

DISTRIBUTION CHANNEL IN SOMI CONVEYOR BELTINGS LIMITED (A Case Study)

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Abstract:

This case study describes and analyses the distribution channel taking place at Somi Conveyor Beltings Limited, the largest Conveyor Beltings Manufacturer in India. In particular, the study focuses on the distribution channel of the conveyor beltings specifically used in conveying material from one place to another. The study has three main

objectives: (i) to analyze and understand the effectiveness and performance of the distribution channel of conveyor beltings at the above-said manufacturing unit, (ii) to study the distribution strategy of conveyor beltings and, (iii) to study the market coverage of conveyor beltings.

The study has described that for what purpose these conveyor beltings are made and how and what type of these conveyor beltings are used in such specific user industries. The study has also described the Distribution Channel & Marketing Strategy Adopted at Somi Conveyor Beltings Limited.

The study has taken an exploratory and qualitative research approach with an focus on the analysis of the current situation. Several key insights emerged from this situational analysis, which facilitated to study and address critical questions like (i) What is the Overall Response to the Current Channel of Distribution? and (ii) Are there any other Alternative Distribution Channels emerging? of a Jodhpur-based largest Conveyor Beltings manufacturer in India with an annual production of 12,00,000 Meters per annum up to 2200 mm Width comprising of Fabric and Steel Cord Conveyor Beltings.

Focused interviews comprised the primary data collection technique in this study. This data collection process was conducted between April 18th 2013 and July 4th 2013, including 80 interviews being conducted through a structured questionnaire from the personnel of Somi Conveyor Beltings Limited and other large and small user industries, representing the manufacturer in the distribution channel. All interviews were documented and transcribed and the information collected was carefully analyzed, along with the supporting secondary data, such as magazines and journals, web resources and annual reports. This study has produced several findings on the overall response to the current channel of distribution, alternate distribution channels and the sales & marketing process of Somi Conveyor Beltings Limited.

KEYWORDS:

Manufacturer , conveying material ,Marketing Strategy Adopted.

INTRODUCTION

Path or 'Pipeline' through which Goods and Services flow in one direction (From Vendor to the Consumer), A Distribution Channel can be as short as being Direct from the Vendor to the Consumer or may

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include Several Inter- Connected (Usually Independent but Mutually Dependent) Intermediaries such as Wholesalers, Distributors, Agents and Retailers. Each Intermediary receives the item at one pricing point and moves it to the next higher pricing point until it reaches the final buyer. It is also called as the Channel of Distribution or Marketing Channel.

DISTRIBUTION CHANNEL MANAGEMENT

A Distribution Channel is a method of getting a product to its Consumer. Distribution Channels are part of a Company's Marketing Mix (a unique combination of product, price, promotion and place). Distribution affects the place or path through which Consumers can buy and receive the product. A Distribution Channel may be an On-Site Store, a Virtual Store, a Retailer, a Wholesaler, an Agent, a Telemarketer or Direct mail.

Direct Mail Distribution Channels work on a large scale. Materials advertising the product and presenting an offer usually target a specific audience most likely to purchase the item. Direct Marketing materials inform and compel the target audience to take immediate action and respond at once by mailing in the order form. The reward for the urgent response is often a discount price or added value such as free gifts.

IMPORTANCE OF DISTRIBUTION CHANNEL

As noted, Distribution Channels often require the assistance of others in order for the marketer to reach its target market. But why exactly does a Company need others to help with the Distribution of their product? Wouldn't a company that handles its own Distribution Functions be in a better position to exercise control over product sales and potentially earn higher profits? Also, doesn't the Internet make it much easier to distribute products thus lessening the need for others to be involved in selling a Company's product?

