

Igor Britchenko
Maksym Bezpartochnyi

Marketing distribution and sales policy



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Reviewers:

Jasmina Gržinić – prof. dr. sc., Juraj Dobrila University of Pula, Croatia

Ieva Meidutė-Kavaliauskienė – Dr., Professor, Vilnius Gediminas Technical University (Vilnius Tech), Lithuania

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The textbook “Marketing Distribution and Sales Policy” is intended for the study of the theoretical foundations and practical aspects of marketing distribution, sales management, and distribution channel organization in modern business environments. The publication has been developed in accordance with contemporary approaches to higher education and competency-based learning. It integrates academic theory with practical applications, enabling students to understand modern distribution and sales processes, analyze marketing channel performance, develop effective distribution strategies, and apply digital technologies and analytical tools to improve organizational competitiveness in dynamic domestic and international markets. The textbook is intended for undergraduate and graduate students studying Marketing, Management, Entrepreneurship and Trade, Business Administration, Logistics, International Business, Economics and related fields. It may also be useful for university lecturers, researchers, marketing and sales managers, entrepreneurs, distribution specialists, and business practitioners seeking to enhance their knowledge of contemporary marketing distribution and sales management.

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PREFACE

In today's dynamic business environment, enterprises operate under increasing competition, rapid digital transformation, globalization, and changing consumer behavior. These factors require organizations to develop effective marketing distribution and sales policies that ensure the efficient movement of products from manufacturers to final consumers while creating sustainable competitive advantages. Modern distribution systems increasingly rely on digital technologies, omnichannel strategies, e-commerce, logistics optimization, CRM, and data-driven decision-making. Consequently, marketing distribution and sales policy has become one of the key components of enterprise marketing strategy, directly influencing customer satisfaction, market expansion, and business performance.

This textbook has been prepared to provide students with a comprehensive understanding of the theoretical foundations, practical applications, and current trends in marketing distribution and sales policy. It reflects international best practices and contemporary approaches to distribution channel management, sales organization, and customer relationship management while incorporating examples from leading global companies and the latest digital technologies. Particular attention is given to omnichannel strategies, e-commerce, logistics integration, digital marketing tools, and data-driven sales management, enabling readers to develop the knowledge and practical competencies required to operate effectively in today's dynamic business environment.

The course integrates classical marketing concepts with contemporary business practices and international experience, enabling students to understand the strategic role of distribution and sales policy in achieving sustainable competitive advantage.

INTRODUCTION

Marketing distribution and sales policy is comprehensive course that examines the theoretical foundations and practical aspects of managing distribution channels, sales activities, logistics, and customer value delivery in contemporary business environments. The course explores the principles of developing marketing distribution strategies, organizing wholesale and retail operations, managing sales systems in business-to-business (B2B) and business-to-consumer (B2C) markets, and applying digital technologies to enhance sales performance. Particular attention is devoted to omnichannel marketing, e-commerce, logistics integration, sales promotion, conflict management within distribution channels, and the use of modern analytical tools for monitoring and improving sales effectiveness.

The purpose of this textbook is to provide students with comprehensive knowledge of marketing distribution and sales policy, the principles of organizing distribution channels, sales management, logistics, wholesale and retail operations, omnichannel marketing, and digital sales technologies. The textbook also aims to develop practical skills in planning, organizing, evaluating, and improving sales activities in both consumer (B2C) and industrial (B2B) markets.

To achieve this purpose, the textbook addresses the following objectives:

- explain the theoretical foundations of marketing distribution and sales policy;
- examine the organization and management of distribution channels and intermediary networks;
- analyze logistics processes and sales operations in modern enterprises;
- present methods of sales planning, forecasting, monitoring, and performance evaluation;
- introduce omnichannel strategies, e-commerce, and digital marketing tools;
- develop practical competencies through discussion questions, practical exercises, test tasks, and role-playing activities.

The textbook consists of two modules comprising twelve chapters, covering both the theoretical foundations and practical aspects of marketing distribution and sales policy.

Module 1 – “Theoretical Foundations of Marketing Distribution and Sales Policy” introduces the concepts, objectives, and principles of marketing distribution, logistics, distribution channels, wholesale and retail intermediaries, industrial sales systems, and strategic approaches to managing distribution networks.

Module 2 – “Distribution Channel and Sales Management” focuses on the organization of sales activities, sales promotion, omnichannel strategies, e-commerce, conflict management within distribution channels, and methods for monitoring, evaluating, and improving sales performance.

Each chapter contains discussion questions, practical exercises, and test tasks that facilitate the application of theoretical knowledge to real business situations. The textbook concludes with role-playing activities, glossary of key terms, and comprehensive list of references to support independent study and further research.

The textbook is intended primarily for undergraduate and graduate students studying Marketing, Management, Entrepreneurship and Trade, Logistics, and related fields of business and economics. It will also be useful for university instructors, researchers, business practitioners, sales managers, marketing specialists, entrepreneurs, and professionals seeking to enhance their knowledge of modern distribution and sales management.

Upon successful completion of the course, students will possess both theoretical knowledge and practical competencies necessary for the effective development, implementation, and management of marketing distribution and sales policies across manufacturing, wholesale, retail, and service enterprises. They will be able to design and evaluate distribution channel strategies, organize and manage sales activities, coordinate relationships with channel partners, implement sales promotion and digital marketing tools, utilize omnichannel and e-commerce solutions to enhance customer experience, resolve conflicts within distribution channels, and employ modern technologies and performance indicators to optimize sales operations and improve organizational competitiveness in dynamic domestic and international markets.

MODULE 1. THEORETICAL FOUNDATIONS OF MARKETING DISTRIBUTION AND SALES POLICY

Chapter 1

THE NATURE, PURPOSE, AND OBJECTIVES OF MARKETING DISTRIBUTION AND SALES POLICY

1.1. The concept, purpose, and objectives of marketing distribution policy

1.2. The nature and content of the company's marketing policy

1.3. Key objectives and factors shaping sales policy

1.1. The concept, purpose, and objectives of marketing distribution policy

Marketing distribution policy is a system of strategic and tactical decisions made by a company regarding the organization of the flow of goods from the manufacturer to the end consumer, with the aim of ensuring their availability, competitiveness, and profitability.

It encompasses:

- selection of distribution channels;
- determining the number of intermediaries;
- developing a logistics system;
- inventory management;
- coordinating interactions with trading partners.

Distribution is a component of the marketing mix (4Ps) and is responsible for the physical movement of goods and the transfer of ownership.

Key idea: even the best product won't sell if consumers can't easily purchase it.

For example, if a producer of organic products sells them in only one store in the city center, they lose a significant portion of potential customers.

The main purpose is to ensure product availability for consumers while optimizing the company's costs.

Key objectives:

1. Maximize sales volume.
2. Increase market share.
3. Improve customer service.
4. Optimize sales expenses.
5. Build long-term relationships with partners.

Additional objectives:

1. Increasing sales volume.
2. Improving service quality.
3. Optimizing logistics costs.
4. Strengthening competitive position.
5. Building long-term partnerships.

Effective distribution ensures a balance between:

- costs;
- delivery speed;
- service level.

For example, excessive inventory increases storage costs, but a shortage leads to customer loss.

The formula for effective distribution:

The right product + the right place + the right time + the right quantity = satisfied customer.

1.2. The nature and content of the company's marketing policy

Sales policy refers to a company's activities related to planning, organizing, and controlling the product sales process.

It includes:

- selecting distribution channels;
- developing a sales network;
- managing intermediaries;
- organizing logistics;
- promoting sales;
- monitoring sales performance.

The essence of sales policy lies in organizing the product sales process in such a way as to:

- ensure continuous sales;
- minimize costs;
- meet consumer needs;

- generate stable profits.

Sales is the practical implementation of the distribution strategy.

For example, Nike uses:

- its own stores (direct channel);
- an online platform;
- sports retail chains (indirect channel).

In this way, the company diversifies risks and expands its market reach.

1.3. Key objectives and factors shaping sales policy

Key objectives of sales policy include:

1. Market Research: demand analysis; competitor assessment; identifying consumer needs.

2. Sales Planning: determining projected sales volume for a given period (month, quarter, year).

3. Developing distribution channels: selecting the optimal number of intermediaries and sales methods.

4. Inventory management: maintaining optimal inventory levels to avoid shortages or overproduction.

5. Logistics organization: ensuring timely delivery of goods.

6. Monitoring and analyzing sales performance:

Performance metrics: sales volume; market share; sales profitability; inventory turnover (number of turns per year).

For example, if inventory turnover is 12 times per year, this means that the inventory is completely replenished every month.

The following *factors* influence the choice of distribution channel:

1. Nature of the product:

- perishable / durable;
- mass-market / specialty.

2. Market characteristics:

- number of consumers;
- geography.

3. Competition.

4. Company resources.

5. Company strategy.

Questions for discussion

1. Define the marketing distribution policy.
2. How does a distribution policy differ from a sales policy?
3. What role does distribution play in the marketing mix (4Ps)?
4. What is the main objective of a marketing distribution policy?
5. Why is an effective distribution system a competitive advantage for a company?
6. What are the advantages and disadvantages of a direct sales channel?
7. Why do premium brands typically use selective or exclusive distribution?
8. How does the nature of a product influence the choice of distribution channel?
9. Why can excess inventory be a problem for a company?
10. How has digitalization influenced the development of sales systems?
11. A company is entering the international market. What factors should be considered when developing a sales strategy?
12. Is it advisable for a smartphone manufacturer to cut out intermediaries and sell products only through its own website? Explain your reasoning.
13. What risks arise from excessive dependence on a single intermediary?
14. How does a change in consumer behavior (the shift to online shopping) affect distribution channels?

Practical exercises

Practical exercise 1. Selecting distribution channel.

The company produces natural juices with a short shelf life (7 days). The products are sold within the region.

Condition: the company has a limited budget and does not have its own retail chain.

Tasks:

1. Select the optimal type of distribution channel (direct / single-tier / two-tier).
2. Determine the distribution intensity.
3. Justify your choice (at least 3 arguments).
4. Identify potential risks.

Guideline: take into account the perishability of the product and logistics costs.

Practical exercise 2. Comparison of sales options.

The company can sell its products in two ways:

Indicator	Direct sales	Through intermediary
Selling price	500 EUR	420 EUR
Selling expenses	80 EUR	30 EUR
Sales volume	800 units	1200 units

Tasks:

1. Calculate the profit in each case.
2. Determine which option is more profitable.
3. Explain why higher sales volume does not always mean higher profit.

Practical exercise 3. Developing marketing strategy.

Develop marketing strategy for startup that manufactures eco-friendly, reusable water bottles.

You must identify:

1. The target audience.
2. The type of distribution channel.
3. The intensity of distribution.

4. Online and offline sales tools.
5. Key competitive advantages in distribution.

Practical exercise 4. Analysis of mistake in sales strategy.

Premium clothing company began selling its products in a large number of mass-market supermarkets. A year later, sales had increased, but the brand had lost its image of exclusivity.

Tasks:

1. Identify the type of distribution used.
2. Explain why this affected the brand's image.
3. Propose an alternative distribution strategy.
4. Identify possible long-term consequences.

Practical exercise 5. Assessment of sales efficiency.

The company has the following figures:

- annual sales volume – 6,000,000 EUR;
- average inventory – 1,000,000 EUR;
- sales expenses – 900,000 EUR.

Tasks:

1. Calculate the inventory turnover ratio.
2. Evaluate the efficiency of inventory utilization.
3. Propose three measures to improve sales efficiency.

Practical exercise 6. Distribution channel analysis.

The company produces bottled drinking water and sells it through supermarkets, kiosks, an online store with delivery.

Tasks:

1. Identify the types of distribution channels used by the company.
2. Describe the intensity of distribution.
3. List the advantages and disadvantages of each channel.
4. Suggest ways to improve the company's sales policy.

Practical exercise 7. Selecting the optimal distribution channel.

Startup plans to launch eco-friendly cosmetics in the mid-price segment.

Tasks:

1. Select the appropriate type of distribution channel

(direct/indirect).

2. Determine the level of distribution intensity.
3. Justify your choice, taking into account:
 - the nature of the product;
 - the target audience;
 - financial capabilities.

Practical exercise 8. Comparative analysis of marketing strategies.

Company A sells home appliances through a large network of retail stores. Company B sells similar products exclusively through its own online store.

Tasks:

1. Compare the sales strategies of Companies A and B.
2. Identify the risks associated with each strategy.
3. Provide recommendations for improving sales effectiveness.

Practical exercise 9. Developing the company's sales policy.

Imagine that you are a marketing specialist for a local bakery.

Tasks:

1. Define the goals and objectives of the sales policy.
2. Select distribution channels.
3. Identify potential risks.
4. Propose modern sales tools (online, delivery, partnerships).

Test tasks

1. The marketing distribution policy is part of the marketing mix:

- a) product;
- b) price;
- c) place;
- d) promotion.

2. A distribution channel is:

- a) way of advertising a product;
- b) group of companies involved in moving a product from the manufacturer to the consumer;
- c) the process of setting a price;
- d) method of sales promotion.

3. A direct sales channel involves:

- a) the participation of a wholesaler;
- b) the participation of a retail intermediary;
- c) the sale of goods without intermediaries;
- d) international shipments.

4. Intensive distribution is characteristic of:

- a) everyday consumer goods;
- b) luxury cars;
- c) unique jewelry;
- d) custom equipment.

5. Exclusive distribution involves:

- a) the maximum number of retail outlets;
- b) online sales;
- c) one or more dealers in a specific territory;
- d) completely eliminating intermediaries.

6. The main objective of a marketing distribution policy is to:

- a) increase the advertising budget;
- b) ensure product availability to consumers;
- c) reduce production costs;
- d) improve product quality.

7. Which indicator characterizes the rate at which inventory is turned over?

- a) profitability;
- b) market share;
- c) inventory turnover;
- d) advertising level.

8. A two-tier distribution channel includes:

- a) the manufacturer and the consumer;
- b) the manufacturer, the retailer, and the consumer;
- c) the manufacturer, the wholesaler, the retailer, and the consumer;
- d) only intermediaries.

9. Selective distribution means:

- a) selling at all possible points of sale;
- b) collaborating with a limited number of intermediaries;
- c) selling only through company-owned stores;
- d) no logistics.

10. Which factor has the greatest influence on the choice of distribution channel for perishable goods?

- a) the color of the packaging;
- b) the shelf life of the product;
- c) the logo design;
- d) the advertising strategy.

2.1. The nature, significance, and structure of distribution channels

2.2. Types and functions of distribution channels

2.3. Factors influencing the selection of distribution channels and current trends in their development

2.1. The nature, significance, and structure of distribution channels

Distribution channel is network of businesses or individuals involved in moving goods from the manufacturer to the end consumer. In other words, it is the path a product takes from production to purchase.

The importance of distribution channels:

- ensure product availability;
- reduce the manufacturer's costs;
- accelerate inventory turnover;
- create competitive advantages;
- influence the final price of the product.

Example: Coca-Cola uses a multi-tiered distributor system, which allows it to ensure its products are available in more than 200 countries worldwide.

The structure of distribution channel is determined by the number of intermediaries between the manufacturer and the consumer.

Key participants:

- manufacturer;
- wholesaler;
- distributor;
- retailer;
- consumer.

Levels of the distribution channel:

Level	Distribution Model
Zero-level	manufacturer → consumer
Single-level	manufacturer → retailer → consumer
Two-tier	manufacturer → wholesaler → retailer → consumer
Three-tier	manufacturer → agent → wholesaler → retailer → consumer

The more tiers there are, the broader the market reach, but the higher the price of the product.

2.2. Types and functions of distribution channels

Types of distribution channels:

By length:

- direct;
- indirect.

By distribution intensity:

- intensive distribution – the product is available at the maximum possible number of retail outlets. Example: food products.

- selective distribution – limited number of intermediaries.

Example: home appliances.

- exclusive distribution – one or more official representatives in a specific territory. Example: brand-name cars (BMW, Mercedes).

Distribution channels perform a number of important *functions*:

Logistical function:

- transportation;
- warehousing;
- assortment management.

Information function:

- collection of demand data;
- transmission of market information to the manufacturer.

Financial function:

- providing credit to buyers;
- financing inventory.

Risk function:

- assuming the risk of spoilage, loss, and changes in demand

Marketing function:

- promotion;
- advertising;
- sales promotion.

Without intermediaries, the manufacturer would have to perform all these functions on its own.

2.3. Factors influencing the selection of distribution channels and current trends in their development

When selecting a distribution channel, the following *factors* are taken into account:

1. The nature of the product (perishable or non-perishable).
2. Market capacity.
3. The company's financial capabilities.
4. The competitive environment.
5. Sales geography.
6. Positioning strategy.

Current trends in distribution channel development:

- omnichannel (online + offline). Omnichannel distribution integrates physical stores, e-commerce websites, mobile applications, social media platforms, and customer service into a unified system that provides a seamless shopping experience. Customers can search for products online, purchase them through a mobile application, collect them in a physical store (Buy Online, Pick Up in Store – BOPIS), or return them through any available channel. This approach enhances customer convenience, improves brand loyalty, and increases sales by offering multiple purchasing options. Companies such as Nike, Zara, IKEA, and Walmart successfully combine digital and traditional channels to create consistent customer experiences;

- growth of e-commerce. E-commerce has become one of the fastest-growing distribution channels worldwide. Increasing internet penetration, mobile commerce, digital payment systems, and improved delivery services have transformed consumer purchasing behavior. Businesses increasingly establish their own online stores while expanding into international markets through digital platforms. The rapid development of cross-border e-commerce enables even

small and medium-sized enterprises to reach global customers without extensive physical retail networks;

- direct sales through marketplaces. Online marketplaces such as Amazon, eBay, Alibaba, Etsy, Allegro, and Rozetka provide manufacturers and retailers with immediate access to millions of customers. Instead of building expensive distribution networks, companies can list products on established platforms that already possess customer trust, payment infrastructure, logistics services, and marketing tools. Many marketplaces now offer fulfillment services, allowing sellers to outsource warehousing, packaging, and delivery while focusing on product development and customer relationships;

- logistics automation. Automation technologies significantly improve the efficiency of distribution channels by reducing costs, increasing accuracy, and accelerating order fulfillment. Modern logistics centers employ automated storage and retrieval systems (AS/RS), warehouse management systems (WMS), robotics, autonomous mobile robots (AMRs), conveyor systems, barcode and RFID technologies, and artificial intelligence for demand forecasting and inventory optimization. These innovations shorten delivery times and improve customer satisfaction while reducing operational errors;

- use of CRM systems. CRM systems have become essential tools for managing customer interactions across multiple distribution channels. They collect and analyze customer data, purchase history, communication records, and preferences to support personalized marketing campaigns and improve customer service. Integration of CRM with enterprise resource planning (ERP), e-commerce platforms, and marketing automation systems enables businesses to coordinate sales, inventory management, and customer support more effectively. Popular CRM solutions include Salesforce, Microsoft Dynamics 365, HubSpot CRM, and Zoho CRM;

- dropshipping model. Dropshipping is a retail fulfillment model in which the seller markets and sells products without maintaining inventory. When a customer places an order, the retailer transfers the order details to a supplier or manufacturer, who ships the product directly to the customer. This model requires relatively low initial investment, minimizes inventory costs, and allows businesses to offer a wide assortment of products. However, successful dropshipping depends heavily on reliable suppliers, effective

inventory synchronization, and high-quality customer service, as retailers have limited control over product availability and delivery performance.

