CHAPTER FIVE

SUMMARY & RECOMMENDATIONS

The present study endeavors to analyze the effectiveness of Distribution Function in White Goods Industry. It has taken an analytical viewpoint of the marketing channels as seen mainly through the eyes of manufacturing firms, distributors and consumers. From the viewpoint of the manufacturer, a key aspect of marketing strategy is to determine how best to go to market (Bowersox & Cooper, 1992). Marketing channel decisions are among the most critical decisions facing management. The channels chosen intimately affect all the marketing decisions. (Kotler, 2003) As a strategic marketing tool, marketing channels had been taken least important. But now this attitude appears to be changing (Hass, 1995 – as quoted by Irani, 2011). At least four developments underlie this shift is emphasized by Rosenbloom (2004):

1. Explosion of information technology and E-commerce.
2. More difficulty to gain a sustainable competitive advantage.
3. Growing power of distributors, especially retailers in marketing channels.
4. Need to reduce distribution costs.

The urban and rural markets in India are growing at an annual rate of 7 to 10 per cent and 25 per cent respectively. One of the key enablers of this growth has been the increasing penetration of organized retail. While there are established distribution networks in both rural and urban India, the presence of well-known brands and organized sector is increasing. As the market spreads out from saturated urban regions to low penetration rural areas and tier II/III towns, distribution network and brand recognition will continue to play ever more significant roles in determining market share and profitability.

The market for white goods is moving towards a stage where it could soon be defined “as broad as it can be reached”. The central government plans of making electricity available for all by 2012, will also open up immense opportunities for the white goods segment. The choice of the most effective channel of distribution is an important aspect of marketing
strategy. To Find and select the right channel intermediaries is crucial to the success of the marketing strategy.

To evaluate the effectiveness of distribution function, questionnaires method was followed for the collection of primary data from sales personnel of manufacturer companies, distributors and consumers. Sales personnel were interviewed too. Interviews were conducted for the verification of information from the questionnaires as well as to know more facts about the usage of unconventional channels, top management involvement in channel members related issues and channel managers’ role in channel relations.

Analysis has been based on not only on the primary data but also on a careful study of pertinent secondary materials including books, journals, encyclopedia, websites, specialized commercial (business) and marketing directories, CMIE reports and reference to the library of Chamber of Commerce and Industry. **Major findings of the study** are summed up as follows:

**Emergence of New Trends in Channels of Distribution**

1. The review of secondary data has revealed that Cross-channeling is a revolutionary change in how companies think about their customers and includes e-commerce, merchandising, marketing, store operations, supply chain and IT capabilities. Cross-channeling will be the most important approach in distribution. This includes shopping in-store, online and by catalogue, with no difference in service between channels.

2. Emerging and rapidly proliferating electronic sales/marketing channels, such as the Internet, extranets, e-mails, faxes, direct mail, television home shopping, and tele-selling, are making channel management increasingly difficult and important. But, at the same time, electronic communication channels, such as intranets, are helping sales managers in their more traditional functions through use of empowered salespeople with virtual, mobile sales offices that dramatically lessen their dependence on the flow of communication from sales management.

3. A consumer’s trust in an Internet shop varies in proportion to the perceived size and perceived reputation of its physical store network and perceived privacy at the e-shop.

4. The Internet will have the greatest impact on marketing communication, a moderate effect on the sales transaction, and a minimal impact on logistics with the exception of
information goods. This situation may hinder the future penetration of electronic commerce because many transactions do require some kind of pre-purchase inspection.

5. Conventional marketing may become slow or stagnated over a period of time. Multi level marketing may be the turnaround tool in such situations. The more reputed companies in MLM in India and abroad are, Amway, Modicare, Oriflame, Tupperware, Quantum, RMP, Goodways Placement Services etc. All these companies have web based information system where a member can monitor the growth of his down line memberships, incomes accrued etc.

6. Many durables are sold through retail chains now days. Tata Nano is trying to ramp up its sales by exploring unconventional channels like the Big Bazaar outlets. This is a masterstroke innovation in their distribution. Figures say that 450 Tata Nano cars got sold through this outlet in February, which is close to 5% of their total sales in that month.

New Trends in Channels of Distribution & White Goods Industry

1. The households of Haryana state were asked about the awareness for new channels of distribution. The frequency distribution of respondents for their awareness for Sky Shops, Internet Marketing and Multi Level Marketing as emerging maketing channels showed that about one-fourth are aware of Sky Shops and Internet Marketing. But a very few population are aware of Multi Level Marketing as a maketing channels.

2. As far as respondents’ preference for these channels for buying white goods is concerned, Some of the households (about 30 percent) were inclined to use the TV sky shops but preference for other two channels was very less.

