

Project Dissertation Report on
Distribution and challenges regarding
FMCG products in Himachal Pradesh

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DECLARATION

I, Anish Gupta, student of MBA 2016-18 batch of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi – 110042 declare that the dissertation report titled “Distribution in Himachal Pradesh and challenges associated with it” submitted by me in partial fulfillment of the requirement of the award of the degree of Masters of Business Administration is an original work conducted by me.

The information and the data given in the project report is authentic to the best of my knowledge. The report is not being submitted to any other university for the award of any other degree, diploma and/or fellowship.

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CERTIFICATE

This is to certify that the project report titled “**Distribution in Himachal Pradesh and challenges associated with it**” is an original and bonafide work carried out by **Mr. Anish Gupta** of MBA 2016-18 batch and was submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi – 110042 in partial fulfillment of the requirement for the award of the Degree of **Masters of Business Administration**.

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ACKNOWLEDGEMENT

It has been rightly said that whenever people are willing but unable to perform a particular task they need cooperation and guidance of experienced people which is quite imperative in achieving desired goals.

I, therefore, express sincere gratitude to my respected mentor Dr. Vikas Gupta, Professor, Delhi School of Management, Delhi Technological University for guiding me right from the inception till the successful completion of this Dissertation. I sincerely acknowledge him for giving his valuable time and extending the valuable guidance, support, and critical reviews of the project despite being too occupied in his job duties and responsibilities.

A very special acknowledgment goes to my family for the care and support throughout all my years of education and for finding the right words to keep me on track.

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EXECUTIVE SUMMARY

Distribution Channels perform a crucial role in the successful distribution and marketing of all products. They have various contacts, expertise and wider knowledge of the products. The rapidly growing markets and increasing complexities of distribution have increased the demand and requirement of the distribution channels.

Channels of distribution for a product the route taken by the title to goods they are from the producers to the ultimate consumers. It is very important because product in one place while the consumption scattered in many place. So there is big gap between producers and the consumers. So through channels of distribution can only fill the gap. A channel of distribution connects a link between the producers and the consumers. The middle man plays an important role in consumer orientation demand. The middlemen are specialist in concentration, equalization and dispersion, i.e. collects output of various producers, subdivide the products according to the needs of the consumers and disperse this assortment to the consumers.

In Himachal distribution of products is relatively more difficult than that in plains because of various reasons such as terrain, population, area, routes and much more. The objective of this research is to find out the different strategies used by distributors, challenges faced by them and possible ways with which they overcome these challenges and minimize the cost.

The industry that I took up for this research is FMCG industry as it mostly has a demand throughout the year and there are just a limited number of products which have a seasonal demand. The research methodology used is personal interviews. The distributors belonging to the FMCG sector were personally interviewed with the open ended questions from a self made questionnaire according to the area.

The city in which the research was held is Parwanoo, which is a feeder town on the border of Himachal Pradesh. It has the biggest wholesale market in Himachal Pradesh and therefore an adequate number of distributors were able to be contacted for the research.

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CHAPTER-1

INTRODUCTION

Distribution Channels are an imperative part of the entire marketing strategy they also help you grow your scope and increase revenue.

B2B and B2C organisations can sell through a single distribution channel or through multiple channels that may include:

- Consultant
- Direct/Catalog
- Direct/Internet
- Wholesaler/Distributor
- Sales Agent/Manufacturer's Rep
- Dealer
- Retail
- Direct/Sales Team
- Value-Added Reseller (VAR)

To create a good distribution network, focus on the requirements of your end-users.

- If users require personalized service, you can use a local dealer network or reseller program to give that service.
- If your users prefer to purchase online, you can create an e-commerce website and fulfilment system and sell directly to them; you can also sell to another online retailer or distributor that can offer your goods on their own sites.
- You can build your own specialized sales team to prospect and close deals directly with customers.

Wholesalers, retailers, consultants and agents already have relationships and resources to readily bring your good to market. If you sell through these groups instead of trading direct, treat the entire channel as a group of

customers – and they are, since they're purchasing your good and trading it. Understand their requirements and deliver strong marketing programs; you'll maximize everyone's revenue in the process.

1. Process Followed

You can evaluate a new distribution channel or improve your channel marketing/management at any time. It's especially important to think about distribution when you're going after a new target customer segment, releasing a new good, or looking for ways to aggressively increase your business.

2. Evaluate how your final customer's need to purchase

Your distribution strategy should deliver the information and service your prospects require. For each customer segment, consider:

- Whether your goods requires to be serviced
- How and where they prefer to purchase
- Whether they require personalized education and training
- Whether your good requires to be customized or installed
- Whether they require additional products or services to be used along with yours

3. Match end-user requirements to a distribution strategy

- If your end-users requires a great deal of information and service, your company can deliver it directly through a sales force. You can also build a channel of qualified resellers or consultants. The size of the market and your price will probably dictate which scenario is best.
- If the purchasing process is fairly straightforward, you can sell direct via a website/catalogue or perhaps through a wholesale/retail structure. You may also use an inbound telemarketing group or a field sales team.

- If you require complete control over your good's delivery and service, adding a channel probably isn't right for you.

4. Identify natural partners

If you want to increase beyond the direct model, look for companies that have relationships with your end-users. If consultants, wholesalers or retailers already reach your customer base, they're natural partners.

5. Build your distribution channel

If you're setting up a distribution channel with one or more partners, treat it as a sales process:

- Approach the potential channel partner and sell the value of the partnership.
- Establish goals, service requirements and reporting requirements.
- Deliver inventory (if necessary) and sales/support materials.
- Train the partner.
- Run promotions and programs to support the partner and help them increase sales.