As of 2024, more than 60% of consumers combine online and offline channels when making purchases.

Questions for discussion

1. Define distribution channel.
2. Who are the main participants in a distribution channel?
3. What is a zero (direct) distribution channel?
4. How does a wholesale intermediary differ from a distributor?
5. What does “distribution channel length” mean?
6. What are the different levels of distribution channels?
7. What is the logistical function of a distribution channel?
8. What functions do intermediaries perform?
9. What is intensive distribution?
10. What factors influence the choice of a distribution channel?
11. Why is it beneficial for manufacturers to use intermediaries?
12. How does the channel structure affect the final price of a product?
13. In what cases is it advisable to use a direct distribution channel?
14. How does selective distribution differ from exclusive distribution?
15. How is omnichannel retailing changing the traditional structure of distribution channels?
16. What risks arise with long distribution channels?
17. Why do premium brands often choose exclusive distribution?
18. What are the advantages and disadvantages of intensive distribution?
19. How do distribution channels shape a company’s competitive advantages?
20. The company has limited financial resources. Which channel would be optimal?
21. How will the distribution channel change if the company launches an online store?
22. Can distribution channel exist without intermediaries?
23. Does greater number of levels always mean higher efficiency?
24. Do all participants in the channel perform the same functions?
25. Does the type of product influence the choice of distribution channel?
26. Can the company use multiple channels simultaneously?

Practical exercises

Practical exercise 1. Determining the distribution channel structure.

The mineral water manufacturer sells its products through a national distributor, which supplies the goods to supermarkets, which in turn supply them to end consumers.

Tasks:

1. Identify the type of channel (direct/indirect).
2. Identify the channel level (number of intermediaries).
3. List the functions of each channel participant.

Practical exercise 2. Justification for channel selection.

The company manufactures premium designer furniture and plans to enter the regional market.

Tasks:

1. Which type of distribution (intensive, selective, exclusive) is the most appropriate to choose?
2. What channel structure would you propose?
3. Justify your choice (at least 3 arguments).

Practical exercise 3. Analysis of real company.

Choose a well-known company (for example, Rozetka, Apple, Coca-Cola, Nova Poshta).

Tasks:

1. Identify the type of distribution channel.
2. Describe the levels of the channel.
3. What functions do intermediaries perform?
4. What are the advantages and disadvantages of this system?

Practical exercise 4. Developing your own distribution channel model.

You are launching an organic honey production business.

Tasks:

1. Develop distribution channel diagram.
2. Determine the number of levels.
3. Explain why this particular structure will be effective.

4. Identify potential risks.

Practical exercise 5. Situational analysis.

(Problem Situation)

The company sells home appliances through wholesalers and retail stores. Due to the growth of online sales, sales volumes through traditional channels have decreased by 30%.

Tasks:

1. What changes to the distribution channel should be proposed?
2. Should an omnichannel model be implemented?
3. Which functions need to be reassigned?
4. What are the potential risks of this transformation?

Expected outcome: proposals for adding an online channel and transitioning to an omnichannel system.

Practical exercise 6. “FreshMilk” – entering the national market.

“FreshMilk” produces dairy products (yogurt, kefir, milk).

It operates in a single region through local retailers.

The company plans to:

- enter the national market;
- increase production volume by 40%;
- product shelf life – 7 days.

Financial resources are limited.

Tasks:

1. What type of distribution channel should be chosen?
2. How many levels should the channel have?
3. Should a national distributor be involved?
4. What functions should intermediaries perform?
5. What risks might arise?

Practical exercise 7. “EliteWatch” – a premium brand.

“EliteWatch” manufactures Swiss watches with an average price range of €3,000–8,000.

Brand strategy:

- prestige;
- limited availability;
- high level of service.

In the new market, the company is considering two options:

1. Sell through large retail chains.
2. Appoint one official dealer in each region.

Tasks:

1. What type of distribution intensity should be chosen?
2. Which channel structure option best aligns with the brand's positioning?
3. How will the choice of channel affect the brand's image?
4. What functions should the dealer perform?
5. Is it advisable to open an in-house online store?

Practical exercise 8. "TechHome" – the problem of falling sales.

"TechHome" sells home appliances through:

Manufacturer → wholesale distributor → retail chain → consumer.

Over the past year:

- competitors' online sales have increased by 50%;
- TechHome's sales have decreased by 25%;
- retail partners are complaining about a decline in customer traffic.

Tasks:

1. Identify the type of distribution channel the company currently uses.
2. What are the weaknesses in the existing structure?
3. Should an omnichannel model be implemented?
4. What conflicts might arise between channels?
5. Propose a new distribution channel model.

Test tasks

1. Distribution channel is:

- a) system for setting the price of a product;
- b) group of companies and individuals that facilitate the movement of goods from the manufacturer to the consumer;
- c) method of promoting a product;
- d) positioning strategy.

2. Zero-level distribution channel involves:

- a) single intermediary;
- b) two intermediaries;
- c) no intermediaries;
- d) the use of wholesalers only.

3. The main functions of distribution channels include:

- a) product manufacturing;
- b) transportation and warehousing;
- c) product design;
- d) accounting audits.

4. Intensive distribution means:

- a) sales through a single dealer;
- b) the maximum number of retail outlets;
- c) online-only sales;
- d) sales exclusively through wholesalers.

5. Exclusive distribution is characteristic of:

- a) everyday consumer goods;
- b) food products;
- c) premium brands;
- d) the mass market.

6. The length of a distribution channel is determined by:

- a) sales volume;
- b) the number of intermediary levels;
- c) market geography;
- d) the type of advertising.

7. Who bears the risk of storing goods in the distribution channel?

- a) only the consumer;
- b) only the manufacturer;
- c) intermediaries or channel participants;
- d) government agencies.

8. Selective distribution involves:

- a) sales at all possible retail outlets;
- b) cooperation with a limited number of intermediaries;
- c) the complete absence of intermediaries;
- d) sales exclusively online.

9. Omnichannel means:

- a) using only one sales channel;
- b) combining online and offline channels;
- c) eliminating intermediaries;
- d) direct export.

10. The choice of a distribution channel depends on:

- a) the nature of the product;
- b) the company's financial capabilities;
- c) market characteristics;
- d) all of the above factors.

CHARACTERISTICS AND ORGANIZATION OF WHOLESALE INTERMEDIARIES

- 3.1. The nature, economic role, functions and classification of wholesale intermediaries***
- 3.2. Organization of wholesale enterprise operations, procurement management and product assortment development, logistics and warehousing***
- 3.3. Financial and economic performance indicators, risks and challenges facing wholesale intermediaries, current trends in the development of wholesale trade***

3.1. The nature, economic role, functions and classification of wholesale intermediaries

Wholesale trade is a form of commodity circulation in which goods are purchased in large quantities for the purpose of resale.

Wholesale intermediaries are businesses or individual entrepreneurs who purchase goods from manufacturers and sell them to retailers, businesses, or other intermediaries.

Economic role:

- reducing the number of business relationships;
- ensuring continuity of supply;
- developing market infrastructure;
- reducing manufacturers' marketing costs;
- balancing supply and demand.

For example, if one manufacturer works directly with 100 retail stores, that's 100 separate contracts. If a wholesaler is involved, there is only one contract with the manufacturer and 100 with retailers, which significantly simplifies the system.

Functions of wholesale intermediaries:

Commercial functions:

- purchasing goods;
- developing a product range;
- sales and contract negotiation;

- product promotion.

Logistical functions:

- receiving goods;
- storage;
- order fulfillment;
- transportation.

Financial functions:

- providing deferred payment terms;
- extending credit to buyers;
- assuming the risk of goods spoiling or remaining unsold.

Information functions:

- market monitoring;
- demand analysis;
- providing information to the manufacturer.

Classification of wholesale intermediaries:

By Nature of Activity:

1. Independent wholesalers:
 - acquire ownership of the goods;
 - earn profit from a markup.
2. Distributors:
 - often operate on an exclusive basis;
 - represent a specific brand.
3. Agents:
 - work for a commission;
 - do not own the goods.
4. Brokers:
 - facilitate transactions between parties;
 - do not hold the goods.

3.2. Organization of wholesale enterprise operations, procurement management and product assortment development, logistics and warehousing

Organizing the operations of a wholesale company.

Organizational structure (typical structure):

- management;
- purchasing department;
- sales department;

- logistics;
- warehouse;
- finance and accounting;
- marketing.

Key stages of organizing operations:

1. Market analysis and selection of product specialization.
2. Search for suppliers.
3. Concluding contracts.
4. Organizing warehouse inventory management.
5. Building a customer base.
6. Monitoring contract compliance.

Effective procurement management involves:

- planning procurement volumes;
- determining the optimal lot size;
- analyzing inventory turnover.

For example, if product is selling slowly, inventory turnover is low, and warehousing costs are rising, the company should adjust its procurement volumes.

Efficient logistics ensures: cost minimization; shorter delivery times; optimal use of warehouse space.

Warehouse operations include: receiving; sorting; storage; order fulfilment; shipping.

Modern warehouses use: barcoding; WMS systems; automated racking systems.

3.3. Financial and economic performance indicators, risks and challenges facing wholesale intermediaries, current trends in the development of wholesale trade

Key metrics:

1. Sales volume – the total value of goods sold.
2. Gross margin – the difference between the selling price and the purchase price.
3. Profitability – the ratio of profit to expenses.
4. Inventory turnover – the number of times inventory is turned over during a given period.

Risks associated with wholesale intermediaries:

- buyer insolvency;

- fluctuations in demand;
- changes in market prices;
- product spoilage or obsolescence;
- logistical disruptions.

Current trends in the development of wholesale trade:

- digitization of business processes. Wholesale companies are increasingly adopting digital technologies to automate procurement, inventory management, order processing, and customer communication, improving efficiency and reducing operational costs;

- B2B online platforms. The growth of digital marketplaces and e-commerce platforms enables wholesalers to connect directly with business customers, expand market reach, streamline transactions, and offer real-time product information;

- development of logistics centers. Modern wholesale trade relies on advanced distribution and logistics centers equipped with automated storage, cross-docking, and efficient transportation systems to ensure faster and more reliable deliveries;

- integration of ERP systems. Enterprise Resource Planning (ERP) systems integrate procurement, inventory, finance, sales, and logistics into a unified platform, enhancing decision-making, operational transparency, and supply chain coordination;

- automation of warehouse processes. Wholesalers are implementing technologies such as warehouse management systems (WMS), barcode and RFID scanning, automated storage and retrieval systems (AS/RS), robotics, and AI-based picking solutions to improve inventory accuracy, productivity, and order fulfillment speed.

Questions for discussion

1. What is the economic necessity for the existence of wholesale intermediaries?

2. Can manufacturers completely do without intermediaries? Under what conditions?

3. Which functions of wholesale intermediaries are the most important in today's environment?

4. How does a distributor's activity differ from that of an agent or broker?

5. What are the advantages and disadvantages of using intermediaries for a manufacturer?

6. How do wholesale intermediaries influence the final price of a product?

7. Why do large retail chains sometimes establish their own wholesale structures?

8. What risks does a wholesale intermediary face during periods of economic instability?

9. How does digitalization (ERP, CRM, WMS) affect the efficiency of wholesale trade?

10. Is effective wholesale operations possible without owning warehouses?

11. How can one determine the optimal inventory level?

12. Which metrics best characterize the efficiency of a wholesale enterprise?

13. What factors determine the success of a wholesale enterprise?

14. What current trends have the greatest impact on the development of wholesale trade in Ukraine?

15. Imagine that a manufacturer plans to enter the Ukrainian market. Is it advisable for the manufacturer to work through a national distributor? Explain your answer.

16. A wholesale company has low inventory turnover. What management decisions can be recommended?

17. How will a wholesale intermediary's operations change in the event of a sharp decline in demand?

18. Is it advisable for a wholesaler to open its own retail chain?

Practical exercises

Practical exercise 1. Calculating the gross margin.

The wholesale company purchased goods at a price of 200 EUR per unit.

It sold them for 260 EUR per unit.

Sales volume: 1,500 units.

Required:

1. Determine the gross margin per unit.
2. Calculate the total gross profit.

Practical exercise 2. Inventory turnover of the wholesale company.

The average inventory balance for the year is 500,000 EUR.

Annual sales are 3,000,000 EUR.

Tasks:

1. Determine the inventory turnover ratio.
2. Calculate the average inventory holding period (in days).
(Assume 360 days in year).

Practical exercise 3. Profitability of the wholesale company.

The wholesale company's gross profit is 400,000 EUR.

Operating expenses are 250,000 EUR.

Tasks:

1. Determine the net profit.
2. Calculate the return on sales (%).

Practical exercise 4. The problem of excess inventory.

Slow-moving inventory has accumulated in a wholesaler's warehouse. Storage costs are rising.

Tasks:

- Propose 4–5 management solutions.
- Justify their effectiveness.

Practical exercise 5. Delayed payments.

A retail chain is delaying payment for goods by 60 days.

Tasks:

- Identify potential risks for the wholesaler.
- Propose ways to minimize financial losses.

Practical exercise 6. Manufacturer's entry into a new market.

Manufacturer plans to enter the European market.

Tasks:

- Justify the feasibility of partnering with a national distributor.
- Identify the advantages and disadvantages of this decision.

Practical exercise 7. Designing organizational structure.

Develop organizational structure for the wholesale company operating in the household chemicals sector that has:

- 1 central warehouse;
- 3 regional offices;
- 50 regular customers.

Describe the functions of each department.

Practical exercise 8. Product line development.

The wholesaler works with 5 suppliers. One of them is offering a new product line.

Task: define the criteria for evaluating whether to include a product in the product line.

(At least 5 criteria).

Practical exercise 9. Choosing business model.

The company is considering two options:

1. Become an independent wholesaler.
2. Operate as an exclusive distributor for a single brand.

The company needs to:

- Compare these models based on 5 criteria.
- Draw conclusions regarding risks and profitability.

Test tasks

1. A wholesale intermediary is:

- a) the company that sells goods to end consumers;
- b) business entity that purchases goods in large quantities for resale;
- c) manufacturer;
- d) transportation company.

2. Which of the following functions does a wholesale intermediary perform?

- a) manufacturing products;
- b) assembling a product range;
- c) consuming goods;
- d) disposing of goods.

3. Who does not acquire ownership of the goods?

- a) independent wholesaler;
- b) distributor;
- c) agent;
- d) wholesale enterprise.

4. The main source of profit for a wholesale enterprise is:

- a) tax breaks;
- b) government subsidies;
- c) markup;
- d) penalties.

5. The indicator that characterizes the speed of goods sales is:

- a) merchandise turnover;
- b) profitability;
- c) inventory turnover;
- d) gross revenue.

6. The logistics functions of a wholesale intermediary include:

- a) market research;
- b) warehousing of goods;
- c) packaging production;
- d) brand advertising.

7. A distributor most often operates on the basis of:

- a) one-time transaction;
- b) exclusive contract;
- c) verbal agreement;
- d) government contract.

8. Which of the following is a risk associated with the activities of a wholesale intermediary?

- a) rising demand;
- b) increased turnover;
- c) buyers' insolvency;
- d) expansion of the product range.

9. What is the goal of establishing an optimal inventory level?

- a) to increase costs;
- b) to avoid shortages and surpluses of goods;
- c) to reduce the number of customers;
- d) to halt the flow of goods.

10. Current trends in the development of wholesale trade include:

- a) move away from automation;
- b) reduction in logistics centers;
- c) the digitization of business processes;
- d) complete elimination of warehouses.

4.1. The concept, role and functions of retail intermediaries

4.2. Classification of retail intermediaries and formats of modern retail trade

4.3. Organizational structures in retail trade, interaction between retail intermediaries, manufacturers and wholesalers, current trends in the development of retail trade

4.1. The concept, role and functions of retail intermediaries

Retail intermediary is business entity that sells goods to end consumers for personal, non-commercial use.

Their role:

- complete the process of goods circulation;
- determine the product assortment;
- ensure the availability of goods;
- influence demand through merchandising.

Retail is the final link in the distribution channel and the point of contact with the buyer.

Main functions:

1. Purchasing – purchasing goods from manufacturers or wholesalers.

2. Product Assortment – developing the product offering.

3. Warehousing – storing goods.

4. Transportation — moving goods.

5. Information – providing demand data to manufacturers.

6. Financial – extending credit to customers.

7. Service – warranty service.

8. Marketing – sales promotion.

In the structure of the retail price, the markup can range from 15% to 40%, depending on the product category.

4.2. Classification of retail intermediaries and formats of modern retail trade

Classification of retail intermediaries:

By ownership:

- private;
- state-owned;
- collective.

By service type:

- self-service (Cash & Carry);
- salesperson-assisted;
- mixed.

By price level:

- discounters;
- premium-class stores;
- mid-range stores.

By product assortment:

- general merchandise;
- specialty;
- combined.

Formats of modern retail:

Supermarket:

- floor space: 400–2,500 m²;
- wide product selection;
- self-service.

Hypermarket:

- floor space: over 2,500 m²;
- very wide product range;
- low prices due to economies of scale.

Discount store:

- minimal service;
- low prices;
- limited product range.

Specialty store:

- products from a single category;
- in-depth product range;
- consulting services

Online store:

- online sales;
- no physical location;
- wide geographic reach.

4.3. Organizational structures in retail trade, interaction between retail intermediaries, manufacturers and wholesalers, current trends in the development of retail trade

Organizational structures in retail:

- independent stores;
- retail chains;
- franchising;
- cooperatives.

Interaction with manufacturers and wholesalers. Retail intermediaries:

- enter into supply contracts;
- agree on purchase volumes;
- participate in joint marketing programs;
- use electronic data interchange (EDI) systems.

The current trend is to reduce the number of links in the distribution channel.

Current trends in the retail industry:

1. Digitalization. Retailers are adopting digital technologies such as e-commerce platforms, mobile applications, electronic payment systems, and AI-powered customer service to improve operational efficiency and enhance the shopping experience.

2. Omnichannel retailing. Businesses integrate physical stores, online shops, mobile apps, and social media into a unified shopping experience, allowing customers to move seamlessly between channels.

