

Assessing the impact of marketing channels on the Sales of Auto mobile parts: A study of Recco Auto Parts

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1- Abstract

The purpose of this research is to investigate the reason of declining sales volume of auto parts in Pakistan. To find out the reason of decrease in the sales of Recco company auto parts a model has been developed supported with the literature and empirical evidence. Specifically, research focuses on order processing gap, improper guidance to distribution channels, strategic partnership and gap in product design and structure with their impact on declining in sales. To validate the results data has been collected from the 50 respondents consists of 40 Suzuki car users 5 professionals and 5 professors. The research indicates that the firm is facing the problem in the strategic partnership between forward integrated marketing channels. Products For the solution of these problems managerial implications, suggestions for future researches are provided.

Keywords: Marketing Channels; Strategic Partnership; Order Processing; Gap in Product Design; Sales

2- Introduction

2.1- Auto Motive Industry

The automotive industry is an important segment of the economy in any country as it links many industries and services. Production of a transport vehicle incorporates all possible industrial activities. This gives a strategic advantage and continuity to the local parts manufacturing industries, which in turn develop their capabilities in their respective fields.

The fortune of the Auto Parts or Automotive Components segment are inextricably linked to the performance of its dominant customer i.e. Automotive Sector. Apart from demand, this business critically impacts the industry structure of auto parts.

2.2- Auto Parts Market – Global Scenario

Auto market was one of the largest segments in world trade. The annual size of automotive export trade in the world had grown to a massive level of over US \$ 600 billion, which account for about 10% of world export. The total world market of auto parts had crossed US \$ 200 billion.

USA was the biggest market, which constituted the 26% of total world imports of auto parts. Other major importers were Canada, Germany and United Kingdom.

USA was also the top exporters of auto parts in the world. Its exports were 22% of total world exports, Germany was second largest exporter with 21% share and Japan was the third largest exporter with 14% share of world auto parts exports.

2.3- History of Pakistan

Automobile Industry The automotive assembling in Pakistan started in 1950 when National Motors Limited, a public limited company and the pioneer in the industry, came into existence. Established by General Motors of USA National Motors assembled passenger cars as well as commercial vehicles which carried “General Motors” brands such as Bedford, Vauxhall, Chevrolet and Holden. A regular car industry started in the country in 1983, when Suzuki commenced production eyeing the small and LCV car segment of 800cc-1000cc range, and introduced Suzuki car which targeted the middle-income group (constituting the larger segment of the market) by providing an affordable car. Then there was a long gap until the early 90’s when Indus Motor Company was established to manufacture Toyota vehicles in Pakistan. Soon after Honda Atlas came with the Civic and Gandhara Nissan entered the market with Sunny. Some years later Dewan Motors set up a plant to manufacture Hyundai and Kia vehicles in Pakistan. Since then the market has changed all together. After struggling through nineties, a decade full of uncertainties and frequent policy the Pakistani Auto Industry had been able to

achieve double digit growth consistently since the last 4 years. The industry operated under franchise and technical cooperation agreements with Japanese, European and Korean manufacturers. The contribution to economy by automobile industry in Pakistan is as follows:

Table: Automotive Industry Contribution to Economy

Total Investment	Rs. 98 billion
Foreign Exchange Savings	US \$ 1.2 billion
Revenues	Rs. 51.50 billion (8% of total)
Contribution to GDP	Rs. 153 billion
Employment Generated	500,000 work force

2.4- Auto Parts Industry of Pakistan

Through indigenous technical resources and technical tie-ups with well-known global companies, the auto parts industry has by and large developed into a well-organized sector of the country. There were 400 organized units in the auto parts industry, most of which were registered vendors to assemblers/OEMs. Many of these were bound to supply only to OEMs as per their agreements, but due to low demand by the assemblers, they were forced to sell their products in the replacement market in one or the other way. These units efficiently manufactured sophisticated parts like piston, engine valves, gaskets, camshafts, shock absorbers, struts, steering mechanism, cylinder head, wheel hubs, brake drums, wheel bumpers, instruments and instrument panel, gear of all types, radiators, cylinder liners, blinkers and light/lamps, door locks and auto air conditioners. Along with the organized sector, a good number of small and large units (approximately 1200) were operating in un-organized sector. In fact, 90% of automotive parts industry constituted of Small and Medium size Enterprises (SMEs), out of which about 95% were self-financed. These units produced a wide range of parts for the replacement market. The larger operators in this unorganized sector even manufactured crankshafts (aside from wheel Hubs, brake drums, filters etc.) for replacement market, although not even a single assembler

had yet deleted crankshaft because of high accuracy required in metallurgy and machining. However, these dozens of crankshaft manufacturers in the unorganized sector were successfully catering to most of the demand of the replacement market. The major Statistics and Economic Indicators related to automotive parts manufacturing industry are as follows:

Table: Industry Statistics

Number of Units	Approximately 1600 Units (400 in organized sector, 1200 small scale unorganized ones)
Employment Generated	About 500,000 (Organized sector provides employment to 120,000 people whereas Unorganized sector employees almost 380,000)
Revenues to GOP	Rs. 8 billion (By Organized sector only)
Total Investment	Rs. 72 billion
Contribution to GDP	Rs. 25 billion
Foreign Exchange Savings	Rs. 279 millions
Import Substitutions	Rs. 699 Millions

Pakistan was the only country in world which formulated the industry specific deletion program to specify local content requirements for cars, motorcycles, buses & trucks, tractors etc. The basic purpose of deletion program was to develop and protect the local auto parts industry. This local deletion program was formulated up to June 2005 and a new Tariff Based System TRIM's compliant will be introduced soon.

3- Research Question

Assessing the impact of marketing channels on sales of auto-mobile parts?

4- Hypothesis

4.1- Alternate Hypothesis

There is a decrease in sales of Recco Suzuki auto-mobile parts have been identified due to inefficient supply chain strategies. Inefficient supply chain management problem cause the decrease in sales due to; Ineffective strategic partnership, relationship gap between manufacturer and distribution channel and improper ordering process.

4.2- Null Hypothesis

There is no significant relationship between decrease in sales and strategic partnership, gap between marketing channel, improper ordering process and improper guidance provided to distribution channel.

5- Research Design & Theoretical Framework

Research design consist of the basic frame work of the research here we have discussed the complete design of the research in which complete structure of the conducting the research is described. By studying the research design we will be better able to understand the theme of the research. The design has been discussed in the following pattern.

1. Research type and technique
2. Variables
3. Population
4. Sample size
5. Primary data collection method
6. Data analysis method

7.

5.1- Research Type and Technique

5.1.1- Quantitative

This study is the qualitative research as the most marketing researches are the qualitative this one is also the qualitative research. There are some quantitative techniques have been used in this research for the analysis of the data. As this study is not based on the mathematical units and nature of the variables is immeasurable in terms of quantity so the research is qualitative one. But for the purpose of analysis liker scale has been used for the purpose of the analysis of the data and certain quantitative numbers is used for getting the results.

5.1.2- Non experimental

The research is non-experimental one because there is no artificial environment has been created for getting the response from the respondents. The uninterrupted environment is used for getting the response of the sample. Furthermore there is no manipulation and experiment is made for note down the response which brings the research in the category of the non-experimental research.

5.1.3- Survey

Research is based on the survey. In which we have bring out the idea about the problem organization is facing of decrease of the sales. No other method is adopted for the purpose of getting the response other methods include the experiment observations, experts knowledge etc but in this research we have adopted survey for getting the primary data from the respondents.

5.1.4- Exploratory

The study is exploratory one because it will help us often because a problem has not been clearly defined as yet, or its real scope is as yet unclear. It will allow the researcher to familiarize him/herself with the problem or concept to be studied, and perhaps generate hypotheses (definition of hypothesis) to be tested. It is the initial research, before more conclusive research is undertaken. Exploratory research helps determine the best research design, data collection method and selection of subjects, and sometimes it even concludes that the problem does not exist! We are going to find out the reason of why sales of auto a part of Recco Company is decreasing we are not adding knowledge in the existing body. No previous research has been made before on this company.

5.1.5- Variables

When doing social research, variables are both important and tricky. A variable is thing which varies from person to person. Our research is based on the three kinds of variables which bring out the research design in graphical form also. These three kinds of variables are the following one.

