



SPECIAL FEATURE

FMCG SUPPLY CHAIN

Combating the Hurdles of FMCG SUPPLY CHAIN IN TIMES OF COVID

➤ Karvi Rana

While the COVID-19 pandemic has changed consumer behaviour and rapidly increased the demand for household items and grocery items, it has also shown the segment some tough times by forcing companies to step out of their comfort zone as traditional distribution mechanism came to a screeching halt. In the following story, we shed some light upon the difficulties faced by the sector, the rise of e-retail, the technological adoption by the sector, and much more.



Fast-moving Consumer Goods (FMCG) is the fourth largest segment in the Indian economy. The segment which includes food and beverages (19%), household & personal care (50%), and healthcare (31%), amidst the outbreak of the COVID-19 pandemic, witnessed a major impact. The sector was seeing a slowdown since mid-2018, with growth rates steadily declining for the past 15-18 months. However, the shift in consumption patterns of consumers during the COVID pandemic has increased the demand for household and grocery items. According to Nielsen, the Indian FMCG sector amid the COVID-19 is likely to grow about 5-6% in 2020.

While the sector put up a brave fight during the course of the pandemic, it also had to dodge its

share of challenges and swiftly drive the supply chain seamlessly during these unprecedented times.

STORMS BRAVED BY THE SECTOR DURING COVID-19

With demand for essential products shooting up, companies across the globe were scrambling to streamline their supply chains to secure immediate operations along with dealing with the grass-root issues caused by the nation-wide curfew.

Since the outbreak of COVID-19, safety and immunity have surfaced as the two prime concerns of consumers and it is likely to stay the same for more than six months, says a report by Nielsen. This behaviour is corroborated by high and accelerated sales growth of evolved hygiene categories like liquid toilet soaps, and immunity-boosting categories like Chyawanprash & Branded Honey.

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"The FMCG industry particularly the food, groceries, and health & hygiene products showed an unusual surge in demand due to panic buying. Retailers

While the FMCG sector was fighting tooth and nail to meet the heightened demand caused by the panic buying of the consumers, it was also facing issues such as the

hygiene & sanitation, and manage employee movement. Many of the workers refused to come to work out of fear of safety or migrated back to their hometowns," shares Mr Mohanta.



Furthermore, driver availability, border sealing, movement restriction, and non-availability of return load and also food for the drivers while on the road also caused havoc in the supply chain.

Sanjeev Khanna, Sr VP-operations at Patanjali Ayurveda who agrees with the same adds, "Above-all, nation-wide uncertainties on the fast-changing market and operational scenarios were observed .What works in one state may not work in another, rather within a state what works in a city, may not work in another city... even government authorities, at-times, were unclear on the recent government orders or notifications, It's a never-seen complexity by the whole world, with still no one knowing how long this situation will continue."

were under confusion as to how to manage social distance & hygiene. The demand for home delivery increased many folds," says **Mihir Mohanta, General Manager (SCM), Mother Dairy Fruits & Vegetables.**

shutdown of production due to confusion, non-availability of raw material, lack of cash flow and manpower, etc.

FMCG manufacturing facilities were constrained to operate on 50% manpower, manage

Apart from this, visibility of

Marico explained in a regulatory filing, when it comes to distribution, to improve the reach of food and grocery items of daily use to the consumers, the company adopted several approaches which included tying up with food-service aggregators and other logistics partners, launching a direct to consumer portal, tele-caller facility for direct reach to the top retail outlets and introducing a retailer and consumer-ordering app, among others. The company has also been focused on a digital transformation journey to enhance consumer engagement, drive sales through e-commerce and build data analytics capabilities for faster and efficient decision-making across the value chain.

data and tracking of efficiencies in the entire value chain emerged as a prime hurdle. With the lack of technological advancements in the sales process, the sector also suffers in optimising inventory and warehouse management along with utilising the consumer's purchasing preferences to make selling decisions. Also, people visiting the stores decreased drastically during COVID and resulted in the rise of e-retail, this further brought up hurdles for the ones lacking in technological adoptions.

RISE IN E-RETAIL

Amidst the outbreak of the pandemic, consumers in cities are preferring home delivery over in-person visits to the neighbourhood or department stores, and are consciously minimising interactions through 'contactless' options. Understanding the shift in consumer demand, the FMCG companies have now started to shift towards e-commerce platforms.

