“In this fast-moving digital age, there are continuous challenges within the life cycle of a product. To keep up with continuously evolving consumerism, companies must keep reinventing themselves faster than ever. Technology is where the next reinvention is.”

- Sunit Mukherji
  Associate Director, Head Customer Service & Logistics, Mondelez
Preface

Distribution management is one of the primary and fundamental pillars for any successful business, more so in the fast-moving consumer goods (FMCG) industry. Distribution covers some of the basest decisions considered while introducing any product, service, or experience. Each product brings with itself a unique set of potential consumers that belong to multiple cohorts and demographics. Connecting these cohorts and demographics through a singular networking frame, where the frame itself is responsive and adaptive, is the main vision-statement of distribution management.

With growing complexity in the elements of influence (friends, family, and advertising) affecting the minds of an average consumer, companies look to secure one success point in their product distribution plan. This success point is to make the product available for the consumer. To create and maintain product availability, the companies must improve channel management within their distribution networks.

Primary distribution channels within the FMCG sector tends to be in more control of the companies themselves. Direct shipments across pre-defined routes with static timelines work well for these companies. However, secondary and tertiary distribution legs gradually build up chaos and unpredictability within themselves making it difficult for the companies to oversee and manage the complete shipment movement process satisfactorily.

Technology has stepped in with the on-set of the Industry 4.0 trends amongst top companies. Speed of innovation has increased drastically in the past few years. The need to automate simple operational processes have given rise to technological breakthroughs. We keep hearing about Machine Learning and the Internet of Things but don’t quite capture the possible applications of the same in their entirety. Location analytics, backed by self-learning algorithms, are transforming how companies read consumer information for their strategic decisions.

Disruptive applications of technology hold the key to turnaround the entire distribution structure of companies to create a world where implementing consumer feedback within the product and putting this updated product back on the shelves, all within a fortnight, is a reality. Effective disruption in the field of distribution can make companies extremely responsive and agile in terms of reacting to market trends.

Distribution utopia is not far away, we just must walk on the path laid out by technology backed resource and process streamlining.
## Contents

- Executive Summary............................................................................................................................................................. 1
- Four Rights of Distribution ................................................................................................................................................ 2
  - Right Consumer............................................................................................................................................................... 2
  - Right Product ................................................................................................................................................................... 2
  - Right Time ......................................................................................................................................................................... 3
  - Right Manner ................................................................................................................................................................... 3
- Top Distribution Networks ................................................................................................................................................ 4
- Product-Distribution Gap .................................................................................................................................................. 5
  - The Consumer-Product Gap ........................................................................................................................................ 5
  - The Product-Time Gap................................................................................................................................................... 5
  - The Product-Manner Gap ............................................................................................................................................. 5
- Three Primary Goals of Distribution ............................................................................................................................... 6
- The Distribution Problem .................................................................................................................................................. 7
- Four Rights of Distribution............................................................................................................................................ 7
- Cost Management .......................................................................................................................................................... 8
- Market Reach ................................................................................................................................................................... 8
- Analyzing the Distribution Problem ................................................................................................................................ 9
  - Merchandise Movement Visibility............................................................................................................................... 10
  - Lack of In-transit Product Quality Tracking ............................................................................................................ 10
"Every product fulfills more than a simple need for consumption. It’s also about a desire to be heard, be pampered, and be cared for. With the advent of an ever-connected world, people don’t just buy a product, they buy-in to a product."

- Sebin Thomas
  Head Supply Chain Management at HyperCITY Retail Ltd
Executive Summary

Distribution disruption is the need of the hour if a company wants to break-free of unsolicited and unplanned bottlenecks in resource and merchandise movement. The distribution market is a culmination of widely accepted terms of service level agreements which border on unsaid compromises with the inherent problems in distribution. However, a company, with a clear ‘vision’ for their distribution management can leapfrog these inherent problems and bottlenecks and get ahead of the competition.

Effective distribution management channelizes market insights into core product development to better serve the consumers and eventually expand market reach & capitalization. This can be achieved by going back to the very fundamentals of distribution and reworking a comprehensive and customized distribution plan for a company. This paper helps guide companies understand the perfect solution for their distribution problem to better channelize their networks and get the best reach and usage for their products. It is imperative that one perceives the entire distribution problem and not in the constructs of random moving parts, which is how it is handled right now. The distribution problem, across industries, arises due to lack of optimized utilization of their inherent channel networks. An optimized and structured approach to the situation can unleash the compounded potential of the network to give incremental benefits across the distribution life-cycle of the product.

