

Clip: 1 of 1



BACK TO BASICS

Smart IT infrastructure and data analytics are powering Marico's supply chain and back-end operations

DEVINA JOSHI

One would usually associate data mining and loyalty programmes with consumer marketing, with the benefits accruing to the end customer. Home-grown fast moving consumer goods maker Marico has turned the model inside out to make its back-end operations more cost effective.

At Marico India, life begins with copra — the biggest and the most important commodity purchased by the FMCG company. With coconut-based products like Parachute, Parachute Advanced, Nihar, Oil of Malabar and Parachute Advanced Body Lotion in its portfolio, its production capacity can be optimally utilised only on the back of a steady supply of copra.

Around 10 years ago, Marico was faced with an acute shortage of copra, which led to its capacity lying fallow. In the words of Jitendra Mahajan, chief supply chain officer, Marico India, "There is no bigger crime an FMCG company can commit than to have a demand and being unable to supply." Traditionally, Marico bought its much needed raw material from the markets of Kochi, Kozhikode (Kerala) and Kangayam (Tamil Nadu). But consistency in supply was a problem, along with a long chain of middlemen, which kept Marico away from direct access to farmers. Thanks to market inefficiencies, arbitrage was the order of the day.

The only way to source copra under both bullish and bearish cycles sustainably was to reach out to the lowest end of the supply chain — the farmer. Further, Marico wanted to widen its sourcing base beyond terminal markets to break the cycle of ad hoc pricing. But that was not easy: Farmers were situated at diverse locations and had strong ties with local middlemen and local distributors. The attendant costs would have been difficult for Marico to absorb.

The solution to these challenges appeared moving its buying centres closer to the farmer. Thus, emerged the idea of

of shifting goods to the terminal market as opposed to Marico's buying centres located closer. Marico still gave the farmer terminal market rates, which improved his remuneration. Another issue the centres addressed was transparency. A typical problem the farmer faces in the open/terminal market is unstable price realisation (realisation was lower if the moisture content in the copra was higher as that yields less oil). Marico started incentivising the farmer — paid better, provided him with a weighing scale with calibrated weights to ensure he is satisfied that he is paid for the right quantity and offered an open inspection process. Furthermore, Marico loosened its criteria for a minimum supply quantity — Marico centres would buy quantities as small as 50 kg. Above all, the farmer received his payment on the spot as opposed to credit systems prevalent at the terminal markets, helping him manage his cash flow better.

What started years ago as an experiment has led to a movement of sorts at Marico India, helping it make its supply chain more efficient.

Loyalty marketing for farmers

Till date, the concept of a loyalty programme has been consumer-driven at large or trader-driven at best. Marico has taken it one notch higher with a loyalty programme for its farmer community. Marico has formed a network of 25 service providers or entrepreneurs to manage its collection centres. The chosen ones had to be individuals who were respected by the local community, and had knowledge of the processes. These entrepreneurs have several mandates: to transfer the know-how and best practices for farm management to farmers, work with engineering firms to create mechanised conversion (of nut to copra) models and transmit that knowledge to farmers, conduct training to enhance the conversion process, and so on. These entrepreneurs are also managers of the loyalty pro-



(Clockwise) Marico staff familiarising farmers with climbing contraptions in Kerala; a salesman using a handheld device to relay information from the field to the distribution centre; a Marico copra collection centre; machines being used to convert nuts into copra; a Marico salesman taking an order on a handheld device at a retail store

gram of supplies in a month, and the achievement of monthly targets given to him on the basis of historical records in order to qualify for loyalty points.

Once a farmer is registered after document verification, he gets a vendor code, and his points are added to that code. These points can be redeemed at the end of the financial year. There were years when Marico redeemed the points through a gift catalogue. Depending on the points, a farmer would be given gifts like a television set, a refrigerator etc. Marico also works closely with the Coconut Development Board to propagate government schemes to farmers. As part of Kera Ratna, it facilitates interactions between farmers and experts for knowledge sharing. Currently, Marico has 4,700 farmers connected to Kera Ratna. What began as an initiative to streamline sourcing has now become a full-fledged farmer outreach programme.

Improving production and sales

Sometime back, Marico upgraded its IT backbone to remove the possibility of time

IT has also ironed out the pricing and transparency issues for Marico's farmer community. Marico defines the rate for copra every morning (depending on demand and supply position, terminal market prices) and communicates it to the collection centres. The entrepreneurs who are not Marico employees are expected to convey the same to farmers at the centres. "But how do we determine they are doing so honestly?" Mahajan muses. The solution was discovered as recently as last year, when the company provided electronic panels at all the centres, so that the farmer could read what that day's price was. The panel is akin to a moving ticker/indicator that you find on a railway platform.

Then, how does Marico ensure that even a remote farmer gets the right price? Farmers register their mobile numbers with Marico and the moment the payment voucher is generated, they get a text message about the transaction. This creates transparency. Data analytics is also being used for research to improve yield. Says Mahajan, "We are working with private

rather than have 8-10 days' worth of stock lying with the distributor and then wait for the stock to drop down to a certain level before replenishment, Marico has a proactive stock replenishment cycle based on market orders," says Samardeep Subandh, chief sales officer, Marico India.

Over the last few years, Marico's portfolio has expanded — in the metros, Marico salesmen sell more than 150-200 active SKUs per market. With the use of handhelds, the fill rate has gone up to 90 per cent, and the closing stock at the distributor level goes down.

The benefit at the front-end is bigger. Once a salesman starts handling 150-180 SKUs, there are different promotions every month where the price varies, and doing things manually is complicated. The teams there find it easier to work with an IT-enabled system. Second, it enables faster billing at the distributor level, faster loading and unloading of stocks, planning of the routes etc, as it all gets automated. Marico is making use of Google Maps and geo-tagging for distribution. On obtaining an accurate location of stores, one can do route optimisation, increase market reach etc. This year, an important project for the sales function, named Project One, was rolled out in association with Nielsen. It involved increasing Marico's direct coverage significantly. As a result of the project, Marico added 60 per cent new stores in the top six metros.

Mahajan says unavailability of skilled labour — conversion of coconut to copra is a fully manual process — has been a nagging issue. Over time, Marico has developed a prototype of a production line, which cuts down manpower requirement by 80 per cent, while the time taken shrinks from five to two days. Started last year in one collection centre, this production line is also eco-friendly. In the tradi-