

# **Strategic Marketing Management**

## **Lecture 10 – Distribution Strategy and Sales Management**

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## Lecture Learning Objectives:

At the end of the lecture, you will be able to:

1. Discuss the significance of marketing intermediaries in the strategic placement strategies of an organization.
2. Write analysis on the classification of marketing intermediaries and the specific functions they are performing; and
3. Justify the importance of providing good Sales Performance Compensation Package for a group of sales representatives to promote productivity and quality performance.
4. Discuss how to select and manage channels of distribution
5. Explain the major arteries in the distribution system: wholesaling and retailing
6. Explain the rationale of sales management

**Distribution strategy** is a strategy connecting to the rest of the elements of the marketing mix. It is a comprehensive system of the company where they ensure that their products are strategically positioned near the target market any time and all the time. This principle of product availability may be associated to the well-known adage which says, "Absence make the heart grow fonder". The same goes with shoppers inside a retail outlet who have found out that the brand he or she needs at the very moment is not available at the time of purchase, and the most convenient and immediate solution is to look for a substitute. This lecture covers discussion pertaining to the significance of marketing intermediaries in fulfilling the objectives of the organization, their classifications and functions. This lecture also includes discussion on how channels of distribution is formed and used by the organization in the execution of their distribution strategy as well as the method of selecting and managing channels of distribution including the major arteries in the distribution system such as wholesaling and retailing.

What made this lecture distinct is the combination of sales management to the concept of distribution strategy. As **sales management** concerns in the development of individual who will make up the sales force, that is part in the achievement of the organization's sales and profit objectives. The nature of **distribution strategy** that is to bring products in places where consumers could avail them time and all the time is the same as the nature of sales management. **Organizations** develop their sales team in order that they could help in the placements and sales of the company's products to target buyers. In doing so, both distribution strategy and sales management strategy realize the grand objective of organizations that is to earn profit. In the succeeding pages of this lecture, discussions on the type of salespeople, the sales management task, controlling the sales force, motivating and compensating performance.

### Significance of Marketing Intermediaries

Setting up an efficient channel that will link various intermediaries or institution that will work together in moving products to their strategic selling places, is critical to the success of a company. It is imperative that **producers or manufacturers** are able to develop and manage a strong and reliable network of product distributors which will ensure that the ultimate consumer or organizational buyer will enjoy maximum benefit of the time, place and possession utility that every intermediary offers.

Other than the essential role **intermediaries** play in serving their buyers, they also offer huge advantage at the producers' end, without the intermediaries that will collect and disperse assortments of goods directly to intended buyers at a minimum total cost, the system would be in total inefficiency notwithstanding the tremendous costs the producers will incur after becoming a producer and a distributor in one.

Just imagine the convenience and time-and-effort-saving that producer will enjoy when they have a pool of reliable external distributors. **Let us take for instance** a tomato farmer who harvested a large crop of tomatoes. The farmer has, by all means, to sell his produce to an individual who is interested in buying all the crops, but, with the bargaining or negotiating power of that one buyer, the tomato farmer will be forced to sell the crop at a lower price. Let us assume this time that the tomato farmer has become clever in his next harvest and decided to sell and divide his produce to at least three or *more* buyers, how do you think it will change the scenario resulting to a much-increased bargaining power of the farmer over his three buyers? Yes, the farmer could now negotiate a much higher price for his tomatoes, and this set up will already free him in the burden of selling his crops while leaving his farm unattended for quite a time.

From the given example, indeed farmers, producers or manufacturers will benefit more through intermediaries by maximizing the use of their limited internal resources as well as in maximizing profits in the light of their pre-determined company goals and objectives.