In the Fast-Moving Consumer Goods (FMCG) industry, the very essence of effective distribution management lies in consumer profiling and intuitive replenishment cycles. An FMCG company would map the market for demand and then channel the necessary product lines at the right time. Furthermore, they need to assess the consumer feedback through the retailing and distributor chain to understand if their product benefits are being understood, realized, or simple rejected. This free-flow of information along the distribution channel is necessary for product development.

Technology can solve the distribution problem by leveraging live-tracking insights from merchandise movement within the channel and comprehensive analytics emanating from the resource, fleet, merchandise, and insight movement data. The insights here are in terms of retailer, distributor, and consumer feedback along with accurate invoicing, proof of deliveries, optimal route and journey plans as per movement experience, etc.

Once the transformative benefits of technology are accepted, the next question any company must tackle is the how to implement this technology into their legacy systems? Evolution of technology with the shades of Internet of Things fundamentals have made it increasingly accommodative for multiple software to freely interact and collaborate towards an optimized end-goal. No longer is it a task to incorporate innovative technology within the central enterprise resource planning systems of companies. Moreover, these technologies perform equally well as standalone products and are as, if not more, effective as when they are integrated with parent systems. Technology has come a long way and so has the industry. This paper intends to merge them along a common line to maximize their overall potential.
Four Rights of Distribution

Regardless of business model, the key driver for corporate success is reaching the Right Consumer at the Right Time at the Right Place in the Right Manner. These are the Four Rights of Distribution.

Right Consumer

It's imperative to reach the right consumer with your value. Value is a relative concept which heavily depends on the end consumer. One person might perceive the value in a different manner as another, and this perception is what dictates their level of satisfaction post consumption. For example, the aspirational value of a vintage Chevrolet would be different for a Millennial and a Baby Boomer. Even outside the cohorts, individuals might have varying attachment levels to similar needs. One person might consider social acceptance or adulation as being higher than financial security. This unique attachment level would affect their spending limits for each need. To ensure loyalty, the right consumer should be identified and targeted as soon as possible.

Right Product

The right consumer must be provided with the product (or service) which best suits, solves, or sustains their need optimally. This product should fulfill its unique selling point to justify the consumer’s investment of time and money. When the product fits into this ‘market’, then the acceptance and adoption rate of its inherent solution increases multi-fold. Companies chase this ‘product-market’ fit across timelines and geographies while experimenting with multiple sample audiences sets and different solution permutations. Effectively, the right product can create an unshakable foundation of trust for the entire distribution network.
**Right Time**

The needs of the consumer vary in intensity as time passes. Very few needs have time inelasticity. Time inelasticity is when the needs don’t change as time passes by. Most needs are time elastic (needs change as time passes). Hence, the right consumer must receive the right product at the right time. A product or a service has its greatest value when delivered at the right time. Time management also plays a key role in expectations management.

The consumer might have aligned the time of receiving the product or service with other timelines in their multiple processes. A business client might forward the receivables further down the supply chain utilizing time-bound market-sourced field workforce. Similarly, an end-consumer might require the product at a specific desired time to fit into the grander aspirational value. For example, a consumer would want to receive the order for a dress to wear at a big office event, before it happens, to plan for the said event.

**Right Manner**

The ownership of the desired product or service should be transferred to the consumer in the right manner to maintain the brand and utility value proposition of the receivable. Right manner of delivery covers the quality, precision, and consistency of the product handover. The product handover process is the final layer of value addition, before after sales support. It also includes authentication and feedback capture. Right manner of handing over a huge consignment of frozen food items and that of a medium sized courier are different and can’t be interchanged for obvious reasons.

**The manner of delivery of each product/service is unique to the nature of the product and it’s:**

- Usability
- Brand Value
- Brand Promise
- Value Proposition
- Customer Behavior
- Product Specifications
- Industry Benchmark
- and much more...
According to our industry survey, we rated the top FMCG companies across their ability to balance the consumer-product mix (right consumer-right product) and the time-manner mix (right time-right manner).

As per our analysis, Unilever and P&G manage the idealistic balance within the four rights of distribution, where P&G leads a bit on having the product made available at the right time and in the right manner. Comparatively, Mondelez can improve on getting the perfect consumer-product fit, which is understandable considering their recent acquisitions and the time required to adjust to new markets.

