

**MINISTRY OF HIGHER EDUCATION AND SCIENTIFIC RESEARCH**

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**Major: Management of Distribution**

**Topic:**

**The Impact of Distribution Policy on the Commercial  
Performance of the enterprise**

**Case study:**

**INALCA ALGERIA**

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# **Dedication**

I dedicate this work to:

My father may Allah grant him a place in his vast paradise

My dear Mother who has always believed in me and in my work

My dear sister BAHDJA and my brothers LAZHAR, TOUFIK AND ABDELHAK

For their endless love care and support

To all my friends and classmates, the first class of Management of Distribution

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## List of abbreviations

CIM	The Chartered Institute of Marketing
NGO	Nongovernmental organization
4 P's	Product, Price, Promotion and Place
EBITDA	The Gross Operating Margin
EBIT	the Operating Result
LLC	limited liability company

## Abstract

Distribution is an important element of commercial policy, and it is based on choices and actions that aim not only to create, develop, facilitate and monitor the company's distribution network, but also to distribute the products properly, at the right time with a convenient quantity and a minimum cost, so it consists of reducing disparities between places, time and modes of manufacture on one hand, and consumption on the other hand. Our work summarizes the distribution which is one of the marketing mix activities exercised by the company and the commercial performance which refers to the evaluation of the results achieved in relation to the objectives defined by the company and its ability to satisfy the customers by offering them the best quality of products and meeting their expectations. In this work we carried out a study within the company of INALCA Algeria and the aim of this research is to study the impact of the distribution policy on the commercial performance of these company. We tried to analyze the performance of its distribution channels and the satisfaction of its customer.

**Keywords:** Distribution, Commercial Policy, Channels, Mix-marketing, Commercial performance.

## Résumé

La distribution est un élément important de la politique commerciale. Elle repose sur des choix et des actions visant non seulement à créer, développer, faciliter et surveiller le réseau de distribution de la société, mais également à distribuer les produits correctement, au bon moment et avec un minimum de temps et la quantité commode et un coût minimum, il consiste donc à réduire les disparités entre les lieux, le temps et les modes de fabrication d'une part, et la consommation d'autre part. Notre mémoire se résume entre la distribution qui est l'une des activités du mix-marketing exercé par l'entreprise et la performance commerciale qui désigne l'évaluation des résultats atteints par rapports aux objectifs définis par l'entreprise et la capacité de cette dernière à satisfaire sa clientèle en offrant des produits de qualité qui répondent à leurs attentes. Dans ce présent travail nous avons effectué une étude au sein de l'entreprise INALCA Algérie et le but de cette recherche est d'étudier l'impact de la politique de distribution sur la performance commerciale de cette entreprise.

**Mots clés** : la distribution, la politique commerciale, le circuit, le marketing-mix, la performance commerciale.



# General Introduction

The global frozen meat and fish market is one of the most dynamic sectors of the agri-food industry due to the growing consumer demand and the multiplicity of opportunities in the market.

In Algeria, the sector of frozen meat and fish is experiencing an unprecedented boom in the presence of INALCA and its competitors which makes it imperative for each company operating in this field and searching for sustainability and growth, to set up strategic tools in order to market its products and to improve its position because in this competitive market it becomes insufficient for the companies to have a good products quality with a convenient price, it is also obliged to take into account a number of important parameters which are the distance between the consumer and the point of sale, the availability of products in the right place at the right time and in sufficient quantity and with a varied choice in terms of assortment, these parameters are part of the distribution functions.

So, the distribution is one of the key elements that will help to have continuous improvement in order to achieve unquestionable competitive and commercial performance that is why the distribution has become a very important element in the successful commercialization of the products.

As a result, the present research aims to study the case of a private company, in this case INALCA, in order to analyze the decisive aspects of the distribution policy that can be supported in order to ensure a better commercial performance.

This led us to choose the following theme: "The impact of the distribution policy on the commercial performance of the company".

The reasons for choosing this theme in our research are explained by:

- The type of the major we are studying "Management of distribution management" has a strong relationship with the subject.
- The importance of the distribution functions in the operation and development of the company.
- The importance and the sensitivity of frozen meat and fish sector in Algeria.

The choice of the company "INALCA" as a place of exploitation was motivated by the importance of its sector of activity and its competitive position in the national level.

In this context, our study will be centered on the following problematic: what is the impact of the distribution policy on the commercial performance of a company?

To help us answering this main research question, we thought it useful to ask the following sub-questions:

1. What is the distribution policy and what is its role in a company?
2. How can commercial performance be measured?
3. How can the distribution policy impact the commercial performance?

To answer these sub-questions, it seems important to examine the following hypotheses:

H1: The distribution policy is making the product available to the customer as quickly as possible and at a lower cost and its role is to ensure a good circulation of the company's products.

H2: The commercial performance can be measured through quantitative and qualitative indicators.

H3: The distribution policy has a direct impact on the commercial performance.

In order to verify these hypotheses, we used a quantitative study, for better data collection and it is characterized by a questionnaire intended for INALCA's clients.

During the accomplishment of this work, we encountered many obstacles and difficulties at the level of the host company when collecting information due to lack of internal documentation.

We structured our work as follows:

- The first chapter deals with the fundamental concepts of the distribution, the presentation of the different basic notions will allow us to understand the importance of this discipline.
- The second chapter focuses on clarifying the notion of performance, its characteristics and the measurement of commercial performance.
- The third chapter is devoted to verifying the impact of the distribution policy on commercial performance by analyzing the results of our research.

Finally, we will close our research with a general conclusion where we will confirm or refute the hypothesis assumed at the beginning.



# **Chapter 01: Distribution Policy**

## **Introduction**

Distribution policy is an essential component of mix marketing because decisions in terms of distribution are often difficult to change due to the links between the company and distributors and also the important investment of time and money to build a new distribution network.

The distribution policy is based on choices and actions that aim not only to create, develop, facilitate and monitor the company's distribution network, but also to distribute the products properly, at the right time with a convenient quantity and a minimum cost.

This chapter will deal with the most important fundamental, concepts, types and strategies of distribution that can help in understanding the distribution policy. Three sections will be included in this chapter, which are:

Section 01: Generalities of distribution

Section 02: Intermediaries and Strategies of Distribution

Section 03: Physical distribution

Each section will contain detailed explanations about distribution characteristics that will give a clear image about its policy.



## Section 01: Generalities of Distribution

Distribution is one of the 4 P's in marketing mix which was firstly developed by **Neil Borden** who said: "When building a marketing program to fit the needs of his firm, the marketing manager has to weigh the behavioral forces and then juggle marketing elements in his mix with a keen eye on the resources with which he has to work"<sup>1</sup>, Borden included 12 major decision areas in his "marketing mix" which are: product planning, pricing, branding, channels of distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis. And E. Jerome McCarthy<sup>2</sup> who reduced Borden's 12 variable marketing mix to the very manageable and memorable 4Ps so he was the first person to suggest the four P's of marketing which are: price, promotion, product and place (distribution).

### 1.1. Definition of Distribution

According to JIM BLYTHE in his book ESSENTIALS OF MARKETING the physical distribution is concerned with the ways organizations get the physical product to a point where it is most convenient for the consumer to buy it and the purpose of any physical distribution method is to get the product from its point of production to the consumer efficiently and effectively<sup>3</sup>.

"Place: the product must be available in the right place, at the right time and in the right quantity, while keeping storage, inventory and distribution costs to an acceptable level. The place where customers buy a product, and the means of distributing your product to that place, must be appropriate and convenient for the customer. This applies to brick-and-mortar operations, but is even more important in e-commerce"<sup>4</sup>.

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<sup>1</sup> NEIL H. BORDEN, The Concept of the Marketing Mix, Journal of Advertising Research, September 1984, p7

<sup>2</sup> L. McTier Anderson and Ruth Leshner Taylor: MCCARTHY'S 4PS: TIMEWORN OR TIME-TESTED? Journal of Marketing Theory and Practice, Summer 1995 p 2

<sup>3</sup> JIM BLYTHE, ESSENTIALS OF MARKETING Third edition 2005 p 190.

<sup>4</sup> CIM Marketing and the 7Ps: A brief summary of marketing and how it work 2015 p 7

“Place refers to product accessibility to potential customers, it is recently evolved with the introduction of e-commerce. Deciding whether or not to sell a product on a website could significantly affect your relationship with distributors”<sup>1</sup>.

Based on all these definitions we can say that distribution can be defined as a way of making the product available in the right place, at the right time and in the right quantity to satisfy the customers need.

## 1.2. The Role of Distribution

Distribution, as a whole refers to the activities taking place in time and space, from the end of production until final consumption of the product, it holds the intermediation role between production and consumption, ensuring the completion of the activity of any producer and obtaining from the part of the consumer the commodity that satisfies their necessity. In other words, the distribution's role is crucial in allowing the flow of business processes, it ensures the financial resources necessary to restart the economic activity.

However, by selling the goods, there must be recovered the costs incurred by the manufacturer and distributors and profit should be obtained. The role of distribution<sup>2</sup> is to ensure continuity of the flow of goods and consists of:

- Achieving optimal correlation and synchronization between supply and demand - by providing customers the products when (and where) they want.
- Changing of the appearance or composition of the supply to make it more attractive to users through operations of bottling, packaging, etc.
- Changing the physical possession of goods - their ownership transfer from manufacturers and distributors to consumers.
- Moving the product to place of demand - through rational organization of the physical flow of goods.
- Minimizing costs, making at the disposal of the consumer the desired product.

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<sup>1</sup><https://www.forbes.com/sites/forbesagencycouncil/2018/01/03/evolution-of-the-four-ps-revisiting-the-marketing-mix> viewed on march 3rd , 2019

<sup>2</sup> Adrian GHERASIM, Daniel GHERASIM: The Role of Distribution in the Marketing Mix George Bacovia

University, Bacau, ROMANIA, 1/2016, p79

Distribution<sup>1</sup> can bring along many advantages, both for the individual producer and for the society:

- It helps to reduce transaction costs and expenses.
- It enables the improvement of assortment offered to consumers.
- It responds to the expectations of consumers, who demand precise, individualized and personalized services.

As a conclusion we find that distribution plays several roles which are:

- Ensuring operational transfer of products from the producer to the consumer.
- Adding value to the product.
- Preserving goods properties.
- Increasing the occupancy of labor resources.
- Improving the economic efficiency of the trading activity of products.

### **1.3. The Objectives of Distribution**

The main objective of the distribution is the satisfaction of the customer, by offering him an offer able to answer his needs in time, quantity and the desired place. LINDON and JALLAT<sup>2</sup> have defined three main objectives that can be summarized in the following points:

#### **1.3.1. Quantitative market coverage**

First, companies should strive to have a distribution system that allows them to put their products in the largest possible number of points of sale.

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<sup>1</sup> opcit Adrian GHERASIM, Daniel GHERASIM

<sup>2</sup> LINDON, (D) and JALLAT, (F) : Le marketing. Études. Moyen d'action. Stratégie, édition DUNOD, 6th edition, Paris, 2010, (pp 156.157)

### 1.3.2. Qualitative aspects of the distribution system<sup>1</sup>

A distribution system is of good quality if it facilitates or stimulates the purchase of the company's products by its potential customers.

These main qualitative aspects are:

- The adequacy of the distribution channels used with the brand image of the company's products.
- The quality of distribution intermediaries (competence, dynamism, motivation).
- The quality of after-sales services offered to customers.
- The quality of the company's products presented at the points of sale.

### 1.3.3. Cost minimization

The company must seek to minimize the costs of its distribution system in a compatible way with the qualitative and quantitative objectives.

## 1.4. The Flows of Distribution

There are five important flows of distribution<sup>2</sup> which are:

- **Product flow:** It refers to the movement of the physical product from the manufacturer through all the parties who take physical possession of the product until it reaches the ultimate consumer.
- **Negotiation flow:** It encompasses the institutions that are associated with the actual exchange processes
- **Ownership flow:** It shows the movement of title through the channel
- **Information flow:** It identifies the individuals who participate in the flow of information either up or down the channel
- **Promotion flow:** It refers to the flow of persuasive communication in the form of advertising, personal selling, sales promotion, and public relations.

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<sup>1</sup> Op.cit. LINDON, (D) and JALLAT, (F)

<sup>2</sup> <https://opentext.wsu.edu/marketing/chapter/10-1/> viewed on March 24, 2019.

There are some functions (physical, title, promotion) that constitute a forward flow of activity from the company to the customer, another functions (ordering and payment) constitute a backward flow from customers to the company. Still others (information, negotiation) occur in both directions <sup>1</sup>.

### 1.5. Channels of Distribution

The American marketing association defines the distribution channel as the structure of intracompany organization units and extra company agents and dealers, wholesalers and retailers through which a commodity, product or service is marketed while Philip kotler in his book Marketing Management “defined marketing channels as a set of interdependent organizations involved in the process of making a product or service available for use or consumption”<sup>2</sup>, But Perrault and McCarthy in there book Basic Marketing: A Global–Managerial Approach said that channel of distribution is any series of firms or individuals, who participate in the flow of products from producer to final user or consumer<sup>3</sup>.

In other words, a channel of distribution consists of interdependent entities that are aligned for the purpose of transferring possession of a product from producer to consumer or business user. But another way, a channel is a system of interdependent relationships among a set of organizations that facilitates the exchange process.

Most channels are not direct from producer to consumer. Instead, they contain a variety of intermediaries, formerly called middlemen that play a role in the exchange process between producer and consumer<sup>4</sup>

### 1.6. Types of distribution channels

It is most important for a company to choose distribution channel that are suitable and efficient for its business. It can sell its products either directly to the customers or through wholesalers, retailers, and other agents.

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<sup>1</sup> Philip Kotler Marketing management Tenth Edition by Prentice-Hall 2001, Inc p 237

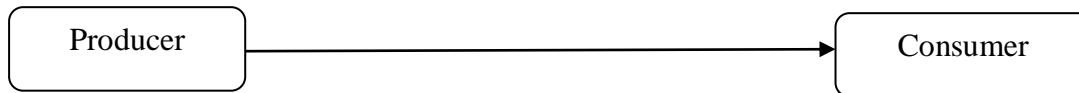
<sup>2</sup> ibid p 237

<sup>3</sup> Perreault–McCarthy: Basic Marketing: A Global–Managerial Approach 14 edition, The McGraw–Hill Companies, 2002 p 305

<sup>4</sup> Greg W. Marshall ROLLINS COLLEGE Mark W. Johnston ROLLINS COLLEGE Marketing Management Second Edition P326

Typically, there are two types of distribution channels:

- **Direct distribution channel:** it is a marketing channel that has no intermediary level.



**Figure 1:** direct distribution channel (Developed by the student)

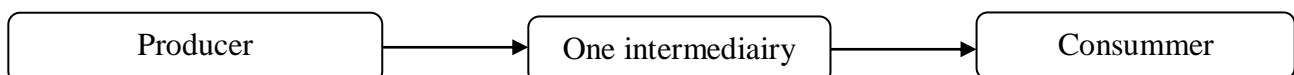
The advantages and disadvantages of the direct distribution channel are summarized in the following table:

**Table 1:** The advantages and disadvantages of the direct distribution channel

advantages	Disadvantages
In-depth knowledge of the needs of the target customers	Very important storage.
Quick launch of new products	Very heavy organization and management of sellers
partial gain margin of eliminated intermediaries (competitive price)	Significant financial capacity.

**Source:** <http://marketing.thus.ch/loader.php?page=Piton-IV> accessed on Marche 25<sup>th</sup>, 2019 at 6 Pm

- **Indirect distribution channel with one intermediary level:** The producer sells to only one intermediary who himself sells to the final consumer



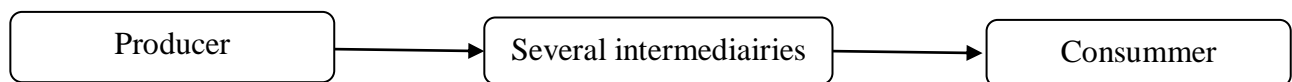
**Figure 2:** Indirect distribution channel with one intermediary level (Developed by the student)

**Table 2:** The advantages and disadvantages of the indirect distribution channel with one intermediary level

advantages	Disadvantages
Better knowledge of the market	Insolvency of small retailers
Saving the margin of the wholesaler	Need for promotional actions towards the consumer
Good cooperation between retailers	Doubtful profitability of some retailers

Source: <https://marketing.thus.ch/loader.php?page=Piton-IV> Op.cit.

➤ **Indirect distribution channel with several intermediary level**



**Figure 3:** Indirect distribution channel with several intermediaries (Developed by the student)

**Table 3:** The advantages and disadvantages of the indirect distribution channel with several intermediaries

advantages	disadvantages
Reduction of his sales team	Loss of contact with retailers
denser geographical coverage	Wholesale infidelity
Sales regulation due to intermediate storage	Dependence on wholesalers

Source: <https://marketing.thus.ch/loader.php?page=Piton-IV> Op.cit

## 1.7. Dynamics of Channels

In the ever-changing marketing environment, distribution channels do not stand still. New channel systems emerge and evolve. We look next at the recent growth of vertical, horizontal and multichannel marketing systems and see how these systems cooperate, conflict, and compete.

### 1.7.1. Vertical Marketing Systems<sup>1</sup>

One of the most significant recent channel developments is the rise of vertical marketing systems. A conventional marketing channel comprises an independent producer, wholesaler(s), and retailer(s). Each is a separate business seeking to maximize its own profits, even if this goal reduces profit for the system as a whole. No channel member has complete or substantial control over other members. A vertical marketing system (VMS), by contrast, comprises the producer, wholesaler(s), and retailer(s) acting as a unified system. One channel member, the channel captain, owns the others or franchises them or has so much power that they all cooperate. The channel captain can be the producer, the wholesaler or the retailer. VMSs arose as a result of strong channel members' attempts to control channel behavior and eliminate the conflict that results when independent channel members pursue their own objectives. They achieve economies through size, bargaining power, and elimination of duplicated services. VMSs have become the dominant mode of distribution in the U.S. consumer marketplace, serving between 70 percent and 80 percent of the total market. There are three types of VMS: corporate, administered, and contractual.

#### ➤ **A corporate VMS**

It combines successive stages of production and distribution under single ownership. Vertical integration is favored by companies that desire a high level of control over their channels.

#### ➤ **An administered VMS**

It coordinates successive stages of production and distribution through the size and power of one of the members. Manufacturers of a dominant brand are able to secure strong trade cooperation and support from resellers.

