A STUDY ON THE DISTRIBUTION STRATEGY OF ITC AMONG THE FMCG SECTOR WITH SPECIAL REFERENCE TO KERALA REGION

PROJECT REPORT

Submitted to Mahatma Gandhi University in partial fulfilment

of the requirements for the award of the Degree of

MASTER OF BUSINESS ADMINISTRATION

Submitted By

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CERTIFICATE

This is to certify that the project report entitled ***"A STUDY ON THE DISTRIBUTION STRATEGY OF ITC AMONG THE FMCG SECTOR WITH SPECIAL REFERENCE TO KERALA REGION "****is a bonafide report of the project work undertaken by* ***ADITHYA R NAIR****, fourth semester MBA student of our college during a period of 8 weeks commencing from 1st April to 30th May, 2021.*

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DECLARATION

I hereby declare that this project report entitled ***"A study on the distribution strategy of ITC among the FMCG sector with special reference to Kerala region***" is a bonafide report of the study undertaken by me, under the guidance of **Dr. Ajai Krishnan G**, Department of Management Studies, MACFAST, Tiruvalla.

I also declare that this project report has not been submitted to any other University or Institute for the award of any degree or diploma.

Place : TIRUVALLA
Date : 31/05/2021

ADITHYA R NAIR

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First of all I would thank Almighty, for showering his blessings during every stage of this report.

I wish to pay and record my profound sense of gratitude and indebtedness to out esteemed and beloved Principal Rev. Dr. CHERIAN J KOTTAYIL , Head of the Department Dr SUDEEP B CHANDRAMANA and my Faculty Guide DR. AJAI KRISHNAN G whose guidance and supervision this report was carried out.

This report is a result of dedicated effort. It gives me immense pleasure to prepare this project report on **"A study on the distribution strategy of ITC among the FMCG sector with special reference to Kerala region"**

I express my sincere gratitude to all my teachers in the MBA Department for their support and encouragement throughout my report preparation.

LIST OF FIGURES

ABBREVIATIONS

CPG : Consumer Packed Goods
FDI : Foreign Direct Investment
FMCG : Fast Moving Consumer Goods
GDP : Gross Domestic Product
GST : Goods and Service Tax
MNC : Mutlinational Corporation
NPD : New Product Development
ROI : Return on Investment

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CHAPTER`-1
INTRODUCTION - STATEMENT OF THE PROBLEM

1.1 Background of the Study

ITC Ltd is revitalizing its distribution strategy for FMCG with a greater focus on supplying products directly to retailers. ITC has most extensive distribution networks in India. Its products are available at 4.3 million of the estimated eight million retail stores in India. FMCG distribution channels are pathways along which the FMCG products travel from manufacturers to consumers. They are channels along which the goods, information and finance flow in the system. While some FMCG manufacturers prefer dealing directly with consumers, most manufacturers use a distribution network to transfer goods to their consumers. Thorough planning, effective thought process, effort and investment is required to set up a distribution channel. Distribution channel margin and the expense occurred in managing the distribution channels forms a substantial part of overall marketing cost.

Even from a public perspective, setting up a distribution channel opens new job opportunities for labours and also helps in making FMCG products available to people with a wide socio-economic spectrum. From a competitive perspective, having a robust distribution network gives manufacturing companies an edge over their competitors. Therefore, channel management and distribution form an important element in a company’s business strategy.

Distribution channels of ITC can be understood by studying the elements that form these distribution channels. Distribution channels consist of different independent businesses which are aligned with the manufacturing companies to distribute the products from the source to the ultimate customer.

The importance of effective distribution channels in a modem business world especially as regards a manufacturing industry cannot be over-emphasized. The problems of distribution have dwelt with man for ages: the problem is so universal because it cuts across industries and firms despite attempt by management to resolve these problems.

Although the physical transfer of merchandize is traceable to the most primitive peoples as wide spread need to overcome the special separation between production and consumption did not exist until the specialization of labour became common and did not become a prime importance until the industrial revolution.

On the other hand, the producer may want to see the whole route as an outgrowth of itself. The route through which the commodity moves from the producer to the consumer is what is referred to as distribution. Every definition of distribution has a lot of controversy surrounding it. National Council of Physical Distribution Management of America which defines as "A term employed in manufacturing and commerce to describe one broad range of activities concerned with the efficient movement of finished products from one end of the production line to the consumer and in some cases include the movement of raw-materials from the source of supply to the beginning of production line. The channels of distribution are as follows;

i. **Agent:-** These are people who buy or sell on behalf of a firm without selling or buying anything outside the agreement made by him and the firm. They normally earn their profits from commission payment made in return to them in negotiating business transaction. Agents generate sales by promoting a company's product but they never stock or buy the product themselves. An agent can be an independent person or a member of the company itself.

ii. **Wholesalers:** These are independent traders who sell at wholesale to other business organization either for the purpose of resale or for business use. Wholesalers or stockists buy and stock the products in bulk and then supply them to other retailers or sometimes directly to the consumer. Wholesalers are usually independent but sometimes a manufacturing unit has their own wholesale or retail departments.

iii. **Retailer:** These are independent traders who sell or operating outlets "selling at retail" to household consumers.

FMCG distribution channels are designed using these three entities depending on the market needs, type of product and by also considering the competitive strategy.

1.2 Statement of the problem

This study will explain strategic role of distribution channels in FMCG sector. It will also comment upon state of current distribution channels in Kerala and the issues relevant in the current scenario. It identifies four archetypes that FMCG firms can use based upon axis of access and per capita demand. It basically classifies markets into:

Urban markets: These markets have a High per capita demand of goods and have an easy market access.

Emerging markets: These markets have a Low per capita demand of goods and have an ````easy market access.

Oasis markets: These markets have a High per capita demand of goods and have a difficult access to market. These markets have huge potential because of high per capita demand. These markets are the future Urban markets in the making.

These are the bottom of the pyramid markets and have a Low per capita demand of goods and have a difficult access to market. These markets will not provide immediate profits but are vital considering the long term impact of any strategy.

Effective distribution of goods is essential if the nation is to function as expected. The problems that directly or indirectly influence the distribution system are as follows:-

Firstly, the increase in the price of goods, as goods move from manufacturers to the consumers. They are handled by various distributors and as a result of the cost involved such as transport and handling costs and the distributive profit.

Also, unfavourable economic situation do affect the distribution system of the manufacturing sector. However, the non-availability of raw-materials: which serve as material needed by the manufacturing sector in producing the products the company will distribute. Consequently, it is very important that these problems facing effective distribution System are tackled and suggest measures to improve on the distribution system. On these, the study sought to investigate the effective distribution channels; its evaluation and importance on manufacturing goods.

1.3 Scope and relevance of the study

The study is intended to evaluate the distribution strategy followed by ITC. In this competitive world, there exists huge competition in FMCG sector. the company which adopts best distribution strategy will have better market size and profits. It is necessary to know company's distribution strategy which results in sales growth and turn profits to the organization. This study includes the information about the structure of distribution channels and the competition level among FMCG sector.

- The study will examine how the manufacturers are taking the challenges given them by the use of effective distribution channels.
- The study will investigate the importance of effective distribution of manufactured goods.
- The study will examine the usefulness or the importance of distribution in maintaining the level-of productivity of the company.
- The study will enable us to carefully consider the problem of effective distribution channels to the manufacturers.

- The study will ascertain the activities of the middleman (distributors) in relation to manufactured goods.

1.4 Objective of the study

The aim of this study is to examine and evaluate the importance of distribution channel on manufactured goods. However, the objectives of this study would be to:

- Find out and critically examine the channels of distribution of the ITC's products.
- Determine the effects of effective distribution in the level of productivity of the ITC.
- Find out factors that promote the effective distribution of the ITC product.
- Identify weaknesses and take corrective measure on the distribution system of the ITC.
- To understand the distribution strategy of ITC among FMCG sector and how well the distribution strategy works.
- To analyse the growth and the competition among FMCG sector .

CHAPTER 2

PROFILE OF FMCG INDUSTRY

2.1 Business Process of the FMCG Industry

Distribution channels can be understood by studying the elements that form these distribution channels. Distribution channels consist of different independent businesses which are aligned with the manufacturing companies to distribute the products from the source to the ultimate customer.

FMCG distribution channels consist of three important entities: agents, merchants and facilitators.

Agents generate sales by promoting a company's product but they never stock or buy the product themselves. An agent can be an independent person or a member of the company itself.

Merchants such as retailers, wholesalers or stockists buy and stock the products in bulk and them supply them to other retailers or sometimes directly to the consumer. Merchants are usually independent but sometimes a manufacturing unit has their own wholesale or retail departments.

Facilitators, as the name indicates, facilitates the transportation of goods manufactured from one place to another. Facilitators include logistic services, warehouse owners, independent distributors who are just involved in storing and transporting the manufactured product and not promoting or trading them.

FMCG distribution channels are designed using these three entities depending on the market needs, type of product and by also considering the competitive strategy.

Structure of FMCG Distribution Channels

The FMCG channel structure varies across countries but all channels can be described using simple concepts such as directness, levels, density, variety, novelty.

Directness refers to the transactions occurring between the manufacturers and customers without the aid of the intervening member. Indirect distribution occurs when the manufacturer uses distribution channels to supply products to the consumer.

The concept of level refers to the number of channels involved in transferring the product from the manufacturer to the ultimate consumer. In the automobile sector, manufacturers are involved with franchise dealers who in turn supply the products to the end consumer. This is one level channel. In the FMCG industry, manufacturers often sell the goods to wholesalers, who sell it to the retailers, who in turn sell it to the consumers. This is a two level channel.

Density refers to the number of outlets available within a particular area. Depending on the number of outlets, a distribution channel is considered as exclusive or intensive. The distribution of automobiles have fewer outlets in a city and is considered ass exclusive while the distribution of soaps with hundreds of outlets including wholesalers, supermarkets, grocery stores is considered as intensive.

Variety refers to the various type of outlet a product is sold. Biscuit distribution may exhibit high variety since they are sold at various outlets including paan shops, grocery store, canteens, supermarket, general stores and even online etc. While the distribution of sarees may exhibit low varieties since they are sold only at particular stores.

Novelty refers to the new channels utilized by manufacturing companies to distribute their product. Like online sales and vending machines is relatively new to India and considered as a novelty.

The structure of the distribution channel is very traditional and unique. The major components in the Indian distribution channel include – retail network, wholesale network and logistics infrastructure.

- The consumer majorly interacts with retail outlets. India has over 9 million retail outlets in the distribution channel. These include grocery stores, paan shops, supermarkets etc.
- India has only 8% of the organized retail distribution penetration.
- Traditional retail in India offers consumers a number of advantages like convenience, home delivery, credit, and personalised service.
- On the other hand, modern retail offers periodic promotional offers, lower prices, wider assortment, a better ambience, and higher quality brands.
- The reason for such widespread existence of the traditional market is due to the availability of lower rentals, cheap labour cost, credit from suppliers, fewer tax duties and a legal framework which prevented the Foreign Direct Investment (FDI) until recently.