Coca-Cola has recently undertaken a massive refranchising initiative where it would eventually consolidate on its lesser time-manner mix by exploring new and emerging markets in their distribution network. L’Oréal has spent a lot on product innovation but they still have someway to go where they expand their networks for maximum product reach. Philip Morris, with its deep and wide distribution network, hasn’t innovated or put much effort to better accommodate the ideal consumer-product fit (perhaps due to the inelastic demand of its products).

There is potential for improvement in each case as continual efforts in improving the distribution network would eventually transform into a better consumer feedback loop and, eventually, a better product.
Product-Distribution Gap

Considering the four rights of distribution, let’s delve deeper into the exact gaps that the distribution network should fulfill for it to be successful.

The Consumer-Product Gap

The consumer-product gap, or CP Gap, stands for the difference between what the consumer desires from the product and what the product actually offers. The context of this gap centers around the ideal product-market fit arising from identifying the ‘Right Consumer’ and the ‘Right Product’.

Here, a company may feel that a consumer requires or desires a particular set of features and benefits, but without proper assessment of the market realities generated via the distribution network, the company may not realize the real needs of the consumer and hence creating breaking the product-market fit.

The Product-Time Gap

The product-time gap, or the PT gap, stands for the difference between the actual product value and the time at which it should ideally be made available to the consumer. If the right product is not made available to the right consumer at the right time, then any investment in advertising and promotions stand to be wasted. It’s very important to reach the make the right product available at the right time.

Bigger the PT gap, higher would be the chance of dissatisfaction at the consumer’s end. Moreover, making the right product available at the right time increases the probability of consumption by the consumer, hence, boosting sales.

The Product-Manner Gap

The time-manner gap, or the TM gap. Having the product made available at the right time is only half the battle. The other half is to have the product presented in a manner that the value of the product is clearly identified and accepted by the consumer. Consider having a self-grooming product such as a body soap that would last twice as long, compare to its competitors. This value must be communicated to the consumer in a way that makes them buy the product. This can be done by training the distributors and retailers in the art of upselling the product, or simply by making sure that some promotional element around the product reinstates the value. The company can achieve this by making it part of the vendor SLAs,

More on this can be seen in the ‘Change Management’ section of the paper, which talks about incentivizing the CFAs, distributors and retailers to follow the best service practices directed towards achieving superior consumer retention and satisfaction.

Distribution, again, plays a key role here. Proper execution of the value handover at the ‘Right Time’ and in the ‘Right Manner’ to the ‘Right Consumer’ would ensure goodwill and brand elevation. Moreover, the product could incorporate the feedback from the previous consumer interaction to enhance the next possible interaction. This is innovation and creation of value.
Three Primary Goals of Distribution

To understand the product distribution gaps better, we should identify the basic goals of distribution.

- Reach the right consumer with the right product at the right time and in the right manner.
- Reduce costs associated with merchandise movement.
- Expand market reach through a structured and evolving distribution network.

The first goal has been touched upon in the preceding texts. *The basic need or motive of distribution is to make the product of service available when the probability of consumption is at its peak.*

**Cost Reduction**

The cost-benefit analytics of every business decision is imperative to finetune the direction a company is moving in and the speed at which it decides to do so. This cost-benefit analysis lays the foundation for green-lighting many strategies and innovations. These strategies and innovations drive business and bring in the required profits. Hence cost reduction is such an important requirement in the grander scheme of things as it helps companies make better decisions.

Distribution management consumes cost as it supports sales and replenishment activities. Cost reduction in distribution helps the company push for more resources. This eases the pressure on supply chain movement with goods moving faster through hubs with quicker turnaround times. However, cost reduction without optimization could be counterproductive as the perceived benefits might fail to beat the consolidated costs of mismanagement and recession of quality.

**Expand Market Reach**

The third goal of distribution is to expand market reach through an enhanced and evolving channel network. Channel marketing is a substantial hurdle for some companies as they fail to properly incentivize their vendors and channel partners. Distribution network management is key to ensure your value proposition doesn't get lost in translation. The channel partners are often the last leg of product value transfer. They might be the sole interaction point for the end-consumer before that consumer makes a buying decision. A properly managed distribution network helps companies to direct their channel partners to better while incentivizing the influx of new channel partners which, in-turn, open untapped markets and demographics.
The Distribution Problem

The distribution problem is comprised of the aspects interfering with the smooth attainment of the three goals of distribution.

Four Rights of Distribution

As discussed in the previous section, the four rights of distribution together make the primary agenda and the primary challenge for distribution movement.