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<sup>1</sup> Philip Kotler Marketing Management, Millenium Edition Philip Kotler 2002 page 246



### ➤ **A contractual VMS**

It consists of independent firms at different levels of production and distribution integrating their programs on a contractual basis to obtain more economies or sales impact than they could achieve alone. Contractual VMSs are of three types:

- Wholesaler-sponsored voluntary chains organize groups of independent retailers to better compete with large chain organizations.
- Retailer cooperatives arise when the stores take the initiative and organize a new business entity to carry on wholesaling and possibly some production. Members of retail cooperatives concentrate their purchases through the retailer co-op and plan their advertising jointly; profits are passed back to members in proportion to their purchases.
- Franchise organizations are created when a channel member called a franchisor links several successive stages in the production-distribution process. Franchises include manufacturer-sponsored retailer franchises; manufacturer-sponsored wholesaler franchises; and service-firm-sponsored retailer franchises

### **1.7.2. Horizontal Marketing Systems<sup>1</sup>**

Another channel development is the horizontal marketing system, in which two or more unrelated companies put together resources or programs to exploit an emerging marketing opportunity. Each company lacks the capital, know-how, production, or marketing resources to venture alone, or it is afraid of the risk. The companies might work with each other on a temporary or permanent basis or create a joint venture company.

### **1.7.3. Multichannel Marketing Systems**

Multichannel marketing occurs when a single firm uses two or more marketing channels to reach one or more customer segments. By adding more channels, companies can gain three important benefits.

The first is increased market coverage companies often add a channel to reach a customer segment that its current channels cannot reach.

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<sup>1</sup> Op.cit Philip Kotler Marketing Management, Millenium Edition Philip Kotler 2002 page 246

The second is lower channel cost companies may add a new channel to lower the cost of selling to an existing customer group (selling by phone rather than personally visiting small customers).

The third is more customized selling companies may add a channel whose selling features fit customer requirements better. However, new channels typically introduce conflict and control problems. First, different channels may end up competing for the same customers. Second, as the new channels become more independent, the company may have difficulty maintaining cooperation among all of the members.

## **Section 02: Intermediaries and Strategies of Distribution**

In this section we will begin with the intermediaries of distribution and their characteristic in a first place and in a second place we will discuss the distribution strategies that can be followed by the companies.

### **2.1. Intermediaries**

In this part, we will begin with a definition of the intermediaries, their types, functions and responsibilities.

#### **2.1.1. Definition of Intermediaries**

Distribution<sup>1</sup> includes independent organizations that will carry out a number of activities. Merchants include wholesalers and retailers, buy, take title to and resell the firm's goods, whereas brokers and agents do not buy or carry the producer's products, but help to sell these to customers by negotiating prices and sales terms and conditions on the supplier's behalf. Other intermediaries - transport companies, independent warehouses, finance companies, banks - perform a range of channel functions to facilitate the flow of goods or services from producer to user

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<sup>1</sup> Philip Kotler, Principles Of Marketing, Second European Edition published 1999 by Prentice Hall, page 910

And according to MACDONALD<sup>1</sup> "a lot of companies are using different channels of commerce in parallel to reach their customers. These circuits may involve one or more intermediaries. The function of the intermediaries is to ensure the best possible coverage of the market at the lowest cost »

### 2.1.2. Types of intermediaries

There are three major types of intermediaries which we will discuss separately

#### 2.1.2.1. Wholesalers:

Wholesalers render important services to producers and resellers. Their sales forces help manufacturers reach any small customers at a low cost. The wholesaler has more contacts and is often more trusted by the buyer than the distant manufacturer. Wholesalers select items and build assortments needed by their customers, thereby saving the consumers a considerable amount of work.

They save their customers money by buying in huge lots and breaking bulk (breaking large lots into small quantities). They also provide quicker delivery to buyers because they are closer than the producers and they give information to suppliers and customers about competitors, new products and price developments.

There are many types of wholesaler which are classified according to the breadth and depth of their product/service lines and the range of services they offer, these are<sup>2</sup>:

- **Full-service wholesalers** which they provide a full set of services, such as carrying stock, using a sales force, offering credit, making deliveries and providing technical advice and management assistance. They are either wholesale merchant or industrial distributors.
- **Wholesale merchants** who sell mostly to retailers. They carry one or two lines of goods, but offer a greater depth of assortment.

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<sup>1</sup> M. MACDONALD, « les plans marketing », édition of Boeck, 5th edition, Bruxelles, 2004, p 400

<sup>2</sup>Op.cit.Philip Kotler page 910

- **Industrial distributors** sell mainly to producers rather than to retailers. They provide inventory, credit, delivery, technical advice and other services. They may handle a wide, limited or special line of products.

#### 2.1.2.2. Retailers:

Retailers sell products and services directly to consumers, these types of intermediaries take possession of the merchandise that they acquire and they have as compensation the margin (difference between purchase price from wholesaler and sales price to consumers)

According to J.J.LAMBIN and I.SCHEUILING the traditional classification distinguishes between three types of independent retailers<sup>1</sup>:

- Food retailers, specialty retailers and craft retailers such as bakers and butchers.
- Retailers can also be classified according to the level of service offered (Self Service or Assisted Sales)
- Since they can be classified according to their method of operation (low margin / high turnover) or (high margin / low turnover), regarding the first method, retailers base their competition on the basis of prices, as for the second method, a special attention is put on the assortment, the services and the prestigious image of the store.

Whil Philip kotler<sup>2</sup> find that retail stores come in all shapes and sizes and generally they can be distinguished by the amount of service they offer, the product line and relative price emphasis and their types are namly as the following:

- Self-service retailers cater for customers who are willing to perform their own 'locate-compare-select' process to save money.
- Limited-service retailers, such as department stores, provide more sales assistance because they carry more shopping goods about which customers need information.
- Full-service retailers, such as specialty stores and first-class department stores, assist customers in every phase of the shopping process.
- A speciality store carries a narrow product line with a deep assortment within that line.

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<sup>1</sup> LAMBIN (J.J) with SCHEDUILING(I) : Market-Driven Management, edition DUNOD, 3<sup>rd</sup> édition, Chine 2012, p 396 .

<sup>2</sup> Op.cit.Philip Kotler page 912

- A department store carries a wide variety of product lines - typically, clothing and fashion accessories, cosmetics, home furnishings and household goods: each operated as a separate department managed by specialist buyers or merchandisers
- Variety stores tend to be low-cost, self-service stores. They specialize in a wider range of goods than specialist stores, but have a narrower range compared to department stores.
- Supermarkets are large, low-cost, low-margin, high -volume, self-service stores that carry a wide variety of food, laundry and household products.
- Category killers are a new breed of exceptionally aggressive discounters, offering a wide range of branded products in a clearly defined category. Their predatory pricing strategy - pile them high, sell them cheaper than the competition - and ability to decimate much of the competition in their sector explains their name.
- Hypermarkets are even bigger than superstores. A typical hypermarket occupies about 10,000 square meters of space, almost as big as six football fields. They carry more than just routinely purchased goods, for they also sell furniture, appliances, clothing and many other things. The hypermarket operates like a warehouse
- Cash-and-carry retailers are large stores (around 3,000-4,000 square meters] selling an extensive assortment of goods, ranging from groceries to office furniture

### 2.1.2.3. BROKERS AND AGENTS:

Brokers and agents<sup>1</sup> do not take title possession of the goods, in marketing a company's products they typically perform only a few of the marketing flows, and their main function is to ease buying and selling, to bring buyers and sellers together and to negotiate between them. They are most commonly found in the food, real estate, and insurance industries, they also may represent either a buyer or a seller and are paid by the party who hires them.

Brokers often can represent several manufacturers of noncompeting products on a commission basis and they do not carry inventory or assume risk, there are several types<sup>2</sup>:

- **Manufacturers' agents or representatives:** They are the most common type of agent. They represent two or more manufacturers of related lines.

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<sup>1</sup> <https://www.britannica.com/topic/marketing/Brokers-and-agents> viewed on April 7th, 2019 at 10 am.

<sup>2</sup> Op.cit.Philip Kotler page 916

They have a formal agreement with each manufacturer, covering prices, territories, order handling procedures, delivery, warranties and commission rates. They know each manufacturer's product line and use their wide contacts to sell the products, most of them are small businesses, with only a few employees who are skilled salespeople.

- **Selling agents:** Their contract is to sell a producer's entire output - either the manufacturer is not interested in doing the selling or feels unqualified. The selling agent serves as a sales department and has considerable influence over prices, terms and conditions of sale, as well as packaging, product development, promotion and distribution policies. Unlike other manufacturers' agents, the selling agent normally has no territory limits. They are most found in product areas such as textiles, industrial machinery and equipment, chemicals and metals.
- **Commission merchants:** They are agents that take physical possession of products, grade, and store and transport them, and negotiate sales with buyers in the market. They are normally not used on a long-term basis. They are used most often in agricultural marketing by farmers who do not want to sell their own output and who do not belong to cooperatives.

### 2.1.3. Functions of Intermediaries

Channel intermediaries enhance utilities by providing a wide array of specific functions. Their contributions can be classified into physical distribution functions, transaction and communication functions, and facilitating functions<sup>1</sup>.

#### 2.1.3.1. Physical Distribution Functions

One function of channel intermediaries is physical distribution, or logistics, which is the integrated process of moving input materials to the producer, in-process inventory through the firm, and finished goods out of the firm through the channel of distribution. Let's examine how channel intermediaries contribute to the physical distribution function.

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<sup>1</sup>Op.cit Greg W. Marshall ROLLINS COLLEGE Mark W. Johnston P328

- **Breaking bulk:** In many industries, such as consumer health products, when finished goods come off a firm's production line, the manufacturer packages the individual pieces into large cartons for shipping into the channel of distribution. Importantly, like most channel functions, breaking bulk could be performed by different types of intermediaries.
- **Accumulating bulk:** and Sorting In some industries, rather than breaking bulk, the intermediaries perform a process of accumulating bulk— that is, they take in product from multiple sources and transform it.
- **Creating assortments:** Intermediaries engage in creating assortments when they accumulate products from several sources and then make those products available down the channel as a convenient assortment for consumers
- **Reducing transactions:** We have already seen how the introduction of even one intermediary into a channel can contribute to greatly reducing transactions necessary to complete an exchange. Channels with intermediaries actually tend to save end-user consumers money over what most direct producer to consumer distribution approaches would cost, given the same product. As mentioned earlier, in the long run, channel intermediaries remain in the channel only as long as they are adding efficiencies, reducing costs, and adding value within that channel
- **Transportation and storage:** Relatively few producers operate their own transportation networks or provide warehousing facilities. Producers make money by pushing finished goods out the door and into the channel of distribution. As such, transportation and storage functions are among the most commonly provided channel intermediary activities

### 2.1.3.2. Transaction and Communication Functions<sup>1</sup>

Another category of intermediary contribution within a channel is the performance of transaction and communication functions. These functions include:

- **Selling:** Often, intermediaries provide a sales force to represent a manufacturer's product line. This could take the form of manufacturers' representatives, or brokers, that represent a product line down the channel. Alternatively, the salespeople might work for a wholesaler or retailer.

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<sup>1</sup>Op.cit Greg W. Marshall ROLLINS COLLEGE Mark W. Johnston page 329

- **Buying:** Both wholesalers and retailers perform an important function by evaluating products and ultimately simplifying purchase decisions by creating assortments.

### 2.1.3.3. Facilitating Functions

In a channel, facilitating functions performed by intermediaries include a variety of activities that help fulfill completed transactions and also maintain the viability of the channel relationships. These include:

- **Financing:** Without readily available credit at various stages in the distribution process, many channels could not operate.
- **Market research:** Because intermediaries are closer to end-user consumers and business users than manufacturers, they are in an ideal position to gather information about the market and consumer trends.

### 2.1.4. Responsibilities of channel members

Each channel member must be treated respectfully and given the opportunity to be profitable. The main elements in the “trade-relations mix” are price policies, conditions of sale, territorial rights, and specific services to be performed by each party. The responsibilities of channel member are<sup>1</sup> :

- Price policy calls for the producer to establish a price list and schedule of discounts and allowances that intermediaries see as equitable and sufficient.
- Conditions of sale refer to payment terms and producer guarantees. Most producers grant cash discounts to distributors for early payment. They might also offer a guarantee against defective merchandise or price declines, creating an incentive to buy larger quantities.
- Distributors’ territorial rights define the distributors’ territories and the terms under which the producer will enfranchise other distributors. Distributors normally expect to receive full credit for all sales in their territory, whether or not they did the selling.

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<sup>1</sup> Op.cit Greg W. Marshall ROLLINS COLLEGE Mark W. Johnston p 242



- Mutual services and responsibilities must be carefully spelled out, especially in franchised and exclusive-agency channels. McDonald's provides franchisees with a building, promotional support, a record-keeping system, training, and general administrative and technical assistance. In turn, franchisees are expected to satisfy company standards for the physical facilities, cooperate with new promotional programs, furnish requested information, and buy supplies from specified vendors.

### 2.1.5. Factors determining choice of channels of distribution

In the choice of the distribution policy and the distribution channel, the company must consider a number of factors. According to LINDON and JALLAT<sup>1</sup> are the following:

#### ➤ **Product Related Factors**

The important considerations related to the product in deciding on channels of distribution are the following:

- **Nature of Product:** In case of industrial goods like, short channels like zero level channel or first level channel should be preferred because they are usually technical, expensive, made to order and purchased by few buyers. Consumer goods like LCD, refrigerator can be distributed through long channels as they are less expensive, not technical and frequently purchased.
- **Perishable and Non- Perishable Products:** Perishable products like fruits or vegetables are distributed through short channels while non perishable products like soaps, oils, sugar, salt etc. require longer channels.
- **Value of Product:** In case of products having low unit value such as groceries, long channels are preferred while those with high unit value such as diamond jewellery short channels are used.
- **Product Complexity:** Short channels are preferred for technically complex goods like industrial or engineering products like machinery, generators like torches while non complex or simple ones can be distributed through long channels.

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<sup>1</sup> Op.cit. LINDON, (D) and JALLAT, (F) page (161-164)

### ➤ **Company Characteristics**

Following are the main Company Characteristics offering choice of channel of distribution:

- **Financial Strength:** The companies having huge funds at their disposal go for direct distribution. Those without such funds go for indirect channels.
- **Control:** Short channels are used if management wants greater control on the channel members otherwise a company can go in for longer channels.

### ➤ **Competitive Factors<sup>1</sup>**

Policies and channels selected by the competitors also affect the choice of channels. A company has to decide whether to adopt the same channel as that of its competitor or choose another one. For example, if Nokia has selected a particular channel say Big Bazaars for sale of their hand sets, other firms like Samsung and LG have also selected similar channels

### ➤ **Market Factors**

Following are the important market factors affecting choice of channel of distribution:

- **Size of Market:** If the number of customers is small like in case of industrial goods, short channels are preferred while if the number of customers is high as in case of convenience goods, long channels are used.
- **Geographical Concentration:** Generally, long channels are used if the consumers are widely spread while if they are concentrated in a small place, short channels can be used.
- **Quantity Purchased:** Long channels are used in case the size of order is small while in case of large orders, direct channel may be used.

### ➤ **Environmental Factor**

Economic factors such as economic conditions and legal regulations also play a vital role in selecting channels of distribution. For example, in a depressed economy, generally shorter channels are selected for distribution.

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<sup>1</sup> Op.cit. LINDON, (D) and JALLAT, (F) page (161-164)

➤ **Risks of future conflicts**

Finally, the company (or the producer) must be interested in minimizing the risk of future conflicts with its distributors. These conflicts may be due for example to the sales practices of the distributor, or a disagreement between some channels.

## 2.2. Strategies of Distribution

There three types of distribution strategy:

### 2.2.1. Distribution Intensity

Distribution intensity refers to the number of intermediaries involved in distributing the product, and it can be intensive, selective, or exclusive as shown in the following<sup>1</sup>:

- **Intensive:**

Intensive distribution aims to achieve the widest coverage of outlets and is sought by suppliers of high-volume, low-value products that are in mass demand. This strategy is usually adopted for fast-moving consumer goods. They are in high demand all year round and the aim should be to gain distribution in every available outlet possible.

- **Exclusive:**

Exclusive distribution is where distributors/stockiest are granted exclusive rights in specified areas. This makes a lot of sense where high capital investment is required, and especially where detailed after-sales service is needed. It is applied where the product is expensive and infrequently purchased and, hence, the motor car distributive networks exemplify this type of distribution. For example, top-of-the-range cars like a BMW or Mercedes, distribution should be matched to areas of population that can afford luxury goods. In truth, they will visit you (maybe initially via your web site) before visiting the showroom.

- **Selective:**

Selective distribution can be adopted when the product is fairly expensive and bought occasionally but not top of the range.

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<sup>1</sup>PHILIP KOTLER, KEVIN LANE KELLER, Marketing Management, 14th edition, 2010, p 425

This strategy is used by consumer durable manufacturers. The product is not placed in all potential outlets, thus selected dealers can specialize and afford after-sales back-up and support.

### 2.2.2. Push and Pull Strategy

According to FILSER<sup>1</sup>, the company can be oriented between two distribution strategies which are the push strategy and the pull strategy

➤ **Push strategy:**

A push strategy uses the manufacturer's sales force, trade promotion money, or other means to induce intermediaries to carry, promote, and sell the product to end users. A push strategy is particularly appropriate when there is low brand loyalty in a category, brand choice is made in the store, the product is an impulse item, and product benefits are well understood.

➤ **Pull strategy:**

In a pull strategy the manufacturer uses advertising, promotion, and other forms of communication to persuade consumers to demand the product from intermediaries, thus inducing the intermediaries to order it. Pull strategy is particularly appropriate when there is high brand loyalty and high involvement in the category, when consumers are able to perceive differences between brands, and when they choose the brand before they go to the store

### 2.2.3. Channel Control and Adaptability <sup>2</sup>

Review of the types of intermediaries and channel reveals a variety of options that can lead to more or less control and adaptability over the channel. Hiring an in-house sales force, investing in a fleet of trucks, building a warehouse facility, pursuing a corporate VMS through vertical integration, and engaging in a contractual VMS with other intermediaries each would increase a firm's control of the channel but at the same time limit its flexibility to change if the competition and other external forces require it.

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<sup>1</sup> FILSER, (M) : canaux de distribution, edition Velbert, Paris, 1998, p.187

<sup>2</sup> Op.cit W. Marshall ROLLINS COLLEGE Mark W. Johnston P336

Other options such as brokers, manufacturer's agents, and common carriers have the opposite effect in that a firm's influence and control in the channel are minimized but great flexibility is attained to dramatically and quickly alter aspects of the channel if needed. In deciding on the right balance between control and flexibility in a channel, marketing managers must consider the type of products involved, cost issues among the various options, strength of belief in the accuracy of the sales forecast, and likelihood that major changes will occur in the customer or competitive marketplace that would necessitate restructuring the channel. Often, customers drive the ultimate choice a marketing manager makes about a channel, as flexibility or control differentially impact the value proposition from one customer to the next.

### **Section 03: Physical distribution**

Physical distribution is a very important component of the company; it means all the tasks, methods and techniques that contribute to ensure effective movement of goods from sources of supply to final consumers, according to SOHIER (J)<sup>1</sup> physical distribution is defined as all the material operations necessary to physically make the products available to the intended customers while its main purpose is the optimization of different costs of material handling, transportation, storage and delivery, which represents a significant percentage of the company's turnover.

