

# MOTIVATION AND CONTROL INSIDE DISTRIBUTION CHANNELS OF MULTINATIONAL AND TRANSNATIONAL COMPANIES

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The efficient management of distribution channels used by multi-and transnational companies is a subject, among others, and their policy of motivation and incentive to participants in distribution. Both intermediaries and members of their distribution channels should benefit from incentives that motivate better in their work for achieving the objective of distribution they have.

Multi-and transnational companies may use a variety of means and tools for members of distribution channels in order to motivate them. In Table. 1is included a complete list of tools and methods that may be at the disposal of transnational companies to motivate and stimulate their distribution channels members.

## Methods of motivating distribution channels

**Table 1**

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| <b>A. Financial Instruments</b>   |
| <ul style="list-style-type: none"> <li>• Margins;</li> <li>• Awards;</li> <li>• Provisions;</li> <li>• Financial conditions.</li> </ul>   |
| <b>B. Tools for school</b>  |
| <ul style="list-style-type: none"> <li>• Training;</li> <li>• Training;</li> <li>• Activities and actions.</li> </ul>   |
| <b>C. Information and communication</b>   |
| <ul style="list-style-type: none"> <li>• Information systems regularly;</li> <li>• Visits and staff exchange;</li> <li>• Periodicals</li> </ul>   |
| <b>D. Support of marketing channels</b>   |
| <ul style="list-style-type: none"> <li>• Provision of specific materials (leaflets, samples, catalogs, etc..)</li> <li>• Participation by money from the actions of members of marketing channels;</li> <li>• Sending representatives of the company's special events channel members.</li> </ul> |
| <b>E. Creation of personal and social relationships</b>   |
| <ul style="list-style-type: none"> <li>• Maintenance of contacts with channel members;</li> <li>• Co-opting business network company of some members of the channel;</li> <li>• Messages markets that are plastic channel members.</li> </ul>   |

**Sources:** Danciu, V. - *From treading the global* Economic Publishing House, Bucharest, 2001, p. 434 Danciu, V. -*Challenges and trends in the early third millennium, II edition, revised and added*, Economic Publishing House, Bucharest, 2009, p.300.

A. *Financial instruments* are required to provide tangible benefits distribution partners. They include ways margins added incentives such as trade, provisions or special conditions relating to contractual arrangements and prizes <sup>1[1]</sup>

Higher margins added are a particularly powerful way to stimulate independent distributors, wholesalers and retailers. They are influenced, among other things, by the cultural history of the distribution channel. If a specific type of retailer usually obtains a margin of 40% and starts from 50% it will make an extra effort to enlarge the sales of the company.

In order to establish more favorable financial conditions it is recommended to fix more relaxed payment terms, credit facilities, or other incentives for distribution partners which determine them to intensify efforts to increase the sales of the company.

When optimum results are realised, most efficient channel members may be awarded, which is, in the one hand the recognizing of their work and on the other hand a reason for them and for other members of channels, to intensify the efforts.

B. *Instruments of schooling* can consistently support both motivation and control of distribution channels. Members of distribution channels can be stimulated after training and improvement, but they can be better controlled in the process of preparation. That is because schooling permanent transnational company can ensure a better distribution channel members as a result of better knowledge of products, marketing methods and company policies, and also the latest news in those areas. Training and improvement can be achieved both markets, where members conduct their work of distribution channels, as well as at the company <sup>1[2]</sup> There are requirements applied to all participants in the international distribution of products of transnational companies. We can find the reasons for training and improvement as a start up in introduction new and different policy elements, and also to sustain market trends.

C. *Information and communication tools* are useful in the establishment of mechanisms for exchange of information, publishing and distributing publications, visits and exchanges of experts between the company and its distribution channels. These can be added to public relations actions, letters, fax-es, telephone calls, Internet connections, satellite, video and multimedia resources to diversify and improve communication. Regular private visits can help to know the correct address, strengthen relationships with partners and may obtain favorable effects on stimulating the distributors. Motivating the channel members in the same time with the size of their efforts sale the company's products are supported by a two-way information flow (if successful marketing strategy made by the channel members can influence the development of the market or can push the products to consumers through the distribution channel).

D. *Support of marketing distribution channel members* is based on the provision of various promotional materials, the company's financial participation in marketing the shares of distribution partners, sending representatives to special events organized by them. Cooperation in advertising can help to reduce the financial effort of the distributors and constitute a form of reward for partners to minimize the effects of competitive prices. It can help to promote better products with favorable effects on outcomes and financial market. The purpose of these actions has to support and improve the marketing of the company, in general, but also helps to the image of members of distribution channels. The effects can be found in more favorable attitudes and partners intensive efforts to market

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<sup>1[1]</sup> Danciu, V - *International Marketing. Challenges and trends in the early third millennium, the second edition, revised and enlarged*, Economic Publishing House, Bucharest, 2009, p.433, Hünérberg, R. - *Internationales Marketing*, Modern Publishing Industry, Landsberg / Lech, 1994, p.324 .

<sup>2[2]</sup> Danciu, V. -- *International Marketing. From traditional Global Publishing House*, Bucharest, 2001, p. 434.

products distribution company, in addition to promoting the best products, the effects on financial and market results.

*E. Creation of personal and social relationships* have a particular importance in motivating members of distribution channels. In this sense, transnational company should cultivate direct relationships with decision factors in organizations of distribution. Also, they must not neglect the social contact with people who could have better attitude towards the products subject to distribution. Manufacturing company must look at intermediaries in the same way that their concerns end-users, considering their needs, building and so positioning the channel, so tender, adapted to the particular channel intermediaries to provide a superior value.

