



# 2010

## Review of Distribution Channels in Rupa & Co. Ltd. with reference to market segmentation and scope in the rural market

---

Anurag Verma

Summer Intern, IIM Calcutta

4/18/2010

## Acknowledgement

I have worked previously in Indian Railways and this project is my first live experience in the corporate world. I have gone through an adaptation process through this project to the nuances of the private world. And I am very grateful to all who made it possible through their constant guidance, help and suggestions. This is their effort which has made this project possible.

I am very thankful to Mr. Tushar Basu, Owner, Analytic Consultants, who provided me with a chance to work in the my chosen field of interest-marketing. He constantly provided his invaluable support and guidance before and during the project period. In fact he prepared me in advance to face the challenges here.

Mr. Rajesh Sonkar is another person who made his every effort to support me. He always made me all kinds of data available without complaining once. I am very thankful to him. I am also grateful to Mr. Arjun and Abhijeet who helped me immensely in the market research with the distributors, wholesalers and retailers and even with the consumers.

And above all I would like to thank Mr. LSS Lal, Vice President, Corporate Planning at Rupa & Co. Ltd. He provided his precious guidance through the whole length of my stay at Rupa & Co. Ltd. He provided me with a chance to work in the distribution channels strategy and awarded a project which included too many learning contents in it. He always supported our ideas, provided his inputs and told when I was trudging the wrong path. I can frankly say without his help this project would not have been possible.

## Objectives of the project

The objectives of this project can be summed up as under :

- Reviewing of Rupa's traditional distribution channel partners and understanding the problems and bottlenecks faced by them
- Proposing the suggestions for removing the hurdles faced by the company's channel partners.
- Suggesting the new ways of distribution and emphasizing upon those channels which are otherwise present in the industry but absent in Rupa
- Dividing the consumer market into various segments based on various factors.
- Studying the consumers' tastes and preferences to show the driving factors behind the decision making process regarding the purchase of an inner wear.
- Conducting a study into the rural markets to understand the potential present there and if entry into those markets would be feasible from the point of view of Rupa.
- Preparing a basic roadmap to enter the rural markets.

## Methodology adopted in the Project

To achieve the required objectives, I prepared two questionnaires:

1. A distribution channel questionnaire
2. A consumer survey questionnaire

The responses of the first questionnaire gave valuable insights into the hurdles faced by the channel partners, what they expect of the company and what are the areas where they are not satisfied with the company's policies. Also I talked to the company's sales force and employees working in the sales departments to understand which are the areas they feel are largely neglected. All the findings from these conversations and questionnaire survey prompted me to come up with suggestions I feel are necessary for company's growth.

The first questionnaire also contained the questions regarding the extent Rupa's channel partners are present in the rural areas. The data collected shows that there is no presence of Rupa's distribution network in the rural areas. So the study into the scope in rural areas has been conducted on the basis of data obtained from the company and reports from various websites.

The second questionnaire contains questions to understand the consumer psychology regarding the purchase of an inner wear. Also the second questionnaire has attempted to divide the hosiery market into various segments on the basis of various factors such as income group, age, sex etc. the data from this questionnaire has been used to derive the various segments present in the market and suggest the strategy to target these segments effectively.

After these questionnaires I have done a SWOT analysis of the distribution channels to expose the weaknesses of company's distribution network and the opportunities that are being neglected.

At last I have made my recommendations to the company which I understand will enhance the growth rate of the company.

# Brief Profile of Rupa & Co. Ltd.

## Incorporation

Rupa & Company Limited was formed in the year 1985. Within a span of a decade from the formation of the company a major step forward was taken and the company came out with a public issue in the financial year 1995-96 and became a public limited company.

## Promoters

The company has been promoted by three brothers in relation:

Mr. P. R. Agarwala, Chairman

Mr. G. P. Agarwala – Vice Chairman

Mr. K. B. Agarwala- Managing Director

**P. R. Agarwala:** Mr. P. R. Agarwala aged about 71 years is B.Com and LLB with 45 years experience in hosiery business. He holds position of Chairman and takes strategic decisions of the Company.

**G. P. Agarwala:** Mr. G. P. Agarwala aged about 64 years and is Vice Chairman of the Company and supervises the production process and logistics solutions of the Company.

**K. B. Agarwala:** Mr. K. B. Agarwala aged about 60 years with 30 years of experience serves the company as Managing Director and by qualification is commerce graduate. He is in charge of marketing, Finance and Corporate Affairs of the Company.



The promoters Mr. P. R. Agarwala, Mr. G. P. Agarwala and Mr. K. B. Agarwala had cherished a vision and mission while incorporating the company. Even though being a first generation entrepreneur it is undoubtedly their zeal, hard work, effort, guidance and management, which has made Rupa a household name and India's, leading brand of hosiery industry today. The company has performed exemplarily well ever since its incorporation and has long-term vision to be a global player in the innerwear and casual-wear segment.

### **Board & Management**

The present strength of the Board is 10 directors of which 5 directors are promoter directors in the capacity of Chairman, Vice Chairman, Managing Director, 2 Directors and 5 independent directors. The Company is a professionally managed company and has engaged professional managers to manage the day-to-day affairs of the company.

### **Industry & Business Description**

The Indian garment industry is vital to the economy of the country. It is the largest employer after agriculture. The garment industry has two vital arms, the knitted garment sector and the woven garment sector. The knitted garment sector (Hosiery) constitutes about 25% of the total production. Hosiery items include a wide range of products though mainly concentrated on innerwear and casual wear. The company's products include both innerwear and casual-wear items. In the hosiery sector Rupa is one of the leading brands in India and it has been able to successfully establish itself with consumers for comfort & style. Brands such as Macroman, Frontline, Jon, Thermocot, Softline, Footline, Bumchums etc., are today well established brands of hosiery in India, favored by the consumers for product quality, design, comfort and style.

## **Brand Recognition**

For any FMCG company the prime asset is its brand value & recognition. The brands of the company such as Frontline, Jon, Macroman, Thermocot, Footline, Softline, Bumchums, Zooreka, Ribline, etc are household name for hosiery products. Each brand has unique product features and design. The Company has always recognized the value of brand in terms of growth for the company and it has always been the endeavor of the company to promote its brands. The company's expenses on account of advertisement in all forms of media, campaigns and celebrity endorsement have paid-off and as a result of which the brands are omnipresent in the market and consumer mind-space.

## **Quality**

The company has always provided highest standard of quality products to its consumers. In its endeavor the company has always believed in modern technology and latest machinery. The manufacturing facilities of the company are equipped with state-of-the-art machinery backed by a sophisticated in-house laboratory and R & D facilities. Computerized equipment has also been installed to check fabric and color. The accent in the quality management system is to provide to the rapidly changing fashion conscious consumer products which has a blend of comfort and style. It is as a result of the efforts and investments made for maintaining highest quality standards that today the very name 'RUPA' is iconized for quality.

## **Manufacturing / Infrastructure Facilities**

### **Domjur (Howrah) Unit**

The Company has one of the most modern dyeing plants in India, this unit is located 8 km from Kolkata, and produces over 5 tons of dyed fabric daily. Equipped with state-of-the-art machinery this plant is backed by sophisticated in-

house laboratory and R & D facilities. Computerized equipment has also been installed to check fabric and color. The set includes:

- Mayer and cie knitting machines from Germany
- Thies soft flow dyeing machines from Germany
- Santex finishing range from Switzerland
- Datacolor color matching system from USA
- Mathis Laboratory dyeing machine from Switzerland
- Latest stitching machines from Japan

### **Tirupur Factor**

State-of-the-art plants has been set up at Tirupur in Tamil Nadu with the latest machines for fabric checking and layering, cutting and stitching and ironing and stain removing, among other functions.

### **Geographical Presence**

The products of the company are available throughout India. The company's presence is in rural, semi-urban and urban markets. The company has built a healthy long-lasting successful relationship with its dealers and retailers all over the country. Continued efforts are rigorously being made to further enhance its geographical presence and its network.

### **Consumer Range**

The products of the company cater to the needs of all range of consumers. Further to cater to the needs of very elite fashion conscious upper-class consumers the company has promoted 'Euro' brand through a wholly-owned subsidiary. The product features, quality are still unmatched by any other Indian brand and it has

received phenomenal response and is well expected to emerge as a leading brand in the segment.

### **Growth**

From a very humble beginning the company has transformed to market leader of hosiery today. The turnover of the company as at March 31<sup>st</sup>, 2010 is Rs 536 crores and the current year's performance is well expected to surpass the same. The growth in the turnover of the company, from Rs 9.54 crores as at March, 1995 to Rs 500 crores plus, in more than a decade has been phenomenal and has transpired from the dedicated efforts of the promoters, management and all associated with the company.

### **Future Plan**

- a) **Expansion:** A further expansion project of both the units is in under implementation at an estimated cost of Rs 12 crores for enhancing production.
- b) **Brand Ambassador:** The Company has signed up Mr. Hrithik Roshan, the most admired film celebrity as its brand ambassador for Macroman M series.
- c) **Efforts:** Rupa is one of the leading brands of hosiery in India today. The company will concentrate on brand promotion for ensuring its growth in terms of turnover and market share. In its effort it shall be focused on :
  - i) Strengthening its brand image
  - ii) Design and product development
  - iii) Further strengthening of its marketing and distribution network
  - iv) Enhancement of geographical presence
  - v) Efficiency improvement and pursuit of cost control

Pursuit for enhancement of volumes of both domestic and export sales will be vigorously followed. The Company is aware of the rapidly changing scenario; the accent is not only on product quality but also on style and modernity. Many of the existing brands have already been revamped and new ones will be introduced to cater to fashion conscious consumers. Packing and advertising has also received new attention and continued efforts will be made to keep the brands fresh and contemporary.

### **Vision**

To be a global player in the innerwear and casual wear categories.

### **Mission**

To produce the finest quality products through continuous innovation and improvement, providing for the consumer a stylish and comfortable experience.

## Study of Distribution Channels

Two surveys have been conducted in this project :

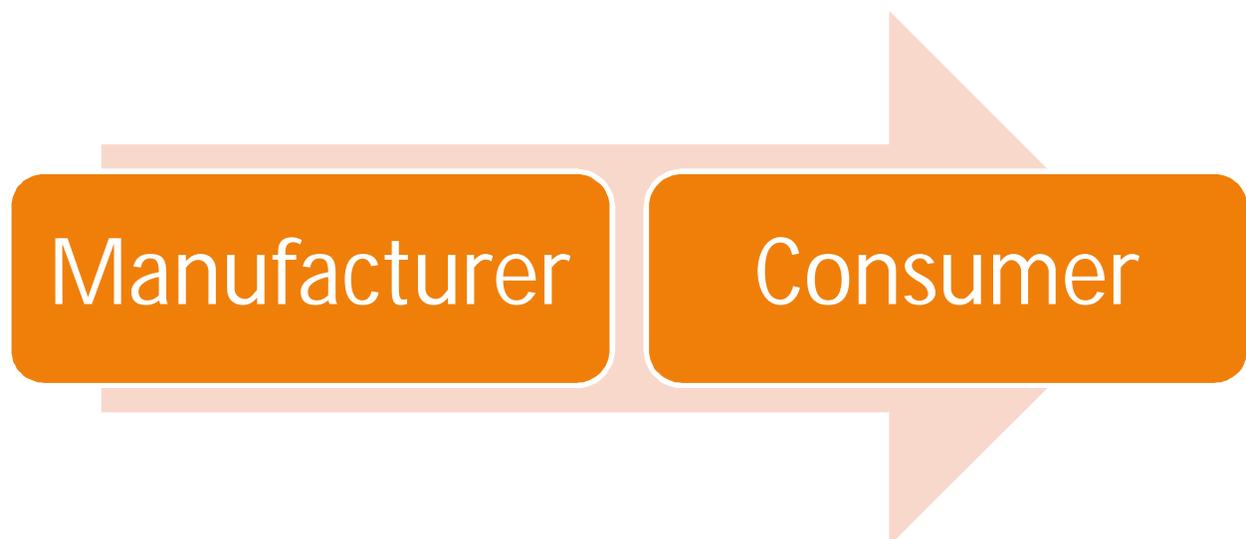
- A survey into the distribution channels of Rupa & Co. Ltd.
- A consumer survey

The understanding developed and learnings from the distribution channel survey have been used to bring forward some useful findings about Rupa's distribution channels. These findings have been used to come up with the strengths and weaknesses of Rupa's distribution network. Also it has helped to do an analysis of opportunities and threats present in the inner wear market in the context of Rupa.