6. Minimize pricing conflicts

If you use multiple channels, carefully map out the price for each step in your channel and include a fair profit for each type of partner. Then compare the price that the end-user will pay; if a customer can purchase from one channel at a lower price than from another, your partners will rightfully have concerns. Pricing conflict is common, and it can jeopardize your entire strategy, so do your best to map out the price at each step and develop the best solution possible.

7. Drive revenue through the channel

Service your channel partners as you'd service your best users and work with them to drive profits and revenue. For example, offer them with

marketing financial aids or materials to promote your products; run campaigns to generate leads and forward them to your partners.

8. After Designing Your Distribution Channels

As you're creating a new channel you'll require a pricing strategy and a sales process. When your channel is up and running, you can start launching marketing, campaigns to channel partners and end-users.

1.1 Industry Profile

The industry I chose for the research is **FMCG** industry.

Fast-moving consumer goods (FMCG) or **consumer packaged goods (CPG)** are products that are sold quickly and at relatively low cost. Examples include non-durable goods such as packaged foods, beverages, toiletries, over the counter drugs, paints, cosmetics and many other consumables.

Many FMCGs have a shelf life which is short, either as a result of high demand or because the goods deteriorates rapidly. Some FMCGs, such as meat, fruits and vegetables, dairy products, and baked goods, are highly perishable. Other goods, such as pre-packaged foods, soft drinks, chocolate, candies, toiletries, and cleaning products, have high turnover rates. The sales are sometimes influenced by holidays and seasons.

Packaging and appearance of that packaging is critical for FMCGs. The secondary and tertiary packaging for logistics and distribution systems is often required to maximize efficiency. The unit pack or primary package is critical for good protection and shelf life and also provides information and sales incentives to consumers.

Though the profit margin on FMCG products is relatively small (more so for retailers than the producers/suppliers), they are generally sold in large quantities; thus, the cumulative profit on such products can become sustainable. FMCG is a classic case of low margin and high volume business.

The following are the main characteristics of FMCGs:

1.1.1 From the consumer's perspective

- Short shelf life
- Less involvement (small or no effort to select the item)
- Rapid consumption
- Frequent purchase
- Low price

1.1.2 From the marketer's perspective

- High volumes
- Low contribution margins
- Extensive distribution networks
- High stock turnover

1.1.3 Some of the FMCG Companies operating in India are:

- Hindustan Unilever
- Emami
- Amul
- Godrej Consumer Products Limited
- Dabur India Ltd
- Asian Paints Ltd
- Eastern Condiments
- Pidilite Industries
- Zydus Wellness
- ITC FMCG

- Wipro Consumer Care & Lighting Ltd
- Marico
- Britannia
- Jyothy Laboratories
- Haldiram's
- Nirma
- Himalaya Healthcare Ltd
- Future Consumer Enterprises Ltd
- Parle Agro
- Bikanervala
- Manpasand Beverages Limited
- Patanjali Ayurved
- CavinKare
- Nestle
- PepsiCo
- Coca-Cola India

1.2 Information about the region

1.2.1 Himachal Pradesh

Himachal Pradesh is a state of India located in North India. Himachal Pradesh is known for its natural environment, hill stations, and temples. It has one of the highest per-capita incomes among the Indian states and union territories. The state is spread across valleys. About 90% of the population lives in rural areas. Practically all houses have a toilet and 100% hygiene has been achieved in the state. The villages have good connectivity with roads, public health centres, and high-

speed broadband. Shimla district has the largest urban population in the state at 25%. Notable actions by the state government include a ban on polyethylene bags and tobacco products. According to a survey of CMS - India Corruption Study 2017, Himachal Pradesh is India's least corrupt state. Covering an area of 55,673 square kilometres (21,495 sq mi), it is a mountainous state. Himachal Pradesh has a total population of 6,864,602 including 3,481,873 males and 3,382,729 females as per the final results of the Census of India 2011. This is only 0.57 per cent of India's total population, recording a growth of 12.81 per cent.

1.2.1.1 Means of Transport

Roads are the major mode of transport in the hilly terrains. The state has road network of 28,208 kilometres (17,528 mi), including eight National Highways (NH) that constitute 1,234 kilometres (767 mi) and 19 State Highways with a total length of 1,625 kilometres (1,010 mi). Some roads get closed or inaccessible during winter and monsoon seasons due to snow and landslides.

1.2.2 Parwanoo

Parwanoo is a municipal corporation in the Solan district in the Indian state of Himachal Pradesh. It is an industrial town. It has Himachal's biggest wholesale market. It borders Panchkula district of Haryana, and is after the towns of Pinjore and Kalka on the Chandigarh Shimla Highway. In fact it is separated by a waterway bed from the town of Kalka. Pinjore to Parwanoo is almost a continuous urban belt. From Pinjore there is also a road to Baddi, another nearby industrial town of Himachal. It is a feeder town for the state. As of 2001 India census, Parwanoo had a population of 8609.

1.3 Objectives of study

In Himachal Pradesh distribution of products is relatively more difficult than that in plains because:

1. Marketing is required to be done after careful planning as there are belts in Himachal Pradesh and one route connects to specific cities only.
2. Distribution is also required to be done in same manner, for example a truck going towards Shimla will not be able to go towards Manali through the same route without incurring high costs.
3. There are many small towns and villages in remote areas where reaching is difficult.
4. The area is large and the population is scattered so it adds up to high distribution cost.

So, this research will help in finding out the:

1. Different strategies used by various distributors and wholesalers in FMCG sector to sell and distribute their products in Himachal Pradesh.
2. The challenges faced by them in distribution and reaching out to new customers.
3. Possible ways to overcome these challenges.
4. Possible ways to minimize logistic cost and increase profit.

