Effectiveness Of FMCG Distribution Channels With Respect To Satisfaction Of Consumers In Rural Markets

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INTRODUCTION

The rural market offers a big attraction to marketers. Distribution is the most important variable in the marketing plans of most consumer goods manufacturers. It is estimated that there are over a million market intermediaries - distributors, super-stockists, wholesalers, stockists, transporters and retailers - who are involved in the distribution of a variety of consumer goods all over the country. Marketers use this network to access nearly 5,100 cities and towns and over half a million villages. The present study aims to assess the level of satisfaction of consumers with regard to the FMCG distribution system in the rural markets.

RURAL FMCG DISTRIBUTION SYSTEM

Distribution channels play a pivotal role in marketing by performing a number of vital distribution functions. Firms rely mostly on their marketing channels to generate customer satisfaction, and to achieve differentiation over competition. The major area of concern for companies is to make their products available in the remotest corners of the 6 lakh villages in the country. This goal is not easy to achieve, and the major companies are incurring huge costs to make their products available in the 3.5 million rural outlets. The average monthly sale per village shop is less than ₹ 5,000/-, which restricts the variety and range of products stocked. Since a significant portion of the sale is on credit, it puts most village shops in a self-limiting sales cycle. The study done by Kashyap confirms the fact that despite the same products being available in the village shop, 58 per cent of the villagers prefer to buy these from a Haat because of better price, quality and variety. In a study conducted by Industrial Credit and Investment Corporation of India (ICICI), it was found that only 40 per cent of the shops in small towns have electricity, while in feeder villages, this figure was 11 per cent. Shops in towns were located on rented premises, while in interior villages in 88% of the cases, the shops were located on owned premises and lacked electricity. Over two-fifths of the retail outlets stocked 8-9 standard product categories. It was found that three-fourths of the outlets that stocked 8-9 product categories kept four items or less in each category, while one-fourth had 5-6 items in each category. The total number of items stocked in retail outlets was about 50 in interior villages and 115 in feeder villages.

RURAL CONSUMER BEHAVIOUR

In the past, rural consumers purchased most of their requirements from nearby towns. However, in recent times, a shift has been seen towards purchasing locally. This change in consumer purchase behaviour has important implications for the rural marketer. There is a need to access retailers in towns and larger villages and promote products there, so that the products that are purchased locally can reach smaller retail outlets in villages. Studies suggested that promotion by the retailer supplements the efforts at creating brand knowledge in rural markets. A promotion announcing the benefits of a product or brand along with distribution efforts is observed in rural markets in the FMCG category. Customer satisfaction is essentially the culmination of a series of customer experiences or, the net result of the good ones minus the bad ones. It occurs when the gap between customers' expectations, and their subsequent experiences has been closed.

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REVIEW OF LITERATURE

Sastry et al studied the pertinent issues in the rural markets such as - uniqueness of the rural consumer, uniqueness of the structure of rural markets and the peculiarities of distribution infrastructure in rural areas. Rural markets pose certain special problems, but the following were found to be important from the marketing point of view: distribution logistics, storage, transport and handling, location and degree of concentration of demands, dealers' attitude and motivation, consumer motivation and buying behaviour, transmission media, their reach and impact and organizational alternatives. Thus, the rural market bristles with many problems and to achieve a firm footing, a marketer has to grasp these problems and provide innovative solutions to them. The FMCG companies change the track of distribution to attract customers, as studied by Bhattacharya. Several FMCG companies have taken to unconventional modes of distribution. CavinKare Pvt. Ltd. has created two separate brands - *Chinni* for smaller pack sizes and *Priya* for larger packs - and instead of using the conventional distribution route, they have created a *'sachet'* sales force that sells only sachet packs to small retailers, including cigarette and pan shops. Emami Ltd. tied up with the Post and Telegraph Department to place its products across 5,000 post offices.

