

# A STUDY ON THE RETAILER'S SATISFACTION TOWARDS FMCG DISTRIBUTION CHANNELS IN CHENNAI

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**Abstract:** The study is undertaken to know the effectiveness of FMCG supply chain in Chennai and to understand the level of retailer's satisfaction with the present distribution network. Proper supply chain coverage is a powerful tool to stimulate demand of FMCG products, which not only helps in retaining the present customers but can also to attract new customers by offering better services. The objective of distribution channel is to get the right goods to the right places at the right time at the least cost. The study is conducted to determine the level of satisfaction of FMCG retailers towards the distribution channel.

**Index Terms - Supply chain, FMCG, distribution system, Satisfaction effectiveness, Retailers.**

## I. INTRODUCTION

Retailers are customers for manufacturers who are in direct contact with consumers and they are aware of the changing demands of the ultimate customers. A retailer may be a wholesaler or a agent or a retailer or a distributor who lies between the manufacturer and the ultimate consumer to push up the products of manufacturers. In the present situation due to increase in the income level ,standard of living and changes in consumer spending habits the retailers are playing an important role in the distribution network. The volume of sales depends on the efficiency of a retailer who assesses the psychology of consumers and takes appropriate steps to sell a product. So the positive attitude of retailer is very important for a manufacturer who wants to promote his business. Distribution is the part of Marketing, which establishes the link between manufacturers and the customers. This link is established with the help of intermediaries such as distributors, wholesalers, stockiest/ super stockiest and the retailers over the region.

The Fast Moving Consumer Goods (FMCG) touches every aspect of human life. Everyone are consumers and all buy and consume products according to their needs, preferences and buying power. Fast Moving Consumer Goods alternatively known as Consumer Packaged Goods (CPG) which are those products that are produced in large quantity, sold quickly, generally consumed at a regular basis, and are relatively available at low cost. Consumers generally put less effort towards the purchase of FMCG than they do for other products. FMCG can be classified into three segments namely household items, personal care items and food & beverages. Now days the consumers are more value sensitive than price sensitive. They give more importance to the quality of the product purchased rather than the money spends for it.

In modern business, distribution network has a great impact on the success of any business. Channels of distribution provide downstream value by bringing finished products to end users. Distribution channel is considered to be the backbone of any FMCG company and it plays a major role in marketing by performing various performing functions. In the FMCG segment the role of an excellent distribution channel becomes more important because the delivery of FMCG product is confined to day to day basis. Hence in order to survive and thrive in a highly competitive market one should have its distribution channel which has no problem at any point of the distribution. In order to make right decision regarding all these aspects, the company requires a complete knowledge of the problems faced in distribution channel and should be able to overcome all these problems.

## II. AIM OF THE RESEARCH STUDY

- To analyze the socio economic profile of the respondents
- To find the problems faced by retailers in distribution of FMCG in Chennai city.
- To assess the various factors that determines retailer's satisfaction towards FMCG distribution system.

