Selection

Meaning of Selection

Selection is the process of picking or choosing the right candidate, who is most suitable for a vacant job position in an organization. In others words, selection can also be explained as the process of interviewing the candidates and evaluating their qualities, which are required for a specific job and then choosing the suitable candidate for the position.

The selection of a right applicant for a vacant position will be an asset to the organization, which will be helping the organization in reaching its objectives.

Factors responsible in selecting channel intermediaries

While selecting the intermediaries, the following points deserve special attention. These are:

1. Economic Factors:

The economic conditions prevailing in the country on one hand, and the world on the other, have bearing on channel selection decisions.

During the period of boom a period of prosperity, everyone is willing to cooperate and ready to work at least rates of return because of assured and quick possible turnover. Even the intermediaries are prepared to accept stringent terms and conditions of agreement.

This makes the firm to go in for direct channels. On the contrary, during the period of slump, the intermediaries try to be stringent as they find it very difficult to move the goods. This makes the channel commander still more difficult to venture direct channels.

However, it is worth noting that during the periods of inflation indirect relations and during deflation direct relations with consumers are desirable.

2. The Legal Restrictions:

The legislative restrictions imposed by the governments, both State and Central have impact of giving final shape to channels of distribution. It is well known fact that the provisions of the

M.R.T.P. Act of 1969 prevent channel arrangements that tend to lessen competition, create monopoly and those are objectionable to the very public interests.

It means that these provisions prevent exclusive distributorships, territorial restrictions, resale price maintenance and full-line forcing and the like. Even Companies Act of 1956 forbids sole selling agency arrangement in the lines of activities like cement, paper, vanaspati. Again, the public distribution system prefers fair price shops to private shops.

3. Fiscal Policies:

As a part of fiscal policy, one instance of sales-tax is enough to highlight this point. Sales-tax rates vary from state to state as it is a state fiscal matter. This sales-tax paid is a part of final price borne by the consumer and, hence, has its due role in designing channel arrangements. For the sake of argument let us take that the sales-tax rates are higher in Maharashtra than in Goa.

Then a Maharashtra manufacturer does not like to sell in Maharashtra to buyers from Goa but instead stipulate sale in Goa itself so that buyers are allowed the price advantage; or it augments the competitive strength of the product in Goa.

To take advantage, he would open his branch office in Goa for sale. As a result, both the buyers and sellers are at advantage. Thus, buyers get price advantage and the seller the higher profit margin with a single stone throwing.

4. The financial position:

After all, the financial position of the intermediary is of much significance while selecting. An intermediary who is financially very strong is sure to buy on cash, carry more inventories at a time, sell on credit and help the channel commander at times of adversity and needs.

The financial strength of an intermediary is measurable in terms of indicators like-net worth, debt-capital ratio, liquidity and profitability. These are to be studied carefully to avoid the possible errors in selection.

5. The facilities available:

In addition to the above specific requirements of sound dealer commander relations, one must take into account the additional facilities that the dealer or the intermediary is going to extend.

Thus, an intermediary equipped with operational facilities like godowns, delivery vans, parking lots, after-sale service equipment and the like make him better qualified for selection. To that extent, the channel commander is relieved from those additional arrangements on which either he are to work or make others to work for a price.

In a nut-shell, the intermediary selection is a matter of purely individual analysis. The channel commander is to collect the relevant and up-to-date information about the above and other points he thinks a must; such information is possible through marketing research; the common sources of information can be trade directors, trade journals, personal visits, banks and financial institutions, consumers and the direct contacts.

Meaning of Motivation

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context the psychological factors stimulating the people's behaviour can be -

- desire for money
- success
- recognition
- job-satisfaction
- team work, etc

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities. Therefore the role of a leader is to arouse interest in performance of employees in their jobs. The process of motivation consists of three stages:-

- A felt need or drive
- A stimulus in which needs have to be aroused
- When needs are satisfied, the satisfaction or accomplishment of goals.

Therefore, we can say that motivation is a psychological phenomenon which means needs and wants of the individuals have to be tackled by framing an incentive plan.

Why should you motivate channel dealers?

1) A motivated channel dealer can give far higher turnover than a non motivated one. 2) Your channel network below the distributor also gets motivated, due to which liquidation of stocks happens faster.

3) Defection rate is lower. Channel dealers become loyal to your brand and brand switching is restricted.
4) Channel can become the differentiation factor – Because of a strong distribution channel, you might beat competition due to better reach.

Thus there are many advantages of motivating channel dealers.

How to motivate channel dealers

1) Use proper segmentation – Most common segmentation in distribution is geographic. Thus, if a dealer is given freedom to operate exclusively in a certain geography, then this can motivate the channel dealer because of the business he can generate from that geography. But you can also alter the mode of segmentation based on your product. In the end, the dealer should get a fair share of ground to play with.

2) Set targets – A dealer is an entrepreneur and not an employee. Thus in general, they do not have targets. It is the work of the company to set targets for the dealers and ensure that they achieve them. Communication of these targets is important so that the channel dealer has a definite goal in his mind.

