Professor **Sergii Illiashenko**, Doctor of Economics, Head of the Department of Marketing and Management of Innovative Activity, Sumy State University (Sumy, Ukraine); University of Economics and Humanities (Bielsko-Biala, Poland)

Liubov Syhyda, Candidate of Economic Sciences, Assistant Professor at the Department of Marketing and Management of Innovative Activity, Sumy State University (Sumy, Ukraine)

THE SPECIFICITY OF THE MARKETING DISTRIBUTION POLICY; DIAGNOSTIC PROCEDURES IN THE ENTERPRISE

Introduction. Nowadays enterprise success on the market is associated with its ability to fast adaptation to the changing environment and the ability to create additional competitive advantages.

Enterprise's competitiveness can be increased by optimizing marketing distribution policy (MDP) and establishing reliable relationships with contractors. In the future, it will improve the efficiency of the entire enterprise.

The issues of the marketing distribution policy, organization and management at the enterprise level are highlighted in the works of many authors: Bilovodska O.A. [Bilovodska, 2011], Krykavskyi Ye.V. [Krykavskyi and oth., 2009], McKinnon A. [McKinnon, 1989], Oklander T.O., Zabarna E.M. [Zabarna, Oklander, 2012, p. 82], Osnach O.F., Pylypchuk V.P., Kovalenko L.P. [Osnach and oth., 2011], and others.

Also, it must be mentioned, that most domestic enterprises have unformed distribution system. Mainly, it has the following features [Hamalii and oth., 2012; Hertsyk, 2008; Hladun, 2011]:

- no concept of the adjustment of products distribution to the conditions of the developed market economy;
- fragmentation of the efforts of the sales departments and other departments of the enterprise;
- lack of a strategic approach to enterprise marketing activities;
- lack of knowledge of the market current and future state;
- imperfect system of information support of sales activities;
- imperfect system of marketing activities information support;
- slow movement of commodities from producers to customers, high level of demand dissatisfaction;

- low reliability and inadequate quality of customer service;
- lack of a solid development strategy;
- lack of the strategy of distribution system and commodity markets development;
- weak management of marketing channels;
- incomplete execution of obligations in the marketing channels; frequent violation of contractual obligations;
- low level of partnerships;
- lack of regional governments participation in the distribution system formation;
- lack of attention to the issues of existing marketing channels conservation and development in a competitive environment;
- lack of possibility of long-term consequences calculation;
- difficulties in marketing channels quantifying.

Therefore, the development of the marketing distribution policy is an urgent issue for Ukrainian enterprises. The reason is that sales process optimization and the organization of the distribution system ensure timely supply of commodities to areas of demand and their adaptation to the customers requirements.

Basic material. Marketing distribution policy permeates all the enterprise activities and integrates its areas of supply, material production and distribution. Moreover, it helps enterprise make profit by moving the right product in the right quantity and quality in the right conditions at the right time to the right place at the right cost to customers.

Mainly marketing distribution policy affects the supply and distribution areas.

Thus, enterprise sales volumes affect the production plan. In turn the demand for raw materials and material resources for the next production cycle depend on it. Thus, marketing distribution policy "involves" the formation and control of the process of raw materials and material resources flows.

The distribution area includes operations which are directly related to the planning, organization, regulation and control of product distribution and its moving to the end customer.

Implemented in the enterprise, marketing distribution policy aims to achieve one or more goals that can be divided into three groups:

1. Marketing:

- existing customers retention;
- conquest of new consumers in the existing market;

- penetration of a new market;
- customers needs meeting;
- enterprise own purposes achievement;
- achievement of the enterprise mission;
- increase of communication sustainability;
- creating of the enterprise positive image on the market;
- increase of the enterprise public recognition;
- *distribution*, including
  o defining the product distribution strategy;
  o choice of methods, channels and structure of distribution;
  o formation of product distribution system;
  o search for new members of marketing channels;
  o upgrading/changing the structure of marketing channels

2. Logistics:

- optimization of product distribution system;
- process optimization of products transportation;
- organizing pre-sales and after-sales service;
- execution of orders with high quality and in a short time;
- establishing a system for concluding contracts on a sustained basis;
- organization of efficient execution of orders, delivery and shipment of finished commodity.

3. Economic:

- increase of sales volumes;
- increase of distribution activities profitability;
- achievement of internal financial stability.

