

Products Distribution Issues in B & C Class Customers in KSA: A Case Study of Aujan Products

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ABSTRACT: The present case study is a systematic & comprehensive study of sales and distribution issues of FMCG products. The case analyses the call plan strategy of distribution and availability products of Aujan Soft Drink Industries in Saudi Arabia. Basically ASDI have own direct operation in the whole Kingdom including all three sectors Retail, Wholesale and Key Account. The present case is a comprehensive study of distribution strategy of call plan for FMCG products and taking into account various factors needed to be studied in the given context. The ASDI is currently serving. But due to change market structure and demography and consumer behavior the present distribution system failed to provide proper service in C & D class customers. The C & D class customers also want availability of selling brands with core products. Apart from this, keeping in view of market competition also need to change the call plan system of distribution. Therefore the basic need is to redesign the journey call plan in order to GPS. Furthermore, the study emphasized that there is a need to revise the JCP sequence of the customer with the new road map and market structure in order to make visit in the C & D customer properly to avoid stock out situations.

Keywords: ASDI (Aujan Soft Drink Industries), FMCG, Journey Call Plan, distribution of products, frequency of services, availability of products and retail channel.

Date of Submission: 20-10-2019

Date of acceptance: 03-11-2019

I. INTRODUCTION:

Distribution channels are the only way along which products passed from producers and manufacturers to ultimate consumers. They are routes along which products, information, and finance flow. While some manufacturers deal directly with their customers, most manufacturers use a distribution channel to take products to consumers. Considerable thought, effort, and investment are required to create and maintain a distribution channel. Channel margins and the expense of sales efforts in managing channels can form a substantial proportion of total marketing costs. An effective channel can be a source of strategic advantage for companies. Channel design and channel management are therefore important elements in a company's competitiveness. Channels are also important from a public policy perspective since they employ a large number of people and are critical to the unhindered availability of food items and other products to customers across the socio-economic spectrum. Although channels are very important, little research exists about Indian distribution channels. This note and the accompanying round table presentations therefore attempt to focus on distribution channels in Saudi Arabia, especially on the challenges that companies face in designing, constructing, and managing distribution channels. The aim is to identify important challenges, examine the relevance of research findings, and develop an agenda for future channel related research. Wholesalers have always been an important part of the distribution channel in KSA. Wholesalers purchase products from manufacturers and sell to retailers. They perform services like storage, bulk breaking, credit provision, and information provision for manufacturers. Most wholesalers in India are small in relation to their counterparts in developed countries and they operate in a limited geographical territory. Wholesalers may specialize in a narrow product range across a few brands and deal with a small number of retailers. Fast moving consumer goods (FMCG) companies in India have developed a category of exclusive wholesalers called stockiest or distributors.

History of Aujan Company:

There are five major distribution and sales regions in Saudi Arabia: the Western Region, with the commercial center of Jeddah Makkah and Medina; North region includes majorly Sakaka, Arar and Tabuk Southern region includes Jizan Najran, Abha and Khamis, the Central Region, where the capital city of Riyadh and Quasim is located; and the Eastern Province, where the oil and gas industry is heavily concentrated. Dammam is the capital city of the Eastern Province, and includes Dhahran. Each city has a distinct business

community and cultural flavor, and there are only a few truly “national” companies dominant in more than one region.

Basically Aujan soft drink industries established in the year 1905 and started local family business based at Dammam, KSA. Basically the company obtained the license in 1928 for exclusive Middle Eastern rights to import and distribute Vimto; a fruit based cordial drink which was extremely popular in the UK. In the year 1970, Aujan Industries established itself throughout the Saudi Arabian market and the GCC and by 1973 launched Vimto Carbonated; the first fruit flavored carbonated soft drink. The company innovated in 1982; Rani Orange Float was launched to an eager market. As the brand took off, a series of other formats were introduced, and by 1999, sales of Rani had passed the 10 million case mark. Also in the early 1980s, the company introduced to the region the malt beverage drink, Barbican. Launched to great acclaim, Barbican personified the future of beverages amongst the GCC’s growing youth market¹.

Over the years, Rani Products has established the unique brand characteristics, Float, the fruit juice with real fruit pieces, or “chunks,” which distinguish the brand. Rani Float launched 30 years ago in Saudi Arabia and has since experienced tremendous sales growth across the Middle East, North Africa, Europe and other export markets. The drink is sold in 56 countries and produced at Aujan Industries' state-of-the-art facilities in Dubai, United Arab Emirates.

