



International Distribution Institute

Establishing a relationship with multi-brand retailers

The Main Strategic Issues



Choosing between selective distribution and imposing resale conditions on multibrand outlets

In order to get control over the way products are sold on the retail level, we need to choose (at least in the EU, due to antitrust constraints) between a selective distribution network and a simple seller-buyer relationship based on individual contracts of sales containing a set of resale conditions to be respected by the retailer.

This panel will mainly focus on the strategic issues of this choice and on the first option. The second option will be dealt with in the following presentation.

Selective distribution

- Sales to non authorized resellers are prohibited: closed network.
- Strict control over resale conditions can be imposed more easily.
- Requirements for becoming members of the selective network can be extended – at least partially - to online sales.
- Coordination with non-selective distribution channels can be problematic.

Non-selective distribution systems

- Easier management of distribution: no long term contracts, easier acceptance by retailers.
- Enforcing general conditions included in individual contracts of sale is less effective.
- No “closed network”: retailers are free to sell to other traders. Refusal to supply to resellers who don't respect requirements less effective.

THE BASIC STRATEGIC ISSUES

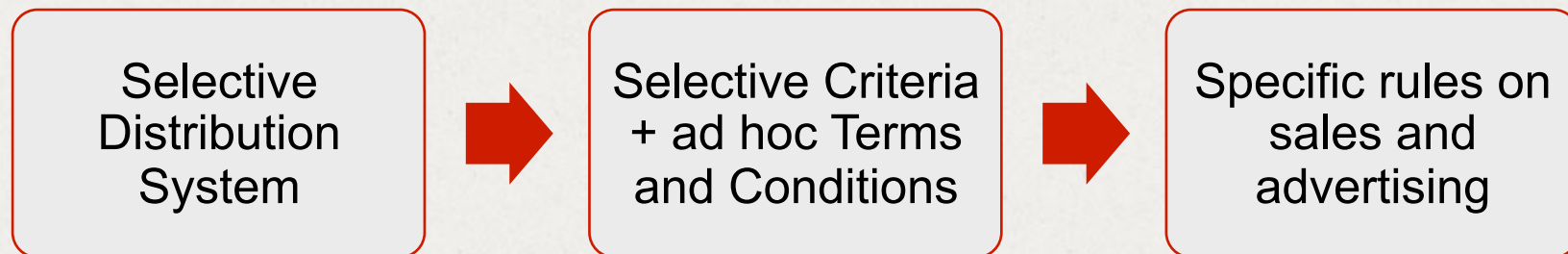
Control over conditions of resale off-line

- Does selective distribution warrant a more extensive control ?
- Can individual sales + T&C regarding resale conditions warrant sufficient control?

Control over conditions of resale on-line

- Limitations regarding online sales which are necessary for warranting the respect of certain requirements can be justified in selective distribution
- Which limitations can be imposed to resellers not belonging to a selective network?

Valentino – Online



Valentino Brick & Mortar

VALENTINO

Monobrand

- Boutique Agreement
- Criteria



Department Stores

- Contracts
- negotiation



Multibrand Stores

- T&C
- Criteria

Selective Distribution in L'Oréal

- 3 Divisions

- PPD – Professional Products Division



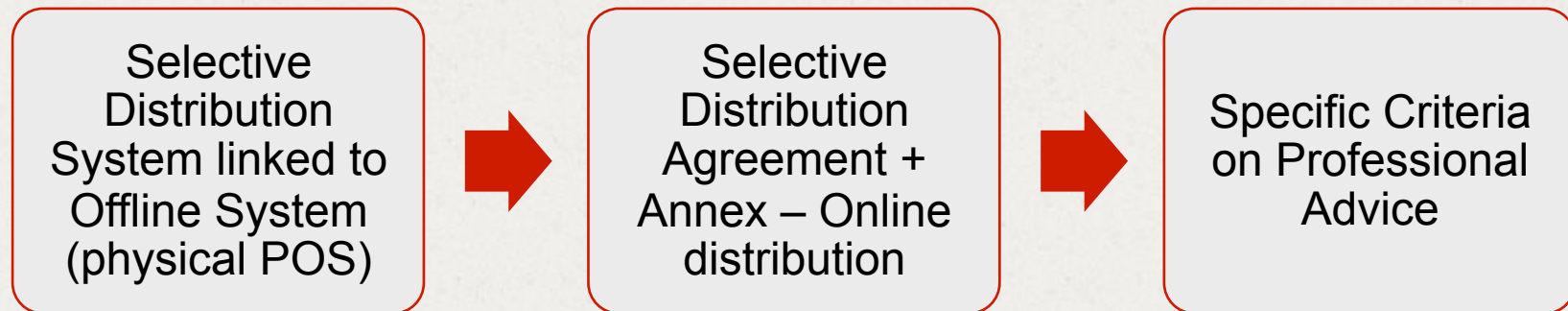
- ACD – Cosmetic Active Division



- LLD – L'Oréal Luxe Division



L'Oréal – Online





L'Oréal - Online Internet Assessment Grid

- Secured online payment and consumer information about payment terms
- Consumer information about delivery terms
- Advice provided by at least one person with the professional qualification required by the selective distribution agreement
- Use of the visuals in a high quality definition format



L'Oréal – Offline Distribution



Monobrand

- **D i r e c t Distribution**
- Kiehl's
- A t e l i e r Cologne
- L ' O r é a l Paris



B2B – Authorized Distributors

- **Selective Distribution Contracts with multibrand distributors**
- Hairdressing Salons (PPD)
- Pharmacies (ACD)
- Perfumeries (LLD)



Corners- Department Stores

- **Selective Distribution Contracts with multibrand luxury shopping center**



Supplier Controls Over Resellers in the USA

- Generally, supplier controls are not subject to specific statutes or regulations (with industry-specific exceptions)
- But various controls have been and continue to be tested under competition law



Supplier Controls Over Resellers in the USA

- In principle, same antitrust rules for mono-brand vs. multi-brand and for online vs. offline
- But the rules distinguish between:
 - price vs. non-price
 - unilateral vs. joint action
 - vertical vs. horizontal
 - state vs. federal