The goals of the enterprise marketing distribution policy can be achieved by implementation of appropriate operations. All operations proposed to divide into three groups – pre-sales operations, sales operations, and after-sales operations.

Pre-sales operations include preparations for the commodity transfer from the producer to the customer: packaging; warehousing; sorting; separation or association of parties; determination of distribution strategy; searching for customers; marketing channels selection; organization of work in the marketing channel; selection of mediators; providing pre-sales service.

Sales operations are related to the direct physical movement of commodities: physical movement of commodities including coordination and organization of commodities movement; supply optimization; efficient management of marketing channels; organization and management of the associated flows (informational, financial, etc.); logistics of distribution; customer satisfaction; achieving business objectives; ensuring high quality execution of all orders in accordance with established deadlines.

After-sales operations include communication with customers: organization of after-sales service; provision of additional maintenance services; customers' satisfaction level identification; organization of communication with the end users; establishing long-term relationships with consumers.

There are three components of the marketing distribution policy – marketing channels, distribution strategy and commodity movement [Bilovodska, 2011].

In our opinion, the distribution strategy is a management component of the marketing distribution policy. It indicates the direction of action in determining the objectives and elements of the distribution and defines the structure of marketing channels that is appropriate for the commodities movement implementation.

Commodities movement is the executive component of the marketing distribution policy. It is intended to enforce the physical movement of products to the end user and to control commodities flows.

Marketing channel is the structural component of the marketing distribution policy. It provides the technical implementation of certain distribution strategies. Marketing channel ensures the process of product distribution and its physical system formation.

Therefore, the marketing distribution policy performs the following tasks:

- implementation of activities and operations for the commodities physical movement;
- decisions on marketing channels;
- selection and development of distribution strategies.

All these mentioned above allow to organize an efficient distribution at the enterprise.

In view of the growing importance of marketing distribution policy, the issue of its diagnosis at the enterprise level rises.

Diagnostics of the enterprise marketing distribution policy allows to identify weaknesses in its distribution system and identify areas for the improvement.

The order of marketing distribution policy diagnostics is represented in Figure 1.

Therefore, marketing distribution policy diagnostics is proposed to be carried out in three stages:

1) analysis of factors of internal and external environment;

2) analysis of the internal system of marketing distribution policy in the enterprise;

3) identifying sales risks that affect or may affect marketing distribution policy.

At the first stage of marketing distribution policy diagnostics, it is necessary to define the factors influencing the marketing distribution policy functioning. So, it is necessary to define its strengths and weaknesses, opportunities and threats.

Analysis of general trends in the development of the market gives an opportunity to determine the state of the macro-environment of the enterprise. It will contribute to making more informed management decisions concerning the organization and functioning of marketing distribution policy. The analysis should be performed based on [Balabanova, Balabanyts, 2003]:

– existing legislation governing the sales activities, and their influence on the enterprise;

– trends in the development of the economic situation in the country and the region and their impact on the enterprise sales activity; inflation rate; level of unemployment; the nature of the state tax policy; income levels;