Aujan industries, ranked among the top 100 companies in Saudi Arabia, holds a top three market position in every country in which it operates. The company’s core markets are Gulf Cooperation Council (GCC) countries of Saudi Arabia, Kuwait, Bahrain, Qatar, UAE and Oman, while its operations also extend to Iran, the Levant, North Africa, South East Asia and Europe, being operated by over 2500 employees and manufacturing facilities in Dammam, Saudi Arabia, where Aujan is headquartered; Dubai and Tehran.

The partnership between the two companies has created a platform to unlock new international opportunities for the Rani brand and begins the next era of growth across the Middle East and North Africa (MENA) region for the Coca-Cola system.

In 2011, a nearly US\$1 billion partnership agreement with the biggest beverage company in the world was emerged; Coca-Cola Company acquired approximately half of the equity of Aujan Industrial. Once closed, this \$980 million transaction will provide Saudi Arabia-based. Aujan Industries a platform to accelerate the international growth of the Aujan brands, including Rani and Barbican, while enhancing the regional outlook for licensed brand Vimto. The transaction represents the largest-ever investment by a multinational firm in the Middle East’s fast moving consumer goods sector, reflecting the strength of Aujan’s beverages bottling operations. Aujan holds a top-three position in still beverages in every country in which it operates and is one of the top 100 companies in Saudi Arabia with total annual revenues exceeding \$850 million. “As one of the region’s leading beverage companies, this partnership will allow us to unlock new and substantial opportunities,” said Sheikh Adel Aujan, Chairman of Aujan Industries². “Drawing upon Aujan’s deep regional insights and the international capabilities of The Coca-Cola Company, Aujan will continue to leverage the strength of its leadership team and is now positioned for even greater success in the regionally and internationally according to the Bloomberg Billionaires Index³. Sales of three brands Rani, Barbican and Vimto a juice drink called Rani, and Barbican, a non-alcoholic malt beverage will exceed \$1 billion in 2012, according to the company, quadruple its revenue in 2004. Aujan beverages are sold in 70 countries, with more than 70% of revenue coming from the Gulf, added by brand manager Fawaz Al Omran⁴. Today the companies celebrated the billionth can of Rani Juice produced under the partnership between Coca-Cola and Aujan. Rani is one of the leading juice brands in the Middle East and Aujan’s flagship brand.

Channel of Distribution: Distribution process consists of all the activities undertaken by manufacturer, either alone or in sync with other channel members in order to make the product available to consumers. Distribution channels consist of set-up of different types of independent businesses which need to be understood and aligned with manufacturers in fulfilling and enhancing consumer demand for products and services. Channels consist of three categories as below mentioned:

a. Agents

Agents promote products and generate sales but do not themselves buy and stock products. Agents can be independent or they may be employees of the company.

b. Merchants

¹ <http://ais.com.sa/history.html>

² Chairman: Aujan Soft Drink Company

³ Bloomberg Billionaires.com

⁴ Brand manager : Aujan soft drink operation KSA

Merchants such as retailers, wholesalers, and distributors buy, stock, and sell goods to others in the chain or to ultimate consumers. Merchants are usually independent but some companies may have their own wholesale trading units or retail outlets.

c. Facilitators.

Facilitators such as logistics service providers, independent warehouses, carrying and forwarding agents, and transporters facilitate movement, storage, and delivery of products but are not involved in promoting or trading. Distribution channels are configured by putting together agents, merchants, and facilitators in specific ways depending on the market, product, and competitive context.

Distribution can mainly be divided into two major components:

Efficient distribution and logistics are prerequisites for smooth transit of goods. Selling is the end process of distribution as this leads to change in ownership of product. Distribution is the most vital element for the success of FMCG companies. Efficient distribution network ensures brand is delivered in right quantity, right place and right time in good condition and at competitive rates.

Availability of Brand: Distribution network ensures that the product is on the shelf or in outlet when consumers want to buy. Companies ensure that not only the product is available at right time but also in right condition and quality like freshness, package etc. ASDI have Direct Distribution in the whole kingdom keeping in view of direct control over the goods distribution either to retailers or exclusive distributors. The advantages of direct distribution in KSA will lead the market coverage keeping in view of the good distribution.

