

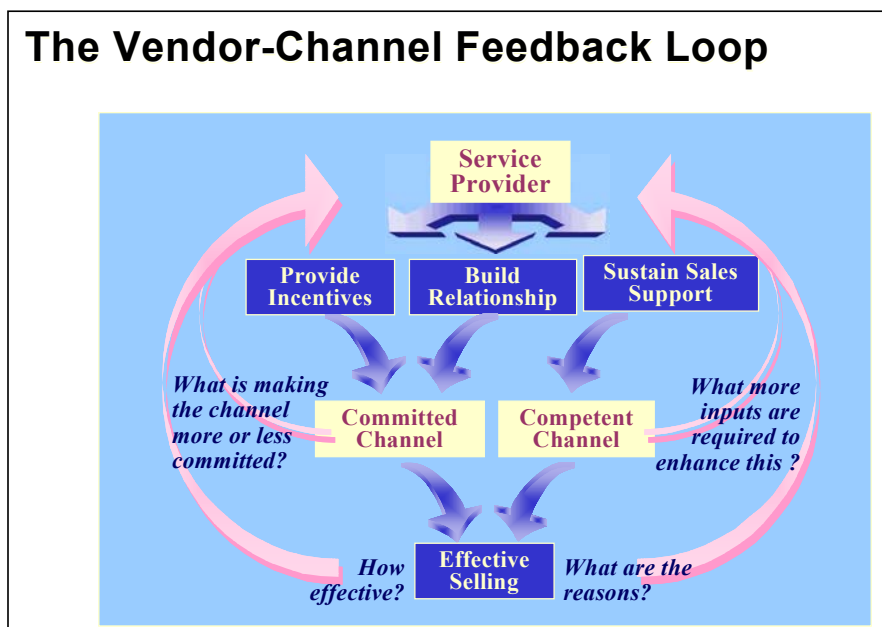
Channel (Trade) Relationship Assessment Program



Background

CSMM, is an independent, specialist unit of IMRB International and an exclusive member of the Walker Information Global Network (WIGN) in the Indian subcontinent, providing solutions to companies for measuring and managing their key stakeholders. Formed in the year 1994, CSMM has a rich experience of conducting over 800 programmes across diverse industry verticals and various stakeholders ranging from internal stakeholders to external stakeholders.

Channel is the face of the company and is as important as employees in achieving your business goals. Channels project your brand to the rest of the world. CSMM's model for trade satisfaction identifies expectations channel members have from the companies whose products and services they sell.



The programme will help

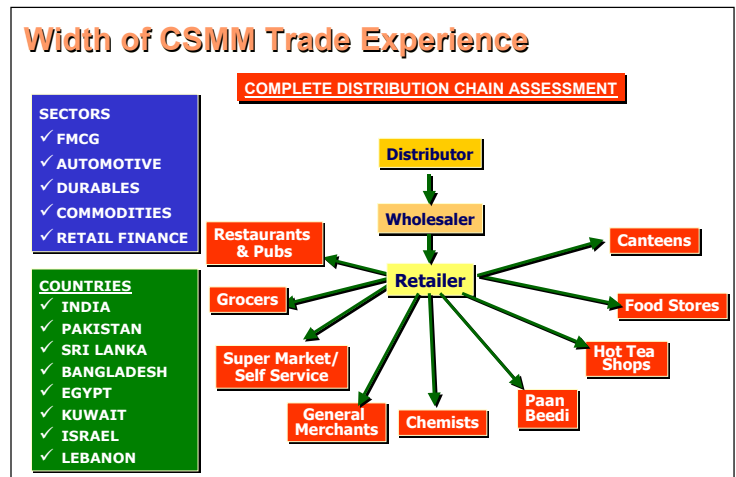
- Assess specific needs and expectations of channel partners
- Assess current satisfaction levels among channel partners on these expectations vis-à-vis competition
- Determine the relative impact of each need and expectation
- Provide strategic direction for improvement in critical areas and identify leverageable opportunities
- Deploy findings for effective implementation

Key Sectors Covered in FMCG Trade Satisfaction Broad Objectives of CSMM's Channel

Our work has helped some leading names in these sectors in defining their trade strategies. Our experience especially in conducting Customer Satisfaction Programmes for the Trade / Distribution Channel partners, in FMCG vertical are highlighted as follows