– trends of scientific-technical progress and their impact on enterprise sales activity.
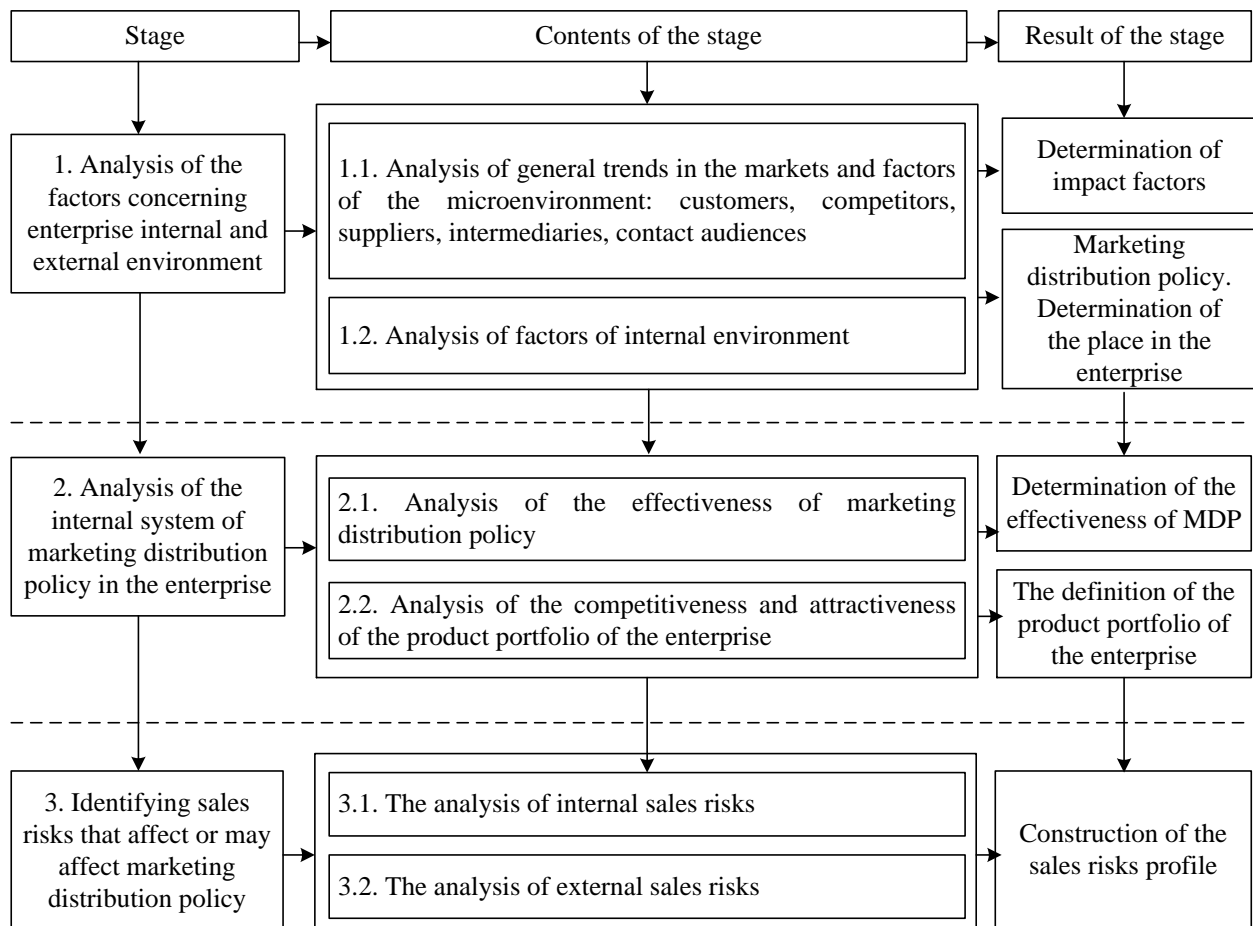
Stage	Contents of the stage	Result of the stage
1. Analysis of the factors concerning enterprise internal and external environment	1.1. Analysis of general trends in the markets and factors of the microenvironment: customers, competitors, suppliers, intermediaries, contact audiences	Determination of impact factors
	1.2. Analysis of factors of internal environment	Marketing distribution policy. Determination of the place in the enterprise
2. Analysis of the internal system of marketing distribution policy in the enterprise	2.1. Analysis of the effectiveness of marketing distribution policy	Determination of the effectiveness of MDP
	2.2. Analysis of the competitiveness and attractiveness of the product portfolio of the enterprise	The definition of the product portfolio of the enterprise
3. Identifying sales risks that affect or may affect marketing distribution policy	3.1. The analysis of internal sales risks	Construction of the sales risks profile
	3.2. The analysis of external sales risks	

Figure 1. Procedure of enterprise marketing distribution policy diagnostics (authoring)

The development and functioning of marketing distribution policy largely depends on the ability to identify and consider the influence factors of the enterprise internal environment and its micro-environment. The internal environment is determined by the internal variables of the enterprise. These are factors which affect the formation of enterprise internal state, its strengths, weaknesses and opportunities. Thus, the internal environment can be defined as the processes within the enterprise that ensures its efficient operations. At the same time, the enterprise is in interaction with micro-environment. The micro-environment includes market participants, who are in contact with the enterprise and have a direct impact on it. But these market participants are outside the enterprise.

The greatest influence on the marketing distribution policy is provided by such internal subsystems of the enterprise, as material and production, information, social, marketing and financial. Material and production subsystem determines what products and what quantity enterprise is capable to produce. The social subsystem refers to the workers' ability and willingness to innovate. The information subsystem provides enterprise with the necessary information. The marketing subsystem defines the features of marketing distribution policy in

accordance with 3P – product, price and promotion. The financial subsystem shows the possibility of financial support of marketing distribution policy development and implementation at the enterprise.

