

A STUDY ON THE CHALLENGES RELATED TO DISTRIBUTION PROCESS IN INDIAN RURAL MARKET

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Abstract:

Corporate marketers have been quick to hit the rural dust tracks, but sometimes without adequate and sufficient preparation. Hard selling to the rural India is a formidable challenge, because reaching 6 lakh villages and feeding a retail network of over 35 lakh village shops, is a distribution nightmare. Research shows that despite an increase in the number of consuming class households and levels of disposable income, 68 per cent of the rural market still lies untapped primarily irregularity /non availability of products. Yet some regional brands like *Chart* detergent, Anchor toothpaste and Gemini oil have achieved rural reach and accessibility and have succeeded in taking away market share from MNCs like HLL and Colgate. There are no standard or magic solutions to rural distribution. Challenges to reach the small and scattered rural marketplaces needs to be addressed by marketers by adopting out-of-the-box thinking and discovering innovative solutions. Therefore one needs to understand the key challenges to rural distribution namely irregularity of supply and/or non availability of products first and then design the solutions, which can effectively address them.

Key Words: Rural market, Distribution, Retail.

Introduction:

Distribution is one of the 4 elements of marketing mix. Distribution is the process of making a product or service available for the consumer or business that needs it. India's 638,000 villages are spread over 3.3 million sq. km.; 844 million Indians live in rural areas but finding them is not easy. However, given the poor state of roads, it is an even greater challenge to send products to far-flung villages on a regular basis. Any serious FMCG marketer must strive to reach at least 20,000 villages with a population of more than 5,000 in the first stage, and try to enhance coverage to another 87,000 villages in the 2,000-5,000 population. Marketers must trade off the

distribution cost with incremental market penetration. Over the years, India's largest FMCG Company, Hindustan Lever Limited (HLL), a subsidiary of Unilever, has built a strong distribution system that helps its brands reach the interiors of the rural market. To service remote villages, stockiest use auto-rickshaws, bullock carts and even boats in the backwaters of Kerala. Coca-Cola, which considers rural India as a future growth driver, has evolved a hub-and-spoke distribution model to reach villages. To ensure full loads, the company depot supplies, twice a week, large distributors who act as hubs. These distributors appoint and supply, once a week, to the smaller distributors in adjoining areas.

Badi R. V., Badi N. V, in the Rural Marketing (2018) had clearly mentioned that the issue related to non availability of products/services has impacted hugely.

The Challenge and the Dilemma:

While the rural market certainly offers a big attraction to marketers, it would be naive to think that any company can enter the market without facing any problems and walk away with a sizable share. Unfortunately, it is not possible to transplant successful urban marketing strategies to rural markets, namely, deep and intensive retailing and continuous customer-pull generation through advertising and promotions. Marketers encounter the following problems in rural distribution:

- Large number of small markets.
- Dispersed population and trade.
- Poor road connectivity (lack of all-weather roads, inadequate transport facilities).
- Multiple tiers (large number of intermediaries) leading to higher costs.
- Poor availability of suitable dealers.
- Low density of shops per village and high variation in their concentration.
- Inadequate bank and credit facilities for rural retailers, leading to poor viability of retail outlets.
- Poor storage system, leading to inadequate stocking of products.
- Highly credit-driven market and low investment capacity of retailers.

- Poor visibility and display of product on rural shop shelves .
- Poor communication of offers and schemes due to poor reach of media .

To tackle these problems, one needs to understand from where the rural consumer buys, his retail behavior and his logistics management and stocking pattern. Marketers also need to sensitize themselves to the rural retailer's economic capabilities, his education level and his physical environment

Accessing Rural Markets: Coverage Status in Rural Markets:

With the spread of consumers across various population categories, marketers face the problem of accessing these markets. Apart from ensuring the reach of their product to retail outlets, marketers also need to motivate retailers to stock their product or brand. An IMRB study, 'Rural Market Probe' 2000, while attempting to draw up a development index for villages, found that a large village is likely to be more developed than a small village.

It is an easy proposition to distribute a truckload of soaps in the urban market covering a small geographical area. But to sell the same truckload in the rural market one has to cover hundreds of small and large villages, which increases the distribution and promotion costs significantly.

Barefoot Agents

Few insurance Companies have taken the initiative of appointing barefoot insurance agents in order to penetrate rural markets.