3. Growth of private label products. Retailers are expanding their own-brand product lines to offer customers quality alternatives at competitive prices while increasing profit margins and strengthening customer loyalty.

4. Warehouse automation. Retail companies implement warehouse management systems (WMS), robotics, automated storage and retrieval systems (AS/RS), barcode and RFID technologies to improve inventory accuracy and accelerate order

fulfillment.

5. Use of Big Data. Retailers analyze large volumes of customer and operational data to forecast demand, personalize marketing campaigns, optimize pricing, manage inventory, and support data-driven decision-making.

In many countries, e-commerce accounts for more than 20% of total retail sales.

Questions for discussion

1. Why do retail intermediaries remain necessary even amid the growth of e-commerce?
2. What is the economic rationale for using intermediaries in distribution channels?
3. How does a direct distribution channel differ from an indirect one in terms of benefits for the manufacturer?
4. Which functions of retail intermediaries are key to creating competitive advantages?
5. Can manufacturer completely do without retail intermediaries? Under what conditions?
6. How does the retail markup affect consumer behavior?
7. Why do large retail chains have a stronger bargaining position vis-à-vis manufacturers?
8. What are the advantages and disadvantages of discounters compared to supermarkets?
9. Why is the omnichannel model becoming the standard in modern retail?
10. The manufacturer plans to enter a new market. Which type of retail intermediary is the most appropriate to choose?
11. A store is losing customers to online competitors. What strategic solutions can be proposed?
12. How will the distribution channel structure change as marketplaces grow?
13. Is it profitable for small manufacturers to partner with large retail chains?
14. What factors should be considered when choosing a store format?
15. Will e-commerce replace traditional stores in the future?
16. Are large retail chains a threat to small businesses?
17. Should the government regulate retail markups?
18. Does the role of the retail intermediary change during a military or economic crisis?

Practical exercises

Practical exercise 1. Analysis of distribution channel.

Tasks:

Choose any product (for example: dairy products, household appliances, clothing, cosmetics) and:

1. Identify the type of distribution channel (direct/indirect).
2. Describe all levels of the channel.
3. Indicate the role of the retail intermediary.
4. Analyze how the channel affects the final price.

Practical exercise 2. Choosing retail store format.

A young entrepreneur plans to open a health food store in a city with a population of 200,000.

Tasks:

1. Select the optimal format (specialty store, supermarket, online store, etc.).
2. Justify your choice.
3. Identify the target audience.
4. Propose competitive advantages.

Practical exercise 3. Calculating the retail markup.

The purchase price of the goods is 400 EUR.

Transportation costs are 20 EUR per unit.

Other expenses are 30 EUR per unit.

Target markup – 25%.

Tasks:

1. Determine the total cost.
2. Calculate the retail price.
3. Analyze whether the product will be competitive if the average market price is 560 EUR.

Practical exercise 4. Comparative analysis of retail formats.

Tasks:

Compare supermarket and discount store based on the following criteria:

- product assortment;

- pricing policy;
- level of service;
- logistics;
- target audience.

Practical exercise 5. Conflict between manufacturer and retail chain.

The large retail chain is demanding the following from the manufacturer:

- 90-day payment deferral;
- marketing budget;
- 15% discount.

Tasks:

1. Analyze the retailer's position.
2. Analyze the risks for the manufacturer.
3. Propose a compromise solution.
4. Justify your position.

Practical exercise 6. Developing omnichannel model.

Task: develop business model for retail clothing store in omnichannel environment:

- online sales;
- social media;
- physical store;
- click & collect.

Describe how these channels should interact.

Practical exercise 7. Analysis of the competitive environment.

Select three retail chains in your region and:

1. Identify their format.
2. Analyze their competitive advantages.
3. Compare their pricing strategies.
4. Draw conclusions about their positioning.

Practical exercise 8. Developing concept for the store of the future.

Task: create concept for innovative retail store that incorporates:

- automation;

- artificial intelligence;
- cashierless service;
- personalized offers.

Describe the business model and sources of revenue.

Practical exercise 9. Strategy development.

Developing strategy for new brand's market entry through retail chains.

Include:

- selection of retail chain types;
- terms of cooperation;
- marketing support;
- risk assessment.

Test tasks

1. A retail intermediary is:

- a) entity that sells goods to other businesses;
- b) entity that sells goods to end consumers;
- c) manufacturer of goods;
- d) logistics company.

2. The main functions of retail intermediaries include:

- a) production;
- b) assortment planning;
- c) raw material extraction;
- d) product certification.

3. A distribution channel that includes a manufacturer, a wholesaler, and a retailer is:

- a) direct;
- b) zero-level;
- c) two-level;
- d) vertical.

4. A store with an area of more than 2,500 m² and a very wide product assortment is:

- a) a supermarket;
- b) a discount store;
- c) a specialty store;
- d) a hypermarket.

5. A discount store is characterized by:

- a) high prices and premium service;
- b) minimal service and low prices;
- c) selling goods from a single product category;
- d) operating exclusively online.

6. A retail markup is:

- a) tax on goods;
- b) the difference between the purchase price and the selling price;
- c) transportation costs;
- d) discount for the buyer.

7. Omnichannel retailing means:

- a) selling exclusively online;
- b) using a single sales channel;
- c) combination of online and offline sales channels;
- d) eliminating intermediaries.

8. The following is a form of retail organization:

- a) franchising;
- b) leasing;
- c) factoring;
- d) barter.

9. The main advantage of large retail chains lies in:

- a) the ability to manufacture goods;
- b) strong bargaining position with suppliers;
- c) the absence of competition;
- d) complete refusal to advertise.

10. Reducing the number of intermediaries in the distribution channel usually leads to:

- a) higher prices for goods;
- b) increase in the number of channel levels;
- c) simplification of the sales structure;
- d) complete abandonment of marketing.

5.1.Characteristics of product sales and distribution channels for the industrial enterprise (B2B market)

5.2.Forms and methods of sales organization, logistics and material flow management

5.3.Sales planning and forecasting, organization of the sales department, monitoring and evaluation of sales performance at the industrial enterprise, current trends in the development of sales systems the industrial enterprises

5.1. Characteristics of product sales and distribution channels for the industrial enterprise (B2B market)

The business-to-business (B2B) market has specific characteristics:

Attribute	Characteristic
Transaction volume	Large batches
Number of buyers	Limited
Decision-Making Process	Collegial
Contract Duration	Long-term
Personalization	High

Key features:

- customized contracts;
- high level of technical consulting;
- significant emphasis on after-sales support;
- personalized sales as the primary tool.

Distribution channels:

Types of channels:

1. Direct channel:

manufacturer → consumer

Advantages:

- full control;

- higher margins;
- direct contact with the customer.

Disadvantages:

- high costs;
- limited geographic reach.

2. Indirect channel:

manufacturer → intermediary → consumer

Intermediaries may include:

- dealers;
- distributors;
- agents;
- wholesale companies.

Example of a sales organization in global practice – Siemens AG.

The company uses:

- direct contracts with large corporations;
- regional offices;
- service centers;
- digital platforms for order management.

5.2. Forms and methods of sales organization, logistics and material flow management

Forms and methods of sales organization:

By nature of contact:

- personal selling;
- tender sales;
- electronic sales (B2B platforms).

By intensity level:

- intensive sales;
- selective;
- exclusive.

Contractual forms:

- franchising;
- distribution agreements;
- agency agreements.

The distribution of industrial products is closely linked to logistics. Key logistics *functions*:

- inventory management;

- transportation;
- warehousing;
- packaging;
- customs clearance.

Modern companies use:

- ERP systems (Enterprise Resource Planning);
- CRM systems (Customer Relationship Management);
- SCM systems (Supply Chain Management).

5.3. Sales planning and forecasting, organization of the sales department, monitoring and evaluation of sales performance at the industrial enterprise, current trends in the development of sales systems the industrial enterprises

Sales planning of the industrial enterprise involves:

- market analysis;
- identifying target segments;
- developing a sales plan;
- budgeting.

Forecasting methods:

- expert estimates.
- trend extrapolation.
- regression analysis.
- scenario analysis.

Organizing sales department at the industrial enterprise. *Typical structure of sales department:*

- Sales Director.
- Regional Managers.
- Key Account Managers.
- Logistics Department.
- Customer Service Department.

Main responsibilities:

- meeting sales targets;
- managing the customer base;
- monitoring accounts receivable;
- developing new markets.

Monitoring and evaluating sales performance. *Key performance indicators:*

- sales volume;
- margin;
- market share;
- sales profitability;
- plan fulfillment rate.

Current trends in the development of sales systems of the industrial enterprise:

- digitalization. Industrial enterprises increasingly use electronic trading platforms, Customer Relationship Management (CRM) systems, artificial intelligence, and Big Data analytics to automate sales processes, improve customer interactions, and support data-driven decision-making.

- omnichannel approach. Companies integrate online and offline sales channels, including corporate websites, B2B marketplaces, sales representatives, and distributors, to provide customers with a seamless purchasing experience.

- integration of logistics and marketing. Sales systems are closely coordinated with logistics and marketing functions to ensure efficient order fulfillment, demand forecasting, inventory optimization, and improved customer satisfaction.

- service orientation. Industrial enterprises increasingly compete by offering value-added services such as technical support, product customization, maintenance, training, and after-sales service, strengthening long-term customer relationships and loyalty.

Example of international practice – Bosch. The company uses:

- global distribution networks;
- service hubs;
- regional warehouses;
- electronic ordering systems.

Questions for discussion

1. What is the essence of product distribution for the industrial enterprise?
2. What are the distinctive features of the B2B market?
3. Why do direct sales channels predominate in the industrial market?
4. What factors influence an industrial enterprise's choice of distribution channel?
5. What role does service play in industrial sales?
6. How is the sales structure of the industrial enterprise changing in the context of digitalization?
7. Why is personal selling a key tool in the industrial market?
8. What risks arise when the industrial enterprise works with dealers and distributors?
9. What metrics are used to evaluate the sales performance of the industrial enterprise?
10. Why is sales forecasting important for the industrial enterprise?
11. Can the industrial enterprise completely do without intermediaries? Explain your answer.
12. Is it advisable to combine direct and indirect distribution channels for the industrial enterprise's products?
13. How can omnichannel strategy be implemented in the B2B market?
14. What competitive advantages does effective sales system create for the industrial enterprise?
15. How does globalization affect the structure of the industrial enterprise's distribution networks?
16. Should the sales department be involved in shaping the industrial enterprise's product policy?
17. What costs are included in the industrial enterprise's selling expenses?
18. How can the optimal number of intermediaries in channel be determined?

Practical exercises

Practical exercise 1. Calculation of sales profitability.

The industrial enterprise sold products worth 12,000,000 EUR.

Gross profit amounted to 2,400,000 EUR.

Selling expenses were 800,000 EUR.

Tasks:

1. Calculate the sales profit margin.
2. Evaluate the effectiveness of sales activities.

Practical exercise 2. Selecting distribution channel.

The company manufactures complex power generation equipment. There are 15 large industrial companies that are potential buyers.

Task: justify the choice of distribution channel.

Practical exercise 3. Calculating distributor's markup.

Cost per unit: 4,000 EUR.

The manufacturer sells to the dealer for 5,000 EUR.

The dealer sells to the end customer for 6,200 EUR.

Tasks:

1. Calculate the manufacturer's markup.
2. Calculate the dealer's markup.

Practical exercise 4. Analysis of selling expenses.

The industrial enterprise has the following expenses (in thousands of EUR):

- managers' salaries – 450;
- advertising – 300;
- transportation expenses – 250;
- warehousing – 200;
- administrative expenses – 500.

Tasks:

1. Determine total selling expenses.
2. Determine the proportion of transportation expenses.

Practical exercise 5. Developing marketing strategy for the industrial enterprise.

Develop marketing strategy for the industrial enterprise that:

- manufactures steel structures;
- plans to enter the international market;
- has a limited marketing budget.

You must determine:

1. The type of distribution channel.
2. The form of cooperation with intermediaries.
3. The logistics model.
4. The sales control system.
5. The main risks.

Practical exercise 6. Choosing between direct and indirect sales.

The company plans to enter the Polish market.

There are two options:

1. Open its own representative office (costs – 2 mln. EUR/year).
2. Work through a local distributor (commission – 18%).

Expected sales volume: 20 mln. EUR.

Tasks:

1. Calculate the costs for each option.
2. Justify the strategic choice.

Practical exercise 7. Conflict in the distribution channel.

The manufacturer began selling its products online at the lower price than its authorized dealers.

The dealers have filed complaint and are threatening to terminate their contracts.

Questions for analysis:

1. What type of conflict has arisen?
2. What are the risks for the manufacturer?
3. What are the possible solutions?

Test tasks

1. *Distribution in the marketing mix corresponds to the element:*

- a) product;
- b) price;
- c) place;
- d) promotion.

2. *Which characteristic is typical of the B2B market?*

- a) impulse purchases;
- b) large number of small buyers;
- c) collegial decision-making process;
- d) short-term relationships.

3. *A direct distribution channel involves:*

- a) use of several intermediaries;
- b) sales through a retail network;
- c) sales directly to the end consumer;
- d) sales through a wholesale network.

4. *Which of the following is NOT a function of sales?*

- a) transportation;
- b) warehousing;
- c) product manufacturing;
- d) contract negotiation.

5. *Intensive distribution means:*

- a) selling goods through single intermediary;
- b) a limited number of dealers;
- c) the widest possible market coverage;
- d) selling only through the company's own branches.

6. Which indicator is used to evaluate sales effectiveness?

- a) market share;
- b) inflation rate;
- c) exchange rate;
- d) number of production workers.

7. The main marketing tool in the industrial market is:

- a) television advertising;
- b) personal selling;
- c) outdoor advertising;
- d) prize drawings.

8. Which document governs the relationship between manufacturer and distributor?

- a) employment contract;
- b) distribution agreement;
- c) company bylaws;
- d) license.

9. Sales profitability is defined as the ratio of:

- a) revenue to production costs;
- b) profit to sales expenses;
- c) sales expenses to profit;
- d) sales volume to number of employees.

10. CRM system is used for:

- a) managing production lines;
- b) tax accounting;
- c) customer relationship management;
- d) product quality control.

6.1. Factors in developing effective distribution strategy, selection and management of intermediaries

6.2. Vertical and horizontal marketing systems, omnichannel and digital distribution strategies

6.3. Evaluating the effectiveness of distribution channels, strategic conflicts within channels and methods for resolving them

6.1. Factors in developing effective distribution strategy, selection and management of intermediaries

Factors in developing effective distribution strategy:

Market:

- number of consumers;
- geography of demand;
- consumer behavior;
- level of competition.

Product:

- price;
- product complexity;
- level of service;
- product life cycle.

Financial:

- logistics costs;
- profit margins;
- inventory turnover.

Competitive:

- competitors' strategies;
- barriers to entry;
- access to distribution channels.

Selection and management of intermediaries:

Selection criteria:

- financial stability;

- market coverage;
- logistical infrastructure;
- work experience;
- reputation.

Management stages:

1. Partner selection.
2. Contract signing.
3. Training and motivation.
4. Performance monitoring.
5. Effectiveness evaluation.

6.2. Vertical and horizontal marketing systems, omnichannel and digital distribution strategies

Vertical marketing system (VMS) is the organizational structure for a distribution channel in which the manufacturer, wholesaler, and retailer operate as a single, coordinated system rather than as independent market participants.

The goals of VMS are:

- to align strategies;
- to minimize conflicts within the channel;
- to reduce transaction costs;
- to improve the efficiency of managing product flows;
- to ensure a consistent level of service.

Key characteristics of VMS:

- centralized or coordinated channel management;
- strategic coordination of participants' actions;
- long-term contractual relationships;
- division of functions and responsibilities;
- joint planning of inventory, logistics, and marketing;
- reduction of vertical conflicts.

Types of VMS:

1. Corporate VMS. All levels of the channel are owned by a single company. Example: Zara controls production, logistics, and its retail network.

Advantages:

- full control over the brand;
- rapid decision-making;

- minimization of conflicts;
- flexibility in responding to demand.

Disadvantages:

- high investment costs;
- high level of risk.

2. Contract-based distribution system. Independent companies are linked by contracts.

Forms:

- franchising;
- voluntary retail networks;
- retail cooperatives.

Example: McDonald's franchising model.

Advantages:

- rapid scaling;
- risk sharing;
- reduced need for equity capital.

Disadvantages:

- difficulty in exercising control;
- potential conflicts over standards.

3. Administrative (managed) VMS. Coordination is achieved through the economic power of one of the participants. Example: the influence of large retailers, such as Walmart, on suppliers.

Advantages:

- effective coordination without ownership;
- rapid adaptation to change.

Disadvantages:

- dependence of weaker participants;
- asymmetry of power.

Benefits of implementing VMS:

- reduction in logistics costs;
- inventory optimization;
- increased inventory turnover;
- improved service;
- stability in pricing policy;
- brand strengthening.

Strategic importance of VMS. VMS enable companies to:

- build long-term competitive advantage;
- ensure control over quality and standards;

- accelerate response to changes in demand;
- integrate digital solutions (CRM, ERP, SCM);
- reduce the risks of multichannel conflicts.

Horizontal marketing system (HMS) is form of distribution channel organization in which two or more firms at the same channel level (for example, two manufacturers or two retail chains) pool their resources to achieve a common goal.

Unlike vertical systems, cooperation takes place between equal partners rather than between different levels of the channel.

Objectives of HMS:

- market expansion;
- cost reduction;
- risk sharing;
- leveraging resource synergies;
- strengthening competitive positions.

Key characteristics of HMS:

- cooperation among companies at the same level;
- voluntary pooling of resources;
- maintenance of legal independence;
- joint marketing or logistics projects;
- the possibility of temporary or strategic partnerships.

Forms of HMS:

1. Strategic alliances. Collaboration to implement a joint project or enter a new market. Example: brand partnerships with marketplaces, such as Amazon, to expand online sales.

2. Joint ventures. The creation of a separate legal entity to carry out joint activities.

3. Cooperation among retail chains. Small retail businesses join forces for:

- joint purchasing;
- marketing campaigns;
- logistical coordination.

Advantages of HMS:

- economies of scale (lower purchase prices);
- expanded market coverage;
- access to new technologies and sales channels;
- reduced financial risks;

- faster entry into new markets.

Disadvantages and risks:

- potential conflicts of interest;
- complexity of coordination;
- risk of losing commercial information;
- threat of being taken over by a stronger partner;
- differing levels of management culture.

The strategic importance of HMS. HMS are particularly relevant in the context of:

- globalization;
- digitalization;
- increasing competition;
- the development of marketplaces;
- the limited resources of small and medium-sized businesses.