Leading organizations in the following industries are relationship clients of CSMM

- FMCG
- Consumer Durables
- Watches
- Automotive
- Core Sectors – Steel / Cement
- Paints
- Mutual Funds
- Telecom
- Airlines
- Hospitality
- Auto Finance



Hierarchy of Trade Relationship Assessment

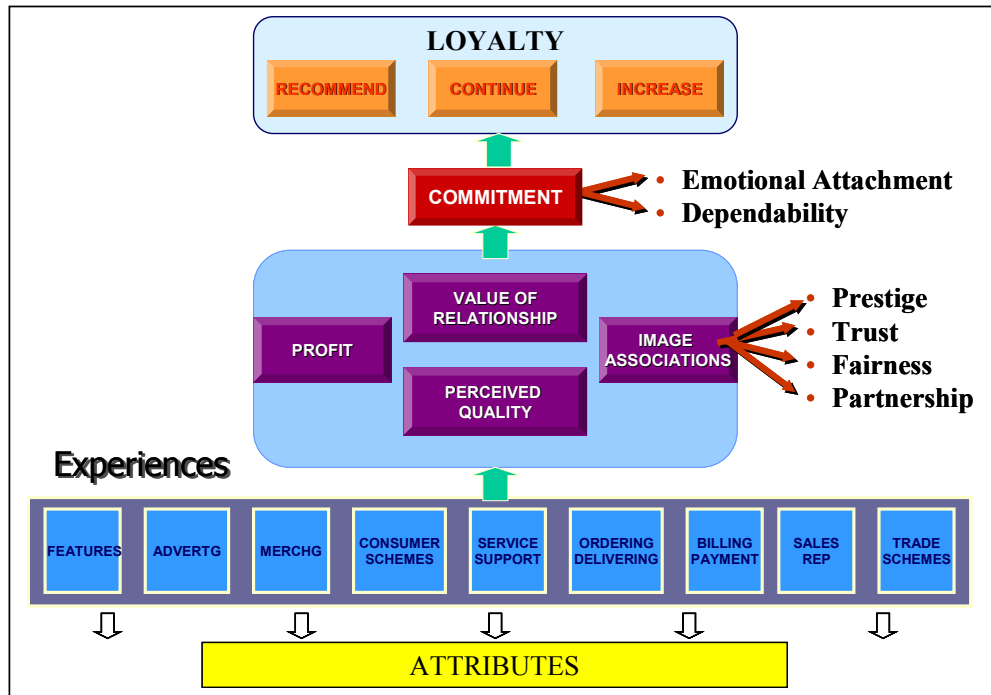


Drawing on its vast experience in the area of Trade Satisfaction Management, CSMM & Walker Information Global Network has developed a causal model that organises fragmented trade customer perceptions into a cohesive integrated whole. This model, called **the Hierarchy of Trade Satisfaction Management™**, is the proprietary framework of the Walker Information Global Network and describes a proven framework for defining and structuring the company – trade relationship.

The model captures the essential metrics required (i.e., the variables to investigate) and structures the interrelationship of these variables. Most importantly, the model defines an analytical framework that allows a thorough understanding of the underlying structure of customer satisfaction.

The basic premise of the model is that the overall goal of a company is profitable growth for which one of the key determinants is the loyalty of our trade partners. Loyalty is further an outcome of the overall perceptions of the trade partner on Profit, Quality of products & services & hence the value they derive from the relationship, & how they see the company on various reputational parameters viz; images. While on one hand the market dynamics & competitive activities can have an influence on these perceptions, they are usually formed & consolidated basis the interactions/ transactions that the trade partners has with the company, over a period of time.

Hierarchy of Trade Relationship Assessment



This causal hierarchy is further customized to a proprietary Trade Relationship Framework, basis CSMM's & Walker's experience. One of our case studies below illustrates how this framework is being successfully applied across various organizations

An Overview of the Deliverables

Key Deliverables of the Programme are listed below. These are further customized to basis the requirements of individual clients.