While on the surface it may seem to make sense for a Company to operate its own Distribution Channel (i.e., handling all aspects of Distribution) there are many factors preventing Companies from doing so. While Companies can do without the assistance of certain Channel members, for many marketers some level of Channel partnership is needed. For example, marketers who are successful without utilizing resellers to sell their product (e.g., Dell Computers sells mostly through the Internet and not in retail stores) may still need assistance with certain parts of the distribution process (e.g., Dell uses parcel post shippers such as FedEx and UPS). In Dell's case creating its own transportation system makes little sense given how large such a system would need to be in order to service Dell's customer base. Thus, by using shipping companies Dell is taking advantage of the benefits these services offer to Dell and to Dell's customers.

TYPES OF DISTRIBUTION CHANNEL

The Traditional Channel goes from Supplier, Manufacturer, Distributor, Wholesaler and Retailer. While many methods exist, they have changed over the years because of the Internet and Global Sales. Two types of Distribution Channels exist: Indirect and Direct.

Indirect Distribution Channel

The Indirect Channel is used by companies who do not sell their goods directly to consumers. Suppliers, Manufacturers, Distributors, Wholesalers and Retailers typically use Indirect Channels because they exist early in the supply chain. Depending on the industry and product, direct distribution Channels have become more prevalent because of the Internet. Conveyor Belting

Direct Distribution Channel

A direct distribution Channel is where a company sells its products directly to consumers. While direct Channels were not popular many years ago, the Internet has greatly increased the use of direct Channels. Additionally, companies needing to cut costs may use direct Channels to avoid middlemen markups on their products. Selling agents and Internet sales are two types of direct distribution Channels. Selling agents work for the company and market their products directly to consumers through mail order, storefronts or other means. The Internet is an easy distribution Channel because of the global availability to consumers.

LITERATURE REVIEW

Conveyor Belting

The Conveyor Beltings forms an integral part of material handling system and thus, is related to industrial product, public transport, grocery stores, warehouses and airports and goods transports. It serves

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as a chain for material handling activities right from the stage of conveying raw material from far off and scattered locations till final rolling out of finished goods in any industry. In fact, a Conveyor Belt can be used at any point where there is a need to move goods and items from one point to another with help of an automated machine that rotates the Belt in an endless loop.

Conveyor Belts are mostly used in industrial material handling applications. Hence, it could be safely said, "Conveyor Belts are the Nerve Centre of any Production Activity in an Industry." Conveyor Belts run on automated controllable electric motor and a series of other complex systems are involved to complete the process of evening transferring heavy machinery from one place to another. Conveyor Belts are used so as to reduce the dependence on labour for moving goods from place to place. Conveyor Belts are used in industries and at times need to be very strong so that it can carry the load of heavy items without breaking down. Units that consume Rubber Conveyor Belts served by the company are Coal & Lignite Industries, Iron-Ore & Mining Industries, Cement Industries, Power Industries, Steel Industries, Fertilizers, Sugar Industries, Tea Industries, Salt Industries and various Other Industries. The total turnover of the conveyor belting industry in India goes above 25,000 Crores as of today, which is expected to grow by 20% in the coming three years. The Company Somi Conveyor Beltings Limited (SCBL), an ISO Certified Company, with its Registered Office located at Jodhpur, Rajasthan; is a closely held and the only BSE Listed Public Limited Company in this particular industry.

The Company is headed by Mr. Om Prakash Bhasali, the Chairman & Managing Director of the Company. The Company's Commercial Production takes place at its Units set up at (i) Sangaria and (ii) Tanawara. The Company has Five major expansions proudly making the Company, the Largest Conveyor Belt Manufacturing Company in India, with an installed capacity of 12,00,000 Meters per Annum up to Width of 2200MM. The Company has served more than 200 companies in the domestic market, some being large as well as small and growing companies. Besides meeting the demand from the domestic market, the Company also exports the Conveyor Belts to South America, Europe, Middle East Asia, South Africa, Australia and South East Asia.

Throughout its History, SCBL has expanded its offerings and capitalized on evolving management trends and technologies to benefit its clients not only in India but also to the aforesaid global presence in around twenty countries. The Company's turnover for the year ended 31st March 2013 was over 100 Crores. The Company is planning to achieve the target of over 135 Crores in the current Fiscal year.

