DECIDING ON A DISTRIBUTION CHANNEL

PREFACE

This guide includes a basic text for teaching current and potential home-based/micro business owners about different methods of distributing products and services, recognizing that many businesses will use multiple methods in their marketing plans. This session will coordinate with the other educational marketing programs. The curriculum can be adapted to meet the audience needs and time allotted. This program is developed for a two-hour period.

Throughout the text, transparencies are indicated. A handout that includes additional resources and a glossary is also included.

Goal: The goal of this session is for potential and current business owners to learn basic information about different distribution methods for marketing products and services and for them to obtain information to locate additional resources.

Objectives: As a result of this program, participants will:
• Learn about different methods of distribution.
• Learn about resources for finding additional market distribution information.
• Recognize that selection of marketing methods is an ongoing, ever changing process as the business and economic climate changes.
• Learn that distribution is an integral part of a business plan/marketing plan.

HANDOUTS

Handout 1 — Distribution Methods for Marketing Products and Services
Handout 2 — Consignment Agreement
After the decision is made about the type of business you want to start, you need to research the options for selling your product or service. You have already evaluated your skills, strengths, and weaknesses. You have determined whether you have the necessary financial resources to purchase an existing business, buy a business opportunity such as a franchise, or start a new operation. If you are the idea generating type, the pioneer, who wants to see an idea come to fruition, you will need to consider seriously the direction you will take to market your product or service the most effective way(s) to reach your customers.

A good marketing plan is just as important as a good business plan. In fact, it should be an integral part of your business plan. This plan becomes a road map to guide you in expanding your marketing directions as your business grows. Many companies use multiple marketing distribution methods and often use them simultaneously. The information presented here is, by no means, “static” information, since ways of selling goods and services depend on economic conditions, availability of marketing dollars, competition, new technology, and other variables. Your marketing plan should constantly be adapted to increase your customer base. Remember that you need to continue marketing even if you already have customers. This is because customer tastes vary. Sometimes the loss of a customer is unavoidable, and you need new customers to replace those that are lost. For example, a company that created goods that creates products that last a lifetime would need to be in search of a continuous supply of new customers or a way to adapt their product so that customers could have the opportunity to purchase more goods from them.

DISTRIBUTION CHANNELS

Early in the planning process for starting any business is the question that immediately follows the question, “Who is my customer going to be?” That question is, “How will I reach that customer?” “How will I reach that customer with my promotional message, and how will I reach that customer with the product or service?”

The way a product or service reaches customers is called a distribution channel. Basically, there are two categories of channels; (1) direct and (2) indirect. It is possible to use only one category or to use both methods simultaneously.

Direct Distribution. Direct distribution is the most commonly used method for home-based entrepreneurs. This method is much less complicated than indirect distribution, since there are only two parties involved, the seller and the buyer. With direct distribution there is no middleman; the producer of the product works directly with the consumer. Direct selling allows the producer to do market research as to wants and needs of the customer. It is less expensive for the producer because the full selling price is retained. However, producers may not be as skilled in marketing as professional sales people. Also, direct sales can take a great deal of time and attention away from production.
Examples of direct sales include person-to-person (door-to-door), display booths at events such as fairs and bazaars, party-plan sales, in-home demonstrations, business trade shows for business owners, temporary space in shopping malls, direct mail, mail order, and telemarketing. Success in direct sales relies heavily on visual presentation and personal sales techniques.

**Indirect Distribution.** Indirect distribution uses various types of middlemen who sell the product or service to users through the contacts of middlemen. Although direct sales may be less expensive, there can be many advantages to indirect distribution methods.

Indirect sales methods are especially useful when legal restrictions such as zoning prohibit customers from coming to the home or when home base is located too far from customers. Sales volume may be increased by use of sales representatives and wholesalers.

However, the producer is removed from contact with the consumer with indirect sales, and the methods tend to reduce the gross revenue to the producer. There is also less control over the product.

There are various possibilities for contacts an entrepreneur might use for indirect sales.

