Distribution and Sales Channels in Spain

As a result of the growth of the Spanish economy, distribution has become a key factor in supplying the consumer market. Sales channels to consumers have developed significantly in the last few years, ranging from traditional distribution methods, in which wholesalers sell to traditional shops and those shops sell to the public, to more sophisticated methods, with an increased presence of large multinational supermarkets, retail stores and central purchasing units.

The major competitors to U.S. exporters and investors in Spain are Western European firms, although Japanese and Chinese companies have emerged as formidable competitors as well. Cost, financing terms, and after-sales service play important roles in a firm's market success. Since Spain joined the EU, member states' exports to Spain have benefited from lower tariffs than U.S. goods, which remain subject to the EU's Common External Tariff.

Nonetheless, U.S. products are still competitive with EU exports, often due to lower production costs in the U.S. derived from economies of scale, and are expected to become more so as long as there is a favorable dollar-euro exchange rate.

European exporters provide generous financing and extensive cooperative advertising, and most of their governments actively underwrite their exporting efforts with trade promotion events and other support. While U.S. products are well respected for their high level of technology and quality, some U.S. firms face challenges, including flexibility on financing, adaptation of product design to local market needs, and assistance with marketing and after-sales service. The Spanish market echoes the rest of Western Europe, where price remains paramount. Credit terms, marketing assistance and aftersales service are also key factors in local purchase decisions.

The Spanish market is made up of a number of regional markets and two major hubs, Madrid and Barcelona. The vast majority of agents, distributors, foreign subsidiaries, and foreign trade related entities operates in these two hubs or has some type of presence there. In recent years, the autonomous regions have created their own investment promotion agencies and are heavily promoting the establishment of foreign firms in their territories. As a consequence, some foreign firms have successfully dispersed their investment from the major hubs.
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