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A Study on Impact on Distribution Channel and Market Penetration Strategies for FMCG Products

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ABSTRACT

The Fast-Moving Consumer Goods (FMCG) industry is a highly dynamic sector characterized by frequent purchases and rapid consumption. This study investigates consumer behaviour related to FMCG products with a particular focus on market penetration strategies and distribution channels. Primary data was collected via structured questionnaires and analysed using the Garrett Ranking Method and Chi-square analysis. Findings revealed personal care products as the most preferred category, followed by beverages and processed food. The study also highlights the growing significance of e-commerce, the influence of promotional strategies, and the role of consumer demographics. Strategic recommendations are offered for companies aiming to improve market presence. This research provides valuable insights into the evolving purchasing patterns in emerging markets.

Keywords: FMCG, Market Penetration, Distribution Channels, Consumer Behaviour, Garrett Ranking Method, Chi-square Analysis, E-commerce

INTRODUCTION

The FMCG sector includes products that are sold quickly and at relatively low cost, such as packaged foods, beverages, toiletries, and over-the-counter drugs. In a competitive environment, companies must continuously innovate their market penetration strategies and distribution networks to meet evolving consumer needs. The study aims to identify how consumer behaviour shapes product preferences and how businesses can leverage this data to expand market reach.

Distribution Channel

- A distribution channel is a network of distributors or intermediaries that ensures the delivery of products from manufacturers to end-users. It is also responsible for the transfer of payments made for purchases by customers to producers.
- It could be direct (manufacturer to consumer) without any middlemen or indirect, where intermediaries (wholesalers, retailers, distributors) are involved.
- The choice of the marketing channel depends on the cost of distribution involved, sales goals, business and product type, and targeted market.
- Its functions include supplying market information to the producer, financing its operations, promoting its products and services, maintaining product price stability, minimizing market risk, etc.

Market Penetration

Market penetration is a measure of how much a product or service is being used by customers compared to the total estimated market for that product or service. Market penetration can also be used in developing strategies employed to increase the market share of a particular product or service.

- Market penetration is a measure of how much a product or service is being used by target customers compared to the total estimated market for that product or service.
- Market penetration also relates to the number of potential customers who have purchased a specific company's product instead of a competitor's product.
- Market development is the strategy or action steps needed to increase market share or penetration.
- Common market penetration strategies include lowering prices, acquiring competitors, targeting new markets, or introducing new products.

- Companies must be mindful of how market penetration into new areas can jeopardize current relationships with customers, dilute equity branding, and confuse consumers about the company's identity.

DISTRIBUTION CHANNELS AND PENETRATION STRATEGY FOR FMCG PRODUCTS

Understanding Distribution Channels in FMCG

Definition and Types:

Distribution channels are the pathways through which a product travels from the manufacturer to the end consumer. These can be broadly categorized as:

Direct Channels: Manufacturer to consumer (e.g., e-commerce platforms).

Indirect Channels: Using intermediaries like wholesalers, distributors, and retailers.

Key Functions of Distribution Channels:

1. **Efficient Product Delivery:** Ensures products reach customers at the right time and place.
2. **Cost Optimization:** Reduces operational costs by leveraging intermediaries.
3. **Market Expansion:** Facilitates entry into geographically diverse regions.
4. **Consumer Convenience:** Enhances accessibility, ensuring consumers find products readily available.

OBJECTIVES OF THE STUDY

- To understand consumer preferences across various FMCG product categories.
- To evaluate market penetration strategies currently employed in the FMCG sector.
- To analyse the role of distribution channels in influencing consumer buying decisions.
- To provide recommendations for enhancing FMCG market presence.

LITERATURE WORKS FROM PREVIOUS STUDIES

In order to find the research gap and to find the insights about the sample size, techniques to be followed, depth reading of pervious literature review is required. Here are some of the summaries of the reviews that are collected for the research purpose.