Factors Affecting the Distribution System

Modernization in Indian FMCG has picked up some sectors like apparels, footwear, textile, watches etc. The change is been witnessed on both the supply and demand side. Towards Supply end, factors supporting modernization are the large investments in retail made by brand owners in watches, textiles, and footwear; development of malls and shopping centers; and the entry of large Indian business groups into grocery and electronics retailing. Demand-side factors include increased disposable income among consumers, greater brand consciousness, a greater appreciation of ambiance and air conditioning, and the perception of shopping as a rewarding leisure activity.

The popularity of traditional retail in India could be explained by the presence of a largely rural and BOP consumer segment which does not have access to modern food retail outlets.

2.2 Market Demand and Supply- Contribution to GDP- Revenue Generation

Factors Affecting Demand of FMCG Products

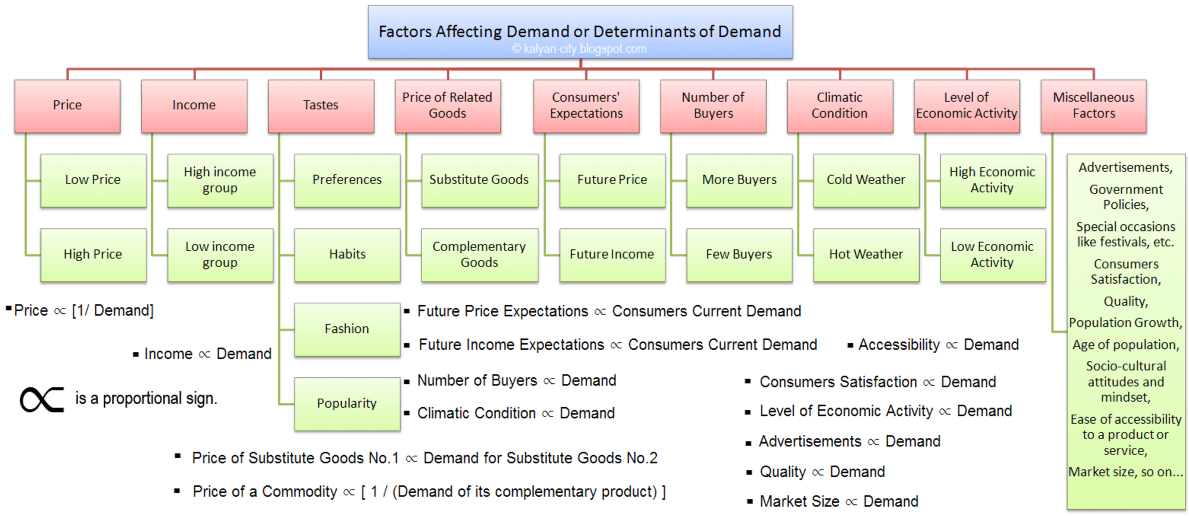

Fig.1

ITC is one of India's foremost multi-business enterprise and is rated among the World's Best Big Companies, Asia's 'Fab 50', and the World's Most Reputable Companies by Forbes magazine. It is also rated as 'India's Most Admired Company' in a survey conducted by Fortune India magazine and Hay Group. ITC also features as one of the world's largest sustainable value creator in the consumer goods industry in a study by the Boston Consulting Group. ITC has been listed among India's Most Valuable Companies by Business Today magazine. The Company is among India's '10 Most Valuable (Company) Brands' according to a study conducted by Brand Finance and published by the Economic Times. ITC also ranks among Asia's 50 best performing companies compiled by Business Week.

Fast-moving consumer goods (FMCG) sector is India’s fourth largest sector with household and personal care accounting for 50% of FMCG sales in India. Growing awareness, easier access and changing lifestyles have been the key growth drivers for the sector. The urban segment (accounts for a revenue share of around 55%) is the largest contributor to the overall revenue generated by the FMCG sector in India. However, in the last few years, the FMCG market has grown at a faster pace in rural India compared to urban India. Semi-urban and rural segments are growing at a rapid pace and FMCG products account for 50% of the total rural spending.

ITC: Enduring Value

2020

In November 2020, ITC Paperboards announced its plan to focus on sustainable packaging solutions

In November 2020, ITC Fabelle launched La Terre, an earth positive chocolate; plans an indigenous value chain for expansion

In October 2020, ITC partnered with JK Tyre to further strengthen JK's connect with India's hinterland customers

ITC Ltd completed the acquisition of spice-manufacturer Sunrise Foods Private Ltd at an upfront cash deal price of Rs. 2,150 crore (US$ 305.01 million)

ITC launched Savlon Germ Protection wipes

ITC launched packaged lassi in Kolkata under its AashirvaadSvasti brand to expand its dairy business.

2019

ITC acquired 33.4% shares in Bengaluru-based start-up, Delectable Technologies

Launched the world's most expensive chocolate priced at Rs. 4,30,000 (US$ 6,152) per kilogram under the Fabelle brand

ITC planned to enter dairy beverages market in India with an expectation to get a 5-10% market share in first year of operation

By collaborating with SWACH, ITC launched a first of its kind multi-layer plastic (MLP) collection programme in Pune

2018 ITC was the most valued FMCG company in India

2010 Expanding the Tobacco Portfolio

2005 Entered Personal Care Products - Expert Solutions for Discerning Consumers

2002 Education & Stationery Products - Offering the Greenest products and Agarbattis& Safety Matches - Supporting the Small and Cottage Sector

2001 Branded Packaged Foods - Delighting Millions of Households

1910 Incorporated under the name Imperial Tobacco Company of India Limited

Market Size

The retail market in India is estimated to reach US$ 1.1 trillion by 2020 from US$ 840 billion in 2017, with modern trade expected to grow at 20 25% per annum, which is likely to boost revenue of FMCG companies. Revenue of FMCG sector reached Rs. 3.4 lakh crore (US$ 52.75 billion) in FY18 and is estimated to reach US$ 103.7 billion in 2020. From October 2020 to December 2020, the FMCG market rose 7.1%, driven by food items, health, hygiene and rural areas.

Rise in rural consumption will drive the FMCG market. It contributes around 36% to the overall FMCG spending. In the third quarter of FY20 in rural India, FMCG witnessed a double-digit growth recovery of 10.6% due to various government initiatives (such as packaged staples and hygiene categories); high agricultural produce, reverse migration and a lower unemployment rate.

Market size of FMCG sector from 2016 to 2020

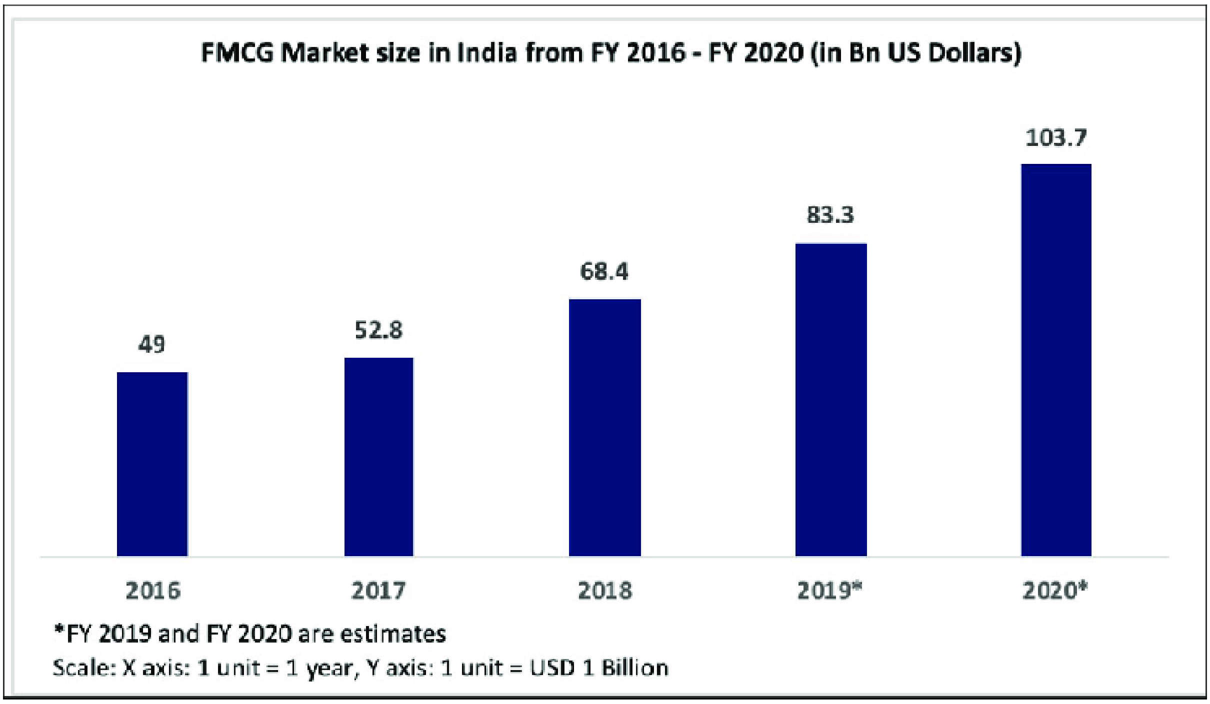

Fig 2

Contribution to GDP

The FMCG sector is the fourth largest industry in India contributing nearly 20% to the Gross Domestic Product. FMCG, or fast-moving customer goods, sector refers to three main categories of products: Personal care, housing, and food. This sector witnessed growth through leaps and bounds in its early years of development; however, in the last few years, its growth has flat-lined. This is mainly due to government policy and changes in the overall marketplace. Surprisingly, these changes have turned favourable for the sector starting from this year. The FMCG sector is predicted to undergo the highest level of growth in its history in India. It is expected to grow at higher single-digit and even lower-double digit levels in the October-December Quarter of FY2018. FMCG sector is set to grow at a compound annual growth rate of 20.36% up to the year 2020 and set to grow by as much as $100 billion.

Investments/ Developments

The Government has allowed 100% Foreign Direct Investment (FDI) in food processing and single-brand retail and 51% in multi-brand retail. This would bolster employment, supply chain and high visibility for FMCG brands across organised retail markets thereby bolstering consumer spending and encouraging more product launches. The sector witnessed healthy FDI inflows of US$ 17.8 billion from April 2000 to September 2020.

