Study of the LCD-TV distribution channel in Tehran market with a new solution to improve the channel

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Abstract: Background and Objective:The present paper dealt with the model of TV distribution channel in Iran market. Distribution channels in the TV market have a direct impact on other marketing decisions, and pricing policies while goods advertising depend on distribution and sales broker's channels. Among the benefits portioned to the manufacturers through an appropriate choice of distribution channel, object of identifying the most efficient TV distribution channel is to achieve competitive advantage, customers' satisfaction, and accordingly make customers loyal to products and services and ultimately profitability.Analysis method:The target population consisted of all TV brokers and dealers in Iran. It was conducted in the form of case study in the city of Tehran. Using cluster sampling 100 individuals were selected as the sample. Methodologically, it was a field and library study conducted in the form of interview with brokers. Data were collected through open and closed questionnaires, and then analyzed via Cronbach's alpha coefficient and T-student test. Results:In the current study, due to greater profitability and cash payment, all intermediaries including representative, wholesaler and retailer prefer selling directly to the final consumer which leads to some disruption to the multi-stage distribution channel structure. This confusion and competition in sale more leads to psychological warfare. Lack of control on price process and accordingly different prices in the market are some of the results of the distribution channel confusion which itself leads to the customers' discontent and distrust. One other dumping cause is parent companies competition to obtain more market share and hence mass distribution and granting agencies to a large number of intermediaries in different categories.
Keywords: Physical distribution, wholesaler, retailer, representative, distribution channel, dumping

INTRODUCTION

Whenever a product path is pursued from the time product being produced until it reaches the final consumer, it will be seen that most often several changes are generated in the condition and state of the product along the way such as changes in commodity prices, product quality etc. These changes usually occur by several intermediaries who attempt to broker the product without creating added value (Kotler and Keller, 2013).

On the other hand if manufacturers want their products to get directly to final consumers without intermediaries, they require experts in this field besides extensive background and investment facilities in the field of transport, marketing, warehousing , etc., which, firstly, cannot be afforded by most of the manufacturers, and secondly, leads to waste of investment opportunities (Kotler and Keller, 2013).

Purpose of the subject selection

In the current study, it is tried to make the market more efficient and profitable through identifying and evaluating the distribution channel and introducing the best distribution channels. On the other hand, the purchase and sale prices are determined commonly at the time of taking the TV out of the original company that includes importer and manufacturer. These prices are more identified by the original companies according to the market situation; however, for some reasons the prices are not observed between dealers and sub-dealers, instead, they usually buy and sell under the specified and agreed upon prices by the original company. In this process, to have an increase in sale, more facilities such as more discounts, and more comfortable manner of settlement will be granted to buyers by the intermediaries, that sometimes leads to fraud and bankruptcy of some intermediaries. Since most computer companies are connected together like a chain, it brings about numerous problems; lack of the market control, lack of the market foresight, intermediaries' objection to low profit, and heterogeneous market are leading to a steady decline in prices. In the current study, TV distribution process in Tehran Market has been studied. The most important thing in TV market from distribution time to getting the product to consumer is not respecting prices determined by the company which leads to inefficiency and incoherency of the market channel and ultimately consumer confusion in making purchase decisions. In this process, many companies take huge risks that lead to bankruptcy and fraud in the market to compete with each other as well as achieve more sales and profit. In the present study, it has tried to

explore the dumping roots in the TV market through studying multiple channels, while introducing the best and most effective distribution channel.

Significance of the study

The need to recognize effects of the distribution channel on producing fields of two consumptions is of great importance because with the expansion of productions quantity and quality and the variety of consumer needs this possibility disappears that all the suppliers themselves transfer their products to consumers which is resulting in a gap between manufacturer and final consumers that should be covered by other part of economic agents. Obviously, if this process is not done properly will raise detriment for manufacturers who cannot offer their products appropriately and to the consumer's demand, at the same time, it is to the detriment of consumers that cannot receive their goods and daily needs in a timely manner with favorable conditions (Kotler and Keller, 2013).

