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## Marketing Management Strategies for Agents-Taking Point Company as an Example

<sup>1</sup>Chen Yang, <sup>1</sup>Gao Xin, <sup>1</sup>Wang Ran, <sup>2</sup>Jiang Kai and <sup>1</sup>Li Ming-Xing

<sup>1</sup>School of Management, Jiangsu University, Zhenjiang, Jiangsu, 212013, China

<sup>2</sup>Department of Electrical Engineering and Automation, Jingjiang College of Jiangsu University, Zhenjiang, Jiangsu 212013, China

**Abstract:** Agent is one of marketing forms. The marketing agents are playing the important roles in China's Petrochemical industry. The corresponding research is short of the systematic, deep and concrete data and cases. Based on the statistics data and interviews in Shanghai Point Company, there are numerous agents marketing management problems including little competitive advantages, poor financing, wrong marketing ideas, few outstanding marketing staffs, unscientific management and huge marketing risks. So the agent-related marketing management strategies are given, including clear market positioning, enhancing financing capacity, improving the marketing team building and strengthening human resources management. The countermeasures can improve the core competency in Shanghai Point Company.

**Key words:** Agent, marketing management, petrochemical industry, strategy

### INTRODUCTION

As an important marketing channel, agents are able to make profitable business for enterprises rather than buy business products out. First of all, the main agents-related responsibility is to facilitate trading or transaction. Secondly, agents are the independent commercial operators. Third, agents' business activities are restricted and guided by suppliers in the process of products marketing.

The agents are playing more and more important roles in national economy. First, agents together with manufacturers and supplier can push or pull market sales volume so that they can share the market risks. Secondly, agents can form marketing network through proxy, regional agents and terminal vendors, so as to optimize network marketing resources. Third, agents have a variety of functions such as brand management, sales management, service matchmaking and financial management which can have the direct and important role in promoting sales, market share and the growth rate.

In foreign countries, Neal Bolden puts forward the effective strategy composed of 12 factors, including product planning, sales, marketing, pricing, brand, routes, display, advertising, promotional support, packaging, market research and physical distribution. McCarthy proposes the 4P combination marketing strategies, including price, channel, product and promotion (Philip and Mei, 2003). Philip Kotler proposes the concept of 6P marketing mix, including price, channel, product, promotion, politic power and public relations. Robbert. F.

Lauterbon proposes 4C strategy, including customer, cost, convenience and communication. Don E. Schulz proposes the 4R marketing theory, including relativity, reaction, relationship and reward. The theory lays emphasis on the relationship marketing and stresses that manufacturers should establish the stable long-term relationship with customers as well as the detailed customer database.

Database marketing should be marketed to reduce customer loss rate, marketing costs and other expenses from the aspect of channel strategy. According to Berry theory, to maintain old customers can create higher marketing efficiency than to attract new customers. Relationship marketing aims to attract and maintain and improve customer relationship in the various service organizations (Christopher *et al.*, 2005). Based on Barbara Jackson theory, relationship marketing aims to establish the firm and durable relationship with the key customers (Michael, 1996). Adrian *et al.* (1995) puts forward six major market model theories, including the internal market, the recommender market, influence markets, employees, suppliers and customers market. The intangible services and tangible entity products are distinguished by John Rathmall for the first time, holding that the service-related marketing research can be conducted via the non-traditional methods (Wu, 2005).

In China, Fang (2003) puts forward some ideas and methods of pharmaceutical marketing channel innovation, channel innovation management, drug chain business model innovation as well as channel integration based on analysis of the status of China's pharmaceutical market.



Xia (2008) studies Merck's distribution channel with the help of marketing management and channel management theory and puts forward some ideas and methods concerning channel model, channel hierarchy, channel assessment and channel conflict management. Xu (2008) puts forwards the cooperation marketing model of the Yangtze River Pharmaceutical Company on the basis of the actual situation and discusses the new marketing model of organization and management methods. Zhang (2009) puts forward optimization scheme of Haier Company's pharmaceutical marketing channel mode according to the pharmaceutical products characteristics and business conditions and discusses the design and the mode of Chinese medicine enterprise marketing channels. Yang (2008) points out the deficiencies of the existing distribution channel design and management in Tai Chi Group from the aspects of scale, brand management mechanism, cost, quality and efficiency and suggests that enterprises should establish the multi-channel distribution system, improve the channel policy and build marketing information platform strategy to optimize the distribution channel. Li (2007) summarizes the factors to choose marketing pharmaceutical marketing channel mode, holding that China's pharmaceutical enterprises should focus on research and innovation, improve the development quality of professional practitioners, conduct medical logistics and the active channels innovation so as to improve medicine marketing channel in China. Chen (2010) holds that the government should establish development environment of the fair, standard and efficient drugs marketing channel and formulates the corresponding development strategy in the context of medical and health system reform. The pharmaceutical production enterprises should take advantage of chance and condition to improve the core competitiveness and adopt the corresponding strategies to improve the development of marketing channels.