5.1.5.1- Independent variables

Independent variables are those variables which are not affected by the other variables but have an effect or change the behavior of dependent variables. Our research design consists of the four independent variables which have direct effect on the sales of the auto parts of Recco Suzuki. These independent variables are the following:

- ❖ Strategic partnership
- ❖ Order processing gap
- ❖ Improper guidance by retailers
- ❖ Gap between product and product design

5.1.5.2- Dependent variable

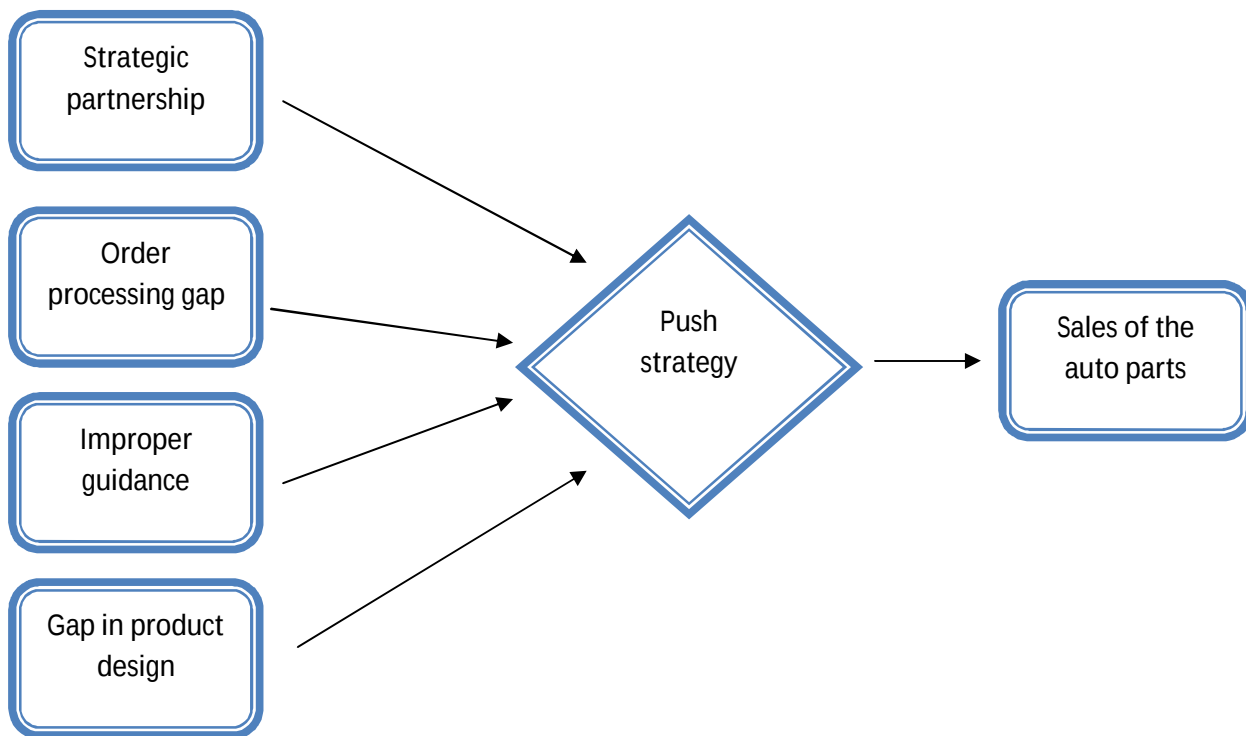
Dependent variable is the variables which is effect by the change in the independent variable they are affected by the independent variables. Our research design has one dependent variable that is the **sales** of the auto parts. The sales of auto parts changes if any kind of change accord in

the strategic partnership, order processing, improper guidance and gap in design that will directly cause of the increase or decrease in the sales of the company.

5.1.5.3- Moderating variable

Research variables also includes the moderating variable that is the variable which effect the relationship between the dependent and independent variable it may cause for strengthening the relation or may cause for decrease in the intensity of the relationship of variable. In this research the moderating variable is the push strategy of the company. Which effects the relationship between the sales and independent variables.

5.1.6- Graphical research design



5.1.7- Population:

Population is the totality of the things. The total amount of respondents from which we can get the data is called as the population. As our research is consist of the sales of the auto parts of the

Recco Suzuki parts so our population will be the user of the car manufactures by Suzuki car company Pakistan.

5.1.7.1- Sample and sample size

Sample is the representative part of the population or from which we collect the data is called as the sample our sample consist of the 50 respondents which are in the following ratio

- ❖ 40 car users of Suzuki cars
- ❖ 5 professors
- ❖ 5 professionals deals in car auto parts

The sampling technique is used the simple random sampling the respondents are the selected by randomly out of the sample. The professors are those who have more than 5 years experience in the teaching. And professionals are selected randomly from the jail road Lahore, Badami baad auto center, Mitgmani road Lahore and Samanabaad auto market. And precious responses have been gotten from all the sites for the better gathering of the primary data. Throw getting opinions from all the aspects we have increased our validity and reliability of the data.

5.2- Primary data collection method

There are certain methods for the collection of the primary data some of these are the survey questionnaire, interview, observations, self-part of the work, experiments etc. but in this research we have adopted the questionnaire for the collection of the primary data. The questionnaire consists of the structured questions. And for the professionals both the structures interview has been used for the purpose of recording the responses of them. The questionnaire has been divided in the parts personal information, professional and any other career oriented information and at the last the question related to the variables 3 questions has been asked for the each variable. Repeated questions are also asked for the purpose of getting know about the respondent attention and check the validity of the data.

5.2- Secondary data collection method

The secondary data is also used to get the knowledge about the problem and find out the reasons of decrease in the sales of the auto parts from the previous years. This data is also used to support

our work and research design to generalize it. The methods and different tools is being used for the purpose of collection of data. Secondary data includes the periodic marketing journals, research papers, news papers commercial ads and opinions published by different chamber of commerce's. Source of assessing the data is used the internet and survey of libraries for the purpose f collecting the secondary data.

5.3- Data analysis method

The last part of the research design is consists of the data analysis throe which we find out the real problem which is accruing within the organization. In our research we have used different methods for the data analysis firstly ratio analysis is made for the purpose of the data analysis. On the basis of which group discussions are made consist of the experts of different areas like marketing and supply chain manager or retailers to find out the problem and giving their precious knowledge about the problem. Recommendation and suggestions are taken from them on the basis of their past experience.

5.5- Literature Review

Business Strategy is related to the ways which the companies reach their goals (Slater & Olson, 2001). The main strategy marketing decisions are related to segmentation, targeting, and positioning activities. The product, price, promotion, and distribution channel actions must be coherent to marketing strategy decisions. Thus, departing from a generic business strategy, the companies define functional strategies to reach their specific goals in long and short terms. The companies search for efficiency within an industry in order to obtain competitive advantage. Many authors (Rolnicki, 1997) (Larry & Furey, 1999) (Rosenbloom, 2003) (Coughlan, Anderson, Strain, & Al-Ansary, 2005) agree with the fact that inside the Marketing Mix (price, product, place and promotion), the marketing channel variable tends to be the best way to obtain sustainable competitive advantage. They think that the production technology, the promotional efforts and the pricing can be easier reproduced than the distribution strategy. Not only the academic community but also the practitioners have paid attention to distribution channels.

Many companies consider their distribution channel planning as a strategic function, and so the high administration has been involved with this task. According to (Stren & Weitz, 1997), the efficient distribution channel design and administration can offer opportunities to develop sustainable competitive advantage in the long term. Channel design involves many complex decisions. The difficulty in the channel strategic planning process can be explained, in part, by the great number of involved variables (many times they are unpredictable), the long term impact of these decisions and the fact that the channel design exceeds the boundaries of each company (it involves many organizations) (Mehta *et al*, 2002).

Different kinds of Marketing Channels can be structured depending on the factors linked to the macro-environment (political, cultural, economical and technological), the market (competitors, suppliers, clients among others), and the specific strategies of each company. The design of an ideal structure involves the definition of intermediaries (wholesale, retail and specialized), the definition of channel members on each level (broker, traditional wholesaler, bakery, supermarket, convenience store, department store among others), as well as the task distribution for each member of the channel (Rosenbloom, 2003). The specific structure designed for each company will depend on the previous commented variables. Otherwise, in many cases, each company uses a multiple channel strategy, i.e., it uses many portfolios of channels. Thus, one company can have different channel structures for each specific situation (products, services, markets, among others). It is possible, in theory, to conclude that the best solution for channel design can be reached for a specific situation in the market. However, even in big companies, it is hard work to find this best solution. Some features that make difficult the decision process are the limited rationality, the opportunism and the conflicts. (Kotler, 1996) states that distribution is a key element in the marketing mix (place amongst the 4P's). It is the systems and practices in use which make a product or service available to the consumer of such a product or service. Channel is defined as "a set of interdependent organizations involved in the process of making a product or service available for consumption or use" (Gorchels, West, & Marien, 2004). It can also encompass physical movement, warehousing, ownership of the product, presale transaction, post-sale activities; order processing, credit and collections; and other different types of support activities (Gorchels, Marien, & West, 2004). Channel strategy refers to the broad set of principles by which a firm seeks to achieve its distribution objectives. It focuses on devising channel tactics pertaining to issues such as the role that distribution should play in the firm's

overall *corporate* objectives and strategies, the role distribution should play in the firm's *marketing* objectives and strategies, and the congruency that exists between channel strategy and the marketing mix. Locating new markets in which the firm's products can be marketed and suggesting new technologies that can make marketing channels more efficient are examples of channel strategy decisions. (Bert, 2003). "A group of independent and interdependent organizations involved in the sale and movement of goods and services to the end users may be called a distribution channel or network" (Gorchels, Marien, & West, 2004).

More specifically, a distribution channel is:

- The transfer of goods from manufacturer to the end user.
- Route of a company for distributing the goods.
- The process of moving goods from the manufacturer to the consumer.
- A supply chain consisting of all parties in between production to the end user.