The operations of physical distribution are as follows:

#### **3.1. Storage:**

The storage is defined<sup>2</sup> as all the goods or articles accumulated while awaiting a future use and which allows users to be supplied as and when they are needed without imposing delays and deliveries from suppliers

It can group all goods, supplies, waste, semi finished products, finished products, in-process products and commercial packages, which are the company's property.

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<sup>1</sup> SOHIER (J) : « la logistique », Vuibert edition, 6th edition, paris, 2010, P 54

<sup>2</sup> ZERMATI (P), and MOCELLIN (F) : pratique de la gestion des stocks, edition DUNOD, 7th edition, paris, 2005, p.33.

### ➤ **Role of the Storage**

According to BLONDEL<sup>1</sup>, the storage is a necessity in the company, because it plays a positive role in regulating the production and supply process,

In addition to its main function, regulation, stock may also allow speculation on products with high price variation, so to buy it with low price and to sell it after with a higher one, the stock also makes it possible to counter the scarcity, in order to cover the insufficiency.

### **3.2.Handling**

AMODEO and YALAOUI<sup>2</sup> have defined the handling as follows: "It is the manual or mechanical movement of the goods in view of the storage, shipping, or sale".

So handling is the whole movement of goods or materials, in the best condition of quality, speed, safety and efficiency, in order to prepare shipping order, to move the products in the production workshops, or store the goods, it is also considered as an indispensable tool in the production system because it is used throughout the logistics chain, which extends from the first supplier to the final customer, through the carriers, producers, suppliers, distributors, and sellers

Moving products from one point to another is done using handling means such as forklift trucks, lifting equipment, overhead conveyors, manual and electric pallet trucks...etc.

### ➤ **Role of the handling:**

- It facilitates the work of the operator;
- It reduces the manipulations to the maximum;
- It uses the space as much as possible;
- It adopts handling methods and materials according to the number and constitution of parts to be handled; and choose flexible and versatile equipment.

### **3.3.Warehousing**

Warehousing, according to AMODEO and YALAOUI<sup>1</sup> can be defined as a combination of functions or operations on the goods, these operations are carried out between the date of arrival of the products until their use or their exit.

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<sup>1</sup> BLONDEL (F): gestion industriel, edition DUNOD, 2<sup>nd</sup> edition, 2006, P154.

<sup>2</sup> AMODEO (L), et YALAOUI (F) : logistique interne, entreposage et manutention, ellipses edition, paris, 2005, p.73

### ➤ **Warehousing process**

Reception phase: it is the first stage of the product flow in the warehouse, in this step the product is controlled, and claims or blocking procedures are triggered in case of nonconformity.

- **Storage Phase:** Consists of storing items in storage areas using storage means.
- **Transfer phase:** consists of transferring the products from the reserve to the stores and the picking consists of recovering them from the stock, this operation is done in different ways either manually, partially, or totally automatically, then these items are intended for the process of exit or consolidation.
- **Registration phase:** Items are protected through packaging, this step can be done during the reception phase.
- **Shipping phase:** it goes through:
  - The preparation of the products is based on customer orders or customer needs;
  - Exit control and packaging for commercial needs;
  - The handling and loading of products in the means of transport.

### **3.4. Transportation**

Transport is the essential element of the distribution chain, providing the link between the various links in the chain (supplier-factories, inter-factories, warehouse factories and customer-warehouses), a major element of the quality of customer service. , since it is directly related to delays, errors, losses, breaks, theft...

The purpose of the transport is the transportation of a product to the right destination in the appropriate time and respecting its integrity.

Transportation has a direct effect on the selling price, delivery times and good condition of the goods delivered, all of these factors are affecting customer satisfaction.

Transportation decisions are typically complex because of their impact on storage and warehousing. As a result, the company needs to regularly review its logistics options.

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<sup>1</sup> Amadeo (L), and YALAOUI (F) : Op.cit, p.8

**3.5.Packaging:**

Packaging is any product intended to incorporate and protect finished products or raw materials, to allow their handling and transportation from the producer to the final consumer

The packaging can be provided by the manufacturer of the product or by the distributor at the point and time of sale for products sold in bulk or cut<sup>1</sup>.

The packaging consists of different materials such as paper and cardboard, wood, glass, metal, and even plastic. The choice of one of these types of packaging varies according to the nature of the product.

**Role of Packaging:**

Packaging has an important role in providing versatile protection for goods, facilitating the movement of the cargo, providing storage and transfer in the best conditions.

It also plays a major role in the visibility and attraction of the product in the linear at the point of sale and in the legal and commercial information of the consumer.

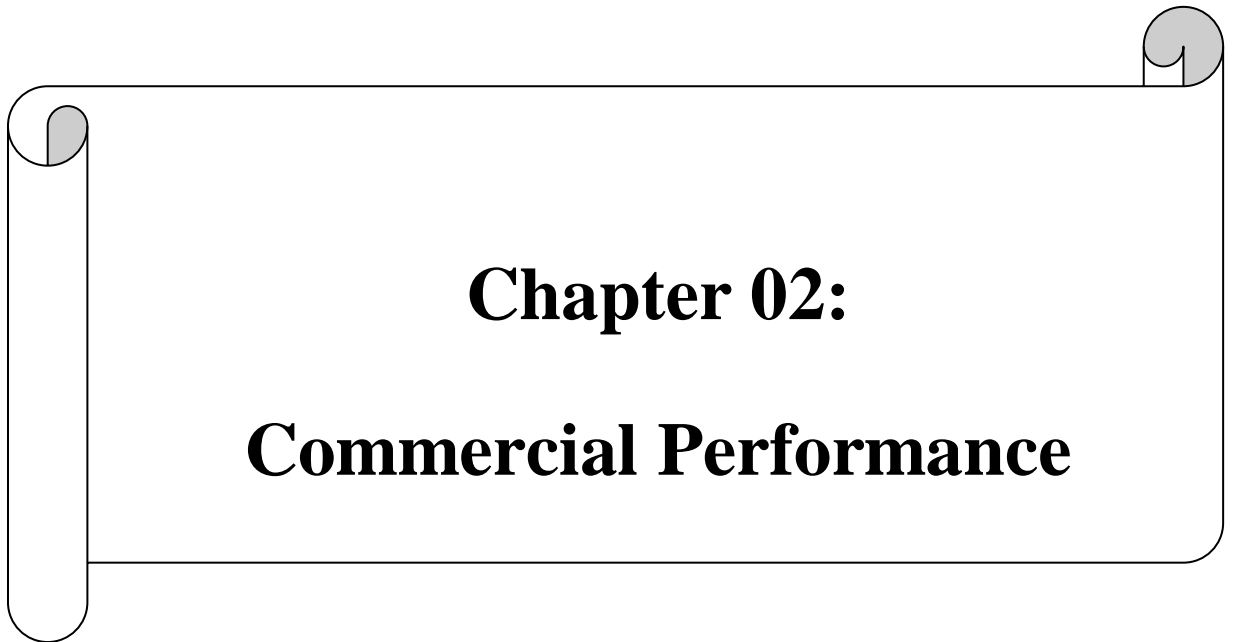
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<sup>1</sup> <http://www.definitions-marketing.com/definition/emballage>: ( viewed on 04/04/2019 à 22h25).



## **Conclusion**

In this chapter, we discussed the role of distribution and noted that its decisions are especially important because they are difficult and expensive to change and it is also important not only for the producer but for the consumer, because we cannot distribute the products and services of the company in an anarchic way, it is obligatory to adopt a policy of thoughtful and selected distribution, a set of intermediaries that meets criteria which can achieve the objectives of the company to ensure the delivery of products to consumers in the right conditions and the right time.



**Chapter 02:**  
**Commercial Performance**

### Introduction

Performance is a difficult notion to formalize and as a result, its complexity has generated a diversity of definitions by several actors.

In organizations the term performance is more used and it is found in all the activity sectors of the company: financial performance, social performance, commercial performance

Performance exists only if it can be measured so the measure of performance is the evaluation of the results achieved in relation to the objectives defined by the organizations, its usefulness is paramount because it allows managers to control, monitor, improve, and drive performance.

The development of a company is strongly dependent on its commercial performance, and the ability to prospect, to negotiate, to sell, to retain customers and to establish lasting relationships with them.

In this chapter, which is titled the commercial performance, three sections will be included which are:

Section 01: Concepts of Performance

Section 02: Measurement of Performance

Section 03: Commercial Performance

So, we will develop in a first point the general foundations of the performance and show the different definitions of this notion, in a second point we will discuss the measurement of performance and in the last point we will present the commercial performance.

## Section 01: Concepts of Performance

### 1.1. Definition of performance

The Oxford English dictionary takes performance to be as how well or badly you do something or how well or badly something works, it is also defined as the act or process of performing a task, an action, etc. while the verb perform means to work or function well or badly.

Campbell<sup>1</sup> defined performance as behaviors or actions that are relevant for the organization's goals and that can be measured in terms of the level of contribution to those goals. These behaviors can be distinguished from effectiveness, which is the impact that behaviors have on outcomes. He further considers performance of technical skills the core of the individual's job specific task proficiency.

But Philippe Lorrino<sup>2</sup> (1997) states that: "Performance in the enterprise is what contributes to improving cost-value couple and not just what helps to reduce the cost or increase the value"

And according to Lebas<sup>3</sup> 'Performance is about deploying and managing well the components of the causal model that leads to the timely attainment of stated objectives within constraints specific to the firm and to the situation' .

While Krause<sup>4</sup> defined Performance as the degree of the achievement of objectives or the potentially possible accomplishment regarding the important characteristics of an organization for the relevant stakeholders. Performance is therefore principally specified through a multidimensional set of criteria. The source of the performance is the actions of players in the business processes. From another viewpoint in the field of public management, Wouter Van Dooren, Geert Bouckaert and John Halligan<sup>5</sup> argue that performance in the public sector is about intentional behavior, which can be individual or organizational.

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<sup>1</sup> Campbell, J.P. Modeling the performance prediction problem in industrial and organizational psychology. Dunnette & L.M. Hough (Eds.), 1990. 2nd ed., pp. 687-731).

<sup>2</sup> Lorino P, Performance Methods and Practices, Paris,, 1997, PP.18-20.

<sup>3</sup> Lebas M, Performance measurement and performance management. Int J Prod Econ, 1995, pp 23-35

<sup>4</sup> [https://www.researchgate.net/publication/316630175\\_Performance\\_A\\_concept\\_to\\_define](https://www.researchgate.net/publication/316630175_Performance_A_concept_to_define) viewed on April 13th 2019

<sup>5</sup> ibid

Performance has a quality that can be either high or low. First, when performance is about the quality of the actions, performance is conceptualized as a competence or capacity. Second, when it's about the quality of the achievements, performance equals results. Finally, when performance is conceptualized with the attention to both the quality of actions and the quality of achievements, it may be typified as sustainable results.

According to WALKER, the performance is "the result of the execution of a certain number of discrete and specific activities, which can vary greatly according to the types of positions and sales situations"<sup>1</sup>, performance is a multiplicative function of motivation, ability and role variables.

Still Tatjana Samsonowa<sup>2</sup> argues that all the different definitions she had to review, in the performance literature, have one common characteristic; they all are related to two terms: effectiveness and efficiency; effectiveness as an indicator of the degree of a goal attainment, and efficiency as an indicator of the resources that were consumed to reach the level of achievement. In her work, she uses the term "performance" as the level/degree of goal achievement of an organization/department rather than of individuals.

To Bourguignon<sup>3</sup>, performance in the field of accountability management has three senses it can be success, the result of action, or action itself. And in the performance measurement literature, Samsonowa relates performance to the two concepts: effectiveness and efficiency. While Otley, in the management accounting research field, and Bessire in the Management control field, both relate performance to effectiveness, efficiency, and economy.

After putting forward these definitions we find that performance is not an independent and self-determining term. It is always related to other concepts, and needs to adapt to each new different context or field. This makes its management also depend on the context in which it is discussed. So the performance remains a matter of perception, it is relative to its use. Indeed, according to FERICELLI (A) and SIRE (B)<sup>4</sup>, the word performance has multiple meanings that are articulated around the three meanings which are:

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<sup>1</sup> WALKER (O.C): Sales Force Management, 8<sup>ème</sup> édition, McGraw-Hill, Irwin, 2006, p.164.

<sup>2</sup> Tatjana Samsonowa, Industrial Research Performance Management Key Performance Indicators in the ICT Industry, Springer company, p 25.

<sup>3</sup> Op.cit.

<sup>4</sup> FERICELLI (A) and SIRE (B) : performance et ressources humaines, édition ECONOMOCA, Paris, 1996, p19.

- **The performance is success:** The performance reflects a positive result, it is therefore a relative relationship (result of a comparison), multiple (Diversity of objectives), and subjective (dependent on the actor who evaluates it).
  - **The performance is the result of the action:** contrary to the previous one, this meaning does not contain a value judgment, the measure of performances is understood as the evaluation of the results obtained.
  - **The performance is the action:** it is a process and not a result that appears at one point in time; it is the setting in acts of a competence, which is only a potentiality.
- Generally, performance defines the achievement of organizational objectives, it is multidimensional in the image of organizational goals, it is subjective and depends on selected referents goals or targets, whatever the nature and variety of these objectives, therefore this realization can be understood in the strict sense (result), or in the broad sense of the process that leads to the result (action).

### 1.2.Performance Concepts:

In this point we will do an overview of the different theories that have discussed the development of performance in detail.

- **The theory of goals:**

LEVY LEBOYER defines the goal on setting objectives as much on the personal level as on the organizational level.

LOCKE<sup>1</sup> defined the goal as the desire to achieve a certain level of performance. He demonstrated that goals are powerful determinants of the effort and activity that lead to that performance, even if the goal itself is not and cannot be achieved.

He also showed that clear goals and appropriate feedback motivate employees and he went on to highlight that working toward a goal is also a major source of motivation – which, in turn, improves performance.

- **The theory of reinforcement:**

Experienced by SKINNER<sup>2</sup>, this theory states that any behavior, positive or negative, can be controlled or even modified according to the desired result. It is based on the assumption that our behaviors are controlled by their consequent and not by internal phenomena such as needs, attitudes, values, etc.

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<sup>1</sup> [https://www.mindtools.com/pages/article/newHTE\\_87.htm](https://www.mindtools.com/pages/article/newHTE_87.htm) viewed on 15th june, 2019 at 23:11

<sup>2</sup> [www.qprtools.com/sport/staps\\_performance/condition&comprtem.pde](http://www.qprtools.com/sport/staps_performance/condition&comprtem.pde). viewed on 15th june, 2019 at 17:02

### ➤ **The distinction between performance and related notions**

The concept of performance is often confused with the terms of efficacy, efficiency and effectiveness which they are considered similar concepts despite the differences that exist between them.

### ➤ **Efficacy**

Efficacy is determined by achieving or exceeding the predetermined results to the actual results made throughout the development of the activity.

This represents the ability of the enterprise to meet and even exceed the expectations of users of the accounting information (shareholders/associates, clients, suppliers, employees, government) at the same time with reaching the predetermined organizational objectives.

### ➤ **Efficiency**

Efficiency, in Drucker's definition, is "doing things right," and it is also defined as the ability to produce the desired result while minimizing waste (achieving the necessary outputs for little money), and using all available resources productively<sup>1</sup>.

### ➤ **Effectiveness**

Effectiveness may be broadly defined to refer to the degree of success an organization enjoys in doing whatever it is trying to do and it is also defined as the degree of progress towards the set objectives. While Drucker<sup>2</sup> defined effectiveness as "doing the right things" to meet the organization's objectives.

### **1.3.Characteristics and criteria of performance**

Performance brings together a set of features that can be listed in the following points:

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<sup>1</sup> Nalewaik, A. A., Systemic Audit and Substantive Evaluation in the Built Environment, PhD candidate, Strategy Programme & Project Management, SKEMA Business School, California, USA

<sup>2</sup> Ibid

### ➤ **Performance is a support for judgments**

According to SAULQUIN<sup>1</sup> performance is often defined by criteria consistent with the representation of theorists and practitioners of performance and its measurement. It involves a value judgment on the organization's activities, results, products and effects on its environment.

### ➤ **The components of performance evolve over time**

The internal evaluation criteria and those defined by the environment are changing. Thus, factors that condition a company's success during an innovation phase may become incompatible with those required during a development phase.

Specialists have pointed out to us that there are combinations of human, technical and organizational factors that are effective in one context and no longer in others, their combinations are multiple and change over time.

### ➤ **Performance as a pilot indicator**

The performance is piloting. Many authors offer managers a corporate reader grid with indicators that complement each other and connect to multiple objectives. "The only financial criteria are no longer sufficient for managers, and in practice, the non-financial indicators complement the first, they provide pilots with an essential global vision of performance in several areas simultaneously"<sup>2</sup>.

Subsequently, the performance has a reactive effect on the organization, it acts on the behavior of the leaders, if results are below targets than managers will reconsider strategic choices.

### ➤ **Performance is rich in contradictory components**

The performance is rich of antinomial components<sup>3</sup>, it is a set of complementary and sometimes contradictory parameters. This is verified when the manager seeks to minimize costs while ensuring product quality and employee morale.

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<sup>1</sup> SAULQUIN(J.Y), Gestion des ressources humaines et performance des services, in revue gestion des ressources humaines, n°36, juin 2000, P.20.

<sup>2</sup> SAULQUIN, op.cit, P.20

<sup>3</sup> LEBAS, (M) : Qui il faut définir la performance, In French Accounting Review, No. 269, July. August, 1995, P.139.



These criteria therefore impose permanent arbitrations. Not all components have the same importance but it is in the nature of things that any element of the performance is supplemented or influenced by another internal or external element, because the activities of the company are inseparable. For this, the citation of the main factors influencing performance is as follows:

If the economic dimension remains dominant, the company can at a particular stage of its evolution or according to the personality of its leader, give priority to this or that dimension (human resources, satisfaction of external groups ...).

In general, performance refers to the achievement of organizational objectives, regardless of their natures and varieties. This realization can be understood in the strict sense (result, outcome) or in the broad sense of the process that leads to the result (action).

Performance is multidimensional, just like organizational goals; it is subjective and depends on the chosen referents (goals, targets).

### 1.4. Performance factors

Performance factors<sup>1</sup> are the elements that serve to improve the performance of a company, therefore the company must focus on these factors and try to optimize them to maximize their results. Among the factors of the company we will name the most important contributing in the improvement of the company's performance.

#### ➤ **The customer:**

To maintain the high levels of customer satisfaction needed to keep customers loyal, companies must continuously improve the service they deliver<sup>2</sup> and try to anticipate their needs and expectations better and better, because the satisfaction of the customers guarantees the durability, otherwise the company will lose more and more its market share and as a result its survival will be difficult.

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<sup>1</sup> Djalal Adine, (ASMANI) : « L'impact de la promotion des ventes sur la performance commerciale de l'entreprise », mémoire de master, EHEC, Alger, 2015, p .39.

<sup>2</sup> Nigel Hill, Greg Roche, Rachel Allen, Customer Satisfaction, 2007, Cogen, page 6.

### ➤ **The product:**

It must be of good quality with high values added, its delivery must be at the best time and with a minimum cost.

