

# THE NEW NORMAL AND DISTRIBUTION (I)

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**Abstract:** *The new approach to demand highlights a certain gap between the manifestation of desire and the existence of goods and services on the market is the starting point for the manifestation of the market in the buyer's mind.*

*In the producer theory, "social, economic and cultural development of society wouldn't have been possible without man's capacity to use the scarce resources nature offers him. The processing of resources (material and human) to fulfil individual or societal needs constitutes the object of activity of any production process and results in the creation of a certain quantity of goods, services and information which make up the supply. In a general sense, supply is defined as the quantity of an economic good, service or production factor that a producer produces and wants to sell on the market (actually, to exchange it on the market for other goods and services, by means of money) in a given period of time and at a given price level"*<sup>6</sup>.

*The new economy or digital economy has radically changed the direction of the relationship between supply and demand, from the one in which demand was a consequence of supply to the one in which supply is a consequence of demand, and terms such as customized or personalized describe a new way of making the products, in which the production process is assisted by the consumer, from the design stage to the finished product. Of course, this does not leave out innovation and industrial creation but, before these, the idea of a new product or service is rooted in consumer need.*

**Key words:** *Distribution; Market Structure and Pricing; Trade; Technological Clange, Legal Procedure; consumers; New Normal; e-commerce.*

**JEL Classification:** *M13; M14; P17; Q01.*

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The market, a defining element between the old and the new normal. A first concept of the market in the consumer's mind can be defined by the degree of penetration into consumption of the products/services with their function and features and their brand image. The first part of the definition highlights the positive experiences in the consumption process, in which certain goods and services, through their functions and characteristics determine a high degree of consumers' needs satisfaction, their high quality being proven in the actual consumption process. The second part of the definition refers to their brand image, "signifying the synthesis of mental representations of cognitive, emotional, social and personal of goods/ services in the buyer's mind. Being a subjective motivational component, it is the result of the way a product or brand is perceived by the user or consumer. A clear image, positive and differentiated «sets» the product in question apart, offering it a position of its own in the overall market just like a diffuse, negative image can compromise the market success of a qualitative good"<sup>7</sup>.

Elaborating on this concept, it can be stated that any act of "purchase" without the physical presence of the product and only based on image is an activity specific to this meta-market.

Over time, these types of "exchange acts" have taken on various forms, from the purchase list drawn up before going to the place of sale (store) to the online order. All these are regarded from the consumer's perspective as the place where this market is formed.

From the suppliers' perspective, things have developed in the direction of ensuring the utilities regarding the quantity, quality, place and time of the presentation of the offer at a price level acceptable to the consumer.

The manifestation of the behaviour regarding the purchase place involves the shopper travelling to the place of sale and going through some stages of the purchase process – such as comparing products and

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<sup>7</sup> Virgil Balaure, coord., Virgil Adăscăliței, Carmen Bălan, Ștefan Boboc, Iacob Cătoi, Valerică Olteanu, Nicolae Al. Pop, Nicolae Teodorescu – 2003, *Marketing*, , 2<sup>nd</sup> revised and added edition, Uranus Publishing House, Bucharest, p. 339.

prices – and the actual purchase but, in this case too, much of the purchase decisions are made well before this moment.

Remote (online) purchase has concentrated the stages of the buying process, eliminating also the distance between the buyer the product presentation place.

Over the last fifty years, the suppliers have researched the purchase behaviour of the consumer, anticipating its' manifestation so that, nowadays, through the work of online intermediaries, they are addressing directly to the market in the consumer's mind and, no matter of the place in which the producer is, they can satisfy even the most complex consumption need.

The need to furnish a house, for example, can be met by a single delivery, just like the house designed in one's mind is delivered by a complex team of architects, plumbers, engineers, electricians, builders satisfying as much as possible the need for housing so that the project drawn in one's mind to turn into reality. A PC builder can receive all the component parts from producers who are thousands of kilometres away and, according to his skill, can make the product at home. Also, a family can get from a catering company all the dishes necessary for a full meal.

In the future, the online suppliers will be able, based on the information held about the consumer, to create, like in a puzzle, a clear picture of all solutions (goods and services) expected by the consumer for a complete satisfaction of a consumption need, after which they will directly communicate and will provide them a full “package” of goods and services.

The “market concept” took a clearer shape in the mind of the consumer with the increasing distance (in time and space) between the production place (products) and the consumption place and with the growing number of intermediaries and economic agents who cover this space.

The economic theory picked up on these changes and developed a series of new concepts, meant to explain the change in attitude of the consumers and in the way in which producers and intermediaries in the distribution space take them into account in their strategic plans.

The large amount of information disseminated in the public space by those interested in selling the products generated the first problems in selecting the products and services by the consumers, considering their limiting capacity of memorization, as “*just like the memory of a computer, the human mind has a niche or a certain position reserved for each bit of information it chooses to store. When working, the human mind is very much similar to a computer. Yet, there is a crucial difference. A computer must accept the information introduced in its memory. The mind is not bound to do this. On the contrary. Human mind rejects any new information which doesn’t add up. It only accepts the new data which matches the current situation. All other data is selected and eliminated*”<sup>8</sup>.

The presented hypothesis was taken into account as early as 1972, when the authors of the above-cited paper published the first findings in the specialized magazine *Advertising Age*. At that moment, the changing of the rules of advertising through the positioning concept was initiated. In essence, in the era of communication excess, it was concluded that “in communication, more is less. The fact that we misuse communication to close a lot of businesses and solve a multitude of social problems has led to an overcrowding of channels, the result being that only a very small part of the amount of messages reach their target, out of which not necessarily the important ones”<sup>9</sup>. “*When the concept was formulated, positioning was considered a system organized with the purpose to find a window in the mind*”<sup>10</sup>.