A Summary of the Product details with Name, Size, Range Models and Grades are set out below:

Somiflex Range & Cover Grades of Rubber Conveyor Beltings – 2200 MM Wide:

- A. Heat Resistant - HRT-1, HRT-2, UHR, SEHR-36® & 72®
- B. Fire Resistant - FR; SEHR 36® (FR & AS);
- C. Regular Grades - M-24; N-17; M-28;
- D. Special Grades - Tiger-27®, Rock-2007®, STA®, SEFR- 81®
- E. Super Spl. Belts - Food Grade; Pipe Conveyor; Metaflex SAR-36® (FR&AS)/M-28
- F. Profiles - Plain; Chevron; Wavy; Rough & Cleat.

Type of Carcass Fabric Used:

- 1. Polyamide / Activated Polyester – E/P;
- 2. Polyamide Nylon / Polyamide Nylon – N/N (6 & 6,6);
- 3. EE (Activated Polyester / Activated Polyester);
- 4. Steel Cord LX-97 &
- 5. Super High Tensile Aramid Fabric for STA Belt which can replace Steel Cord Belts.

SCBL also manufactures special utility beltings as mentioned below against specific orders of clients:

- 1. Rough Top Conveyor Belts
- 2. Wavy Top Conveyor Belts
- 3. Broad Wavy Top Conveyor Belts
- 4. Chevron Conveyor Belts
- 5. Hygienic Conveyor Belts
- 6. Side Wall Cleat Belts
- 7. Button Profiled Conveyor Belts
- 8. Pipe Conveyor Belts
- 9. Oil & Heat Resistant Conveyor Belts
- 10. Oil Resistant Conveyor Belts
- 11. Chemical Resistant Conveyor Belts

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Distribution Channel & Marketing Strategy Adopted at Somi Conveyor Beltings Limited

The Conveyor Belts business is not same as making toys and supplying it to the retail market, this business is a user specific business where Conveyor Belts are made for some particular type of application, therefore strong marketing strategy and techno commercial work force is required to achieve the targets. It possesses the distinctive competitive advantage of location and entrepreneurial drive.

The Company secures orders based on the following Attributes given below:

1.) Stock & Sale: The Sales process of Conveyor Belt is very long. These Conveyor Belts are manufactured according to the user's specifications (Make: 'SomiFlex' Conveyor Belt 2000MM Width, Strength N/N 800/03 GD, 07 Ply, having 8.0MM Top & 5.0MM Bottom Cover Thickness, Grade: M-24 Open End, Cut Edge) & quantity only and in which the user and the company, both has to pass through a long tendering process. At present, SCBL is limiting its inventory by entering into Stock to Sale type of contracts. In this system, delivery of material is the essence. The circumstances and facilities available with the Company can only cater the orders received in a cycle. For material handling, the Conveyor Belts are called as the Nervous System. No Industry can suffer huge losses due to stoppage of production for want of Belt or its break down. After entering into Stock to Sale contracts, the Company has to immediately manufacture and supply the Belts.

2.) Rate Contracts: A Rate Contract or a Rate Agreement (RC) is a procurement cost reduction strategy aimed at standardizing procurement prices for commonly procured, homogenous and price varying inputs. Rate contract is usually attempted when a global sourcing effort is not feasible, due to financial or operational constraints. Rate contract is also typically established in inputs where the number of suppliers is large (where it is not a monopoly or an oligopoly). The rubber market is highly volatile and therefore Conveyor Belt User Industries are now adopting Rate Contract Policies for Procurement of Conveyor Belts for a year or multiple years, especially cement industries. There are several advantages of Rate Contract Scheme. These are available to:

To Suppliers:

Access to large volume of purchase without going through tendering and follow up at multiple user locations – saving in administrative and marketing efforts and overheads.

Rate Contract lends respectability and image enhancement.

To Buyers:

Facility of bulk rate at lowest competitive prices.

Saves time and effort in tedious and frequent tendering at multiple user locations.

Enables buying as and when required.

