

A Study On the Distribution Channel Member's Perception Towards FMCG Supply Chain Management with Reference to Chennai

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Abstract

The goal of this research is to describe the history, current growth, and future prospects of India's Fast Moving Consumer Goods (FMCG) industry. This study discusses the state of India's FMCG sector and its contribution to global market demand. The study is undertaken to know the effectiveness of FMCG supply chain in Chennai and to understand the level of retailer's satisfaction with the present distribution network. Proper supply chain coverage is a powerful tool to stimulate demand of FMCG products, which not only helps in retaining the present customers but can also to attract new customers by offering better services. The objective of distribution channel is to get the right goods to the right places at the right time at the least cost. The study is conducted to determine the level of satisfaction of FMCG retailers towards the distribution channel.

Key Words –purchasing power, perception, FMCG link, supply chain management, channel members, effectiveness, motivational aspects etc...

1. INTRODUCTION

In modern business, distribution network has a great impact on the success of any business. Channels of distribution provide downstream value by bringing finished products to end users. Distribution channel is considered to be the backbone of any FMCG company and it plays a major role in marketing by performing. In today's world of business, supply network has an immense impact on the achievement of any business. Channels of distribution offer downstream value by bringing finished products to end users. Distribution channel is considered to be the backbone of any FMCG company and it plays a major role in marketing by performing various functions. In the FMCG segment the role of an excellent distribution channel becomes more important because the delivery of FMCG product is confined to day to day basis. Hence in order to survive and thrive in a highly competitive market one should have its distribution channel which has no problem at any point of the distribution. In the distribution network Channel members are decisive for all organization because it is the path through which the products reach to the final customers and consumers. This is particularly true for all organizations that do not sell their products directly to the consumers. All categories of companies has very wide range of business operations

and large number of products, it is neither effective nor efficient for them to sell directly to the final consumers. For these reasons they have to depend heavily on the intermediaries who play a vital role in adding value to the products and selling the products to the final consumers. Here in the FMCG supply chain management, the channel members play a vital role and have left an ever lasting impact to drive out the sales of the company.

The Fast Moving Consumer Goods (FMCG) sector is the key contributor of the Indian economy and the fourth largest sector which provides employment to millions of people in the country. Fast Moving Consumer Goods alternatively known as Consumer Packaged Goods (CPG) which are those products that are produced in large quantity, sold quickly, generally consumed at a regular basis by each and every strata of the society irrespective of social class, age, income and are relatively available at low cost. This industry is a highly competitive one because of presence of lot of multinational companies, domestic companies and unorganized sector. In FMCG sector, one of the most critical success factors is the ability to build, develop and maintain a strong distribution network. Supply network refers to the point where the products are easily made available to the consumers. Here the need for channel members plays a very important role for the success of an FMCG industry.

2. CONCEPT OF PERCEPTION

Perception is a most important aspect of life of organization. Perception means the capability to recognize i.e. understanding or knowledge, mental grasp of qualities by means of senses or awareness. Perception varies from person to person and situation to situation and time to time i.e. it is relative to person, situation and time. The persons listening to the similar thing may perceive it in a different way and the individuals looking at the same thing may perceive it in diverse ways. Numerous problems of the organization and that of its members may be traced to the misrepresentation in perception. People's manner of behaviour is also determined by means of their perception and it consists of a number of processes which are influenced by the environment and the perceiver himself. The study of these perceptual processes is affected by three classes of variables — the objects or events being perceived, the environment in which perception occurs and the individual doing the perceiving.

3. OBJECTIVES

- To study the socio economic outline of the respondents
- To examine the perception of channel members towards the supply chain management of FMCG products
- To suggest measures to solve problems faced by channel members.

4. LITERATURE REVIEW

Sathyaseelan.V(2023)-The FMCG sector in India can be divided into rural and urban market demographics based on demand profiles. The urban segment (which now accounts for approximately 55% of total income generated by the FMCG sector in India) is the most significant contributor to the sector's overall revenue. However, in recent years, the FMCG market in rural India has grown faster than that in

urban India. According to recent government consumption estimates, the semi-urban and rural segments are growing, with FMCG products accounting for half of all rural spending. According to an Invest India survey, this sector had a market size of USD 29.4 billion in 2022 and grew faster in rural areas than in urban areas

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Vishvanathan-(2023)-The share of semi-urban and rural segments in the country's FMCG sector is expected to rise by the end of 2026. Furthermore, the organized retail sector, new product launches by Indian and foreign companies, and rising demand for branded items, in conjunction with beneficial government measures such as FDI, GST, FSB, and others, are influencing the country's FMCG market favourably. According to previous research, the FMCG industry is centered on everyday people, and businesses sell themselves by presenting a market offer. Furthermore, with 1.3 billion people and the world's second-largest population, India is one of the world's major emerging markets. It has a strong middle-class foundation of 300 million people and is one of the most influential economies in the world in terms of purchasing power.

Saravanakumar(2022)-The FMCG industry is a low-margin business where success is primarily determined by the quantity of products supplied, and demand is consistent throughout the year. According to Emami's annual report, India's population is growing at a rate of 1.1 percent per year and is expected to overtake China as the world's most populous country by 2024. Around 36% of the Indian population is under the age of 20, and 70% is under the age of 40. As a result, India is likely to have the world's largest workforce by 2027, with a billion people aged 15 to 64.

