

# Distribution Systems and Service Supply Chains

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# Agenda

## TOPICS OF TODAY

### Distribution Systems

- Distribution Channels
- Online versus Brick-and-Mortar Selling
- Multi- and OmniChannels
- Things to know about customs when you are traveling / when you do cross-border online shopping

### Case Study: Sell Direct-to-Consumer or Through Amazon?

### Service Supply Chains

- Servitization – Service Dominant Logic
- Reverse Logistics Systems

### READINGS

**Textbook 4<sup>th</sup> ed. Chapter 4, 16 (about reverse logistics)**

**Rigby, D. (2011): The Future of Shopping.** *Harvard Business Review* Vol. 89, 12, pp. 64-75.

**Verhoef, P. C., Noordhoff, C. S. and Sloot, L. (2023): Reflections and predictions on effects of COVID-19 pandemic on retailing,** *Journal of Service Management* Vol.34, 2, pp. 274-293.<sup>2</sup>

**CASE STUDY**  
**SELL DIRECT-TO-CONSUMER OR THROUGH AMAZON?**  
**AN E-BIKE MAKER WEIGHS THE TRADE-OFFS.**  
BY THALES TEIXEIRA

*Sitting in his office, Mark Ellinas frowned at his computer screen.*

It was filled with row after row of electric bikes, from expensive models to cheap knockoffs that seemed held together by spit and a prayer. Though they varied in style and price, the bikes did have one thing in common: where they were being sold. The website he was looking at, flush with options, was Amazon.

As the CMO of PedalSpark, a small maker of high-end electric bicycles, Mark was considering strategies for selling the company's new ride. The market for electric bikes had exploded in the past few years, especially in China, and it showed no signs of slowing down. PedalSpark's signature bike, a \$4,000 luxury model available only through the company's website, was selling well. Now PedalSpark was about to introduce a cheaper, entry-level model, which it hoped would have broader appeal. The bike was targeting at price-sensitive riders, people who were willing to trade higher battery life and motor power for a lower price tag.

Two years ago PedalSpark had hired Mark away from his marketing position at a children's bicycle maker. That company had sold exclusively on its own site, and Mark's expertise had served PedalSpark well with its first product. He was excited by the challenge of selling the new bike in an increasingly crowded market, but the question was how to do it.

His two direct reports were the sales manager, tended to favor aggressive approaches. He wanted to sell the new model on Amazon, which had, as he'd put it, "a few more customers than our site." But Tamara Nourie, the product manager who'd recently come on board, was worried about whether the bike would stand out on Amazon. She thought that keeping the new model on PedalSpark's site, where the team could control the entire sales process, would be better over the long term.

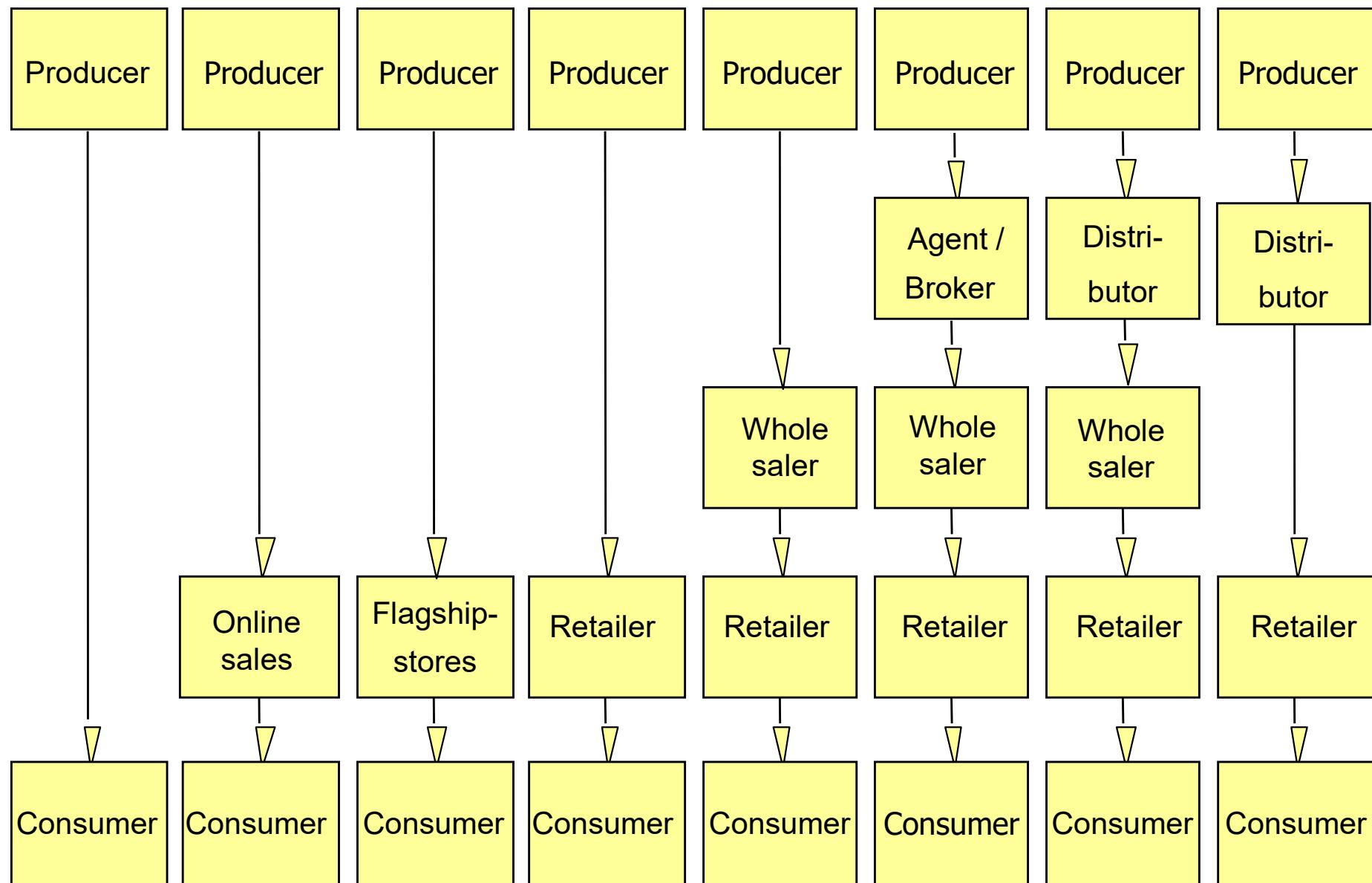
Bzzt. Mark glanced at his phone and saw a text from the CEO: *Where are we on the online channel strategy? Looking forward to your presentation.*

THALES TEIXEIRA  
Family Associate Professor at Harvard Business School and the author of *Unleashed: How Disruptive Value Chain Consumer Disruption* (Currency).  
HBR.org

HBR's ActionLearn cases feature present problems faced by leaders in real companies and offer solutions from experts. This case is based on the HBS Case Study "Selling on Amazon at Town PedalSpark," case no. 579-042, by Thales S. Teixeira and Daniel López-Lengwski, which is available at HBR.org.