The company works closely with its suppliers and customers. The company makes use of Internet to integrate its customers and suppliers to its manufacturing and logistics function which is based on Just in time management model. The company relies on its robust organization to get the supplies and components when and where required. Any alternative components are acquired through the time of the production process by making use of the 'KANBAN' System. Channel performance can be measured as a function of efficiency. It should focus on how well the firm minimizes costs associated with performing necessary channel functions such as transferring goods from the manufacturer to the end consumer disregarding the profits made at any point along the line.

Clearly, there must be a reason behind the diversity of channel performance measures. Each of the preceding authors suggests their channel measures lead to organizational success through effective channel management (Ogata & Goodkey, 2002). Different kinds of Marketing Channels can be structured depending on the factors linked to the macro-environment (political, cultural, economical and technological), the market (competitors, suppliers, clients among others), and the specific strategies of each company. The design of an ideal structure involves the definition of intermediaries (wholesale, retail and specialized), the definition of channel

members on each level (broker, traditional wholesaler, bakery, supermarket, convenience store, department store among others), as well as the task distribution for each member of the channel (Bert, 2003).

An important trend in product distribution is the growth of information-intensive channels. Such channels are characterized by channel partners who invest in bundles of sophisticated information technology like telecommunication and satellite linkages, bar coding and electronic scanning systems, database management systems etc. to not only disseminate information within any given organization but also among organizations in a channel by creating inter-organizational systems (Stern et al. 1996, Koch 1994). The firms collect and analyze supply side information on inventory and replenishment on one hand and market and demand information (such as store sales, POS data, promotional response etc.) on the other. Major retailers such as Sainsbury and Marks & Spencers in U.K. as well as A&P grocery stores, Super Valu Stores and Von's supermarket in U.S. have made substantial investments in these technologies and engage in ongoing marketing research. Similarly, leading manufacturers such as Procter and Gamble have responded to the availability of greater information by developing tracking and information systems at the retail store level. Over the past decade, these trends have given rise to the emergence of some important institutional initiatives between manufacturers and retailers that involve the creation and sharing of store level and market level demand information to improve the functioning and the coordination of the channel. An important example of these initiatives is Category Management. An early report by A.C. Nielsen (1992) characterizes it as capitalizing on the dramatic increase in market information, advances in technology, and sophisticated software applications. By the middle of 1990s, many industry analysts heralded category management as the future of product distribution in an information-intensive world. While there are several aspects and forms of it, especially after it got co-opted in to the broader Efficient Consumer Response (ECR) movement (Kurt Salmon Associates 1992), Adams (1995) concludes that "the lifeblood of category management is market intelligence ... technological advances ... produce information ... which in turn leads to strategies, tactics and action" (ibid, pg. 182). The key idea is to build strategic alliance between retailers and manufacturers and to customize the offerings on a store-by-store basis. This is a collaborative process, in which the increasingly technologically sophisticated retailers pool the local level expertise and information with the

regional and national level information and trends available with the manufacturers (Messinger and Narasimhan 1995, Adams 1995, Hill 1999, Pizzico 1999). This enables each party to take appropriate marketing actions and to coordinate to the “... degree possible while meeting its own strategic goals” (A.C. Nielsen 1992, pg. 23). More prominent practitioners of category management include Shaws and Schnuck’s among retailers, and also manufacturers such as Kraft Foods Division of Philip Morris, Anheuser-Busch, Procter & Gamble and Johnson & Johnson. Kraft, for example, practices micro-merchandizing, which involves integrating store-level sales data with market and demographic data to develop detailed understanding of demand and consumer behavior at the level of the retail store. The above examples each highlight instances of voluntary information sharing among channel partners, which forms the basis for this paper’s analysis. We look at three specific sets of research issues:

- First, we explore the incentives for sharing of private information, for common sense would suggest that keeping information private, - not sharing it – would give a firm the advantage of being able to extract more favorable contract terms. In the context of a channel, when is it optimal for each channel member to agree to join an information sharing alliance? What is the impact of information sharing on channel contracts, in particular, how the wholesale price is affected by such alliances.
- A second issue is on the role of information sharing in channel coordination: i.e., enlarging the profits of the entire channel. In contrast with the first issue, here the focus is on overall channel outcome. Sharing information about market conditions with upstream or downstream partners is possibly beneficial to the channel, as it allows the channel to tailor its actions to the actual market conditions. We investigate the conditions under which this occurs and also whether information sharing coordinates the channel.
- The third set of issue hinges on information sharing in a market with a common monopolistic retailer but upstream competition. Several interesting questions arise in analyzing the incentives of competing manufacturers’ in sharing in-formation with a common retailer. First, are there conditions under which an exclusive information sharing is likely to emerge? In other words, when is it likely that one manufacturer and the retailer would mutually agree to an information sharing alliance to the exclusion of the other manufacturer? Second, what situations are

conducive to non-exclusive sharing arrangements? And third, what impact does one manufacturer's information level have on the other manufacturer's profits or contracts? Investigating these questions helps us characterize the institutional phenomenon known as category captain. The category captain is usually a leading manufacturer in the category who provides the retailer with information and recommendations to help him run the category as a business unit (Adams 1995, Ball 1999). This restricted form of information pooling seems to contradict the idea of information sharing for better decision making. We characterize the theoretical conditions under which a category captain might emerge and also look at the related issues of what information sharing, exclusive or otherwise, does to the contracts and outcomes of the channel. Finally, an important objective of the category management movement, as part of the ECR initiatives, was to control the excessive incidence of trade promotions with high variability in demand and related inefficiencies (Stuart 1998). Our model with competing manufacturers allows us to examine how information sharing affects the extent of manufacturer price competition in the channel.

The analysis presented in this paper is related with four different streams of literature, which we mention below.

5.5.1- Information Strategies of Firms and Competition

Li et al. (1987) look at quantity setting competitors' decision of acquiring information about an uncertain demand parameter through, say, market research, and conclude that more information is always good for a firm though cost consideration may prevent firms from acquiring unlimited amount of information. Several studies have looked at competing firm's incentives in sharing their private information. Analyzing quantity setting competitors selling directly to consumers, many researchers including Gal-Or (1985) and Shapiro (1986) analyze competitor's incentives in sharing demand and cost information. Vives (1984) and Gal-Or (1986) each examine duopolistic competition for both quantity and price setting competitors. Their conclusion suggests that for Bertrand competitors, incentives always exist to share common demand information. The case is usually the opposite for Cournot competitors, but Mauleg and Tsutsui (1996) show that even in a Cournot model, if the demand uncertainty is about a common slope parameter rather than the overall level of demand, competitors may have incentives to share their private information. This

paper extends this stream of research analyzing the incentives of competitors in demand information sharing with a distribution channel partner, i.e., vertical information sharing. Another aspect of a firm's information strategy concerns with information selling (Sarvary and Parker 1997, Iyer and Soberman 2001) but we do not consider that in our model.

5.5.2- Strategic Alliance Literature and the Distribution Channel Context

Carpenter and (Coughlan, Anderson, Strain, & Al-Ansary, 2005) study the problem of channel partners entering into an alliance for a bilateral monopoly channel. They focus on the importance of hold-up problems in this context even without any uncertainty in the environment. In our work, an alliance is formed only when it is beneficial for both firms, and hence we do not consider the hold-up problems. Stern et al. (1996) point out that information is sometime used to facilitate soft or quasi integration of the entire channel and our analysis also supports a similar outcome. Chu and Messinger (1997) use a bilateral monopoly setup to explore the information acquisition decision of the channel partners. In this paper, our focus is on the information sharing decision. Further, Chu and Messinger allow only the two polar cases; no information vs. perfect information. Using the reliability metric that we develop for measuring the quality of a firm's information, we are able to model information more generally, allowing for imperfect information as well. Thus, in this work, we analyze information sharing decisions among channel partners both in a bilateral monopoly framework and in a competitive channel.

5.5.3- Category Management

Interest in understanding and implementing category management is very high among executives. As Bucklin and Gupta (1999) report, category management was found to be the most important issue in their study among all issues in the distribution and retail management area. The category management movement has been fairly widespread in frequently purchased packaged goods distributed through grocery stores and similar initiatives were planned in other related businesses in recent years.

However, there is also evidence of some disenchantment with the concept, especially among retailers. By analyzing incentives for both manufacturers and retailers, we investigate the conditions when information sharing is indeed beneficial for each member of the distribution channel. Academic research has provided models to help implement micro marketing (Montgomery 1997) and relevant metrics for evaluating profitability (Chen et al. 1999), but virtually no attempt has been made to explain the emergence of the category captain phenomenon. We model category management as an information sharing phenomenon in competitive channels and also show how information sharing may help mitigate some of the ills associated with excessive upstream competition and trade promotions.

5.5.4- The relationship between Marketing Theory and Supply Chain Management (SCM)

Distribution Channel is a concept studied for both theories, Marketing and Supply Chain Management. According to Svensson (2002), there are several similarities between these theories.