CHAPTER-2

LITERATURE REVIEW

2.1 Introduction

This chapter presents the review of the literature on the study variables of Distribution Channel and various elements of distribution channel. The review has been cited from various studies and the curriculum of the course.

2.2 Literature Review

Sastry et al(2007) have examined the appropriate issues in rustic market, for example, uniqueness of the provincial customer, uniqueness of the structure of country markets and the idiosyncrasies of conveyance foundation in country regions. These are extraordinary to provincial markets and thus, require one of a kind taking care of. For all intents and purposes in each part of advertising, country markets represent certain extraordinary issues, yet the accompanying are observed to be essential shape the showcasing perspective: Distribution coordinations, stockpiling, transport and taking care of, Location and level of centralization of requests, dealers" state of mind and inspiration, shopper inspiration and purchasing conduct, Transmission media, their range and effect, and hierarchical choices. Along these lines, the rustic market abounds with numerous issues and to accomplish a firm balance, an advertiser needs to get a handle on these issues and give imaginative answers for them.

Bhattacharya (2007) considered the effect of fake brands in rustic market and how it stifles the market for valid things .The shading and relatively indistinguishable cover designs are utilized for going off fake items as unique. Indeed, even the names may sound comparable. Numerous unmistakable highlights between the first and phony adaptations can't for the most part be distinguished by the unwary and normal client anyplace in the market. Blockages - at present, most items achieve the rustic clients by and large through discount channels. These middle people are not adequately under the control of assembling firms, which expect to enter the rustic market bigly.

Skewed Distribution of Outlets - not amazing in this way, 76% of the assessed 3.7 million provincial outlets are amassed in seven states. They have all grown in moderately sizeable and well-off towns where adequate shopper request exists to support them. On the other hand, there are around 60,000 towns which don't have even a shop each. Poor framework for most towns in many territories which incessantly experience the ill effects of absence of occasional supply of merchandise, poor accessibility of credit and capital and low buying energy of supporters.

Bhattacharya (2005) likewise considered that the FMCG organizations change the track of dispersion to draw in clients .Several FMCG organizations have taken to eccentric methods of dissemination CavinKare Pvt. Ltd. has made two separate brands - Chinni for littler pack sizes and Priya for bigger packs - And as opposed to utilizing the regular dissemination course, they have made a `sachet' deals compel that offers just sachet packs to little retailers, including cigarette and skillet shops. Emami Ltd. tied up with the Post and Telegraph Department to put its items crosswise over 5,000 post workplaces. Wipro Consumer Care and Lighting (WCCL) have been utilizing the Andhra Pradesh Government's e-seva venture, which goes for improving the normal man's interface with the Government. Combined with customary dissemination strategies, this approach enables WCCL to achieve shoppers who generally may not go to a retail point. Elective dissemination channels don't offer better edges and are, best case scenario, instruments to pick up openness in specific regions. Additionally, appropriation edges over these channels are indistinguishable to those in ordinary courses, so there is little cost sparing. Thus, while elective dissemination choices are picking up adequacy, it might be some time before these turn into a fury.

Schiffmand et al. (2000) consumer behavior is in the search for buying, accessing and discarding of products, and services. They further told that the study of consumer behavior is not only concerned with what consumers buy, but how they buy, and how often they buy it.

Khicha (2007) contemplated that TV and direct showcasing exercises enable country shoppers to find out about various brands, guaranteeing item accessibility is much more basic. Advertisers in rustic India assert that setting up a production network that achieves the remotest provincial zones is to a great degree difficult given the framework in the nation. HUL Project Shakti focused on country ladies from existing self improvement gatherings to function as "immediate to-home" wholesalers for HUL items, and helped the organization break into a market they were new to. A "center and talked" model of conveyance is "what's to come." As he clarifies Dabur has effectively embraced the center and talked display in India and it has worked exceptionally well. Here, feeder towns, fundamentally on the parkways fill in as center points, where organizations can lease a distribution center and stock their items. Spokes are contained „cyclist salesmen“ who at that point circulate items to little retail outlets in adjacent provincial pockets.

Velayudhan (2007) Contemplated that getting to the country advertise through the provincial conveyance arrange is essential as it altogether builds the rustic infiltration of brands. The higher merchant infiltration brings about higher reach among customers and in this way a higher piece of the overall industry. This is inspected by looking at the rate merchant entrance and piece of the overall industry.

2.3 Distribution Channel

The route through which goods and services travel from the vendor to the consumer or payments for those products travel from the consumer to the vendor. A conveyance channel can be as short as an immediate exchange from the merchant to the buyer, or may incorporate a few interconnected middle people en route, for example, wholesalers, merchants, specialists and retailers. Every middle person gets the thing at one evaluating point and films it to the following higher valuing point until the point that it achieves the last buyer. Espresso does not achieve the customer before first adhering to a procedure including the agriculturist, exporter, merchant, wholesaler and the retailer. Dispersion channels are a critical piece of the any organization as

they are essential for both advertising, calculated activities and acquisition of payments for the organization.

2.3.1 Functions of distributors

Distributing is all activities involved in trading products to those purchasing for resale or business use. Distributors or Wholesaling intermediaries are firms that handle the stream of flow of products from the manufacturer to the retailer or business user.

Wholesaling intermediaries add value by performing one or more of the following channel functions:

- Purchasing and Assortment Building
- Bulk-Breaking
- Warehousing
- Trading and Promoting
- Financing
- Transportation
- Risk Bearing
- Market Information – providing information to suppliers and customers about competitors, new products, and price developments
- Management Services and Advice – helping retailers prepare their business representatives, enhancing store formats and shows, and setting up bookkeeping and stock control frameworks.

2.3.2 Types of Distribution Channels

Producers and customers are two noteworthy segments of the market. Middle people play out the obligation of wiping out the separation between the two. There is no institutionalized level which demonstrates that the separation between the two is dispensed with.

