

# How HUL scaled the Shikhar in 2022

While almost everyone is obsessed with customer experience, consumer goods giant Hindustan Unilever claims to have enhanced its retailer experience by onboarding them on its online platform, Shikhar.

Prasad Sangameshwarann / ETBrandEquity

Updated On Feb 17, 2023 at 08:02 AM IST



Kedar Lele

Consumer goods giant, Hindustan Unilever (HUL) achieved a unique milestone at the end of 2022. A million plus retail stores onboarded the Shikhar app, where retailers can order for company products, augmenting the traditional route of distributors and salesmen where the company has built a giant reputation over decades with over 3,500 distributors across the country.

This is significant because the traditional FMCG distribution model has always been distributor focused and distributor led. “There was an arms-length distance between us and the retailers. As we go digital, it's all retailer centric. It is retailer focused. The power now is in the hands of a Kirana store owner who has the app,” says Kedar Lele, executive director, customer development, HUL.

Thus, Shikhar helps the company get closer to the retailers. Currently around 1.1 million retail stores around the country have downloaded the app. Company executives point out that 60 per cent of these retailers order using the app every month, in an industry that otherwise is estimated to have an average of 25-30 per cent repeat purchases. “Our repeat customers are amongst the best in the industry,” says Lele.

Shikhar also contributes to over 25 per cent of the company's revenue from its traditional retail trade. "That's where the fun begins. You are able to not just give a great service to your retailers, but also create a moat. And you get incremental revenue." Lele however believes that the best is yet to come. "We are going to get another peak coming out in 2023," he says.

To be sure, the scaling up that Shikhar is witnessing is a result of pilots and proof of concepts that the company fine-tuned over the years.

In 2015, HUL had undertaken a pilot with Humarashop.com to connect consumers with retailers by creating online webpages for them on its portal along with helping them with fulfillment of orders. "The pilots that we run don't go to waste. Even if we don't scale up, we get a truckload of information and behavioral patterns of our retailers through these initiatives," says Lele.

In 2016-17, when Lele was running the modern trade and e-commerce for the company, the team put together a white paper that predicted a future when retailers will use a smartphone to order directly from the company as an add-on service, beyond the transactions that they do with their distributors or salespersons.

The outcome of that white paper was that HUL set up a pilot and proof of concept. In 2018-19 the company did a full scale launch. And in 2020, during the COVID-19 pandemic, the adoption rates went up substantially. A large number of retailers came on board and the numbers moved from 200,000 retailers to a million-plus over this period of two-and-a-half years. "Earlier to get even 100,000 retailers on board was a big ask. It was difficult to convince them that this app can do what a salesperson does in your store," says Lele.

The second factor that helped HUL was the growing category heat. As the digital first B2B buying platforms like Udaan, Jumbotail and Reliance started coming into the FMCG retailer space, the action dramatically went up. "When the category heat goes up for any category, consumer adoption or penetration starts increasing. We did benefit when the category heat started going up," agrees Lele.

With Shikhar, the Kirana store owners have the ability to order anytime they want and to see the full range of products the company offers. Instead of the salesperson's ability to talk about stock availability or not, the app can tell all of that. The retailer also has full price discovery. They can also pay online and know when these goods will get delivered.

Lele agrees that there were some stumbling blocks. "We did have some rough periods. We created the app. We said, let's get the orders. But we didn't work out the fulfillment discipline," he says.

That's because, unlike an online order at Amazon, where the e-commerce giant updates you on every stage of the order to fulfillment cycle, the physical distributors in the FMCG world had their own set of rules. "We believed that once you send an order to a distributor, it is his dharma to go and deliver. But the distributors stuck to their weekly beat plan," says Lele. For example, they would earlier go to a fixed location of retailers once in a week with a certain range of products.

In the retail distribution universe, a large number of retailers get multiple services every week from multiple sales persons. Somebody delivers food and refreshments. Others deliver personal products or home care and so on. So for a distributor, the number of times they take the order, that many times they deliver,

However, with the arrival of Shikhar, there used to be a gap of 1000 to 1500 basis points between the secondary servicing (distributor) of traditional orders versus the orders on the Shikhar app. Over a period of time, HUL incentivised distributors to service that order first and provided them with the technology to

optimise the delivery routes. On the other hand, HUL also encouraged retailers to put orders worth INR 1000 and more to make it viable for distributors to service them on more occasions.

### Winning the retailer confidence

When salesmen are already visiting the retailer twice or thrice a week, there is resistance to adopt an app. HUL thus incentivised the retail store owner with happy hour discounts to order during off peak hours. There were also special offers to order brands that came under the company's "market development" strategy.

"The richness of this data is not talked about as often as it should," says Lele. For instance, HUL has 21 lakh outlets on its direct coverage. Each of these outlets get visited for a minimum of four times a month, usually a lot more. "That means we have billions of data points of every retailer, what they buy, what kind of assortment and so on," says Lele.

Out of these 21 lakh outlets that HUL goes to, the company has created 1000 clusters or cohorts. On the basis of the purchase of these retailers, each cohort gets a recommendation that becomes visible on the retailer's app.

"We tell retailers that if you bought this, this is what is selling more. This is a good assortment for you to keep which a salesperson may, or may not, end up calling because they will have a very long assortment. This is where the key insight comes in," says Lele.

HUL offers an additional incentive of 1-2 per cent. Around 9-10 per cent of the company's orders come after office hours between 8 PM-12 midnight. In an earlier scenario, this would have probably got lost earlier or been postponed.

"That's where you start getting this delta revenue because you start unlocking the time, you start unlocking the SKUs (stock keeping units)," says Lele.

The lessons the company learnt is to become extremely customer centric and pick up these weak signals on in-app analytics. For example, one way the company addresses retail concerns on the app is by evaluating retailer concerns on non-fulfilment by even responding to retailer complaints on the Android Playstore, for instance.

HUL executives claim that they have given the retail trade the power of convergence. The retailer has Shikhar. The salesperson has another app called Sales Edge. Both apps look identical. If the retailer looked at three or four products and put them in the basket but didn't buy, the salesperson during his next visit asks the retailer if he can complete the order or what's prevented the retailer from not going ahead. "The convergence between the two systems allows us to give fabulous customer service to the retailers and that's where this relationship can get further strengthened," says Lele.

Finally, the retailers are becoming quite progressive – they have smartphones, they do their credit card payments, and they do their UPI transactions and so on.

The Shikhar app has a ledger which shows all the orders the retailer has made online or offline, what kind of SKUs they bought, what weights he's got, when the delivery happened, what is the damage he wants to give back, what are the returns he wants to give and so on. So his relationship with the company is virtually on the app. "This communication is getting democratised. We are loving it," says Lele.

Published On Feb 17, 2023 at 07:57 AM IST