140 Harvard Business Review March-April 2019

# Distribution Channels



# „OLD“ Brick-and-Mortar...



M&S

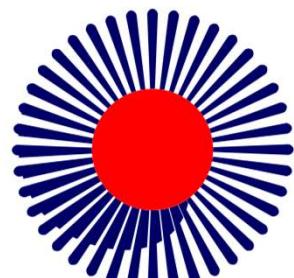
EST. 1884



RadioShack.



WOOLWORTH



HERTIE

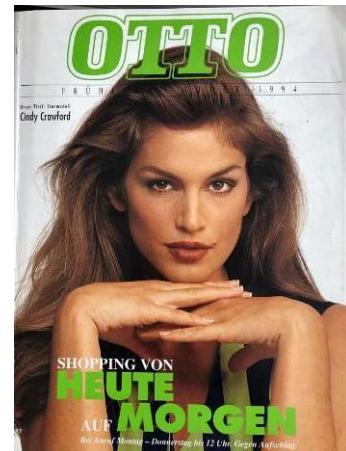
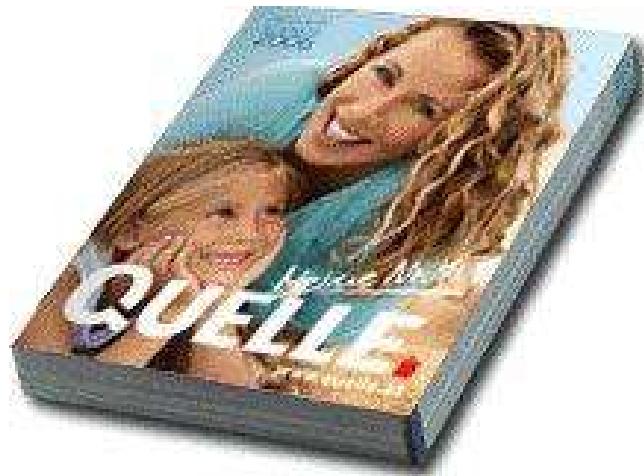
sears

FONA

Toys R Us®

SCHLECKER

# ... Catalogue Sales ...



**OTTO**

**BEST**

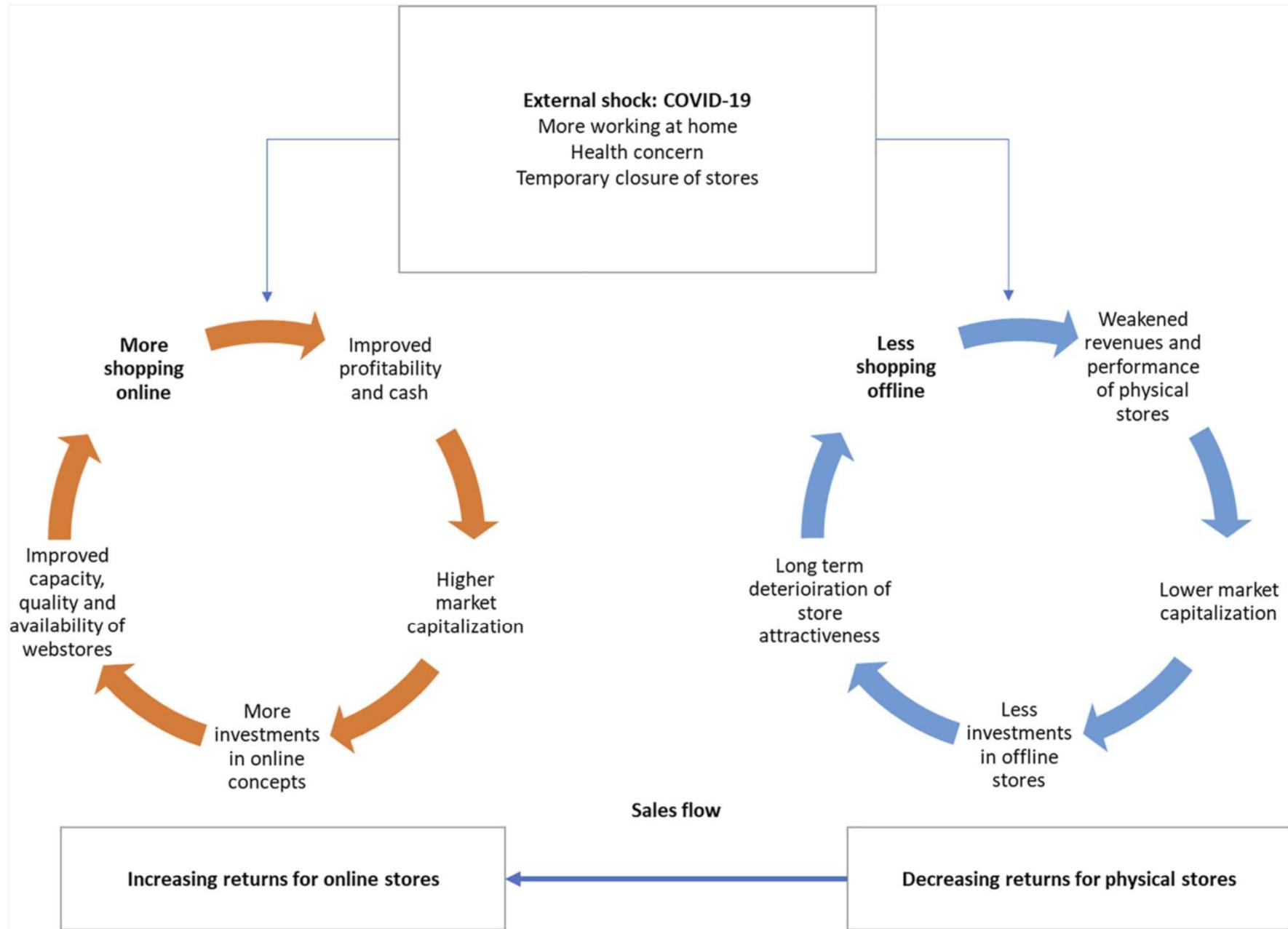
# ... and „New“ Online Selling



SHEIN



# Potential Pandemic Effect on Online and Offline Retailing



# Multi- vs. OmniChannel

## Multichannel

A non-integrated way to approach customers and inventory holdings.