3. There have been some demographic differences among respondents from varied residential status, educational background and professions for the preference for these channels for buying white goods .But, no higher significance value was reported for these cross-tabulations. It means respondents’ demographic characteristics do not affect much their preference for these channels.

4. The sales personnel were asked about use of various channels for distributing their products. All respondents responded positively for distributor/dealer network and retail chains. LG and Samsung retail through Co. Shoppe too.
Effectiveness of Distribution Function in White Goods Industry from Sales Personnel’s Perspective

1. Scope of Distributors/Dealers Network in Haryana: All companies except IFB have whole Haryana coverage through its Distributor network. IFB is having its presence only in major cities of Haryana. Furthermore, LG, Videocon and Samsung have their reach not only in cities but also in small towns. But no white good company has its reach to the villages through dealers or distributors.

2. Selection of Distributors and Dealers: Distributors of LG and Samsung exclusively distribute the company’s products only. While other companies do not select necessarily on the basis of exclusive distributorship. As far as selection of dealer/retailer is concerned, dealers of all companies operate with multi brand Products in White Goods industry.

3. Parameters for Selection of Distributors: The process of selecting a channel member is a major undertaking incurring substantial resources, both personal and financial. The most important parameter is Economic Background of the Person followed by Dealer Network and Experience of Trade. Hypothesis One is accepted as it is fully supported by the data. It means sales personnel of various companies do not differ in their perception significantly regarding the importance of various parameters.

4. Companies were found to conduct induction programs for the new channel members. But it requires more attention.

5. Liberal credit policy of companies does not affect much the effectiveness of distributors. It has been supported by all companies equally as Hypothesis Two is accepted.

6. Factors of Motivation for Distributors: Distributors need to be continuously coaxed for sustainable relations and deliver required level of performance, there are a few factors when administered in the correct manner will enhance performance. The factors that motivate channel members were found to be Prompt Delivery of Material followed by Installment Facility for the Customers. Higher Significance Value for all the factors indicating the acceptance of null Hypothesis Three. It means sales personnel of various companies perceived similarly about the importance of various factors.

7. Hypothesis Four has been accepted indicating the distributors of various companies have been similarly satisfied with profit margins as perceived by sales personnel.
8. Effectiveness of Distributors has found to be quite high in Promoting the product locally by conducting Dealers’ Meets followed by creating high Visibility. **Hypothesis five** has partially been accepted and partially rejected because the sales personnel of various company showed different perception regarding Road Shows as tool for promotion.

9. No contribution was reported on the part of distributors in providing infrastructure for after sales services. In fact, informal discussions with company persons revealed that usually white goods companies own their service centers almost in every city and the companies’ technicians fix the customers’ service related problems.

10. Only IFB people consider distributors’ feedback important for product improvement.

11. Samsung people were found most satisfied with co-operation in sales reporting they obtained from distributors followed by LG and IFB. Godrej sales personnel were least satisfied with the co-operation on the part of distributors.

12. Parameters as measures of performance evaluation of distributor: Mean values from all companies for Revenue Generation was the highest followed by timely payments and inventory holding support. On the contrary Submission of Reports and Brand Building were less important parameters. Sales personnel of various companies attached equal importance to these factors as supported by acceptance of Hypothesis Six.

13. Most of the White goods companies were found to evaluate the performance of their distributors quarterly.

14. Reasons of Conflict: Lack of sales efforts on the part of distributors has been the most frequently occurring reason of conflict followed by Improper Communication and Handling of Warranty and Service issues. On the contrary, Cash flow tightness’ and settlement of schemes were less frequently occurred Conflict situations. Further, partial acceptance of **Hypothesis Seven** showed that the different companies were having different perception for all reasons of conflict except cash flow tightness and delayed payments.

**Effectiveness of Distribution Function in White Goods Industry from Distributors’ Perspective**

1. Most of the distributors were found to be associated with their respective companies for more than five years except for Videocon and IFB. Further, majority of distributors are having quite long experience of the trade.
2. Majority of distributors were distributing whole range of companies’ products and they are engaged in retailing along with distributing.

3. The distributors were found to perceive less importance as given by companies to the distributors’ feedback for pricing strategy. **Hypothesis Eight** posits no difference in the perception of the distributors of various companies.

4. Findings showed that the distributors of most of the companies perceive less importance as given by companies for product improvement and promotion. **Hypotheses Nine and Ten** posit significant difference in the perception of the distributors of various companies. IFB and LG distributors play important role in product improvement and promotion strategy.

5. Majority of distributors were having dealers in both-cities as well as towns. No distributor distributes in villages. Further, Whirlpool & Godrej showed less presence in towns and IFB distributors were found distributing in big cities only. There are more scopes of demand in Rural India and the white good companies have no outlets in villages.