Understanding the intermediaries needs and wishes is easier to stimulate them to have performance in the distribution process, therefore, a company can provide training programs, market research programs, programs that create and improve the performance of members commercial channel, and approached him as partners with whom to join forces to fulfill the main objective, namely to satisfy consumer needs.

### **Control of distribution channels**

Successful management of distribution depends on the ability of transnational companies to control their distribution channels, especially when using intermediaries in various markets. The degree of independence of channel members and the need to determine more or less of their control. The reasons may induce the need for control are numerous, but those circulating in international theory and used in practice are:

- *Monitoring operative behavior with channel members* to identify in real time any inconsistency between what has been established between partners and make necessary corrections. The contract or other agreement between the company and use intermediaries to set goals for distribution, it shall require the producer's standards, priorities and other such requirements. Control aims to maintain convergence of objectives trader manufacturers, to agree on indicators to verify achievement of sales, for example.

- *Using its own sales force*, enable the company to pursue a transnational producers greater control over price and the promotional process and even the efforts made by the process of distribution. Indirect distribution channels, where intermediaries are used, higher raises to the control, which may be associated with lack or insufficient information.

- *Ensure feed-back information* is a permanent need, and can provide flow control information to enable monitoring the functioning of the channel and the performance achieved by them. In the situation when sales volume is at or above the agreed level, the producer may exercise a limited control. Whenever sales-related indicators are below those present, transnational must intensify control over distribution channels, including the detection of any differences on the margin retailer, insufficient interest in selling its products or latent conflicts that may exist.

- *The conflict in channels of distribution* may occur when channel management fails performed partners - transnational and partners in distribution. Conflicts can occur both within the channel and between channels <sup>2[3]</sup> Inside the channel, the differences may be manifested among their members know at the same links- horizontally, and also between different links of the channel-vertically. Some transferees of Ford brand operating in Chicago complained at one point the other transferees of the same brands that price and advertising practices were too aggressive, who benefit. An example of vertical conflict arose when General Motors tried to impose certain policies on its distributors service and

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<sup>1[3]</sup> Kotler, Ph.. Keller, KL - *Marketing Management, Fifth Edition*, Ed Teora, Bucharest, 2008, p. 710.

Coca-Cola clashed with bottlers who agreed to bottling and Dr. Pepper products <sup>2[4]</sup> Conflicts are emerging between channels when the manufacturer has at least two channels used to meet the same markets. Differences tend to widen the time when members of a channel have charged lower prices or work with a higher profit margin lower than other channels, thereby creating a competitive intercanal. Goodyear company decided to sell most popular brands of tires in its stores as Sears, Wal-Mart and Discount Tire, the U.S. has faced opposition and independent resellers. To settle the conflict, Goodyear decided to grant exclusive independent distributors for the marketing of certain models of tires that were not sold in any other store <sup>4[5]</sup> This type of strategy is not always successful. Company Pacific Cycles bought Schwinn bicycle brand and decided to supplement the network consisting of 27000 authorized distributors of the brand more expensive, with several channels and their Toys'R'Us, Target and Wal-Mart, the U.S., where the company sells bicycles cheaper for mid-market segment. Although Pacific Cycling models offered for sale only exclusive authorized distributors, over 1700 of them, they decided to leave the channels. Causes conflicts within and between channels can be numerous, with varying degrees about the possibility of identifying and solving. Incompatibilities between the objectives of the producer and the sales agent are leading to a channel conflict. Company can concentrate on producing a faster penetration of the market with lower prices, while the channel members prefer higher margins with the objective of short term profitability. Conflicts can arise through the unspecified rights and obligations of each member of the channel. Setting clear, no doubt sales territories, types of clients and the rewards can avoid divergences and conflicts between the members of the same channel. Differences in the perception of the existing situation and prospects are fed in the channel. If transnational production is optimistic about the general situation in the short term and require its distributors to keep stocks higher and a little latter being more pessimistic can cause a conflict which is referring to the size of stocks. Conflicts can be triggered when intermediaries depend heavily on the manufacturer. Whenever decisions of the company regarding the size of the production and price policy adversely affects the financial interests of intermediaries, they will be unhappy and will require corrections that would allow them sales and higher profits.

*The emergence and resolution of conflicts in distribution* depends – in a great measure - by the distribution of power in distribution channels. This distribution puts her mark on the possibilities of channel management. The power to determine the distribution channel capacity to influence the behavior of channel members so that they act in a way that would not otherwise be acted <sup>6[6]</sup>Power can be used to maintain the conflict, within limits which do not disrupt or block the channel function. For this purpose, companies must identify the situation of power within the channel and satisfy or modify the structure, so as to obtain benefits. The leader of a distribution channel is based on relations of power to impose its own solutions. It uses the power to coordinate, establish and use synergists in the channel. Theoretically, the most favorable situation is one in which power is distributed among the participants as the channel, that each State to take advantage of them. Basic, this fragile balance can not be very sure, and especially kept, unless you identify and is used in a responsible source of power in distribution channels.

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<sup>1[4]</sup> Kotler, Ph.. Keller, KL - *Marketing Management, Fifth Edition*, Ed Teora, Bucharest, 2008, p. 711.

<sup>3[5]</sup> Kotler, Ph.. Keller, KL - *Marketing Management, Fifth Edition*, Ed Teora, Bucharest, 2008, p. 712.

<sup>5[6]</sup> Bradley, F. - *International Marketing*, Publishing Teora, Bucharest, 2001, p. 564, Kotler, Ph., Keller, KL - *Marketing Management, Fifth Edition*, Ed Teora, Bucharest, 2008, p. 712.