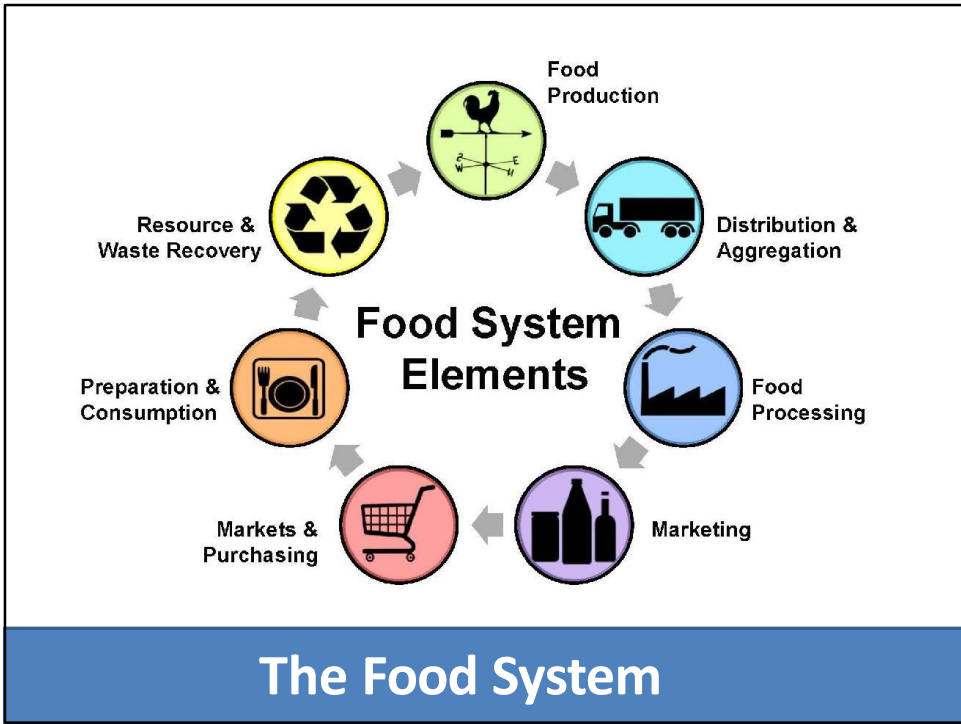


Distribution of Food



Food Value Chain

- A **strategic alliance** between **farmers** and **other supply- chain partners** that deal in significant volumes of high- quality, differentiated food products that distributes rewards equitably across the chain.
- Recognize that maximum value for products depends on **interdependence, collaboration, and mutual support**
- Alliances form around **shared values** such as **social &/or environmental** concerns that are reflected in the **product** and **customer** relations.

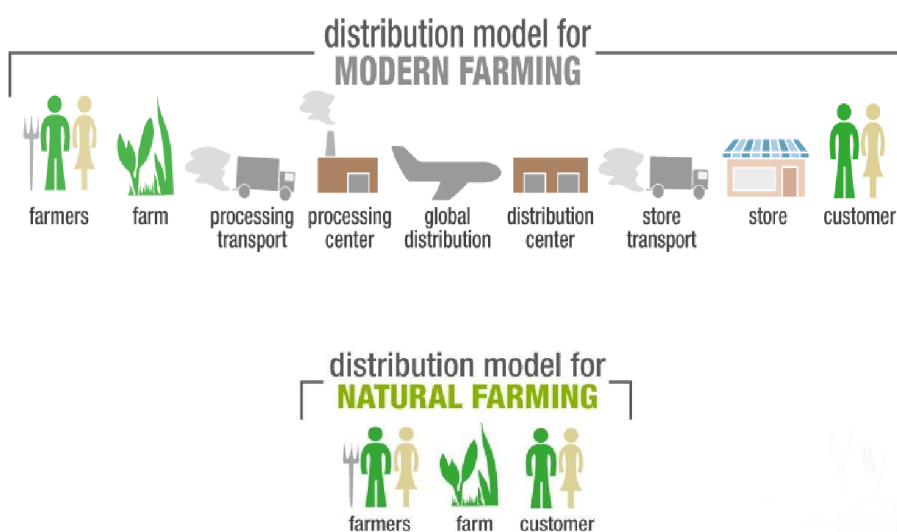
Theory of Shared Value

- Traditional approaches create value propositions
 - Product differentiation
- Food value chains additionally ask
 - Is our product good for our customers?
- Concept incorporates a desire for social improvement.