## OmniChannel

Coherent and absolute inventory integration of both online and offline

**Good examples how to do it right are as follows:**



# New Formats in Retail

## IKEA in the city

City-centre IKEA concept stores  
with instant home delivery



<https://www.thelocal.fr/20190506/paris-gets-worlds-first-city-centre-ikea-store>

## Amazon go / fresh

Cash-less grab-and-go shops

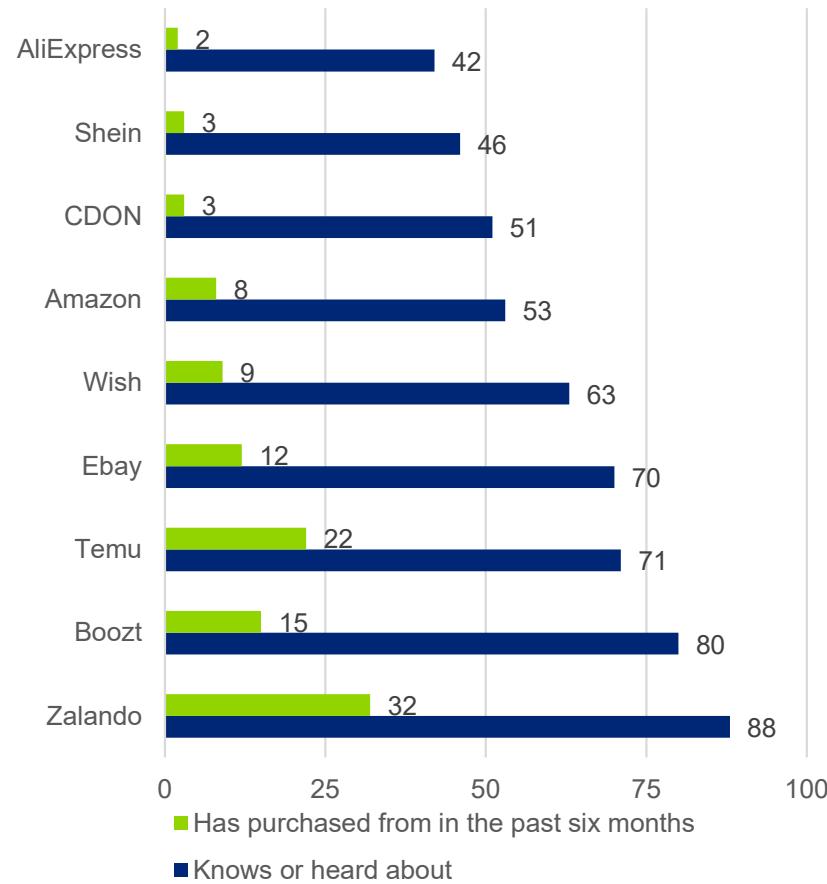


<https://www.cnbc.com/2019/05/07/amazon-go-opens-at-brookfield-place-in-downtown-new-york-accepts-cash.html>

<https://www.amazon.com/find-your-store/b/?node=17608448011>

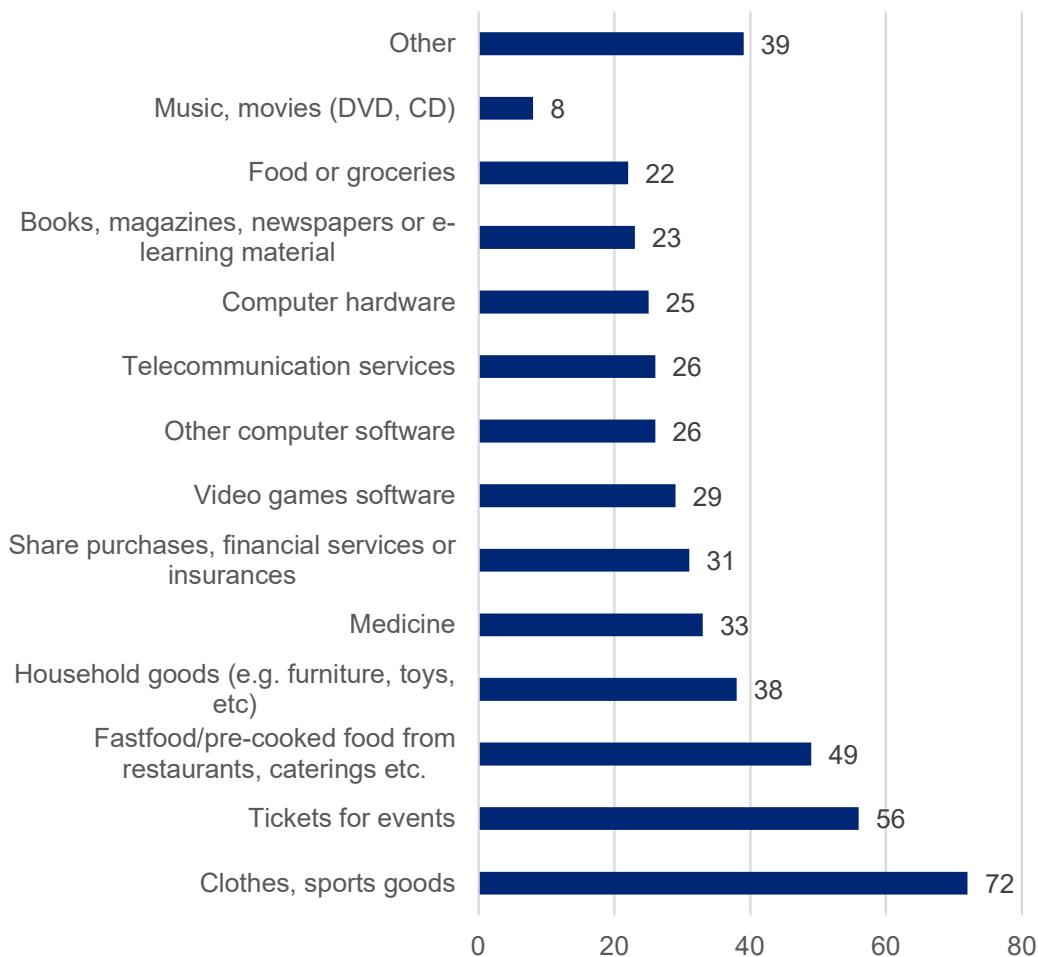
## Most popular online marketplaces in DK 2024 by % of online shoppers