The factor covering this distance is the distribution channel that continuously plays a crucial role in an optimal communication between manufacturer and consumers. Any problems and difficulties in distribution can lead to serious problems and disorders in the areas of production and consumption (Heydarzadeh and Soltani, 2015).

So, knowing and reforming the types of TV distribution networks will provide better service to customers. The fledgling economy of Iran during construction era increases the importance of this issue. In this critical situation, any commodity that can be sold more can give certain peace to circumstances of the society. This study aimes to achieve the best TV distribution network and provides guideline to improve the situation in Tehran market that is not an exception of the above rule.

Literature review
Part I: distribution

Making decision on the distribution channel is one of the biggest decisions that the management board is facing. Company's decisions about product distribution directly affect on other marketing decisions. Each distribution channel has a different level of expenditure and income, and hereby the company can realize and achieve different segments of target consumers (Kotler and Keller, 2013).

The definition of distribution

Distribution means getting the intended products to customers at the optimal time and desired location. Another definition of distribution is as follow:

It refers to a coordinated collection of movements that can deliver the goods from production resources to buyers and consumers (Kotler and Keller, 2013).

Distribution strategy
Wide distribution

It means that in the selected market any seller that is possible, anyone who may have willing would be sold to. In this case, you don't make a choice. Here, there is no opportunity to prejudice because the wide distribution means selling to everyone who wants to buy. A large number of intermediaries in the distribution category are used for buyers' facilitation and accesses (Kotler and Keller, 2013).

Exclusive distribution

Manufacturers give their products to a limited number of intermediaries and sellers, concession is granted in regional and local intermediary. The seller has no right to deal the rival commodity and can only sell products of this manufacturer. This distribution method gives greater prestige to the product and makes higher profits at the retail level (Kotler and Keller, 2013).

Selective distribution

It means working with several intermediaries who show interest in supplying their products. The companies using this channel can focus their activities on specific multi-points. Selective distribution channel gives the manufacturer the opportunity to cover the consumption market appropriately and exert more control with a lower cost than wide channel (Kotler and Keller, 2013).

Distribution network

The distribution network includes all wholesalers, retailers, and other agencies on an economic system that don't produce the goods but are involved in the process of the goods ownership from the manufacturer to the consumer (Heydarzadeh and Soltani, 2015).

Distribution network is a part of the marketing activities that is directly responsible for transferring goods and services from production to final consumption which includes:

Retailers

Retailing encompasses all activities that are done within the path of selling goods and services to the final consumers. Positive aspect of retailing and the simplicity of entering to that is the fierce competition and avoiding any monopoly and creating comfort for people in different regions. Although in some cities there are relatively big shops engaged in retailing, their competition sometimes makes the customers take advantage of it. Since the number of retailers is high and their products and services are the same, the most important point for retailers is choosing the target market (Heydarzadeh and Soltani, 2015).

Wholesalers

Wholesalers are independent traders who sell goods to other business organizations for resale (to retailers) or for personal use (public and national institutions) or trade (middlemen).

Wholesalers deal with final consumers and major or institutional buyers (Sharifi, Masoudi and Seyed Javadin, 2013).

Wholesale tasks
Sale and promotion

The wholesale sales force helps manufacturing companies to present their products to the small customers with low-cost. Wholesalers establish more contacts and are more trusted compared to the manufacturers located farther away.

Buying and matching products

Wholesalers can select certain actions and provide the mix of products required by customers, thereby, causing the consumers save their time and labor.

Storage

Wholesalers can keep a large inventory and thereby reduce the warehousing costs and risks related to production, supplier, and customer.

Shipping

Wholesalers can deliver a lot of products to the buyer quickly because (compared to manufacturer) are closer to the buyer.

Financing

Wholesalers can lead the customer (financially) to be provided through crediting and timely ordering to the manufacturer or supplier and paying bills on the due date.

