



Bridge Too Far: Fostering an Alliance to Capture the Hinterland

Anand Jayant Mayee

(PhD scholar) - Pacific Academy of Higher Education & Research University.

Abstract: Distribution has always been an issue in rural marketing due to the 4Ws i.e. **Wide geographical** area to be covered, **Weak infrastructure** for transportation, **Warehousing facilities** are limited and **Wholesalers and Retailers** buying power is poor. Among the 4Ps of marketing, the most severely impacted “P” during the Covid crises was “Place” i.e. making the product available. The lines of supplies were completely disrupted. The hitch experienced by marketers related to distribution during the pandemic has been an occurrence for decades for companies that venture into rural markets. The distribution aspect has always been one of the major hurdles. It is not only challenging due to the high cost of distribution but also due to lack of transportation facilities and basic infrastructural requirements. Villages which are less populated may not even have a single retailer. This paper based on secondary data, attempts to examine four successful case studies that highlight some of the measures undertaken by companies to overcome the challenges of distribution in the vast but sparsely populated villages in rural India. The study examines instances where non competing firms have joined hands and carried out distribution in alliance thus resulting in huge benefits to both the companies. These successful examples could set a trend that would pave the way for other companies to join hands and reach the rural consumers who are now quite knowledgeable and have buying potential almost at par with urban consumers.

Key words: Rural, Distribution, FMCG, Retailers, Consumers

Introduction: Around 775 million of the country’s population resides in approximately 6.38 lakh villages of the country. Rural population accounts for roughly 65% of the country’s population. The rise in levels of income and education in rural areas is remarkable. The urban markets now appear almost saturated and the competition is intense. The rural markets have remained relatively unexploited as compared to the vast potential it has to offer. The rural markets have outpaced the urban markets in terms of growth, and thus appear very attractive to most companies. The rural markets are a temptation too strong for any marketer to resist. Despite the opportunities, many companies are not willing to take the rural plunge due to many challenges like low per capita income, poor media reach, multiple languages and dialects and most important the large and scattered nature of rural markets . The villages are sparsely populated and this shoots up the cost of distribution and cost of reach per consumer.

The rural consumers have now moved way ahead from buying only the basic products like soap, detergent , cooking oil, utensils etc. and are now buying more and more life style products especially of well-known brands in India These markets cannot be ignored by the companies at any cost. Many companies have realized the potential the rural markets offer and now armed with innovative marketing strategies are steadily making their products available at every possible retail outlets in villages. Being at the right place, at the right time is very critical for sales to happen. Therefore the distribution factor is one of the most

critical factors for success in the rural markets, but it also happens to be one of the biggest challenges for the companies going rural.

Current Business Scenario

Coca-Cola in order to have a strong distribution network purchased the Parle brand in 1993, but only a few companies in the world are financially sound to outright buy an existing well established brand. Other companies have to look more simpler and feasible options.

The former Chairman of Tata sons Mr. Cyrus Mistry had asked all the different companies under the Tata umbrella to collaborate with each other to serve India's vast rural markets. Under this strategy all Tata companies which are into consumer products will be sharing their network in rural areas thus enabling the companies to be more cost effective and achieve wider distribution in making their products more accessible to consumers in semi urban/rural towns and villages.

ITC is planning to offer its distribution network of around 4.3 million shops across India to start ups and small FMCG businesses for some charges. ITC is doing this to open up new channels of distribution for other companies for which they are monetising their own distribution network. ITC is planning to offer its distribution network of around 4.3 million shops across India to start ups and small FMCG businesses for some charges. ITC is doing this to open up new channels of distribution for other companies for which they are monetising their own distribution network.

Syndicate Distribution.

“Syndicate distribution is a system in which two or more companies come together and form a form a syndicate trading organisation, to jointly distribute a collective group of products or services by sharing the distribution costs”. (Kashyap, 2012)

Many companies in order to cut the cost of distribution and penetrate sparsely populated villages have collaborated with other non-competitive companies. The combined strength of these companies has made distribution look simpler. This type of collaborative distribution is called syndicate distribution. Through syndicate distribution, costs can be saved on all the modes of transport like railways, van distribution, small time mobile traders, shipping etc. One company can easily get an advantage of the channels established by the other company like the stockist, distributor, retailer etc.

Syndicate Distribution: The Barriers

The collaborations with other companies may not always work out easily due to reasons like:

- One company may feel the other company is getting more benefit out of the agreement and hence the cost and other aspects may not be agreed upon.
- Both the companies are required to target the same geographical market.
- Things can be worked out at the local level but the top management needs to give the go ahead.
- The definition of rural India may be different to different organisations.
- Losses in business of any of the partners may dent the collaboration agreement.

- One of the alliance partners over the period of time may develop different business interest or after having set a network of distribution may not feel the need to continue with the partnership.
- Partnerships work well among equals. Both companies need to be equal in many aspects like vision, reputation, financial capacity, employee strength etc.
- There needs to be a proper coordination and cooperation of employees of the two companies at the local level. Conflicts can result in damage to both organisations.

