

Rejuvenation of Distribution Channel of Consumer Durable Company

Abhay Sharma, Dr. Vimal Kamleshkumar Bhatt

Received 14 September 2018 ▪ Revised 23 October 2018 ▪ Accepted 24 November 2018

Abstract: The Indian FMCD market is valued at Rs. 1.5 Lakh Crore. Out of numerous channels of sales, the major role is played by Distribution (60%) and Direct Dealers (40%) for the region, where no other sales channel is present like Modern Trade, Brand Store, E-Comm., Chain Store, etc. This project is aimed at evaluating the Availability, Expected market growth, Factors, Competition analysis, Expectations and Perceptions of retailers towards consumer durable company. The company wants to know, how many retailers are available in a market and where all can it reach through its distribution channel through its Numeric Reach in an area, Weighted Distribution on respective counters and based upon that, the Market Share. The paper is focused on the study and analysis of data collected from all the retailers who keep stock of Home Appliances. The purpose is to understand why isn't there any reach to untouched markets yet, what are the influencing factors, what are the problems being faced, Positioning of various attributes and brands on mind and feedback about the sales of Home Appliances. To achieve the objective I studied the market in both aspects, be it Distribution by travelling to 11 different areas with the DSO and the ASM to get a brief of how the market works, why the distribution is low in that area and what are the problems that prevail in the chain and the Direct Dealer also called Key Accounts which deal directly with the company offering a great space for the product visibility along with more credibility. Then, collected data from retailers also known as Trade Partners (TPs). In this way the required data was collected and available gaps were studied.

Keywords: Distribution, Planogram, Competitive Benchmarking.

INTRODUCTION

India is expected to become the fifth largest consumer durables market in the world by 2025. The consumer electronics market is expected to increase to US\$ 400 billion by 2020. The production is expected to reach US\$ 104 billion by 2016.

The sector was expected to double at 14.7 per cent compound annual growth rate (CAGR) to US\$ 12.5 billion in FY15 from US\$ 6.3 billion in FY10. Urban markets account for the major share (65 per cent) of total revenues in the consumer durables sector in the country. Demand in urban markets is expected to increase for non-essential products such as LED TVs, laptops, split ACs, beauty and wellness products. There is a lot of scope for growth from rural markets with consumption expected to grow in these areas as penetration of brands increases. Also demand for durables like refrigerators as well as consumer electronic goods are likely to witness growing demand in the coming years in the rural markets as the government plans to invest significantly in rural electrification.

The Government of India has increased liberalization which has favoured foreign direct investments (FDI). Also, policies such as National Electronics Mission and digitization of television and setting up of Electronic Hardware Technology Parks (EHTPs) are expected to boost the growth of this sector.

Abhay Sharma, Student, Balaji Institute of Modern Management, Sri Balaji Society, Pune India.
Dr. Vimal Kamleshkumar Bhatt, Associate Professor, Balaji Institute of Modern Management, Sri Balaji Society, Pune, India.

The consumer durables market was anticipated to expand at a CAGR of 14.8 per cent to US\$ 12.5 billion in FY15. Also, the demand from rural and semi-urban areas was projected to expand at a CAGR of 25 per cent to US\$ 6.4 billion in FY15, with rural and semi-urban markets likely contributing majorly to consumer durables sales.

While consumer goods are largely retailed through two primary sales channels - general trade and modern trade, present times are quite interesting as new channels such as e-commerce have emerged quickly to become forces to reckon with; but this space is yet to provide a profitable and sustainable model as things stand today. However, growth of consumer goods retailed through the newer channels is now outpacing the growth of FMCG products in general trade. Factors such as a comfort, convenience, rising trust factor, modern store experience, access to a wide variety of categories & brand single roof and compelling value-for-money deals are attracting consumers to the newer channel.

LITERATURE REVIEW

The retail industry of India is booming at a very high pace. The expected growth of Indian retail industry by 2020 is expected to US\$ 1.3 trillion, by registering 16.7 per cent of Compound Annual Growth Rate (CAGR) over 2015-20 (IBEF, 2018). A new paradigm shift has been recognized by the authors in management known as Relationship Marketing (Brodie, Coviello, Brookes, & Little, 1997). Relationship promoting (RM) is an umbrella term for a loose assortment of concepts that emerged in several empirical contexts from the late 1970s. Informed by numerous analysis traditions, it described at one and also the same time associate extension of existing ideas at intervals selling management and a awfully totally different manner of puzzling over selling (O'Malley, 2014).

Globally, the fifth largest preferred retail destination is India. In whole world, India is among the highest in terms of per capita retail store availability. An Exponential growth is experienced in Indian retail sector with India developing not only in major cities and metros but in Tier-II and Tier-III cities as well in terms of retail. Increasing disposable incomes, urbanization, changing consumer tastes and preferences, healthy economic growth and changing demographic profile are the factors that drive the growth of India's organized retail market. (IBEF, 2018).

Online retail is reaping the fruits of India's humongous population. It is expected that the Indian online retail market will grow from US\$ 6 billion to US\$ 70 billion by FY 20. Manufacturers now find themselves in the position of finding new ways to remain competitive in the era of retail power (Davis-Sramek, Mentzer, & Stank, 2008).

An increase in private players, including Indian and foreign players in retail have given the Indian retail industry a boost. Large retail players get attracted towards the Indian price competitiveness so as to use it as a sourcing base (IBEF, 2018). The sourcing by the worldwide retailers like Tesco, Walmart, JC Penney and GAP, from India is increasing, moving from third-party shopping for offices to the institution of own wholly-owned/wholly-managed sourcing and shopping for offices. (IBEF, 2018).