Factors of the micro-environment specify and adjust marketing distribution policy. For example, "Consumers" factor allows to create a range of products in quantity and quality catered for consumers needs and desires. "Competitors" factor gives the opportunity to improve enterprise marketing distribution policy, considering competitors MDP. "Intermediaries" factor contributes to the formation of the marketing channel structure in the best way.

Analysis of internal and external environment of the enterprise can be realized based on the following methods: PEST-analysis; SWOT-analysis, SPACE-analysis, SNW-analysis; GAP-analysis; Porter's five forces analysis and others.

In addition, it is very important to determine the relationship between the enterprise internal environment, its micro-environment and marketing distribution policy. All three elements are related and influence each other functioning.

Marketing distribution policy acts as a "bridge between" enterprise's internal environment and its micro-environment. Thanks to the marketing distribution policy enterprise receives information from the micro-environment, takes orders from the consumers, and then transmits them into the internal environment (information on the market state, actions of competitors, intermediaries and suppliers, reaction of the contact audience, customers needs and desires).

From the internal environment marketing distribution policy receives flows of finished commodities and ownership rights. Then MDP takes finished commodities into the enterprise micro-environment. Also, marketing distribution policy provides additional per-sales and after-sales services to satisfy consumers.

Thus, the first stage of marketing distribution policy diagnostics allows to determine direction of MDP development and strengthening.

One of the factors of internal environment that may significantly affect the marketing distribution policy is the enterprise product range. Depending on the level of product novelty, its distribution can be applied by one of three types of marketing distribution policy: traditional, modified and innovative.

Traditional marketing distribution policy is used when a new product can be distributed using existing distribution system of the enterprise. In this case, new products are close to traditional products produced at the enterprise, and they focus on existing customers.

So, it is better for the enterprise to use existing marketing channels to distribute such products. First, it will help enterprise to reduce distribution costs (no need to modify marketing channels or create new ones), and secondly, members of existing marketing channels can satisfy customers needs in the best way (they know customers and their needs).

Modification of the existing marketing distribution policy system is conducted in accordance with the features of new products. In this case, some elements of the existing marketing distribution policy have been changed (use of improved, modified or radically new marketing channels; selection of new members of marketing channels; adjustment of distribution strategies – the use of exclusive or selective strategy in the new products distribution).

Innovative (new) marketing distribution policy involves a radical change in the structure and the content of marketing distribution policy: selection of new marketing channels with new members and development of the new commodities movement. It allows to optimize delivery times, increase supply reliability, perform tasks more precisely, avoid or at least minimize products' damage, provide consumers with the necessary information, and establish simple procedure of relations.

Thus, the decision on amendments to the current marketing distribution policy or the transition to innovative one can be made per the range of products with different level of product novelty.

The second stage of marketing distribution policy diagnostics helps to determine whether the current marketing distribution policy provides a stable distribution of the company products in the market.

First, it is necessary to analyse the effectiveness of marketing distribution policy. It involves the calculation of the appropriate indicators.

Efficiency analysis allows to determine the development potential of the marketing distribution policy at the enterprise.

We propose the following set of indicators to measure the effectiveness of marketing distribution policy (Figure 2).

Often the cause of poor performance of the enterprise marketing distribution policy is a produced and distributed product: its mismatch to the stage of market development, consumers needs, the conditions of enterprise activity, quality requirements, etc. That is why, it is important to analyse the competitiveness and attractiveness of the enterprise product portfolio. It allows to define groups of products and measure their attractiveness.

