Research on the Financial Problems in Marketing Channel Management of Enterprises

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Abstract. Nowadays, the enterprises pay more and more attention on the management of marketing channel. How to deliver the goods to the consumers quickly or provide them with convenient and high quality service directly affects the profitability and development of the manufacturing enterprises and distributors. Only the enterprises with high-efficiency, large-scale, low operation cost and flexible marketing channels have the initiative to win in the fierce market competition. Marketing and financial management are the twin pillars of the current enterprise management. Analyzing the income, cost, efficiency and management level of marketing channel in the perspective of financial management to realize the interaction and infiltration of the two pillars will effectively improve the management level and competition ability of the enterprises. As a result, it is of enormous theoretical importance and practical value.

1. The Content and Relevant Theories of Marketing Channel

1.1 The concept of marketing channel

Marketing channel is composed of a series of correlative organizations, including manufacturers, wholesalers and retailers, customers and advertising agencies, marketing research companies, insurance companies and banks, etc. The diversity of agents makes the flow and operation of marketing channel become a complete process which includes variety of activities, such as product manufacturing, dealer service and customers final consumption. It also means that the marketing process finally completes after the implementation of each link of the marketing channel. The independent organizations of the channel combine in the form of contract and work together to reach the ultimate goal that the products or services are purchased and consumed by the customers.

1.2 The types of marketing channel

The marketing channel can be divided into three types: vertical channel, horizontal channel and multi-channel system. The vertical channel is built in the form of longitudinal coupling by the manufacturers, wholesalers and retailers. Therefore it can be dominated by the producer or the wholesalers and retailers. Its most striking feature is its specialization management and centralized execution of organization system, which has set the market effect goals to be achieved before the marketing activities. The vertical channel holds the strongest constraints for the interest subjects, which can effectively control the subjects’ actions and gain higher profit with economies of scale and reduce of repeat service. In current marketing, the vertical channel has become a leading sales format, and accounts for about 65% of the total amount of the market. The concrete form of vertical channel includes corporate type vertical channel, management type vertical channel, compact type vertical channel and relational type vertical channel, etc.

The horizontal channel refers that the channel agents at the same level to form a horizontal integration for the sake of giving full play to their advantages respectively and integrating resources together. Such cooperation is likely to be short-term, or may be permanent. In horizontal channel, each agent may take their own advantages to create the synergy effect of “1 + 1 > 2”, such as
reducing the investment the agents invest in the marketing channel, expanding the market share of the agents and improving the whole operating efficiency of the system. The horizontal channel can also be called symbiotic marketing. For example, the banks or ATMs located within a community not only reduce the operating cost of the banks but also provide the residents with convenient financial services.

Multi-channel system, also known as hybrid channel, namely means that manufacturing enterprises choose two or more marketing channels at the same time and aims to capture each customer segmentation market. With the aid of multi-channel system, manufacturing enterprises can lower their operating costs, improve market share and provide better services to their customers. The hybrid channel is an important approach to build the channel advantage, as well as the development trend of the future. With the help of the Internet and the rapid development of modern communication technology, the development of the hybrid channel marketing could usher great opportunities. At the same time, the diversification, rationalization and individuation of the consumer demand will create a larger space for hybrid channel marketing.

1.3 The management of marketing channel

1.3.1 Channel design

The channel design can also be referred to as channel planning, which means that the enterprise programs the channel structure, channel target, channel management and the others according to its own advantages and disadvantages as well as the marketing goals. In most cases, the enterprise will choose the blended multi-channel marketing mode, so the channel planning of an enterprise will be involved in other agents. As a result, the channel design appeared to be a form of cross-organization, whose main contents include: the type and coverage of participants, the hierarchical structure of the middlemen channel, etc. In cross-organizational channel design, manufacturing enterprises should not only consider their own marketing goal, but also fully understand the channel goals and channel interests of the collaborative agents.

1.3.2 Channel organization

The channel organization refers that the enterprise carries out channel establishment, division of labor and coordination, function arrangement and other activities according to its marketing goals, which includes two levels: one is the channel organization within the enterprise and the other is the cross-organizational management. The channel organization within the enterprise involves the internal management and the allocation, division of labor and responsibilities definition of the sales personnel, which aims to realize the collaboration whining the enterprise so as to guarantee the smooth implementation of the channel strategy through the rational allocation of resources. And the principal contents of cross-organizational management are the channel selection of the middlemen, function arrangement of the channel and the responsibilities and rights definition of the agents, whose purpose lies in every participant dividing work and collaborating with each other voluntarily and then realizing the group goal of the channel together through consolidation arrangement.