*If the feedback mechanism connecting the execution stage and the innovation stage is imperfect, then the new product features might become obsolete and eventually disband the product-market fit.*

Similarly, if the innovation to proposition match is not well-set, which means that even when the features are good, the company is not able to properly assess the market requirement as their distribution network is not spread across target demographics. This means that the features are being propositioned to people who won't find value in it.

Further ahead, even when the propositioned solution connects with the right consumer, the company must ensure that the actual movement of value, through the network, doesn't distort or devalue the product. For example, a commercially available chocolate might propose bitter-sweet texture, but to delivery management and service level agreement hassles, the chocolate loses its freshness and tastes more bitter than sweet. This is divergence from the original recipe for the product. This is when the *product value is lost in transition*.

Even when the value proposition remains intact, the manner in which the product is handed over affects the consumption mentality of the consumer. A consumer is more receptive to their own elastic demand when the environment in which they experience the product is conducive. This might include how the product is handled by the retailer or the e-commerce vendor.

*The company must manage the quality of their distribution handover by appropriately incentivizing positive processes and educating the channel intermediaries about the best service practices.*
Cost Management

Through the product-distribution loop, every movement from one domain to another carries a cost factor. Moving a product from the innovation to propositioning stage carries the cost of market (demographic) research and distribution analytics. Similarly, moving the product from propositioning stage to the execution stage involves the resource and merchandise movement cost. The cost of feedback capture and processing is included in the movement of execution stage.

Cost management has been, traditionally, a challenge right from setting up the distribution network, factoring in the movement and taxation costs of merchandise movement to decide on the strategic locations of manufacturing plants, hubs and target locations for product dissemination. Each carry forwarding agent works within a cost bracket which covers their own fleets or market-sourced resources/vehicles. Similarly, the company themselves must figure out the cost of investing in their own fleet system or utilizing the fleets of their channel partners.

*Key trade-off: effective cost management vs end-to-end process visibility/control.*

The biggest problems with cost management in distribution are:

- the highly variable nature of the costs
- the inefficiency and inconsistency in invoicing and collections
- the lack of validation of cost-benefit strategies

Market Reach

Assessing the economic and geographic segmentation of target markets, the company must establish a structured market capture, and eventually capitalization, plan for the distribution network. Once this go-to-market plan is set, key channel partners are identified, preferably the ones with experience of distribution in the target market.

There is an inherent risk associated with handing over the profitable assets (products) to a vendor for safe logistics movement. Most companies have a clear core-competency of product development or consumer success. These companies may not have safe logistics movement as a part of their core-competency. To ensure the same, they would have to expand their core focus which is a very big operational and corporate shift for a company. Therefore, companies prefer to establish a distribution network of channel partners.

*Key Trade Off: Sustain Product Quality Through Centralized Distribution Network Vs Engage Channel Partners to Ensure Product Quality Sustenance*
Analyzing the Distribution Problem

We conducted a survey of 1212 distributors, CFAs, and manufactures (across the United States, South Asia, and Southeast Asia) regarding their top problems with distribution management, rated as per their perspective about the severity of each problem. Their responses are collated here and arranged in decreasing order of (collective) severity.

The survey indicated that most of the respondents considered Lack of Market Penetration as one of the severest problem within the distribution industry, followed by process visibility (distribution movement visibility), and cost management. Cost management was matched evenly with the need to gather proper consumer feedback.
Let's consider some of the key problem areas that affect the distribution network of some of the biggest FMCG companies.

**Merchandise Movement Visibility**

The primary impediment to the growth of the distribution network is market driven establishment of service level agreements. The market, as referred to here, is the vendor market comprising of the third-party logistics (3PL) players. It is a seller's market and the companies are forced to agree to their terms in-order to sustain their distribution network. The distribution movement is then foreseen primarily by the 3PL partners.

These 3PL partners might have their own vehicles or they source them from other vendors. Hence, they must utilize the vehicle capacities to justify their costs. This leads them to construct shipments loads primarily for their own per cost-effectiveness and then secondarily their client’s schedules. Sometimes while serving multiple clients, they adjudge preferences for shipments that give them a better return on investment (ROI) rather than the more sensitive or urgent ones. The companies must manually track the movement of their merchandise to ensure that their schedules are being met satisfactorily.

