



## **The Influence Of Distribution Effectiveness On Cola Wars In Indian Rural Markets: A Study With Reference To Tamilnadu, South India**

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***Abstract:***

*The intensity of much publicised cola wars are often explicit mostly in the urban markets of developed countries and do not look into the rural areas where distribution is complex than cities. The objective of the paper is to analyse the effect of distribution efficiency in the rural marketing efforts of the Cola giants, Pepsi and Coke. The research covered the rural hamlets in Coimbatore region of Tamilnadu in South India where both the cola majors have a prominent distribution network owing to the hot weather conditions. The data was collected mainly from the owners of 356 retail outlets and their customers spreading over 76 villages. Analysis was done region wise as well as outlet wise to know the distribution efficiency of these companies and identified the gaps in servicing the rural pockets .Pepsi is better off in rural distribution mainly due to its efficient line servicing in rural areas when compared to Coke.*

***Key words:*** *cola wars, distribution efficiency, rural marketing, distribution network, line servicing, Coke, Pepsi*

## **1.Introduction**

The effectiveness of distribution system is a catalyst to the most publicised cola wars especially in rural markets. Though there are hundreds of different drinks in the market, the direct rivalry between Pepsi and Coke is most noticeable around the world. In Tamil Nadu especially the summer seasons are longer and the scope for sales is high. It is this season during which the branded beverages, especially the cola rivals Coke and Pepsi, tap the market and try to sell maximum products to the rural customers. Generally during summer seasons there is high demand for their products in the market and due to lapses in distribution there arises a shortage of supply. It is imperative that brands need to identify the distribution and supply inefficiencies in the rural markets which are causing loss of business opportunities.

The gaps in line servicing done by the beverage distributors can hamper their distribution efficiency in the rural markets of TamilNadu. Mainly because, the rural customers give more emphasis to the easy availability of the product than any other marketing factors like brand preference, advertising effectiveness etc. The distributors' inclination towards high volume sales outlets would result in distribution gaps and the concern is that potential rural pockets get exempted especially in summer season when the demand is high. Hence it is necessary to monitor the distribution effectiveness of the channel partners and bridge the gaps in order to boost sales in summer. This study has implications for manufacturers, distributors, retailers and investors hoping to capitalize on the growth of these beverage categories in India and distinguish themselves in the increasingly crowded market place.

## **2.Research Objectives**

- To study the comparative effectiveness of distribution and supply of Coke and Pepsi in the rural markets of Namakkal, Thiruchengode and Salem regions.
- To identify the gaps in region wise distribution frequency of Coke and Pepsi in rural markets.
- To compare the distribution frequency with respect to the outlet types in the regions.

### **3.Research Methodology**

The research design used for the study is Descriptive Research. The researcher has conducted a market study in the villages of Namakkal, Thiruchengode and Salem regions of Tamilnadu for a period of 60 days. The Primary data for this study was collected from 356 retail outlets in 76 rural markets spread across these regions in Tamilnadu by way of direct interviews using an interview schedule in local language which was perfected after pilot study. The secondary data about the non-alcoholic beverage industry details of soft drink majors and the other details for preparation of this report were collected from Newspapers, Magazines, Journals, Websites and Internet. The data collected was subjected to statistical analysis using SPSS.

### **4.Limitations**

The rural markets in TamilNadu for Coke and Pepsi were studied by taking only a few villages. The study did not cover the possibility of business opportunity for selling other existing products or its capability to develop and sell new products meant for these rural markets.

### **5.Data Analysis**

The data on analysis mainly used Cross Tabs and correlating it with the various objectives of the study. For representation convenience, Coke is denoted as KO and Pepsi as PC in the illustrative tables and figures.

#### *5.1.Region Wise Supply Frequency Of The Coca-Cola Company*

The below analysis shows the frequency with which Coca-Cola Company supply their products in the three regions of Namakkal, Thiruchengode and Salem under the study.