**Wholesalers, Distributors, and Jobbers.** Wholesalers/distributors/jobbers can provide the link between producer and retailer. They sell a variety of merchandise through their own marketing networks. Their titles vary with the industries with which they are affiliated. Producers can sell large amounts of products to the wholesaler where it is redistributed in smaller quantities to retail shops. Thus the costs of individual delivery, contacting of retailers, storage, and handling are reduced. Wholesalers also probably distribute to a large number of stores in more than one region of the country, so producers’ merchandise will reach a wide customer base.

Producers will want to work closely with wholesalers to see if and how their product and/or service might be adapted to fit the needs of other producers or the retail industry itself. Wholesalers are sometimes paid a percentage of sales, or they may buy the product themselves. For a fee, other possible offerings include cooperative promotional opportunities and packaging/display information. Specific written contracts are very important in wholesale transactions.

**Sales Representatives.** Sales representatives are generally given a geographical territory and are then responsible for the amount of sales in the given territory or region. Sales representatives operate in a variety of ways. Many earn commission only, while some are provided with a means of transportation as well as benefits and salary. The field of sales representation must be kept competitive in order to remain effective.

**Wholesale Trade Shows.** Wholesale trade shows are a great way to get started in wholesaling. Showing your product at these shows enables you to meet and talk with big-time buyers. This allows you to listen and learn what they think and expect in goods they buy.
Wholesale trade shows are advertised in trade magazines. Also, contact your local library for trade show organizations that pertain to the product you produce. (See Additional Reading section in the handout.) Wholesale trade shows are usually restricted to members of the trade and identification such as business cards are required for admittance. Exhibitors concentrate on making contacts with “future” buyers, which is different from retail trade shows, where product sellers are making direct sales to customers. Some orders may be written at the show, but most are placed afterwards. Booths at trade shows can be quite expensive, so consider the possibility of sharing a space with another exhibitor. This is where the advantage of working with a wholesale trade show is about building long-lasting relationships. Present yourself as a professional business person prepared to handle large volume orders and have the vision of being in business for many years to come.

Selling Wholesale to Retailers. The producer can make direct contact with retailers, especially those that own and operate locally. The producer can make an appointment with whoever buys merchandise for the business, and be prepared with samples and/or photographs of the product, promotional materials, price lists and specifications, and ordering information. If this is part of your marketing plan, become thoroughly familiar with trade practices.

If the producer sells wholesale to retailers in the area and also makes direct sales to clientele, he/she must not undercut the retail price, or the opportunity to sell wholesale may cease.

Consignment Selling. Selling on consignment is an arrangement whereby a producer contracts with retail stores and galleries to allow him/her to put products on the store shelves for a percentage of an item’s final selling price. This method provides a way for the producer and the store owner to test market a new product. Another advantage to the producer is that it gains exposure for his/her work without the overhead of renting booth or display space at an event or location. Disadvantages are (1) money is tied up in the inventory for which producer may not be paid for months, (2) merchandise may not be displayed to its best advantage, (3) if merchandise is damaged or stolen, the store may not be liable, and (4) since store personnel do not have a vested interest (money) in the merchandise, they may not aggressively market consignment goods. Good packaging and visually pleasing displays are critical to retail buyers. Quality business cards, brochures and/or free sales literature, and quantity discount pricing will help you to be successful in this market. Make every effort to collect names of potential contacts so you can get in touch with them after the show.

A very common error for a producer is not taking enough time to investigate potential trade shows. Many trade shows do not have good detailed information about the audience that attends. Do the leg work and evaluate exhibitors and customers to learn how you can adjust your product to meet the needs of potential customers.
DECIDING ON A DISTRIBUTION CHANNEL

High-ticket items (sculptures, weavings, quilts, and the like) may be handled only by retail stores on a consignment agreement because it might be too expensive for them to have large amounts of money tied up in this one-of-a-kind merchandise.

If consignment is your only alternative, a written agreement or contract can be drawn up that would include the following: (See Handout 2 for an example of a consignment agreement.)

Date of agreement; Name and address of shop or merchant; Name and address of producer Item(s) on consignment; Description of item(s), Quantity, Retail Price, Date sold, Amount due producer, Date paid.

