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Shaktimaans To Power Rural Reach

HUL has set a goal of tripling its rural presence in a year's time. Sounds ambitious? Not really. Consider this: The FMCG giant will push 25,000 'shaktimaans' — distributors on cycles — into action in 1.5 lakh remote villages with a population of less than 2,000

Namrata Singh | TNN

Forty-two-year-old Sudharkar Sahoo is a farmer in Sarapari village in Orissa's Khurda district. Till a few months back, he used to till land for a part of the day and had nothing to do for the rest. Financially, Sudharkar's family of four was not overstretched considering that his wife, Suprabha, too, earned an income. Being a 'shakti amma', Suprabha was an entrepreneur distributing consumer products for multinational giant Hindustan Unilever (HUL). Now, Sudharkar's family income is about to more than double as he has been picked up for a specific task by the maker of Lux soap and Wheel detergent.

The company is utilising the skills of the likes of Sudharkar to distribute its products in remote villages which have a demand for such products, but don't have a distribution network.

Sudharkar must be happy that the hike in income will take his family closer to the comfort zone. What he may not be aware of is the importance of the role he is about to play in a mission that is going to triple HUL's rural reach in a year's time.

He is among the first lot of 'shaktimaans' who have been roped in by HUL to fulfil its ambition of reaching villages with a population of less than 2,000 and are beyond the reach of the company's redistribution stockists (RS).

Every day, Sudharkar sets out on a bicycle which has been provided by HUL for him to commute to villages to distribute products and sachets of popular brands like Wheel, Lifebuoy, Pond's, Brooke Bond, among others, to aspiring consumers. Earlier, these consumers had to satisfy their needs by purchasing products from nearby villages where the company has di-



Shagvan Das

rect distribution. Now, their needs will be met in their own villages by the visiting shaktimaans.

In May, HUL chairman Harish Manwani had said that the company would treble its rural reach in two years. It was considered an audacious target by many industry observers and analysts tracking the company. "What we are going to do in the next two years (trebling rural distribution)

is what we have achieved in the last 25 years," Manwani had said, adding that there was a business plan and that the distribution reach would bring in more sales. Though details were not disclosed, it was clear that the efforts would eventually shore up HUL's sales in the future.

TOI now learns that the daunting task of increasing the rural reach by three times is expected to be completed within a year. To begin with, HUL has completed a pilot in Orissa, which has 50,000 villages where 1,500 shaktimaans like Sudharkar are already operational. They cover 25,000-

odd outlets, with each shaktimaan covering 5-6 villages in his vicinity.

Says Hemant Bakshi, executive director, sales and customer development, HUL: "One of the main triggers for the move was that there's now better connectivity in the form of roads and infrastructure to remote villages across India. Earlier, it was impossible to penetrate these areas. Last year, we looked at what we could do to bring about the next big leap in rural coverage. This year, we are putting it into action."

HUL is extending the Orissa shaktimaan model to other states. In the next couple of months, the company would rope in 25,000 shaktimaans across villages in India, covering about 1.5 lakh villages, which would triple its reach in a year. This means that HUL would achieve 100% coverage across villages.

The company has drawn up a blueprint of all the 6 lakh villages in India through digital mapping. HUL already reaches 63 lakh outlets, of which 10 lakh are reached directly through van operations and RS. Of

the 10 lakh outlets, 2.5 lakh are in rural areas, where the company reaches directly. The plan is to add 5 lakh outlets to take the coverage in rural areas to 7.5 lakh.

In addition to the shaktimaans, the company is also increasing, wherever possible, its direct reach, but only in villages where the population is above 2,000. Of the five lakh, 2.5 lakh will be direct reach outlets.

"It was decided that in villages where the population is 2,000-plus, we would continue to reach through our direct van operations and RS. But to reach the population strata below 2,000, we are using unconventional means (sic). That's where shaktimaans come in," said Bakshi.

Who is a shaktimaan?