Some of the recent developments in the FMCG sector are as follows:

- In February 2021, Food and snack company, Haldiram's partnered with Africa's Future life to bring its nutritional food product range to India. The two companies launched a range of four products—Smart Foods, Smart Oats and Ancient Grains, Crunchy Granola and High Protein.
- In January 2021, Tata Consumer Products announced that it is looking for ways to add more of its beverages' portfolio onto a direct-to-consumer platform to capture the urban online market.
- In January 2021, Tata Consumer Products introduced two new products, TATA Tea Tulsi Green and TATA Tea Gold Care, and reformulated its existing Tetley Green Tea, with added Vitamin C.
- In January 2021, Dabur India decided to foray into the 'cow ghee' category. These product will be prepared from milk sourced from indigenous cows bred in Rajasthan.
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- In January 2021, Del Monte has launched a special 1 litre pouch pack in India, priced at Rs. 250 (US$ 3.42), thereby making olive oil affordable to consumers.
- In January 2021, FMCG businesses in India are planning to expand their oral care portfolio by entering new and niche categories such as mouth sprays, ayurvedic mouth cleansers and mouthwashes to meet the rising consumer demand for hygiene products.
- For example, Pulling oil, an ayurvedic concoction used as a morning oral cleansing ritual based on centuries-old Ayurvedic regimen, was launched by companies such as Colgate Palmolive (India) Ltd. and Dabur India.
- In December 2020, Godrej Consumer Products Limited (GCPL), under its Godrej ProClean brand, has ventured into home cleaning products to meet the rising demand for cleaning and hygiene products among Indian consumers. The home cleaning products segment, which includes branded floor, toilet and bathroom cleaners, is estimated to be ~ Rs. 2,600 crore (US$ 354.05 million).

FMCG companies are focusing on strengthening their e-commerce engagement. An Ayurveda baby care range has been introduced by Dabur, which will be sold only on e-commerce platforms. With its contribution expanding from 1.5% to 5.6%, the e-commerce division of the group has more than doubled over the previous year. Similarly, in the first quarter of FY21, Marico's e-commerce sector has grown 37% YoY, while Emami's e-commerce business doubled to >100%.

Government Initiatives

Some of the major initiatives taken by the Government to promote the FMCG sector in India are as follows:

- On November 11, 2020, Union Cabinet approved the production-linked incentive (PLI) scheme in 10 key sectors (including electronics and white goods) to boost India's manufacturing capabilities, exports and promote the 'Atmanirbhar Bharat' initiative.
- Developments in the packaged food sector will contribute to increased prices for farmer and reduce the high levels of waste. In order to provide support through the PLI scheme, unique product lines—with high-growth potential and capabilities to generate medium- to large-scale jobs—have been established.
- The Government of India has approved 100% FDI in the cash and carry segment and in single-brand retail along with 51% FDI in multi-brand retail.

- The Government has drafted a new Consumer Protection Bill with special emphasis on setting up an extensive mechanism to ensure simple, speedy, accessible, affordable and timely delivery of justice to consumers.
- The Goods and Services Tax (GST) is beneficial for the FMCG industry as many of the FMCG products such as soap, toothpaste and hair oil now come under the 18% tax bracket against the previous rate of 23-24%. Also, GST on food products and hygiene products have been reduced to 0-5% and 12-18% respectively.
- GST is expected to transform logistics in the FMCG sector into a modern and efficient model as all major corporations are remodelling their operations into larger logistics and warehousing.

Road Ahead

Rural consumption has increased, led by a combination of increasing income and higher aspiration levels. There is an increased demand for branded products in rural India. The rural FMCG market in India is expected to grow to US$ 220 billion by 2025 from US$ 23.6 billion in FY18.

On the other hand, with the share of unorganised market in the FMCG sector falling, the organised sector growth is expected to rise with increased level of brand consciousness, augmented by the growth in modern retail.

Another major factor propelling the demand for food services in India is the growing youth population, primarily in urban regions. India has a large base of young consumers who form majority of the workforce, and due to time constraints, barely get time for cooking.

Online portals are expected to play a key role for companies trying to enter the hinterlands. Internet has contributed in a big way, facilitating a cheaper and more convenient mode to increase a company’s reach. The number of internet users in India is likely to reach 1 billion by 2025. It is estimated that 40% of all FMCG consumption in India will be made online by 2020. The online FMCG market is forecast to reach US$ 45 billion in 2020 from US$ 20 billion in 2017.

It is estimated that India will gain US$ 15 billion a year by implementing GST. GST and demonetisation are expected to drive demand, both in the rural and urban areas, and economic growth in a structured manner in the long term and improved performance of companies within the sector.

2.3 Level and Type of Competition- Firms Operating in the FMCG Industry

India's huge population has always been a significant factor for the growth of FMCG sector in the country. Between 1950 and 1980, the consumption of FMCG products were relatively low due to the low per capita income. The post-liberalization era in India has witnessed a massive growth in the selling of products in the domestic market. The Indian market also imported loads of products from overseas markets which made increased the competition between the organized and the unorganized sector.

The easing of the trade barriers encouraged the MNCs to invest in the Indian market to cater to the needs of the consumers. The living standards rose in the urban sector due to high disposable income along with the rise in the purchasing power of the rural families which increased the sales volume of various manufacturers of the FMCG products in India. The large-scale companies such as HLL, Godrej Consumer, Marico, Henkel, Reckitt Benckiser and Colgate have targeted the rural consumers and have also expanded their retail chain in the mid-sized towns and villages. On the contrary to this, Nestle has always targeted the market of urban India and focuses largely upon the value added products for the elite class or upper middle class population.

Like any other business, the strong sophisticated growth of consumption and customer demand for FMCGs charge this industrial sector with fierce rivalry among different competitors. Factors like new firms setting up and threatening to become potential competition and products being substituted by similar ones further contribute to market saturation. Everyone wants to increase their market share while retaining existing customers. Last but not the least, the bargaining powers of both suppliers as well as buyers are additional forces to reckon with.

The major competitive drivers focused upon in this article are the market, cost, and quality of the products.

Market Strategies

Advertising and promoting products is crucial to successfully leading the industrial market. Companies who forge reliable relationships with their customers and manage information to date can know exactly the product that’s profitable to their business. When a new campaign is introduced, the existing companies in the relative niche can extend their range of products to remove that competition.

Expenses should be directed to make their marketing techniques impressive, and more importantly, visible to prospective clients. Moreover, some companies tend to be ready to even forgo revenues from one of their existing products for a newer one and even scale down to focus on a particular one if it can help the same brand retain its position in market.

The integration of online collaborative media makes it feasible for FMCG businesses to be completely customer-centered, expanding their facilities and adapting to the needs and requirements of new demographics.

Cost Strategies

A majority of the global population currently enjoys a stable and healthy income, which has naturally led to an increase in consumer demand of FMCG products. Companies are tempted to reduce the cost price of existing products or sell a greater quantity at the same rate.

The speed factor is responsible for ensuring a reduced competition risk while boosting profitability and market share. Keeping up with the digital and mobile world of customers, a new strategy that has come into play is to provide the market with products as quickly as possible. Working to produce smaller batches so as to enhance shelf life and serve them the freshest products in the market, the manufacturers are making sure a high production is available round the clock.

One example is of P&G's crusade that continuously launched superior products back to back every six months to remove competition from imitators in US.

Quality Strategies

The consumer now is also standing up to demand a quality product while rejecting a damaged product outright. They are fast to switch sides if not satisfied. Even though some companies are not handling their quality services efficiently, this is a major drive for others to invest a high capital. New products that come with value-added benefits for different lifestyles fuel positive consumer attitude and manage their loyalty towards the brand.

Not compromising on their quality, some large-scale companies maintain their status-quo by targeting people from upper middle class or elite class only.

The spirit of competition in FMCG market is a global phenomenon and those willing to be innovative and proactive will surely hold an advantage over others.

Top 6 FMCG rivals of all time

FMCG is an industry where the competition goes on for years. There are so many tactics to fight competition in FMCG, that the companies do not back off and from time to time they keep introducing new measures to ward off competitors. Furthermore, this industry is pockmarked with unorganised competition wherein small and medium manufacturers also give tough competition to established companies. Here we discuss the top 6 FMCG rivals of all time, companies which have been in competition with each other for year.

- **Colgate vsPepsodent (Tooth Paste)**

Colgate vs Pepsodent (Tooth Paste)

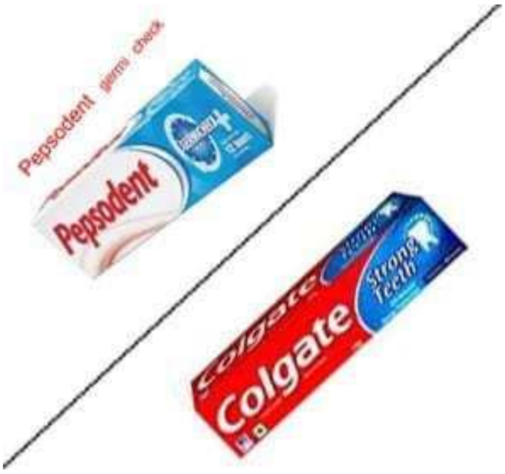

Fig 3

One company vs one single product, always at war. Colgate is a complete company with its major focus being dental health. Hence colgate has several times come out with variants like Colgate for sensitive teeth, normal colgate, colgate gel etc. However, whatever innovation it brings, Pepsodent is not far behind. Pepsodent is a strategic business unit of Hindustan unilever ltd and is one of the toughest competitor for Colgate.

These two toothpaste brands have always been at loggerheads and the situation does not look like improving in the near future. Where colgate has the brand value, Pepsodent has the powerful distribution suppot of HUL. Because of all other products of HUL, pepsodent reaches even rural areas easily and hence has a high turnover. Off course, there are other products in the toothpaste market, but these two are the toughest competitors amongst them all.

- **Amul vs Kwality walls (Ice cream)**

Amul vs Kwality walls (Ice cream)

Fig 4

If we talk of the FMCG competition, then the ice cream market cannot be left far behind. Having many local, national as well as international players, the ice cream market has two major competitors who take away the majority market share within themselves. These two are Kwality walls and Amul ice cream.

Out of these two, Amul has been an established ice cream player since decades in India. However, once Kwality walls entered the market, it has taken away the market by storm by introducing many different types of ice cream which the customers loved. Furthermore, because of the deep pockets of HUL, Kwality walls could market itself much better. This FMCG rivalry is in its prime and the war can be seen easily in the market. However, it will be several years more before any of them exits this rivalry as the clear leader.

- **Parle vs Britannia (Biscuits)**

Parle vs Britannia (Biscuits)

Fig 5

Parle has one of the best selling and the most widely distributed product in the biscuit market – Parle G. The product has won many distribution awards in the past few years and it is known for its packaging as well as for its variants in price. Hence the biscuit sells in low end as well as middle level markets.

Others like Marie, Hide and seek and Monaco also sell in huge amounts. However, Britannia has some power house products in its portfolio like Bourbon, good day, little hearts, 50 50 and others. The competition amongst these two brands is evident when each has a variant of Marie biscuits. Parle's is known as "Marie" and Britannia's is known as "Marie gold".

- **Nestle vs Kraft foods (Chocolates)**

Nestle vs Kraft foods (Chocolates)

Fig 6

Nestle Kitkat, Nestle munch, Alpino, Classic Nestle, Milky bar, eclairs and polo are some of the top products which come in the chocolate brands for Nestle. All of these products are widely in demand in the market. And they sell in huge volumes. However, Nestle products just challengers to the market leader – Dairy milk and Cadbury from Kraft foods.

Dairy milk is one of the most marketed and most liked chocolates across India. At the same time, Cadbury celebrations is a popular gifting product and targets occasions and festivals with an emotional touch. In this rivalry, Nestle is quite far behind but has always been the thorn in an otherwise flawless leadership by Cadbury.