### III. LITERATURE REVIEW

This study has reviewed the literature, relating to the field of retailers satisfaction towards supply chain of FMCG products. There may be several aspects both rational and emotional that may influence retailer's satisfaction. Dr.M. Shahul Hameedu (2014) in his study on the product chain of cardamom in Kerala has identified key supply chain participants and analyses their role in the marketing of the product and also analyses the cost of production of cardamom. Dr.K.Singaravelu & D. Chella Durai (2013), assessed the level of satisfaction of consumers with regard to FMCG distribution system in the rural markets. The study has found that rural marketers possess certain problems like distribution, logistics, storage, transport and handling etc.. It has also suggested that marketers should first grasp the problems and should take innovative steps to solve them. Mishra D.P. (2008) has provided a depth look at the strategic role of distribution channels in the FMCG industry. The study specifically identifies the current distribution channel in India and identifies four archetypes that fmcg can use as a starting point to develop their distribution strategies. Koshy Cj (2014), attempted to understand the level of retailer satisfaction which determines FMCG Distribution in Kerala. The result from the study indicates that majority of the respondents are satisfied with service offered by retailers. Madhu bala & Dinesh Kumar (2011) in their study analyses the supply chain performance attributes that are relevant for Fast Moving Consumer Goods industry and two product categories of dairy and packaged food segments has been taken. They tested and compared six Supply chain attributes in order to demonstrate the acceptance and the usage of performance attributes for the FMCG supply chains. Kalaiamuthan (2014), conducted an exploratory research on retailers satisfaction towards Pepsi co, in Madurai. From the study it was found that slice is the most preferred product in Pepsi brand. Finally it was concluded that most of the retailers are satisfied with the price, quality, channel of distribution etc. and attention is required in framing credit policy and developing other promotional schemes. Muhammad Intisar Alam& Afreen Choudhary (2011), study was conducted to know the retailers attitude towards fmcg supply chain in Dhaka, Bangladesh. For this various variables that are considered by the retailers for choosing a manufacturer is taken into account. As it was concluded that retailers attitude are very important because they are inseparable part of a distribution channels in promoting the manufacturers business and they are the main channels directly connected with customers. B.Nagarjuna & T.Siddiah (2012), tried to enact the complete picture SCM in the industry. Many software applications are used in SCM to make the process smoother. As per the result of the survey it was concluded that many of the stockiest are not aware of the increasing popularity of supply chain as a strategy to make business success. So it is needed to provide better promotional awareness by FMCG key players to offer different version of SCM solutions to dealers to offer better time bound delivery to customers and to have strategic advantage to their business. Dr.A.K. Singh & Imran Mehraj Dar (2014), focused on the problems faced by the FMCG distribution channels in rural areas of Madhya Pradesh. From the study they identified two factors such as distribution mechanism and channel behavior dimension had a great effect on channel decisions. The study aimed to found out the way in which distribution channels should perform in order to enhance the success of the company. Sadia Samar Ali, Rameshwar Dubey (2014), attempted to evaluate the satisfaction level of retailers/distributors based on American Customers Satisfaction Index (ASCI) model. From the study it was concluded that retailers need to be well communicated about the various products or services in advance so that they can pass out this information to customers.

### IV. RESEARCH METHODOLOGY

The study is undertaken to know the effectiveness of FMCG supply chain in Chennai with regard to retailer's satisfaction. Random Sampling method is used to collect the needed information to meet out the objectives of the study. Both primary data and secondary data are collected for the purpose of research study. Primary data consists of information collected from the 100 respondents through well framed questionnaire and interview technique. Further secondary data was collected from various sources like published books, articles, newspapers, research related documents etc., Statistical tools such as percentage analysis and chi-square are used for analysis purpose.

### V. DATA ANALYSIS AND INTERPRETATION

TABLE-1  
Distribution of respondents based on socio-economic Factors

Category	Classification	Percentage
Nature of the business	Proprietorship	60
	Partnership	30
	Others	10
Age of the business	Below 2 years	27

	2-5 years 5-10 years Above 10 years	35 25 13
Capital invested in the business	Below 200000 200001-500000 500001-1000000 Above 1000000	18 45 24 13
Products offered	Single product Multiple product of single company Multiple product of multiple company	18 39 43
Reason to become channel member for FMCG	Demand for the product Continuous Sale Less investment Profit Others	49 19 16 11 5
Total		100

Source: Primary data

The socio-economic profile of the retailer plays a vital role in analyzing the effectiveness of Supply chain. Based on this, factors such as nature of the business, age, capital invested, products offered, and reason to become channel member are presented in Table-1.

From the above table it is observed that majority of the respondents are doing sole proprietorship type of business (i.e.60 per cent). 35% of the respondents are in the business for 2-5 years and only 13 percent of the respondents are in the business for more than 10 years. Majority of the respondents invested 200001-500000(i.e., 45 percent). 43% of the respondents offer multiple products of multiple company and only 18% of the respondents are dealing with single product. Most of the retailers chosen FMCG because of the demand for the product (i.e., 49 per cent).

