



SIGNIFICANCE OF CHANNEL INTERMEDIARIES AND ROLE IN THE CHANNEL OF DISTRIBUTION OF LIGHTING INDUSTRY IN BANGALORE

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Abstract

Channels of distribution is dynamic aspect of any organization, which attracting numerous academic and practitioners to cosset for new height and benchmarks. This channel of distribution is unique and its where actually business happens – flow of goods to ultimate customer and achieving business objectives.

A distribution channel is a group of depended on each other organization units, which are taking part in process of flow of product or services form producers to buyers. Intermediaries are defined as ‘firm or person who acts as a mediator on a link between parties to a business deal, investment decision, negotiation’. In distribution channel, intermediaries are those who participate in the transfer of goods and property rights to it from the producer to the final client. The paper discusses the intermediaries in the distribution channels, their role, structural and functional aspects and the importance of intermediaries in the flow of goods between the manufacturer and customer in the lighting industry in Bangalore.

The main objective of the paper is to know the impact of various distribution channel on intermediaries pertaining to lighting sector in Bangalore. Subsidiary aim to know the role of these intermediaries in the industry, and along with how well they are coordinated in the channel of distribution.

The paper employs empirical research method, with non-probability sampling. The sample collected from respondents within lighting industry in Bangalore, are analyzed by using appropriate statistical tool.

The study conducted to add in-depth richer insights in to the study for further verification of the knowledge development, role, importance and commitment building process among intermediaries in the channel of distribution. The finding support most conceptual links in the quantity / statistical analysis and lend support to most of the hypothesized relationship in the modified competing lighting industry.

Introduction

Today’s distribution systems incorporate a number of new features, combined with features which have long been part of distribution systems. Indeed in the lighting industry of Bangalore city is very unique with combination multiple channels of distribution, which is playing very pivotal role in the system. It’s naturally presumed that intermediaries are part of channel of distribution, but with limited implication on the system.

The label “modern business systems” is intentionally wide, since some of the features pertain to customers, some to the organization of production and distribution and others to the nature of the firms involved. The degree of individualization to end user requirements, is frequently high in modern business systems, reflecting a trend to increasing customization (Hulthén and Gadde, 2007). This customization can be both in terms of the product choice or the provision of a high degree of product variety, through distribution channels providing goods through alternate routes. The background for the high degree of customisation consists of a number of factors.

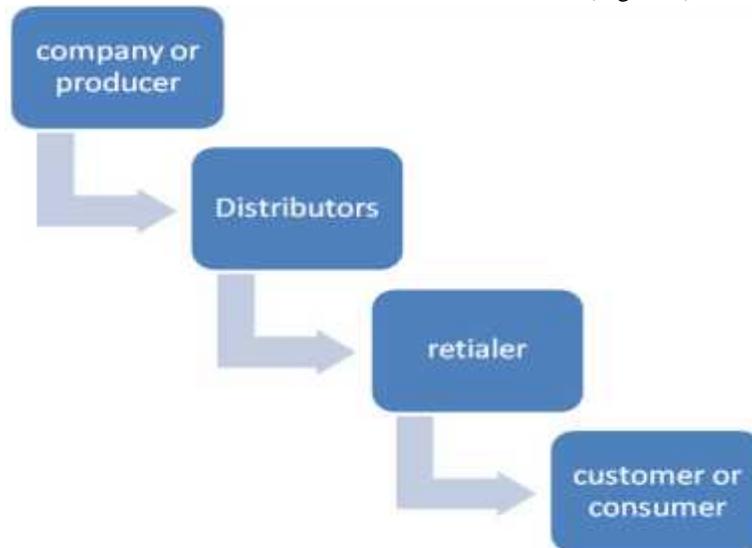
First, the customers are more demanding and expect to have a wide choice for many products such as cars, personal computers or mobile phones. Second, firms may see the ability to offer such variety as a source of competitiveness and, therefore, increase the variety of their offerings to tap new consumer segments. Finally, many industries now have the technological ability to offer such variety. Approaches such as mass customisation work by creating basic product modules which are combined when customer orders are known. This gives the customer increased choice, since each module may have a range of options, and it reduces inventories since there is no need to store all versions of finished products.