Where Nestle has Kitkat, Cadbury has Perk. Similarly, Cadbury has its own version of Eclairs. Thus, these FMCG rivals are set to be rivals for the coming years. Though, it can be forecasted that Nestle will remain the challenger and Cadbury the market leader.

- **Pepsi vs Coke (Soft drinks)**

Pepsi vs Coke (Soft drinks)

Fig 7

Surprisingly, we have kept the Pepsi and Coke rivalry in the second last spot because there is another rivalry which is much larger then these two brands. However, whenever you talk about FMCG rivals, you have to talk about Pepsi and Coke by default. Coca cola has far stronger brand equity when compared to Pepsi.

However, this is not a war for brand equity, it is a war for market dominance. And both the companies are very aggressive when it concerns their marketing or their distribution. Both the companies are known to break distributors by giving them huge margins and at the same time, they are known to take direct digs at each other. Due to their intense rivalry, no other soft drink brand has been able to survive in this market. Thus, the 2nd highest FMCG rivalry award goes to Pepsi vs Coke.

- **HUL vs P&G (Detergents, shampoos, soaps)**

HUL vs P&G (Detergents, shampoos, soaps)

Fig 8

The mother of all FMCG rivalries, a rivalry which is observed closely everyday, yet it is observed from the point of view of products and not the umbrella brand. The HUL vs P&G rivalry exists in every retail counter or modern retail showrooms. And it is most prominent in personal care or hygiene products like Detergents, shampoo, soaps, and others.

P&G has head and shoulders, HUL has dove. P&G has Olay, whereas HUL has Sunsilk and Tresemme. P&G has Old spice, HUL has Axe. Thus, powerful products are present in both the companies, both of them die hard rivals to each other. However, each of the companies have their own trademark products as well.

For example HUL has Pure it which P&G does not have. On the other hand, P&G has a product like Duracell which HUL does not have. Thus, 2 mammoth companies, with many SBU's and with multiple products in each SBU, the HUL vs P&G rivalry can best be assumed to be the toughest of them all.

Firms Operating in the FMCG Industry

1. Hindustan Unilever Ltd

Hindustan Unilever Limited is India's largest fast moving consumer goods (FMCG) company with a Historical presence in India of over 80 years. It is the largest in the list of top 5 FMCG companies in India.

Nine Out of ten Indian households use one or more of HUL Brands. Divisions – Home Care, Beauty & Personal Care and Foods and Refreshment – includes a portfolio of brands that serve consumers across the length and breadth of India.

- Revenue: Rs **40,511** Cr
- Employees: **5,645**
- Market Cap: **451,666** Cr.
- Dividend Yield: **1.05** %
- ROE: **81.95** %
- Sales Growth (3Yrs): **6.89** %
- Promoter holding: **67.18** %
- Debt to equity: **0.01**

With over 40 brands across 12 distinct categories including Fabric Wash, Household Care, Purifiers, Personal Wash, Skin Care, Hair Care, Colour Cosmetics, Oral Care, Deodorants, Beverages, Ice Cream & Frozen Desserts and Foods, the Company is part of the daily life of millions of consumers.

2. ITC Ltd

Established in 1910, ITC Limited is a diversified conglomerate with businesses spanning Fast Moving Consumer Goods comprising Foods, Personal Care, Cigarettes and Cigars, Branded Apparel, Education & Stationery Products, Incense Sticks and Safety Matches; Hotels, Paperboards, and Packaging, Agri-Business and Information Technology. ITC is among the top FMCG brands in India.

- Revenue: Rs **51,321** Cr
- Employees:
- Market Cap: **320,094** Cr.
- ROE: **22.69** %
- Sales Growth (3Yrs): **7.25** %
- Promoter holding: **0.00** %
- Debt to equity: **0.00**
- Price to book value: **5.47**

3. Godrej Consumer Products Ltd

Godrej Consumer Products is a leading emerging markets company. As part of the over 122-year young Godrej Group. Godrej Consumer Products Ltd enjoys the patronage of 1.15 billion consumers globally, across different businesses. It is fifth in the list of top 5 FMCG companies in India.

In line with the 3 by 3 approach to international expansion at Godrej Consumer Products, building a presence in three emerging markets (Asia, Africa, and Latin America) across three categories (home care, personal care, and hair care). The Company is Among the Top FMCG Companies in India

- Revenue: **10,156** Cr

- Market Cap: **75,089** Cr.
- ROE: **31.55** %
- Sales Growth (3Yrs): **6.98** %
- Promoter holding: **63.24** %
- Debt to equity: **0.34**
- Price to book value: **9.90**

4. Patanjali Ayurved Limited

Patanjali Ayurved Limited was established in 2006 with a thought of rural and urban development. The company is not merely an organization but a thought of creating a healthy society through Yog and Ayurved.

- Revenue: **9,022** Cr

The Company recognize farmers as main assets. They provide herbal and organic products on contract farming. The company takes various initiatives for farmers to raise their income and provide surety towards sale of their produce.

Farmers are provided with all sorts of technical-aid and necessary information about efficient farming. The company manufacturing units process consumables like food items, medicines etc. These are made available to consumers through a wide network of Authorized Patanjali Stores and retails shops.

5. Dabur India Ltd

The world's largest and leading Ayurvedic and Natural Health Care company with 135 years of rich heritage and experience. It is sixth in the list of top 10 FMCG companies in India 2019.

Business is divided into three Strategic Business Units, i.e., Consumer Care Business, Foods Business, and International Business. Consumer Care Business covers interests in Health Care and Home & Personal Care. Dabur is 7th in the list of top fmcg brands in India.

- Revenue: **8,813** Cr

- Employees: **7500**
- Market Cap: **83,697** Cr.
- ROE: **26.41** %
- Sales Growth (3Yrs): **2.67** %
- Promoter holding: **67.88** %
- Debt to equity: **0.11**
- Price to book value: **13.61**

One of the most trusted and well-known Ayurvedic brands in the world. Dabur has a strong presence across the globe with its products reaching consumers created a unique product portfolio, based on natural ingredients. Products enjoy good market shares in categories such as Hair Oils, Hair Creams, Hair Gels, Shampoos, Dental Care and Skin Care.

6. Nestle India Ltd

Nestlé is the world's largest food and beverage company. The company has more than 2000 brands ranging from global icons to local favorites, and are present in 191 countries around the world. After more than a century-old association with the country, today, NESTLÉ India has a presence across India with 8 manufacturing facilities and 4 branch offices. It is the third Largest in Top FMCG Companies in India

- Revenue: **12,117** Cr
- Employees:
- Market Cap: **139,532** Cr.
- ROE: **45.30** %
- Sales Growth (3Yrs): **11.37** %
- Promoter holding: **62.76** %
- Debt to equity: **0.01**
- Price to book value: **34.93**

NESTLÉ India set up its first manufacturing facility at Moga (Punjab) in 1961 followed by its manufacturing facilities at Choladi (Tamil Nadu), in 1967; Nanjangud (Karnataka), in

1989; Samalkha (Haryana), in 1992; Ponda and Bicholim (Goa), in 1995 and 1997, respectively; and Pantnagar (Uttarakhand), in 2006. In 2012, Nestlé India set up its 8th manufacturing facility at Tahliwal (Himachal Pradesh).

2.4 Pricing Strategies in the FMCG Industry

Setting the overall price position against other products in the assortment, or against competitors, is always a key challenge in FMCG / CPG.

If you need to price a product (or service) in a new market, it makes all the difference in the world if you understand customers' willingness-to-pay.

Demand / WtP curves like the ones above, show the optimal price point where the curve peaks. In this example, the best price to optimize quantity is 10, whereas the optimal price for optimizing revenue is 15.

In the old days when research was expensive, this could be difficult to get through a corporate approval if launching in many markets at once. These days, with cost-effective research options from e.g. PriceBeam, the cost of getting these crucial insights should no longer be an issue.

New product pricing

Understand consumers' willingness-to-pay for new products, and use such insights to optimize prices when launching innovative products.

In CPG / FMCG, innovation is crucial for many brands. It is quite common that 20-30% of all products sold are recently launched. Companies spend many millions in launch marketing and advertising across multiple channels. However, they often struggle to set the right price. With PriceBeam's price research, you can test different concepts and communication strategies before launching, and understand consumers' willingness-to-pay for those options. This provides solid facts and improves the likelihood of success of the launch, when launch prices are aligned with value perception of the consumers.

Market launch pricing

Setting the right prices when launching into new markets is often a challenge in FMCG/CPG companies. PriceBeam helps understanding market differences and setting optimal price points for each.

Market launch challenges:

Pricing Managers, Marketing Managers, and Sales teams often find it more difficult to get pricing right when launching a product in a new market, as opposed to pricing the same product in an existing market. In theory existing-market pricing should go through the same steps as new-market pricing and look at value drivers and willingness-to-pay, but in many situations existing markets mean there is a reference point to base the price on. Such a reference point is lacking if pricing for a new market.

Value communication

Understand the benefits and features that consumers value as well as those attributes that don't impact consumers' willingness-to-pay

Value Communication & Pricing:

While overall willingness-to-pay is a useful start, for really professional new market pricing, the next step should be to break down the willingness-to-pay into the individual value drivers. For what features or benefits are customers willing to-pay, and how much.

A good method for understanding the individual value-drivers is to use choice-based conjoint analysis. In this type of research (see e.g. PriceBeam's solution), respondents are shown a set of product choices. He/she then chooses his preference and is shown a new set of choices with other configurations; and again; and again. Through the choices it is possible to determine how much value the respondent puts on the individual features. The outcome: a series of value-drivers and the value potential customers put on them in the new market.

Price increase implementation

Prices should not be static. Quite the contrary, it is best practice to adjust prices upwards regularly, at least in line with competition and inflation, but often also higher thanks to brand innovations.

Quite often overlooked when pricing a market launch is what happens next year. Or the year after? Make a plan for how prices should evolve over time in the new market. Do you start high and then gradually lower the price as the product matures or becomes obsolete? or do you start low and then introduce price increases?

The answer should really lie in what the expected willingness-to-pay is over time. In most businesses and industries, it is likely to be a more solid strategy to start high and then over time reduce the price is necessary. This is often associated with human psychology, where it is easier to accept a price reduction than a price increase. Especially start-ups get this wrong, where they value themselves too low to begin with, and then struggle to increase prices later. But also big corporations get it wrong from time to time.

International price management

Prices vary across countries. Understand differences in willingness-to-pay per market and set prices accordingly.

International Pricing:

Actually, in most industries there is a marked difference in prices between countries. This for a good reason: customers are willing to pay a higher price in some markets than others. So it can in certain instances be tempting to introduce a single, global price to simplify IT systems or manage customers who exploit price differences, the upside and benefit from differentiated pricing around the world is significant. So don't fall in the trap of harmonizing prices.

PriceBeam market research can be run seamlessly in 109 countries around the world, with results ready and comparable in less than a week. Use our cost-efficient research to monitor WtP and optimize prices globally.