1. **Debi P. Mishra., Fmcg Distribution Channels In India: Challenges And Opportunities For Manufacturers And Retailers. The Journal Of Global Business Issues, Volume. 2, Issue 2, Pg, No:175-181, 2008.** This Study discusses the evolution of distribution channels for consumer goods in India, focusing on historical trends, current practices, and future directions. It explores the transition from traditional to modern distribution systems, highlighting the role of technology, e-commerce, and retail innovations. The paper also addresses challenges such as infrastructure, logistics, and consumer behavior, while offering insights into strategies that companies can adopt to improve efficiency in the evolving Indian market.
2. **R. Agus Trihatmoko And Roch Mulyani,.Distribution Strategy For New Product Marketing Success: Fast Moving Consumer Goods (FMCG) Business. Management And Human Resource Research Journal, Vol.7, No.12,Pg,No:19-27,2018.** The study explores the critical role of distribution strategies in the market success of new FMCG products. Effective distribution enhances sales turnover, market share, brand image, and product demand. Key metrics like distribution performance and sales cycles are highlighted for evaluating product success. It emphasizes careful planning and execution of distribution to ensure accessibility and competitiveness. The research offers valuable guidance for optimizing distribution strategies in the FMCG sector.
3. **Alamelu.PI, Dr.S.Manikandan, A Study On The Retailer's Satisfaction Towards Fmcg Distribution Channels In Chennai. Journal Of Emerging Technologies And Innovative Research, Volume 5, Issue 11,Pg,No:399-403,2018.** 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.
4. **Abdelrahman Mohsen, Ranya Ibrahim Yosuf, Ishra Yasser, Frida Wally, The effect Of Distribution Channels Strategies and Types Of Consumer Buying Behaviour of Convenience Products.Management science Jonural. Volume.2,no.2.Pg,No:102-125,2023.** The study examines how distribution strategies and channel types impact consumer buying behavior for convenience products like protein bars.

Intensive and selective strategies significantly influence purchasing decisions, as do the types of channels (physical or online). Accessibility and availability are key drivers of consumer willingness to buy. It highlights the importance of aligning distribution strategies with consumer preferences. The findings offer actionable insights for optimizing distribution in the convenience goods sector.

5. **Ms. Shigufa Momin, Dr. Harikrishan Chaurasiya.**Optimizing Retailor Satisfaction and Distribution Channel Analysing ITC's personal Care Category with in Retail Network. **Journal of Management & Entrepreneurship. Vol. 18, No.2, Pg. No:9-20,2024.** The study analyzes ITC Ltd.'s personal care distribution network in Ahmedabad, identifying 55 unserved stores and service gaps in 19 others. Key challenges include product replacement issues, credit payment difficulties, lack of promotional displays, and wholesaler influence affecting 22% of the market. Proposed solutions include better product expiry management, enhanced promotions, credit options for loyal retailers, increased retailer app usage, and salesperson training. Addressing these gaps aims to improve retailer satisfaction, streamline distribution, and boost ITC's competitive edge.
6. **Sabana Backer. Green marketing; FMCG; Environmental Marketing; Ecological Marketing; consumer behaviour. Department of Commerce and Management, Amrita Vishwa Vidyapeetham University, 2024.** This study examines green purchasing behavior in Kerala's FMCG sector, focusing on green marketing strategies, demographic influences, and environmental attitudes. Green labeling is the most impactful strategy, with natural ingredients and health benefits being top product preferences. Pro-environmental attitudes strongly influence green purchases and customer satisfaction. Data from 410 respondents were analyzed using advanced statistical tools, ensuring reliability. The findings highlight the rising demand for sustainable products and the need for effective green marketing communication.
7. **Natisha Saqib. Product positioning strategies in the indian emerging market An empirical study of FMCG Sector. The Business School,University of Kashmir, 2018.** his study focuses on positioning strategies in India's FMCG sector, a critical contributor to the economy and highly competitive in the emerging market landscape. Despite the importance of product positioning, gaps exist in its conceptualization and empirical measurement, particularly in emerging markets. The research addresses these gaps by developing a valid and reliable positioning scale tailored to India's FMCG sector, using a systematic process including exploratory and confirmatory factor analysis. This new taxonomy of positioning strategies offers theoretical, methodological, and practical insights into positioning activities, advancing understanding and application in India's dynamic market environment.
8. **Karan Veer Singh. Product and Promotion Strategies Of Indian MNC s In FMCG Sector. dean PG Studies and Research, Dr. A.P.J. Abdul Kalam Technical University, 2021.**The study of glocalization, companies must craft strategies that align with the principle of "think global, act local." The shift from a product-centric to a customer-centric approach is particularly evident in the FMCG sector, where customers now enjoy a wide range of options to meet their needs. This intense competition makes it challenging for firms to retain and acquire customers, necessitating differentiation through well-thought-out marketing strategies. These strategies should prioritize customer satisfaction, effectively utilize the marketing mix, and positively influence buying behaviour. The LPG era introduced both opportunities, such as market expansion, and challenges, such as competition from multinationals offering better-priced alternatives, forcing firms to innovate and adapt to the dynamic market environment.
9. **Tyagi, Vani. Analysis of marketing mix strategies of FMCG products in rural *markets with special reference to Rajasthan. Department of Commerce, The IIS University, 2017.** The rise of rural markets in India highlights their vast untapped potential and the need for tailored marketing strategies. Over the years, advertisers have made innovative attempts to understand and engage rural consumers, achieving mixed success. Rural buyers often emulate urban lifestyles, presenting opportunities for marketers who can adapt to the unique dynamics of these markets. With over 700 million potential buyers and accounting for more than 40% of India's middle-income group, rural markets offer significant opportunities for growth. To succeed, businesses must develop specialized techniques that cater to the distinct needs and preferences of rural consumers.

