

Emami begins distribution overhaul to expand retail

The move aims to increase sales volume and push slow-moving brands

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Kolkata-based consumer goods maker Emami Ltd is overhauling its distribution architecture to expand its direct retail reach and reduce dependence on traditional wholesale channels — a move aimed at increasing its sales volume and pushing slow-moving brands.

While wholesale contributes 50-55 per cent of Emami's annual sales revenue, the company plans to bring it down to about 40 per cent.

Madan Pandey, president of CCD sales at Emami Ltd, said the initiative had been undertaken primarily to achieve three objectives — to provide the company with better business possibilities, help in cost curtailment as the wholesale channel is driven by sales target schemes, and push slow-moving brands through a direct reach.

Wholesale trade channels, Pandey said, normally stock those products that are demand-driven, while slow-moving brands and products are left out. Thus, the retailer, who eventually buys the products from such a channel, has access to limited products, he said, adding this will not be the case if the company undertakes direct sales.

Emami estimates a "2X multiplier effect" on sales volume as the shift from wholesale to direct sales takes place.

Though the company's own salespeople will play the



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Emami's financials in the past three years

	FY2014-15	FY2015-16	FY2016-17*
Revenue (in ₹cr)	2,217.25	2,623.79	1,954.89
Net profit (in ₹cr)	471.63	327.67	257.1
Cash profit (in ₹cr)	519.92	614.1	489.32

*Nine months ended December 31, 2017

Source: Emami Ltd

initial role of converting sales leads, eventually, the product supply will take place via its base of 1,200 distributors. However, this is not the case with the wholesale channel, where the involvement of the company's own salespeople is nearly absent.

It has also tasked AC Nielsen to conduct a study on the top 30 towns in India to understand how best it can take this agenda forward. The consultant will be identifying the exact outlets or kirana

shops that the company can target to push its products. The exercise would mean an additional 15-20 per cent increase in the salespeople under the distributor's payroll.

Currently, Emami is able to directly reach 640,000 outlets, which will go up to around 700,000 or 17.5 per cent of the total outlet base by the end of the current financial year. The company aims to increase its direct reach to 800,000 shops during 2017-2018.

The decision to modify its

distribution architecture comes in the wake of Emami's focus to penetrate deeper into the rural market. While the company will add around 30,000-40,000 outlets in the urban market, it has targeted to reach at least another 50,000 outlets in rural India — all of which will be serviced via direct sales.

The move to convert from a wholesale channel-driven business into a direct sales one will result in Emami's incremental costs of servicing the outlets surging by four to five per cent in rural areas and two to three per cent in urban areas.

"However, it will result in increased sales, which will pull up our revenue," Pandey said. He could not give a specific number of how much the company's topline and bottomline will surge.

Last month, *Business Standard* reported that Emami has projected a 12-14 per cent growth in the 2017-18 fiscal year.

In the rural market, Emami follows a three-tier distribution pattern where the company sells its product to a distributor, who sells it to the stockist, who supplies the product to the retailer. Besides, the stockist is also entrusted with increasing the retailer base and points of sale.

In the urban market, however, Emami relies on a simple two-tier distribution structure, where the distributor buys the product from the company and sells it to the retailer directly.