This paradigm was valid before the beginning of the Covid-19 pandemic and determined the multiplication of information channels through the personification of initial issuers, especially in *social media*, and, with the “isolation of consumers”, the impossibility for them travel to product display sites and make purchasing decisions based on real information, through direct contact with their products and brands.

Although the new economy, based on information technology, generated important transformations in the functioning of markets, the Covid-19

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<sup>8</sup> Al Ries, Jack Trout – 2004, *Poziționarea – Lupta pentru un loc în mintea ta*, Editura Curier Marketing Publishing House, Bucharest, p. 47.

<sup>9</sup> Idem, p.25.

<sup>10</sup> Idem, p.35.

pandemic draws a line, flexible enough, between the old and the new normal. Attention is now focused on this new situation, in which the relationship between production and consumption is carried out, in the first instance, online and, later on, through the logistic processes of distribution, the evaluation and the actual consumption process take place.

Electronic commerce covers to a great extent the space between production and consumption and it is the result of the pressure exerted by the two poles of economy, generated by the need to sell and make profit and the need to buy and satisfy needs and wants.

By analysing e-commerce indexes essential changes in both the behaviour of economic agents and the manifestations of the consumers of products and services are noticed.

Attention has turned towards consumer's behaviour, which has been researched by various specialists, whose investigations have converged on treating it mostly sequentially, as a system at the heart of which is the human being with its needs, wants and expectations. "A probatory synthesis of this approach is offered by Philip Kotler, who translated consumer behaviour issues in cyber language"<sup>11</sup>.

In this view, consumer behaviour appears as an "output", respectively as a result of "inputs" received, evaluated and processed by the human being.

For the research it is important that we understand the psychological processes "*situated between inputs and out puts...., which can't be observed, at least at the actual level of human knowledge, as they take place in the so-called «black box».* The inputs (economic situation, price, quality, usefulness, possibility of choice, presentation, culture, social- professional biography etc.) get in the «computer» (human psyche) through channels (knowledge, personal observation etc.) and determine certain «outputs» (choice of product, brand, store, frequency of purchase, non-purchase, postponement of purchase etc.)"<sup>12</sup>.

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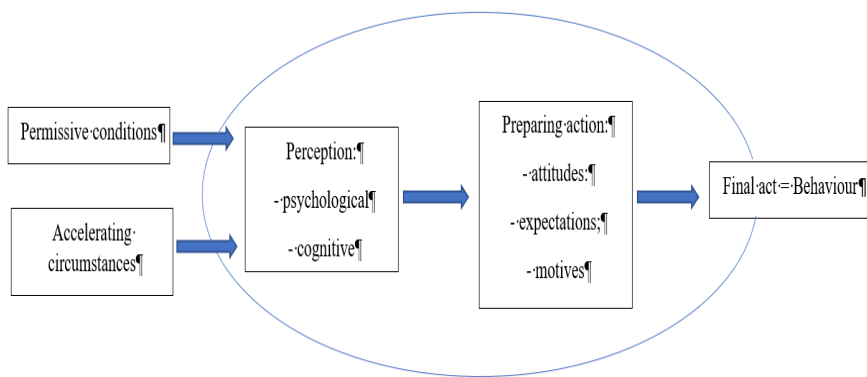
<sup>11</sup> Philip Kotler – 1969, "Behavioral Models for Analyzing Buyers", in *Dimensions of consumer behavior*, James U. Mc. Neal publishing House, Meredith Corporation, New York.

<sup>12</sup> Virgil Balaure, coord., Virgil Adăscăliței, Carmen Bălan, Ștefan Boboc, Iacob Cătoi, Valerică Olteanu, Nicolae Al. Pop, Nicolae Teodorescu – 2003, *Marketing*, 2<sup>nd</sup> revised and added edition, Uranus Publishing House, Bucharest, p. 182.

Starting from the systemic nature of the consumer behaviour, it “can be defined, in a specific approach, as essentially a multidimensional concept, as a specific result of a system of dynamic relationships between processes of perception, information, attitude, motivation and actual manifestation, which characterize the integration of the individual or the group in the space described by the set of consumer goods and services existent in society at a given moment, through individual and group decision-making actions with respect to them”<sup>13</sup>.

Understanding the complexity of decision-making processes that take place inside the black box is based to a great extent on graphical models, logical schemes in which endogenous and exogenous variables and their relationships and interactions are defined. The most well-known are: the Katona school scheme, the March Simon scheme, the Nicosia model, the Engel-Kollat-Blackwell model and the Howard-Sheth model.

The Katona school scheme is relevant for the study of both the inputs and the black box, for a determination as real as possible of consumer behaviour. The stages of the decision-making process according to this scheme are shown in Figure 1.



*Figure 1: Katona school scheme*

Source: Virgil Balaure, coord., Virgil Adăscăliței, Carmen Bălan, Ștefan Boboc, Iacob Cătoiu, Valerică Olteanu, Nicolae Al. Pop, Nicolae Teodorescu – 2003, *Marketing*, 2<sup>nd</sup> revised and added edition, Uranus Publishing House, Bucharest.

<sup>13</sup> Idem.

Thus:

- ✓ The final act represents the actual behaviour of the consumer or the response;
- ✓ The stimuli can be economic or environmental;
- ✓ The endogenous variables, component of the psychosocial field include attitudes, motives, habits etc.

According to the presentation of the typology of economic models, the model conceptualized above falls into the category of “logical models ⌀ which contain, unambiguously defined but not necessarily measurable notions which describe the structure of the object studied, causality relations etc. «Logical models are propositional sequences which describe the structure and functioning of a real object, generating a relatively invariant representation of it. In this case, the model approximates the ideal type, a Weberian term that names a particular class of homomorphic logical models (Zamfir, Vlăsceanu, p. 366)» ”<sup>14</sup>.

