Food Processor's Distribution Service to the Retailers - A Case Analysis

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Abstract

A distribution system is a key external resource. Normally it takes years to build, and it is not easily changed. Retailers achieve superior efficiency in making goods widely available and accessible to target market. Stimulating the retailers to effect better selling of a company's product starts with understanding their needs and wants. The company should get information regarding it to formulate appropriate distribution and sales promotion strategies. This study throws light on the case firm **Sakthi Masala's** *distribution service level to the retailers, retailer's preference for various schemes offered by different masala companies and the problems faced by the retailers in handling the products of the Sakthi masala. Totally 100 retailers encompassing 50 B class retailers and 50 C class retailers were selected to study the distribution service of the company. The distribution service quality to the retailers were evaluated using the dimensions like tangibles, reliability, responsiveness, assurance and empathy. The retailers rested themselves between neutral to extremely dissatisfied for the tangible dimension of service quality. In case of reliability and responsiveness the retailers stood between dissatisfied and neutral. In case of assurance dimension the retailers were dissatisfied to satisfied. In case of empathy the retailers stood almost neutral. The retailers invariably preferred free masala packets to be given by the company as retailer's scheme for sales promotion. There existed difference in trade schemes of the different company. Inadequate service was the major problem faced by the retailers in handling the Sakthi masala products.*

Introduction

Over centuries the spices have gained greater and greater foothold, not only in India, but also all over the world wherever good food is considered necessity. The stimulating and invigorating properties of spices blended adroitly in the hands of culinary experts have added on to the ever-growing repertoire of choice recipes. A well-equipped Indian kitchen has all major varieties of spices stocked. In India, spices are available in almost all grocery shops. The common spices which are used in their raw and fresh forms are available in vegetable shops.

A company needs to view the retailers in the same way it views its end users. It needs to determine intermediaries' needs and construct a

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channel positioning such that its channel offering is tailored to provide superior values to these intermediaries. Distribution services provide the crucial link between producers and consumers and hence, the performance of this sector is vital to the functioning of a modern market economy. This sector plays an important role in providing consumers with a wide choice of goods and associated services and consequently, has a strong influence on consumer welfare. Distribution services also provide producers with the necessary information needed to cater to the pattern of consumer demand. Therefore, efficiency in this services sector is likely to lead to better allocation of resources and economic costs.

This study examined the service promotion strategies of Sakthi Masala Company. Sakthi masala, a household name in South India and in several countries today, was established in 1976 with a meager investment and in a small space in Erode, a small town in western Tamil Nadu. In the wake of a growing market for branded masala powder it takes pleasure in offering premium quality products and services to the customers thereby achieving competitive edge among its competitors.

Objectives

The major objective of the study is to evaluate the distribution service of the company to the retailers and the specific objectives are:
- to evaluate the distribution service in terms of various quality dimensions;
- to examine the preference of various types of the schemes by the retailers; and

- to analyse the problems faced by the retailers and their expectations in dealing with the case firm's products.

Review of Literature

Some of the reviews of the past studies in support of the present study on distribution and service quality were presented below.

Distribution

Mercantil (1998) observed that the strongest trend was toward super markets. Super markets have become more important to beef retailing and meat marketing had become more important to super markets as well ; around 12 per cent of the sales of Brazilian super markets were often used as a way to attract consumers to buy additional products.

Aquiar and De Silva (2002) found out that the technologies used in the Brazilian beef distribution system could be improved, since this factor has negatively impacted the system's competitiveness. The cold chain, the most important technological component in beef marketing, was unfavorable because it was affected by inappropriate conditions of transportation and intermediate storage, but the traditional sub-system was more affected because even at retail store the product was not stored at adequate temperatures.

Rao (2003) found out that Hindustan Lever Limited were reaching the customer both for understanding buying habits and with the idea of

outflanking big retailers through direct channel of distribution.

Christina (2003) found that Hindustan Lever's Beverage distributors provided credit period between 1-2 weeks, and 2-3 weeks whereas 80 per cent of Haldirams distributors provided 1-2 weeks and 20 per cent of them provided 2-3 weeks.

She also analysed the frequency of service offered by the distributors of fast moving consumer goods and found that Colgate and Hindustan Lever distributors provided their service once in a week.