Numerous reforms by the government have been introduced by the Government of India in retail industry, so as to attract Foreign Direct Investment (FDI) such as an approval of 51 percent FDI in multi-brand retail, an increased FDI limit to 100 percent (from 51 percent) in single brand retail and plans for allowing 100 percent FDI in e-commerce, under the arrangement of selling the products that are made in India only so as to enjoy the Liberalized regime (IBEF, 2018). The practices and theories of marketing have been focusing forcefully on exchange between their respective buyers and sellers. But, mostly, a lot of the research and numerous marketing strategies treat buyer-seller transaction as discrete events, and not the ongoing relationships (Dwyer, Schurr, & Oh, 1987).

In global retail industry 5th position is held by India.

- The Indian retail industry in 2016 was valued at USD 672 billion, US\$ 703.02 In FY17 and it is estimated to reach USD 1150 billion by 2020. The retail e-commerce sector is expected to reach USD 17.5 billion in 2018 (IBEF, 2018).
- The model retail had a penetration of 12 per cent in consumer durables segments in 2015 (IBEF, 2018).
- The emergence of modern durable retail chains and e-retailers like Tata Chroma, Reliance Digital, E-Zone can be witnessed now-a-days.

- Apparel segment accounted largest during FY16 from the organized retail sector and 13 per cent was the contribution made by unorganized sector in the GDP in FY16 (IBEF, 2018).
- Online retail marketing to grow at a CAGR of 40-45 per cent during 2014-18.

(Paninchukunnath, 2010) Has emphasized on the 3Ps of marketing viz. push marketing, pull marketing and pull up marketing. Taking into account the retailers of rural India, push and pull strategy may be very effective and create very good impact in the market, as the rural traders are not receiving equal importance as the urban one. For a marketer, due to homogeneity in the rural market, the retailer is its brand ambassador. Training of such ambassador for the brand can help in easy conversion of goods into cash making the firm leader in rural as well as urban India.

In Indian Marketing Summit (Pradeep, 2017), emphasized that it would be a bigger mistake to assume that 'price' is the key driver in the rural market. The consumer there often has a higher disposable income than urbanites. Yet, if he owns less number of durables in comparison to an urban consumer, it is not because of price or affordability, but due to other factors, such as infrastructure and availability of variety of products".

(Prasad, 2005) In the study, the authors examine that the efforts of suppliers and retailers in the FMCG channels to adopt more efficient consumer base. They examined the relationship between the channels and the customers. People understand the local dialect and prefer to be informed in their local language and dialect. Therefore, it can be useful for promotion of brands I rural markets by major players".

(Siddharth, 2004) Have given '4A Approach' to meet the challenges in the rural market in the following ways (IBEF, 2018),

Availability: Ensuring the availability of product or service is the first challenge. 627,000 villages have been spread over 3.2 million sq. km in India, which is the home to 700 million Indians, which is a difficult task to find them all in the rural areas. Above this, the road and infrastructural under development makes it further difficult to reach the far flung villages. 13,113 villages with a population above 5000 is a big challenge to reach out for a serious marketer. Bullock-carts, auto rickshaws, and also boats are used by stockists to reach the backwaters of Kerala. To ensure full loads, the company depot supplies, twice a week, to large distributors which act as hubs (IBEF, 2018).

Affordability: Ensurity of affordability of the product or service being offered is the second challenge. With low disposable incomes, products need to be affordable to the rural consumers; most of them are on daily wages. Some companies have addressed the affordability problem by introducing small unit packs (IBEF, 2018).

Acceptability: The third challenge is to gain acceptability for the product or service. Thus, products suiting the rural market are needed to be offered in the rural market. The expressions differ of that of a rural consumer with that of its urban counterpart (IBEF, 2018). Consumption of branded products is treated as a special treat or indu Competitor lence.

Awareness: Stockists reach out to customers by organizing promotional events at the local level. Some companies use radio to push their brands into the interior areas, to reach the local people in their language. Some companies use a combination of TV, cinema and radio to reach 53.6 per cent of rural households".

(Chiung-Ju Liang, 2007) The retailers who undertake relationship efforts with loyal customers can positively affect these customers' attitudes and behavioral intentions. (Chiung-Ju Liang, 2007) suggested that financial services with different attributes require different kinds and levels of customer treatments and relationship efforts. They support the contention that the aggregation of customer satisfaction from continuous exchange leads to trust between the retailers and customers. They also suggest the direction of resource reallocation. Additionally, training, motivation and rewarding of managers and employees is needed for building relationship with regular customers in retail" (IBEF, 2018).

The importance of distribution channels comes from the more and more subtle shopper demands, producer's specialise in core competences, and also the contribution of the distribution channels to accomplishment of goals at the financial system level. Due to the actual fact that intermediaries of marketing have the role to link producer and customers, the results of their functioning have a right away impact on the mentioned partners within the channel. Therefore, the potency of the intermediaries directly affects the performance of connected partners, producers and customers. Retailers, as intermediaries within the channel, attracted most attention because of their leadership position and power, that proceed from direct communication with customers. In this regard, the target of

the analysis conferred during this paper is that the analysis of the importance of distribution channels, from partners' purpose of read, furthermore as from macro side, with special relevancy to the retailers, as the primary participants within the channel, within the Ambikapur Market (Anđelković, Barac, & Radosavljević, 2017).

