

# **“A Study of Place (Distribution) strategies for effective marketing in small scale chemical companies with special reference to Kurkumbh MIDC, Pune”**

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## **Abstract**

The Indian Chemical industry, twelfth biggest in production in the world, is developing at average rate of 12.5%, hence modernization of existing technology through innovation or foreign collaboration could encourage improve development and growth.

Increasing local production requires global competitiveness to withstand imports as well as for export surplus, the success factors are availability of feedstock at competitive cost, access to advanced technology, low cost capital, investment in Research and Development as well talent development.

The boost demand of the chemical products, there is necessary for chemical companies to grow. The Government is ensuring that this demand be met through domestic production. For Indian companies marketing mix strategies are important as the Indian economy is now a part of the global economy and Indian companies need to complete globally.

**Purpose** – This paper aims to explore the challenges faced by chemical industries especially located at rural areas. This paper also aims at understanding the distribution strategies adopted for them to have effective marketing.

**Research Methodology** – This is descriptive paper based on questionnaires and personal interviews with chemical industries and their distribution channel.

**Findings** – This research paper highlights importance of the distribution channel of the chemical industries but have significant contribution to the economy as well as society in the form of employment generation, pesticides and so on.

**Research implications** – The study mainly focused on small scale chemical industries located in Kurkumbh MIDC areas. The observed importance of information is sharing merit further investigation.

**Originality**- This paper, by combining marketing strategy related information concepts into one model, offers new insights into the distribution channel of the chemical industry.

**Key Words**-Marketing strategy, Distribution Channel, Chemical Industry

## INTRODCUTION

The Indian Chemical industry, twelfth biggest in production in the world, is developing at average rate of 12.5%, hence modernization of existing technology through innovation or foreign collaboration could encourage improve development and growth.

Increasing local production requires global competitiveness to withstand imports as well as for export surplus, the success factors are availability of feedstock at competitive cost, access to advanced technology, low cost capital, investment in Research and Development as well talent development.

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A key decision among the 4P's of marketing managers is distribution. Distribution decides the mode in which product and services are made available to the mark customers. It involves the bridging of place functional gaps between producer and customers. The design of physical distribution, referred to logistics and supply chain management and business channels of distribution are the major mechanism in distribution.

The association between manufacturers and customers is the channel of distribution. It consists of manufacturer, purchaser, and any intermediary organizations that are associated to provide a means of transferring ownership or possession of a product from producer to consumer. Channel of distribution signifies a set of interdependent relationships among intermediaries and producer.

The channel facilitates forward flows i.e physical goods, title of goods, and promotion offers and back ward flows i.e-ordering and payment. Some of these flows are forward flows (physical transportation, title, and promotion) others are backward flows (ordering and payment) and still other move in directions i.e-information, finance, and risk taking.

Presently Indian chemical industry holds a perceived position in the worldwide; however there are few elements which impede the development of the business it incorporates:

**a) Lack of cheaper raw material availability:**

Chemical industry utilizes either regular gas or raw petroleum as feedstock for assembling process. Feedstock and power are basic inputs for both organic & inorganic chemicals industry. Expenses of these crude materials are high in India when contrasted with nations like China, Middle East, Thailand and Indonesia, likewise the variances in oil costs influence on the expense of item and the development gauge of the organization.

**b) Fragmented Small Scale Industry:**

The Indian chemical industry is having a disorganized structure with large number of units in small-scale sectors spread in various parts of the country. The installed capacities in most of the small-scale units are lesser as compared to worldwide scales. The limitation in capacity in the small scale industries put them in unfavorable position while tapping export opportunities with large volume.

**c) Low levels of Research & Development (R& D):**

The level of R&D investments in the Indian chemical sector is low at around 2% of net sales. The areas for increase of R&D in chemical industry include improvements in manufacturing process for reduction in cost of production, application development to diversify demand, and new product development.

**f) Low Level of Common Infrastructure:**

The chemical industry requires certain basic infrastructure facilities, both in the process chain and in the supply chain. At present, each unit has to create specialized facilities on its own which leads to repetition of efforts and investment. If chemical units are clustered in nearer, the required infrastructure could be vertically integrated resulting in cost reduction.