### Types of distribution channels used in Rupa & Co Ltd :

#### Direct Distribution Channels

- **Channel 1 : Manufacturer to Consumer : Sales through Internet**

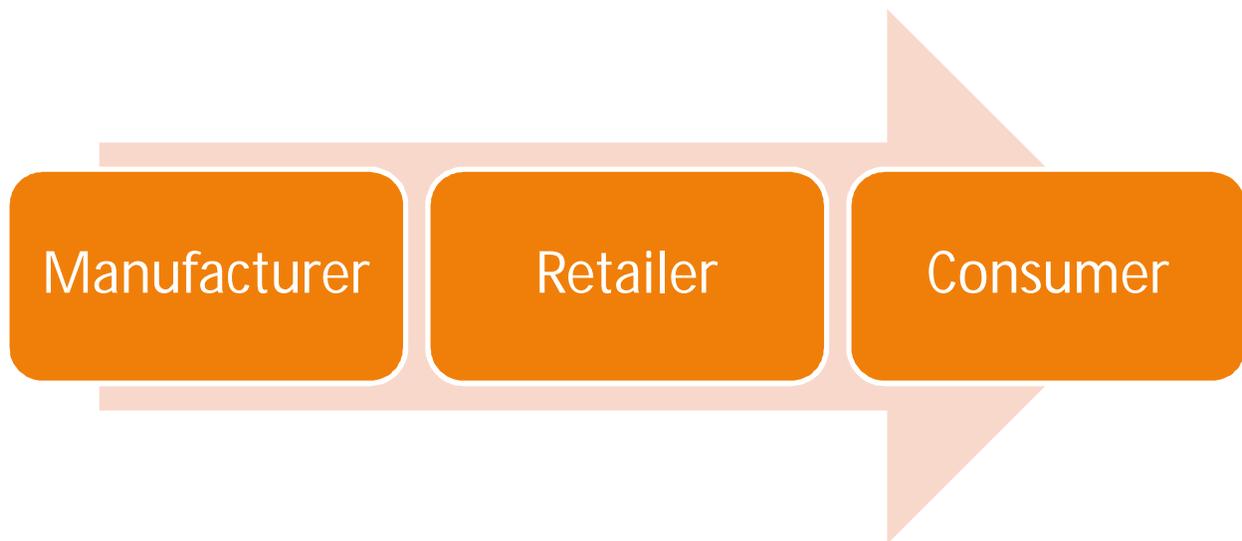


In Channel 1 distribution, there is no intermediary between the manufacturer and the consumer and the manufacturer himself ensures the supply of goods to the

consumer. Such a channel has been employed in Rupa in the form of sales through internet. Only one brand- Euro is sold through this medium. The turnover through this medium for the year 2009-10 stands at a tiny Rs. 50,000.

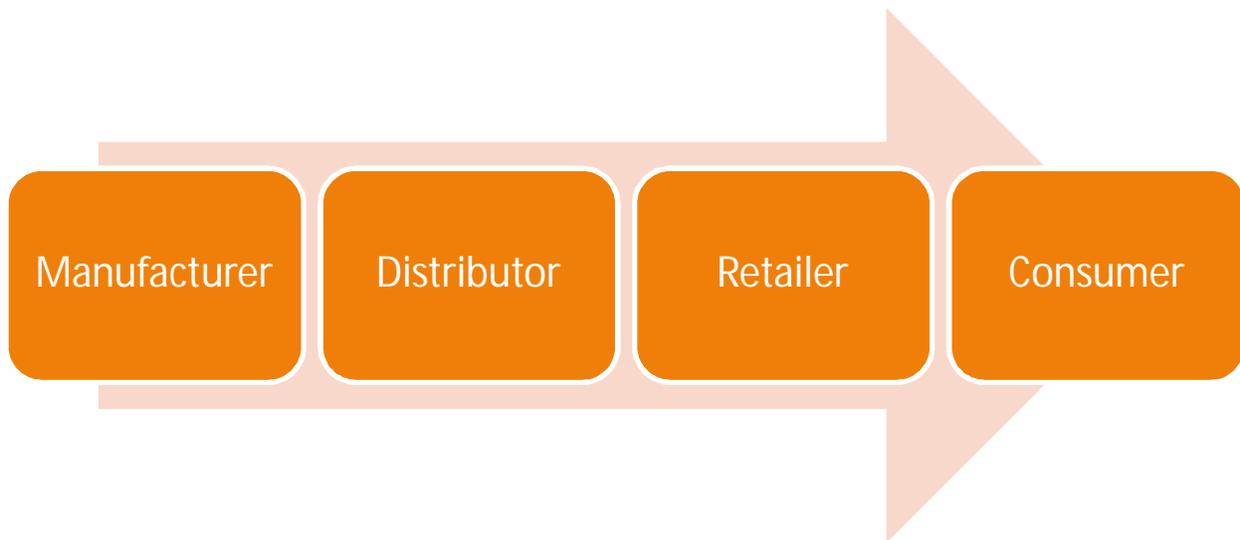
### **Indirect distribution Channels**

- **Channel 2 : Manufacturer to retailer to consumer**  
e.g. Large Format Stores, Modern Format Stores, Institutional Sales, Corporate Accounts



There is only one intermediary between manufacturer and consumer in channel 2 distribution channel. This distribution channel is present in the form of Large Format Stores, Modern Format Stores, Institutional Sales and Corporate Accounts in Rupa. The only brands sold through this channel are value packs of Rupa Jon, Frontline and Soft Line. The sales through large format stores in the year 2009-10 stand at Rs 44 lacs.

- **Channel 3 : Manufacturer to distributor to retailer to consumer**  
**Distribution through retail channel**



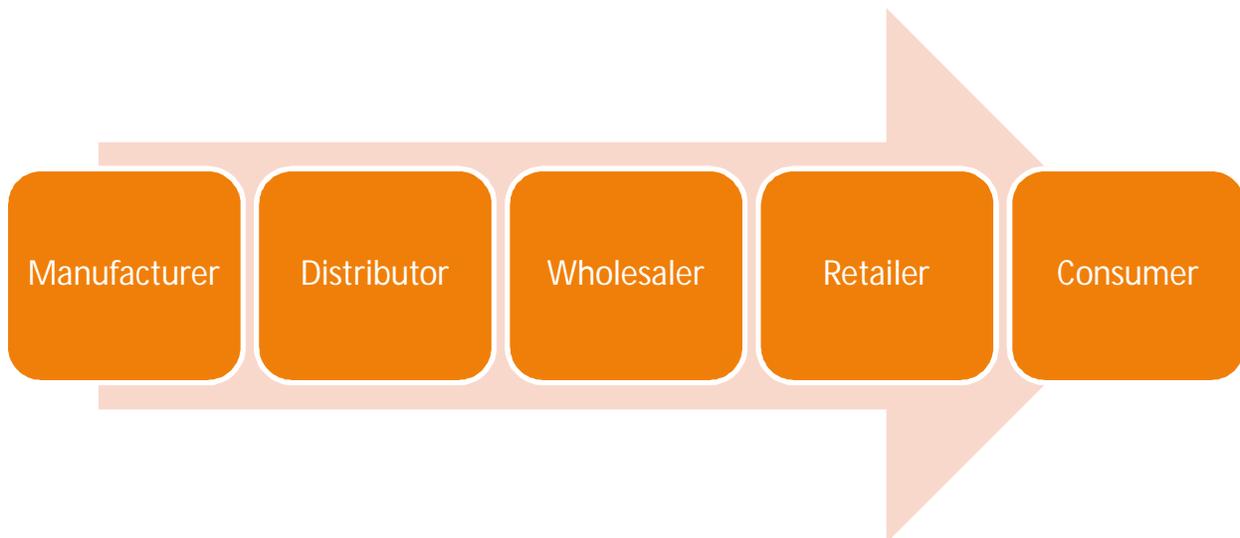
There are two intermediaries between the manufacturer and the consumer namely distributor and retailer. This channels is present in two forms in Rupa :

- **Rupa Junctions:** Rupa Junctions are the exclusive brand outlets of the company. They keep all the brands of Rupa and are spread across five states namely Uttar Pradesh, West Bengal, Orissa, Jharkhand and Assam. There are 45 Junctions stores present in the country. The junctions are supplied by the distributors. The turnover through this channel for the year 2009-10 stands at Rs 16,584,386.
- **Conventional Channel:** The other type of channel 3 distribution present in Rupa is its very conventional channel where it sells its goods to the retailers through the distributors. This is by far the most successful distribution channel for Rupa and also the most established one. The turnover through this medium stands at a whopping Rs 536 Crores and constitute more than 99% of overall sales. Under conventional channel. There are two approaches within Rupa :
  1. There are states/brands being serviced through agents and all dealers/wholesalers getting stocks are primarily placing orders to agents & agents are forwarding all those orders to respective Rupa offices for dispatches. All

orders follow up and payments are being monitored by agents and finally that agency is accountable for growth/de-growth of that territory. Rupa & Co Ltd are not providing adequate manpower to territory since these agents are getting over riding on total sale of dealers under them and if these territories are being deployed with Rupa sales force, it is going to be additional expenditure for company. Examples – Bihar, NE, Jharkhand ,U.P., Western Region & Northern Region.

2. There are states/brands which are directly controlled by Rupa & Co Ltd and sales force services to dealers are available. Example – Orissa, West Bengal, Delhi, Chattisgarh, & Entire Southern Region.

▪ **Channel 4: Manufacturer to distributor to jobber to retailer to consumer  
Distribution through Wholesale Channel**



There are three intermediaries present between the manufacturer and the consumer in this distribution channel. The one new intermediary present in this type of channel is jobber who is actually a small time wholesaler. All these intermediaries

are managed through a regional agent. This type of distribution channel is also present in Rupa though the turnover through this medium is hard to ascertain.

## **SWOT Analysis of Distribution Channels**

### **Strengths**

#### **Direct Channel:**

##### **Channel 1 : Manufacturer to Consumer : Sales through Internet**

Hardly any strength can be found in the direct distribution channel since it is still in a very nascent stage in the company. There is no discriminating feature present in this channel as of now as far as Rupa is concerned.

#### **Indirect Channel:**

##### **Channel 2 : Manufacturer to retailer to consumer**

##### **e.g. Large Format Stores, Modern Format Stores, Institutional Sales, Corporate Accounts**

- The Large Format Stores and Modern Format Stores are one of the most important distribution channels as far as the future prospects are concerned.
- Presently this channel has been employed only in the promotion of value packs of Rupa Jon, Frontline and Soft Line and has created a lot of awareness about these brands among the people preferring to shop in only such stores.
- Also the nationwide presence of these stores has ensured the availability of the value packs of the above mentioned brands throughout the country.

