

Promotion through Marketing Channels – The Case of Kosovo

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Abstract

In order for a product to be put in the hands of the customer, requires a mechanism which is called distribution channel and which enables the connection between the consumer and producer. One of the many strategies applied by Kosovar companies for the involvement of the members of the channel is also the promotion through distribution channels. Therefore, the strategies which involve the members of the channel have a higher probability to be positively accepted by the members of the channel, when they are part of a general program of supporting the needs of the producers. The process of realizing a marketing strategy of a company does not consist only of achieving specific goals of production during the realization of the promotion phase, but it also requires identifying the target market and achieving it. The purpose of this paper is to review the promotion strategy of distribution channels, which emphasize the support by the members of the channel, initiated by the producers through cooperative advertisements, promotional salaries, slotting taxes, incentives, promotions in markets and also special promotional agreements. The theoretical and practical side of the study are very important, especially regarding to new theoretical and practical views in the study context. Besides the theoretical contribution that will be offered by this paper, there will also

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be interesting findings in the practical aspect where through this paper, the owners, managers, firms will be able to understand the role and importance of promotion through distribution channels. Knowing that there are only few studies offered in this field, this paper offers help for everyone interested in this field. This paper contains empirical data collected by questionnaires and interviews.

Key Words: cooperative advertisements; promotional salaries; Slotting taxes; promotions in markets

1. Promotional strategies and the cooperation with the members of the channel

Every product has the need to identify and achieve the targeted market, and the methods to achieve it are: advertisements, personal sales, promotion of sales, publicity, and connection with the public (Sunday and Bayode. O. 2011, p. 344). Berkowitz, et al. (1997) define promotion as a communication tool between the seller and the buyer. During the communication with the customers, a company can use one or more promotional alternatives such as personal sales, ads, sales promotion and relations with public. Fische (1996) emphasized three of these elements, which include advertisements, promotion of sales and relations with public, direct sales, telephone and interactive electronic communication (Onditi 2012, p. 298). Promotional strategies emphasize the pushing approach initiated by the producer, but that require support of the members of the channel. Most of it can be put in these categories: 1) cooperative advertisements, 2) promotional sales, 3) slotting taxes, 4) promotions in markets, 5) competition and incentives and 6) special promotional agreements and the Merchandising campaign (Bert 2013, p. 344).

1.1. Cooperative advertisements

One of the most widespread forms of promotional assistance offered by the producer to channel members is the one of cooperative advertisements. Among the most common ones is the separation of expenses on a 50-50 base until a percentage of the purchases of seller, by the producer (Bert 2013, p. 344). Cooperative advertisements are widely used in practice as a strategy to improve the performance of a distribution channel. There are

existing models of cooperative advertisements known, which make the coordination of channels, thus they maximize the general profit in the channel. When the profits of producers and retail sellers are positively connected, the maximization of profit of the producer is equal with the maximization of the profit of the channel, which later leads in the coordination with the channel (Yang et al., 2012, p. 2-12). Cooperative advertisement has become a practice that a producer pays to the seller, a part of the costs from local advertisement in order to promote sales. Cooperative ads play an important role in the marketing programs of the members of the channel. However, most of the studies until today in cooperative ads have supposed that the request of the market is impacted only by the costs of ads, but not by the price of retail sales. The coordination between independent enterprises regarding the supply chain has gained a lot of attention lately. With the coordination of the members of the channel they set their decision-making variables independently in order to maximize their (Jinxing and Jerry 2009, p.785). Cooperative ads can be a coordinating mechanism in a channel. The purpose of advertisements is to build the good will of the customer while the promotions of trade which take the form of a program of cooperative ads, aim to promote the products for the final customer. The cooperation program of advertisements is applicable only in some conditions regarding to the initial level of having a good name of the brand and the effect of promotion in the evolution of good will. In reality, when the members of the channel will accept the program of cooperative ads, the initial level is a level of a lower image of the brand, but the detrimental impact of promotions is low. When the initial level of the name of the brand is high, or when the negative effect of promotions is high, the members of the channel are not interested by the program of cooperative ads and for the seller it is better to act jointly (Taboubi, 2003, p. 1-2).

1.2. Promotional sales

The most typical strategies used for promotional sales is to offer the members of the channel a direct payment in cash or a certain percentage from purchases of special products.

The producers initiate trade agreements for many reasons. The reasons include:

- competitive motivations of brands in the market,
- the desire to undergo the inventory underneath the channel and

- the need to encourage the sellers to lower their prices for the customers.

