

Innovations in Distribution Channel – A Case of Hero Cycles

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ABSTRACT

You would have surely heard about car loans @ 7.75% but have you ever come across 'bicycle loans'? In 2013, Hero cycles, the world's largest bicycle manufacturer announced that it will be tying up with microfinance institutions (MFIs) across India to ensure that the bottom of the pyramid (BOP) can get easy access to finances to buy bicycles. Creating a new sales channel using microfinance institutions (MFIs) to reach the weaker sections of society was a road never travelled. Bicycle industry is a price-sensitive industry because the domestic demand for bicycles comes from the low-income population. Also, in India the penetration of bicycles in rural areas is extremely poor. It is interesting to look at how the industry would reach the enormous untapped potential in the rural areas to maximize its bicycle sales through microfinance. The research paper intended to explore the genesis of a new sales channel by providing microfinance to rural women entrepreneurs. What were the challenges in creating a new sales channel? How the company overcame the challenges of the new sales channel? For the bicycle industry, it's a new, unconventional sales model and we need to figure out how far the industry can peddle on microfinance institutions (MFIs) to sell bicycles in India.

Keywords: New sales channel, Channel of distribution, Bicycle, Microfinance institutions (MFIs)

JEL Classification: O30, G21

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1. INTRODUCTION

Every cloud has a silver lining. Cycling became a worldwide trend in recent times. In 2020, the Indian bicycle industry hit a peak that it had not reached in the past decade. From 5-7% growth rate, it spiraled to 15-20% in just one year. The Indian bicycle retail is business to business (B2B) driven where the consumers buy from local retailers. For any industry, the consumers are the driving force behind market innovation. In India, traditionally a bicycle was sold through small shops with other facilities like repair, assembly clubbed together. It followed the conventional distribution model. However, with changing times it became imperative to get into multi

-channel retailing to leverage the advantage of a hugely diverse customer base. At present, bicycles are sold through multiple sales channels. Various e-commerce partners like Sports 365 in, Amazon, Flipkart, Snapdeal, Paytm are the new outlets added for sale. These platforms help to increase the reach among urban consumers. However, a huge consumer base lies in rural India too who are not technologically and financially well-off. How would this huge chunk of consumers be tapped by the cycle industry?

The distribution channel has to be innovated every time there is a surge in demand, change in the pattern of demand, or a new consumer base comes to the fore. For example, the fast-moving consumer goods industry

switched to small sachet packaging to reach rural India. But for the consumer durables industry, a new formula has to be cracked for several reasons like the bulkiness of the product, long shelf life, and huge investment required to buy it. The cycle industry's newfound love in the microfinance institutions to reach the deepest pocket of India is emerging to be a winning solution for both the company and the consumers. Several companies tried to capitalize on microfinance (MFIs') ready-made distribution networks to the bottom of the pyramid (BoP) in India. But the success story is not the same for all the companies. Hero Cycles was the pioneer in adopting microfinance as a sales channel. Henceforth, through Hero Cycles case this paper sheds light on the process of ideation of getting into this new channel of sales and the challenges faced by the companies in establishing a new sales channel.

2. LITERATURE REVIEW

This literature review was intended to understand the extent of research in the area of channel management. Though the literature review is not exhaustive. However, it offers some structure and background on establishing why there is a need to understand the research on the new sales channels. Marketing channels are essential aspects of a value chain consisting of distributors, wholesalers, and retailers (*Kraft et al., 2015*). A marketing channel connects producers to consumers through a network of various intermediaries like wholesalers, distributors, retailers. Marketing channels have three essential functions namely the exchange of goods, money, and information (*Ehrens and Zapf, 1999*). The early works of marketing scholars such as Louis Stern and Louis Bucklin studied the marketing channel design, inter-organizational relationships and operations using conceptual, empirical, and microeconomics models. According to Jeuland and Shugan (1988), one of the essential elements of drawing a marketing mix is to determine