Terms of the consignment agreement between the shop and producer may include:
- An agreement by the shop owners to display the consigned items properly and to maintain them in good, saleable condition for a determined period of time.
- An agreed percentage of the retail selling price of and item sold due to the producer and the percentage due the retailer.
- A time frame set for when the retailer will pay the producer. Perhaps the first day of each month or within a certain number of days after a sale is made.

Set a minimum limit of the price of each item. State the consigned items cannot be sold for less than the agreed retail price without consent of the producer. If items are sold at a higher price, the shop must pay the producer the agreed percentage of the higher selling price.

Determine who pays any shipping and handling cost. State if the shop and producer will share the costs equally of some other agreement.

Unless the agreement is renewed, the producer should agree to pick up unsold items or have them shipped within fifteen days after the termination of the agreement.

**Risk of Loss:** Goods lost, stolen or damaged by fire, flood, sunlight or customer negligence should be treated as sold. Insurance: The shop should assume responsibility for insuring consigned items. Be sure to have both signatures and the date on the agreement. Include any other special needs you may have you may want to consult an attorney.

**Mail Order.** Selling by mail has grown tremendously in the last few years. Consumers are using home shopping because of convenience, as a form of entertainment, and numerous other reasons. With modern communication techniques such as fax machines and 800 numbers, consumers can evaluate a much larger array of products and receive faster delivery of products at their leisure than ever before.

Mail order can range from a producer’s developing a flyer, brochure, or catalog and mailing it out himself, to having his product included in an established, sophisticated, glossy, existing magazine or catalog. For each marketing direction there are many things to consider. If you decide to produce your own catalog, brochure, or flyers, timing is very important, and selectivity in mailing lists is critical. You may not want your sales piece to arrive in your potential customer’s mail with all the Christmas advertising or on certain days of the month.
Be selective in securing mailing lists so you can effectively target your niche market. Promotional materials and postage are dollars not to be thrown away frivolously. Building your own mailing list is ideal, but in the beginning you will need help. Check with your local library for a listing of mail list brokers. Remember to have a very good description of your “customer profile” so the broker can provide you with the best list to meet your needs.

You should review a number of catalogs or magazines to be sure your product is appropriate for the readership of those particular publications. Pertinent questions producers need to ask when evaluating media, particularly magazine sources, relate to the following:

- Demographics of readership - example: age - gender - income ethnicity
- Whether or not they have regional publications
- Number of advertisers who advertise on an ongoing basis
- Readership-circulation numbers

**Magazine Advertising**

The advantages of utilizing magazine advertising as a form of distribution channel include:

- Longer shelf life than other advertising media.
- Often read cover to cover by several different people. Thus responses may continue to come in for months after publication.
- Advertising in a classy magazine automatically associates your product with the prestige of the magazine.
- Magazines use a more sophisticated production process and better quality paper than newspapers and most catalogs, so advertisements automatically look better.

The disadvantages of magazine advertising include:

- The “lead time” may be three months or more from the time you place the ad and the time it is published. Thus, your money is tied up for a substantial length of time.
- Cost is also a disadvantage. It can be very expensive. Investigate.

Before deciding on print media for marketing your product, find out the following:

- Is there a fee to be included in the catalog or do you pay a percentage of sales?
- What is the minimum inventory that must be available? Catalog companies may submit a purchase order and you ship merchandise directly to them. Other companies may submit copies of customer purchase orders and the producer drop ships merchandise.
- Knowledge of postal regulations, Federal Trade Commission rules, and tax laws in each state where merchandise is exchanging hands.
- Is merchandise warehoused by a catalog company or does producer drop ship?
- How is merchandise evaluated — actual product or photographs?
- Pricing structure?
- Time frame for catalog production and distribution? If you have made direct sales to customers, make it a practice to record names and addresses.

These may be used in the future if you decide to do mail order marketing. It becomes a very valuable resource, since these are customers who like the product you make (they have purchased!), and also, if you choose, this list can then be rented and you receive extra
income. Mail order requires a large financial investment, so evaluate everything thoroughly before starting. A good mail order item should have a very high margin of profit to offset the high cost of advertising. It should be lightweight, easy to mail, and durable to survive shipping.