**Delivery Delays and Detention**

The merchandise movement schedule is decided by the channel partner based on the availability of their resources. The time-sheet of each trip depends on the vehicle, the shipment, and the route it takes to deliver the same. Some cities have clear timings set which dictate when certain of types or loads of shipments can transvers through the borders. Some other cities have directives on traveling from non-populated areas which compel the vehicles to take the outer-ring roads.

Further, the assumed estimated time of arrival (ETA) must be adjusted to the availability of the workforce to off-load the vehicles. Adding the suggestive hub detention time experienced by these vehicles, their subsequent trips and their schedules must be figured as per the movement and workforce restrictions of the next city. This adds a factor of manual and hub-level delay which must be added to the respective ETA. However, any such delay in the intermediary hubs are not tracked live by the proceeding hubs and their resource plans covering the movement and workforce restrictions gets constrained.

**Lack of In-transit Product Quality Tracking**

Once the merchandise is dispatched from the manufacturing plant to the carry forwarding agents (CFAs), the company doesn’t have control over the quality of transportation the merchandise endures. Full-truck loads of merchandise are moved to mega distribution hubs where their volume is broken down to smaller shipments and dispatched again to smaller hubs or distributors. Further down the line, the distributor breaks down the bulk shipments to form small stock keeping units (SKUs).

The multiple merchandise handshakes might lead to wear and tear in the packaging of the product or the product itself. As the 3PL partners control the visibility of the distribution movement, knowledge of such damage takes a while to reach back to the companies.
The Fast-Moving Consumer Goods (FMCG) industry weighs in heavily on the power of a strong distribution network. **Brand awareness, visibility, and availability are an integral factor of the retail sales for FMCG companies.** The demand for their products are majorly elastic and they exist in a constant competitive zone. Little fluctuations in prices have a large effect on the demand of that product.

Utilizing the game theory to structure the competitive analysis within the FMCG industry we can understand the marketing and branding spends for the products stand normalized. Each competitor would advertise with a heavy budget, working with an assumption that the respective competitor would do the same. Hence advertising and marketing spends are almost identical across the industry. Here the brand availability factor acts as the differentiator.

On an average, each FMCG company has a ratio of 1,400,000 consumer reach to each manufacturing plant, and on an average, a company has four such manufacturing plants (in a developing market/nation). Hence, a company has 5,600,000 consumers for each product.

Considering most global markets, this number is at most 50% of the total potential consumers available. All the FMCG companies target the same set of 5,600,000 consumers, constantly eating into their competitor’s markets and vice-versa.

**FMCG companies boost their control over the 5,600,000 consumers by properly incentivizing the corresponding distributors and retailers while expanding into new distributive territories to engage the previously untapped consumer markets.**

---

**Average Numbers for an Ideal FMCG-Distribution Chain**

- 5 Carry Forwarding Agents for Each Manufacturing Plant
- 4 Distribution Hubs for Each Carry Forwarding Agent
- 20 Distributors for Each Distribution Hub
- 50 Retailers for Each Distributor
- 20 Consumers for Each Retailer
Disrupting Distribution

The distribution network comprises of the primary, secondary, and tertiary legs. There are one or two CFAs per state, depending on the size of the state. The company has field officers and area sales managers that seek out key distributors to spread their products further into new territories. These distributors set up their invoices with the local CFAs, or directly with the company, as per their requirements. The CFA then considers the order requests and assigns the appropriate vehicles and resources to fulfilling the same.

The distributors, local or upcountry, have their own network of retailers. Local distributors cover a territorial area of around 30 miles and the upcountry distributors cover a territory of 30 to 150 miles. They manage their fleet and resource usage accordingly.

Furthermore, distributors are divided into top modern trade and general trade.

Modern Trade

Modern trade includes large scale retail chains which have an organized distribution system to disseminate the products within their self-owned or partner retail outlets. The strength of modern trade lies in effective bundling of product types as per their usability giving the consumers ample choice. However, in recent years, modern trade has slowed down as they struggle to balance their own cost of operations with that of holding inventory.

General Trade

General trade includes distributors and super-stockists with a more unorganized but traditional distribution network which cover local wholesalers and retailers. General trade has been growing despite the influx of modern trade, and is set to outgrow them by 10% year-on-year. Due to an agile network of operations, general traders can expand their reach without being burdened by liabilities associated with establishing their own shopping centers.

Modern trade distributors cover less than 10% of the total distribution network for most FMCG companies. General trade, with their traditional stakeholders, cover the other 90%.