### **Channel 3 : Manufacturer to distributor to retailer to consumer**

#### **Distribution through retail channel**

##### **Rupa Junction:**

Rupa junctions provide the company with a number of advantages which can be summed up as under:

- They provide the company with exclusive advertisements for its various brands free of costs. Since they are exclusive brand outlets, they showcase only company's products on its windows. Also they put posters, banners and hoardings of Rupa in their shops in the best locations enhancing the brand recall in the mind of the consumer.
- Since Rupa Junctions are established by the contract between the company and some already established retailer, company displaces the competitors' brands which were previously being sold from that counter.
- The Rupa junction establishes the retail platform for the company if the company decides to explore such a prospect in future.
- Also these stores are able to cater those brand loyal customers who find it hard to get their favorite brand in a particular region where that brand is rarely sold due to low sales turnover.
- Rupa Junctions may also serve as readymade showrooms in case the company decides to expand in other apparels categories.

##### **Traditional Channel:**

- This is the oldest mode of distribution prevailing in Rupa and undoubtedly the most established one too. There are 700 distributors and around 100,000 retailers presently in Rupa's network. This channel operates on the nation-wide basis and is the chief reason behind the leadership of Rupa in the hosiery market.
- Since this is the most popular channel, it gives indications regarding customers' tastes and preferences prompting the company to devise its strategy accordingly regarding introduction of new brands and abandoning of obsolete, not-in-demand brands.
- Delivery of the company is pretty satisfactory as far as the retailers are concerned.

- Most of the consumer population still likes to go to the neighborhood shops to buy inner wears. So the wide network of Rupa always ensures the availability of its brands in the vicinity of the consumer.
- The customer trusts this traditional mode of distribution and feels much more comfortable regarding any quality issues.
- This channel also facilitates the minor penetration in the rural markets that the company has at present juncture though the volume of rural business cannot be ascertained in the absence of any reliable data.

#### **Channel 4: Manufacturer to distributor to jobber to retailer to consumer Distribution through Wholesale Channel**

- The channel 4 is very much same in the nature with the channel 3 traditional distribution channel. So it has the same strengths as the traditional distribution channel.

### **Weaknesses**

#### **Direct Channel**

##### **Channel 1 : Manufacturer to Consumer : Sales through Internet**

- There is only one brand-Euro covered through this type of distribution and no other brands of Rupa are being sold through this channel.
- The scale of operation for this type of channel is still quite low as the sales figure for 2009-10 suggests.
- There is no effective marketing for such an economical mode of distribution.
- There is lack of trained staff to deal with such a mode of distribution. Only one employee deals with such type of sales.
- There is a certain reluctance on the part of company to deal in this mode of distribution because of its conventional approach towards business.

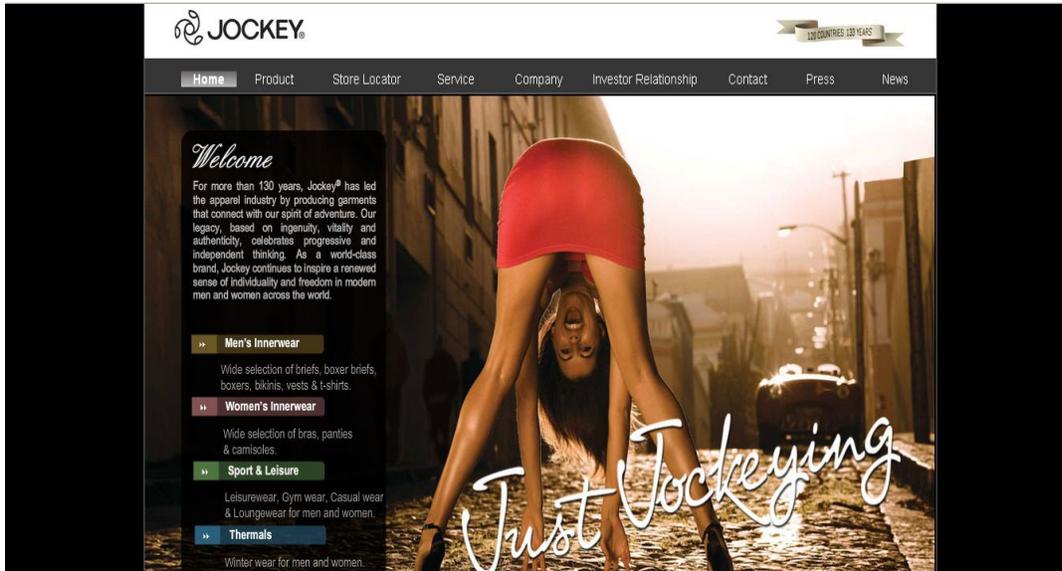
- The delivery issues also come in such a distribution channel. After the customer places the order, precious time gets killed in the company itself doing paperwork. This practice hampers the prospects of this mode of distribution to become significant.
- The company's website is very user unfriendly and gives a very amateurish look.

Just to have a look at how unattractive Rupa's website looks, I have put a snapshot of three other companies' websites.

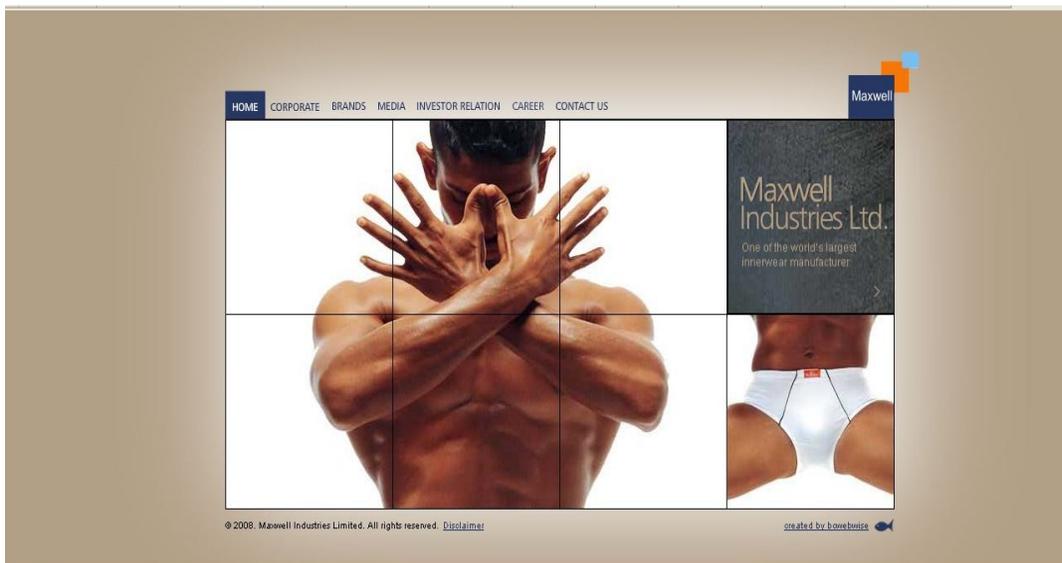
The first one is the website of kids wear maker Lilliput's. The website is very attractive and presentable, and therefore draws the attention of the viewer automatically.



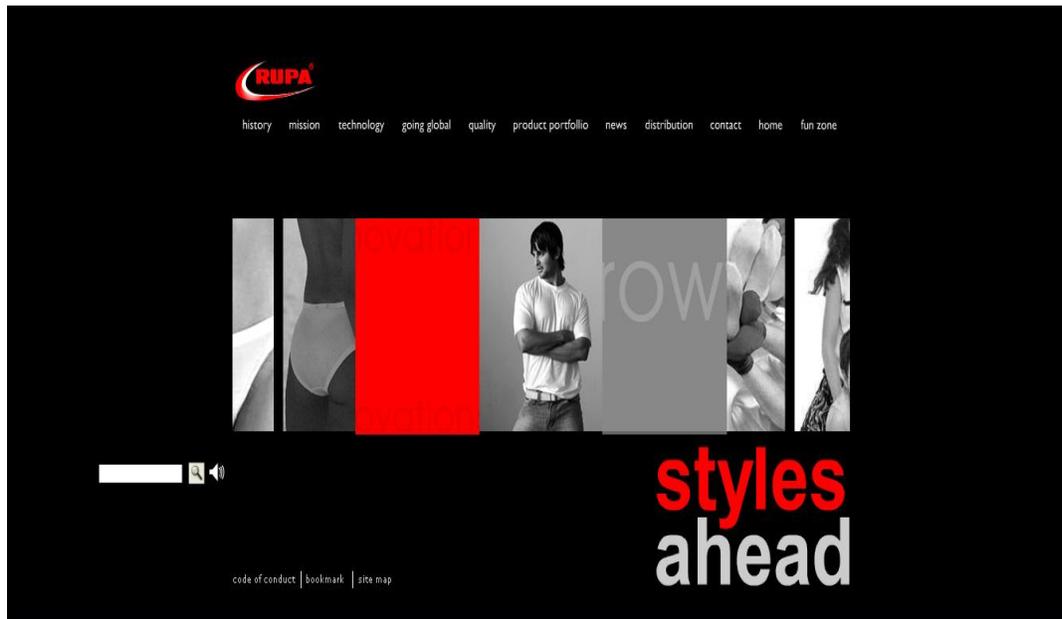
The second website is of the premium inner wear maker Jockey's. The website has a certain sex appeal and goes by the brand image of Jockey perfectly. Anyone who comes across this website will feel tempted to browse through it.



The third website is of VIP's, a fierce competitor in Rupa's own mass market inner wear category. The website is pretty good-looking and goes by VIP' image of a stylish brand in an affordable range.



And then comes the website of Rupa which is evidently a very unattractive website. Though the color combination used in the website is quite good, the website will hardly draw the attention of anyone who comes across it. Also when you open the website, it asks to choose the language which may be a bit innovative but is not at all well received among users.



## Indirect Channels

### Channel 2 : Manufacturer to retailer to consumer

**e.g. Large Format Stores, Modern Format Stores, Institutional Sales, Corporate Accounts**

- The main weakness in this type of distribution channels is the very poor presence of Rupa's brands in large format stores. There are only value packs available in these stores.
- The brands available here are Rupa Jon, Frontline and Soft Line. Of these three Rupa Jon hardly makes any sense at all. The brand is a SEC-D category brand which is hard to be expected in a market like modern trade where consumers are willing to spend to avail good quality stuff.
- Also the turnover of these brands has shown hardly any growth in the past two years. The turnover for 2008-09 was Rs 41 lacs while in 2009-10 it was 44 lacs. The worst scenario is happening in the current year when only Rs. 45,000 sales

have been registered in this market. It is very ironical that when the LFS market is on the boom, our sales are actually declining through the counter of these stores.

- There is acute shortage of trained staff to deal with the requirement of these modern and highly professional stores. There is only one retail manager and one employee to deal with all the 'modern trade'.
- The trade terms offered by the company are not quite compatible with these stores.
- The credit terms offered by Rupa are not competent enough with the market and so are promptly treated as harsh by the market.
- Also there is delay in transit on the part of Rupa when dealing with the specific requirement of these stores. There are a lot of unnecessary delays in the various departments from the time of receiving the order to dispatching the final order. These unnecessary delays are really not appreciated by the Professionals of large format stores.

### **Channel 3 : Manufacturer to distributor to retailer to consumer Distribution through retail channel**

#### **Rupa Junction**

- Rupa junctions are the exclusive brand outlets of the company, still they are meted out with the same treatment as any other ordinary retailer. They are supplied by the same distributor as their competitors and when there is a shortage of a particular brand in the market, they are also subjected to it. In case of shortage of any brand in junction stores, the company's image gets directly hit.
- They are also offered the same terms by the distributors as their competitors effectively leaving them with no competitive advantage over their rivals.
- They have to keep all the brands irrespective of the fact whether they are able to sell them or not. This increases their inventory holding costs and in turn decreases the profitability of the whole venture.