Key Characteristics

- Economies of scale coupled with sales of differentiated food products
- Cooperative strategies to achieve competitive advantages and the capacity to adapt quickly to market changes
- High levels of performance, trust, and responsiveness throughout
- Shared vision, shared information (transparency), and shared decision-making and problem-solving among the strategic partners
- Commitment to the welfare of all participants with emphasis on equitable profit sharing, fair wages, and mutually acceptable business agreements

Food Distribution Model

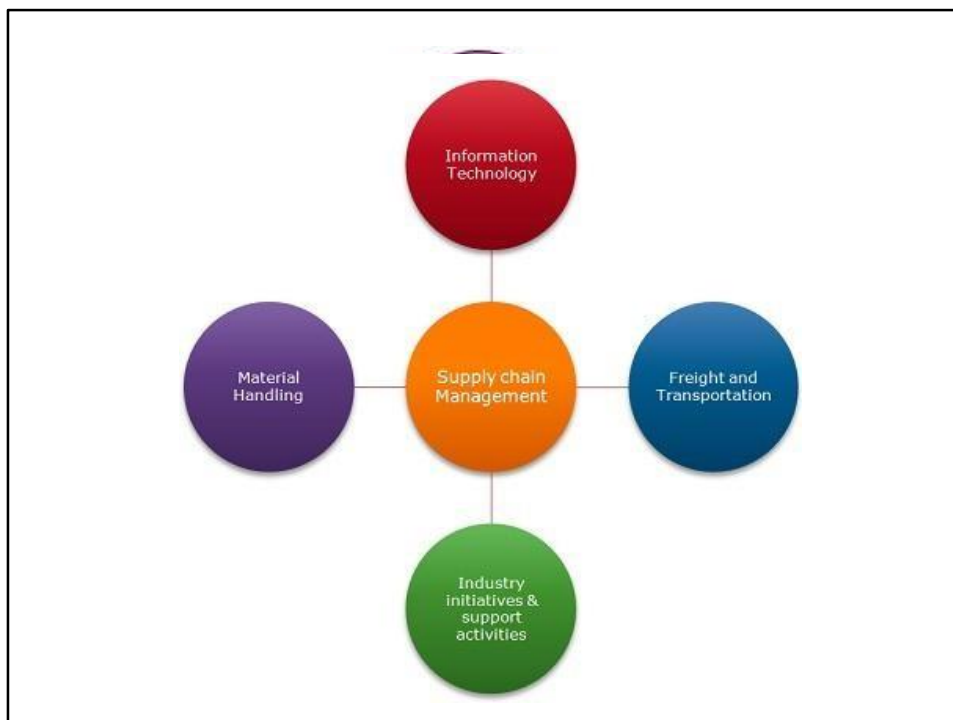


Supply chain Vs Value chain

BASIS FOR COMPARISON	SUPPLY CHAIN	VALUE CHAIN
Meaning	The integration of all the activities involved in the procurement, conversion and logistics of the product is known as Supply Chain.	Value Chain is defined as the series of activities, that adds value to the product.
Originated from	Operation Management	Business Management
Concept	Conveyance	Value Addition
Sequence	Product Request - Supply Chain - Customer	Customer Request - Value Chain - Product
Objective	Customer Satisfaction	Gaining competitive advantage

Logistics Vs Supply chain

BASIS FOR COMPARISON	LOGISTICS MANAGEMENT	SUPPLY CHAIN MANAGEMENT
Meaning	The process of integrating the movement and maintenance of goods in and out the organization is Logistics.	The coordination and management of the supply chain activities are known as Supply Chain Management.
Objective	Customer Satisfaction	Competitive Advantage
Evolution	The concept of Logistics has been evolved earlier.	Supply Chain Management is a modern concept.
How many organizations are involved?	Single	Multiple
One in another	Logistics Management is a fraction of Supply Chain Management.	Supply Chain Management is the new version of Logistics Management.