The Supply Chain Management Theory has been used in two different components. The first component is related to an integrative business philosophy. The second component is related to the implementation of actions (Min & Mentzer, 2000). According to Cooper *et al* (1997), Supply Chain Management is the integration of business process from end users through original suppliers that provides products, services, and information that add value for customers. The Supply Chain Management Theory is an alternative between the total vertical integration and the systems where each company works isolated and independently (Cooper & Ellram, 1993). These authors suggest three reasons to adopt Supply Chain Management: (1) to reduce stock in the chain; (2) to improve consumer services; and (3) to create competitive advantage through value added. Min & Mentzer (2000) discussed about the Supply Chain Management (SCM) concept. According to these authors, SCM Theory is originated by the Logistics Literature. This influence can be observed through the high importance given to stock control (reducing and availability). The necessity of flexibility to support marketing strategies (short and long terms) is an important logistic aspect. That is, the logistic system must be flexible in the short term to offer operational opportunities and in the long term to make possible new distribution structures (Aldin & Stah, 2003). Thus, the logistics activities are strongly influenced by the marketing strategies. So, these functions must support each other. According to Frazier (1999), the border between marketing

and logistics is artificial. It was created by the existent complexity in these two functions. Min & Mentzer (2000) argue about the inter-relation between the Marketing Theory and Supply Chain implementation. These authors present an integrative framework among marketing concept, market orientation, relationship marketing, and SCM.

5.5.5- Some concepts about Distribution Channels

A marketing channel is a set of independent organizations involved in the process of making a product or service available for use or consumption (Coughlan *et al*, 2005). Rosenbloom (2003) defines “Marketing Channel” as an external organization that is operated by a company in order to achieve its distribution goals. Thus, the distribution channel management is inter-organizational (surpass the company’s border). The institutions and individuals that facilitate the task of the manufacturer to distribute the products to their end consumers are called “intermediaries”. In other words, the term “intermediary” refers to any distribution channel member located between the supplier and the end user (business consumer or individual consumer) (Coughlan *et al*, 2005). There are three basic kinds of intermediaries: wholesalers (in general, they sell products to other intermediaries firms); retailers (in general, they sell products straight to end consumers); and specialized firms (they work in a specific channel flow as a facilitator firm). The companies can structure several kinds of distribution channels. They can sell their products straight to the end consumer without intermediaries (e.g. a company sells on internet and has an own logistic system to deliver the products). In this kind of distribution the company does all distribution tasks (fulfill orders, delivery reliability, replacement guarantee, among others). On the other hand, it can have several intermediaries firms (wholesalers, retailers, and specialized firms) between a supplier and the end consumers. Those firms can do different distribution tasks. According to Kotler (2002), many companies use a multiple channel distribution system. Multiple channel system consists of utilization of two or more portfolios of channels to reach one or more segments of the market. The well-integrated multiple channel strategy can offer synergy. Some advantages can be gotten from this synergy, as increase in number of clients, turnover, and market share (Berman & Thelen, 2004). Duffy (2004) increases this advantages list with the possibility of synergy between multi-channel strategy and brand

equity. Finally, Coelho (2003) discusses about the role of the multi-channel strategy to decrease the distributors' power. On the other hand, Webb & Hogan (2002) stress that the multiple channel strategy can stimulate conflicts among channel members and then it can decrease the channel's performance. Some kinds of conflicts can appear in the horizontal, the vertical or the multichannel structures among the members of the channel. The main causes for these conflicts are: incompatibility of goals (e.g. volumes and profits); lack of evidence in relation to the rights and the responsibilities of each member; differences in perception; differences in power and in dependence among companies (Kotler, 2002). It can be found, in the literature, other sources of conflict like decision making responsibility and lack of communication among channel's members. Otherwise, exclusivity in distribution of goods and exploitation of a specific geographic region can be sometimes factors that generate conflict (Rosenbloom, 2003). So they must be carefully managed. According to Friedman & Furey (1999), distribution partnerships are formed by many companies aiming to penetrate in dispersed markets and reach more consumers (increasing the turnover and the market share). The use of the power for a member of the distribution channel can intervene with the performance of other members of this channel (Wilkinson, 1996). Hence, executives should analyze ways to avoid the wrong use of the power as well as alternatives to equilibrate the power in the distribution channel. The decisions related to channel power are basic to keep long term relationships among channel's members (Gassenheimer, 1996). The maintenance of long term relationships is another important issue to establish efficient distribution channels. The partnerships among channel's members can create collaborative behaviours which are considered important for global companies (Fujimoto, 2003). However, high degree of commitment is not always necessary among channel's members (Kim & Frazier, 1996). In several cases, market exchanges is an efficient option when the distributors do not add significant value to the offer and can be easily changed, especially in homogeneous and steady markets.

5.5.6- Marketing Strategy and Distribution Channel Design

Strategy can be defined as a behavior pattern in the present with planned objectives, positioned resources, and interactions among a company and markets, competitors, and environment. A well-developed strategy must have five basic components: target, goals, positioning, competitive advantage, and synergy (Walker *et al*, 2002). Thus, a strategy must create a sustainable

competitive advantage through of company's internal definitions with focus on specific pair product / market. It is necessary to place the right resources for each pair product / market in function of the threats and opportunities proceeding from the environment (Zinkhan & Pereira, 1994). LaBahn & Biehal (1991) separate, in terms of focus and time, the strategic business plan and the marketing plan. While the first focuses strategic aspects for whole company in the long term, the second focuses tactics aspects related to marketing-mix in the short term. According to Sharma (2004), the functional strategies should be coherent with the business strategy. The company must have appropriated resources (human, physical, organizational, among others) and culture to support the strategies. Slater & Olson (2001) evaluated companies' performance in function of their business and marketing strategies. These authors concluded that the more consistency between marketing and business strategies, the better performance can be observed. Marketing strategy is the effective allocation and coordination of the marketing resources. It aims to achieve the company's objectives in each specific pair product market (Walker *et al*, 2002). In this direction, the strategic marketing decisions are related to identify specifics market segments and the respective offerings to theses segments. These same authors argue that the firms obtain competitive advantage and synergy through integrated programs between the marketing mix variables (product, price, communication, and marketing channels) and the consumer behaviour aspects. In order to obtain consistency, the business plan should be translated to several functional strategies (marketing, human resources, finance, operations, and so on), and it must observe the existing interrelations. The marketing plan consists of combining the marketing mix variables in order to achieve the companies' goals. Finally, the marketing channel management needs to translate the generic marketing strategy to specific distribution tactics. During this process, the vertical consistency (between operational marketing and strategic marketing – segmentation, targeting, and positioning) and the horizontal consistency (among the marketing mix variables) must be observed. Coughlan *et al* (2005) propose an analytical model to design and manage marketing channels. According to this model, the marketing channel design process evolves activities as analyzing the customer needs and the services required by different market segments, identifying the channel flows, defining the channel members, establishment of channel portfolios (simple or multiple), system coordination, gap analysis, and vertical integration decisions (make or buy). In the implementation phase, the following aspects should be analyzed: the use of power among channel members, the

management of conflicts, strategic alliances, and legal issues. Thus, the marketing channel plan involves the design, implementation, and control processes. Channel design involves every processes of creation or modification of a channel. If the company considers this process as a strategic issue, it will aim to create sustainable competitive advantage. According to (Bert, 2003), the channel design goes through seven steps: (1) recognition of the needs to create or modify a channel; (2) definition and coordination of the distribution goals; (3) specification of distribution tasks; (4) development of alternatives for channel structure; (5) evaluation of the variables that affect the structure; (6) definition of the best structure; (7) selection of channel members. The last step of the marketing channel design is the channel's member selection. According to Rosenbloom (2003), the channel's member definition process involves the identification, selection, and transformation of the potential members in real members. The companies use many aspects to evaluate possible distribution partners, such as: financial and credit conditions; sales force, products lines (competitive and complementary); reputation, market coverage; sales performance; administrative succession; managerial skills; attitude (sales efficiency, motivation, among others); company's size.

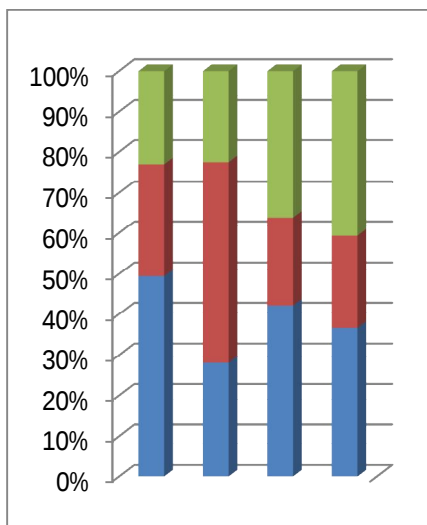
A distribution channel selection process was proposed by Mallen (1996). This process is constituted by six steps. First, decisions related to five questions should be made: (1) What degree of directness should the company's channel structure have? (2) How selective should the distribution channel be? (3) What type or types of middlemen are to be selected? (4) How many channels should be established for a given product? (5) How shall the individual middlemen be chosen to fill the slots created? Second, the company must define objectives related to four dimensions: (1) maximize sales; (2) minimize cost; (3) maximize channel goodwill; (4) maximize channel control. Third, it must be analyzed the internal and external factors which are important to the process. These factors are the market, the marketing mix, the available resources, and the macro environment. Forth, the options should be quantified. Fifth, the company should select one specific distribution model among the options. Finally, the company should develop the channel review and evaluation process.