**g) Logistic Issues:**

The logistics is a remarkable issue for chemical businesses, larger part chemical industries are primarily manufactured in the Gujarat and Maharashtra, however the makers appreciate simple access to crude materials, yet they confront trouble in supplying to completed items to the end-use ventures which are situated in Southern and Eastern areas, this builds the transportation cost, henceforth the item gets to be costlier, along these lines making imports less expensive when differentiate with inside transport. (Approx. US\$ 50 per metric ton cargo cost from Western part to Eastern part when compared with US\$ 30 to US\$35 per metric ton cargo for imports).

**Size of the Indian Chemical Industry**

- 1) The market size of the Indian chemical industry is around \$163 Billion in 2017-18.
- 2) Chemicals and Petrochemical production was around 47,882,000 Metric Ton. The production increase 2.6 % compared to the year of 2016-17.
- 3) Largest share of the chemical industry in India had by Alkali chemicals which is around 69% share in total production.
- 4) Crop protection chemical market in India is expected to reach \$7.5 Billion by 2019.

## REVIEW OF LITERATURE

Dempsey, W. A (1978), explained significant factor of selecting factors of selecting supplier in industrial marketing are:

(i) delivery capability, (ii) quality, (iii) price, (iv) repair and after sales service, (v) technical capability vi) performance history, (vii) production facilities, (viii) help and advice ix) control systems, (x) reputation, (xi) financial position, (xii) attitude towards the buyer, (xiii) compliance with bidding procedures, (xiv) training support, (xv) communications on the progress of the order, (xvi) management and organization, (xvii) packaging, (xviii) moral/legal issue, (xix) location, (xx) labour relations.

Doyle, P (1987), elaborated “The success of business mainly depends on identifying changing customer needs and wants and then designing, producing the products according to the needs and wants of the customers and customer prefers the products of good quality, reasonable price and the timely delivery.

Marketing Association defines marketing *as a* total system of business activities designed to plan price, promote and distribute want satisfying products to achieve organisational objectives. It focusses on two main things:

- i) The entire system of business activities should be customer oriented.
- ii) Marketing should start with an idea about a want satisfying product and should not end until the customers' wants are completely satisfied. The consumer must be recognised and accepted as the focal point of business activities, and the knowledge of customer needs and wants should be the starting point for all major business decisions.

Hooley, Saunders and Piercy (1988), highlighted “Competition analysis is a set of activities, which examines the comparative position of competing enterprises within a given strategic sector”.

The set of activities, that organisations are undertaking when analysing competition analysis, are: (i) assessing competitors' current and future objectives, (ii) assessing the competitors' current strategies, (iii) assessing competitors' resources, (iv) predict competitors' future strategies.

It helps to (i) provide an understanding of competitive advantage/ disadvantage relative to competitors' positions, (ii) generating insights into competitor's strategies - past, present and potential, and (iii) provide an informed basis for developing future strategies to sustain over the competitors.

Philip Kotler(1989), enlarges “The term "Industrial market" is used to refer to those organisations, which buy goods and services that are used in the production of others. The industrial marketer normally deals with fewer, larger customers than consumer marketer. The markets are geographically concentrated and the demand is derived. One of the major differences between consumer and industrial buying decisions is the buying motive. In consumer marketing the purchases are made by the consumers for personal consumption of utility, but in industrial purchasing, the purchases are made for reducing operating costs, satisfy legal obligations and also provide an input to the manufacturing process. The demand for many industrial goods and services tends to be more volatile than the demand for consumer goods and services”.

Ganguly P. (2005) enlightens that “Positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. The purpose of positioning is to create a distinct position or place for a particular brand in the minds of the target market so that it stands apart from competing brands.

## OBJECTIVES

1. To study the marketing mix strategy of Chemical Industries in Pune district.
2. To understand the place distribution strategy of the small scale chemical companies.
3. To analyze the impact of place strategy on efficacy of the marketing of small scale chemical companies.
4. To find out the problems of Chemical industries with relevance to the marketing mix strategy.