Just in time availability of supplies reduces inventory carrying cost.

Availability of quality goods with full quality assurance back up.

3.) Development & Delivery of New Products: SCBL develops and designs conveyor beltings through its in-house R&D team by using ultra modern laboratory facilities and experienced manpower. SCBL has a knack for development of new products. The below mentioned products are some of its developments:

a. SAR – 36 Belts

b. SEHR Belts

c. STA Belts

(i) SAR 36 Belts:

This is a New Generation "Somiflex" SAR-36® Conveyor Belt Heavy Duty (With Highly Abrasive, Impact & Cut Resistance). This Conveyor Belt has the capability to easily withstand temperatures ranging from 200° C to 250° C and even more, and thus have extra life from the traditional SHR/UHR Grade belts and has superior properties than traditional M-24 / RMA-II / Grade-Y Conveyor Belts.

(ii) SEHR Belts:

This is a Crackless High Temperature Resistance (200°C-250°C Max) Conveyor Belt which withstands temperatures ranging from 200°C to 250°C. Somi's R & D carried out extensive study and later designed a belt with the technical support from DuPont USA to meet the International standard for Crackless Heat Resistance conveyor belt first time in India for its esteemed users. The Belt gives 40% more life in comparison to SHR/UHR grade belts.

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(iii) STA Belts:

STA Belt is a replacement to Steel Cord Conveyor Belts. The Steel Cord Conveyor Belts is being manufactured & monopolized by Phoenix Yule Limited. The Company's STA Conveyor Belt occupies a unique position in the spectrum of Steel Reinforcing Belt. Its specific excellent composition makes it the highest strength Belt world-wide. STA has outstanding performance characteristics of light weight, high durability, corrosion free, non conducting, flexibility and 05 times strength than that of Steel Cord in the Air (20 times in water), which allows STA Belts to replace Steel Cord Conveyor Belts successfully. Moreover, the STA Belts weights only 60% - 70% as compared to Steel Cord Conveyor Belts. STA Belts have tremendous saving on Power Bills cutting the production costs for any plant.

4.) Concentration on Securing Business Public Sector Undertaking: The government-owned corporations play a pivotal role in the economic development of emerging economies because their participation is higher in the industrial and commercial activities of these economies. In India, the major users for conveyor beltings are Coal India, Mining, Thermal Power Station, Steel, Ports and fertilizer industries playing major role in Indian economy. All these industries use Conveyor Belts in huge quantities. The Company is proud to claim that it is one of the Reliable Manufacturer and Supplier of Conveyor Belts among its major competitors like Phoenix & MRF. Since 2004, the Company is continuously securing orders from industries like Andhra Pradesh Power Generation Corporation, Karnataka Thermal Power Corporation, Subsidiaries of Coal India, Nevelly Lignite Corporation, NTPC etc. The Company is continuously making efforts to secure more and more orders from such industries.

5.) Techno-Commercial Workshop: As the Conveyor Belts are User Specified Item, SCBL is planning to form a task force of highly qualified techno-commercial personnel to interact with the user industries directly. This task force team shall do the project marketing and promote the Company's product grades in each and every industry periodically.

6.) After Sales Service: Aiming at manufacturing products free of defects, SCBL carries out the guideline of "Quality Comes First, Goodwill Comes First and Customer Comes First" during the whole production and sales procedure. As one of India's leading manufacturer of Conveyor Beltings Company of all grades, SCBL commits to provide its customers with superior distinctive After Sales Service so as to accomplish their utmost satisfaction and which also differentiates SCBL from the competition in the conveyor beltings market. SCBL performs its After-Sales-Service through its techno-commercial team. This team also guides the user industries about "Do's and Dont's" while using Conveyor Belts. Such service increases confidence level of the user industry in SCBL. Such service encourages the Company's Production and its R & D team in developing new products according to the problems faced by the user and his requirements.