Competitive Analysis

Competitor analysis is one of the most important part of the firms' development strategy. The importance is hidden in knowing the strategies, resources, capabilities competitors have. In a deeper essence, competitor analysis allows the assessment of the firms' own plans against that of its competitors.

The knowledge to leverage strength and address the weaknesses can be achieved through competitor analysis that also allows one to take advantage of weaknesses of competitors while countering their strengths. All in all, competitor analysis provides the firm with a better know how of the competitors present and the entire sector that plays a major role in emerging the opportunities (IBEF, 2018).

RESEARCH METHODOLOGY

Objectives

Primary objective To understand the distribution channel in region and how a conduit can be built for the untouched corners through distribution.

To understand how a planogram can help in increasing the visibility leading to an increased market share.

Sampling Method

Quota sampling method is used. The sample was selected by personally visiting all available counters that sell home appliances falling under the quota of Category A, Category B & Category C counters selling approx. 40, 20 & <10 units of home appliances per month respectively.

Sample Size

Responses were collected from total of 120 Dealers in market.

Method of collecting primary and secondary data

The primary data was collected by the formulated questionnaire and the secondary data was collected from various sources.

ANALYSIS AND INTERPRETATION

Floor Area of Shop in Square Meters:

On the basis of area (in sqmtrs.) a shopkeeper has, better product display can be shown. From the product display, the presence of a brand is felt in that market upon any said counter. So, the product display directly impacts the way a brand's market share can be decided as higher the number of products available in a shop, means higher share of presence of that brand in that market.

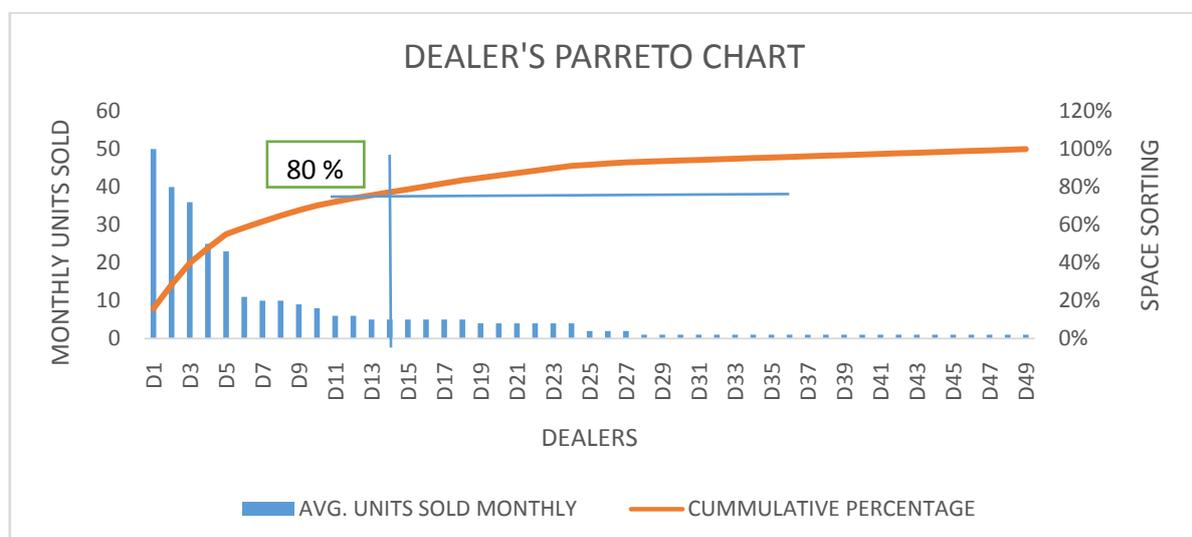


Chart 1: Dealer's Parreto Chart

Amongst dealers surveyed, the major emphasis should be laid on to maintain a display of at least 30 % in the first 18 counters available(15% of availability) in the market as they have higher space area and a potential hence forth to increase the sales of brand under consideration.

PLANOGRAM

For the counter on which I was deployed as a Retail Executive.

Table 1: Planogram Sample

COMPANY	6 kg	6.5 kg	7 kg	7.5 kg	8 kg	8.5 kg	TOT	%
COMPETITOR I	3	4	2	4	3	1	17	44%
CONSUMER DURABLE COMPANY	1	1	2	2	2	2	10	26%
COMPETITOR II	2	2	1	3	3	1	12	31%
TOT	6	7	5	9	8	4	39	100%

1.) The above table shows that if in a particular store, we have more selling units of 7.5 kg washing machine, then our brand needs to be present there in that particular category in more numbers than that of being present in least category like 8.5 kg.

2.) The above table shows that in if in a particular store, we have more selling units of 8 kg washing machine, then our brand needs to be present there in that particular category in more numbers than that of being present in least category like 7 kg.