the appropriate sales channel to reach the consumers. According to World Bank data, sales through various marketing channels account for one-third of global gross domestic product (GDP). To achieve such momentous sales volume, the sales channel often develops new channel format, consolidates the existing intermediaries, increases their online presence and makes other relevant changes pertinent to the environment (*Palmatier et al., 2014*). In the emerging market, microfinance is fast gaining popularity as a new channel of sales. Wangwe and Charlie (2004) highlighted the inefficiencies of the microfinance channel. In their study, they came up with a few major areas for improvement in the microfinance sector like reducing the business cost, gaining credible information, and sound credit-related risk assessment of the clients. Although the above studies identify key marketing channel inefficiencies responsible for microfinance marketing failures, they do not highlight the benefits associated with using microfinance institutions as an emerging channel of sales. Based on Krafft *et al.* (2015) extensive literature review on marketing channels, we highlight one marketing channel variable essential to our study: channel structure and structure selection. According to Coughlan *et al.* (2006), the strategic decision in channel management is the selection of the channel structure. The key elements of this decision comprise the types of members in a channel, the number of members in a channel, and the co-existence of multiple channels together. This study highlights the functioning of microfinance institutions as an important emerging channel of sales.

2.1 Cycle Industry: Background and Structure

The global market for bicycles is estimated to expand from \$29.2 billion in 2020 to \$34.6 billion by 2027, growing at a compound annual growth rate (CAGR) of 2.4% (Global Market Trajectory and Analytics). The Indian bicycle industry produces almost 15.5

million bicycles per annum, providing employment to almost 1 million people. Valued at approximately \$1.5 billion, the industry is the second largest in the world, catering for 10% of the world's production (The Energy and Resources Institute, TERI, 2014). The Indian bicycle industry is growing at approximately 4% and the production of bicycles is mainly directed towards domestic markets with exports representing approximately 5-7% of the total production. The nature of the domestic demand is mainly from the low-income population, making it a price-sensitive industry (The Energy and Resources Institute (TERI), 2014). In the report, 'Benefits of Cycling in India: An Economic, Environmental, and Social Assessment, 2018' it is estimated that cycling for short distances can result in an annual benefit of Rs 1.8 trillion to the Indian economy, which is equivalent to 1.6% of India's annual GDP, as per their analysis for 2015-16. This makes it a very lucrative industry given the huge untapped rural market in India.

The product mix comprises basic roadster category bicycles (60%), children's bicycles (35%), and medium-to-high-end bicycles (about 5%). 80% of the price range is for the price-sensitive consumers ranging from Rs 3,500 – Rs 5,000 and 20% of the product is priced between Rs 5001 – Rs 400000 catering to the high-end consumers. Table 1 given below shows the Indian bicycle market as compared to the rest of the world.

The value chain of the Indian bicycle industry operates at two levels - small and medium enterprises, produce

bicycle components and accessories, whereas the larger manufacturing units/OEMs focus on bicycle assembly and production. The industry is dominated by 4 major bicycle-producing companies Hero, Atlas, Avon, Hercules (controlling almost 85% of the market share), medium-sized manufacturers (contributing 12% of the market share), and around 3500-4000 small and medium enterprises, producing bicycle components. In India, 80% of the bicycle production takes place in Punjab (Ludhiana / Rajpura). It is a mega- hub of production with 4000 MSMEs employing a workforce of 10 lakh in the entire value chain, including sales and repair shops, and producing more than 2 crore bicycles per annum. The rest 20% is produced in Chennai, Ghaziabad, Sahibabad & Bihar. Three new plants and five reflector manufacturing plants were set up in this sector in the past few years. The industry is concurrently trying to make critical materials at company levels and premium components at large-scale new projects in Hi-Tech Cycle Valley, Ludhiana. Expansions are happening in the areas of e-bicycle and public bike-sharing schemes. Future areas of innovations are folded, cargo, lighter (Al/carbon fiber/ titanium) and intelligent bicycles. The bicycle market comprises thousands of conventional multi-brand shops, contemporary showrooms of domestic and imported brands as well as several thousand hut-type bicycle repair shops. Bicycles are normally traded in complete knock-down (CKD) form and assembled at the retail end. Table 2 given below shows the bicycle production in crores for three consecutive years.