- They also face the dilemma of selling at the MRP as stipulated by the company which is hardly competitive in the circumstances that their rivals are undercutting and selling the goods at discounted prices. This prompts them also to undercut and sell at competitive prices violating the company policies.
- Many Rupa junctions are located in small, ill-managed shops violating the bare minimum requirements for a junction store. This fact poses a potential threat of brand dilution to the brand Rupa.

### **Traditional Channel**

- The main weakness as far as this distribution channel is concerned is of undercutting at different levels. The distributors cut their prices to win over other distributors' customers and so do the retailers to catch their competitors' customers. The immediate effect of this undercutting is that the customer loses his confidence in the retailer about the price he is being offered. It is only direct impact of undercutting which is faced by the retailer. The indirect effect comes in the form of resentment in the retailer regarding the brand Rupa which may hit the sales.
- The supply problem exists here too. Though this supply problem was because of incorrect sales forecast regarding certain brands.
- Trade terms are not very favorable as far as replacement of defective goods is concerned.
- There is a traditional approach of booking orders by agents and sales force. Agents are not updated with depot stock positions and book orders without knowing the stocks and hence cause short supply.
- Agents are only confined to primary order booking and after sending the order to Rupa office they wait and only get any information after dispatch.
- Order to Dispatch Cycle is never less than 7 days to 10 days.
- There is no warehousing, indenting, sales forecasting, inventory management, and integrated supply chain to deliver consignment.
- All above activities are being executed by unskilled workers based on their experience.

#### **Channel 4: Manufacturer to distributor to jobber to retailer to consumer Distribution through Wholesale Channel**

- The weaknesses of this mode of distribution are same as channel 3 traditional distribution.

### **Opportunities**

#### **Channel 1 : Manufacturer to Consumer : Sales through Internet**

- The direct channel has remained by far as a mostly neglected mode. Only one brand has been covered by this. More brands should be brought under this mode of distribution.
- This is a very cheap mode of distribution removing all the intermediaries' costs. So it would not be very difficult to sell all the brands through this medium.
- Also if the company can improve its website and showcase its products in a more attractive manner, it may be a source of good marketing for the company's various brands.

### **Indirect Channel**

#### **Channel 2 : Manufacturer to retailer to consumer**

#### **e.g. Large Format Stores, Modern Format Stores, Institutional Sales, Corporate Accounts**

- Large format stores are presently booming in India and the future of the company's growth lies there only.
- Large format stores are spread across the length and breadth of the country. Thus they are able to enhance the availability of a brand to a distinct social class which prefers to shop in malls.
- Also the presence of Rupa's brands in these stores, when seen in the vicinity of premium category brands will enhance the brand image of Rupa in the psyche of the customer.

### **Channel 3 : Manufacturer to distributor to retailer to consumer Distribution through retail channel**

#### **Rupa Junction**

- Opportunities are very large for Rupa junctions as only five states are covered by these stores. They should be opened more states to cover a larger consumer base.
- With careful planning they may turn out to be the flagship stores for brand Rupa.

#### **Traditional channel**

- Only the traditional retailers operate in the rural areas where there is hardly an organized reach of Rupa's distributors. Making a systematic rural penetration may expand the otherwise saturated market for Rupa.
- Offering favorable terms to the retailers may tip the balance in Rupa's favor when the customer is not very brand conscious which is the case more often than not.

### **Channel 4: Manufacturer to distributor to jobber to retailer to consumer Distribution through Wholesale Channel**

- Same as the traditional channel.

## **Threats**

### **Direct Channel**

#### **Channel 1 : Manufacturer to consumer : Sales though internet**

- There are hardly any immediate threats in this channel. The reason is simple. Nobody thinks it to be a potential channel of distribution. The only threat here is that this channel has no entry barriers to it. Anyone can make a good website for its brands and start using this mode of distribution.

## **Indirect Channels**

### **Channel 2 : Manufacturer to retailer to consumer**

**e.g. Large Format Stores, Modern Format Stores, Institutional Sales, Corporate Accounts**

- Many brands like Jockey, VIP, Hanes and Calvin Klein have already established themselves on the shelves of these stores. If the company waits too long, it will be hard to find favorable terms to enter this market.
- As has been already mentioned that VIP has a wide presence across such stores. And it is a known fact that VIP competes in the same category as Rupa. So it is like losing the market to the competitor voluntarily.

### **Channel 3 : Manufacturer to distributor to retailer to consumer**

**Distribution through retail channel**

#### **Rupa Junction**

- The threat of brand dilution is very prominent as the most of the shops that are employed as Rupa junctions, are simply pathetic. It cannot be expected of them to promote the brand Rupa.

#### **Traditional Channel**

- Undercutting in prices has been causing resentment among the various channel partners and may cause them to look towards the rival brands in future.
- Without improving its supply the company may lose potential sales through these channels.
- Undercutting in prices has been causing resentment among the various channel partners and may cause them to look towards the rival brands in future.
- Without improving its supply the company may lose potential sales through these channels.
- Agents are working in Comfort Zone & there territory are being eroded with competitors

- Agents are treating company sales force as their competitors/real threat.

#### **Channel 4: Manufacturer to distributor to jobber to retailer to consumer Distribution through Wholesale Channel**

Same as the traditional channel.

### **Understanding the Consumer - Consumer Survey**

The consumer survey was mainly conducted with the objective of understanding the consumer tastes and preferences. Also we had to divide the market into various segments based on various factors such as age group, sex, area of residence, educational qualifications etc.

The survey was conducted both online and offline directly with consumers and generated 300 responses based on which the conclusions have been drawn in this report.

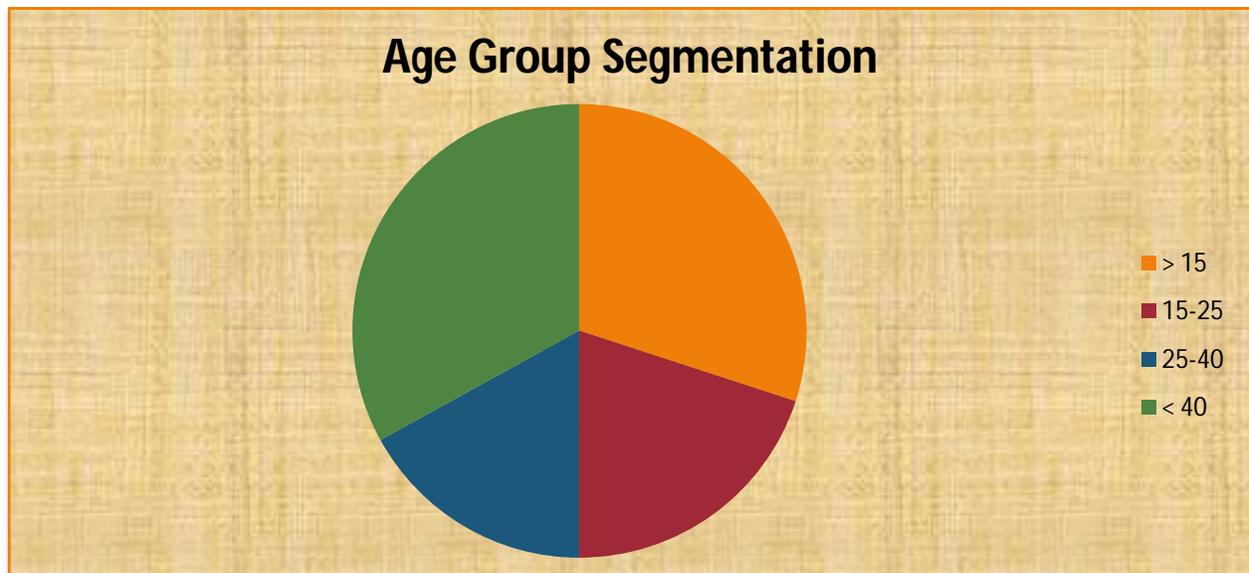
The findings of the survey have been depicted below:

## Sex wise Segmentation



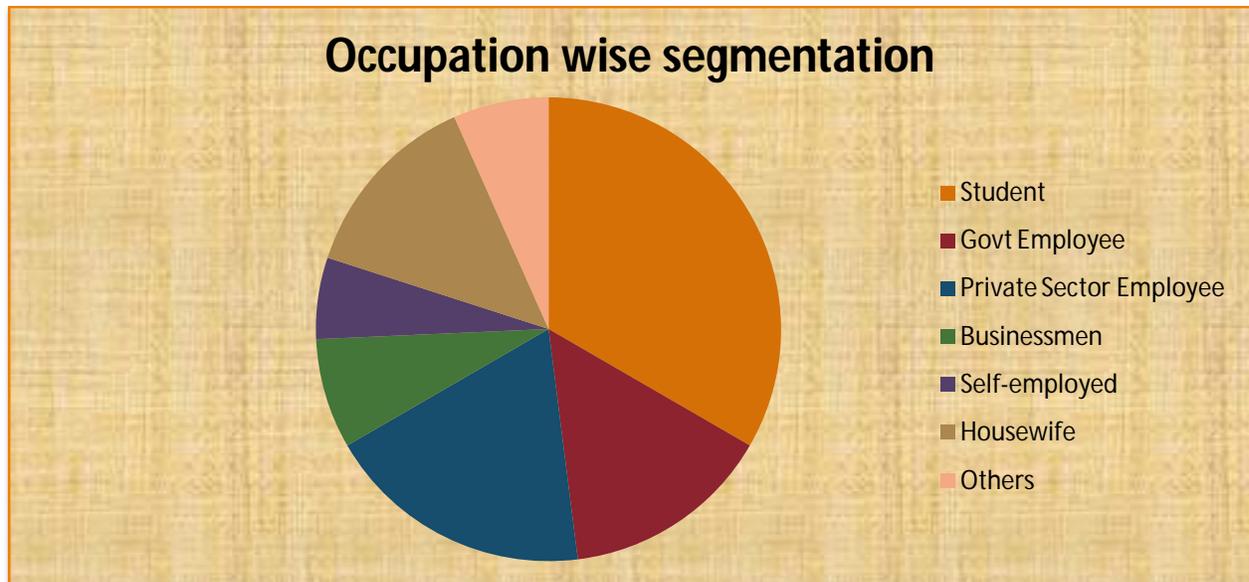
The gender wise segmentation is very crucial to understand the size of the market we are potentially missing out presently. This graph has been drawn to indicate the proportion of female market.

## Age wise Segmentation



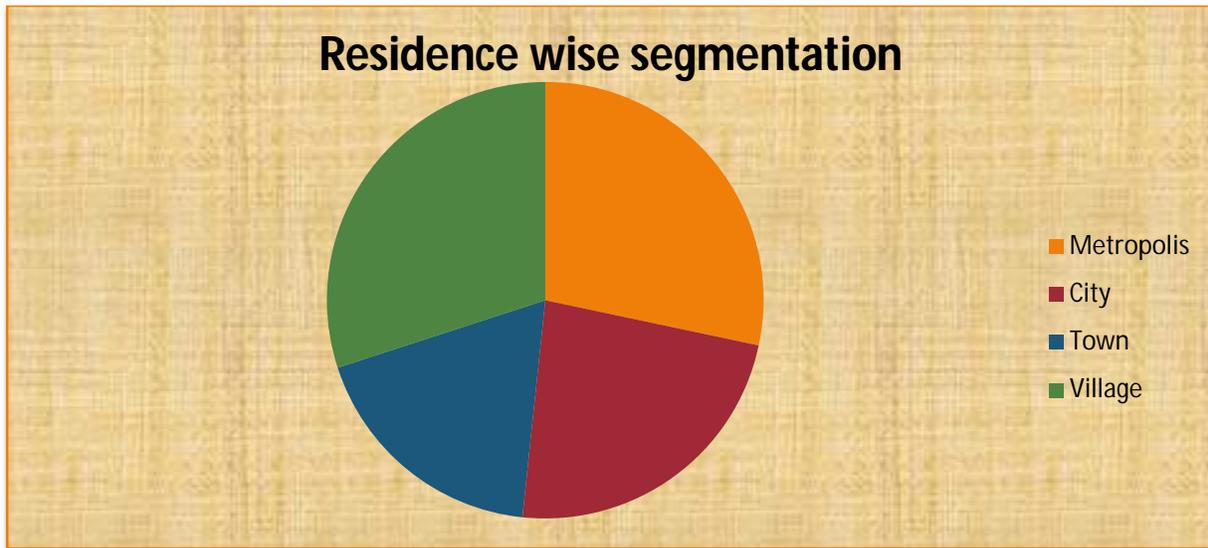
The age group wise segmentation suggests the changing profile of the population in India. The various age groups have different tastes and preferences while choosing an inner wear. Understanding the changing market and forecasting the future trend is the essence for the success of business. Hence this graph has been drawn to depict the changing in the customer profile as a whole.