Assortment optimization

Use market research to understand the differences in willingness-to-pay across all items in an assortment, and optimize both prices and range.

How many products or services in an assortment, and their individual prices, are challenges faced by many brand managers, product managers, or customer insight executives. PriceBeam's willingness-to-pay research can reveal how customers see the indiviudal items in the assortment, and how they would choose between them.

Solve different pricing challenges:

- Test willingness-to-pay a premium for brand extensions.
- Determine the ideal number of items in the assortment
- Test price anchoring effects
- Understand willingness-to-pay segments/groups.
- Assortment Optimization

Promotional optimization

Understand consumers' potential reaction to different promotional mechanisms or discount levels, and optimize the overall revenue.

Promotion & Discount Optimization:

Discounting and promotions are prevalent in most industries. Running a promotion or giving a discount can, when done properly, deliver incremental sale or help gaining access to new customers. With PriceBeam's Willingness-to-pay research you can quickly research what your customers really are willing to pay for a product or service in a given market.

2.5 Prospects And Challenges of the FMCG Industry

With digitization and globalization driving advancements, the possibilities have become endless. The FMCG industry is characterized by a complex distribution network and intense competition forcing firms to constantly work on supply chain innovation, which is great for consumers. Companies with a structured supply chain system are bound to perform well, whereas those with poorly managed supply chains will find it tough to even survive in this competitive market. There are however some major challenges in FMCG sales process.

The household-products area, for example, has dropped from the sixth most profit-generating industry at the start of the century to the tenth, measured by economic profit. Food products fell from 21st place to 32nd. As a consequence, FMCG companies' growth in TRS lagged the S&P 500 by three percentage points from 2012 to 2017.

Performance of FMCG Products from 2012 to 2016

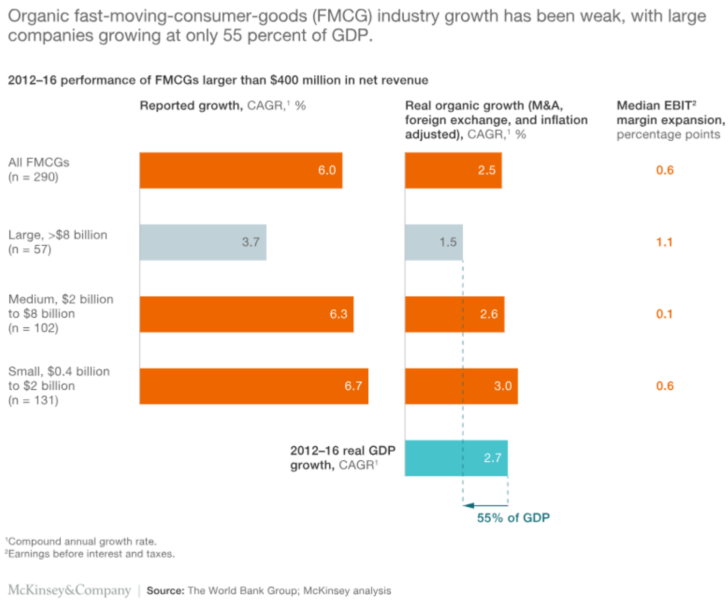

Fig 9

Lack of BI support

The curve in technological advances has not been adopted by most FMCG firms, especially in their sales process. Some of the common concerns include:

- Optimizing inventory and warehouse management
- Utilizing the consumer's purchasing preferences to make selling decisions
- Personalizing the consumer experience
- Leveraging automation to drive purchasing at different levels of the consumer's journey - awareness, consideration, decision.

- Automation in the sales team with the sales force automation app could allow for players in the FMCG industry to find answers to the above and leverage these to optimize profits and productivity.

Multi-channel process

The Indian FMCG sector has to work with a very complex distribution system comprising multiple layers of numerous small retailers between the company and end customer. To increase market penetration, Indian FMCG companies have realized that they need to reach out to consumers present at the lower end of the economic pyramid. Consumerism has broadened the spectrum of opportunities for the Indian FMCG sector. Eventually, companies will have to find innovative ways of balancing market penetration and logistics cost.

Mismanaged supply chain

The difference in the supply chain functions defines the sales and revenue for the company to some extent. With the passing years, there have been a number of changes in the supply chain process which has made the process simpler but at the same time complicated things sometimes. Consumer goods suppliers have to manage large volumes and fast rotation rates with distributors, so they demand a transport and logistics chain capable of constant agility, not something every FMCG sales process can cater to.

Shelf Space Vs ROI

Is your shelf space giving you enough ROI? It's important to understand what products to promote. Shelf space is one of the biggest concerns FMCG firms not just in India, but all around the world have. More doesn't always mean better and it's important for companies to have the data to figure out what is working and what isn't.

Functioning in unethical ways

It is a common notion in distribution that only 50% of the promotion actually reaches the final customer. This is due to the fact that many distributors work unscrupulously. Rather than playing the role of the facilitator, they try to grab a significant part of the promotion budget for themselves. This results in FMCG companies wasting a significant portion of their sales. Thus, FMCG companies end up wasting a significant part of their resources on these issues, which do not really add any value to their customers.

Delivering personalized promotions

Modern retailers in India have been trying to extract higher margins from FMCG companies so as to offer better deals to their customers. In India, the FMCG sector finds it difficult to offer the kind of deep discounts that modern retailers have been demanding. On one hand, FMCG companies will have to bypass their existing stockists and distributors, so there is a likelihood of channel conflict. On the other hand, they also have to examine the impact of higher discounts to modern retailing on the overall distribution system.

As mentioned above, having a better understanding of the consumer cannot just allow FMCG companies to provide better discounts, but this can be done at a more reasonable cost to them.

Moving forward

One of the very first steps in the right direction for FMCG companies in India would be to look into automation in some way or the other. The efforts towards addressing the above challenges should be approached with controlled urgency. With ever-increasing digitization, there is no escaping from what is going to be a complete evolution in the FMCG sales process.

Lack of Efficiency in Reading the Selling Scenario

As consumers are getting empowered by technology, FMCG market is witnessing a persistent change in consumer behavior. Having a persuasive selling skill is not enough. Leaders in the FMCG management need to read the existing selling scenario effectively and require the ability to predict the upcoming pattern so that crucial decisions could be taken well on time.

Field sales professionals can play an important role in increasing the efficiency of FMCG management in reading the selling scenario if the right tools and technology empower them.

To effectively increase their ability to read the selling scenario, FMCG management is required to invest in software that could help them in several ways like:

- Identify lost opportunities
- Identify new avenues to target
- Determine the ROI of their field sales strategy
- Provide real-time visibility into the workflow system
- Enhance sales forecasting
- Help analyze the performance of each field sales professional relative to the target

FMCG management's challenges can be reduced by ensuring that field sales teams and supply chain teams are working in collaboration to track the stockpiles for retailers and distribution along with generating robust business intelligence that strengthen decision-making.

Providing Relative Servicing

The relative servicing is the value provided in contrast with the competition. According to a study across 155 brands, where the servicing level is lower, brands have performed 81% of their average, whereas where the relative serving is higher than the competition, the performance has increased by 1.2 times the national average.

It is the responsibility of the field sales professional to provide crucial information about the competitors' strategy prevailing in the market. If the company can enact on the information at the right time, they can effectively increase their market coverage and enhance sales performance.

Reaching Right Stores at the Right Time

For strong in-market performance, it is essential for the FMCG companies to reach out to the right stores at the right time with adequate service levels.

According to Vijay Udasi, Executive Director, Sales Effectiveness Practice lead at Nielsen India, "How much and what we place in the right stores is a critical decision and gives the right outcome in terms of sales increase."

FMCG management team is required to work on strengthening their decision-making to precisely select the right stores and provide the right stock.

Here again, technology can help in identifying the market requirements, which could be fulfilled by the FMCG company on time.

No Visibility into Work Order Management

Lack of visibility into the work order management limits the quality of insight available with the FMCG management team.

Besides, when the work order volume increases with multiple locations and equipment inventories, it becomes challenging for the facility managers to organize the task for field-sales professionals with a data-driven approach.

Utilizing a work order management software could provide the required visibility into work order management which can increase the market coverage effectiveness in many ways, such as:

- Increase the number of jobs handled each day
- Enhance the first-call resolution
- Fewer errors
- Improve customer satisfaction

Agility is the pervasive sentiment in sales. Technology can provide this agility to the FMCG companies through which they can:

- Improve operational efficiency
- Identify new opportunities
- Manage multifaceted supply chain requirements

FMCG relies heavily on market research to identify consumer behaviour and field sales professionals play a crucial role in market research. By using advanced field service management software helps enterprises leverage the power of cloud, enterprise mobility, IoT, business intelligence and data analysis to boost the performance of your sales operations. Our intuitive field sales management software is tried, tested and trusted by numerous businesses around the world.

STRATEGIC CHALLENGES

The main challenges companies must face up to in the future if they wish to grow sustainably and profitably:

The Marketing Challenge

The goals of marketing remain unchanged, but not the way in which these are reached. It is of vital importance to understand that the customer journey and the new ways and opportunities for connecting with the consumer are very different. Companies must make consumers understand the importance of brands and know how to connect with them, using all available channels.

Promote and look after new channels

Our obligation is not to "be" present in all of the different channels, rather to develop, incentivize and differentiate them to really achieve incremental sales for our companies.

Multichannel Sales Equality

Companies have been working in recent years to understand the sales equality of prices, promotions and discounts offered to their clients. The value chain has become destructured and this requires an exhaustive analysis of the contribution made by each link of the chain. It is necessary to develop a concept of "multichannel sales equality" so a consumer will not perceive incoherence in the price paid for a product depending on the purchase channel or area.

Global

The mass-market sector has sustained itself thanks to exports. If a Spanish company truly aspires to grow, all CEOs or business owners of any company must undergo "smart" internationalization. Internationalization is not just exporting. We must understand how consumers behave in the country of origin and what their preferences are to adapt our products, labels, formats, etc. to their demands.

Organizational Model

Another major challenge of this period is the development of organizational models from several perspectives:

- The organization chart itself: Distinguishing between the actual business and the future business.
- Including younger employees in our organizations will help us better understand the consumer and "impel" the organization in all of its areas.
- Get everyone accustomed to multinational environments and less hierarchical, more matrix-like organization charts with common, shared goals.

Innovation

Innovation ratios have been truly poor in recent years. Despite all of the difficulties, innovation must be a key strategy for any company, we must invest in truly innovative products that entail added value for categories and, especially, for consumers. The perception of innovation should not only focus on the product or format, we must also think about transversal innovation.

Efficient management of Prices and Promotions

In markets with stunted growth, optimizing the positioning of prices and promotions by aligning these with their incremental value and with the strategic role you want your brands to play in the market is the main source for increasing the EBIT that may result.

Generate Value

The mission of any company of the mass market in Spain is to increase the consumption of food and beverages to thereby enlarge the market. Before competing, we must together generate value for the sector/consumer to make the pie bigger.