Sl No	Market Region		Frequency_of_servicing_KO								
			Daily	Weekly Four days	Weekly Thre e days	Weekly Twic e	Weekly Once	Once in 10 days	Once in 15 days	Not Prop er	Total
1	Namakkal	Coun t	6	1	7	8	33	5	3	1	64
		%	9.40 %	1.60 %	10.90 %	12.50 %	51.60 %	7.80 %	4.70 %	1.60 %	100. 00%
2	Thiruchengo de	Coun t	0	0	0	6	14	1	5	2	28
		%	0.00 %	0.00 %	0.00 %	21.40 %	50.00 %	3.60 %	17.9 0%	7.10 %	100. 00%
3	Salem	Coun t	0	2	23	50	49	1	34	13	172
		%	0.00 %	1.20 %	13.40 %	29.10 %	28.50 %	0.60 %	19.8 0%	7.60 %	100. 00%
4	Total	Coun t	6	3	30	64	96	7	42	16	264
		%	2.30 %	1.10 %	11.40 %	24.20 %	36.40 %	2.70 %	15.9 0%	6.10 %	100. 00%

Table 1: Showing Region wise Distribution Frequency of Coca-Cola Outlets

Source: Data Analysis

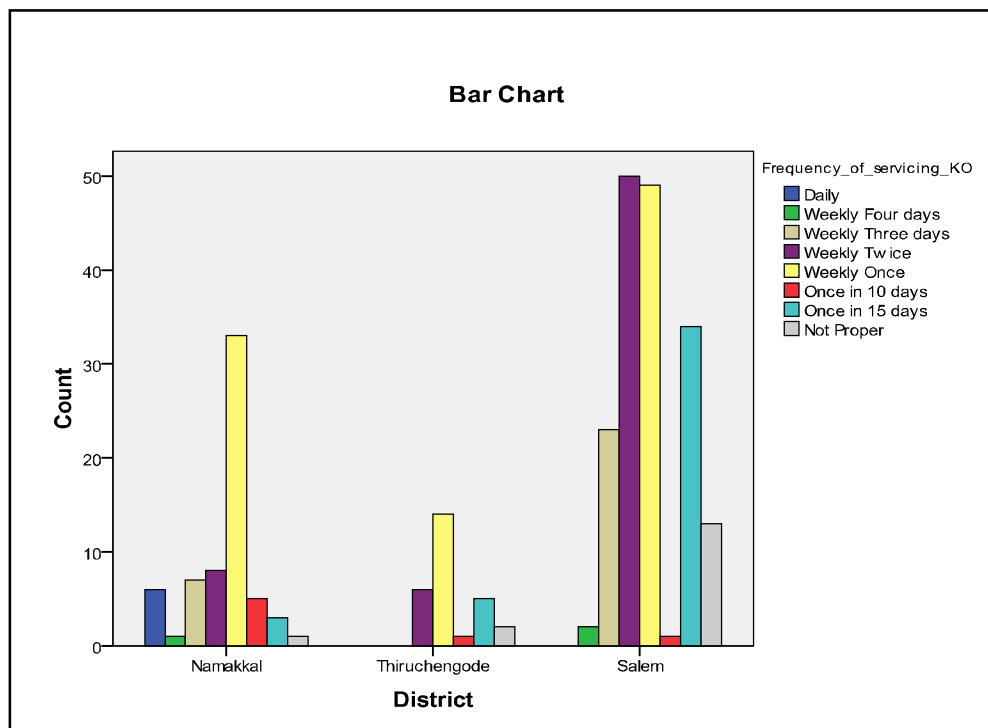
#### 5.1.1. Interpretation

Out of the population study conducted in 3 regions, Namakkal has 64 Coca-Cola outlets from a total of 21 markets, Thiruchengode has 28 Coca-Cola outlets from 14 markets and Salem has got 172 Coca-Cola outlets from 41 markets. In Namakkal region, outlets being serviced at least weekly once constitute to 51.6% which is a good sign and also has a good percentage of outlets being serviced Weekly Twice, Thrice and also on a Daily basis which is at 12.5%, 10.9% and 9.4%. Outlets being serviced once in 10 days and once in 15 days constitute only to 7.8% and 4.7% respectively and outlets not being

serviced properly is at just 1.6%. Thus the servicing of outlets by Coca-Cola Company in the Namakkal region is in a good state.