In the work *Analytical Economics*, Nicholas Georgescu-Roegen considers that “the laws of demand and supply seem to be derived concepts, and their justification is made as ultimate considerations which find their place in economic sciences, that is, the reasons that determine individuals to produce and exchange goods”<sup>15</sup>, calls to a multidisciplinary approach to the market in the consumer mind, allocating an important space to the research of the consumer behaviour in the digital age.

Of particular interest is the Howard-Sheth model, regarding the identification of broad categories of variables as well as the attention given to the variable “**satisfaction**”, starting also from the perspective of Nicholas Georgescu-Roegen’s critical analysis, who said: “*before talking about utility, value, individual behaviour, we talked about needs, wants, questions etc. These last concepts are, it’s true, far from being accurately defined, but that is what*

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<sup>14</sup> Emilian Dobrescu – 2002, *Tranziția în România – Abordări econometrice*, Editura Economică, Bucharest, p. 17.

<sup>15</sup> Nicholas Georgescu-Roegen – 2000, *Opere complete, volume IV\**, *Economie analitică*, The National Library Collection, Expert Publishing House, Bucharest, p. 13.

*utility or **satisfaction** is, if we are to analyse the question. However, the lack of a precise definition shouldn't affect moral sciences, but improper concepts, constituted by attributing to man facilities he doesn't have, should. And utility is such an improper concept, based on other undefined concepts such as desires, benefits etc. If the latter can't be properly defined, then neither «utility» or «satisfaction» can<sup>16</sup>.*

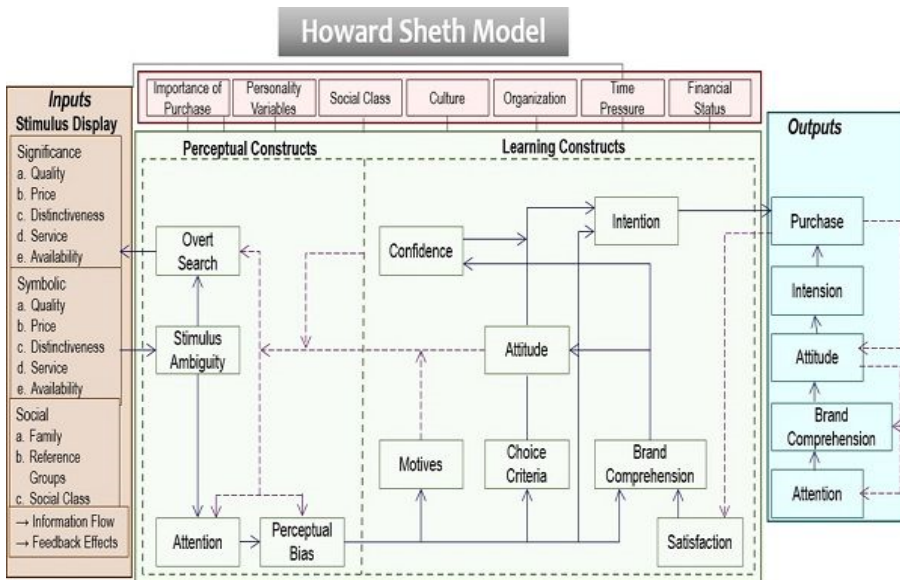


Figure 2: Howard-Sheth Model

Source: <https://theinvestorsbook.com/howard-sheth-model.html>

From the retrospective bibliographical documentation provided by several scientific disciplines, theories and global models regarding consumer behaviour have emerged, among which there are worth mentioning: the Marshallian Model, the Pavlovian Model, the Freudian Model, the Veblenian Model and the Hobbesian Model. The Models which are named after their authors were conceived at various moments in time and put a certain science into perspective, the author not being

<sup>16</sup> Idem, p. 87.



concerned with highlighting the interdependencies existent in defining behavioural processes.

*The Marshallian Model*, explained in detail by the specialists from the Marketing Faculty – ASE Bucharest, supports the theory that purchasing decisions as well as the actual purchase of commodities are the effects of rational and consciously economic calculations. “*People spend their income to purchase those goods that brings them the greatest satisfaction, yet according to rational tastes and the prices they have to spend it on.*”<sup>17</sup>

In elaborating his model, Marshall was inspired by Adam Smith and Jeremy Bentham and started from the concept of marginal utility of the values of various goods and services. As a need is satisfied through the use of a good, an additional quantity of that good has less and less value. The marginal utility is, thus, the “utility premium” generated by increasing the quantity consumed by one unit. Starting from the marginal utility, the consumers rank their needs. In scientific experimental research the Marshall method analyses the effect of changing a single variable – price – over consumer behaviour, with the other behavioural variables held constant (unchanged).

The Marshallian Model discusses the problem of economic factors in general and, experimentally, it explains the processes that take place in the *black box* through measuring the variation of “output” variables, making a logical connection between the experimental input variables and the output ones.

*The Pavlovian Model* is based on the learning theory. The experiments of the physiologist and psychologist I. P. Pavlov (1849-1936) highlighted, among other things, that the reflexes acquired during life are determined by the environmental conditions (conditioned reflexes). The Model is based on four basic concepts: impulse, suggestion, reaction, recurrence. The Pavlovian Model, with all its limitations, is useful also through the possibilities of introspection it allows being also used in advertising (one-

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<sup>17</sup> Virgil Balaure, coordonator, Virgil Adăscăliței, Carmen Bălan, Ștefan Boboc, Iacob Cătoiu, Valerică Olteanu, Nicolae Al. Pop, Nicolae Teodorescu – 2003, *Marketing*, 2<sup>nd</sup> revised and added edition, Uranus Publishing House, Bucharest, p. 189.

way communication) when launching new products and services on the market.