## Hypothesis:

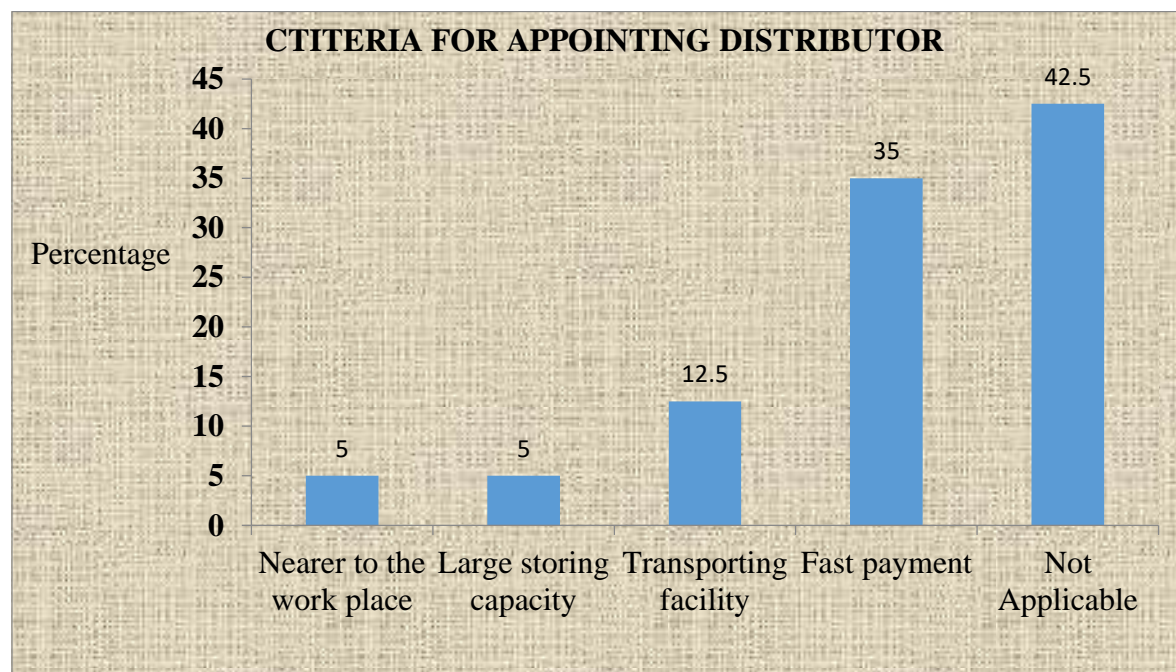
1. There is no significant relationship between number of distributors and increase in sales.

## Data Analysis:

### 1. Criteria for appointing distributor

S. No	Criteria for appointing distributor	No. of Respondent	Percentage (%)
1	Nearer to the work place	04	5
2	Large storing capacity	10	5
3	Own transporting facility	04	12.5
4	Fast Payment	28	35
5	Not Applicable	34	42.5