- Needs and expectations of channel partners – category-wise
- Loyalty Segmentation of the Trade partner universe to ascertain the Truly Loyals, Trapped, Accessible & High Risks – Engagement levels, Profile and expectations of each loyalty segment
- Overall perceptions – Quality, value perception and image associations
- Performance measures on different processes and drill down on each process
- Benchmarking with competition
- Prioritization of improvement areas for each category
- Linkage and Integration with end customer programmes
- Facilitating dissemination & Deployment of Findings through Action Planning Workshops

Consolidated Learning's from Past Trade Studies

Our experience demonstrates that the Key Drivers to a channel loyalty can be broadly classified under the following themes

- **Pull** : Brand, Company Reputation, Product Quality, Mass Media, POP Promotions & Advertising would be factors creating the Pull in the market
- **Systems**: Ordering & Delivery, Billing & Payment procedures of the company
- **Push**: Trade Margins & Trade Incentives
- **People**: Company Salespeople & Distributor & their salesmen

Contrary to popular belief, Push factors do not contribute to Loyalty creation, though "STATED MOST IMPORTANT". Conceptually our approach focus on Derived Impact to arrive at prioritisation on areas to focus rather than a Stated approach, which classifies most areas as being important to the partner/ customer.

We have seen Pull factors are a dominant driver of loyalty as they

- Reduce the effort of retailer in selling
- Entail faster rolling of money

CSMM approach looks beyond the obvious & has found that an effective "**Pull Strategy**" supported by a "**Robust system**" & "**Motivated Personnel**" drive Trade Loyalty.

Case Study : Our Client a leading player in the hair care and foods market. Over the years the company has built many successful brands. Client wanted to conduct a satisfaction survey among distributors (and super distributors/ stockists) to understand distributor expectations from the company and the extent of their satisfaction with company policies and dealings with them.

The baseline survey was conducted in 2002, post which the client put several initiatives in place in a bid to improve on low performing areas that emerged from the study. This was then followed by a tracking survey among distributors (and super distributors) conducted in early 2004 to check for positive shift in scores post the initiatives undertaken by the company. Details ahead

Distributor Satisfaction – A Real Case study

For ABC Ltd.* *Please note that due to Confidentiality reasons the Client organisation name is masked*

Program Objectives

- Assess the expectations of distributors from ABC
- Assess their level of satisfaction with ABC (and another preferred company) on these expectation areas.
- Identify areas of improvement for ABC

Program Scope & Design:

Phase I – Exploratory Phase

The objectives of the exploratory phase were

- to identify the needs and expectations of distributors from ABC
- to prepare the questionnaire for the measurement phase

Phase II – Measurement Phase (Quantitative Phase)

The respondent was the Key Decision Maker in the distributorship who makes decisions for purchase of products

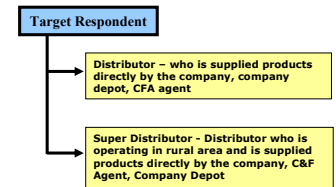
The distributors were interviewed by means of a two stage process:

- Telephonically contacted for appointments
- interviewed at a place, date and time convenient to distributor
- Interviews were conducted face-to-face

Questionnaire

The questionnaire covered the following aspects

- **Overall Quality** of products & Services
- **Profitability** earned from being a distributor for ABC
- Perceived **Value** of the relationship enjoyed with ABC
- **Images** about the company
- **Behavioral Intentions** (to recommend ABC, continue with ABC and increase share of business with the company)
- **Distributor Experiences** (Quality of products, advertising, ordering process, delivery process, distributor incentives, promotions & schemes, merchandising & display, process of settlement of claims & damages, Territory sales officers, Area sales managers, sales planning, training & development, accounts & billing, sales reporting & information, online system)



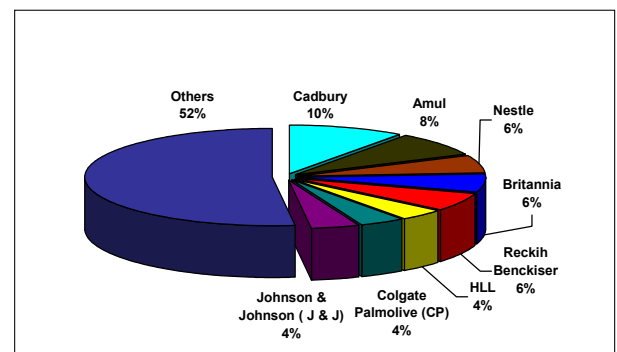
Benchmarking

Most distributors deal with ABC and other companies in Non-conflicting categories. The respondent was asked to rate ABC and another company they preferred to deal with.

