

THE STUDY ON NEW MARKET DEVELOPMENT & DISTRIBUTION CHANNEL MANAGEMENT FOR AIRCEL LIMITED, MANGALORE

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ABSTRACT

The telecom sector in India was a government monopoly until the year 1994 when liberalization was gradually unrolled. For the first time, cellular services were launched in India in Kolkata in the year 1995. Since 1995, India has walked miles together and today has reached a complete different level all together. India has a flourishing market in GSM mobile service, while the number of subscribers is on rapid and dramatic increase. Today, India is the largest market in the world adding up a dramatic number of about 20 million mobile subscriber lines every month in an average. One of the prominent player who has established and created a name for itself in a short span of 12 years is Aircel Ltd. Now it is India's fifth largest GSM mobile service provider & seventh largest mobile service provider (both GSM and CDMA) with a subscriber base of over 51.83 million, as of January 31, 2011. It has a market share of 6.72% among the GSM operators in the country. Despite of possessing many advantages and cutting edge offers, the company seriously suffered from distribution problem. This problem took birth as a result of lack of efficient and effective channel partners. The main objective of the study is to make a detailed study on the New market development through channel partner selection for the company. The study highlights and suggests solutions to solve the problem of distribution faced by the company at various places like Puttur, Modbidri, Suratkal, Bantwal and Udupi. The distributors at these five places formed the respondent group. The study was conducted for a period of 8 weeks, where, 100 distributors were interviewed using the questionnaire method. Secondary sources of data were also used to obtain data that was required for the completion of the study. It was found in the study that 67% of the respondents had five to ten years of experiences and majority of them were the channel partners for various FMCG products and industrial supplies. The study also revealed that it is not only investment that will generate revenue leading to the success of business but it also required timely involvement and continuous dedication for tasting success in this field. Distributors expressed their requirement and need for Company's help and support in-order to enable to overcome their weakness and empower their strengths that will create a win-win situation for both the distributors and the company. On the other hand the company expects the distributors to maintain minimum required stock to serve the market demand which will ultimately contribute for the growth of the market.

Keywords: Distribution Channel, Customization, Customer Retention, Productivity, Loan Offers

INTRODUCTION

In today's globalised and borderless market, quality, productivity and satisfaction of customers pose a challenge for the survival and growth of all firms. These growth and survival demands are further deepened by the need to attract and retain loyal customers. Thus, the customer is the main focus for any successful business. Business success depends on a firm's understanding and meeting customers' needs and demands. One important service in an economy is telecommunication. The telecommunication industry's role in an economy cannot be underemphasized.

Market development is a strategy of finding and entering new markets with current product or service range. The new market could be a new region, a new country or a new segment of the market. The marketing mix is an important part of the marketing strategy and consists of the marketing 'tools' which are implemented. But marketing strategy is more than the marketing mix. The marketing strategy sets marketing goals, defines target markets and describes how to go about in positioning the business to achieve advantage over competitors. The distribution function is vital to the economic well-being of society because it provides the goods and services desired by the consumer. The marketer contributes to the product's value by getting it to the right place at the time the consumer wants to buy it and by providing the mechanism for transferring ownership. Firms that do not perform the distribution function effectively usually fail. Distribution channels are the paths that goods and title to them follow from producer to consumer. They are the means by which all organizations distribute the goods and services they are producing and marketing. The second major component of distribution strategy is the actual movement of goods and services from the producer to the user. Distribution channels are composed of marketing intermediaries, the persons or firms that operate between the producer and the consumer or industrial user. The two main categories of marketing intermediaries are wholesalers and retailers. Wholesaling intermediaries are people and firms that sell primarily to retailers and other wholesalers or industrial users. They do not sell significant amounts to ultimate consumers. Retailers, by contrast, are persons or firms that sell goods and services to individuals for their own use rather than for resale. Retailers are the marketing intermediaries that consumers are most familiar.

Aircel - SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ● Fifth largest GSM mobile service provider with subscriber base over 27mn ● Pocket Internet(USP) 	<ul style="list-style-type: none"> ● Profitability is an issue. ● Lack of advertising. ● Low brand visibility
Opportunities	Threats
<ul style="list-style-type: none"> ● Fast expanding cellular market. ● Latest and low cost technology ● Untapped rural market ● Value added services 	<ul style="list-style-type: none"> ● Competitors low price offering ● Saturation point in basic telephonic service ● Mobile Number Portability

Selection Criterion for Channel Partner Selection in Telecommunications

Criteria	Very important	Important	Reason
Background of the person	✓		Field experience, nature of work and insights of the market
Investment capacity	✓		Financial soundness
Reputation in the market	✓		Among peers customers and suppliers results in market success
Business & Mgt strength		✓	Business & people factor is a task
Knowledge of market	✓		Plays a major role as involvement is prime
Ability to develop new markets		✓	Skill is important as business grows along the area expansion
Locations(territory coverage)	✓		Reach & availability is motto of distribution
Infrastructure availability		✓	In order to facilitate the business and market relevant activities

OBJECTIVES

The main objective of the study is to make a detailed study on the New Market Development through Channel Partner Selection for Aircel Limited, Mangalore.