They enable companies to:

- scale up more quickly;
- increase their bargaining power;
- enter international markets;
- form competitive clusters.

Omnichannel distribution strategy is integrated sales model in which all customer interaction channels (offline, online, mobile apps, marketplaces, social media) operate as a single system, providing a seamless customer experience. The main idea is not simply to use multiple channels, but to synchronize them:

- single customer database (CRM),
- shared inventory,
- coordinated pricing policy,
- unified logistics infrastructure,
- integrated analytics.

Key elements of an omnichannel system:

- brick-and-mortar stores;
- online store;
- mobile app;
- marketplaces;
- social media;
- contact center;
- warehouse and transportation logistics.

Typical omnichannel distribution models:

- Click & Collect – order online – pick up in-store.
- Ship-from-Store – shipping products from a retail store's warehouse.
- Endless Aisle – ordering out-of-stock items via an in-store digital catalog.
- Unified Inventory – single inventory management system for all channels.

Implementation examples:

Nike:

- mobile app integrated with stores;
- personalized offers;
- loyalty program synchronized online and offline.

Zara:

- RFID technology;
- integrated warehouse;
- rapid transfer of goods between stores.

Benefits of omnichannel strategy:

- increased sales;
- enhanced customer loyalty;
- reduced losses from excess inventory;
- improved consumer behavior analytics;
- increased inventory turnover.

Key risks:

- high investment in IT infrastructure;
- complexity of data synchronization;
- conflicts between channels;
- need to restructure logistics;
- cyber risks.

Implementation phases of omnichannel strategy:

1. Audit of existing channels.
2. Integration of IT systems (ERP, CRM, WMS).
3. Unification of the customer database.
4. Optimization of the logistics model.
5. Staff training.
6. Launch of the analytical monitoring system.

Digital distribution strategy is sales organization system based on the use of digital channels, platforms, and technologies to deliver goods or services to consumers. Unlike traditional channels, digital strategies involve:

- online sales;
- use of marketplaces;
- logistics automation;
- digital analytics;
- customer data management (Big Data).

Main digital distribution channels:

1. Own online store (Direct-to-Consumer, D2C) – selling without intermediaries through the company's own platform.

2. Marketplaces – Selling through major digital platforms: Amazon & eBay, etc.

3. Social commerce – selling through social media (Instagram, Facebook, TikTok).

4. Mobile apps – personalized offers and push marketing.

Digital distribution models:

D2C (Direct-to-Consumer) – the manufacturer sells directly to the consumer.

Advantages:

- brand control;
- higher profit margins;
- access to customer data.

Platform-based distribution – using third-party platforms to scale.

Advantages:

- fast time to market;
- wide audience;
- minimal initial investment.

Hybrid model – combination of proprietary website and marketplaces.

The technological foundation of digital strategies:

- ERP systems;
- CRM systems;
- WMS (Warehouse Management System);
- AI analytics;
- automated warehouses;
- electronic payment systems;

- chatbots and digital services.

Logistical aspects of digital distribution. Key elements:

- fulfillment centers;
- warehouse automation;
- fast delivery (last mile);
- pickup points;
- integration with postal operators.

Benefits of digital strategies:

- global reach;
- reduced transaction costs;
- personalized offers;
- rapid demand analytics;
- business scalability.

Risks and challenges:

- high competition;
- dependence on platforms;
- cybersecurity;
- logistical disruptions;
- returns management (reverse logistics).

Strategic significance of digital distribution strategies:

- transform the role of intermediaries;
- enhance the importance of data;
- bridge the gap between manufacturers and consumers;
- create the conditions for omnichannel integration;
- generate new competitive advantages.

6.3. Evaluating the effectiveness of distribution channels, strategic conflicts within channels and methods for resolving them

Evaluating the effectiveness of distribution channels. Key performance indicators:

- market coverage;
- sales volume;
- inventory turnover;
- sales expenses;
- level of service;
- market share.

Conflicts in distribution channels. Types of conflicts:

- vertical – occurs between channel members operating at different levels of the distribution channel, such as manufacturers, wholesalers, and retailers. These conflicts often involve pricing, distribution rights, sales territories, or service standards;
- horizontal – occurs between businesses operating at the same level of the distribution channel, such as two retailers or two distributors competing within the same market or geographic area;
- multi-channel – arises when the company uses multiple sales channels (e.g., physical stores, distributors, online shops, and marketplaces) that compete for the same customers, leading to pricing differences, customer overlap, or competition among channel partners.

Resolution methods:

- contractual regulation – clearly defined contracts establish the rights, responsibilities, pricing policies, performance standards, and dispute resolution procedures for all channel members, reducing the likelihood of conflicts;
- incentive programs – manufacturers motivate distributors and retailers through financial rewards, performance bonuses, discounts, cooperative advertising, and training programs to encourage collaboration and achieve shared objectives;
- territorial demarcation – assigning exclusive geographic territories or customer segments to distributors or retailers helps minimize direct competition among channel members and prevents market overlap;
- centralized management – coordinating channel activities through centralized planning, communication, and decision-making ensures consistent pricing, marketing strategies, inventory management, and conflict resolution across the entire distribution network.

Questions for discussion

1. What is the strategic role of distribution channels in a company's marketing system?
2. What is the essence of vertical marketing systems?
3. What are the advantages of a corporate vertical marketing system?
4. What is unique about horizontal marketing systems?
5. What is an omnichannel distribution strategy?
6. How does a multichannel strategy differ from an omnichannel strategy?
7. What criteria are used when selecting intermediaries?
8. List the key performance indicators for evaluating the effectiveness of distribution channels.
9. What types of conflicts arise in distribution channels?
10. What are the tools for managing conflicts in distribution channels?
11. How does digitalization influence the development of distribution strategies?
12. How is a distribution strategy linked to a company's overall competitive strategy?
13. How do changes in consumer behavior influence the transformation of distribution channels?
14. What risks arise when transitioning to an omnichannel model?
15. How does distribution strategy affect a company's logistics costs?
16. Measures to reduce conflicts between the manufacturer and the retail chain.

Practical exercises

Practical exercise 1. Choosing distribution strategy.

The company plans to launch new brand of premium organic cosmetics with a price above the market average. The products have a narrow target audience and require in-person consultation during the sales process.

Tasks:

1. Select a type of distribution strategy (extensive, selective, exclusive).
2. Justify your choice.
3. Propose a distribution channel structure.

Practical exercise 2. Developing distribution channel structure.

The manufacturer of mid-range home appliances plans to expand into the Ukrainian market.

Tasks:

1. Propose the number of channel levels.
2. Select a distribution type.
3. Justify the role of the distributor.
4. Propose a system for monitoring partners.

Practical exercise 3. Selecting omnichannel strategy.

Bulgarian sportswear manufacturer plans to integrate online and offline sales.

Tasks:

1. Propose omnichannel distribution model.
2. Describe the logistics process for fulfilling orders.
3. Identify KPIs.

Practical exercise 4. Comparative analysis of distribution strategies.

Compare the distribution strategies of the following companies:

- Nike
- Zara
- Procter & Gamble

Assignment:

1. Identify each company's distribution type.
2. Analyze the level of channel integration.
3. Explain how the distribution strategy supports brand positioning.

Practical exercise 5. Developing strategy for entering the international market.

A mid-sized Polish cosmetics manufacturer plans to enter the Germany market.

Tasks:

1. Select an entry model (through a distributor, a company-owned branch, or a marketplace).
2. Determine the distribution type.
3. Identify the main risks.
4. Propose a logistics model for supply.

Practical exercise 6. Positioning the brand as premium through channel shift.

Bulgarian manufacturer of mid-priced cosmetics had been operating for five years through an intensive distribution network (supermarkets, small stores, and online platforms). The company decided to reposition itself – to move into the premium segment. However, its products are still available at 2,000 retail locations, including discount stores.

Problem: the brand is not perceived as premium, despite price increases and packaging updates.

Analysis questions:

1. What type of distribution strategy is currently being used?
2. Why does the current distribution channel conflict with the new positioning?
3. What type of distribution should be adopted?
4. What are the risks of reducing distribution channels?
5. Develop a step-by-step plan for channel transformation.

Practical exercise 7. Conflict in multi-channel system.

The electronics manufacturer sells its products through:

- national distributors;
- large retail chains;
- its own online store.

Products are sold 12% cheaper through the company's own website.

Consequences:

- Distributors are threatening to terminate their contracts.
- Retail chains are demanding compensation.
- Online sales are growing, but sales through partners are falling.

Tasks:

1. Identify the type of conflict.
2. Analyze the manufacturer's strategic mistake.
3. Propose a price coordination model.
4. Should the company switch to an omnichannel strategy?

Practical exercise 8. Vertical integration as control strategy.

Zara has established the model of complete control over production, logistics, and its retail network. Ukrainian clothing manufacturer is considering opening its own stores instead of working through intermediaries.

Tasks:

1. What type of marketing system does Zara use?
2. What are the advantages of vertical integration?
3. What financial risks arise?
4. Is this model feasible for a medium-sized Ukrainian manufacturer?

Practical exercise 9. Intensive distribution and brand control.

Procter & Gamble uses intensive distribution for mass-market products. The Polish manufacturer of household chemicals has also entered all possible retail chains.

Problem:

- lack of control over product placement;
- price wars;
- declining margins.

Tasks:

1. Explain the advantages and disadvantages of intensive distribution.
2. What control mechanisms can be implemented?
3. Is it advisable to switch to selective distribution?

Test tasks

1. Distribution channel is:

- a) set of advertising tools;
- b) system for getting goods from the manufacturer to the consumer;
- c) pricing method;
- d) financial control system.

2. Intensive distribution involves:

- a) sales through a single intermediary;
- b) limited number of dealers;
- c) the maximum possible number of retail outlets;
- d) exclusively online sales.

3. Exclusive distribution is appropriate for:

- a) everyday consumer goods;
- b) inexpensive mass-market goods;
- c) premium and image-driven goods;
- d) seasonal goods.

4. Selective distribution means:

- a) no intermediaries;
- b) cooperation with a limited number of selected partners;
- c) sales exclusively online;
- d) full integration of the manufacturer with retail.

5. Zero-level distribution channel is:

- a) sales through a wholesaler;
- b) sales through a distributor;
- c) direct sales by the manufacturer to the end consumer;
- d) sales through a retail chain.

6. Vertical marketing system (VMS) is characterized by:

- a) the independence of all participants;
- b) unified management or coordination among channel participants;
- c) the absence of contracts;
- d) horizontal integration of competitors.

7. The main indicator of distribution channel's effectiveness is:

- a) number of employees;
- b) wage level;
- c) inventory turnover;
- d) packaging design.

8. Omnichannel strategy involves:

- a) using only one sales channel;
- b) completely abandoning brick-and-mortar stores;
- c) integrating all channels of consumer interaction;
- d) selling exclusively through marketplaces.

9. Vertical conflict in the distribution channel arises between:

- a) two retail chains;
- b) two competing manufacturers;
- c) manufacturer and distributor;
- d) consumers.

10. The following is NOT factor in choosing distribution strategy:

- a) the nature of the product;
- b) market geography;
- c) consumer behavior;
- d) the manager's personal preferences.

MODULE 2. DISTRIBUTION CHANNEL AND SALES MANAGEMENT

Chapter 7

ORGANIZATION OF THE COMPANY'S SALES ACTIVITIES

7.1. The nature and role of the company's sales activities, the main functions and objectives of sales

7.2. Organizational structures of the sales department

7.3. Sales promotion methods, management of sales department personnel and evaluation of sales performance

7.1. The nature and role of the company's sales activities, the main functions and objectives of sales

The company's sales activities consist of set of organizational and economic measures aimed at delivering products from the manufacturer to the end consumer with the goal of generating profit.

Sales represent the final stage of the company's production and business operations. It is at this stage that:

- the value created is realized;
- the company's revenue is generated;
- its competitiveness is determined.

Sales are related to the following categories: marketing, logistics, customer relationship management (CRM), after-sales service.

Key sales functions:

1. Identifying and attracting customers.
2. Generating and processing orders.
3. Organizing deliveries.
4. Managing finished goods inventory.
5. Pricing and contract negotiation.
6. After-sales service.

Objectives of the sales department:

- ensuring that sales targets are met;
- expanding sales markets;

- increasing customer loyalty;
- minimizing sales expenses;
- managing accounts receivable.

7.2. Organizational structures of the sales department

The organizational structure depends on the size of the company, its product range, and the markets in which it operates.

Functional structure

The functional sales structure is organizational model in which departments are organized according to the functions they perform (planning, sales, logistics, service, analytics, etc.), rather than by product or region.

This structure is one of the simplest and most common, especially in small and medium-sized enterprises.

Main functions of the departments:

- Planning and analytics department:

sales forecasting;

developing sales plans;

market analysis;

monitoring KPI performance.

- Sales department:

customer acquisition;

negotiations;

contract signing;

deal follow-up.

- Logistics department:

organizing deliveries;

inventory management;

coordinating transportation.

- Service department:

after-sales service;

handling complaints;

customer support.

Advantages of functional structure:

- clear division of responsibilities;
- high employee specialization;
- simplicity of management;

- ease of control;
- reduction of overlapping functions.

Disadvantages:

- difficulty coordinating between departments;
- focus on function rather than the customer;
- slow response to market changes;
- overburdening of the sales manager.

Appropriateness of application: the company has a limited product range; operates in a relatively stable market; lacks significant geographic diversification; operates on a small or medium scale.

Product structure

The product structure of sales department is organizational model in which sales management is carried out on per-product or per-product-group basis. Each manager or department is responsible for the full sales cycle of a specific product. This structure is used by companies with a broad or diverse product range.

Key characteristics:

- each product group has dedicated manager;
- managers specialize in specific product;
- responsibility for sales, profitability, and product development is assigned to a specific unit;
- there may be overlapping functions across product lines.

Advantages of the product structure:

- high level of specialization among managers;
- better control over the profitability of individual products;
- flexibility in product promotion;
- ability to develop customized strategy for each product;
- rapid response to changes in demand for specific product.

Disadvantages:

- duplication of functions (logistics, analytics, advertising);
- increased administrative costs;
- potential internal competition between departments;
- difficulty coordinating activities.

Suitability for application:

- the company has wide product range;
- products differ significantly in terms of production technology;
- target markets vary for each product;

- products have different target segments.

Example of practical application. Product portfolio management is often used by: large manufacturing corporations; pharmaceutical companies; equipment manufacturers; FMCG companies with large number of brands. For example, companies that simultaneously manufacture home appliances, electronics, and HVAC equipment establish separate sales divisions for each product line.

Regional structure

The regional (territorial) sales structure is organizational model in which sales management is organized on geographic basis. Each regional division is responsible for the full range of sales operations within its assigned territory. This structure is effective for companies operating in a broad geographic market (national or international).

Commercial director: Western region; Central region; Southern region; Eastern region. In each region: sales managers; logistics coordinator; service specialist; accounts receivable manager.

Key characteristics:

- sales responsibility is assigned to a specific territory;
- managers have a thorough understanding of the local market;
- full responsibility for the region's financial performance;
- autonomy of regional units.

Advantages of regional structure:

- better knowledge of the local market and customers;
- quick response to changes in demand;
- improved service quality;
- reduced transportation costs;
- increased personal accountability.

Disadvantages:

- possible duplication of functions across different regions;
- difficulty in centralized control;
- risk of varying service quality;
- increased administrative costs.

Appropriateness of application:

- the company operates across large territory;
- there are significant differences between regional markets;
- products are aimed at the mass market;
- speed of delivery is important.

Examples of practical application: national retail chains; FMCG manufacturers; construction companies; distribution companies. For example, a company that sells construction materials throughout Ukraine establishes regional offices in major cities to provide prompt customer service.

Customer structure

The sales department's customer structure is organizational model in which units are formed according to customer types or market segments. The main principle is focus on the needs of specific group of consumers, rather than on product or territory.

Key characteristics:

- segmentation of customers (large, medium, small; B2B/B2C; government);
- individualized approach to each segment;
- dedicated account managers for key customers;
- strategy for long-term relationships.

Advantages of the customer structure:

- high level of customer focus;
- personalization of commercial offers;
- increased customer loyalty;
- growth in long-term contracts;
- better control over service for large customers.

Disadvantages:

- possible duplication of functions;
- increased management costs;
- complexity of coordination between segments;
- risk of conflicts of interest between departments.

Suitability for use:

- the company works with different types of customers;
- key customers account for significant share;
- personalized service is important;
- the market is highly competitive.

Examples of application: banks and insurance companies; IT companies; industrial equipment manufacturers; companies participating in government tenders. For example, a company may have separate division for working with large construction corporations and another for small businesses.

7.3. Sales promotion methods, management of sales department personnel and evaluation of sales performance

Key sales promotion tools:

- discounts and bonuses. Discounts and bonuses are among the most common sales promotion tools used to encourage customers to make purchases. Discounts reduce the selling price for limited period, making products more attractive to buyers. Bonuses provide additional value, such as free products, gifts, or reward points when purchasing certain quantities. These tools help increase sales volume, attract new customers, and reduce excess inventory;
- promotions and special offers. Promotional campaigns are temporary marketing activities designed to stimulate customer demand and encourage immediate purchases. They create sense of urgency and increase customer engagement. Special offers are particularly effective when introducing new products or boosting sales during slow periods;
- advertising. Advertising is a paid form of communication used to inform, persuade, and remind consumers about products or services. It builds brand awareness, communicates product benefits, and supports other promotional activities. Modern advertising combines traditional and digital media to reach target audiences efficiently;
- loyalty programs. Loyalty programs encourage repeat purchases by rewarding customers for their continued patronage. These programs strengthen long-term customer relationships, increase customer retention, and enhance customer lifetime value. Digital technologies and mobile applications have significantly improved the effectiveness of loyalty programs;
- merchandising. Merchandising refers to the presentation and arrangement of products at the point of sale to maximize visibility and stimulate purchases. Effective merchandising improves the shopping experience and increases impulse buying by making products more attractive and accessible;
- participation in trade shows. Trade shows and exhibitions provide businesses with opportunities to present products, establish business relationships, generate sales leads, and monitor competitors. They are particularly valuable in business-to-business (B2B)

markets, where personal interaction plays an important role in purchasing decisions.

Sales promotion can be targeted at:

- consumers. Consumer promotions are designed to encourage end customers to purchase products or services. These activities aim to increase demand, attract new buyers, stimulate repeat purchases, and strengthen brand loyalty. Common tools include: price discounts, coupons, free samples, buy-one-get-one (BOGO) offers, loyalty programs, contests and sweepstakes, cashback offers;
- distributors. Trade promotions are aimed at wholesalers, distributors, retailers, and other channel intermediaries. Their purpose is to motivate channel partners to stock, promote, and actively sell the company's products. Common tools include: trade discounts, volume bonuses, cooperative advertising support, display allowances, sales contests for retailers, free merchandise, training programs for distributors;
- the company's own sales staff. Sales force promotions are directed at the company's own sales representatives to improve their motivation and performance. These programs encourage employees to achieve sales targets and enhance customer service. Common tools include: sales commissions, performance bonuses, sales contests, recognition awards, incentive trips, professional training, career development opportunities.