Dimensions of service quality

Shainesh and Mathur (2000) in their study on railway freight service quality measurement included intangible dimensions of service quality for evaluating the quality of railway freight services and developed a comprehensive instrument, RAILQUAL. The intangible dimensions included were reliability, responsiveness, competence, courtesy, friendliness, security, ambience etc., which are qualitative by nature and whose value is subjective.

Banwet and Datta (2000) in their study on the effect of service quality on post-visit intention – the case of a computer center, investigated the quality of services offered to students in a institutional computer centre and measured tangible and intangible aspects of service quality, consumer satisfaction and post visit intentions. The intangible dimensions include reliability, responsiveness, assurance and empathy.

Parasuraman (2000) in his study on Superior customer service and marketing excellence discussed the meaning and measurement of service quality and offered managerial guidelines for delivering superior service by invoking key insights from a multi year, multi sector stream of research on customer service. He developed a model called SERQUAL, which consisted of five dimensions like reliability, responsiveness, assurance, empathy and tangibles. He concluded that reliability to be the most important of the five SERQUAL dimensions. He also concluded that a company should effectively blend external marketing with customer service to deliver superior service to customers.

Debasish (2001) in his study on service quality in commercial banks made a comparative analysis of the degree of service quality. He analyzed the actual level of service quality in nine selected commercial banks in Delhi by analyzing their scores as against the various service quality dimensions. The service quality model used comprised of these components namely, technical quality, functional quality and environmental quality.

Methodology

In Coimbatore city of Tamil Nadu 100 retailers were selected randomly accounting 50 B class retailers and 50 C class retailers. Primary data were collected from the sample retailers using interview schedule, which was developed meticulously. The collected data were tabulated and analyzed using scaling technique and Kruskal-Wallis test.

Categories of retail outlet

For the present study the retail outlets were classified into two groups namely B and C class retail outlets. Principally the B class retail outlets are those, which are situated along the main roadside where more number of people passes by and its size ranges from 500-1000 square feet. The C class retail outlets are those, which are situated interior to the main road where low-income group people resided and its size ranges from 150-500 square feet.

Scaling technique

In this approach the sample retailers were asked to indicate whether they were extremely dissatisfied, dissatisfied, neutral, satisfied, extremely satisfied with the distribution serviceof the company. The responses of the sample retailers were recorded and the score was given to each attribute, then the score towards opinion of the sample retailers. The score for each response is given Table 1.

Table 1 : Scores Ascertaining Satisfaction of Retailers

Response	Score
Extremely dissatisfied	1
Dissatisfied	2
Neutral	3
Satisfied	4
Extremely satisfied	5

The mean score was calculated and used for simple assessment of service level of the distributors to the retailers.

Kruskal – Wallis one way analysis of variance test

Kruskal Wallis test is used in determining whether or not k independent samples could have come from the same population with respect to some ordinal level characteristics. This is essentially a test for the significance of difference between k samples ranked according to some characteristic features.

There are different masala product companies whose retailing scheme differs with respect to the frequency and also the offerings. Thus it is essential to resolve whether the retailers perceive any difference among the schemes of different companies. Each company was ranked according to the preference given by the retailers with respect to the schemes.

The hypothesis of the study is as follows:

H_o : There is no difference between the promotional activities done by the various brands of masala product companies.

H$_1$: There is a significant difference with respect to promotional activities done by various brands of masala product companies.

To test this hypothesis, the first step is to rank each of the brands across samples. Then assigning the largest score the rank 1, the next largest score the rank 2 and so on. Find H statistic by using the following formula:

$$H = \frac{12 \ (\Sigma \ R_i \ ^2/N_i)}{N \ (N+1)} - [3 \ (N+1)]$$

Where N = The total number of respondent in k samples;

N$_i$ = The number of respondents in ith sample ; and

Σ R$_i$ = The sum of ranks for ith sample.

By referring H table the significance of H statistics is determined.

Results and Discussion

Scaling techniques was used to evaluate the distribution service quality dimensions like tangibles, reliability, responsiveness, assurance and empathy. Perception about these dimensions was assessed using five-point scale namely extremely dissatisfied (1), dissatisfied (2), neutral (3), satisfied (4), extremely satisfied (5). The data was analysed and the results are presented in Table 2

It was observed that in case of tangibles, retailers were not satisfied with credit period and cash discounts. They are satisfied with schemes, promotional measures of the company and profit margin. Profit margin was same across different brands.