No doubt, we will experience more changes in the coming decades than in the entire last century, which will result in radical changes for the industry's leading players. The actual ranking of TOP companies in the sector will be nothing like the ranking of winners in the sector in the coming decades. Both new players, digital companies, as well as those that are capable of undergoing transformation, will assume positions in the new leadership of the FMCG and Retail industry in Spain. As an example of this, we merely need to analyze the changes to the ranking of Fortune in the USA over the last century.

In any case, I am optimist and firmly believe that we have a sufficiently consolidated and prepared business fabric for facing up to this transformation and lead the sector in its reconversion on an international level.

Future Prospect of the Sector

Rural consumption has increased, led to combination of increasing incomes and higher aspiration levels. The rural market in India is expected to grow to US$ 220 billion by 2025 from US$ 23.6 billion in FY18.

In FY18, FMCG’s rural segment contributed an estimated 10% of the total income and it is forecasted to contribute 15-16% in FY19. Another major factor pushing the demand for food services in India is the growing youth population, primarily in the country’s urban regions. India has a large base of young consumers who forms the majority of the transparent pharmacy.net workforce due to their busy schedule they barely get time for cooking which increases the demand in this sector.

Online portals are expected to play a key role for companies trying to enter the market. The Internet plays a vital role and has contributed in a big way, facilitating a cheaper and more convenient means to increase a company’s reach.

It is estimated that 40% of all FMCG consumption in India will be online by 2020. The online market is forecasted to reach US$ 45 billion in 2020 from US$ 20 billion in 2017. The number of online users in India is expected to cross 850 million by 2025.
GST has been quite favorable for FMCG companies. With the implementation of Goods and Service Tax (GST), it is estimated that India gained and will continue to gain US$ 15 billion a year. GST and demonetization are expected to drive demand, both in the rural and urban areas and economic growth in a structured manner in the long term which will improve performance of companies within the sector.

2.6 Key Drivers of the FMCG Industry

Pure innovation

Demand for new product type is the most common idea of innovation. Consumers want totally new products. This is means not only new packaging, nor changes in existing formulas but new ideas and new concepts. FMCG companies launches many new products each year considering new trends; 2014 was high in greek yogurts naturally flavored products, whole grain trend, gluten-free obsession or coconut mania. For manufacturers, this is the most demanding kind of innovation. It costs a lot and ROI is not guaranteed. Marketing, R&D, quality, business and suppliers have to collaborate efficiently to optimize the NPD process.

Green or clean products

Greener or cleaner products are a fluctuating trend. Consumers are concerned by what they eat and drink and cleaner products market place usually offer better margin than standard food one. Origins, certifications, compliances with regulations etc. is a growing part in NPD. Quality department is more involved than ever in production process. Having a tool providing documents and data attached to a specific product or batch save time, energy and money while auditing or managing claims.

Pressure to reduce time to market

In processed foods, innovation is important to increase growth and profits. Companies are racing to be first to market. Being the first on a niche or the first providing a product responding to customers' needs is the best way to ensure high margin and future leadership. Those getting later on the marketplace have to compete on a price-base and suffer of poor returns on R&D investments.

Innovation concerns not only the product itself and its formulation but also packaging, certification, co-branding, etc. Consequently reducing time to market involves formulation process, quality compliance, marketing concerns, suppliers' collaboration etc.

Compliance with regulations

Companies must be able to effectively manage the risk attached to NPD. Risks are all along the new product development process but certification compliance and quality ones are the most important. Global and local regulations become tighter. The new INCO regulations recently adopted in Europe goes far beyond simple packaging changes. As, regulations apply to final products, semi-finished products and ingredients, the final manufacturer is responsible for its suppliers' products and depends on the reliability of the product information he is been given.

Low cost

Having a tool assisting teams in NPD process is a good means to lower costs. Then, margins can be higher and / or prices can be more attractive to consumers and contribute to enhance market share.

Lascom CPG facilitates the NPD process and includes the following features:

- a formulation tool to easily update or create formulas and automate nutritional value calculation, ingredients list editing, label generation and any other technical document updates
- a supplier portal to transfer product specifications input and responsibilities regarding raw materials
- a task manager module to define and organize project tasks and alerts regarding roles in NPD
- a dashboard module to create reports and analyze ongoing activity

CHAPTER 3

REVIEW OF LITERATURE

3.1 Brief Theoretical Construct related to the Problem

The chapter of the literature review is considered as the most critical chapter of a study as it directly contributes to enhancing the knowledge base of the researcher with regards to the subject matter. In this chapter, the researcher focuses on searching and evaluating differently available literature to gain a better understanding of the topic selected for investigation. The viewpoints and work carried out by other researchers and authors are taken into consideration in this chapter. Here, different themes are developed by the researcher to gain in-depth information about the topic chosen for the study. The key themes covered in the present section of the literature review are an overview of the distribution strategy of ITC among FMCG sector and the structure of distribution channel.

- **Channels:** This means the way or system by which goods travels form the original producers to the ultimate consumer. It could be seen as the course in which goods and service move from one place to another.
- **Distributors:** These are organization which have contract to buy a firm's goods and services and sell them to third parties.
- **Distribution:** It is the transfer of goods from the producer to the consumer. It can be said to be the movement and handling of goods form the point of production to the point of consumption or use.
- **Agent:** These are people who buy or sell on behalf of a firm without selling or buying anything outside the agreement made by him and the firm. They normally earn their profits from commission payment made in return to them in negotiating business transaction.
- **Retailer:** These are independent traders who sell or operating outlets "selling at retail" to household consumers.
- **Wholesalers**: These are independent traders who sell at wholesale to other business organization either for the purpose of resale or for business use.
- **Evaluating:** This means to assess the effect of the different distribution channels on manufactured goods.
- **Effective:** The word "Effective" mean to bring the desired effect or producing the intended result thereby making a striking impression on something.

Conceptual Framework of Distribution Strategy

Distribution Strategy is a strategy or a plan to make a product or a service available to the target customers through its supply chain. Distribution strategy designs the entire approach for availability of the offering starting taking inputs from what the company communicated in marketing campaigns to what target audience is to be served. A company can decide whether it wants to serve the product and service through their own channels or partner with other companies to use their distribution channels to do the same.

Some companies can use their own exclusive stores for their own products or can use available retail chains to sell their products. It can be combination of both. Many companies these days also use online exclusive channels to sell their products or services.

Importance of Distribution Strategy

Distribution Strategy is precisely the strategy deployed by a company to make sure the product/service can reach the maximum potential customers at minimal or optimal distribution costs. A good distribution strategy can maximize your revenue and profits but a bad and unplanned distribution strategy can lead not only to losses but also helping the competitors get the advantage through the opportunity in the market which you created.

Types of Distribution Strategy

Overall there are 3 major distribution strategies

Exclusive Distribution: Exclusive stories to sell products leads to more control. Example, Louis Vuitton Stores

Intensive Distribution: Maximizing outlets to maximize sales. Example, Coca Cola

Selective Distribution: Carefully choosing multiple channels and partners. Example, Adidas, Nike.

The above 3 distribution strategies are the most used but a typical strategy may differ for a particular product or a company. Many companies use online as well as offline strategies together to optimize sales e.g. Apple iPhone.

In many situations one or more distribution channels can be used, for example (there are many more forms apart from these)

- Manufacturer- end customer

- Manufacture - agent - end customer
- Manufacturer - retailer -end customer
- Manufacturer - wholesaler - retailer -end customer
- Manufacturer - reseller - retailer - end customer
- Manufacturer -franchisor - franchisee - end customer

Distribution strategy should be optimized and updated regularly as per the market parameters through demand analysis and supply analysis so that it can keep up with the current market scenarios and does what it is intended to do i.e. make product reach to potential customers. Push or pull marketing strategies would both not work if a company's distribution strategy is not in place.

Factors affecting Distribution Strategy

Distribution Strategy depends upon following parameters too:

- Location of business
- Location of target market
- Reaching the target market
- Warehousing
- Transportation and logistics

Distributor Profile

Distributors: A distributor is a wholesaler who assumes extra responsibility. In addition to fulfilling retailer orders, they actively sell products on behalf of the producers. From managing orders and returns to acting as a sales representative, they go beyond being the middleman between retailers and producers. They perform market analysis and are constantly searching for new opportunities to achieve peak sales performance. A distributor focuses on a particular area and market which allows them to cultivate strong relationships with manufacturers. Unlike a wholesaler, they most likely have a stronger affiliation with particular companies. Distributors have a direct responsibility to making sure products are flying off retail shelves.

For example, one distributor may work out an agreement with a popular beverage company who works with them regularly, whereas wholesalers are used on a need-by-need basis. They have the option to sell to retailers and other sellers, or directly to consumers and businesses.

Wholesalers: A wholesaler fulfils orders of retailers, by reselling goods, often in large quantities for manufacturers. Wholesalers purchase in bulk, typically, which lowers the price, from either distributors or manufacturers. This allows wholesalers to make a profit because they are able to sell theto retailers in smaller packages that yield higher prices. Unlike distributors, wholesalers only deal with the storage and delivery of goods. But, in certain cases, you have to go through a wholesaler to get to a distributor.

Retailers: Retailers are the outlets where consumers can purchase products. This is your local grocery store or Walmart down the street. They can sell through storefront locations or through online channels. Retailers purchase products from distributors or wholesalers.

Channels of distribution

Level Zero: A level zero distribution channel is the simplest. It involves a direct sale from manufacturers to consumers with no intermediary.

Level One: A level one channel has one intermediary as the middleman between the producer and consumer. An example is a retailer between manufacturer and consumer.

Level Two: When thinking about levels, associate the number to the number of intermediaries. In this case, a level two channel involves two intermediaries between producer and consumer. An example here would be a wholesaler selling to a retailer who then sells to the consumer.

Level Three: Here's where an agent or broker comes in. Agents work on behalf of companies and deal primarily with wholesalers. From here, the wholesalers sell to retailers who then sell to consumers.

3.2 An Overview of Earlier Studies

B Kamaladevi (2010), survival of fittest & fastest is the mantra of today's business game. Coughlan et al. (2006) defined a distribution channel as a set of independent organisations involved in the process of making a product or service available for use or consumption.The ultimate goal of a distribution channel is to bridge the gap between producers and consumers by adding value to products or services (Kim and Frazier, 1996). Typically, manufacturers, intermediaries (wholesaler, retailer, specialized) and end users are perceived as the key actors of a distribution channel (Coughlan et al., 2006). Based on these definitions, it is not easy to determine where the distribution channel actually starts, since there might be multiple producers involved in manufacturing the final products atdifferent levels. Some of these producers are close to the end at which raw material is supplied, while others are closer to the end that deals with final buyers or users. There are two essential decisions when designing a channel of distribution: a strategic decision and a tactical decision. The former one decides the number of levels between supplier and consumer, while the latter determines the intensity of the selected structure and policies of channel management (Rangan and Jaikumar, 1991). The complexity of these decisions is increased by widely different social, culture, economic and political patterns (Ensign, 2006). Compared to supply chain management, distribution channel seems to have a view of "inside the chain". It is more common for distribution channel studies to investigate the seller-buyer dyad, and they often take either the seller's perspective or the buyer's perspective (e.g., Amato and Amato, 2009; Deusen et al., 2007). In contrast, supply chain management appears to have a view of "over the chain", which means that studies of supply chain management tend to take a globe angles and try to encompass multiple interfaces (e.g., Gunasekaran and Ngai, 2005; Love et al., 2004).