3) Be available – Many dealers need constant support of the company in day to day activities. For example – Whether the company has stock available, whether any special discount is possible, what steps can be done to defeat competition on field, so on and so forth. The best support a company person can offer their dealers is to be available for them, if not in person, then at least on phone, at all times. Sales can drastically increase just because you are always available for the dealer, and he can rely on you, whenever he needs support from the company.

4) Train dealer staff regularly – Trained people can help the dealer to do more business and generate more revenue. However, you will get to know the real capability of dealer's staff and executives only when you ask them product questions and sales related questions. If the executive answers correctly then he can be an asset. However if your dealer sales executive is unable to grasp the sales process, then he is a liability and can cause loss of sales which will ultimately affect the company too. So help the dealer in selling more by training his staff for better sale of products.

5) Visit end customers and sub dealers – As a company guy, your visiting card always carries weight. So it would help the dealer immensely if you visit his key customers and sub dealers along with him to boost his morale as well as the morale of sub dealers and customers. With your visit, the key customers and sub dealers are likely to have more confidence and are likely to promote / buy your products in better quantities. This also helps you with word of mouth which is till date the best form of marketing in the New world.

6) Support dealer with schemes and discounts – All above qualitative measures are right, but what about money? The single most motivating factor in channel sales is the money your dealer earns from your brand. If the money is good, he will run more. If the money is less, he will switch over to another brand. And if the money is adequate, then he might keep multiple brands to keep his cash register going at all times. So to keep a dealer motivated, you have to offer him good schemes and discounts so that money goes into his pocket. At the same time, you have to demand targets too for the money to be given. This is beneficial for both the parties involved. However, ensure that you give monetary benefits only to the best performing dealers. If you are giving it to everyone, then it is not a "special benefit".

7) The three R’s – For those who are not aware, the three r’s are reward, recognition and remuneration. As a company, to motivate channel dealers, you have to use all three R’s. Reward the best performing dealers by keeping a prize for them. Recognise them with authority letters, listings on company websites. And renumerate them with monetary gains. These three R’s are most effective in motivating channel dealers, or even employees for that matter.

8) Have empathy – Empathy cannot be learned. It is a natural thing. But once you become empathetic towards your channel dealers, they too will disclose their problems to you. And learning their problems can help you as a company to solve them and keep the channel dealer motivated. Note that the channel dealer has put his own money in your company. You have to be respective and empathetic towards him.

Overall if you see, performing in channel sales is more qualitative in nature then quantitative. This is because you are going to be dealing with the same channel dealers over time. However, when it comes to earning money, the game turns quantitative and competitive. Thus it is important that you use the right tactics to motivate channel dealers.

BCG Matrix

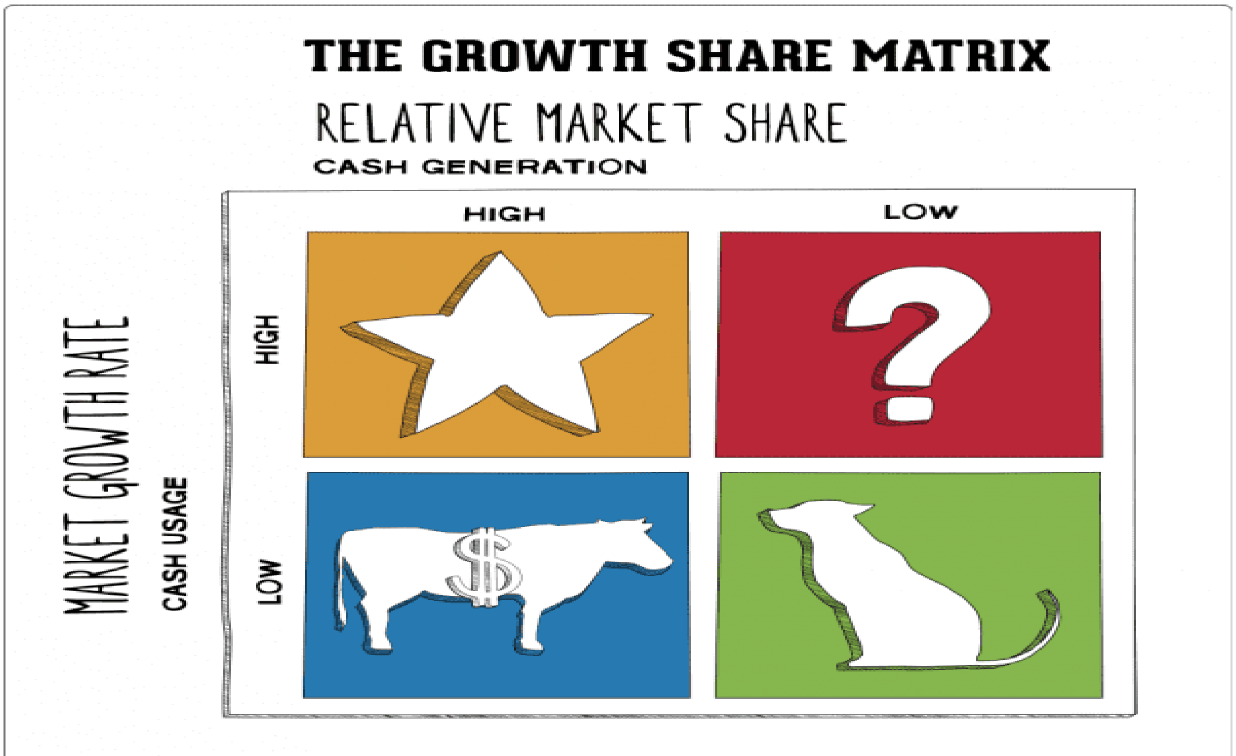
Business models are based on providing products or services that are profitable now, but they also attempt to identify changes in offerings that will keep the company profitable in the future. The current moneymakers are easy to identify now, but what about the future?