Source: DI – Dansk Industri



## Leading products and services bought online in Denmark 2023 in %

Source: Statistics Denmark



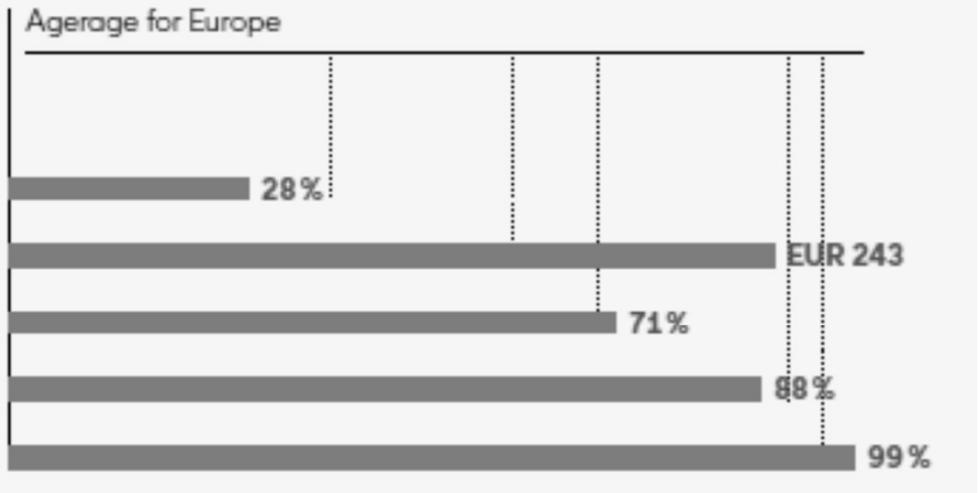
# Danish eCommerce Buyer Behavior



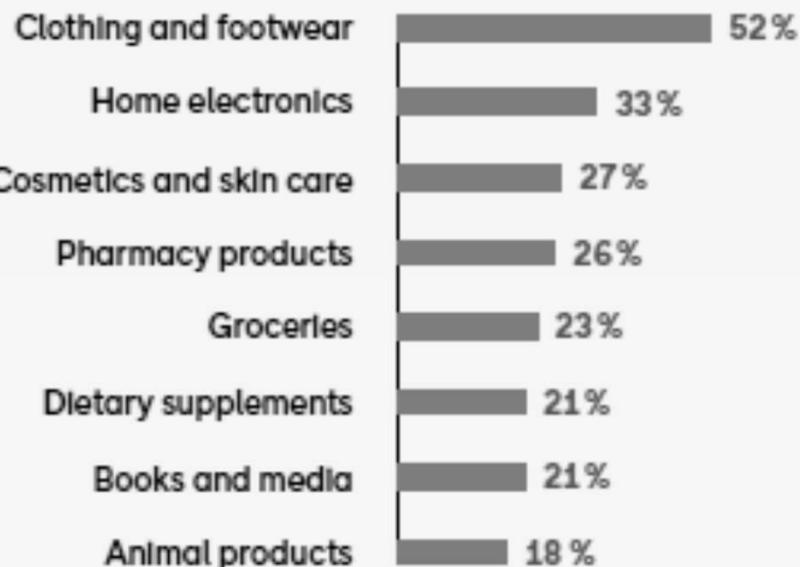
COPENHAGEN BUSINESS SCHOOL  
HANDELSHØJSKOLEN

## Percentage of e-commerce consumers that have shopped from abroad

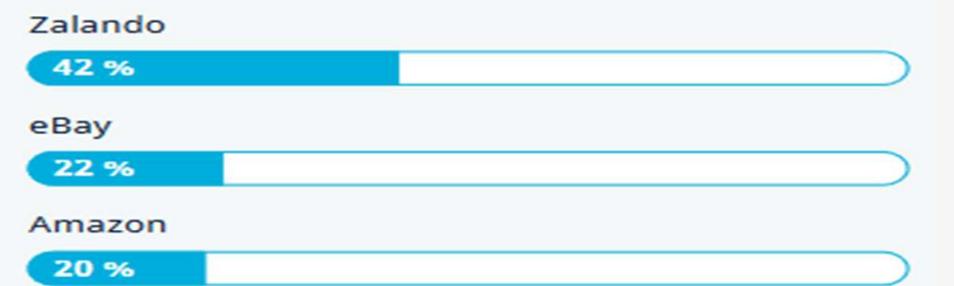
Percentage who shopped online more often due to coronavirus



Percentage of e-commerce consumers who have made purchases from each respective product category over the past year.



From which of the following e-commerce sites have you shopped online in the past year?

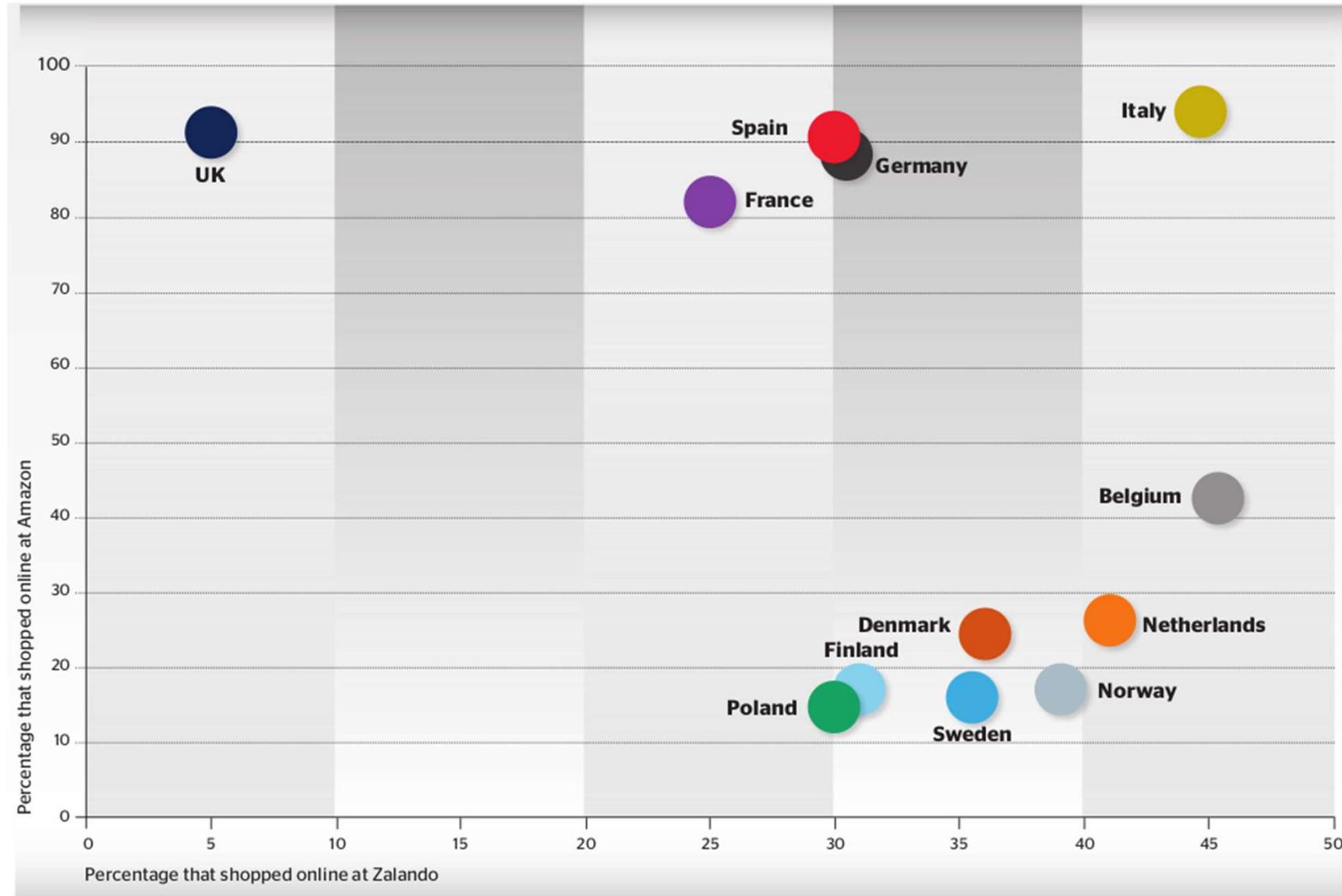


Basis: Have shopped online

Source: PostNord, eCommerce in Europe

For more detailed data, see also  
<https://oosga.com/e-commerce/dnk/>

# So far a Battle Amazon vs. Zalando



Source: DirectLink, <https://www.directlink.com/amazon-and-zalando-dominate-european-marketplaces/>

# ...and now Temu and Shein

According to European Commission, around **4.6 billion low-value consignments**, i.e. goods with a value not exceeding €150, entered the EU market equalling to **12 million parcels per day in 2024**.