7.) Marketing Network: As the Conveyor Belts are User Specified Item, SCBL has not appointed any of its Dealers, Commission Agents and Distribution Hubs. All its marketing process goes through a procedure; whether, it is for a very less quantity, say, 50 meters. However, SCBL has appointed Region-Wise Liaison Agents for day to day interactions with the user industries, and who works on behalf of the Company for Information's about the user's belts requirements, progress of the material ordered, other technical specifications and problems thereto and Payment Follow-Up etc. This helps the Company to organize its Marketing Activities.

The major supplies of conveyor beltings by SCBL are done in the following states:

East Zone : West-Bengal & Bihar

West Zone : Rajasthan & Gujarat

North Zone : New-Delhi, Haryana, Punjab, Chattisgarh & Uttar-Pradesh

South Zone : Tamil-Nadu, Kerala, Andhra-Pradesh & Karnataka

Central Zone : Madhya-Pradesh, Maharashtra, Goa, Orissa & Jharkhand

OBJECTIVE OF THE STUDY

The basic Objective of the study is to:

Analyze and understand the effectiveness and performance of the Distribution Channel of Conveyor

Beltings at Somi Conveyor Beltings Limited, Jodhpur.

Study the Distribution Strategy of Conveyor Beltings.

Study the Market Coverage of Conveyor Beltings.

RESEARCH METHODOLOGY

The research was oriented primarily on the Distribution of Conveyor Beltings. The researcher focused on the analysis of the current situation.

The Case Study went through focused interviews with over 75 subject matter experts. This list of interviewees includes personnel from Somi Conveyor Beltings Limited, Phoenix Conveyor Beltings Limited, Large User Industries, Small User Industries and Bulk Buyers.

Several key insights emerged from this situational analysis. The interviews were carried out with multiple participants in the Beltings Supply Chain, including the Marketing Director of the Company, Mr. Vimal Bhansali, the Technical Director of the Company, Mr. Gaurav Bhansali, Other Key Personnel of the Company, the Wholesalers, the Suppliers and End Users of the User Industries. The study was performed using a process consisting of facilitated brainstorming, structured interviews, primary data collection with multiple subject matter experts and secondary research to address the following critical questions:

1. What is the Overall Response to the Current Channel of Distribution?
2. Are there any Alternative Distribution Channels emerging?

The Questionnaire drafted was issued to all participants who were interviewed for this study. The results are intended to provoke discussion and communication within the industry, in an effort to drive further collaboration between participants in the Channel.

While conducting interviews, the researcher discussed many of the critical issues including:

Forecasting Demand
Inventory Management Systems
Ordering Systems
PO Systems
Business Continuity Requirements
Credit, Billing, Collections
Collecting Receivables and Taking on Risks
Returns and Recalls

Sampling Area

The Study is conducted on the Distribution Channel of Conveyor Beltings to its end user industries by Somi Conveyor Beltings Limited, Jodhpur.

Population

All persons dealing in context with the demand and supply of Conveyor Beltings by the end users of large and small industries in India.

Sample Size

The research focused on over 75 subject matter experts from multiple organizations as stated above including the employees of Somi Conveyor Beltings Limited, Jodhpur. Total 80 respondents filled the Questionnaire.

Sampling Design

The Sample was designed by the convenience based random sampling method.

Primary Data

Most of the data collected by the researcher was primary data through a structured questionnaire, which was operated on the samples of subject matter experts from multiple organizations including the employees of Somi Conveyor Beltings Limited, Jodhpur.

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Secondary Data

The secondary information was collected from the published sources such as Journals, Magazines and Reports & Websites.

Data Analysis

All the data collected from the respondents was critically analyzed on the given topic on Distribution Channel of Conveyor Beltings used by Somi Conveyor Beltings Limited by the researcher.

Research Period

The research was carried out from February 07th 2013 to November 12th 2013.