Wholesaling & Retailing of Food Products

- **Wholesalers**
 - Merchant Wholesalers
 - Full-service Wholesalers
 - Limited Service Wholesalers
 - Cash and Carry wholesalers
 - Logistics wholesalers
 - Brokers and Agents
 - Branches and mini offices

Functions of Wholesalers

- Sales and Promotion Function for Chosen Companies Products.
- Buying the Assortment of Goods to be Handled
- Storage and protection of Goods till they are sold.
- Sometimes Grading and Packing of Goods.
- Transportation of goods to the customers.
- Financing the buying of Goods and extension of Credit to the Customers.
- Bearing the Risk Associated with the business – price change, ...
- Collecting and Disseminating market information to the suppliers and customers.

Changing Landscape Wholesaling

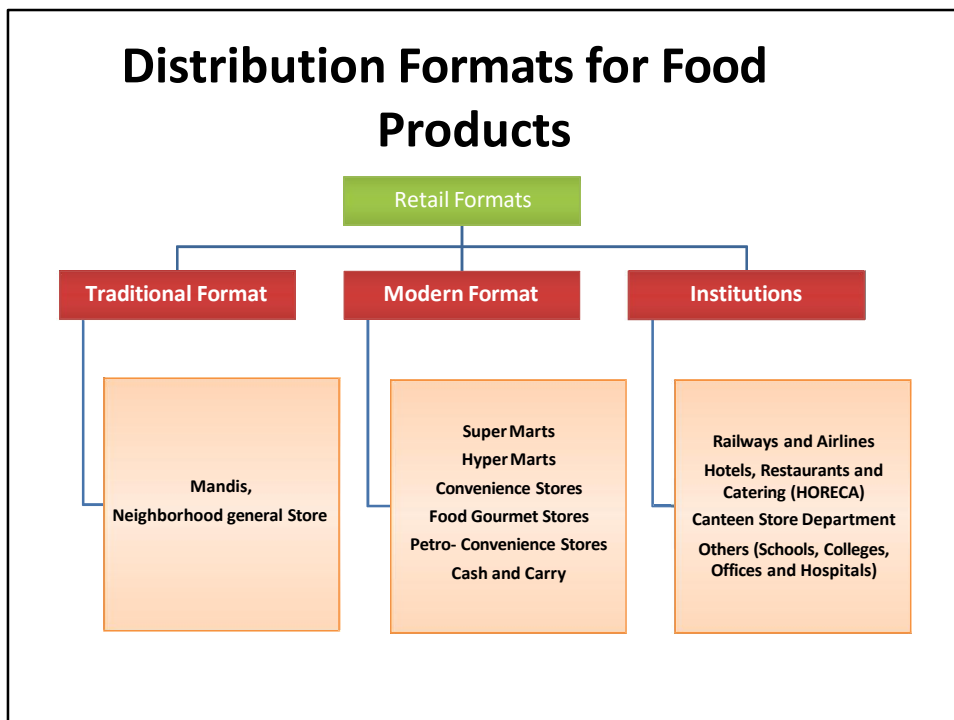
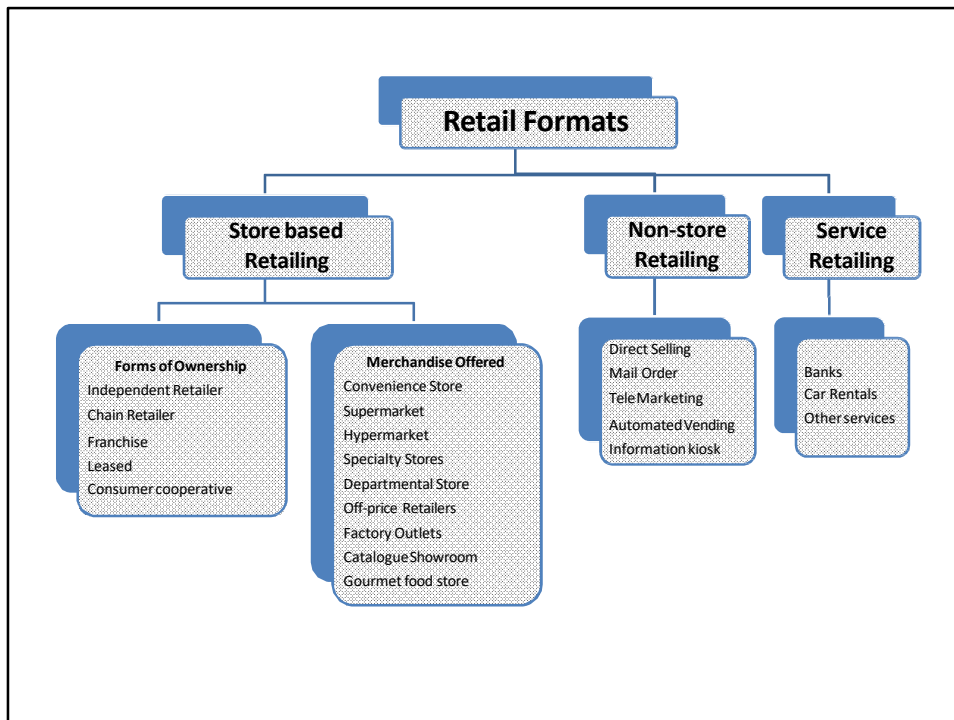
- Numbers
- Size
- Functions
- Retail chains
- Profitability