This is twice as many as in 2023 and three times as many as in 2022, and many of these goods have found to be non-compliant with European legislation....

Sources:

[https://ec.europa.eu/commission/presscorner/detail/en/ip\\_25\\_410](https://ec.europa.eu/commission/presscorner/detail/en/ip_25_410)

<https://www.dw.com/en/will-eu-finally-rein-in-chinese-online-retailer-temu/a-70852973>



# Things to know about customs when you are travelling



For more details see:  
<https://toldst.dk/en-us/individuals/travel>

# Thing to know about customs when you do cross-border online shopping

Until recently, goods with a total intrinsic value  $\leq 150$  EUR were exempt from import duties, and goods having a total value  $\leq 10$  EUR should be exempt from VAT on importation. EU Member States may also grant an exemption on VAT for imported goods which have a minimum total value 10 - 22 EUR (Council Directive 2009/132/EC of 19/10/2009).

Hence, goods were systematically declared below the VAT threshold (22 EUR) to avoid VAT, customs duties and customs formalities.

## Since 15/04/2021

All imported small consignments transported by postal service and express operators by air must be covered by an **electronic safety & security and a customs declaration**.

**Reduced data set for goods  $\leq 150$  EUR not subject to excise duties or restrictions.**

## Since 01/07/2021

**All goods imported have to be declared** and VAT to be collected (including  $< 22$  EUR goods). **Import One Stop Shop (IOSS)** system **to collect VAT at purchase** will make a faster release at customs. Whenever IOSS is not used by the seller/shipper, VAT will be charged at import (however, special arrangements for postal service etc. provided)

More about?, See [https://vat-one-stop-shop.ec.europa.eu/index\\_en](https://vat-one-stop-shop.ec.europa.eu/index_en)  
and more details at <https://toldst.dk/en-us/individuals/online-shopping>

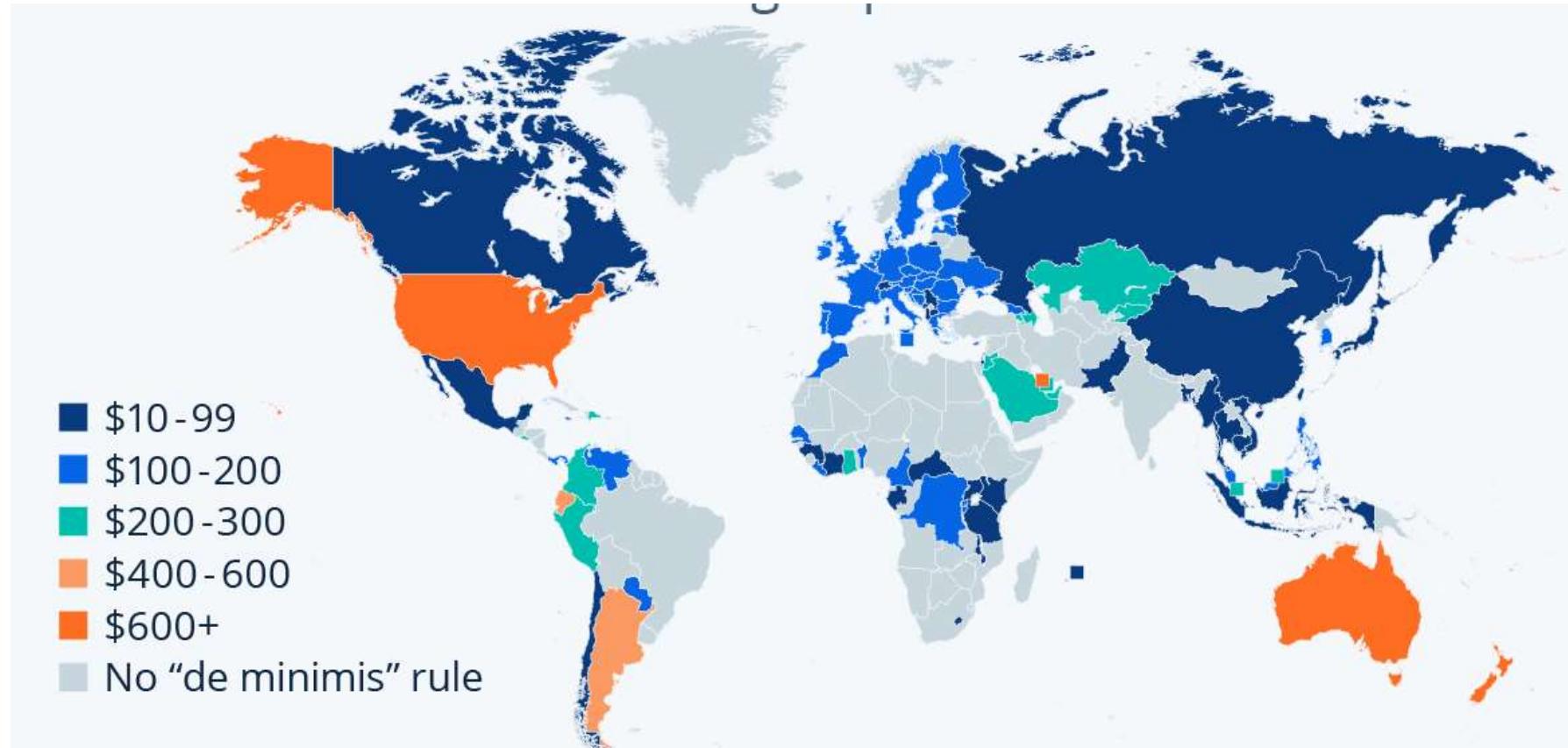
CUSTOMS DECLARATION  
DÉCLARATION EN DOUANE  
United Kingdom

May be opened officially  
Peut être ouvert officiellement

CN22

|   |  |
|---|--|
| Gift / Cadeau   | Commercial sample / Échantillon commercial |
| <input checked="" type="checkbox"/> Documents   | <input type="checkbox"/> Other / Autre     |
| Quantity and detailed description of contents<br>Quantité et description détaillée des contenants   |  |
| Description (Only for Quantité et description du contenu)<br>400 x Mars Bar, 51g  |  |
| Weight<br>Poids (kg)  | Value<br>Valeur (€)                        |
| 20.40   | 100.00                                     |
| For commercial items only<br>Si connue, indiquer le numéro et la quantité d'origine des biens   |  |
| No certain origin or pays d'origine des marchandises (je connais)   |  |
| 199285, PL  | Total Weight<br>Poids total (kg)           |
|   | Total Value<br>Valeur totale (€)           |
|   | 20.40 = 100.00                             |
| I, the undersigned whose name and address are given on the front, certify that...<br>The participant's given in the declaration are correct and that this item does not contain any dangerous article or articles prohibited by regulation or by postal or customs regulations. |  |
| Date and sender's signature<br>29 July 2019   | © Chemistry<br>                            |