Sales effectiveness depends largely on the professionalism of managers. *Key aspects of management:*

- staff recruitment and training;
- motivation (fixed + variable pay);
- monitoring of performance;
- KPI system (examples: sales volume, margin, number of new customers, level of accounts receivable, etc.).

Evaluation of sales performance. Key indicators:

1. Sales volume.
2. Market share.
3. Return on sales.
4. Selling expenses.
5. Inventory turnover.
6. Customer satisfaction level.

Questions for discussion

1. What is the economic essence of the company's sales activities?
2. What role does sales play in the company's management system?
3. What are the main functions of the sales department?
4. What challenges does the sales department face in competitive environment?
5. What factors influence the choice of organizational structure for the sales department?
6. Describe the functional structure of sales organization.
7. What are the advantages and disadvantages of product-based sales structure?
8. When is it appropriate to use regional sales structure?
9. In what cases is customer-based sales structure used?
10. What sales promotion methods are used for end consumers?
11. What motivational tools are used for sales staff?
12. What metrics are used to evaluate the effectiveness of sales activities?
13. What are the current trends in the development of sales activities?
14. How does digitalization affect sales organization?
15. Why are sales the final and decisive stage of the company's business activities?
16. Analyze the impact of the sales department's structure on the company's competitiveness.
17. What risks arise from ineffective sales organization?
18. How do changes in market conditions affect the organization of sales activities?
19. What sales department structure would you propose for the large manufacturing enterprise? Justify your answer.
20. How can the effectiveness of sales managers be improved?
21. Which sales promotion measures are most effective during crisis?

Practical exercises

Practical exercise 1. Selecting a sales organizational structure.

The company manufactures:

- 3 product groups (building materials);
- sells its products throughout Ukraine;
- works with large construction companies and retail chains.

Tasks:

1. Propose the optimal sales organization structure.
2. Justify your choice.
3. Identify the potential risks of such a structure.

Practical exercise 2. Calculating sales efficiency.

Sales revenue – 2,500,000 EUR.

Cost of goods sold – 1,900,000 EUR.

Selling expenses – 200,000 EUR.

Tasks:

1. Calculate the profit.
2. Determine the return on sales.
3. Analyze whether sales activities are effective.

Practical exercise 3. Analysis of sales problems.

The company is facing the following problems:

- declining sales;
- increasing accounts receivable;
- loss of regular customers.

Tasks:

1. Identify the possible causes of these problems.
2. Propose measures to improve the situation.
3. Develop a brief crisis response plan.

Practical exercise 4. Sales promotion plan.

The company plans to increase sales by 15% over the course of the quarter.

Tasks:

1. Develop set of sales promotion activities.
2. Identify the target audience.

3. Propose cost-effective promotional tools.
4. Identify metrics for evaluating the campaign's effectiveness.

Practical exercise 5. Optimizing selling expenses.

Selling expenses account for 18% of revenue, which exceeds the industry average (12%).

Tasks:

1. Identify possible reasons for the excess in expenses.
2. Suggest ways to optimize expenses without compromising service quality.
3. Calculate by how much expenses need to be reduced if revenue is 3,000,000 EUR.

Practical exercise 6. Sales organization for the small business.

The small business produces artisanal food products.

Tasks:

1. Identify the optimal sales channel.
2. Propose a structure for the sales department.
3. Develop a brief strategy for entering the regional market.

Practical exercise 7. Evaluation of the sales department's performance.

Sales target – 1,000,000 EUR.

Actual sales – 920,000 EUR.

New customers acquired – 12 (target – 10).

Tasks:

1. Evaluate the degree to which the plan was met (%).
2. Analyze the department's performance.
3. Propose management decisions.

Practical exercise 8. Decline in sales in the regional market.

The home appliance manufacturer operates through regional sales network. Over the past 6 months, the following trends have been observed:

- an 18% decline in sales in the Western region;
- an increase in inventory levels;
- some customers switching to competitors;
- a decline in regional managers' motivation.

A competitor has launched aggressive discount program and free shipping.

Tasks:

1. Identify the possible causes of the decline in sales.
2. Analyze the effectiveness of the regional sales structure.
3. Propose a set of crisis-response measures.
4. Is it advisable to change the organizational structure of the sales department?

Practical exercise 9. Launching a new product.

The company is launching a new line of energy-efficient heaters.

Challenges:

- limited advertising budget;
- lack of an in-house retail network;
- low brand awareness.

The product has innovative features but is priced higher than competitors.

Tasks:

1. Which distribution channel should be chosen: direct, indirect, or mixed?
2. What positioning strategy should be used?
3. Which sales promotion tools will be effective?
4. How can the risk of the new product's failure be minimized?

Practical exercise 10. Implementing omnichannel sales.

The company has:

- brick-and-mortar stores in 5 cities;
- separate online store;
- social media pages.

The problem is lack of channel integration:

- different prices;
- different inventory levels;
- customers complain about confusion.

Tasks:

1. Identify the main shortcomings of the current system.
2. Propose a structure for an omnichannel model.
3. What IT tools need to be implemented?
4. Assess the potential economic benefits of channel integration.

Test tasks

1. *The company's sales activities are:*

- a) the production process;
- b) set of measures to deliver goods to the consumer;
- c) the process of purchasing raw materials;
- d) the accounting system.

2. *The main functions of the sales department include:*

- a) calculating depreciation;
- b) organizing product deliveries;
- c) auditing financial statements;
- d) production planning.

3. *Direct sales channel involves:*

- a) sales through wholesale intermediaries;
- b) sales through a retail network;
- c) direct sales to consumers;
- d) multi-level system of intermediaries.

4. *Which sales structure is organized according to geographical principles?*

- a) product-based;
- b) functional;
- c) regional;
- d) customer-based.

5. *The return on sales ratio is calculated as:*

- a) $\text{revenue} / \text{expenses} \times 100\%$;
- b) $\text{profit} / \text{revenue} \times 100\%$;
- c) $\text{expenses} / \text{profit} \times 100\%$;
- d) $\text{profit} / \text{assets} \times 100\%$.

6. Sales promotion methods include:

- a) raising taxes;
- b) conducting audits;
- c) discounts and bonuses;
- d) modernizing equipment.

7. KPIs in the sales department are:

- a) key financial documents;
- b) supplier incentive system;
- c) key performance indicators;
- d) production planning method.

8. Customer-based sales structure involves:

- a) division by territory;
- b) division by function;
- c) division by product group;
- d) division by customer type.

9. The criteria for selecting distribution channel include:

- a) packaging color;
- b) the company's financial capabilities;
- c) the number of accounting staff;
- d) the company's form of ownership.

10. The main objective of sales organization is:

- a) to minimize production costs;
- b) to maximize inventory levels;
- c) to ensure effective product sales and profit generation;
- d) to increase the number of employees.

8.1. The nature and role, goals and objectives, main tools of sales promotion within the marketing communications system

8.2. Sales promotion targeted at consumers, trade intermediaries and sales personnel

8.3. Planning and organizing sales promotion activities, evaluating the effectiveness of sales promotion programs

8.1. The nature and role, goals and objectives, main tools of sales promotion within the marketing communications system

The modern market is characterized by high level of competition, rapidly changing consumer preferences, and the need for active use of marketing communications. One of the key tools for influencing consumers is sales promotion.

Sales promotion is set of short-term marketing activities aimed at stimulating demand, increasing sales volumes, and encouraging consumers, intermediaries, and sales staff to purchase or promote a product.

Unlike advertising, which shapes long-term brand perception, sales promotion is immediate in nature and aimed at achieving quick results.

Key characteristics of sales promotion:

- short-term nature;
- focus on immediate customer response;
- encouraging repeat purchases;
- increasing interest in a product or brand.

Within an integrated marketing communications system, sales promotion serves the following *functions*:

- accelerating the purchase decision;
- supporting advertising campaigns;
- encouraging trial use of the product;
- stimulating the activities of sales intermediaries;
- increasing the motivation of sales staff.

The primary goal of sales promotion is to increase sales of goods or services in the short term.

The *main objectives* of sales promotion are:

1. Attracting new customers. Companies use promotions, discounts, and free samples to attract new customers and encourage them to try the product.

2. Increasing purchase frequency. Loyalty programs and reward systems motivate consumers to buy products more often.

3. Increasing the value of single purchase. Promotions such as the following are used:

- “Buy 1, Get 1 Free”;
- “Buy 3, Get 1 Free”;
- discounts for purchasing large quantities of goods.

4. Supporting new product launches. Sales promotions help bring new products to market faster.

5. Reducing seasonal fluctuations in demand. Promotions stimulate sales during periods of low demand.

6. Increasing customer loyalty. Using bonus programs and point-accumulation systems.

Key sales promotion tools:

1. Discounts. The most common sales promotion tool. Types of discounts: seasonal, holiday, volume, special.

2. Coupons. Coupon entitles the buyer to purchase product at discount.

3. Rewards. The buyer receives additional product or gift.

4. Tastings and demonstrations. These allow the buyer to familiarize themselves with the product before purchasing.

5. Sweepstakes and contests. These motivate buyers to participate in promotional campaigns.

8.2. Sales promotion targeted at consumers, trade intermediaries and sales personnel

Sales promotion aimed at *consumers*. This type of promotion aims to directly influence end consumers.

Main tools:

1. Price incentives:

- discounts;

- coupons;
 - sales promotions;
 - cashback.
2. Non-price incentives:
- gifts;
 - tastings;
 - free samples;
 - reward programs.

Advantages of consumer promotion:

- rapid sales growth;
- generating interest in new product;
- attracting new customers.

Disadvantages:

- short-term effect;
- risk of damaging brand prestige with frequent discounts.

Tade intermediaries play important role in the distribution system. Main incentive methods:

1. Trade discounts. Granted to intermediaries for purchasing large quantities of goods.
2. Bonus programs. Rewards for achieving a certain sales volume.
3. Advertising support. The manufacturer may reimburse advertising expenses.
4. Merchandising. Organizing the proper placement of goods at retail locations.
5. Joint marketing programs. The manufacturer and intermediary conduct promotional campaigns together.

Sales personnel play important role in promoting products. Key tools:

1. Financial incentives:
 - bonuses;
 - incentives;
 - commissions.
2. Non-financial incentives:
 - awards;
 - recognition;
 - career advancement.
3. Sales competitions. These are held to boost motivation.

8.3. Planning and organizing sales promotion activities, evaluating the effectiveness of sales promotion programs

The effective sales promotion program requires careful *planning*.

Key steps:

1. Setting goals. For example:
 - increasing sales;
 - attracting new customers.
2. Selecting the target audience:
 - consumers;
 - intermediaries;
 - sales personnel.
3. Selecting promotional tools.
4. Developing the budget.
5. Implementing the program.
6. Evaluating the results.

Performance evaluation allows you to determine the effectiveness of the measures taken. *Key indicators:*

1. Sales growth.
2. Market share.
3. Number of new customers.
4. Campaign profitability.

Performance formula:

$$\text{ROI} = (\text{additional profit} - \text{campaign costs}) / \text{campaign costs} \times 100\%$$

Evaluation methods:

- comparison of sales before and after the promotion;
- analysis of consumer behavior;
- marketing research.

Questions for discussion

1. What is sales promotion, and what is its role in the marketing communications system?
2. What are the key characteristics of sales promotion that distinguish it from advertising and other communication tools?
3. What are the main objectives of sales promotion within company?
4. What roles does sales promotion play in the process of promoting products on the market?
5. What factors influence the choice of sales promotion tools?
6. What are the main categories of sales promotion tools?
7. What sales promotion methods are used for end consumers?
8. What are the advantages and disadvantages of sales promotion aimed at consumers?
9. What sales promotion tools are used for trade intermediaries?
10. What role does sales promotion play in improving the performance of trade intermediaries?
11. What sales promotion methods are used to motivate sales staff?
12. What are the stages of planning sales promotion program at the company?
13. What criteria are used to evaluate the effectiveness of sales promotion activities?
14. What metrics are used to measure the effectiveness of sales promotion programs?
15. What risks may arise from the excessive use of sales promotion?

Practical exercises

Practical exercise 1. Identifying sales promotion tools.

The company is launching new type of energy drink and plans to boost sales in the market.

Tasks:

1. Suggest 5 sales promotion tools that can be used to promote this product.
2. Identify the target audience for each tool (consumers, intermediaries, sales staff).
3. Justify the appropriateness of using each tool.

Practical exercise 2. Analysis of sales promotion.

Consider the following example of a marketing promotion. Supermarket chain is running a promotion: “Buy 2 items – get the third one free.”

Tasks:

1. Identify the type of sales promotion.
2. To which group of marketing tools does it belong?
3. What are the benefits of this promotion for the company?
4. What are the potential risks for the company?

Practical exercise 3. Developing sales promotion program.

The company plans to increase sales of home appliances.

Task: develop brief sales promotion program, specifying:

- the program’s objective;
- the target audience;
- the main promotional tools;
- the duration of the promotion;
- the expected results.

Practical exercise 4. Choosing the best sales promotion tool.

For each situation, identify the most effective sales promotion tool (Table):

Situation	Promotional tool
Launching the new product	
Increasing sales during seasonal slump	
Boosting sales staff motivation	
Attracting new customers	
Encouraging distributors to sell more products	

Practical exercise 5. Evaluating the effectiveness of sales promotion.

The company conducted an advertising and promotional campaign. Data:

- campaign costs – 50,000 EUR;
- additional profit from sales – 80,000 EUR.

Tasks:

1. Calculate the return on investment (ROI) for the campaign.
2. Draw conclusion regarding the effectiveness of the campaign.

Practical exercise 6. Comparison of incentive tools.

Fill in the Table:

Promotional tool	Advantages	Disadvantages
Discounts		
Coupons		
Free samples		
Contests		
Rewards programs		

Practical exercise 7. Analysis of real-world example.

Choose any brand or company (for example, supermarket, online store, or electronics manufacturer).

Tasks:

1. Analyze the sales promotion methods the company uses.
2. Identify the objectives of these initiatives.
3. Evaluate their effectiveness.
4. Propose two new sales promotion tools that could increase sales.

Practical exercise 8. New product launch.

FreshLife is launching the new natural fruit juice on the market. The market is already saturated with similar products, so the company needs to quickly attract customers' attention and encourage initial purchases.

The marketing department has proposed the following sales promotion activities:

- free tastings in supermarkets;
- 15% discount during the first month of sales;
- “Buy 2 bottles – get the third free” promotion;
- prize drawing for customers;
- bonuses for distributors for increasing purchase volumes.

Tasks:

1. Identify which sales promotion tools the company is using.
2. Which target groups are they aimed at (consumers, intermediaries)?
3. Which of these measures could be most effective for launching new product?
4. Suggest two additional sales promotion tools.

Practical exercise 9. Decline in sales during the off-season.

WinterSport sells sports equipment for winter sports. Sales drop significantly during the summer. Management has decided to implement sales promotion strategies to sustain demand.

Marketers have proposed the following options:

- seasonal discounts of up to 30%;
- loyalty program for regular customers;
- gift certificates;
- contests on social media;
- bonuses for salespeople to increase sales.

Questions:

1. What problem is the company trying to solve?
2. What sales promotion tools are being used?
3. Which of these are aimed at consumers and sales personnel?
4. What other promotional measures could be used to boost sales during the off-season?

Practical exercise 10. Motivating sales personnel.

TechHome sells home appliances through the chain of stores. Sales began to decline, so management decided to boost sales staff motivation.

The incentive program was introduced:

- bonus for meeting sales targets;
- additional bonus for selling new appliance models;
- “Top Salesperson of the Month” contest;
- vacation trip for the top managers.

Six months later, sales increased by 20%.

Questions:

1. What type of sales promotion do these measures fall under?
2. What motivational tools did the company use?
3. Why can incentivizing sales staff have significant impact on sales?
4. What other methods can be used to motivate salespeople?

Test tasks

1. Sales promotion is:

- a) the long-term development of the company's image;
- b) set of short-term measures aimed at increasing product sales;
- c) the process of setting product prices;
- d) production management system.

2. The main goal of sales promotion is:

- a) to reduce production costs;
- b) to increase sales volume in the short term;
- c) to create new distribution channels;
- d) to reduce the number of intermediaries.

3. Sales promotion tools aimed at consumers include:

- a) coupons, discounts, free samples;
- b) commission-based incentives;
- c) the company's credit policy;
- d) product licensing.

4. Which sales promotion tool grants the buyer the right to purchase product at discount?

- a) coupon;
- b) franchising;
- c) leasing;
- d) factoring.

5. Sales promotion methods aimed at trade intermediaries include:

- a) trade discounts;
- b) product tastings;
- c) customer lotteries;
- d) advertising on social media.

6. Which sales promotion tool allows customers to try product for free?

- a) coupon;
- b) product tasting;
- c) bonus;
- d) credit.

7. Sales promotion aimed at sales staff includes:

- a) commissions and bonuses;
- b) product tastings;
- c) coupons for customers;
- d) seasonal sales.

8. Which of the following sales promotion tools is designed to increase salespeople's motivation?

- a) sales contest;
- b) television advertising;
- c) product packaging;
- d) branding.

9. Which of the following indicators is used to evaluate the effectiveness of sales promotion?

- a) sales volume;
- b) number of production workers;
- c) level of technological equipment;
- d) company floor space.

10. The main feature of sales promotion is:

- a) long-term impact on the company's image;
- b) short-term impact on increasing sales;
- c) shaping the company's organizational structure;
- d) managing financial resources.

9.1. *The essence of omnichannel and its evolution, differences between multichannel, cross-channel and omnichannel models*

9.2. *Key elements of omnichannel strategy, logistical support for omnichannel operations and digital technologies in omnichannel systems*

9.3. *The omnichannel customer experience, the benefits and challenges of implementing omnichannel strategies and the prospects for the development of omnichannel sales*

9.1. The essence of omnichannel and its evolution, differences between multichannel, cross-channel and omnichannel models

Omnichannel is integrated strategy for managing sales and communication channels that ensures seamless and consistent customer experience regardless of the interaction channel.

Evolution of approaches:

- single-channel model – sales through single channel;
- multichannel model – several independent channels;
- cross-channel model – partial integration of channels;
- omnichannel model – full integration of all channels.