Retailers

- According to English Dictionary the word RETAIL is derived from the French term Retailer which means “ TO BREAK BULK”
- Types
 - Specialty Store
 - Department Store
 - Super Market
 - Convenience Store

Retailers

- Conventional supermarkets
- Combination food and drug store
- Superstore
- Limited assortment stores
- Warehouse stores
- Hypermarket
- Gourmet food store
- Convenience store



Importance of Retailer

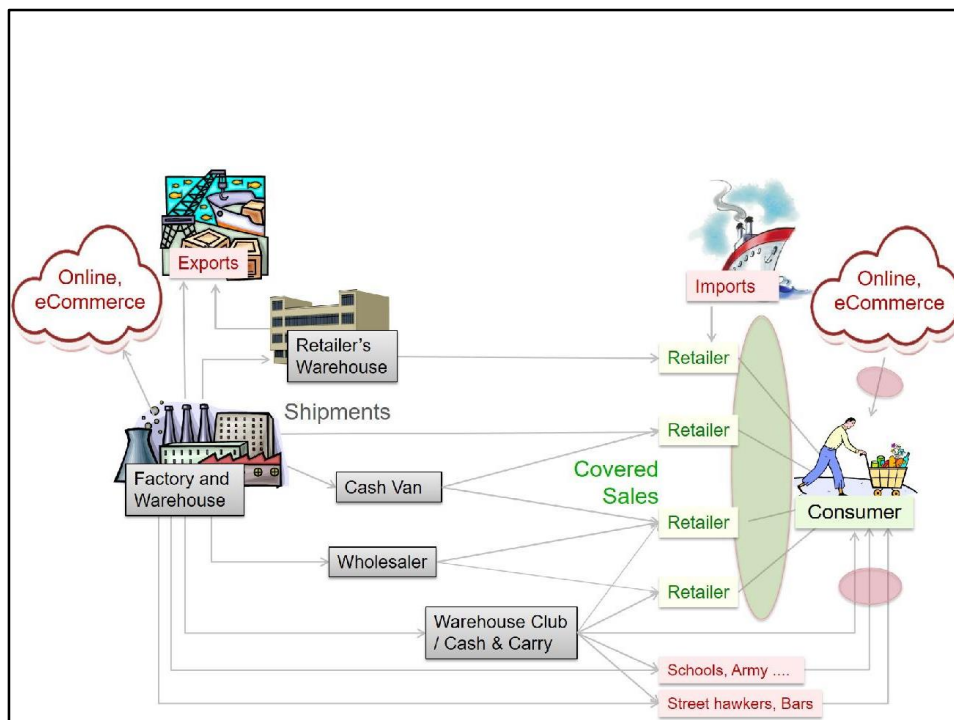
- Function of breaking bulk
- Merchandising
- Creating place utility
- Stocking Varieties of goods
- Providing credit facilities to customers
- Providing information to customers and wholesalers - Connecting link
- Sales promotion, advertising