° Distribution management is one of the priorities in this era of competition. Efficient channel management is becoming a compulsion among the marketer for the right placement of product and service to customers. Management of physical distribution does not generate efficiency in the channel management.



The following (figure 1) flow chart will explain how the channel of distribution works in lighting sector in Bangalore City. Figure one shows how the product is reaching from manufacturer to distributor, retailer and end customer. This channel of distribution can be explained where products are sold in numerous units and unit value is less – eg. LED domestic lamp, tube light and consumer products. It is termed as Distribution Oriented Channel.

Business Flow in Distributor Oriented Channel (Figure 1)



Business Flow Chart in Dealer Oriented Channel (Figure 2)



Apart from figure 1, there are other channel of distribution in the lighting sector in Bangalore which is explained in the figure 2. Wherein the flow of goods and services, from company or producers to dealer (direct / authorized) and to end customer. This channel is used in high end and typical industrial products. Ex – Street light, architectural light etc. This is called dealer orient channel, here we can find big modern retail chains viz., metro cash’ n’ carry, Food-world etc.

Literature Survey

As the study on importance on effectiveness of dealer or intermediaries in the distribution channel is totally innovative study, of course there has been input on cross functional management discipline. But, there has been substantial review is made on relevant Channel of Distribution.

Mr Rajeev Kumar, made a case study and published paper on “supply chain management practices in retailing: consumer perception study in Varanasi region”, wherein he highlighted that the importance of channel of distribution and implication of dealer / channel partners in the Indian scenario.



In paper published in US journal on “The Light fixtures market in the United States” by Aurelio Volpe, acclaimed the dependence of channel partner, and their influence on growth of lighting company in US market.

The distribution channel is defined by Business.Gov.in as “as the path or route along which goods move from producers or manufacturers to ultimate consumers or industrial users”. This article gives insight on types of distribution channel, what is consideration for choosing the channel of distribution for a company. The article is guide to what channel is suitable to which type of business operation.

No wonder Peter Drucker said: “The greatest change will be in distribution channels, not in new methods of production or consumption.” Choosing the right channels, convincing them to carry your merchandise, and getting them to work as partners is a major challenge. Too many companies see themselves as selling to distributors, instead of selling through them. He mentioned many parameters such as price, product, partners, communications, competitive environment and customer. The communication of company (manufacturer) with end customer important, but relationship with key suppliers and middlemen is very critical as producing and delivering goods or services.

Mr. Ajay Bhabha & Prof Ravinder Vinayek in their study A Study of the Effectiveness of Distribution Function in White Goods Industry in the year 2011, explored new trends in channel of distribution and also gives various impediments in the existing distribution structures.

“Marketing Strategies of Selected Pharmaceutical firms in India: A case study of Anti-infective therapeutics” 2012 as study conducted by Mahesh MC & Prof D Anand, proposed strategy for product, price, distribution and promotion, in selected pharam companies.

In the year 2015, Mr. Magesh R & Kaliyamoorthy “A study on the role of partnership marketing in distribution channels with reference to Chennai city” emphasized and made application of theoretical thoughts in to real time business requirement in factors which generates conflict, perception of channel members.

On the outsourcing of procurement of materials and components and its overall distribution planning used to survive in the competitive market, Mr Satish & Dr Sudhir, made specially mentioned in “Management of supply chain in small scale manufacturing units with special reference to Ahmednagar MIDC area” in the year 2012.

The study conducted by Rahul J Sharma & Dr. M Gowri Shankar, In the year 2016, “A study on marketing analysis of lighting industry with a special focus on consumer perception towards led lightings, gears up for the potentiality and compatibility of numerous mode of distribution to achieve the business objectives.

This study is based on varied studies conducted which is related to “channel of distribution” in general and very specific to electrical industry. The study is conducted with planned structured questionnaire method and interviews with respective channel members.