In light of need the assistance of at least one go between could be taken and even this is conceivable that there happens to be no middle person. Different types of channel of distribution are as follows:

- **Direct Channel or Zero Level Channels:** A zero level channel, commonly known as direct marketing channel has no intermediary levels. In this channel framework manufacturer sells the goods directly to customers. An example of a zero level channel would be a factory outlet store. Many service providers like holiday companies, also market directly to consumers, bypassing a traditional retail intermediary that is the travel agent.



Figure 1: Zero level channel

- **Indirect Channels:** When a manufacturer gets the help of one or more intermediaries to move goods from the manufacturing place to the place of consumption, the distribution channel is called indirect channel. Following are the main types of it:
 - **One Level Channel:** A one level channel contains one trading intermediary. In consumer markets, this is usually a retailer. The consumer electrical goods market is a common example of this arrangement whereby producers such as Sony, Panasonic, Canon etc. sell their goods directly to large retailers such as Comet, Dixons and Currys which then sell those goods to the final consumers.



Figure 2: One level channel

- **Two Level Channel:** A two level channel consists of two intermediary levels – a wholesaler and a retailer. A wholesaler commonly purchases and stores large quantities of products from various producers and then breaks into the bulk deliveries

to supply retailers with smaller quantities. For small retailers with constrained money related assets and request amounts, the utilization of wholesalers bodes well. This assertion tends to work best where the retail channel is jumbled – i.e. not ruled by a small number of large, dominant retailers who have an encouragement to cut out the wholesaler. Distribution of drugs/ pharmaceuticals in the Europe and United Kingdom is common example of such arrangement.



Figure 3: Two level channel

- **Three Level Channel:** Again observed in both the FMCG and the consumer durables industry, the three level channel can consolidate the roles of a distributor on top of a dealer and a retailer. The distributor stocks the most and spreads it to dealers who in turn give it to retailers. In the three level channel, the example can be taken of Ice cream market. Because of the manufacturing levels required, Ice cream markets have C&F agents who stock the ice cream in refrigerated cold rooms. These ice creams are then transported to local distributors who also have refrigerated cold rooms. The distributors then transport to local dealers who will have 10-12 small freezers. And finally it is transported to the retailer who will have 1-2 freezer of each company.

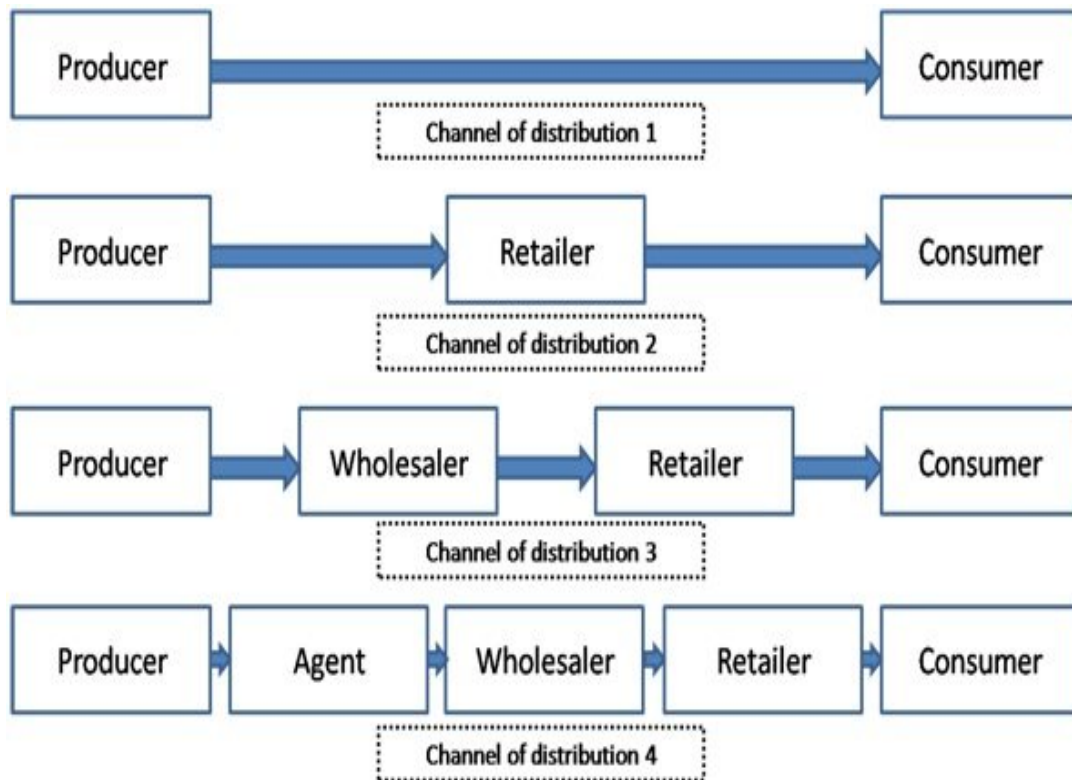


Figure 4: Types of Channels

2.4 Key considerations while designing the distribution structure

- **Market Related Consideration** i.e. Nature of target market, Geographical spread, Size of the market
- **Product Related Consideration** i.e. complexity, price, PLC, shelf life
- **Manufacturer Related Consideration** i.e. cost benefit, control, positioning and exclusivity, adaptation
- **Marketing Environment Related Consideration**

2.5 Distribution Channel Conflict

Conflicts arise when manufacturers (brands) bypass their channel partners, such as distributors, retailers, dealers, merchants and sales representatives, by trading their products directly to consumers through general marketing methods and/or over the Internet.