### **Classification of Marketing Intermediaries and their Functions**

Given the discussions above, on the importance of marketing intermediaries or what the industry also referred them as "**middlemen**", other than taking a slice of a pie in the streamlining the whole business process, the convenience and product utility they offer to both manufacturers and customers, is something that is beyond question. Broadly speaking, there are **two classes of middlemen** that both assist in the transfer of title of goods from the **producer or manufacturer** to the buyer though they differ on the manner whether transfer is done directly or indirectly.

The **first class of middleman** is termed as **functional middlemen or functional wholesalers**, as other authors called them. **Functional middlemen** are among the significant partners of the manufacturers whom in their capacity as manufacturers could not afford to establish or maintain their own selling team, functional middlemen, though not taking title to the goods they are physically carrying, they assist in the transfer of the goods' title to the marketing middlemen, not the ultimate buyer, in most instances.

The following are **common types of functional middlemen**:

1. **Agents.** They are middlemen, who may serve manufacturers on a permanent basis, in the negotiation and sales of products they physically possessed though not taking ownership in any of them. **Agents** earn commission from the services they have rendered to the manufacturers.
2. **Brokers.** In some field, brokers and agents can be used interchangeably or are synonymous with each other. But as **agents** served manufacturers on a permanent basis, brokers do not. They serve as a go-between for the buyer and seller and assume no title risks, do not usually have physical custody of products, and is not looked upon as a permanent representative of either the buyer or the seller.

3. **Commission Merchant.** This type is one that has the facilities for receiving, handling and even warehousing for commodities in which they handle. Though commodities were entrusted to their care by the manufacturers, they did not buy or pay any for these commodities, they just earn commission when the goods are sold.

The **second class of middlemen** is termed as **marketing or merchant middlemen** who basically include jobbers, wholesalers and retailers. Contrary to functional middlemen, they are the intermediaries that take title to the bulk of goods and services they carry and resell to other middlemen, as in the case of wholesaler; or sell to ultimate buyers, as in the case of the retailer. On the other hand, **jobbers** are another kind of middlemen, who buy from manufacturers and sell commodities to retailers. **Jobber** can also be referred to as **wholesaler**.

Other than filling in the gap between the producers and consumers, **marketing intermediaries** bring in great aid in the production process. Consider the **example** we had about the tomato farmer who no longer has to be bothered about getting buyers for his harvests, or be worried about unsold, rotten crops in his warehouse, or be threatened by competitors who might be taking over his place in all store shelves because now the farmer has partners to do the tasks, he is limited of doing. Strategically, the farmer could now put all his concentration in growing his crops more efficiently. In this scenario, the roles of marketing intermediaries become very indispensable. With an understanding of how vast the advantages that intermediaries give to producers or manufacturers, these groups of individuals or organization specifically perform functions essential in the flow or system of product distribution. These **functions** include:

1. **Transportation. Transporting** is one logistical function of intermediaries or middlemen wherein products from the producers' end are physically being moved from their place of production to places of consumption or any selling point.
2. **Assorting and sorting.** This is another special logistical service performed by middlemen after purchasing large quantities of products. **Assorting** could be done by middlemen when they intend to create several assortments of a particular product based on their class or characteristics in order to serve specialized demands of customers; while **sorting** is the manner of separating products according to some criteria or standards, for instance, based on color, sizes or weight.
3. **Storing.** Middlemen that maintain warehouse or inventory space is a good plus factor since it would mean that the latter could afford to carry products in large quantities, from its production point going to the distribution areas.
4. **Transactions.** This refers to any activity concerning transfer of title of goods or the active negotiation of the products to prospective buyers. Any negotiation or transaction that the middlemen enter into on behalf of the producers carry business risks that middlemen should also have to deal with.
5. **Promotion and any marketing related activity.** As essential partner in the distribution process, middlemen are expected to assist the producer in the effective selling of all its products by initiating some persuasive activities that would result to building product awareness and patronage.

6. **Information provider.** As part of the middlemen's facilitating function, they are to provide market and consumer information to the producer or manufacturer which is deemed essential in the formulation of marketing strategies.