Table 1: Bicycle Segment in India and Rest of the world

Segment	Indian Market Size (USD bn)		World Market Size (USD bn)
Kids	4.8mn	22 mn (1bn)	140 mn (USD 28 bn)
Roadster (Common)	10.5mn		
Premium	5.4mn		
e-bicycles	100k		9 mn (USD 15 bn)
e-cargo	Being launched		

Source: Niti Ayog Report

Table 2: Bicycle Production for FY 2016, 2017 and 2018 (Bicycle Production Number in Crores)

Parameter	2016-17	2017-18	2018-19
All India Cycle Manufacturing Association (AICMA) Companies (Organized)	1.59	1.52	1.61
Non-AICMA (Mostly Unorganized)	0.47	0.53	0.59
Total	2.06	2.05	2.2

Source: <http://aicma.org>

The global bicycle industry is dominated by China in terms of production, exports, and consumption. The European Union (EU) and the United States of America (USA) are major markets for bicycle usage. Together it contributes to around 19 million each. The global market is 140 million, global production per annum is 140 million [China (90 million) and India (20 million)]. High growth area remains Asia–pacific region. India remains the second-largest producer and a growing market owing to its current low penetration. The Indian export consists of bicycles and parts mainly to African and Asian countries (largely cheaper bikes) and premium bikes to the EU countries. Over a period, the export of Indian bicycles has increasingly become less competitive because of the cost disadvantage of around 15% over China, high import duty for Indian bicycles coupled with the increase in raw material price. Table 3 gives the export figures for the financial year 2016 -2018.

Table 3: Bicycle and Parts Exports

Parameter	2016-17	2017-18	2018-19
Exports (Million USD)	293	328	360
% Growth over 2016–17	-	12%	23%

2.2 Bicycle Usage: India and Global Scenario

India is the second- largest cycle manufacturer in the world. There are a few trends that have started reshaping the bicycle industry in India. Although the major share of bicycle use comes from rural India. The adoption of premium cycles in the urban spaces is also giving the cycle industry a new niche to sell its product.

According to Bonafide research, the premium bicycles segment will be 7% of the total bicycle market in India. With a very low market penetration of bicycles in India, the scope of expanding the bicycle market is huge. Out of every 1000 persons in India, only 90 people own a bicycle. Census 2011 confirms that the percentage share of households owning cycles in rural areas has increased from 43% in 2001 to 46% in 2011. However urban areas on the other hand have witnessed a decline from 46% in 2001 to 42% in 2011. Household cycle ownership increased at a rate of about 3% per annum between 2001 and 2011. Nearly 45% of households or about 111 million households in India owned bicycles in 2011. There is a need to explore the huge potential for leveraging bicycle usage in India. This is in contrast to bicycle usage in the world. In rural China, every household owns a cycle. In India, the bicycle ownership stands at a bleak less than 50%. If the data on bicycle ownership per 1000 persons is compared at a global level, an interesting scenario can be traced. The Netherlands is the world leader in bicycle ownership level at 1100. This suggests that there are people who own more than one bicycle. Denmark, Germany, and Japan vary between 1000 and 700, Sweden, England, China and France vary between 700 and 300, and Spain and India stand below 300. The data gives a lot of room for selling more bicycles in India.

2.3 Challenges of the Cycle Industry

It is imperative to be aware of the challenges facing the bicycle industry for outlining the right strategy. Since 2018, there has been a rapid increase in the

growth of sub-standard, untested bicycles manufactured by the unorganized sector consisting of traders, dealers, and importers. This proliferation happened due to no minimum mandatory safety standards in place for testing and performance requirements. The dealers' preference for high margins and not looking at the quality also impacted the entire value chain. A study for the 'mode used to travel for work' mentions that approximately 200 million people walk up to 10 km for their work. This mobility gap is critical for the socio-economic empowerment of rural households. Since 2016, public bike-sharing (PBS)-radio frequency identification (RFID) enabled app, an app, RFID, and digital-payment-driven rental bike system has emerged in India. Undoubtedly, PBS is a very inexpensive and promising concept for short, fast, and smart bicycle travel in crowded cities and has the potential to attract many start-ups. This initiative gave birth to start-up companies mainly MOBYCY, Yulu, Ola Pedal, Zoom car, Hexi, etc. This is a major disruptor for the bicycle industry.