Numeric Reach

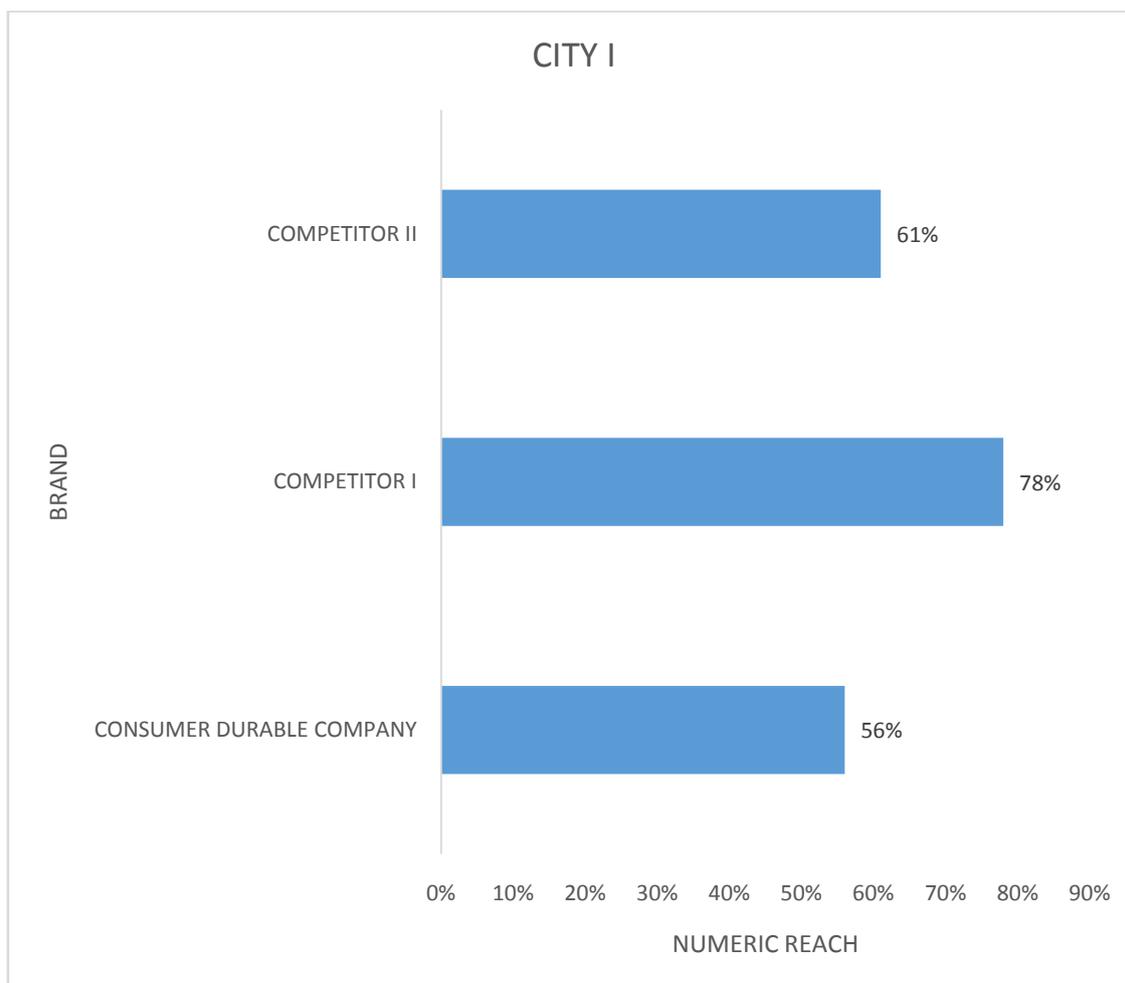


Chart 2: Numeric Reach of Consumer Durable Company, COMPETITOR I and Competitor II in CITY I

The above chart show the NUMERIC REACH of three brands, i.e. CONSUMER DURABLE COMPANY, COMPETITOR I & COMPETITOR II in CITY I.

As can be observed from the chart, that CONSUMER DURABLE COMPANY has a numeric reach of 56% in that region while COMPETITOR I has a reach of 78 % and Competitor II has a reach of 61%. Thus, this reach demonstrates that out of the total potential of 100 counters, these three brands are available on 56, 78 & 61 counters.

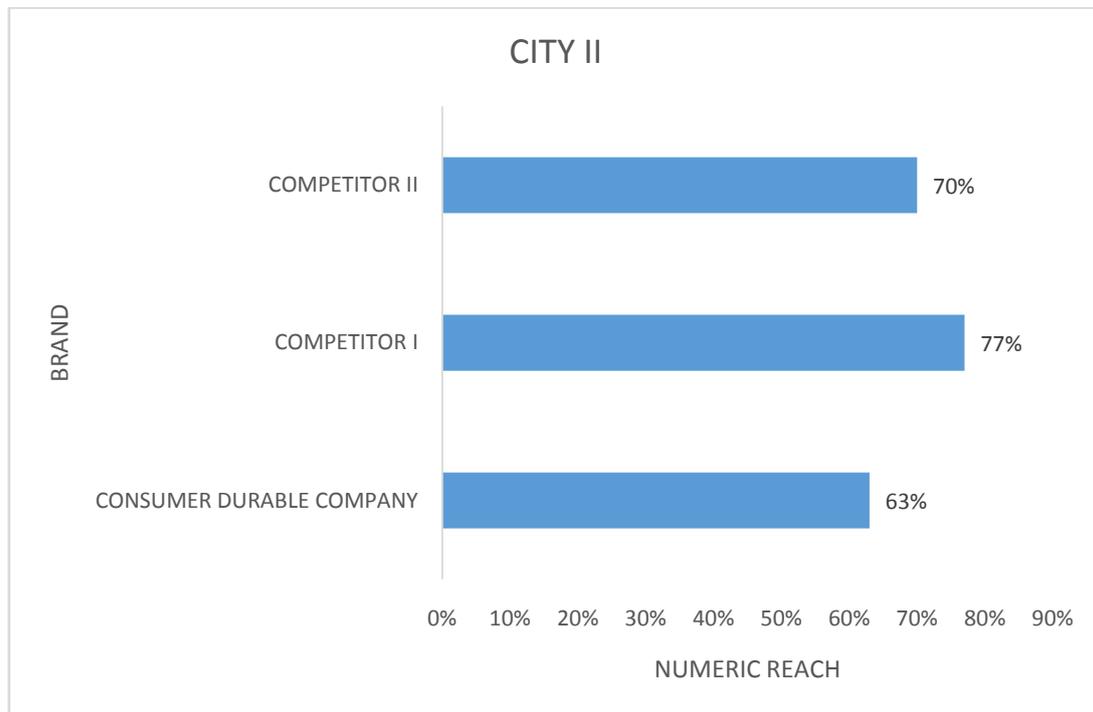


Chart 3: Numeric Reach of Consumer Durable Company, COMPETITOR I and Competitor II in CITY II