**Graph 1: Criteria for appointing distributor**



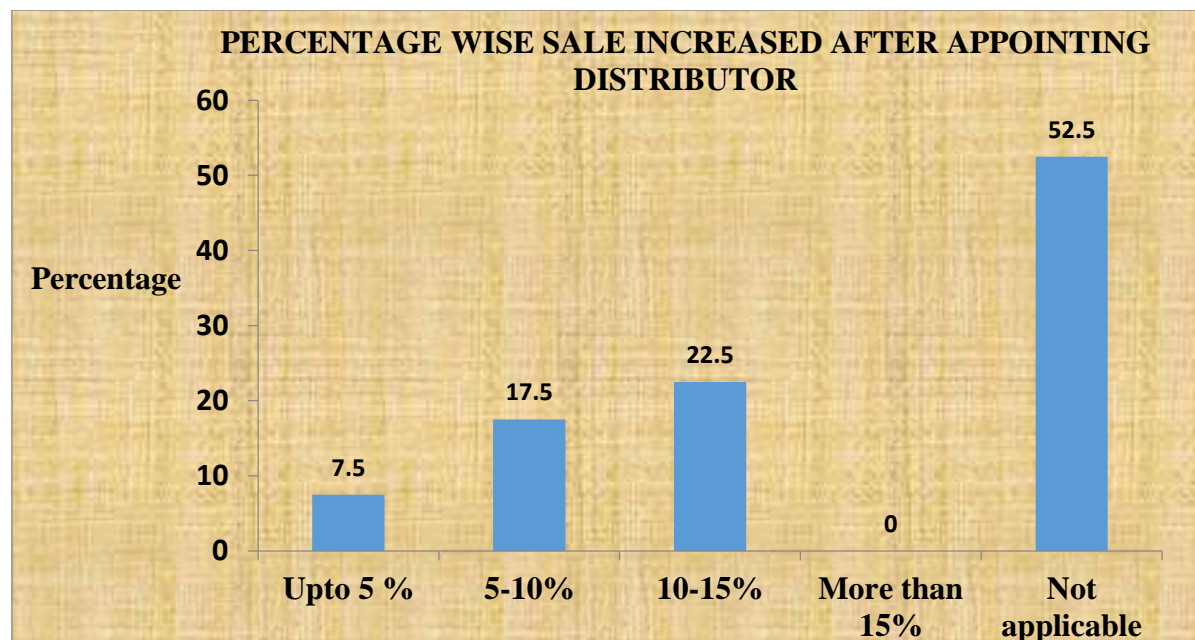
## Interpretation

- ❖ The above table and graph indicates, that 5% respondents criteria for appointing distributor is nearer to the work place. 5% respondents criteria for appointing distributor is large storing capacity.
- ❖ 12.5% respondent's criteria for appointing distributor is own transporting facility while appointing distributor.
- ❖ 35% respondent's criteria are fast payment while appointing distributor and 42.5% companies does not have their own distributors.

## 2. Percentage of sale increased by appointing distributor

S. No	% of sale increased by appointing distributors	No. of Respondent	Percentage (%)
1	Up to 5	06	7.5
2	5-10	14	17.5
3	10 -25	18	22.5
4	More than 25	0	0
5	Not Applicable	42	52.5

**Graph2. Percentage wise sales increased after appointing distributor**



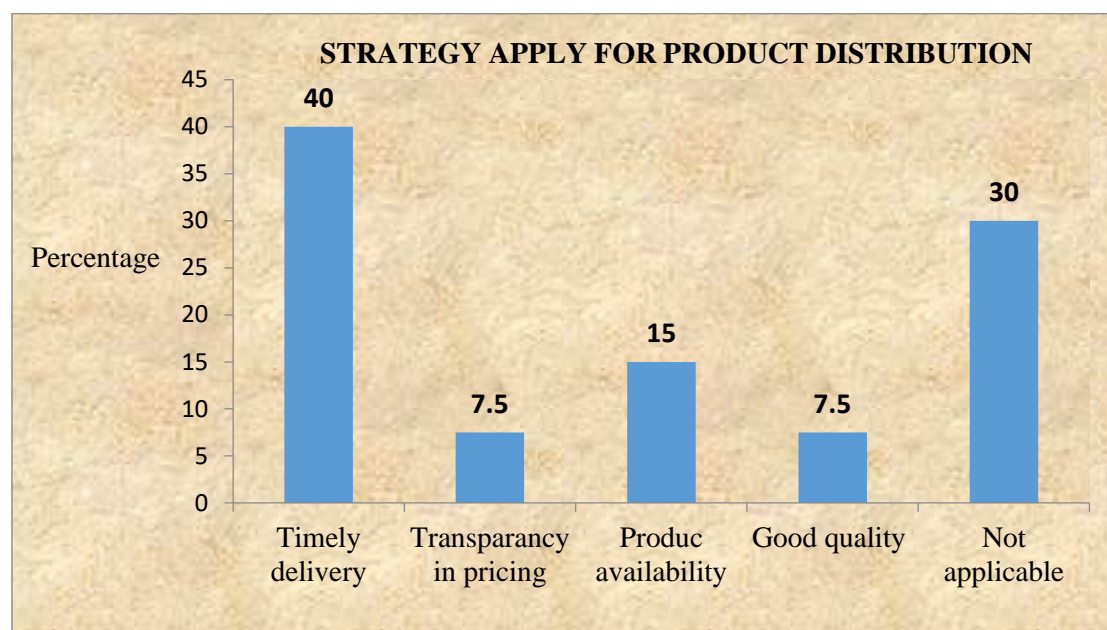
## Interpretation –

- ❖ The above table and graph specifies that 7.5 % sale increased by appointing less than 5 distributors.
- ❖ 17.5% sales increased by appointing 5 to 10 distributors.
- ❖ 22.5 % sales increased by appointing 10-25 distributors.
- ❖ No any company having distributor more than 25 and 52.5 % companies does not have distributor.