The sensitivity of promoting trade may be encouraged by a number of short-term objectives regarding the brand, conscience or judgment (Bell and Drèze, 2003, P.2). Multiple channels often have contradictory requests in the internal sources of the company, such as capital, personnel, products and technology. Besides this, the contradictory objectives of channels can lead to internal conflicts about customers, which results in the confusion of customers and dissatisfaction. For example, the strength of the company, the distributing group, telemarketing and internet distributing channels may have conflict about interest issues regarding the distribution of the budget, profit, goals of the company, prices and time (Kevin, 2002, p. 97)

1.3. Slotting taxes - the definition of the term

The management of marketing channels refers to the process of analysis, planning, organization and control of a company. Thus, as it has been discussed in many texts, the management of distribution channels includes: formulation of the strategy in the channel, design of marketing channels, selection of channel members, the motivation of channel members, the coordination of the strategy with channel members, evaluating the performance of channel members and the management of conflict (Mehtaa and Dubinskyb andAndersonc R. 2001, p.430). The decisions for selecting distribution channels include many interconnected variables that have to be integrated in the strategies of mixed marketing. Based on this, the selection of channels can be further set in the aspect of covering the distribution, the scale of the desired control, total cost of distribution and the flexibility of the channel (Donnelly 2001, p. 166-171). Slotting tariffs or slotting help: payment (in cash or products) from the producers to convince the members of the channel, especially the sellers of stocks the support of new products. From the channel's manager point of view, slotting tariffs have to be seen as a reality. The manager of the channel has to try to work with the sellers to discover the similar fields such as slotting agreements, a tariff which helps us win more and lose less in such situations (Bert, 2013, p.344-353).

1.4. Promotions in markets

Most of the promotions in markets are short-term events projected to create a higher interest for the products and producers. The competitions and incentives that are sponsored by the producers to promote the sales of channel members for their products are another popular form of promoting channels (Bert, 2013, p.344). The process of realizing a marketing strategy of a company does not consist only in achieving specific goals of production, but also a communication with the benefiter during the realization of the promotion phase. Its continuous and very important factor is to offer the finished products for the customers. An essential condition to achieve the set goals in trade is for the finished product to fulfill the customer's needs, especially to have a suitable form and to be delivered in the right time and place. To stay in accordance with this request means to take measures and implement the inclusive elements in the mixed marketing, which is the distribution of goods as one of the processes of the market, which includes all the decisions and actions regarding the communication of the producer with the final customers, by creating important distribution channels (Szopa and Pękała, 2012, p.143). One of the main disadvantages of selling products through the seller is the high number of other competitive products in the same place for the customers to see and compare. This is the reason why companies always try to take their products in sales, to engage in promotional sales and advertisements. (Hooley et al.2008 361). Sales start to increase fast when the product is in its growing phase and the company is more profitable in the stage of maturity. When the product is still in its initial phase, the companies usually experience a financial deficit and loss of profits, because the product is not yet known in the market, which means that the company has to invest more in promotion and advertisement in order to gain their customers (Jobber, 2003 16-17).

1.5. Special promotional agreements

Special promotional agreements are a special category. They include a variety of agreements of the "push" type, promotions such as discounts for the members of the channel, in order to encourage them to order more products, favorable offers for the customers to encourage larger purchases, to create values and premium (Bert, 2013, p.344-353). There is a convex relation between the coverage of distribution and market for the packed goods of consume (Reibstein and Farris, 1995). Intensive distribution tends to increase the sales, the more sources the more chances there are for

consume. However, this approach means a more elaborated operation of marketing in a producing level (Osman and Westgerd, 2008, p. 6). The right selection of the intensity of distribution depends on the target and position in the strategies of direction, product and characteristic of the market by identifying the feasible distribution and the selection of the most appropriate alternatives (Road, 2007,p. 211). Promotion has become an essential tool for marketing and its importance has increased considerably in the past years. One of the purposes of sales is the promotion to get a direct impact in the buying behavior by the customers. The companies have to review their relations with customers. Therefore promotion is one of the main factors of mixed marketing and has a key role in the success of the market. The promotion has been used to ensure that the customers are aware for the products offered by the company (Ansari and Hamdard, 2011, p. 1-3).

2. Methodology

Paper contains empirical data that are collected through questionnaires and interviews, and secondary data based on a review of existing literature. The research was realized with the owners, directors, managers and other company holders in Kosovo. The methods that were used in this paper were quantitative and qualitative methods. The sample is intentional (not probable).

3. Research results

The interest of interviewed companies is to achieve the targeted market and create direct communications with customers.

