

## **Distribution Channels and Their Roles in the Advent of E Business – Lighting Industry in Bangalore**

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### **Abstract:**

The study is endeavouring towards understanding the complexity of electrical lighting industry's channel of distributions in Bangalore city. The advent of e-business has significantly influence the functioning the channel. Here we try to outline the impact of the e-business and its effect traditional channel members in lighting industry.

The traditional channel of distribution involves intermediaries such as, wholesaler, retailer and dealers who are the primary participants in the channel of distribution. And the e-business includes those virtual intermediaries which helps the manufacturer or producer to reach their customer either directly or via one of more virtual intermediaries. The major difference is that the traditional channel passes the title of ownership stage by stage until it reaches the end customer.

The preliminary object is to understand complexity of the e-business in the lighting industry, and coming down further is to understand interface between traditional channel members and e-business channel.

By exploring various literature, and studies, this paper endeavours to find new outlook in the theoretical understanding of practical and contemporary scenarios. The paper works on empirical research method, with non-probability sampling techniques. The sample collected from respondents within lighting industry in Bangalore city, which further are analysed by using appropriate statistical tools.

The finding highlights the conceptual links in the statistical analysis and analysis of various variables to the most of the hypothesized relationship between the modified competing lighting industry changing scenarios.

In conclusion, the paper discusses the channels of distribution, their operational, functional arrangement and the importance of intermediaries in the flow of goods between the producers / manufacturer to end consumer. With special reference to the rapidly growing market share of electronic distribution channels and the conditions of their market dominance.

**Keywords:** logistic management, distribution channels, e-commerce

### **Introduction**

The realisation process of a business goal of a company depends not only in achieving specific production goals nor in marketing promotion, but it is realized during that phase where it reach the target audience in right place at right price and right quantity. This requires marketing manager to plan, implement and take appropriate action by utilizing the elements included in the marketing-mix. One of the marketing mix which is vital is – 'Place' which is also called 'Channel of Distribution', it is the path through which goods and services reach the targeted customer. It is the one of the variable which is controllable by the marketing mix. The role of distribution is to provide to a company the accomplishment of the task of delivering the product at a right time, place, and quantity at a minimum cost (Bucklin, 1966).

As a marketer may not reach all potential customers, hence he needs to media to reach target customer. These media could be contractual or non-contractual in nature, these are called intermediaries. Broadly speaking, Channel of distribution includes intermediaries who perform specialist activity of buying, influencing and reselling directly or indirectly to the target

customer. These intermediaries perform three functions in a marketing channel: information & transaction function, logistics function and trust function.

First understand the main facets of Channel of distribution, Lighting industry and intermediaries in lighting industry. The Channel of distribution is a set of interdependent organizations involved in the process of placing products and services with consumers. A channel of distribution serves as the connecting link between the producer and consumers. It creates time and place utilities by bridging the gap between the time and place of production and those of consumption.

Lighting industry is a set of business activities performed by individuals or group of individuals who are procure, trade and distribute and services lighting products such as lamps and lighting luminaries. This set of individuals comprises of manufacturers, importers and intermediaries viz., Brand possessor, dealer, distributors and retailers.

Secondly, the intermediaries includes all those who are primary channel members who 'owns and transfer the titles' to the subsequent members. The functional aspect of the distribution channel is seen as a way to connecting and ordering of agencies and intermediaries through which one or more streams are flowing.

Most important streams in distribution channels are:

- Physical movement of completed products or services;
- Actual transfer of ownership among participants of the channel;
- Information about potential buyers, competition and demand;
- Promotion;
- Payments of invoices;
- Negotiations;
- Realisation of orders;
- Risk taking;
- Shipping, transportation and storage of goods.