Quality of product:

There are various factors affecting distribution network

1. Type of product:

The distribution of consumer products depends upon the type of products and distribution services also required according to the consumption and off take of the products furthermore it logically be describe that the type of product is anything that can be offered in a market for attention, acquisition, use, or consumption that might satisfy a need or want.

Service is a form of product that consists of activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in ownership.

2. Type of customers

Basically there are two types of customer are below mentioned

a. Internal Customer

b. It can be defined as those people within your organization who receive your work. In many situations, producers have multiple customers and therefore find it useful to identify "core customers"

c. External Customer

It can be defined as outside the organization as those people who pay the bills e.g. end-user customers or manufacturer

3. Market considerations

4. Internal considerations

5. Legal considerations

With the inflow of new companies like Al Rabia, Al Maria, Al Saafi, Nadec and Nada would be in a new arena altogether with its competitors like Sun Top having experience of working in company specific channels with shared ERP tools, ITC would have to device new distribution channel to account for such retail players.

The present Aujan Soft Drin distribution network has a sales distribution operation which acted as stocking point and bulk breaking venues. The company depots have now been replaced by Carrying & Forwarding Agents (C&F). They transport the products to act as buffer stock points to ensure minimum stock outs. The role of depot sales operation is important in this network as it services retailers, provides warehousing facilities, implements all promotional activities, reports the market data to the company etc. In the present distribution system network ASDI has 15 stock point, covering about 6 million retail outlets covering through retail, wholesale, OOH (out of home) and key account channels. The distribution network reaches to almost all the urban population and about 250 million rural customers by servicing the grocery stores, medicine stores, kiosks, general stores. To service the upcoming super value stores and the self-service stores in the urban areas, the ASDI has tailor made its channel design to suit their requirements.

II. OBJECTIVE OF THE STUDY:

1. To know the reason behind out of stock situation in B & C class customers.
2. How to improve the customer services in B & C category customers.
3. To make sure the proper distribution of all SKUs particularly B & C customers.

III. METHODOLOGY:

The present study as titled distribution issues in FMCG products: A Case Study of KSA. To study the present case study, survey research method is applied here. In that context a detail questionnaire was prepared and administrated is studied applying on the basis of survey –research method. We have taken into consideration six routes of southern region of Saudi Arabia.

Data were collected through questioner and interviews of 200 customers. On the other hand the researcher strict on to select those customers are purchasing Aujan products. Most of the data collected from Jizan Region. To know the product availability and service provided in the market interview method is also used here in order to gather primary and secondary data.

3.1 Data Collection:

The research questioner was designed based on previous research. The questioner designed pre tasted and further designed through personal interview with shop managers and outlet owners of B& C class of customers in KSA customers.

3.2 Distribution of Channel:

Distribution channels can be understood by evaluating their basic, arrangement, purpose, and role in order to distribution of products. Channels consist of networks of different types of independent businesses which need to be aligned to assist marketing companies in satisfying and creating consumer's requirement demand for products and services.

Channels consists basically three kinds of categories:

1. Agents:

Representative of companies promote products and enhance sales but they are not purchasing products for themselves. It works like agents and may be independent or they may be employees of the marketing company.

2. Merchants:

Merchants such as retailers, wholesalers, and distributors buy, stock, and sell goods to others in the chain or to ultimate consumers. Merchants are usually independent but some companies may have their own trading units and retail outlets i.e. Sony, Samsung, Pepsi, Coca Cola and Aujan soft drink.

3. Facilitators:

Facilitator may be defined as providers of logistics based services, independent warehouses, carrying and forwarding agents, and transporters facilitate movement, storage, and delivery of products but infact they are not involved in promoting products of any kind of promotion .

Distributions of channels are organized by putting together agents, merchants, and facilitator in particular ways accordance with competitive market situation. Channel formation vary across countries and industries, but all channels can be illustrated using simple concepts such as direct sales, levels, density, variety, and novelty.

There are some short researches in Saudi Arabian context with reference to call plan and market coverage plan that affect channel effectiveness and efficiency. A good understanding of the factors will aid in modifying channel structure in response to changes in the channel or environment. A major challenge in channel management is keeping channel members motivated to support the principal, especially when markets are tough. Channel member profitability is a major driver but not the only factor affecting channel member satisfaction and motivation as mentioned (Gilliland, 2004). Further advance stage research is required in Saudi Arabian context about the motivational effectiveness of various types of channel incentives.