The above chart show the NUMERIC REACH of three brands, i.e. CONSUMER DURABLE COMPANY, COMPETITOR I & COMPETITOR II in CITY II.

As can be observed from the chart, that CONSUMER DURABLE COMPANY has a numeric reach of 56% in that region while COMPETITOR I has a reach of 78 % and Competitor II has a reach of 61%.

Thus, this reach demonstrates that out of the total potential of 100 counters, these three brands are available on 56, 78 & 61 counters.

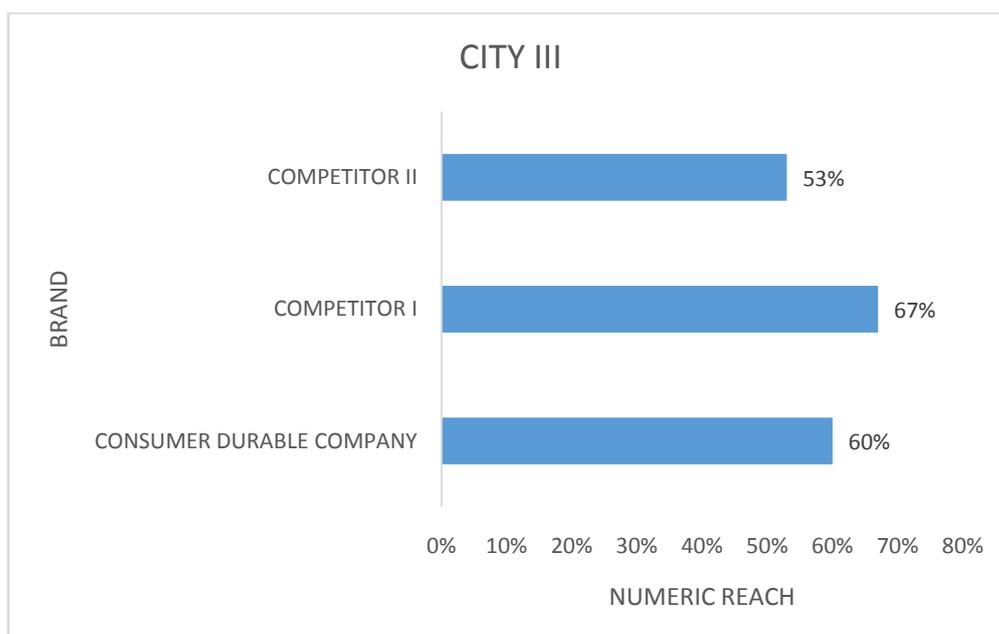


Chart 4: Numeric Reach of Consumer Durable Company, COMPETITOR I and Competitor II in CITY III

The above chart show the NUMERIC REACH of three brands, i.e. CONSUMER DURABLE COMPANY, COMPETITOR I & COMPETITOR II in CITY III.

As can be observed from the chart, that CONSUMER DURABLE COMPANY has a numeric reach of 60% in that region while COMPETITOR I has a reach of 67 % and Competitor II has a reach of 53%.

Thus, this reach demonstrates that out of the total potential of 100 counters, these three brands are available on 60, 67 & 53 counters.

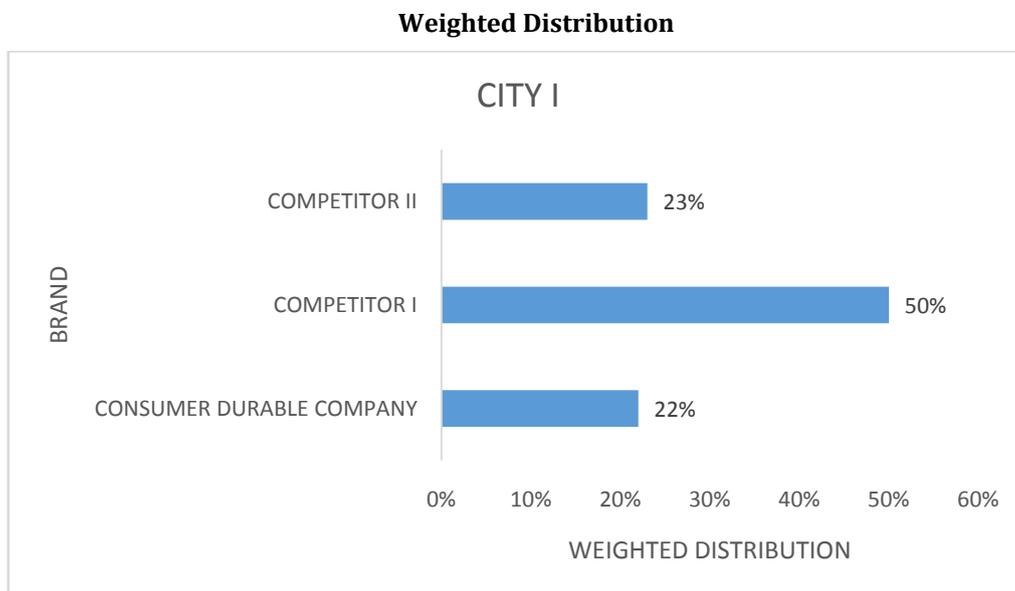


Chart 5: Weighted Distribution of Consumer Durable Company, COMPETITOR I and Competitor II in CITY I

The above table shows that in CITY I, in an average, CONSUMER DURABLE COMPANY has a presence of only 22% upon individual counters, while COMPETITOR I enjoys a presence of 50 % and Competitor II is just ahead of CONSUMER DURABLE COMPANY at 23 %.

