

Channel management tools of flavored beer in the Hungarian supply chains

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ABSTRACT

In recent years there are changes in the Hungarian FMCG market because of the crisis and the changeable demand. Although the FMCG sector is one of the most safety sectors because these products are primarily necessities for people.

There are some new products in this field, we have chosen one, called Radler – these are the flavored beer. It is not easy to manage the products in the supply chains because these are not primary importance in consumption.

We would like to get to know the different channel strategies and tools using in practice. In our research we used quantitative and qualitative methodologies. We focused on one of the biggest companies and would like to analyze a good practice.

Key words: channel management, Hungary, flavored beer, promotion

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INTRODUCTION

In Hungary there is a wide range of radlers despite of the young age of the flavored beer. We would like to analyze this process, the management of distribution and tools of channel management. We focus on a market leader company and a law called Chips-tax which effects on radlers' marketshare, price or reputation.

In the research we examine two directions: the effects of distribution channels in the product launching and the importance of the various sales incentives.

MATERIALS AND METHODS

We analyzed the macro datum of the markets to explain the importance and actuality of this research project.

In our research we used an online questionnaire filled by the area managers of Heineken Hungária PLC. The answers are given by 95 % of these managers. The data are analyzed by SPSS software.

Additionally it was necessary to have an expert opinion from the decision maker of the company.

1. LITERATURE OVERVIEW

In this little overview we would like to highlight the most important details of sales management and sales promotion can be used in the practice.

1.1. ABOUT SALES MANAGEMENT

Trading is a puffer to able to manage the products from manufacturers to consumers by different ways and supply chains. Producing, wholesaling and retailing are in close connection because these activities relate the businesses to consumers. In these processes, the supply chain management is really important for example sales management. Further trading means companies whose principal activity are the management of the flow of goods. [8]

The main steps of the planning these sales channels are determining the sales path length and width, choosing the type of the merchants, using different forms of cooperations between enterprises and finally determining the marketing strategy.

The first step means making decisions about the number of levels of supplying from the manufacturer to the consumers. In particular, the levels are producers, wholesalers, retailers and end-users but there can be others with similar functions e.g. distributors, or co-producers. [3]

The classic way of supply chain consist of producers, wholesalers and retailers and consumers. The way of transit route is the same but wholesalers are not in the process. The way is typical in the case of perishable goods, special handling products. The 'artificial' sale means the completely dropping out of wholesaler function, such as the producer and the retailer share the wholesaler's margin. This method is used for fresh products and short term shelf products. The third is the demigros way when the wholesaler sells the product also for the end consumer, typically used different customers by different prices. [8]

The channel depth means a number of intermediary levels coupled with the sales process. In terms of depth the three different distribution methods are intensive, selective and exclusive sales.

The essence of the intensive strategy is to attract more sales on more and more places. In general, lower-priced products used in this category, the speed of rotation is high, it is more difficult to achieve high profits, we focus on the quantity of the product sold, such a mass-product, food, beverages, chocolates. The advantages are the increased sales, more reputation and opportunities for impulse buying. The disadvantage is that you lose the opportunity to control sales because of the huge numbers.

In the selective form the companies are controlled and less than in other cases. Usually the products are durable, so their quality is relatively higher price fall and the slower rotational speed of the goods. Included electrical home appliances, perfumes and cosmetic products.

The exclusive sales are for expensive, high-quality and unique custom products, for example jewelry, clothes, cars. The number of stores is limited. The profit on these products is high, however, the rotational speed is low. [1]

1.2. ABOUT SALES PROMOTION

The Sales Promotion is the sum of marketing activities that stimulate consumer purchases and dealer effectiveness, but shall not include personal selling, advertising and public relations concept. [5]

The companies can encourage consumers with product samples used in the introduction to try the new product. It is one of the most expensive and the most effective promotional tools.

Another important theme is outside of the store POP, Point of Purchase and in-store sale POS, Point of Sales incentives, PSA, Point of Sale Advertising. Sales promotion is all the commercials, which fall outside of the store and in the store inform the consumer about opportunities of goods or services.

2. CHANNEL MANAGEMENT TOOLS OF FLAVORED BEER IN THE HUNGARIAN SUPPLY CHAINS

First of all we would like to highlight the most important figures of strategy by the qualitative research method.

In practice most of the companies realized that the prices are the most important characters in consumers' decision, so it is necessary to promote radlers with price promotions. Because of the global crisis it is mainly true. In addition, the company uses ATL and BTL tools, mass media to be known by most of the target group and as BTL tools there is a variety of events, sponsorships, for example Heineken Balaton Sound.

On the other hand the motivation of retailers and promotion for each supply chain member is needed. The most effective methods are in close connection with prices. One of the most important tools is progressive bonus. It is paid to retailers and wholesalers as a bonus, because the more they sell the more bonus they get. The bonus is a cash refund. Suppose, if a retailer sells 100 units of goods, it can get 1% cash rebate after that. However, if it sells 110 units of goods, it gets back 1.1% of the price, thereby the manufacturer motivates dealers to achieve higher sales volume.

The questionnaire was filled by the area managers of the market leader Heineken PLC. The aim was to realize the role of radlers, the opportunities in the future. In the half of the respondents' opinion the role of radlers would be significant and in one-third of their opinion it would be very significant. So we can conclude that a large flavored beer market is important in the present and the future of the market.