### ADDITIONAL DISTRIBUTION EXAMPLES

Many other distribution examples exist that the business owner can utilize to get their product to a consumer. Some of these can reach a much larger target audience at a more affordable price.

**Telemarketing.** Telemarketing is a sales approach conducted entirely by phone. It may be selling to customers who call or calling potential customers. Although consumers sometimes consider telemarketing a nuisance, it can be very useful in business marketing.

In any outbound telemarketing program, your objective will be to sell your product, to sell an appointment, or to keep in contact with current customers. All businesses must field telephone calls from customers or potential customers. How these calls are handled will impact the image your customers have of your business.

**Television Marketing.** Cable network shopping channels offer customers buying opportunities in a wide assortment of merchandise. Some shopping networks, such as QVC, travel around the country and interview producers who are interested in marketing their products. They will choose those products they think will sell well and feature them on a program. Producers must provide back-up inventory in case sales go well.

Infomercials are lengthy television presentations designed to sell a single product or concept. In the beginning, infomercials did not enjoy a lot of respectability, but this has changed since some well known companies are now selling their wares via this type of programming. As infomercials gain credibility, their potential increases as a cost-effective way to deliver serious marketing appeals.

**Computer Networks.** The population of cyberspace continues to soar. Marketers have entered the vast online information system that links businesses and potential customers from all over the world. There are several gateways to online marketing ranging in cost from nothing for local bulletin boards, online blog posts and “template” based websites to sizeable monthly fees and hourly surcharges for sophisticated marketing websites.

**Internet Sales and Marketing.** A vast array of options for sales and marketing on the Internet are available. Producers can create web sites or blogs. These sites can be used as a way of selling directly to consumers or they can be used to create a market or brand recognition for a product that is sold through another retailer. Social marketing networks such as Facebook, MySpace and Twitter have become outlets for reaching customers quickly and effectively with little expense. The negative side to social marketing is the fact that the technology and popularity of sites changes rapidly. In order for these outlets to be effective
the produce needs to be prepared to keep up with the way such tools are being used by their target audience.

Ebay and other Internet sales sites like it can provide a place for selling directly to consumers. Many of these sites have guidelines set up for product purchasing and payment in order to reduce the occurrence of fraud.

When creating an Internet marketing plan, it is still important that the producer know their target audience. This will help in deciding what type of Internet distribution channel you will need to utilize.

When selling directly by using the Internet, set up guidelines for payment, shipment, and liability.

**Vending Machines and Rack Merchandising.** Vending machines and rack merchandising are two examples of distribution methods that have evolved in recent years. Although food and drink products have long been sold by machines, other items are now being marketing in this way. Small specialty items and personal need and travel items such as toothpaste are often found in hotel lobbies and airports.

Rack merchandising refers to small items that are provided to a retailer on a pre-arranged rack that is maintained by an entrepreneur who makes regular visits to the retail establishment but is not employed there. Payment may be through consignment sales, or merchandise is purchased by the store.

**Cooperatives.** A Cooperative is a business formed by a group of people to obtain certain services more effectively or economically than can be obtained individually. Cooperatives may help members with marketing, production, and technical assistance. Some advantages in selling through a co-op include these:

- Group marketing that may be handled by a manager
- Exposure to additional buyers because of the variety of products offered
- Opportunity to purchase supplies at a lower cost and to share expensive equipment

**Franchises.** The Better Business Bureau describes franchising as “first and foremost a method of product or service distribution—a means that a company uses to get its products to the consumer. It is a system in which a company shares, through contractual agreement, its economic power and the possibility for profits with independent businessmen to achieve rapid and effective distribution of its products.
or services.” These established businesses are set up in such a way that when the businesses decide to expand, they invite people to purchase the opportunity to buy into the established businesses. If you are inexperienced, have a lack of knowledge of the market, a lack of understanding of basic merchandising principles, investigating a franchise purchase may be for you.