RESEARCH METHODOLOGY

- **Sampling Method:** Random sampling
- **Sample Size:** 136 respondents
- **Data Collection Tool:** Structured questionnaire
- **Analysis Techniques:** Garrett Ranking Method to prioritize consumer preferences; Chi-square test to evaluate associations between demographics and purchasing behaviour.

DATA ANALYSIS AND INTERPRETATION

To Test the Significant Between Location and Delivery Speed of The Product.

- H0: There Is No Significant Association Between Location and Delivery Speed of The Product.
- H1: There Is a Significant Association Between Location and Delivery Speed of The Product.

- **VARIABLES:** Location and Delivery Speed of The Product.
- **TABLE NO:4.2.6**

	VALUE	DF	Asymptotic. Significance. (2-Sided)
PEARSON CHI-SQUARE	16.663	6	.011

-
- **SOURCE:** Collected Through Questionnaire (Primary Data)
- **Table Value @ 5% = 12.592**
- **Degree Of Freedom (Df) = 6**
- **X² (Chi-Square Value) = 16.663**
- **INTERPRETATION:**
- The Critical Value of The Chi -Square With 6 Degree of Freedom At 5 Percent Level of Significance Equals Value Of X² (16.663) Is greater than the Critical Value, There Is Enough Evidence to Reject the Null Hypothesis. Therefore, The Alternative Hypothesis Is Accepted. Therefore, There Is a Significant Association Between Location and Delivery Speed of The Product.

RECOMMENDATIONS

- **Product Strategy:** Focus on high-demand categories like personal care and beverages.
- **Distribution Strategy:** Strengthen both retail and e-commerce channels to reach wider audiences.
- **Promotional Strategy:** Implement targeted offers based on demographic insights.
- **Customer Engagement:** Use digital platforms to increase brand interaction.

LIMITATIONS OF THE STUDY

- Limited to urban areas; rural consumer behaviour was not considered.
- Sample size of 136 may not represent the entire market.
- The study is cross-sectional and may not capture seasonal variations.

CONCLUSION

The study concludes that effective market penetration in the FMCG sector requires a deep understanding of consumer preferences and behaviour. Companies must adopt a hybrid distribution model that blends traditional retail with e-commerce. By focusing on product innovation, promotional strategies, and digital engagement, FMCG brands can expand their reach and strengthen market presence.

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