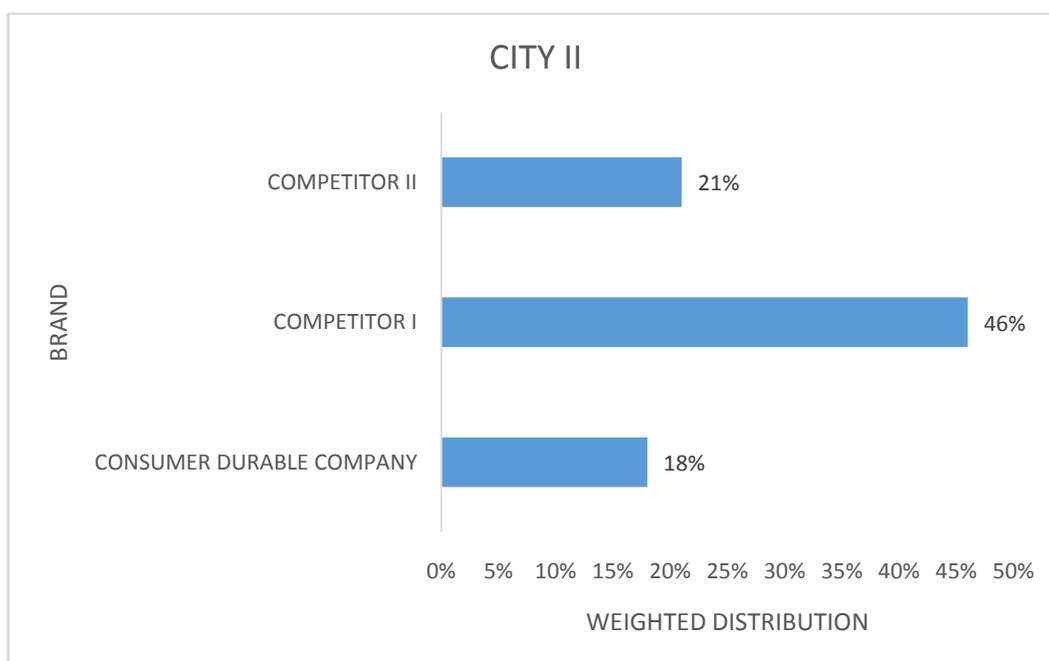


Chart 6: Weighted Distribution of Consumer Durable Company, COMPETITOR I and Competitor II in CITY II

The above table shows that in CITY II, in an average, CONSUMER DURABLE COMPANY has a presence of only 18% upon individual counters, while COMPETITOR I enjoys a presence of 46 % and Competitor II at 21 %.

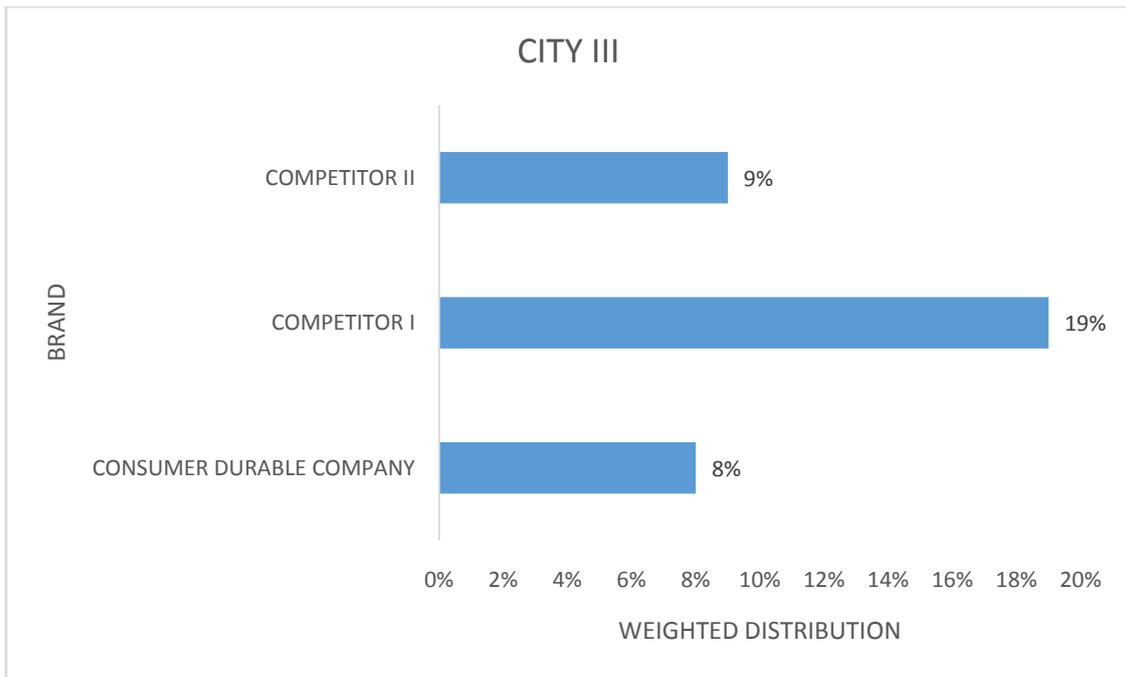


Chart 7: Weighted Distribution of Consumer Durable Company, COMPETITOR I and Competitor II in CITY III

The above table shows that in CITY III, in an average, consumer durable company has a presence of only 18% upon individual counters, while Competitor I enjoys a presence of 46 % and Competitor II at 21 %.