TABLE-2

MAJOR FACTORS INFLUENCING RETAILER SATISFACTION TOWARDS FMCG DISTRIBUTION SYSTEM

Factors	Extremely satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Extremely Dissatisfied
Quality of the product	52	29	10	4	5
Availability of Credit facility	39	22	25	7	6
Easy availability of the product	40	27	12	11	10
Prompt delivery	57	17	10	12	4
Level of Margin	38	17	18	20	7

Source: Primary Data

From the table it was observed that majority of the retailers are satisfied with their distributors who are providing the quality of products at reasonable rates. When the data was analyzed it was found that majority of the retailers are receiving the goods on time to meet the customer demands. Availability of credit facility increases the satisfaction level of the retailers to continue the same business line. Next important factor agreed by the retailers are, that their distributors are able to provide a wide variety of products. Finally most of the retailers are satisfied with the margin of profit from the sale of FMCG.

TABLE-3

CHI-SQUARE analysis on the relationships between prompt delivery of products and retailer satisfaction.

Chi square value	Table value at 5% level	Degree of freedom(df)	Result
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33.3269	12.295	6	Significant
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H0: Prompt delivery of products has no impact on the retailers' satisfaction

H1: Prompt delivery of products has impact on the retailers' satisfaction

From the above it is clear that the calculated value is greater than table value at 5% level, the null hypothesis is rejected. Hence, Prompt delivery of products has impact on the retailers' satisfaction.

TABLE-4

CHI-SQUARE analysis on the relationships between reasons to become FMCG retailer and the level of Margin.

Chi square value	Table value at 5%level	Degree of freedom(df)	Result
23.612	9.468	4	Significant

H0: Reasons to become FMCG retailer has no impact on the level of margin

H1: Reasons to become FMCG retailer has impact on the level of margin

From the above it is clear that the calculated value is greater than table value at 5% level, the null hypothesis is rejected. Hence there is a relationship exists between the reasons to become FMCG retailer and the level of margin.

## VI. FINDINGS

- 60% of the respondents are sole proprietors and 10% of retailers belongs to others category.
- Most of the retailers (35%) are doing business for 2-3 years and (13%) of the respondents are in the field for more than 10 years.
- Majority of the retailers (45%) had invested Rs.200001- Rs.500000 and (13%) of the retailers invested more than 10,00,000.
- 43% of the respondents offer multiple products of multiple company and 18% of the retailers offer single product.
- Demand for the product(45%) is the most important criteria considered by the retailers for becoming channel member for FMCG product and only 5% opted others category.
- Majority of the retailers are extremely satisfied with the quality, availability, credit facility, prompt delivery and level of margin towards FMCG distribution system.

## VII. SUGGESTIONS

- The retailers should continually assess and reassess how the consumers perceive about the fast moving consumer goods with regard to quality, availability, timely delivery etc.
- Credit facility is the key influencing factor for buying decisions. It is therefore suggested that the retailers should extend some credit facility at least for regular customers to purchase FMCG.
- Retailers should take necessary steps to expand their business by investing more capital and by offering more and more new products to retain the customers.
- The channel should facilitate repurchase by fulfilling customer's desire.
- It should establish loyalty, trust, commitment and scope of relationship.

## VIII. CONCLUSION

The study has concluded that FMCG sector is growing and continues to grow very fast. The successful distribution channel leads to the customer satisfaction which in turn leads to the companies' success. In today's business, supply chain management plays an important role which directly affects total profitability of business, effective supply chain management is useful in total cost reduction so many business organizations consider it as serious decision. Retailers are to be more committed and they are solely responsible for retain and creating customers by stimulating repurchase of the customers.

In this study towards retailer's satisfaction, they consider five important factors such as quality of the product, easy availability of the product, prompt delivery, availing credit facility and level of margin as very important in continuing FMCG business in Chennai. From the study it was found that majority of the retailers are satisfied with current distribution system, and are experiencing commitment by establishing loyalty towards the distribution chain.

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