The main methods for enterprise product portfolio analysis are [Kotler, 2016; Kudenko, 2006; Polinchyk-Yarova, 2009; Skryhun and oth., 2011; Frolenko, Zhukevych, 2012]: M. Porter strategic model; Boston Consulting Group matrix; GE-McKinsey nine-box matrix; Artur D. Little matrix, Shell Directional Policy Matrix, ect.
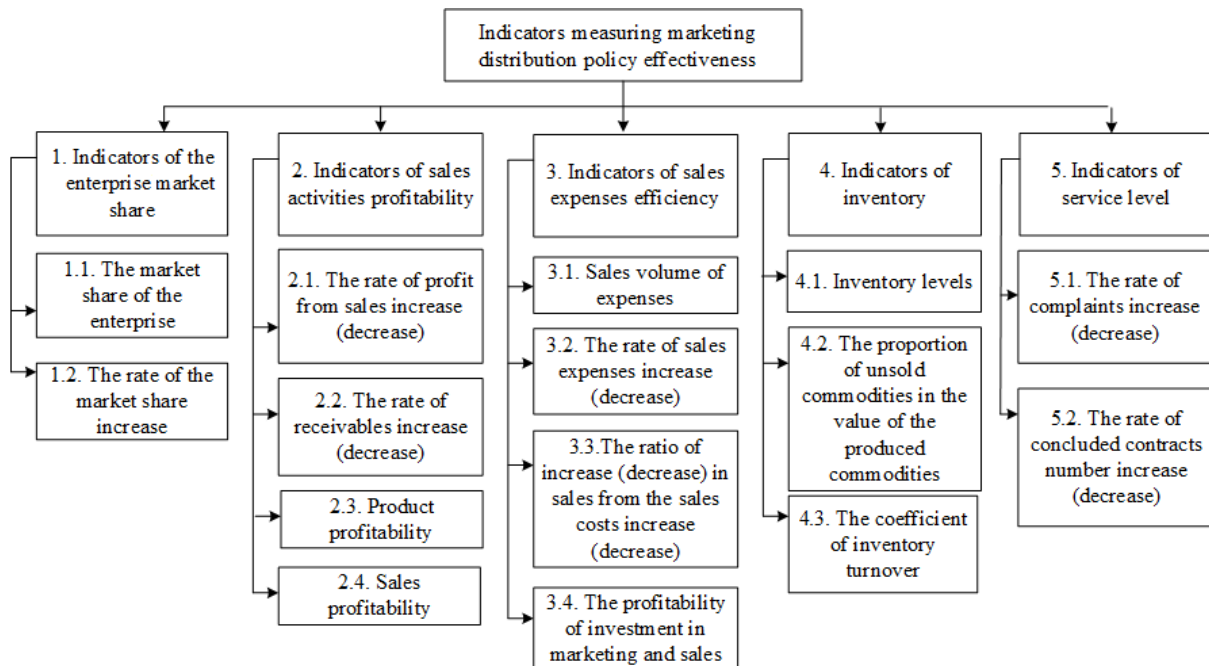

Figure 2. Indicators measuring marketing distribution policy effectiveness (authoring, based on [Maibohina, 2007; Revenko, 2013; Muzychka, 2013])

The third stage of marketing distribution policy diagnostics involves sales risks analysis. The reason is that product distribution is associated with a high level of risk and uncertainty. Therefore, sales risks identification and the development of the mechanisms of their leveling is in a high priority.

External sales risks are: foreign risk, inflation risk, tax risk, political risk, risk of legislative changes, risk of target segment incorrect selection, high level of competitive forces influence, low level of customers' commitment to the enterprise and its products, lack of consumer awareness, risk of unreliable results of marketing researches, risk of the external environment instability.

Internal sales risks are: lack of sales personnel evaluation system, risk of marketing channels incorrect choice, risk of consumers loss, risk of distribution strategies incorrect selection, lack of strategic planning practices, risk of sales activity costs increasing, low level of assortment renovation, low professional level of sales staff, increase in the claims number,

risk of mistakes in the marketing channels participants selection, risk of a bad organization of the commodities promotion system, risk of incorrect pricing, risk of errors in the product policy.

Conclusions. Thus, enterprise's marketing distribution policy diagnostics allows to determine its weaknesses that need to be improved or neutralized, and strengths, that require to be maintained and developed. Also, it helps to identify the reasons of marketing distribution policy ineffective organizations. And as it was found out, these reasons can be:

- neglect of factors of the enterprise's internal environment;
- neglect of factors of the enterprise's external environment.
- errors in enterprise's product assortment forming;
- errors in the marketing channels design;
- failure to identify internal and/or external risks, their sensitivity, etc.

Bibliography

1. Біловодська О.А. Маркетингова політика розподілу : навч. посіб. / О.А. Біловодська. – К. : Знання, 2011 – 495 с. / Bilovodska, O.A. (2011), *Marketynhova polityka rozpodilu,* Kyiv: Znannia.

2. Крикавський Є.В. Маркетингова політика розподілу : навч. посібник / Є.В. Крикавський, Н.С. Косар, А. Чубала. – Львів : Видавництво Національного університету «Львівська політехніка», 2009 – 232 с. / Krykavskyi, Ye.V., Kosar, N.S., & Chubala, A. (2009), *Marketynhova polityka rozpodilu,* Lviv: Vydavnytstvo Natsionalnoho universytetu «Lvivska politekhnika».