Differences between models:

Criterion	Multichannel	Cross-channel	Omnichannel
Integration	None	Partial	Full
Data	Disparate	Partially consolidated	Single database
Customer experience	Fragmented	Partially consistent	Seamless
Inventory management	Separate	Partially coordinated	Centralized

9.2. Key elements of omnichannel strategy, logistical support for omnichannel operations and digital technologies in omnichannel systems

Key elements of omnichannel strategy:

Sales channels:

- online stores;
- brick-and-mortar stores;
- marketplaces;
- mobile apps;
- social media.

Data integration:

- unified CRM system;
- unified customer database;
- order synchronization.

Inventory management:

- real-time inventory;
- consolidated warehouses.

Logistics:

- Click & Collect (purchasing model in which customer orders product online – via website or app and picks it up in person at brick-and-mortar store or pickup location);
- Ship-from-store (fulfillment model in which online orders are packed and shipped directly from local physical stores rather than from a centralized warehouse);
- Last-mile delivery (the final stage of logistics, involving the transportation of goods from a distribution center or warehouse to the final destination (the customer's doorstep)).

Omnichannel strategy requires high level of *logistics integration*.

Key logistics solutions:

- centralized distribution centers;
- decentralized warehouses (dark stores);
- “Last-mile” optimization;
- intelligent routing systems.

Key tools:

- WMS (Warehouse Management System);
- TMS (Transport Management System);
- OMS (Order Management System) – software platform that

centralizes, automates, and tracks the entire lifecycle of a customer's order.

Modern omnichannel strategies are based on *digital technologies*:

- Big Data and analytics;
- Artificial Intelligence (AI);
- Internet of Things (IoT);
- Cloud technologies;
- Blockchain (for tracking supply chains).

Features:

- personalization of offers;
- demand forecasting;
- inventory optimization;
- process automation.

9.3. The omnichannel customer experience, the benefits and challenges of implementing omnichannel strategies and the prospects for the development of omnichannel sales

Omnichannel customer experience:

Key features:

- seamless experience – ensures that customers can move effortlessly between different channels such as websites, mobile apps, physical stores, social media, and customer service—without interruption. Information, shopping carts, and customer preferences remain synchronized across all channels;
- personalization – involves tailoring products, services, promotions, and communications to individual customer preferences, behaviors, and purchase history. Companies use customer data, CRM systems, and artificial intelligence (AI) to deliver relevant and customized experiences;
- speed of service – refers to the ability to provide quick, efficient, and convenient customer support and order fulfillment across all channels. Fast response times improve customer satisfaction and strengthen competitive advantage;
- unified interaction history – means that all customer interactions – purchases, inquiries, complaints, preferences, and communications are stored in a centralized database. Employees can access this information regardless of the communication channel,

ensuring consistent and informed customer service.

Benefits:

- increased sales;
- enhanced customer loyalty;
- inventory optimization;
- competitive advantages.

Challenges:

- high implementation costs;
- complexity of system integration;
- managing large volumes of data;
- need for qualified personnel.

Prospects for omnichannel development:

- development of AI-driven omnichannel platforms – artificial intelligence is transforming omnichannel management by enabling businesses to analyze customer behavior, predict demand, automate decision-making, and deliver highly personalized experiences. AI-powered platforms integrate data from multiple channels to optimize marketing, inventory management, and customer service;

- use of augmented reality (AR) – enhances the customer experience by allowing consumers to visualize products in real-world environments before making a purchase. AR bridges the gap between physical and digital shopping, increasing customer confidence and reducing product returns;

- warehouse automation (robotization) – uses robotics, artificial intelligence, and autonomous systems to improve logistics efficiency. Automated warehouses increase order accuracy, reduce operating costs, and enable faster order fulfillment, supporting seamless omnichannel operations;

- development of ultra-fast delivery – aim to deliver products within a few hours or even minutes after an order is placed. Advances in logistics, micro-fulfillment centers, route optimization, and real-time inventory management make this possible;

- integration of social commerce – the sale of goods and services directly through social media platforms (Instagram, TikTok, Facebook) allowing users to find, view, and purchase products without leaving the app.

Questions for discussion

1. What is an omnichannel strategy, and what is its essence?
2. What stages in the evolution of sales channels led to the emergence of omnichannel retailing?
3. What are the main differences between multichannel, cross-channel, and omnichannel models?
4. What are the key principles underlying the omnichannel approach?
5. What role does data integration play in omnichannel system?
6. What are the main channels used in omnichannel strategies?
7. Why is omnichannel important for modern businesses?
8. What factors determine the effectiveness of omnichannel system?
9. What are the main benefits of the omnichannel approach for consumers?
10. What risks and challenges arise when implementing omnichannel strategies?
11. How does consumer behavior change in omnichannel environment?
12. What logistics solutions are needed to support omnichannel strategy?
13. How should inventory management be organized in omnichannel system?
14. What role do CRM, ERP, and OMS systems play in omnichannel environment?
15. How is the Click & Collect model implemented in practice?
16. How can the company integrate online and offline sales channels?
17. How can effective returns system be organized in omnichannel environment?
18. Can small businesses effectively implement omnichannel strategy?
19. Will omnichannel retail replace traditional retail?
20. What role will digital technologies play in the future of omnichannel sales?

Practical exercises

Practical exercise 1. Classification of models.

Choose the real company and:

- identify its sales channels;
- classify its model (multi-channel/cross-channel/omni-channel);
- justify your answer.

Practical exercise 2. The process of purchasing the product in omnichannel system.

Describe the process of purchasing the product in omnichannel system:

- searching for the product;
- placing an order;
- payment;
- delivery / pickup;
- returns.

Practical exercise 3. Optimization costs through omnichannel model.

The company has the following data:

- online sales – 60%;
- offline sales – 40%;
- logistics costs – 15% of revenue.

Tasks:

- propose ways to optimize costs through omnichannel approach;
- describe specific logistics solutions.

Practical exercise 4. Implementing Click & Collect.

Calculate the effectiveness of implementing Click & Collect:

Input data:

- average online order value – 800 EUR;
- average in-store order value – 500 EUR;
- additional purchases with in-store pickup – +20%.

Questions:

- What is the new average order value for Click & Collect?
- What is the economic impact?

Practical exercise 5. Implementing omnichannel strategy.

The retailer wants to implement omnichannel strategy.

Constraints:

- limited budget;
- lack of in-house logistics.

Requirements:

- propose phased implementation plan;
- set priorities;
- propose partnership solutions.

Practical exercise 6. Developing omnichannel strategy.

Develop omnichannel strategy for clothing store or electronics store.

Include:

- sales channels;
- logistics;
- IT systems;
- customer experience.

Practical exercise 7. Ineffective channel integration.

The company has:

- online store;
- 8 brick-and-mortar stores;
- warehouse in the city.

Problem:

Customers often order products online, but after placing their order, they find out that the items are out of stock.

Reasons:

- lack of unified inventory management system;
- stores operate independently;
- information is updated with delay.

Tasks:

1. Identify the type of model (multi-, cross-, or omnichannel).
2. What key mistakes did the company make?
3. Propose a solution (IT + logistics).
4. What KPIs should be implemented?

Practical exercise 8. Development of Click & Collect.

The retailer plans to implement Click & Collect model.

Challenges:

- lines at pickup locations;
- delays in order processing;
- lack of pickup areas.

Objectives:

1. Which logistics processes need to be optimized?
2. How should store layouts be changed?
3. What IT systems are needed?
4. How can customer satisfaction be improved?

Practical exercise 9. Omnichannel in large-scale retail.

Walmart is actively implementing omnichannel model:

- online ordering;
- curbside pickup;
- home delivery.

Challenge: high “last mile” costs.

Tasks:

1. Why is the “last mile” the most expensive stage?
2. What solutions can be implemented to reduce costs?
3. How can stores be used as mini-warehouses?
4. Propose innovative solutions.

Practical exercise 10. Small business and omnichannel.

Small clothing store has:

- Instagram page;
- brick-and-mortar store;
- no website.

Problem: low conversion rates and customer churn.

Tasks:

1. Can this be considered omnichannel model?
2. What steps should be taken to transition to omnichannel model?
3. What affordable tools can be used?
4. How can the customer experience be improved?

Test tasks

1. Omnichannel strategy is:

- a) the use of single sales channel;
- b) the existence of several independent channels;
- c) the integration of all sales channels into single system;
- d) selling exclusively through online platforms.

2. The main difference between the omnichannel model and the multichannel model lies in:

- a) the number of channels;
- b) the integration of channels;
- c) the cost of goods;
- d) the sales geography.

3. What is Click & Collect?

- a) online payment for goods;
- b) ordering online with home delivery;
- c) ordering online with in-store pickup;
- d) sales via social media.

4. Which element is key to omnichannel strategy?

- a) high prices;
- b) data integration;
- c) no warehouses;
- d) limited channels.

5. What is example of omnichannel approach?

- a) selling only in-store;
- b) selling only online;
- c) ordering online and returning in-store;
- d) selling through a single channel.

6. Which logistics concept is related to delivery to the end consumer?

- a) first mile;
- b) middle mile;
- c) last mile;
- d) supply chain.

7. Which factor is advantage of an omnichannel strategy?

- a) increased costs;
- b) decreased customer loyalty;
- c) improved service quality;
- d) limited choice.

8. What is the main challenge in implementing omnichannel strategy?

- a) excess of customers;
- b) ease of integration;
- c) high complexity and cost;
- d) lack of technology.

9. Which model involves partial channel integration?

- a) single-channel;
- b) multi-channel;
- c) cross-channel;
- d) omnichannel.

10. What is the main goal of omnichannel strategy?

- a) reducing sales channels;
- b) maximizing costs;
- c) creating a unified customer experience;
- d) eliminating offline retail.

10.1. The nature and development of e-commerce, major e-commerce models

10.2. Digital sales channels, digital marketing tools in e-commerce

10.3. Advantages and risks of e-commerce, trends in the development of digital sales channels

10.1. The nature and development of e-commerce, major e-commerce models

E-commerce is the buying and selling of goods and services over the Internet using digital technologies.

Key stages of development:

- 1990s – the emergence of the first online stores;
- 2000s – the rise of marketplaces (e.g., Amazon, eBay);
- 2010s – mobile commerce and social media;
- 2020+ – omnichannel, AI, personalization.

Key market players: marketplaces and online stores – Amazon and AliExpress.

Market structure. Key segments:

- electronics;
- clothing and footwear;
- cosmetics;
- home goods;
- groceries.

Fastest-growing sectors:

- food delivery;
- marketplaces;
- social commerce.

Payment Systems. Popular payment methods:

- online card payment;
- cash on delivery;
- mobile payments.

Payment services: LiqPay and WayForPay.

Growth Factors:

Positive:

- growth in the number of internet users;
- development of logistics;
- digitalization of business;
- availability of smartphones.

Limitations:

- mistrust of online payments;
- cyber risks;
- economic instability;
- logistical challenges.

Problems and challenges:

- competition with international platforms;
- dependence on logistics;
- security issues;
- regulatory restrictions.

Main e-commerce models:

B2C (Business-to-Consumer): sale of goods to end consumers.

Example: Amazon.

B2B (Business-to-Business): trade between businesses. Example: Alibaba.

C2C (Consumer-to-Consumer): sales between consumers.

Example: OLX.

C2B (Consumer-to-Business): consumer offers product or service to a business. Example: freelance platforms.

10.2. Digital sales channels, digital marketing tools in e-commerce

Digital sales channels are ways of interacting with customers online. Main channels:

- online stores (proprietary websites) – own e-commerce website where customers can browse products, place orders, make secure payments, and access customer support. Proprietary websites provide businesses with full control over branding, pricing, customer data, and the overall shopping experience;
- marketplaces – third-party online platforms that connect

multiple sellers with a large customer base. They allow businesses to quickly expand their market reach without developing their own e-commerce infrastructure;

- social media platforms (Instagram, Facebook, TikTok) – enable businesses to promote products, engage with customers, and conduct direct sales through social commerce features;

- mobile apps – mobile applications provide customers with convenient access to products and services through smartphones and tablets. They often include personalized offers, loyalty programs, mobile payments, and push notifications;

- email marketing – digital communication channel used to send promotional messages, newsletters, personalized offers, and product recommendations directly to customers' email addresses;

- messaging apps (Telegram, Viber, WhatsApp, Facebook Messenger) – enable businesses to communicate with customers instantly, provide support, share promotional offers, and facilitate purchases through conversational commerce.

Digital marketing tools in e-commerce:

- SEO (Search Engine Optimization) – search engine optimization (Google).

- Contextual advertising – advertising on search engines and networks.

- SMM (Social Media Marketing) – social media promotion.

- Email marketing – personalized email campaigns.

- Content marketing – blogs, videos, articles.

10.3. Advantages and risks of e-commerce, trends in the development of digital sales channels

Advantages and risks of e-commerce:

Advantages:

- global market;
- cost reduction;
- personalization;
- 24/7 availability.

Risks:

- cyber threats;
- competition;

- logistical issues;
- product returns.

Key trends in e-commerce:

- mobile commerce (m-commerce) is a form of e-commerce that involves the buying and selling of goods and services using mobile devices (smartphones, tablets);

- AI and personalization – tailoring content, offers, and communication to specific users;

- voice commerce – the process of purchasing goods and services through voice interfaces using voice assistants, smartphones, or smart speakers. Example: Amazon Alexa – voice assistant for shopping; Google Assistant – voice search and ordering; Apple Siri – voice control via iPhone / HomePod; Smart speakers: Echo, Nest, HomePod;

- same-day delivery – logistics service that delivers customer orders on the same day they are placed. Advances in warehouse automation, inventory management, and route optimization have made rapid delivery an important competitive advantage;

- use of Big Data – refers to the collection and analysis of large volumes of structured and unstructured data generated by customers, transactions, websites, and digital platforms. Businesses use Big Data to improve decision-making and optimize e-commerce operations.

Questions for discussion

1. What are the main stages of e-commerce development?
2. What e-commerce models exist (B2C, B2B, C2C, C2B)?
3. What are the main types of digital channels you are familiar with?
4. What are the main digital marketing tools used in e-commerce?
5. How is consumer behavior changing in the digital environment?
6. What is the essence of SEO and its importance for online store?
7. How does contextual advertising work?
8. What are the advantages of using social media as sales channel?
9. What is the difference between online store and marketplace?
10. What factors influence the choice of a digital sales channel?
11. What are the advantages and disadvantages of e-commerce for businesses?
12. What risks are associated with e-commerce?
13. How is digitalization changing traditional sales channels?
14. What role does data (Big Data) play in e-commerce?
15. How is competition changing in digital markets?
16. How do you build an effective online store?
17. What KPIs should be used to evaluate e-commerce performance?
18. How do you integrate social media into your sales system?
19. How can digital tools be used to boost sales?
20. How do global marketplaces affect local businesses?
21. What ethical issues arise in digital marketing?
22. How will e-commerce change in the future?
23. What innovations could radically transform digital sales channels?

Practical exercises

Practical exercise 1. Choosing e-commerce model.

Epy company plans to sell electronics online.

Tasks:

- Select the most appropriate model (B2C, B2B, C2C, C2B).
- Justify your choice.
- Provide examples of implementations.

Practical exercise 2. Analysis digital sales channels.

The company sells clothing and wants to expand its business online.

Tasks:

- Select 3–5 digital channels (website, marketplace, social media).
- Evaluate them based on the following criteria: cost, reach and effectiveness.
- Determine the optimal set of channels.

Practical exercise 3. Developing digital strategy.

Startup is launching new cosmetics brand.

Tasks:

- Select the target audience.
- Identify marketing channels.
- Propose tools (SEO, SMM, advertising).
- Develop brief launch plan.

Practical exercise 4. Social media integration.

Tasks:

- Select platform (Instagram, TikTok, etc.).
- Develop a content plan (5–7 posts).
- Propose a method for selling through social media.

Practical exercise 5. CRM implementation.

Tasks:

- Explain how CRM helps in e-commerce.
- Outline the system's features.
- Describe the expected results.

Practical exercise 6. Amazon – the leader in e-commerce.

The company has created global platform with millions of products, utilizing:

- marketplace;
- its own logistics (Fulfillment by Amazon);
- personalization.

Problem: increasing competition and high logistics costs.

Tasks:

1. Identify the key sales channels.
2. Analyze the logistics model.
3. Assess the role of personalization.
4. Propose ways to reduce costs.

Practical exercise 7. Zara – omnichannel retail.

The company integrates online and offline sales:

- online orders;
- in-store pickup;
- rapid response to demand.

Problem: the need to synchronize channels and inventory.

Tasks:

1. Describe the omnichannel model.
2. Identify the benefits for customers.
3. Analyze the logistical challenges.
4. Suggest improvements.

Practical exercise 8. Shopify – e-commerce platform.

The platform allows businesses to create online stores without complex development.

Problem: high competition among platforms.

Tasks:

1. Define the business model.
2. Assess the target audience.
3. Analyze competitive advantages.
4. Propose new features.

Test tasks

1. E-commerce is:

- a) the process of producing goods;
- b) the buying and selling of goods over the Internet;
- c) only online advertising;
- d) the delivery of goods.

2. The B2C model means:

- a) business → business;
- b) business → consumer;
- c) consumer → business;
- d) government → business.

3. Example of marketplace is:

- a) Instagram;
- b) email;
- c) Amazon;
- d) blog.

4. Which of the following are digital sales channels?

- a) TV advertising;
- b) online store;
- c) trade shows;
- d) printed catalogs.

5. SEO is:

- a) method of delivering goods;
- b) search engine optimization;
- c) packaging method;
- d) financial instrument.

6. Omnichannel means:

- a) using only one channel;
- b) completely abandoning offline sales;
- c) integrating all sales channels;
- d) selling only through mobile apps.

7. “Last mile” refers to:

- a) international delivery;
- b) delivery from the warehouse to the customer;
- c) product manufacturing;
- d) customs clearance.

8. Which model involves sales between consumers?

- a) B2B;
- b) B2C;
- c) C2C;
- d) C2B.

9. Which tool is part of digital marketing?

- a) warehouse logistics;
- b) email marketing;
- c) transportation;
- d) packaging.

10. The main advantage of e-commerce:

- a) limited market;
- b) 24/7 availability;
- c) high dependence on staff;
- d) difficulty in reaching customers.

- 11.1. Concepts and causes of conflicts in distribution channels**
- 11.2. Types, consequences and methods of conflict management**
- 11.3. Coordination of relationships in distribution channels, integration tools and partnerships**

11.1. Concepts and causes of conflicts in distribution channels

Conflict within distribution channel is situation in which one participant hinders another from achieving its goals. Conflicts are integral part of interaction because:

The divergent interests of the participants. Each participant in the distribution channel has their own strategic and tactical goals:

- the manufacturer focuses on maximizing sales volume and brand control;
- the distributor focuses on optimizing logistics and profitability;
- the retailer focuses on margins and end-consumer satisfaction.