### 3. Strategy apply for product distribution

S. No	Strategy apply for product distribution	No. of Respondent	Percentage (%)
1	Timely delivery	32	40
2	Transparency in pricing	06	7.5
3	Product availability	12	15
4	Good quality material	06	7.5
5	Not Applicable	24	30

**Graph3. Strategy apply for product distribution**



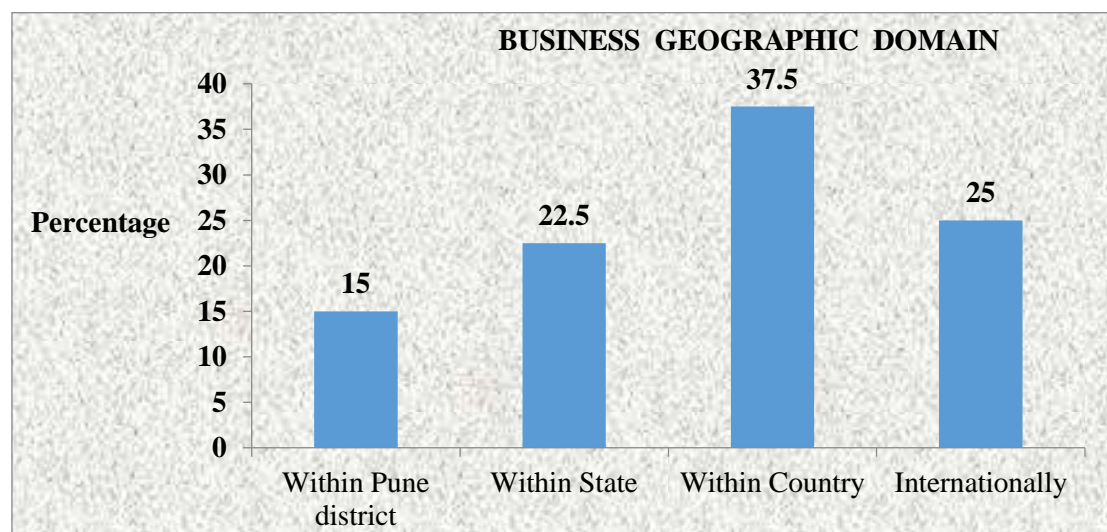
#### Interpretation-

- ❖ The above table and graph displays that 40 % respondents are preferred timely delivery for product distribution.
- ❖ 7.5% respondents are preferred price transparency.
- ❖ 15% respondents are preferred Product availability.
- ❖ 7.5% respondents are preferred good quality material and 30 % respondents does not applicable for product distribution.

#### 4. Business Geographic domain

S. No	Business Geographic domain	No. of Respondent	Percentage (%)
1	Within Pune district	12	15
2	Within State	18	22.5
3	Within Country	30	37.5
4	Internationally	20	25

**Graph4.Business Geographic domains**



#### Interpretation-

- ❖ The above table and graph displays that 15 % companies businesses are within city.
- ❖ 22.5 % company's businesses are with in Maharashtra state.
- ❖ 37.5% company's businesses are within India and 25 % company's businesses are internationally.

#### Hypothesis Testing:

**H<sub>0</sub>:** There is no significant association between number of distributors and percentage increase in sales.

**H<sub>1</sub>:** There is significant association between number of distributors and percentage increase in sales.

Level of significance: 5 %

The test statistics used for testing this hypothesis is cross tabulation (**Chi-square test**).