In the Thiruchengode region, outlets being serviced weekly once and twice constitute to 50% and 21.4% but the percentage of outlets being serviced once in 15 days and outlets not being serviced properly is at 17.9% and 7.1% which shows that there is a substantially equal number outlets that are not getting the supply of Coca-Cola products at regular intervals which leads to a loss of sales in these outlets since they might go into a stock out situation because of the lower frequency of servicing.

In the Salem region, outlets being serviced weekly once, twice and thrice are 28.5%, 29.1% and 13.4% which is good and that leave these outlet owners of the Salem region happy and satisfied but, at the same time the percentage of outlets which are not properly being serviced and serviced only once in 15 days are 7.6% and 19.8% which is not a good sign.



*Figure 1: Showing Region wise Supply Frequency of Coca-Cola Outlets*

*Source: Data Analysis*

### 5.1.2. Interpretation

From the above analysis, gaps in distribution frequency are very evident in the pockets of the studied rural markets. Hence the company should make the distributors in charge of

these outlets to work better and effectively towards improving the sales of their products. Attention is also required to ensure that these outlets do not end up in a stock out situation quite often.

### 5.2. Region Wise Supply Frequency Of Pepsi Co

The below analysis shows frequency of Pepsi Co in servicing the three regions of Namakkal, Thiruchengode and Salem with their supplies. This analysis will help the researcher identify the distribution effectiveness of the Pepsi Co in each of the three regions.

Sl No	Region		Frequency_of_servicing_PC								
			Daily	Weekl y Four days	Weekl y Three days	Weekl y Twice	Weekl y Once	Once in 10 days	Once in 15 days	Not Prope r	Total
1	Namakkal	Cou nt	6	1	3	15	43	2	0	0	70
		%	8.60 %	1.40 %	4.30 %	21.40 %	61.40 %	2.90 %	0.00 %	0.00 %	100.00 %
2	Thirucheng ode	Cou nt	0	0	4	6	15	0	5	0	30
		%	0.00 %	0.00 %	13.30 %	20.00 %	50.00 %	0.00 %	16.70 %	0.00 %	100.00 %
3	Salem	Cou nt	0	1	18	57	97	5	12	1	191
		%	0.00 %	0.50 %	9.40 %	29.80 %	50.80 %	2.60 %	6.30 %	0.50 %	100.00 %
4	Total	Cou nt	6	2	25	78	155	7	17	1	291
		%	2.10 %	0.70 %	8.60 %	26.80 %	53.30 %	2.40 %	5.80 %	0.30 %	100.00 %