3.3 Six ways to cover category of outlets:

In order to increase the outlet coverage plan is not a very simple. It needs sense of balance the distribution cost and the incremental sales volumes, keeping in view of covering all potential outlet including C & D class customers carrying all SKUs and all core products and it represents the heart of the product. The basic advantage of any product may functional or psychological and its definition must provide something for the marketer to work on to develop a differential opportunity because it influences the next layer the tangible products.

1. To enhance credibility:

To cover all C & D class customers requires a tailored approach.

2. Planning:

Designing a call coverage plan for enhancing coverage of C& D class customers of each business region should be centrally. Furthermore, it is need to be taken into consideration the market potential of each

business manager territory and craft a suitable coverage expansion approach, implementation and key metrics for scale up. The implementation of these coverage expansion plans should be executed on local or regional level keeping in view of regional culture and environment.

3. To find out new outlets:

To locate and find out the uncovered for a particular route operation covering 50 to 10 kilometre in city area is a big job or takes time. The best option will be to identify those outlets and put under JCP (Journey call plan) to cover as direct coverage plan or it may cover by appointing some distributor.

4. Create a Profile for identifying new outlets:

More outlets can be included in JCP (journey call Plan) for the direct coverage under one route operation. The category of the potentiality of the customer may vary by industry.

5. Providing service by indirect operation:

To identify the unserved outlet is the primary job and then we have to decide the providing services through indirect operation like a distributor or covering by wholesale sector.

6. Implementation for continuous Growth:

Companies should require complying consistency in services according to JCP for continuous growth and this can be only possible by regular monitoring of Call Coverage of route salesman on a daily basis.

Market Issues:

ASDI (Aujan Soft drink industry) basically is a sales & distribution company based at Dammam Saudi Arabia. David Allan Earring is a Regional Director, managing sales & distribution of KSA and Yemen. The whole kingdom is divided into five sales regions north, south, east, west and central. The region is divided into sales routes keeping in view of smooth running and successful sales & distribution of Aujan products. There are five major brands like Barbican, Rani, Hani, Vimto and Tetra pack with its products mix as a whole they have 44 SKUs. ASDI have direct retail operation to cover all A, B, C and D class customers and in addition to the E and F class customers were provide services through wholesale sector in each territory. Each VSR (Van sales representative) is allotted a sales territory to cover all outlets as per JCP (Journey Call Plan) and they have to cover 35 calls per day.

JCP is prepared on basis of potentiality of customer, sales volumes and GPS coordinates in order to make the sales territory closer, so that it can be easily cover all outlets within the specific time frame. ASDI JCP is shown as below mentioned:

Journey Call Plan⁵

Class of Outlet	Sales Volume	Frequency of Service	
Per Month		Per week	
A Class	300 + c/s per month		4
B Class	200 - 299 c/s per month		3
C Class	100 - 199 c/s per month	2	
D Class	below 99 c/s per month ¹	1	

⁶Source : Aujan Merchandising Plan Manual 2013

It is a common tendency or behavior of front line sales force that they always focus on that customer who have high potential and also opportunity of sizeable sales. Therefore, VSRs are used to extend their best service and spent more time to A & B class customers to provide good services, product display and merchandising of products, as they believe merchandising activities directly affects the sales volumes and increase the profitability of the store and also will increase the viability of the routes in terms of sales volumes. The reason behind the whole exercise is just to achieve daily, weekly and monthly sales target accordingly for the route only. The VSRs realized that sometime the planned JCP is not completed fully and sometime partially in order to focus A & B class customers, in result C & D class customers were overlooked and in result not serviced properly due to lack of time or call schedule time management. Basically we identified there are three major issues in distribution system of ASDI are below mentioned.

