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MODEL, BEING ROLLED OUT IN MUMBAI FIRST, LIKELY TO BE EXTENDED TO DELHI & OTHER TOP METROS

HUL Takes Direct-to-Kiranas Distribution Route

Move aims to cut supply time from 3 days to less than 24 hrs, ease credit limitations of kiranas

Sagar Malviya

Mumbai: Hindustan Unilever (HUL) is taking control of its robust distribution network by directly supplying products to kirana stores in Mumbai, with plans to roll out in Delhi and other top metros, a top company executive said. The strategy is part of a wider attempt by India's largest fast-moving consumer goods company to reduce the supply time from three days to less than 24 hours, and ease credit limitations of kirana stores, which generate three-fourths of its sales. Under the new model, distributors will only handle orders and pa-

yments from the neighbourhood stores while the company will handle the entire back-end logistics from warehousing to delivery, Arun Neelakantan, executive director-customer development at HUL, told ET.

"Our focus is to ensure that we provide the best service to the kirana stores because we need to have assurance of delivery in the right manner. There are also constraints for cost and capital, which means they can't hold a large inventory. They can't have a large amount of capital blocked and want more frequent service," Neelakantan said.

Within the consumer goods market, HUL has the largest distribution network in India with over 3,500 distributors across 2,000 towns serving nine million stores including a direct reach of three million outlets.

The company had piloted its la-

New Cart

Distributors to only handle orders and payments from neighbourhood stores

HUL will control the entire back-end logistics, from warehousing to delivery

Absolute returns earned by distributors to remain the same

test distribution model—Samadhan—near Chennai nearly two years ago to take on online business-to-business (B2B) startups that have the advantage of serving multiple companies at the same time as well as offering next-day delivery.

In India, kirana stores, serviced by either distributors or wholesalers, control nearly 80% of FMCG sales. While organised retail and wholesalers including Flipkart Wholesale, Udaan, and Reliance Cash and Carry make up about 5% of FMCG sales, they get greater le-

verage over supplies and price due to their scale.

The maker of Rin, Dove and Lux said while the traditional supply chain is often labour intensive, high maintenance and is prone to errors, distributors ensure that the relationship with the outlet is sustained, and they remain part and parcel of the supply chain going forward. Under the new model, absolute returns earned by distributors will remain unchanged while HUL bears the cost of warehousing operations.

HUL's Network

3,500 Distributors

2,000+ Towns

9 million Stores



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"The kirana stores actually want assurance of delivery. So, the frequency of ordering, the kind of lines that they order, the kind of depth that they order keeps increasing with greater assurance of service and delivery," said Neelakantan.

HUL has also carved out separate sales teams for each of its e-commerce verticals spanning marketplace, quick commerce and beauty retailers, which have a combined workforce of about 200 employees. Half of this team eit-

her has digital or technology experience, or has earlier worked with direct to consumer or e-commerce firms, and their average age is almost a decade younger than the larger organisation.

"So, the kind of quality of conversation itself is very different, because they know what's happening externally. How we deal with quick commerce is very different from how we deal with marketplace kind of setups and how we deal with the beauty kind of Nykaas of the world. So we don't have a singular e-commerce team. The portfolios in these channels are very different," said Neelakantan, adding that 50-55% of the portfolio it sells online is distinct from what it sells in modern trade and general trade.

HUL has also been consistently upgrading its internal ordering app Shikhar, which allows neighbourhood stores to order directly from the company but are still serviced by distributors. At present, Shikhar generates more than a third of HUL's sales.