2.4 Rationale for Study

The data on bicycle ownership, rural penetration, and market demand for bicycles present a broad scope for studying the multiple ways to tap the tremendous market. However, there are numerous challenges to reach the bottom of the pyramid to provide access to bicycles. The foremost problem is that this segment can neither afford nor get a loan to own a bicycle. Unaffordability and the absence of micro-financing in rural areas becomes the top challenge. Besides, as per the 2011 census of the 121 crore Indians, 83.3 crores live in rural areas. Where 38.3% of people do not travel for various reasons, one of them may be assigned to absence of means of transport; 21.9% walk and 13.2% use bicycles for mobility. Rural India faces the uphill task of basic mobility, for example, 200 million people travel by foot up to 10 km for their work. This critical mass of poor households in the

absence of a bicycle faces mobility challenges. This critical mobility-gap should be bridged through bicycle support as an income-generating asset or as an affordable means of commuting to access livelihood. The bicycle support need to be institutionally extended. However, in urban areas the issues are different from finance. It is more related to infrastructure development. In urban areas, the bicycles constitute 7%–21% of mode share, which may ideally go up to 72% for trips up to 5 km. The non-availability of safe and separate cycling lanes in urban areas are the major factors that need to be addressed through appropriate measures. The expenditure capacities, as assessed based on NABARD All India Rural Financial Inclusion Survey (NAFIS) 2016-17, is that basic bicycle ownership is out of reach for the millions of poor rural households. A bicycle in India costs around 2.7% of annual per capita income. The poor rural households cannot afford the upfront purchase of a bicycle costing Rs 3500 plus. Banks have a provision under priority sector lending (PSL) for the small loans but due to the small size of bicycle loan it is discouraged, on account of disproportionate processing cost, efforts needed for monitoring and control of micro monthly installments, and additional recovery cost in case of default. It is at this juncture that micro-financing institutions (MFI) that are closely connected with low-income groups and interact with them on a regular basis come to balance the demand-supply gap.

3. RESEARCH METHODOLOGY

Qualitative case study methodology helps to conduct an in-depth exploration of a new domain.

The research methodology used for the study is a single case method to illustrate the issue of adoption of new sales channels. Case study method requires close cooperation with the organization or any person in the company to give the details about the issue to be

studied. Choosing an appropriate participant was crucial for such studies. Hero Cycles was the pioneer in adopting microfinance channels as a sales platform. The respondent for all the information was the Vice-President (Rural India) at Hero Cycles. He provided a detailed insight into the functioning and working of Hero Cycles' new sales channel.

3.1 Microfinance: An Emerging Sales Channel

Rural India is the new destination for all the big companies in India. Fast-moving consumer goods (FMCG) reached rural India with small packaging and sachets. However, for consumer durables it is required to innovate novel ways to reach the huge untapped rural market because of long shelf life and high price. To tackle the same, fast-moving consumer durables (FMCD) companies came up with the option of early monthly installments (EMIs). However, it is cumbersome to collect EMIs from these borrowers. Even if they default, nothing much could be done. Thus, microfinance is fast emerging as a new sales channel for consumer durables, especially in the rural areas.