6- Data Analysis and Interpretation

In this section we have analysed the data collected from the respondents and as the data consists of qualitative data so certain techniques and methods have been used for the purpose of the analysis of the data. The questionnaire designed for the purpose of the data collection was based on the five point Likert scale which was further divided into three sections for the better understanding of the results drawn from the collected data. The first division is the agree one which shows that the persons are satisfied with the particular thing, segment or element provided by the organization to its customers they were asked about. The second division is the neutral one which depicts that there are some issues which make them unable to fall in the disagree section as well as there are some issues which make them satisfy but not completely. The last and third division is the disagree which will indicate the ratio of the people who are unsatisfied about the section the area is which the ratio of such people is more than the other two sections that's mean this area is creating a problem which is causing for the decrease in the sales of the auto parts.

The data analysis and interpretation is consisting on the following manners below;

- ❖ Each variable is divided into the elements on which that variable consists of
- ❖ Each element result is analyzed on the basis of ratio analysis on the basis of above discussed three sections
- ❖ Each variable result is viewed on the overall basis by using bar charts
- ❖ Interpretation is made on each element with its importance in marketing channels managements and sales by using pie charts



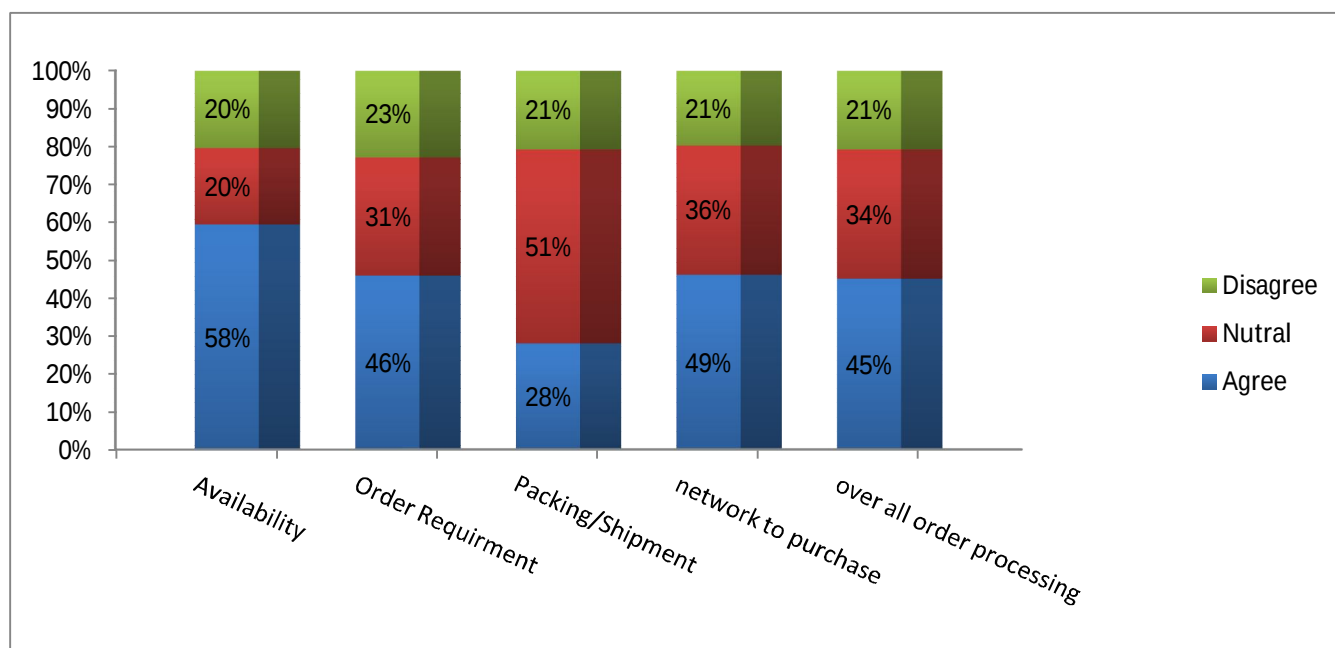
Used for over all analysis



used for element of variable analysis

6.1- Order Processing

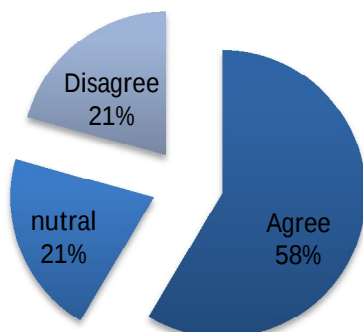
The first variable is the order processing consists of the four elements availability, order requirement, packing and shipment and network to purchase. The results show that the overall 45% people are satisfied with availability of the goods within the market. When the analysis was made the result also shows that the 34% people are neutral they may fall into the unsatisfied category and may also go into the satisfied ratio the ratio of unsatisfied is very low about 21% the organization need to focus on the packing and shipment requirement because many goods are of fragile nature like the car lights and bulbs or other electric items are of sensitive nature which required special packing people are confused their ratio is 51% the satisfied ratio overall is 45% mean majority of the people are not satisfied company should focus on the neutral people to bring them in the satisfied section. If we focus on the two elements which are the availability and network to purchase we can see that the goods are available and people are satisfied but they need that network to buy must be increased. As whole this sector is not creating as such problem of decrease in sales.



6.1.1- Availability of goods

This element told us about the of the goods that is goods are available in the market for when customer needs the specified part of product from the market the result is as showing the chart that the 58% people are satisfied which mean that the majority of the people are satisfied with the availability of the goods but other 42% fall in the neutral and disagree section which is the side of worry for the organization mean that if neutral people go in to the disagree section due to any cause that organization may lose its sales in future also.

Availability

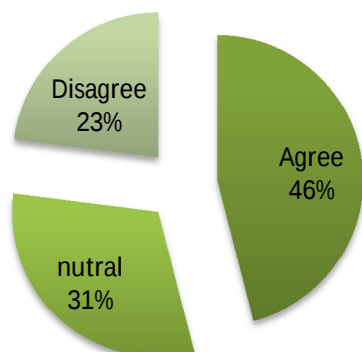


6.1.2- Order requirements

This element includes that the organization is fulfilling the order requirement of the customer that includes the quantity requires by the retailers, the facilities selection of mode of sending billing procedure and other all elements are completely take in consideration by the organization while fulfilling the orders of their customers that also shows the results that the only 46% people are satisfied with that and 31% are not satisfied and remaining are the unsatisfied with that. Which is the area of the worry of the organization mean the organization needs to focus on the requirements by the customer main retain the existing customers.

The ratio of disagrees is more is this element other than the other elements of the order processing.

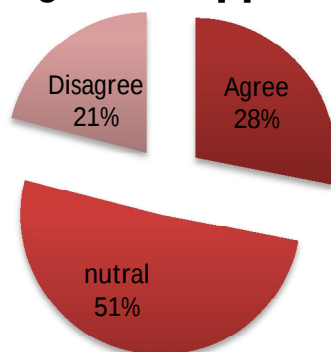
Order Requirement



6.1.3- Packing and shipping

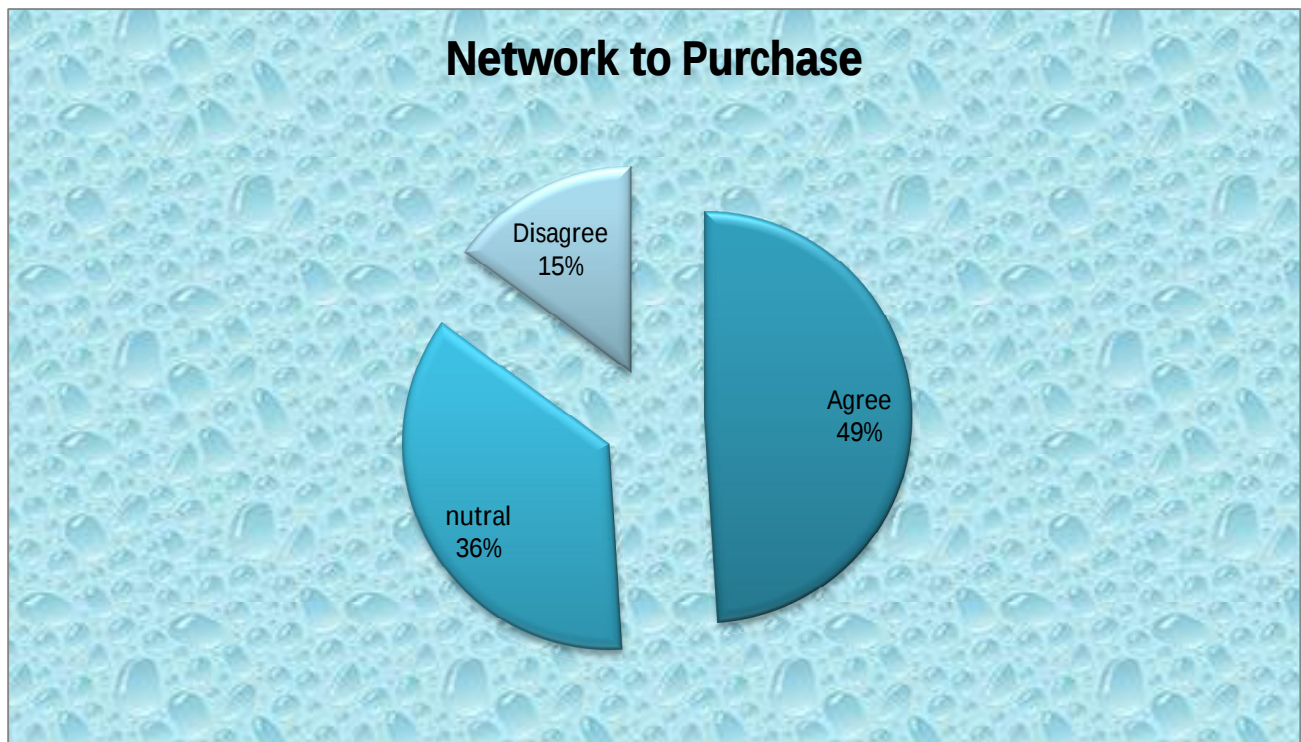
Packing and shipping area show the results which are unexpected and against the perception of the company that shows that most of the people are not satisfied with the packing of the goods they always remain in doubt while the shipping of the goods about their safety and availability of goods on the time and choice of the mode of the sending of the goods. The ratio of the neutral is 51% which may go in to the unsatisfied sector due to the management remain continue by the company. The ratio of the agree people is very low 28% only.