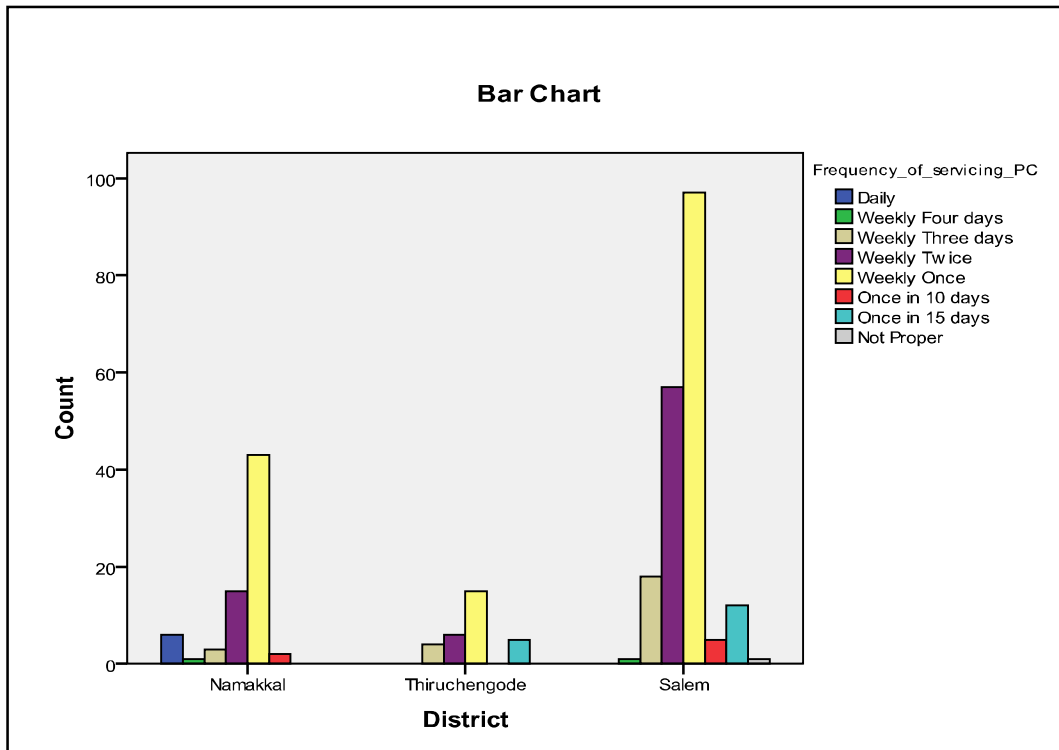
Table 2: Showing Region wise Distribution Frequency of Pepsi Co Outlets

Source: Data Analysis

### 5.2.1. Interpretation

Out of the population study conducted in 3 regions, Namakkal has 70 Pepsi Co outlets from a total of 21 markets, Thiruchengode has 30 Pepsi Co outlets from 14 markets and Salem has got 191 Pepsi Co outlets from 41 markets. In Namakkal region, outlets being serviced at least weekly once constitute to 61.4% which is better and also has a good percentage of outlets being serviced Weekly Twice, Thrice and also on a Daily basis which is 21.4%, 4.3% and 8.6% respectively. Outlets being serviced once in 10 days are just 2.9% which is not bad. And outlets being serviced once in 15 days and not properly serviced are 0%. Thus the servicing of outlets by Pepsi Co in the Namakkal region is better than that of the Coca-Cola Company by all means. There by we can interpret that Pepsi Co has an effective distribution in the Namakkal region.

In the Thiruchengode region, outlets being serviced weekly once and twice constitute to 50% and 20% but the percentage of outlets being serviced once in 15 days is 16.7% which is almost the same as that of the Coca-Cola Company. The outlets not being serviced properly is at 0% which is very good. Hence, in the Thiruchengode region servicing of outlets by Pepsi Co is very good and the chances of stock out situation are very low thereby leaving the outlet owners happy and satisfied.



*Figure 2: Showing Region wise Supply Frequency of Pepsi Co Outlets*

*Source: Data Analysis*

### 5.2.2. Interpretation

In Salem region, outlets being serviced weekly once, twice and thrice are 50.8% 29.8% and 9.4% respectively which is very good and that leave these outlet owners of the Salem region happy and satisfied. The percentage of outlets which are serviced only once in 10 days and once in 15 days are 2.6% and 6.3% which is again a good sign and the outlets that are not being serviced properly is just 0.5%. Hence, in the Salem region servicing of outlets by Pepsi Co is very good and the chances of stock out situation are very low thereby leaving the outlet owners happy and satisfied. This analysis throws light into the fact that the Pepsi Co has a better distribution system compared to that of the Coca-Cola Company in all the markets of the 3 regions.