### Channels of Distribution

Doing business in a dynamic market offers a lot of great possibilities and opportunities for growth. You may be a baker specializing in making cakes and pastries who directly sells your product in the neighborhood. Yet, upon favorable acceptance of your baked products by your customers, you were enthused to widen your market reach. Going into a much bigger scale, you need to set up your own distribution channel where **marketing intermediaries**- some **dealers or retailers**, could assist you in reaching sales target and desired profit margin. Therefore, **channel of distribution** refers to the chain of businesses that products pass through before reaching their retailing point.

Let us have again the situation of the baker. When the baker decided to increase the production knowing that the business has the channel of distribution, the baker then made an agreement with owners of nearby supermarkets, groceries and other retail outlets that will carry the baker's products. These establishments that are in between the baker and the customers are the channel of distribution. **Intermediaries**, as the economists call them, are the group of people or institutions that are involved in the channel of distribution. They are composed of **wholesalers** who buy large volume of products for resale to other intermediaries; **retailers** are type of intermediaries who sell products directly to the ultimate consumers; and the **value-added resellers** who are another type of intermediaries that buy products from producers, put additional value (like in the case of "product assortments") on them prior to distribution to target buyers. In Kotler's statement on the importance of **intermediaries**, he mentioned that they deliver greater efficiency in making goods available to target markets, specialization and scale of operations more than what producers could achieve on their own.

### Selecting and Managing Channels of Distribution

Choosing the right distribution channel that includes selecting reliable personalities or institutions to act as the intermediaries is a pivotal decision in every business should they want to be freed from burdensome production and distribution process. Your choice of **channels of distribution** determines the speed and accuracy in which your products will be sent in the selling floor, hence making your products or services available at the time of purchase. Therefore, a particular channel must only be selected after due analysis and **consideration of all relevant factors**:

1. **Nature of the market.** If the target market for the specific product is heavily concentrated within a particular geographical location, it is but practical that manufacturer may directly distribute the products to target buyers, but if the scenario takes the opposite site- that the **target market** is dispersed in different parts of the country or in the distant regions, then surely a long list of intermediaries should be framed in order to meet desired objectives. Analyzing the characteristics of the market does not only include study of its geographical concentration, but also analysis on the number of buyers and the volume of orders. When number of buyers are relatively large, indirect channel of distribution is necessary to cater all the demands especially so when the size of their orders comes in large quantity as well.

Also, this factor needs analysis on the purchasing pattern or buying habits of the consumers notwithstanding their desire to make advantage of various credit facilities and the personal services of the sales representatives. Under the same factor, the nature of the market is better understood if the utility of the product will also be analyzed, **say for instance**, the product is an industrial product, then the expert service and assistance of a trained sales personnel is imperative.

2. **Product consideration.** This factor pertains to varied categories that include the weight of the product, whether it is bulky or large in size; its perishability which might be heightened by repeated handling and unforeseen delays; unit selling price where products that have lower selling price per unit (e.g. noodles, canned sardines, etc.) needs indirect channels of distribution unlike items with higher prices where channel is more direct; number of products offered by manufacturers where the consistency is higher, meaning the **manufacturer** produces variety of related products being sold to similar type of customers, the use of direct channel is practical unlike those producers that handle a wide range or assortment of product portfolio.
3. **Middlemen consideration.** Every group of middlemen showcases their own unique characteristics both with their strengths and weaknesses. Prior to selecting them, manufacturers have to consider the **following**: services provided which should coincide with the requirements of the manufacturer; chances of more positive sales results are much obvious through the assistance of the intermediaries; and the cost factor where maintaining a channel of distribution is within the range of what the company could afford, if not, better to use direct distribution freeing the company from relevant costs.
4. **Company consideration.** This factor has something to do with the size of the company in the light of their financial resources. If the company has sufficient financial resource, possibly, they can maintain their own internal sales force to manage their sales targets; yet, their insufficiency can be complimented by the efficient presence of their market intermediaries; company's goodwill is another consideration in establishing an efficient line of channels, if the latter enjoys a reputation along with the popularity of its products, then no one could afford not to be in the band; the size of the company can be tantamount to the degree of their marketing and managerial experience, hence, companies who may be lacking on this may opt to partner with intermediaries who have the efficiency to do the craft well.
5. **Government rules.** Considering the external environment where your company is in, there are uncontrollable factors that may hamper the smooth existence and profitability of your firm, especially some legal and political factors that every company has to adhere.
6. Other factors such as nature of competition that include competitors' strategy, size of their product mix and product lines, financial condition and the like; environmental characteristics should be considered as well that includes economic conditions, technological changes, other market opportunities and possible threats.