Risk Tolerance

Wholesaler can take the risks related to theft, damage, and obsolescence through owning the product.

Market Notification

Wholesalers can give some useful information about rival companies, new products, and pricing to suppliers and customers (Haghighi and Navidi NeKu, 2012).

Dealers and brokers

There are organizations that act for other in the wholesale level whoes Brokers are different from major retailers in two respects.
They do not own the product.
They check out the services received in exchange for brokerage commissions, which include brokers, manufacturer, sales agents, brokers are shopping and business brokerage.

Types of dealers

Manufacturers' brokers
Sales agents
Purchase brokers
Business brokerage (Esmaeilpour, 2013)

Distribution channels

Distribution channels are complex behavioral channels in which individuals and companies interact with each other to meet individual, company and distribution channel's goals.

Distribution channel is a direction in which the product, its ownership, and property rights flow from production to consumption. Distribution channels are mostly chains of different institutions that except for the main supplier and the final consumer are called intermediaries. Any intermediary assumes activities that approximates the product itself or its ownership rights directly to the final consumers such as wholesalers who buy products from manufacturers and sell them to retailers (Sharifi, Masoudi, and Seyed Javadin, 2013). For instance they facilitate the distribution activities through providing information about the customers' needs. These activities carried out in a distribution channel are classified in three categories:

Activities related to the change of ownership, i.e. negotiation of purchase, sale, and trade channels

Activities related to physical supply of products including transportation, warehousing, and physical distribution network

Side activities that facilitate the mentioned items such as information gathering, risk taking, financing, and sales promotion activities (Khuyeh and Ahmadi, 2012).

Distribution channel tasks

Since distribution channels bring the manufacturers and consumers together as an effective and economic component, they play a pivotal role in a successful marketing .

Distributor performs several important roles or task:

Information: gathering and distributing information on the market needs, products, and confidential news on the marketing environment factors and forces that are useful to the business.

Promoting: promoting the products through advertising and implementing sales incentive policies in order to identify the product more.

Contacting: making relationships with out of reach customers and contact with potential buyers.

Warehousing: accessing to the product at the consumption time thereby the manufacturer need to store products in their warehouse decreases. Warehousing involves selecting goods for use in relation to what is approved by the buyer.

Matching supply with demand: determining the product shape and matching them with buyer's requirements such as activities that should build up between the assembly and packaging.

Bargaining: reaching an agreement on price and other trading conditions so that the property ownership can be transferred from seller to the buyer.

Physical distribution: transporting goods for clients access to their needed goods.

Financing: providing money to pay expenses related to the distribution channel (Heydarzadeh and Soltani, 2015).

Pricing goods and services

Price has always been the most important selection factor for the buyer, and this is still true among low-income groups in developed countries on certain goods. Price is the only marketing forming factor that generates revenue while other factors are costs (Esmaeilpour, 2015).

Pricing Strategy

Companies usually have pricing product lines (some types) instead of one unique product. Any device that is placed after the previous device in terms of price has more features such as clothes shops where obviously the quality affects on the customers pricing (Esmaeilpour, 2015).

Pricing decorative products

Many companies use the pricing approach of decorative goods (unnecessary) that presents decorative goods along with their main product to the market (Andalib, 2013).

Pricing supplements products

Some companies are developing products that should be sold along with the main product, so they have to price the complementary product such as razor and computer software. Manufacturers of the main product often determine the price of main products at a low level and consider high prices for complementary products (Andalib, 2013).

Pricing by-products

Some of the companies that produce main products also produce byproducts. If the byproducts do not have any value, the company has to pay sum of money to eliminate or get rid of them, which can impact on the main products price. To determine the byproducts price, the company has to find a market for them and accept any bid which is more than the maintaining cost. This state makes the company reduce the price of main products to be placed in a better situation in terms of competition. In some cases, the byproducts also can be profitable (Dorgy, Sarfrazyan, 2013).