Objectives of the Study

- To estimate the gravity of non-availability problem as faced by the different segments for different products.
- To measure the intensity of irregularity problem in supply as faced by the different segments of market for different products.

Scope Determination

Covering the whole population of rural India was beyond the time and cost resources. Therefore the scope of the study was kept limited. The researcher's have covered the rural areas of 7 states namely: Uttar Pradesh, Bihar, Uttarakhand, West Bengal, Maharashtra, Andhra Pradesh, Chhatisgarh and covered 34 districts from these states.

Literature Review:

Kashyap, Pradeep, (2018) in his study named National study Haats and Melas also studied on the fact that despite the same products being available in the village shop, 58 per cent of villagers prefers to buy these from a *haat* because of better price, quality and variety. The IMRB Rural Market Probe, 2000 also found that the availability of shops in villages is poor (in < 500 population villages, numbering 2,30,000, over 25 per cent do not have any shop and another 56 per cent have between one and four small *paan/bidi* kiosks and /or provision shops selling limited quantities of soap, toothpaste, tea, etc.). The availability of shops is a little better in the next category of 501-2,000 population villages, totaling 3,00,000, but the sales are still not good enough for a favorable distribution cost-benefit equation to companies.

Gujrati Rashmi (2016) In this research she studied on an emerging Indian rural market: Challenges and opportunities Rural market of India plays an important role, but there are also many dangers and challenges in rural markets before taking their products into the market here. It is very important to promote so that people can understand and buy your products, whatever the advertisement is, you should adopt it well, increasing purchasing in the rural market, changing the way of using the products. The government went ahead on its side to improve the rural economy and whoever is selling it, is making its products according to the rural consumer. She also explained that we cannot sell the same products in rural and urban market, we should be made according to its need and demand for rural market, in which the price of the products is low and making them in small containers because rural consumers have money problem. it occurs. They get income only twice a year and in such a situation they do not know their financial plan properly and they have to face problems like cash flow.

Gupta Madhulika et al (2016) they studied on Indian rural market: opportunities and challenges In India, 70% of the people live in rural areas, which plays an important role for any businessman and there is a good opportunity for him, for good profit, all the sellers can get a good opportunity through rural markets. . But there are many challenges and risks, so the company has to access well, do the right information about rural markets and need to move in the right way in rural markets. The biggest challenge for rural consumers is to develop an accommodating model of persuading the customers, which will engage the minds of rural consumers for a long time and continue to do so. To reach all the things which are in demand in the rural markets.

Research Methodology:

Both Qualitative and Quantitative approaches use in this study. A simple random sampling process has been practiced, the sample size is 400. Data was collected from Primary and Secondary sources Primary data was collected from the all distributors and wholesaler of 7 states from 34 districts. Secondary data was collected from published research papers and books. **In the study basically focused on the rural areas, seven states of the India,**

Results and Discussion

Table 1
Distribution of Village

S. N.	Population	Number of Villages	Percentage of Villages / percentage of Population		
1.	< 200	96,855	15.7/1.2	Hardly any shops in 2.30 lakh villages	
2.	200-500	1,36,454	21.4/5.9		
3.	501-1,000	1,56,737	24.6/14.5	Moderate features	
4.	1,001-2,000	1,40,751	22.0/25.9		
5.	2,001-5,000	87,206	13.7/37.5	17% of villages, 50% of rural population & 60% of rural wealth	
	5,001-10,000	20,363	3.2/15.0		
Source : Census of India, 2011					
1.	Village	Number of Shops			
2.	Pop. Strata	None	1-4	5-15	16+
3.	Up to 500	26	56	15	3
4.	501-2,000	7	41	41	10
5.	2,000+	2	8	43	46
Source : RMP 2019, IMRB					

Table shows the distribution of villages. A close examination of the data shows that 50 per cent of the rural population resides in the 1 lakh odd large villages (2,000+ pop). These villages are connected by all-weather roads and they account for 60 per cent of rural wealthy. At the other end are 2.3 lakh tiny villages (< 500 population), which have hardly any shops. HLL, Eveready, ITC and other companies that have the most deeply penetrated rural distribution system just about cover the retail network up to the 2,000+ population villages.