This leads to conflicts regarding pricing, product assortment, service, and sales channels.

Limited resources. Resources in the distribution channel are always limited: financial; inventory; logistical capacity; customer base.

Competition for access to these resources provokes conflicts, especially during shortages or periods of high demand.

Asymmetry of power and control. Different channel participants have varying levels of influence:

- large manufacturers can dictate terms;
- powerful retailers can influence suppliers;
- small intermediaries have limited capabilities.

Such inequality creates an imbalance and can lead to tension or open conflict.

Causes of conflicts

Main causes:

1. Pricing policy: disagreements over pricing are one of the most common causes of conflicts. Manifestations:

- dumping by individual participants;
- different price levels across channels (online vs. offline);
- uncoordinated discounts and promotions.

Consequence: erosion of trust and pricing discipline.

2. Profit distribution: conflicts arise due to participants' dissatisfaction with their level of compensation. Manifestations:

- unfair trade markups;
- uneven distribution of margins;
- lack of transparency in revenue generation.

Consequence: reduced motivation among partners.

3. Territorial conflicts: these arise from violations of defined areas of operation. Manifestations:

- overlapping sales territories;
- competition among dealers within the same region.

Consequence: internal competition and dumping.

4. Differing objectives of participants: each participant in the channel has their own priorities. Examples:

- manufacturer – maximizing sales volume;
- retailer – maximizing profit;
- distributor – inventory turnover.

Consequence: strategic conflicts in decision-making.

5. Communication barriers: insufficient or ineffective information exchange contributes to conflicts. Manifestations:

- lack of feedback;
- delays in information flow;
- different interpretations of the terms of cooperation.

Consequence: misunderstandings and management errors.

6. Product assortment policy: disagreements regarding the product portfolio. Manifestations:

- imposition of the product assortment;
- conflicts over new products;
- differing brand priorities.

Consequence: reduced sales effectiveness.

7. Level of service: differing standards of customer service can cause tension. Manifestations:

- late deliveries;

- poor service quality;
- violations of brand standards.

Consequence: reputational damage for the entire channel.

11.2. Types, consequences and methods of conflict management

Vertical conflicts – arise between participants at different levels of the distribution channel. Example:

manufacturer ↔ distributor:

distributor ↔ retailer.

Main causes:

- differing strategic objectives;
- pricing policy;
- control over the brand;
- profit sharing.

Manifestations:

- refusal to cooperate;
- breach of contract terms;
- conflicts over prices or volumes.

Consequences:

- disruption of the supply chain;
- decreased sales efficiency.

Horizontal conflicts – arise between participants at the same level of the distribution channel. Example: two retailers or two distributors.

Main causes:

- competition for customers;
- dumping;
- overlapping territories;
- unequal terms of cooperation.

Manifestations:

- price wars;
- aggressive marketing;
- competition for dealership rights.

Consequences:

- decreased margins;
- market instability;

Multi-channel conflicts – arise between different sales channels used by a single company. Example:

online store ↔ brick-and-mortar retail;

direct sales ↔ distributors.

Main causes:

- different prices across channels;
- competition for the same customer;
- lack of coordination.

Manifestations:

- customer leakage between channels;
- decline in partners' sales;
- dealer dissatisfaction.

Consequences:

- destruction of the partner network;
- loss of trust.

Conflicts can have both destructive (negative) and constructive (positive) impact on the activities of channel participants. Their outcome depends on the quality of management and the parties' ability to reach a compromise.

Negative consequences

1. Decreased efficiency. Conflicts disrupt the coordination of participants' actions:

- delays in delivery;
- disruptions in logistics processes;
- duplication of functions.

Result: increased costs and decreased productivity.

2. Loss of profit. Negative interactions lead to financial losses:

- decrease in sales volume;
- dumping and reduced margins;
- loss of customers.

Result: a decline in business profitability.

3. Breakdown of partnerships. Prolonged conflicts can lead to the termination of cooperation:

- termination of contracts;
- search for new partners;
- loss of established distribution channels.

Result: destabilization of the sales system.

4. Reputational damage. Conflicts can extend beyond the

company:

- negative feedback from partners;
- decreased trust in the brand;
- reputational risks.

Result: long-term loss of market position.

Positive (constructive) outcomes

1. Stimulating innovation. Conflicts force organizations to seek new solutions:

- process optimization;
- adoption of new technologies;
- revision of the business model.

Result: increased competitiveness.

2. Improved communication. The need to resolve conflicts fosters interaction:

- open dialogue;
- clarification of terms of cooperation;
- formalization of processes.

Result: clearer and more transparent relationships.

3. Identifying weaknesses. Conflicts “highlight” systemic problems:

- logistical shortcomings;
- ineffective rules;
- imbalance of interests.

Result: opportunity to improve the management system.

Conflict management methods

Effective conflict management involves the use of a range of organizational, economic, and behavioral tools. The choice of method depends on the level of conflict, its causes, and the strategic goals of the parties involved.

1. Negotiations: direct dialogue between the parties with the aim of reaching a mutually acceptable solution.

Advantages:

- flexibility;
- speed;
- preservation of partnerships.

Disadvantages:

- dependence on the parties' skills;
- potential imbalance of power.

2. Mediation: involvement of neutral third party (mediator) who helps the parties reach a compromise.

Advantages:

- objectivity;
- reduction of emotional tension;
- improved communication.

Disadvantages:

- additional costs;
- the decision is not binding.

3. Arbitration: referral of the dispute to independent body or arbitrator, whose decision is binding.

Advantages:

- clarity and finality of the decision;
- legal certainty.

Disadvantages:

- loss of flexibility;
- possible deterioration of relations.

4. Contractual regulation: establishing clear rules for interaction through contracts.

Tools:

- definition of territories;
- pricing policy;
- service standards;
- sanctions and liability.

Advantages:

- conflict prevention;
- transparency of relationships.

Disadvantages:

- rigidity;
- need for constant updating.

5. Incentive system: motivating channel participants to exhibit desired behavior.

Tools:

- bonuses for meeting targets;
- discounts;
- marketing support;
- awards.

Advantages:

- increased loyalty;
- reduced conflict.

Disadvantages:

- financial costs;
- potential for manipulation.

6. Process standardization: establishing uniform rules and procedures for interaction.

Tools:

- regulations;
- KPIs (Key Performance Indicators);
- SLAs (Service Level Agreements). These are formalized documents or contracts between participants in the distribution channel that define specific service standards, performance metrics, and the parties' responsibility for compliance.

Advantages:

- reduced uncertainty;
- increased efficiency.

Disadvantages:

- limited flexibility;
- complexity of implementation.

11.3. Coordination of relationships in distribution channels, integration tools and partnerships

Coordination – the harmonization of actions by all channel participants to achieve common goals. Key approaches:

1. Centralized management – in this approach, key decisions are made by the manufacturer or the channel's chief coordinator. Control extends to all levels and aspects of interaction.

Characteristic features:

- centralized pricing;
- standardized sales policies;
- strict control over implementation.

Advantages:

- high level of coordination;
- minimization of conflicts through control;
- effective inventory management.

Disadvantages:

- limited flexibility for partners;
- potential decline in motivation;
- difficulty adapting to local conditions.

2. Partnerships – focus on long-term cooperation based on mutual benefit and trust.

Characteristic features:

- joint sales and marketing planning;
- information sharing;
- equal decision-making.

Advantages:

- increased partner motivation;
- reduced conflicts;
- better adaptation to the market.

Disadvantages:

- takes time to build trust;
- requires constant monitoring;
- risk of dependence on a dominant partner.

3. Integrated systems – combination of technological and organizational tools for comprehensive process coordination.

Key features:

- use of ERP, CRM, and WMS;
- automated data exchange between participants;
- standardization of processes and KPIs.

Advantages:

- high management efficiency;
- minimization of errors and delays;
- transparency and control over channels.

Disadvantages:

- significant investment in technology;
- complexity of implementation and maintenance;
- need for staff training.

Integration and partnership tools

– Vertical Marketing Systems (VMS):

- corporate;
- contract-based;
- managed.

– CRM systems – partner relationship management.

– EDI (Electronic Data Interchange) – this is the standardized, automated electronic exchange of commercial and administrative documents between companies without manual intervention.

Objectives:

- to speed up data transfer;
- to reduce errors in document exchange;
- to improve the efficiency of distribution channels.

Main documents transmitted via EDI:

- purchase orders (PO);
- invoices;
- delivery notes;
- inventory reports;
- forecasts.

– CPFR (Collaborative Planning, Forecasting, and Replenishment) – this is a collaborative approach to planning, forecasting, and replenishment among participants in the distribution channel (manufacturers, distributors, and retailers). Goal: to improve forecast accuracy, align actions, and reduce conflicts in the supply chain.

Key components of CPFR:

1. Collaborative planning:
 - aligning strategic goals;
 - determining sales volumes and marketing campaigns;
 - planning the product assortment.
2. Collaborative forecasting:
 - sharing data on sales, inventory, and demand;
 - developing a joint sales forecast;
 - adjusting the forecast for seasonality and promotions.
3. Collaborative replenishment:
 - automation of the replenishment process;
 - optimization of inventory across all stages of the supply chain;
 - reduction of stockouts and excess inventory.

Questions for discussion

1. Are conflicts in distribution channels inevitable? Can they be completely avoided?
2. Is conflict always negative phenomenon for business? Give examples of constructive conflicts.
3. Which factors have the greatest influence on the emergence of conflicts: economic or behavioral?
4. How important is trust between partners in preventing conflicts?
5. Can powerful channel participant (such as manufacturer) completely control the others?
6. Which type of conflict is the most dangerous for the company: vertical, horizontal, or multichannel? Why?
7. Is it true that most conflicts arise due to pricing policies?
8. How do territorial conflicts affect sales performance?
9. Can the differing objectives of channel participants be advantage rather than a problem?
10. How is digitalization changing the nature of conflicts in distribution channels?
11. Which conflict resolution method is most effective: negotiation, mediation, or strict contractual regulation?
12. Are fines effective tool for conflict management?
13. What role does communication play in conflict prevention?
14. Can automation (CRM, ERP) completely eliminate conflicts?
15. Which is more important: control or partnership in distribution channels?
16. Are all companies ready for long-term partnerships?
17. How does the level of integration (e.g., VMS) contribute to reducing conflicts?
18. Can coordination restrict the freedom of channel participants?
19. Does omnichannel retailing exacerbate conflicts between channels (online vs. offline)?
20. Are direct-to-consumer (D2C) sales a threat to distributors?
21. The manufacturer sells at lower prices online – who is “to blame” for the conflict?

Practical exercises

Practical exercise 1. Identifying conflicts.

The manufacturer sells its products:

- through distributors;
- through its own online store (at a lower price).

Tasks:

1. Identify the type of conflict.
2. Describe the causes of the conflict.
3. Identify the parties involved.
4. Assess the possible consequences.

Practical exercise 2. Analysis of the causes of conflict.

Two dealers operate in the same region and compete with each other by lowering prices.

Tasks:

1. Identify the type of conflict.
2. List at least 3 causes.
3. Propose 3 management solutions.
4. Which solution would be the most effective, and why?

Practical exercise 3. Developing conflict resolution strategy.

The distributor is not meeting sales targets and is violating service standards.

Tasks:

1. Propose three courses of action for the manufacturer.
2. Identify which conflict management method is being used.
3. Develop an incentive system (KPIs + bonuses/penalties).
4. Assess the risks of each option.

Practical exercise 4. Building coordination system.

The company has:

- brick-and-mortar stores;
- online store;
- partner network.

Tasks:

1. Identify potential conflicts between channels.

2. Develop a coordination diagram (description or flowchart).
3. Suggest tools: CRM, KPI, SLA.
4. How can unified pricing policy be ensured?

Practical exercise 5. Developing contract policy.

Tasks: draft the key provisions of the distributor agreement that will minimize conflicts:

- sales territory;
- pricing;
- service standards;
- liabilities of the parties;
- termination provisions.

Practical exercise 6. Strategies comparison.

Tasks: compare the following two approaches:

- strict control;
- partnership model.

Evaluate them based on the following criteria:

- level of conflict;
- flexibility;
- long-term effectiveness.

Practical exercise 7. Conflict management.

Tasks: develop conflict management model for the company:

1. Identify the type of distribution channel.
2. Describe potential conflicts.
3. Propose a system for: prevention, detection, resolution.
4. Include tools (CRM, EDI, analytics).

Test tasks

1. Conflict in distribution channel is:

- a) the coordination of participants' actions;
- b) conflict of interests among channel participants;
- c) the process of transporting goods;
- d) marketing strategy.

2. What type of conflict arises between manufacturer and distributor?

- a) horizontal;
- b) vertical;
- c) multichannel;
- d) internal.

3. Conflict between two retailers is:

- a) vertical;
- b) multichannel;
- c) horizontal;
- d) logistical.

4. Which of the following is the most common cause of conflicts in distribution channels?

- a) automation;
- b) pricing policy;
- c) advertising;
- d) packaging.

5. Multichannel conflict arises when:

- a) participants operate in different countries;
- b) company uses multiple sales channels;
- c) there is no intermediary;
- d) there is only one channel.

6. Which of the following methods is the most flexible for resolving conflicts?

- a) arbitration;
- b) negotiation;
- c) fines;
- d) court.

7. What is coordination in distribution channel?

- a) competition among participants;
- b) coordinating actions to achieve common goals;
- c) profit sharing;
- d) quality control.

8. What does VMS (Vertical Marketing System) stand for?

- a) transportation system;
- b) integrated distribution channel management system;
- c) marketing strategy for advertising;
- d) pricing system.

9. Which tool is used for collaborative demand planning?

- a) CRM;
- b) ERP;
- c) CPFR;
- d) KPI.

10. What is the result of effective coordination in the distribution channel?

- a) increase in conflicts;
- b) decrease in efficiency;
- c) improved coordination and profitability;
- d) reduction in the number of participants.

MONITORING, EVALUATING, AND IMPROVING THE EFFECTIVENESS OF SALES ACTIVITIES

12.1. The nature and significance, types and levels of control in the sales system, methods for evaluating sales effectiveness

12.2. Sales performance indicators, analysis of variances and causes of inefficiency

12.3. Tools for improving sales activities, modern digital technologies for sales control and analytics

12.1. The nature and significance, types and levels of control in the sales system, methods for evaluating sales effectiveness

Sales control is the process of systematically monitoring, evaluating, and adjusting the performance of distribution channels to achieve the company's strategic and operational goals. The main objectives of control are:

- ensuring that sales plans are met;
- identifying deviations;
- improving the efficiency of sales channels;
- optimizing costs;
- increasing customer satisfaction.

Control is integral part of the management function, alongside planning, organizing, and motivating.

Types and levels of sales activity control

By management level:

• strategic control – assessing the alignment of the sales strategy with the market;

• tactical control – analyzing the fulfillment of sales plans;

• operational control – daily monitoring of activities.

By control objects:

- sales volumes;
- sales channels;
- personnel (sales managers);
- customers;

- sales expenses.

By frequency:

- ongoing;
- periodic;
- summary.

Methods for evaluating sales performance

Quantitative methods:

- sales volume analysis;
- plan-vs.-actual comparison;
- trend analysis;
- ABC analysis of customers and products;
- XYZ analysis of demand.

Qualitative methods:

- customer satisfaction assessment;
- expert assessment;
- benchmarking (comparison with competitors).

Financial methods:

- return on sales;
- contribution margin;
- ROI of sales channels.

12.2. Sales performance indicators, analysis of variances and causes of inefficiency

Key performance indicators (KPIs) in sales

- Sales Volume;
- Sales Growth Rate;
- Conversion Rate:

Conversion Rate = number of visitors / number of buyers $\times$ 100%;

- Average Order Value;
- Customer Retention Rate:

Retention Rate = (number of customers at the end of the period – new customers) / number of customers at the beginning of the period $\times$ 100%;

- Customer Acquisition Cost (CAC):

$$\text{CAC} = \frac{\text{total marketing and sales expenses}}{\text{number of new customers}};$$

- Customer Lifetime Value (CLV):

$$\text{CLV} = \text{average order value} \times \text{number of purchases during the period} \times \text{duration of the relationship}.$$

Analysis of variances and causes of inefficiency

Main types of variances:

- sales volume variance;
- profitability variance;
- cost variance.

Causes:

- incorrect demand forecasting;
- inefficient sales channels;
- low staff qualifications;
- logistics issues;
- changes in the market environment.

12.3. Tools for improving sales activities, modern digital technologies for sales control and analytics

Tools for improving sales operations

Key tools:

- CRM systems – software solutions that help businesses manage customer interactions, sales activities, and customer data throughout the entire customer lifecycle;
 - sales automation – involves using software and digital technologies to automate repetitive sales tasks, allowing sales teams to focus on customer engagement and strategic activities;
 - sales channel optimization – the process of evaluating and improving the performance of distribution and sales channels to maximize market coverage and profitability;
 - staff training – focuses on developing employees' knowledge, technical skills, communication abilities, and product expertise to

improve sales performance;

- incentive programs – reward systems designed to motivate sales personnel and channel partners to achieve or exceed performance targets;
- implementation of omnichannel strategies – integrates multiple sales and communication channels to provide customers with a seamless and consistent purchasing experience.

Approaches to improvement:

- business process reengineering – the fundamental redesign of business processes to achieve significant improvements in performance, productivity, quality, and customer service;
- Lean approach – management philosophy focused on maximizing customer value while minimizing waste in business processes;
- Agile sales management – applies Agile principles to sales operations, enabling teams to respond quickly to changing customer demands and market conditions through flexibility, collaboration, and continuous improvement.

Modern digital technologies for sales monitoring and analytics

Key technologies:

- Big Data – analysis of large volumes of data;
- AI (Artificial Intelligence) – demand forecasting;
- BI (Business Intelligence) systems;
- Dashboard analytics (control panels);
- ERP systems.

Benefits of digitalization:

- speed of decision-making;
- accuracy of forecasts;
- automation of monitoring;
- increased process transparency.

Questions for discussion

1. What is the essence of sales control?
2. What are the main objectives of control in the sales system?
3. What role does control play in the enterprise management system?
4. List the main functions of sales control.
5. What are the objects of control in sales activities?
6. How do strategic, tactical, and operational control differ?
7. What types of control are applied based on frequency?
8. What are the distinctive features of sales channel control?
9. How is the performance of sales department staff monitored?
10. What tools are used to control sales expenses?
11. What quantitative methods for evaluating sales effectiveness do you know?
12. What qualitative evaluation methods are used in sales?
13. What is benchmarking, and how is it applied?
14. What financial indicators are used to evaluate sales?
15. What are the key KPIs used in the sales department?
16. What is a variance in sales performance?
17. What are the main causes of variances from the sales plan?
18. How is “plan-vs.-actual” analysis conducted?
19. What external factors influence sales performance?
20. How can you identify “bottlenecks” in the sales system?
21. What are the main areas for sales improvement?
22. How can you optimize sales channels?
23. What are the risks of excessive control in sales?
24. How can you ensure balance between sales expenses and results?
25. How can you evaluate the effectiveness of different sales channels?
26. Does sales growth always indicate sales effectiveness?
27. Is it possible to fully automate sales control?
28. How is the role of control changing in the digital economy?