### Occupation wise segmentation



The occupation wise segmentation gives an insight in the consumer profile and his inclination. It gives the hint towards the expected money a consumer would be willing to spend on an inner wear.

## Residence wise Segmentation



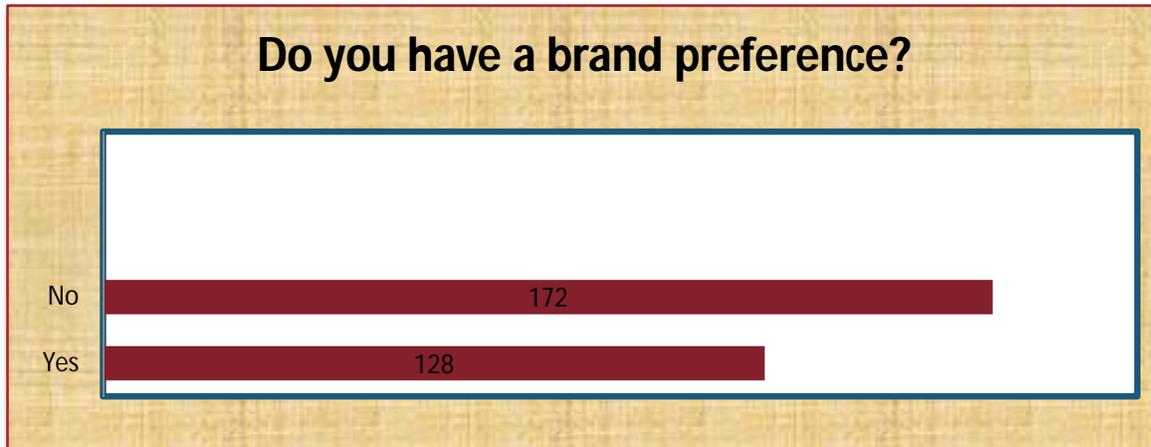
The residence wise segmentation is a crucial one. It gives us an idea into the fact that if there are any rural consumers, what are their tastes and preferences in terms of color, style, quality, comfort, brands etc.

## Education wise Segmentation



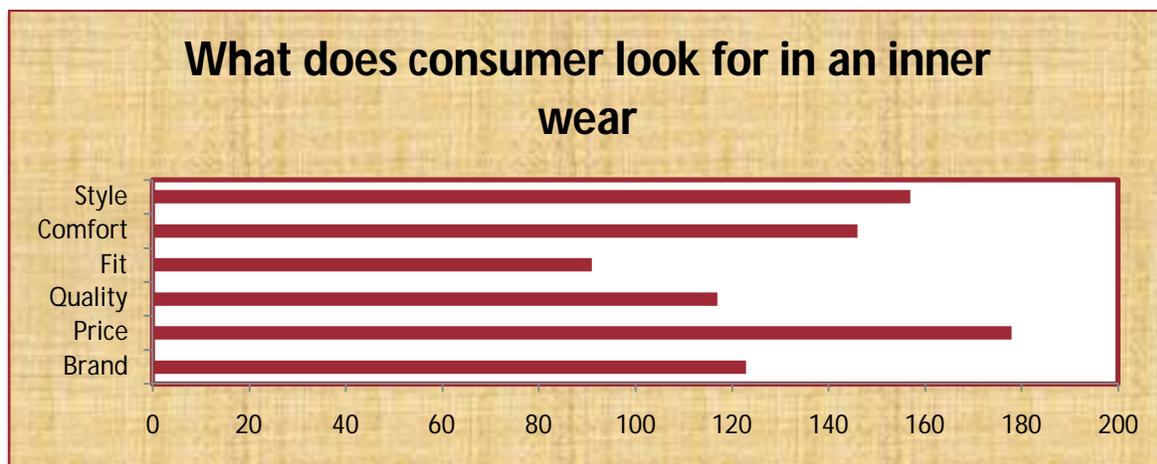
The education wise segmentation is an interesting thing since it suggests that people with professional degrees prefer to buy an SEC-A and SEC-B category brands.

## Brand Preference



The brand preference is something that is always very crucial from the point of view of any company. The survey indicated that still there are large number of people who do not value brand very much as long as it is one of the recognised brands.

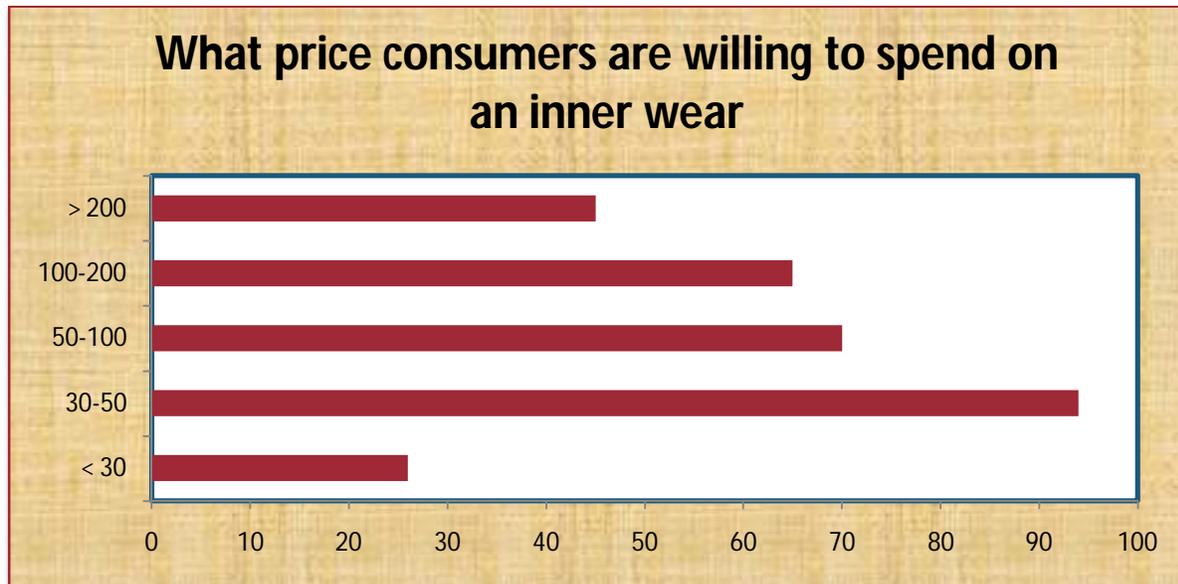
## The Quality a Consumer looks for:



This particular question gives an idea into the tastes and preferences of the consumer. And hence it is very crucial for the strategy of any company. The survey revealed that consumer in India is largely price sensitive. He will buy something

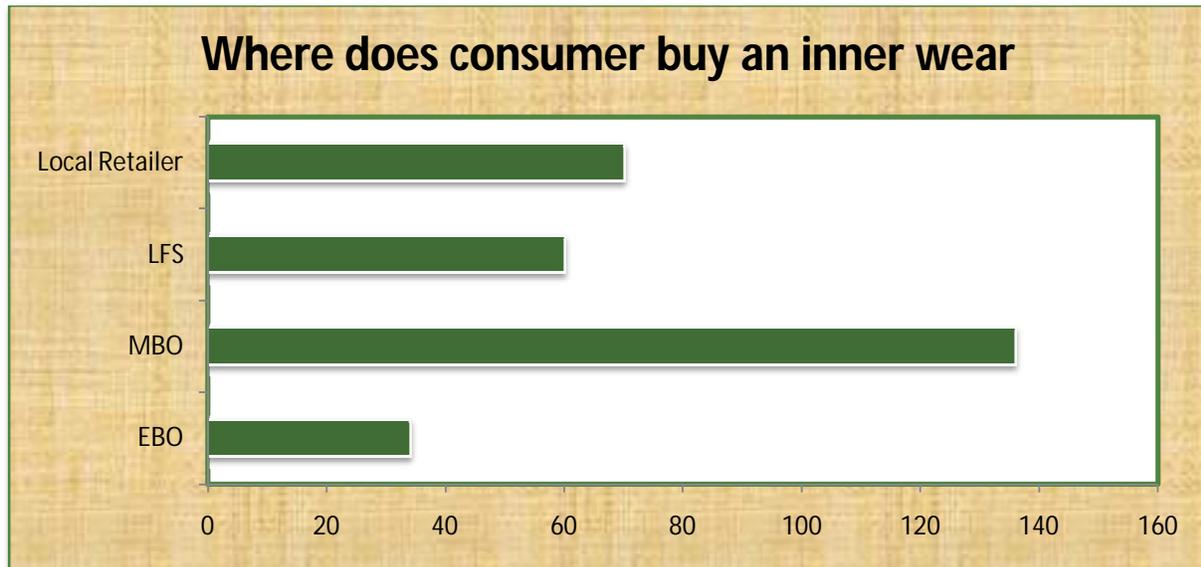
that will suit his pocket. Also the style factor is becoming more important. Brand is important but other things as comfort are relatively more important.

### The Price a Consumer is willing to pay:



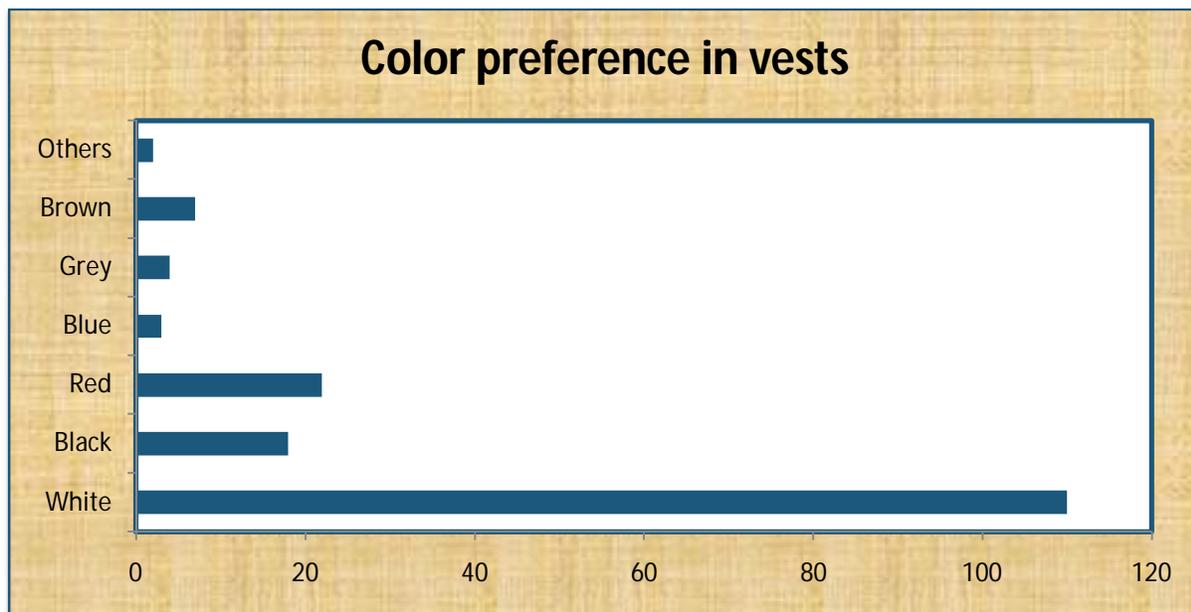
The survey reveals that the price is still a major defining factor in the hosiery market. There are still consumers who are willing to pay less than Rs.50 for an inner wear. These are the customers belonging to the rural areas or urban lower economic strata.