### **Statement of problem**

The rudimentary concept of this study is to understand the complexities of distribution channel and its intermediaries in lighting industry of Bangalore. Further mining in to the e-business and intermediaries gives another elevation from management thoughts to practical decision making. Furthermore the channel study bridging management thought and perceptions on the multiple channel of distribution viz., traditional and e-business. The variety and complexities in the con-current distribution systems is not thoroughly unnoticed, but it would capture central elements such as the degree and strategies adopted in distribution in the said industry. The focus is on describing the distribution system in such a way that we can adequately capture prevailing practices and perceptions that can be supportive for executing marketing strategies in the channel which could enhance the effectiveness the channel of distribution in lighting industry of Bangalore.

### **Scope of research work**

The study is made within the Bangalore city lighting industry distribution channel members viz., intermediaries only. This study does not take parameter or acquaintance of the direct end consumer preference towards traditional nor electronic business. Due to uniqueness and typical nature of lighting industry, validation of study lies on only hands-on practices rather than theoretical concepts.

This study is not covering the non-ownership entities in the channel viz., CFA & CSA and its functions.

## Objectives

The objective of this study is understand the implication of E-business within ambit of channel of distribution. Further these can be enumerated as below.

1. To understand the company's perspective on the cost of trade between the channels viz., traditional and contemporary channel (E-business).
2. To know the economic value is added by the intermediaries.
3. To analyse Consumer needs, expectations and buying behaviour

## Research Methodology Used:

The study conducted among members of channel of distribution within lighting industry of Bangalore city. In order to capture in-depth understanding on the perceptions and mind-sets of the intermediaries, the research followed a distinctive quantitative approach. The data collected using structured interviews. The data further examined and interpreted using a Chi-square statistical tool.

The following are the different sources of data, from which the study is made.

- Primary data – primary data collected by using structured data with the personal interview method.
- Secondary data – secondary data is acquired by referring research books, appropriate and relevant reference books, industry association records. Further there is substantial use of company brochure and company catalogue
- Other sources – data also collected with other sources viz., interaction with other non-primary members of the industry.

## Sample size and sample population

In this study, sample is drawn from the Bangalore city only; the sample is limited to lighting industry distribution / retailer network only. The indeed the sample size 25, but effective respondents were 20.

1. Physical movement of finished products or services; here we try to analyses the implication of e-portal in the channel of distribution. As majority respondents i.e., 65%, felt that it's the physical retailer/dealer are much more important.

Inference can be drawn, that strongest intermediary in the channel of distribution, which is to be given the prominence in the system.

2. Actual transfer of ownership lays among participants of the channel; more than 50% people respondent have observed role played by physical dealer is very significant.

One can make observation as dealer is actual point, where title of ownership transfer form company to customer.

3. Information about potential buyers, competition and demand; majority of persons believed i.e., almost 75%, that the dealer are focal point of drawing market intelligence.

It implies that, dealer is only point of source where company gathers information through its proper channel of distribution.

4. Promotion; here we attempted to analyses the dealers promotion of products, 35% 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 motivational level of dealer/retailer (dealerpoint) where end customer buys the product.

5. Payments flows; 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. Negotiations; it's the majority of respondents reply > 85%, who holds opinion that physical dealer will be facing more negotiation rather than e-intermediary 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.

This role of bargaining and the exercise of bargaining power by participants exist in distribution systems in a wide range of industries

7. Realisation of Orders; majority of respondents believe that orders will usually swing on the both sides of virtual and physical intermediaries.

It is believed to be that neither of party can take away ones customer share in the lighting industry.

8. Stock holding and investment; this parameter to assess the dealer implication on the stock holding and level creditfacilities to customers. More than 80% of the people respondent are in opinion that, dealer holds higher position as compared to other format of virtual distribution.

We can interpret as; the traditional dealer implication is very high to the system from the point of stock holding and credit facility to customer.

9. 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, the perception by physical intermediaries but it can be converted to opportunity it can also observed that e-business also assumes some level of risk.

10. 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 in contrast to e-business intermediaries.

More than 35% of respondents held that dealer also hold role in the channel of distribution. But majority credit taken by contemporary intermediaries who take responsibility to reach the customers door step.

11. After sales services; it is very vital for competence for any business concern to have “after sales service”. Majority of respondents are in goodwill, that traditional channel dealer hold major stake in this after sales service.