This other preferred company was considered to be the Benchmark company. The following chart shows the Benchmark companies that have been rated and what

Percent have rated each company:

So, for e.g. 10% of the sample has rated ABC as well as Cadbury, 8% has rated ABC and Amul and so on...



Distributor Satisfaction – A Real Case study For ABC Ltd.*

Please note that due to Confidentiality reasons the Client organisation name is masked

Survey Findings – Baseline Survey (June – July 2002)

A total of 150 distributors across India were interviewed. This included 120 distributors and 30 super distributors.

The survey clearly showed that distributors are image driven. The image of a company partnering with distributors was the paramount driver of distributor loyalty. Other images such as the company being aggressive and prestigious to deal with and being a Fair and Ethical company were also seen to impact distributor loyalty. This corroborated the hypothesis that the company image mattered most to distributors. ABC was seen to be performing high on most of these image parameters compared to benchmark except Fair & Ethical Company where it was rated at par.

What was driving these image perceptions? What led to the image of ABC being a partnership oriented and aggressive / prestigious company?

.....It was primarily the quality of experiences that the distributors have with each of the aspects shown in the grid below in their dealings with ABC:

Image: Partnership Oriented	Image: Aggressive & Prestigious	Image: Fair / Ethical
Sales Planning	Delivery process	Products & Packaging
Delivery process	Sales Planning	Advertising
Advertising	Advertising	Accounts, Billing & Payments
Accounts, Billing & Payments		
Products & Packaging		

Of all experience areas, the ones that impacted the loyalty of a distributor to ABC were primarily the overall quality of

- Sales Planning
- Delivery process
- Advertising
- Products & Packaging
- Accounts, Billing & Payments

ABC was rated at par with benchmark (the distributor's preferred / next preferred company to deal with) on the quality of Sales Planning, Delivery Process, Advertising and Products & Packaging while it obtained significantly higher ratings on the Accounts, Billing & Payments process.

Distributor Satisfaction – A Real Case study

For ABC Ltd.* *Please note that due to Confidentiality reasons the Client organisation name is masked*

However, given the high impact that **Sales Planning and Advertising** has on distributor loyalty, these areas emerged as critical improvement areas (since on these high loyalty impacting areas benchmark was performing at par with ABC)

On **Accounts, Billing & Payments** and quality of **Products & Packaging**, though performance was better than or at par benchmark, ABC was performing higher on other areas. Given this, these areas were secondary improvement areas since there was an opportunity to out perform and differentiate from benchmark

Delivery process was an area of strength.

The areas of improvement for the company included the following:

Critical Improvements	Secondary Improvements	Areas of Strength
Sturdiness of Outer Packaging - P&P	Freshness of products – P&P	Effectiveness of advertising in increasing sales - Adv
	Credit policy for retailers – ABP	Time taken for delivery of order - Delivery
	Adequacy of ad spend – Adv.	Frequency of despatch of stocks from company – Delivery
	Adequacy of ad support during new product launch – Adv.	Bills / invoices containing all relevant details - ABP
	Frequency of advertising – Adv.	
	Extent of planning to increase the no. of outlets – SP	
	Ability to deliver stocks at a time convenient to you – Delivery	
	Extent of detailing of sales plan – Sales Planning	
	Attractiveness of ads – Adv.	
	Extent of distributor involvement in sales planning – SP	
	Ease of obtaining reimbursement on trade schemes- AB&P	

Loyalty Status

7 in every 10 distributors (72%) were 'truly loyal' to ABC (these distributors are committed to and will recommend the company to others who want to get into a similar business). Nearly 1 in 8 distributors feel 'trapped' i.e. they will recommend ABC to others but don't feel committed to the company.

Distributor Satisfaction – A Real Case study

For ABC Ltd.* *Please note that due to Confidentiality reasons the Client organisation name is masked*

Company's Improvement Initiatives

(post the Baseline Survey)

ABC introduced several initiatives in a bid to improve on certain aspects.