### ➤ **Human resources:**

A motivated, responsible, competent staff and involved in decision making, is the key performance factor and the source of guarantee of its value creation

### ➤ **The information:**

The information is the heart of the company's management system, it serves as a communication tool, and as a support for management processes (order processing, accounting ...), its good use makes it possible to take effective decisions.

### ➤ **The mission and objectives:**

The mission and objectives must be clearly defined by the company, shared and communicated to all staff.

### ➤ **Performance indicators :**

The indicators must relate to quality, time and cost, and must be balanced with the company's objectives.

Any major change in one or more of the performance factors will affect other factors. In addition, if a performance factor is lower compared to other factors, this creates an imbalance and the company's performance will be affected. Therefore, the company must maintain a balance between them.

## **1.5. Types of performance:**

We have five types of performance which are the following:

### **1.5.1. Organizational performance**

The definition of organizational performance mostly focused on the capability and ability of an organization to efficiently utilize the available resources to achieve accomplishments consistent with the set objectives of the company, as well as considering their relevance to its users. In this definition, the three general elements of OP, “efficiency,” “effectiveness,” and “relevancy” have been taken into consideration. Conversely, the organizational performance is believed to be able to cover broader areas including the connection between performance and organizational goals (effectiveness); organizational resources (efficiency); and, satisfaction of the stakeholders (relevancy)<sup>1</sup>.

### 1.5.2. Economic performance

Economic performance corresponds to the results presented by cost accounting so it is a direct result of the company’s activity<sup>2</sup>.

The main criteria for evaluating economic performance are as follows:

- **The commercial margin:** Is what is left from product sales in other words that part of the selling price which covers our business costs and which represents the net profit in percentage, and According to V.STEPHANE<sup>3</sup> it is an indicator used in trading activities in other words buying and selling, its calculation formula is as follows:

**The commercial margin** = Selling taxable income – Purchase taxable income.

- **Production of the year**<sup>4</sup>: for a production company:

**Production of the year** = production sold + production stored + production capitalized

- **Value added:** It represents the wealth created by the company to the economy.

<sup>1</sup> An Overview of Organizational Performance Index: Definitions and Measurements Hashem Salarzadeh Jenatabadi May 2015

<sup>2</sup> D’ARCIMOLES, (C.H) and SAULQUIN (J.Y) : « Gestion financière de l’entreprise », edition Vuibert, Paris, 2012, pp.61-62.

<sup>3</sup> VRARD (S) and others : piloter par la marge, edition AFNOR, Paris 2012, p3, P5.

<sup>4</sup> Op.cit D’ARCIMOLES, (C.H) et SAULQUIN (J)

$$\text{VA} = \text{production of the year} + \text{commercial margin} - \text{consumption from third parties}$$

➤ **Gross operating surplus (GOS):** it is an indicator of the company's economic performance, it allows meaningful comparisons between companies, and it refers to the true profitability of the operation. It represents "the share of the value added that comes to the company and the capital providers"<sup>1</sup>

$$\text{GOS} = \text{VA} + \text{operating grant} - \text{taxes and duties} - \text{personal expenses}$$

➤ **Profit of the year:** This balance includes all expenses and revenues, including employee profit sharing and income tax, and it allows shareholders and financial analysts to assess the performance and profitability of the company. It also represents "what remains to the company after payment of the employee's share and payment of corporation tax, or after-tax partner income"<sup>2</sup>

$$\text{Profit of the year} = \text{Profit before tax} + \text{extraordinary income} - \text{employee profit} - \text{income taxes}$$

### 1.5.3. Financial performance

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms.

It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

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<sup>1</sup> GRANDGUILLOT B. and GRANDGUILLOT F, « Analyse financière Les outils du diagnostic financier à partir des documents comptables établis en conformité avec les dernières nouveautés du PCG », 15th edition 2011-2012, Edition Gualino, Paris, 2011, p.61

<sup>2</sup> Op.cit. GRANDGUILLOT B. and GRANDGUILLOT F p 64.

### 1.5.4. Social performance

The social performance of an organization (whether a private-for-profit firm, cooperative or NGO ) comprises the relations of the organization with its clients and with other stakeholder groups, the measurement of social performance involves investigating the structure of an organization (i.e. mission, ownership, management principles, relation to and care for its staff) and its conduct in the market and local and wider community (services, products, market behavior, other relations with clients and other stakeholders, incl. community and social/political organizations)<sup>1</sup>.

### 1.5.5. Competitive performance

Competitive performance can be both the exploitation of existing potential (which maintains a favorable position) and the development of new forms of competitive advantage by the anticipation / construction of the rules of the game that will prevail in the future<sup>2</sup>.

These rules help locate and position the company compared to its competitors and compared to its clients. It is defined through three criteria:

#### ➤ **Customer satisfaction**

It represents the contact of the company with its customers it means the direct communication of the company that can be in an informal way (dialogue with the customer), or in a more formalized process through the studies of satisfaction.

#### ➤ **The loyalty rate**

The stability and the customer loyalty according to the characteristics of the oldest customers and the frequency and nature of new customers and the lost customers, the loyalty of

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<sup>1</sup> Social Performance Indicators Initiative (SPI) Final Report Manfred Zeller, Cécile Lapenu, Martin Greeley, October 2003

<sup>2</sup> [Http://www.creg.ac-versailles.fr/la-performance-globale-et-ses-determinants](http://www.creg.ac-versailles.fr/la-performance-globale-et-ses-determinants), viewed on April 26<sup>th</sup> 2019.

customers is essential for the companies that face particularly intense competition in the market. It is reflected to a set of indicators linked to its behavior.

### ➤ **Market share**

It represents the share of sales of a company compared to the total sales of all suppliers in the market (competitors). It reflects the position it occupies in its market. Increasing a company's market share is a direct reflection of its greater competitiveness in the market.

### **1.5.6. Strategic performance**

The goal of the strategic performance is to ensure the sustainability of the company, and to achieve this purpose the company must differentiate itself from its competitors by establishing appropriate strategic objectives such as improving the quality of its products, the adoption of an original marketing or the adoption of a more efficient manufacturing technology<sup>1</sup>.

For managers, the major concern at this stage is communicating the strategic objectives to staff and ensuring their transformation into operational objectives in order to achieve a long-term performance or a strategic performance.

### **1.5.7. Technological performance:**

Technological performance can be defined as the efficient use of the resources of the company, the degree of innovation in the management system, the production process as well as the goods and services produced by the company.

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<sup>1</sup> BARRETTE Jaques and BERARD Jocelyn, « Gestion de la performance : lier la stratégie aux opérations », Revue Internationale de Gestion, 2000, p.15.

### Section 02: The measurement of performance

The measurement of performance, referred to as performance measurement, is a process which allows an organization to evaluate whether it is on track, or whether actions should be initiated that help achieving its objectives. Early performance measurement focused mainly on financial measures. This one-dimensional approach has been criticized in the 1980's by various authors. A change in the world markets and the increasing competition that enterprises were facing in the 1990's led to new approaches to performance measurement. Besides a more 'balanced', multi-dimensional approach, emphasis is put on strategy and objectives.

The importance of measuring performance on a regular basis is widely accepted today. Besides traditional financial measures such as profit and return on investment, organizations also evaluate non-financial measures in fields such as operations and customer satisfaction. The measurement of process performance enables the concerned actors to assess where they stand and verify that the required performance is delivered. Furthermore, it allows recognising problems and detecting opportunities for process improvement.

#### 2.1.Measurement

In this point we will discuss the measurement, its definition, types and methods

##### 2.1.1. Definition of measurement

The term measurement<sup>1</sup> has a number of distinct meanings, depending on the circumstances in which it is being used. According to the Oxford Dictionary of English<sup>2</sup>, the term measurement can be used to designate either 'the action of measuring something', 'the size, length, or amount of something, as established by measuring', or 'a unit or system of measuring'. From a general point of view, the term measurement can thus refer to an action, a result or a standard.

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<sup>1</sup> Performance Measurements, Master Thesis submitted by Othmar Heini. 2007, Page 9

<sup>2</sup> Oxford Reference Online. The Oxford Dictionary of English

### 2.1.2. Types of measurement

All measurement is relative to a chosen unit, this unit can either be absolute or relative.

#### ➤ **Absolute measurement**

It refers to ‘the existence and use of an official standard which has a high degree of acceptance’. In physics for example, the units of measure for basic attributes include meter for length, kilogram for mass, and seconds for time.

#### ➤ **Relative measurement**

On the other hand uses a standard which is meaningful only in a particular context. For example, in the statement ‘John is half as tall as his father’, it is the height of John’s father that is considered as the standard. However, such relative measurement is not meaningful outside the community of people who know approximately how tall John’s father is.

### 2.1.3. Methods of measurement

In methods of measurement we find three types of methods that is shown in the following<sup>1</sup>:

#### ➤ **Direct Measurement**

The most obvious method of acquiring quantitative data about the physical world is by direct measurement. Numbers can be assigned to objects and phenomena according to some predefined rules. In direct measurement, it is assumed that an observation will be very similar to those made by other observers who use the same standard.

#### ➤ **Indirect Measurement**

Indirect measurement is typically used to measure objects and phenomena that are difficult to observe in a direct manner, it assumes the existence of a connection between the object or phenomenon under consideration and another, directly observable object or phenomenon. It is then from the observation of the connected phenomenon that the measurement of the first is inferred.

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<sup>1</sup> Op.cit. Othmar Heini. p11



### ➤ **Opinion Measurement**

Human behavior can be observed and recorded by studying the processes and activities that humans carry out. However, some aspects cannot easily be measured from direct observation. Opinion measurement is concerned with these aspects, which include the subject's opinions, their feelings, beliefs, and thought processes. These aspects cannot be observed directly, but the subject's expression of it can be observed and recorded. Questionnaires, surveys and polls are typical instruments to collect such data

### **2.2. Performance Indicator**

Performance indicator has been defined by a great number of authors such as Neely<sup>1</sup> who called it performance measure and defined it as a metric used to quantify the efficiency and/or effectiveness of an action, and Lohman and al who defined it as a variable that expresses quantitatively the effectiveness or efficiency or both, of a part or of process, or system, against a given norm or target, while Bauer called it key performance indicator and defined it as a quantifiable metrics which reflect the performance of an organization in achieving its goals and objectives.

Lorino adds that a performance indicator is not an 'objective' measure, since the measurement is not independent of the observer. In the contrary, the indicator is defined by its author in accordance to the type of action he conducts and the goals he pursues<sup>2</sup>.

Similarly, Wettstein<sup>3</sup> notes that performance cannot be expressed in a precise, absolute manner. Rather, performance indicators provide a limited statement on the real performance. We propose the following definition for the term performance indicator: a performance indicator is a strategic instrument which allows evaluating performance against targets.

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<sup>1</sup> Andy Neely, Mike Gregory, and Ken Platts. Performance measurement system design. *International Journal of Operations & Production Management*, 15(4):80–116, 1995.

<sup>2</sup> Op.cit. Othmar Heini.

<sup>3</sup> Thomas Wettstein. *Gesamtheitliches Performance Measurement*, Dissertation, Universität Freiburg, Schweiz, 2002

Therefore, a set of performance indicators are required to allow a thorough appreciation of performance<sup>1</sup>.

### 2.1.1. Classifications

Performance indicators can be classified according to different criteria. We briefly discuss some of the classifications proposed for performance indicators.

#### ➤ **Leading and Lagging Indicators**

There are two basic types of performance indicators in any organization: those that relate to results, and those that focus on the determinants of the results.

Indicators that refer to results are usually called lagging indicators, while those focusing on determinants are called leading indicators.

Leading indicators measure activities and processes that have a significant effect on the future performance of the organization. They measure the so-called key drivers of the organization. Leading indicators provide an early indication about whether the strategy is being implemented successfully. They are either based on the current state, or on a future, planned state. Quality level, employee morale, and on-time deliveries are typical examples.

#### ➤ **Internal and External Indicators**

Keegan et al<sup>2</sup> distinguish in their performance measurement matrix between indicators that measure internal aspects, and those that measure external aspects of the organization. Similarly, Kaplan and Norton<sup>3</sup> define four distinct perspectives for measurement that represent both an external view (financial and customer perspective) and an internal view of the organization (business process, and learning and growth perspective).

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<sup>1</sup> Op.cit. Othmar Heini.

<sup>2</sup> Performance Measurements, Master Thesis submitted by Othmar Heini, Geneva, 2007.

<sup>3</sup> Robert S. Kaplan and David P. Norton. The balanced scorecard - measures that drive performance. Harvard Business Review

### ➤ Financial and Non-Financial Indicators

Finance-based performance measurements have been discussed by various authors who make a clear distinction in the performance measurement matrix between financial and non-financial indicators, such as Kaplan and Norton<sup>1</sup>, who also advocate the use of both financial and non-financial measures.

Financial indicators include traditional measures such as profit, return on investment and price variances. Typical non-financial indicators include quality level, customer satisfaction, on-time deliveries and employee morale.

### 2.2.2. Characteristics of Indicators

To bring an indicator back to its primary role, which is the dissemination of useful and decision-making information, it must contain certain characteristics. VOYER<sup>2</sup> has defined a set of features among them:

- The indicator should be simple, easy to obtain and use;
- It must be as objective as possible;
- It must be clear that it is formulated in a way that is understandable to all concerned, and must be easily interpretable;
- The calculation methods must be stable from one period to another, in the indicator calculation, the same elements must be integrated;
- To be usable, it must be powered by existing and available data, ....

GALLAIRE<sup>3</sup> has also defined a set of characteristics, among them we find:

- The indicator should be displayed where the performance concerned is performed (for example, do not display the turnover indicator in the human resources direction);
- The performance indicator should be kept up to date and informed as much as possible in real time;
- An indicator is a comparative reference allows a comparison of the performance of an activity from one period to another, ...

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<sup>1</sup> Op.cit

<sup>2</sup> VOYER, (P) : Tableaux de bord de gestion et indicateurs de performance, edition presse de l'université du Québec, 2<sup>nd</sup> édition, Canada, 2006, p 68-71

<sup>3</sup> GALLAIRE, (J-M) : Les outils de la performance industrielle, edition of organisation, Paris, 2008, p : 30

### 2.2.3. From Vision to Performance Indicators

According to Bonnefous<sup>1</sup> the process of translating the organization's strategy into concrete performance indicators is presented by the following, relatively simple procedure:

- Clearly define the strategy and deploy it in the form of objectives that need to be achieved, and this at every level of the organization.
- Identify the key processes and activities of the organization that need to be improved in the context of the objectives.
- Identify the critical success factors, those elements that have an influence on the performance of given activities and processes.
- Choose performance indicators that measure the outcomes, but also the dynamics of progress.
- Observe attentively the evolution of the performance indicators.

## Section 03: commercial performance

In this section we will discuss firstly the commercial function and in a second point the commercial performance indicators.

### 3.1. The Commercial Function

We will present the commercial function its definition, activities and objectives.

#### 3.1.1. Definition of the Commercial Function:

According to FAYOL<sup>2</sup> "the prosperity of an industrial enterprise often depends on the commercial function as much as the technical function, if the product does not flow, it is the ruin"

The role of the commercial function is not so simple, the commercial has a daily confrontation with often a contradictory demands between his company and his customers, inconsistencies between what the customer is waiting for and what the company demands.

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<sup>1</sup> ] Chantal Bonnefous. Indicateurs de performance, chapter La construction d'un système d'indicateurs pertinents et efficaces

<sup>2</sup> FAYOL (H) : administration industrielle et générale, édition DUNOD, paris, 1999, p.6

### 3.1.2. Activities of Commercial Function

The commercial function is associated with the activity of buying and selling<sup>1</sup>.

#### ➤ Buyer

A buyer is an organization, function or individual employed within an organization to select and purchase goods, facilities, products and/or services on behalf of the organization from suppliers and contractors.

The term buying center is often used to describe the group of individuals (decision-makers), directly involved in the purchase of products or services, whereas procuring party refers to the division of an organization responsible for purchasing products or services.

#### ➤ Seller

A seller is a person or organization that sells something, provides or transfers something in exchange for money (or some tangible benefit). In b2b context, sellers are generally suppliers, contractors or service providers. The term supplier refers to an entity ( an individual, organization, company or consortium) that provides or could provide resources( products and services to a purchaser or project.

The term, however, also embraces contractors, consultants and service providers:

- A contractor is an entity that enters into a contract to provide resources to perform a service or undertake work, either directly or through subcontractors.
- A consultant is an entity that provides professional expert advice or services
- A service provider is an entity responsible for providing any required service.

### 3.1.3. Purpose of Commercial Function

The commercial function<sup>2</sup> is engaged in/or undertakes an amalgam of activities that support deliver an organizations, business units and project's strategic aims and objectives, in particular their commercial objectives, its purpose is one of developing and delivering innovative commercial solutions that:

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<sup>1</sup> [David Lowe](#) - Commercial Management: Theory and Practice, 2013

<sup>2</sup> Op.cit

- Maximizes and delivers profit and value for the organization.
- Protect and enhance the organization's commercial reputational interests.
- Deliver and acquire competitive advantage.
- Drive growth, improve market penetration, increase market share: by supporting the development, expansion and exploitation of the organization activities, products and or service offerings.

### 3.2. Commercial performance indicators:

GABILLIET (Philippe) defines commercial performance as: "The art of being present at the right interlocutor in the right time, with a relevant offer, which makes it possible to establish sustainable and profitable business relations for the company"<sup>1</sup>.

The indicators of the commercial performance are measurement tools or a criterion for assessing commercial performance at a given point of time. There are several indicators of measurement that are divided into quantitative indicators and other qualitative ones.

#### 3.2.1. Quantitative indicators

This type of indicator gives quantified values of the company's achievements. The evaluation of the performance by this proposal is measured by: the quantity sold, the turnover, the commercial margin, the market share and the number of new customers.

##### ➤ **The quantity sold**

The quantity sold constitutes a basic indicator in the management of the enterprise in general and the commercial function in particular. It is defined as the amount of sales made by the company in a given period; the performance is evaluated in this case through the difference between forecasts and achievements.

$$\text{Performance (p)} = \text{Achievements} - \text{Forecasts.}$$

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<sup>1</sup> BLAUCHU (V) et TAIROU (A) : « Méthodologie de diagnostic d'entreprise », édition l'harmattan, Paris, 2008, p.133.

- $P < 0$ : poor performance;
- $P = 0$ : achievements and forecasts are equal;
- $P > 0$ : a good performance.

### ➤ The turnover

The turnover represents the commercial success of the company. In contrast to the sold quantities, "It refers to the total sales of products and services billed by a company"<sup>1</sup>. It is expressed in monetary unit, and calculated over a year, the impact of prices is remarkable in the calculation of turnover. So its evolution is linked to two components: the quantities sold and the prices charged by the company.

$$\text{The turnover} = \text{sales quantity} * \text{the unit price}$$

### ➤ The commercial margin

It is a fundamental management parameter for commercial enterprises. The commercial margin is the ratio between the purchase price of the goods and their selling price. The principle of calculating the profit margin is:

$$\text{Commercial margin} = \text{sale of goods} - \text{cost of purchase of goods}$$

The commercial margin is expressed in value in order to better analyze the performance of a company

In order to increase the commercial margin, the company must:

- Decrease the purchase price of the products;
- Reduce the cost of buying goods;
- Increase the selling price;

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<sup>1</sup> DEREPP (Y) and GEFFROY (M) : Gestion de la relation commerciale pour BTS MUC, edition le génie des glaciers, France, 2012, p : 204

- Increase the quantities sold.