Lighting Companies in the industry should take cognizance of ‘after sales’, and relieve the dealer for more sales and distribution; by setting service to the sales organization.

### **Suggestions**

Based on the above analysis, we can conclude that in majority parameters selected and studied, Dealer plays very important role in the channel of distribution.

- ✓ Role of physical dealer is very vital in transferring physical and title of materials
- ✓ Importance of traditional net dealer network in gathering marketing intelligence will be most cost effective and reliable.
- ✓ The power of bargain surfaces in traditional channels, enhance opportunity marketer to build confidence to traditional dealer / intermediaries and thereby enhancing sales volume.
- ✓ It is perceived that risk assumed by traditional channel member is more than virtual dealer, which certainly to be addressed by manufacture and producers.
- ✓ After sale service is very critical for the success of any business, which is recognized by the intermediaries / dealer irrespective of the channel formats.

### **Statistical Analysis**

Here in this we use the statistical tools viz., Chi Square Test, to authenticate the data so collected and analysed. As the sample size is less than 20 we are using chai square test to validate the information.

Hypothesis 1

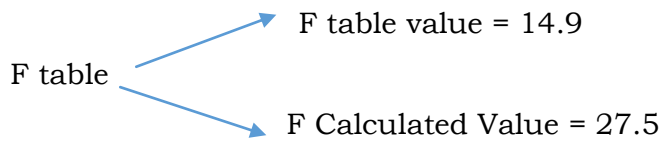
H0: There is no difference among of channel in physical movement of products and services to end customers.

H1: There is difference among channel in physical movement of products and services to end customers.

Observed Value (O)	Expected Value (E)	(O -E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> / 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
<b>20</b>	<b>20</b>	<b>0</b>		<b>27.5</b>

O – Observed Value @ significance level of 5%

E – Expected Value



As the table value is greater than, calculated value hence, we reject the H<sub>0</sub>, and accept the H<sub>1</sub>.

### Hypothesis 2

Physical intermediaries’ role in collection of information on market intelligence - potential buyers, competition and demand

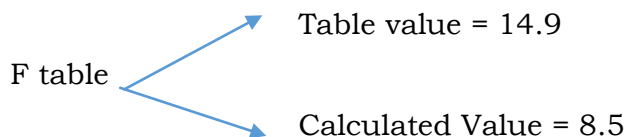
H<sub>0</sub>: There is no significance of traditional dealers in collection of marketing intelligence.

H<sub>1</sub>: There is significance of traditional dealers in collection of marketing intelligence.

Observed Value (O)	Expected Value (E)	(O -E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> / E
2	4	-2	4	1
7	4	3	9	2.25
6	4	2	4	1
5	4	1	1	.25
0	4	-4	16	4
<b>20</b>	<b>20</b>			<b>8.5</b>

O – observed Value @ significance level of 5%

E – Expected Value



As the table value is lesser than, Calculated value hence, we accept the H<sub>0</sub>, and accept the H<sub>1</sub>.

### Conclusions

This study is made to understand the various theoretical concepts of intermediaries, who pragmatic players in the channel of distribution with respect to lighting industry in Bangalore. Firstly, under this study it can be conclude that the physical dealer or intermediaries plays very vital role in the channel of distribution of lighting industry in Bangalore with selected and

stated constraints. There have been carefully selected parameters which were taken into appreciation based on previous study. Indeed, the study integrated practical approaches in framing opinion poll and subsequent statistical analysis of the same with due respect to lighting industry in Bangalore.

Secondly, intermediaries are the most significant link in the system, with selected stream of functions which are performed by them. Company may incorporate the analysis and consider relevant suggestions while blending policy and procedure in the channel of distribution in lighting industry.

Finally, many factors which are analysed to understand the complexity of traditional and virtual channel of distribution. There is also sufficient effort are exercised to explore new opportunities for producer/manufacture, which can be incorporated in the existing system with blending of traditional and virtual channels. In end, 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 and in contemporary virtual channels. Further study can be reached to new heights in terms of area and other parameters in channel of distribution.

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