Created by the Boston Consulting Group, the BCG matrix – also known as the Boston or growth share matrix – provides a framework for analyzing products according to growth and market share. The matrix has been used since 1968 to help companies gain insights on what products best help them capitalize on market share growth opportunities.

Creating your matrix

First, you'll need data on the market share and growth rate of your products or services. When examining market growth, you need to objectively compare yourself to your largest competitor and think in terms of growth over the next three years.

Next, you can either draw a matrix or find a BCG chart program online. In this four-quadrant chart, market share is shown on the horizontal line (low left, high right) and growth rate along the vertical line (low bottom, high top). The four quadrants are designated Stars (upper left), Question Marks (upper right), Cash Cows (lower left) and Dogs (lower right).



Place each of your products in the appropriate box based on where they rank in market share and growth. Where you choose to set the dividing line between each quadrant depends in part on how your company compares to the competition. Here is a breakdown of each quadrant:

Stars: The business units or products that have the best market share and generate the most cash are considered stars. Monopolies and first-to-market products are frequently termed stars. However, because of their high growth rate, stars consume large amounts of cash. This generally results in the same amount of money coming in that is going out. Stars can eventually become cash cows if they sustain their success until a time when the market growth rate declines. Companies are advised to invest in stars.

Cash Cows: Cash cows are the leaders in the marketplace and generate more cash than they consume. These are business units or products that have a high market share but low growth prospects. According to NetMBA, cash cows provide the cash required to turn question marks into market leaders, cover the administrative costs of the company, fund research and development, service the corporate debt, and pay dividends to shareholders. Companies are advised to invest in cash cows to maintain the current level of productivity, or to "milk" the gains passively.

Dogs: Dogs, or pets as they are sometimes referred to, are units or products that have both a low market share and a low growth rate. They frequently break even, neither earning nor consuming a great deal of cash. Dogs are generally considered cash traps because businesses have money tied up in them, even though they are bringing back basically nothing in return. These business units are prime candidates for divestiture.

Question Marks: These parts of a business have high growth prospects but a low market share. They consume a lot of cash but bring little in return. In the end, question marks, also known as problem children, lose money. However, since these business units are growing rapidly, they have the potential to turn into stars. Companies are advised to invest in question marks if the product has the potential for growth, or to sell if it does not.

Evaluation of Intermediaries

The popular BCG Matrix model can be applied to distribution network. According to this distribution grid, at the introductory stage, value addition by the channel member is expected to be high. They are believed to attract innovators and early adopters. Specialist channels like boutiques in fashion goods are a common example.

As the market expands, customer interest in the product grows and higher volume channels like speciality stores or stores dedicated to only one product group appear like Computer Point or Computer World are examples.

Shopper’s stop in metro cities are also examples. Once the product enters the maturity phase, low cost channels are required to keep the firm floating and finally in the decline phase the product is seen being traded in discount stores and discount sales counters.

The changes in the market place have led to the evolution of vertical and horizontal marketing systems:

(a) Vertical Marketing Systems (VMS):

VMS holds the promise to overcome channel conflicts by keeping, manufacturer, dealer and retailers together. This is because each of them conventionally act as independent business units pursuing a profit goal. The form of VMS has a great future as synergies as possible. The success of Parle (Exports) Brands, Thumps Up, Gold Spot, Limca, and Maaza can be attributed to its strong franchise network across the country.

(b) Horizontal Marketing Systems:

Another contemporary marketing system that challenges the conventional one is HMS. This reflects the readiness or willingness of two or more non-related companies to put together resources to exploit an emergency market opportunities. The tie-up between TVS-Whirlpool and Onida to market washing machines.

The former makes washing machines in collaboration with Whirlpool of USA and Onida advertised and sold them through its distribution network. ITC Ltd. is marketing on all India network the “Mangaldeep” Agarbattis produced by Khadi Gramudyog is an excellent example of HMS strategy. This is symbiotic marketing.