

THE ANALYSIS OF THE MARKETING CHANNELS IN THE NEW CRISIS CONDITIONS. CASE STUDY: S.C. AGIP ROMANIA S.R.L.-THE STATIONS IN ADMINISTRATION

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Abstract:

The present article has as purpose the analysis of the marketing channels in the new economical crisis conditions. In order to reach the proposed purpose we defined in this article the marketing channels, we presented the participants to the distribution process, we indicated the way in which this crisis influences these participants and we analyzed the dimensions of the marketing channels. In order to obtain substance, the theoretical aspects were particularized on a trading company Agip Romania and more precisely on the combustibles distribution stations which are in administration.

Key words: *distribution; marketing channels; crisis; stations in administration*

JEL classification: M31

1. DEFINITION OF THE MARKETING CHANNEL

Distribution is defined as a combination of utilities and functions which provides the successive transfer of merchandise and services, as well as the property right over them, from the producer to the consumer, the distribution includes along with the merchandise flows transactional, informational, financial, monetary, risks flows etc. and the organizational structures and the equipment necessary for the performance of this objective of the products economical cycle. The distribution implies an itinerary (crossed by the products/services from the producer to the consumer), a network of participating organizational structures and an ensemble of operations (at the level of all corresponding flows) and processes over the products (merchandise logistics).

The new economical crisis conditions force the organizations to grant an even greater attention to this activity, make conjugated efforts in order to optimize it, in the wish to create a durable competitive advantage able to induce the occupation of certain favorable positions on the market.

Over two decades ago, the term „distribution channel” started to be replaced with the term marketing channel. A marketing channel consists in a certain configuration of utilities and functions necessary for the transfer of a product from the producer to the consumer/user and is characterized by its length (given by the number of links and successive products and property transfers, the number of products transfers not being necessarily identical to those of property), width (given by the multitude of organizational structures providing the distribution) and depth (given by the closeness of distribution to the consumer).

A channel ends and another one starts at the moment in which the goods are modified by certain processing operations.

Distribution has an active role in the adequate performance of the flows involved in the supply just in time of necessary products or services and it is an activity particularly complex and heterogeneous by the diversity of intermediaries, of operations and processes which take place at the level of each considered channel.

2. THE PARTICIPANTS TO THE DISTRIBUTION PROCESS. THE EFFECTS OF THE ECONOMICAL CRISIS OVER THESE PARTICIPANTS.

The marketing channels are made up of operators with various activity profiles, who contribute to different extents at the physical displacement of merchandise and at the performance of all the other flows associated to it.

In the distribution process several major participants categories are involved (see table 1).

Crt. no.	Participants' category	Description
1.	<u>Primary participants</u>	<i>Companies which own, in general, the property over the merchandise they distribute, assuming a substantial risk in the process of value adding, within distribution. The primary participants are considered to be producers and wholesale and retail intermediaries.</i>
2.	<u>Functional services tenderers</u>	<i>Have the role to facilitate distribution and they are made up of functional services tenderers which include the following operations: transportation, storage, assembly, orders processing and honoring, selection and merchandising services.</i>
3.	<u>Support services suppliers</u>	<i>Most of support services providers offer only a certain type of services. The main support services include: financial and insurance services, communication services, marketing and consulting research services, promotion services.</i>