*The Freudian Model* was conceived starting from S. Freud’s psychoanalytical theory regarding the human being. Certain mechanisms of behaviour are explained by biological and cultural elements. We note the importance of motivational research within the Freudian model for explaining some processes that take place in the black box.

The logical scheme “Sigmund Freud assumed, that the *psychological forces shaping people’s behaviour are largely unconscious, and that a person cannot fully understand his or her own motivations*”<sup>18</sup>, is shown in Figure 3.

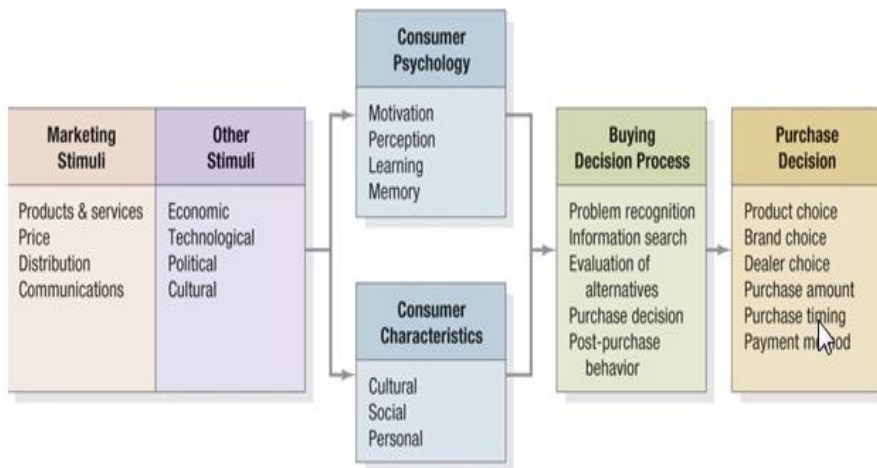


Figure 3: Model of consumer's behaviour

Source: Philip Kotler, Kevin Lane Keller, 2006, *Marketing Management*, the 12th edition, p. 184, Pearson Prentice Hall, New Jersey.

Motivational research, in turn, has focused on the study of attitudes and, especially, on their change in the digital era, attitude being considered a latent variable, a real psychological entity, unobservable in a direct

<sup>18</sup> Philip Kotler, Kevin Lane Keller – 2006, *Marketing Management*, 12<sup>th</sup> edition, Pearson Prentice Hall, New Jersey, p. 184 –

manner, which makes the connection between motives and action (the observable output variable). Current research is calling for more caution regarding the value of information referring to consumers' opinions, but doesn't leave out the pressure placed on consumer attitudes by the new market environment.

In-depth interviewees "use various *projective techniques such as words association, sentence completion, picture interpretation and role playing*"<sup>19</sup>. Many of these techniques were pioneered by Ernest Dichter, a Viennese psychologist.

In our Ph. D. research we hypothesize that variables such as online sales, the number of online intermediaries, the frequency of purchases, the categories of purchased goods and consumer reactions after the purchase (information from the consumer groups and forums related to certain goods) can serve to an operational definition of consumer attitudes, more rigorously than the opinions gleaned from traditional selective surveys.

*The Veblenian Model*, as a social, psychological model, is valuable for the development of motivational research. Thorstein Veblen relies on the theory of ostentatious consumption, in which consumer behaviour is not determined by motivations imposed by satisfying needs, but by the desire to gain prestige.

Social influences take on a specific, high weight in the pressure on consumer behaviour. Knowledge of social influences reveals a part of the processes that take place in the black box, considering them external motivations for consumer behaviour. In relation to the system of endogenous variables, the ones related to the characteristics of the social environment are considered independent variables used in market segmentation, variables with different discriminating powers. We note some of them: culture, subculture, social classes, reference groups, belonging groups etc. Social classes represent an independent variable with high discriminatory power.

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19 Ernest Dichter – 1964, *Handbook of Consumer Motivations*, McGraw-Hill

*The Hobbesian Model* focuses on organizational factors that influence consumer behaviour. The model discusses the problem of the behaviour associated to people representing organizations, although the initial model emphasizes the purchase of goods and services for institutionalized collective entities (companies, governmental or social bodies, hospitals, kindergartens, schools, universities).

## **The dimensions and characteristics of the market in the mind of the consumer**

The market in the mind of the consumer arises and develops at the intersection of the markets that participate in the satisfaction of the needs of the modern man. Its projections are based on the dynamism of these markets and constitutes the main source of changes in the living environment.

Prior to inventions and innovations to arise, the ideas of changes in general originate inside the human being. The dynamic connection, the human-environment diachronism is a valence of the endogenous system of its variables in the comprehensive concept “fit”. Everything takes place in a complex system of social and economic exchanges, and each individual is defined by the system of these relationships.

Internal accumulations of information and experiences differentiate consumers and their capacities of connection with the external environment.

Distributive economics is the common place of the social and economic decisions, mobilizing resources of all kinds, in recognition of these capacities and abilities of *homo economicus*. He is capable of being aware of his own needs, of showing interest in satisfying them, to search for the right means to meet his expectations and to evaluate the degree of their satisfaction, like a new beginning in a continuous learning process.

The market in the mind of the consumer develops, in the spiral of the learning process, simultaneously with the exchange of information with

the other members of the social and economic community, with different organization levels.

Economic relations are the ones that stimulate the rational intelligence of the human being, an emotional one *par excellence*. Thus, many of his decisions are influenced by this feature, which is worth studying through his projections and behaviour.

Compared to the dimensions and characteristics of the real goods and services markets (area, structure, capacity and dynamics), in the market in the mind of the consumer capacity and dynamics stand out somewhat more strongly.