The list may be unending and would not only be limited to the distribution aspect only but would very likely have an impact on the other Ps of the marketing mix.

The Story of Alliances

In a country like India, many times two or more political parties foster an alliance to form a government before/after elections, keeping aside some of their party's interests. The political parties look at the bigger picture and the gains they tend to have in forging an alliance. These alliances are not easy but if they work out, it helps the political parties to successfully accomplish their objective.

Tie-ups or collaborations are common not only in Indian politics, but even in movies two competing actors have signed movies together to ensure that the movie is a big hit. Movies with multi star cast were the trend in late 80s and early 90s. In the movie industry this has been happening for decades. The list of such movies would be endless. The fashion now is famous Youtubers making collaboration to have access to a wider fan base.

Countries which have fought wars have against each other have collaborated to have joint patrols in the high seas to fight the menace of Somalian pirates. During wars countries have had allied forces. It is no secret that when things are done together, better results are achieved with minimum resources.

The same case could apply to corporates. The companies now need to look beyond mergers, acquisitions and franchising as the only way to expand their sales and business. Collaborations have been happening for years in the corporate sector. These joint ventures between Indian and foreign companies were basically for the transfer of technology. The collaboration between Maruti and Suzuki or the collaboration between Hero and Honda revolutionized the automobile sector of the country. These collaborations as a part of the agreement were operational for a few years before amicably parting ways to work independently. These collaborations helped the foreign companies gain a strong foothold in the country and it helped the Indian companies acquire superior technology and innovative management techniques.

Indian Companies

The companies operating in India should now look at things region wise and take into account the micro aspects. A research needs to be undertaken to know the ideal partners with whom an association could be established. Collaborations to distribute the products could drastically reduce the cost, achieve deeper and wider penetration and have an exemplary impact on the other Ps of marketing mix. After all sharing the cost creates a win-win situation for both the partners. With a reduction in the cost of distribution, the product can be priced lower (a big advantage keeping in mind the low per capita income of the people who reside in rural India) and in future perhaps joint promotional campaigns can be undertaken.

Some companies have already started experimenting and have collaborations with non- competing firms to distribute products in rural India. Almost all big and mid-size organisations are aiming to go rural. Organisations that are already into rural marketing may have intentions to go deep into the remote areas. Some of the companies might even have plans to target areas, which they have never infiltrated earlier.

HUL and SBI

The major hurdle to go rural is the high cost associated with distribution in rural areas , lack of infrastructure and a suitable network. A few years ago Hindustan Unilever Limited unveiled a blue print titled Gateway to rural: Beyond FMCG. HUL initiated a pilot project with State Bank of India in Maharashtra and Karnataka. HUL's Shakti Amma's- women who sell HUL's consumers products in rural India, have doubled up as customer service provider and opened around 1000 accounts for rural folks. Banks are now looking beyond the conventional model to penetrate deeper in a viable manner. HUL's Shakti model could also help banks take products like insurance and mutual funds to non-urban folks. If the plan in Maharashtra and Karnataka proves to be successful the company plans to exercise it across the country. (Malvilya, 2011).

HUL has a sales force of around 43,000 Shakti Amma's enrolled with HUL, the bank plans to open approximately 30 lakh bank accounts in one year, with each Shakti Amma expected to open at least 70 new accounts. The aim is to bring about financial stability and an opportunity to access capital for the villagers and thus further strengthen the network of Shakti. SBI stands to gain big in the deal as they get new customers and also skilled persons who are not their employees but capable of managing bank accounts. The project will be expanded in gradual phases and would be for villages with population of 2000 or less. The bank has been able to achieve approximately 20% penetration in the villages with most of the new account holders being women (Singh, 2011). In villages word of mouth has a big impact and these new account holders may spread the word around.

Godrej Chotukool and Indian Postal Department

Godrej keeping an eye on the rural market has tied up with the Indian Postal department to sell small capacity refrigerators to village homes. The company signed a memorandum of understanding with the director of postal service Gujarat circle to sell Chotukool a small refrigerator with a capacity of 43 litres, weighs 8.9 kilograms. The product is low priced at Rs. 3790 to capture the rural markets. The sell will be through all three postal headquarters of Ahmedabad, Vadodara and Rajkot.

A desired customer has to contact nearby post office with the cash, deposit it over there with address of his residence. The entire amount is then transferred to the bank account of Godrej. The company then ensures delivery of the product within one week, using the services of the postman. The postal department gets a commission for every sale of Chotukool. The delivery takes place through the express post parcel services of the postal department. The charges of delivery are paid by the company and not charged to the customer. This distribution model was initiated in the states of Gujarat, Maharashtra and Tamil Nadu. (Saiyed, 2011)

T.V 18 and Lokmat Newspapers

In the year 2007, T.V 18 and Lokmat Newspapers Limited formed through a 50:50 joint venture launched a T.V news channel IBN Lokmat to reach out to the Marathi speaking population. Lokmat newspapers is a very well-known brand among the people of Maharashtra, and with more and more people having access to electronic media, this partnership created a perfect venture for both the companies to form a successful alliance. This partnership has survived till date and reaped rich dividends for both the companies.