## Place of Purchase

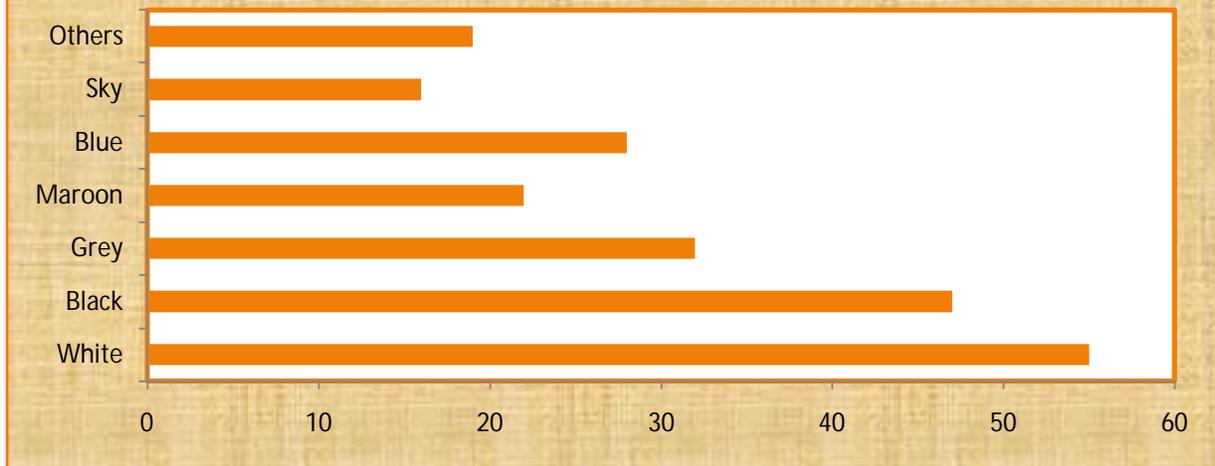


The location where the consumer buys an inner wear is an important thing to discover since the company does not supply into the large format stores, modern format stores and other aspects of modern trade.

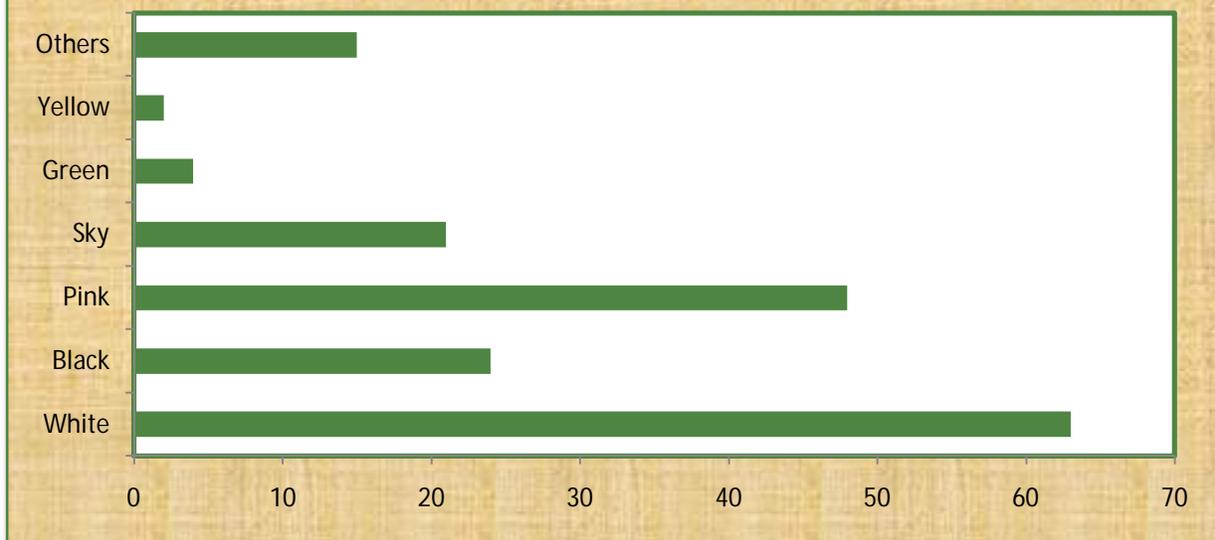
## Color Preferences in various categories

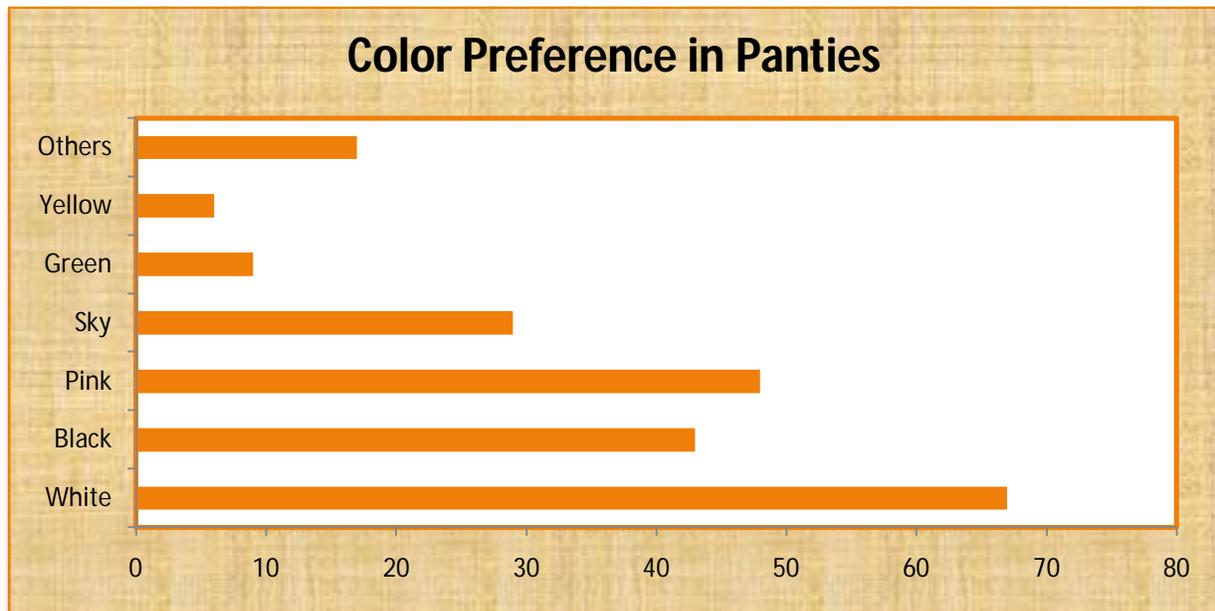


### Color Preference in Briefs



### Color Preference in Bra





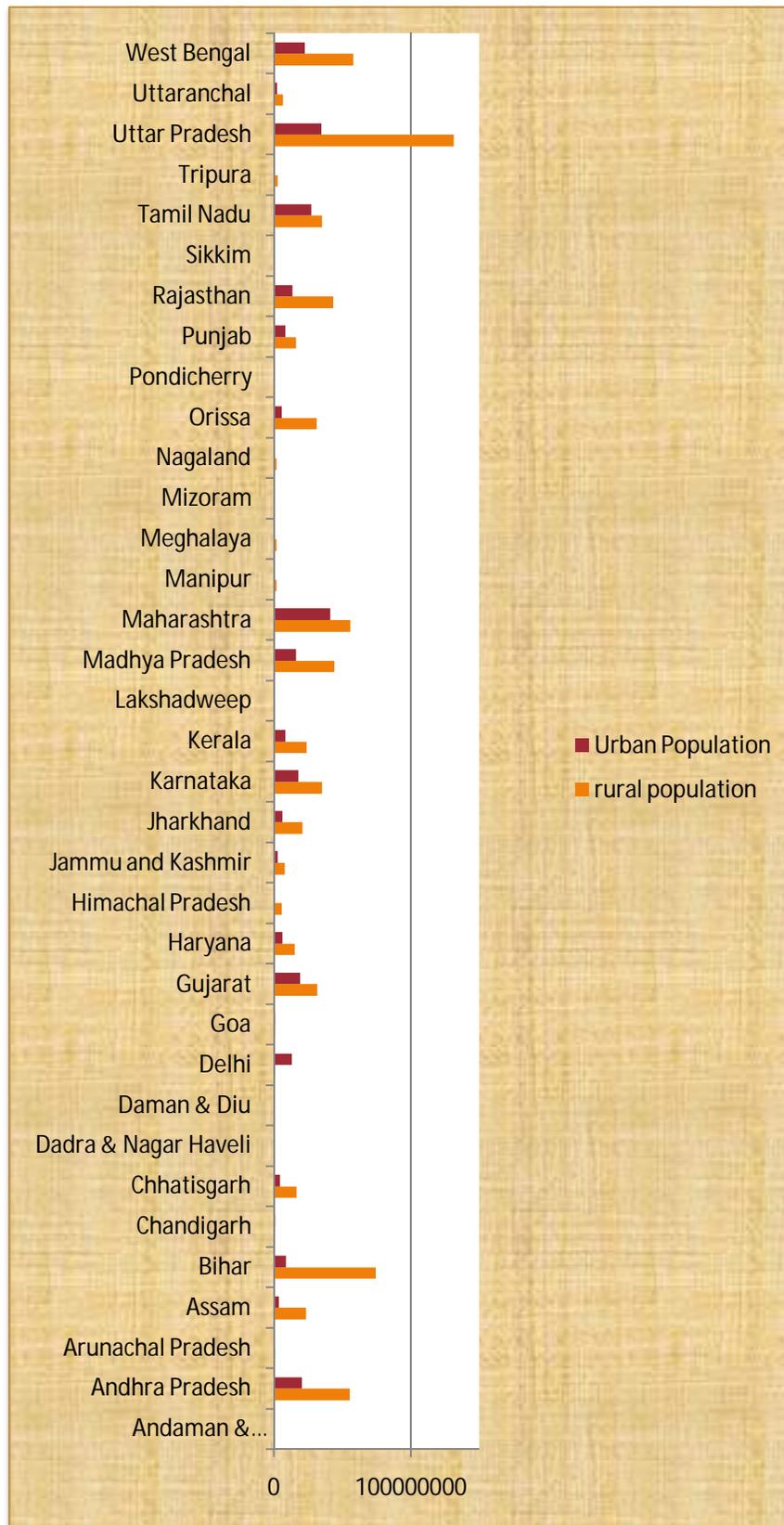
The color preferences of the consumer are crucial in determining which color stock keeping units should be more focused upon and which should be abandoned.

# Scope in Rural Markets

## A Demographic Snapshot

As per the 2001 census only 27.78% population of India lives in urban areas. Rest 72.22% population lives in rural areas. The rural market is a vast blue ocean as far as the hosiery industry is concerned. There are no branded players in these markets. Only local inner wear makers are successful in these markets. Branded players don't target these markets since the consumer is inclined to spend little and hence their products are not successful in these markets. Rupa is no exception to the above situation. The company has no rural distribution network and has not appointed any rural dealers as yet. A Microsoft Excel sheet has been attached to denote the vast scope of rural markets.