The *capacity* of this market can be expressed through the volume of the configured demand, determined by the quantity and quality of information stored in the prior consumption processes and by those received from the communication systems. It represents a potential, but its measurement is more difficult, however it is useful to determine the volume of demand actually expressed on the real markets.

It is also hypothesised that activities in online commerce represent a way of measurement, considering a certain congruence between the “aggregates” of the demands – the demand in the mind of the consumer and the real demand. *The dynamics* of the respective market is determined, on one side, by the scale and dynamics of the flow of information coming from the external environment, but limited to the capacity of accumulation, selection and retention by each individual consumer.

This hypothesis, already validated by Ries and Trout (*Op. cit.*<sup>20</sup>) shapes another dimension of the market, *structure*, which emphasizes the notable differences between different categories of consumers, depending on their living environment, level of education, professions and access to new technologies.

The economic segmentation variables take a back seat, considering that many of the personal projections regarding solutions to satisfy the

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20 Al Ries, Jack Trout – 2004, *Poziționarea – Lupta pentru un loc în mintea ta*, Curier Marketing Publishing House, Bucharest

consumption needs remain in the project stage, without materializing into actual demand. Theoretically, the “market localisation” characteristic can also be outlined if we consider that, among the dominant consumption experiences, those related to customs and traditions are closely linked to the community, place or living area. However, these characteristics are helpful to determine the way in which the characteristics of the market in the mind of the consumer extend into actual local markets and which are specific to traditional distribution.

*Distribution* is placed in the same category of the restrictive factors of market externalization, in synchronization with real markets of goods and services, on one of the top places. In any definition of economy, the term *distribution* appears as part of “the whole of human activities carried out in the sphere of production, distribution and consumption of material goods and services”<sup>21</sup>. *Stricto sensu*, the term distribution “cuts out” a distinct area of economy which can be analysed separately in order to understand its complexity, as well as its part in this whole.

As an economic function it groups activities and processes which “ensures the optimal path of some enterprises’ goods to the places where they are to meet demand”<sup>22</sup>, securing “the transmission of goods through commercial transactions from producer to consumer”<sup>23</sup>.

In Paul Avril’s view, quoted in the same paper, in the transition from “a production state to a consumption state, the product, in order to be consumable, must go through a series of commercial operations through which it acquires the so-called distribution state, which appears as the combined effect of four other states, namely:

- *state of place, respectively bringing the product in the right place, **desired by the consumer**;*
- *state of batch, referring to the need to offer for sale, in the same place, a homogenous batch of products (a quantity of identical goods);*

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21 <https://m.dex.ro/economie>

22 Ana-Lucia Ristea, Valeriu Ioan-Franc; Teodor Purcărea – 2005, *Economia distribuției*, Expert Publishing House, Bucharest, p. 17

23 Idem, p.17.

- *state of assortment, i.e., the list of goods offered for sale at the same time and in the same place as the product in question;*
- *state of time, characterised by a certain date (a certain moment) when the product can be purchased*<sup>24</sup>.

The critical analysis of this concept from the perspective of the market inside the mind of the consumer highlights the fact that distribution ensures a series of utilities “existing” beforehand in the mind of the consumer, in the form of desires (desired product) or utilities (the complex offer for complete satisfaction of a need), as well as time utility (at the right time) and place utility (at the place expected by the consumer).

Therefore, it can be seen that, before being a field planned and organized by institutions and economic agents, distribution is based on these expectations formed on the basis of information held by consumers and their experiences in the processes of purchase and consumption. This idea is supported also by the concept of marketing management as being „the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior consumers value”<sup>25</sup>.

Choosing target-markets is the result of complex operations of getting to know the values they expect in order to subsequently create, delivered and their actual existence be communicated, respectively in the form of functional and emotional benefits which define these values.

Many of the creation processes are based on knowing the perceived needs of the consumers and the information about the ways of satisfying them and other, afterwards, in researching the actual way of satisfying the needs, consumption itself, as a source for the development of goods and services.

The complex field of distribution, which dynamically surpassed the field of production is taking shape “starting from the macroeconomic

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<sup>24</sup> Idem. p.18.

<sup>25</sup> Philip Kotler, Kevin Lane Keller – 2006, *Marketing management*, 12<sup>th</sup> edition, Pearson Prentice Hall, New Jersey, p. 6.

functions of distribution – making products available, informing producers, creating demand”<sup>26</sup>. Delimited by the initial point of exit from production and the final point of entry into consumption, distribution makes available huge material, human and financial resources and comprises extremely processes and activities.

The marketing or the distribution channel “are sets of interdependent organizations involved in the process of marketing a product or service available for use or consumption. They are the set of pathways a product or service follows after production, culminating in purchase and use by the final end user”<sup>27</sup>. Between the two moments, a series of intermediaries, such as wholesalers and retailers, who buy and sell the commodities, known as merchants, operate. Usually, the marketing channel functions within a system consisting of „a set of marketing channels employed by a firm”<sup>28</sup>.

The second component of distribution, logistics, „promotes as its main objective to offer the utilities of time, place and possession, at the lowest possible cost”<sup>29</sup>. The logistics system includes: expedition, transportation, storage, inventory management, sorting, preparation of goods for sale, display and assistance in selling.

The component processes of consumer-oriented logistics unfold against the background of a two-way information flow, from producer to consumer, for their optimization, and from consumer to producer for providing utilities of time, place, quantity, quality and acquisition price.

Seen from the perspective of flow organization, the following should be mentioned: flow of physical circulation of products, promotional flow, ownership flow, risk flow, insurance flow, settlement flow, financial flow and informational flow. These flows can be grouped depending on the

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<sup>26</sup> Ana-Lucia Ristea, Valeriu Ioan-Franc; Teodor Purcărea – 2005, *Economia distribuției*, Expert Publishing House, Bucharest, p. 241.

