and that show that distribution was only a small part. One can see that brands would have to choose from a distribution according to their objectives. It is vital for brands to understand that these “theories” are no longer adapted to current realities. The structures of the distribution for the general public are built in such a way that the brands can no longer say that they are the ones that choose a distributor but have to look for a distribution formula that allows them to achieve their goals. The most important thing, in such a situation, is to understand that the consumer, who is the privileged interlocutor of the brands, will, in fact, fall in second place, behind the distributor. With few exceptions, (mainly for top brand products) the consumer goes to one or more distributors to choose between different products, brands and prices and his choice will depend, even before his own, by that of the distributor. This also means that brands must analyze the distributors’ market even bore that of the consumers. By analyzing the financial flows it is obvious that a brand will sell exclusively to the distributors that have become independent and the latter will be screened based on the economic criteria and the characteristics of the market of the first. Despite all this, the connection with the consumers must also be permanent.

The second actor that plays a part in the markets open to the general public, the distributor, same as the producer, has dealt and still dealing with considerable changes. In the ‘60’s, distributors existed to retail the merchandise of the producers. There was high number of them, covering small areas of the market and their scene was the local market. This is what they call now small traditional trade. From an economic point of view, distributors were tightly connected to the producers. We can almost state that they were, in fact, the sales personnel. The producers would go to the point of offering retirement benefits for good and loyal services. In case of financial difficulties, the situation was solved by the producer bases on subjective criteria and not the efficiency of management. Taking into account such situations, some producers came up with the idea of creating their own stores to retail their products since; they were the ones that financed their networks. One fact must be highlighted and it is that almost all these experiments resulted in failure because the mentality and the management criteria of the producers cannot be successfully used in distribution. This must be managed on short term, whereas a producer must foresee a scenario on long term. A distributor must stress on satisfying the consumer, in particular, whereas a producer sees the consumers as groups or as a whole. Financially, a distributor will want to constantly pay off his investments, in two or three year’s tops, whereas producers will do that envisioning five to ten years. Nowadays, distribution has radically changed. Distributors have evolved from small to big; from the local markets they moved on to national and international ones. Indeed the big distribution societies are momentarily, more and more often, more powerful than the brands but their success is not just economic and financial, it is also the level of power they have over the consumers. Back in the day, consumers would choose one or more products of the same of different brands and would use the services of the distributor(s) that were known to retail the brands in question. Nowadays, consumers choose one or more distributors from which they buy their products. This mutation was a real revolution since, the distributors evolved from mere doers to genuine actors of the market.

After analyzing producers and distributors, it would be useful to analyze the behavior of the consumer who, let's not forget, represent the market. For them too, the changes have been noticeable since they evolved from ignorant to connoisseurs. In the '60's and '70's, the majority of the markets open to the general public was represented by the markets that had as a main feature the "primary equipment". The consumers would find products for which they needed a piece of information and especially advice from the producers and distributors. This translates in a good control of the professionals (distributors) over the consumers. Times have changed; the main feature of the markets is now the "renewal". Consumers are not just informed but they have already bought and used the products, which allows them to have a more precise judgment over the brands and products, the prices and distributors. It is in fact an alteration that has put distributors on the same level as brands, and one can say that the balance tends to tilt in the favor of the distributors. This fundamental evolution is not always well perceived by the either the brands or the distributors. The brands can have the nostalgia of the past and preserve their old habits, thinking they are still ruling the market. The distributors can still not take responsibility stating that the merchandise that is in their stores depends entirely on the brands and not on them. However, this situation is irreversible and all professionals (distributors) must adapt. The consumer expects competitive prices, quality and services adapted to their needs. The distributors and brands that fail to efficiently satisfy the three expectations risk to not to make the cut. One must say that the price is, by far, the first criterion that determines the purchase decision. There are two concepts of price: that of a function, of a quality and the compared price of the same product from different distributors. The brands and distributors must study the offer, the quality-price equation and permanently adapt to it. The compared price of the same product from different distributors is easier to understand than to manage. The consumer no longer accepts to buy the same product if it is more expensive to buy from a distributor than the other. The demand is simple and those who don't comply will lose many customers. The competition will cause constant price changes in stores and mandates that distributors follow on a daily bases any move from the others. The consumers' purchases are nowadays the result of comparison between distributors and from what these have to offer, products and brands. The consumer will be influenced by the advertising provided by the brands and distributors but the comparison and the final choice will be made in the front line spaces of the stores. He will choose and buy as a result of these. This is the reason why he will see a product in a front line space, he will appreciate the quality and the price and if both of these work out for him, he will buy it; obviously he will not buy a product that he cannot find in the store. As a result of this one can state that the front line space is very important to the consumers as it is the one that seals the deal and must meet their expectations. This is the reason why producers, distributors and consumers all flock around the same concept: front line.

References:

❖ Brudey, N., Ducrocq, C., *La distribution,* Editions Vuibert, Paris, 2000;
❖ Bach, O., *Distribution: l'analyse des linéaires,* Editions Vuibert, Paris, 1991;
❖ Colla, E., *Réglementation et commerce en Europe. Les effets de la réglementation sur les stratégies et les performances des entreprises*, Editions Vuibert, Paris, 2008;
❖ Costea, C., *Firma de comerț,* Ed. Uranus, Bucureşti, 2004;
❖ Lhermie, C., *Négociation et référencement dans la grande distribution,* Editions Vuibert, Paris, 1994;
❖ Moulinier, R., *Les techniques de vente*, Eyrolles, Editions d'Organisation, Paris, 2007;
❖ Patriche D., *Politici, programe, tehnici şi operațiuni de comerț*, Ed. Economică, Bucureşti 2003;
❖ Pistol, Gh. M., Pistol, L., Albu, Gh., Manea, G., *Comerțul interior. Teorie şi practică,* Ed. Economică, Bucureşti, 2004;
❖ Ristea A.L., Tudose C., Ioan Franc V., *Tehnologie comercială*, Ed. Expert, Bucureşti, 1995;
❖ Simon, F-X., *Management et gestion d'un point de vente*, Editions Dunod, Paris, 2008;
❖ Vairez, R., *La vente au détail: Les tehniques de vente des meilleurs professionnels,* Editions DeBoeck Université, Bruxelles, 2001;
❖ Vigny J., *Distribution – structures et pratiques*, 3-eme edition, Editions Dalloz, Paris, 2003.