Sub objectives are as follows:

- Applying the selection criteria to determine the suitability of prospective channel members
- Securing the prospective channel members as actual channel members (appointment)

SCOPE OF THE STUDY

The study titled 'New Market Development through Channel partner selection' was conducted in the month of November, 2011 for a period of 55 days. The scope of the study was confined to Puttur, Bantwal, Mangalore, Surathkal and Udupi.

RESEARCH METHODOLOGY

Convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity. The subjects are selected just because they are easiest to recruit for the study. Study is been carried out at Puttur, Bantwal, Mangalore, Surathkal and Udupi for the period of 55 days with sample size of 100 respondents.

Data Collection

The report contains both primary and secondary data.

Primary Data: Primary data are those data which are collected afresh for the first time and thus they are original in character. Primary data are the first hand information collected through various methods such as observation, interviewing, questionnaire, etc. The primary data are collected mainly through questionnaire and interviewing the retailers and distributors personally.

Secondary Data: Secondary data are those data which had been collected by someone else and which have been passed through the statistical analysis at least once. For the purpose of the study, website of Aircel Limited and other reliable sources on internet, journals, other documents, newspapers and articles and previously conducted surveys.

Sampling Methodology

A sample size of 100 prospective distributors is taken for the purpose of this study. Convenient Random Sampling technique was used for the study. Where subjects are selected because of their convenient accessibility and proximity. Study was carried out at Puttur, Bantwal, Mangalore, Surathkal and Udupi for the period of 55 days.

Data Analysis

The statistical tools such as SPSS and MS-Excel were used to analyse the data. SPSS was used for descriptive methods such as frequency. MS-Excel was used to draw inferences from the graph that gives the outcome of the study.

LIMITATIONS

- The information is collected in the form of questionnaire method only; some of the respondents were unwilling to share the information. It was assumed that the information given by the respondents are true and not biased.
- Distributors were unwilling to disclose their financial details in particular due to various reasons.
- The study cannot be used for future applications as ROI is subject to changes and also the business nature.

Another limitation is the sampling technique. Convenience random sampling was used in the study. The findings could be more generalised if simple random sampling method was used.

FINDINGS

- Aircel being one of the most prominent players in the market is looking forward to strengthen its operations nationwide. It faces competition from various service providers and thus Aircel has to strengthen its distribution networks to ensure that its products are readily available in every outlet.
- Aircel has been in the market since past 3years. The distribution network that it currently holds has not been very effective in delivering the services offered by the company. Hence the company is looking for channel partners with sound investors and a commitment to involve themselves to take the business to higher level.
- From the survey conducted it can be seen that 67 % of the respondents have an experience of 5-10years in the field of distribution in their respective areas of operation. 22% have 5-10years of experience. These distributors with well

established and promising network can enable the company to improve its distribution efficiency.

- It was found in the survey that the distributors were the channel partners for various FMCG products and industrial supplies. Telecom sector which has high rate of growth in recent times provides various opportunities for distributors to make it a successful business. Hence Aircel has a wide opportunity to attract these distributors and widen their area of operation in new market.
- A maximum of 42 respondents said that they generated a turnover of around 10-20lakhs. 32 respondents said that their turnover reached over 20-30lakhs. This shows that the distributors are capable of carrying out the business successfully with reasonable profits.
- 58 respondents said that they had around 2-5 employees working with them currently in providing services to the retailers. 25 respondents said that they had 5-8 employees. Aircel can concentrate on setting up business with those distributors who have enough man power to promote the product in the new market.
- ROI indicates the return on investment that is net profit over net investment in an year of operation. 37 respondents said that they have ROI of 5-10% in the span of 5-10years of operation. This indicates that most of the business is operating with good operating profits.
- 32 respondents said that theirs was a family owned business, 68 respondents said that theirs was a total new business venture. They have established a whole new enterprise and ventured into the business field creating new opportunities for themselves. Aircel which is a new entrant in the market here needs such entrepreneurial channel partners who can make their business grow along with their business.
- 63 respondents were ready to start a partnership with the service providers. Aircel needs to approach this interested section of the respondents as they have readily shown interest in partnering with it. 37 respondents told that they were not interested in the partnership.
- 52% of the respondents who are prospective distributors are having the necessary infrastructure to start the new venture of distribution in Aircel and 10% among the interested clients were not having infrastructure required to startup the business.
- Among the interested clients 32 respondents said that they are ready to invest around 1-2lakhs as startup capital to aid the new business they are venturing into. 14 respondents said that they would invest 2-3lakhs. There were 5 respondents who were ready and showed eagerness to invest 3lakh and more in the new partnership.
- Out of the 62 respondents who were eager to invest, 39 respondents said that they would be investing from their personal account that is from their personal accounts 21 respondents said that they would take the support of the bank to help them reinvest in growing their business
- When asked the distributors about the estimated monthly expense that they would incur from the new partnership 44 respondents said that they estimate the expense to

