

WIDENING REACH

Emami pushes direct distribution in rural market

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NEW DELHI

Emami Ltd, which owns brands such as Navratna oil and Boro Plus antiseptic cream, will increase direct distribution of its products by adding 200,000 outlets to its (distribution) network across the country in 18 months, especially in rural areas.

Direct distribution involves stocking products with retailers without going through wholesalers.

Currently, the Kolkata-based consumer products company distributes through 600,000 outlets, with rural markets contributing about half its total sales. Emami had net sales of ₹1,699 crore in 2012-13.

To spur rural consumption, Emami will add 11,000 villages to its distribution network, increasing those it reaches directly to 20,000.

"We've seen increasingly that the rural consumer is demanding products that are

largely available in urban markets, though at lower price points," said N. Krishna Mohan, chief executive, sales, supply chain and human capital, at Emami.

Direct distribution, as opposed to using distributors or wholesalers, ensures both better quality and cross-selling opportunities for consumer companies.

"It also helps in direct push of products across more geographies, thereby increasing penetration," said Gautam Duggad, vice-president, research, FMCG (fast moving consumer goods) and retail, at Motilal Oswal Financial Services Ltd, as wholesalers tend to push products with better margins.

Emami first invested in creating a separate distribution system for rural markets under

Project Swadesh in 2010-2011. It has since covered 8,000-9,000 villages, each with a population of 20,000 or above, across 15 states, including Uttar Pradesh and

West Bengal. "Our target is to reach out to villages with a population base of 7,000-8,000 in all states," Krishna said.

Emami will continue to push brands such as Zandu balm, Navratna oil, Fair

and Handsome and Boro Plus creams in these markets, he said.

"To reach out to more consumers in the rural belt, we will focus on introducing and strengthening our existing brands, which are available in smaller shelf keeping units, or SKUs," said Krishna. An SKU is a stock keeping unit.

Emami has also revised its

product prices. Over the past one year, it has launched Zandu balm and Navratna oil in ₹2 and ₹1 packs, respectively. It is also test marketing talcum powder pouches priced at ₹1 under the Navratna brand in Uttar Pradesh and Bihar.

Emami's push into the rural markets comes at a time when consumption in urban areas is slowing. According to a 17 May report by brokerage Espirito Santo Securities Ltd, as non-farm self-employment increases in rural India, consumer companies are registering robust sales growth in these markets.

"While we never questioned the resilience of rural markets, we have been highlighting the risk of consumers trading down in urban India, which accounts for as much as 70% of sales of consumer players in certain categories. Emami has deftly navigated this tough consumer environment thanks to its portfolio mix and distribution expansion strategy," Nitin Mathur, consumer research analyst at Espirito Santo, said in the report.

But he added that "while penetration in categories like soaps, detergents and hair oil is high, several categories like skin cream and health supplements, where Emami is actively present, have low penetration. We expect Emami to improve in these sectors."

At present, the company distributes via 600,000 outlets, with rural markets contributing about half its total sales