Strategic management of distribution channels is growing in both popularity and significance in the business world (Levi and Weitz, 2008). There are several reasons for this. Firstly, as value has shifted towards customer, distribution has moved from being the backwater of strategy to the main stream, since it is where much of the profit in many industries can be found nowadays (Wise and Baumgartner, 1999). In other words, distribution and its network have become an important source of success and competitive advantage. This phenomenon has been emphasised extensively. Anderson and Narus (1990) reported that it is mutually recognised and understood that the success of manufacturers and distributors depends on the other firm. Their statement indicates that a manufacturer's success can not be reached from their own effort alone; having a good partner in distribution is very important. Loomba (1996) also suggested that in order to compete effectively, today's firms must re-evaluate their existing distribution and make adjustments when necessary. Hyvönen and Tuominen (2007) claimed that the changing business environment has recently challenged many firms to seek out new methods to achieve sustain performance advantage through market orientation and distribution channel collaboration.

Secondly, distribution channel strategies affect many other aspects of marketing strategies. According to Kotler and Keller (2008), distribution affects sales, since if the product is not available, it cannot be sold. Most customers will not wait until it can be reached. Delivery is seen as a part of the product that influences customer satisfaction.

Thirdly, the choice of distribution network has long-term consequences. The structure of the distribution network is one of the most difficult decisions to change. According to Chopra and Meindl (2007), the impacts of selecting a distribution network often lasts for decades. Changing on the channels and channel shifting is too costly. In the long run, distribution channel strategies involved in strategic alliances and partnerships that are founded on trust and mutual benefits create distinguishable interests (Chopra and Meindl,2007).

The channel function concept has already been extensively discussed by academics (e.g., Ajzen and Fishbein, 1980; Mallen, 1973; Rangan et al., 1992). McCammon and Little(1965) argued that functions are considered to be the basic determinants of channel structure; that is, a system designed to carry out necessary tasks. Some researchers have discussed channel structure in terms of the functions performed by channel members (Mallen, 1973). The basic idea was that channel functions could be allocated in different combinations among various channel actors depending on the characteristics of the channel (Wren, 2007). Channel functions are categories of activities and services that add value to physical goods as they move from manufacturers to customers (Atwong and Rosenbloom, 1995). Rangan et al.'s (1992) list of eight channel functions ia described briefly below:

- Product information: Provide information about products for customers, particularly for those products that are new to market and are technically complex.
- Product customisation: Adjust product technical configuration to fit the customer's requirements. Even a standard product must satisfy a specific customer's requirements for factors, such as size or grade.
- Product quality assurance: Ensure product reliability for customers.
- Lot size: Provide jointed purchase effort if the product has a high value.
- Assortment: In some cases, a customer may need a broad range of products under one roof. In other cases, assortment may be related to the breadth of the product line.
- `Availability: Customer demand might be difficult to predict; if so, the channel must support a high degree of product availability.

- After-sales service: Provide services, such as installation, repair, maintenance and warranty.
- Logistics: Provide transportation, sorting and supplying products to end users (ibid)

3.3 Uniqueness of Research Study

Review of earlier studies on distribution channels helped in the idea generation. There are many studies available on how distribution channels works. The aim of this research is to examine the distribution strategy of ITC among FMCG sectors. No doubt, all the previous studies have stimulated and encouraged to chalk out a design for this study. Hence an attempt is made by the researcher to study the distribution strategy of ITC among FMCG sectors with special reference to Kerala region.

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CHAPTER 4
METHODOLOGY OF THE STUDY

Methodology of the Study

The success of research mainly depends on the methodology used by the researcher. The appropriate methodology will improve the validity and authenticity of the findings. Research methodology is a systematic methods used in research to solve various problems that arise during the time of research work. It may be defined as a science of studying how research is done scientifically. So that the observation provided by the research is capable of being evaluated by the researcher himself or others who are interested in the research. The data collection of the study is obtained from primary and secondary data. This organizational study is conducted mainly using the information provided by the organization itself.

4.1 Research Approach and Design

Research is defined as human activity based on intellectual application in the investigation of matter. The primary aim for applied research is discovering, interpreting, and the development of methods and systems for the advancement of human knowledge on a wide variety of scientific matters of our world and the universe. Research methodology is a way to systematically solve the research problem.

Research Approach

Research Approach is regarded as the procedures and the plans for the research that spans steps from the broad assumption to the detailed method of data collection, analysis and interpretation. It undertakes the different decisions through which study can be carried out in the most appropriate form. Here, Secondary data is used therefore analysis and interpretation are not carried out. Further, two form of research approach are present that involves inductive and deductive.

In the inductive approach the research starts when investigator collects data that is fruitful for the study. In this form of approach the patterns in the information is searched that is most effective in the development of theory and helps in explaining the patterns. This form of approach generally takes place with the set of observations and mainly the results move from specific to general. Inductive approach has link with generation of the new theory emerging from the information (Mackey and Gass, 2015). The main motive of this form of approach is to explore the new sort of phenomena or the previous one is also undertaken. In short, this approach is associated with the qualitative study and it relies on the main findings that are derived from the literature review.

On the other hand deductive approach is somehow different where it has link with the development of hypothesis on the basis of existing theory and in turn research strategy is developed so as to test the hypothesis. This form of approach can be explained through the hypothesis that is mainly derived from proposition of the theory. In this approach the research flows from general to specific. This approach contributes a lot in development of the theory and it ends with confirmation.

The research approach is a plan and procedure that consists of the steps of broad assumptions to detailed methods of data collection, analysis, and interpretation. It is, therefore, based on the nature of the research problem being addressed. The research approach is essentially divided into two categories:

- The approach of data collection
- The approach of data analysis or reasoning

Research Design

Research Design is considered to be blueprint of the study and it is somehow the framework of the research so as to answer the key research questions of the research. With the assistance of the research design it is possible to know about the real techniques that are undertaken in the research.

Secondary research is a common approach to a systematic investigation in which the researcher depends solely on existing data in the course of the research process. This research design involves organizing, collating and analyzing these data samples for valid research conclusions.

Secondary research is also known as desk research since it involves synthesizing existing data that can be sourced from the internet, peer-reviewed journals, textbooks, government archives, and libraries. What the secondary researcher does is to study already established patterns in previous researches and apply this information to the specific research context.

Interestingly, secondary research often relies on data provided by primary research and this is why some researches combine both methods of investigation. In this sense, the researcher begins by evaluating and identifying gaps in existing knowledge before adopting primary research to gather new information that will serve his or her research.

Secondary Research Methods

Common secondary research methods include data collection through the internet, libraries, archives, schools and organizational reports.

Online Data

Online data is data that is gathered via the internet. In recent times, this method has become popular because the internet provides a large pool of both free and paid research resources that can be easily accessed with the click of a button.

While this method simplifies the data gathering process, the researcher must take care to depend solely on authentic sites when collecting information. In some way, the internet is a virtual aggregation for all other sources of secondary research data.

Data from Government and Non-government Archives

You can also gather useful research materials from government and non-government archives and these archives usually contain verifiable information that provides useful insights on varying research contexts. In many cases, you would need to pay a sum to gain access to these data.

The challenge, however, is that such data is not always readily available due to a number of factors. For instance, some of these materials are described as classified information as such, it would be difficult for researchers to have access to them.

Data from Libraries

Research materials can also be accessed through public and private libraries. Think of a library as an information storehouse that contains an aggregation of important information that can serve as valid data in different research contexts.

Typically, researchers donate several copies of dissertations to public and private libraries; especially in cases of academic research. Also, business directories, newsletters, annual reports and other similar documents that can serve as research data, are gathered and stored in libraries, in both soft and hard copies.

Data from Institutions of Learning

Educational facilities like schools, faculties, and colleges are also a great source of secondary data; especially in academic research. This is because a lot of research is carried out in educational institutions more than in other sectors.

It is relatively easier to obtain research data from educational institutions because these institutions are committed to solving problems and expanding the body of knowledge. You can easily request research materials from educational facilities for the purpose of a literature review.

Secondary research methods can also be categorized into qualitative and quantitative data collection methods. Quantitative data gathering methods include online questionnaires and surveys, reports about trends plus statistics about different areas of a business or industry.

Qualitative research methods include relying on previous interviews and data gathered through focus groups which helps an organization to understand the needs of its customers and plan to fulfill these needs. It also helps businesses to measure the level of employee satisfaction with organizational policies.

4.2 Sources of Online Data

Sources of online data used in this study are:

Company website

Company website means all web sites owned operated or hosted by an acquired company or through which an acquired company conducts the Business. A corporate website contains information about the company, the product or/and services offered by them. Creating website can help a company reach customers all over the world, thus making it the best way to promote a brand. The company website of Bigbazar is used to gather the data.

Wikipedia

Wikipedia is a multilingual online encyclopedia created and maintained as an open collaboration project by a community of volunteer editors, using a wiki-based editing system. It is the largest and most popular general reference work on the World Wide Web, and is one of the 20 most popular websites ranked by Alexa, as of March 2020. It features exclusively free content and no commercial ads and is owned and supported by the Wikimedia Foundation, a non-profit organization funded primarily through donations.

ResearchGate

ResearchGate is a European commercial social networking site for scientists and researchers to share papers, ask and answer questions, and find collaborators. While reading articles does not require registration, people who wish to become site members need to have an email address at a recognized institution or to be manually confirmed as a published researcher in order to sign up for an account. Members of the site each have a user profile and can upload `research output including papers, data, chapters, negative results, patents, research proposals, methods, presentations, and software source code. Users may also follow the activities of other users and engage in discussions with them. Users are also able to block interactions with other users.

ResearchGate is a European commercial social networking site for scientists and researchers to share papers, ask and answer questions, and find collaborators. According to a 2014 study by *Nature* and a 2016 article in *Times Higher Education*, it is the largest academic social network in terms of active users, although other services have more registered users, and a 2015–2016 survey suggests that almost as many academics have Google Scholar profiles.

While reading articles does not require registration, people who wish to become site members need to have an email address at a recognized institution or to be manually confirmed as a published researcher in order to sign up for an account. Members of the site each have a user profile and can upload research output including papers, data, chapters, negative results, patents, research proposals, methods, presentations, and software source code. Users may also follow the activities of other users and engage in discussions with them. Users are also able to block interactions with other users.

The site has been criticized for sending unsolicited email invitations to coauthors of the articles listed on the site that were written to appear as if the email messages were sent by the other coauthors of the articles (a practice the site said it has discontinued as of November 2016) and for automatically generating apparent profiles for non-users who have sometimes felt misrepresented by them. A study found that over half of the uploaded papers appear to infringe copyright, because the authors uploaded the publisher's version.

Articles from researchgate also helped in developing the project.