3. McKinnon, C. Alan. (1989). *Physical Distribution Systems.* Routledge, London. Retrieved from http://books.google.ru/books?id=tMcOAAAAQAAJ&printsec =frontcover&dq=distribution+mckinnon&hl=ru&sa=X&ei=7qvyT_3RAeSM4gTu9py6 CQ&ved=0CDAQ6AEwAA#v=onepage&q=distribution%20mckinnon&f=false.

4. Маркетинг : підручник / під ред. Е.М. Забарної, Т.О. Окландер. – Одеса : ОНПУ, 2012. – 149 с. / Zabarna, E.M., & Oklander, T.O. (Eds.). (2012), *Marketynh*, Odesa: ONPU.

5. Оснач О.Ф. Промисловий маркетинг : навч. посіб. – 2-ге вид. / О.Ф. Оснач, В.П. Пилипчук, Л.П. Коваленко. – К. : Центр учбової літератури, 2011 – 364 с. /

Osnach, O.F., Pylypchuk, V.P., & Kovalenko, L.P. (2011), *Promyslovyi marketynh,* Kyiv: Tsentr uchbovoi literatury.

6. Гамалій В.Ф. Сучасні проблеми збутової політики українських підприємств / В.Ф. Гамалій, С.А. Романчук, І.В. Фабрика // Збірник наукових праць Кіровоградського національного технічного університету. Серія: Економічні науки. – Кіровоград : КНТУ, 2012 – Вип. 22 (Ч. ІІ). / Hamalii, V.F., Romanchuk, S.A., & Fabryka, I.V. (2012), Suchasni problemy zbutovoi polityky ukrainskykh pidpryiemstv. *Zbirnyk naukovykh prats Kirovohradskoho natsionalnoho tekhnichnoho universytetu. Seriia: Ekonomichni nauky*, *Vyp. 22 (Ch. II),* Kirovohrad: KNTU.

7. Герцик В.А. Сучасні проблеми розподілу в Україні / В.А. Герцик // Маркетинг: Теорія і практика: Збір-ник наук. праць. – 2008 – № 14 – С. 24-26. / Hertsyk, V.A. (2008), Suchasni problemy rozpodilu v Ukraini, *Marketynh: teoriia i praktyka, 14,* 24-26.

8. Гладун П.П. Управління каналами розподілу продукції як складова комерційного успіху підприємства / П.П. Гладун // Актуальні проблеми економіки. – 2011 – №6(120) – С. 83-88. / Hladun, P.P. (2011), Upravlinnia kanalamy rozpodilu produktsii yak skladova komertsiinoho uspikhu pidpryiemstva, *Aktualni problemy ekonomiky, 6(120),* 83-88.

9. Балабанова Л.В. Маркетинговый аудит системы сбыта : монография / Л.В. Балабанова, А.В. Балабаниць. – Донецк : ДонГЕЭТ им. М. Туган-Барановского, 2003 – 189 с. / Balabanova, L.V., & Balabanyts, A.V. (2003), *Marketynhovyi audit systemy sbyta,* Donetsk: DonHEET im. M. Tuhan-Baranovskoho.

10. Ревенко Н. Управління процесом формування конкурентоспроможності продукції підприємства / Н. Ревенко, І. Малихіна // Вісник ТНЕУ. – 2013 – №2 – С. 62-70. / Revenko, N. (2013), Upravlinnia protsesom formuvannia konkurentospromozhnosti produktsii pidpryiemstva, *Visnyk TNEU, 2,* 62-70.

11. Майбогіна Н.В. Організація і методика аналізу збутової діяльності промислового підприємства : автореф. дис. … канд. екон. наук / Н.В. Майбогіна. – Київ, 2007. – 16 с. / Maibohina, N.V. (2007), Orhanizatsiia i metodyka analizu zbutovoi diialnosti promyslovoho pidpryiemstva, *Extended abstract of candidate's thesis*. Kyiv.

12. Музичка Є.О. Оцінка ефективності управління збутовою діяльністю туристичних підприємств / Є.О. Музичка // Економічний часопис-ХХІ. – 2013 – №11-12(2). – С. 64-67. / Muzychka, Ye.O. (2013), Otsinka efektyvnosti upravlinnia zbutovoiu diialnistiu turystychnykh pidpryiemstv, *Ekonomichnyi chasopys-XXI, 11-12(2),* 64-67.