6. Frequency of visit of lower level sales Manager to the distributors was not found to be very high for most of the companies. Frequency of visit of senior sales persons was found quite less. Discussions with distributors over this matter depicted that it creates negative impact on the channel relations.

7. Majority of the distributors have their own sales force. The consumer durable companies usually provide formal training to the distributors’ sales persons, Demo boys and technicians. Here some companies were not found to provide such training. Formal training to the distributors’ sales persons & Demo boys is an important factor for improving effectiveness of distribution function. Further the cost of sales force of distributors was shared by companies only in very few cases.

8. The distributors reported moderate satisfaction with the sales efforts of the company. The distributors of various companies perceived similarly regarding this as reported by test of **Hypothesis Eleven**. Distributors of south Haryana were found comparatively less satisfied. But the difference in their perception regarding this was not significant as shown by the test value of **Hypothesis Twelve**.
9. The satisfaction with profit margins, promotion efforts and credit policy as perceived by the distributors of various companies was found significantly different as reported by rejection of Hypothesis Thirteen, Fourteen and Fifteen.

10. Conflicts between company and distributors occur many a times. Pressure for billing was found to be the most commonly occurred conflict situation among sales personnel of companies and distributors. It was followed by Availability of Material, Service issues and settlement of credit notes. Hypothesis Sixteen regarding this was partially supported by data.

11. Hierarchy of Impact of such conflicting issue may differ from their frequency of occurrence. Delay in Delivery has been perceived by distributors as most troubling issue. It has been followed by Attitude of Sales Team, Reduction of Area, Availability of POP Material and Pressure for Billing. Over Billing was identified as least affecting issue. Hypothesis Seventeen regarding this was partially supported by data.

12. Majority of distributors were found moderately satisfied with overall present sale of the product of the companies. Hypothesis Eighteen regarding this has been accepted.

13. The most important factor that was reported to motivate the distributors the most was Dealers’/Distributors’ Meets and Get-togethers, qualified sales & service team, Demo products and Awards & Recognitions. Hypothesis Nineteen regarding this has been accepted.

Effectiveness of Distribution Function in White Goods Industry from consumers’ Perspective

1. An examination of the primary data suggested that the consumers with varied demographic characteristics like residential status; education and profession show that the consumers do not prefer TV home shopping, MLM and internet to buy white goods at present.

2. LG and Samsung were found more visible white goods companies through their retail counters. While IFB was perceived to be least visible by the respondents from rural background. For Hypothesis twenty; the difference due to residential status was not significant for visibility of the companies except for Godrej.

3. The study found LG and Samsung as the most preferred brands in white goods companies. Whirlpool and Videocon were comparatively less preferred brands. For
Hypothesis twenty one, the difference due to residential status is not significant for preference towards the companies except for Videocon.

4. The **Hypothesis twenty two** posits no relationship between consumers’ preference regarding the white goods companies and their Educational Background and **Hypothesis twenty three** posits that no relationship was there between consumers’ preference and their profession.

5. The consumers were found attaching different importance to various factors affecting their buying decisions. The most important factor as per the perception of customers was Branding and reputation of the companies followed by Discounts provided and Installment facility for payment for them. Regarding these factors **Hypothesis twenty Four** and **Hypothesis twenty five** were fully supported by data.

6. **Hypothesis twenty six** through **Hypothesis twenty eight** were fully supported by the data which reported no relationship between demographic characteristics and effect of retailers’ suggestions on buying decision. Yet the under graduates and Govt. employees were found to be influenced more by the retailers.

7. The impact of service issues on Satisfaction level of Customers was quite high. Though **Hypothesis twenty nine** was supported by the data, the people from villages were found to be more affected by service issues.

8. Customers’ satisfaction has moderately been affected by after sales services issues. **Hypothesis Thirty** was supported by data positing no difference in perception of consumers regarding satisfaction with after sales services on the basis of their residential status.

9. The consumers’ buying decision was moderately affected by overall effectiveness of distribution function. **Hypothesis Thirty one** was supported by data positing no difference in perception of consumers regarding effectiveness of distribution function on the basis of their residential status.

Following are some more findings on the basis of analysis of informal interviews of company sales personnel and discussions with distributors along with the secondary data:

- High performing and low performing distributors function differently or with more efficiency. Apart from the systems of relationships that exist in the buying and selling of
products, this difference can arise due to the superior knowledge a distributor possesses of the market place, customers, product and finally his own take from the business.