Issues :

1. Improper services found in C & D class customers in Southern region of Aujan sales territory.

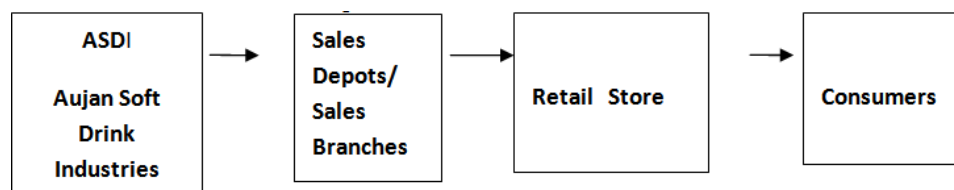
⁵ ASDI JCP (Journey Call Plan)

³ Sales Management, Tanner et.al, ed. 2014 pg 263

2. Weak distribution of products in C& D class customers and
3. Shortages of core products also found in C & D class customers.

The ASDI has own sales force to service A,B,C&D class customers of the kingdom through direct retail channel.

The Retail Distribution channel⁷ is given below:



In a general review meeting David Allan Earning Regional Director, pointed out on basis of different online system generated reports that the C& D class retail outlets were not served properly in Southern Region of the kingdom last month and during a market survey report it is also found that there is none availability of core products in the same market specially in C&D class outlets. David enquire to Mr. Mohammad, Regional Business Manager of Western Region, what are the reason behind this irregular service of C& D class outlets as well as none availability of core products in the same market. David further highlighted the issues like 'irregular service and none availability of products will be a major cause of losing market share and credibility, which leads to the customer dissatisfaction and in result big loss of business. According to Tanner et.al (2014)⁸ sales management Pearson page no 263, Sales managers need to understand the reasons why sales does not achieve their goals. This does not mean that it is the end of the line for a representative. The manager needs to find out why the individual did not achieve his or her goals and help the person engage in activities that will result in success.

Discussion and Results:-

After all research and factors taken into consideration Mohammad, BSM elaborated the issues related to weak market coverage plan the JCP, Call Analysis, journey review details and DSR (Daily Sales report) that C&D class customers were not visited properly due to lack of time on the route because the present JCP is not appropriate according to market location and the VSRs spent more time in A& B class customers keeping in view of achieving daily sales targets. Furthermore it is must to implement the effective merchandising plan and display of product according Aujan model in A& B class category of customers. In response to the shortages of core products in the C&D class customers, most of the VSR are fails to maintain the flavor mix during the customer service because the core products maintains the brand loyalty and company image. Furthermore one of the important reasons as identified here that the incorrect vehicle stock load plan, sales forecast and product indent communicated to the shipping & production department. It is also observed that the misallocation of dispatches from logistics department. The regional sales manager also emphasized that there is need to revise the JCP sequence of the customer with the new road map and market structure in order to make visit the customer properly.

IV. CONCLUSION:

The present case study is a systematic & objective study of sales & distribution of FMCG products. The basic problem & obstructions faced by the existing /operating firms while operative in the KSA apply all those standard managerial expertise in order to locate & find out and identify those areas/elements/steps tenable to co-relate between sales & distribution in the given context. Furthermore the present study categorically probes journey call plan locating & pointing out how different class & areas/users of outlets are categorized. ASDI as mentioned column for correspond to and vary with different sales value & frequency of service delivered on the basis of per month and per week time frame. The data as delineated & projected in the journey call plan systematically locates & point out sales volumes as well as frequency of service delivered. What is needed is to establish & co-relation between sales & distribution in terms of call plan, geographical area and time needed in the given context. Seen the dissertation from this perspective and frame work all the required & essential steps need to be ascertained in order to establish balance between distribution of products and all class of customer with visit and sequence of frequency. What needs to be pointed out in the given context is to locate if any discrepancy between call frequency & distribution products can upset the balance of desired result needed

⁷ ASDI retail Channel

⁸ Tanner et al 2014, Sales Management

in sales and distribution of FMCG products. FMCG products monitoring/formulating sales & distribution of FMCG products should be made comprehensive taking in consideration of the sales and distribution system applicable in the KSA.

Suggestion:

To enhance direct coverage of outlets can be key success of high growth to keep their product available in C & D class outlet with high competitive market will rapidly see improved sales and strong foundation for long term business. What is needed to be find out the reason and factors behind irregular visit of JCP and none availability of core products in C&D class customers. Finally these issues needs to be highlighted and adjusted in current JCP keeping in view of market structure in order avoid stock out situation of products.

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Mohammad Naquibur Rahman" Products Distribution Issues in B & C Class Customers in KSA: A Case Study of Aujan Products" International Journal of Business and Management Invention (IJBMI), vol. 08, no. 10, 2019, pp 42-48