Practical exercises

Practical exercise 1. Sales department KPI analysis.

Given:

Metric	Target	Actual
Sales Volume (thousand EUR)	500	420
Number of Customers	200	180
Average Check (EUR)	2,500	2,330

Tasks:

1. Determine the variances for each indicator.
2. Analyze the causes of the variances.
3. Propose management decisions.

Practical exercise 2. Calculating CAC (Customer Acquisition Cost).

Given:

- marketing expenses – 100,000 EUR;
- number of new customers – 400.

Tasks:

1. Calculate the CAC.
2. Evaluate the cost-effectiveness.
3. Suggest ways to reduce the CAC.

Practical exercise 3. Analysis of sales channel's effectiveness.

Given:

Channel	Expenses (EUR)	Sales (EUR)
Online	80,000	300,000
Retail	120,000	250,000
Distributors	60,000	180,000

Tasks:

1. Calculate the return on investment (ROI) for each channel.
2. Identify the most effective channel.

3. Provide recommendations for optimizing the channels.

Practical exercise 4. Calculating the average check.

Given:

- Total revenue – 200,000 EUR;
- Number of customers – 500.

Tasks:

1. Calculate the average check.
2. Suggest ways to increase it.

Practical exercise 5. Manager performance evaluation.

Given:

- number of calls – 100;
- number of deals – 20;
- sales volume – 50,000 EUR.

Tasks:

1. Calculate the manager's conversion rate.
2. Evaluate the manager's performance.
3. Suggest measures for improvement.

Practical exercise 6. Target-actual analysis.

Given:

- sales target – 1,000,000 EUR;
- sales actual– 850,000 EUR.

Tasks:

1. Determine the variances (absolute and relative).
2. Analyze the causes.
3. Develop corrective actions.

Practical exercise 7. Declining sales amid rising expenses.

Over the past quarter, the company:

- saw sales decline by 12%;
- saw marketing expenses rise by 25%;
- saw no change in the number of new customers.

Tasks:

1. Analyze the situation.
2. Which metrics should be examined first?
3. Identify possible causes.
4. Propose measures to address the crisis.

Practical exercise 8. Sales staff issues.

In the sales department:

- one manager is meeting 150% of the quota;
- the others are meeting only 60–70%;
- high staff turnover.

Tasks:

1. Identify the causes of the imbalance.
2. Which KPIs need to be reviewed?
3. Propose an incentive system.
4. Develop a plan to improve the team's performance.

Practical exercise 9. Low repeat purchase rate.

The company has:

- high initial sales rate;
- low repeat purchase rate (Retention Rate – 15%).

Tasks:

1. Identify the problem.
2. Which metrics should be analyzed?
3. Propose measures to increase customer loyalty.
4. How can the CLV be increased?

Practical exercise 10. Problems with sales forecasting.

The company has:

- constant deviations from the plan ($\pm 30\%$);
- unstable demand;
- frequent product shortages.

Tasks:

1. Identify the causes.
2. What analytical methods should be used?
3. Propose solutions.

Practical exercise 11. Sales automation.

The company plans to automate its sales processes.

Tasks:

1. Which processes should be automated first?
2. What tools should be used?
3. Assess the benefits and risks.

Test tasks

1. Sales control is:

- a) planning only;
- b) the process of evaluation and adjustment;
- c) accounting only;
- d) forecasting.

2. The main objective of control is:

- a) to increase expenses;
- b) to meet sales targets;
- c) to reduce staff;
- d) automation.

3. Operational control is:

- a) long-term;
- b) daily control;
- c) strategic;
- d) financial.

4. The object of control is:

- a) only personnel;
- b) only expenses;
- c) sales, channels, and customers;
- d) only profit.

5. Target-actual analysis is:

- a) forecast;
- b) comparison of results;
- c) advertising;
- d) motivation.

6. Benchmarking is:

- a) competitor analysis;
- b) advertising;
- c) planning;
- d) auditing.

7. The reason for low sales is:

- a) high quality;
- b) weak sales channel;
- c) high demand;
- d) low costs.

8. Sales variance is:

- a) plan;
- b) the difference between the plan and actual results;
- c) costs;
- d) profit.

9. Which tool increases sales effectiveness?

- a) CRM;
- b) warehouse;
- c) accounting;
- d) production.

10. The main risk of excessive control:

- a) chaos;
- b) staff demotivation;
- c) profit;
- d) automation.

ROLE PLAYING ACTIVITIES FOR MODULE 2

To Chapter 8

Developing effective sales promotion program

Participants: students are divided into groups (teams of 5–7 people). Each group plays the role of the company’s marketing department.

Situation: the company “SmartMarket” is launching the new product – the smart fitness wristband.

The main problem: the market is already saturated with similar products, and competition from major brands is very high.

The marketing department’s task is to develop an effective sales promotion program that will help quickly increase sales.

Team roles: each team assigns roles:

1. Marketing Director – coordinates the team’s work.
2. Sales Managers – propose incentive tools for distributors.
3. Marketing Communications Manager – develops incentive tools for consumers.
4. Analysts – evaluate the effectiveness of the proposed measures.

Team assignments: each team must develop a sales promotion program that includes:

1. Setting goals. For example:

- increasing sales;
- attracting new customers;
- building brand loyalty.

2. Defining the target audience. For example:

- young people;
- athletes;
- people who lead an active lifestyle.

3. Selecting sales promotion tools. The team must propose: at least 5 tools, such as:

- discounts;
- coupons;
- reward programs;

- gifts;
 - contests;
 - free trial periods;
 - partner promotions.
4. Campaign plan. The team must determine:
- the duration of the campaign;
 - the budget;
 - communication channels.
5. Expected results. For example:
- 15% increase in sales;
 - increase in the number of new customers;
 - increased brand awareness.

Results presentation: each team has 5–7 minutes to present its sales promotion program.

They must explain:

- why they chose these specific tools;
- what problem they address;
- what results are expected.

To Chapter 9

Implementation of omnichannel strategy

The company plans to transition to full-fledged omnichannel model.

Challenges:

- inconsistencies across sales channels;
- delivery delays;
- customer dissatisfaction;
- high logistics costs.

Roles of participants. Students are divided into groups (5–7 people):

CEO

- makes final decisions;
- sets strategy.

CMO

- responsible for customer experience;
- communication channels.

Logistics Manager

- responsible for delivery;
- warehouses;
- inventory.

Chief Information Officer (CIO)

- is responsible for systems (CRM, ERP, OMS);
- channel integration.

Chief Financial Officer (CFO)

- monitors expenses;
- evaluates performance.

Customer

- expresses needs;
- evaluates service.

Additional scenarios:

- IT system failure;
- delayed shipments
- sharp increase in competition;
- negative customer reviews;

Expected outcomes. Students should:

- understand the principles of omnichannel retailing;
- learn to integrate channels;
- evaluate logistics solutions;
- work under constraints.

To Chapter 10

Launching online store

Objectives:

- develop practical skills for launching e-commerce business;
- learn how to select digital sales channels;
- understand the interrelationship between marketing, logistics, and sales.

Group of students is launching new online store (e.g., clothing, electronics, cosmetics, or home goods).

The task is to develop comprehensive strategy for launching online business.

Participant roles:

1. Business Owner (CEO):

- sets goals and the budget;
- selects the business model;
- makes key decisions.

2. Marketer:

- identifies the target audience;
- selects digital channels (social media, website, marketplaces);
- develops an advertising campaign.

3. Logistics Manager:

- organizes the warehouse and order fulfillment;
- selects delivery services;
- optimizes costs.

4. E-commerce Manager:

- is responsible for the website/platform;
- curates the product catalog;
- oversees the ordering process.

5. Customer:

- evaluates the shopping experience;
- asks questions;
- expresses needs and complaints.

The team must determine:

- the e-commerce model (B2C, B2B, etc.);
- sales channels;
- pricing policy;
- marketing strategies;
- logistics plan.

Tasks for participants

For the marketer:

- select 3 sales channels;
- explain the selection.

For the logistics specialist:

- propose 2 delivery options;
- estimate costs.

For the CEO:

- determine the budget;
- justify the decisions.

Challenges:

- delivery delays;
- negative reviews;
- decline in sales.

Expected outcomes:

- understand the e-commerce launch process;
- be able to select digital channels;
- analyze the customer experience;
- make management decisions.

To Chapter 11

Price conflict in the distribution channel

Objectives:

- learn to identify conflicts;
- practice negotiation skills;
- find compromise among channel participants;
- develop coordination skills.

The manufacturer launches its own online store and sets prices 15% lower than those of its partners. As a result:

- distributors lose sales;
- retail chains are dissatisfied;
- conflict arises within the distribution channel.

Roles of participants:

1. Manufacturer

Goals:

- increase sales;
- develop a direct-to-consumer (D2C) channel;
- retain partners.

Position:

- “Cheaper online = more customers”.

2. Distributor

Goals:

- maintain sales volumes;
- avoid profit losses.

Position:

- “The manufacturer is undermining our business”.

3. Retailer

Goals:

- maintain margins;
- not lose customers.

Position:

- “We can’t compete with the manufacturer”.

4. Mediator

Goals:

- resolve the conflict;
- help find a compromise.

Possible solutions:

- unified pricing policy;
- different products for different channels;
- bonuses for partners;
- restrictions on online sales;
- customer segmentation.

Results:

- understand the nature of conflicts;
- be able to negotiate;
- recognize the importance of coordination;
- propose effective management solutions.

To Chapter 12

Crisis sales department

The company is facing the following challenges:

- 15% drop in sales;
- rising marketing costs;
- low conversion rate;
- customer dissatisfaction.

Input data:

- Conversion Rate: 1%;
- CAC: 1,200 EUR;
- Average Order Value: 1,000 EUR;
- Retention Rate: 20%;
- Website bounce rate: 60%.

Tasks for participants:

- identify key problems;
- find weak KPIs;
- determine the causes;
- propose at least 5 solutions;
- set priorities;
- develop action plan.

Roles of team members:

1. Sales Manager:
 - analyzes KPIs;
 - proposes solutions;
 - coordinates the team.
2. Marketing Manager:
 - is responsible for advertising and traffic;
 - explains expenses;
 - suggests changes to campaigns.
3. Analyst:
 - provides data (KPIs, conversion rates, CAC);
 - identifies problems;

- draws conclusions.
4. Sales Manager:
 - describes actual work with clients;
 - highlights practical issues;
 - makes suggestions.
 5. Client (role):
 - expresses dissatisfaction;
 - describes service issues;
 - evaluates proposed solutions.

Results:

- learn to analyze KPIs;
- make management decisions;
- work as part of team.

GLOSSARY

Agent – intermediary who represents a manufacturer or seller in negotiating and arranging sales without taking ownership of the goods, usually earning a commission.

Average Check (also called **Average Order Value – AOV**) measures the average amount of money the customer spends per transaction.

B2B Market (Business-to-Business Market) – the market in which businesses sell products or services to other businesses rather than directly to individual consumers.

Broker – independent intermediary who brings buyers and sellers together, facilitates transactions, and receives a commission for successful deals without owning or handling the products.

Business-to-Business (B2B) is e-commerce model involving transactions between companies, such as manufacturers, wholesalers, distributors, and retailers.

Business-to-Consumer (B2C) is e-commerce model in which businesses sell products or services directly to individual consumers through online stores, mobile applications, or marketplaces.

Channel coordination refers to aligning the activities, objectives, and decisions of all distribution channel members to improve efficiency, reduce conflicts, and maximize customer value.

Collaborative Planning, Forecasting, and Replenishment (CPFR) is collaborative supply chain management process in which manufacturers, suppliers, and retailers jointly plan demand, forecast sales, and replenish inventory.

Company's sales activities are the coordinated processes of planning, organizing, implementing, and controlling the movement of products or services from the producer to the final customer. Sales activities include customer relationship management, order processing, distribution, pricing, promotion, after-sales service, and performance evaluation.

Consumer-to-Business (C2B) is e-commerce model in which individuals provide products, services, or content to businesses in exchange for payment.

Consumer-to-Consumer (C2C) is e-commerce model in which individual consumers buy and sell goods or services directly to each other through online marketplaces.

Content marketing is strategic marketing approach focused on creating and distributing valuable, relevant, and consistent content to attract, engage, and retain a clearly defined target audience, ultimately driving profitable customer actions.

Contextual advertising is form of paid online advertising in which advertisements are displayed based on users' search queries, browsing behavior, website content, or interests.

Cooperatives – retail organizations owned and managed by a group of independent members who cooperate in purchasing, marketing, or other business activities to achieve economies of scale and improve their competitive position.

Customer Acquisition Cost (CAC) measures the average cost of acquiring one new customer.

Customer Lifetime Value (CLV) estimates the total revenue or profit that a business expects to earn from customer throughout the entire duration of their relationship.

Customer Retention Rate (CRR) measures the percentage of customers the company retains over specific period.

Customer structure of the sales department organizes sales teams according to customer groups or market segments rather than products or territories. Sales representatives specialize in serving particular categories of customers with similar needs and purchasing behavior.

Digital distribution strategy – distribution approach that uses digital technologies, e-commerce platforms, online marketplaces, mobile applications, social media, and data analytics to market, sell, and deliver products or services more effectively.

Digital marketing is the promotion of products, services, or brands through digital channels and technologies. It combines various online marketing techniques to attract customers, generate leads, increase sales, and build long-term customer relationships.

Digital sales channels are online platforms and communication tools used by businesses to promote, sell, and deliver products or services to customers through digital technologies.

Distribution channel – the path through which products or services move from the manufacturer to the final customer, either directly or through intermediaries such as wholesalers, distributors, retailers, or digital marketplaces.

Distribution channel conflict is disagreement or dispute among members of a marketing channel regarding goals, roles, responsibilities, pricing, territories, or resource allocation.

Distributor – the company that purchases products from manufacturers and is responsible for their storage, promotion, transportation, and sale within a specific market or geographic area.

E-commerce (electronic commerce) is the buying and selling of goods and services through the Internet and other digital networks. It includes online transactions, electronic payments, digital marketing, and customer service conducted through online platforms.

Electronic Data Interchange (EDI) is the standardized electronic exchange of business documents between organizations without manual intervention.

Email marketing is digital marketing strategy that uses email to communicate with customers by sending newsletters, promotional offers, personalized recommendations, and transactional messages to build customer relationships and increase sales.

Franchising – business model in which an independent entrepreneur (franchisee) operates a retail outlet using the brand, business model, and support of established company (franchisor) in exchange for fees or royalties.

Functional structure of the sales department is organizational design in which employees are grouped according to their specialized functions or activities. Each department focuses on specific aspect of the sales process, improving specialization and operational efficiency.

Horizontal conflicts arise between channel members operating at the same level of the distribution channel.

Horizontal marketing system (HMS) – partnership between two or more companies operating at the same level of the distribution channel that collaborate to pursue market opportunities, share resources, or expand market reach.

Independent stores – individually owned and operated retail

businesses that make independent decisions regarding product assortment, pricing, and customer service.

Independent wholesaler – wholesale business that purchases goods, takes ownership of them, stores inventory, and resells products to retailers or other organizations at its own risk.

Marketing distribution policy – component of the company's marketing strategy that involves planning, organizing, and managing the movement of products and services from producers to final consumers through the most effective distribution channels, ensuring customer satisfaction and competitive advantage.

Marketplaces are online platforms that connect multiple sellers with buyers, enabling businesses to reach a broad customer base without operating their own e-commerce website.

Messaging Apps are communication platforms that enable businesses to interact with customers in real time, provide support, send promotional messages, and facilitate conversational commerce.

Mobile Apps are software applications designed for smartphones and tablets that enable customers to browse products, place orders, receive personalized offers, and access loyalty programs.

Multi-channel conflicts occur when the company uses multiple sales channels (e.g., physical stores, e-commerce, marketplaces, distributors, and direct sales), creating competition among its own channels or partners.

Omnichannel distribution strategy – distribution strategy that integrates online and offline sales channels into a seamless customer experience, allowing customers to interact with the company consistently across multiple touchpoints.

Omnichannel is the business and marketing strategy that integrates all sales, communication, and service channels into unified system, providing customers with seamless and consistent experience throughout their purchasing journey.

Online stores are company-owned e-commerce websites where customers can browse products, place orders, make payments, and receive customer support. They provide businesses with full control over branding and customer relationships.

Product structure of the sales department organizes sales personnel according to specific product lines or product categories. Each sales team specializes in promoting and selling particular group

of products, allowing for deeper product knowledge and more effective customer support.

Regional (territorial) structure of the sales department assigns sales representatives to specific geographic areas or territories. Each salesperson is responsible for managing customer relationships and sales activities within assigned region.

Retail chains – networks of multiple retail outlets operating under common ownership and management.

Retail intermediary – individual or business organization that purchases or sells goods to final consumers, acting as the link between manufacturers or wholesalers and the end market by providing products, customer service, and market access.

Sales activity monitoring is the continuous process of tracking, measuring, and evaluating sales performance using key performance indicators (KPIs).

Sales policy – system of principles, objectives, and methods that guides a company's sales activities, including customer relationship management, pricing, sales channels, promotional support, and after-sales service to achieve sustainable business growth.

Sales promotion is the marketing communication tool that consists of short-term incentives designed to encourage customers, distributors, or sales personnel to purchase, sell, or promote the company's products or services.

Search Engine Optimization (SEO) is the process of improving the website's visibility in organic (non-paid) search engine results by optimizing website content, structure, keywords, and technical performance to increase traffic and search rankings.

Service Level Agreement (SLA) is formal agreement between service providers and customers or channel partners that defines expected service performance, responsibilities, and quality standards.

Social media are digital platforms that allow businesses to communicate with customers, promote products, build brand awareness, and conduct social commerce.

Social Media Marketing (SMM) is the use of social media platforms to promote brands, products, and services, engage customers, build communities, and drive website traffic and sales through both organic and paid content.

Vertical conflicts occur between members of the distribution

channel operating at different levels, such as manufacturers, wholesalers, distributors, and retailers.

Vertical marketing system (VMS) – coordinated distribution system in which manufacturers, wholesalers, and retailers work together as unified network to improve efficiency, reduce channel conflicts, and maximize overall market performance.

Wholesale intermediary – organization or individual that purchases or facilitates the distribution of goods between manufacturers and retailers or business customers, helping products reach the market efficiently.

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