2.5.1 Types of Channel Conflicts

- **Vertical Channel Conflict:** Vertical conflict occurs when a manufacturer's action cause disruption the supply chain. For

example, a manufacturer who normally distributes its products through retail would cause a vertical channel conflict if they start doing direct mail and promote directly to consumers.

- **Horizontal Channel Conflict:** Horizontal conflict occurs among firms at the same or horizontal level of the channel. For example, two franchises which open two same restaurants across the street from each other would be in a horizontal conflict or when one firm in a distribution channel offers lower prices than the members of the distribution channel and therefore attract more customers.
- **Multiple Channel Conflict:** Due of their exceptional nature, vertical channel conflicts happen rarely, but once they happen, they have a durable effect. When small retailers and businessmen were flourishing in business, Modern retail came in the picture. Large hypermarkets and malls were started where people could do all their shopping. An altogether different distribution channel was created. Due to their bulk purchasing power, these hypermarkets were giving huge discounts and making huge sales as well. As a result, many companies were boycotted by small retailers because they felt left out and they could not cope with the price.

CHAPTER-3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research design that was used, sources of data, data collection techniques, number of respondents, validity and reliability of data and the final data analysis techniques that were applied. The data collection method followed is also discussed in detail.

3.2 Survey Population

The study population is comprised of the distributors based in the feeder town of Parwanoo, which house the biggest wholesale market of Himachal Pradesh. These distributors were personally interviewed and an open ended questionnaire was filled as per their responses. A survey sample of 10 distributors was taken who have the distribution of various FMCG companies.

3.3 Sampling Method and Size

Almost all the distributors in Parwanoo were contacted for the survey out of which almost 90% responded and data was collected through personally interviewing them. As the questions were open-ended the interview lasted for about 30 minutes each.

3.4 Data Sources

Only primary data was involved in this research as secondary data was not found as no previous research has been done on the topic or a similar one.

- Primary Data

Primary data was collected through a well formulated questionnaire which was used to interview the distributors. Some questions were also added and removed on the recommendations of the distributors as the interviews progressed.

3.4.1 Distributors

The distributors in the town of Parwanoo were chosen for the interview as it is the town nearest to the national capital Delhi, union territory of Chandigarh and serves the most number of districts.

3.5 Data Collection Techniques

3.5.1 Personal Interview

The distributors were personally interviewed according to the questionnaire and given enough time so that all their answers, suggestions and recommendations can be recorded to gain insights in depth.

3.5.2 Questionnaire

The questionnaire was made as per the data required for the research and for the distributors. Many of the initial questions were modified or removed as per the suggestions of the distributors. For example,

- a. How much is your investment in that company?
- b. How much do you earn monthly on an average from a single FMCG company?

They were reluctant to answer these questions because of the confidentiality of their financial data and suggested to remove these.

The final questionnaire is given in Annexure-1

3.6 Data Collection Instruments

Data was collected through well formulated questionnaires. The questionnaire was used to personally interview the distributors but it had its challenges such as keeping the interest of the distributor in the questionnaire. As the questionnaire was open ended the data is compiled in the form of findings and not many graphs or charts are available to analyze the data.

The questionnaire was kept open ended so that all the aspects can be found out and not just the ones limited to the researcher's knowledge.

3.7 Research Model

The research model used for this research is Exploratory Research and Qualitative research to be precise.

3.7.1 Exploratory Research

Exploratory research is research conducted for a problem that has not been studied more clearly, intended to establish priorities, develop operational definitions and improve the final research design.

Exploratory research helps determine the best research design, data-collection method and selection of subjects. It should draw definitive conclusions only with extreme caution.

Exploratory research often relies on techniques such as:

- secondary research - such as reviewing available literature and/or data
- informal qualitative approaches, such as discussions with consumers, employees, management or competitors
- formal qualitative research through in-depth interviews, focus groups, projective methods, case studies or pilot studies

3.7.2 Qualitative Research

Qualitative research is primarily exploratory research to gain an understanding of underlying reasons, opinions, and motivations for consumer behaviour. It can also provide insights into the research problem or develop hypotheses for testing in subsequent quantitative research. Qualitative data collection methods use unstructured or semi-structured question techniques, including focus groups discussions, individual interviews, and participation/observations. The sample size is typically small, and respondents are selected to fulfil a given quota.