Packing and Shipment



6.1.4- Network to purchase

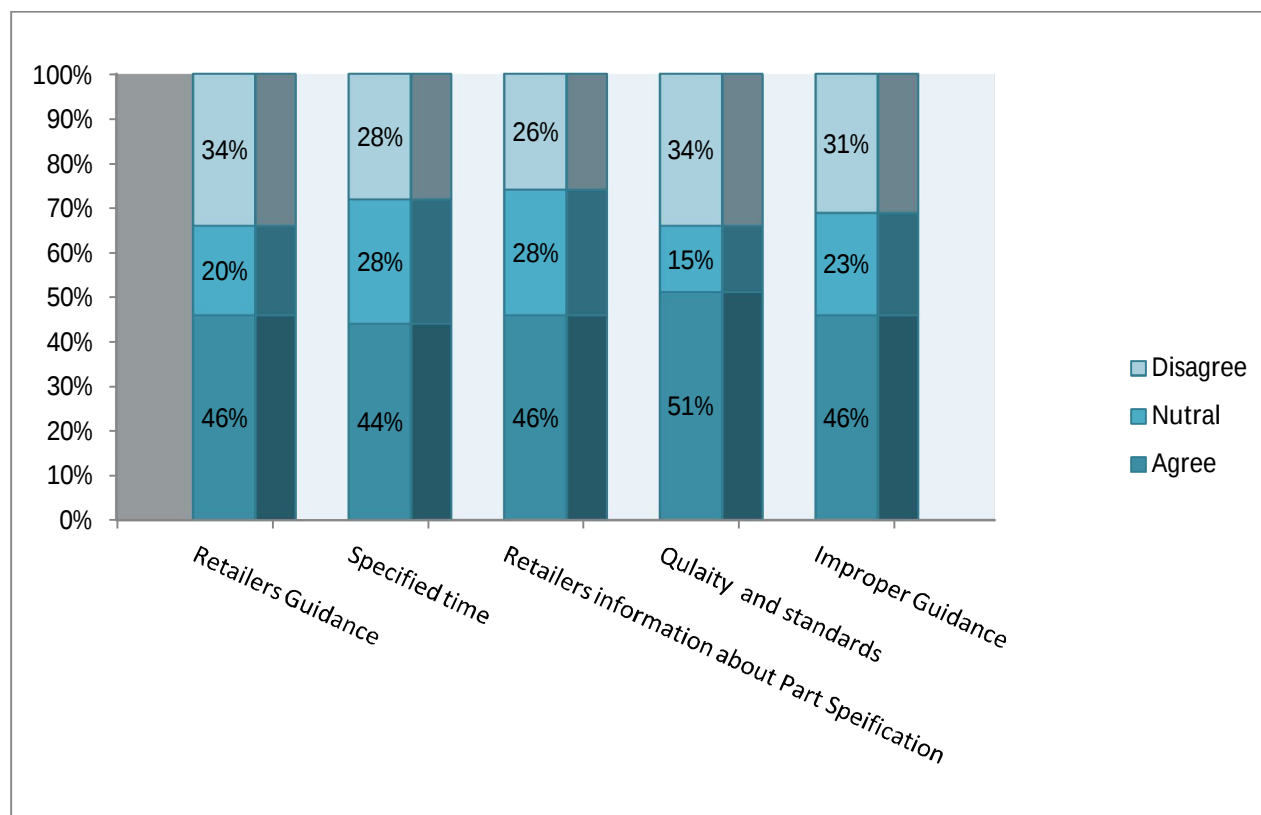
Network for the purchasing of the goods means the point of the sales in the targeted market for delivery of the goods to the retailers is our marketing channel plan covers all the areas or not. The results shows that the 49% people says that they are satisfied with the goods network but the ratio of unsatisfied people is very low means currently organization not need to expand their area of sale for the sale of the goods. The ratio of neutral and disagree ratio as show in the chart is 15% and 36% respectively.



6.2- Overall guidance by retailers to customers

The second independent variable is the guidance by the company to its retailer or other marketing channels about the products its time of availability and span of working of particular product to serve and quality and standard of the good. The results show in the last bar of the chart the ratio of the unsatisfied is greater in that which is about to the 31% of total customers. And the ratio of satisfied is overall 46 percent which is below the half of the total customer book. The organization must see that area because the ratio of the satisfied people is less than the previous area order processing. The other area of the look in to that is the quality and standard of the goods the most of the people is satisfied the quality of the goods which is above the half of the total customer profile 51% of the company.

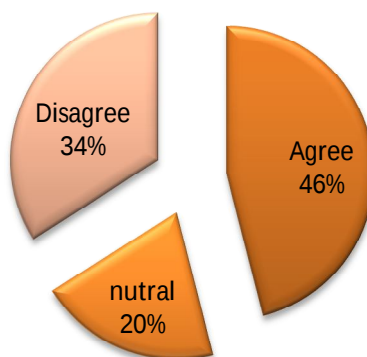
Time is also creating the problem for the organization and causing for the decrease in the sales of the goods because customers are not getting the goods and parts on specified time the ratio of satisfied people in that is very low than the other areas. The ratio is about 44%.



6.2.1- Retailers Guidance about Product:

The retailers guidance includes that the retailers provide the complete guidance about the product what that product is what's its merits and demerits, for what purpose it is used for its alternatives available in the market and other things. The results shows that the 34% are not satisfied they think that the retailers do not provide any kind of information to the customers. The 46% percent are satisfied they think the customers are guided about the product completely and 20% have the neutral response.

Retailers Guidance

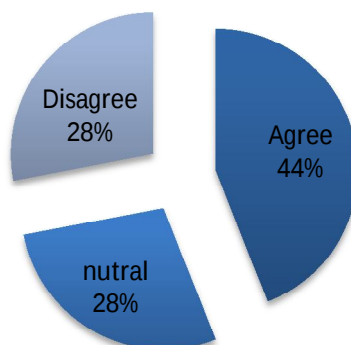


6.2.2- Time Management

The time management is another element which depicts about that the goods are delivered to the customer on the time. The customers required their goods reached to them within the specified time period if organization fails to do so that will cause for the decrease in the sales of the company. The data analysis shows that the 44% people are satisfied with the time factor. But 28% have the neutral response in that and 28% are disagree with the time management of the company they have issues regarding that. This is the era of services companies should focus on

the time management the organizations which are leading within this completion are those having the time management element focused specially in the service oriented organizations.