# De Minimis Exemptions Worldwide



\* Whatever highest (if applicable)

China allows duty-free/tax-reduced shipments of up to \$700 (annual cap \$3,600)

for pre-approved vendors. U.S. suspended rule for Canada, Mexico, China

More limitations might apply, e.g. only B2C shipments, only small packages, exceptions for neighbors/allies or certain products

Source: Global Express Association via U.S. Department of Commerce

Source: <https://www.statista.com/chart/20154/countries-applying-a-%2522de-minimis%2522-exemption-of-taxes-and-or-duties/>

# CASE STUDY

## Sell Direct-to-Consumer or Through Amazon?

### Questions:

- 1.) Discuss pro's and con's for selling through Amazon!
- 2.) Which bikes should Pedal Spark sell through Amazon?
  - a) The present luxury ebike for \$ 4,000
  - b) The new budget ebike for \$ 899
- 3.) Which option offered by Amazon may be better for Pedal Spark?
  - a) Sell products to Amazon for it to resell.
  - b) Sell bikes themselves on Amazon and let them handle warehousing and shipping.
  - c) List them on Amazon and ship them on their own.



# Discussion



**What are the pro's and con's  
for selling through Amazon?**

# Servitization (or Products as a Service)

## Printer Ink Subscription

Never run out of ink to print!



<https://instantink.hpconnected.com/uk/en/l/v2>

## Car Sharing Systems

Pay-as-you-use principle



Free2move

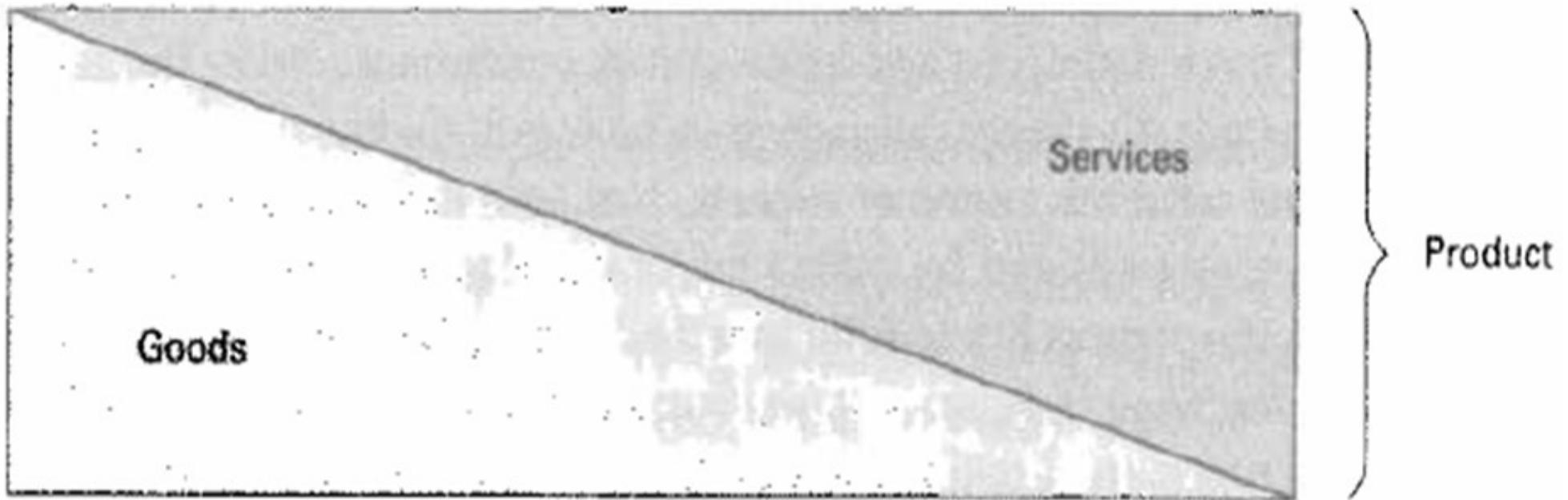


KINTO SHARE

<https://www.free2move.com/de/en/car-sharing/>

<https://kinto.services/dk/kinto-share/>

# Products as a Mix between Goods and Services



Today, for many products peripheral services are needed to add value to the product for the customer – e.g. mobile phones, electronic game plays, but also business and manufacturing equipment.  
Product and peripheral services together create customer service.

Source: Jonsson 2008

# Ten Foundational Premises of Service-Dominant-Logic

1. Service is the fundamental basis of exchange.
2. Indirect exchange masks the fundamental basis of exchange.
3. Goods are a distribution mechanism for service provision.
4. Operant resources are the fundamental source of competitive advantage.
5. All economies are service economies.
6. The customer is always a co-creator of value.
7. The enterprise cannot deliver value but only offer value propositions.
8. A service-centered view is inherently customer oriented and relational.
9. All social and economic actors are resource integrators.
10. Value is always uniquely and phenomenologically determined by the beneficiary

Service-Dominant (S-D) Logic is a mindset for a unified understanding of the purpose and nature of organizations, markets and society.