METHODOLOGY

Two companies - Hindustan Unilever Limited (HUL) and Godrej Consumer Products Limited (GODREJ) which are pioneers in Fast Moving Consumer Goods (FMCG) in the rural market were selected to study their distribution channels in rural districts of Maharashtra. Two rural districts of Maharashtra - Sangli and Kolhapur districts' rural markets were found to have all types of channel levels. The distribution levels identified were- distributors, super-stockist, wholesalers, stockists, and retailers. In all, 16 distributors/stockists, 1 super-stockist and 48 wholesalers were interviewed, but the researchers were able to get the responses from only 11 distributors/stockists and 40 wholesalers. Similarly, the researchers attempted to cover 10 - 12 retailers under wholesalers and distributors from randomly selected 45 villages, but again, only 60 were found to be valid. 3 customers at each retail shop were interviewed, i.e. a total of 170 - 180 rural customers, but again, only 100 fully filled up questionnaires were finally selected. Two different questionnaires were designed - one for channel members and the other for rural consumers. Spearman's Correlation Coefficient was used for statistical analysis.

RESULTS

Rural consumers were highly satisfied with the availability of food items and were satisfied with toiletries and cosmetics though the specific products / brands were not available. At least one product was available under all categories, which just solved their purpose without specific brand and they were least bothered about good / bad quality products. These observations are in agreement with those of Sarangpani et al, who studied that there are two distinct segment consumers in rural markets. One set of rural consumers who cannot read, write and understand with ease. They do not buy branded products. They have their own method of identification of products and communication with the retailers. For instance, they ask for *Erra Sabbu* (for Lifebuoy), *Pacha Sabbu* (for Nirma), *Neeli Sabbu* (for Rin), etc. Rarely do they purchase branded packaged goods and values associated with them. The other set was the slightly educated set, who bought branded products and demanded a variety in products.

There was extremely high dissatisfaction (69% for food items, 80% for toiletries, and 60% for cosmetics) among the rural consumers regarding range of products, because product length was too short - that only 2-4 products were available under each category; customers had no choice but to buy the available ones. These observations are in agreement with those of Saran, who emphasized that the rural FMCG market, with its promise of millions of rural consumers is not yet touched by the cornucopia of brands and products.

If required products were not available at the local shop, then they had to look for other shops, i.e. in bigger villages or towns, which were far away from their villages, so they couldn't go regularly. Therefore, many customers were dissatisfied (69% for food items, 80% for toiletries, and 66% for cosmetics) with the proximity of the retail shops. These observations are in agreement with those of Kashyap et al, who observed that there are 3.5 million outlets spread over 6 lakh villages, whereas there are 1.68 million outlets spread over 5000 towns and cities, i.e. there are only 6 shops per village and 340 shops per town / city. There are hardly any shops in 2.3 lakh villages.

Table 1: Level of Satisfaction of Rural Consumers with Distribution Channels				
S.No.	**General Factors**	**Food Items %**	**Toiletries %**	**Cosmetics %**
A	**Availability**			
1	Highly Satisfied	54	0	33
2	Satisfied	46	70	67
3	Neither Satisfied nor Dissatisfied	0	30	0
4	Dissatisfied	0	0	0
5	Highly Dissatisfied	0	0	0
B	**Range of Products**			
1	Highly Satisfied	0	0	0
2	Satisfied	9	13	11
3	Neither Satisfied nor Dissatisfied	22	7	29
4	Dissatisfied	69	80	60
5	Highly Dissatisfied	0	0	0
C	**Regularity of Supply**			
1	Highly Satisfied	0	0	0
2	Satisfied	9	13	11
3	Neither Satisfied nor Dissatisfied	22	7	23
4	Dissatisfied	69	80	66
5	Highly Dissatisfied	0	0	0
D	**Proximity of Retail Shops**			
1	Highly Satisfied	0	0	0
2	Satisfied	9	13	11
3	Neither Satisfied nor Dissatisfied	22	7	23
4	Dissatisfied	69	80	66
5	Highly Dissatisfied	0	0	0