The major disrupting factor for the FMCG companies then is to bring structure and organized processes amongst its general trade network. Companies can compensate for the lack of transparency and visibility in their secondary leg (CFA to distributor), and the tertiary leg (distributor to retailer).

Now technology has made it possible for companies to track their shipments in real-time as they move from their plants to the CFAs and further to the respective distributors and stockists. The companies can better manage their resources to transform their less-than-full truck load shipments to full truck loads thus bringing down the overall cost distribution and boosting resource utilization.

Technology can finally help companies balance their distribution across various categories and capabilities of CFAs, distributors, 3PLs, and retailers.
The Distribution Solution

Now let's see how we can effectively solve the distribution problem with the use of technology.

<table>
<thead>
<tr>
<th>Schedule Planning</th>
<th>Real Time Shipment Tracking</th>
<th>On-Time Deliveries</th>
<th>Streamlining Invoicing</th>
<th>SLA Tracking</th>
<th>Feedback Capture</th>
<th>End-to-End Visibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective resource capacity and route planning</td>
<td>Tracking the movement of shipments to CFAs</td>
<td>Ensuring on-time deliveries to the CFA hubs for effective dissemination</td>
<td>Efficient and timely cost based evaluation of each CFA</td>
<td>Effective SLA tracking in terms of distribution reach, quality tracking, and turnaround time</td>
<td>Real-time feedback capture about product quality and consumer satisfaction</td>
<td>Total end-to-end visibility across the distribution network to track each shipment from dispatch to delivery and the real-time market analytics for effective forecasting of possible resource requirements across seasonal peak-times and other product demand variations</td>
</tr>
<tr>
<td>Automated order and resource allocation for effective capacity and route optimization</td>
<td>Tracking shipment movement and product quality as it moves through multiple handshakes</td>
<td>Reducing lead time from CFA to distributor and optimizing turnaround time for vehicles</td>
<td>Quick and accurate sales invoicing for faster delivery allocation as per inventory availability</td>
<td>Seamless SLA tracking for on-time deliveries and sustaining product quality</td>
<td>Inventory and sales requirement feedback to better manage distribution network expansion</td>
<td></td>
</tr>
<tr>
<td>Optimizing the replenishment cycles as per the preset schedules associated with each retailer</td>
<td>Tracking shipment movement and product quality while optimizing for local traffic patterns</td>
<td>Maximizing on-time retail deliveries for effective replenishment while increasing total deliveries/day (market reach)</td>
<td>Transparent and accurate invoicing on the part of retailers to sustain the cash flow cycle across the network</td>
<td>Ground-level SLA tracking for on-time replenishments and compliance over product quality</td>
<td>Consumer feedback capture and escalation of product damage incidents</td>
<td></td>
</tr>
</tbody>
</table>

Optimal SLA tracking for on-time deliveries and sustaining product quality.
Future of FMCG Distribution

The crux of the distribution plan lies with the effective data exchange between multiple transmission points along the distribution framework.

*Technology and optimization are two sides of the same coin. Optimization is the eventual culmination of all business effort while technology is the effective platform for its automation.*

The idealistic assumption for all strategy is seamless execution. Technology has always been the medium for such strategical disruptions. Within the multi-factor distribution plan, the key performance catalyst is data flow. It has been said time and again that data is the new oil. Like oil, to be useful data must be accurately mined, appropriately refined, and expertly utilized. Bad data, like bad oil, can ruin your finely tuned business machinery.

*Industrialization and consumerization of the world has galloped through the power of technological implementation. Now we have disrupted multiple avenues of process upgradation through digitization, cloud-computing, machine learning etc. Process automation, for merchandise movement within the FMCG sector, is of the utmost importance to capitalize on the next phase of product and service consumption.*

- Manisha Raisinghani
  CTO, LogiNext

*Movement analytics can be structured in to establish the perfect anti-thesis the chaos of unpredictability that has engulfed our business senses in terms of gauging consumer expectations, negotiating with channel partners, controlling ETAs under acceptable error rates, sustaining product quality across the distribution network, ensuring perfect product handover at the point-of-sale, and managing the post-sale consumer success strategies.*

Each factor, mentioned above, can be optimized using appropriate technology. For example:

- Channel partner SLAs can be tracked through real-time tracking and regular service updates.
- Delivery ETAs can be perfected through expert route and resource optimization.
- In-transit product quality can be managed through performance indicators such as temperature, time, and speed tracking solutions.
- Point-of-Sale of Handover feedback capture mechanism enabled through SaaS based applications.
Fulfilling Product-Distribution Gaps

We have discussed the product-distribution gaps earlier. Let’s understand technology can help us fill these gaps.