Shodhganga

A reservoir of Indian theses is a digital repository of theses and dissertations submitted to Indian universities. It is maintained by INFLIBNET Centre which is an autonomous InterUniversity Centre of the University Grants Commission (UGC) of India, was initially located in the campus of Gujarat University, Ahmedabad. As of January 2013, INFLIBNET Centre has moved to its new institutional building at infocity, Gandhinagar, capital of Gujarat. As on 4 October 2016, as many as 293 universities in India have signed MoUs with the INFLIBNET Centre to participate in the Shodhganga project. A further 13 centrally funded technical institutions have also signed MoUs with the Centre to participate in the

The full text of all the documents submitted to Shodhgangaare available to read and to download in open access to the academic community worldwide. The repository has a collection of 2,10,661 theses and 6123 synopses. The top five universities in terms of the numbers of theses submitted are Panjab University, Aligarh Muslim University, Jawaharlal Nehru University, Karnataka University and Anna University. The Shodhganga repository was created consequent on the University Grants Commission making it mandatory through regulations issued in June 2009 for all universities to submit soft copies of PhD theses and MPhil dissertations to the UGC for hosting in the INFLIBNET.

Google Scholar

Google Scholar is a freely accessible web search engine that indexes the full text or metadata of scholarly literature across an array of publishing formats and disciplines. Released in beta in November 2004, the Google Scholar index includes most peerreviewed online academic journals and books, conference papers, theses and dissertations, preprints, abstracts, reports, and other scholarly literature, including court opinions and patents. While Google does not publish the size of Google Scholar's database, scientometric researchers estimated it to contain roughly 389 million documents including articles, citations and patents making it the world's largest academic search engine in January 2018. Previously, the size was estimated at 160 million documents as of May 2014. An earlier statistical estimate published in PLOS ONE using a Mark and recapture method estimated approximately 80–90% coverage of all articles published in English with an estimate of 100 million. This estimate also determined how many documents were freely available on the web.

4.3 Report Structure

Chapter 1: Introduction – Statement of the Problem

Introduction chapter gives an idea about the study, the background of the study, statement of the problem, relevance & scope of the study and the objective of the study.

Chapter 2: Profile of FMCG industry

It gives an overview of FMCG industry; it deals with business process of the industry, market demand and supply, contribution to GDP, revenue generation, level and type of competition, pricing strategies in the industry, prospects and challenges of the industry and the key drivers of the industry.

Chapter 3: Review of Literature

In this chapter all the theoretical details of brand preference is being discussed in detail.

Chapter 4: Methodology of the Study

In this chapter it dealt with the methodology used by the researcher. The research approach and design, sources of online data, sampling design, data analysis tools, report structure, limitations of the study.

Chapter 5: Discussion

This chapter deals with the observation by the candidate from literature review and logical conclusion related to the business problem.

Chapter 6: Findings of the Study

This chapter dealt with the findings of the study.

Chapter 7: Conclusions

This chapter dealt with the conclusions of the report.

4.4 Limitations of the Study

Research limitations can be defined as the factors or elements which creates restrictions for a researcher in carrying out the study in the desired and best possible manner. Following are limitations of this study;

- The information and data may not be accurate. The source of the data must always be checked
- The data maybe old and out of date
- The sample used to generate the secondary data may be small
- The company publishing the data may not be reputable

CHAPTER 5

DISCUSSION

5.1 Observation by the Candidate from Literature Review- Comparisons

Distribution Strategy is a strategy or a plan to make a product or a service available to the target customers through its supply chain. Distribution strategy designs the entire approach for availability of the offering starting taking inputs from what the company communicated in marketing campaigns to what target audience is to be served. A company can decide whether it wants to serve the product and service through their own channels or partner with other companies to use their distribution channels to do the same.

Distribution channel is having an important role in positioning of the product because we know that distribution channel is tool by which we can make reach our product to the final consumers. That's why selecting a distribution channel is an important aspect of building a competitive advantage for businesses of every size. Distribution channels include your own direct sales force, retailers, distributors and the Internet. The right distribution channel ensures that customers in different locations around the country, or around the world, can buy your products and get the right level of service from your company. To select the right distribution channel for your business, you need to consider what a channel can offer, including location and reach, skills and resources, management costs and degree of control.

Distribution Strategy is precisely the strategy deployed by a company to make sure the product/service can reach the maximum potential customers at minimal or optimal distribution costs. A good distribution strategy can maximize your revenue and profits but a bad and unplanned distribution strategy can lead not only to losses but also helping the competitors get the advantage through the opportunity in the market which you created.

Distribution channel strategies affect many other aspects of marketing strategies. According to Kotler and Keller (2008), distribution affects sales, since if the product is not available, it cannot be sold. Most customers will not wait until it can be reached. Delivery is seen as a part of the product that influences customer satisfaction.

The choice of distribution network has long-term consequences. The structure of the distribution network is one of the most difficult decisions to change. According to Chopra and Meindl (2007), the impacts of selecting a distribution network often lasts for decades. Changing on the channels and channel shifting is too costly. In the long run, distribution channel strategies involved in strategic alliances and partnerships that are founded on trust and mutual benefits create distinguishable interests (Chopra and Meindl,2007).

Review literature about the company and its operations .

- Gaining Supply Chain Advantage in Emerging Market (Solving Efeso White Paper, written By: Mr. Clive Geldard , Group Vice President, Retail and Supply Chain)
- FMCG Distribution Channels In India : Challenges and Opportunities for Manufacturers and Retailers (Published in Journal of global business issues, 2008 written by -Debi P Mishra ,University of New York)
- Exploration of Sales and Distribution Channel Structures in Industries in India (Presented at the Academy of marketing conference -2009,United Kingdom ,written by -Dr. Prathap Oburai , IIM-A, Prof. Michael J Baker, University of Strathclyde ,U.K)
- The Base of Pyramid distribution challenge (Published by IFMR research in 2011, Written by Sachin Shukla and Sreyamsa Bairiganjan)

5.2 Logical Conclusion related to Business Problem

ITC has most extensive distribution networks in India. Its products are available at 4.3 million of the estimated eight million retail stores in India. FMCG distribution channels are pathways along which the FMCG products travel from manufacturers to consumers. They are channels along which the goods, information and finance flow in the system.
This study mainly deals with the distribution strategy of ITC. The main objective of the study was to identify the distribution strategy of ITC and how it works among FMCG sectors.

The result shows that the distribution channel plays a major role in establishing a brand**.** The high growth rate of the FMCG industry in India goes beyond growth drivers such as income growth and urbanisation. The consumption habits of India's new age consumers have resulted in an attitudinal shift in the market. The new Indian consumer is characterised by high awareness, an affinity for health and nutrition and high expendable income. This has led to the emergence of new FMCG sub-sectors, such as the air and water purifier market and organic food staples. These trends will further lead the development of the FMCG industry profile. Rural consumption has increased, led by a combination of increasing income and higher aspiration levels.

The key objectives of the project that were successfully studied were:

- The company has a wide range of product in the FMCG industry and is growing day by day in terms of revenues and profits.
- Analyze the distribution channels employed by the ITC
- We have analysis the distribution channels strategy which is followed by ITC
- Review in detail the distribution channel for a specific product line
- We have to study and do an analysis of distribution channel which is employed by ITC for a specific product line
- Critical analysis of the distribution channel strategy adopted by ITC
- A detailed study was performed and a critical analysis of the distribution network strategy adopted by ITC was done.

CHAPTER -6

FINDINGS OF THE STUDY

Findings of the study

- ITC is one of India’s foremost Multi-business enterprise and is rated among the World’s Best Big Companies
- ITC has most extensive distribution networks in India
- FMCG distribution channels consist of three important entities: Agents ,Merchants, and Facilitators
- In November 2020, ITC Paperboards announced its plan to focus on sustainable packaging solutions, ITC Fabelle launched La Terre , an earth positive chocolate.
- ITC acquired 33.4% shares in Bengaluru-based start-up , Delectable Technologies launched the world’s most expensive chocolate priced at Rs. 4,30,000 per kilogram under Fabelle brand
- By collaborating with SWACH, ITC launched a first of its kind multi-layer plastic collection programme in Pune
- FMCG relies heavily on market research to identify consumer behaviour and field sales professionals play a crucial role in market research. By using advanced field service management software helps enterprises leverage the power of cloud, enterprise mobility, IoT, business intelligence and data analysis to boost the performance of sales operations.
- The GST is beneficial for the FMCG industry as many of the FMCG products such as soap, toothpaste and hair oil now come under the 18% tax bracket against the previous rate of 23-24%. Also, GST on food products and hygiene products have been reduced to 0-5% and 12-18% respectively.
- The Indian FMCG sector has to work with a very complex distribution system comprising multiple layers of numerous small retailers between the company and end customer.
- To increase market penetration, Indian FMCG companies have realized that they need to reach out to consumers present at the lower end of the economic pyramid.
- Consumerism has broadened the spectrum of opportunities for the Indian FMCG sector
- The top FMCG companies manufacture products which may include food and beverage, personal care, health care, skin care, oral care and many more.

- The top CPG companies include Procter & Gamble, Johnson & Johnson, Nestle, Unilever, JBS, L'Oréal along with beverage companies like Coca Cola, Pepsi etc.
- FMCG industry in India has built growth momentum by growing at 9.4 per cent in the quarter ending March 2021 after growing at 7.3 per cent in the previous quarter (October-December 2020), over the same quarter of the previous year

Suggestions

- Rate of ITC products should be reduced up to certain extend.
- Decrease the lead time of distribution to wholesalers and retailers.
- Company should make frequent survey in the market for preparing effective distribution channel.
- Give effective service in rainy season.
- At the time of festival and important occasion company should give gift or discount on the ITC products.
- Company should maintain proper communication with distributors and retailers. Improving the communication system will require less cost and also fetch higher satisfaction of distributor and retailer.
- Company should make the frequent survey in the market for preparing effective distribution channel.

CHAPTER 7

CONCLUSION

Conclusion

This study was based on the distribution strategy of ITC. The main objective of the study was to identify the distribution strategy of ITC and how it works among FMCG sectors. The result shows that the distribution channel plays a major role in establishing a brand**.** The high growth rate of the FMCG industry in India goes beyond growth drivers such as income growth and urbanisation.

The consumption habits of India’s new age consumers have resulted in an attitudinal shift in the market. The new Indian consumer is characterised by high awareness, an affinity for health and nutrition and high expendable income. This has led to the emergence of new FMCG sub-sectors, such as the air and water purifier market and organic food staples. These trends will further lead the development of the FMCG industry profile. Rural consumption has increased, led by a combination of increasing income and higher aspiration levels. There is an increased demand for branded products in rural India as well. The rural FMCG market in India is expected to grow to US$ 220 billion by 2025 from US$ 23.6 billion in FY18.

On the other hand, with the share of unorganised market in the FMCG sector falling, the organised sector growth is expected to rise with increased level of brand consciousness, augmented by the growth in modern retail.With the growth of the traditional FMCG sector and the emergence of sub-sectors that were non-existent until a few years ago- the future of this industry looks good for investors

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