When you buy a franchise, you should be buying continuous direction and support from people who are experts in their fields. Franchise agreements may include the following:

- Using the franchisor’s name
- Help in finding a location
- Store design and outfitting the store advertising
- Acquiring supplies
- Management training
- Protected territory
- Financing
- Marketing and promotion
- Record keeping

The franchisee pays the franchisor for the business opportunity and agrees to operate the business according to the franchisor’s directions. The franchisor owns all the trademarks, business methods, and supplies that it allows others to use under its contract. The difference between a franchisor’s and a corporation’s operating a chain of stores is that the chain store has store managers who are company employees, whereas the franchise operation is owned and managed by self-employed business people. For the help and services provided by the franchisor, the franchisee makes a capital investment in the business and usually pays fees and royalties to the franchisor. The franchisee purchases the success and good will of a name, logo, and the like.

The advantage of buying a franchise may include fulfilling the desire for independence with minimum risk and maximum opportunities for success through the use of a proven product or service and a proven marketing method. There are franchise opportunities in almost every industry: fast foods, motels, automobiles and parts, maid services, business services, dry cleaning, home repairs, health clubs, industrial supplies, building products, schools, vending operations - and the list keeps growing. Whatever your interest, there probably is a franchise opportunity for you.

Numerous magazines, directories, and handbooks are available for more information on franchising. Also, you can contact this organization:

International Franchise Association
1305 New York Ave., NW
Suite 900
Washington, D.C. 20005

The International Franchise Association has a resource center for current information and offers publications and other resources on subjects relating to franchising. (See Additional Reading selection in handout.)
Multi Level Marketing MLM/Network Marketing. Multi level marketing or network marketing refers to a distribution system that uses people who are selling at different levels in the company hierarchy. Distributors recruit new people to join the program and teach and train them, thus broadening their distribution network. They sometimes refer to the practice as “sharing” business. Products that seem to do best for this system are household products, personal care items, particularly herbal and vitamin products. One example of this type of marketing is Amway.

Determining a Distribution Channel(s). A business owner must identify the strengths and weaknesses of various methods for reaching customers and thoroughly analyze the effectiveness of methods that would be appropriate for his/her product or service. You may decide to utilize more than one distribution method. Look at some examples of possible distribution channels.

When deciding on distribution channels, you will need to consider such factors as how will the product be shipped to middlemen and customers? How quickly does the product need to be shipped? Establish the minimum quantity for shipment. How will you package the product for shipment? What will the costs be?

In addition to traditional distribution methods that have been mainstays in the past, new methods are constantly surfacing. Each method must be evaluated as to cost, coverage, and performance. Many of these channels are designed specifically for large or very small volume or lend themselves only to specialized merchandise. You should choose what works best for your business and be keenly aware of new ones as they develop. Selective distribution is the key to effective distribution.

It is important that small business owners keep up to date about the variety of services and products in today’s complex marketplace. A listing of various kinds of directories is found in the handout entitled “Additional Reading.” These directories offer valuable information that can assist the small producer in keeping current about names and addresses of distributors who can reach the markets for their products. Remaining up to date is a continuous process because (1) firms enter and exit the market, (2) there is a constant shift in importance among different types of outlets—old firms lose their market position and new ones spring on the market (mass market merchandisers, for example), and (3) there is an increase in scrambled merchandising—stores begin to carry lines of merchandise they don’t customarily carry.

When making the choices regarding distribution alternatives, do the following:
• Look at the distribution opportunities available to you.
• Determine those that are appropriate for your business.
• Consider the necessary time frame and procedures for getting your product to your customers.
• Consider the cost involved in channels appropriate and available to you.
• Keep up to date about new products and services as well as new distribution channels.
DECIDING ON A DISTRIBUTION CHANNEL

REFERENCES

Mississippi Department of Economic and Community Development, (1994). Small business marketing

GLOSSARY

Demographics: The statistical study of human populations, especially with reference to size and density, distribution, and vital statistics.
Target Market: A group of potential customers with similar needs that can be identified by a company.
Multiple target markets: Using different marketing strategies to reach different market subgroups based on demographic, geographic and psychographic usage rates and/or customer behaviors.
Niche: A target market segment you determine is not adequately being served by the current competition.
Trade Associations: Organizations of industry groups. One of their services is to sponsor tradeshows that are usually held at least once per year, sometimes more frequently, and are held in different parts of the country.
Trade Shows: Trade shows are gatherings of companies that share a common industry to exhibit their latest products.
Purchase Cycles: The time periods between purchases of a product, which is important in estimating product or service demand.
DISTRIBUTION METHODS FOR MARKETING PRODUCTS AND SERVICES

The questions that arise early in the planning process of a business are: “Who is my customer” and “How will I reach that customer?”