Pricing series of products

Some companies gather a number of their products and offer a series of products altogether with lower prices. Series pricing of goods increase sale because the buyer is encouraged to purchase these items with lower prices, since if the buyer had to buy these items altogether, they should pay more money. Companies usually change (amend or modify) prices of their products according to different customers and conditions change (Dorgy, Sarfrazyan, 2013).

Pricing based on cash discount

Many of the manufacturing companies reduce the main parts for consumers who buy products with special conditions and consider some discounts such as paying bills after the due date of large purchases and purchase of products of another season (Dorgy, Sarfrazyan, 2013).

Pricing based on different market segments

Most companies consider different prices for different market segments and offer products with different prices in different places. To implement pricing based on different market segments, the company provides a product with different prices. However, this price difference does not imply different total cost. Product pricing in different market segments is done in several forms.

METHODOLOGY

This survey is of applied kind. In this type of researches, accurate sampling is the base because the findings are generalized. The research aims to develop and improve procedures of an activity and test theoretical and subjective concepts in real and alive situations.

In survey studies, the researcher refer to the target population to provide a real, objective, and organized description of a situation or a matter characteristics, and collect the required data for future analysis in the intended survey using questionnaire, interview, or referring to the documentation (Mirzaie, 2014).

Methodology and sampling

The study was conducted in a descriptive method and of library and field kind. The statistical population consisted of all TV market intermediaries. Number of the people in sample was 100 ones, and sampling type was cluster sampling. Therefore, samples were selected from Tehran bazaar and analyzed.

Research questions

The following questions have been proposed based on surveys of TV dealers and distribution experts in the market of Tehran:
What effects the TV distribution method can have on price of the aforementioned item?
According to the views of representatives and experts in the field of TV distribution, the following secondary specific questions will be examined.
A. Is the number of TV sales linked to its price?
B. Doses the distribution channel impact on its price?
C. Do intermediaries impact on the TV price?
D. Doses the TV distribution channel impact on the dumping process in market?
Another main question that arises in relation to the present research, according to the opinion of the TV sale expert includs:
What solution can be found to improve the TV distribution channel with regard to the price factor?
The following secondary specific questions must be raised in relation to the main question:
A. What is the distribution channel used to exchange in market in the mind of TV s sellers?
B. Regarding the different TV distribution channels in the market of Tehran, which manner is the most efficient in the mind of TV sellers?

DATA ANALYSIS METHOD

In the present study, library research method was used to collect the information needed including theoretical foundations, experts and scholars' views, and historical development process. To collect a large part of information required for statistical analysis, field research methods were used. Thus, the required information has been collected through distributing questionnaires and collecting completed questionnaires and interviews with TV sales and distribution experts. However, most of the information and data was obtained through the questionnaire (Mirzaie, 2015).

RESULTS ANALYSIS

First question: According to the view of TV distribution representatives and experts in Tehran market, is there any relationship between the number of TV sales and its price?

H0 and H1 hypotheses regarding this hypothesis are:

H0: = 3 μ

H1: ≠ 3 μ

The obtained value of potential error was 1%, and the above question is accepted by 99% probability. The null hypothesis which shows there is no relationship between TV number sales and its price is rejected, and H1 which indicates the relationship between TV number sales and its price will be accepted. According to the table data, the obtained T value was - 7.960, which means that the relationship between the number of sales and the price was at a rate of 7.96 and because it was negative, this relationship is reversed. That is as the price reduces, the sales number of this product increases. The mean and standard deviation for this hypothesis were 2.5398 and 0.5575, respectively.

The second question

According to the view of TV distribution representatives and experts in Tehran market, would TV distribution channel in Tehran market affect on its prices?

H0 and H1 hypotheses regarding this hypothesis are:

H0: = 3 μ

H1: ≠ 3 μ

The test used for this question was also the student's T-test.

According to this question, the hypothesis indicates there is no difference among the individuals' attitude on effectiveness of distribution channels on price.