Table 2**Distribution of Shops**

Layer	Channel partner	Location
Layer 1	Company depot	National / state level
Layer 2	Distributor/van operator/ super stockiest/rural distribution	District level
Layer 3	Sub-distributor/retail stockist / sub-stockiest,/ star seller / Shakti dealer	Tehsil HQ, towns & large villages
Layer 4	Wholesaler	Feeder towns, large villages, haats
Layer 5	Retailer	Villages, haats

There are five layers of distribution channels for the movement of products from the company depot to the interior village markets. The distribution network in India is characterized by a predominance of family – owned propriety concerns. Urban areas have a variety of distribution outlets, ranging from large supermarkets and superstores to the smaller neighborhood retail stores. In contrast, in villages small shops alone are the backbone of the local retail network.

Table 3**University of outlets and outlet density**

S. N.		Urban	Rural	Total
1.	No. of outlets (in lakhs)	16.8	35.0	51.8
2.	Outlet density (per lakh pop.)	168	211	189.5(average)

Source: ORG ,2019.

The above table shows, Rural India accounts for 65 per cent of retail outlets in the country. But the logistics of feeding the 35 lakh retail outlets spread over 6 lakh villages is a daunting task indeed. The high distribution costs due to geographical spread and low volumes per outlet act as a deterrent to the entry of products in rural markets. However, to build volume companies need to invest in distribution infrastructure. They should consider this expense an investment because rural markets need to be viewed from a long-term perspective rather than from a perspective of short-term gain.

Table 4
Survey Conducted on Rural Customers-Segment wise-Brand-wise

	No. of Respondents	W India	C India	E India	N India	S India	Total
	Products & Brand	n =71	n =59	n =105	n =79	n =86	n=400
	1	2	3	4	5	6	7
Segment Soaps and detergents							
1.	Rin	29	32	75	33	44	213
2.	Sunlight	27	10	16	8	13	74
3.	Double	2	4	3	2	1	12
4.	Det	2	1	3	2	2	10
5.	Others	5	6	3	20	8	42
6.	Local	6	6	5	14	18	49
Segment Toilet soaps							
1.	Lifebuoy	36	21	48	16	22	143
2.	Lux	12	9	29	23	21	94
3.	Hamam	4	9	7	2	14	36
4.	Liril	9	6	11	15	15	56
5.	Rexona	5	6	3	12	5	31
6.	Others	5	8	7	11	9	40
Segment Hair Oils							
1.	Dabur Amla	18	26	42	18	24	128
2.	Tata coconut	8	8	9	12	11	48
3.	Keo-Karpin	0	5	12	17	11	45
4.	Others	10	5	27	18	27	87
5.	Local	2	3	1	4	0	10
Segment Toothpastes/Toothpowders							
1.	Colgate	14	16	36	14	28	108
2.	Bandar Chhap	14	17	21	12	7	71
3.	Vaidyanath	1	0	10	5	11	27
4.	Dabur	0	0	9	9	10	28
5.	Binaca	3	5	4	7	8	27

6.	Others	10	10	9	10	7	46
7.	Local	11	0	4	8	4	27
Segment Perfumes							
1.	Majmua	9	1	12	27	24	73
2.	Jannatul-firdaus	2	12	17	12	14	57
3.	Hina	10	5	7	5	10	37
4.	Ratrani	1	14	0	3	0	18
5.	Others	13	12	17	15	15	72
Face powders							
1.	Ponds	11	25	44	26	13	119
2.	Liril	6	7	2	5	4	24
3.	Nycil	6	4	5	5	8	28
4.	Emami	1	0	10	9	3	23
5.	Himalaya	11	7	3	2	8	31
6.	Others	18	8	9	18	12	65
Segment Face Creams							
1.	Boroline	3	25	29	9	9	75
2.	Afghan	21	11	16	7	*	61
3.	Nivea	4	2	14	25	14	59
4.	Ponds	8	1	3	9	3	24
5.	Emami	1	4	4	3	5	17
6.	Fair & lovely	1	1	2	5	17	26
7.	Others	20	6	11	11	10	58

In the above Table the researcher, showcasing the 6 segments,(Segment Soaps and detergents, Segment Toilet soaps, Segment Hair Oils, Segment Toothpastes/Tooth powders, Segment Perfumes ,Segment face cream). On which the study was undertaken and various brands under each segment. Here we have divided entire India 05 Different zones (namely east, west, north, south and central) (Sample size 400).Here it has been showcased the number of user in each product category. In segment soaps and detergents, in western India, Rin accounts for 29(sample size of west India is 71), followed by sunlight etc. Here we are showing the purchase pattern Brand wise in various segments.