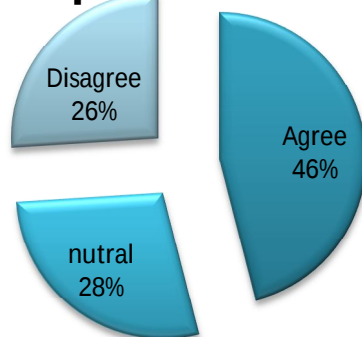
Time Management



6.2.3- Retailers Information about Parts Specification

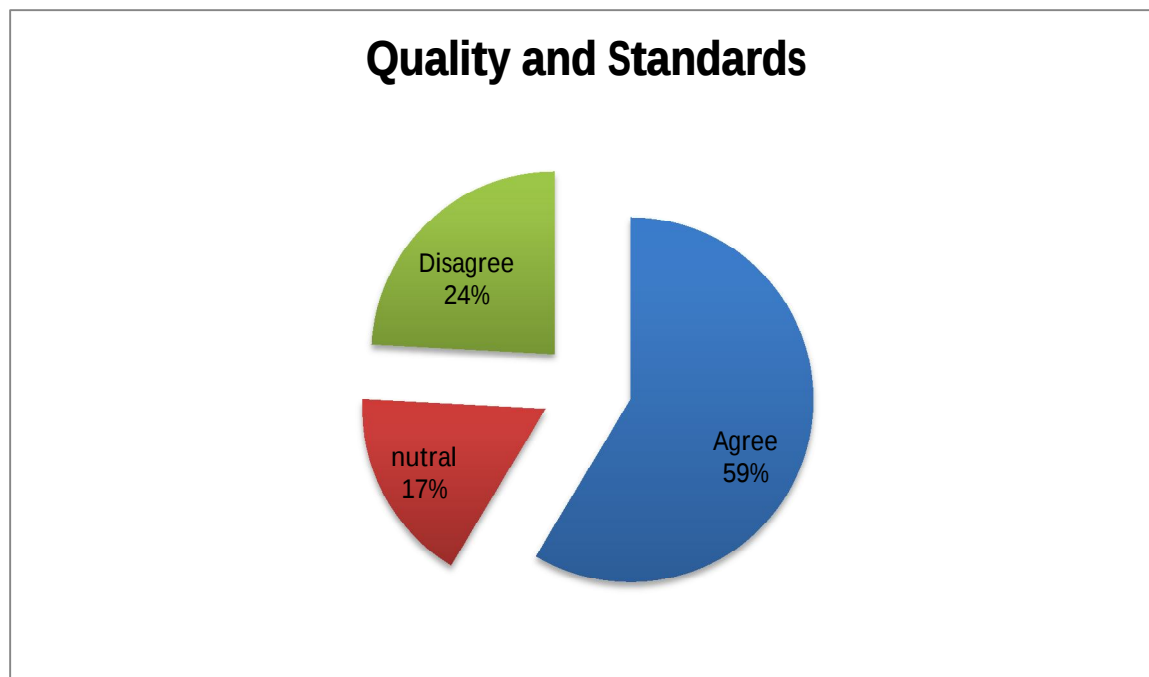
The data analysis shows that the 46% of the people are satisfied with the information provided by the retailers to the customers about the part specification. 26% are disagreeing with the response of the retailers in case of information required by the customers and 28% have the neutral response.

Reatilrs Information About Parts Specification



6.2.4- Quality and standard guidance

The research indicates that the most of the people is guided by the retailers about the parts standard and quality equipped by them. They have the strong ratio of the quality guidance to the customers. But the ratio of the disagree 24% which shows that the customers are not guided by the retailers about the product quality and standards. The 17% respondents says that they are neutral mean some are they are guided by the retailers and sometimes they are not guided by the retailers. The area of improvements is to do such measures which will bring the customer from the neutral and disagree to the agreed and satisfied section.

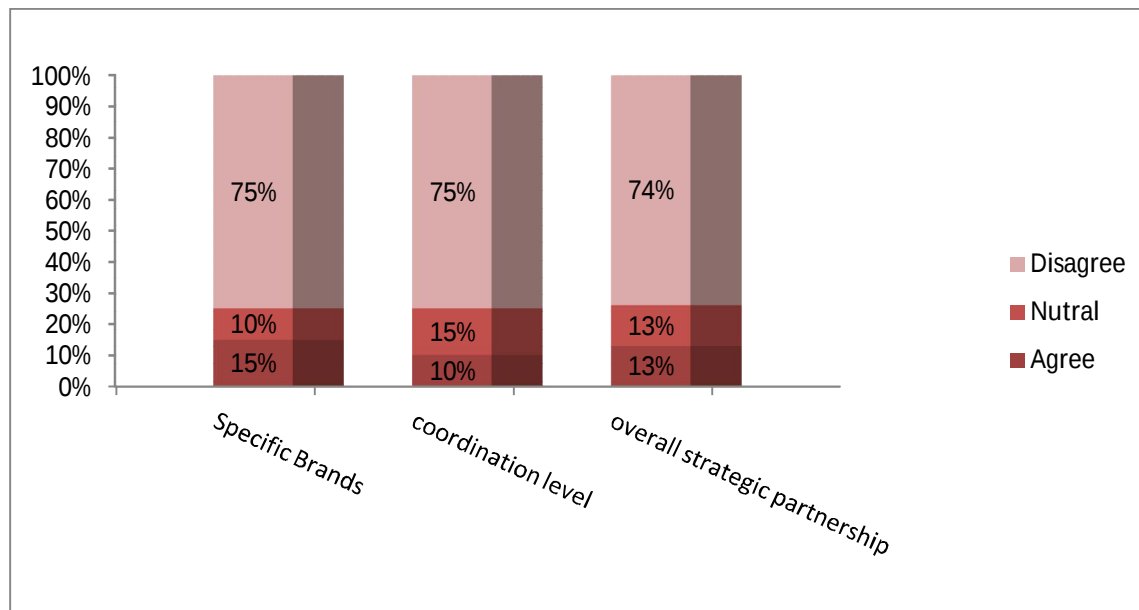


6.3- Overall strategic partnership

Strategic partnership means that the company and organization have partnership with the retailers as marketing channels. They have a plan that which products they have to sell on which terms and condition they have coordination with each other. There are certain partnership contracts with in the company and retailers. The results show that this is the main area of the

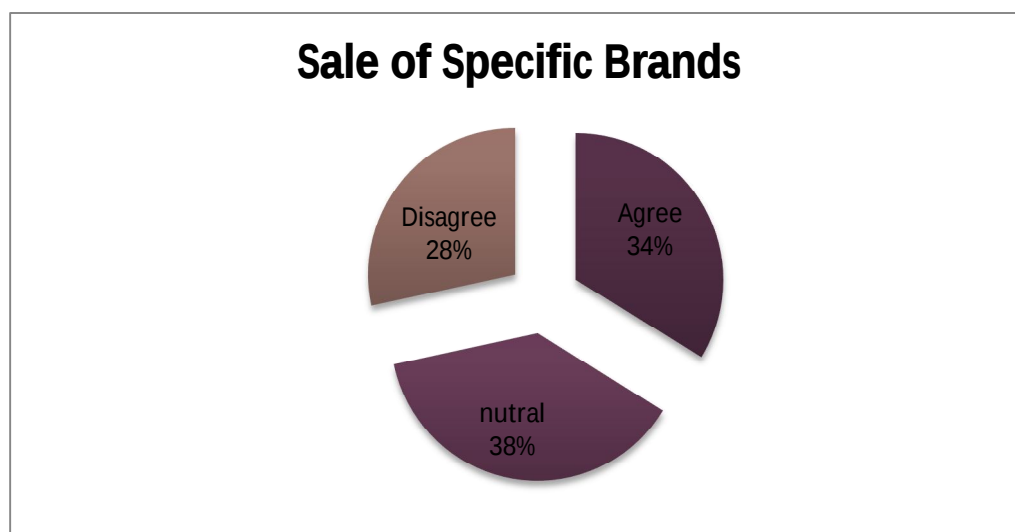
problem within the organization which is causing for the decrease in the sales of the parts in the organization. The results show that the overall 74% retailers are facing the conflict among them related to the partnership contract with in the retailers and company. In the past many companies have faced the breakup of the partnership which have caused for the decreased in the sales of the company. The 15% people think that the retailer's sales the specific brands which is causing for the decrease in the verity and alternatives available in the market and restricting the entrance of the Recco among the new retailers and customers.

On the other coordination level is very low among all the customers book only 10% are satisfied with the terms and condition and level of partnership they posses. 15% have the neutral response they say that the they are not satisfied but satisfied also but if we have a deep analysis in that we will find out the will fall in non satisfactory section.



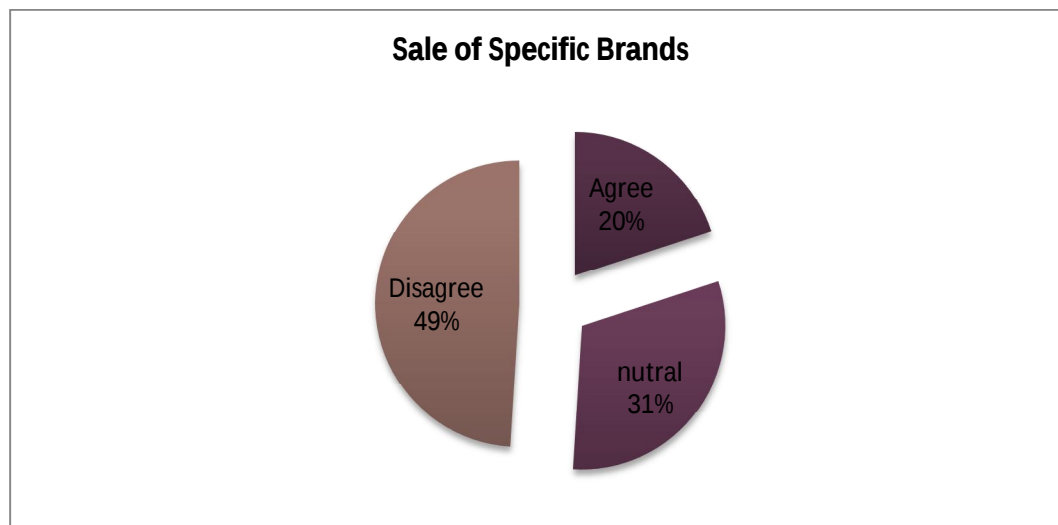
6.3.1- Sale of Specific Brands

The results shows that the mostly retailers are selling the products of the specific brands the ratio of the retailers who sell the goods of the specific company is 34% and 38% have the neutral response on that. They think that the retailers are selling the mixture of the goods some products are of specific brands and some of the mass variety.