The channel management tools have been examined by the different types of store size and the ability to pay for the estimated volumes:

- *consumption and ability to pay for it* - in the channels using two main types of shops: hypermarkets and supermarkets. In the third and fourth places there are discount stores and small stores (usually included national chains), but we also have to mention the small independent stores, because they can play a moderate role in the sale of flavored beer because of their numbers.
- *the amount of the expected sales volume* – the bigger hypermarkets and supermarkets give the biggest share of sales volume.

In the managers' opinion the role of various factors is different in introduction flavored beer (*seen the next table*).

Table 1: Rank of channel management tools by data of questionnaire

Rank of used tools	
1.	Solvent demand
2.	Sesonality
3.	Consuming habits
4.	Positioning prices
5.	Type and characters of retail chain
6.	Type of store
7.	Situation of stores

The demand and consuming habits are really important factors in this market, furthermore the seasonality is one of the unique of the topic (these products can be sold mostly in spring and summer).

Supply chains of retailers, wholesalers and catering also have a role in the beer and flavored beer market. From the data it is clear that retailing (FMCG sector) is the most significant for radlers, but catering trade is less significant.

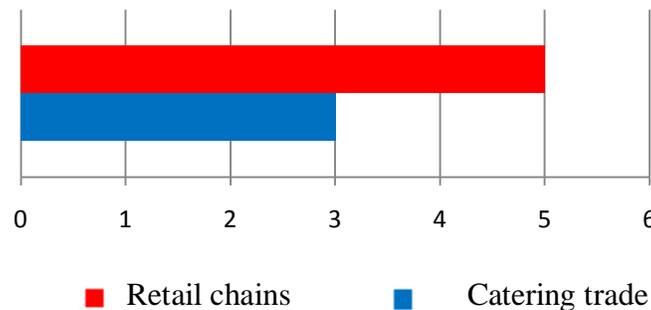


Fig 1: Using different distribution channels by data from the questionnaire

In our research, we also tried to find which are the best tools to encourage traders to pick up the new product offering. The following sales support instruments were examined: price action / introductory price, extra bonus / rebates, consumer promotion / value-added promotions, advertising support, rebate / free of charge.

The managers deem the price action and introductory price as the most effective marketing tools. Then, the consumer promotion and added value promotion should be associated with them and supporting products with advertising. Such as whether a combination of three factors achieved a successful product introduction to the dealer promotions.

The regional representatives were asked to consider the following characters how important in the introduction of a new flavored beer. The table shows that the three main factors are the distribution and the introductory price and the tasting.



Fig 2: Important factors of channel management tools by data of questionnaire

Introductory price and tastings will be provided to advertise for the target of young people. So the young people have an important role in the sales of flavored beer. In addition, the intensive promotion and the attached presents also can increase the sales. Last but not least it is important to motivate the area managers.



Fig 3: Important factors of channel management tools by data of questionnaire

While launching products it is necessary to use effective marketing strategies. There are more ways to target the consumers.

Consumers are reached by choosing the right marketing strategy, which is represented by the optimal combination of push and pull strategies. According to the answers the best methods are encouraging traders, such as the price and the price actions.

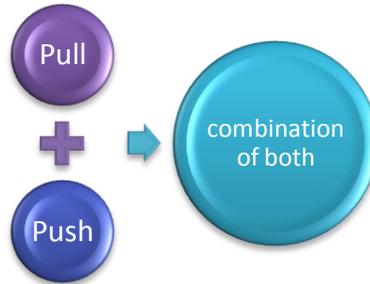


Fig 4: The best way of management tools by data of questionnaire

In addition to the marketing strategies you need to look at the various promotional tools. In our research we examine the effectiveness of advertising media and POS devices. First of all we analyzed the in-store POS devices.

The research focused on the different tools:

- price indicators,
- posters,
- POS materials lighted with LED,
- displays,
- coolers,
- shelf barkers,
- shelf strips,
- floor decals,
- woblers.

According to the answers the role of refrigerators is the most significant. The other important tools are POS materials lighted with LED, high quality plastic posters embossing printed, displays and floor graphics. The less important ones are price tags, shelf stopper, simple posters and woblers. The researchers found that the shopping cart advertisements should not be used in this product group.

As the managers answered using mass media has a greater impact on consumers than the in-store tools but it is necessary to use both of them.

In Hungary there is a special law to use a tax on the products above a certain sugar content, called Chips-tax. The consumer price is higher because of the plus fee, so it can not be as competitive as others with healthier ingredients.

In the case of Heineken radlers there are only a few of these products that are affected by this tax. The questionnaire revealed that the tax gave only a slight negative influence on the sale of flavored beer.

The markets were not prepared for Radler appearance, that is why there is a negative impact on some areas e.g. beer, cola. By the answers of managers the market of carbonated soft drinks has affected mostly. But the radlers are competitive with fruit juices, energy drinks, ice tea and mineral water market segments.

The flavored beer targeted at people between 22-26 year old and the marketing strategy prefers women consumers.

CONCLUSION

Overall, the introduction of new flavored beer is used by distributing first time to hypermarkets and supermarkets. So the hypermarkets are possible to reach the most customers in the shortest time. However the company's data revealed that the best market share can be found in supermarkets.

The survey also confirms that the hyper- and supermarkets are keys in the demand and the size of the expected volume.

The two marketing strategies -push and pull- are used optimally, that it means it is important to pique the interest of consumers and dealers should be encouraged to buy.

It is necessary to organize tasting in the busiest retail units and using the in-store marketing tools. The application of introductory price is useful for the price-conscious consumers. The advertising campaign, its main objective to keep it as quickly as possible to achieve high customer segments. Their main targets are young people, students and college students, because the long-term result of flavored beer is beer could be liked by these consumers.

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