Such a venture between a newspaper and a T.V channel was not the first of its kind. A few years ago Star group had tied up with Ananda Bazar Group of Publications (ABP), which is a leading publication in the state of Bengal, to launch a 24 hours News channel.

Media experts believe such collaborations between Newspapers and television broadcasters would be next happening thing in the world of News. Radio would likely join the bandwagon in future.

This would make sense from the advertisement revenue point of view; also as more and more companies are looking for regional specific target markets. (Shiekh, 2007).

By having the name “Lokmat” attached to its channel, IBN Lokmat news channel is bound to attract more viewers for its news channel as the brand Lokmat is very popular as far as news is concerned.

Samsung and IFFCO

Samsung Company almost a decade ago had collaborated with IFFCO (Indian Farmers Fertilizers Cooperative) to distribute their mobile handsets in rural India. This is because most large companies lack a direct presence in feeder towns. With plans of expansion in rural areas, this tie-up helped in addressing the critical problem of distribution in rural areas.

The number of mobile phone users in rural India is rapidly rising. Samsung sensed this opportunity for its electronic goods. They set a target to double its market share within a short time period. Samsung believed that the next wave of subscribers will be from rural India. The hand sets for rural India will be useful for accessing commodity prices to agriculture inputs. (Gooptu, 2008)

Conclusion

Compared to urban markets, high investments are required to serve rural markets as a lot of money is spent on logistics due to the sparsely populated villages and the scattered population in different geographical regions. A company cannot have large scale operations if they ignore the rural markets. Rural markets should not always be looked upon as a long term investments. An innovative approach could yield results at a faster pace. The major hurdle is the high cost of distribution which can be overcome by forming strategic alliances with non-competing companies for distribution of products especially the physical goods. A strong alliance will definitely result in rich rewards. The distribution channel of goods moving from rural area to urban area can also be utilized for making reverse distribution. E.g. The distribution channels of vegetable cooperative society or the distribution channels of Alphonso mangoes from the Konkan region to the metro cities. Strategic alliances are the key to successful distribution in rural markets.

Suggestions:

- Companies should think what they are gaining rather than being worried about how much the other partner in the deal stands to gain. Even if the other partner stands to gain more you only need to feel happy for him as he is not your competitor but rather you buddy in the strategic partnership.
- Firms which offer consultancy to companies going rural e.g. MART, Rural Relations etc. can be of big help in fostering such a relationship.
- Such tie-ups are more important to the relatively smaller organisations as they have limited resources compared to big companies like ITC, HUL, P&G etc. The smaller companies should not mind playing second fiddle to big brother if there is an alliance between a big and a middle size organisation.

- The strong network of Kudumshree in Kerala can be tapped to achieve deeper penetration. With more than 40 lakh members and with its presence in all the districts of Kerala, companies can think of the feasibility of a tie-up with Kudumshree and utilize its network to make its products available in almost every village of Kerala.
- Such tie-up should not be limited to distribution only but can include collaborative promotions so as to reduce cost and achieve more sales. The collaborating companies in fact can look at as many aspects as possible to further strengthen the partnership.
- Such partnerships should be initiated at the earliest with like-minded companies before such a rural marketing strategy becomes a norm rather than a new initiative which no longer makes news. The late entrants also face the risk of being left with limited choice.
- It will be advisable to have a market research of the target market and a complete understanding of the strength and weaknesses of the partnering company, before talks on such a partnership are initiated.
- Such collaboration would give companies an upper hand, as their combined strength would give them an advantage when dealing with retailers in rural areas.
- Companies should be open to the idea of having a strategic partnership with different companies for distribution in different geographical regions/states.
- Companies while forming a partnership should have a contract for a specific number of years as the alliance would go through the cycle of forming-storming-norming-performing-adjoining.
- There are a number of NGOs operating in rural areas. Companies may approach the NGOs to help distribute the products so as to form a win-win alliance.

References;

Pradeep Kashyap (2011). Rural Marketing-Second Edition. Pearson Education Publisher. ISBN 13- 978-81-317-6035-2

Dinesh Kumar and Punam Gupta. (2017). "Rural Marketing-Challenges and Opportunities. Sage Publishing. ISBN 978-93-860-6276-5

C.S.G Krishnamacharyulu and Lalitha Ramakrishnan . Rural Marketing Text and Cases-Second Edition. Pearson. ISBN 978-81-317—3263-2.

Chetan Bajaj, Nandini Bajaj, Veena Shenoy (2017)-Edition-1- Rural Marketing-New Age International-ISBN 9789386070951

www.kudumbashree.org/

www.ruralrelations.com

<https://www.chotukool.com/buyoffline.aspx>

www.afaqs.com/news