Market Share

Market share is defined in multiple ways, out of which, one way is to represent it as a product of Numeric Reach and Weighted Distribution.

So, as per the above mentioned set of Numeric Reach & Weighted Distribution, the Market Share can be mentioned in a set of following charts:

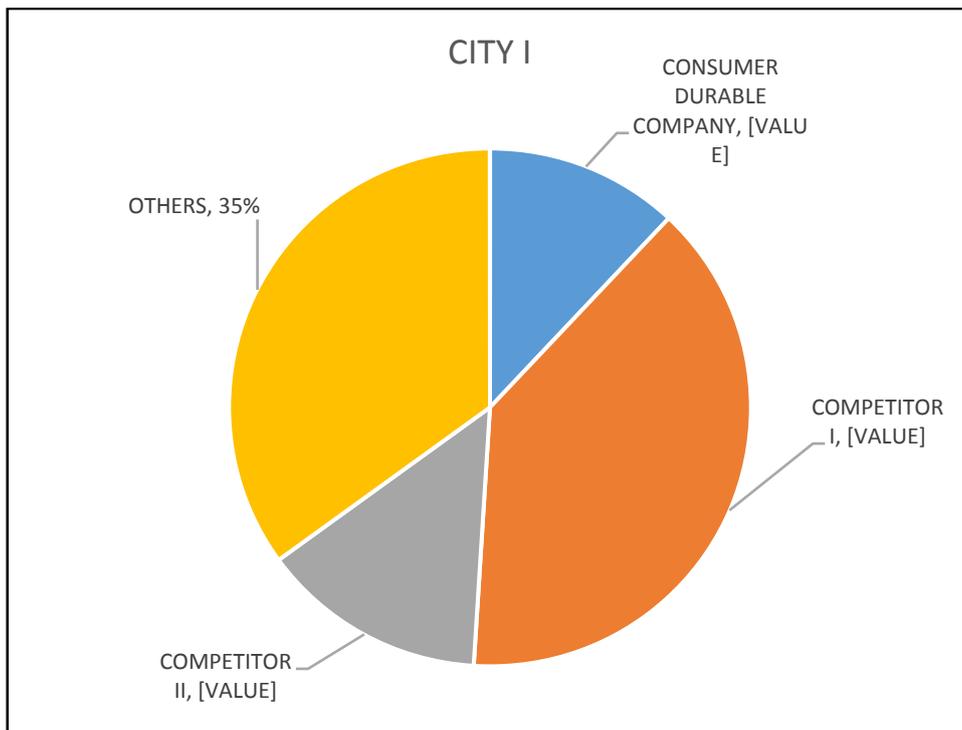


Chart 8: Market Share of CITY I

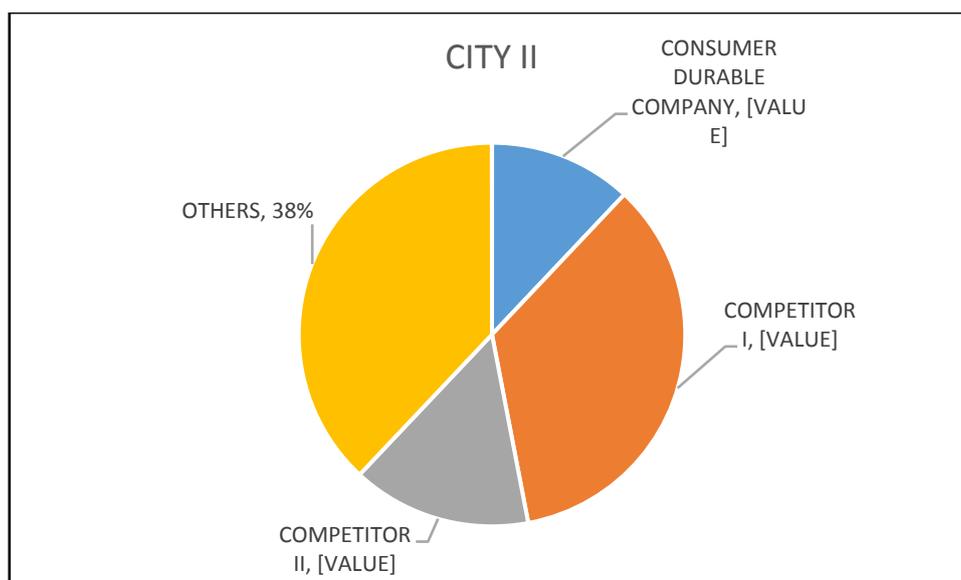


Chart 9: Market Share of CITY II

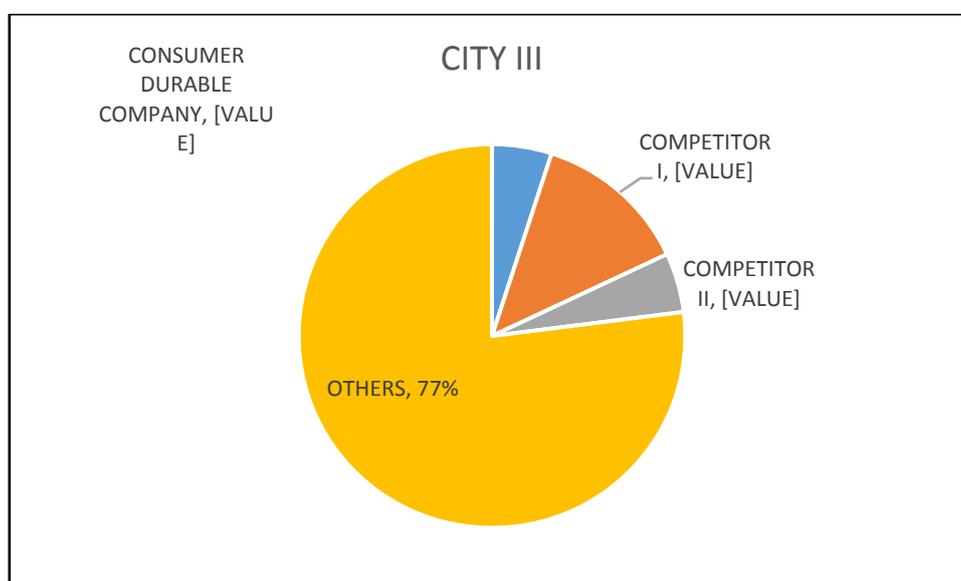


Chart 10: Market Share of CITY III

CONCLUSION

There has been a shift of power in the manufacturer-retailer relationships and there has been a shift from mass production approach to developing strong ties with customers; this approach also calls for a shift from 'doing things right' to 'do the things right' (Stank, Goldsby, & Vickery, 1999). Organizations need to focus more on customer focused operational capabilities which in turn will enable the manufacturers to build lasting distinctiveness with retail customers (Zhao, Dröge, & Stank, 2001). Just satisfying customers is not going to help the marketers to influence future behaviour (Boyer & Hult, 2006), instead, marketers will need to go one step further in forming emotional bonds with the customers. This paper also emphasises how various companies can use planogram in order to enhance the customer experience and how it affects the market share of a particular company in specific region.

REFERENCES

- [1] Anđelković, A., Barac, N., & Radosavljević, M. (2017). Analysis of Distribution Channels' Successfulness -The Case of the Retail Chains in the Republic of Serbia. *Economic Themes*, 55(4), 501-519. <https://doi.org/10.1515/ethemes-2017-0028>
- [2] Boyer, K. K., & Hult, G. T. M. (2006). Customer behavioral intentions for online purchases: An examination of fulfillment method and customer experience level. *Journal of Operations Management*. <https://doi.org/10.1016/j.jom.2005.04.002>

- [3] Brodie, R. J., Coviello, N. E., Brookes, R. W., & Little, V. (1997). Towards a paradigm shift in marketing? An examination of current marketing practices. *Journal of Marketing Management*, 13(5), 383–406. <https://doi.org/10.1080/0267257X.1997.9964481>