<sup>27</sup> Philip Kotler, Kevin Lane Keller – 2006, *Marketing management*, 12th, Pearson Prentice Hall, New Jersey, p. 468.

<sup>28</sup> Idem.

<sup>29</sup> Idem, p.24.

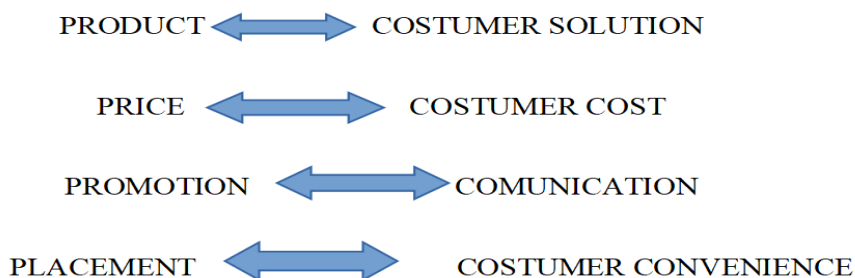


pole that generates them, producer or consumer, and the sense in which they are organized, in order to determine the way they make decisions.

Promotional flow, products flow, ownership flow and settlement flow are organized and planned by the producer, while informational flow, risk flow, insurance and financial flow derive from the system in which the consumer designs his decision-making and needs satisfaction.

Economically, the profitable satisfaction of needs, as a nucleus of the market in the mind of the consumer, involves their identification and understanding the system of social and economic relationships they relate to. Actually, one of the definitions of modern marketing show the changes of direction of the micro and micromarketing from consumers and market to producers and suppliers. Kotler and Keller, in their famous work *marketing management*, define marketing as „a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.’<sup>30</sup>.

The direction of changes in philosophy of businesses can be also noticed in the new configuration of marketing mix: from the 4 P’s there has been a shift to 4 C and the centre of the universe of economics was filled by the consumer.



Source: adapted from Philip Kotler, 2006, *Marketing management*, 12th edition, Pearson Prentice Hall, New Jersey

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<sup>30</sup> Philip Kotler, Kevin Lane Keller – 2009, *Marketing management*, 13<sup>th</sup> edition, Pearson Prentice Hall, New Jersey, p. 45

The two types of searches in which priority is given to the ones that start from the consumer are suggestive. The latter, aware of his needs, defines them as solutions expected from the current products or new creations.

Vaguely defined in the form of desires, for instance a food supplement that provides all the body's mineral requirements or a vaccine that prevents all types of virus infections, the idea of new creations takes shape in the researchers' laboratories.

The consumer expects solutions of value to satisfy his needs. In his mind the first cost estimates to obtain these goods are also produced. He compares his cost projections with the prices of goods and services in the real market or obtained from communication systems. In an expression loaded with emotional costs, one often encounters the phrase "I would give anything for the loved one to get better" or, as Goethe said: "vedi Napoli e poi muori".

Sometimes, the cost of the solution is higher than the financial cost, this covering also the moral hazard risk. *"Moral hazard (or moral risk) is defined as the situation in which there is a tendency of taking undue risks against the background of costs bearing by a third party who would partially or totally assumes this risk"*<sup>31</sup>.

The traditional advertising used as an instrument to "push" certain products in the end consumer's consumption model, the two-way communication from producer or supplier to consumer and from consumer to producer turned into a new paradigm of wants transmission process, as solutions for satisfying the needs, from consumer to producer. This is the most complex equation of future economics, in which information gets a decisive power in decision-making regarding allocation of resources for innovation and creation of new products and services. The relationship between the two systems – production system and consumption system – develops within the framework of online channels and communication media.

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<sup>31</sup> <https://pdfcoffee.com/asimetria-informationala-pdf-free.html>

Gathering information about the purchase and consumption behaviour will represent in the future the most important way to organize economic activity.

Many of the functions of products and services have been taken over by consumers themselves. The concept of *influencer*, increasingly used on social networks has become a vehicle for shaping consumption behaviours among various categories of consumers. There is a new form of consumption, image consumption of those who emulate certain social models. This way, consumers are coagulated into categories on various criteria, and for the suppliers the predictability of their behaviour increases. The market in the mind of the influencer consumer expands through including new members in the online social group.

The variable with significant impact on the meta market is constituted by the distribution/placement as it is done today through a mix of means and technologies, traditional as well as new. Many of the activities specific to distribution channels take place online, such as planning, programming, selection of intermediaries, contracting, control of intermediaries' activities as well as an intensive use of online intermediaries.

The online trade is an example of these shifts by replacement of traditional market intermediaries with digital intermediaries. They have the capacity to “photograph” the market in the consumer mind and then to look in the global economy for the products and services suitable for putting together and offer as a complex solution to satisfy the wants in this market.

The analysis of tradition distribution circuits and the flows of activities highlights their transformation through involving the new information technologies. The analysis of the two types of distribution channels – the direct channel and the indirect channel – are schematically presented in the next figure.