Innovation

App-Based Feedback Capture
Capturing feedback within the application used by the delivery personnel where insights can be directly sent to a central repository for the distributor and the main company.

Feature and Benefit Validation
Utilizing the feedback loop to set up validation metrics for key product features and benefits enabling smooth innovation processes.

Proposition

Distribution Territory Mapping
Utilizing shipment movement frequency analytics to establish heatmaps for distribution territories to help with planning resource and distribution visit timings.

Identifying High-Yield Locations
Identifying high-yield territories within the distributive set-up through expert invoicing and real-time process visibility.

Execution

Securing Merchandise Quality
Ensuring quality and security across distribution movement to enable sustenance of product quality from the moment it leaves the manufacturing plant to the point where it reaches the end-consumer.

Real-time SLA Tracking
Empowering CFAs and distributors to track vendor SLAs in real-time for authentication of distribution movement strategies.

Innovation

Distribution Territory Mapping
Channeling cloud-based delivery movement optimization to track and manage product availability and awareness with on-time retail replenishments or direct consumer deliveries for a complete omni-channel experience.

End-to-End Process Visibility
Ensuring quick reaction times for service constraints like traffic hassles, vehicle breakdowns, or even random demand spikes.

Proposition

Seamless Platform Integrations
Strengthening the customer and technological support with effortless and seamless integration of all major solution platforms for collective performance enhancement.

Automated Delivery Management
Assigning the best suited resource or vehicle to a delivery as per knowledge, experience, capacity, and ability for maximum performance.

Execution

Demand Forecast Mechanism
Understand sales and demand patterns to forecast resource or workforce requirements to enhance distribution networks, territories, and future expansions.

Superior Go-to-Market Strategies
With the consolidated set of market insights available through a singular dashboard, ensure superior go-to-market strategies for each product variation or line-up.
Change Management

Technological integrations to better distributive processes requires a collaborative effort from the entire network. Only then would the company witness the true benefits of the disruptive implementations.

Educate

Initially, the channel partners must be educated in the art of proper distribution management. Most distributors are running behind the cost curve where they miss out on feedback and market insights, in-turn, losing out on potential market penetration, eventual market capitalization, and subsequent profits. The company can focus on educating the management personnel belonging to the teams of the CFAs and distributors. These personnel can in-turn train the people working for them. Directed and focused training can minimize the costs and maximize the output.

Incentivize

Strategical incentivizing would enable the partners to align their goals with the goals of the company.

The primary incentive for the partners is success and profits. The company must make them believe and accept that this distribution plan is in their best interests. Effective execution of this plan would mean greater business and swifter credit cycles for the distributors and CFAs.

The secondary incentive for the partners is the growth of their business with their clients which is the company itself. The company can utilize their partner’s basic requirement of business sustenance, to engage them in adopting the basic practices of the distribution plan.

The company can associate bonuses for reaching strategic success points in the distribution structure such as effective feedback capture or ensuring greater control over the manner in which the product is presented to the consumer. The company can all set-up an incentive gradation plan which offers all their channel partners performance reward points, redeemable through future exclusive distribution deals or monetary business investments.

Engage

Eventually, the learning and training methodologies would inculcate themselves into the partners. This is the point where the company would want to engage these partners further. Initially, the company can help the partners adopt a common logistics tracking and management platform to ensure seamless data transfer across the network. The company could also:

- buy-in to the network, forward integrating towards the end-consumer.
- become exclusive clients to the transformed CFAs and distributors (with their own set of 3PLs and vendors).
- incentivize their distributors across territories to collaborate opening a cross-vertical process visibility.
Effective Implementation Results

Leading FMCG stalwart with a global turnover of more than $6 billion chose to implement route planning and optimization solutions to streamline their last mile deliveries.

*Here is a snapshot of all that they achieved within a quarter after seamlessly integrating last mile management solutions within their legacy system.*

**Schedule Planning**

Effective vehicle capacity mapping within the order planning functionality offered the client the unique ability to have automated and optimized plans at their fingertips, ready for deployment and dispatch. Each resource was carefully suggested orders which would match their capacity bandwidths and timelines (in case of market sourced resources).

**Route Optimization**

These scheduled plans were executed to perfection through expert route optimization which set the company's vehicles and delivery personnel on the quickest and most cost-effective routes for their replenishment cycles.