A Classification of Marketing Research Data

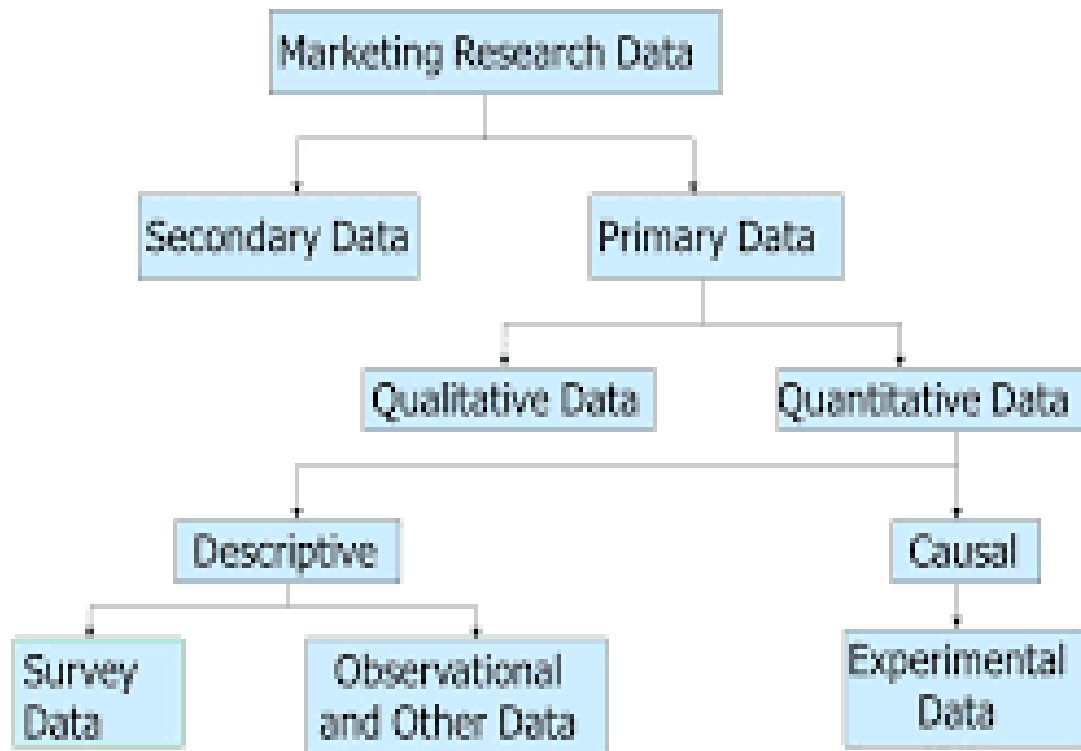


Figure 5: Type of Data

3.8 Data Analysis

The data from the field was cleaned, compiled, sorted and extracted to have the required quality, accuracy and data.

3.9 Limitations of the Study

- As there are different belts in Himachal reaching all the feeder cities was not possible.
- There may be different distribution challenges for different belts, but the distributors selected for data collection were mostly aware of all the challenges in different belts because they had some of their operations over those as well.

- As there was no secondary data for this research, there was no benchmark to compare it with or use that data to see the differences or similarities.

CHAPTER-4

ANALYSIS AND FINDINGS

4.1 Introduction

In hilly areas the distribution of products is relatively difficult than that in plains because of various reasons, some of which are given below:

1. Marketing is required to be done after careful planning as there are belts in Himachal and one route connects to specific cities only.
2. Distribution is also required to be done in same fashion, for example a truck going towards Shimla will not be able to go towards Manali through the same route.
3. There are many small towns and villages in remote areas where reaching is difficult.
4. The truck unions in the feeding cities have created a monopoly over time and sometimes cause problems if their demands are not met.
5. The Depots of many companies are shifting to other states because of the problems created by Local Transport Unions.
6. The area is large and the population is scattered so it adds up to high distribution cost.
7. Various other factors which will be found out after this research.

4.1.1 Himachal Pradesh

Himachal Pradesh is a state of India located in North India. Situated in the Western Himalayas, it is bordered by states of Punjab on the west, Jammu and Kashmir on the north, Uttarakhand on the southeast and Haryana on the southwest.

The state is spread across valleys. The state has one of the highest per-capita incomes among the Indian states and union territories. About 90% of the state's population lives in rural areas. Shimla district has the largest urban population in the state at 25%. The villages have good connectivity with roads, public health centres, and high-speed broadband.

4.1.1.1 Demographics and State Profile

Population: Himachal Pradesh has a total population of 6,864,602 including 3,481,873 males and 3,382,729 females as per the final results of the Census of India 2011. This is only 0.57 per cent of India's total population, recording a growth of 12.81 per cent.

Table 1: Profile of HP

Area	55,673 km ²
Total population	6,864,602
Population density	123
Rural population	6,176,050
Urban population	688,552
Capitals	2
Districts	12
Sub-divisions	62
Tehsils	149
Sub-tehsils	35
Developmental blocks	78
Towns	59
Motorable roads	28,208 km

National highways	8
Per capita income	158,462 (2017–18)

Source: *Department of Information and Public Relations.*

4.1.2 Districts of Himachal Pradesh

A district of Himachal Pradesh is an administrative geographical unit, the Revenue department of which is headed by a Deputy Commissioner or District Magistrate, an officer belonging to the Indian Administrative Service. The district magistrate or the deputy commissioner is assisted by a number of officers belonging to Himachal Administrative Service and other Himachal state services.

Table 2: Population Density(districtwise)

S. No.	District	Area in km ²	Population (2011)	Headquarters	Density
1	Bilaspur	1167	382056	Bilaspur	327.383
2	Chamba	6528	515844	Chamba	79.02022
3	Hamirpur	1118	454293	Hamirpur	406.3444
4	Kangra	5739	1507223	Dharamsala	262.6282
5	Kinnaur	6401	84298	Reckong Peo	13.1695
6	Kullu	5503	437474	Kullu	79.49737
7	Lahaul and Spiti	13835	31528	Keylong	2.278858
8	Mandi	3950	999518	Mandi	253.0425
9	Shimla	5131	813384	Shimla	158.5235
10	Sirmaur	2825	530164	Nahan	187.6687
11	Solan	1936	576670	Solan	297.8667
12	Una	1540	521057	Una	338.3487

Source: *Department of Information and Public Relations.*

4.1.3 Parwanoo

Parwanoo is a municipal council in Solan district in the Indian state of Himachal Pradesh. It is an industrial town. It has himachal's biggest wholesale market. It borders Panchkula district of Haryana, and is after the towns of Pinjore and Kalka on the Chandigarh Simla Highway . The major districts for which Parwanoo acts as a feeder town are Shimla and Solan. But it is not just limited to these states and the goods are sent to other districts as well for some companies.

4.2 Objectives:

This research will help in finding out the:

1. Different strategies used by various distributors and wholesalers in FMCG sector to sell and distribute their products in Himachal.
2. The challenges faced by them in distribution and reaching out to new customers.
3. Possible ways to overcome these challenges.
4. Possible ways to minimize logistic cost and increase profit.

4.3 Findings

The findings of the research are given below with the respective analysis.

