

An evolution of distributors' marketing intelligence system (DMIS) among FMCG distributors: A conceptual frame work

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Abstract

The need for information in order to implement successful marketing activities has dramatically huge and becomes inevitable for any organisation which is engaged in customer oriented business. The contemporary view of competitiveness and strategy is based on the foundation that customer value is created by firms working together for common aims and not created by firms working in isolation. This is achieved only by the integrated informational arena. The impact of competition in the business environment has compelled many organizations to turn around and start scanning the environment for information, so as to have competitive edge over other similar organization within the industry. This research work is initiated with a view to understand the significance of marketing intelligence in terms of distributors. In many sectors, industries, some distributors act only as a delivery man whose task is to take orders and replenish the stock. Other promotional activities are undertaken by the organisation itself. Some distributors are doing promotional activities and other marketing tasks on par with the dictation of the company. This study is focused on developing a concept of Distributors' Marketing intelligence System (DMiS) that is derived from various review of literature.

Keywords: Distributors' marketing intelligence System (DMiS), FMCG, Marketing intelligence

1. Introduction

The need for information in order to implement successful marketing activities has dramatically huge and becomes inevitable for any organisation which is engaged in customer oriented business. The contemporary view of competitiveness and strategy is based on the foundation that customer value is created by firms working together for common aims and not created by firms working in isolation. This is achieved only by the integrated informational arena. The impact of competition in the business environment has compelled many organizations to turn around and start scanning the environment for information, so as to have competitive edge over other similar organization within the industry. This research work is initiated with a view to understand the significance of marketing intelligence in terms of distributors. In many sectors, industries, some distributors act only as a delivery man whose task is to take orders and replenish the stock. Other promotional activities are undertaken by the organisation itself. Some distributors are doing promotional activities and other marketing tasks on par with the dictation of the company. This study is focused on developing a concept of Distributors' Marketing intelligence System (DMiS) that is derived from various review of literature.

2. Statement of Problem

The ultimate outcome of marketing intelligence is to take better decisions. Marketing intelligence is practised in organisations that focus on marketing research and product and market orientations and developments. Even though distributors are close to market, they cannot utilise marketing intelligence because their role in marketing is limited and restricted. Many organisations assume themselves that they have established a good distribution network through which information flow is effective. Unfortunately, the distributors are showing great zeal towards marketing efforts taken by the

organisation but their information is overlapped by the managers due to the narrow mindedness. Companies have identified this gap and strive to develop a system for distributors. Many software have been introduced to get periodic report from distributors but those again become a burden for the distributors. Proper strategic way of approach is essential for distributors to contribute to the marketing success.

Tan and Ahmed (1999) ^[10] mentioned that, market intelligence serves four primary purposes. These are:

- Competitors' assessment and tracking.
- Early warnings of opportunities and threats.
- Support for strategic planning and implementation.
- Support of strategic decision-making.

The need for marketing intelligence will increase over the years, because all the firm are in a great need of all kind of information that will help in maintaining a good position among the competitors. Global marketing is playing a major role in the big size businesses around the world, which will make the demand for the intelligence even more.

3. Review of Literature

3.1 Marketing Intelligence (MI)

According to American Marketing Association, marketing is defined as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (Keefe, 2007) ^[1]. The marketing concept does not focus on one aspect of marketing, but recognizes the roles of non-marketers in the marketing process such as customers, vendors, or external agencies who regulate marketing. While marketing centres around satisfying customer needs, an organization would often face the requirement of obtaining information on customer needs. Marketing intelligence helps organizations in this process and revolves around gathering

