

# Entrepreneurship Simplified For Small Businesses Course

## Chapter5: How To Sell Your Product To A Customer

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### Chapter 5, Takeaway:

- A product distribution channel is a place where a business sells a solution to the customer, such as a retail store.

- Not all distribution channels are created equal, and they heavily rely on the type and the industry of the business.

Some businesses might rely heavily on the internet to sell their products and services to consumers, moreover, other businesses might rely on retail stores or trade shows to make a transaction.

However, regardless of the type of your business, you can't make a sale unless you establish both a product distribution channel and a marketing distribution channel.

#### **Product distribution channels:**

The major methods of distributing a product to the customer are through online channels such as an online marketplace or an online store or offline through an offline marketplace or a retail store.

**Offline distribution channel:** is a selling point where the customer can buy the product in a physical location such as a truck, pop shop, retail store, boutiques, small local market, and supermarkets.

Offline distribution channels rely heavily on the location and foot traffic of the selling point.

A small business at its beginning stages might rely heavily on a single self-owned offline distribution channel such as a brick-and-mortar store in addition to partnering with different small boutiques and shops in a small city or a local area.

**Online distribution channel:** is a selling point where the customer can buy your product on a digital site such as a [Shopify](#) eCommerce store, [Amazon store](#), [Etsy store](#), [Google play store](#), [Apple app store](#), and platforms in-app purchase such as [Airbnb](#) or [Just eat](#).

Online distribution channels rely heavily on the quality of the digital traffic the platform brings in addition to the convenience and quality of the infrastructure the platform provides.

Those aspects, if designed well, will provide for both the seller to list and sell solutions and the customer to buy the product and receive it.

Online distribution channels also establish trust between the brand and the customer since all transactions are done online and there is no facial interaction between the customer and the business.

## Direct-to-consumer Vs Indirect-to-consumer

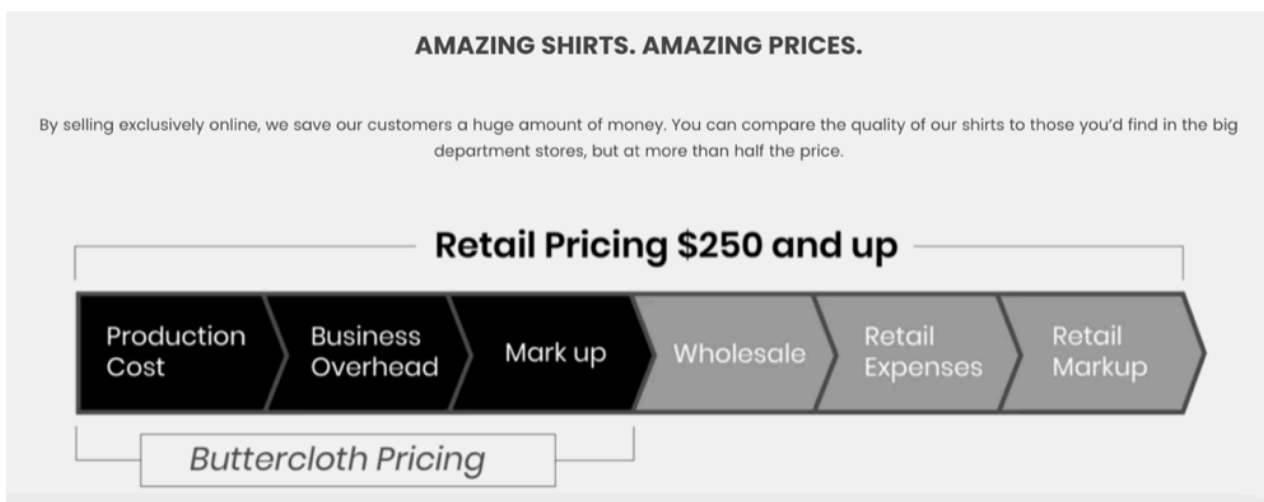
A business can distribute its product and services to a customer by two major methods:

**1. Direct-to-consumer:** it's when the brand sells directly to the end customer without any indirect distribution channels.

An example would be a brand (X) selling its products on its e-commerce website and its retail stores but not selling at [Walmart](#) offline stores or other retailer and brick and mortar stores.

The benefits of selling directly to the consumer are that the brand can earn the whole profit margin by paying no commission fees to retailers and distributors, which is normally around 25% to 50% of the retail price of a product.

This allows the brand to lower its price and compete with retail competitors' brands because it doesn't have to raise its retail price to make a profit.



[Butter cloth](#)

The brand can also control the entire customer service and experience since the customer is dealing with the brand directly.

The downside of selling directly to the customer is that a small brand in many scenarios doesn't have the financial resources and experience to drive traffic or serve the customer properly.

**2. Indirect to the consumer:** it's when the brand sells its product through a retailer or a distributor. This approach will allow the brand to gain more exposure and traffic in exchange for a cut of its profit.