# Manufacturing Supply Chains vs. Service Supply Chains

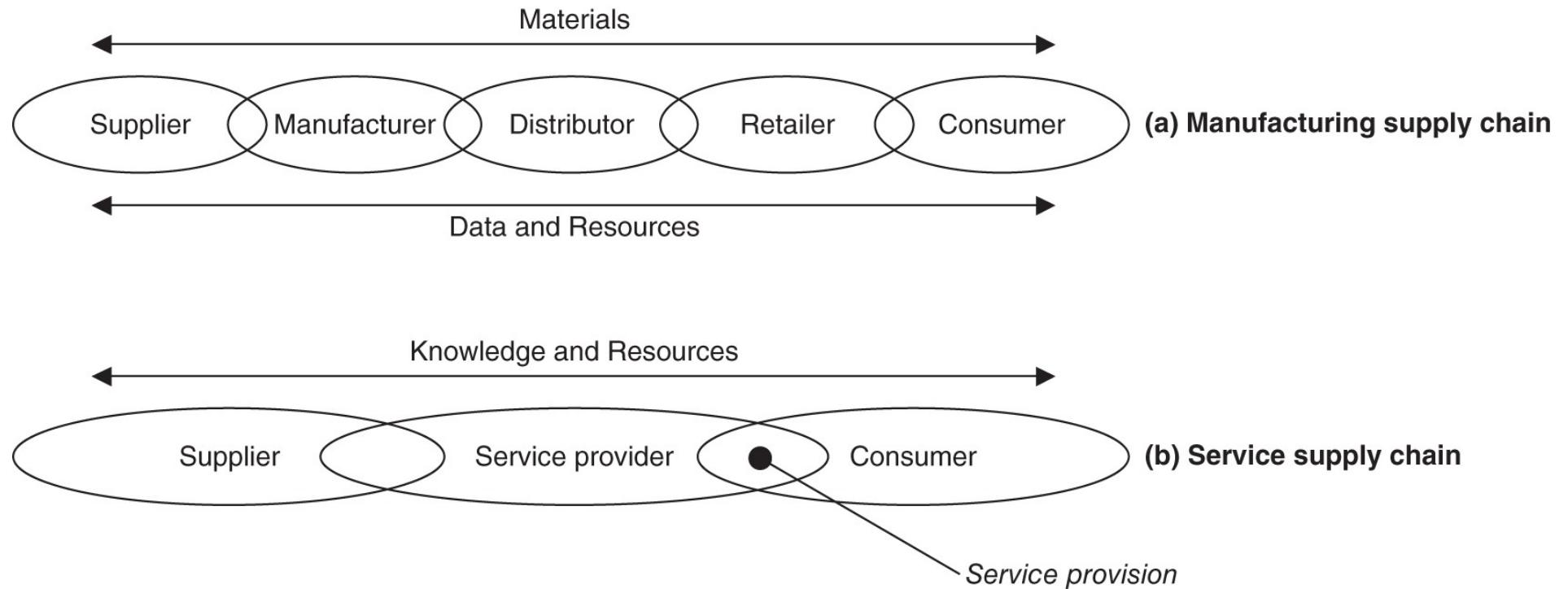
A **manufacturing supply chain** creates value through the provision of standardised, repeatable processes that ensure the delivery of freight to the end-customer in a timely fashion. In a **service supply chain**, standardisation and repeatability are less easy to achieve because customers require more variety and in some cases bespoke solutions.

Services are:

- Less tangible
- More heterogeneous
- More perishable
- Inseparable from the point of consumption

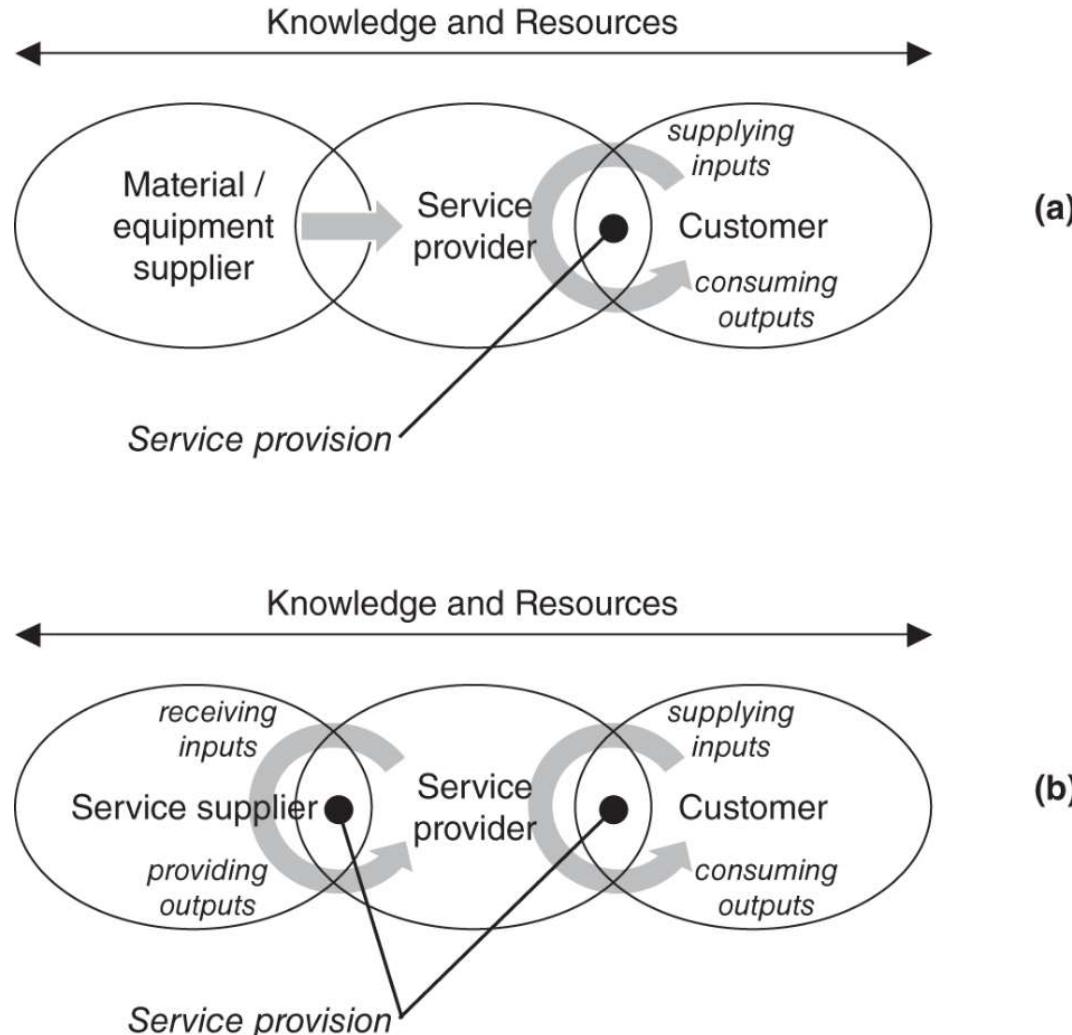
Therefore, service supply chains need to be managed differently than manufacturing supply chains

# Manufacturing Supply Chain vs. Service Supply Chain Model



The customer/client (who is also normally the consumer) is directly and simultaneously involved in the service. Hence the **service provision** usually occurs when the service provider is in direct contact with the consumer.

# Supplier-customer Duality and Bi-directional Service Supply Chains



# Reverse Logistics

“The process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods, and related information from the point of consumption to the point of origin for the purpose of recapturing or creating value or proper disposal”