1) Re-imburement of schemes

ABC already has (and continues to use) a system of distributors placing orders for stocks online. i.e. there is no sales person / order taker who visits the distributor to take orders. All orders are placed online. The company, on the same system, has introduced a facility through which, distributors are able to log on their claims, which are then picked up by the company from the system, and a re-imburement is made within 2-4 days of logging on the claim. Thus, through this system, the company has managed to reduce paper work as well as reduce the time for re-imburement of schemes from 30 days to about 4 days.

This facility was initially available only to 60 distributors. The company planned to gradually allow all distributors to avail of this facility within a year. Although distributors did feel this was a good initiative, there seemed to be some kind of 'hidden' resistance because it was now virtually impossible for them to log in fraudulent claims.

2) Improvement area: Delivery

The company introduced a Vendor Management inventory (VMI) System. The company set norms on the maximum quantity of stock to be maintained by a distributor for each SKU. The distributor was henceforth not required to unnecessarily place orders if a product / SKU was not selling. For e.g.

If Maximum quantities to be stocked for Brand A small pack = 100

Stock in hand = 60

Distributor will not be forced to buy more than 40 more such packs.

Of course, the maximum quantity to be maintained will vary from SKU to SKU.

The distributors have welcomed this move by the company since it prevents dumping of stocks on them

3) Sales planning to be done along with Distributor

The company began a system wherein the distributor and the Territory Sales In-charge will plan the sales at a beat level together. (1 beat is basically one route that the DSR covers. Each route consists of approximately 40 outlets). This planning was initially to be done only for those key products / brands which contribute to 80% of turnover.

4) Sturdiness of packaging

A third party agency has been appointed to deal with Claims occurring due to L&D (Leakages & Damages). This third party agency visits the distributors, checks for authenticity of the claim and ensures the same are settled, wherever genuine.

Distributor Satisfaction – A Real Case study

For ABC Ltd.* *Please note that due to Confidentiality reasons the Client organisation name is masked*

Ist Track Survey (January – February 2004)

Having taken action on the findings of the baseline survey, the first track was conducted in January 2004 with a similar sample of distributors (and super distributors) i.e. 150. The objective was to check for shift in scores, if any, post the baseline survey and improvement initiatives undertaken

Performance across most areas showed a marked improvement over baseline survey.

At the overall perception level, images continued to be dominant drivers of distributor loyalty (Fair / Ethical and Partnership Oriented). ABC obtained a positive shift in scores on these parameters. In fact, the company surpassed the 'Best of Class' scores on some parameters as per CSMM's trade benchmark scores for India

Overall Measures	ABC Track 1	ABC Baseline
Overall Quality of products & services	66	60
Profitability	77	59
Value of the relationship	40	24
Image 1: Fair / Ethical Company	84	79
Image 2: Established / Well Known	94	94
Image 3: Partnership Oriented	86	81
Image 4: Aggressive & Prestigious	89	83
Image 5: IT Savvy	90	76

In the baseline study, ABC was rated at par with benchmark on the overall quality of products and services. This position remained unchanged in the track. On Profit and Value, scores in the baseline were significantly below benchmark. ABC showed considerable improvement over its own score although in comparison to benchmark it was rated at par on Value and significantly lower on Profit.

On the experience parameters, performance showed an improvement over the baseline. Scores had improved in several areas such as Products & Packaging, Distributor Incentives, Promotions & schemes, Merchandising & Display, Claims & Damages and Quality of Area Manager. On other areas performance was at par with baseline scores, which indicated that the company has not slipped on performance on any experience areas.

Experiences	% Impact - Track 1 (2004) -	% Impact - Baseline (2002) -
Products & Packaging	29	14
Promotions & Schemes	20	-
Ordering	17	-
Accounts / Billing	14	13
Merchandising & Display	11	-
Training & Development	10	-
Advertising	-	20
Delivery	-	25
Distributor Incentives	-	-
Claims & Damages	-	-
Territory Sales Officers	-	-
Area Sales Managers	-	-
Sales Planning	-	28
Sales Reporting & Information	-	-
Online System	-	-

Distributor Satisfaction – A Real Case study

For ABC Ltd.* *Please note that due to Confidentiality reasons the Client organisation name is masked*