This method is a good starting point for small businesses with little knowledge and resources for marketing, however, a small business will only be able to fulfill the demand and work with small boutiques or brick-and-mortar stores.

### **Online marketplace distribution channels:**

- **Etsy:** handcrafted and custom-made products
- **Amazon:** daily consumption and electronic products
- **eBay**

### **Branded (Non-marketplace) distribution channels:**

- **Ecwid and Wix store:** simple eCommerce system for small startup online businesses.
- **Shopify and BigCommerce:** advanced eCommerce systems for medium size small businesses and dropshipping.
- **Square Space, Wix, and Weebly:** simple portfolio website with a simple eCommerce for professionals and brick and mortar small businesses.
- **Click funnels and Builderall:** advanced selling systems for service professionals and digital products.
- **Teachable and Thinkfic:** an advanced system for managing online courses.

### **Which online distribution channel should a small business go with?**

Each distribution channel has its upside and downside, however, for a small business with unproven ideas, no source of traffic, no marketing skill, and a minimal budget working with marketplace platforms is the best way to start.

With the rise of internet platforms and marketplaces, distributors such as [Amazon](#) don't have to charge small brands for a shelf fee anymore since an online platform can list an unlimited amount of products and services.

Nowadays small brands can leverage the power of large online distributors such as [Etsy](#), [Walmart online marketplace](#), and [Amazon](#) to partially sell directly to consumers.

When you sell on [Amazon](#), you can price your product at any price point you wish. [Amazon](#) will not take 50% of your profit margin but will only cut a transaction fee for every sale you make.

[Amazon](#) will also provide you with all the infrastructure you need to list, promote and sell your product, in addition to collecting reviews and building social proof around your brand.

This reduces the startup and overhead cost of running your business, keeps you focusing on marketing your product rather than struggling with tools and processes while keeping the majority of the profit margin for yourself.

When customers buy from your [Amazon store](#), they think they are buying from [Amazon](#) and that's how your small business can leverage the reputation of a platform to generate sales.

The other advantage is that your product will be as close as possible to the buying customer which eases the marketing process for you in terms of skills and budget.

Instead of spending the time and money in learning how to advertise to strangers on [Facebook](#) then drive them to your brand website which is unknown to them.

On [Amazon](#), you can leverage advertising to promote your product inside the marketplace to customers who are searching for a similar product of yours and in a buying mindset.

Keep in mind that a small brand at its first stages is a brand that is trying to generate as many opportunities as possible rather than only just focusing on making short-term sales.

Marketplace platforms will provide a brand with more exposure to both retail and wholesale buyers who are always seeking to find unique products.

Many small brands start from selling to a small group of customers on a marketplace platform and over time get more opportunities to expand their brand through licensing or distributing

partnerships.

The downside of marketplace platforms is that they control the relationship and customer experience from customer information and customer service to handle product complaints and return.

This leaves a small space for the brand to engage with the customer and promote products to them in the future.

However, for a small startup with limited resources, it should be a good starting point because:

1. **You don't have to worry about the selling and the marketing process:** the marketplace comes with all the tools you need to sell and promote your product.
2. **You don't have to worry about customer service:** the platform will handle customer complaints.
3. **Closer to the customer:** the platform attracts the customer that expects to buy products similar to yours.
4. **Leverage the marketplace reputation:** when you sell in a marketplace you are leveraging the reputation of the marketplace, this is crucial when customers have no knowledge or trust of your brand.

However larger startups with more marketing and financial stamina prefer to sell off-platforms and then slowly expand into selling on platforms to expand their customer base.

Their primary goal is to build brand awareness and control the entire customer experience rather than generate an extra income source or small opportunities.

[Dollar Shave Club](#) is direct to consumer brand that began from selling on its website driving traffic from [YouTube](#) both paid and organic then expanded to sell at [Walmart online](#), [Amazon](#), and other online retailers.

Another point to consider is that the type of your product will define what marketplace to leverage.

If you sell facial creams & moisturizers, then [Amazon](#) will be a good starting point because it's designed to attract and sell to customers who expect to buy everyday consumer products.

If you sell beautifully made handbags, then [Etsy](#) is a better choice because it sells custom-made and handmade products and customers expect to find and buy unique and beautifully made products.

If you sell dropshipping products, you need to have a branded e-commerce store on platforms such as [Shopify](#) because they are designed for such purposes.

Keep in mind that regardless of selling on a marketplace platform or a branded website, over time you will have to use both strategies to grow your business, therefore use what possible and easy for you to kick-start your business.

## **Chapter 5, Assignment:**

For this assignment, study and plan for your business distribution channel.

**Step1.** Look for a small competitor brand and learn how they distribute their product to the customer.

Hint: search for the brand name online and find which website sells that brand's products

**Step2.** Find and decide which distribution channel to leverage to sell the product to a customer.

Take your time, I will see you in the next video.