

## Chapter 5

### CONCLUSION

#### 5.1 Summary of Findings

Distribution channels are found to be important in the marketing of cement and steel bars. Most manufacturers of cement and steel bars produce high quality products; meeting required product specifications. Prices of cement and steel bars are found to be government controlled. Therefore, the selling prices are fixed by the manufacturers. Middlemen enjoyed a fixed commission from manufacturers. Since the products are intermediate products, promotion is found to be minimal. Therefore the competitive edge of a particular manufacturer over its competitors is dependent mainly on its distribution channels.

Most manufacturers of cement and steel bars preferred to sell to the region nearest to the location of their factory due to lower transportation costs and for logistic reasons. The huge demand in the Central Region of Selangor and Negeri Sembilan make it an attractive region for manufacturers.

The survey found that most manufacturers of cement and steel bars sell most, if

not all, of their products through middlemen, with very minimal directly to end users. Sales of both cement and steel bars rarely go through more than two channel layers. Most middlemen represent more than one manufacturer for the same product. Therefore, relationships between manufacturers and middlemen are important.

The government through its policy and regulations does exert its influence on the distribution of cement and steel bars. This is to ensure that supplies are going to every location where cement and steel bars are needed; even to locations not favoured by manufacturers due to logistics problems and high transportation costs.

The study found that middlemen are needed for economic reasons. It is more economical to sell through middlemen to minimise distribution costs. Their main functions are to assume the task of risk taking in carrying out the channel functions, financing the cost of distribution and matching the needs of consumers to those of manufacturers.

Most cement and steel bar manufacturers in the survey do not have many problems in getting the middlemen they want. This is because cement and steel bars are the 'bread and butter' items for middlemen in the building materials trade.

The important criteria cited for the selection of middlemen are their potential for growth, number of years in business and their reputation in the market. An intensive distribution strategy is practiced by manufacturers to ensure the greatest possible market coverage. Therefore, there are no restrictions on the number of middlemen to be appointed.

Most cement and steel bar manufacturers interviewed do not have any specific motivation approaches in motivating their middlemen. Much of the business is done based on relationships between manufacturers and the middlemen.

## 5.2 Implications of the Study

The findings of this study would be of much interest to existing as well as to new manufacturers of cement and steel bars.

Since prices and quality of cement and steel bars are highly standardised and promotion is not necessary, the implication is that distribution channels are important in the marketing mix. Therefore, effort of marketing managers should be targeted more at distribution channel variables rather than at the other variables in the marketing mix.

Cement and steel bars both have relatively low value-weight ratio resulting in high movement cost as a percentage of sales price. Thus, selecting the location of the factory is an important managerial decision bearing in mind that the central region has the highest demand.

The existing collaborations among cement and steel bars manufacturers can be a disadvantage to newcomers. These existing manufacturers may joint force to prevent or inhibit newcomers from getting a market share.

Both cement and steel bars are government controlled items. As controlled items, the retail prices are fixed. The controlled prices ensure a reasonably high return on investment. The implication is that companies involved in the manufacturing of these two products can be more certain on their rates of return on investment as compared to the rates of return of non-controlled items. Therefore, investment in the manufacture of these two products is more secure, and a reasonably good rate of return can be expected.

The study found that two of the most important functions of middlemen are risk taking and financing the cost of channel works. This implies that strong financial standing of middlemen is an important selection criteria for managers to consider in channel member selection.

Although middlemen in the building materials trade need both cement and steel bars, much of the business is done based on the relationship between manufacturers and middlemen. Hence, in marketing these two products, managers should put more effort on building such relationship with middlemen.

Marketing of cement and steel bars calls for intensive distribution strategies. Managers should appoint as many middlemen as possible to maximise geographical coverage to assure availability of middlemen in every area.

Currently, manufacturers have no specific approaches in motivating middlemen. Thus, manufacturers who adopt motivational approaches towards their middlemen will be likely to have an added competitive advantage over their competitors.