The sheet clearly depicts that no state has more urban population than rural except Delhi. Even no major state has even 50% population of rural population except Maharashtra.



## Potential in rural market

The rural sector provides the following opportunities to Rupa :

- Rupa is undoubtedly the number 1 hosiery manufacturers in India but the urban hosiery market is fast reaching a point of saturation since the competition is very stiff here and various multinational players are planning to enter these markets. So the road to growth goes through the rural sector where the market is still largely unorganized.
- As per a study the rural per capita income is Rs 10,000 per year which is quite poor. This is the main reason behind the reluctance of rural population to spend much on the inner wears. Rupa with some renowned economy segment brands like Jon under its belt, offers the rural population a product which just suits their pockets fine.
- When we do a comparison between rural and urban population, we can see the huge market that has been left altogether. At a time when the urban sector is getting saturated and various multinational corporations planning to enter, the rural market is just the place to be in to expand the business and at the same time retaining the market leadership.
- There is a huge entry barrier in these markets as the product has to be very inexpensive if has to be a success in these markets. Companies like Jockey, Hanes or other multinational brands will not survive in the cost driven rural sector for the foreseeable future. Rupa can overtake this barrier by decreasing its markup on its mass market brands and thus can capture this market.
- The aspirations of rural consumers may also play a vital role if Rupa decides to enter this market. People will not mind to spend a few extra bucks to enjoy the feel of a branded inner wear.

# Suggestions for Rupa

## Channel 1 : Manufacturer to Consumer : Sales through Internet

- More fast moving stock keeping units (SKUs) such as Frontline, Soft Line, Macroman, M Series, Thermocot etc. should be brought under the online sales channel. Also it's a very inexpensive distribution channel and the cost incurred here will be minimal.
- Also the company should force on making a more professional and polished looking website. It may be the case that the website may not contribute in the form of direct orders but it will be doing a fine bit of marketing for the company.
- The company should focus more on marketing its female inner wear line through this channel as it will be a medium the women will be comfortable with.
- The company should publicize its website through the advertisements, banners, hoardings and any other means of promotion. This will enable customers to go through the range of products offered by Rupa without having the inconvenience to visit the stores.
- The website of the company should include the contact numbers and addresses of the retailers, junctions and distributors of various locations so that the consumer may be able to locate a shop in case he is unaware of any Rupa shop in his locality.
- Company should supply the consumers through the nearest dealer in case of online booking.
- A good looking website will be a major boost to the company's global operations. Any foreign company or customer will make a perception about an Indian brand on the basis of how its website looks.
- All the emails sent through company IDs should be endorsed with company's website link.

## Indirect Channel

### Channel 2 : Manufacturer to retailer to consumer

#### e.g. Large Format Stores, Modern Format Stores, Institutional Sales, Corporate Accounts

- While dealing with these stores the company should keep in mind that it is the company which needs these stores to increase its business and not the vice versa. There are already plenty of quality brands available in these stores and the consumer shopping through these stores is usually less concerned about the price factor.
- As per an AC Nielson study, 10% of retail sales in India are carried through the counters of these stores. If we assume that to be true in case of hosiery industry as well, the volume of sales through these stores would be more than Rs 1,000 crores.
- The company should bring all its SEC B and SEC C category brands in these stores as soon as possible.
- The company should relax its commercial terms for these stores.
- The company should employ more professionals exclusively to deal with these stores since these store expect a professional approach from the company.
- The company should reconsider its trade terms in replacing the items as far as washing and other defects are concerned.
- Only three recognized brands are allowed to be sold through these stores. Rest are the in-house brands. So replacing the existing branded players will get tougher in future. Therefore Rupa should try to get space in these stores as soon as possible.
- SEC A and SEC B category customers prefer to buy through these stores because of convenience of getting all brands under one roof. Also they consider their time to be precious and believe in completing multiple tasks in one go.

### **Channel 3 : Manufacturer to distributor to retailer to consumer Distribution through retail channel**

#### **Rupa Junctions**

- Rupa Junctions should be brought under channel 2 distribution channel leaving any intermediary out of picture. That will ensure the timely supply and also the availability of a brand when there is a shortage in the market.
- Rupa junctions should be reviewed immediately and those junctions should be cancelled which do not meet the stipulated standards diluting the brand of Rupa.
- More Rupa junctions should be opened as there are only 45 stores as of now, a small number to cater to not so small population.
- Rupa should at the same time expand their stores in more states to ensure a larger retail presence under its control.
- Company should provide junctions with more favorable credit terms so that they enjoy a competitive advantage over their competitors.
- There should be uniformity in all Rupa junctions throughout India in terms of store size, interior design, supply chain, terms to service and various SKUs to be sold in these stores.
- The terms of trade should be mutually agreed upon by the company as well as store owner and the viability of these terms should be checked regularly.
- An annual review of these stores should be conducted regularly and performance should be analyzed on the basis of this review.
- The poor performers should be warned and in case they do not improve, should be removed to eliminate inefficiency on the store's part.
- The company should be targeting the establishment of 300 Rupa junctions by the end of financial year 2012-13.

#### **Traditional Channel**

- It was revealed during conducting the distributor survey that the inner wear market is largely a push market. The consumer is not very much worried if he is getting one of the renowned brands like Rupa, Amul, Lux, Dixcy, Doller or some other reputed brand. He buys whatever is offered to him by the retailer. This is a very important finding as far as distribution is concerned. The company should make

sure to address retailers' grievances and encourage them through rewards for commendable performances.

- Also the company should focus on the customer relationship management programs to generate the customer loyalty which is quite dynamic these days and shifts frequently depending upon the prices and the schemes.
- The practice of undercutting should be strongly discouraged even if it means taking stringent measures against distributors/retailers.
- The trade terms as far as defective items are concerned, should be more relaxed.
- The company should try to make inroads into the rural sector exploiting the traditional retailers' base already present in those markets. That means a careful study about the trends, tastes and other factors affecting consumer behavior in rural markets.
- All markets whether under agency or non agency should be represented by sales force of Rupa & Co Ltd and their reporting should be only to brand in charge/state head.
- There should be quality sales force in all grades/brands. Company should not compromise in terms of quality sales force from 1<sup>st</sup> line to top managerial grade because they are face of company and their approach, behavior, qualification, knowledge, would make lot of difference in company growth.

#### **Channel 4: Manufacturer to distributor to jobber to retailer to consumer Distribution through Wholesale Channel**

Same as traditional channel

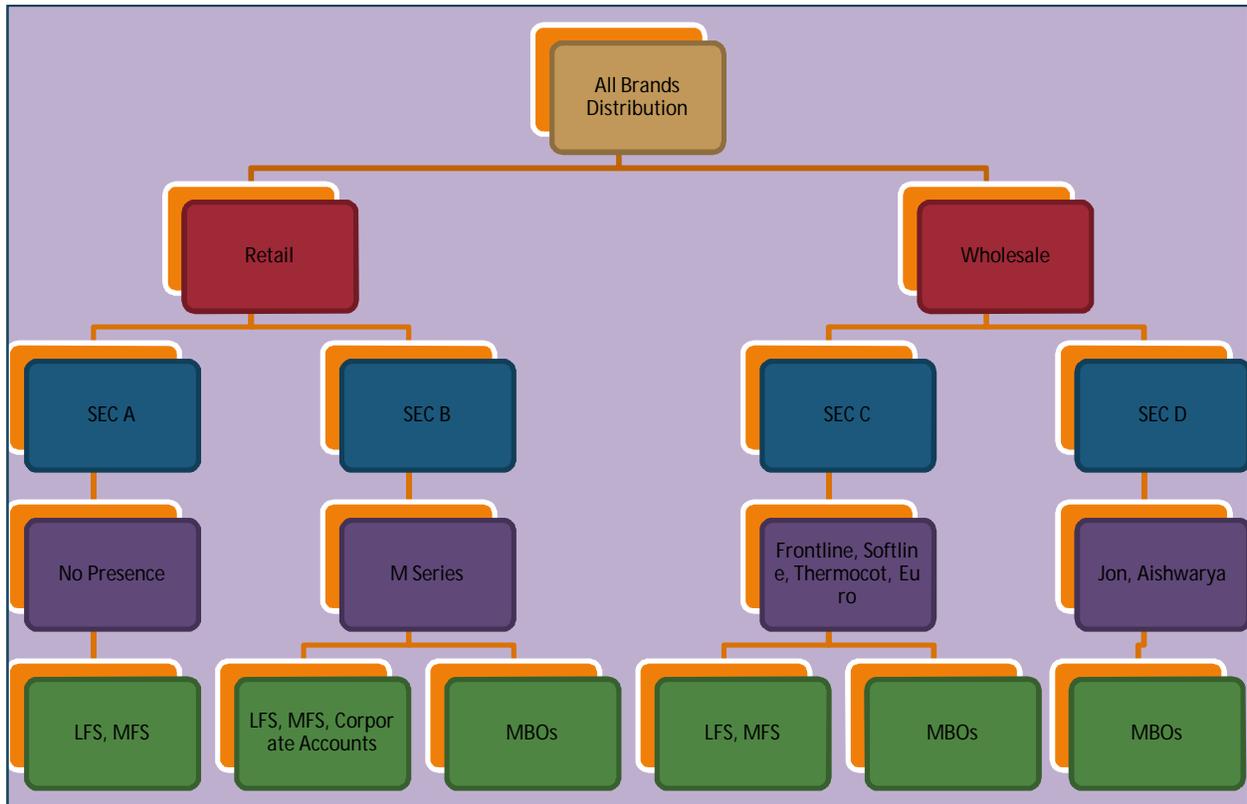
## Recommendations

- The company should distinguish between retail and wholesale distribution channels. Since the two businesses are very different in character and require a different set of skills, the company should adopt separate approaches towards these two.
- The company should establish a separate retail division dealing with all the retail stores like LFS, MFS and Rupa Junctions.
- The company should appoint trained professionals to deal with retail arm of its inner wear business.
- The company should create a separate distribution channel for retail division with separate distributors to redistribute its brands.
- Also the company should appoint experienced work force to deal with retail business.
- The company should appoint quality sales force to deal with the retailers as retailers are the one who are going to push the brand to the consumer in case the consumer is in an indecisive state of mind.
- In SEC C and SEC D categories the brand loyalty is not very strong and shifts regularly depending upon the prices and schemes offered by the company. To retain the loyalty of the customers the company should develop a customer relationship program.
- The company should appoint exclusive sales force dealing with SEC A and SEC B category brands. This sales force should be highly trained professionals to deal in a systematic manner.
- The company should appoint sales force function wise rather than brand wise. As I observed during my intern that the company has various sales force to deal in different brands. This only increases the costs incurred to the company. The company should focus on professional staff who can take orders for all brands efficiently. This will remove the inefficiencies creeping in due to multiple sales forces dealing in separate brands.
- The company should increase its operations in large format stores, modern format stores and corporate accounts. The company should introduce more fast moving SKUs like Macroman M Series, Air Vests, Euro, Thermocot etc. to these markets.

- The company should introduce brands in SEC A and SEC B category as the market of these categories is increasing steadily for the last few years. The evidence can be found in the increasing sales of Jockey in the past few years.
- It has been already pointed out in an AC Nielson study that the modern trade market is more than Rs. 1,000 crores. This is a crucial finding as the modern trade market typically deals in SEC A and SEC B category brands where Rupa's presence is minimal. Rupa should be launching more brands in these categories to tap more revenue from these markets.
- Out of an industry of Rs 11,600 crores, Rs 6,760 crores is the size of female inner wear market out of which Rs. 2784 crores come from the branded or organized sector. Out of these Rupa's market share is only Rs. 44 crores which is only 1.6% of the total branded market. This suggests the fact how Rupa is lacking in this category. Rupa should be launching more brands in the female inner wear category. Also the focus should be on the SEC A and SEC B category brands here since these will be the two categories where the margins will be higher and where Rupa has no earlier brand presence.