Moreover, choice of channels can be further refined in terms of the distribution policies of the manufacturer that pertains to the **three degrees of market exposure**:

1. **Intensive distribution.** This refers to the distribution strategy applied by a manufacturer where they opt to sell the products and gain exposure through as many marketing intermediaries as possible. Manufacturers of various convenience or consumer goods use

this kind of strategy in order to penetrate the products in all marketing arteries even in the remotest rural areas or places, such as the sales of cigarettes, coffee, sugar, bath soap and many more.

2. **Selective distribution.** Unlike intensive distribution, manufacturers use this kind of distribution strategy that applies to the limited use of intermediaries, specifically selecting the best and qualified intermediary in a certain geographic location. Thus, shopping and durable goods such as appliances, home furnishing, branded clothing are practically being distributed by select number of distribution channels only.
3. **Exclusive distribution.** Under the manufacturer's option, the company has awarded exclusive rights to a selected few channels member. The characteristics of the product are a determining factor here, **for instance**, the product requires a specialized selling effort or in the case that large investment is needed in setting up a selling area or facilities before the product will be out for sale.

Improving the performance of your line of distribution channel is another very essential issue that has to be given attention. In fact, many marketers believe that distribution strategy is among the most important marketing weapon in your arsenal. Managing well the involved intermediaries can guarantee a good foothold in the business industry. **Channel management** can be improved if this issue will be given priority by the management. Preferably, there must be one manager who is tasked to build better relationship with channel members with better marketing programs to keep them selling in the right track. Further, **Relationship Marketing in channels** refers to marketing with the conscious aim to develop and manage long-term, reliable and trusting relationship with the organization's stakeholders that includes the distributors.

Having a clear policy for relationship marketing in channels may be enhanced under vertical marketing system. Peter and Donnelly (2013) defined **vertical marketing systems (VMS)** as channels in which members are more dependent on one another and develop long-term working relationship in order to improve the efficiency and effectiveness of the system. This system has **three major types** such as administered, contractual and corporate systems.

Under the **administered vertical marketing system**, members of the production and distribution channel, even without contract, are working in unison towards their specific profit goal instead of working separately like antagonizing one another. Their organizations may differ in size and power, but this does not keep them from working closely as bigger and powerful brands take the command, **say for instance**, in terms of display, shelf space, pricing policies and promotional schemes.

Further, the **contractual vertical marketing system** promotes independent execution of various marketing activities among channel members. A good **example of contractual VMS** is **franchising**, wherein the producer has legally transferred the authority to qualified distributor to sell products under the name and preferences laid down by the producers. Lastly, the practice of corporate VMS, is for those producers who have single ownership of two or more levels of a channel, thereby having direct control over all product and marketing activities for the brand. Amway, an American cosmetic company, **for instance**, is a perfect example of channel management strategy. The product range they manufacture is being sold and distributed by their authorized Amway stores. On the next page is a perfect insight of manufacturers and intermediaries' perfect relationship.