We are talking about a good commercial performance when the results achieved are better than expected.

### ➤ **Market share:**

LENDREVIE (J) defines market share as the "Percentage represented by the sales of a product, a brand, a company in the overall market. Market share is expressed in volume and value"<sup>1</sup>, and it is also defined as «The total turnover of a brand as a percentage of the total revenue of the product category to which it belongs"<sup>2</sup>.

It measures the power of an enterprise in its market and it is called global market share when the enterprise is compared to its activity sector or relative when it is compared with its main competitor.

### **Market share expressed on value**

Sales value of the enterprise / Sales value of all competing companies on the market.

### **The market share expressed on volume:**

Total sales volume of the enterprise / Total sales volume of all competitors on the market.

### **Relative market share**

The market share of the company / the market share of the main competitor

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<sup>1</sup> LENDREVIE, (J) and LINDON (D)., Mercator, edition Dalloz, 8th edition, Paris, 2006, p.1142.

<sup>2</sup> HERMET, (G) and JOLIBERT, (A) : La part de marché concept, déterminants et utilisation, edition Economica, Paris, 1995, p : 11



### ➤ **Number of new customers**

This indicator represents the ability of the company to acquire new customers in order to enrich its client portfolio. To do this, the company must increase its communication efforts with current or potential customers.

### **3.2.2. Qualitative indicators**

This type of indicator gives qualified values of the company's achievements. The evaluation of the performance by this proposal is measured by: the customer satisfaction, the company's image and the quality of service offered by the enterprise.

### ➤ **customer satisfaction**

It can mean virtually anything and it can involve such variables as price, lead time conformance, responsiveness, reliability, professionalism, and convenience. And it's sometimes a complicated mix of all these and more<sup>1</sup>.

It has been defined in two basic ways: as either an outcome or as a process. The outcome definitions characterize satisfaction as the state resulting from the consumption experience, and as a process it has been defined as a process emphasizing the perceptual, evaluative and psychological process that contribute to satisfaction<sup>2</sup>.

As for KOTLER, satisfaction is defined as "the positive or negative impression felt by a client regarding a purchase and / or a consumption experience. It results from a comparison between its expectations of the product and its perceived performance"<sup>3</sup>.

We can conclude that satisfaction is the result of a psychological consensus between expectations and the experience

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<sup>1</sup> Craig Cochran, customer satisfaction : tools, techniques, and formulas for success, 2003,

<sup>2</sup> Terry G Vavra, Improving Your Measurement of Customer Satisfaction, 1997, p4

<sup>3</sup> P.KOTLER, K.KELLER, and others: "Marketing management", Pearson Educations edition, 12th edition, Paris, 2006, p.172.

### ➤ **The company's image**

"The image is a set of representations, affective and rational, subjective and objective, associated with the name of the company, the profession, the brand, and the product that connotes it in the spirit of a person or a group of people "<sup>1</sup>.

The behavior of the company's representatives, salespeople and managers are factors that build the image of the company in the customer's mind, play an attractive role and create trust in the customer.

### ➤ **The quality of service:**

Quality of service refers to the ability of a service to respond by its characteristics to the different needs of its users or consumers because the customer does not judge the company only on its products, but also on its quality of service, for this, the company must identify all the activities that contribute to increase the level of its quality service like: the manner of receiving the customers, the behavior of the commercial of the company, the delivery, etc.

### **3.3. The link between distribution policy and commercial performance**

Increasing the performance of a distribution policy begins first with a better knowledge of the client's need, as well as the search for the development of the relationship with him.

The customer is a key element that improves the performance of a distribution policy because generally it is best placed to evaluate the performance of a distribution policy, the company must therefore seek to satisfy its needs, while attempting to improve the level of quality of service offered. In addition, a satisfied customer is a source of improvement of the image of the company.

An adequate delivery time, the taking into account of the complaints of customers, the availability of the products at the required moment and in quantity demanded with the practice of the conditions of payment favorable to the waitings of the customers, are elements allowing acquiring new customers

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<sup>1</sup> MOULINIER, (R) : « Les techniques de ventes », édition d'organisation, 5ème édition, s, 1998, p : 158

The increase in the number of customers gives the possibility to increase the quantities sold and consequently the increase of the turnover of the company, and thus the increase of its market share

In addition, a continuously increasing number of orders, with a good expiry rate and a minimum return rate, imply better commercialization of the company's products and a good inventory management policy.

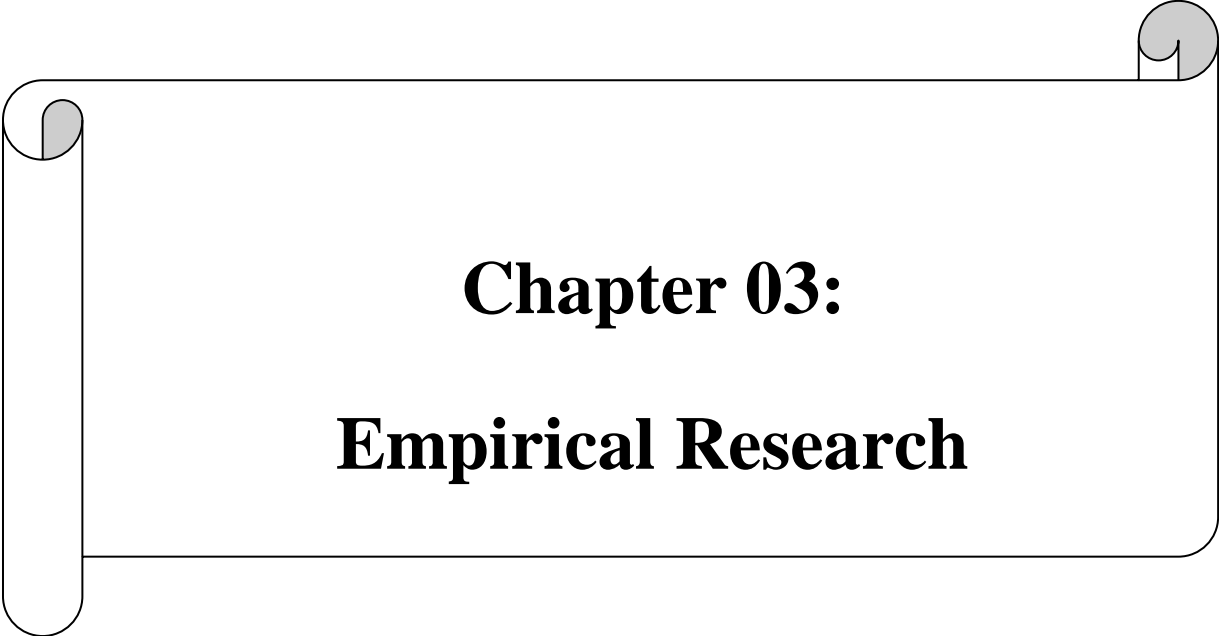
The latter allows a better management of inputs and outputs and a good knowledge of need in stock and consequently the availability of products will be optimal and therefore the number of orders satisfied will increase

### Conclusion

During this second chapter, we agree that one of the most concerns of the companies is the achievement of performance which is a concept that becomes a benchmark and a competitive advantage for larger companies.

To ensure effective management, it is important to measure all forms of performance in order to understand the company's ability to ensure its own sustainability and meet the multiple requirements of its stakeholders.

The commercial performance is a top priority in the enterprise it must be based on a set of quantitative and qualitative indicators to measure, evaluate and compare the results obtained with the objectives set in order to correct and where necessary, to incorporate new measurement indicators.



**Chapter 03:**  
**Empirical Research**

## **Introduction**

In the previous chapters, we dealt with both distribution policy and commercial performance on theoretical basis. Thus, the theoretical study is the framework of this chapter where we are going to show the impact of INALCA's distribution policy on its commercial performance and also to provide concrete findings concerning the problematic of the dissertation.

Therefore we adopted quantitative method. We have established a questionnaire for INALCA's clients based on the results that we obtained from the interviews of its managers in the commercial department in order to extract the quantitative indicators of its commercial performance then we will analyze the quantitative indicators (its turnover).

On this basis we divided the chapter into three sections:

The first section presents the missions and objectives of INALCA, its organizational chart and commercial department.

The second one explains the methodology and approaches of the research.

The last section includes the analysis of the questionnaire which is the source of data submitted for analysis and the extraction of the qualitative and the quantitative indicators. The results of the analysis enabled us to determine the impact of distribution policy on commercial performance.

## Section 1: Presentation of the company

In this section we are going to begin with the history of the group as well as the group today and we will present the company INALCA Algeria, its mission and objectives, finally we will close it with the presentation of the commercial department and its missions and objectives.

### 1.1. History of CREMONINI GROUP

The Group, born from the entrepreneurial initiative of Luigi Cremonini, in 1963 Cremonini began activity in the beef sector with the creation of INALCA, giving birth to the modern meat industry, at the end of the 70's a strategy of diversification was initiated, expanding first in the adjoining cured meat sector and successively in two complementary markets: in 1979, with the acquisition of MARR S.p.A., the company entered into the distribution sector of food products to food services and in 1980, into the catering sector. In this way the foundation of the actual structure of the Group was laid; production, distribution and catering, which represent today the three main pillars of the company.

### 1.2. The Group today

Today the Cremonini Group, with its head office in Castelvetro, in the province of Modena, employs around 17,000 workers all over the world and in 2018 achieved revenues of 4,184.1 million Euros. The turnover derives 47% from production activities (beef and cured meat & snacks), 38% from the distribution sector and the remaining 15% from catering. The Group generates 30% of its sales abroad.

➤ **Table 4: Financial data of the group**

Year	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Total revenues (million Euro)	3.372,3	3.701,5	4.017,9	4,184,1

**Source:** made by the student based on the internal document of the company.

From the table above, we notice that the total revenues of the group are in continues increase through the years, from 2015 to 2018.

### 1.3.Mission and objectives of the group

The main objective of the group is that of maintaining the balance between the economic, environmental and social aspects of the activities that are performed in Italy and the world.

### 1.4.Presentation of INALCA in the world

The Cremonini Group, through INALCA, is the outright leader in Italy and one of the major European players in the beef sector, holding the leadership in Italy in the production of hamburgers and is the biggest Italian producer of canned meat. Moreover, via the controlled Italia Alimentari (came about from the merger of Montana Alimentari and Ibis), it places itself amongst the first Italian operators in the sector of cured meat & snacks.

The company, through INALCA Food & Beverage, operates in a position of leadership in the activities of distribution of typical Made in Italy food products to the foodservice with its own logistic platforms in various countries. In 2018, the production sector of the Group achieved total revenues of 2,047.9 million Euro. The Gross Operating Margin (EBITDA) reached 118.5 million Euro, while the Operating Result (EBIT) was equal to 54.0 million Euro. 91% of the turnover derives from the production, transformation and commercialization of beef while 9% from the production and processing of cured meats and snacks. 40% of Inalca's turnover is achieved internationally.

#### ➤ Table 5: Financial data of INALCA in the world

YEAR	31/12/2015	31/12/2016	31/12/2017	31/12/2018
TOTAL REVENUES(MILLION EURO)	1,473.0	1,760.7	1,968.2	2,047.9

**Source:** made by the student based on the internal document of the company



From the table above, we notice that the total revenues of INALCA in the world are in continues increase through the years, from 2015 to 2018.

### 1.5.Presentation of INALCA in Algeria

INALCA Algeria is a mixed algero-italian company, it was created in 2002 under the statute of a limited liability company “LLC” with a registered capital of 500000000,00 DA. it is located at the road to the train station of Corso state of Boumerdes , while it’s registered office is located at 08, the street of Cherif hamani-algeries. Its social purpose is the import and distribution of agri-food products, mainly frozen meat and fish.

#### ➤ Table 6: INALCA Algeria in dates

<b>01/04/1985</b>	The construction of the refrigeration warehouse of Corso by the Swedish company ALFA LAVAL and transferred to the ex.ENAFROID.
<b>In 2002</b>	INALCA ALGERIE was created in partnership with one of the European leaders in beef and veal; the object of the SARL is the marketing of meat and other meat products.
<b>In 2004</b>	The company created Oran Antenna, which was connected to its distribution network.
<b>In 2005</b>	Setting up of the Antenna of Annaba in order to be established in the east of the country
<b>16/04/2008</b>	The actual takeover of the warehouse by INALCA ALGERIE was carried out
<b>In 2009</b>	The INALCA ALGERIA LLC created in the refrigerated warehouse of Corso-Boumerdes a retail point of sale for frozen and fresh meat, fish, seafood and frozen vegetables to meet the demand of consumers
<b>In 2010</b>	The company converted a part from the refrigerated warehouse of Corso into a public refrigerated warehouse under customs to meet the needs of national storage operators.
<b>In 2017</b>	The creation of a wholesale point in both Chlef in the central zone and Hassi Messaoud in the southern zone.
<b>In 2019</b>	The creation of a point of sale in bordj elkiffan, Algiers (not opened yet)

**Source:** made by the student based on the internal documents of the company.

From the table above we notice that the enterprise is in continues extension with the intention to cover all the Algerian territory.

### 1.6. Presentation of INALCA's product:

INALCA offers its customers a wide range of frozen food products: meat, fish, chips, peas.

#### ➤ Table 7: INALCA's products.

FROZENBEEF AND VEAL	FROZZEN FISH	FROZEN VEGETABLES
Collar	Panga fillet	Peas
Shoulder	Fillet of hake	French fries
Net	Royal shrimp	Frozen broccoli
False net	Shrimp shrimp	Frozen Brussels sprouts
Between ribs	Net Whiting	Very thin green frozen beans
Twins	Caella	Frozen green quick beans
Round of cottage	Squid tubes	
Fatty slice	Squid rings	
jarret	Sea food	
	Tronco	
	Broken fish portion	

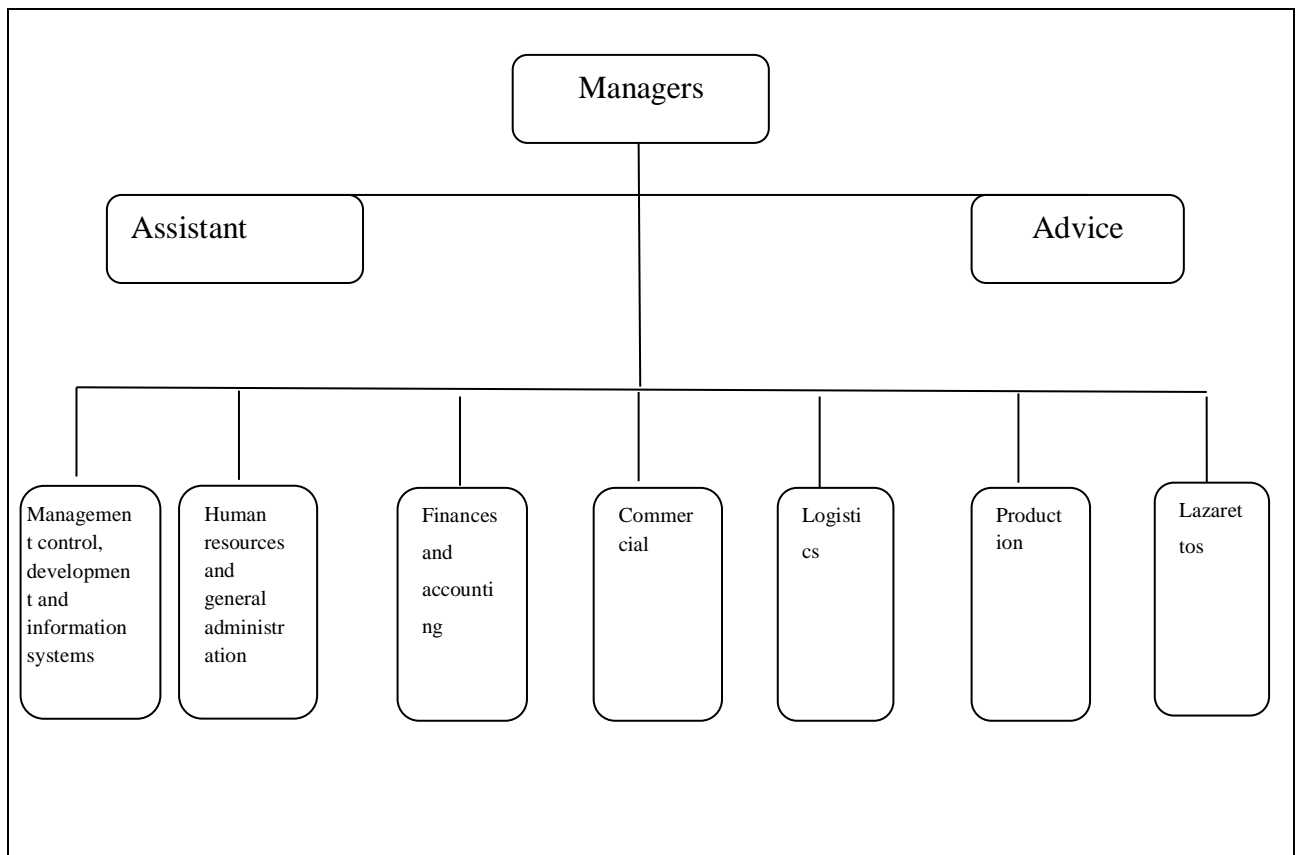
**Source:** made by the student based on internal document.

From the table above, we notice that the company has wide and vast choices for its customers.

### 1.7.Organizational chart of the company

The organizational chart of the company is illustrated through the following figure:

➤ **Figure 4:** company organization chart.



**Source:** Company documentation

### 1.8.Presentation of the commercial department

The commercialization operations are carried out by the commercial department, which is one of the most important departments within the INALCA company. It consists of 20 employees.

