

The Foods business: A different stroke in the FMCG portfolio



Freshness drives off-take

The Indian Foods and Beverages Industry (F&B) offers a large opportunity with a market valued at 200 bn\$ (almost 65% of the aggregate retail sales).

Food and drink products comprise the largest share of the consumer spend in India (50%). The changing industry trends call for a paradigm shift.

However, the opportunity is coupled with challenges.

- The Indian consumer demographics are fast changing. Consumers have wider choice, are more aware and therefore are demanding more.
- Organised retail is fast tilting the value chain leverage and expecting companies to meet their stringent norms. Organised retail penetration is currently less than 1% of the F&B retail sales, however it is growing at 30% per annum.
- Large players have entered the segment and are aiming to control the entire supply chain from the farmer (producer) to the retailer.
- Regional brands tend to hold strong associations with the consumer mind space.

While dealer leverage and availability have been the “mantra” for FMCG companies in the past, the inherent nature of the F&B business and changing market trends stated above, will call for paradigm shifts in their approach:

- From availability to freshness
- From control to collaboration
- From national approach to regional approach

ECS helps a large FMCG player to re-organise their Foods division’s supply chain.

A large diversified and successful FMCG player was seeking to enhance the performance of its foods business.

ECS conducted a detailed assessment and presented the following insights:

- Focussed group interviews of consumers showed that the freshness of stocks was 50% of the level desired by the consumer.
- A retail survey conducted across 900 outlets in India showed that the average age of stocks on shelf was at least 20% poorer than that of competition.

Management contested the significance of freshness over availability for the consumer. ECS then conducted a detailed Design of Experiments in a set of sample outlets to statistically quantify the impact of three parameters on consumer off-take; Freshness, Availability and Visibility. Results of the experiment revealed that in the foods business:

- Freshness is thrice as important as availability and twice as important as visibility.
- Adjusting the shelf stock freshness to the consumer’s desired level, tangibly increased sales by 16%.

Benefits quantified

- 30% improvement in product freshness
- 15-20% increase in sales in pilot stores

ECS recommended and implemented the following:

Having tangibly shown to management the significance of freshness the ECS team along with the Sales, Supply Chain and Procurement teams developed a change agenda for the supply chain.

- Re-design the sales (journey cycle) planning process to retain flexibility and responsiveness.
- Establish inventory policies across the supply chain to maintain the desired levels of freshness.
- Re-evaluate the manufacturing foot print in accordance with the regional product bias and further to minimise transportation lead time.

Action: Inventory norms developed for all CFA's across India to enable replenishment and maintain product freshness

Benefit : Freshness improvement by 30%

Action: Sales planning process re-designed to include separate plan for trade promotions and new products. Planning period reduced to provide responsiveness.

Benefit: New products enabled for better performance in the market.

Action: All India manufacturing capacity de-centralised for shorter delivery times.

Consequence: High manufacturing responsiveness to shorter planning cycles and local market activity, optimised logistics costs

Action: Procurement items categorised and inventory norms developed.

Consequence: Inventory norms aligned to supplier leverage and spend. Reduction in production stoppage

[Contact for details](#)

Ravind Mithe - Chief Consultant [At Mumbai]

ravind_mithe@ecs-limited.com

ECS is a premier business management-consulting firm in India. Its consulting practice covers **Services, Strategy, Operations, Human Resources & Change Management, Supply Chain Management and Full Value Spend.**

Offices:

Mumbai office

2 A, Wing A, 8th Floor,
Prism Towers, Mindspace,
Goregaon (West), Mumbai – 400 062
Tel : 022- 40074600 / 40033400 -1 Fax : 022- 40074700

Delhi office

804, Signature Towers
Tower A, South City
Gurgaon, Haryana – 122001
Tel: 0124-2383301/02, 2383297 Fax: 0124-2383295

Bangalore office

Tel: 080 – 40794128

Chennai Office

1st Floor, Mootha Centre
23 Kodambakkam High Road
Nungambakkam, Chennai – 600 034
Tel: 044- 42122190 / 42123471/81 Fax: 044-42122190

Web site: www.ecs-limited.com