## Major Arteries in the Distribution System: Wholesaling and Retailing

**Wholesaling and retailing** play a very essential role in the marketing process in which being the part of the chain of distribution, these intermediaries settle the gap between producers and consumers through the performance of undiscounted expert services that include efficient system in carrying out the physical movement of goods to convenient locations, assuming risks of managing large inventories of diverse products and delivering products as needed to replenish retail shelves.

**Wholesaling.** Marketing experts consider this as a very important artery in the distribution channel. They are a group of formal marketing institutions that indispensably perform expert marketing functions on behalf of the producers, negotiating to a group of resellers that are most of the time retailers or sometimes other wholesalers of either consumer or industrial products in order to sell the products or services to the final users. As producers haggle for their goods to wholesalers, wholesalers exhaust means of attracting channels. In so doing, products or services will be disposed to the final end thereby achieving all channel members' economic objectives.

As discussed earlier, **wholesalers** can be classified into **two major types** such as **merchant wholesalers** and **commission merchants**. **Merchant wholesalers** operate in a large scale as they take title on the products they buy, physically carry them in large quantities and provide storage prior to their disposal to various retailing outlets. Next is the **commission merchants**, like agents and brokers, they are involved in the physical handling and movement of goods but without taking their title. They negotiate for further reselling of the items at hand. They between earn in the form of commission based on the rate agreed upon them and the producers. There are cases that producers maintain their or sales branches or offices. This can be classified as another kind of wholesales and marketing intermediaries. These branches assist in the physical separation of products from the point of production to the point of distribution. Also, to maximize profit, these sales offices sometimes carry allied and supplementary products manufactured by other firms.

**Retailing.** Another major artery in the distribution channel is retailing. **Retailers** are merchants who are primarily engaged in selling to ultimate consumers either in smaller units or bigger units for the purpose of using them for personal consumption or the consumption of the whole organization. **Retailing**, as the final link in the chain of distribution, has two that includes store retailing and non-store retailing.

**Store retailing** is in the best form of an independent store which appears to be the classic type of store in a specific community and often termed as "*sari-sari*" or variety store. Oftentimes, **variety store** carries goods that fall under the intensive distribution policy of every producer because of their high rate of accessibility to the target buyers. However, **owners of independent store**, who are family members most of the time, may lack specific background in managing a business and typically handles informal organizational structure due to a very limited number of employees. Other types of retailing are **department stores** which are more formal in structure under a competitive management as this type of store handles a wide variety of lines of goods such as ready-to-wear clothes, home furnishings and the like. In addition, specialty stores, chain stores, drug stores, supermarkets, convenience stores are examples of store retailing.

On the other hand, **retailing** has another facet which shows the enormous possibility of maximizing strategic moves of the producers and wholesalers-that is the presence of non-store retailing. **Non- store retailing** allows sales and movement of products even outside the brick-or-

mortar stores or the above-cited conventional types of stores. **Some forms of non-store retailing's** include catalogues and direct mail, vending machines, television home shopping, direct sales and electronic exchanges or sales made online.

### **Sales Management: Rationale**

**Hyper-competition** contributes to the fluidity of the state or condition of a business. The dynamic nature of the business environment enables organizations to adapt growth strategies just to sustain competitive advantage. One of the business growth strategies that an organization could exploit is the knowledge or expertise on the principle of Product Life Cycle (PLC). Each stage in the PLC has complementary strategy deemed appropriate in timing and execution. **For instance**, in the maturity stage, the product is said to reach its penultimate level while the number of competitors increases. Although the firm has already maximized their profit and market share of their product under this stage, it is not advisable to remain settled in their post. As markets get saturated and almost all distribution pipelines have been filled in already and that other distributors may have reduced bulk orders, it is that the organization should strengthen their direct communication to their target customers and invest on leveraging to customer service initiatives which is one of the expert services performed by a sales team. This scenario results to paradigm shift from relying more on channel members to relying on the organization's sales force.