1. Name of the organisations surveyed.

Raja Ram Jai Prakash and Co,
Raj Kumar Vinod Kumar and Sons
Sahni Trading Co.
Himachal Wholesale Syndicate
Rachna Enterprises
RJ & Company
Vaishnavi Trading Co.
Jagat Ram Mukandi Lal & Co.
LDSM Traders Pvt. Ltd.
Shubham Trading Co.

2. How long has the organisation been doing the business.

Table 3: Time since active in years

Name of organisation	Age(yrs)
Raja Ram Jai Prakash & Co.	27
Raj Kumar Vinod Kumar & Sons	15
Sahni Trading Company	27
Himachal Wholesale Syndicate	25
Rachna Enterprises	15
RJ and Company	8
Vaishnavi Trading Company	18
Jagat Ram Mukandi Lal & Co.	26
LDSM Trader Pvt. Ltd.	28
Shubham Trading Co.	20

Raja Ram Jai Parkash & Co., Sahni Trading Co., Jagat Ram Mukandi Lal & Co. and LDSM Traders Pvt. Ltd. have been in business for more than 25 years so their answers were really insightful.

3. Number of FMCG companies the organisations are dealing with.

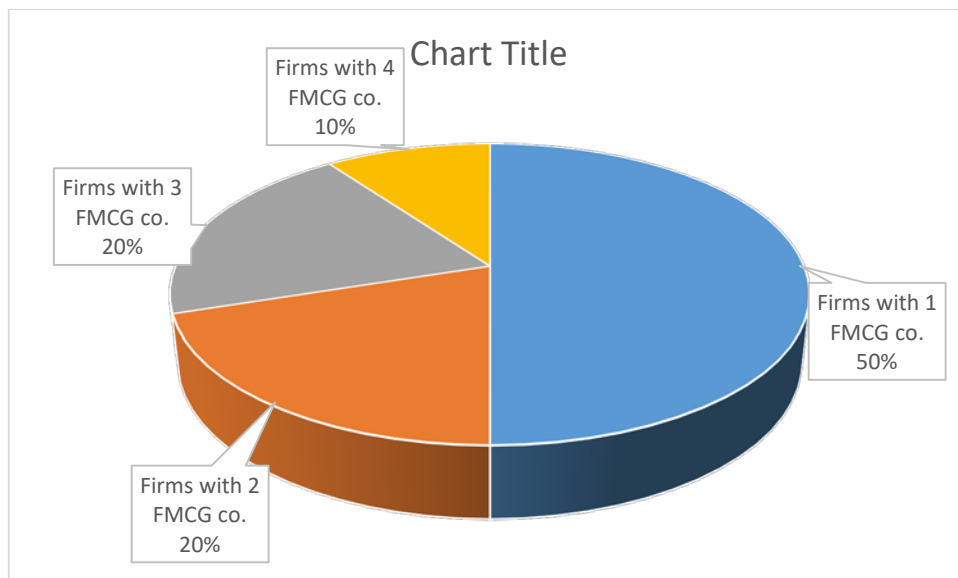


Figure 6: No. Of FMCG Companies with every organisation

50% of the companies are dealing with only 1 FMCG Company to avoid any conflict. Only the really big distributors are able to handle the pressure from 3-4 FMCG Companies.

4. FMCG Company/companies with each distributor

Table 4: Company(ies) with each distributor

Name of organisation	FMCG Company
Raja Ram Jai Prakash & Co.	Hindustan Unilever Ltd.
Raj Kumar Vinod Kumar & Sons	RSPL Ltd.
Sahni Trading Company	Cadbury, Frito lay, Tata
Himachal Wholesale Syndicate	Adani Wilmar, Godrej, Dabur, ITC
Rachna Enterprises	Parle, Catch, Nestle
RJ and Company	Ambuja Gold, Jockey
Vaishnavi Trading Company	Bunge India Ltd.
Jagat Ram Mukandi Lal & Co.	Mustard Oil P Brand
LDSM Trader Pvt. Ltd.	India Gate Basmati
Shubham Trading Co.	Louis Dreyfus

All the major companies are operating in the market surveyed.

5. Mode of transport for distribution of products.

Many different modes of transport are used by distributors, among which the most preferred ones are:

- i. Vehicles owned by the customers (Retailers and growers both)
- ii. Vehicles owned by the distributors themselves
- iii. Vehicles owned by transport unions

6. Expense for supply of goods: Rs. 2/Kg

The cost for seems very less but as each truck load is around 11000 Kgs the cost comes to Rs. 22000 for a single dispatch.

7. People involved in business

Table 5: Staff involved in Business

Name of organisation	Employees for handling the business
Raja Ram Jai Prakash & Co.	4
Raj Kumar Vinod Kumar & Sons	4
Sahni Trading Company	3
Himachal Wholesale Syndicate	6

Rachna Enterprises	3
RJ and Company	6
Vaishnavi Trading Company	4
Jagat Ram Mukandi Lal & Co.	2
LDSM Trader Pvt. Ltd.	3
Shubham Trading Co.	2

Some firms have many people for handling even one FMCG Co. such as Raja Ram Jai Parkash & Co. because of the amount of orders for HUL products.

8. Time for delivery: 1 to 2 days

9. Area being served

Most of the distributors in the survey have their major base of supply in the belt of Solan and Shimla and further distribute till 200 km. In some cases the supply is also upto indo-tibetan border.