In case of reliability, retailers were not satisfied with salesperson's promptness in informing the schemes of the company, distributing the product according to retailers' requirement and sales person regularity in attending the retail shop.

In case of responsiveness, the retailers were dissatisfied with sales person's promptness in following the request of the retailers. For instance retailers might have asked for credit but the sales person might have refused it. For rest other service of distributor, the retailers remained neutral to satisfied.

In case of assurance and empathy the retailers were satisfied.

Table 2. Dimensions in Evaluating Service Quality

Dimensions	No. of retailers	
	B class	C class
TANGIBLES		
Profit margin	3.16	3.15
Schemes of the company	3.01	3.12

Dimensions	No. of retailers	
	B class	C class
Promotional measures	3.00	3.11
Cash discounts	2.68	2.88
Credit period	1.68	2.12
RELIABILITY		
Sales person's problem solving ability	3.25	2.93
Salesperson's promptness in informing the schemes of the company	2.67	2.47
Distributing the product according to retailers requirement	2.53	2.53
Sales person regularity in attending the retail shop	2.24	2.36
RESPONSIVENESS		
Sales person's availability to respond retailers queries	3.31	3.23
Waiting time for receiving the products	3.20	3.46
Responds to expiry date nearing products	3.14	2.50
Sales persons willingness to help the retailers	3.08	2.17
Promptness in following the request	2.75	2.47
ASSURANCE		
Courtesy shown by the sales person	4.86	2.90
Sales persons knowledge about products	4.19	2.47
Ease in interacting with sales persons	3.81	3.33
Trustworthiness of the sales person	3.44	3.53
EMPATHY		
Sales person's understanding of retailer's need	3.33	2.83
Individual attention paid to the retailers	3.14	3.30
Snsitiveness to the retailers interest	3.00	2.90

Trade Schemes

Masala product firm operates various schemes to the retailers in order to promote their product through retail outlets. The schemes are as follows

- Free masala product (for every one kilogram of masala product 100 g of the same masala product).
- Gifts like chairs, bags, two wheelers etc.,
- Gold coins.

Preference of type of the Schemes by the Retailers

Preference of type of schemes by the retailers is presented in Table 3

Table 3 : Preference of type of the Schemes by the Retailers

(n =100)

Sl. No	Schemes	B class retailers		C class retailers	
		Mean score	Rank	Mean score	Rank
1.	Free masala packets	149.36	I	156.37	I
2.	Chairs, bags like things	125.92	II	139.52	II
3.	Gold coins	106.51	III	118.08	III

It could be observed that the B class and C class retailers invariably preferred free masala packets to be given by the company. This was because free masala products added to the stock-keeping units of masala product thereby making profit whenever they sold the products. Besides retailers prefer chairs, bags and gold coins next only to free masala products because they considered there might be delay in disbursing these things.

Relationship between Schemes of different Masala Companies

Relationship between schemes of different masala companies was analysed by using Kruskal Wallis test. As the calculated value (311.3) is more than table value (305.2), it was inferred that, there existed significant difference between schemes of various masala companies. This was because, Aachi and J.B masala gave more free masala packets. (Half kilogram of any masala packets for every one-kilogram of the same). The schemes of other companies were offered and extended for different period.

Problems faced by the Retailers in handling Sakthi Product

The problems faced by the retailers in handling the products of Sakthi masala was presented in Table 4. It was reported that only about 15 per cent (B class retailers 9 per cent and C class retailers 6 per cent) faced no problems in handling Sakthi masala products.

It was inferred that 62 per cent of the retailers stated inadequacy in company distribution service as the major problem. Especially 82 per cent of the C class faced inadequate service. 59 per cent of the retailer's faced high volume package of pickles, which included majority of B class retailers (80 per cent). 58 per cent of the retailers faced unattractive trade schemes. This is because companies like JB, Aachi, and CBR provided schemes for long period (more than 3 months) compared to Sakthi masala, which provided for short period only (one or two months). 31 per cent of the retailers faced non-availability of credit as a problem in handling Sakthi masala products.

Expectation of the Retailers

Retailers dealing with masala product had many expectations from the firm regarding the service. Their expectations were given in Table 5.