Selecting a Channel Partner

- **Finding a Potential Distributor Partner**
- **Evaluating Potential Distributors**
- **What to Expect from a Distributor**

Depth & Width of Distribution

- **Sales**
 - Number of stores distributing
 - ×
 - Sales per store
- **Penetration Rate**
 - Penetration Rate = (No. of Customers ÷ Target Market Size) × 100
- **Depth**
 - Range of SKUs present in distribution channel
- **Width**
 - No. of sales outlet the product is available against total sales points



Evaluating Potential Distributors

1. Location
2. Financial stability
3. Sales and marketing capabilities
4. Sales performance
5. Knowledge of the local market
6. Product mix
7. Growth potential
8. Inventory handling capabilities
9. Technology capabilities
10. Management ability
11. Succession planning
12. Social standing
13. Integrity
14. Motivational level
15. Overall fit

- 1. Investment**
- 2. Infrastructure**
- 3. Involvement**
- 4. Influence**

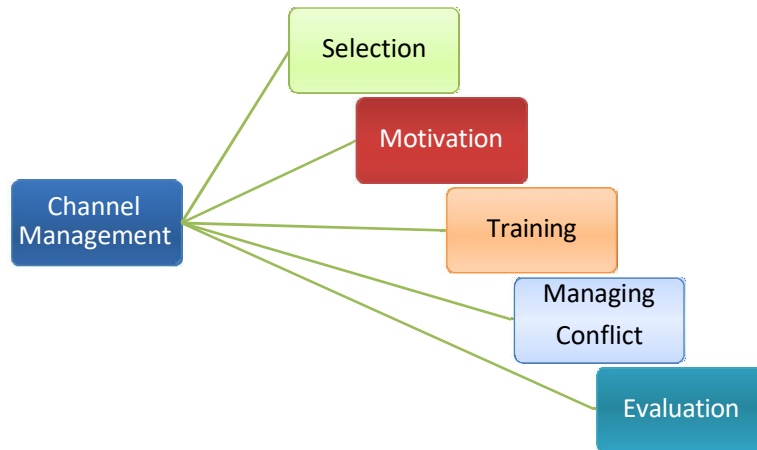
Partner Selection Framework



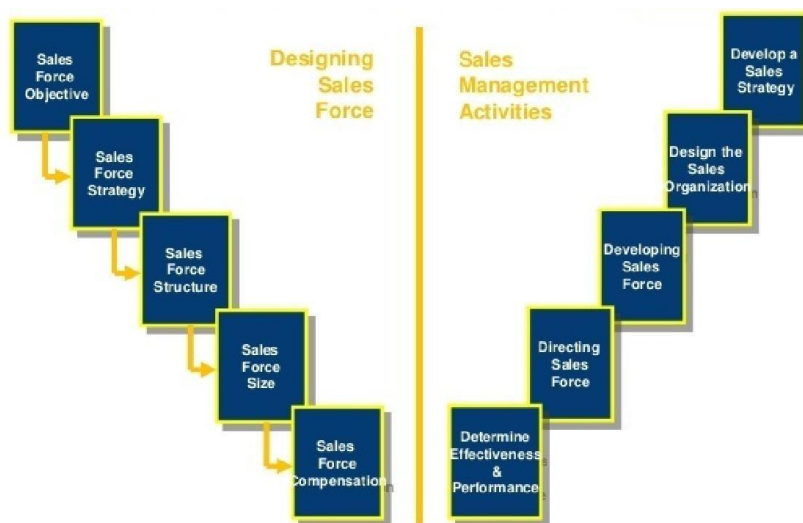
What to Expect from a Distributor

- Maintenance of a qualified and well-trained sales force
- Resources allocation
- Ability and commitment to stock recommended inventories
- Payment
- Communication
- Customer Service
- Compliance to statutory obligations
- Ethics
- Transparency

Channel Management

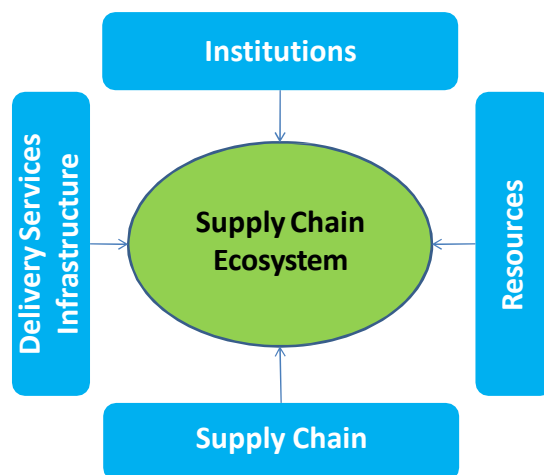


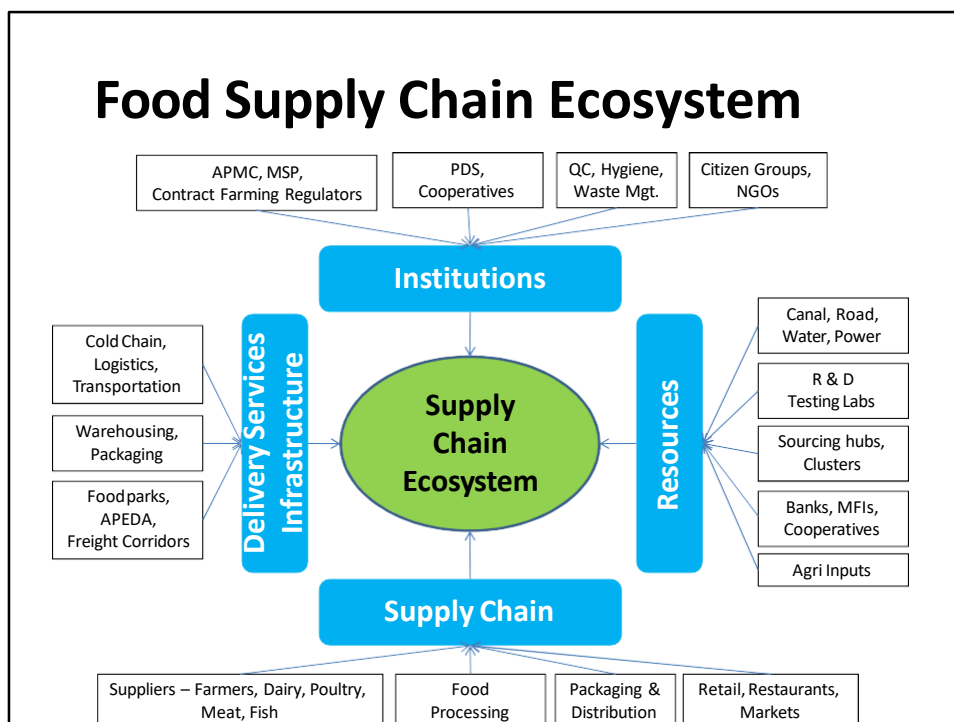
Sales Force Management



Food Supply Chain

The Ecosystem





Supply Chain Issues

1. Large base
 - a) 106 M small farmers
 - b) 400 M agri-workers
 - c) 12 M Kirana shops
 - d) 1.5 Million Hawkers
2. Too many intermediaries
3. Manual handling
4. Improper packaging
5. Standards for Hygiene
6. Not demand driven: No contract farming
7. Public distribution inefficient
8. Reach to customers is difficult

