

# SOME ASPECTS CONCERNING THE DISTRIBUTION CIRCULATION OF THE HORTICULTURAL PRODUCTS

## CATEVA ASPECTE PRIVIND CIRCUITELE DE DISTRIBUȚIE ALE PRODUSELOR HORTICOLE

**BULIGA Z., GABRIELA IGNAT, POPA C.**

University of Agricultural Sciences and Veterinary Medicine Iasi

**Abstract.** *In the developed countries, the market and the competition determine what assets and services are produced, the ratio between the demand and the offer establishes the priority principles in the assets production and in which the market plays a decisive role in the regulation of the whole activity. Thus, the distribution and the sale activity acquire new representations in the market economy, linking in time and space the producers and the customers. The distribution represents one of the main elements of the marketing mix, defining the way through which the products are brought from the producer to the customer. In Pierre Dubois' perspective, the distribution "covers the range of actions through which an asset that comes out of the production machinery is placed at the customers' disposal".*

**Rezumat.** *În țările dezvoltate, piața și concurența hotărăsc ce bunuri și servicii se produc, în care raportul dintre cerere și ofertă determină principiile de prioritate în producerea bunurilor și în care piața joacă rolul decisiv în reglarea întregii activități. Astfel activitatea de distribuție și vânzare capătă în economia de piață noi valențe, legând în timp și spațiu producătorii și consumatorii. Distribuția reprezintă una din componentele principale ale mixului de marketing, definind calea prin care produsele sunt aduse de la producător la consumator. În viziunea lui Pierre Dubois, distribuția "acoperă ansamblul operațiunilor prin care un bun iese din aparatul de producție este pus la dispoziția consumatorului sau a utilizatorului"*

The distribution represents the "total amount of the economic and technical-organizational processes concerning the leading and the delivering of the assets and services flow from the producer to the customer, with maximum efficiency".

## MATERIAL AND METHODS

In the modern marketing's perspective, the distribution is a complex concept that reflects: the process of the physical circulation of the commodities, the relations that appear on the market and the activities which mark the passing of the assets from the producer to the customer, including:

- the line that the merchandise covers until the final customer;
- the economic operations that accompany, condition and complete the line;
- the series of operative processes that the assets are submitted to in their way to the purchaser;

- the technical machinery, the unit network, endowments, staff.

## **RESULTS AND DISCUSSIONS**

The distribution process represents a series of flows, such as:

- the negotiations flow – the transactions that take place between the producers, agents or final customers in order to establish the way on which the assets will circulate, the technical and economic transformations that they will suffer;
- the flow of property titles transfers refers to the documents that allow the successive passing of the property titles from one partner to another;
- the information flow contain those activities that suppose transmitting all the information that is necessary in the distribution process;
- the promotional activities flow includes the messages and the information needed in the distribution process;
- the product flow refers to its physical shifting from the producer to the final customer.

The concept of distribution can be seen from two points of view: the economy and the enterprise. From the macroeconomic perspective, the distribution is based on the relationship between the production, the assets delivering and the consumption. At the enterprise level, the distribution process must involve special activities related to marketing and destined to answer the following questions: To whom, where and how do the products sell? Which are the proper distribution networks? What are the marketing and the sales structures that the company needs? What transport, depositing, conditioning and storing means must be used?

The distribution emphasizes, first of all, the way covered by the products, the operations that mark the passing of the products from one economic agent to another and the products logistics. Among the distribution elements we can mention: the distribution channels, the physical distribution, the en-gros and en-detail sale. The distribution can be accomplished through direct contact between the producer and the customer, and if they do not reach in contact, the distribution can be achieved through specialized channels. In order to distribute their products, the producers have the possibility to choose between the direct sale, the sale through agents and the mixed sale. In the countries with market economy, the sale through marketing specialized firms (agents) represents the most prevalent method. In Romania, almost every little enterpriser has adopted the direct sale of the products on the market, and the big enterprisers resort to the agents or the mixed sale.

The three forms of distribution have advantages and disadvantages. Rosebloom argues the advantage of the specialized distribution's existence, namely the advantage of the commercial enterprises' existence, through the analysis of the "contactual efficiency", which refers to the level of the efforts for exchanges between the salespersons and the customer, in relation with the attaining of the distribution objectives, respectively an input-output relationship. The argumentation of the analysis can be presented relying on the example of some producers who want to launch their product on the market and must choose

what distribution methods have to be employed. In the case of the direct sale, the main advantage is represented by the fact that it allows the salesperson to keep the control over the whole commercialization process, its employment being favoured by the existence of a limited number of potential customers and a raised degree of geographical concentration of the potential customers.

If the direct sale's inefficiency results from the costs' analysis, the producer uses an agent. This fact has the advantage of minimizing the costs related to the organizing of the sales, the depositing, the financing of the stocks, the advantage of facilitating the producer's contact with all the potential clients without the involvement of additional costs and of ensuring the immediate availability of the product. The disadvantage of this specialized distribution consists of losing the control over the links that form the distribution channel of the product.

Many producers have adopted the dual distribution, through which the producer sells some of the products directly and entrusts others to an agent.

In conclusion, we can say that the distribution has a very large content, which includes the time and space that separate the consumption production, when a series of technical economic processes take place. Also known as the marketing channel, the distribution channel is the essential element of the distribution submix.

The distribution channel manages the changes that the product suffers in its way from the producer to the final customer, appearing as a "combination of utilities and functions ensured by the enterprise", as a network of organizations and persons that have the responsibility to ensure the availability of the assets at the customer's level. It reflects the itinerary, as well as the ways that ensure the assets' flow from the producer to the customer. The distribution channels have traditionally been named as representing assets and services flows, putting the accent on the economic aspect of these flows. Thus, the distribution channel must be seen as a system whose elements (producer, customer and agent) are mutually conditioned. Also, the distribution channel hints not only at the displacing circulation, the route it follows, but also at the sequence of property titles' transfers between the links of the distribution range, extended until the final customer. The term "distribution channel" refers, in fact, to the commercial agreements concluded in order to ensure the flow of a product from the production to the final customer.