- [4] Chiung-Ju Liang, W.-H. W. (2007). An Insight into the Impact of a Retailer's Relationship Efforts on Customers' Attitudes and Behavioral Intentions. *International Journal of Bank Marketing*, Vol. 25, Issue 5, 365-366. doi:<https://doi.org/10.1108/02652320710772998>
- [5] Davis-Sramek, B., Mentzer, J. T., & Stank, T. P. (2008). Creating consumer durable retailer customer loyalty through order fulfillment service operations. *Journal of Operations Management*, 26(6), 781–797. <https://doi.org/10.1016/J.JOM.2007.07.001>
- [6] Dwyer, F. R., Schurr, P. H., & Oh, S. (1987). Developing Buyer-Seller Relationships. *Journal of Marketing*, 51(2), 11. <https://doi.org/10.2307/1251126>
- [7] IBEF. (2018, 07 26). Indian Retail Industry Analysis. Retrieved from IBEF: <https://www.ibef.org/archives/detail/cHJlc2VudGF0aW9ucyYzNzMzMzMSYzNzU=>
- [8] O'Malley, L. (2014). Relational marketing: development, debates and directions. *Journal of Marketing Management*, 30(11–12), 1220–1238.
- [9] Paninchukunnath, A. (2010). 3P Framework: Rural Marketing in India. *SCMS Journal of Indian Management*, 54-67.
- [10] Amar Singh , Amar Deep (2011) Formulation and Evaluation of Nanoparticles containing Losartan Potassium . *International Journal of Pharmacy Research & Technology*, 1 (1), 17-20.
- [11] Prasad, N. P. (2005). The unique rural identity.
- [12] Siddharth, P. B. (2004, February 16). Selling in Rural India. *Financial Daily*, Hindu Group of Publications.
- [13] Sohrabi, Y., Hosseinnafez, A., Yarmohammadi, A., Mirzaei, N., Ahmadpour, M., Saleh, E., Ghadiri, S.K., Adabi, S. Investigating the level of consumable oils peroxide value in bistros (West of Iran) (2018) *International Journal of Pharmaceutical Research*, 10 (3), pp. 354-359.
- [14] Zhao, M., Dröge, C., & Stank, T. P. (2001). The Effects Of Logistics Capabilities On Firm Performance: Customer-Focused Versus Information-Focused Capabilities. *Journal of Business Logistics*. <https://doi.org/10.1002/j.2158-1592.2001.tb00005.x>