This given scenario is no longer new in the book of every company's growth strategy, as they struggle to maintain their differentiation advantage, there are a number of them who still maintain a number of sales branches, as their direct marketing arm, manned by their trained sales team. Hence, this portion justifies why the author had opted to combine channel of distribution strategy and sales management as one of the known drivers for strategic management.

### **Sales Management and its Objectives**

Just like the nature of the services performed by marketing intermediaries- that is maintaining close and direct contact with clients to negotiate the sales of a product or service, the same is true with personal selling. In the formal sense, it involves direct communication and relationship between the seller, who is the company representative and the customers, who are either individual or organizational client. The need for personal selling approach is highly dependent on the nature of the product. **Products** that may require the expert service of a sales expert are those products that are different, technologically- complex or an expensive one. Hence, it is imperative that every company should take advantage on the important role that sales personnel provides as they are the main link between the company and the customers especially for those products which could not be presold, and that the sales personnel has the lead role in finalizing the sales.

**Sales management** is an important segment of the organization's marketing mix mostly responsible in setting up varied sales strategies that also include the development, supervision, motivation and control of sales personnel. Other than achieving company's sales objectives, good sales management could make people of mediocre ability into people with extraordinary ability. Perhaps, it can be justified that personal selling is one of the rich sources of company revenue and profits and it anticipates meeting **different company objectives** such as: *provision of vital product information; persuasion especially to undecided buyers; delivery of after-sales services in order to build better customer relationship.*

## Controlling the Sales Force

The exercise of sufficient control by monitoring the performance of every member of the sales team is a crucial element of sales management. Thus, strategies and plans formulated by the management will only serve the purpose of placing the firm in a sustained level of competitive advantage when the people responsible in meeting the firm's objectives understand and follow them. **Controlling** is one of the management on-going functions which seeks to scrutinize previous and even performances of the firm in order to refine or enhance them, thus, putting into the maximum use of company's limited resources.

There are **various devices** that sales managers could use in assessing and refining the performance of their sales team:

1. **Sales Report.** This refers to the record of the firm's sales status over a specified period such as daily, weekly, monthly or annual report. This is a viable information used by the sales team in communicating to the top management and could be widely used in product planning, strategy formulation, HR plans, etc.
2. **Quota Analysis.** This is an important input in strategic planning which also explains not only the company's competitive strength but also the strength of its sales force and their product portfolio.
3. **Sales Compensation.** This is a good device in controlling sales functions in line with the company's sales performance standards clearly stipulated in the sales manual and orientation given to sales personnel.

Another insight that may be used as guide in order to objectively evaluate the functions of the sales personnel is through the **Effort and Result-oriented parameters**. **Sales personnel** is said to have exerted his/her best effort based on the given restrictions: number of sales calls made, number of complaints handled and their status, number of sales inquiries and number of product demonstrations completed. Moreover, **result-oriented parameters** may include restrictions on the sales personnel's total sales volume, contribution to the company's gross margin profit, number of new accounts established, and key accounts lost and number of customer complaints. Given these challenging restrictions, the firm should note the importance of interventions for them to bring out the best from their sales personnel.

## Motivating and Compensating Sales Performance

Management guru connects motivation to performance. However, **people management** is one of the most challenging tasks every sales manager face yet provides fulfilling rewards when done with due considerations on the premise of human needs and motivation.

**Motivation** in the workplace is a process of providing an environment that allows every member of the organization to remain focused and enthusiastic about their job. Motivation has **three essential elements** - need, drive and goal. In the motivation theory of Maslow, **human needs** have different hierarchal level in which the basic needs are the **physiological needs** while the ultimate needs is the need to be self-fulfilled commonly driven by the person's passion, hopes and aspirations. Accordingly, **motivation** ceases when an individual has attained a particular level hence will start aiming for the next hierarchal need.