A shaktimaan is a male member of a shakti entrepreneur family. In 2000, HUL collaborated with self-help groups to expand its rural reach under project shakti. It partnered women entrepreneurs called shakti ammas from rural areas of Andhra Pradesh and 14 other states by offering them opportunities for business. The objective was not only to increase direct reach in rural areas, but also build brands through local influencers. Today, there are around 45,000 shakti ammas on board, taking products to across 1 lakh villages and over 30 lakh households every month. HUL soon figured out that the menfolk from shakti households, who would by now be familiar with the operations and product range of the company, could be used for the next leap — to reach villages with a population of less than 2,000. They have been christened shaktimaans. Roughly one in two shakti households would provide a shaktimaan.

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Indian FMCG cos can't ignore rural markets

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While there are no fixed selection criteria, a shaktimaan is chosen based on his locational advantage and his proximity to villages which are to be covered. Since the shaktimaan is a male member of the shakti household, his additional income from this programme results in an increase in household income. A shakti entrepreneur typically earns an average of Rs 1,000 per month. It is estimated that the shaktimaan would earn 2.5 times this amount, given the arduous task he has been given to perform.

Rural distribution system

Almost all FMCG companies have been following the hub-and-spoke method of reaching out directly to rural areas. This involves a carrying and forwarding (C&F) agent who would supply products to the distributor who, in turn, would supply to the star seller and then to the rural outlets which sell goods to consumers. Star sellers were, however, not exclusive to HUL. The hub-and-spoke method was dismantled by HUL last year across India, barring two states as connectivity to rural areas improved. The company has done away with star sellers and now it is the RS who takes the supplies from C&Fs directly to retail outlets. An RS plays a vital role in identifying shaktimaans. Each RS is responsible for 20 shaktimaans and the former too are mapped using GIS.

Impact on HUL's sales

Around 45% of HUL's sales turnover of Rs 17,524 crore comes from rural markets, valued at around Rs 8,000 crore.

Mainly products in the bottom-of-the-pyramid (BOP), such as Wheel detergent, Lifebuoy or Brooke Bond Sehatmand, Pond's talc, find takers in these areas. Sachets of its other brands also have a good demand here. "Growth will come eventually," says Bakshi, when asked how project shaktimaan would drive the company's sales in the future. Bakshi said there are many advantages in increasing the company's rural reach. For one, this would create a number of first-time users who are usually loyal to a particular brand for long. Secondly, with better-income opportunities and various government schemes like NREGA (National Rural Employment Guarantee Act), rural consumers are expected to upgrade to higher price points at some point. A consumer who is using a Rs 2 sachet today, could trade up to a Rs 5 price point for the same product, translating into better sales.

According to an industry observer tracking India's rural markets, the shaktimaan model would take a couple of years to stabilise, after which the rural contribution to HUL's turnover could go up. Take the case of project shakti. It contributes to 10% of HUL's rural turnover nationally amounting to Rs 1,000 crore. Project shaktimaan, according to industry observers, has the potential to generate a turnover of around Rs 1,500-2,000 crore after a few years. HUL's efforts to bolster its rural reach, said analysts, would also strengthen the company's competitive position.

However, skeptics believe that while the push behind project shaktimaan would be huge, it would take some

years for the returns to show since the target villages are smaller compared to those with population in excess of 2,000. Most other FMCG companies do not even look beyond 50,000-1,00,000 villages as it does not make business sense to do so, especially for companies which do not have a wide portfolio of products.

Also, most villages with a population below 2,000 are hard to reach. One company which went aggressive on tapping the farmer community through e-Choupal — a web-based initiative of its agri-business division which offers farmers information on products and services required to increase productivity — was ITC. Last month, ITC chairman YC Deveshwar said at the company's 99th AGM that the company's large presence in rural India, with the unique e-Choupal infrastructure, will be progressively leveraged to widen the company's FMCG distribution network.

As for the financial sustainability of project shaktimaan, Bakshi said it has already been subject to a lot of financial rigour internally.

But with roughly 70% of India's population residing in rural areas, FMCG companies cannot ignore this market for long. Like ITC, HUL and several others like Godrej Consumer Products (GCPL) too have already started to make a concerted effort to build their rural presence by increasing their reach in villages by 70%. GCPL added over 6,000 villages to its coverage last financial year.

It's perhaps a matter of time before other FMCG companies follow suit.