be around 20-30 thousand and 12 respondents opined that the expense would reach upto 30000 & more.

- 52 respondents opined that they would take around 6months to 1year to start earning profits. 8 people said that they estimate the time period to be 1-2years.
- 48 respondents opined that average salary of employees in their areas is within the range of 4-5 thousand and 13 respondents said that average salary is 5-6 thousand
- 41 respondents said that they would be ready within 2 weeks to enter into the new partnership and start their business activity in their respective territories of operation.

SUGGESTIONS

- **Create win-win:** Company has to extend a helping and supportive hand to the distributors. This will enable the distributors to undertake their work in an effective manner. Thus the distributor is empowered to perform better, which will ultimately reap benefits for the company. This will create a win-win situation for both the distributors as well as the company.
- **Right fitment:** The selection of the channel partner for selling a new product should be done clearly based on whether he/she fits in with the new product market. The channel partner should have the necessary industry experience as well as clear understanding of how the industry is going to grow in the future.
- **Right attitude:** To sell a new product is not easy. Unless the channel partner comes with the right attitude to nurture and support the product, the product will not see big success in the market place. Most channel partners expect instant success and hence do not carry a positive attitude after the first attempt to sell fails. Most new products do not get acceptance with customers/retailers in the first attempt itself.
- **Right expansion:** When we are choosing the channel partners with right fitment, it is critical we evaluate whether it is a right expansion for them. Horizontal expansion i.e. expansion into different product category for the channel partner will be stressful and hence not successful in the long run.
- **Right investment & returns:** New products require sustained investment in terms of credit to the market, investment in stocks etc. Hence the channel partner selected should have the necessary money power to withstand the short term pressures of working capital. He should have the confidence in the new product and support it through continuous flow of stocks to the market place with suitable credit, to make it a winning product. At the same time it is the responsibility of the company to work out right returns so that the interest level of the channel partner is sustained for a long time.
- **Right partnership:** The partnership between a company and a channel partner should be that of equals and not of un-equals. By being equal, it does not mean in size or turnover, which is not possible. The company should be strong in its field with necessary experience and the channel partner should be strong in his field. When the tie up happens between two un-equals, it generally leads to dominance of one over the other and in the long run leads to strain in relationships and poor support for the new product.

- Right alignment with the company goals: Both the company and the channel partner should be well aligned about the goal for the new product. When there is synergy and alignment on the goals for the product, the product gets all the support from both the company and the channel partner and emerges as the winner.

CONCLUSION

Companies sign up third party resellers and distributors without giving proper rigorous attention to the process that's required in order to define the selection criteria, find adequate channel partners, and actually go through a process of due diligence in order to screen them, select them, and bring them onboard. A well developed channel selection process, a reseller selection process, looks a lot like a very rigorous process for hiring and acquiring members of senior management team or key employees in sales and marketing. The effective use of channel partners assists market participants in the reduction of costs associated with sales, customer service and support. Although channel partner selection is critical to channel performance, it is commonly treated as an afterthought. As a result, channel partner selection is commonly under-resourced, under supported and delegated to front line area managers or a specialist channel development group.

The company should ensure that all the criteria are present in the channel. The selection procedure identifies areas which need development, the added advantage being that the company need not commit itself financially for the development of the channel member on this count. The company can ensure the development of these criteria by specifying them in the appointment letter. Marketers need to improvise the distribution channels that they follow to reach the vast area intensively. This arrangement works out as win-win situation for both the partners as members earn additional income from the growing business through greater reach and availability of the service in the market. Poor recruitment results can last a very long time and ultimately lead to commercial costs and, worst of all, can tie up scarce resources and de-motivate an entire distribution channel. Channel partner recruitment must be treated with the respect that is due as an integral marketing key success factor. All channel organization should aim to secure an unfair share of the available talent pool, thus forcing competition to settle for second best channel partners. Having the best channel partners ensures that long-term performance is maximized within the constraints of a particular channel system. Both short-term performance improvement and long-term competitive advantage is achievable through selecting and keeping an industry's best channel partners.

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