FINDINGS

The following key points emerged from the Research:

1.Overall Response to the Current Channel of Distribution:

Since it is a User Specific Industry, the Company mainly caters 'Direct Marketing' of Distribution Channel. Mostly, the Company has its own Distribution Channel. The User Industries directly inquires and places orders for Special Utility Belts along with Heat Resistant Belts (HRT-1, HRT-2, UHR, SEHR-36 & SEHR-72) and Fire Resistant Belts (FR & SEHR-36), Special Grade Belts(Tiger-27, Rock-2007, STA & SEFR-81) and Super Special Grade Belts (Pipe Conveyor & Metaflex SAR36), Hygienic (Food Grade) Belts, Steel Cord Belts with Plain; Chevron; Wavy; Rough & Cleat Profiles.

2.Alternative Distribution Channels:

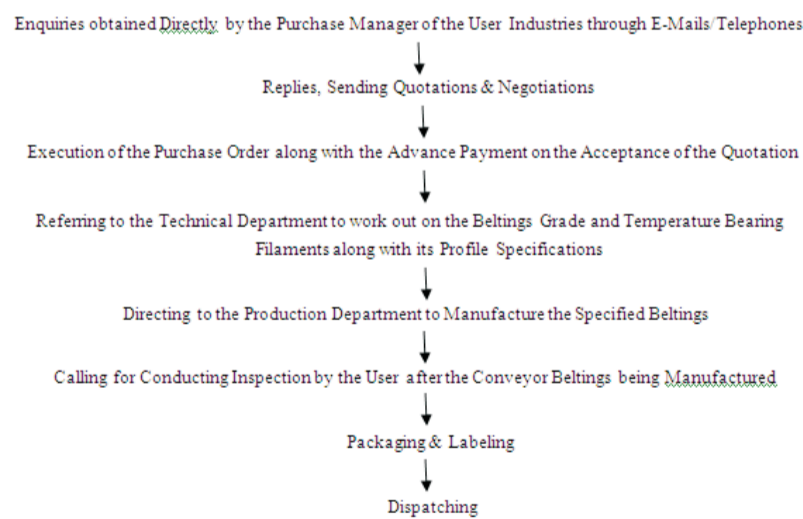
Having 2,000 meters of Beltings manufactured daily, SCBL is now planning to set-up its own Wholesale establishments in New Delhi, Kolkata and Jharkhand; satisfying the demand of small users. The Company shall procure the small users with Beltings up to the width of 1400 mm.

The Marketing Structure of Somi Conveyor Beltings Limited

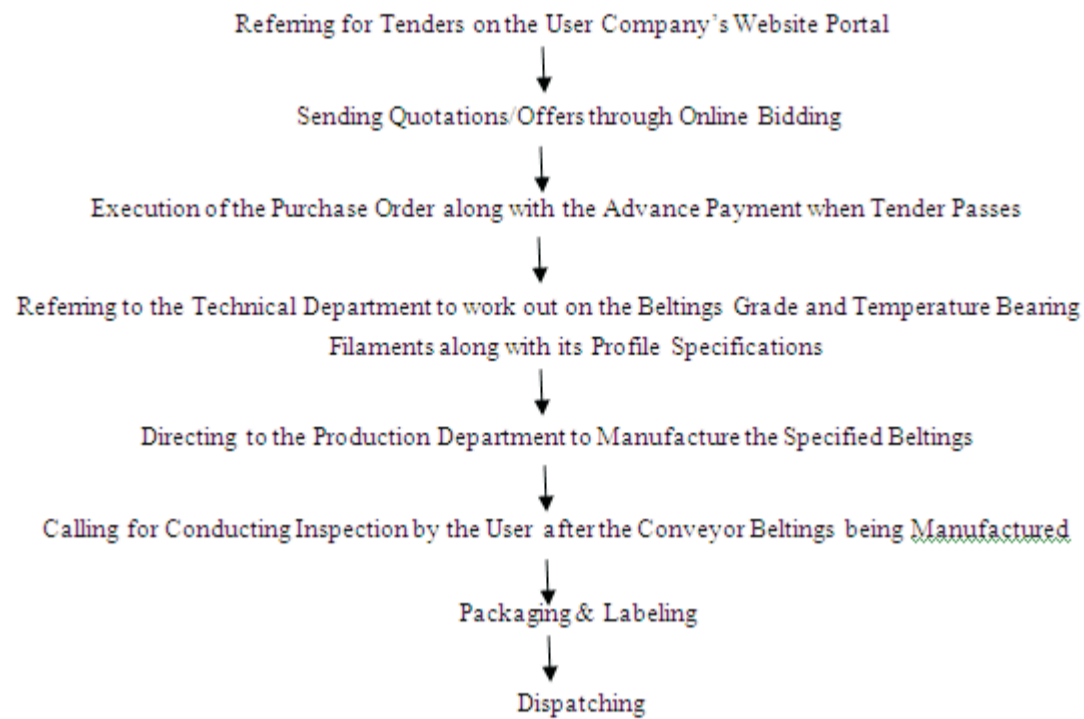
At Somi, the marketing of its products is done on a Direct Marketing Technique, which allows it to communicate straight to its customers / user industries with advertising techniques that includes e-mail, telephone, direct mail, online display ads, catalogue distribution and taking part in procurement of tenders.