A change was witnessed in the areas driving loyalty, as depicted below

At the attribute level, performance showed a significant improvement in all areas where ABC had taken initiatives to show improvement as shown below

Attributes	ABC 2004	ABC 2002
Ease of obtaining re-imbursement on trade schemes	65	46
Sturdiness of outer packaging	56	43
Extent of involvement of the distributor in sales planning	59	45
Ability of the company to control dumping	64	39

An improvement in these aspects led to an improvement in the overall Experience areas, since many of these had a very high impact on influencing the perception of distributors when rating the overall Experience areas:

Attributes	ABC 2004	ABC 2002
Accounts, Billing & Payments	70	52
Products & Packaging	67	55
Sales Planning	63	45
Delivery	68	62

In spite of the higher scores obtained in the track, Sturdiness of outer packaging continued to be a Critical Improvement area due to its high impact on distributor loyalty. Clearly distributors were expecting the company to do more in this area.

The aspects emerging for improvement in the track were as follows:

Critical Improvements	Secondary Improvements	Areas of Strength
Sturdiness of outer packaging - P&P	Procedure for making payments for stocks ordered - B&P)	Ability of the co. to introduce new & successful products (P&P)
Effectiveness of consumer schemes - P&S	Promptness of response to competitive trade schemes for retailers - P&S	Frequency of trade schemes for retailers (P&S)
	Accuracy of sales amounts planned – Ordering	Ease of booking orders (Ord.)
	Providing intimation of stockouts – Ordering	Minimum quantity of stock to be maintained at any given time (Ord.)
	Effectiveness of window display in retailer outlets in increasing sales – Merchandising	Accuracy of bills / invoices (B&P)
	Effectiveness of trade schemes for retailers - P&S	Ease of obtaining refund against claims raised (B&P)
	Frequency of displays - Merch & Display	Ability of the TSO to train the DSR on taking orders, pushing sales, collection, etc. (T&D)
	Effectiveness of training programmes in increasing sales - T&D	Frequency of training programs for DSR (T&D)
	Adequacy of merchandising & display budget - Merch & Display	
	Adequacy of POP material - Merch & Display	

Distributor Satisfaction – A Real Case study For ABC Ltd.*

Please note that due to Confidentiality reasons the Client organisation name is masked

Loyalty Status

Loyalty status for ABC improved in the track. 3 in every 4 distributors are truly loyal to the company (75% v/s/ 72% in the baseline). This was primarily due to a downward shift in the 'Trapped' and 'High Risk' percentage.

In Conclusion

A clear improvement is observed in the scores obtained by ABC across several distributor experience and overall areas. These scores are significantly ahead of the company's own scores in the baseline study and over benchmark scores in the track

'Truly Loyal' percentage of distributors showed an improvement in the track, this being primarily due to fewer distributors sitting in the 'Trapped' and 'High Risk' segments

The key areas of focus for the company are quality of Promotions & Schemes (primarily on consumer schemes) and quality of Packaging.

Contact Information

New Delhi

Nimai Swain, Associate Vice President
Tel: 91-11-4269 7902(D)
Email:nimai.swain@imrbint.com

Umang Oberoi, Senior Project Director
Tel: 91-11-4269 7933(D)
Email:Umang.oberoi@imrbint.com

8, Balaji Estate Guru Ravidass Marg, Kalkaji, New Delhi-110 019
Board: 91-1-42697800
Fax: 91-11-42697801 / 02

Mumbai

Praveen Nijhara, Research Director
Tel: 91-22-2423 3332(D)
Email: praveen.nijhara@imrbint.com

Nitasha Singh, Senior Project Director
Tel: 91-22-2423 3331(D)
Email: nitasha.singh@imrbint.com

B Wing, Mhatre Pen Bldg. Senapati Bapat Road, Mumbai 400028
Board: 91-22-2423 3000
Fax: 91-22-2423 3800

Bangalore

Subhash Chandra, Senior Project Director
Tel: 91-80-2227 4236 (D)
Email: s.chandra@imrbint.com

D-7, Devatha Plaza, 131 Residency Road, Bangalore 560025
Board: 91-80-22274388, 22213186, 22274236
Fax: 91-80- 2221 0795