

## 11

## Small Business Distribution and Location

Source: Entrepreneurial Small Business, Katz & Green, 2e  
McGraw-Hill/Irwin

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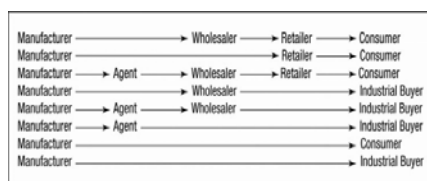
#### Distribution

- **Distribution:** process of getting your product to your customers
  - “Where are my customers?”
  - “Where should I be?”
- **Direct marketing:**
  - Can be simple and inexpensive
  - Much more control over where your product or service goes
  - Many forms

11-2

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#### Typical Distribution Channels



11-3

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- **Word-of-mouth**
- **Direct sales:** primary way of selling to businesses
  - Salesperson contacts businesses likely to use your product or service and arranges to meet with the decision maker
  - Local fair, cultural event, flea market, craft fair
  - Vending machines

11-4

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- **Direct mail:** easy for part-time entrepreneurs
  - Can take many forms: postcards, catalogs, videos, brochures, leaflets, CD-ROMs
  - Getting the addresses is a major hurdle
  - PCS Mailing List Company ([www.pcsl.com](http://www.pcsl.com))
  - Focus USA ([www.focus-usa-1.com](http://www.focus-usa-1.com))
  - Practical Marketing ([www.practicalmarketing.net](http://www.practicalmarketing.net))
  - Google Directory ([www.google.com/dirhp](http://www.google.com/dirhp))

11-5

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- **Telemarketing:** telephone calls from salespeople
  - Most expensive form of direct marketing
  - Many states have adopted “do-not-call” lists
  - **Inbound telemarketing:** customer calls the manufacturer or service provider

11-6

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- **Direct response advertising:** you place an ad somewhere
  - Wait for the orders to come in

TABLE 11.1 Cost per 1,000 for Various Forms of Direct Response Advertising<sup>7</sup>

Media	Billboard	Transit Shelter	Radio—30-Second Spot	Magazine Newsweekly, 4-Color Page	Newspaper Daily, 1/3 Black and White Page	Television, 30-Second Prime-Time Spot
Men 18+	\$2.61	\$2.07	\$6.75–\$10.45	\$10.30	\$22.95	\$22.55–\$30.00
Women 18+	\$3.28	\$2.60	\$7.75–\$9.65	\$10.30	\$21.15	\$18.10–\$24.31

11-7

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- **Guerilla marketing:** unusual and nearly free advertising
  - Placing flyers under windshield wipers of cars
  - Waving signs at passing customers
  - Business cards on bulletin boards
  - Key is to catch the customer's attention

11-8

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- **Multichannel marketing:** using several outlets for contacting your customers
  - Phone number
  - Web site
  - E-mail address
  - Direct mail

11-9

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- **Internet:** very cost-effective and efficient way to contact your customers
  - Small businesses need to have a Web site regardless of whether or not they use it for actual sales
  - **Multichannel marketing**
    - Web site listed on your business cards

11-10

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- **eBay:** the megamall of e-mails
  - Strongly suggest using the auction feature
  - 12 million items available daily
  - 2 million new postings a day
  - 150 new items for sale listed every minute
  - 69 million eBay users
    - Spend \$59 million a day

11-11

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- **Tips for selling on eBay:**
  - Use detailed descriptions
  - A picture is worth a thousand words
  - Watch out for misspellings and typos
  - Be honest and factual
  - Respond as soon as possible
  - Be honest and up-front about shipping
  - Customer service is very important

11-12

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- **Other Internet options:**
  - Amazon.com ([www.amazon.com](http://www.amazon.com))
    - Variety of selling options
  - Elance ([www.elanceonline.com](http://www.elanceonline.com))
    - Offers service providers the opportunity to bid on potential projects

11-13

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- **Other Internet options: cont.**
  - Contracted Work ([www.contractedwork.com](http://www.contractedwork.com))
  - [www.freelancersdirect.com](http://www.freelancersdirect.com)
  - Business-to-business e-mails:
    - Business.com ([www.business.com](http://www.business.com))

11-14

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- **Distribution issues for direct marketing:**
  - You'll need to know where to go to find the information
  - The amount the seller pays
  - Fulfillment center ([www.clearcommerce.com/equide](http://www.clearcommerce.com/equide))
- **Nondirect distribution:**
  - **Middlemen:** provide the service of getting the product to the end consumer
    - Functions such as inventory control, advertising, and promotion

11-15

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- **Nondirect distribution: cont.**
  - Many distributors and wholesalers are not interested in taking on a start-up product
    - Be able to prove that it sells well
  - Showing your product at **trade shows** and gaining sales and recognition
  - An **e-tailer** might be willing to take a chance

11-16

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- **International strategies:**
  - **Born international:** new firm that opens a Web site immediately, thus being exposed to customers around the world
  - **Exporting:** three questions
    - Are we ready?
    - Where should we go?
    - Whom do we contact over there?
    - "A Basic Guide to Exporting"
      - <http://www.unzco.com/guide.html>

11-17

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- **Direct Exporting:** exporting using no middlemen
- **Indirect Exporting:** exporting using middlemen such as agents, export management companies, or export trading companies
- **Freight Forwarders:** firms specializing in arranging international shipments – packaging, transportation, and paperwork

11-18

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- **Exporting: cont.**
  - Are you ready to export?
    - Are you going to target one country, a region or the whole world
    - Do you know what customers want
    - Do you know what the import requirements are
    - Are you ready for the costs and headaches of exporting