Distribution Channel - The way a product or service reaches the consumer.

Two categories of distribution channels:
- Direct
- Indirect

**Direct Distribution** — The producer of the product sells directly to the consumer.

**Advantages:**
- Least complicated method
- Less expensive than indirect methods
- Eliminates the costs of “middle man”
- Allows producer to do market research

**Disadvantages:**
- Producers of products may not be good marketers of products
- Direct sales can take a great deal of time away from production
- Producers may not be objective in sales presentation and pricing.

**Examples of direct distribution:**
- Person to person
- Display booths at events
- Party-plan sales
- In-home demonstrations
- Business trade shows
- Temporary space in shopping malls
- Direct mail
- Mail order

**Telemarketing Indirect Distribution**—uses middlemen who sell the product or service

**Advantages:**
- Middlemen are professional sales people
- Useful when zoning prohibits home sales
- Useful when location of home base is too far from consumers
- Sales volume potential is greater
- Frees producer to focus on production

**Disadvantages:**
- Producer is further removed from consumers
- Less control over product
- More expensive than direct distribution

**Examples of indirect distribution**
- Sales reps
- Wholesalers, distributors, jobbers
- Wholesale trade shows
- Wholesale to retailers
- Consignment
- Mail order
- Television marketing
- Computer networks
- Vending machines/rack merchandising
- Cooperatives
- Franchises
- Multi-level/network marketing

**Characteristics of contacts for indirect distribution:**

Manufacturer or sales representatives—people who provide the service of moving merchandise from producer to retail store:
- Call on retailers, show samples, and distribute literature
• Pay their own expenses
• Have exclusive rights to handle marketing within a specified territory
• Producer pays commission to rep on all orders written

To find sales representatives, look for these:
• Advertisements in trade publications
• Directories (one of which is Manufacturer’s Agents National Association Directory of Members) at the local library

Wholesalers/distributors/jobbers—sell the product through their own marketing networks and the following:
• May buy the product or work on commission
• May provide help with packaging and display information, for a fee

Wholesale trade shows—gatherings of companies that share a common industry to exhibit their latest products. The shows:
• Are advertised in trade magazines
• Are restricted to members of the trade
• Usually require business cards for admittance
• Offer exhibitors opportunities to concentrate on making contacts with “future” buyers
• Can help build long-lasting relationships
• Require good packaging and nice display to be successful

Selling wholesale to retailers
• Producer can make contact
• Must know trade practices
• Need written agreements
• Cannot undercut retail price

Consignment—producers contract with retail stores and galleries to display and sell product.

Advantages
• Producer gains product exposure without overhead expenses of utilities and space

Disadvantages
• Money is tied up in inventory
• Merchandise may not be displayed to advantage
• Merchandise may not be aggressively marketed

Mail Order - Producers may develop their own catalogs or flyers or indirect distribution or buy advertising space in an established catalog, magazine, tabloid, etc.

Producer developing own mail order system will require:
• Knowledge of timing for best results
• Knowledge of postal regulations, Federal Trade Commission rules and tax laws in each state where merchandise is exchanging hands, and good mailing lists

Mailing lists:
• Can be rented or purchased
• Need clear description of customer profile
• Check library for mail list brokers
• Check listings in trade journals

If planning to buy space in an established catalog, magazine, or tabloid, questions to ask when evaluating mail order media:
• Demographics of readership - ex. age, male or female, ethnicity?
• Regional publications?
• Number of advertisers who advertise on an ongoing basis?
• Readership numbers?

Magazine advertising

Advantages
• Longer shelf life than other advertising media
• Often read cover to cover by several different people
• Associates your product with prestige of the magazine
• More sophisticated production process and better quality paper than newspapers and most catalogs

Disadvantages
• Longer lead time from the ad placement time to published ad
• Cost?