The microfinance companies give loans to people mostly in the rural areas, and each branch covers 2500 borrowers on an average. Any good microfinance company will have close to 300–600 branches pan India. It can easily reach close to 5 million people through a single platform. Once microfinance

institutions establish their capillary network in certain pockets, they become aware of the purchasing capacity, purchasing attitude, purchasing needs of the consumers and it becomes easier for them to pitch the right kind of product to them. The growing popularity of these kinds of platforms is reflected by the fact that this channel has become the preferred channel for the sale of mobiles, televisions, refrigerators, cycles, utensils, kitchen storage items, and traditional Indian clothing in rural India. Brands like Samsung, Nokia, Godrej, LG, Whirlpool, TTK Prestige and Hero Cycles heavily bank upon microfinance institutions to reach out to the consumers. These products are brought in easy installments by the consumers. They pay the installment along with the regular installment they took for their venture. The only catch is the servicing part. The companies need to ensure that there is proper servicing for these products in case of any damage. Otherwise the damage for the consumer durable company can be huge in terms of loss of consumers and negative word of mouth. Figure 1 is an illustrative microfinance institutions (MFIs) sales network model used by most companies to sell consumer durables.

3.2 Hero Cycles: Background and Distribution Channel

Incorporated in 1956, Hero Cycles Limited is the largest integrated cycle manufacturer in the world. It has an overall market share of nearly 43% making it a

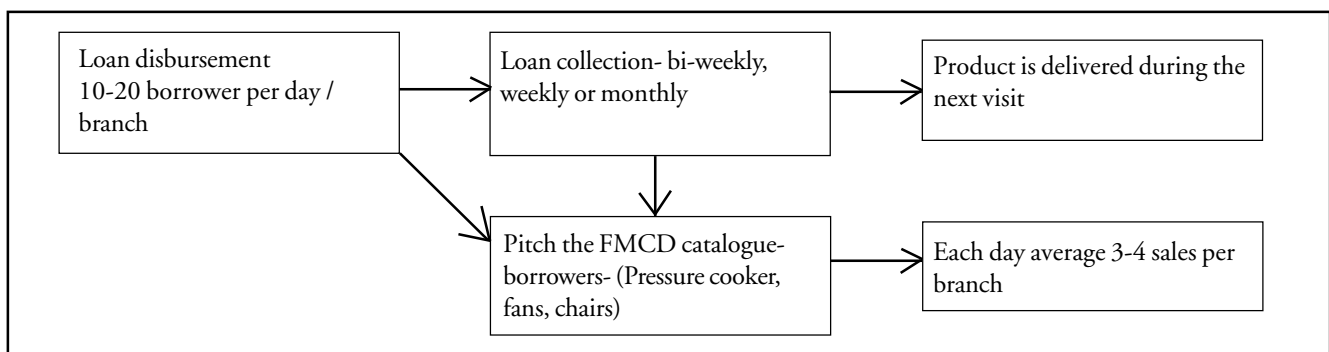


Figure 1:

market leader in both premium and standard segments. It boasts of an extensive dealership network with over 250 suppliers and 2800 dealers in India. The company has a manufacturing capacity of 7.5 million bicycles per year with a highly integrated plant in Ludhiana (Punjab), Ghaziabad (UP), and Bihta (Bihar) and a state of the art manufacturing facility in Sri Lanka as well. The group has a design center in the United Kingdom (UK). To expand its footprint in Europe, Hero Cycle acquired Manchester based cycle brand Avocet Sports, 48% shares in Germany based HNF Nicolai, and Firefox (India) bikes to expand its category. With all three strategic tie-ups, Hero Cycles aimed at meeting the evolving taste and preferences of the consumers. Table 4 given below exhibits the list of important milestones for the company.