customer level information that would assist in business decision making and policy analysis (Aaker *et al.*, 2009) ^[2]. Competitive intelligence provides knowledge of competitors, their marketing strategies, objectives, research activity, their strengths and weaknesses and other information. The concept of intelligence is the part of business strategy, which is attended as an effort for increasing the competitive abilities and strategic programming processes (Juhari and Stephens, 2006) ^[3]. It has been called as a background for strategic programming through the existing literature about intelligence (Dishman and Calof, 2008) ^[4], which causes to improve the competitive power of the company and processing its strategic plans (Juhari and Stephens, 2006) ^[3]. The marketing intelligence is to prevent the astonishments and the employees' inability against the environmental changes and to reduce and minimize the company's exposed to danger (Johns and Van Doren, 2010) ^[5]. The concept of intelligence and marketing intelligence is improving in the scientific space of college and business world because "The marketing intelligence is one of the important strategic agents of an organization and is the key to success in market"- Lackman, (2006) According to Lackman, the marketing intelligence is the vital thing for an organisation which strives to attain competitive advantage through which the success of the organisation is determined in the present scenario. This research has been designed to understand the need of FMCG distributors' marketing intelligence through which their competitive advantage can be improved so that they can develop the distributor – organisation fit. Today the concept of the intelligence is considered as a process that improves the competitiveness and the strategic programming (Sammon and *et al.*, 2004).

Huster (2005) ^[8] expresses that, today the third wave of the changes in the business world has been started, which no doubt the marketing intelligence is its base. Organizations are faced with different environmental changes. Changes are happened so fast that, if organizations don't prepare themselves, their survival will be in danger. A new apparatus which helps the organizations to reach a suitable place in today's environment is the use of marketing intelligence. A "marketing-intelligence system" can be understood as a set of procedures and sources used by managers to access everyday information about developments in the marketing environment (Kotler, 2000) ^[8]. Marketing research plays a critical part in a marketing intelligence system. It aids in improving management decision making by providing relevant, accurate, and timely information. "The fundamental purpose of marketing intelligence is to help marketing managers make decisions they face each day in their various areas of responsibility, including pricing"- Kumar, (2009) ^[2, 9]

3.2 Improving Marketing Intelligence

Kotler and Keller (2012) ^[11] also believed that there are eight steps to improve the quality and quantity of marketing intelligence. First, train and motivate the sales force to spot and report new developments; because they are the company's eyes and ears, they are in an excellent position to pick up information missed by other means. Second, motivate distributors, retailers, and other intermediaries to pass along important intelligence; because they are closer to the customer and the competitor. Third, hire external experts to collect intelligence; this can be done by sending shoppers to

the company's stores to find out how the employees deal with the customers. Fourth, network internally and externally; where the firm collects the information by attending open house and trade shows, read competitors' published reports, and collect competitors' ads. Fifth, set up a customer advisory panel; where the members might include most spoken, most sophisticated, and most representative customers. Sixth, take advantage of government-related data sources. Seventh, Purchase information from outside research firms and vendors.

3.3 Typical FMCG distribution network

FMCG products are typically branded and backed by skilled marketing, heavy advertising, slick packaging and strong distribution networks. Normally, they are retailed through two primary sales channels—General Trade and Modern Trade. General trade comprising of the ubiquitous kirana stores is the largest sales channel forming 95% of overall retail sales. However, growth of consumer goods retailed through modern trade channel is outpacing the growth of FMCG products in general trade. Factors such as a comfortable and modern store experience, access to a wide variety of categories and brands under a single roof and compelling value-for-money deals are attracting consumers to organized retail in a big way. But modern trade is still an urban phenomenon in India. Product categories such as packaged rice, liquid toilet soaps, floor cleaners, breakfast cereals, air fresheners and mosquito repellent equipment have a higher penetration in modern trade channel. Modern trade is expected to gain greater importance with opening up of foreign direct investment in multi-brand retail.

3.4 Distribution cycle

It starts with an agency or an internal logistics department responsible for transporting manufactured products to stockist who would then stock up products in bulk as and when they get manufactured. The stockist would then supply products to distributors. Once product reaches distributors who would target selling them to retailers in their respective areas, primary and secondary sale is closed. The next challenging step would be to reach out to existing and potential retailers and understand their requirements. This is usually termed as tertiary sales. Distributors have their own sales teams or the brand would have their own sales teams as well to generate a good base of retailers. The sales teams would be assigned targets to close an X number of orders every day.