The Marketing Structure of SCBL goes like this:

1.) For Private Companies:



2.) For Public/Government Companies:



CONCLUSIONS

This research investigates the Distribution Channel structure catering at Somi Conveyor Beltings Limited in an attempt to explore the method of Distribution Channels used by the Company. The study reviewed that the Direct Method of Distribution Channel is a necessity for such type of Industries.

The conveyor belts business is not same as making toys and supplying it to the retail market, this business is a user specific business where conveyor belts are made for some particular type of application, therefore strong marketing and distribution strategy and techno commercial work force is required to achieve the targets of the company.

Direct Distribution of Conveyor Beltings exploits the growth in rapid delivery of Conveyor Beltings and with the exact specifications and applications to the end user of the procuring industry. It provides a unique range of benefits because it enables the end users to engage directly with the employees of Somi Conveyor Beltings Limited, which being a manufacturing company, and supplies Conveyor Beltings according to their Specifications and Applications.

Direct Distribution provides greater control and accountability than the Indirect Distribution Channel. Since the Conveyor Beltings are of very complex products in context to the Grades and Specifications, these products can be explained and sold better through the Direct way of Marketing & Distribution. It can also be used for any level of geographic targeting, whether it's domestic or even international. Furthermore, Direct Distribution allows the company's employees to build relationships directly with the customers of User Industries. These relationships could possibly be stronger, and allow for better supply chain management and the possibility for co-developed to occur.

SUGGESTIONS

The Indian Conveyor Belt sector sees a huge growth spurt in the upcoming years. The massive growth in user segments, especially mining, power, construction, cement and steelmaking is likely leading to increase the demand for the procurement of Conveyor Beltings. As it is seen a clear indication that the user industries are growing more requirements for the procurement of Conveyor Belts in the near future, the company's share in the market shall gain larger. And therefore, the marketing and distribution capacity will need to be increased. The Distribution Channel might require an update! The researcher is pointing out to the Indirect Channel of Distribution by way of establishing at least five to seven regional offices across the

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country where the numbers of user industries are more. Such offices may be set up in (i) Ahmedabad, Gujarat; (ii) Raipur, Chattisgarh; (iii) Kolkata, West-Bengal; (iv) Mumbai, Maharashtra; (v) Chennai, Tamil-Nadu; (vi) Bangalore, Karnataka & (vii) New Delhi.

Since the user segments, especially cement, construction and steelmaking procures a large quantity of a particular specified application grades of Conveyor Beltings for conveying raw materials, such general grade conveyor belts up to 1000MM Width can be indirectly distributed through the Company's own regional offices.

The Company can also look for Wholesale Dealers with very sound financial background for the indirect supply of Conveyor Beltings to the User Industries.

LIMITATIONS

The study also has some limitations which are as follows:

The time is the main constraint so limited period of time is spent on this study.

The support from the management side was limited due to their pre occupied meetings and work.

Not possible to get whole information because of their business secret and lack of awareness among people.

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