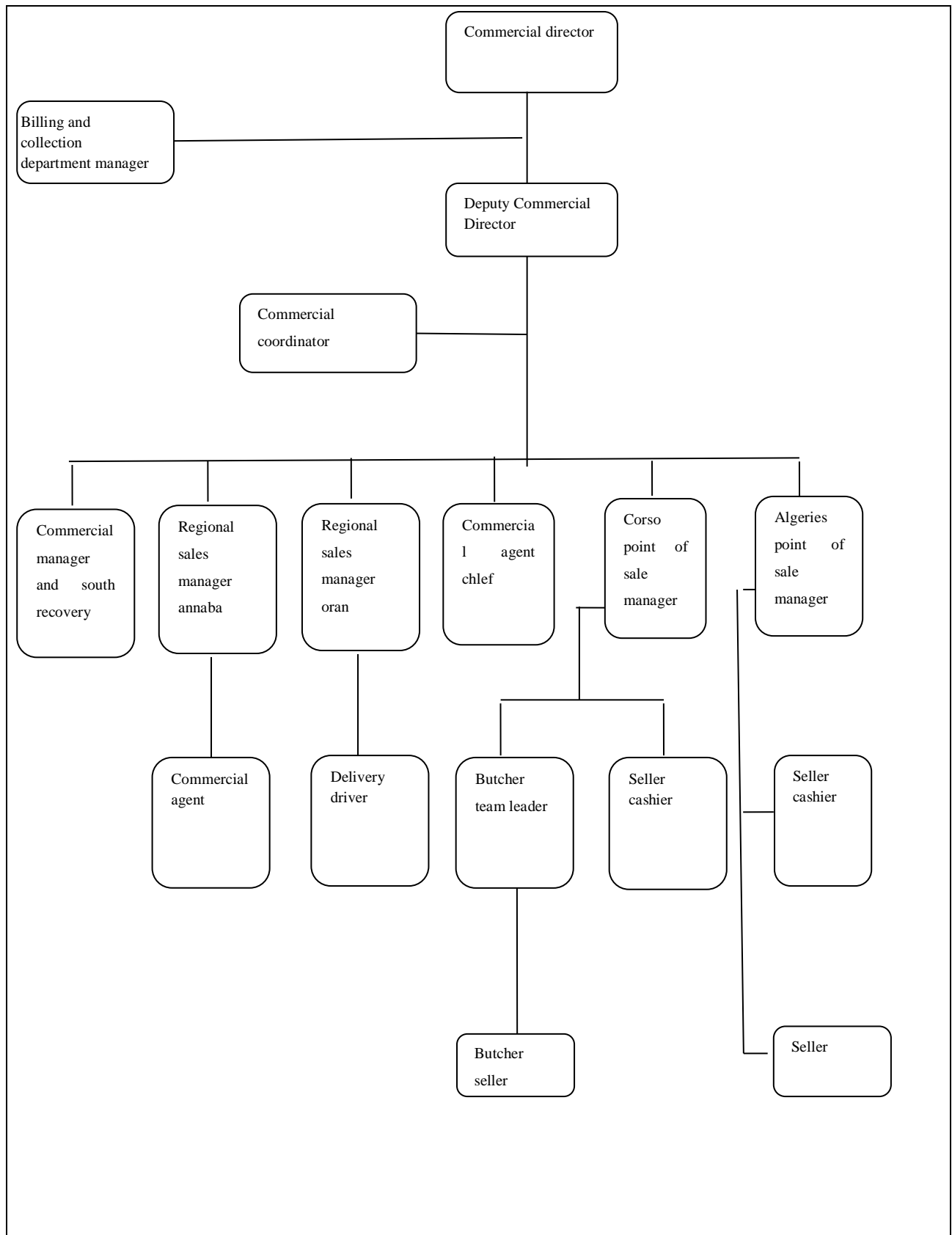
### **1.8.1. Missions of the commercial department**

- Wholesale
- Retail selling
- Renting cold space
- Billing and recovery
- Prospecting and customer relations
- Marketing and events
- Improvement of the efficiency of the company
- Expanding the business market
- Market studies
- Setting up communication plans through advertising and promotion
- Contributing to the growth of the company

### **1.8.2. Organizational chart of the commercial department**

The organizational chart of the commercial department is as follows:

➤ **Figure 5: Organizational chart of the commercial department.**



**Source:** internal document of the company.

## Section 2: Methodology and approaches to research

In this section, we will present the methodology that we followed to answer our problematic and confirm or refute our hypotheses, so we opt for a quantitative study that allows analyzing the impact of distribution policy on commercial performance, the quantitative study is represented with a questionnaire distributed face to face to INALCA's final customers, the elaboration of the questions was based on the results obtained from the interviews made with the managers of the commercial department, the headmistress mrs Madina, the deputy commercial director mrs Dhibe and mrs Slimani the commercial coordinator.

### 2.1 Objective of the research

The main objective of our research is to analyze the impact of the distribution policy on the commercial performance of a company through a quantitative approach. For this purpose, we will analyze the data collected from the questionnaire.

### 2.2 The quantitative approach

A quantitative study is characterized by:

- Using a questionnaire.
- Constitution of a representative sample.
- Analyzing, measuring and establishing trends.

Quantitative studies, whatever they are, rely on the questionnaire tool and have for the purpose of quantifying and measuring. The questionnaire takes the form of a succession of closed or semi-open questions.

#### 2.2.1. Design the questionnaire

Based on our problematic and the research questions, the questionnaire constitutes the support that materializes the communication between the interviewer and the respondent.

#### 2.2.2. Definition

The questionnaire is a direct technique of investigation used with individuals to make quantities sampling to find mathematical relationships and make numerical comparisons.

### **2.2.3. Elaboration stages of questionnaire**

The questions used in this study are different; this will allow us to have precise answers and also will give the respondent the freedom to answer. The questionnaire contains 13 questions where 3 of them were addressed to identify the target population.

- Identification questions: Questions used to identify the population (age, gender...)
- Multiple choice questions: Multiple choice questions ask the respondent to choose between two or more answer options.

The questions were organized according to the flow of information, starting with the general information to the restricted. In order to test the coherence and quality of questions, it was distributed first on some close friends and relatives before the final distribution.

### **2.2.4. Sampling**

Sampling is the representation of the elements of the target population

### **2.2.5. The target population:**

In this study the consumers who make their shopping in the supermarket.

### **2.2.6. The mode of contact:**

We chose to administer a face to face questionnaire, although it is a way that takes much more time but the information obtained will be reliable, objective and comprehensive.

### **2.2.7. Sample size:**

Simple size used in a study is determined based on the expense of data collection, and the need to have sufficient statistical power. The sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample. In this research, the sampling size was 100.

### **2.2.8. Sampling technique:**

The sampling technique in this study is a non-probability sampling.

## **2.3. Analyzing the questionnaire**

Once the collection of the information was complete, we proceeded to analyze the questionnaire, the results were translated in the form of tables to interpret them. We will therefore approach the processing of the information collected through “SPSS” software to conduct statistical analysis and generate various tables, graphs and diagrams that allow us to better understand the results of our investigation.

#### **2.4. Analyzing the quantitative indicators (the turnover of the past five years)**

We would like to analyze the information that we acquired concerning the turnover and its evolution since 2015.

### **Section 3: Data analysis**

This section will focus on analyzing and interpreting the results obtained from the distributed questionnaire in order to answer the hypothesis of the problematic.

#### **3.1. The results of the interviews**

The interviews with the managers of the commercial department of INALCA allowed us to collect a set of information that we will present as follows:

The interviewees opted for simple answers:

➤ **Question 01: In your opinion, what is the distribution policy?**

According to the managers of the commercial departments, the distribution policy is to make available to the customer a product as quickly as possible and at a lower cost.

➤ **Question 02: To which directorate is attached the distribution?**

The distribution is attached to the commercial department.

➤ **Question 03: What is the distribution policy of your company?**

According to the managers of the commercial departments, INALCA has two channels of distribution:

Direct distribution: the point of sale



Indirect distribution: wholesalers, carting.

➤ **Question 04: What is your distribution strategy?**

According to managers interviewed INALCA's distribution strategy is:

Intensive strategy: INALCA follows this strategy to better cover its market which is very wide and to distribute its products in a maximum point of sale, because its products are of great consumption.

➤ **Question 05: What is the impact of each distribution channel on the sales volume and the market share of the company?**

According to the managers interviewed, it is to increase market share and sales volume by ensuring a permanent presence of products in order to encourage the customer to buy.

➤ **Question 06: What are the indicators for measuring commercial performance used in your company?**

The answer of the managers is that they use quantitative and qualitative indicators (the turnover, the market share, number of customers, satisfaction and the image of the company) within INALCA.

We note that the commercial performance is measured using several quantitative and qualitative indicators depending on the objective.

➤ **Question 07: What do you think is the commercial function?**

According to the interviewed, the commercial function is to sell the product in the most efficient manner and to take care of the customer.

➤ **Question 08: How do you ensure a good distribution in your territories?**

The answer of the interviewed is that they try to cover all the Algerian territory, from east to west and from north to south and for that they have for the southern region a sales manager who is in charge of the carting, for the west region they have a regional sales manager in Oran and Chlef, for the eastern region they have a regional sales manager in Annaba and finally for

the center they have the refrigerated warehouse and the point of sale of Corso and soon they will have another point of sale in Algiers.

➤ **Question 09: What are the objectives assigned by the company in terms of distribution?**

According to the managers of the commercial department the objectives of the company are:

- Minimizing the costs of distribution and storage;
- Reducing delivery times;
- Avoid breaks in stocks;
- The coverage of the national market and satisfy customers.

➤ **Question 10: Does INALCA intend to implement a new distribution scheme?**

**If yes, where?**

The managers answered that they intend to implement a new distribution scheme and it is going to be as a point of sale in Algiers which is already done but not opened yet and another one in Oran.

➤ **Question n ° 11: Do you have sufficient means of transport and logistics to deliver your products?**

They said that they don't have sufficient means of transportation to deliver the goods to customers and they work with service providers in outsourcing the transport.

➤ **Question n ° 12: Are there any brakes related to the operation of the distribution at INALCA level? If yes, what are the appropriate solutions to the existing malfunctions?**

According to the managers the answer is yes they do have brakes related the operation of distribution and the biggest brake is the lack of logistic and transport flows.

The appropriate solution is to invest in refrigerated trucks.

➤ **Question 13: What are the advantages and disadvantages of a distribution network on commercial performance?**

The advantages of the distribution network according to the managers are:

- The product will be known and distributed everywhere.
- A good distribution network is a means of marketing and advertising for the company.
- It will reduce the costs and as a result it will ensure a good price for the customers
- It helps to increase the sales.
- The disadvantages are:
- In the indirect distribution there will be a decrease in the price margin level

➤ **Question 14: How are the sales prices fixed?**

The interviewed answered that the price is different from one customer to another, the lowest price is the price of the wholesalers because we take in consideration the price margin of wholesalers, the second price is the price of the final consumers in our points of sale because we take in consideration their purchasing power and the third price is the most expensive one and it is the one for the caterings.

### 3.2. Analysis of the questionnaire

The study will be based on the flat sorting and the cross sorting to interpret the results.

#### 3.2.1. Frequency distribution

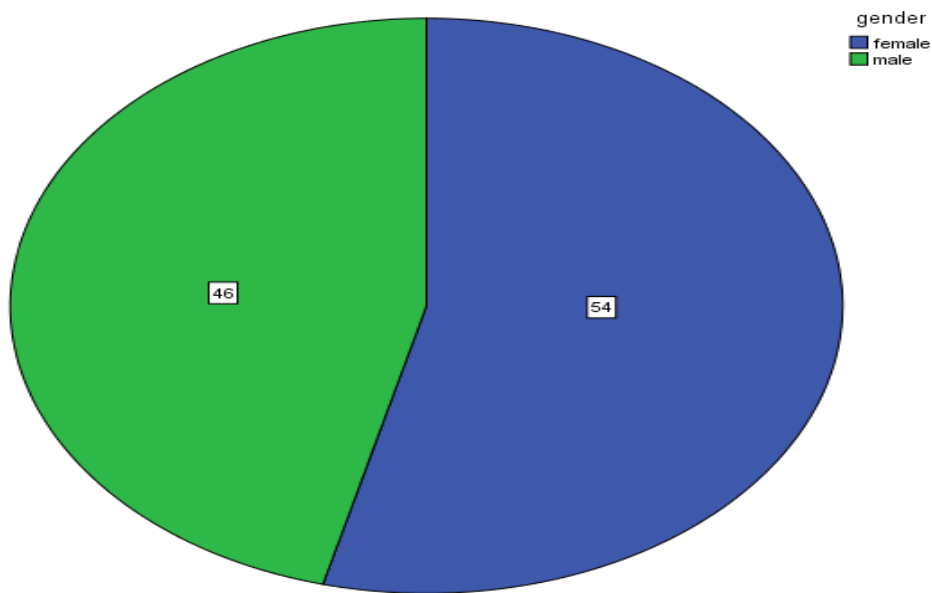
##### Question 01: Gender

➤ **Table 8: Gender**

	Frequency	Pourcentage
Female	54	54,0
Male	46	46,0
Total	100	100,0

**Source:** made by the student based on the survey data.

➤ **Figure 6: Gender**



**Source:** made by the student based on the table data.

**Comment:**

We note from the table above that 54% of respondents are women and 46% are men.

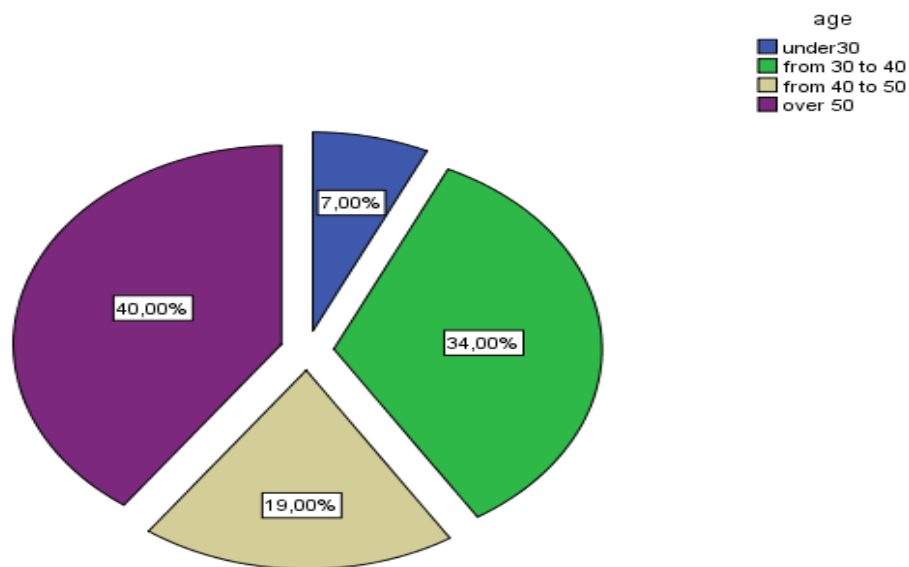
**Question 02: Age**

➤ **Table 9: Age**

	Frequency	Pourcentage
under30	7	7,0
from 30 to 40	34	34,0
from 40 to 50	19	19,0
over 50	40	40,0
Total	100	100,0

**Source :** made by the student based on the survey data.

➤ **Figure 7 : Age**



**Source:** made by the student based on the table data.

**Comment:**

We note from the table above that the most represented age group is over 50 years old with a percentage of 40% and respondents between 30 to 40 years old with a percentage of 34% while a 19% of respondents with the age between 40 to 50 years old.

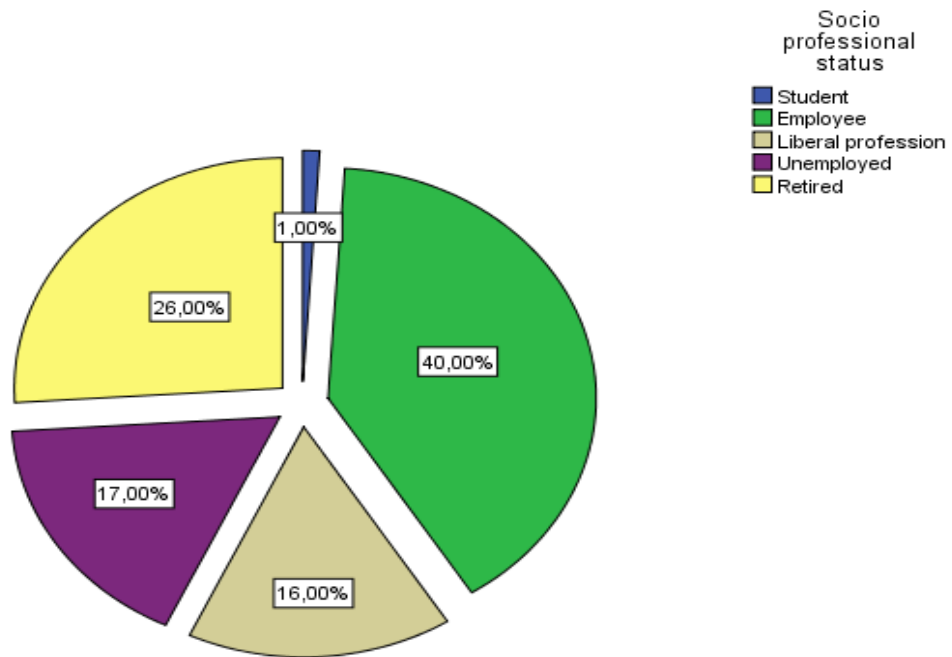
**Question 03: socio-professional status.**

➤ **Table 10: Socio-Professional status.**

	Frequency	Pourcentage
Student	1	1,0
Employee	40	40,0
Liberal profession	16	16,0
Unemployed	17	17,0
Retired	26	26,0
Total	100	100,0

**Source :** made by the student based on the survey data.

➤ **Figure 8: socio-professional status**



**Source:** made by the student based on the table data.

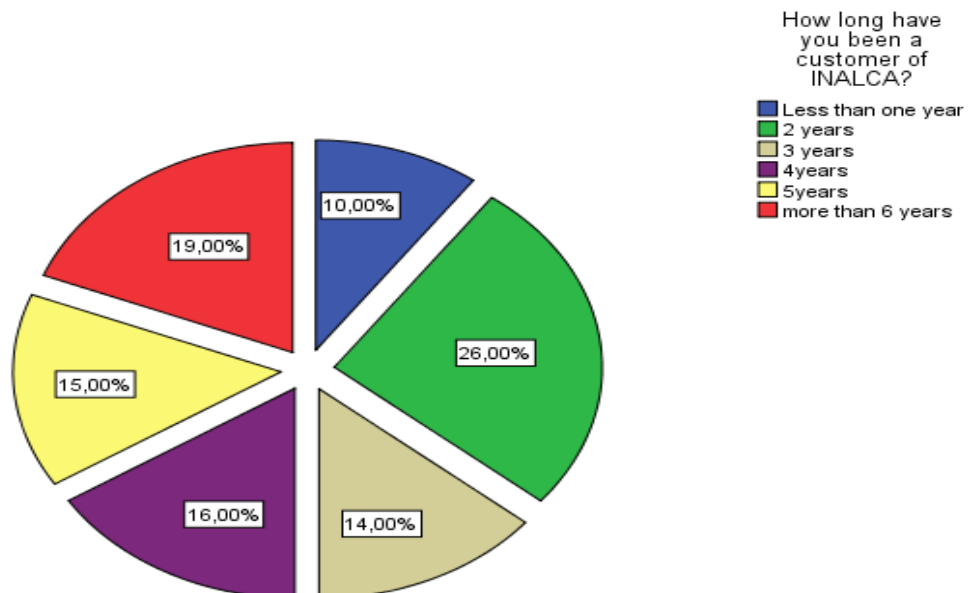
**Comment:**

According to the results obtained in the preceding table we find that the surveyed population is made up of 40% of employees, 26% of retired, 17% of unemployed, 16% of liberal professions and 1% of students

**Question 04: How long have you been a customer of INALCA?**➤ **Table 11: the period of being a customer of INALCA**

	Frequency	Pourcentage valide
Less than one year	10	10,0
2 years	26	26,0
3 years	14	14,0
4years	16	16,0
5years	15	15,0
more than 6 years	19	19,0
Total	100	100,0

Source : made by the student based on the survey data

➤ **Figure 9: the period of being a customer of INALCA**

Source: made by the student based on the table data.