4. Distributor marketing intelligence system - proposed model

The term Distributor Marketing intelligence system is developed with this research. Distributor's role in marketing is crucial in spite of that, the distributors are not established in the better way to accumulate the information and process for the marketing decision. Firm's capability to compete largely depends on its ability to obtain information about customer preferences, competitor actions, and channel member behavior (Kohli and Jaworski 1990) ^[12]. The marketing channels literature echoes this sentiment and suggests that suppliers heavily rely on distributors for this information because of their direct contact with both competitors and end customers (Coughlan *et al.* 2006) ^[13]. Distributors possess information that is difficult, if not impossible, for suppliers to obtain otherwise.

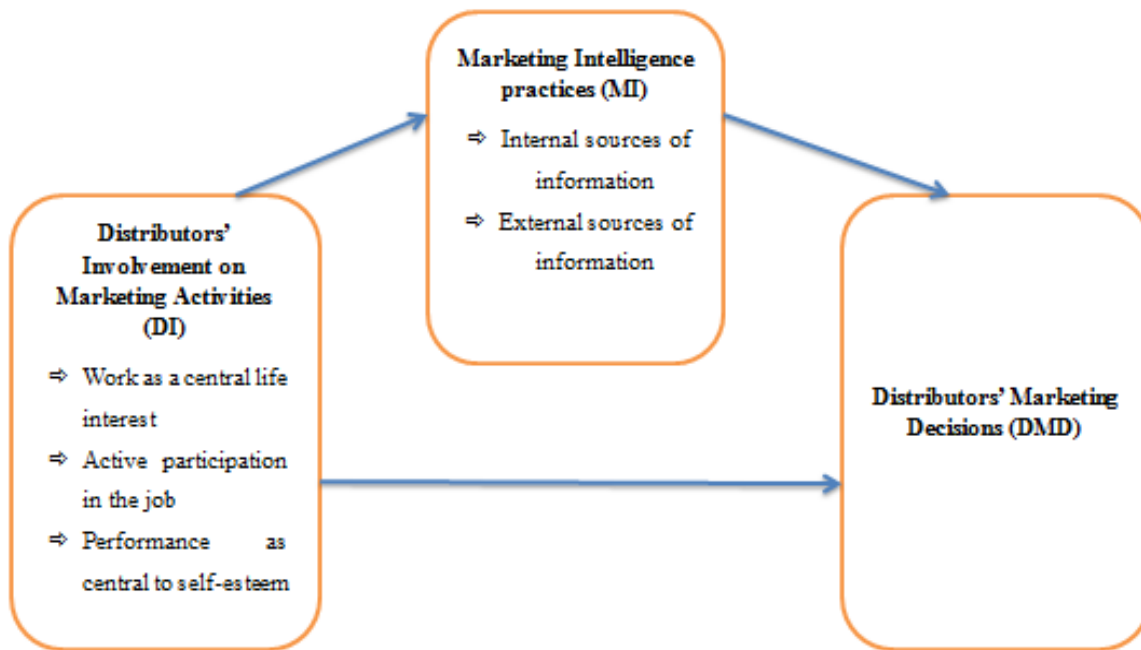


Fig 1: Proposed Model for Distributors' marketing intelligence system (DMiS)

This research is focused on Distributor's marketing intelligence system through which a distributor can accumulate day to day information and utilise it for taking marketing related decision like availability of the product, price offers, retailers' need and their awareness for the brand and loyalty of the customers etc. These can be improved through distributor's marketing intelligence system.

In the framework, DI has been taken as independent variable, DMD is dependent variable and MI is Mediator in this model. Distributors' involvement is developed by the researcher since the researcher could not postulate suitable reviews for distributors' involvement. The overall framework can be named as Distributor' Marketing Intelligence System. This framework carries the flow from distributors' involvement to distributors' marketing decisions. This relationship can be intervened by marketing intelligence practices of FMCG distributors

5. Conclusion

The challenges await for FMCG distributors by the way manufacturers are taking the path to disintermediation. A vertical management system (VMS) does help in the control and management of channel system. VMS is a network of vertically aligned and co-ordinated entities which work together as a system. DMiS is VMS system that would control and manage the distributors and also integrate the management in the channel. To address these problems of competition, and the adoption of suitable marketing intelligence system for a distributor becomes imperative.

6. Reference

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