To sum up, more researches focus on enterprises' marketing strategy research at home and abroad ignoring the industry's difference. But there is little research in the field of petrochemical products marketing strategy in terms of the systematic, deep and concrete degrees.

Being the agent company in Shanghai, Shanghai Point Company is based on the petrochemical plastics. The company has a higher market status owing to the agent of the plastic raw materials among consumers. The company establishes long-term stable cooperation relations with a number of retailers and agents. The company's sales process is related to the manufacturers, agents, second agents, third agents, retailers and consumers. Based on the marketing strength, heavy credit, abiding by contract and product quality guarantee,

the company wins the customers' trust through varieties of management features and small profits and quick turnover principle.

## ANALYSIS OF AGENTS MARKETING MANAGEMENT PROBLEMS

**Little competitive advantages:** Many interviews show that enterprises cannot satisfy customers' demands and fulfill their goals until they find their agent competitive advantages. Shanghai Point Company doesn't know its marketing purposes and competitors in the market, so that it cannot clearly recognize their advantages, such as distribution ability advantages, industry advantages, service advantages and location advantages.

**Poor financing:** First of all, the financing channel is narrow. The financing channel of Shanghai Point Company is the traditional financing loans. Banks do not give loans to the company because there is no mortgage which has limited company's funding to some extent. Secondly, financing cost is huge. Shanghai Point Company's lending rate is at 6~9%, the loan term is 12 months or less and the total loan amount is not more than 6 million Yuan. Because there are the short loan period, the relatively low loan amount as well as higher loan costs, the company cannot develop projects with the long return period and the high returns. Third, the direct financing is difficult. Shanghai Point Company is engaged in plastics sales and its annual sales are 100 million Yuan to 200 million Yuan. But its profit margins are at 1-2% (Table 1). In China, most listed SMEs are relatively large size, technology or product is mature, management is normative, economic benefit is well and there is good development prospects. In fact these enterprises are called high-tech ones. According to Table 1, it is difficult for the company to achieve the listing standards and requirements.

Fourth, indirect financing is difficult. Point Company is so small scale and insufficient funds that there is weak market risk ability (Table 2). Because the company has no fixed assets to make mortgage, it is difficult for the

Table 1: Shanghai Point Company sales and profits in recent 5 years (Unit: Yuan)

	2008	2009	2010	2011	2012
Sales	1.11	1.22	1.33	1.28	1.36
Profits	0.012	0.011	0.016	0.013	0.018

Table 2: Shanghai point company funds ratio

Funds type	Ratio
Corporate offices mortgage	27%
Major shareholder contribution	50%
Various categories of pledged property	23%



Table 3: Profit structure (unit: Yuan)

	2008	2009	2010	2011	2012
The total profits from Shanghai Petrochemical plastics	1061226.13	959337.31	1413437.63	1236182.37	1469982.86
Profits per ton from Shanghai Petrochemical plastics	106.12	95.93	128.49	112.29	120.83
The total profits from other agents	138775.11	140662.50	86575.53	65817.7	50017.5
Profits per ton from other agents	65.16	60.53	71.66	51.22	51.33

company to obtain funds via the mortgage. Owing to lacking enough credit rating of third party companies, the company cannot seek huge loans from banks when it needs a great deal of money in the process of trading with other business partners.

Therefore, in the absence of the financing guarantee system, it is difficult to obtain bank loans. Even if the company has access to the bank loans, the risk is too high and the financing cost is high which will inevitably lead to high operating costs in the agent marketing company.

**Wrong marketing ideas:** Shanghai Point Company's marketing staffs only want to finish selling plastics from Shanghai Petrochemical Company. They do not want to buy plastics from other channels for more sales volume. Therefore, Shanghai Point company's sales have been affected by Shanghai Petrochemical based on the contract amount limits. According to statistics in Point Company, the number of plastics purchased from Shanghai Petrochemical have accounted for almost 80% to 90% of the total amounts and other company's amounts are no more than 10% (Fig. 1). Salesmen do not understand other types of plastics and are unwilling to go to buy plastics from other traders.

In addition, the marketing staffs buy and sell plastics products in Shanghai Petrochemical and its profits is much more than other agents (Table 3). So the marketing personnel is unwilling to sell non-Shanghai petrochemical products due to little profits which makes the company's sales and profits decreasing more and more .

**Few outstanding marketing staffs:** At present, marketing personnel are older in Point Company and employees under 35 account for only 20%. Furthermore, there are poorly educated marketers. The main reasons are as follows.

First of all, the company is placed in small scale. In Point Company sales, personnel and the influence are less than the big enterprises which makes the company difficult to attract a large amount of talents.

Secondly, the company has little money. Point Company funds mainly come from business owners' savings or friends and relatives loans which makes the company unable to attract talents in the high salaries.