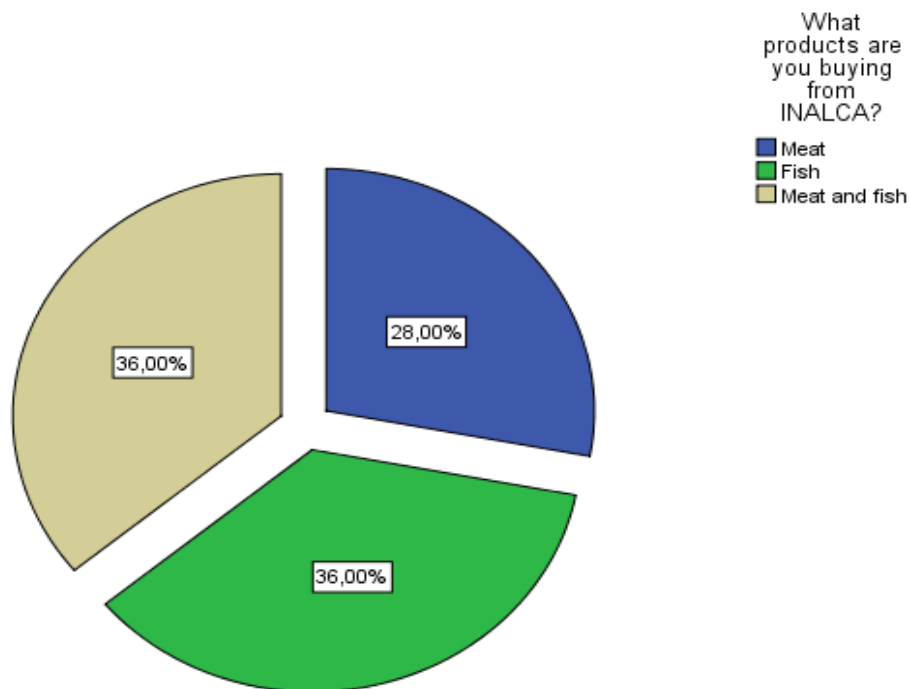
**Comment:**

This question is primarily about the period of being a customer of INALCA, we notice that 26% of the respondents are a client of INALCA from 2 years, 19% from more than 6 years, 16% from 4 years , 15% from 5 years, 14% from 3 years and 10% from less than 1 year.

**Question 05: What products are you buying from INALCA?**➤ **Table 12 : types of products**

	Frequency	Pourcentage
Meat	28	28,0
Fish	36	36,0
Meat and fish	36	36,0
Total	100	100,0

**Source :** made by the student based on the survey data

➤ **Figure 10: types of products**

**Source:** made by the student based on the table data.



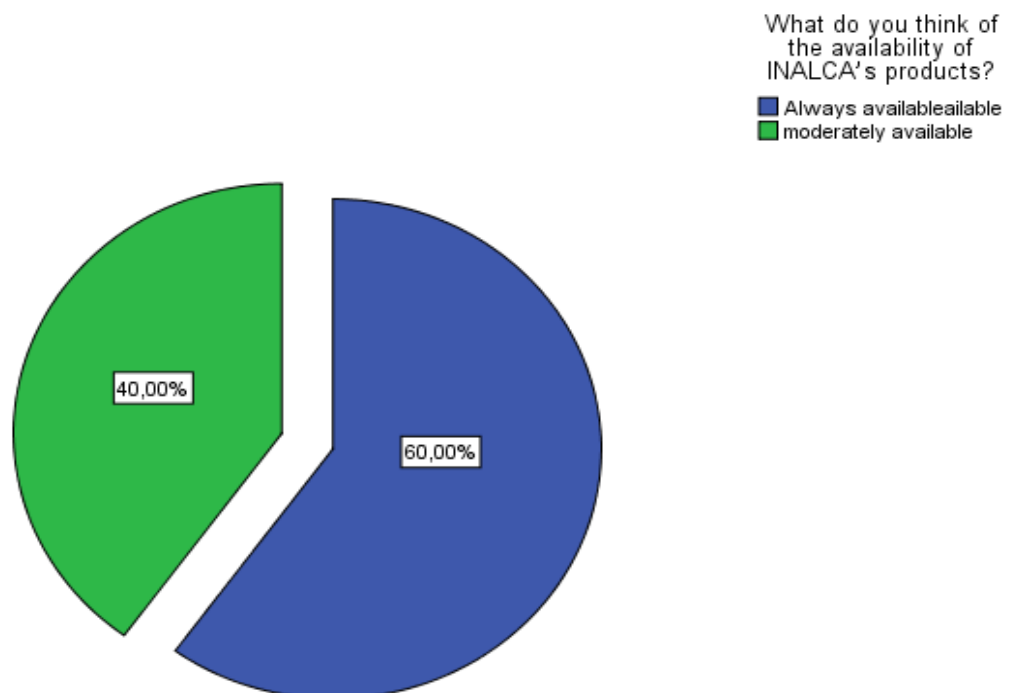
**Comment:**

From the table above, we notice that 36% of respondents buy fish, 36% buy meat and fish while 28% buy meat.

**Question 06: What do you think of the availability of INALCA's products?**➤ **Table 13: the availability of INALCA's products**

	Frequency	Pourcentage
Always available	60	60,0
moderately available	40	40,0
Total	100	100,0

Source : made by the student based on the survey data

➤ **Figure 11: the availability of INALCA's products**

Source: made by the student based on the table data.

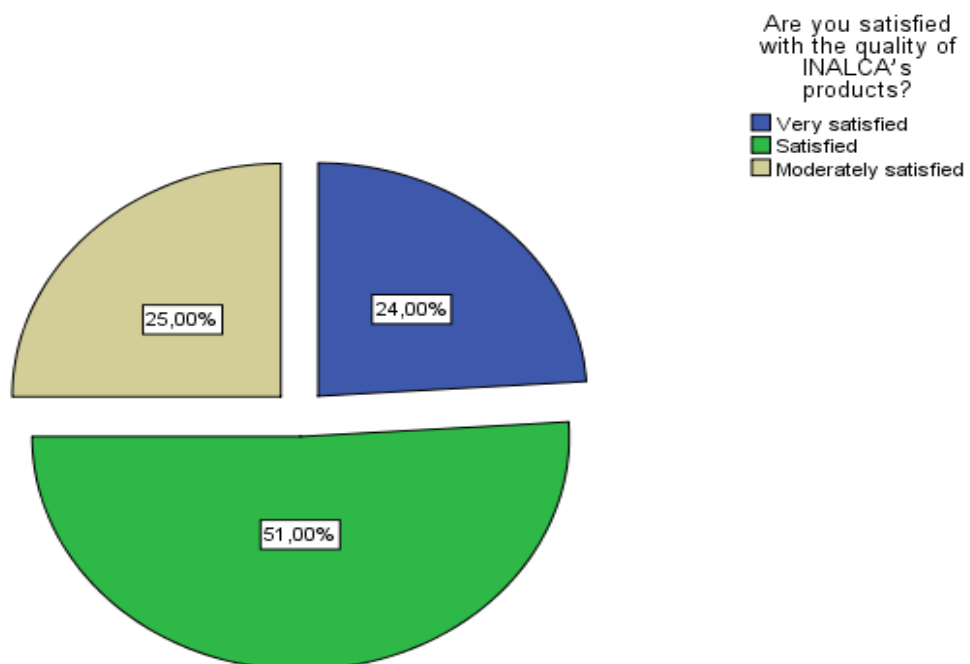
**Comment:**

60% of respondents find that INALCA's product are always available while 40% find it moderately available.

**Question 07: Are you satisfied with the quality of INALCA's products?**➤ **Table 14 : The degree of satisfaction**

	Frequency	Pourcentage
Very satisfied	24	24,0
Satisfied	51	51,0
Moderately satisfied	25	25,0
Total	100	100,0

**Source :** made by the student based on the survey data

➤ **Figure 12: The degree of satisfaction**

**Source:** made by the student based on the table data.

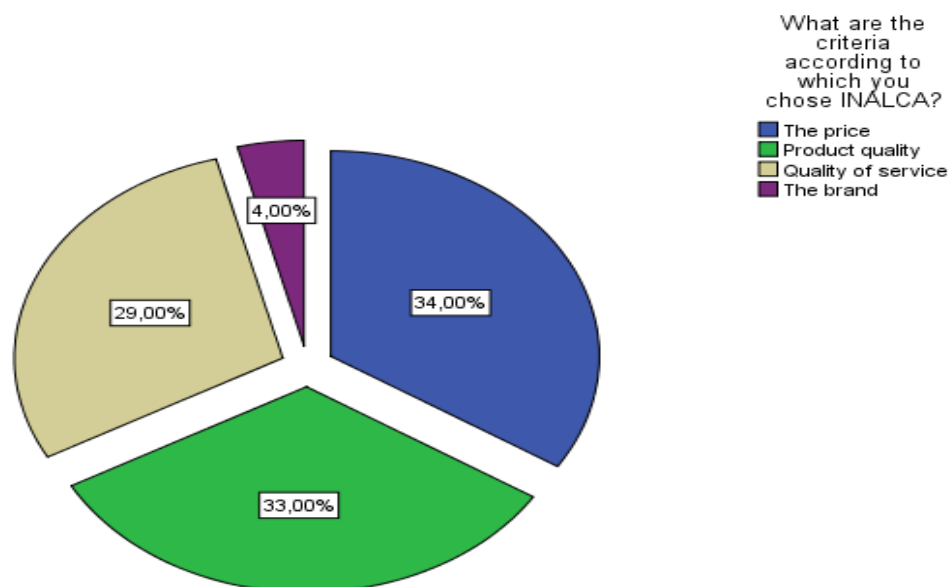
**Comment:**

We notice that 51% of respondents are satisfied with the quality of products of INALCA, 24% are very satisfied while 25% are moderately satisfied.

**Question 08: What are the criteria according to which you chose INALCA?**➤ **Table 15: criteria of choosing INALCA.**

	Frequency	Percentage
The price	34	34,0
Product quality	33	33,0
Quality of service	29	29,0
The brand	4	4,0
Total	100	100,0

**Source:** made by the student based on the survey data.

➤ **Figure 13: criteria of choosing INALCA.**

**Source:** made by the student based on the table data.

**Comment:**

Based on the table above, we notice that 34% of respondents choose INALCA according to its products prices, 33% choose because of the quality of its products 29% chose it due to its quality of service while 4% choose it because of its brand.

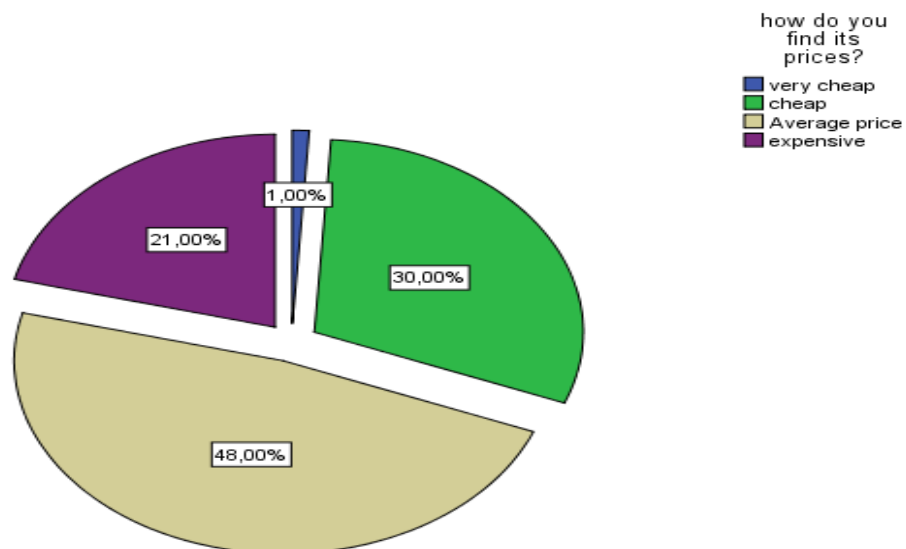
**Question 09: How do you find its prices?**

➤ **Table 16: The opinion of customers about the price of INALCA's products.**

	Frequency	Pourcentage
very cheap	1	1,0
cheap	30	30.0
Average price	48	48.0
expensive	21	21.0
Total	100	100.0

**Source:** made by the student based on the survey data.

➤ **Figure 14: The opinion of customers about the price of INALCA's products.**



**Source:** made by the student based on the table data.

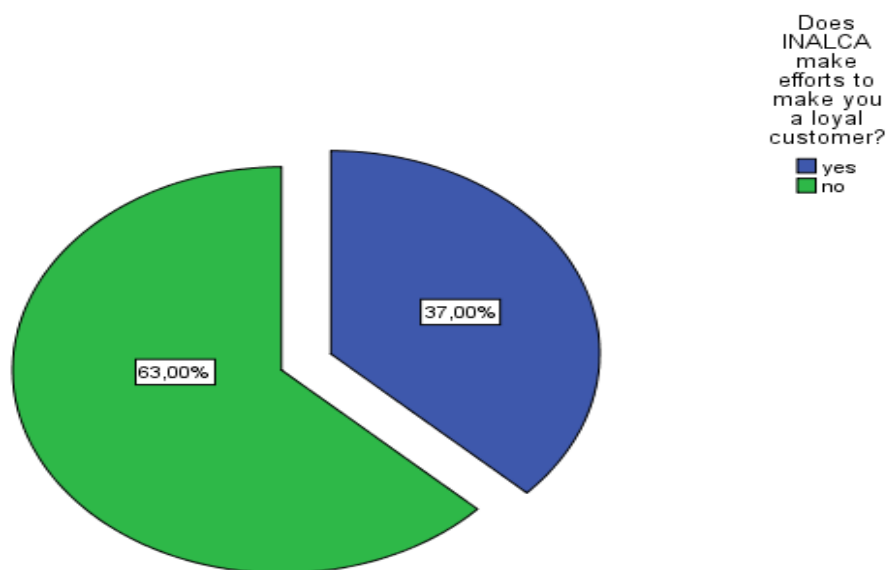
**Comment:**

From the table above we notice that the majority of respondents 48% find that INALCA's products prices have an average price convenient to the most customers while 30% of them find that its prices are cheap.

**Question 10: Does INALCA make efforts to make you a loyal customer?**➤ **Table 17: Efforts made to make a loyal customer**

	Frequency	Pourcentage
yes	37	37,0
No	63	63,0
Total	100	100,0

**Source :** made by the student based on the survey data

➤ **Figure 15: Efforts made to make a loyal customer**

**Source:** made by the student based on the table data.

**Comment:**

From the table above, we find that 37% of respondents find that INALCA make efforts to make the customers loyal while 63% find that it does not.

- **If yes, what are they** ?

**The answer:**

The 37% of respondents who find that INALCA does efforts to make customers loyal to its brand find that these efforts are mainly the promotions.

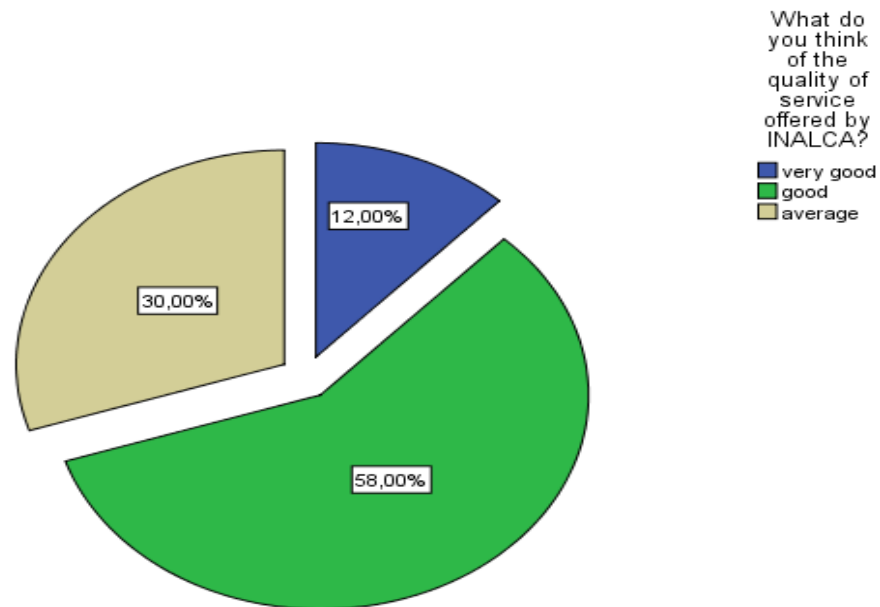
**Question 11: What do you think of the quality of service offered by INALCA?**

➤ **Table 18: The quality of service offered by INALCA.**

	Frequency	Pourcentage
very good	12	12,0
good	58	58,0
average	30	30,0
Total	100	100,0

**Source:** made by the student based on the survey data.

➤ **Figure 16: The quality of service offered by INALCA.**



**Source:** made by the student based on the table data.

**Comment:**

Based on the table above, we notice that 58% of respondents find that the quality of service offered by INALCA good, 30% of the respondents find it average while 12% find it very good.

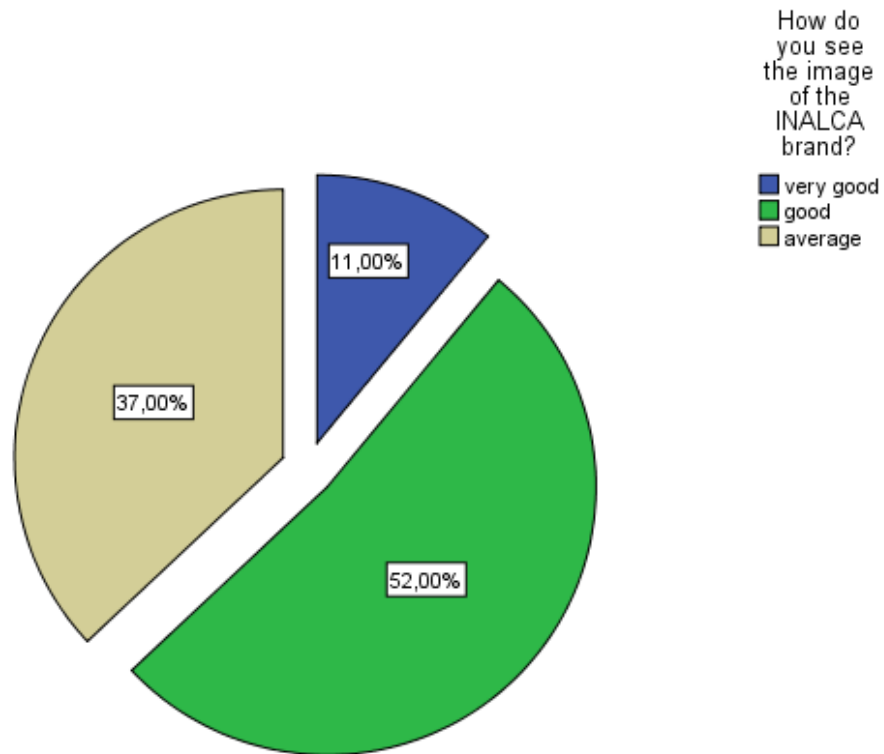
**Question 12: How do you see the image of the INALCA brand?**

➤ **Table 19: The brand image of INALCA**

	Frequency	Pourcentage
very good	11	11,0
good	52	52,0
average	37	37,0
Total	100	100,0

**Source:** made by the student based on the survey data.

➤ **Figure 17: the brand image of INALCA**



**Source:** made by the student based on the table data.

**Comment:**

From the table above, we notice that 52% from the respondents find the brand image good, 37% of them find it average while the rest 11% find it very good.