10. Challenges in Distribution

The main challenges that most distributors faced are:

- i. Collection of payments: As the terrain is difficult and it is not very easy to travel in Himachal, collection of payment is an issue.
- ii. Adverse weather: The weather conditions also pose a problem in the movement of goods as in rainy seasons threats like landslide and rockslide are there. Besides that it is difficult to navigate in rains.
- iii. Terrain: the terrain of Himachal is not very easy to navigate through and it poses a problem.
- iv. Illiteracy: In small villages people open daily requires shop to earn money, now they know how to collect and pay money but they don't know how to manage their accounts so if there is any difference in distributor's account and shopkeeper's account it is difficult to find and resolve it. Besides that persuading such people to make bank payments also becomes a tiresome task.
- v. Scattered Population: The population is scattered in Himachal as seen above the density is just 123people/km², so it is difficult to reach the very interior areas.

- vi. Interior means of transport: As told above reaching interior population is difficult so interior means of transport is required in such areas which is difficult to reach and do the work efficiently.

11. Ways to overcome these challenges

To overcome these challenges distributors use various methods. The most used methods are given below:

- i. Collection of payments: The distributors have moved towards bank payments after demonetisation, but there are still some retailers who don't make bank payments due to being uncomfortable, not having bank accounts with enough money and some unethical practices. So, the distributors have tie-ups with their trustworthy truck drivers who are working with them for many years. These drivers take the money from the said retailers and deliver it to the distributors.
- ii. Adverse weather: The weather forecasts and knowledge after working in the field for such a long time helps greatly.
- iii. Illiteracy: The customers who give a high return and have been in business relations for very long time require some attention for retention, so to retain them distributors require to find the means to make them comfortable and keep making timely payments. For example, a partner at Raja Ram Jai Parkash and Co. Told me that after demonetisation a very old customer was not able to make a bank payment as he was afraid and had never done so but he had a very good history of business with them so, they found an accountant in his vicinity who made the necessary documents, opened the bank account and now does the transactions on their behalf. This method also made the bond stronger with the customer and also made up for better payments in future.
- iv. Scattered Population: To reach the scattered population the distributors have to look for the local means of transport in that area:

12. Collection of payments

The payments are in the form of both cash and bank transfers, earlier distributors had to make monthly tours to collect cash payments but after

demonetisation the parties had to make bank transfers, this system was carried forward is still followed for large orders.

13. Competition strategy

To compete and stay in the market the distributors use various techniques among which the common ones are given below:

- i. Services
- ii. Competitive rates
- iii. Ethical practices
- iv. Behaviour
- v. Relaxed feeling to retailer

14. Challenges after GST

Yes, after introduction of GST market across state borders was opened and many other distributors from different states are able to enter our markets capturing our customers but with a threat opportunity also opens up as we can also enter the markets in other states. For example, Kalka and Pinjore are 2 small towns on the border of Haryana and as they are at a considerable distance from Chandigarh and Panchkula the capital and district closest to them the distributors used to charge a little more for delivery but as the market is now open the distributors in Parwanoo can supply them without any problems.

Although some negative effect of GST is also there as implementation is poor, there are untrained officials who can't solve all the problems, tax pressure by govt is giving rise to small mal practices. So, some more stress is required to be given on the training the untrained officials and implementation.

15. Impact of demonetisation

Demonetisation caused a big problem in the starting but as the time passed the things stabilised and it became beneficial to the business as earlier they had to go on a monthly tour just to collect money which resulted in the

- i. Cost of travel

- ii. Loss of business if the distributor didn't have a partner or trustworthy staff
- iii. The threat of being robbed while en route

But when demonetisation happened people had to make bank payments and then that trend was carried forward which saved the distributors all the monthly tours.

4.6 CONCLUSION

The distribution practices followed in Himachal are very different from those followed in other states as they have to be customised to the hilly areas.

- The distributors follow ethical practices.
- The distributors do things to retain customer.
- They have good relations among themselves.
- They provide good services.
- They give competitive rates.
- They make their retailers feel relaxed.
- The wholesale market of Parwanoo has distributors who don't try to cut each other's customers and don't keep same products. If a customer wants a good which is available at a different distributor then they direct him towards that distributor. So, the environment of Parwanoo market is very friendly and they support each other in their endeavours which is not found in most of the markets.
- Relationship with Truck drivers can be seen through the fact that the distributors trust them enough to instruct them to bring the collected payments.
- Relationship with customers can be seen from the fact that they even go to the extent of finding and providing the accountants to manage their accounts and bring and teach the customer how to do business transactions so they become comfortable with the system and adopt to the modern ways to move with the outside world.
- The relationship between distributors is really good too:
 1. None of the distributors keep the products of same company.
 2. Even if the distributors have the same kind of products then they don't keep the same quality even though it also may be because of their reputation and financial securities eg. If two distributors keep rice as a product then the type of rice with each will be different.
 3. If an issue arises among the distributors an informal committee including all the distributors meets up in an informal setting and works to resolve the issue.

- Most of the distributors do ethical business and even tell the rates to the customer after including the GST in them so the customer can't complain that the total bill is considerably higher than the price they were told earlier.

So, to conclude the distribution in Himachal Pradesh is largely dependent on relations with customers, transporters, drivers and the other distributors as well. By following ethical practices, providing good rates and working together is the only way to run a successful business.

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Annexure-1

- 1. Name of your organisation:**
- 2. How long have you been in the business of distribution for FMCG sector?**
- 3. How many FMCG companies are you dealing with?**
- 4. Which company/companies of FMCG sector are you associated with?**
- 5. What is the mode of transport you use to distribute your products?**
- 6. Expense for supply of goods?**
- 7. People involved in business?**
- 8. Time for delivery after the order has been placed?**
- 9. Which area do you cater to?**
- 10. What are the main challenges you face regarding the distribution of the good?**
- 11. How do you overcome these challenges?**
- 12. How do you collect payments?**
- 13. How do you compete with the competitors?**
- 14. Are there any new challenges arising with the passage of time such as open market across states after introduction of GST etc?**
- 15. What was the impact of demonetisation on your business?**