In relation to sales force motivation, incentives and other financial remunerations may fulfil the basic needs of a sales personnel, but not enough to drive him/her to sustained work initiatives and enthusiasm. Remember, **needs** when met, creates a better driving force that sales personnel will look forward to having when he/she remains consistent with his/her performance, this then forms as one of his/her goals. In the company's end, it is very essential to have a pool of highly motivated sales personnel. Their level of motivation will define the amount of willingness they are ready to expend in the selling job. The premise about motivation, grounded on needs, drive and goals, is also stated in the **goal-setting theory** where it considers that every individual has specific needs and aspirations to fulfil and to do this, they systematically result to setting certain goals for themselves. Hence, the management should lay down motivating compensation package in order to set off sales personnel to producing results.

Compensation may be given in **two types**: monetary and non- monetary. Under the **monetary compensation**, the company may offer the following:

1. **Straight Salary Plan.** This means that a fixed monthly salary is provided to every sales personnel. Though money provides a temporary sort of motivation, it is still very essential in the improvement of the quality of lives of the sales personnel.
2. **Commission Only Plan.** This goes to the principle that rewards commensurate the performance of sales personnel. In this premise, highest reward is given to highest achiever and vice versa. This may result to higher motivation and goal-directed performance but may also challenge sales personnel with less sales exposure and field experiences.
3. **Combination of Salary and Commission Plan.** This scheme is highly practiced by organizations that rely heavily on the performance of the sales force. For them, to make their sales personnel perform at their best is to give them aggressive compensation package. This **plan** is a combination of a fixed monthly salary which is independent of his/her sales performance while making him/her eligible to receive a percentage of commission based on the percentage he/ she has attained from the sales quota given within a specific time coverage.

Further, no one could discount the advantage of providing non- monetary compensation to sales personnel in order to maintain their performance and sales achievement. The truth is, field work, getting sales leads, making calls, conducting product demonstration, closing the sales may be a tough job for a salesperson, notwithstanding the rejections and other depressing human interactions that may come along the way. Though rejections are part and parcel of sales personnel's sales functions, it is imperative that at the end of every grueling field work, they have the company to support them all the way; company who will be with them in beating the odds. The following are some of the **non-monetary benefits** that are in-store for high performing members of the sales forces which include these perks or benefits: *attractive retirement package*, medical benefits including immediate family members, *travel allowances*, *leave credits*, *children's education allowance*, *recognition and commendations* and many others.

## Summary

Any dynamic business entity aiming for sustained competitive advantage must ensure a comprehensive system that will position their products near the target market to ensure that all store shelves never run out of stocks and that products are available at the time of purchase. The significant role of channel members or the marketing intermediaries for an effective and efficient production system is something that every producer should consider in their quest for a sustainable competitive advantage. Both merchant middlemen and functional middlemen offer varied essential functions ranging from transportation, assorting, sorting, storing, transactions, promotions and other related activities. With the comprehensiveness of their services, producers could now fully allocate their resources in product development and innovation, part of their business and growth strategies.

The dynamic state of the business industry due to the occurrence of hyper-competition induced by technology and innovation urges producers to maintain their own distribution system apart from the support of their external distributors. This condition has prompted producers to establish a direct communication system with their target market thru the present sales force. Leading a diverse sales force requires a reliable system of sales management. As performance is directly affected by the amount of motivation that the management gives to their sales personnel, it is but imperative, that in order to make them goal-directed, motivation scheme should be intensified in the organization. Compensation may be given in two types: monetary and non-monetary. Under the **monetary compensation**, the company may offer the following: 1) straight salary plan; 2) commission only plan; 3) combination of salary and commission plan. The **non-monetary benefits** include some perks such as: attractive retirement package, medical benefits including immediate family members, travel allowances, leave credits, children's education allowance, recognition and commendations and many others.

## **Textbooks:**

- Strategic Marketing Management, Naval, Girly H. Mind shapers Co, Inc. 2021
- Strategic Marketing Management: The Framework, Chernev, Alexander Cerebellum Press 2019