One of the major issues facing consumer durable companies now is the selection of the multi-channel distribution mix. A channel is a means by which

products such as bicycles, parts, and accessories are sold to customers. There are various ways in which products are sold to consumers. It can reach directly or indirectly through service providers or retail establishments. Conventionally, Hero Cycles used to sell through a network of dealers and sub-dealers. However, last 1.5 decades have seen emergence of multiple new channels across all industries including the cycle industry. Bicycle dealers have also evolved from traditional shops of 200-300 square feet to a well laid out shop with proper product display. There are approximately 5,000 dealers and 20,000 sub dealers in India. They together contribute 80% of annual sales and the rest 20% is bought by various state governments for free distribution. In 2011, Hero Cycles also entered into an agreement with Pantaloon retail to sell premium products at Future Group's stores. In spite of being the market leader with a 43% market share, Hero Cycles appreciated the untapped demand for bicycles in the rural market. The understanding was supported

Table 4: Hero cycles Important Milestones

Year	Event
1956	Started the Ludhiana manufacturing plant
1986	Entered Guinness World of Book Record for manufacturing 18,500 units a day
2007	Entered a JV with Kiriu as Munjal Kiriu Corporation
2010	JV with ZF Hero Chassis Systems Pvt. Ltd
2012	Hero Cycles processed 130 MN cycles
2014	Bhita plant (Patna) with capacity of 1 MN units
2015	Acquired Firefox bikes to enter the premium segment in India, ZF Hero inaugurated new plant in Chennai
2016	First overseas acquisition of Avocet- Hero enters European market
2017	Launch of Hero Sprint stores- Retail foray;
	Formation of Hero Global Design Center in UK;
	Launched Hexi for last mile connectivity
2018	Launch of e-cycles business;
	Launch of Hero Sprint Pro- semi premium range bikes and octane range entry level performance bikes for Hero cycles
2019	Launch of Hawk- low cost range of bicycles;
	JV with Yamaha Motor Co. Ltd- Launched India's first center motor performance e-cycle;
	3 rd International acquisition of HNF GMBH- Premium e-bicycle brand in Germany

Source: <https://www.herocycles.com>

by a research conducted by TERI and the World Bank in 2014. The study showed that almost 750 million people in India cannot afford to buy a bicycle worth Rs 3,500. Besides, almost 200 million people walked up to 5 km daily to reach their workplaces. The main reason was non-affordability and non-availability of bicycle financing. Since 70% of the motorcycles are brought through financing schemes, the company found a deeper pocket of sales by facilitating financing through micro finance institutions. Also the income of member increased by 30-35% within few weeks of bicycle ownership. It was an extremely important opportunity realized by the Hero Cycles when it started exploring tie-ups with micro-finance companies to offer financing solutions to consumers.

3.3 A New Sales Channel – Micro Finance Institutions

Microfinance is emerging as an alternate novel channel of sales to the existing conventional sales channel. The structure of microfinance as a sales channel consists of several members including moneylenders, brokers, traders, deposit takers, and credit associations (*Matin et al., 2002*). Hero Cycles was one of the pioneer companies to identify the potential in microfinance institutions as a new sales channel. It was unprecedented in the history of financing to provide loans for buying bicycles. For the first time. In 2013 Hero Cycles tied up with major microfinance institutions across India to tap its large customer base. Initially, the company launched a pilot project in Maharashtra and Gujarat. It entered into a strategic tie-up with Fullerton India, a non-banking financial institution (NBFC) to provide finance to all eligible customers. After the initial success, the company scaled up its new model of selling through microfinance institutions in the states like Andhra Pradesh, Karnataka, Rajasthan, Tamil Nadu, and Madhya Pradesh. The financial institutions would promote the Hero Cycles brand in their respective territories. Other

