The Evaluation and Selection of Distribution Channel Model for High-Tech Enterprises

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ABSTRACT: It is extremely important for high-tech enterprises to meet customer needs through excellent distribution channels. Starting from the analysis of high-tech enterprises’ products and market characteristics, this paper puts forward the evaluation criteria of the channel model and the specific selection scheme by combined with the problems existing in the design of distribution channel in Chinese high-tech enterprises and aimed at the special requirements of the distribution channels.

1 GENERAL INSTRUCTIONS

The distribution channel is an important carrier for enterprise to complete their product (service) transformation process, realize the value and produce the benefit. The so-called distribution channel is a set of interdependent organizations that promotes the product (service) smoothly through the market exchange and transfer to consumers (users) use or consume. High-tech products are compared with traditional products, Whether high-tech enterprises can produce products to provide end users with the product of the time utility, location utility , ownership utility and convey the product service through superior distribution channels is extremely important to meet customers needs.

2 THE PRACTICAL PROBLEMS IN THE DISTRIBUTION CHANNELS OF CHINESE HIGH-TECH ENTERPRISES

Chinese high-tech enterprises don’t pay enough attention to the distribution channel strategy in the process of development. This process has many problems, outstanding performance in the following areas. Firstly, high-tech enterprises ignore the construction of their own network, highly rely on existing channels and cannot effectively integrate distribution channels according to the new trend of market transformation and customers in consumer demand. So that the market development of new products or the original products is blocked. Secondly, Long distribution channels lead to high-tech enterprises lose the control of the middle and lower terminal. What’s more, user information cannot be collected in a timely manner, resulting in low efficiency of the channel. Ultimately these make enterprises lack of sufficient feedback to guide the development of new products. Thirdly, technical requirements of the two links of high-tech product sales and after-sales service have not been provided sufficient technical support at the end of the channel.

3 ANALYSIS ON THE PRODUCT AND MARKET CHARACTERISTICS OF HIGH-TECH ENTERPRISES

High-tech products are mostly innovative products. So the marketing strategy of high-tech enterprises, especially the distribution channel strategy, has the following prominent features: First of all, product life cycle is shorter. The successful performance of high-tech products tends to have a steep sales peak and trough sales decline in the market. High-tech enterprises are faced with more complex marketing decisions when they control the supply and demand of products and they need more efficient time management and marketing innovation, especially in the aspect of distribution channels. Secondly, the degree of interdependence between high-tech products is close. Because high-tech enterprises often lack the national (International) standards, industry standards and the market products are easy to be eliminated by the new products due to high replacement rate. Users require manufacturers to provide products that are compatible with each other, so that it is easy to maintain and update. In addition, high-tech products of technical support are quite significant. High-tech products, high technology content and complex design and manufacturing process, are hard to understand all of its characteristics and functions for users. Product technical support becomes the important part of its pre-sale service, sales service and after-sales service.
in the use and promotion process. Therefore, that all channel members of high-tech enterprise can offer what level of technical support for all levels users become one of the most important factor influencing users to make purchase decisions. Finally, high-tech products to create demand. High-tech products are mainly created the market. The birth of new technology will create a number of special attractive new products and then the market will be completely changed Therefore, the competition between high-tech enterprises is not reflected in the market share, but mainly emphasize creation, meet the demand, enter the market quickly and develop new markets.

4 THE SPECIAL REQUIREMENTS OF HIGH-TECH ENTERPRISES TO DISTRIBUTION CHANNELS

High-tech enterprises have some special requirements for distribution channels according to the characteristics of high-tech products that are different from the traditional products and the key success factors of high-tech enterprise product marketing.

In general, distribution channels of traditional enterprises have functions including market research, customer search, product and user classification, promotion, negotiation, logistics, finance and risk sharing. And high-tech products distribution channels also need to have the four functions of consulting, training, after sales service and financial support in addition to the implementation of the above functions. Secondly, dealers professional background, industry distribution experience, the staff of professional quality and ability of network expansion are the primary factors rather than dealers’ financial strength and size when high-tech enterprises select dealers for high-tech products. This is closely related to the high-specialization of high-tech products technology and application. Thirdly, The depth of the high-tech enterprises distribution channels are generally in the range of zero order, first order and two order. And the breadth structure tends to be selective and exclusive channels. On the one hand, it can adapt to the characteristics of high-tech products and marketing. On the other hand, it can enhance its core competitiveness, maintain the image of high-tech products, and ensure good after-sales support, training and consulting service. Forthly, because the target customers of high-tech products is usually specific groups,. The target customers are relatively narrow, especially when the new products are on the market. High-tech products are saled in direct way, such as door-to-door sales, mail sales, Internet direct marketing, vendor auto sales and so on. Fifthly, due the users of high-tech products tend to have their own personalized customization. High-tech enterprises and their channel members should meet the individual needs of different users through a certain means and methods.

5 THE EVALUATION AND SELECTION OF DISTRIBUTION CHANNELS MODEL FOR HIGH-TECH ENTERPRISES

According to Kotler's design theory of distribution channel, the northwestern university marketing scholar, the design of distribution channels for high-tech enterprises should be based on the detailed analysis of the characteristics of enterprises, products as well as the needs of consumers. Enterprises should analyse the factors that affect the design of distribution channels and then determine the distribution channels that are suitable for enterprises and industry characteristics according to the existing distribution model and the evaluation criteria of enterprises.