Mr Khanna expressing his thoughts upon the same said, "FMCG industry has got brilliant support to reach to end-consumers through e-com channel but, most-importantly the consumer-base itself has shifted to e-Com from Brick'n'Mortar stores. During these times, demanding social distancing, limited movement in malls & high-streets - this

may have a certain percentage of customers moving forever to e-com platforms for the ease, convenience and safety factors."

Apart from e-commerce platforms, this growing preference was further facilitated by food aggregators' delivery arms collaborating for consumer product delivery.

As per the 5th edition of COVID-19 – Evolving consumer trends – report by Nielsen, the topmost management of certain FMCG companies said that there will be more focus on e-commerce going forward, while a majority of them said that their focus will be more on improving last-mile delivery in the coming six-months.

Mr Mohanta says, "India is expected to shift FMCG distribution substantially from bricks to clicks in future. Reliance getting into e-commerce retail is in the same direction. The traditional supply chain network of distributor salespeople might get replaced in the future with Apps and professional logistics service providers for the last-mile delivery. The subscription models like Milk Basket or food aggregators like Zomato would grow bigger to attain economies of scale. They are expected to serve multiple companies, multiple products, and a very large number of



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Sr VP-operations
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consumers through investments on both virtual & physical distribution network.”

As per the report by Nielsen, 43% of the companies are now fully ready to adapt to e-commerce while 50% of companies are somewhat ready. Though many FMCG companies are still working through only the brick and mortar model, moving forward the e-commerce retail will be seen driving the sector as it is clear that the pandemic has for turned into an inflection point for the e-commerce industry in India.

A grand view research also suggests that the Asia-Pacific region will witness rapid growth in e-commerce retail over the forecast period post the pandemic on account of increasing mobile internet usage and changing lifestyles.

TECHNOLOGICAL AID

The FMCG segment during the course of the pandemic has understood that to keep up with the changing market trends, enhancing growth, productivity and making a robust company, bottom-line technology is essential. Thus, technological advancements and the Internet of Things (IoT) have made a transformative impact across the FMCG industry. Companies now more than ever use digital analytical and forecasting tools to assess market demand.

The companies that have adopted innovations and technological advancements have tremendously thrived through the pandemic and dodged every bullet that has come their way during COVID.

Mr Khanna believes that technology has turned out to be of great help to the sector.

In his words- “Technology has helped the sector tremendously. The more an organisation has the requisite technology support tools, the better they respond to market fluctuations. Right from order capturing to, demand-supply data-analytics to mapping the distribution and, product availability status, for every detail the technology helped and, is helping greatly, at each & every step of business processes.”

In times of COVID, FMCG players have been making a shift towards complete automation, intending to bring the entire chain from procurement to distribution on the same platform. Many have introduced new route optimisation systems that geo-tags the routes taken by their salesmen. This helps them to increase their direct distribution reach with the same number of salesmen.

Mr Mishra says, “With the help of artificial intelligence, a lot of benefits have been derived for different verticals

HOW AMUL USED IOT TO MAINTAIN STOCK?

"The pandemic situation was extremely critical for us since this is an essential service. But thanks to our integrated IT infrastructure, during the lockdown, our supply chain of 3.6 million farmers, 18,700 societies, 5,000 milk tankers going to 200 chilling stations, making 750 SKU, then going to 62 branches and 10,000 distributors and one million retailers, I knew exactly what was happening at every point- where tankers are being stopped, in which village milk has not been collected, and which market tankers could not go. Technology is being used every day by everyone, but during the lockdown, it was very critical for us. AMUL signed 10-year partnership with IBM, which conducted an IT architectural and strategy study and developed an IT strategy roadmap for us," says **RS Sodhi, Managing Director, GCMMF Ltd (AMUL).**

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of our operations. With route optimisation and load planning, we have been able to cut major last-mile cost during these times and at the same time increase efficiency."

Furthermore, FMCG companies have implemented a distributor management system to make transactions both speedy as well as more accurate.

Speaking of leveraging technology for their FMCG clients **Alexandre Amine Soufiani, Managing Director, FM Logistic India** shares, "FM Logistic India has an indigenous warehouse management system in place which works on the plug-and-play model to seamlessly work for both B2B mode (where large stocks go shopping and malls) and B2C model (where they go to particular customers). From the same stock that was dedicated to physical stores, our WMS enables our customers to access piece orders instead of bulk."

Mr Soufiani adds, "The WMS allows customers to go to the piece level. This requires a lot of integration. Our WMS is capable of managing the seasonality and skews of our customers' supply chains. Additionally, we provide efficient Value Added Services, i.e. kitting, packing, labeling, etc. to help our customers in the FMCG sector to manage their supply chain seamlessly. Our proven expertise in provisioning e-commerce and omni-channel logistics has helped us to remain a step ahead of our competitors - even during COVID

times, he adds.