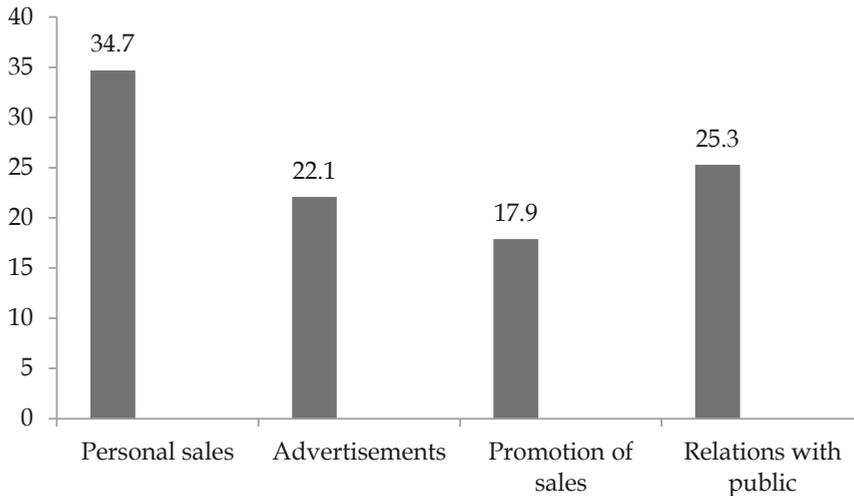
Table 1: Communication with customers by using promotional alternatives

Communication with customers by using promotional alternatives	%
Personal sales	34.7%
Advertisements	22.1%
Promotion of sales	17.9%
Relations with public	25.3%

Source: Author's own calculations based on the research results

In the given table it can be seen that the companies communicate with customers by using personal sales, advertisements, promotion of sales, relations with public.

Chart 1: Communication with customers by using promotional alternatives (%)



Source: Author's own calculations based on the research results

3.1. Initiation of promotional strategies by the producers with the support of the channel members

The producers initiate promotional strategies but that requires the support of channel members through these forms: cooperative advertisements, promotional sales, promotions in markets, special promotional agreements, slotting taxes.

Table 2: Initiation of promotional strategies by the producers with the support of the channel members

Initiation of promotional strategies by the producers with the support of the channel members	%
Cooperative advertisements	26.7%
Promotional sales	17.5%
Promotions in markets	25.9%
Special promotional agreements	29.1%
Slotting taxes	0,8%

Source: Author's own calculations based on the research results

Based on the declarations of the respondents, we can see that the initiation of promotional strategies by the producers with the support of channel members mostly realize it through special promotional agreements with 29.1%, cooperative advertisements with 26.7%, promotions in markets with 25.9%, promotional sales with 17.5%, and in a smaller percentage by slotting taxes with 0.8%.

Chart 2: Initiation of promotional strategies by the producers with the support of the channel members (%)



Source: Author's own calculations based on the research results

Kosovar companies, as a strategy to improve the performance of distribution channels and to increase their communication with customers use cooperative advertisements.

3.2. The use of cooperative advertisements.

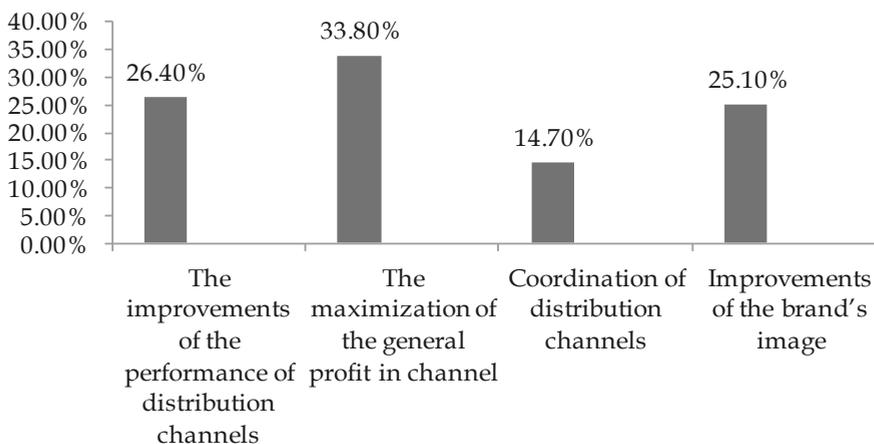
Table 3: The use of cooperative advertisements

The use of cooperative advertisements	%
The improvements of the performance of distribution channels	26.4%
The maximization of the general profit in channel	33.8%
Coordination of distribution channels	14.7%
Improvements of the brand's image	25.1%

Source: Author's own calculations based on the research results

The models that are applied by Kosovar companies of cooperative advertisements forms, aim to: maximize the general profit in channel with 33.8%, improve the performance of distribution channels with 26.4%, improving the brand's image with 25.1% and coordination of distribution channels with 14.7%.

Chart 3: The use of cooperative advertisements (%)



Source: Author's own calculations based on the research results

3.3. Application of promotional sales

One of the promotional forms used by Kosovar companies is also promotional sales, in building the brand, the awareness of channel members and satisfying the customers.