Food Manufacturing/Processing

- Only a small percentage of fresh produce or meat are processed.
- Post harvest research and food product testing are at a very nascent stage
- Negatives of Food manufacturing in India
 - Food Packaging is expensive
 - High import duties on Processing and Packaging machinery
 - High sales tax on packaged foods.

**Processed Food more expensive
than freshly cooked food**

Institutions: Regulatory & Social

- The APMC Act
- Substantial taxes on buyers, in addition to commissions and fees taken by middlemen
- Quality & Quantity
- The Mandis remain more price-competitive. Retailers source from mandis instead of developing their own supplychains.
- MSP – only for a few crops
- ECA - restricts interstate movement of goods
- Standards - food standard & The logistics and IT systems
- Food parks

Result: Disintegrated Supply Chains

State of Food Supply Chain

- Very Inefficient
- Needs good Governance
- Needs Food Processing Industry
- Needs Cold Chain Logistics
- Needs Immediate Attention

3 A Supply Chain Excellence

Agility

Objectives:

Respond to short-term changes in demand or supply quickly; handle external disruptions smoothly.

Methods:

- Promote flow of information with suppliers and customers.
- Develop collaborative relationships with suppliers.
- Design for postponement.
- Build inventory buffers by maintaining a stockpile of inexpensive but key components.
- Have a dependable logistics system or partner.
- Draw up contingency plans and develop crisis management teams.

Adaptability

Objectives:

Adjust supply chain's design to meet structural shifts in markets; modify supply network to strategies, products, and technologies.

Methods:

- Monitor economies all over the world to spot new supply bases and markets.
- Use intermediaries to develop fresh suppliers and logistics infrastructure.
- Evaluate needs of ultimate consumers—not just immediate customers.
- Create flexible product designs.
- Determine where companies' products stand in terms of technology cycles and product life cycles.

