



Streamlining Distribution Network & Making It More Agile

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**A Case study of One of India's
Leading FMCG Company**

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Background of the Problem

Mr.Nikhil was working in a leading FMCG Company as a Distribution Manager in Jirakpur Warehouse. He was having vast experience in FMCG Distribution Management. Punjab based FMCG Company was the largest manufacturer of famous sandal soap around 500MT per day. Jirakpur Warehouse, which one of the biggest warehouses, was mother hub for the distribution of FMCG products to all over India. After a while, Mr.Nikhil got transferred to Lucknow Feeder warehouse from Jirakpur. Lucknow warehouse was feeder hub to deliver the product to the central and eastern part of the state. Mr.Nikhil faced a lot of issues while working in Lucknow based feeder hub.

Problems

The FMCG Company was dealing with a large number of transporters to move the consignments from branch warehouse to cities and towns, due to which there were not sufficient business for everyone. The load was too less for each transporter making it difficult to provide end-to-end distribution solutions due to low business margin. Due to low margins cost of distributors, they were forced to use transporter's facilities to store the products. Record keeping of such large number of transporters was also a painful job and at the same time, there was no material traceability.

Major Challenges:

- Large numbers of transporters
- Record keeping and tracking of consignments
- Lower volume affects service level efficiency of transporter
- Lower Business Opportunity to transporters
- High Transportation Cost

Solutions

Mr.Nikhil started the pilot project with Kanpur location because it was near to branch warehouse. If any issue escalates at Kanpur location it can be easily resolved within a day (78 Km far from Branch Warehouse location). Mr. Nikhil tried to convince the Kanpur distributor to reduce the number of transporters. He also tried to convince selected transporter to store the

product in his warehouse for a few more days. Once transporter identified that business opportunity is growing due to large volume, he agreed to provide lower freight and storage facility for a longer period. This strategy results in lower transportation cost by 5% and increase the flexibility and productivity of warehouse.

The success of Kanpur Plan encouraged Mr. Nikhil to roll out the same strategy in Allahabad. After Allahabad, it implemented in five more locations. This reduced the total number of transporters from 90 to 40. It also helped in the tracking of consignments, improving the productivity of manpower and lowering the transportation cost.

Although the new distribution strategy was successful there was still the opportunity to improve efficiency. Because small town like Fafamau and Gopiganj were still catered by separate transportation facility due to small orders. Mr. Nikhil identified such type of locations and consolidated them with big distributors. So, without having Super Stockist concept in FMCG Company, Mr. Nikhil successfully streamlined the distribution network. It helped FMCG Company to reduce the total number of transporters from 40 to 18.

Benefits

- Agile and Streamline Distribution Network
- Lower Transportation Cost
- Improved Warehouse Productivity
- Increased Service Level Efficiency of Transporter
- Higher Business Opportunity to Transporters
- Easy Traceability of Consignments