Table 5
Non-availability of the Desired Brands Reported for different products

S. N.	Products	Respondents Reporting Non-availability in different segments					
		W India	C India	E India	N India	S India	Total
		n =71	n =59	n =105	n =79	n =86	n=400
1.	Soaps and detergents No.	39	30	58	49	46	222
2.	% age of sample	54.93	50.85	55.24	62.03	53.49	55.50
3.	Hair oils No.	43	31	74	64	56	268
4.	% age of sample	60.56	52.54	70.48	81.01	65.12	67.00
5.	Toothpaste/ toothpowders No.	57	36	78	62	57	290
6.	% age of sample	80.28	61.02	7.29	78.8	66.28	72.50
7.	Perfumes No.	36	36	55	59	64	250
8.	% age of sample	50.70	61.02	52.38	74.68	74.42	62.50
9.	face powders/ cream No.	56	44	78	70	61	309
10.	% age of sample	78.87	7.58	74.29	88.61	70.93	77.25
	Total	231	177	343	304	284	1339
	Average % age	65.07	60.00	65.34	76.96	66.05	55.95

In this table the percentage has been showcased, which highlights the respondents who has not consumed the product because of non availability. It is a big issue for the companies because the companies are losing money. For example ,in west India,222 respondents out of 400,reported non availability of soaps and detergents, which is more than 55%.

Table 6
The Events of Irregular supply in Case of different products

S.N.	products	No. or Respondents Reporting Irregular supply in different segments					
		W India	C India	E India	N India	S India	Total
1.	Toilet soaps	17(24.0)	19(32.2)	32(30.5)	19(24.0)	22(25.6)	109(27.2)
2.	Hair oils	6(8.5)	5(8.5)	12(11.4)	9(11.4)	6(7.0)	38(9.5)
3.	Soaps and Detergents	1(1.4)	2(3.4)	12(11.4)	2(2.5)	6(7.0)	23(5.8)

4.	Perfumes	0(0)	6(10.1)	12(11.4)	7(8.9)	9(10.5)	23(5.7)
5.	Toothpastes/ Toothpowders	3(4.2)	4(6.8)	1(1.0)	2(2.5)	3(3.5)	22(5.5)
6.	Face Creams	39(4.2)	5(8.5)	10(9.5)	6.(7.6)	2(2.3)	20(5.0)
7.	Face powders	3(4.2)	1(1.7)	4(3.8)	4(5.1)	1(1.1)	13(3.3)
	Total	33(46.5)	42(71.2)	75(71.4)	49(62.0)	49(57.0)	248(62.0)
	No Irregularity don't	19(14.1)	11(18.6)	19(18.1)	19(24.1)	16(18.6)	75(18.8)
	Remember	28(39.4)	6(10.2)	11(10.5)	11(13.9)	21(24.4)	77(19.2)
	Grand total	71(100)	59(100)	105(100)	79(100)	86(100)	400(100)

Note: Figures in parentheses are percentage.

In this table the percentage has been showcased, which highlights the respondents who has faced the problem because of irregular supply. Like almost 30% of population in east India faced issues about irregularity of supply, In Toilet Soaps. It is hampering companies' sales.

Conclusion:

The Distribution in rural areas does not showcase a rosy picture. The low proportion of purchase shows the lacks of confidence rural customers have on village shops. Village retail shops need to be strengthened gradually to enable them attracts the customers. A substantial proportion of rural shops suffer because of non availability /irregularity. Because of some weaknesses in the local distribution system, the sale of the product hampers substantially.

The non-availability of the desired brand in the local shops has been reported by the majority of respondents for all the products under study. A close relation of non-availability with the purchases from city indicates one stimulating the other. Therefore, a check on the non-availability may possible lead to increased local purchases. The irregularity in supply has also been reported by 81.25 per cent respondents, this proportion is highest for toilet soaps. Therefore, the marketers to toilet soaps need to pay special attention to it. A regular supply is the minimum that the companies should offer to rural markets. A vast untapped market is waiting. When companies are facing the competition in urban areas the rural market can act as a trigger to increase sales. Companies have to just tap that market.

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