

# ***BUILDING DISTRIBUTION IN INDIA***

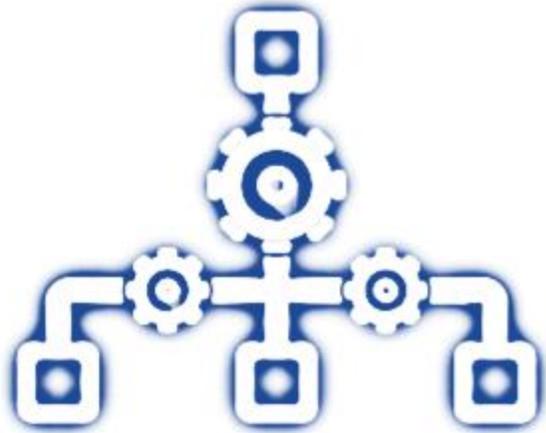


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One of the first-to-sort issues for most businesses considering new market entry which comes even ahead of production and pricing is – Distribution. This holds a lot more weightage in the Indian market scenario, not only due to the vastness of Indian market place, but also the diversity in culture, landscape, urban-rural mix, customer and channel behaviors. This is what makes a Distribution decision a lot more success-defining ‘Strategic’ decision beyond a mere Channel partnering decision.

Existence of various distribution models each with proven success and merits makes the Decision making a more intense process with a lot to be weighted. While it is fair and safe to look for a tried and tested model, the same comes with the challenge of creating a clearly distinct proposition which sets apart one from those who ran ahead in trying and testing. Falling short on establishing the unique proposition not only to the end market but also to the Distribution family takes a lot away from the Brand, by making it a mere option rather than the one to prefer.

Depending on the industry one operates in, the most suitable Distribution model of course varies from one to another; broadly though, two common scenarios in Distribution evaluation and decision making is on working with too few but too large versus small but many spread across.

*The diversity of the Indian market place makes a Distribution decision a lot more success-defining ‘Strategic’ decision, beyond a mere Distributor appointment!*



In the first scenario, where national or regional distributors are sought, most businesses try to leverage the strengths of Distributors and so evaluate the stage of growth and strength of network before signing up. While national or regional distributors provide a ready launch pad and ready access to markets with very little investment into logistics, it also leaves Distributors with an upper hand in negotiations and in controlling the market situations. Further, disruption anytime will prove to be fatal in depending too much on just one, and calls for a major reconstruction.

In the second scenario, there's a need for a larger internal organization to reach out across the length, breadth and depth of the market, to build up and thereafter continually nurture and monitor. A considerable weak spot here is the requirement for a larger set up internally to manage, externally for access and therefore the costs; adding to this is the lack of information management systems amongst smaller players (while this is changing and will continue to get better) as opposed to larger players with required infrastructure in place.

So, it's a tradeoff decision – between parting huge margins to large distributors versus large investments (initially to build as well as ongoing to engage and monitor); between huge risk of being too dependent on too few versus the cost of running a strong distribution management organization.

*Large and established distributors can provide a ready launch pad and access to markets; however, the same gives them an upper hand and disruption at any stage will prove to be fatal, even needing a major reconstruction.*



Irrespective of which model one goes for, the most successful would be those who'd not only make a strategic decision on distribution partners, but make distribution players partners in co-developing strategy; co-investors towards common goals, fostering a collaborative and transparent relationship.

This allows distribution players to be truly an extended arm – thereby, allowing each of the partners to focus on and leverage individual core-capabilities. When this doesn't happen, it leaves the Distribution partners under leveraged, often, merely function as logistics partners; and plenty of room for poaching in all possible ways – competitors, customers, partners etc.

Irrespective of whether one wants to Play safe by going to a tried or tested model or Dares to be different in looking at a new model altogether, the success of it can be realized in the greatest measure only when it ensures the Distribution organization (internal as well as extended/external) is **aligned with the overall vision and strategy**, and empowered towards realizing highly collaborative partnership which rides on synchrony of two independent strengths coming together.

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Another factor worthy of mention here, relevant to both direct as well as indirect management of Distribution is the efficient management of multi-layered network (credited by Apple's Tim Cook as the main reason for their small share of market) which in India is essential given the depth of the market. Picking or placing the right partners selectively through the layers with clear territories drawn needs deep intelligence on not only the partner's business but that of their market – including competitive intelligence and need gaps allows Brands and their Distribution partners at the upper layers to develop a strong competitive positioning.

Further to all these, another seemingly unrelated yet fundamental factor of utmost importance is 'Service Distribution', without which, investments into building (sales) Distribution network is a job half done. And for Distributors and Market-facing Channel Partners, one of the basic "must-haves" to recommend is 'Service Assurance'. Inadequacies or shortage here reflects on the Channel Partners and their business, and can lead to sharp reactions on entire relationship. [One of the Distributors of Lenovo mobile phone hand-sets recently made a negative publicity pleading not to buy Lenovo because of the gaps in their service delivery]

In today's world where e-commerce, technology and media-influenced market-behaviors are fast changing the market scenarios, agility to remodel and strong hold on relationships across the layers are keys for resilience from potential disruption and continual success, beyond the strength of reach and efficiencies of logistics. [Brands like Adidas, Baskin Robbins and Tata, amongst others, recently remodeled their distribution organization after years in market]

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B Cube Consulting, a Singapore based consulting firm specializes in stakeholder engagement services, globally.

The company has helped clients in Europe and Asia, both large and small, with various stakeholder engagement programs covering Customers, Suppliers, Channel Partners and Investors, including strategic advisory on Relationship and Engagement Transformation.



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**Thank you!**

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