

What does the four-level franchising policy do for atlas copco support your posit...

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The four-level franchising policy was started as a strategy by the Swedish based Atlas Copco to be able to achieve market share in United States. The policy was introduced to increase the market share in United States from the existing one per cent to 10 percent, this was to be done in ten years.

## **Discussion**

The four-level franchising policy was advocated by the vice president in charge of marketing Aurther Droege, this was in attempt to meet the needs of the client by focusing on the right delivery channel of the company's products for the company US market. The distribution channel adopted would see the company focus on four means of delivering the compressors to the client based on the specified criteria.

First the policy would ensure the basic and first level franchise approach deliver compressors to the clients through franchisees that would target compressors below 200 horse-powers. The second level was for those distributors who excelled in offering services in the basic franchise level. Thus this created an incentive for the basic level distributors to achieve the higher level of franchise as it came with higher margins and also was a way of rewarding the excellence (McShane, 2007). Those distributors who excelled in level two would be recognized and be offered the chance to distribute specialized products; in essence this was creating incentives to the distributors to show excellence, it would also act as a measure of performance on the part of distributors. A fourth level would be the ultimate desire for the distributors as it would be possible for the franchisee to roll out equipment and facilities that would support the functions, this would be good

for the company as the franchise holders would use some of their resources and thus the company would not have a higher level of capital expenditure (Rangan, 1987).

The franchise levels adopted by Atlas Copco would ensure that the company is involved in the distribution process by being able to measure the performance of the distributors at several levels and at the same time not being so much involved in the distribution process. The policy would ensure the company benefits from the resources put in place by the franchisees and therefore Atlas Copco would not need to lay out much capital expenditure and therefore the company would focus on the manufacturing of the compressors.

The company would also benefit from the existence of after sales service providers in local market which would contribute to the increase in market share to the envisioned 10 per cent. The multi-level franchising policy would showcase the ability of the implementing team headed by the leader Arthur Groege the ability to develop distribution strategy that works for the company. Therefore, the four level policies would solidify the position of the company in United States market and be able to compete with the competitors in the market.

The company would be able to get particular distributors to focus on particular products and be able to deliver to the clients rather than having all the distributors focus on all the compressors which would not necessarily deliver the sales the company intends to get (Hutt, and Speh, 2010).

## **Recommendations and Conclusion**

The four level can contribute significantly to the growth of the company's market share but there needs to be more focus by the company to ensure that where the distributors have not achieved the second third and fourth levels there are other distributors who serve the particular markets to ensure that the clients have access to the full spectrum of the company's products.

It is also imperative to have the company sales staff supervise the distributors in the field this will also act as a channel where the company gets feedback from the customers and franchise owners.

In conclusion the case has illustrated the effective of well thought out and multi faceted approach towards distributing products, the marker share is important and thus companies must adopt innovative approach towards their distribution channels.

## **Work Cited**

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