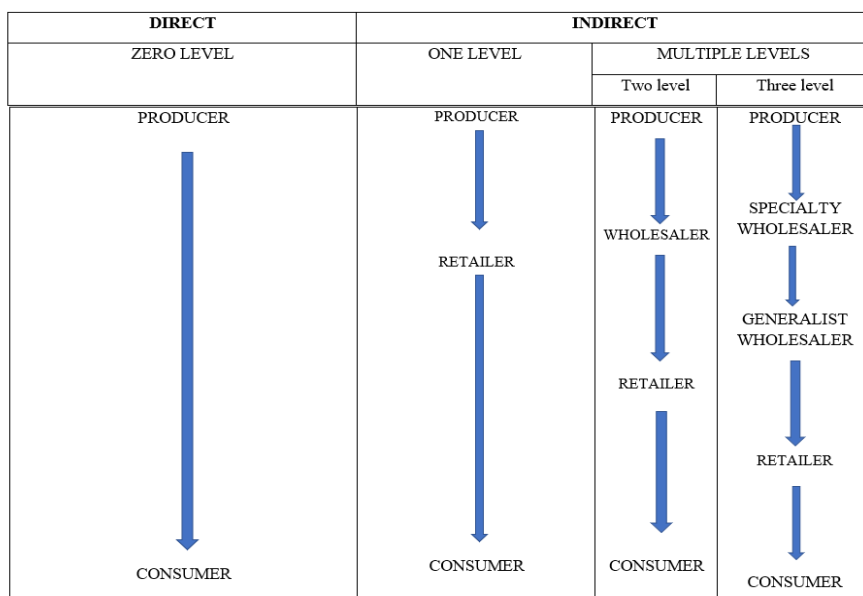


Figure 4: Basic distribution channel types by number of intermediary levels<sup>32</sup>

a) The direct distribution channel (zero level) was, in the history of the market development, the first used. Its use was preferred due to short distance between producer and consumer, and, later on due to the endowment of the producer/consumer with transportation means. In the more advanced stages of the market development this type of channel has been used for more complex products and high volumes such as machinery, furniture, electronic equipment. In the present stage it transformed from one-way to two-ways: PRODUCER ↔ CONSUMER, due to the development of communication systems. Thus, the consumer became a partner of the producer in designing the product, equipping it with options, choosing how to transport, handle,

32 Taken from: Ana-Lucia Ristea, Valeriu Ioan-Franc, Teodor Purcărea – 2005, *Economia distribuției*, Expert Publishing House, Bucharest, p. 31; Günter Specht, Wolfgang Fritz – 1992, *Distributions-management*, Verlag W. Kohlhammer, Stuttgart, Berlin, Köln, p. 36.

commission and, in many cases, service it during consumption. The products have been customized based on this partnership system, supported by the internet. Actually, it was the birth of the market in the mind of the consumer, thus being established direct relationships between the needs/wants of the consumer and the producer, from the stages of designing/re-designing the product.

An interesting shift has occurred, recently, at producer level: the producer has become the centre for the formation of the product mix, for putting together a complex offer to satisfy a complex demand, previously formulated in the mind of the consumer. For example, a tennis enthusiast has in mind a combination of desired products and brands to play this sport. A brand producer partners up with other producers, and online forms the offer requested by the buyer-player. Then, he chooses the storage place and the method of delivery directly at the buyer's home, through rapid transportation systems.

A similar trend is noticed regarding other large categories of consumer services, such as: educational services, health services, home care services etc.

The pandemic crisis has speeded up the development of these new services based on information technology. For example, within educational services, school/faculty makes available to the student/home student, in real time, presentations of lectures, graphs, movies, experiences, insuring also an interaction between the two poles: teacher – pupil/ student.

*b) The one-level distribution channel* has been and keeps being used for a series of agri-food products, complex assortment products, brand and fashion products, perishable goods etc. It has also undergone shifts from the one-way circuit to the two-way one. Online communication of information, boosted by product coding, automatic reading code reading and real-time information transmission has integrated the three participants in this circuit. We notice, however, a new stage in the

development of the market in the mind of the consumer in the traditional channel itself, namely making the purchase decision and the shopping list before the buyer physically goes to the retail store. Previously, based on the consumer's information, from advertising, from presentations of the product through labels, packaging, leaflets, the consumer used to decide beforehand what to buy, where to buy it from, how much to buy and how much to spend on shopping. An important part in the "selection processes" was played by the formation of the products and brands, respectively their reflection in the mind of the consumers by creating "*some organized systems in order to find a window into their mind*"<sup>33</sup>. Currently, this channels has undergone a radical change. Firstly, for many products and brands it has been reduced to the last stage:

#### RETAILER ↔ CONSUMER

The pandemic crisis has stimulated the development of this type of channel, through online product ordering directed to hypermarkets, restaurants, catering units and courier delivery of products at the consumer's home or workplace. It has already become a habit (independent variable) the support of this type of consumption for large categories of population equipped with computers, laptops, tablets, smartphones. At the same time, social groups have been constituted around influencers and retail units supported by social networks, purchase and consumption patterns becoming general in this groups.

Secondly, the retailer was replaced by the digital intermediary, respectively by the online store. Sending, receiving and processing orders are done automatically, in real time, based on software owned by these intermediaries. Transportation is carried out by the courier system and delivery agents equipped with mobile and rapid transportation means and POS for the payment of the products.

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<sup>33</sup> Al Ries, Jack Trout – 2004, *Poziționarea – Lupta pentru un loc în mintea ta*, Curier Marketing Publishing House, Bucharest, p. 35.

c) The other two channels, *two-level, respectively three-level distribution channels*, considered long channels have included, ever since 1978, a number of intermediaries with different functions depending on the degree of integration of activities in the flows widely presented by Rosenbloom in the book *Marketing Channels*. Compared to these, major changes have occurred in the meantime, both in the direction of the product circuit and in the functioning of the involved intermediaries. The consumer becomes the central figure of the distribution processes, being the one who decides on the purchase of products and brands, the place of purchase, the transportation means and the methods of payment for the products. Due to the two flows, promotional and informational, another type of integration, vertical, is achieved on these channels, respectively either the producer takes over the wholesaler's functions for the mixes of products and delivers them directly to the consumer, or the retailer integrates the wholesaler's functions and, sometimes, even the ones of the manufacturer (bread, semi-prepared and prepared meat, use of own brands) making up complex offers for the consumer. In this context, the consumer benefits from the entire offer of products, of all kinds, but also from home ordering and delivery facilities.