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RESEARCH METHODOLOGY

The study is undertaken to measure the channel member's perception towards FMCG supply chain management in Chennai with regard to certain motivational aspects. Random Sampling method is used to collect the needed information to meet out the objectives of the study. Both primary data and secondary

data are collected for the purpose of research study. Primary data consists of information collected from the 100 respondents through well framed questionnaire and interview technique. Further secondary data was collected from various sources like published books, articles, newspapers, research related documents etc., Statistical tools such as percentage analysis and chi-square are used for analysis purpose.

DATA ANALYSIS AND INTERPRETATION

TABLE-1

Distribution of respondents based on socio-economic Factors

Category	Classification	Percentage
Age of the business	Below 5 years	27
	5-10 years	33
	10-15 years	23
	Above 15 years	19
Capital invested in the business	Below 200000	18
	200001-500000	45
	500001-1000000	24
	Above 1000000	13
Category belonged in FMCG supply chain	Distributor	28
	Wholesaler	39
	Agent	13
	Retailer	25
Today's market structure for FMCG items	Highly profitable	15
	Profitable	20
	Moderate	25
	Competitive	40
Reason to become channel member for FMCG	Demand for the product	36
	Continuous Sale	26
	Less investment	19
	Profit	17
	Others	5

Total		100
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Source: Primary data

The socio-economic profile of the channel members plays a vital role in analyzing the Fmcg Supply chain management. Based on this, factors such as age of the business, capital invested, category belonged in Fmcg Supply chain, todays market structure for Fmcg items and reason to become channel member are presented in Table-1.

From the above table it is observed that majority(33%) of the respondents are in Fmcg business for 5-10 years and 19% of the respondents are in the field for for more than 15 years.Majority of the respondents invested 200001-500000(i.e., 45 percent).It is noted from the above table that 39% of the respondents belongs to wholesaler category in Fmcg Supply chain and 13% of the respondents are in agent category. 40 % of the respondents opined that todays market structure for Fmcg items is highly competitive and only 15% of the respondents agreed it as highly profitable.Most of the retailers chosen FMCG because of the demand for the product (i.e., 49 per cent).

TABLE-2

CHANNEL MEMBERS PERCEPTION TOWARDSMOTIVATIONAL ASPECTS OF FMCG SUPPLY CHAIN MANAGEMENT

Factors	Highly important	Moderately important	Less important
Relationship between channel members	30	43	27
Timely delivery	48	35	17
Credit facility	50	30	20
Offers and Incentives	28	33	39
Profit margin	45	33	18

Source: Primary Data

From the table it was observed that majority of the channel members (43%) considered harmonious relationship between channel members in the Fmcg link is moderately important and 27% of the respondents consider it as less important. With respect to time delivery 48% of the respondents opined it as highly important aspect and 17% of the respondent considers it as less important.

Availability of credit facility increases the satisfaction level of the channel members to continue the same business line. Next important factor agreed by the channel members are the margin of profit from the sale of FMCG.

TABLE-3

Chi square value	Table value at 5% level	Degree of freedom(df)	Result
12.658	3	0.005	Significant

H0: There is no significant association between income earned and channel member’s perception towards motivational aspects of Fmcg supply chain management.

H1: There is significant association between income earned and channel member’s perception towards motivational aspects of Fmcg supply chain management.

It is clear that the p-value is up to 0.05, the null hypothesis is rejected at 5 percent level of significance. Hence, there is a significant association between income earned and channel members perception towards motivational aspects of Fmcg supply chain management.

FINDINGS

- Most of the channel members (33%) are doing business for 5-10 years and (19%) of the respondents are in the field for more than 15 years.
- Majority of the respondents (45%) had invested Rs.200001- Rs.500000 and (13%) of them invested more than Rs. 10, 00,000.
- 39% of the respondents belong to wholesaler category in FMCG supply Chain and 13% of them are in agent category.
- Majority of the respondents (40%) considered today’s market structure for Fmcg items as competitive and 15% of the respondents consider it as highly profitable.
- Demand for the product(36%) is the most important criteria considered by the respondents for becoming channel member for FMCG product and only 5% opted others category.
- Majority of the channel members consider the time delivery, profit margin, credit facility as highly important motivational aspect in Fmcg supply chain management.

SUGGESTIONS

- The company should continually assess and reassess how the channel members perceive about the motivational aspects of fast moving consumer goods with regard to profit margin, offers and incentives, availability, timely delivery etc.
- Channel members should take necessary steps to expand their business by investing more capital and by offering more and more new products to expand the business.
- Taking actions very strictly to ensure that channel members are getting the benefits properly that are offered by the company.
- It should establish loyalty, trust, commitment and scope of harmonious relationship both from manufacture side and supply chain network to have a long and continuous business.

- Extending more credit facility provides an opportunity to the channel members to buy and stock more products according to their convenience.

CONCLUSION

The study has concluded that FMCG sector is growing and continues to grow very fast. The successful distribution channel leads to the customer satisfaction which in turn leads to the companies' success. In today's business, Channel members are the inseparable part of a distribution channel in terms of serving the interest of the manufacturer's to drive out the sales of that company as they are directly connected with ultimate consumers. Their perception and attitude towards the company, its products and schemes matters a lot for ensuring a continuous business growth and long term profitable relationship. In this study towards Channel members perception towards Fmcg Supply chain management, it was found that majority of them are satisfied with current distribution system, and are experiencing commitment by establishing loyalty towards the distribution chain.

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