

# New Old Stock Products' Distribution

*Aleksander Pabian*

Częstochowa University of Technology, Faculty of Management, Poland

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## Abstract

Both new and used products get to sell on the market. The third group consists of products that can be called: new, old stock. One can defined them as new and unused products, which at the same time hit the market later than manufacturer planed and through different channels than were prepared for them. In this article the authors examine how, and under what circumstances a transformation of new products into the old stock happens. Further they consider specific methods for their distribution in the market. An introduction to the discussion is to present the conceptual framework in the field of supply chains' output side.

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**Keywords:** Distribution, NOS products, distribution channels

„You can sell everyone everything you want”.  
Joe Girard<sup>3</sup>

## Introduction

In European Union only, more than 5 million companies are engaged in production activities (Gagliardi et. al., 2014). They supply market with what they have produced in order to sell it at a profit, achievement of which is *de facto* the main operational objective of each managing entity (Żemigła, 2007). Old products, which were being used for a long time but at the same time haven't lost (or have lost to a certain extent only) the ability to fulfill the function they were designed to, also get to sell. Another group of products are used, defective, that however can be still useful for a particular group of buyers (e.g. can serve as a source of spare parts / spares). On the market goes also products that can be described as new old stock (NOS). They are new and unused but hit the market later than manufacturer planed and through different channels that were prepared for them.

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<sup>3</sup> Business practitioner who has perfected the art of trading. Over fifteen years of activity he has managed to sell over thirteen thousand cars in the retail system, which allowed him to be recognized as the best seller in the world. Has been signed into the Guinness Book of Records.

In the sentence that constitutes an introduction to the work, the famous American salesman expresses thought that it is possible to achieve full success in sale. Market experience of many companies, however, show that in practice not all the companies manage to sell the whole of their production. Often a significant part of it is stopped at a certain stage of the distribution process. Sometimes it never becomes an object of market exchange (e.g. is destroyed). In the reverse situation, when goes on sale again, one should include it to the category of NOS goods (Strohl, 2009).

In this article the author examines how and on which section of the distribution channel stocks of such goods are formed. Further he describes in which way they are re- distributed to the market. An introduction to the discussion is an approximation of the conceptual framework of supply chains' output side (Kot, Starostka- Patyk, Krzywda, 2009).

Theoretical basis for the considerations is query library and an analysis of secondary sources related to the discussed matters. Empirical part is presented in the form of case study and is elaborated on the basis of research conducted within selected polish entrepreneurs who deal with the trade of NOS products as well as with people who have already purchased them.

### **Distribution - conceptual apparatus**

Production is not the principal purpose of a manufacturer. It is only the starting point of distribution - phase to attain the ultimate success considered in terms of sale of manufactured goods. In its fundamental meaning it is about the movement of products from the place of production to the final purchaser, therefore the location where the consumer or production usage appears (Dębski, 2006).

Distribution is done using a specific number of intermediaries. They form so-called: distribution channel - a certain number of interrelated distributors who allow and encourage to get the product from the beginning of the channel (place of production) to its end (final consumer) (Iacobucci, 2001).

The creation of the chain of intermediaries is a chance for the manufacturer to get his product to a group of potential customers. It is often that he doesn't own significant financial resources to create its own distribution network. In this case the only way to enter the market is to entrust the sale of products to the existing market intermediaries.

Intermediaries are referred to different names depending on the functions they perform. The most common are as follows:

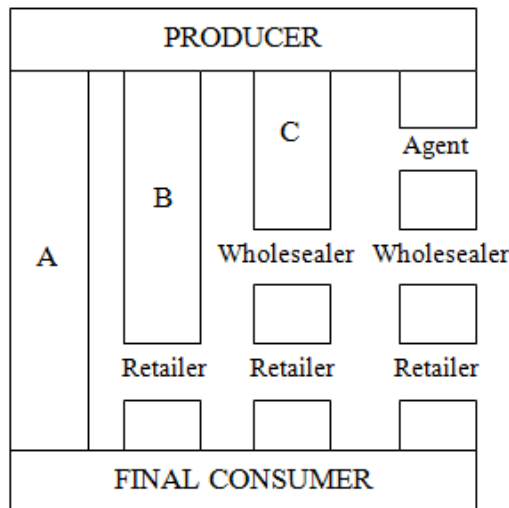
- agent, broker - any intermediary who does not have the ownership of the goods produced but is authorized to dispose them in the name of the manufacturer. Its primary purpose is to negotiate the most

favorable conditions of the goods' resale to further participant of channel, for what he is rewarded in the form of commission.