Direct communication between consumer and producer in all types of distribution channels allows the consumer to exercise his right to have the product's functioning guaranteed and to return it if it doesn't meet his expectations presented in advance.

The second function of distribution, logistics, is that which tempers the dynamics of the market in the mind of the consumer, being dependent, largely, on economic processes, carried out in part with traditional means and technologies.

A number of restrictions in the market development come from the fact that "*the human mind not only eliminates that information which doesn't correspond to knowledge and experiences previously accumulated, but it doesn't even have much knowledge and experiences based on which to make the selection*"<sup>1</sup>. For this reason,

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<sup>1</sup> Al Ries, Jack Trout – 2004, *Poziționarea – Lupta pentru un loc în mintea ta*, Curier Marketing Publishing House, Bucharest, p. 49.

reason, outsourcing memory with the help of information technology and calling on intermediaries specialized in the online environment solve a part of these restrictions derived from physical distribution. Under these circumstances, it is time that widens the gap between expressing needs and satisfying expectations as processes can be optimized through cost functions so that products and services are acquired at minimal costs.

In the logistics system, “transportation of products is considered the most important component, usually accounting for almost two thirds of the costs related to all logistic activities”<sup>1</sup>.

In the global market, in which the market in the mind of the consumer is integrated, choosing modes and routes of transportation, scheduling transportation forms are related to their international dimensions. At the same time, a series of risks are associated with them, considering the differences between states in organizing transportation and in EU and national regulations. While in the EU all these has been resolved to a certain extent, at the level of the global economy things are far from being harmonized, although many states are members of various international treaties (OECD).

In the absence of a regulated system and bodies to protector consumer interests, the return of products that don't meet consumer's expectations represents a high risk factor.

The development of air and drone transport will provide a boost of dynamism in product transportation to which must be added the segmentation transport-delivery on short and very short distances by non-conventional transportation means by home deliverers.

The second largest component of total costs, product storage, has long since come under new technologies. Currently, receiving and processing their orders to their suppliers to form and replenish stocks and to send products to consumers is done in real time. The problem that needs to

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<sup>1</sup> Virgil Balaure, coordonator, Virgil Adăscăliței, Carmen Bălan, Ștefan Boboc, Iacob Cătoiu, Valerică Olteanu, Nicolae Al. Pop, Nicolae Teodorescu – 2003, *Marketing*, 2<sup>nd</sup> revised and added edition, Uranus Publishing House, Bucharest, p. 466.



be solved is that of the places of stocks as it is dependent on the same problem of transportation.

“Location, design and choice of warehouses (another component of the logistic chain) which are at the nodal points of the physical circuit of products, in order to perform their functions efficiently involves numerous decisions”<sup>1</sup>.

The solutions chosen by the big digital platforms – such as Amazon, eBay, eMag – of cascading warehouses in various places shortens the distance from the warehouse to the consumer and facilitate the use of mobile and fast transportation means to the consumption place. It is likely that in the near future the current retailers will also be the intermediary warehouses, in the proximity of consumers, that online intermediaries will call upon to put together the supply for the “demand” in the mind of the consumer.

There is a high degree of emphasis on the “**physical handling** of products in the various stages of the logistic circuit”<sup>2</sup>, although the use of palletising, containerising, the automated of sorting and pre-packaging systems in warehouses were technological innovations that replaced, to a certain extent, physical handling.

**Information flows** are the decisional support of the entire logistics system that involve all suppliers in this system (transportation, storage, warehousing, insurance, settlement services). These flows accompany the physical circuit of the products, are bi-directional and participate in informing and decision making by the agents involved in the physical distribution of products. The circulation of information takes place in real time on the internet, preserving its security and protecting it from possible cyber attacks.

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<sup>1</sup> Virgil Balaure, coordonator, Virgil Adăscăliței, Carmen Bălan, Ștefan Boboc, Iacob Cătoiu, Valerică Olteanu, Nicolae Al. Pop, Nicolae Teodorescu – 2003, *Marketing*, 2<sup>nd</sup> revised and added edition, Uranus Publishing House, Bucharest, p. 468

<sup>2</sup> John Komlos – 2019, *Principiile economiei într-o lume postcriză*, Centre for Economic Information and Documentation of the Romanian Academy, p. 81

In the flow of information from consumer to producer, the use of barcodes or QR participates in the automated inventory management systems and the composition of supply batches, the automation of warehousing activities and the adjustment of producers' offer with buyers' demand.

Information contained in the code systems describe the characteristics of the products and, by extension, those of the consumption demand. In the systems of information transmission and processing, this was the first phase of direct relationship between consumer and producer, as well as the first stage in the development of online intermediaries and e-commerce. Gradually, this informational circuit has been reduced to two poles:

#### ONLINE INTERMEDIARY/ONLINE STORE ↔ CONSUMER

At the same time, other service providers have been also integrated: transportation agent and the settlement bank, being equipped with information reading and transmission means by the organising enterprise/bank.

In the future, the degree of online integration of these activities will increase through automation of transportation means and remote ordering of travel.

As a distinct area of the economic system, the economics of distribution sets apart by scale, complexity, quantity and quality of resources used, but also by the accelerated dynamics of changes under the strong influence of new technologies, used both at the level of producers as well as consumers. Its transformations continue under the pressure of the two poles, as well as the changes in economics and technology.

Consumer became the main factor of change, due to the quantity and quality of information held, respectively access to information. Also, he started to impose new criteria in determining the efficiency of economic actors, The market in his mind has turned him from an "anonymous" consumer into an easily identifiable one and, at the same time, a coagulating factor of the markets in distinct consumer categories,

markets in which he associated due to the new kind of relationships sustained and developed online.

The new technologies have accelerated learning processes at the level of the entire economy, starting from the unlimited access of consumers to information about producers, their goods and services, but also the producers' access to information about consumers.

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