State of the problem chosen

The first premise for this study is the complexity and variety of many contemporary distribution systems, or stated another way the inherent variety of current distribution systems. The variety in distribution systems is not rigorously defined at this stage, but it should capture central elements such as the degree and types of hybrid distribution, customisation and modularisation and the use of specialists (or intermediaries in this case.) The focus is on describing the distribution system in such a way that we can adequately capture different types of variety. To this end we will use the term “distribution system structure” to separate it from other elements of the distribution system. This is a selection made because it reflects some of the main features of these systems and matches the focus of the study. As seen in the discussion of the focus of the study, coordination of the distribution system becomes important because these systems are increasingly characterised by many specialised actors. For the problem statement to adequately describe what we are studying, coordination of the activities of the intermediaries and the distribution system overall is necessary. We should be able to answer questions on how the distribution system is coordinated as a whole and how this fits with the structure of the distribution system and relates to the roles of intermediaries. The final aspect is to include the roles of the intermediaries. It is essential to relate this both to the structure of the distribution system and the coordination mechanisms used. We want to both describe different roles for intermediaries and connect these to preconditions in the system. However, we are not making a direct causal connection here, since there are many possible interactions between the three elements. An important aspect is to describe possible roles for intermediaries in a contemporary setting with a considerable amount of variety.



Scope of the research work

The study is made within the Bangalore city lighting industry channel partners only. This study does not take cognizance the direct end consumer preference or brand equity survey. Due to uniqueness and typical nature of lighting industry, validation of study lies on only practical concepts rather than theoretical concepts. This study is not covering the non-ownership entities in the channel viz., CFA & CSA and its functions.

Objectives

- To know the impact of distribution system variety on intermediaries of lighting sector in bengaluru
- To understand the roles of intermediaries of lighting sector that they may play in such a system? How are the activities of the system coordinated
- To study how this coordination affect intermediaries of lighting sector and their roles in particular?

Hypotheses

H0: There is no importance of dealers in physical movement of products and services to end customers.

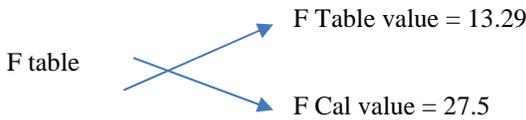
H1: There is importance of dealer in physical movement of products and services to end customers.

The following is statistical test table

Observed (O)	Expected (E)	O-E	(O-E) ²	(O-E) ² /E
13	4	9	81	20.25
2	4	-2	4	1
4	4	0	0	0
1	4	-3	9	2.25
0	4	-4	16	4
<u>20</u>		0		<u>27.5</u>

Range – 1 = expected value (E)

i.e., (E) is 5 – 1 = 4



H0: There is no significance of dealers in collection of marketing intelligence.

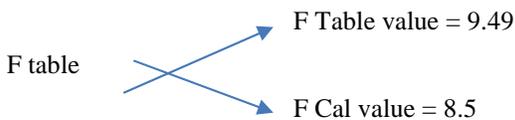
H1: There is significance of dealers in collection of marketing intelligence.

The following is statistical tool Chi Square test

Observed (O)	Expected (E)	O-E	(O-E) ²	(O-E) ² /E
2	4	-2	4	1
7	4	3	9	2.25
6	4	2	4	1
5	4	1	1	0.25
0	4	-4	16	4
<u>20</u>				<u>8.5</u>

Range – 1 = expected value (E)

i.e., (E) is 5 – 1 = 4



H0 Accepted

H0: There is no importance of dealers in promotion of products and services to end customers.

H1: There is importance of dealer in physical movement of products and services to end customers.