### *5.3. Comparison Of Distribution Efficiency Of Coca-Cola Company And Pepsi Co Based On Type Of Outlet*

To compare the distribution efficiency of Coca-Cola Company and Pepsi Co the researcher has computed a Weighted Index by providing weights to each distribution frequency of both companies. The weights provided were like this, Daily frequency gets a weight of 10, Weekly Four days 8, Weekly Three days 6, Weekly Twice 5, Weekly Once 4, Once in 10 days 3, Once in 15 days 2 and Not Proper 1. These weights are then multiplied with the number of outlets being serviced in each frequency and a total weight is arrived at based on which both the companies were compared to identify which company has better distribution efficiency based on the type of outlet.



<b>Weighted Index of Distribution Frequency of Coca-Cola Company</b>										
Sl. No.	Type of Outlet	Daily	Weekly 4 days	Weekly 3 days	Weekly 2 days	Weekly Once	Once in 10 days	Once in 15 days	Not Proper	Total
1	Coca-Cola Alone	20	16	72	100	80	3	0	1	292
2	Both Coca-Cola and Pepsi Co	40	8	108	220	304	18	84	15	797
3	Total	60	24	180	320	384	21	84	16	1089

*Table : 3 Showing Weighted Index of Distribution Frequency of Coca-Cola Company*

*Based on Type of Outlet*

*Source: Data Analysis*

<b>Weighted Index of Distribution Frequency of Pepsi Co</b>										
Sl. No.	Type of Outlet	Daily	Weekly 4 days	Weekly 3 days	Weekly 2 days	Weekly Once	Once in 10 days	Once in 15 days	Not Proper	Total
1	Pepsi Co Alone	20	8	66	155	144	3	4	0	400
2	Both Pepsi Co and Coca-Cola	40	8	84	235	476	18	30	1	892
3	Total	60	16	150	390	620	21	34	1	1292

*Table No. 4 Showing Weighted Index of Distribution Frequency of Pepsi Co Based on*

*Type of Outlet*

*Source: Data Analysis*

### 5.3.1. Interpretation

Table No. 3 and 4 Shows that the total weighted score of the Coca-Cola Company is 1089 and that of Pepsi Co is 1292. Thus it can be interpreted that Pepsi Co has better distribution efficiency based on type of outlet when compared to that of the Coca-Cola Company. A closer look at the analysis shows that in both Exclusive Pepsi Co outlets and also in outlets selling both Pepsi Co and Coca-Cola products Pepsi Co has better distribution efficiency than Coca-Cola Company with respect to type of outlet.

## 6. Findings

- It has been found out from the study that Pepsi Co has been following an intensive distribution strategy by selling their products in all available channels. But at the same time Coca-Cola Company is selective in choosing their channel type and is ignoring convenience stores in the rural pockets.
- Coca-Cola Company is way behind Pepsi Co in terms of market reach. Pepsi Co is in a better position than Coca-Cola Company and there is still a lot of opportunity for Coca-Cola Company waiting to be tapped in the rural markets.
- 3. In the outlets which sell both Coca-Cola and Pepsi Co products the distribution and supply is not up to the mark and the chances of stock out situation is likely high when compared to that of the outlets selling Coca-Cola products alone.
- In outlets selling both Coca-Cola and Pepsi Co products the stock purchasing capacity of the outlets is less since the outlet owner has to buy stock from both Coca-Cola Company and Pepsi Co. So the distributor feels that it is better to service those outlets at a lower frequency so that they can save on the cost of logistics incurred while servicing such outlets.
- The Coca-Cola distributor is trying to push maximum stock of products to high volume outlets and ignoring the other low volume outlets. This poor supply affects the Company's sales and future business with those outlets since they might switch over to Pepsi Co if not properly serviced and supplied with the required stock of products.
- The line servicing done by the distributors of Coca-Cola Company is not at all effective when compared to the frequency of line servicing of Pepsi Co.

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