competitors like Avon Cycles and TI Cycles could not adopt this model because of their limited dealership network. With this channel, it could cater to 75 crores people. Through this new channel, low-income customers got the option of finance which she paid back fortnightly or in monthly installments. It was an opportunity to enhance livelihood and also encourage girls to travel a distance so as to continue higher education. Hero Cycles got additional customers and increased its sales revenue. According to Vice-President, Neeraj Chandra “Since most of the members cannot afford to buy cycles in cash hence cannibalization is limited to 15%-20%”, thus it is anticipated that 80% of MFI demand is the new sales to existing channels. However, MFI’s business contribution to mapped distribution business varies from 10%-30%. In the overall contribution of MFIs in Hero Cycles business is less than 5%. However, it provides access to an otherwise closed consumer segment. The pricing of the bicycles also varies depending upon the sales channel. In MFI the price is approximately 20%–30% less than MRP. If the same is compared with trade, except Roadster Category, the prices to the customer are the same. To capture South India, Hero Cycles entered into a strategic partnership with Muthoot finance. Through this arrangement, Muthoot Microfinance 6,00,000 plus clients in more than 150 branches in Tamil Nadu had access to bicycles. In Uttar Pradesh, Hero Cycles partnered with one of the largest microfinance institutions (MFI) in Northern India-Satin Credit Care Network. Since Satin Credit Care is the third largest microfinance institution in India, it has a huge customer base. In collaboration with Satin Credit Care Network, Hero Cycles catered to 5,60,000 clients across 28 districts in Uttar Pradesh. The business model was replicated in Assam, Bihar and Eastern Uttar Pradesh to provide similar solutions to over 17,80,000 clients. Bihar is the topmost region for Hero cycles in providing revenue. During the financial year 2017-20, total sales generated through

micro-finance institutions was 5 lacs. Out of this pie, the Bihar region contributed to about 2 lacs units. In Bihar, Hero Cycles commands 70% of the market share. Thus, the microfinance sales channel is turning out to be a valuable source of sales complimenting the existing sales channel.

3.4 Dimensions of Hero Cycles MFI Distribution Experience

This section provides an overview of the various dimensions of Hero Cycles cross-selling experience emerging from the in-depth interviews. There are many factors that demand the rethinking of the sales channel. The burgeoning demand for the product, huge untapped market, declining sales, and cost of the existing sales channel are a few factors that lead to the adoption of a new sales channel. However, bringing about any change in the existing organizational structure like an addition of a new sales channel is an uphill task. For Hero Cycles too, dealers were familiar with cash sales from their counters. This business model introduced them to move out of the shops and deliver cycles to members through microfinance institutions (MFIs) branches. Previously they used to supply cycles to sub-dealers in complete knock-down (CKD) form. It was a challenge to deliver assembled cycles to branches. Transportation cost increased substantially in transporting the assembled cycles. It was imperative to convince dealers for timely delivery. Model-wise demand was erratic thus restricting dealers to stock desired models in their limited storage spaces. There were few branches where the dealers' investment got stuck because the supplied stock could not move within the desired time. In order to continue supplying at higher selling branches, dealers were required to increase investments. The unsold assembled cycles was another concern because it led to additional transportation cost and increased the chances of it getting damaged. At times, it is difficult to convince customers on pricing, as there are cheap variants of

poor quality available which otherwise look as sturdy as Hero Cycles. Thus, the increase in the cost of assembled cycles, unsold stock, and the lower price point of cheaper variants made it challenging to put forward a new sales channel. Besides, market efficiency was of dominant importance to channel members in order to enhance channel performance and reduce uncertainty and dependence arising from the environment (*Grewal and Dharwadkar, 2002*). Microfinance in emerging markets faces a steady increase of criticisms for its market inefficiencies despite its potential (*e.g. Fant, 2011*). Thus, bringing about an institutional change in the age-old set up was a monumental task.

4. CONCLUSION

Microfinance institutions as a sales channel have a lot of potential because of its huge customer base. However, one has to be watchful about it because of its inherent market inefficiencies. A few dominant market inefficiencies of any microfinance institutions are poorly designed micro-credit, inadequate and insufficient credit to clients, lack of education among the clients and manual operations. Model wise demand was erratic thus restricting dealers to stock desired model in their limited storage spaces. There were few branches where the dealers' investment got stuck because the supplied stock could not move within desired time. Besides, the over-indebtedness of the clients, higher interest rates as compared to the mainstream banks, lack of awareness of the financial services in the economy creates a lot of uncertainties for the manufacturer. Many a times microfinance institutions are in a race to expand their portfolios without sufficient understanding of the clients need. This too can lead to wrong product being sold to the consumers. We need to be ready to mitigate such risks and reap the maximum benefits from the huge untapped market.

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