- Wholesaler - buys goods from the manufacturer, include it in the physical possession and claims ownership title to it. He does this with the intention of reselling it further, usually to the retailer.
- Retailer - middleman involved in the sale to the final consumer. Depending on the purchasing power and the size of volume, he may purchase goods from a wholesaler or directly from the manufacturer (Pride, Hughes, Kapoor, 2012).

Distribution channels are distinguished from each other, taking into account their length (number of intermediaries in the channel). Based on this criterion mentioned basic types of channels can be distinguished (figure 1).

Figure 1. Distribution channel variants.



**Source:** own elaboration on a basis of: M. C. Cant, J. W. Strydom, C. J. Jooste, P. J. du Plessis. *Marketing management*. Juta & Co., Ltd. Cape Town 2007, s. 407- 410.

Channel symbolically called A is the shortest one, has the simplest structure and is called: direct. Parties to the transaction in this case are two extreme sides of the chain: the producer and the final purchaser of the product. The sale is not mediated by an external independent entity, not associated directly with the manufacturer (Kapoor, Kansal, 2005).

This channel is characteristic for the industrial goods market (B2B), where the final consumer, often looking for specific customized solutions, consults them and ordered directly from the manufacturer, e.g. dedicated IT tools (Wright, 2004). An example of a company using this solution on a consumption market is a tailor sewing for the order placed directly by the client, a manufacturer of cosmetics selling them to customers with the usage

of salesmen employed by him as well as any company offering products through its online store.

Three, further variants are indirect - in order to get final product to consumers manufacturer uses the services of external institutions or individuals. Channel B illustrates a situation in which there is one middleman - retailer. Channels C and D illustrate a further increase in the number of cells.

The manufacturer must decide which channel will be the most appropriate from the point of view of maximizing the volume of its products' sale (Paley, 1999). He may choose only one of the options. Usually, however, nothing prevent to make use of two or even more solutions at the same time. It is called: multi – channel distribution (Fernandez' 2007). For instance, a manufacturer of regional cheeses can sell them in his own factory shop (channel A), which does not exclude the possibility of offering them simultaneously through retailers (channel B).

### **Specificity of NOS products distribution**

By NOS products (acronym from new, old stock) the author understand any items which are either:

- I discontinued from the current line of products,
  - II not produced any more,
  - III have been stored in warehouse for a long time,
- or there appears any combination of these conditions.

The only constant here is that the products appear on the market for sale and are unused. This kind of products can be found in everything from electronic devices by auto parts to the clothes.

In certain circumstances, at any stage of the logistics chain (both in the factory and in each participant in the chain of distribution) a stock of unsold products can be created. This can happen when the entity does not have time to get rid of them, e.g. in following circumstances (just to name a few):

- sudden liquidation of the company,
- change of industry/ core business,
- acquisition by another company, which e.g. takes up decision to change the logo that products will be marked with.

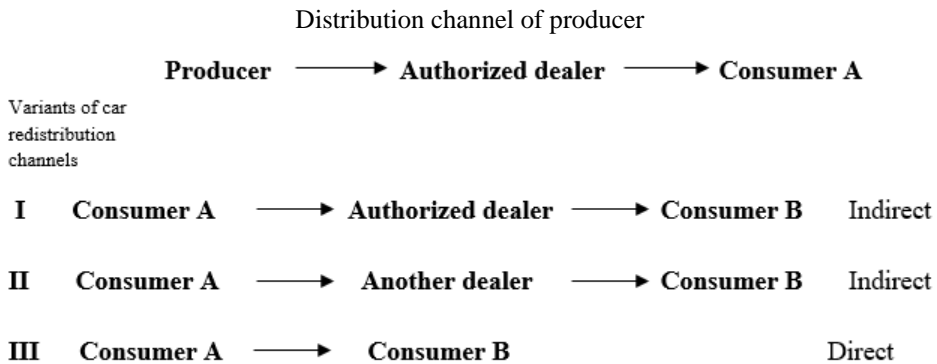
Inventories of new, old stock are also often created by the final buyers on their own. This is done in four ways:

- person buys a product for investment purposes, treating it as an investment. Does not intend to use it, rather hold until a moment it will be profitable or necessary to resell it. An example of products purchased for this purpose may be jewelry whose value does not decrease dramatically even in the long term because of the materials

they are made of (ore, precious stones). The situation is similar in the case of manufactured in small quantities, luxury watches or cars, the price of which stay over time (and even sometimes increases) due to their unique character.