Once again, the company has the poor stability. The stability shows more influence in Point Company compared with the large company regardless of the

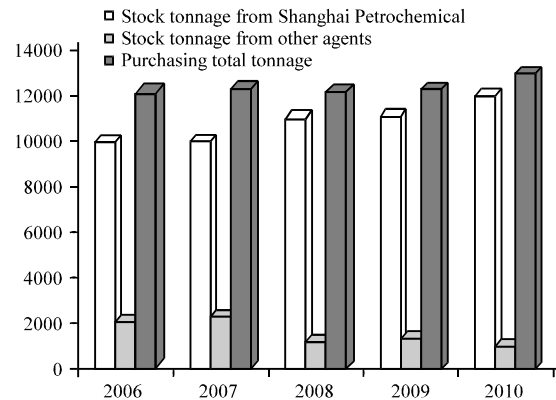


Fig. 1 Purchasing tonnage

external or internal environment changes. Therefore, in Point company brain drain risk is more than large enterprises.

Finally, there is bad region. In Point Company personnel show the obvious regional characteristics, so as to form the exclusive business atmosphere which makes the company unable to attract new talents. The company's office location is near to Jiaying City, so that the company development is relatively slow. Compared with enterprises in Shanghai downtown, it is difficult to attract high-end trade marketing personnel in Point Company.

**Huge marketing risks:** If Shanghai Petrochemical makes the plastic price with the listing price of 10000 Yuan per ton, the agent can buy or sell the plastic according to the amounts and the fixed price in their contract. Shanghai Petrochemical will conduct the real price of the plastic on the basis of production cost at the end of this month. The real price is higher or lower than the listing price. In this price mode, Shanghai Petrochemical can avoid risks because the oil price volatility makes production cost unstable. But the unstable price also makes the company's cost ups and downs which makes the agent operate trades difficultly. If the agent sells plastic with the low price, the loss may appear when both sides make settlement at the end of each month.

In addition, if Point Company must conduct the completion of contract amount, it must have the sufficient financial strength and strong distribution capabilities. In the bad economic situation, the plastic cannot often sell



out which will lead to the contract reduction. In the good economic situation, the agent often has no materials to provide for the second agent or distributors. So the insufficient money or poor distribution can also lead to agent's losses and bankrupt.

### **AGENT-RELATED MARKETING MANAGEMENT STRATEGY**

**Clear competitive advantages:** Point Company should choose the competitive advantages. The company can select the advantage factors and cultivate them according to the development objective and characteristics, so that the company can be ahead of its competitors in the plastic industry. Since Point Company is not better than competitors in all aspects in the current period, it should choose the most powerful elements to become its own competitive advantages. Two principles should be implemented in the company. On the one hand there should be no too much advantages. On the other hand the short-term advantages and long-term advantages should maintain the coordinated arrangement according to the company's schedules or strategy.

**Enhancing financing capacity:** First, Point Company should improve credit level. The company can make use of the previous good credit records to win the better trust and seek more loans from different banks. The company can find large enterprises to make the guarantee based on the good friendship or cooperation which can also increase banks' trust.

Second, Point Company should seize the opportunity of financing. The good financing chance can make the company pay a minimum price to meet their financing needs and make the financing marginal benefit maximized. Applying for loans from banks, the company should provide banks with the comprehensive and complete information as soon as possible. Once the company wins the opportunity to have loans from banks, financing should be used in trades or marketing activities.

**Improving marketing team building:** It is necessary to develop and retain the sales personnel in terms of marketing performance. Firstly, the company should improve sales service technology level and professional level so as to provide customers with high quality and satisfactory service, or help customers to solve technical problems. Secondly, the company should conduct human resource development investment. The company should pay attention to long-term interests and explore the

potential at the same time. In this way, the company not only has a good incentive effect, but also retains high-end marketing staffs.

**Strengthening human resources management:** Firstly, Point Company should regulate and perfect job qualification requirements, the capacity and performance oriented distribution principle, fair and objective performance appraisal standards as well as the promotion regulation of fair competition, so as to improve the staffs' enthusiasm and ensure the training quality. Secondly, Point Company should help employees conduct individual occupation development plan, formulate personnel replacement model, show the direction for the employees and actively reserve talents, in order to adapt to the changing external environment and enhance the core competitiveness of the company. Based on a person or group's behavior, work attitude and work performance, overall comprehensive quality assessment, analysis and evaluation, the company should improve the scientific performance management and fully mobilize the staffs' enthusiasm, initiative and creativity. Thirdly, Point Company should continuously focus on staff and organization behavior, improve the quality of staff and organization and dig staffs' potential and perfect organizational atmosphere.

### **CONCLUSION**

Based on the great deal of statistics data and interviews, numerous problems can be seen in Shanghai Point Company. The corresponding countermeasures have been given in order to improve the core competency in Shanghai Point Company, including human resources management, customer relationship management, financing management, public relationship management, brand management and financial management. Furthermore, the research results can provide the new ideas and theories to optimize the relationship among marketers, agents, manufacturers as well as distributors.

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