COST ASPECTS IN DISTRIBUTION SYSTEM

DR. BELUR O BAXI FACULTY OF BUSINESS ADMINISTRATION GLS UNIVERSITY

COST ASPECTS OF DISTRIBUTION

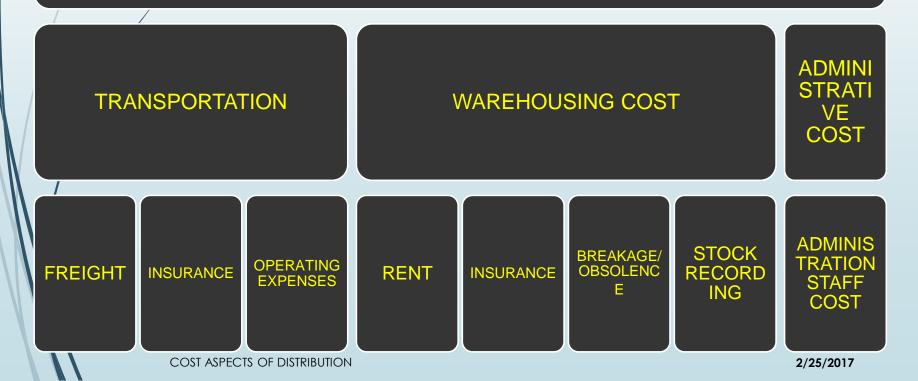
1

2/25/2017

COST INVOLVED IN SALES AND DISTRIBUTION FUNCTION

2

TOTAL COST IN SELING AND DISTRIBUTION



Why We need to Analyze Cost

- To determine cost of sales of different product and its profitability
- To fix optimum level of sales (so one can recover cost)
- To control cost of efforts in different areas of distribution activities to determine the profitability of various sales outlets under different conditions in markets and by different methods.
- To help in guiding marketing policy both in short and long run.

ANALYSIS OF DISTRIBUTION COST

TRANSPORTATION COST

4

- FARE-charges-determing way of transportation
- INSRUANCE-protecting from loss due to accident or theft
- LOADING AND UNLOADING-Wages to be paid to each worker at different place
- TAXES-Decides Route of Transportation
- DEPRICATION- Invisible cost
- INVENTORY COST
 - ORDERING COST-Stationary, Postage, Telegram etc.
 - COST OF MATERIALS -Transportation, Tax on it and Insurance of it.
 - CARRYING COST-Theft, Pilferage, Wastage and Loss.

2/25/2017

5

ANALYSIS OF DISTRIBUTION COST

- WAREHOUSE COST-Material Handling, Internal Movement, Rent, Electricity, Administrative Cost.
- MATERIAL COST-Required when one makes packing and repacking also. Packaging also. Racks, Boxes and other storing devices.
- CUSTOMER CARE SERVICE COST- Entire Service Station Expenses, Training to staff, Maintenance of Various Machines, Spares in some cases needs more inventory.

6

SELLING EXPENSES

- Sales Staff Salary and Commission
- Delivery Persons and Order Taking Personnel
- Training to Sales Staff of Retailers
- Advertisement materials
- Sales Promotion Expenses
 - Promotional Materials
 - Promoters Charges
 - Rent of different Props
 - Discount
 - Charges to the Retailer's space