1.3.3 Channel incentive

After the completion of the marketing channel construction, in order to realize the channel goal, the manufacturing enterprise should spur the internal staff to work hard, and should also induce active cooperation among other channel agents. The leader agent of the marketing channel should lead other constituent agents to implement the group goal, which asks necessary channel incentives. The channel incentive within the enterprises is based on the understanding of the behavior, motivation and need of the internal management and sales personnel, whose purpose is to motivate the working enthusiasm of the internal staff and coordinate the internal working relationship very well mainly by formulating and implementing relevant incentives and disincentives. Cross-organizational channels incentive indicates that the channel oriented enterprises motivate and influence other channel agents with the help of channel policy and management activities to motivate the enthusiasm of each participant to cooperate with this enterprise voluntarily and actively and coordinate the relationship among channels to avoid the conflict.
1.3.4 Channel control

The channel control is an activity that the enterprises supervise the channel and make timely rectifications in order to ensure the channel goals. In vertical dimension, channel control includes setting control standards, supervising whether the marketing channel is normal and accord with the standard, monitoring the operating conditions of each channel agents, evaluation the running efficiency of the channel network, adjusting the channel system, reducing the conflict and internal friction among the channel agents, etc. In the horizontal dimension, the channel control includes controlling the quality of the products and services, controlling over the means of advertising and promotion as well as controlling the price and cost, etc. As enterprises mainly adopt the multi-channel marketing, so the channel control is mostly cross-organizational, and as a result the enterprises need to supervise and constrain the speculative behavior of other channel agents, avoid partners take deviation behavior due to conflicts of interest, so as to improve the efficiency of the channel as a whole at the highest possibility.

2. Relevant Financial Indicators of the Marketing Channel

In order to analyze the marketing channel operation based on the perspective of financial management, the enterprises should turn to reasonable financial indicator system for help. By analyzing the various financial indicators, the operation conditions and cash flow conditions of the marketing channel can be evaluated comprehensively.

2.1 Financial indicators of channel sales management

The financial indicators in sales management include operating revenue and the increase rate of operating revenue. The operating revenue reflects the degree of market acceptance of products or services, which can be used to assess the products or services market share of the enterprise; while the increase rate of operating revenue reflects the development of the products. The constant increase of the prime operating revenue is the important precondition for the enterprise’s long-term health development. The higher the increase rate of operating revenue is, the faster is the growth rate of the enterprise; and on the contrary, the lower the increase rate of operating revenue is, the poorer is the sales of the products and the weaker is the product competitiveness.

2.2 Financial indicators of channel relationship management

Based on the perspective of overall marketing channel, the channel relationship refers to the cooperation depth and relationship status among the agents in the channel system. The channel relationship is equivalent to the profit distribution among the agents to a large extent. Based on the perspective of financial management, sales gross profit rate can be used to distinguish the ability of the marketing channel management of the enterprise. The sales gross profit rate can also reflect the pricing strategy of the product and the profitability of the enterprises. It is the precondition for the formation of corporate profits. Compared with peers, if the enterprise’s gross profit rate is very high, it means that the products are high value-added and competitive. Compared with earlier stages, if the enterprise sales gross profit rate increases for years, it means that the enterprise is in the period of growth or recovery; otherwise, it means that the enterprise is in decline period, or its competitive advantage has faded in the industry. If the enterprise sales gross profit rate fluctuates slightly, it means that its channel relationship management ability is very strong; otherwise, it means that the enterprise’s channel relationship management ability is weak and it fails to form effective control to the middlemen.

2.3 Financial indicators of channel credit management

“Credit” is a sell on account activity due to value exchange, which is a different time interval form transaction activity based on the contract or agreement. To avoid credit risk, the credit management enterprises use in the marketing channel calls channel credit management. With the aid of effective channel credit management, enterprises can control over their sales money more effectively, and make it match with the interests of the whole. Channel credit management involves
the manufacturing enterprises, middlemen, retailers and the others, as well as the information flow, material flow and cash flow. The cash flow includes accounts receivable and notes receivable embodied in financial indicators. And the accounts receivable and notes receivable should be controlled in a reasonable range; otherwise the manufacturing enterprise’s capital chain rupture risk may occur. Therefore, the enterprise should monitor the operation and cash flow conditions of the middlemen and retailers in real-time to avoid credit risk.