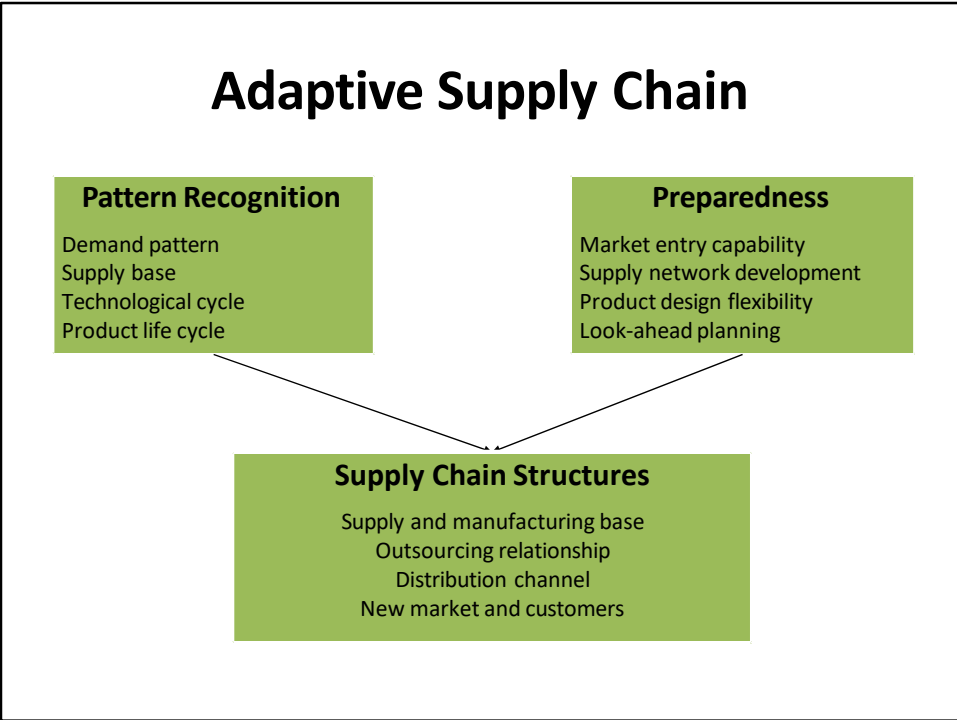
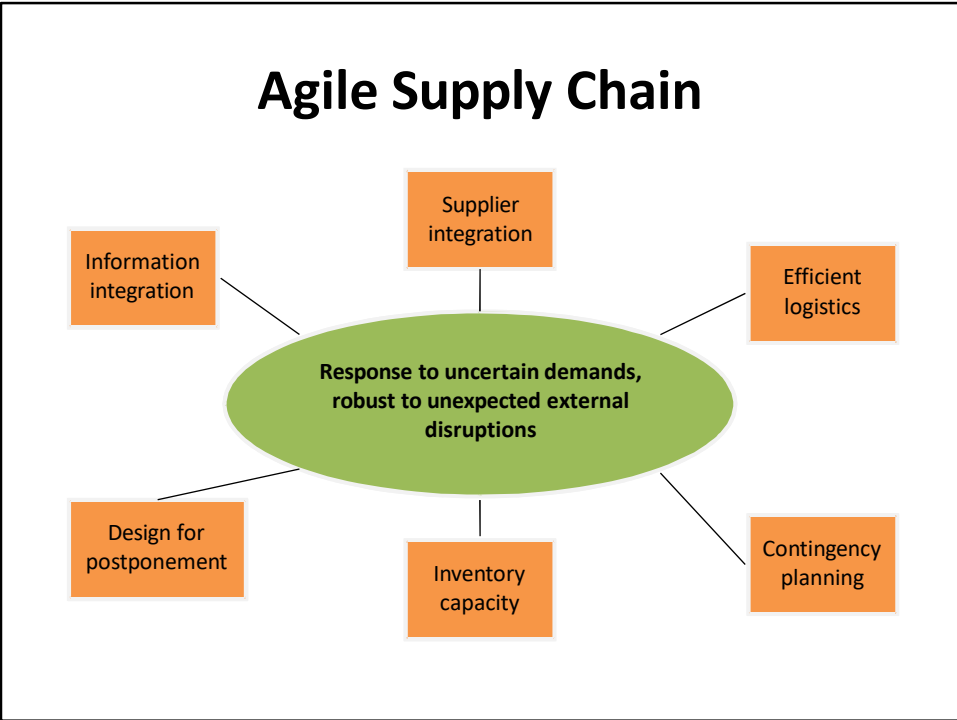
Alignment

Objective:

Create incentives for better performance.

Methods:

- Exchange information and knowledge freely with vendors and customers.
- Lay down roles, tasks, and responsibilities clearly for suppliers and customers.
- Equitably share risks, costs, and gains of improvement initiatives.



Aligned Supply Chain

Dimension	Exchanges	Objective
Information alignment	Information knowledge	Common, shared
Identity alignment	Role, work, responsibility	Efficiency & flexibility
Incentive alignment	Accountability/Risk/ Cost/Gains	Equitable and overall performance

Reading

- RIVIGO
- Reliance Kirana Stores
- 3PL
- Rumbles in the Vegetable Bowl: Farmers Organise for Better Procurement and Marketing
- UP to explore Contract Farming in Russia to benefit state farmers

Case Solution

- Product – F.A. B
- Ansoff Matrix
- S.T.P
- Channel strategy
- Packaging strategy
- Promotion strategy
- Pricing strategy
- What if Analysis