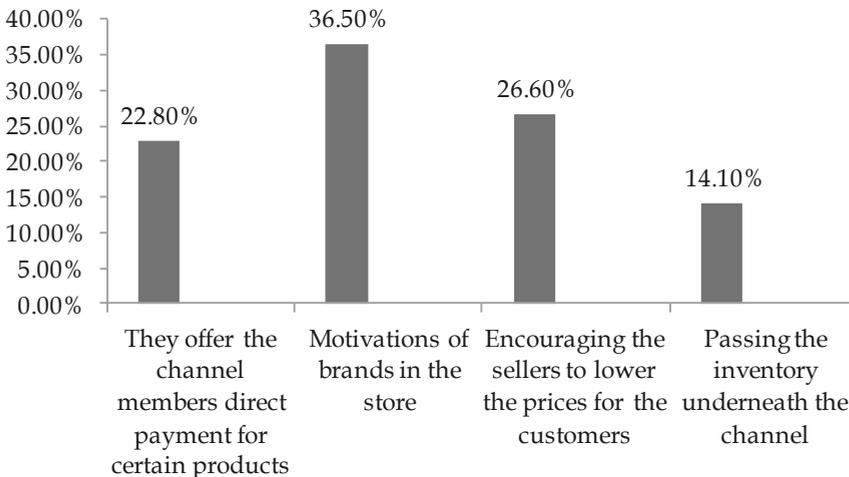
Table 4: Application of promotional sales

Application of promotional sales	%
They offer the channel members direct payment for certain products	22.8%
Motivations of brands in the store	36.5%
Encouraging the sellers to lower the prices for the customers	26.6%
Passing the inventory underneath the channel	14.1%

Source: Author's own calculations based on the research results

In table 4 we can see that Kosovar companies apply promotional sales for these purposes: for the motivation of brands in the store 36.5%, encouraging the sellers to lower the prices for customers 26.6%, offering direct payment for certain products for of distribution channel members 22.8% and passing the inventory underneath the channel 14.1%.

Chart 4: Application of promotional sales (%)



Source: Author's own calculations based on the research results

3.4. Promotions in markets

One of the purposes of the interviewed Kosovar companies are also promotions in markets as a long-term strategy projected to increase the interest about the producer's products.

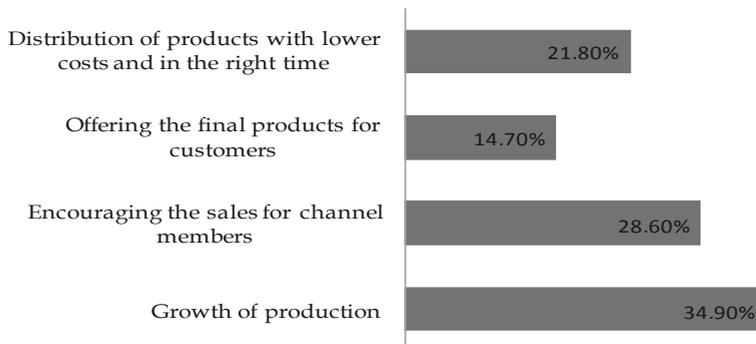
Table 5: Promotions in markets

Promotions in markets	%
Growth of production	34.9%
Encouraging the sales for channel members	28.6%
Offering the final products for customers	14.7%
Distribution of products with lower costs and in the right time	21.8%

Source: Author's own calculations based on the research results

In table 5 we can see that promotions in stores, as a form of distribution channels promotions, are realized in order to achieve these objectives: 34.9% growth of production, 28.6% encouraging the sales for channel members, 21.8% distribution of products with lower costs and in the right time, and 14.7% offering the final products for customers.

Chart 5: Promotions in markets (%)



Source: Authors own calculations based on the research results

4. Conclusions

The key role of distribution is satisfying the customers, which includes the minimization of time, the place of services and the increase of profits for the company. Advertisements aim to build the good will of customers, while the promotions of trade, which take the form of a program of cooperative ads, aim to encourage the products of final consume. Kosovar companies have to formulate the objectives of their distribution channels in terms of targeted levels of services in the interest of the customers, to achieve the targeted market and create direct communications with the customers. Thus, an essential condition to achieve these goals is for the product to fulfill the customer's needs and for it to be delivered in the right time and place. To achieve this goal we have to apply promotion forms and promotional strategies such as cooperative advertisements, promotional sales, promotions in markets, special promotional agreements which are goods' segments in achieving those objectives. The use of these promotional advertisements in channel, in formulating the company's strategy has brought better alternatives for modeling and managing distribution channels in achieving the targeted market by Kosovar companies.

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