The routes could be optimized for cost, time, distance, preferred deliveries, etc. based on the various flavors of planning.

**On-time Deliveries**

Effective schedule planning and optimized routes helped the client achieve on-time deliveries irrespective of whether the territories were rural or urban avoiding the bottlenecks and delay-causing areas. Maximizing on-time deliveries helped the client and their channel partners better plan their workforce for the loading and unloading activities.

Live tracking of resource and shipment movement from manufacturing plant all the way to the retailer helped the client to become more responsive and agile. Real-time shipment tracking included live location, merchandise quality, and on-ground weather analytics. Real-time SLA tracking helped the client ensure efficiency and performance from 3PLs and vendors.
Buy vs Build

Technological capabilities must be infused into the distribution processes through original software build right at the company, or market-leading software solutions. Like every strategic decision there is trade-off here as well.

**Key-Trade Off:** Build core-competency over a technological domain or leverage industry validated solutions from the market.

A company must establish its requirements before they consider buying solutions from the market or building their proprietary solution set. Here are a few questions that the company should brood over.

- What is the budget made available for a possible software build?
- Would the cost be amortizable over a period?
- Would the future cost of maintenance be added to net present value of the build or would it be a recurring cost?
- Does the overall cost of building overshoot the cost of buying market sourced solutions?
- What would be the set of features that the built software offer?
- Would it be transferable across business verticals and vendors?
- Would the customization of features account for multi-year solutioning?
- If the features require upgrades, would they be added to the total cost of the build?
- Would the built features be integratable with market-sourced solutions used elsewhere in the company or with channel partner solutions?

Adding to the previously mentioned trade-off, we can consider **customization** as a considerable trade-off. Customization through a built software can out-shine a market sourced solution. However, the market sourced solution can be upgraded seamlessly without much downtime at the main company's end.

Similarly, **security** is another key consideration point. However, this factor has been shifting towards SaaS based solutions as off-site information can be secured against hacks and facility mismanagement.

As a part of the industry survey, that we mentioned earlier, we asked our respondents to rate the different considerations associated with buying a solution to building it in-house.
Conclusion

Distribution management through technological innovation has been a continual progression point for industries. Companies have dealt with consumer demand, realized or latent, with effective distributive strategies. However, with the overexposure of branding and advertisement, it has become exceedingly essential for companies to reinvigorate their distribution management plans to tackle the foreseen and unforeseen challenges.

The four rights of distribution, reaching the right consumer, with the right product, at the right time, and in the right manner, has been the founding layers of every distributive strategy.

There is a way that this could be achieved while keeping the other two of three goals of distribution, cost management & market reach, steady and successful. It's simple, fundamental disruption of distribution.

The effective distribution problem, including inefficient third party and channel partner management and incentivizing; resource movement visibility across the distribution channel; and ballooning of costs due to market controlled service level agreements.

To keep the information and merchandise movement in the distribution network smooth and visible, technology can be leveraged with a clear buy-in strategy for all stakeholders. Each development in the distribution channel can and should be tracked and managed properly. Technology, hence, is the key catalyst to solve the distribution problem.

It is imperative to look to the future of your company to build your present towards the same.

"The power of suggestion is the best takeaway out of technology backed optimization. By the precise nature of the suggestion of better, optimized and cost-effective routes & processes, companies inculcate a need within themselves which drives them to innovation and competitive dominance.

The question is not whether to leverage technology. The question is how to get the most out of it at the right time.

A perfect plan executed at the right moment can transform the distribution network across markets within a single quarter.

Dhruvil Sanghvi, CEO, LogiNext"
Disrupting Distribution
Disclaimer

Analysis in the paper is based on non-confidential data made available by the clients, market sourced information, and insights gained from implementation of key solutions. All metrics and calculations appearing in the paper are approximate, verified and justified in terms of current analysis and forecasts.

About LogiNext

LogiNext is the leading name in field workforce and logistics optimization globally with market leading products established for last mile management, field service optimization, on-demand delivery management, and linehaul express management across North America, Middle-East, South and Southeast Asia. With more than 250 enterprise clients spread across multiple industries such as FMCG, retail, e-commerce, manufacturing, logistics, maintenance services, energy, construction, transportation, and telecommunication.

With continually evolving and expanding base of technological capabilities, LogiNext has gained unparalleled authority in streamlining distribution operations for effective utilization and performance optimization of resources and fleets across industries.