Methodology adopted

- Type of research: Empirical research
- Sampling design: Non-probability method
- Data collection tools: questionnaire with 5 point likert scale
- Respondents: intermediaries of electrical industry in Bangalore
- Sample size: 25 intermediaries (dealers)
- Tools employed: Microsoft excel, Chi-square test

Interpretations and discussions of findings

1. Physical movement of completed products or services; 65%, felt that it's the retailer/dealer are much more important.
Inference can be drawn, that strongest link in the channel of distribution, which is to be given the prominence in the system.
2. Actual transfer of ownership laws among participants of the channel; respondent have observed role played by dealer is very significant.
One can make observation as dealer is actual point, where title of ownership happens Form Company to customer.
3. Information about potential buyers, competition and demand; 35%, that the dealer are focal point of drawing market intelligence.
It implies that, dealer is only point of source where company gathers information.
4. Promotion; 45% believed that it's the dealer who actually promote the products.
Inference can be drawn that, promotion aspects depends not only advertisements but also on influence of counter (dealer point) where end customer buys the product.
5. Payments of invoices; there is little consensus on the area of payment implication of dealer in channel of distribution.
Members in the channel of distribution still no unanimity of role of dealer from the point of financial commitments towards the channel of distribution.
6. Bargaining Power; the majority who holds opinion that dealer will be having little power of bargaining.
As a business strategy, entity can use this, to exploit this as opportunity to enhance market penetration and strengthen the hold the market.
²This role of bargaining and the exercise of bargaining power by participants exist in distributionsystems in a wide range of industries
7. Stock holding and investment; this parameter to assess the dealer implication on the stock holding and credit extension to customers.
We can interpret as, the dealer implication is very low to the system from the point of stock holding and credit facility to customer.
8. Risk taking; here in this risk assumed by dealer is assessed in the system. It is the dealer who presumes more risk than other members in the channel of distribution.
As stated earlier in the bargaining power of dealer is limited, but it can be converted to opportunity – given positively sharing of risk by producer on the products.
9. Shipping and transportation; as problem stated here to evaluate the dealer role in shipping and transportation in the channel of distribution of lighting industry in the Bangalore.
10. After sales services; it is very vital for sustenance for any business concern to have “after sales service”. Majority of respondents are in favour, that dealer hold major stake in this after sales service.
Lighting Companies should take cognizance of ‘after sales’, and relieve the dealer for more sales and distribution; by setting service to the sales organization.
11. Dealer Age; it should be noted that majority of dealer in the very young age, who are less than 35 years.
It's a boon the lighting industry to have such young channel members, who can contribute to the sales growth.
Company should inculcate this fact for framing marketing and channel policy.
12. Relevant Experience of Dealer; it is to be observed that almost all dealer are experienced in the lighting industry in the Bangalore city.
Hence, marketing unit can take advantage of the dealer expertise.
13. Attention of lighting industry to dealer; it is to be acknowledged that, the majority of dealer, believe that lighting product which gathers more attention than any others things viz., appliance and switches etc.
The inference can be drawn, that it is the lighting segment which can grab attention than any other electrical products.



Direction for future research & Scope

This paper is a study on the intermediaries, their role in the channel of distribution concerned to lighting industry in Bangalore. The paper extends the application of the unpinned theories and theories and their tenets in explaining the intermediaries, their role, how it is coordinated.

There are many findings on specified parameters which are challenging but also new avenues for further validation in other sector and industry. Indeed the sampling arena could be exemplified to other parameters also.

Conclusions

This study is made to understand the various theoretical concepts of dealer, which pragmatic in the channel of distribution with respect to lighting industry in Bangalore. Firstly, under this study it can be conclude that the dealer or intermediaries plays very vital role in the channel of distribution of lighting industry in Bangalore with selected and specified parameters. There has been carefully selected parameters which were taken into cognizance based on previous study. Indeed, the study integrated practical approaches in framing questionnaire and subsequent analysis of the same with due respect to lighting industry in Bangalore.

Secondly, dealer is the most important link in the system, with said parameters. Company may incorporate the analysis and consider relevant suggestions while framing policy and procedure in the channel of distribution in lighting industry.

Finally, many factors which are analysed to understand the complexity of dealer in the channel of distribution. There is also sufficient effort is exercised to explore new opportunities for producer/manufacture, which can be incorporated in the existing system. In conclusion, there are various suggestion offered based on the study & analysis.

There are many other parameters which can used to assess the impact of role of channel members. Further study can be reached to new horizons in terms of area and other factors in channel of distribution.

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