Table 2: Regularity Of Supply Of Products Vs Distance Traveled By The Rural Customers		
Spearman's rho		**Distances traveled by Customers to Purchase the Goods -V_1**
Regularity of Supply - Edible Oils - V_4.a	Correlation Coefficient	-.320(**)
	Sig. (2-tailed)	.001
	N	100
Regularity of Supply - Tea & Coffee - V_4.b	Correlation Coefficient	-.298(**)
	Sig. (2-tailed)	.003
	N	100
Regularity of Supply - Biscuits - V_4.c	Correlation Coefficient	-.366(**)
	Sig. (2-tailed)	.000
	N	100
Regularity of Supply - Bathing Soaps - V_4.d	Correlation Coefficient	-.241(*)
	Sig. (2-tailed)	.016
	N	100
Regularity of Supply - Washing Soaps - V_4.e	Correlation Coefficient	-.241(*)
	Sig. (2-tailed)	.016
	N	100

Regularity of Supply - Washing Powder - V_4.f	Correlation Coefficient	-.241(*)
	Sig. (2-tailed)	.016
	N	100
Range of Products - Face Powders - V_4.g	Correlation Coefficient	-.385(**)
	Sig. (2-tailed)	.000
	N	100
Regularity of Supply - Face Creams - V4.h	Correlation Coefficient	-.334(**)
	Sig. (2-tailed)	.001
	N	100
Regularity of Supply - Shampoos - V_4.i	Correlation Coefficient	-.418(**)
	Sig. (2-tailed)	.000
	N	100

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Regularity Of Supply Of Products Vs Distance Traveled By The Rural Customers (See Table 2)

H_1 with negative correlation between variables (V_1.a to V_1.d and V_4.a to V_4.i) is verified by rho values of V_4.a = -.320**, V_4.b = -.298**, V_4.c = -.366**, V_4.d = -.241**, V_4.e = -.241*, V_4.f = -.241*, V_4.g = -.385**, V_4.h = -.334**, and V_4.i = -.418**.

Significance level was two tailed and p value = 0.01 and 0.05 between V_1.a to V_1.d i.e. Distance traveled by the rural consumers to buy products with V_4.a to V_4.i, i.e. Satisfaction of rural customers with regularity of supply of products in case of out of stock at local retailers.

INFERENCES

1. There were limited stocks of products at village retailers, i.e. 1-3 products in one category.

2. If the products were out of stock, rural customers had to wait for 5 days / 10 days / even more. So it compelled them to travel outside their villages to obtain supplies as per their needs.

3. Therefore, the rural consumers had to travel a substantial distance away from their villages to taluquas or cities or towns to buy the products and hence, they were not satisfied with the regularity of supply of products at local retailers. These observations are in agreement with those of Kucuk, who provided clear insights into the influence of product availability, and thus distribution on double jeopardy (DJ) patterns, for Frequently-Purchased Products (FPP). The distribution created behavioural brand loyalty when Frequently-Purchased Products are widely available (excessive availability) in the market.

Proximity of retailers vs distance traveled by the rural customers (See Table 3) .

H_1 with negative correlation between variables (V_1.a to V_1.d and V_5.a to V_5.i) is verified by rho values of V_5.a = -.369**, V_5.b = -.178, V_5.c = -.207**, V_5.d = -.334**, V_5.e = -.178, V_5.f = -.263**, V_5.g = -.385**, V_5.h = -.255*, and V_5.i = -.178.

Significance level was two tailed and p value = 0.01 and 0.05 between V_1.a to V_1.d i.e. Distance traveled by the rural consumers to buy products with V_5.a to V_5.i, i.e. Satisfaction of rural customers with proximity of retailers.

INFERENCES

1. If there was no range of products available at local retailers, and there is poor regularity of supply of products. The rural customers had to approach other good shops, wherein, the desired products were available, which were far away from their residential places.