The diversity of the markets' and the clients' needs have generated the evolution of four structures of the distribution channel:

- the traditional standard channel (en-gros / en-detail producer);
- the company's channels, where the successive stages of production and distribution are carried out by only one firm;
- the administrative channels, in which the successive stages of production and distribution;
- channels stipulated by contract, in which a group of independent members of the channel integrate the marketing programs in order to have a greater impact on the market.

Any distribution channel is characterized by three dimensions: length, width and breadth.

1. the length – represents the number of stages, interjacent links through which the product passes from the producer to the customer;
2. the width – represents the number of units through which the product's retail is ensured in every stage of the circulation;
3. the breadth – reflects the spreading degree of the sale spot in space, the proximity of the consumption spots.

The distribution flow of the fruits and vegetables from the producer to the final customer appears as a dense network with multiple specific channels for each product. In the countries with market economy, in the case of the fruits and vegetables, the distribution channels have at least one agent.

The distribution flow includes the achievement of the three objectives: fresh internal consumption, internal worked out consumption and exports. Generally, the line of the horticultural products' distribution begins with the crop, a series of activities being carried out, among which filling and discharging of the wrappers in the vehicles represent 25% of the crop cost. The horticultural products suffer some operations, such as sorting and calibration. The sorting is absolutely necessary in order to display horticultural products that are as uniform, attractive and healthy as possible. The sorting is performed in the vegetable growing, in orchards, but also in the sorting halls.

Some of the sorting operations refer to washing and waxing (apples), cleaning the down and furbishing (peaches). The calibration is manually performed on the field and mechanized in the greenhouse.

The wrapping and especially the pre-wrapping is specific to any type of product, representing the operation of finishing a technological flow. The types of wrappers are different, depending on the products' characteristics (for the internal consumption, apples and pears are wrapped in boxes, peaches for exports in wood or plastic boxes, cherries and sour cherries, for internal consumption, in bulk). In choosing the type of wrapper, physical, chemical, environmental factors that can affect the products must be taken into account.

The decision concerning the employment of a certain type of wrapper becomes a very important economic decision, taking into account the fact that the wrapper represents an additional cost, but a wrapper that is commercially good is also profitable.

On the horticultural products' trajectory the next "stop" is the depositing. The purpose of the depositing is to answer a continuous demand of the customers, having in view a continuous offer. In our country, the depositing in controlled conditions is achieved only for a small part of the production and consists of taking delivery and conditioning. In the case of the products that are destined to immediate consumption, the storage room makes the connection between the producer and the customer.

The products must reach the final customers, on the markets, in different geographic spots, and so they move from the farm, at the purveyance spot, to the

market or the storage room and from there to the final customer. At each conveyance, they suffer different shocks, thus affecting negatively the products' quality. All these lead to the reduction of the number of a product's shiftings. The conveyance costs have a big weight in the price paid by the customer, which sometimes is higher than the value of the gross product.

As we observed, in Romania, from the point of view of the horticultural production's structure, the private sector prevails and, taking into account the sales' volume, the cost of the distribution, the shifting speed of the products, there are the following distribution channel is:

1. the direct distribution, also known as "general retail shop business" – it represents a classic form of distribution and it is practiced especially by the private producers, who consider it as being a magnet of the quick incomes. This method is based on the conveyance of the horticultural products with personal means;
2. the distribution through short producer, agent and customer channel is specific for the en-detail sale by retail shops, which take over the horticultural products directly from the producers; in our country, the variant "autointerjacent (speculator) producer customer" is frequently found;
3. the distribution through long channels (having at least two agents), practiced by the commercial companies with state majority funds and by the producers associations and commercial societies that have the en-gros trade as an object. The weight of the sales through this channel is continuously decreasing.
4. the above distribution specific to the en-gros markets is characterized by a big number of agents, resulting a long distribution channel, created with the purpose of provisioning the medium and big size cities.

In Japan, there are numerous marketing channels for fruits and vegetables. The distribution model for each product points out the strategy of those who perform the conveyance in order to maximize the profit. Depending on the demand and delivery conditions, they can choose a central market with en-gros sale or a local one. In any of these two cases the price is established for each trade stage, from the en-gros sale in the moment of the auction, until the negotiation at the interfacing level and at the en-detail sale shops. In Italy, for example, complex channels with many interjacent links are used.

## CONCLUSIONS

The distribution channels are chosen depending on many elements, taking into account the conflicts that frequently appear in the channel, the trends that manifest in the marketing systems etc.

The factors that influence the activity of a distribution channel are internal or external, the most active seem to be: the customers – number, concentration, buying frequency, placing demands; the producers – resources, objectives, organizational culture and characteristics, financial power, position on the market, the quality of the marketing information; the competition – offers the possibility to

choose a cheaper channel, which often represents an excellent competitive advantage. The distribution methods, the relationships with the channels' members, the information system are very important; the product – its characteristics: price, perishing, life cycle, services that it supports (wrapping, labeling) and offers (warranty, reparations); the environment – which imposes legal restrictions (of territory, exclusiveness) or offers advantages, especially for exports; the agents – costs, positions, traditions, restrictions, special agreements. In a market economy, each horticultural products producer is free to choose the distribution channel's type that brings the anticipated profit, and so the four channels of distribution will continue to co-exist.

In the future, the producers' ability to overthrow the general retail shop distribution system in en-gros markets distribution system's favour is expected.

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