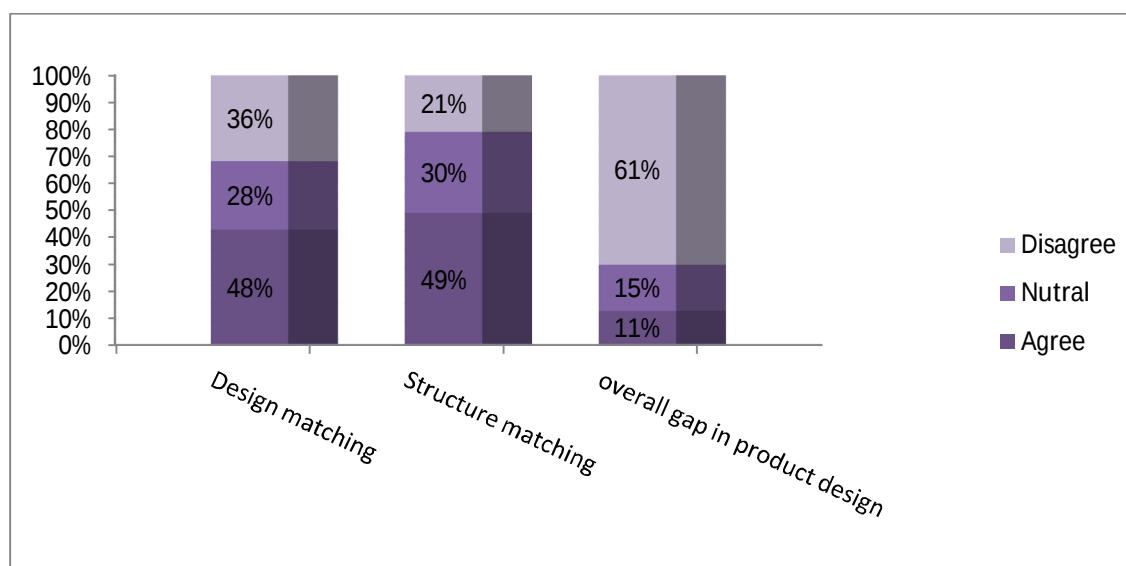
6.3.2- Level of coordination

The results shows that the retailers have low level of coordination among them the retailers and customers results shows that the 49% percent are unsatisfied with the level of coordination and company provided them information about the goods and other things. 30% have neutral response and 20% are satisfied with the coordination level.



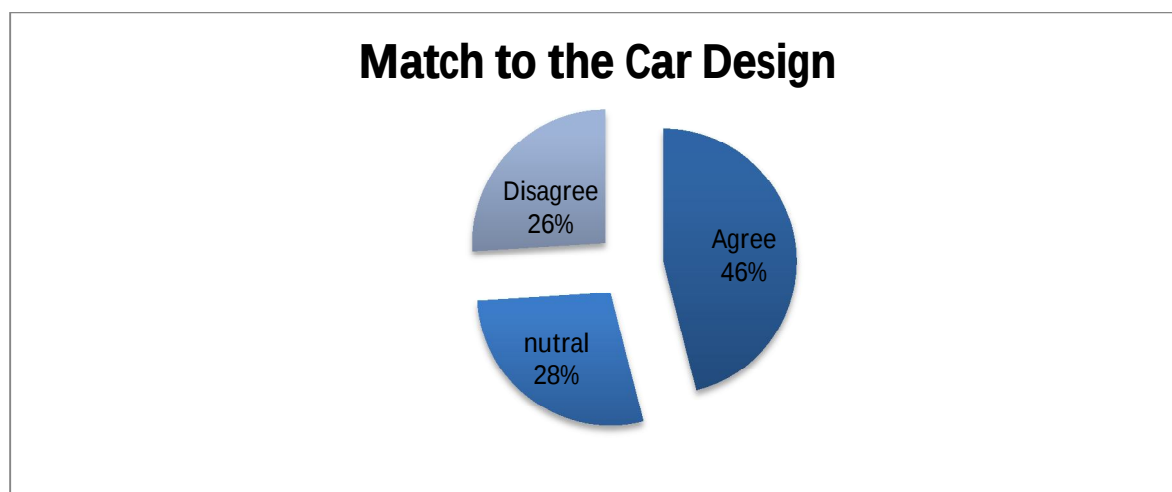
6.4- Overall Gap in Product Design

The data show that the overall gap between products design in sever situation where only 11% retailers are agreed with the organization. 15% retailers are fall in somehow agree or not agree phase. Firm should work on that phase where 61% retailers are disagree with the firm policies, terms and conditions regarding the overall gap in product design.



6.4.1- Match to the car design

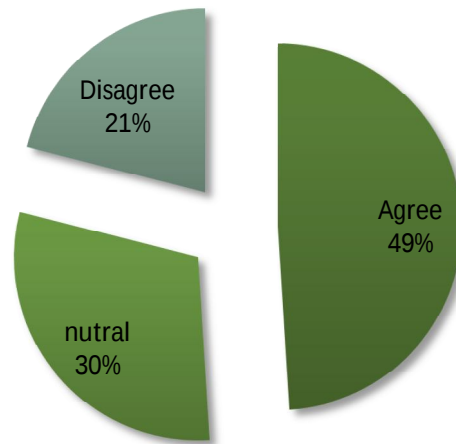
The car design means that the design of the car varies in the model every year. Design as changes with the year certain modification accord which required change in the part design also according to that. If the parts seller does not change that according to that they will cause for the decrease in the sale of the company the ratio result is the following in chart



6.4.2- Match to the car design

The parts must be match to the structure of the car mean that its fittings should match to the car original design. If car will require modification and alteration for the installation and replacement of the part in case of any problem. That will cause for the decrease in the sale of the parts sales. The analysis of the data shows that the 49% people are satisfied with the matching of the car structure. And 30 parts have neutral behavior which shows that they require small modifications which have no very hug impact on the car structure. On the other hand 21% are disagree with that they says that the installation of parts required major modifications.

Match to the Car Structure



7- Summary

Particular	Agree %	Neutral %	Disagree %
Order Processing			
Availability	58	20.5	20.5
Order Requirement	46	31	23
Packing / Shipment	28	51	21
Network to Purchase	49	36	15
Total	45	34	21
Improper Guidance			
Retailers' guidance	46	20	34
Specified time	44	28	28
Information	46	28	26
Quality & Standard	51	15	34
Total	46	23	31
*Strategic partnership			
Specific Brand	15	10	75
Coordination Level	10	15	75
Total	13	13	74
Gap in Product Design			
Car Design	46	28	36
Car Structure	49	30	21
Total	24	15	61

***The red shaded area depicts about the area of problem**

8- Recommendations

The research findings of present study have more practical orientation and which is important for the organization. Hence, the study recommends the following.

- 1- The firm should keep in mind the importance of strategic partnership among the firm and distribution channels. Firm should do some strategic contacts with the whole-sellers and retailers to overcome the declining in sales volume of their product.
- 2- Supply Chain Management is the backbone of any organization's production system. The firm should efficiently manage their logistics and forward marketing channels on strategic and tactic level to retain their loyal customer.
- 3- The firm already focused on bulk / large quantity purchasers and the observation tell that it could squeeze the selling process, so the organization should also sell their products to direct retailers and small whole-seller to increase the sales volume of the product.
- 4- The firm should arrange 2-3 feedback gathering tours in a fiscal year to find out any ambiguity between producer and customers.
- 5- In this paper we investigated distribution channel members' incentives also to form information sharing alliances with upstream or downstream channel partners. If there is a significant incentives given to the distributors for the sale volume of auto parts also increase. Promotional strategies like push and pull etc. play a motivational role in increasing of sale of auto parts.
- 6- The participants were also asked to prioritize strategic initiatives that should help them compete in the aftermarket. Four initiatives were identified as most important:

- Improving and extending the service offering
- Adapting service offerings to local requirements
- Increasing the local market penetration
- Optimizing the planning processes

7- The after sale feedback also collected from the customers and improve the quality of the product which also compete the organization with other organizations but increase the sale volume also.

9- Conclusion

As the literature review show, personal observation tells and finding come from the primary data, which is shown in summary, the main problem occurs in strategic partnership between the manufacturer and distribution channels. The study finds that the strategic partnership between manufacturer and the distributors is the key problem in decreasing the sales of auto-mobile parts. If the organization wants to increase their sales volume then it will be considered the strategic partnership among manufacturer and distributor should be clear and stronger than their competitors already have. Further study should be conducted on strategic partnership improvement plan.

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