- Person buys a product for collectible purposes. In this case the fan of a certain category of products, for example shoes, acquires another pair of them not for the practical purposes but as an embellishment to his collection.
- The ultimate consumer of the product is a person who came into his possession by accident and does not use it. An example would be a situation in which not justified gift that doesn't gain an excessive enthusiasm of recipient, is stored with the hope that will be useful later.

Case 1. Redistribution options of new, old Stock products on the example of vehicle.



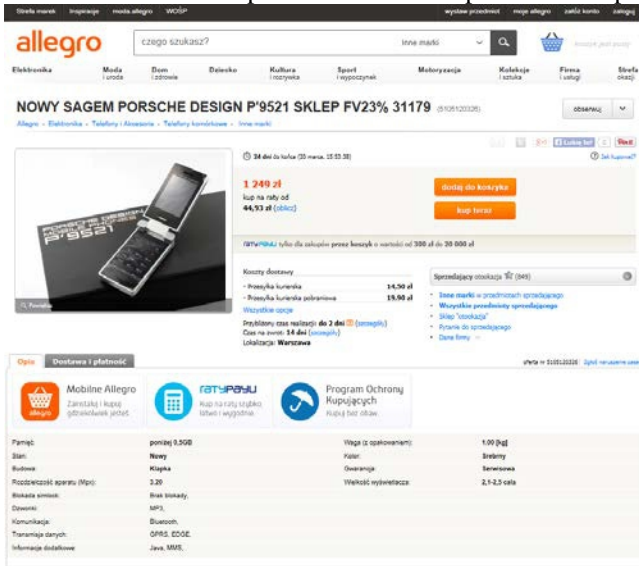
New, collectible car goes through the traditional channel of distribution (consisting of one agent) to the client. After 5 years, this decides to resell it as new, old stock. With this intention he can visit authorized dealer from whom he purchased the vehicle. Also nothing prevent him from visiting intermediary specialized in the sale of luxury vehicles. The third variant shows a situation where the owner sells the car for example to a friend.

Source: own studies.

- Person has bought the product but does not use it because of appearance of one from variety, random circumstances. From live taken is situation when during foreign trip a tourist purchases carpet with the intention of using it in apartment that is just being decorated. After his return, however, he comes to the conclusion that he will not use acquisition because its color does not match the furniture he decided to place into the room.

If stocks created in such way will not be destroyed / damaged over the time and nobody started to use them they can be got to be sold again as new, old stock. The person or institution that has ownership of these products can resell them to any wholesaler or retailer who wishes to purchase them with the intention of resale (as such, which was included in the distribution programme specified by the manufacturer of the product). Another possibility is to resign for the middlemen services in the way of direct channel usage (personal sale to the final consumer) - case no. 1.

Fig. 1. Direct sale of NOS product on the example of mobile phone.



Source: <http://allegro.pl/nowy-sagem-porsche-design-p-9521-sklep-fv23-31179-i5105120326.html> (reading: 23.02.2015).

It should be noted that in practice the personal sale of NOS products is often done using e - commerce platforms (auction sites type: e-Bay). Economic calculation leads to the choice of such solution – it offers the opportunity to present the offer to a large number of potential customers while not having to incur significant costs to reach them. Figure no. 1 shows an example of NOS product sold using the biggest polish auction platform. It is a mobile phone Sagem offered for sale as a new one after 6 years of its official launch on the Polish market (and more than 4 from the end of its production).

## Summary

Recently NOS products are beginning to play an increasingly important role in the process of market exchange. Primarily it is because of the development of Internet trading platforms, where anyone without much difficulty can offer to sell almost any product (even if it is inherited from a

relative never used lighter). Such products should be considered in terms of competition to the other merchandise available on the market. They are often offered at a relatively low price as that their present owners often want to simply get rid of them. In this case many of the customers who face a dilemma: to purchase a new product from the official distribution network and NOS, decide to choose the second option, tempted by the lower price. What's more many of them just do not have anything against such products but even prefer it (and looking for them) because of their unique character.

Awareness of the presence of new, old stock products as well as knowledge about how they arise and in what way can get back on the market seems therefore very important to the business sector. Researchers, however, do not succumb to doubt the fact that knowledge of the factors present in the competitive environment is extremely important from the success in sale point of view. Knowledge of the competitors would assist management in planning the organization's future course of action (Choo, 2001). With all this in mind the author is aware of the fact that the considerations made in the article does not exhaust the subject of new, old stock products. Undoubtedly, however, constitute a source of inspiration and a starting point for further, in-depth studies and research.

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