**3.2.2. Cross tabulation**

**Question 05: What products are you buying from INALCA?**

**Question 08: Are you satisfied with the quality of INALCA's products?**

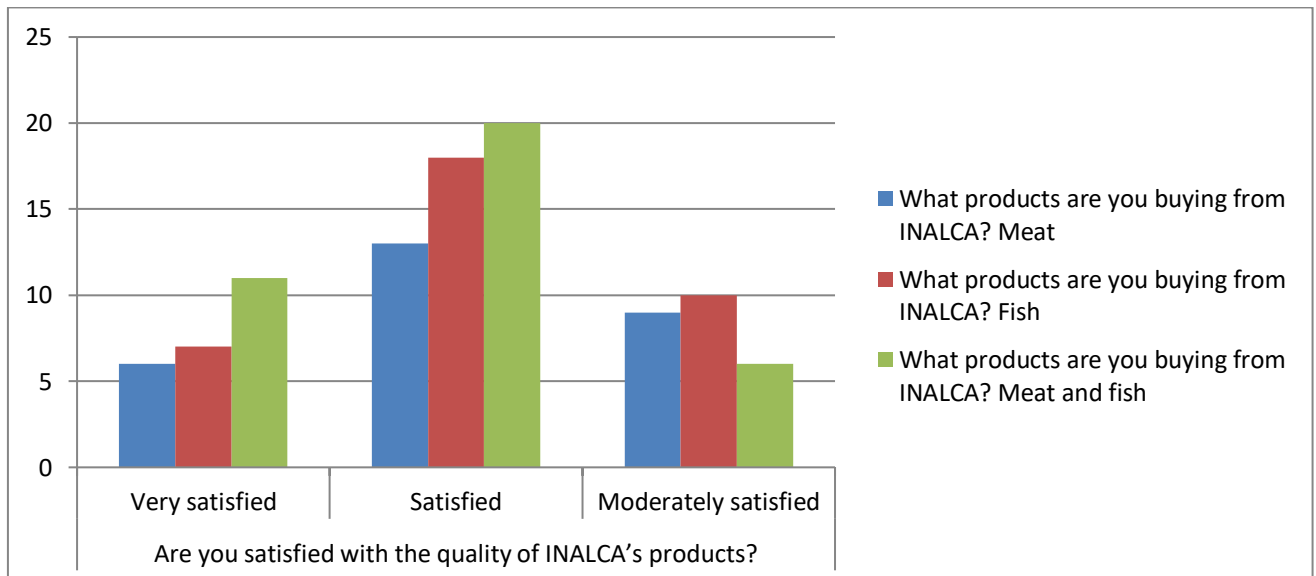


➤ **Table 20: Cross between the type of product \*the degree of satisfaction**

	Are you satisfied with the quality of INALCA's products?			Total
	Very satisfied	Satisfied	Moderately satisfied	
What products are you buying from INALCA?				
Meat	6	13	9	28
Fish	7	18	10	35
Meat and fish	11	20	6	37
Total	24	51	25	100

Source : spss output

➤ **Figure 18: Cross between the type of product \*the degree of satisfaction**



**Source :** Made by the student based on the table data.

**Comment:**

From the table above, we notice that 6 from 28 respondents who buy meat are very satisfied while 13 of them are satisfied and the rest which is 9 are moderately satisfied of the product quality but concerning the respondents who buy fish we notice that 7 from 35 are very satisfied with its quality, 18 of them are satisfied and 10 of them are moderately satisfied, and about the respondents who buy meat and fish we notice that 11 from 37 are very satisfied while 20 of them are satisfied and the rest which is 6 respondents are moderately satisfied.

**Question 6: What do you think of the availability of INALCA's products?**

**Question 8: Are you satisfied with the quality of INALCA's products?**

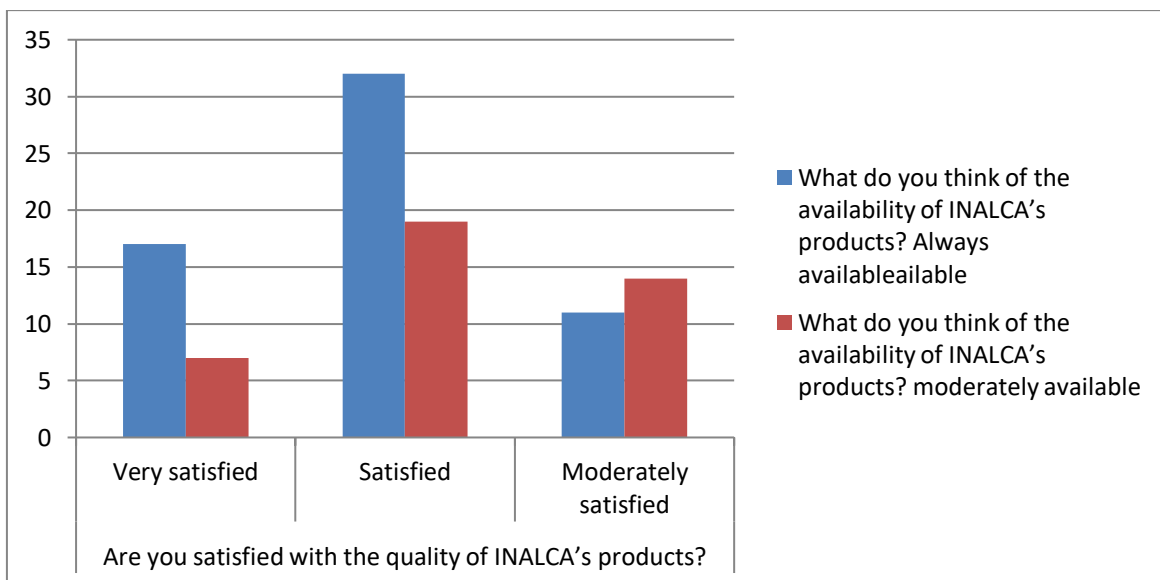
➤ **Table 21: cross between the availability of INALCA's products \* the degree of satisfaction.**

	Are you satisfied with the quality of INALCA's products?			Total
	Very satisfied	Satisfied	Moderately satisfied	
What do you think of the availability of INALCA's products? Always available	17	32	11	60
What do you think of the availability of INALCA's products? moderately available	7	19	14	40
Total	24	51	25	100

Source : spss output

➤ **Figure 19**

**: cross between the availability of INALCA's products \* the degree of satisfaction.**



**Source:** made by the student based on the table data.

**Comment:**

From the table above, we notice that 32 from 60 respondents who find the products always available are satisfied while 17 of them are very satisfied when the rest of them are moderately satisfied.

And concerning the respondents who find that the products are moderately available which they are 40 respondents, 19 of them are satisfied while 14 are moderately satisfied and 7 only respondents who are very satisfied.

**3.3.analyzing the quantitive indicators**

We want to analyze the information that we have had about the turnover and its evolution since 2015.

**➤ Table 22: Financial data of INALCA in Algeria**

YEAR	31/12/2015	31/12/2016	31/12/2017	31/12/2018
TOTAL REVENUES (DA)	1064300634.94	430727785.92	1218490308.29	1587431326.73

**Source:** made by the student based on the internal document of the company

**Comment**

From the table above, we notice that the turnover of INALCA is in continuous increase from 2015 until 2018, and the most remarkable increase was in 2017 with an amount of 1218490308.29 DA.

**3.4.Synthetic analysis of the survey**

In this point we will give a synthetic analysis of the interview, the questionnaire and the evolution of the turnover.

**3.4.1. Synthetic analysis of the interview**

After conducting a qualitative study using non-directive interviews with the managers of the commercial department of INALCA, we have collected a set of information that we will present as follows:

- The distribution policy is to make available to the customer a product as quickly as possible and at a lower cost and it is attached to the commercial department.
- INALCA has two channels of distribution, direct distribution which is the point of sale and indirect distribution which is the one with wholesalers, catering.
- INALCA follows intensive strategy in the distribution of its products for better cover its wide market.
- The commercial performance is measured using several quantitative and qualitative indicators depending on the objective.
- INALCA tries to cover all the Algerian territory with the implementation of a set of commercial agent and representents in the different regions of the country, in Annaba, Oran, Chlef, Hassi messoud state of Ourgla, Boumerdes and Algiers.
- INALCA does not have its own float of transportation but it externalizes it and it intends to invest on it.
- The price fixed by INALCA is different from one client to another, it depends on the type of the client and quantity bought.

### **3.4.2. Synthetic analysis of the questionnaire**

After analyzing the results of the questionnaire, we arrived at the following synthesis:

- Female represents 54% of the studied sample.
- 93% of respondents are aged over 30 years old.
- the most dominant socio-professional status is the employee category with a rate of 40 employees of 100 respondents
- 26 % of the respondents are clients of INALCA from 2 years.
- There is equality in the percentage (36%) of the respondents who bay both fish and meat and who bay fish only.
- 60% of respondents find that INALCA's product are always available
- 25% of respondents find that the reason of non availability of the products is due to a delay of the delivery.
- 51% of respondents are satisfied with the quality of products of INALCA
- 34% of respondents choose INALCA according to its products prices.

- 37% of respondents find that INALCA make efforts to make the customers loyal and all of them find that these efforts are the promotions.
- The majority of the respondents (58%) find that INALCA offers a good service quality.
- 52% of the respondents find that INALCA has a good brand image.
- 13 of the respondents who buy meat are satisfied of its quality, but concerning the respondents who buy fish 18 of them are satisfied and about the respondents who buy fish and meat 20 of them are satisfied.
- 32 from 60 respondents who find the products always available are satisfied and about the respondents who find that the products are moderately available which they are 40 respondents, 19 of them are satisfied.

### 3.4.3. Synthetic analysis of the turnover

From the information gathered from INALCA we can judge that the important increase in the turnover in 2017 is due to the expansion of its distribution network, and its implementation in both the southern zone specifically in Hassi Mesoud and in the ouest zone chlef, those two new points of sale allowed INALCA to increase its market cover and to reach a new zone “the southern one” and its business.

### 3.5. Critical analysis of INALCA

The results of our investigation allowed us to understand that:

- Most of the clients are new, since the majority has been sourcing for 2 years.
- Equality in the demande of meat and fish.
- We noticed that most customers choose to source from INALCA because of:
  - the attractive quality;
  - the affordable price
- The majority of customers( 60%) judge that the products are available.
- The majority of customers are satisfied with the service quality of INALCA.
- Most of the customers consider that INALCA has a good brand image.

## Conclusion

This chapter has allowed us to better understand how the distribution policy is practiced at the INALCA level, as well as the quantitative and qualitative indicators used to measure the commercial performance of the company

After collecting the results of our study, we analyzed and understood how the distribution policy influences the commercial performance and according to the information gathered from our investigation we concluded that the distribution policy impact the commercial performance of the enterprise by ensuring the availabilities of the products to the consumers with good quality and price convenient to their purchase power.

Based on these results, we confirm that the distribution policy has an impact on the commercial performance of the company.



# **General Conclusion**

The distribution plays a vital role for both the producer and the consumer through the different functions that it performs.

The commercial performance is a set of quantitative and qualitative indicators to assess the success of the commercial function of the company and in order to improve it and to achieve its objectives, the enterprise is obliged to make the right choice in terms of intermediaries, to have an effective management of its relationships with them and to ensure the control of the circulation of its products.

The objective of this research is to put a theoretical framework on the concepts related to the distribution policy, then in a second place, knowing the meaning of the commercial performance and determine its indicators and finally a survey to analyze the impact of the distribution policy on the commercial performance of the enterprise.

According to the work done in the third chapter and more specifically in the second and third sections by the questionnaire distributed face to face to the consumers of INALCA Algeria and the interviews with the executives of the commercial department and the results that we achieved had allowed us to validate all the hypotheses and consequently to answer the initial problematic.

Based on the analyzes carried out, we can validate our first hypothesis which stipulates that the distribution policy is making the product available to the customer as quickly as possible and at a lower cost and its role is to ensure a good circulation of the company's products because the managers of the commercial department of INALCA confirmed to us that the distribution policy is to make available to the customer a product as quickly as possible and with a convenient price and also the majority of the customers 60% questioned judge that INALCA's products are available so as a result INALCA is ensuring a good circulation of its products due to its distribution policy.

In the light of the results analyzed and our remarks during the interviews with the managers of the commercial department, we can confirm our second hypothesis formulated as follows: “the commercial performance can be measured through quantitative and qualitative indicators” because the answer of the managers was that they use quantitative and qualitative indicators such as the turnover, the market share, number of customers, satisfaction and the image of the company within INALCA.



After gathering all the answers from the clients and our interviews with the managers of the commercial department we can confirm our third hypothesis which is formulated as follows: "distribution policy has a direct impact on the commercial performance" because the answers of the managers confirmed to us that when the distribution function is going smoothly and the products are always available the commercial performance will grow and the customers will be satisfied but if there were problems or delays in the distribution function then the commercial performance will decrease.

Our study known limitations including lack of cooperation of respondents and the confidentiality of information within INALCA.

According to the methodological plan the results on which we arrived, allowed us to validate the hypotheses posed in advance and consequently to answer the initial problematic according to which the distribution policy has an impact on the commercial performance of the enterprise of INALCA ALGERIA.

In the light of our study we recommend our host company INALCA the following suggestion

- Extend the company's distribution network.
- Develop sales acceleration methods such as sales promotion and advertising.
- Enrich the transport fleet by new means to ensure delivery to customers.
- To base on the marketing function for better interaction with its customers.
- The implementation of CRM-type customer relationship tools to share customer information.
- The launch of e-commerce before its competitors.

Finally, we would like to point out that our present study remains incomplete and the field of the study of the distribution and the commercial performance remains a vast field to be treated, that's way we want to offer other research topics to students such as coordination and control of distribution activities in the indirect channel and the impact of distribution logistics on commercial performance.



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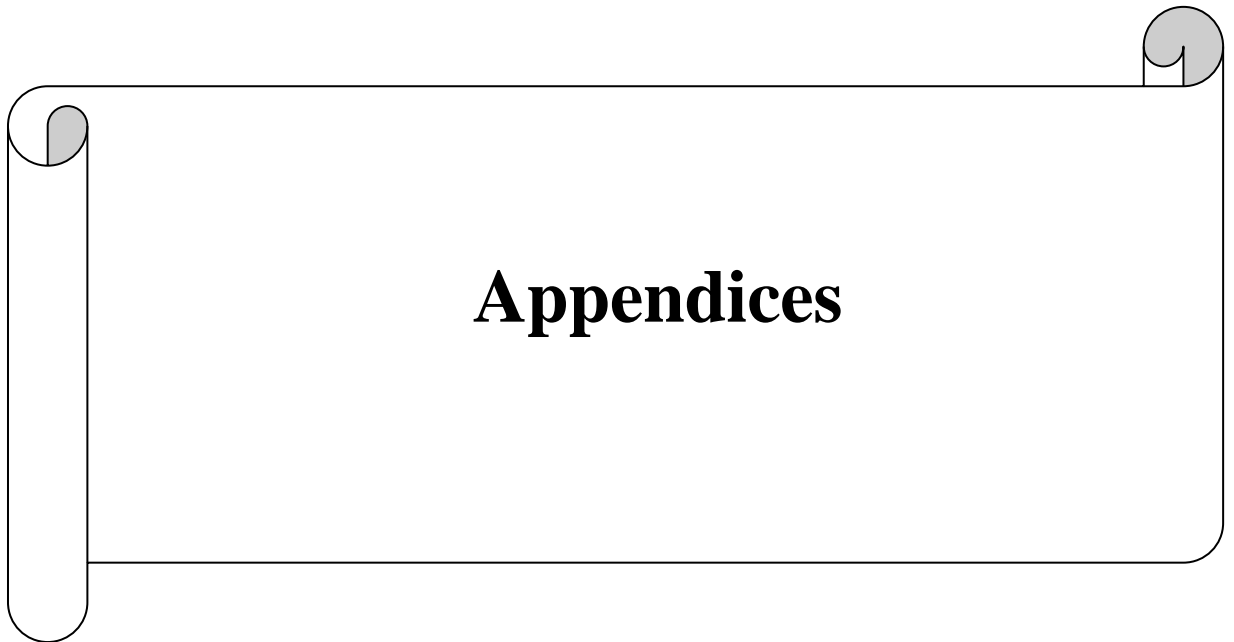
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# Appendices

## Appendix:

As part of the preparation of a master thesis to obtain a Master degree in commercial and financial sciences option Management of distribution, we would appreciate your collaboration to fill this questionnaire, which aims at highlighting the impact of the distribution policy on the commercial performance .It will take you only a few minutes knowing that your answers will be anonymous.

Thanks in advance.

**Nor elhouda ZOUAD**

### **Questionnaire**

#### **1/ Gender**

Man

Woman

#### **2/ Age category:**

Under 30

From 30 to 40 years old

From 40 to 50 years old

More than 50 years old

#### **3/ Socio-professional status**

Student

Employee

Liberal profession

Unemployed

Retired

#### **4/ How long have you been a customer of INALCA?**

Less than one year

2 years



3 years

4 years

5 years

More than 6 years

**5/ What products are you buying from INALCA?**

Meat

Fish

Meat and fish

**6/ What do you think of the availability of INALCA's products?**

Always available

Moderately available

**7/ Are you satisfied with the quality of INALCA's products?**

Very satisfied

Satisfied

Moderately satisfied

**8/ What are the criteria according to which you chose INALCA?**

The price

Product quality

Quality of service

The brand

**9/ How do you find its prices?**

Very cheap

Cheap

Average price

Expensive

**10/ Does INALCA make efforts to make you a loyal customer?**

Yes

No

If yes what are them?

.....

**11/ What do you think of the quality of service offered by INALCA?**

Very good

Good

Average

**12/ How do you see the image of the INALCA brand?**

Very good

Good

Average



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