#### Interpretation –

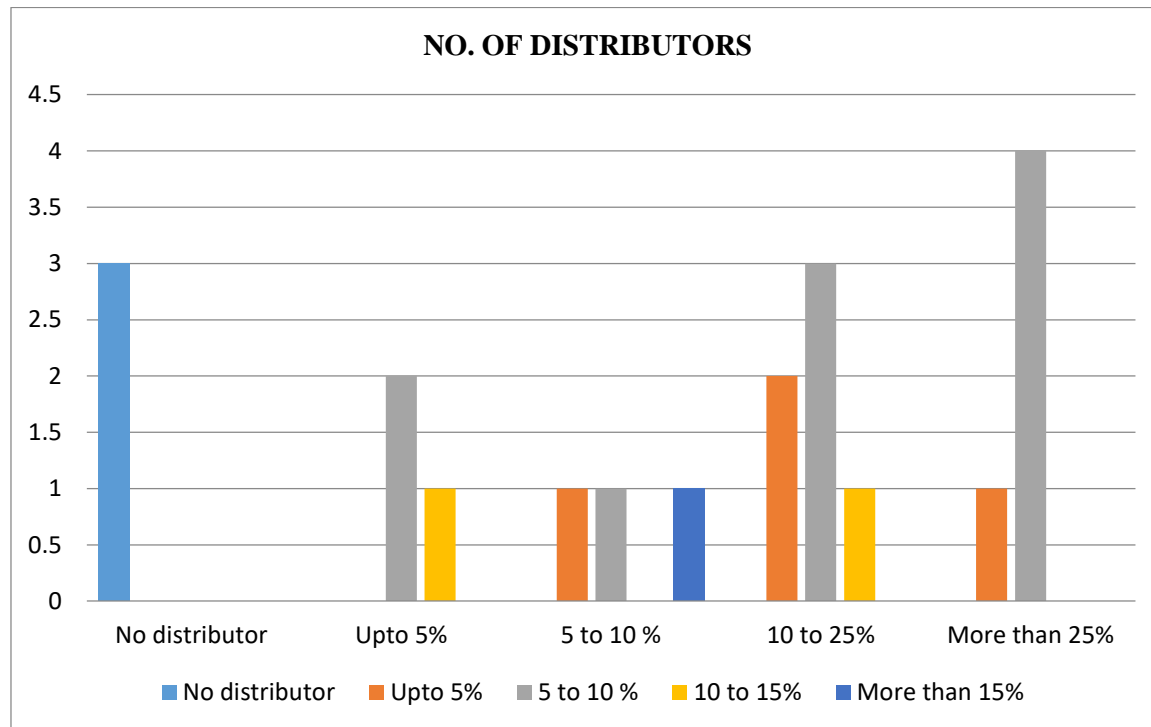
It was observed than 40% industries have no distributor, and 60% industries have more than 25 distributors.

It shows that there is no as such increase in sale while appointing a dealer, it indicates that there is no relationship between number of distributor and increase in sale.

### Decision rule 1.

The results of the test statistics indicate **to accept null hypothesis and reject alternative hypothesis**, as p value of the chi-square statistics -likelihood ratio- is .057 which is greater than .05. Therefore, we can conclude that **statistically there is significant association between number of distributors and percentage increase in sale**. Therefore, we can conclude that product distribution with or without distributors has association with sale.

**Graph4. Number of distributors**



### Decision rule 2

For Chi-square test -Table value of 16 is (26.2962) should be less than calculated value (30.400). The result of the test statistics indicates to accept null hypothesis and reject alternative hypothesis.

### FINDINGS:

1) Analysis of respondent suggested that 5 % company's criteria for appointing distributor are nearer to the market place. 5%company's criteria for appointing distributor are large storing capacity, having their own warehouse. 12.5% company's criteria for appointing distributor is own transporting facility. 35% company's criteria are Fast payment transaction and 42.5% companies do not have their own distributors. Hence it can be seen that most of the companies do not have their own distributor and need to find other distributor of have their own outlet for selling.

2) It was also observed that 7.5% sales increased by appointing less than 5 distributors. 17.5 %sales increased by appointing 5 to 10 distributors. 22.5 % sales increased by appointing 10-25 distributors. None of the companies have more than 25 distributors and 52.5% companies do not have even one distributor. Hence it can be seen that most of the companies does not have distributors but appointing distributor will have a significant impact on their product.

3) It was also noticed that that 40% respondents are preferred timely delivery for product distribution. 7.5% respondents are preferred price transparency. 15% respondents are preferred Product availability. 7.5% respondents are preferred good quality material and 30% respondents does not applicable for product distribution.

4) Analysis also suggested that 15% companies are selling within Pune district, 22.5% companies are selling within Maharashtra state, 37.5% companies are selling within India and 25% companies are export oriented. Hence it can be seen that most of the chemical company's business are within India.

### SUGGESTIONS:

1. The company should focus on distributors for timely delivery domestically as well as internationally.
2. Earlier chemical companies use to make customized product as per the requirement of an individual company or buyer due to limited usage of the same. But now scenario is change and market has been grown drastically. So companies need to utilize every opportunity. Chemical industries can have service level even for SME's at various price points as per the consumer requirement.
3. The chemical industries in India produce number of various indispensable raw material and supplies for other industries in manufacturing and industrial sector. In this case third party distributor can play vital to get maximum customer.

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