11-19

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- **Exporting: cont.**
  - Where should we go?
    - United Nations has 191 member countries
    - Pick one or two as first markets
    - Safest bets: Canada, United Kingdom, Australia

11-20

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- **Exporting: cont.**
  - Whom do we contact over there?
    - Government services you have already used can provide lists of potential middlemen or end users
    - U.S. Commercial Services ([www.export.gov](http://www.export.gov))
    - [BuyUSA.com](http://BuyUSA.com) through U.S. Dept. of Commerce
    - Participate in trade shows and trade missions

11-21

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- **Exports: cont.**
  - Next step is to export
  - Pricing becomes complicated: need to cover transportation
  - Shipping documentation and other paperwork are very specific to the product and the country
  - Variety of payment procedures available
  - Financing and insurance become important

11-22

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### Example

#### How to Start an Import/Export Business

- Big guys make up only about 4 percent of all exporters and the other 96 percent of exporters are small outfits like yours
- Trade channel - the means by which the merchandise travels from manufacturer to end user
- Types of Import/Export businesses
  - Export management company
  - Export trading company
  - Import/export merchant

<http://www.entrepreneur.com/startup/business/business/startupguide/article41846.html>

11-23

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- **Importing: similar to exporting, but buyers and sellers are reversed**
  - **Travel abroad;** look for products that are selling well in the country you're visiting
  - **Trade mission** and domestic and international trade shows are also good sources
  - Many of the paperwork and insurance details will be your **source's responsibility**

11-24

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- **Location**
  - First choice for many entrepreneurs is their **hometown**
    - Local banker knows you, more likely to loan money
    - You understand market's needs and wants
    - Friends and family are usually first customers
  - Reasons to consider a **different** location
    - Business laws in area (zoning laws)
    - Certain types of businesses may be banned

11-25

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- **Service firms:**
  - **Three types of locations:**
    - At the client's location
    - At a mutually accessible location
    - At your firm's location
  - **Marketing niches** have been carved out:
    - Dry cleaning and restaurant dining are services provided at a place accessible to both parties

11-26

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- **At the client's location:**
  - Services include such things as house or office cleaning, pest control, remodeling, lawn and gardening services, carpet cleaning, and similar services which must be performed at the client's house
  - As the firm grows, it may outgrow its home-based headquarters

11-27

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- **Mutually accessible location:**
  - Too much specialized equipment to be readily transported
  - A need for at least some client involvement
  - Barbershops, dentist offices, video rental stores restaurants

11-28

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- **Remote locations:**
  - Face-to-face meetings with the clients are infrequent
  - Medical transcription, data processing, fulfillment centers, and some consulting work
  - Ideal for home-based businesses

11-29

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- **Site selection:**
  - Once you have determined the general location of your business, you need to determine the exact location for your operation
  - **Three categories** to look for:
    - Home-based businesses
    - High customer contact
    - Low customer contact

11-30

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- **High customer contact business:**
  - Three critical site selection considerations:
    - Traffic
    - Customer ease
    - Competition
  - Presence of **traffic generators** in the area
  - **Parking** is also an issue

11-31

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- **Low customer contact business:**
  - Manufacturing business
  - Commercial space might be appropriate
  - Support businesses will be in or near the area
  - Business incubator: [www.nbia.org](http://www.nbia.org)
    - 850 business incubators in the United States sponsored by government, universities, or private investment groups
    - Require a stake in your company

11-32

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- **General comments on site selection:**
  - Looking for “for sale” and “for rent”
  - An experienced real estate broker will also be able to assist you in your search
    - Level with them about what you can spend

11-33

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- **Home-based businesses:**
  - Check with the city for zoning restrictions
  - Choose a work location inside your home that is away from distractions
  - You’ll need a comfortable, usable desk, and adequate lighting
  - Tools typically include a telephone and high-capacity Internet service
  - Separate business line with an answering machine

11-34

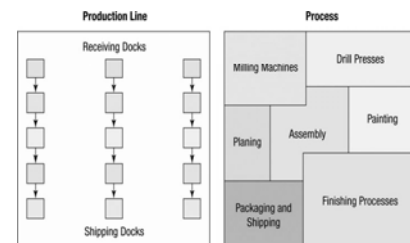
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- **Layout:** particular to the type of business you are in
  - Layout of a potential site must be considered carefully
  - Consider the amenities that are already there
  - Check the exterior

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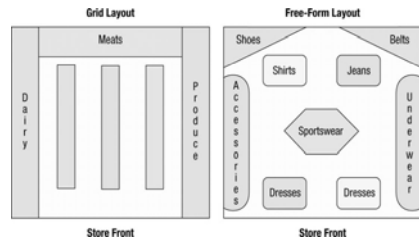
### Typical Manufacturing Layout



11-36

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### Typical Retail Layouts



11-37

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- **Build, buy, or lease:** three choices available to the business
  - Buying something already in existence shortens the time and may be somewhat cheaper
  - Renting is an option with a considerably lower initial cash outlay
    - Often the only feasible choice
    - Rent expenses are deductible

11-38

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### Example

#### Relocate Your Business

- Buying requires more upfront capital investment, but provides security and the opportunity for capital appreciation
- Costs less to get into leased space--and it's easier to get out, too--but monthly payments may be higher
- Consider a lease with an option to own

<http://www.entrepreneur.com/govyourbusiness/howtobuy/article1406.html>

11-39

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# Summary

3-40