It could be observed that 69 per cent of the retailers needed regular attendance to their shop preferably once in a week. In that 90 per cent of the C class retailers needed regular attendance to their shop. While 62 per cent of the retailers needed the retention of the sales representatives. This will facilitate the retailers to have good rapport with the sales representatives. Half of the retailers needed credit only for slow moving items. While 57 per cent of the retailers needed the sales representatives to inform about schemes before closure of the same and 38 per cent of the retailers needed the damaged and expired products to be taken back.

Table 4 : Problems faced by the Retailers in handling Sakthi Products

S.No	Problem	B class retailers (n=50)	C class retailers (n=50)	Overall
1.	High volume package (pickles)	40 (80.00)	19 (38.00)	59 (59.00)
2.	Unattractive trade schemes	21 (42.00)	27 (52.00)	58 (58.00)
3.	Inadequate service	21 (42.00)	41 (82.00)	62 (62.00)
4.	No credit facilities	18 (36.00)	13 (26.00)	31 (31.00)
5.	Degrading quality of the product	14 (28.00)	8 (16.00)	22 (22.00)
6.	Less profit margin	12 (24.00)	16 (32.00)	28 (28.00)
7.	No problem	9 (18.00)	6 (12.00)	15 (15.00)
8.	Less consumer preference	4 (8.00)	3 (6.00)	7 (7.00)
9.	Low promotional activities	5 (10.00)	2 (4.00)	7 (7.00)

(Figure in parenthesis indicates percentage to overall)

Table 5. Expectation of Retailers Regarding Service

S.No	Service expectation	B class retailers	C classRetailers	Total
1.	Need regular attendance	24 (48.00)	45 (90.00)	69 (69.00)
2.	Provide required product during attendance	10 (20.00)	7 (14.00)	17 (17.00)
3.	Provide products in required pack size	8 (16.00)	14 (28.00)	22 (22.00)
4.	Inform about schemes of the company before closure of it	23 (46.00)	34 (68.00)	57 (57.00)

S.No	Service expectation		B class retailers	C classRetailers	Total
5.	Don't change sales person		32 (64.00)	30 (60.00)	62 (62.00)
6.	Need change of sales person		1 (2.00)	2 (4.00)	3 (3.00)
7.	Need credit period	For all product	12 (24.00)	9 (18.00)	21 (21.00)
		slow moving items only	24 (48.00)	26 (52.00)	50 (50.00)
8.	Take back the expired / damaged products		15 (30.00)	23 (46.00)	38 (38.00)
9.	No expectation		13 (13.00)	11 (22.00)	24 (24.00)

(Figure in parenthesis indicates percentage to total)

Conclusion and Recommendations

In case of tangibles, retailers were not satisfied with credit period, cash discounts. They are satisfied with schemes, promotional measures of the company and profit margin. In case of reliability, retailers were not satisfied with salesperson's promptness in informing the schemes of the company, distributing the product according to retailers' requirement, sales person's regularity in attending the retail shop. In case of responsiveness, the retailers were dissatisfied with sales person's promptness in following the request of the retailers.B class and C class retailers invariably preferred free masala packets to be given by the company. Retailers prefer chairs, bags, gold coins next only to free masala products. There existed difference between schemes of various masala companies.

About 82 per cent and 88 per cent of the B class and C class retailers' faced problem in handling Sakthi masala. About 62 per cent of the retailers faced inadequate service from company distributor as the major problem. Especially 82 per cent of the C class retailers faced inadequate service.

About 69 per cent of the retailers needed regular attendance of the distributors to their shop preferably once in a week. In that 90 per cent of the C class retailers needed regular attendance to their shop.

Recommendations

- The distributor should attend the retail shop, especially C class retail outlet, regularly. The visit might at least be once in a fortnight.

- The distributor should provide the products according to the retailers' requirement (especially in required pack size).

- Whenever the company declares the scheme, the sales representatives should be given the responsibility to make the retailers know about it, before the closure of the scheme.

- All the retailers who pay cash immediately for the purchase of Sakthi products should

be given cash discounts. The retailers may feel betrayed if cash discounts are not given.

- Credit facilities could be provided to reliable retailers at least for slow moving items for a period of one week.

- The sales person should not be changed frequently to attend a particular retail shop. This will facilitate the retailers to have good interface with sales person and vice versa.

- The sales person should be affable with the retailers so that the sales person could get information about consumers taste, preference etc., This will facilitates the company to react accordingly.

- A monthly/ bimonthly meeting with retailers could be organized by inviting particular area retailers. This will help the company to know the views and expectations from the company.

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