Technology is surely gaining a centre stage in the FMCG operation, companies are embracing technology to gain an edge in this highly competitive environment. They are actively working on a quicker adoption so that issues such as stock-outs, cost, reachability, etc are eliminated in the entire value chain, and operations are made more efficient."

LESSONS LEARNT

For weeks at the start of the year, COVID-19 was taking a toll on the country, and experts were focusing on supply shocks and looking out for different ways to mitigate the same. In the process, it was observed that along with difficulties and hurdles the pandemic also taught the supply chains important lessons and prepared them for future shocks.

"Necessary is the mother of invention. This pandemic has given us a lot of things to learn from these issues and we are now going to adopt those platforms where we can get the advantage and pass it on to the others for enhanced visibility," said **Anil Kumar Mishra, National Logistics Head, Pladis Global.**

"The sector has learned to have possible multi-locational production and distribution options, have multi-channel distribution channels, design and define the product-portfolio with



ALEXANDRE AMINE SOUFIANI
Managing Director & CEO
FM Logistic India

With the surge in demand for packaged foods and personal hygiene products, companies have set up teams, created links with hyperlocal delivery partners, and helped get their products to stores.

least dependency on exclusive customer base or exclusive market-type, as the dynamism and flexibility is the name of the game going forward," said Mr Khanna.

FMCG segment which suffered from issues of lack of manpower and upsurge demand indeed learned its share of lessons and adapted to innovations and technology.

While speaking on the lessons learned during the crisis, Mr Mohanta explained by quoting examples. He said, "Lack of public transport, complete lockdown led to restricted movement of supply chain workers. At the same time, India also witnessed a large exodus of migrant workers traveling on foot across the nation. This deficiency of manpower caused a delay in both the production and delivery of FMCG products. Amul was managing this by providing food and accommodation closer to the place of work. They were also providing workers with additional incentives and insurance covers. To mitigate the manpower shortages many looked at alternate solutions of engagement of robots, automation, or application of artificial intelligence."

Furthermore, the importance of collaboration was a key lesson learned by the players. Their direct-to-home initiatives

involve partnering startups such as Dunzo, Scootsy, Zomato, and Swiggy by listing brand stores on their portals and even reaching out to resident welfare associations (RWAs) through their sales staff.

"With the surge in demand for packaged foods and personal hygiene products, companies have set up teams, created links with hyperlocal delivery partners, and helped get their products to stores. COVID also prompted firms to ramp up supplies online and forge tie-ups with hyperlocal delivery partners and even assist retailers by opening up helplines as the lockdown crippled the movement of goods. Firms started partnering with local food-delivery companies like Zomato, Swiggy, etc. to deliver groceries to customers," informed Mr Soufiani

Adding to the same he said, another lesson learnt is simplicity in operations. It is essential to simplify everything to the maximum extent, whether it is people, processes, technology, or BCPs because once these are simplified, it is easy to execute and duplicate, followed by flexibility, transparency, and ownership.

The pandemic has also taught the importance of planning and having a business continuity plan in place and having an



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National Logistics Head
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Consumers Are Minimising Physical Touchpoints

Reliance on online shopping:

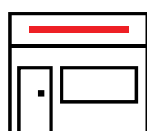
62% intend to increase online shopping by more than **20%**

Increase in digital payments:

54% paying more often via payment apps

More Focus on Door Step Delivery

Where are consumers buying?



Visiting (Neighbourhood stores) **74%** (Pre COVID) **65%** (Currently)

Visiting (Neighbourhood stores) **50%** (Pre COVID) **24%** (Currently)



Home Delivery (E-commerce) **39%** (Pre COVID) **40%** (Currently)

Home Delivery (Neighbourhood stores) **25%** (Pre COVID) **34%** (Currently)

Home Delivery (Dept stores+Food aggregators) **19%** (Pre COVID) **27%** (Currently)

Pre COVID **Currently**

open mind for innovations rather than sticking by the traditional methods.

CONCLUSION

The pandemic indeed came with a silver lining for the FMCG industry, while there were difficulties in terms of striking the right balance between the demand and supply at a time when companies were

least expecting the surge. Once companies were able to manage the surge, the pandemic did bring in a faster adaption of technology, a rise in e-retail, and profitability for the sector. Moreover, it also helped the sector learn crucial lessons of managing the supply chain in times of crisis and prepared the sector to maintain a smooth and efficient supply chain going forward. 📦