

# IMPACT OF DIGITALIZATION AND CHANNEL CONFLICTS IN FMCG SECTOR

UNDER THE GUIDANCE OF

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**Submitted By**

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## **Abstract:**

The fourth-largest and most developed sector in India is the fast-moving consumer goods industry, which generates more than 50% of its sales from domestic and personal care products and categories. The FMCG Sector's main growth and development drivers have been changing lifestyles, increasing awareness, expanding access, and advancing digitization. The foundation of the FMCG sector and the individuals working in it depend on the distribution channel, its structure, and how it operates. With regard to new digital platforms and technologies, the purpose of this article is to investigate and comprehend how channel conflicts are caused by and result from digitalization from the distributor's point of view. The study focuses on and examines the numerous channel conflicts perception elements, This primarily happens when manufacturers remove distributors as a middleman between themselves and their other channel partners through conventional distribution channels or other digital channels. Instead, then emphasizing the retailer's perspective, this paper emphasizes the distributor's perspective on how business is conducted and resolved between manufacturers and distributors.

In this study, six variables are specified, investigated, and both qualitative and quantitative research methods are used to support and demonstrate the goals of the work. Although channel conflict is a well-focused and well-researched issue, the majority of the studies and articles that are currently available are written from the retailer's perspective and lack the digital interpretations of the modern era. All industry's old methods of operation have been disrupted by digitalization, particularly the distribution system for FMCG sector. In the age of rapidly developing digital technologies and digital platforms that respond to these distribution needs and requirements, the conclusions and findings of this study give us an understanding of the causes of the channel conflicts experienced by FMCG sector distributors. This essay also seeks to draw a line under the debate over whether new digital platforms and technologies can benefit FMCG distributors or pose a danger to their established distribution channels and modes of operation.

## **Keywords:**

Digital Support, Communication, Resource Shortage, Working Behavior, New Channels, Distribution Channel Conflicts, FMCG Sector.

## **INTRODUCTION**

The buzzword "digitalization" has evolved into an integral part of virtually every system, organization, and element of this quickly evolving and working world. There has been much written and said about India's influx of digital technologies, platforms, and platforms, and how this is assisting and will assist (futuristic approach) every person and every business to keep up with the pace of rapidly expanding economies and businesses in and around the world. Over the past ten years, there has been a 46% annual rise in the number of people utilizing the internet. By the year 2022, India will have 820 million internet members and users, with 50% of them coming from the country's rural areas, according to a recent digital trend report produced by Boston

Consulting Group and Google. India's digital wealth strata and economy (status) is predicted to reach \$1 trillion in the coming 4-5 years due to the development, expansion, and increase in number of users, subscribers, and digital transactions over the internet medium.

When examined in relation to distribution systems and frameworks, digitalization has encroached over traditional working environments and is in a continuum. With household and personal care product lines and items accounting for more than 50% of FMCG Sector Sales in India, the Fast-Moving Consumer Goods Sector is the fourth largest and most developed sector in India.

The FMCG Sector's main development and growth drivers have been the advancement of digitization, the development of awareness, the facilitation of access, and changing lifestyles. Unlike any other industry in India, the FMCG sector has grown significantly online and is enmeshed in the elements of digitalization. By 2022, it is expected that 60–70% of FMCG transactions and purchases will be made via various online channels. E-commerce has grown to be an important means of distribution for the FMCG industry in India. A significant distribution server and channel for the FMCG Sector, e-commerce is predicted to grow to be a \$6 billion sector.

This study examines how channel conflicts and digitalization have affected the FMCG industry. Therefore, the primary goal of this research is to identify and assess the causes and reasons for the channel conflicts that occur in the FMCG industry, particularly as a result of the introduction of new digital channels and platforms. The breadth of this is that the focus of the research is on pinpointing the problems, issues, and root causes of these disputes, which mostly affect distributors in the distribution system. The research is restricted to mostly examining the thoughts and opinions of the FMCG sector's distributors as well as some of the relevant sales roles and industry insiders. Only these two stakeholders' perspectives and opinions were taken into account while coming up with the study's findings and conclusion. The FMCG sector is affected by a number of variables that lead to channel conflicts, but this research is primarily concerned with the effects of digitalization and the six issues that lead to channel conflicts there: communication, resource scarcity, working behavior, trade policies, digital support, and the emergence of new channels.

