

THE OPERATION OF DISTRIBUTION CHANNELS FOR THE MARKETING OF PETROLEUM PRODUCTS

Florea VLAD
Ciprian PAVEL

Abstract: *The existence of vertical, horizontal and multiple distribution channels highlights the dynamics that characterize the structure of distribution channels. This enables logistics service providers to design and operate their own distribution network. The supplier of logistics, distribution and marketing services of the petroleum products must define the function of each member of this network regardless of their object of activity.*

Keywords: *price policy, mix of commercial relationships, franchise, channels and distribution strategies.*

Introduction

A distribution channel (also referred to as a marketing channel) is a structure of interdependent business organizations ranging from the point of production of the product to the consumer, through which channel members motivate and communicate with the customers, sell and transport, stores, distributes and secures product service.

Functions of the members of the oil and gas distribution network it is represented as follows:

Tab.1

NR.	NETWORK MEMBERS	FUNCTIONS OF NETWORK MEMBERS
1	<i>Initiatives</i>	<ul style="list-style-type: none"> - have full access to sources of supply and special respect within the agent for the marketing of petroleum products - aim to expand existing distribution relationships
2	<i>Candidates</i>	<ul style="list-style-type: none"> - trying to take the place of initiates - their access to sources of supply is limited - limited access is a disadvantage for them in periods of poor supply
3	<i>Supporters</i>	<ul style="list-style-type: none"> - are not part of the main network - performs operations that other members of the recipe do not normally run - serve smaller market segments or distribute smaller quantities of products
4	<i>Passengers</i>	<ul style="list-style-type: none"> - are not and will not become members of the main network - enter and exit the market depending on how business opportunities emerge
5	<i>Innovators</i>	<ul style="list-style-type: none"> - are real competitors that disturb the network - Apply new distribution systems to attract customers to the network - can force the network to deeply revise its structure

No matter how well is designed the own distribution network and succeeds to sell petroleum products, some conflicts at this level are inevitable, simply because the business interests of different members do not always coincide.

The mix of trade relations in the distribution of petroleum products

The supplier of distribution and sale of petroleum products must establish the rights and obligations of the participants in the distribution network of petroleum products.

The main components of the mix of trade relations (price policy, trading conditions, territorial rights and services and mutual obligations) are presented in table 2 in parallel with the rights and obligations of the members of the distribution and marketing network:

Components of the commercial mix mix

Tab. 2

NR.	COMPONENTS OF THE MIX OF COMMERCIAL RELATIONS	RIGHTS AND OBLIGATIONS OF NETWORK MEMBERS
1	Pricing policy	<ul style="list-style-type: none"> • obliges the trader to draw up the price list and facility allocation scheme
2	Terms of trade	<ul style="list-style-type: none"> • refers to the terms of payment, delivery and guarantees provided by the trader • the distributor may grant facilities for cash payment of products at a time as close as possible to the moment of purchase • can guarantee the delivery of the appropriate products in terms of quality and price control
3	Territorial rights	<ul style="list-style-type: none"> • distributors from the intermediary's own network want to know where other distributors work • they want exclusivity for the territory in which they operate, regardless of their capacity
4	Services and reciprocal obligations	<ul style="list-style-type: none"> • must be carefully determined in the case of exclusive distribution and franchise distribution • the intermediary can conclude franchise agreements for stations, support in promotional activities, recording and storing information, training staff • The beneficiaries of the contracts must comply with the intermediary's standards of serviceability, cooperation in new promotional programs, provision of required information and purchase of products.

Problems in the operation of distribution networks

The agent for the marketing of petroleum products can set up his own distribution network for petroleum products, g.p.l loads and complementary products. He hopes to gain the cooperation of members of the network, relying on the fact that it usually contributes to overall profits higher than those

obtained as a result of the independent action of each member in accordance with his or her own interests. By cooperating, they will understand, serve and better meet the targeted consumer category.

Some conflicts at the dealer's own distribution network for the marketing of petroleum products can play a constructive role, leading to faster adaptation to the changing market situation at the same time, their multiplication has a negative effect on the functioning of the network. There is no question of eliminating conflicts, but keeping them under effective control, through a series of methods and techniques, some of which we will present below:

Problems in the operation of distribution networks

Tab.3

NR.	TYPE OF CONFLICT	EXAMPLE OF CONFLICT	CONFLICT CONTROL AND CONFLICT METHODS
1	Objectives incompatibility	<ul style="list-style-type: none"> by proposing to rapidly conquer an important position on the market, the main distribution and marketing service provider applies the low pricing policy for g.p.l. its distributors can opt for a high profits policy that will deliver appropriate short-term results 	<i>Harmonization of objectives</i>
2	Recognition of the rights and obligations of network members	<ul style="list-style-type: none"> the main service provider of distribution sells large oil products to customers directly from the warehouse through their own sales force the same thing tries to do with the members of its network - resellers. 	<i>Cooperation</i> <i>Diplomacy</i>
3	Different perception of economic relations	<ul style="list-style-type: none"> the main distribution and distribution service provider may be optimistic about short-term economic prospects, requiring network members to operate with large stocks network members may be pessimistic about the same perspectives 	<i>Mediation</i> <i>Arbitration</i>
4	The high degree of dependency of network members	<ul style="list-style-type: none"> product and pricing policies of your primary distribution and marketing service provider may seriously affect the profits of exclusive distributors, such as resellers of cargo g.p.l. from other counties 	

We consider that it is up to the suppliers of distribution and sale of petroleum products to determine the rights and obligations of the participants in the distribution network of petroleum products, The main components being price policy, trading conditions, territorial rights as well as the reciprocal services and obligations these networks have. On the other hand, it is also worth

mentioning that at the level of the distribution networks some problems can arise, some with constructive effects on the functioning of the network and others with negative effects, characteristic being in this sense: the incompatibility of objectives, the recognition of the rights and obligations of network members, the different perception of economic relations and the high degree of dependency of network members.

Designing the distribution network for petroleum products

The distribution system of a producer of petroleum products is therefore only the result of the possibilities and conditions existing at the local level. Designing a distribution system requires:

- Consumer needs analysis,
- Establish distribution objectives,
- Identification of the main distribution strategies,
- Evaluation of distribution strategies.

Producers face a few problems when making the decision to create a distribution channel, different issues when the refinery or the manufacturer are new firms and other issues when they are already on the market.

In the first case, the main issue is not the choice of the best channels but, by resorting to existing intermediaries on the petroleum products market, it is necessary to convince one or more intermediaries to make available their own capacities. This call is made, of course, when the company does not have enough capital to build its own distribution network. Then, if the refinery is successful, the manufacturer will try to expand into new markets where it will once again try to work with existing intermediaries, even if this will mean using different distribution channels from one area to another.

In smaller markets, the refinery can sell directly to stations (private distribution stations), and in large markets they will call on logistics service providers to distribute and sell. In certain parts of the market, the refinery can only operate in franchising, because it operates in that area of the market. In another part of the market, the refinery will be able to sell its products through all the trading points that will be willing to cooperate.

The designer of the distribution channel or of his own distribution network must know the desires of the intended consumers, or the benefits they expect from them. The higher the benefits, the higher the distribution costs and the buyer's prices. The success of low-priced petroleum products distribution stations is evidence that many consumers are willing to accept lower benefits, then they are at lower prices.

Conclusions

The objectives of the distribution will be defined in relation to the benefits expected of the buyers concerned. Under competitive conditions, the logistics

service provider distributing and marketing petroleum products as a member of a distribution channel alongside the refiner or manufacturer and its own distribution network must perform its functional tasks in such a way as to contribute minimizing total channel or network costs, taking into account the benefits expected from buyers.

There are also consumers who differ in the level of benefits expected from a distribution system or from the agent's own distribution network for the marketing of petroleum products.

Creating an efficient distribution channel by the refinery or an efficient distribution network implies:

- Determining the market segments to be served,
- Selection of channels or network for each segment
- Characteristics of petroleum product, liquefied petroleum gas (g.p.), complementary products, etc.
- Determining batch size
- Determining the transport distance
- Determining the number of product manipulations
- Characteristics of complementary products.

So, complementary products of the perishable nature of food require a direct distribution due to the negative effects that their delays and repeated manipulation may cause.

Non-standard complementary products in the category of automotive parts and accessories, automotive cosmetics, human cosmetics, additives and oils, the petroleum product marketing agent should make additional efforts to have all the necessary information about them in order to sell them.

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NOTES ON THE AUTHORS

Florea VLAD is Associate prof. at the Faculty of Management in Tourism and Commerce Timișoara, „Dimitrie Cantemir” Christian University. He holds a PhD. In Management with the thesis Management in the Logistics and Distribution of Oil

Products. He is the author of numerous books and articles on management, the latest one being Management strategic, metode de elaborare, Eurostampa, 2010.

Ciprian PAVEL is lecturer at the Faculty of Management in Tourism and Commerce, Dimitrie Cantemir Christian University Timișoara. He holds a PhD. in Marketing since 2010, with a thesis entitled Contribuții cu privire la politica de comunicare în marketingul produselor și serviciilor bancare. He is author or coauthor of various books and articles: Politica de comunicare în marketingul produselor și serviciilor bancare, Editura Universității de Vest, Timișoara, 2013, Bazele marketingului, Editura Eurobit, Timișoara, 2011. He is a member in AGER and American Marketing Association.