Given the obtained value of potential error, 1%, the null hypothesis has been rejected and H1 hypothesis, which represents accepting the difference between the individuals' attitude on effectiveness of distribution channels on price will be accepted. This means that 99% difference in attitudes is related to the distribution channel influence on TV price, and value of this impact based on the obtained t value was 13.027. Also, the mean value and the standard deviation for this question were 3.90 and 0.4237, respectively.

The third question

According to the representatives and experts of TV distribution in Tehran market, do intermediaries affect on the TV prices?

In this hypothesis as well as two previous hypotheses, the T Student test has been used. H0 and H1 in this regard include:

H0: = 3 μ

H1: ≠ 3 μ

H0 suggests there is no difference in individuals' attitude about the relationship and impact of intermediaries on the TV prices.

H 1 indicates accepting the differences in individuals' attitude about the relationship and impact of intermediaries on the TV prices.

According to the obtained results of the analysis and that of the SPSS software and according to data of the related table, the obtained amount of potential error was 1%; accordingly, H0 hypothesis has been rejected and H1 accepted.

This means that no difference in the individuals' attitude about the influence of intermediaries on the TV price Which represents H0 is rejected, and H1 hypothesis that indicates a difference in people's attitudes about the influence of intermediaries on the TV price will be accepted by 99% probability.

In a more detailed description, it can be stated the intermediaries impact on the TV price, and the t relevance of 4.720 has been achieved. Also, the mean value and the standard deviation for this question were 3.344 and 0.3585, respectively.

The fourth question

According to the representatives and experts of TV distribution in Tehran market, dose TV distribution channel affect on the dumping process in Tehran market?

This hypothesis as well has been tested using student T-test.

H0 and H1 in this regard include:

H0: = 3 μ

H1: ≠ 3 μ

H0 is regarding the question of respondents' attitudes about the relationship and effect of the TV distribution channel on the dumping process.

H1 is regarding accepting the respondents' attitudes about the relationship and effect of the TV distribution channel on the dumping process.

According to the results, the obtained amount of potential error was 1% by which H0 has been rejected and H1 hypothesis been accepted.

It has been concluded that according to accepting the people's attitudes about the examined question, the TV distribution channel impacts on the dumping process, and the relationship with respect to obtained t from the data analysis given in the table and calculated as 11.062 by SPSS statistical Software.

This means that due to the potential error amounts of 1% with a probability of 99% it has been stated that there was a relationship between the TV distribution channel and dumping process, i.e. TV distribution channel impacts on and dumping process.

The mean value and standard deviation obtained for this hypothesis were 3.511 and 0.376, respectively.

An important point that needs to be mentioned here is the numeric value that the sample means in H0 and H1 were equal to, and this is the value. As its explanation seems essential previously, it is a numeric value the sample means in H0 and H1 were equal to and this is the value (Table 1).
T-Test

Table 1

	N	Mean	Std. Deviation	Std. Error Mean
QQ1	91	2.5348	5575	5.844E-02
QQ2	89	3.9026	6537	6.929E-02
QQ3	93	3.3495	7139	7.403E-02
QQ4	93	3.8118	7077	7.339E-02

Table 2

	Test Value=3				95% confidence interval of the difference	
	t	df	Sig. (2-tailed)	Mean difference	Lower	Upper
QQ1	-7.960	90	000	-4652	-5813	-349
QQ2	13.027	88	000	9026	7649	1.043
QQ3	4.720	92	000	3495	2024	4965
QQ4	11.62	92	000	8118	6661	9576

Examining the main research question

As also mentioned previously, the aim of raising specific secondary questions was to achieve the main research question (what effects the TV distribution method can have on price of the aforementioned item) and is according to the analysis of findings regarding the specific questions. As in the previous section, a detailed analysis related to secondary questions conducted too, and it was observed that according to the results of the analysis for each secondary hypothesis question H0 was rejected and H1 was accepted. However, value of possible error in all hypotheses was 1%, and the raised secondary questions were accepted at the level of 99%. This indicates that all secondary questions raised in relation to the original question at the level of 99% were in fact explaining the main research question.