13. Котлер Ф. Маркетинг менеджмент. Экс пресс-курс. 2-е изд. / пер. с англ. под ред. С.Г. Божук. – СПб. : Питер, 2006 – 464 с. / Kotler, Ph. (2006), *Marketynh menedzhment*, Saint Petersburg: Piter.

14. Куденко Н.В. Стратегічний маркетинг : навч. посібник / Н.В. Куденко. – вид. 2-ге, без зін. – К. : КНЕУ 2006 – 152 с. / Kudenko, N.V. (2006), *Stratehichnyi marketynh,* Kyiv: KNEU.

15. Полінчик-Ярова Т.В. Використання портфельного аналізу при управлінні асортиментом на підприємствах хлібопекарної промисловості / Т.В. Полінчик-Ярова // Вісник ЖДТУ. – 2009 – №3(49) – С. 224-226. / Polinchyk-Yarova, T.V. (2009). Vykorystannia portfelnoho analizu pry upravlinni asortymentom na pidpryiemstvakh khlibopekarnoi promyslovosti, *Visnyk ZhDTU, 3(49),* 224-226.

16. Скригун Н.П. Використання портфельного і однопродуктового аналізу для розробки асортиментної політики / Н.П. Скригун, В.А. Стеценко, Л.В. Капінус // Формування ринкових відносин в Україні : Збірник наукових праць. – 2011 – Вип. 4(119) – С. 1-8. / Skryhun, N.P., Stetsenko, V.A., & Kapinus, L.V. (2011), Vykorystannia portfelnoho i odnoproduktovoho analizu dlia rozrobky asortymentnoi polityky, *Formuvannia rynkovykh vidnosyn v Ukraini, Vyp. 4(119),* 1-8.

17. Фроленко Р. Використання матричних методів у стратегічному аналізі диверсифікованих компаній / Р. Фроленко, С. Жукевич // Галицький економічний вісник. – 2012 – №6(39) – С.124-132. / Frolenko, R., & Zhukevych, S. (2012). Vykorystannia matrychnykh metodiv u stratehichnomu analizi dyversyfikovanykh kompanii, *Halytskyi ekonomichnyi visnyk,* 124-132.

Abstract. *In the article stages of marketing distribution policy diagnostics are defined. At the first stage, it is proposed to analyse factors of enterprise internal and external environment (gathering information about general trends in the markets and factors of micro-environment (customers, competitors, suppliers, intermediaries, contact audiences). It is approved that analysis of general trends of the market's development give an opportunity to determine the state of the enterprise macro-environment. At the same time, it is defined that the greatest influence on the marketing distribution policy provide such internal subsystems of the enterprise, as material and production, information, social, marketing and financial. At the second stage of marketing distribution policy diagnostics, researchers propose to analyse the internal system of marketing distribution policy at the enterprise. It is determined that the effectiveness of marketing distribution policy can be defined basing on indicators that can be combined in the following groups: 1) indicators of the enterprise's market share (the market share of the enterprise, the rate of the market share increase), 2) indicators of sales activities profitability (the rate of profit from sales increase (decrease), the rate of receivables increase (decrease), product profitability, sales profitability), 3) indicators of sales expenses efficiency (sales volume of expenses, the rate of sales expenses increase (decrease), the ratio of increase (decrease) in sales from the sales costs increase (decrease), the profitability of investment in marketing and sales), 4) indicators of inventory (inventory levels, the proportion of unsold commodities in the value of the produced commodities, the coefficient of inventory turnover) and 5) indicators of service level (the rate of complaints increase (decrease), the rate of concluded contracts number increase (decrease)). And the third stage of marketing distribution policy diagnostics, it is recommended to identify internal (e.g., lack of sales personnel evaluation system, risk of marketing channels incorrect choice, risk of distribution strategies incorrect selection, risk of sales activity costs increasing, low level of assortment renovation and others) and external (e.g., foreign risk, inflation risk, tax risk, political risk, risk of legislative changes, risk of target segment incorrect selection, high level of competitive forces influence and others) sales risks that affect or may affect marketing distribution policy.*

Keywords: *distribution, marketing distribution policy, marketing channels, distribution strategies, goods movement, diagnostics, internal and external environment, effectiveness, sales risks*