

OUTLET NETWORK

THE FOREMOST DETERMINING FACTOR FOR SUCCESS

1 THE IMPORTANCE OF OUTLETS IN BRINGING THE PRODUCT TO THE MARKET

Outlets are representatives of manufacturer in bringing the product to the market, and helping goods to flow smoothly and more effectively from manufacturers and distributors to end users. Building an outlet network helps manufacturers to distribute products widely and be able to approach important markets quickly. With existing relationships together with an ability to approach and negotiate well, outlets are determining factor to the product's sales volume.

Along with outlets, wholesalers are also an important factor in distribution network. They purchase a huge quantity of goods from distributors and re-sale to outlets depending on their order sizes. With various means of transportations, wholesalers can deliver goods to customers with small orders, whilst with distributors, customers usually have to take large orders in order to utilise transportation. With the distinct model of small, individual businesses, wholesaling network is very common in the Northern area. In the Southern area, with outlets being operated in larger scale, they usually prioritise direct order from distributor in order to enjoy price benefits and post-purchase services from producers.



Normally, on-trade outlet (ON outlets) are evaluated mainly on sales volume, along with other factors such as outlet's location, customer segment, and its investment on outlet decorations. Similarly, sales volume is also the most important factor when evaluating off-trade outlets (OFF outlets). In addition, outlet scale, financial capabilities as well as warehousing are also considerable factors. These assessments are essential in categorising outlets into different sub-segments, from high-end to low-end. Manufacturers then will identify suitable outlet management and servicing for each outlet, in order to increase number outlet distributions and relationship.

How do outlets help producers? In general, in the beverage industry, on-premise outlets such as restaurants, food outlets are the place where producers can best promote their image and help to spread their brand the strongest. The bigger and more crowded an outlet is, the better the brand visibility. Leveraging from on-premise channel, consumers will start to search for such particular product at stores and wholesalers. Off-premise, therefore, is considered as key channel to push sales volume.

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NOTABLE COMMERCIAL TERMS FOR OUTLETS



Sponsorship

Outlets always strive to win sponsorship contract from producers. Such contracts can be short-term (a few months) or last all year long. Manufacturers often sign contracts with outlets that either have high sales volume potentials or are key for branding purposes.



Credit terms

Outlets, especially outlets in on-premise outlets, usually can request distributors or manufacturers credit line. Good relationship and large orders are factors that allow outlets to receive credit terms.



Discount

Different outlets are subject to different discount programmes, including gifts, product display discount, or lifting fee activities, etc.

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VIEWPOINT OF IPSOS BUSINESS CONSULTING

In order to establish a close and sustainable relationships with outlets, producers can take reference from the following strategies:

Firstly, it is essential to have **sales representative visiting outlets on frequent basis**, since they are the stakeholders that understand customer behavior the most clearly. These visits will help build a close relationship between the producers and the outlets.

Increase frequency of discount programmes in order to acquire new customers for outlets, as well as to push sales and enhance brand visibility.

Manufacturers may also enhance the relationship with outlets **by providing point-of-sales materials (POSMs)**. Types of POSMs may vary depending on outlet's strategic value to manufacturers; it can be basic items such as opener, cups and trays, or higher value commodities such as display shelf, a refrigerator, etc. These offerings serve to partly alleviate the cost of investment for outlets, as well as to promote brand image for the producer.

Promoters are often assigned to on-premise outlets with favourable sales volume, especially in beer industry. They are not only key for driving sales at outlet levels, but also may serve as an additional outlet's employee when necessary.