However, T- Student test was used in this section as a control tool in order to reanalyze the results of the secondary questions and to examine the main questions, that was dealt with totally according to the questionnaire responses. In this analysis, all the questions will be discussed in total and all the questions with Likert scale were considered, and T- Student test was calculated for them. The two hypotheses of H0 and H1 in relation to the main research question are as follows:

H0: μ =   3
H1: μ $\neq$ 3

H0 suggests that the indifference in the respondents' attitudes regarding the TV distribution method on the mentioned commodity prices. This means that TV distribution method has no relationship with and effect on the goods price based on the attitude of TV distribution representatives and experts in Tehran market.

H1 suggests accepting the differences in the respondents' attitudes regarding TV distribution method on the mentioned commodity prices. This means that TV distribution manner based on the attitude of TV distribution representatives and experts in Tehran market affected on the TV prices and these two variables were correlated. According to research findings, the obtained possible error rate based on analysis t - student test has been 1% based on which H0 was rejected and H1 was accepted with probability coefficient of 99%, and value of this relationship based on the t result was equal to 68.321. So, it can be concluded that H1 has also been accepted regarding the main question that is consistent with the values of the secondary questions.
The mean value and standard deviation regarding the main research question were 41.3793 and 5.2390, respectively (Table 2).

Suggestions

With the help of hypotheses objectives and obtained results, proposals can be submitted which undoubtedly will not be ineffective in improving TV distribution channel. Accordingly, it will be tried to summarize comments directly related to the topic of research. The recommendations offered in relation to the studied subject, study of the TV distribution channel impact on TV price include:

Presence of two representatives A and B or wholesaler and retailer in the common distribution channels is leading to an unhealthy competition. As mentioned in the previous section, due to low financial ability, retailer representative starts to sell TV s below the determined rate.

Thus as some suggestions have been presented in the channel, retailer is one of the dumping factors. However, it is not recommended to delete retailer because deleting the retailer makes the markets practically be controlled by some wholesaler representatives. In this case, leaving the market and not determining the work policies are possibly done by major companies. It is recommended that enterprises by providing purchase credit, deferred settlement, and advertising support pave the way for job promotion and progress and getting A degree for the representatives.

Creating special opportunities and main companies support from intermediaries that observe the determined prices to encourage them to observe prices.

According to the study findings, the most interesting purchase is the purchase from the parent company due to the prices. Thus, the suggestion is that because it is not possible for all intermediaries to be representatives, by supporting the intermediaries the opportunity to compensate for difference in price is provided.

Due to lack of direct control on the market by parent companies, other leverages should be used such as representative removal or representative quotas reduction in return for the representative dumping or elements of the representative collection.

Encouraging tools such as profit of participation in sale lead to the representative motivation to observe the determined prices, sale, and activity in the field of the respective brand. However, market controlling is of high importance in this case because the subject will be at the risk of not observing the prices and dumping by the seller for higher sale and participation. In order to unify prices in the market, it is proposed that distributors and wholesalers of a specific TV brand attempt to form a distribution community and guild to observe the determined prices that in case of any violation assumes the responsibility for follow-up.

Creating and holding frequent meetings by parent companies to unite representatives and competing with rival brands rather than with each other.

Due to the increase in the tax rate for wholesalers and retailers which has been added from 7% to 10% for retailers and from 3% to 5% for wholesalers, the following proposals are given to adjust these coefficients:

If the parent companies can determine purchase quota for current wholesalers, and promote retailers to the wholesale level, they actually create qualified distributors in the market who are wholesalers at all levels.

Therefore, the company tries to announce these representatives to Finance Department and as the result, the retailer tax coefficient will not be considered for them because the partner price is usually 2% higher than the representative price.

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