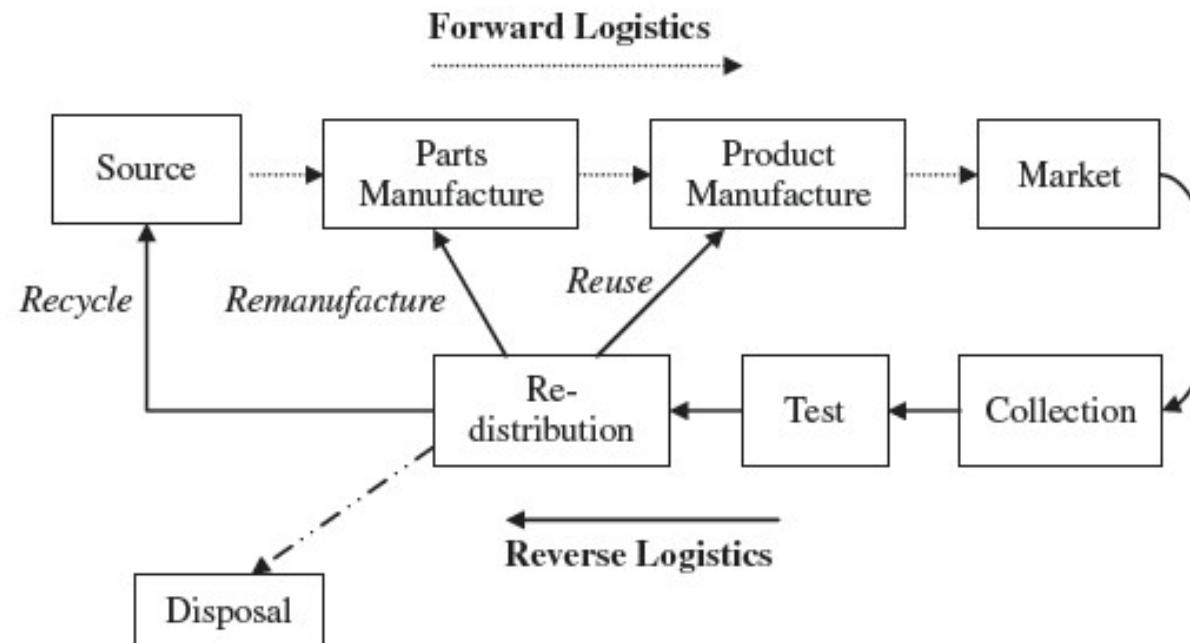


Figure 15.1 A generic reverse logistics system with recovery options

# Recovery Options

## Reuse

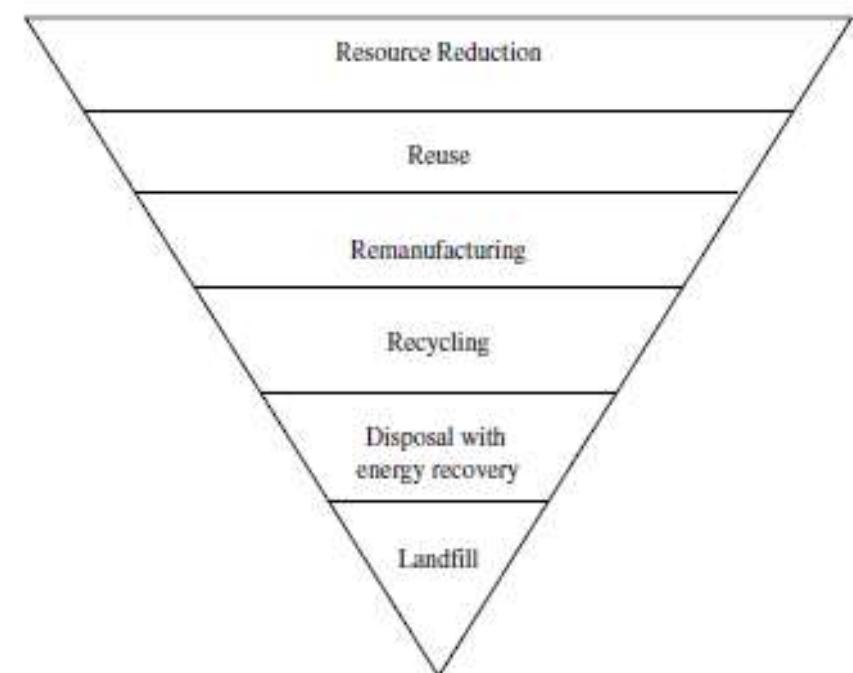
- Reuse refers to a process in which the recovered product is used again for a purpose similar to the one for which it was originally designed.

## Remanufacturing

- Remanufacturing involves a process of reducing a product into its constituent parts.  
It requires more extensive work, often complete disassembly of the product.

## Recycling

- Recycling is the process of collecting and disassembling used products, components and materials, and separating them into categories of like materials, such as plastic, glass etc., and then processing them into recycled materials.



# Closed-Loop vs- Open Loop Reverse Logistics Systems

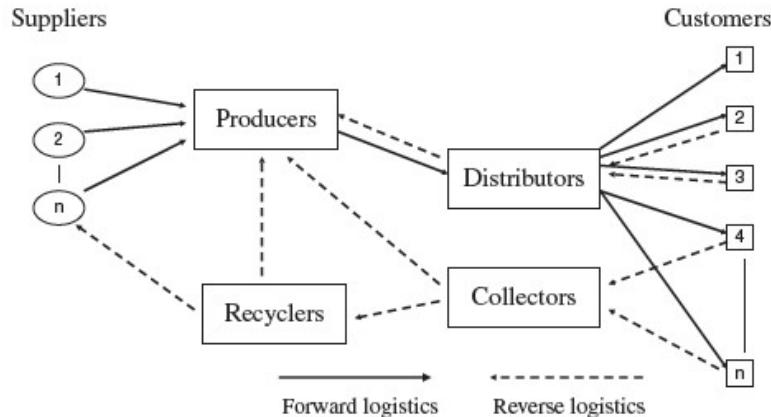


Figure 15.3 Illustration of a closed-loop reverse logistics system

Companies collect their used products and either refurbish and resell or remanufacture them or they recycle them.

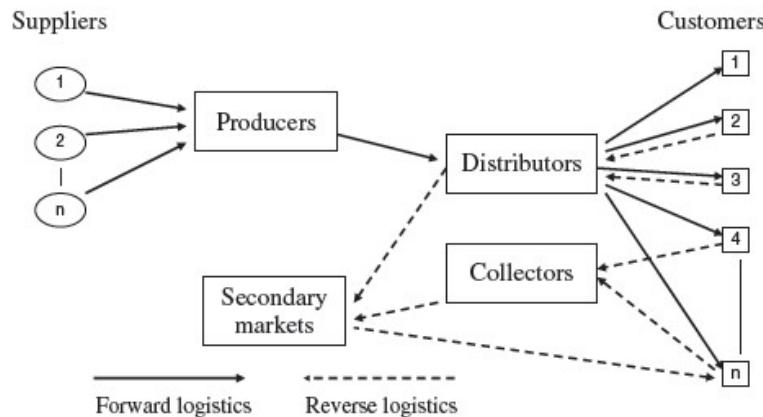


Figure 15.4 Illustration of an open-loop reverse logistics system

Companies using this system might assume responsibility for collecting and finding markets for their products, but do not use the recovered materials for themselves.

# Motivations for Reverse Logistics

## Government Policy and Legislation

Packaging Ordinance, Recycling and Waste Control Acts,  
WEEE Directive etc.

## Economic Considerations

Disposal costs  
'Urban Mining' to cover raw resources



## Environmental Considerations

Compliance with legislation,  
'Green' companies like Wiema Sko => <http://www.duckfeet.com>

## Shift Towards Buying Sets of Services

Selling services instead of products, including maintenance  
and take-back of end-of-life products => Servitization