Table 1. Categories of participants involved in the distribution process

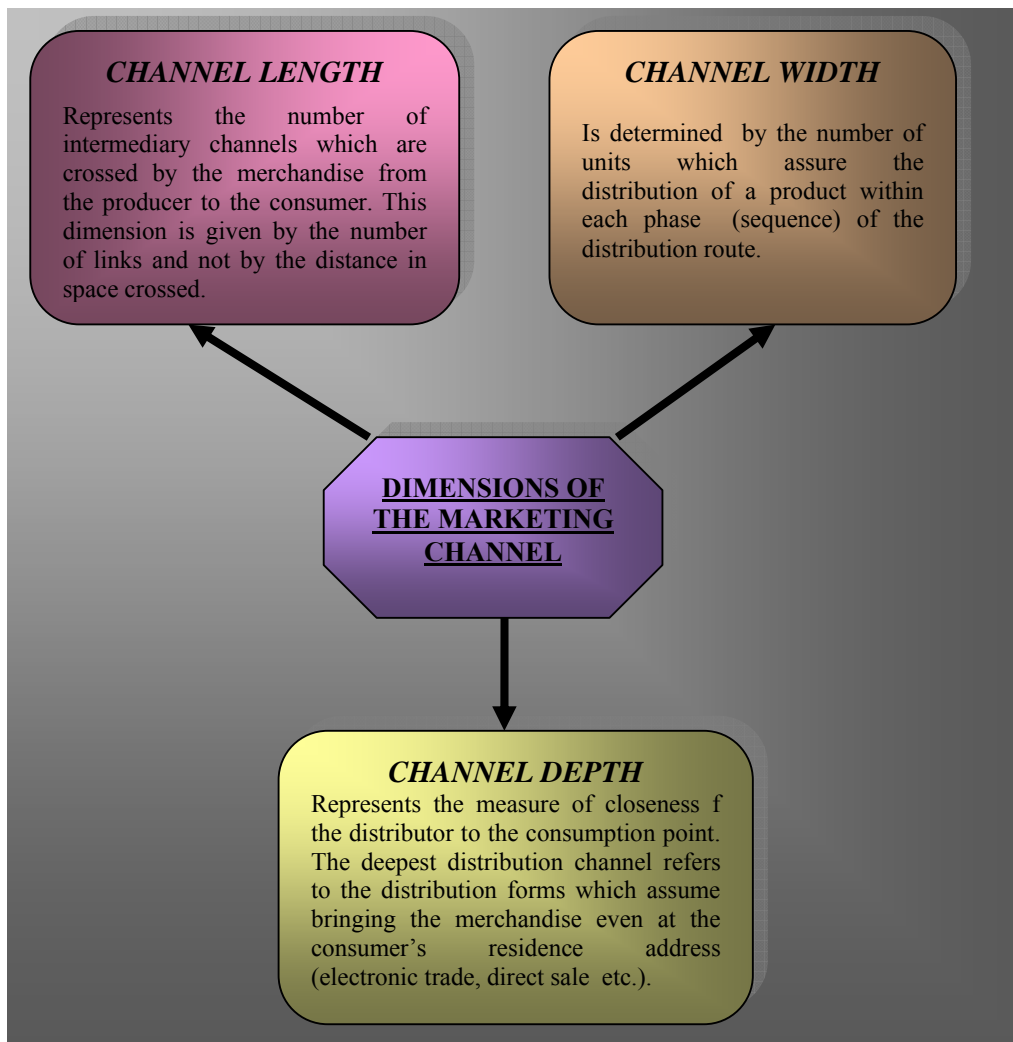
All these participants to the distribution process meet difficulties in the new economic crisis context. The primary participants (producers and wholesale and retail intermediaries) declare orders reductions in approximately all sectors of activity and they are aware of the fact that they will have to make supported efforts in order to survive in these conditions.

The functional services tenderers also feel the economical crisis extrapolated in the reduction of orders. The number of transporters announcing business bankruptcy increases from a period to another. Many of them, impelled by their activity increase during the last years extended their rolling stock, evidently by means of credit or leasing contracts and are at present in a dramatic situation: with no orders and with substantial monthly installments.

Evidently, the third category of participants (support services suppliers) also suffer due to this crisis, more and more generalized. Whether we speak of insurance companies (transporters having no orders they do not use all their transportation means – those that they do not use, are evidently no longer insured) or financial-banking institutions (confronted to the installments nonpayment), they all feel the crisis effects.

3. DIMENSIONS OF THE MARKETING CHANNEL

The marketing channel is particularized by three dimensions: length, width and depth (see picture 1).



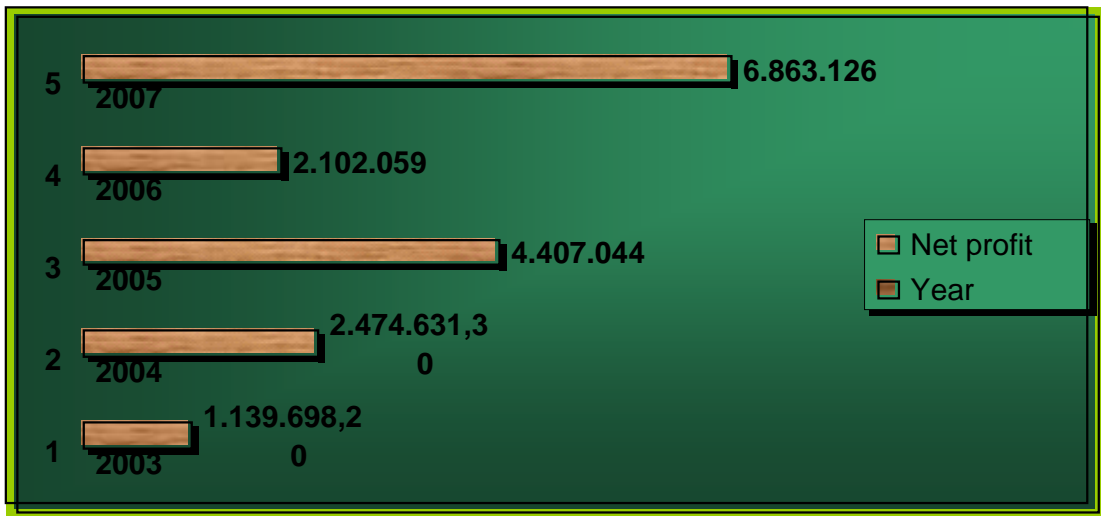
Picture 1. Dimensions of the marketing channel

Each category of goods/services has its specific distribution channel/channels, existing also the possibility that the same product be encountered in channels of different dimensions.