# Proposed Distribution Channel

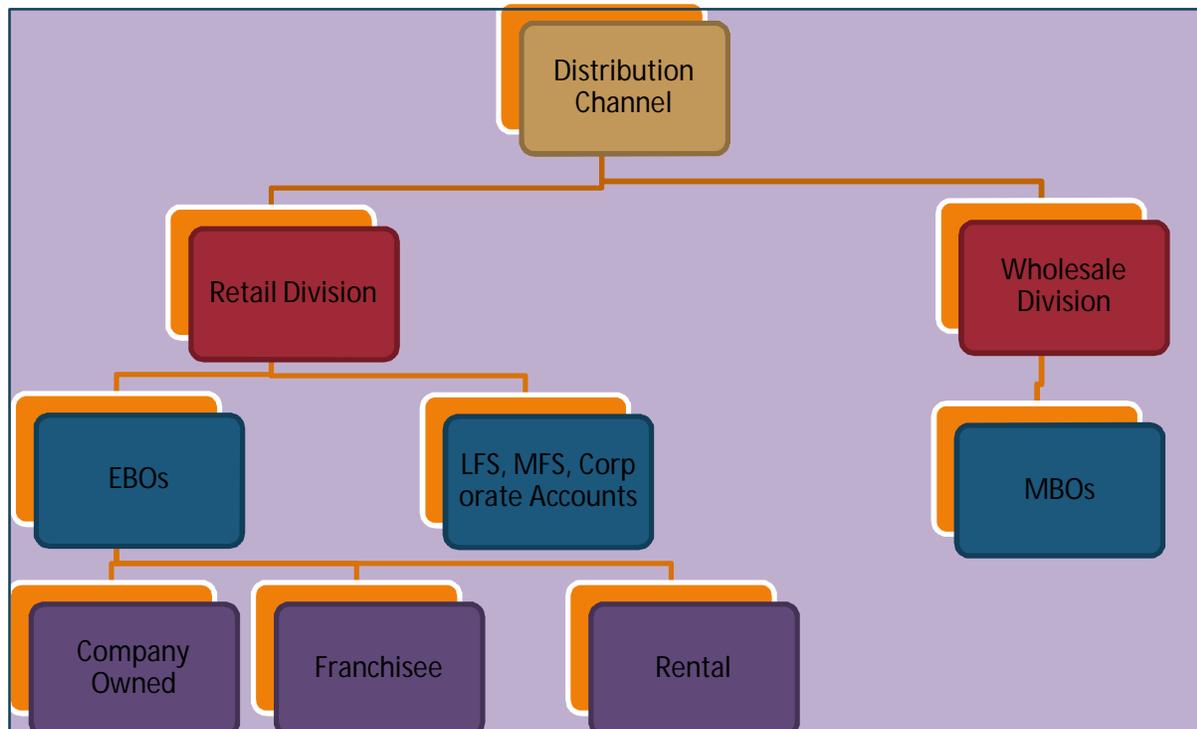
The proposed distribution channel for Rupa & Co. Ltd. Should be as under :



As was suggested in the recommendations, there should be a separate retail arm of distribution which should mainly focus on SEC A and SEC B category brands. At present no brand of Rupa competes in SEC A category but if in future Rupa competes in this category it should distribute that brand through Large Format Stores, Modern Format Stores and Corporate Accounts only. SEC B category brand M Series should be dealt by the retail wing of the company. This brand is a premium brand for Rupa and so it should be distributed in a sophisticated way. There should be separate professional sales force for this brand. SEC C and SEC D category brands should be sold through wholesale division by a separate sales force.

The company should employ its Exclusive Brand Outlets on the basis of three types :

- Company owned outlets
- Franchisee
- Rental outlets



## The Roadmap to enter Rural Sector

- Rupa should adopt aggressive approach towards the rural market and work towards ousting the current local players from the competition by leveraging on its brand value.
- The entry into this market will give the company a first mover advantage as well as far as branded players are concerned. And after availing such an advantage to its

profit, the company can try to create some entry barriers for other players to make the advantage sustainable.

- The first and the most basic step would be to make a sound retailers and distributors network in rural areas. This target can be achieved by appointing dealers who have already established a network with rural retailers by selling some local brands.
- Company should offer liberal credit terms to the rural retailers and distributors to encourage them to push Rupa's brands across the counter.
- Since the rural customer is largely price sensitive, company should offer separate product line to the rural consumer which is less expensive in terms of price.
- Company should track the price line of the local players through extensive survey and determine the price of its brands accordingly.
- The villagers have the tendency of purchasing their necessities from the local *haats*(periodic markets), *mandis*, *melas* and markets located in their own or some nearby bigger village. Company, therefore, should target these villages mainly since it will be a more feasible option than going to all the villages in the country.
- The company should be giving separate incentive schemes to the rural retailers and distributors to encourage them to sell the Rupa brands.
- Company should start an aggressive advertising campaign primarily intended at rural consumers. This will stimulate the aspirations of the rural consumer.
- Company should employ regional movie stars/ icons since the rural consumer identifies with them more easily and values them more than any Bollywood star. Also these stars will be less expensive as brand promotion is concerned.
- Company can organize cricket tournaments to promote its brands. It can give T-shirts with Rupa's logos to the participants to increase the brand awareness. Since cricket is very popular in India, this advertising gimmick can be very effective.
- Also company can organize talent hunt shows offering the acting opportunities in regional cinema. Since regional movie making is still a very inexpensive venture, this can also be very successful marketing propaganda.
- Company should open Rupa junctions / EBOs in rural markets enhancing the brand image of Rupa and presenting Rupa as a prestigious brand.

# **A Consumer Survey in the Innerwear Industry**

(This is a survey done for academic purposes for a summer internship project at Indian Institute of Management Calcutta. Your valuable responses will be very helpful in coming up with a proper analysis. This will not take more than 3 minutes of your time. So, please fill up.)

1)Name :

2)Age :

Less than 15	
15-25	
25-40	
More than 40	

3)Sex :

4)Educational Qualifications :

5)Place of Residence :

6)Occupation :

Student	
Govt. Employee	
Private sector Employee	
Self-employed	
Businessman	
Housewife	
Others	

7)Monthly Income :

Less than 10,000	
10,000-20,000	
20,000-50,000	
50,000-100,000	
More than 100,000	

8)What do you look for, when purchasing an undergarment?

Brand	
Price	
Style	
Comfort	
Quality	
Fit	

9)Do you have a brand preference?

Yes	
No	

10)Which brand/s do you use?

--

11)Who makes the decision to buy an innerwear for you?

Self	
Spouse	
Father	
Mother	

12)How do you make the decision to buy a brand?

Always buy the same brand	
Decide on the basis of advertisements	
Decide after reaching the shop	
Buy whatever is available	

13)What price, usually you are ready to spend on an innerwear?

Less than 30	
30-50	
50-100	

100-200	
More than 200	

14)What is your annual budget for purchasing innerwears.

Less than 200	
200-500	
500-1000	
1000-2000	
More than 2000	

15)From where do you purchase innerwears?

Exclusive Brand Outlet	
Multi-Brand Outlet	
Local Retailer	
Specific Shop	

16)Which brands do you think, are the top brands of various categories?

i)Men

Vests	Briefs

ii)Women

Inner Sleeves	Panties	Camisole

17)What color vests do you like?

White	
-------	--

Black	
Red	
Blue	
Grey	
Brown	
Others	

18)What color briefs do you like?

White	
Black	
Sky	
Grey	
Maroon	
Blue	
Others	

19)What color inner sleeves do you like?

White	
Black	
Pink	
Sky	
Green	
Yellow	
Others	

20)What color panties do you like?

White	
Black	
Pink	
Sky	
Green	
Yellow	
Others	

21) Please rate Rupa's brands on a scale of 1-4 on the basis of your experience with it.

Poor	=1
Average	=2
Good	=3
Excellent	=4

Brand	Never heard	1	2	3	4
Frontline Vests					
Frontline Brief					
Jon					
Macroman					
Macroman M Series					
Euro					
Softline					
Bumchums					
Thermocot					
Air vests					
Footline					
Kidslines					

**Review Of  
Distribution Channels  
with reference to  
market segmentation  
and scope in rural  
market: A Survey**

1) Name :

2) Age :

3) Educational Qualifications :

4) City of Business :

5) Monthly Income :

Less than 20,000	<input type="text"/>
20,000-50,000	<input type="text"/>
50,000-200,000	<input type="text"/>
200,000-500,000	<input type="text"/>
More than 500,000	<input type="text"/>

6) What do you do for Rupa?

Distributor	<input type="text"/>
Dealer	<input type="text"/>
Wholesaler	<input type="text"/>
Retailer	<input type="text"/>

7) If you are a distributor/dealer how many wholesalers/retailers you deal with?

8) If you are a wholesaler, how many retailers you deal with?

9) What is your monthly turnover?

10) What are your trade margins?

11) What, in your opinion, is Rupa's USP?

12) How often you place orders?

13) What is the size of order normally? Please fill the Amount.

14) What, in your opinion, does the customer look for when purchasing an undergarment?

Brand	
Style	
Comfort	
Fit	
Quality	
Pricing	

15) How would you rate Rupa's delivery?

Very Poor	1	2	3	4	5	Very Good
-----------	---	---	---	---	---	-----------

16) How would you rate the terms of trade offered by Rupa?

Very Bad	1	2	3	4	5	Very Good
----------	---	---	---	---	---	-----------

17) How often do you find Rupa's products defective? Please give the percentage of defective pieces in a consignment.

--

18) What do you think about M Series' presence in the premium category?

Very Poor	1	2	3	4	5	Very Good
-----------	---	---	---	---	---	-----------

19) Do you feel that aggressive advertising campaign of M series has resulted in increased business?

Yes	
No	

20) Do you feel that Mr. Hrithik Roshan is crucial to M series' success?

Yes	
No	

21) Are you dealing in the rural markets also?

Yes	
No	

22) What is the volume of your rural business? Please mention amount.

--

23) Which brands are the market leaders in rural areas?

--

24) What qualities does a rural customer look for?

Price	
Style	
Comfort	
Brand	

Fit	
Quality	

25) Do you feel that there is sufficient scope in rural market?

Yes	
No	

26) What, in your opinion, does a rural customer intends to spend on an undergarment?

Less than 30	
30-50	
50-100	
More than 100	

27) What are the prices branded and unbranded players offering in the rural markets?

Less than 30	
30-50	
50-100	
More than 100	

28) If you are a distributor/dealer/wholesaler, do you offer any credit to rural retailers?

Yes	
No	

29) How much of your sales are to the rural retailers?

30) What is the percentage of carrying cost in the net pricing to the rural retailers?

31) Please rate Rupa's brands on a scale of 1-5.

Brand	1	2	3	4	5	Not even heard
Frontline Vests						
Jon						
Macroman						
Euro						
Softline						
Bumchum						
Thermocot						
Air vests						
Zooreka						
Skywings						
Ribline						
Interlock						
Footline						
Kidslines						
Frontline Expando						
Frontline Hunk						
Frontline Brief						
Frontline Xing						

32) Which are the top brands of various categories? Please answer based on your information.

Men's Vests in economy category

Men's Vests in sub-premium category

Men's Vests in premium category

Men's brief in economy category

Men's brief in sub-premium category

Men's brief in premium category

Women's bra in economy category

Women's bra in sub-premium category

Women's bra in premium category

Women's panties in economy category

Women's panties in sub-premium category

Women's panties in premium category