2.4 Financial indicators of channel promotion management

The channel cost refers to the general expenses generated in every stage of the marketing channel, which means the difference between the total retail cost and the manufacturing cost. There are many types of costs in marketing channel, which can be divided into two categories: administrative costs and transaction costs. For managers, the cost of sales in the financial statements can objectively reflect the cost of marketing channel, and the ratio of expenses to sales that means the ratio of the sales cost to the prime operating revenue can measure the level of marketing channel promotion management. On the premise of maintain sales revenue increase, the lower sales cost each additional unit sales requires, the stronger the promotion ability is and the better the promotion result is.

2.5 Financial indicators of channel financing management

The enterprise’s continuing operations can’t be reached without smooth financing channel. Based on the perspective of the fund costs and fund benefits, financing refers to the business resources the enterprise gets temporarily without paying any price. In the marketing channel system, manufacturing enterprises can collect money from other agents before trading the products to ensure the effective operation of the product production and marketing channel. This kind of financing within channel embodied in advance payments and other payables in finance. Deferred revenue flow ratio is the ratio of the deferred revenue to the liquid liabilities, which indicates the proportion that the deferred revenue takes in the liquid liabilities and reflects the channel financing ability of the enterprise; while the asset-liability ratio which means the ratio of assets to liabilities can reflect the enterprise's overall debt level. The asset-liability ratio is the comprehensive index about debt, so it can effectively measure the enterprise’s capital management ability, and can also be used to assess the loan security scope of the creditors.

3. Relationship Between Marketing Channel Management and Financial Management

3.1 Relationship between channel sales management and finance

For enterprise managers, it is relatively easy to cut down 10% of the cost, but difficult to increase 10% of the sales revenue. Sales growth is the management goal of the enterprise, and it is also the inspection standards for the channel management ability of the enterprise. The sales revenue of the enterprise comes from the constant marketing to existing customers, the fight for market share to win in sales and the broadening of the market to form sales. Only taking the initiative in retaining customers and competing for market, the enterprise can keep sustainable development, gain greater market power and control over the channel system. And only making great efforts on products and services, the enterprise can win the preference of customers and market, therefore the advantages of marketing channel will show and the increase in sales revenue will achieve.

3.2 Relationship between channel sales management and finance

There are two basic relations in the enterprise’s marketing channel, one is the property type channel relationship, and the other is the contract type channel relationship, whose difference lies in the investment level the enterprise puts in the channel system. The property type channel relationship requires the enterprises to invest in channels, and its advantage lies in the effective management of marketing channel and decrease of the transaction cost, furthermore it can fully implement the enterprises’ marketing strategy. But it lacks of the chances and flexibility of integration of the external resources. The contract type channel relationship doesn’t require the
enterprises to invest in channels, and its advantage lies in the strong flexibility, therefore it is easier to adapt to changing market conditions. But it lacks of controlling over the system resources. Different enterprises in different industries are suitable for different types of marketing channel, so the enterprises should choose appropriate marketing channel relationship according to their own product characteristics, management level and other influential factors.

3.3 Relationship between channel credit management and finance

In credit management, the core problem is implementing the management and control of the credit risk at relatively low cost. In the property type channel relationship, the enterprises take the property right as the link to avoid the credit risk to the largest extent, hence save a lot of credit regulatory costs and centralize the resource to use in the channel promotion. In the contract type channel relationship, the enterprises often take the “5c” mode as their credit management standards to control the common credit risk. When implementing the “5c” mode, the enterprises should carry out credit management innovation specifically according to their product characteristics and marketing channel characteristics, and strive for the integration of external resources, reduce the management cost and credit risk in terms of the details of the risk management.

3.4 Relationship between channel promotion management and finance

Whether the product can quickly gain the upper hand in market competition depends on the management level of marketing channel promotion to a large extent, therefore effective promotion strategies can seize the customer quickly. Enterprises should put special emphasis on channel resource integration, and encourage the middlemen and retailers to do the promotion together, and at the same time, design benefit sharing mechanism and incentive measures well to continuously expand the product’s competitiveness and influence in market and realize the complementary advantages and shared interests among the marketing channel agents.

3.5 Relationship between channel financing management and finance

The purpose of the financing behavior of the enterprise is to obtain business resources. Based on the viewpoint of the fund costs and fund benefits, financing refers to the business resources the enterprise gets temporarily without paying any price, which includes trademark, brand, channel, technology and other business resources. The advantage of monetary capital is strong liquidity, while the other business resources also contain other function that cannot be underestimated. If the manufacturing enterprises put into appropriate capital can achieve the control of the marketing channel, in fact the enterprises can effectively improve the cash flow situation through financing channels and realize the stable operation in the form of advance payments and other payables.

Reference


