Companies using tech to move Fast Moving Consumer Goods faster

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Fast moving consumer goods (FMCG) companies are making use of technology to beat longstanding challenges and build on emerging opportunities in an evolving marketplace.

Zero stock-outs at retailers and making new products quickly available are critical for FMCG companies. An efficient network to push a pipeline of often perishable goods is also key.

In addition, they also have to ensure that products are fresh, there is enough market reach and that working capital ratios are constantly improving.

These are the most important factors driving technology adoption in this sector.

First steps

A couple of years ago, Mumbai-based consumer goods company Marico, which sells the Parachute brand of hair oil and the Saffola brand of edible oils, introduced a new route optimisation system which geo-tagged the routes taken by its salesmen. Since then, the company has increased its direct distribution reach by 20%, but with the same number of salespeople.

Another initiative – to reduce the number of intermediate points in the distribution channel – has cut down transit time by 30%, said chief operating officer Sanjay Mishra. The company has also completely automated its business review process for sales staff. This has led to freeing up about 1,100 man-days.

“Advancements in technology and Internet of Things have made a transformative impact across the supply chain process – from assessing market demand using digital analytical forecasting to an integrated operations planning strategy,” said Ankur Bhagat, Head - Supply Chain, Procter & Gamble - Indian Subcontinent.

P&G, best known for its Ariel detergent and Gillette range of shaving products for men, has set up a dynamic delivery tool to optimize its market delivery system. This has reduced delivery time by up to 20%, cutting down on both costs and carbon footprint.

“Key challenges faced by growing FMCG firms are visibility of data and tracking of efficiencies in the entire value chain. This is where technology becomes absolutely essential in enhancing growth, productivity and a robust company bottom line,” said Mohan Goenka, Director, Emami, the Kolkata-based maker of Boro Plus antiseptic cream and pain reliever Zandu Balm.

Emami has implemented a distributor management system that has made transactions both speedy as well as more accurate. The system is helping it track secondary sales daily, manage inventory better through automated demand fulfillment, process claims online and manage master data from a centralised location.

FMCG firms have also been spurred into action by some external factors.

“After the introduction of the Goods and Services Tax (GST) we changed a lot of processes in order to leverage its benefits, which has resulted in a complete revamp of the supply chain,” said Lalit Malik, chief financial officer, Dabur India, the Delhi-based largely Ayurvedic brand known for its Chyavanprash health supplement and Meswak toothpaste.

The company is implementing a new system of end-to-end automation, which will bring the entire chain — from procurement to distribution — on the same platform.

Managing a large and disparate supply chain and a far-flung retail network have always been a struggle at consumer goods firms.

Skincare brand Nivea, for instance, has developed a mobile app for its sales force that captures data on consumer offtake almost in real time. The app communicates that to a central server, which is then accessed by the supply chain team.

“Through this, we have been able to improve our new products fill rate by about 6-7% and reduce quality complaints in stores by about 60% over the last 10 months,” said Somnath Das, Director, Supply Chain, NIVEA India.

The Indian market is highly fragmented – spread across modern trade and different sizes of traditional retail outlets, with many of them in hard-to-reach locations.

“Almost half of the world’s stores are in India. We have all the major global and Indian e-commerce players competing in the India market. Indian retail space is unique and has evolved rapidly unlike the developed markets,” said Bhagat of P&G.

Beating the slowdown

As growth starts to slow in certain consumer goods segments, companies are deepening their presence in rural India.

Dabur has expanded its reach to 51,000 villages, from 34,000 villages at the start of the year, aided by the new system it is implementing.

Marico, too, is relying on newer technology tools to drive its push into rural markets. By geo-clustering villages, it has drawn up a roadmap to improve its direct distribution infrastructure.

“To improve better utilisation of resources and cost-to-serve in rural van operations, Marico is using technology such as geo-tracking of van routes, which measures data of distance travelled and time taken on every route daily. This helps identify inefficient routes and re-deploy resources into high business potential routes continuously,” Mishra said.

Multi-national FMCG firms learn from their experiences globally, but other companies are investing in their own technology teams.

ITC, which owns the Aashirvaad brand of wheat and the Sunfeast range of biscuits, has a dedicated IT resources team that works closely with the businesses and collaborates with a number of partners.

“ITC has the unique advantage of leveraging the expertise that lies in our information technology arm - ITC Infotech - to develop solutions that strengthen supply chain capabilities, including the agricultural backend,” a company spokesperson said.

Startup support

A number of startups specialising in specific areas have now entered the field to help FMCG firms, driven by the potential to drive efficiencies and reduce costs by optimising the supply chain and distribution networks.

Sales automation platform FieldAssist, for instance, helps companies improve retail visibility and reach.

FMCG companies have always lagged in innovation and the use of technology. Apart from the actual manufacturing and production equipment, no other parts of the business have been automated for the longest time, said Paramdeep Singh, the CEO of FieldAssist.

“We knew the pain points and could create a solution accordingly. This gives managers access to data on what the salesperson is doing and on stock movement on a daily basis,” he said.

Another startup, Locus, provides route optimisation software which factors in various scenarios based on flow, inventory and location and cost-impact of the redesigned supply chain. On average, the company has helped increase sales serviceability by 12% and reduced beat length by 20%. One of the key challenges while working with traditional enterprises though is their reliance on legacy processes.

“However, more and more companies are embracing technology to gain an edge in this highly competitive environment,” said Nishith Rastogi, CEO, Locus. “Another challenge we regularly face is the resistance from the on-ground team to adapt to technology,” he said.

Companies, too, are actively working to get their vendors and distributors on board since their involvement is critical in ensuring that the system works.

Yet, despite the changes, most companies agree that technology upgrades are an ongoing process.

“We are investing heavily in some of the cutting-edge technologies in the field of supply chain analytics, starting with artificial intelligence based tools for sensing demand, collaboration platforms, AI-based customer ordering tool, advanced safety stock modelling, robotics in factory for E2E line automation and, above all, upskilling our employees’ knowledge quotient on digitalisation and advanced analytics,” said Nivea’s Das.

The company has made a 10% gain in forecast accuracy and reduced logistics cost (as a percentage of net sales) by 100 basis points. It has also seen productivity increase across manufacturing facilities, all of which have translated into direct cost savings.

Last year, P&G India introduced a supplier partnership platform P&G vGROW, to engage with startups, small businesses and large organizations in order to develop and apply industry leading solutions that resolve business challenges. It also has a team of data scientists unlocking insights from Big Data using advanced analytics and a dedicated centre in Hyderabad that drives supply chain solutions.

Be that as it may, even if technology does not directly impact the end-product, what is evident is that it will play an increasingly important role in making sure that it gets to customers faster and result in increased cost savings for these companies.