In order to survive in the new context, the organizations must find complex solutions, able to induce improvements in all activities. In this sense, the reconsideration of organizations' marketing channel dimensions is also imposed with the purpose of identifying the optimal channel (the channel which will determine the smallest costs for the transfer of a product from the producer to the consumer).

4. THE ANALYSIS OF THE MARKETING CHANNELS AT S.C. AGIP ROMANIA S.R.L.-STATIONS IN ADMINISTRATION, IN THE NEW ECONOMICAL CRISIS CONDITIONS

S.C. Agip Romania S.R.L. is a company having as main object of activity the *Retail sale of combustibles for motor vehicles – CAEN code 5050*. This company registered substantial profits during the period 2003-2007, as it comes out from picture no. 2.



Graph. 2 The evolution of net profit within S.C. Agip Romania S.R.L.

Can it be true that the economical crisis affected this organization as well? There is a big question mark regarding the fact that the group representatives did not communicate the sales value and the profit situation for the past year. Can this be an attempt of Agip management to hide a situation not necessarily favorable? Here is what the organization representative affirms : "The financial crisis will affect the entire economy, in its ensemble. The dynamic of loans to families and companies diminished, as well as all resources destined to lending, so that the phenomenon, which comprises all sectors, leads to a reduction of goods and services sale and, consequently, to a diminution of the combustibles consumption. For the moment, we cannot know precisely with how much the consumption will be reduced and how much the oil products demand in Romania will decrease". From the declarations of the general manager Nicola Meuli, it comes out the fact that this so much mediatized crisis starts to affect as well the organization that he manages, but it seems nevertheless that no one knows which will be the long term effects and everyone hopes to be affected as little as possible.

In the stations in administration of S.C. Agip Romania S.R.L. two main products categories are traded: OIL and NON-OIL. Obviously, these stations use different marketing channels for the two main products categories.

A. For the OIL products

The dimensions of the marketing channel at S.C. Agip România-the stations in administration for this category of products are characterized by the following:

- **The channel length** is short because the products come from the Producer directly to the Agip stations in administration, and from here to the consumer.
- **The channel width** is represented (in the first stage) by the refineries which supply the stations, and these are in a number of four: Arpechim, Petrobrazi, Petromidia and Petrotel, and in the second stage by the stations which are in managers' administration (two or one, as the case may be).
- **The channel depth** is smaller because S.C. Agip România S.R.L. is supplied by its own means from the refineries, and, afterwards the clients purchase directly the OIL products from the Agip stations in administration.

B. For the NON-OIL products

For the NON-OIL products, the dimensions of the marketing channel at S.C. Agip Romania – the stations in administration are characterized by the following:

- **The channel length.** For the NON-OIL products there are two variants. 80% of the products are procured from the system supplier. In this case the merchandise are taken over by the system supplier (S.C. Nardo S.R.L.) from the importer or from the distributor, which, subsequently, delivers them to the stations in administration, from here being purchased by the clients. Thus, the channel is the following:

Producer => Importer/Distributor=>System supplier=>S.C. Agip Romania S.R.L.-stations in administration =>Consumer

For 20% of the traded products S.C. Agip Romania S.R.L.-the stations in administration no longer resorts to the system supplier. In this case, the channel is the following:

Producer => Importer/Distributor=>S.C. Agip Romania S.R.L.-stations in administration =>Consumer

- **The channel width** is narrow, because, on the one hand, AGIP Romania don not agrees to the procurement of the same product from two different suppliers, and on the other hand each manager has in administration one or at most two stations by means of which they trade the products.

- **The channel depth.** The products are brought by distributors directly to the stations in administration from where they can be purchased by clients.

Regarding the control degree exercised by S.C. Agip Romania S.R.L., this is a maximum one, because the organization dictates the distribution policy. Also, the sale of the products in the stations in administration is made on behalf of and on the invoice of S.C. Agip Romania S.R.L.. The amounts cashed enter at the same time with their collection in the Agip Romania property and they must be picked up according to the cash collection procedure.

So, Agip Romania purchases products, which are sold by the service station undertaker, the amounts will be cashed by Agip Romania, the clearing with the Partner is performed according to the Contract signed between Agip and the Dealer, namely on a commission basis.

Also, the contracts with the credit cards companies and with the non-resident card holders as well as with the clients possessing delivery documents are concluded by Agip România.

In order to resist on the market in the new economical conditions, the managers of these stations are preoccupied with optimizing the marketing channels. In this sense they performed frequent intimations at the central office of S.C. Agip Romania S.R.L. by which they request the extension of the number of NON-OIL products supplied from other organizations than S.C. Nardo S.R.L.. They also consider opportune the collaboration with other suppliers (which either have cheaper prices, or more diversified products, or a better quality, or are closer to the stations etc.) especially with those of alcoholic drinks, auto accessories and video material. S.C. Agip Romania S.R.L. must take into consideration also these grievances of the stations dealers, because they are better acquainted with the reality in the territory.

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