2. The rural consumers have to either to travel to taluquas or towns or cities which were far away and could not be approached regularly.

3. Therefore, the rural consumers were not satisfied with the proximity of retailers for buying their daily needs. These

Table 3: Proximity Of Retailers Vs Distance Traveled By The Rural Customers		
Spearman's rho		Distances traveled by Customers to Purchase the Goods -V_1
Proximity of Retailers - Edible Oils - V_5.a	Correlation Coefficient	-.369(**)
	Sig. (2-tailed)	.000
	N	100
Proximity of Retailers - Tea & Coffee - V_5.b	Correlation Coefficient	-.178
	Sig. (2-tailed)	.076
	N	100
Proximity of Retailers - Biscuits - V_5.c	Correlation Coefficient	-.207(*)
	Sig. (2-tailed)	.039
	N	100
Proximity of Retailers - Bathing Soaps - V_5.d	Correlation Coefficient	-.334(**)
	Sig. (2-tailed)	.001
	N	100
Proximity of Retailers - Washing Soaps - V_5.e	Correlation Coefficient	-.178
	Sig. (2-tailed)	.076
	N	100
Proximity of Retailers - Washing Powder - V_5.f	Correlation Coefficient	-.263(**)
	Sig. (2-tailed)	.008
	N	100
Proximity of Retailers - Face Powders - V_5.g	Correlation Coefficient	-.385(**)
	Sig. (2-tailed)	.000
	N	100
Proximity of Retailers - Face Creams - V_5.h	Correlation Coefficient	-.255(*)
	Sig. (2-tailed)	.010
	N	100
Proximity of Retailers - Shampoos - V_5.i	Correlation Coefficient	-.178
	Sig. (2-tailed)	.550
	N	100
** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).		

observations are in agreement with those of Kashyap et al, who found that there are 3.5 million outlets spread over 6 lakh villages, whereas there are 1.68 million outlets spread over 5000 towns and cities, i.e. there are only 6 shops per village and 340 shops per town / city. There are hardly any shops in 2.3 lakh villages.

4. It implied that there was either poor quality or prevalence of duplicate brands in the rural market. Therefore, rural customers were not getting good quality and authentic brands in the rural markets of Sangli and Kolhapur districts. Hence, it is proved that the existing FMCG Channels of Distribution in Rural Maharashtra did not serve the customers well.

CONCLUSION

FMCG distribution has the maximum channel partners in the Indian rural market. The rural distributor covers a large market, where road connectivity is available. The wholesaler keeps large assortments, which induce the rural retailers. It was an eye-opener for marketers to know that there was a strong presence of duplicate brands in rural areas, which was perhaps difficult for the customers to identify. There were limited stocks of products at village retailers. If the products were out of stock, rural customers had to wait for some days. So, it compelled them to travel outside their villages to meet their demands. Whenever poor quality FMCGs were bought by rural customers, they returned the goods and took money back from the rural retailers. Most of the rural customers could differentiate between original and duplicate brands, so they switched over to other brands, if duplicate ones were found. Few rural consumers had awareness about different consumer protection acts and also, whoever knew it was difficult to recall, which had become again a serious concern for the marketers. The good behaviour and courtesy of the retailers had a great influence on rural customers. If the required brands were not available, rural consumers postponed buying. The rural customers traveled more distance outside the village to purchase goods. The reasons to buy outside the village were the variety, the high quality goods of their choice, which they did not find in their villages and reasonable prices. There was not a single customer who traveled for better product services. Traders had an incredible influence on purchase by rural customers. The effectiveness of FMCG distribution channels in rural markets depended upon the satisfaction of the rural customers. If the rural customers did not get the products of good quality, acceptable size, affordable price, good packaging and also, if the availability of products, range of products, regularity of supply of products in case of stock-out and the proximity of the shops where all these products were available were not as per the expectations of the rural consumers, then the entire distribution channel was considered to be ineffective.

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