Questions to ask when considering including product in existing catalogs:
• Is there a fee to be included in the catalog or do you pay a percentage of sales?
• Minimum inventory that must be available?
• Is merchandise warehoused by catalog company
• or does producer drop ship
• How is merchandise evaluated—actual product or photographs?
• Pricing structure?
• Time frame for catalog production and distribution?

Telemarketing - A sales approach conducted entirely by phone.

Television marketing
• Cable network channels
• Infomercials

Computer Networks
• Vast online information system that links business and potential customers all over the world

Vending machines/ rack merchandising

Cooperatives - A business formed by a group of people to market their products together.

Franchises - Buying continuous direction and support from people who are experts in their field. Owned and managed by self-employed business people.

Franchise agreements may include:
• Using the franchisor's name
• Help in finding a location
• Store design and outfitting the store
• Advertising
• Acquiring supplies
• Management training
• Protected territory
• Financing
• Marketing and promotion
• Record keeping

Multi-level/network marketing - People sell at different levels in company hierarchy. Distributors recruit new people to join the program. The practice is sometimes called "sharing" business.

In summary: In deciding on distribution channels, consider the following:
• What opportunities are available
• Appropriateness for your business
• Delivery time frame
• Packaging for shipment
• Cost
• Keep up-to-date
ADDITIONAL READING


For numerous magazines, directories, handbooks, audio and video tapes on franchising and subjects relating to franchising, contact: International Franchise Association 1305 New York Ave., NW, Suite 900 Washington D.C. 20005

DIRECTORIES AND OTHER RESOURCES


Phelon’s Discount Department Stores. Fairview, NJ: Phelon Sheldon and Marsar, Inc. Listing by state, self-service department stores, discount stores, catalog showrooms, drug chains, home improvement, and auto supply stores, toys, sporting goods, and many other retailers of promotional merchandise.


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Encyclopedia of Associations. Detroit, MI: Gale Research Company. Comprehensive list of all types of professional and trade associations. Includes purpose, number of members, staff, headquarters/ address, and services offered. Published annually.


The Sourcebook of Demographics and Buying Power for Every Zip Code in the USA. Fairfax, VA: CACI, Inc. Provides basic demographic, socioeconomic characteristics, and purchasing potential for zip codes in U.S.


Prepared by Myrna Miller, Extension Agent, Washington State University, and Patty Rai Smith, Extension Home-Based Business Specialist, University of Kentucky
CONSIGNMENT AGREEMENT

Date:____________________

1. Artist: Name _____________________________________________________
   Address _________________________________________________________

2. Consignee: Merchant’s Name________________________________________
   Address _________________________________________________________

3. Artist does hereby consign to consignee the following articles: Item description/quantity Retail Price
   a. __________________________________________________________________
   b. __________________________________________________________________
   c. __________________________________________________________________

4. Cosignee agrees to use its best efforts to sell such art works at the prices listed above. This agreement is for an indefinite term, and shall terminate on_______days written notice by either part. On notice of termination, consignee shall surrender all works of art to artist, and shall remit to artist all sums that shall be due under this agreement.

5. Consignee shall be entitled to a commission of _______ percent of the sales price of works of art sold. Sales price does not include costs of delivery, costs of collection of accounts receivable, or taxes on such sale.

6. Artist shall be entitled to payment of the sales price by consignee of such works of art as are sold by consignee, less commission as stated above, within 30 days after any such sale.

7. Artist shall deliver works of art to consignee at artist’s risk. Upon such delivery, consignee shall consume all risk of loss until such artwork has been sold and delivered, or returned unsold to artist.

8. In the event that consignee fails to timely remit such sums as are due and owning under this agreement, consignee agrees to pay reasonable attorney’s fees for collections of such sums.

Craftsperson signature               Merchant signature

(Note: Special circumstances may suggest additional clauses for your form) Reproduced for “Marketing Crafts”, North Central Regional Extension Publication 176. Prepared by Jane-Ann Stout and Diane Nelson.