## LITERATURE REVIEW

This research study employed the following dependent and independent factors as its foundation in order to pinpoint the root causes of channel disputes in FMCG distribution channels and evaluate the effects of digitalization on them. The 30 basis research papers' literature reviews and analyses were used to identify, investigate, analyze, and extract these factors. Communication, resource scarcity, working behavior (relational norms), trade policies, new channels, and digital support are the independent variables creating channel conflicts in the FMCG distribution channels. Channel conflicts are the dependent variable.

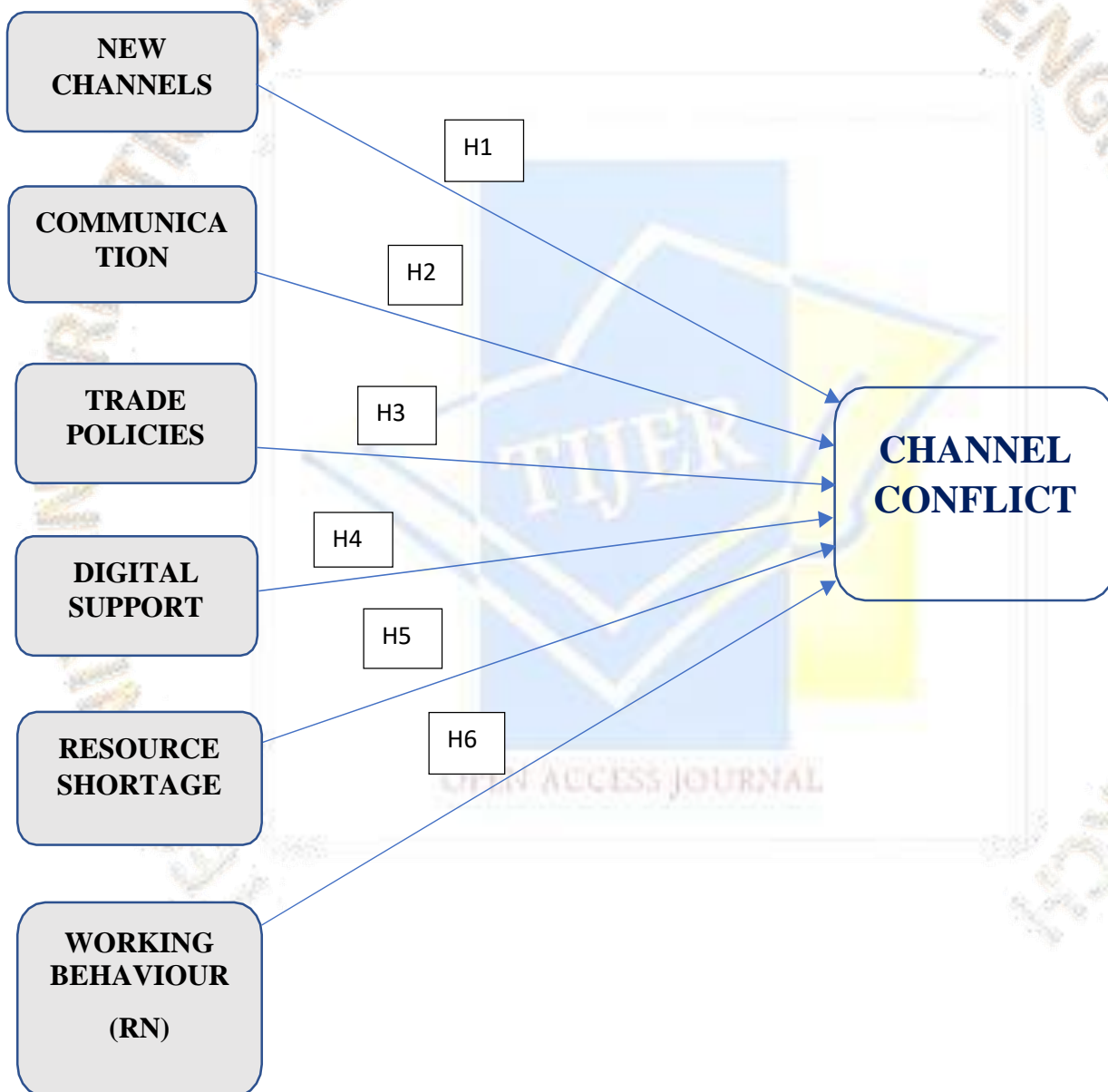
When one channel partner's goals, such as productivity, business, sales, and profits, are hampered by another channel partner, or when two or more channel partners work towards a single goal, or when the actions and rewards of two or more channel partners overlap or coincide, these situations are referred to as channel conflicts. Channel conflicts frequently arise between or among different channel partners as well as at every level of a distribution channel, according to Alberto Savinhas and Erin Anderson (2015). Communication, trust, dependency, job ambiguity, the influence of digitization, working behavior, and trade regulations are the key underlying causes of channel conflicts in the FMCG sector's distribution networks. According to Filipe Coelho and Chris Easing Wood (2018), channel conflicts in the distributional channels occur due to ongoing digitalization and technological advancements, the emergence of various digital platforms, mediums, and e-channels, and both the current and future state of the digitally and technologically developing FMCG sector. Kevin L. Webb (2016) asserts that there are primarily three sorts of channel conflicts with respect to the distributor's perspective, relating to the channel partners in the distribution channel and the distribution flow:

- Vertical Channel Conflict: In this sort of channel conflict, a disagreement or debate arises between two members of the same channel, one of whom is at the top of the hierarchy and the other at the bottom.
- Horizontal Channel Conflict - In this kind of channel conflict, two or more channel members from the same level of the hierarchy (either top or bottom) engage in a disagreement or debate.

- Multi-Channel Conflict - In this kind of channel conflict, the manufacturers use several channels to offer their goods and services, which makes it difficult for the other channel partners and leads to disputes between them.

Torben Stoffer (2019) asserts that there are many factors at play when channel conflicts arise in distribution channels. These factors have undergone a significant alteration as a result of the impact of digitization and all of its various features. The framework of trade policies, the lack of resources, the miscommunication between or among channel partners, the relational norms within the distribution channels, the aspects of the digital support incorporated with these distribution channels, and most importantly, the emergence of new channels, specific to the FMCG distribution channels, are some of the reasons with the impact of digitalization upon them.

The following significant Independent Variables/Factors that are notably accountable for these Channel Conflicts (Dependent Variable) are (considered for this study) after reading and studying the 30 base research papers:



In order to decide on and define the issue statements, the research aims, and the research gaps, the following research articles and studies were taken into consideration, chosen, and examined for the current study:



## RESEARCH METHODOLOGY

This investigation is being done and carried out in order to investigate the influence of digitalization and channel disputes in the FMCG sector. The evolving digitalization and its associated digital trends, platforms, technological variants, and opportunities have significantly informed and influenced the functioning of the FMCG sector in India, particularly its distribution framework. Because the FMCG sector is one of the most important in India, digital aspects and technological advancements play an important role in it. As a result, it is critical to investigate and deconstruct the impact of digitalization and how it has outpaced demand for traditional processes and services. The current investigation is carried out by linking and assessing the colourful gaps in the previously researched literature, using colourful exploration papers, papers, and journals. The previous requests were predominantly from retailers and manufacturers. The current study, on the other hand, is based on the distributor's point of view.

The current investigation is descriptive in nature, since it investigates and analyses the influence of digitalization on FMCG distribution channels and frames. The survey also seeks to comprehend and identify distributors' attitudes towards new digital channels and platforms. The investigation heavily focuses on dissecting the major reasons for channel disputes in the FMCG sector, in light of the introduction of new digital channels.

This article employed both quantitative and qualitative exploration approaches to achieve and justify the objectives of this inquiry. These methods were used to identify, estimate, and investigate the link between colourful dependent and independent variables. This investigation allows for data collecting from both primary and secondary sources. The investigator gathered questionnaire responses from 266 repliers, distributors in this case, and extracted secondary data from a variety of internet sources, including exploratory papers, articles, and e-journals. The qualitative and quantitative exploration styles were assigned to achieve the exploration's objectives and determine the exploration's outcomes. The questionnaire was composed of 38 structured questions with multiple choice answers and was based on the Likert's five-point scale. The repliers' responses are dissected utilising colourful statistical tools such as frequency analysis, factor analysis, trustability test, retrogression, and ANOVA analysis. SPSS software was used for the analysis. To demonstrate colourful parameters, colourful pie charts and frequency tables are employed. The qualitative elements were investigated and linked, and the results were obtained through the review of previous research.

### ***Research Objectives:***

The following objectives were set by the researcher for the study:

- To understand the impact of Digitalization on the FMCG Distribution Channels.
- To understand the Perception of the distributors towards the New Digital Channels.
- T analyze the Cause of Channel Conflicts in FMCG Sector due to the Emergence of New Digital Channels.