- Channel members may be better equipped to offer add-on services. This may include advertising, credit, delivery, installation, and repair to enhance the overall value provided to the customer.
- The companies can do better by having positive attitude towards channel, providing the channel members with market knowledge, conducive credit facility, constant and effective communication and being aggressive.
- The efficacy of a distribution system can be altered and increased by monitoring pricing policies, margins, nature of product line, new products launch, servicing policies, territory of operation and sales force. An optimal combination of these should result in a satisfied consumer response.
- Manufacturers choose the distributors by appraising their financial status and this makes the market more monopolistic than competitive.
- Sales managers play integral, multifarious roles in organizations. They are trainers, motivators, coaches, evaluators, and counselors for their salespeople. They also serve as the organization’s information nexus. Therefore Sales managers at each hierarchical level will require specific training for their channel management roles if their companies are to succeed in the new market competition.
- Although channel design and management are two roles of the channel sales and marketing managers, it is always having interference from the top management because of the importance of the issue, a mistake in this area may prove to be very costly for the manufacturing companies from the financial point of view. But on the same, Top management involvement in the channel decision making process is not always bring good outcomes.

**Suggestions and Recommendations**

From the study conducted, some of the findings stand out very clearly. A re-iteration of these will help us make appropriate recommendations to the white goods companies. These are as follows:
1. It is suggested that use of Electronic Data Interface improves cooperation between trading partners and leads to greater satisfaction and performance in electronically-mediated business transactions to sustain their channel relations.

2. The markets are expanding in Rural India. Specific distribution strategies should be developed and practiced by the companies.

3. A deficiency in performing any of the activities by sales personnel will likely to lead to channel underperformance and, hence, manufacturers’. Therefore, in the context of recruiting sales managers, minimum requirements for a person selected for channel management should be suitable expertise, interpersonal relationship skills, and well-rounded ability to undertake the increasingly complex and eclectic nature of this job underperformance.

4. Sales managers at all levels should be provided training that helps them integrate sales with broader marketing functions.

5. The companies should give more importance to adequate technical background of the distributors along with appraising their financial status.

6. Proper Induction programs for new channel members and Training Programs for distributors’ sales force should be conducted by the companies.

7. The companies should consider distributors’ feedback important for product pricing, promotion and improvement as they are more close to market.

8. The companies should pay more attention on installment facility for customers, prompt delivery and providing POP material and local promotion support to motivate the channel members. Along with this, the performance of channel members should be evaluated more frequently.

9. Frequency of visit of sales personnel at executive as well as managerial level and sales efforts put by them for distributors should be increased to improve channel relations.

10. Pressure billing in off-season and Non- Availability of products at the time of peak demand along with service issues and irregularities in delivery of material are the issues of great importance to be taken into notice seriously by the companies in order to improve the effectiveness of distribution function.
11. Buying decision is very much affected by channel members/retailers and their demo person in the case of white goods. So all due care must be taken to improve distribution function.

In nutshell, the White Goods Industry in India is set for sustained growth over the long term, fuelled by favorable consumer demographics, overall growth in services and industrial sectors and infrastructure development in suburban and rural areas. Several Indian and MNC players are looking to strengthen their presence in India to leverage this opportunity. Success in the long-term will require firms to develop a wide and robust distribution network, differentiate their products in areas of relevance to the consumer and innovate in the areas of promotion, product financing etc. The product and approach to market need to be customized to suit the unique needs of the Indian market.

Limitations of the Study

This investigation augments our understanding of the interface between distributors and channel management of manufacturing companies by empirically verifying the various dimensions to assess effectiveness of distribution function from the point of view of channel managers, Distributors and consumers. Its findings, however, should be considered tentative owing to some limitations.

- The survey is based on Non-Probability sampling.
- The sample size of this study was small and it was not possible to study the entire universe with limited resources and time available at hand.
- Haryana state was taken as the universe of the study. The analysis of data collected from a limited geographical area.
- The data collection and analysis from sales personnel of all the managerial levels was based on single questionnaire. The issues related to sales personnel at different hierarchical levels may be different and need to be analyzed and discussed separately for all major levels.
- Channel members in white goods industry primarily include distributors and dealers/retailers. The present study has examined the effectiveness of distribution function
mainly from distributors’ perspective. Further study of dealer/retailer may add an important
dimension to the study of effectiveness of distribution function.

**Directions for Further Research**

Hopefully, the current work will spawn future research studies to increase our knowledge of
channel management and effectiveness as the situations change with the times. Subsequent
studies could examine channel effectiveness on national level and for other industries like
consumer durables and FMCG industry and even for service industry. Furthermore, inquiry
might be directed towards how sales managers can more efficiently and effectively manage
the interrelationships between a company and its marketing channel members to create
greater value for their ultimate customers.

In the present time and near future, knowledgeable consumers tend to have more positive
perceptions of the online channel's utilities. As the Internet grows, the consumer's knowledge
of the online channel will steadily increase. It is not clear; however, just what kind of an
innovation diffusion curve will be followed by Internet. This issue demands further research.