5.1 Strategic evaluation criteria for the selection of enterprise distribution channels

The competitive advantage of enterprises comes from the cost-priority strategy and the differentiation strategy. So the evaluation criteria of the distribution channel strategy of high-tech enterprises are as follows: First, whether the design of distribution channel can form the advantage of differentiation. At present, a common point of successful operation of some famous companies is that they achieved their own differences and established the channel competitive advantages in their respective markets through judicious choices and management of distribution channels. The first way : monopoly routes. It is conducive to set up the strong force of "image control" for enterprises and create a completely different dealer relationship. Introduceing the second brand is the second kind of way. Enterprises use distribution channels to develop a unique second brand, thus getting a different price in the market positioning. It not only expands the business scope of the new channels, but also not damages the main brand image. The third way is bring together industry experts. High-tech enterprises establish and train high level distributors as well as agent teams and provide satisfactory service for customers to set up advantages which cannot be easily replicated and distribution channels of high reputation in the industry. Second, whether the choice of distribution channels can form the overall cost advantage of the channel. The formation of the team competitiveness of high-tech enterprise distribution channels largely comes from the cost of each process and the combination of the overall cost advantage. There are three specific starting point: whether it can strengthen the cost advantage by economies of scale, whether it can enhance the cost
advantage through the coordination of channel relations and whether it can enhance the cost advantage through functional conversion.

5.2 The Choice of distribution channels for high-tech enterprises.

Good distribution channels are not only supply products and service to meet the demand in the right place with the right quality, right quantity and right price, but also stimulate demand through a variety of marketing efforts of channel members.

Firstly, high-tech enterprises prefer to use selective distribution and exclusive distribution from the perspective of the width structure of distribution channel. It is beneficial to form more close relationship between channel members that high-tech enterprises implement intensity control to product distribution. Such as getting the new product development advices and improvement advices about the existing product in time to reduce the risk of high-tech products. In addition, it helps to maintain product image and ensure that manufacturers and distributors obtain substantial gross profit margin; It can also moderate promote competition between distributors. On the one hand, It improves performance, on the other hand, It can promote distributors to become aggressive-consciousness market disseminators. The last benefit is that it helps to attract distributors to sell new products and ensure that their new products are distributed by qualified distributors. Intensive distribution of products will be deployed when products rapidly popularized and entered into a period of decline.

Secondly, from the length structure of distribution channels, there are four kinds of good channel models for high-tech enterprises: (1) Direct sales model that is using enterprises’ own sales force. High-tech enterprises set up business sales offices or branches to sell products. So enterprises can implement strict control of the distribution of products and sale products to end customers directly. When high-tech products specialized service industrial users or special industry users, the type of enterprise products is highly diversified, enterprise product is non-standardized products and the enterprise is in the early time of the product life cycle. The enterprise should choose this model. (2) Using the distribution of wholesale distribution channels. Wholesalers include distributors and agents. High-tech enterprises should make a choice according to their actual situation in using what kind of wholesalers. High-tech enterprises are generally more inclined to use the distribution of wholesalers due to the characteristics of high-tech products and business success factors. (3) Using the retailers’ distribution channels directly. Retailers have a big advantage in helping enterprises to find target customers quickly, stimulate the users’ interests and contribute to buy for the constantly updated and technology sophisticated high-tech products. (4) Direct and complex marketing channels. This is a new type of distribution model, which has been developing in recent years. It convey and meet users needs through the mail, telephone, electronic commerce and other tools. New distribution models, based on electronic commerce, not only reduce the intermediate links, inventory and after-sales service cost with the rapid development of Internet. And electronic distribution pattern, centering on the value chain, fully considers the needs of customers and achieve the interaction between enterprises and terminal users. This new channel model not only reduces the cost of distribution, but also helps to establish high-tech image of the product and improves customer psychological satisfaction for the distribution of high-tech products.

Thirdly. From the perspective of the breadth structure of distribution channels, high-tech enterprises can use a variety of distribution models to carry out multi-channel integration. High-tech enterprises can carry out multi-channel integration, form a reasonable division of labor, improve efficiency, and reduce the cost according to different service provided in the five links of distribution activities: evoke potential customers, identify potential customers process, pre-sale preparation process, sales process and after-sales support process. As for large system products, the cost of telephone marketing and e-commerce is low and the output is high in arousing and identify potential customer segment. Selling by sales representative and negotiating with distributors cost is low but the success rate of the transaction is high in the transaction link. Therefore, when designing distribution channels, high-tech enterprises can refer to a variety of patterns. And they integrally use various models to cooperate with each other, create the greatest benefits and form the core competitiveness of enterprises.

6 CONCLUSIONS

In short, the rapid development of science and technology, the rapid development of the global economy as well as the changing competitive market environment put forward new requirements and challenges to distributors' choices and management. Especially for high-tech enterprises, new distribution management strategies, such as integrated channel marketing and seamless distribution channels, are beneficial to enhance the core competitiveness of enterprises. Therefore, high-tech enterprise distribution management personnel must be aware of changes in the field of distribution channel to seize the opportunity, ameliorate the
channel structure, raise the management level and improve the distribution efficiency.

REFERENCES


