

COST ASPECTS IN DISTRIBUTION SYSTEM

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COST INVOLVED IN SALES AND DISTRIBUTION FUNCTION

TOTAL COST IN SELING AND DISTRIBUTION

TRANSPORTATION

WAREHOUSING COST

ADMINI
STRATI
VE
COST

FREIGHT

INSURANCE

OPERATING
EXPENSES

RENT

INSURANCE

BREAKAGE/
OBSELENC
E

STOCK
RECORD
ING

ADMINIS
TRATION
STAFF
COST

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**
 - FARE-charges-determining way of transportation
 - INSURANCE-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.

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.

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